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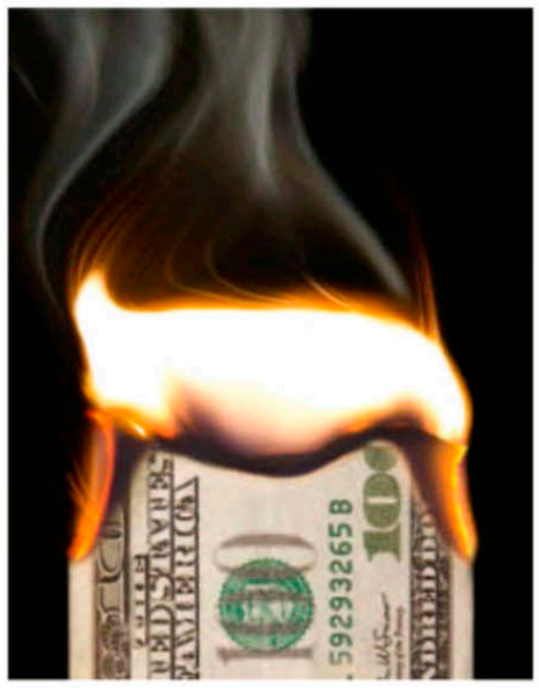

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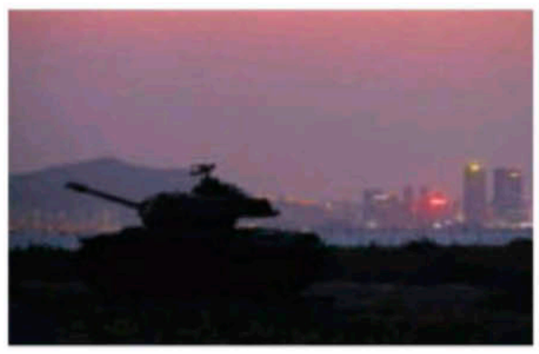

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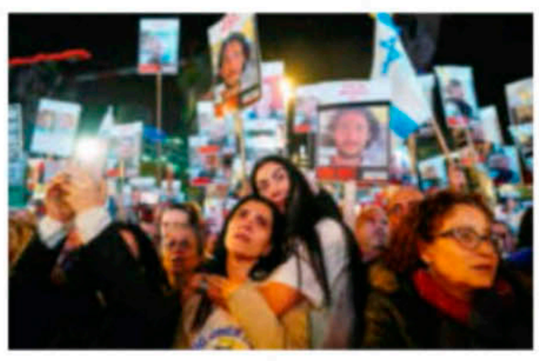

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Donald Trump stormed to victory in the **Iowa caucuses**, the first contest in the Republican race to choose the party's presidential nominee for November's election. Mr Trump took 51% of the vote, underlining his dominance in the race (in 2016, when Mr Trump started his first presidential campaign, he came second with 24%). Ron DeSantis and Nikki Haley were far behind, taking 21% and 19% of the caucus vote respectively. Some 65% of caucus-goers thought Mr Trump would be fit for the presidency even if he were convicted of a crime.

Israel marked 100 days since the **Hamas** attacks of October 7th. At a big commemorative event in Tel Aviv many carried pictures of the more than 130 hostages still being held in Gaza. Meanwhile, under a deal brokered by France and Qatar, Israel and Hamas agreed that medicines would be given to the hostages while more humanitarian aid would be delivered to Gaza where conditions are increasingly dire. Intense fighting continued in southern Gaza, especially around Khan Younis where Israel believes Hamas's leaders are holed up. Jordan said Israeli air strikes had damaged its military field hospital there.

America and Britain bombed dozens of Houthi targets in Yemen in response to almost two months of attacks on commercial vessels in the **Red Sea**. The Iranian-backed group continued its campaign, however, firing on several ships, which just prompted more American strikes against the militants. The American government put the Houthis back on a list of terrorist groups.

Tensions increased between **Iran** and **Pakistan** after Iran launched a missile attack in western Pakistan targeting Jaish al-Adl, Sunni militants whom it considers to be terrorists. Pakistan then fired missiles into eastern Iran, hitting what it said were "terrorist hideouts". Each country has accused the other in recent years of harbouring militants in the border region. Iran also hit targets in Iraq and Syria.

Russia and **Niger**, whose democratically elected leader was overthrown last year by a soldiers' junta, agreed to enhance military co-operation.

Azali Assoumani, who came to power in 1999 in a coup, won election to a fourth five-year term as president of the **Comoros**, an archipelago in the Indian Ocean. His opponents cried foul.

Britain's home secretary, James Cleverly, asked Parliament to proscribe the **Islamist** Hizb ut-Tahrir group under the Terrorism Act 2000. Anybody belonging to the group, or showing support for it, could face up to 14 years in prison. Mr Cleverly said that Hizb ut-Tahrir's praise of the October 7th attack by Hamas on Israel constitutes "promoting and encouraging terrorism".

Rishi Sunak, **Britain's** prime minister, survived a challenge from rebels in his own Conservative Party to a new law clearing the way for a controversial plan to deport illegal migrants to Rwanda. Three Tories resigned from their posts because they think the legislation is too weak.

Donald Tusk, **Poland's** new reformist prime minister, and politicians from the previous right-wing Law and Justice (PiS) government continued to row. The Constitutional Tribunal blocked Mr Tusk's attempt to remove the head of the public prosecutor's office, after Andrzej Duda, the country's president, said the dismissal did not have his consent. Mr Duda is from the PiS. A meeting between Mr Tusk and Mr Duda to smooth things over ended in acrimony. And the former deputy foreign minister was arrested over a visa scandal.

Keep on truckin'

Polish lorry drivers suspended their blockade of three border crossings into Ukraine, after reaching a deal with the Polish government over driver permits. Ukraine said the blockade had hurt its economy and its war effort.

Ukraine shot down a **Russian** military spy plane over the Sea of Azov and damaged another Russian aircraft used for airborne command. The planes were being used to co-ordinate Russia's ground operations. The spy plane could track more than 300 targets simultaneously.

William Lai Ching-te was elected president of **Taiwan**, giving a third term in office to the independence-minded Democratic Progressive Party. He will be inaugurated in May. Mr Lai has been an even more outspoken proponent of Taiwan's national sovereignty than the incumbent president, Tsai Ing-wen, though in his victory speech he emphasised his aim of avoiding confrontation by talking to China. The DPP lost its parliamentary majority, however.

The election in Taiwan angered China. It warned the **Philippines** "not to play with fire" and summoned the Filipino ambassador after the country's president, Ferdinand Marcos junior, congratulated Mr Lai. China said that this was "a serious violation of the One China principle". The Pacific nation of **Nauru** ditched its diplomatic links with Taiwan in order to forge closer ties with mainland China, leaving Taiwan with just 12 countries that formally recognise it.

The new government of the **Maldives** said it had asked **India** to withdraw the 80 or so troops it has stationed there by March 15th. Last year the Indian Ocean archipelago elected a new president, Mohamed Muizzu, who is strengthening ties with China and reducing his country's long-standing reliance on India. The Indian foreign ministry did not give a timeline for any withdrawal.

North Korea's dictator, Kim Jong Un, pivoted away from his country's formal desire for unification with South Korea, ordering the closure of all state offices that had been working towards that goal. Mr Kim said his people should no longer think of South Koreans as "fellow countrymen". Meanwhile North Korea's foreign minister visited Russia for talks. North Korea is supplying Russia with weapons for its war on Ukraine.

The presidential zeal

Bernardo Arévalo was sworn in as **Guatemala's** president. Since his landslide election victory last August, sections of Guatemala's political elite have done their utmost to stop the anti-corruption Mr Arévalo from taking office. His swearing-in ceremony was delayed by nine hours amid more shenanigans from his opponents in Congress, underlining the huge battle he faces fighting corruption.

In **Ecuador** the prosecutor who was leading an investigation into the recent storming of a television station by an armed gang was assassinated, according to the country's attorney-general. César Suárez was shot dead in the city of Guayaquil, the centre of most of the violence that has rocked the new government.

China's economy grew by 5.2% last year, just above the government's target of 5%. Speaking at Davos, Li Qiang, China's prime minister, crowed that the government had not had to resort to massive stimulus to achieve an economic rebound. However, the figure is a comparison with the low base of 2022, when GDP expanded by just 3% because of pandemic restrictions. Investors weren't impressed. Chinese stockmarkets extended their rout from the start of 2024, despite the authorities ordering some institutional investors not to sell shares. China's population also fell in 2023 for the second year, by 2m people to 1.409bn.

German GDP was 0.3% smaller in 2023 than the previous year, as higher prices hit household consumption and trade. The economy may have avoided a recession in the second half of the year, just. An initial estimate showed GDP shrinking by 0.3% in the fourth quarter over the third quarter, but the statistics office now says that in the third quarter the economy merely "stagnated".

Britain recorded an unexpected rise in **inflation**. The annual rate rose to 4% in December, the first increase in ten months. Coming after a surprise increase in America's inflation rate (to 3.4% in December) and a rise in the euro zone's (to 2.9%) investors are pushing back their estimates of when central banks will cut interest rates. Christine Lagarde, president of the European Central Bank, hinted this week that the ECB won't start reducing rates until the middle of the year.

America's big banks reported a mixed bag of earnings. Net profit at Goldman Sachs was $2bn in the fourth quarter, which was better than markets had expected. But its annual profit of $8.5bn was its worst in four years. Morgan Stanley's 12-month profit of $9.1bn was also its worst since 2019. By contrast, JPMorgan Chase's net profit of $49.6bn was a record for the bank, which benefited more than its rivals from higher interest rates. Citigroup is slashing at least 20,000 jobs, a tenth of its workforce. It reported a hefty loss for the fourth quarter related in part from its exposure to Russia.

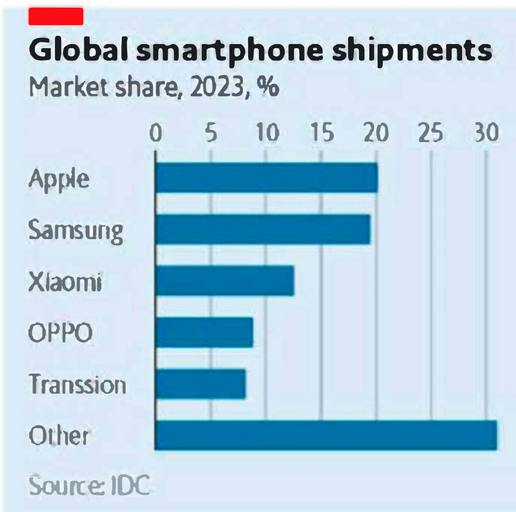
BlackRock struck a deal to buy **Global Infrastructure Partners** for $12.5bn. It is the asset manager's biggest acquisition since 2009, when it bought Barclays Global Investors. GIS owns infrastructure and energy assets, including London's Gatwick and City airports.

Flight cancelled

A federal judge blocked **JetBlue Airways'** proposed takeover of **Spirit Airlines**, finding that the merger of America's sixth- and seventh-largest carriers would hurt competition. The $3.8bn deal was announced in July 2022 and had been delayed in the courts ever since.

Kroger and **Albertsons** pushed back the date by which they hope to complete their proposed merger, as talks continue with the Federal Trade Commission and state regulators about combining the two supermarket giants. Meanwhile Washington state asked a judge to halt the deal, arguing that it would lead to higher prices for consumers.

Shell sold its 68-year-old onshore-oil business in Nigeria to a consortium of mostly local companies. Like other energy giants that have withdrawn from the Delta region, Shell has grappled with damage to infrastructure, often blamed on communities suffering from damage to their environment. Meanwhile, **BP** confirmed Murray Auchincloss as its new chief executive; he has held the job on an interim basis since the resignation of Bernard Looney last September.



Apple passed Samsung last year to become the world's biggest seller of **smartphones** by volume, according to IDC, a market-research firm (Apple has long been the most profitable smartphone-maker). Apple shipped nearly 235m of the devices, 4% more than in 2022 and despite a downturn in the wider market. That compared with Samsung's 227m, a drop of 14%. Transsion, a Chinese manufacturer, made the top five by selling lots of its phones in Africa.

Rising stock

The news was a fillip for Apple in a week when Microsoft pipped it to become the **most valuable company**. Microsoft is now worth around $2.9trn on the stockmarket, compared with Apple's $2.8trn.

The revolution in chipmaking spurred another big takeover, as **Synopsys**, which makes software tools for chip design, agreed to buy **Ansys**, which provides engineering simulation software to a variety of industries, for $35bn.

An annual survey of global chief executives by PWC found that a quarter of them expect to cut their workforce by at least 5% this year because of **generative artificial intelligence**. Those cuts are already starting to materialise, with Google reportedly laying off hundreds in advertising and Amazon making hundreds of redundancies in its streaming business, both because of AI.

Business, beware

What a second Trump term would mean for American business and the economy

WHEN DONALD TRUMP slunk out of the White House in 2021, executives at large American companies sighed with relief. Now that he has won Iowa's caucuses by a margin of 30 points, they are digesting the reality that this time next year Mr Trump could be behind the Resolute desk once again. *The Economist* has spent the past few weeks talking to these titans (see Business section). Some are deeply alarmed by the prospect of Trump 2. But others quietly welcome the chaos trade.

People who run large organisations have to be optimistic. They must find opportunities when others are panicking. CEOs had an uneasy relationship with President Trump, many distancing themselves from his most outrageous pronouncements and tut-tutting about protectionism, even as they enjoyed his more conventional policies. Republicans in Congress may have talked about being the pro-worker party, but in practice they cut business taxes. It was hard for corporate America to be miserable amid a soaring stockmarket.

If Mr Trump is indeed elected again, those running big firms plan to keep their heads down ("don't be Bud Light" is a frequent refrain, after the beer brand fell victim to the culture wars). They would avoid being dragged onto Mr Trump's business councils, dodge presidential photo-ops and get on with making money. True, if Mr Trump did a deal with Russia that ended the war and sold out Ukraine, that would be bad for Western civilisation. But it would reduce energy bills.

What's more, Trump enthusiasts in the C-suite have plenty of grumbles about Joe Biden. Mention Lina Khan, who oversees the Federal Trade Commission (the antitrust police), or Gary Gensler, who leads the Securities and Exchange Commission (the Wall Street police), and they inhale sharply. Mr Biden wants to raise taxes on companies. His administration also wants to go ahead with the Basel III "Endgame" regulations, which oblige big banks to hold perhaps 20% more capital on their balance-sheets, sedating animal spirits and damaging profitability.

Yet this bullish case for Mr Trump's economic management is complacent. It fails to recognise how Trumponomics—a mix of deficit-funded tax cuts and tariffs—would work differently today. And it ignores the ways in which Mr Trump's most chaotic tendencies could threaten America, including its companies.

In his first term the economy did better than many economists (including ours) expected. That was in part because Trumponomics turned out to be more moderate than the campaign had promised. The economy was also running further below capacity than thought, making it possible to cut taxes without stoking inflation. Strong overall growth and low inflation masked the damage done by Mr Trump's protectionism.

There is no evidence that Mr Trump has updated his approach: he is still a tax-cuts-and-debt guy. But the economic conditions have changed. For the past two years the Federal Reserve has been trying to bring down inflation. Though it has nearly succeeded, the labour market remains tight. Today 2.8m more 25- to 54-year-olds are in work than would be if the employment rates of January 2017 had persisted. Then there were 1.3 unemployed workers for every job opening; today there are only 0.7. As a result the economy is more prone to overheating.

The budget is in worse shape, too. In 2016 the annual deficit was 3.2% of GDP and debt was 76% of GDP. The forecasts for 2024 are 5.8% and 100%, respectively. Should Mr Trump once again pursue tax cuts, the Fed will have to hike up interest rates to offset the stimulus, making it costlier for businesses to raise capital and for the government to service its growing debt pile.

These are the conditions under which Latin American populists bully their central banks to keep rates low, a practice Mr Trump dabbled in last time. The Fed is supposed to be independent, but Mr Trump will have a chance to nominate a stooge as chair in May 2026 and a pliant Senate could indulge him. The risk of more inflation would surge, perhaps exacerbated by more tariffs, which would also slow growth.

On top of that big macroeconomic risk are many others. Firms would not relish further trade restrictions, but some members of Mr Trump's circle have floated a 60% tariff on imports from China. Lots of companies like the federal government's support for renewable energy (which Mr Trump calls the Green New Scam). He has promised the biggest deportation scheme in American history to reduce the number of illegal immigrants in the country. As well as causing misery, this would be a shock to that tight labour market.

As ever, saying what Mr Trump would actually do is very hard: he has few fixed beliefs, is a chaotic boss and can reverse position several times a day. In a town hall in Iowa he said he would be too busy in his second term to seek retribution against his political enemies. That was a few hours after his own campaign sent out an email with the subject line: "I am your retribution!" He could recognise Taiwan's independence, prompting a meltdown in Beijing and a blockade of the island. Or he could walk away from Taiwan in exchange for China buying more stuff from America. Businesses often say that what they fear most is uncertainty. With Mr Trump that is guaranteed.

This unpredictability could make a second Trump term very much worse than the first. His administration would lack establishment types like Gary Cohn, once of Goldman Sachs, to shuffle the president's in-tray and hide the madder ideas from him. More moments like January 6th are possible, as is a full-on revenge presidency. The idea that in this scenario business leaders could keep a low profile and focus on EBITDA is fanciful. Employees, customers and the press would demand to know where bosses stood and what they proposed to do. The administration might in turn take exception to every whiff of criticism.

In the long run, the idea that corporate profits can be insulated from societal upheaval is a fantasy. If Mr Trump is broadly corrupting of American politics, and businesses are seen to profit from his rule, that poses a big risk to them in the future. In Latin America, when big businesses have become associated with autocrats the result was usually that capitalism was discredited and the appeal of socialism rose. That seems unthinkable in America. But so, until recently, did a second Trump term. ■

Hindu nationalism

Modi's juggernaut

India's prime minister must realise that illiberalism could imperil his country's economic renaissance

"POLITICS AND religion cannot be mixed," ruled India's Supreme Court in 1994 in what was then considered a decisive elucidation of the country's secular constitution. Tell that to the millions who on January 22nd will watch Narendra Modi preside over the consecration of a controversial $220m Hindu temple, in a ceremony that marks the informal launch of his campaign for a third term as prime minister in elections to be held by May. To the alarm of India's 200m Muslims, and many secular-minded Indians, it will mark a high point of a decades-long Hindu-nationalist project to dominate India.

Even as Mr Modi appears at the temple in Ayodhya in northern India, the other pillar of his mission continues apace: India's extraordinary modernisation. The country is the planet's fastest-growing major economy and now its fifth-biggest. Global investors toast its infrastructure boom and growing technological sophistication. Mr Modi wants to be India's most consequential leader since Jawaharlal Nehru. His vision of national greatness is about wealth as well as religion. The danger is that a hubristic Hindu chauvinism undermines his economic ambitions.

To understand the strange symbolism of Ayodhya you have to travel back in time. Mr Modi's once-fringe party, the Bharatiya Janata Party (BJP), built its name by campaigning over the status of a mosque there from 1990. It organised a rally of Hindu activists in 1992 that led to its destruction, sparking Hindu-Muslim riots across South Asia.

The lavish Hindu temple that Mr Modi is about to open is built on the site of that destroyed mosque. For many Hindus this represents the righting of an ancient wrong: the location is also the mythical birthplace of the Hindu god Ram. Previous BJP leaders, such as Atal Bihari Vajpayee, downplayed the party's Hindu-first ideology, known as Hindutva, to win mainstream support. After ten years in power, Mr Modi, who was implicated in deadly anti-Muslim riots in 2002 when he ran Gujarat state (he was later absolved by the courts), no longer seems so restrained.

The BJP's radicals have been empowered (see Briefing). There have been mob attacks on Muslims. Several BJP-run states have passed anti-conversion laws. Mr Modi has exacerbated Islamophobia by, among other things, promoting a citizenship law that discriminates against Muslims. His strongman style of rule has also featured harassment and attacks on the pillars of India's old liberal order, including the press, charities, think-tanks, some courts and many opposition politicians.

Were Mr Modi and the BJP to win a third term—as seems almost certain—many worry that the Hindutva project would go further. BJP activists are agitating to replace mosques with temples at hundreds of other sites. Mr Modi wants to scrap constitutional provisions for Muslim family law. A possible redrawing of parliamentary districts could see power accrue to the populous Hindi-speaking and BJP-supporting north, at the expense of the richer industrialised south. Mr Modi, aged 73, could rule as a strongman for a further decade or more.

The whiplash-inducing reality is that this religious and political struggle is occurring alongside enormous economic optimism (see Finance & economics section). Growth has exceeded 7% in recent quarters. The country now has vastly improved transport infrastructure, huge and deep equity markets, stronger banks, massive currency reserves, a less complex tax system and less corruption. India is at last becoming a single market, letting firms exploit economies of scale and promising faster business investment. While manufacturing has yet to take off, industry is starting to couple with global supply chains, from internet routers to electric two-wheelers. The giant technology-services sector hopes to make a fortune as companies around the world seek help in adopting artificial intelligence.

The economic record is still far from perfect. The rate of formal job creation is much too low—one reason Mr Modi has built up digital welfare-schemes for the poor, augmenting his image among ordinary Hindus as a leader who cares about the downtrodden. India does too little to develop human capital and its education system is terrible. Some powerful firms have too much influence. Yet it is a foundation worth building on.

The question is whether the religious agenda and rapid economic development are compatible. The answer is yes, but only up to a point. In the past ten years many of Mr Modi's economic accomplishments have existed alongside his religious agenda. The BJP's parliamentary strength and Mr Modi's popularity have made it possible to push through difficult reforms, including a national sales tax. The government's unity and clout have given investors confidence that policy is stable, even though civil liberties have been eroded.

Yet if Mr Modi in his third term were to lurch further towards Hindutva and autocratic rule, the economic calculus would change. Take the north-south divide. If India continues to grow fast, the industrialised, wealthy and technologically advanced south is likely to pull further ahead, drawing labour from the north. But Hindutva holds little appeal in the south, and by pushing it further while concentrating more power in his own hands, Mr Modi could exacerbate already rising tensions over internal migrants, tax revenues and representation.

Or consider economic stability, which depends on the management of the economy by internationally credible technocrats, not BJP ideologues. You can overdo how much store companies put by the rule of law—they invested in China for decades. But if decision-making becomes authoritarian and erratic as Mr Modi grows old and isolated, and if institutions are weakened, firms will grow warier of deploying huge sums of capital.

As he stands at the ceremony at Ayodhya before admirers and acolytes—the leaders of India's new, brash, nationalistic elite—does Mr Modi see this danger? He has in the past: before he was prime minister he tried to rebrand himself from a Hindu zealot into a pragmatic manager of his successful home state of Gujarat. With a third term looming, he should realise that, to fulfil his dream of making India a great power, the balancing-act must continue. It requires restraint, not abandon. If Mr Modi fails, the hopes of 1.4bn people and the prospects for the brightest spot in the world economy will be dashed. ■

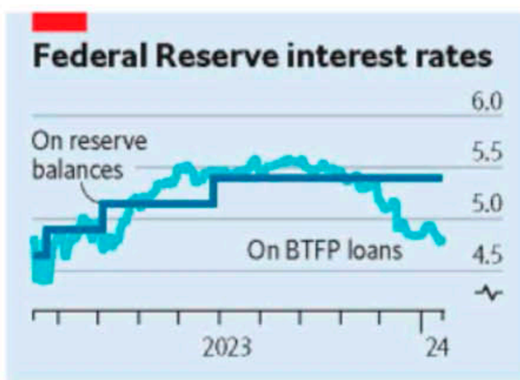
Banks and the Fed

Bagehot weeps

The Federal Reserve accidentally made a free-money machine for banks. Time to turn it off

HIGHER INTEREST rates have brought America's bankers both ruin and riches. Less than a year ago rising rates caused Silicon Valley Bank (SVB) and then First Republic to fail, the largest bank collapses since 2008. Yet on January 12th JPMorgan Chase reported its seventh consecutive quarter of record net-interest income. One reason the crisis did not spread in 2023 is that the Federal Reserve contained it with a new—and generous—loan programme. Unfortunately, that has come at a cost that the Fed should have foreseen. Thanks to another turn in the interest-rate outlook, its intervention has mutated into a free-money machine for any bank brazen enough to exploit it.

The bank term funding programme (BTFP) offers banks loans secured against the face value of Treasury bonds. The idea was to stop wobbly banks having to sell Treasuries to raise cash if depositors fled. At SVB, a fire sale induced by a bank run crystallised losses, because higher rates had reduced the prices of long-term bonds far below their face value. But the BTFP lends the face value, rather than the market value, of the securities against which its loans are secured and, sure enough, its generosity succeeded in shoring up the system and stopping what could have become a severe crisis.



Today, however, the BTFP is itself causing trouble. The interest rate that banks must pay to borrow reflects, with a small premium, the one-year interest rate set in financial markets. That is in turn based on predictions of the average Fed policy rate over the next year. Because investors are betting the central bank will cut rates significantly, the cost of borrowing today is only 4.8%. Yet because those rate cuts have not yet happened, the Fed still pays banks 5.4% on their cash balances.

In other words, banks can draw loans just to make a spread of 0.6 percentage points, risk-free, at the expense of the central bank. Should the expected rate cuts take place, the banks need not suffer a negative interest margin, because they are free to repay the loans early, a valuable option the Fed, in effect, gave away for nothing. Borrowers' identity will eventually be made public, so the only constraint on them is the risk to their reputations—but some may consider such shameless opportunism a virtue.

Naturally, the use of the BTFP has shot up. Since the start of November outstanding balances have risen from $109bn to $147bn. It is not certain this is all arbitrage, but over the same period bonds have risen in value, shrinking the problem the BTFP was designed to fix. This strongly suggests that the motive for the new borrowing is opportunism rather than necessity. And because the Fed is owned by taxpayers, the free money the banks are hoovering up comes at the taxpayers' expense.

What should the Fed do? In the heat of the crisis it rashly promised to keep the BTFP open until March 2024. It has since strongly hinted that the facility will cease making new loans then. Shutting the BTFP early could undermine the credibility of the Fed's promises. But it should immediately amend the interest rate on new loans, either to track its policy rate or to appropriately price the prepayment option. Either fix would remove the scope for arbitrage.

In the next crisis the Fed should design its interventions more carefully. A central-banking rule named after Walter Bagehot, a 19th-century editor of *The Economist*, prescribes that central banks should lend freely to solvent institutions that are threatened by bank runs, against good collateral and at a penalty rate of interest. By lending at generous rates, with a reverse-haircut, and to banks that might be insolvent on a mark-to-market basis, the Fed has arguably violated all three of Bagehot's conditions. The crisis in 2023 was ugly, but so was the fix. ■

Israel and international justice

Show trial

Charging Israel with genocide makes a mockery of the court

GENOCIDE IS A uniquely horrific crime. Not because it is the bloodiest: Stalin and Mao killed many more people in gulags and famines than the nearly 6m Jews murdered by the Nazis. But the Holocaust was seen as so monstrous that the UN adopted the Genocide Convention, promising never again to allow an attempt to wipe out a group of people, or part of one, simply because of their nationality, race, religion or ethnicity.

That promise has been repeatedly broken—in Bosnia, Darfur and Rwanda, to name a few. Each new case brought before the International Court of Justice (ICJ) in The Hague ought to give the world a chance to make good on its word and help strengthen the taboo against genocide by clarifying the obligations of countries to prevent and punish it. Alas, South Africa's claim that Israel is committing genocide against the Palestinians, heard by the ICJ this week, cheapens the term. It risks weakening the taboo and body of law aimed at preventing it. It obscures the real worry that Israel's destructive campaign is breaking the laws of war; and the fact that permanent occupation is wrong.

With its case, South Africa is making a mockery of the court (see International section). Genocide requires that Israel is killing people in Gaza simply for being Palestinian. In fact it is targeting Hamas fighters in response to a deadly attack on its territory. Some far-right Israeli politicians have used hateful language, but they are not articulating government policy. South Africa has called on the ICJ to impose a unilateral ceasefire on Israel, which would leave it unable to defend itself against Hamas, ▸▸

a terrorist group whose founding charter calls for the killing of Jews. By trying to hold Israel solely responsible for the death of Palestinians, it is vindicating Hamas's tactic of fighting from schools and hospitals in the knowledge that the death of civilians killed in the crossfire will inflame global public opinion.

The ICJ is unlikely to offer a final ruling for years. South Africa's case is so flimsy that it would be shocking if its final arguments convince the judges that Israel had committed genocide. But in the next few weeks they must rule on whether South Africa has a "plausible" claim in order to decide whether to impose "provisional measures". This is a lower bar and such a provisional ruling would be widely seen as a finding that Israel was indeed guilty of genocide, even if the court were later to rule it was not. Israel would claim it is being treated unfairly, and it would be right. Instead of restraining Israel in the war, such a provisional ruling might even embolden it to dismiss all international criticism; Israel would feel it is damned, no matter what it does.

It would be even more absurd for the court to order Israel—but not Hamas, over which it has no jurisdiction—to cease military operations in Gaza. Israel is still under attack. It would refuse to give up its right to self-defence, as enshrined in the UN Charter. Besides, the only way of enforcing such a ruling would be through the UN Security Council, which America would veto.

South Africa is setting a terrible precedent. Its case is more of a political act than a legal one, long on theatre and short on principle. After all, earlier this month South Africa rolled out the red carpet for Sudanese *génocidaires*. One consequence is that the next time one country accuses another of genocide, the charges will be easier to brush off, regardless of their merits.

Those appalled by the suffering in Gaza may argue that genocide was the only charge that could be brought, because the ICJ has no jurisdiction over other war crimes. Yet the focus on an implausible crime diverts attention from the possibility that Israel is breaching the laws of war. These require Israel to distinguish between civilians and combatants and to minimise civilian casualties by being proportionate in the use of force.

The death toll of women and children raises grave doubts over whether Israel is meeting these obligations. It may also be failing to meet its duty under the Geneva Convention to provide medicine and food to civilians in the areas it occupies. As Gaza nears famine, its people do not need grandstanding, they need food. Israel's leaders need to realise that if they block supplies, they will be held accountable by the court of public opinion—the only court available. ■

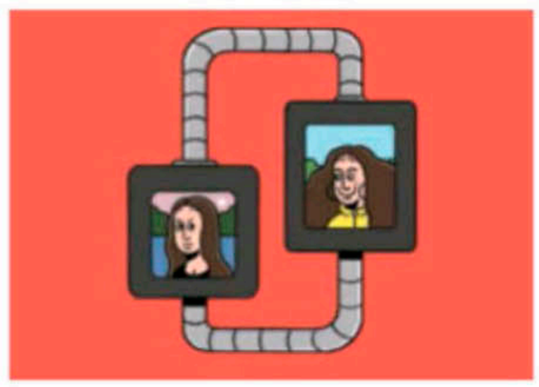
AI and truth

Pics and it didn't happen

AI-generated content is raising the premium placed on trust

IT IS NOW possible to generate fake but realistic content with little more than the click of a mouse. This can be fun: a TikTok account on which—among other things—an artificial Tom Cruise wearing a purple robe sings "Tiny Dancer" to (the real) Paris Hilton holding a toy dog has attracted 5.1m followers. It is also a profound change in societies that have long regarded images, video and audio as close to ironclad proof that something is real. Phone scammers now need just ten seconds of audio to mimic the voices of loved ones in distress; rogue AI-generated Tom Hankses and Taylor Swifts endorse dodgy products online, and fake videos of politicians are proliferating.

The fundamental problem is an old one. From the printing press to the internet, new technologies have often made it easier to spread untruths or impersonate the trustworthy. Typically, humans have used shortcuts to sniff out foul play: one too many spelling mistakes suggests an email might be a phishing attack, for example. Most recently, AI-generated images of people have often been betrayed by their strangely rendered hands; fake video and audio can sometimes be out of sync. Implausible content now immediately raises suspicion among those who know what AI is capable of doing.



The trouble is that the fakes are rapidly getting harder to spot. AI is improving all the time, as computing power and training data become more abundant. Could AI-powered fake-detection software, built into web browsers, identify computer-generated content? Sadly not. As we report this week, the arms race between generation and detection favours the forger (see Science & technology section). Eventually AI models will probably be able to produce pixel-perfect counterfeits—digital clones of what a genuine recording of an event would have looked like, had it happened. Even the best detection system would have no crack to find and no ledge to grasp. Models run by regulated companies can be forced to include a watermark, but that would not affect scammers wielding open-source models, which fraudsters can tweak and run at home on their laptops.

Dystopian possibilities abound. It will be difficult, for example, to avoid a world in which any photograph of a person can be made pornographic by someone using an open-source model in their basement, then used for blackmail—a tactic the FBI has already warned about. Perhaps anyone will be able to produce a video of a president or prime minister announcing a nuclear first strike, momentarily setting the world on edge. Fraudsters impersonating relatives will prosper.

Yet societies will also adapt to the fakers. People will learn that images, audio or video of something do not prove that it happened, any more than a drawing of it does (the era of open-source intelligence, in which information can be reliably crowdsourced, may be short-lived). Online content will no longer verify itself, so who posted something will become as important as what was posted. Assuming trustworthy sources can continue to identify themselves securely—via URLs, email addresses and social-media platforms—reputation and provenance will become more important than ever.

It may sound strange, but this was true for most of history. The era of trusted, mass-produced content was the exception. The fact that people may soon struggle to spot the invisible hand of AI does not mean the marketplace of ideas is doomed. In time, the fakes that thrive will mostly be the funny ones. ■

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Go, Joe, go!

You criticised the lack of alternatives in the Democratic Party to Joe Biden ("Roadworthy in '24?", January 6th). In defence of the president, his administration has focused on policies that chime with ordinary Americans, such as lowering everyday expenses for families, achieving historic levels of employment, revitalising manufacturing, rescuing the economy during the pandemic and rebuilding infrastructure. He has expanded benefits for veterans, enacted laws to reduce gun violence, protected marriage rights, confirmed diverse federal judges, supported Ukraine against Russian aggression, executed counter-terrorism missions, provided student-debt relief, advanced racial justice, tackled climate change and improved health care.

We Democratic voters are a varied and splintered group who never really see eye to eye. We barely coalesced around Mr Biden in 2020, until we did. Mr Biden didn't win a primary in 2020 until African-American voters backed him in South Carolina, a victory he rode all the way to the general election.

Don't mistake our whining and complaints for anything more than just that; it is part of our democratic process. Yes, Mr Biden is much older than we would prefer, and a little unsteady on his feet, but so too was Franklin Roosevelt and look at what he accomplished. Mr Biden's mind is as sharp as ever. The gaffes and stumbles are just part of who he is. He isn't done yet. He is just getting started and we would be wise not to count him out. His critics will be eating crow yet again come November.

NIGEL SONARIWO
Founder and CEO
Nth-Communications
Rockville, Maryland

Kamala Harris should indeed reconsider seeking a second term as vice-president. Voters lack confidence in her, a big danger to Mr Biden's electability. Selecting someone like Evan Bayh, Tom Daschle or Susan Rice for vice-president would completely change the campaign narrative, providing a universally respected commander-in-chief in waiting. Ms Harris could become secretary of state or UN ambassador.

THOMAS O'BRIEN
Charlottesville, Virginia

You underestimate the Democrats. They shrewdly outplayed the Republicans in 2020 and 2022 and there is a decent chance they will do so again in 2024, potentially holding onto the White House and Senate and even winning the House. Donald Trump is the key. Mr Biden does not need to energise his base. Mr Trump will do that for him.

MARK EVERS
Lake Oswego, Oregon

Measuring migrant numbers

"How to detoxify migration politics" (December 23rd) was a thought-provoking piece on an important issue. However, the statistic you cited on international migrants didn't capture the true growth of this population. In 1960 3.1% of people lived outside their country of birth, you said, and today it is 3.6%, a figure that has "barely changed". That may be true, but the global population has grown more rapidly from 1960 to the present day. So for context, in 1960, there were approximately 75m international migrants and in 2021 there were 281m, an increase of 275%. This is an alternative measure that may help us appreciate the scale of the migration issue more comprehensively.

CHIA-HUI LIN
Taipei, Taiwan

Awash with green data

It would help if each individual who is trying to assess what his or her responsibility is to stop climate change had better access to unbiased information ("The green man's burden", December 23rd). It is the biggest problem facing a DIY climate warrior. For instance, trying to determine whether to trade in a three-year old petrol car for an electric one raises so many issues. How efficient is the petrol car compared with the average? How much carbon will building and delivering a new electric one use? What will be the carbon footprint of the electricity powering the new car?

Many people who want to switch to green fall back on fuzzy, unverified data that is usually supplied by one of the competing technology groups. Just try finding figures comparing, say, the carbon footprint of a central-heating system using locally produced gas compared with LNG or with a heat pump using energy that relies on coal for a fifth of its generation.

Many superficially attractive solutions do more harm than good. A truly objective, regularly updated database would be a great help, providing the numbers on climate change and cost implications for various materials and technologies. Green organisations could easily produce this and it would have a far greater practical impact than flying to global conferences on, er, climate change.

DAVID SCOTT
Port St Mary, Isle of Man

How to electrify heat

It is not just wind turbines and solar panels that must be plugged into Britain's electricity grid ("The Great Rewiring", January 6th). Electrifying heat is a critical step towards decarbonising our economy. But this will put even more pressure on the grid as electrifying heat demands power. To reduce grid reliance, we should be looking to decentralised heat networks. By 2030, the overall European market share of heat networks is expected to reach 30% and meet half of Europe's heat demand by 2050. However, in Britain we lag behind in our approach to decentralised heat networks. This is exemplified by Scotland, which has the lowest share of heat supplied by renewable sources in Europe, and yet 53% of its total energy consumption is for heat.

A decentralised network, with onsite renewables, will ease pressure on our overburdened grid and help support our pathway to net zero. Britain must invest in new technologies and a smart network to redistribute power for heating when the grid is at its greatest demand.

JOSH BULLARD
Divisional director of smart energy and sustainability
Hydrock
Bristol

What is in a glass of plonk?

The special on "Wine and climate" (December 23rd) was an excellent read over a glass of Douro. But as well as the grape varieties and terroir, yeast is also critical for wine. Wine yeasts are fungi best known for their ability to convert sugars to alcohol. Yet they do much more by producing glycerol, organic acids and a wide range of aroma compounds that are all essential to wine. New yeast varieties are under development and will be an important factor shaping the geography and practices of winemaking under changing climates. After all, as Sheldon pointed out in the "Big Bang Theory", wine is nothing but grape juice pre-digested by a fungus.

PROFESSOR KIRAN PATIL
University of Cambridge

The salsa room

Max Flannel, *The Economist*'s agony uncle, clearly missed the mark in his advice to someone who complained about office meeting rooms being named after different types of savoury dips (Bartleby, December 23rd). I would have simply told the writer to develop a sense of hummus.

I. J. SHAPIRO
Toronto

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Invincible Indian

AYODHYA

The ruling party's electoral juggernaut may seem unstoppable, but there is still life in Indian democracy

THE CITY of Ayodhya is central to the story of Ram, one of Hinduism's most revered deities. It is also central to the fortunes of India's ruling Bharatiya Janata Party (BJP). Starting in the late 1980s, the BJP agitated for the replacement of a 450-year-old mosque in Ayodhya with a temple, because it occupied the spot where Ram had supposedly been born. In 1992 a mob worked into a frenzy by fire-breathing speeches by the BJP's leaders did indeed destroy the mosque, prompting riots across India in which some 2,000 people, mostly Muslims, were killed. Since then, despite the bloodshed, the BJP has pledged at election after election to get the temple built. It is therefore hard to imagine a more triumphant moment for Narendra Modi, the prime minister, than the ceremony he will lead on January 22nd, when the long-awaited temple will at last be consecrated.

Unofficially, the consecration will also serve as the launch of the BJP's campaign for the next national election, expected to be held over several weeks in April and May. Mr Modi has asked all Indians to celebrate the temple's inauguration by lighting lamps, much as Hindus do on Diwali, a holiday that commemorates Ram's triumphant return to Ayodhya after slaying the king of the demons. But only 80% of Indians are Hindu, and not all of them see the construction of the temple as a victory, let alone the 14% who are Muslim. Business tycoons and Bollywood stars will attend the consecration, to flatter Mr Modi, but most opposition politicians—and some Hindu priests—are staying away.

To Mr Modi's detractors, the fact that he would make the source of such bloodshed the centrepiece of his campaign is proof of his malign intentions. His blurring of religion, government and electioneering shows his disdain for India's secular constitution and its strict campaign rules. Worse, they fear, if these abuses help propel the BJP to its third election victory in a row, as expected, Mr Modi will go further, and attempt to turn India into an authoritarian Hindu state.

But as true and troubling as it is that Mr Modi and his party deliberately stoke communal tensions and undermine institutions, Indian democracy is hardly a lost cause. The BJP is not as all-conquering as it first appears. Its vote share in a general election has never reached 40%, a mark its main rival, the Congress party, passed seven times in its heyday (see chart on next page). Moreover, the BJP benefits as much from Mr Modi's personal popularity and its superior electoral machine as from popular support for its ideology. And India's institutions have survived worse abuses.

Amrit large

The BJP wants to create a national identity based on Hindutva, or Hindu-ness, that it says was suppressed for centuries by Muslim and British invaders. Hence the jamboree in Ayodhya, which is above all a rallying cry to the BJP's electoral base. The guest list is dominated by leaders of the party and affiliated Hindu nationalist groups, including the Rashtriya Swayamsevak Sangh (RSS), a sort of pious cadet corps, and the Vishva Hindu Parishad (VHP), which launched the temple-building campaign.

The ceremony concludes "500 years of continuous struggle for Hindus", says Champat Rai, the VHP's vice-president and general secretary of the trust building the ▸▸

temple. The event, he says, will send a clear message to Indian Muslims: "They should search for their roots: who were they four or five hundred years ago?" They were Hindus, he continues, and should "say that this land is our mother".

But Hindutva is not the only thing the BJP cares about in Ayodhya. It is also boosting the local economy by pouring $9.6bn into development schemes, including a new airport and a new railway station. It has grand plans to turn the city into a tourist hotspot, with a Ram "experience centre", a fountain park, some 60 hotels and "patriotic" wedding venues.

The city thus neatly captures the BJP's sales pitch: that it is building a prosperous, confident new India by restoring Hinduism to its rightful place as the bedrock of society. The violence of 1992 was a "sad moment", says Ayodhya's BJP mayor, Girish Pati Tripathi. "But Indian civilisation has passed it. We're moving forward. Why are Muslims worrying so much?"

This blend of economic development and Hindu revivalism is an appealing formula for many, especially in Hindi-speaking northern and central India. Pollsters believe it will win the BJP another majority in the Lok Sabha, the 543-seat lower house of Parliament, either on its own or as head of a coalition. That would make Mr Modi India's only prime minister to win three consecutive terms since the first, Jawaharlal Nehru of Congress.

Mr Modi, who is 73, is another of the BJP's strengths. The image he has cultivated—muscular, pious and avuncular—appeals across India. His humble origins as the son of a tea-seller strike a chord with poorer Indians. His nationalist rhetoric resonates with the aspirational middle class. His reputation as an adept, industrious administrator appeals to the wealthy. Many also applaud his efforts to raise India's international status. Mr Modi's popularity accounted for up to a third of the BJP's votes in the most recent national election, surveys suggest.

No Meru accident

Mr Modi has not earned this reputation by chance, of course. The BJP carefully cultivates it, in part by strong-arming media to ensure positive coverage. In July a survey of Indian journalists showed that 82% thought their employers favoured the BJP. The party also enhances Mr Modi's image by attaching his name and face to popular government programmes.

Above all, the BJP has a clear organisational edge. The party claims to be the world's biggest, with over 180m members, including 100m "active" ones (China's Communist Party has 98m). Verifying that is hard: a call to a toll-free number is all that is needed to join. Still, academics who study the BJP say it can mobilise vast cohorts of party workers and volunteers, many of whom also belong to other Hindu nationalist groups. Managing them using a dedicated website and smartphone app, it appoints several to oversee each of India's million-odd polling stations, and even individual polling booths within them, with a party worker responsible for each page of the electoral roll.

Among them is Sachin Nahar, a 39-year-old Hindu farmer in the central state of Madhya Pradesh. Like his father and grandfather, he joined the RSS as a child, attending weekly sessions of exercise and political discussion. He then volunteered as a BJP booth worker in 2013 and now oversees 30 voters. He regularly visits them in person, adds them to WhatsApp groups and ensures that they turn out to vote.

For Mr Nahar Hindutva is central to the BJP's message. He reminds voters that Mr Modi has fulfilled many long-standing Hindu-nationalist demands, such as ending the special constitutional status of India's only Muslim-majority state, Jammu & Kashmir, and getting the temple in Ayodhya built. He and other BJP supporters in his constituency, which is 11% Muslim, are celebrating the temple's consecration with daily marches during which they chant, "Jai Shri Ram" ("Victory to Lord Ram"). As for the future, he hopes—and tells voters—that the BJP will replace more mosques with temples and scrap special laws for Muslims regarding inheritance, divorce and other family matters.

But the BJP arms him with more than talking points about communal disputes. It also provides a completely different means to target voters, by giving him a list of the beneficiaries in his district of various forms of government welfare. Under Mr Modi the government has rolled out new digital identification, payment and data-management platforms which allow most Indians to access public services and receive direct cash transfers from the state. Mr Nahar highlights this system in his outreach, crediting the prime minister.

The BJP is equally organised and efficient when it comes to social media. It claims only 20 people work in its National Digital Operation Centre, producing posts for its official accounts and trawling platforms for BJP-friendly content to promote. The heavy lifting is done by an army of volunteers (the party says it does not pay them), who help circulate official BJP content and create material of their own.

These digital campaigners often use WhatsApp, even after Meta, its parent company, tried to counter disinformation by restricting mass messages. "We invite like-minded people to the group, they invite their friends, they make separate groups and invite more people, and so it spreads," says Rathan Ramesh Poojary, a BJP media co-ordinator in Karnataka. He denies responsibility when volunteers advocate violence against Muslims: "We don't support killing." Still, he admits, "These guys support our ideology."

The popularity of the BJP's Muslim-bashing puts opposition parties in a bind. Most are reluctant to denounce Hindutva policies for fear of irking Hindu voters. In fact, some Congress leaders have embraced "soft Hindutva"—visiting temples, building statues of Hindu deities and schmoozing with holy men. So far, that has annoyed secular and non-Hindu supporters without luring many votes from the BJP.

But Hindutva presents problems for the BJP as well. Its appeal is much more limited in south India, where Islam arrived not by conquest but with proselytising merchants. Hindu reformist movements have more influence in that part of the country and fewer people speak Hindi, in which the BJP's leaders deliver their fiery speeches. The BJP no longer runs any of the region's states, having lost an election in May in Karnataka to Congress. And of the 130 seats representing South India in the Lok Sabha, the BJP holds only 29.

That helps explain why the BJP is not really the overwhelming force it appears. Its share of the national vote in Mr Modi's first election victory, in 2014, was only 31%. At the most recent national election, in 2019, it improved to 38%, still well short of a majority. If anything, Indian politics has become more competitive over the years, as Congress's star has faded and other parties, including the BJP, have grown bigger. The BJP is just remarkably good at translat-

ing its plurality of the vote into thumping parliamentary majorities, aided by India's first-past-the-post electoral system.

Were the opposition less divided and disorganised, the BJP would have much more of a fight on its hands. The most obvious problem is Congress's ossified structure, epitomised by the dynasticism at the top. The party's most prominent leader is the 53-year-old Rahul Gandhi, whose father, grandmother and great-grandfather all served as prime minister. He has recently become more confident, but has always seemed ambivalent about politics—not surprisingly, given that both his father and his grandmother were assassinated.

Yet Congress has hemmed and hawed about replacing him and, to the extent that it has done so, has plumped for an even less inspiring figure. In 2022 it chose a party veteran, Mallikarjun Kharge, as its first leader from outside the Gandhi family since 1998. He also heads the opposition's 28-party Indian National Developmental Inclusive Alliance. At 81, though, he lacks the charisma and vigour to challenge Mr Modi. And both Mr Gandhi and his mother, Sonia, remain very much on the scene.

A similar dynamic plays out in the lower echelons of the party. Whereas the BJP is ruthless about sidelining unpopular veterans and picking candidates based on their electoral prospects, Congress is dominated by ageing stalwarts who resist both new blood and new tactics. That, in turn, causes bright young things to defect to the BJP, where their prospects for advancement are much better.

When Congress does appoint younger, more charismatic leaders and uses modern election techniques, it can do well. It won state elections in December in Telangana, for instance, helped by both a fresh face as local party leader and by the number-crunching of Sunil Kanugolu, an election-data specialist. But the party lost two other state elections held at the same time, in which local party chiefs of long standing declined Mr Kanugolu's help.

Congress is trying fitfully to reform. It has initiated a recruitment drive to expand its membership beyond the current 60m and launched an app for members, much like the BJP. It remains a contender, even in the Hindi-speaking heartland. Its average vote share in the three state elections there in December was 41%, not so far from the BJP's 46%. In fact, it had led two of the three outgoing state governments, so could hardly be described as a long-spent force.

None of this, of course, excuses the underhanded methods Mr Modi uses to retain power. He has a troubling record of eroding democratic institutions. His government has harassed and jailed journalists and activists. It has undermined the independence of the judiciary and the Election Commission. Its investigative agencies have targeted opposition leaders. In December an astonishing 146 opposition MPs were suspended from Parliament.

Opposition leaders are billing the coming election as a fight for the "soul of India" and a turning point in a global struggle between freedom and autocracy. They fear that Mr Modi wants to change the constitution to purge secular language and empower the executive. A revision of electoral boundaries, due in a couple of years, could facilitate that by expanding the Lok Sabha to around 750 seats, with most new ones going to the BJP's strongholds in the north.

Opposition parties are attempting to fight back, in part by promoting themselves better. The digital ID and payments system for which the BJP takes credit was in fact initiated under Congress; Mr Modi oversaw only the final stages of its roll-out but receives endless adulation for it. Schooled by such experiences, opposition parties are trumpeting welfare schemes run by state governments they control.

Kailashings of failings

The opposition also decries Mr Modi's failures, including the sudden withdrawal of most banknotes in 2016, the ditching of agricultural reforms after protests in 2021 and a botched response to the pandemic. Several of the BJP's promises, to double farmers' incomes, for example, and to boost manufacturing as a share of GDP, remain unmet. By some measures the economy has done worse under Mr Modi than under the previous Congress government (see Finance & economics section).

Another potentially potent line of attack is Mr Modi's close relationship with a handful of Indian tycoons, especially Gautam Adani, whose conglomerate was accused a year ago of fraud and insider trading by a short-selling firm based in New York (Mr Adani denied the allegations). Indian voters dislike cronyism and punished the previous Congress government after a series of corruption scandals.

Yet the opposition has not landed many punches. That is partly owing to Mr Modi's reputation for probity. Mainly, however, the opposition has not united around a single message or, critically, a single slate of candidates. Such a seat-sharing agreement could dramatically alter the electoral arithmetic, turning the BJP from the favourite to the underdog in many districts. But it would require strong, decisive party leaders, able to impose unpopular choices on the lower ranks. In Congress's case, neither Mr Kharge nor Mr Gandhi fits the bill.

Some opposition politicians have concluded that, after 25 years of messy coalition governments from 1989 to 2014, India has reverted to the "dominant party system" of the prior four decades. Back then, Congress won big majorities and ruled with few constraints. It often passed laws and constitutional changes to empower the central government and so get its way. It sometimes resorted to abject authoritarianism. Most notably, Indira Gandhi, Rahul's grandmother, cancelled elections, jailed critics and suspended civil liberties during the Emergency of 1975-77.

The pessimists should remember, however, that India's democracy managed to correct itself. Mrs Gandhi lifted the Emergency under pressure from courts, students and political allies. She lost the subsequent election, badly. And although Congress soon returned to power, it could not reverse a long-term decline caused largely by its over-reliance on charismatic, centralised leadership. That may be scant comfort for opposition parties facing another drubbing—but it should be food for thought for the BJP. ■

Under Narendra Modi, the BJP is cleaning up

Economic sentiment

The mood thing

WASHINGTON, DC

Why are Americans so gloomy about their great economy?

"THE VIBES are off" is a phrase that does not usually appear in rigorous economic analysis. But it has cropped up again and again in serious discussions about America over the past year. From an array of hard data, there is reason to think that people ought to be quite satisfied about the state of the economy: inflation has slowed sharply, petrol prices are down, jobs are plentiful, incomes are rising and the stockmarket is strong. But survey after survey suggests that Americans are in fact quite unhappy. They think that the economy is in bad shape and that President Joe Biden is mismanaging it. What gives?

Evidence of gloom is everywhere. The figure watched most closely by economists for an idea of what people are feeling is a consumer-sentiment index from the University of Michigan. For the past two years it has bounced around at levels last seen during the global financial crisis of 2007-09. Even with an improvement in December, it is still 30% below its recent peak on the eve of the covid-19 crisis in early 2020.

Many other surveys are equally downcast. Every week since 2009 *The Economist*/YouGov poll has asked some 1,500 Americans to assess the economy: nearly half now think it is getting worse, up from about one-third in the decade before covid. Questions focused on Mr Biden's record yield even less enthusiasm: two-thirds of respondents to a Gallup poll in November disapproved of his handling of the economy. And all this despite America outgrowing its large, developed peers over the past few years.

The fact that so many Americans are so dejected about such a strong economy has spawned a cottage industry of theories. A first batch argues that they have every right to feel glum: some of the figures which matter most to their wallets are just not that rosy. Inflation has eroded their wages. Controlling for consumer prices (one common measure of inflation), average earnings for private-sector workers are basically stuck at the same level as in February 2020, right before covid struck.

More recent baselines are even less flattering. Although few Americans would want to go back to a world of covid shutdowns, many did receive big benefits from the government's spending spree at the time. After-tax personal income is about 15% lower now than in March 2021, when it was propped up by the massive stimulus package passed by Democrats soon after Mr Biden took office. Another unflattering comparison with the recent past: the aggressive interest-rate rises needed to tame inflation have made loans for houses and cars much more expensive. Housing affordability hit its lowest in decades last year, serving as an easy target for critics of Mr Biden. The Republican National Committee ▸▸

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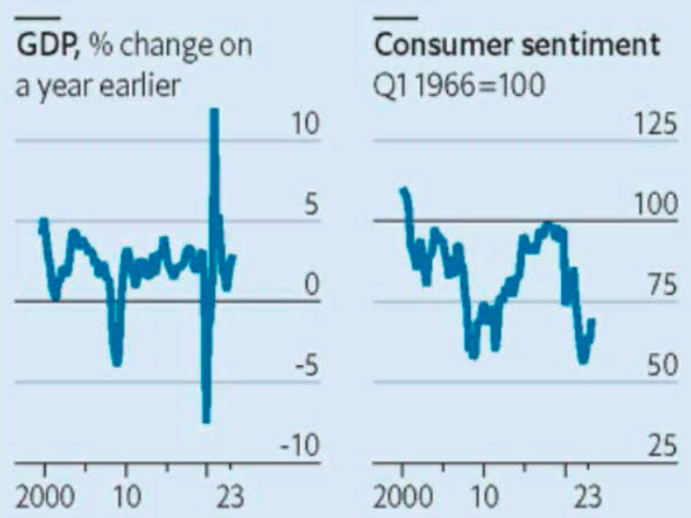
No feelgood factor
United States



Sources: Bureau of Economic Analysis; University of Michigan

says Bidenomics is "pricing out millions of people from the American Dream".

However, as the Biden administration is only too keen to point out, there are many things to like about the current economy. The supposed stagnation in private-sector wages is in fact a statistical illusion caused by upward bias in the consumer-price index. Use a better alternative—the personal-consumption expenditures index targeted by the Federal Reserve—and real wages are roughly on their pre-pandemic trend. At 3.7% the unemployment rate is just a touch above a five-decade low. Wage growth has been especially strong for low-income Americans. The S&P 500, an index of America's leading stocks, has been flirting with record highs.

To judge from the range of indicators—good and bad—Americans do appear to be unduly pessimistic. Ryan Cummings and Neale Mahoney, two economists who previously served in the Biden White House, created a simple model to predict the level of the consumer-sentiment index, drawing on inflation, unemployment and consumption data as well as stockmarket performance. Their conclusion was that the index has been about 20% lower than where the data suggest it ought to be. Other models have found a similar discrepancy.

This suggests a second category of explanation: that opinion polling and sentiment surveys may have a negative bias. Profound partisan hostility is undoubtedly one factor. In their study Messrs Cummings and Mahoney calculated that Republican antipathy towards a Democrat-controlled White House may account for about 30% of the sentiment gap today.

Blaming the messenger

Another element may be the tone of news coverage. Ben Harris and Aaron Sojourner of the Brookings Institution, a think-tank, studied the relationship between economic data and an index of economic news sentiment. Since 2021 the news-sentiment index has, like the consumer-sentiment index, been notably worse than would be expected from the data. And that may be only scratching the surface. The news-sentiment index, created by the Federal Reserve's branch in San Francisco, is based on economic articles in major American newspapers. Throw in the vitriol that tends to go viral on social media, and the negative bias might be even more pronounced.

A final explanation is that there may simply be a long lag between the post-pandemic recovery and feelings about the economy. It has been a topsy-turvy period. The extreme uncertainty of the covid years—job losses, school closures, bankruptcies and illness—took a toll on people. Many are still upset by the bruising battle with inflation. Although inflation has moderated, prices are nearly 20% higher than when Mr Biden took office. The sticker-shock takes some getting used to. Messrs Cummings and Mahoney estimate that a 10% inflation surge reduces consumer sentiment by 35 index points in the year it occurs, 16 points in the next year and eight points the year after that.

If a similar timeline is now in play, Americans have probably gone about halfway towards accepting their new higher-priced reality. It also helps that real-income growth has accelerated over the past year, letting them recover some of their lost purchasing power. The consumer-sentiment index has been volatile, but it did clearly bottom out in mid-2022—right around the peak in inflation—and it did also post a solid rise in December, even if it remains low by historical standards.

"Our theory of the case is that if we can continue to maintain a tight labour market while easing inflation and delivering real wage gains, that recipe should show up in improved sentiment. And we think we're starting to see that," says Jared Bernstein, chair of the White House Council of Economic Advisers. The vibes, in other words, may be picking up. ■

After Iowa

Hope springs ephemeral

WASHINGTON, DC

The notion that another Republican could overtake Trump looks far-fetched

DONALD TRUMP dominated public-opinion polling before the Republican presidential primary in 2023. Yet his rivals could reasonably argue that the party faithful still had not cast any votes, and the actual results might reveal a greater appetite for an alternative than surveys suggested. Mr Trump's decisive victory in the Iowa caucus on January 15th seems to have put an end to that hopeful theory.

Some Republicans had predicted record attendance at Iowa's caucuses this year, but turnout fell by around 40% from the peak in 2016. No doubt many voters opted to stay at home given the sub-zero temperatures and Mr Trump's apparent invincibility. But TV networks also began calling the race for the former president less than an hour after the caucuses began; some caucus-goers were even told that he had won before they had a chance to vote.

Naming a victor while others are still voting was bad democratic hygiene but unlikely to sway the eventual outcome. Mr Trump won 51% of the vote and half of Iowa's 40 delegates to the Republican National Convention. Ron DeSantis, the governor of Florida, took second place with 21% and nine delegates. Nikki Haley, a former South Carolina governor, fell to third with 19% and eight delegates. Vivek Ramaswamy, a bloviating biotech entrepreneur, finished fourth and dropped out. The first-time candidate, whose speeches were frequently ominous, kept it weird until the very end: "There's no path for me to be the next president absent things that we don't want to see happen in this country."

The only hope for Mr DeSantis and Ms Haley is that a candidate needs 1,215 delegates to become the nominee, and nearly 2,400 are still up for grabs. Both runners-up agree that a head-to-head slog with Mr Trump over the next several months is the only path to victory. The problem is that neither is willing to back down in order to let the other become the former president's sole challenger.

"I can safely say, tonight Iowa made this Republican primary a two-person race," a smiling Ms Haley declared after finishing third. Betsy Ankney, her campaign manager, argued in a memo published after the results came in that "the race now moves to less Trump-friendly territory. And the field of candidates is effectively down to two, with only Trump and Nikki Haley having substantial support in both New Hampshire and South Carolina."

Ms Haley, endorsed by New Hampshire's Republican governor, is betting that a surprise victory on January 23rd would provide momentum ahead of the South Carolina contest a month later (see Lexington). But if she pulls off an unlikely upset, it will be thanks to support from moderate

The race for second

Republicans, independents and strategically minded Democrats who loathe Mr Trump. That coalition might win a state of 1.4m but isn't fit for purpose in a national Republican primary.

A Haley win in New Hampshire is a long shot. A polling average from FiveThirtyEight, a data-journalism website, shows Mr Trump with 44.4% in New Hampshire compared with Ms Haley's 31.4%. Chris Christie, a former New Jersey governor and Mr Trump's most direct critic, stood at third place before dropping out. He disparaged Ms Haley ahead of his exit and declined to endorse a candidate. Mr DeSantis fares even worse in New Hampshire polling than Mr Ramaswamy did in Iowa.

The DeSantis campaign exudes confidence nevertheless. "While it may take a few more weeks to fully get there, this will be a two-person soon enough," says Andrew Romeo, communications director for Mr DeSantis. "Despite spending $24m in false negative ads against Ron DeSantis, Nikki Haley couldn't buy herself the kill shot she so desperately wanted [in Iowa], and now she will be out of this race after failing to win her home state on February 24." That state is South Carolina, where Mr Trump has nearly 55% of likely primary-goers, according to FiveThirtyEight. Ms Haley trails him by 30 points, while Mr DeSantis is at about 12%.

Ms Haley may think a third-place finish in Iowa was enough to make this a two-person race, and Mr DeSantis that a third-place finish in South Carolina will do the trick for him. Both camps seem to confuse barely surviving with building momentum. Nor is it clear whether they will have the financial wherewithal to sustain an expensive multi-state campaign.

The coming contests in New Hampshire and South Carolina could inject some life into the Haley campaign. Perhaps Mr DeSantis will raise the cash needed to hang on. But Mr Trump's lead in national polling—around 55 points above Mr DeSantis and Ms Haley, according to *The Economist*'s tracker—means that there wouldn't be much of a race even if one of the remaining candidates dropped out. Mr Trump's ongoing legal travails have only helped cement his bond with Republican primary voters.

Mr Trump's campaign called for an end to primary debates and for a focus on beating Joe Biden months ago. The candidate probably won't gain an insurmountable lead until March 5th, "Super Tuesday", when more than a third of delegates will be up for grabs. But on the night of the caucuses he clearly had his eyes on November. He called his Republican opponents "very smart people, very capable people" and declared: "We're going to come together. It's going to happen soon." ■

Nitty-gritty numbers

Iowa's hidden hints

WASHINGTON, DC

Note Trump's relative weakness among college-educated and suburban voters

DONALD TRUMP loves to crow about his big crowds and smashing victories, even when he has to stretch the truth. His record-breaking performance in the Iowa Republican caucuses required no exaggeration. He enjoyed the largest margin of victory for any contested Republican caucus in the state's history. Among Republicans he may be better understood as an incumbent president seeking re-election than as the insurgent outsider he performs at rallies. But Mr Trump's dominance of the party faithful is no guarantee of success in November. What can the results of the earliest caucus reveal about his prospects for a general election still ten months away?

Those who endeavour to draw sweeping conclusions from quirky, low-turnout contests like the Iowa caucuses do so at their peril. Iowa (with its whiter-than-average population) and caucuses (which draw more engaged and older voters) tend not to reflect the American electorate. This year, only some 15% of registered Republicans in Iowa showed up to vote. Despite these caveats, the very first contest on the long road to election day can offer a glimpse into Mr Trump's 2024 coalition. While the former president showed strength across all demographic segments, the results suggest he remains comparatively weaker among the college-educated and suburban voters who probably cost him the election in 2020.

In 2016 Mr Trump came in second in the Iowa caucuses, winning 37 of 99 counties. This year he won 98, losing only Johnson County, which is home to the University of Iowa, by one vote. Entrance polls, which survey voters before they enter their caucus site, indicate why. According to one such poll, AP VoteCast, 31% of college graduates said they would vote for Mr Trump, just barely edging out Ms Haley and Mr DeSantis, who polled at 30% each. Mr Trump's divided primary opposition masked his weakness with this segment.

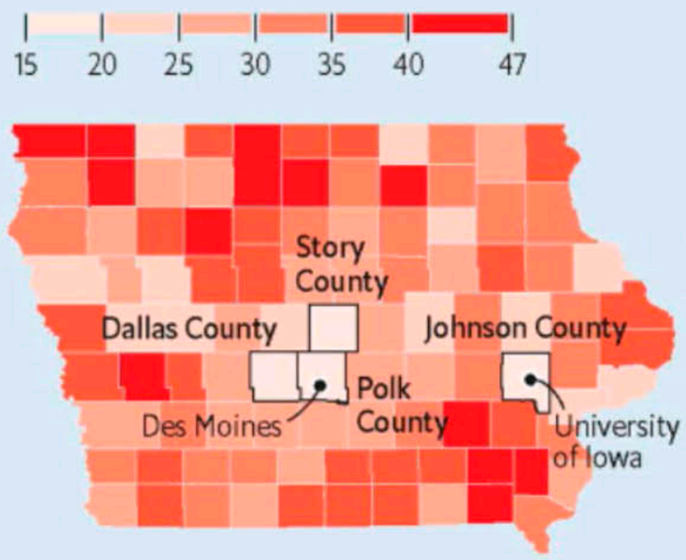
Entrance polls, like their better-known sibling the exit poll, are notoriously noisy and unreliable as samples of wider populations. But *The Economist*'s county-level analysis of Mr Trump's vote share shows a similar pattern. Across the ten most educated counties in Iowa Mr Trump won 42% of the vote, compared with 66% across the ten least educated ones. And this analysis also points to a weakness among suburban voters. Mr Trump received an estimated 43% of the suburban vote in contrast to 60% of the rural vote.

Mr Trump lost in 2020 in part because of gains Democrats made among college-educated and suburban voters. According to data from Catalist, a political-data firm that helps Democrats, whereas college-educated white voters were split between Hillary Clinton and Mr Trump in 2016, in 2020 he lost those voters by nine points. His share of suburban white voters fell similarly. The Iowa caucuses suggest he may still have a problem with these groups. On January 15th Mr Trump failed to crack 40% of the vote in only four counties: Dallas, Johnson, Polk and Story, counties that are disproportionately educated and suburban (see map on next page).

Mr Trump may overcome this vulnerability by attracting yet more non-college

Victory map

Iowa, Republican caucus, percentage-point increase in share of vote for Trump, 2016-24



Sources: *Des Moines Register; New York Times*

voters away from the Democrats. The political logic of his nativist populism is to do just that. And it seems likely that many voters like the suburban Iowans who caucused for Ms Haley or Mr DeSantis will make their way to Mr Trump's camp come November. But despite broad support overall among Republicans, his narrower margins among some key parts of the electorate could also presage struggles in the general election. Mr Trump may be building a winning coalition for November, but its makeup is not stable. ■

Car insurance

Crashing truths

CHICAGO

Insuring drivers is getting pricier. It's still too cheap

IN 2010, ERIC DUBARRY and his two-year-old son Seamus were crossing a street in Portland, Oregon, when an elderly driver mistook the accelerator for the brake, and ploughed into the pair and another man. They were flung across the street—the pram wrapping itself around a lamppost. In hospital that evening, Michelle DuBarry, Seamus's mother, recalls "this realisation of, my God, how are we going to pay for this?" The day after the crash, Seamus died. The hospital charged the couple's insurance $180,000 for his care. The DuBarrys had to raise $4,500 of that themselves; and had no coverage for the time off work they had to take. Ms DuBarry thought that at least the driver's car insurance would pay for some of those costs.

She quickly discovered that there was little hope of that. The driver who killed Seamus had just $100,000 of liability coverage per victim. Before the DuBarrys saw a penny, their health and car insurers claimed the entire amount to cover their costs. Eventually, with the help of a lawyer, they clawed some back. But, says Ms DuBarry, "I still was just left with this feeling: How can it be this hard?"

She began campaigning for a change in the law in Oregon which had allowed hospitals and insurers to get the first bite of any settlement—and succeeded. Yet the real problem, she points out, was the low level of liability coverage. "In Oregon, the minimum amount of insurance you're required to have is $25,000," she says. "Even if you're just admitted to the ER, there's not going to be money left over."

Car insurance in America is getting far more expensive. In the year to December 2023, prices paid for it, as measured by the consumer-price index, rose by 20%, even as inflation overall moderated. Prices are often controlled at state level, but regulators are approving the increases because the industry is losing money hand over fist. According to the American Property Casualty Insurance Association (APCIA), a trade association, last year insurers paid out $1.08 in claims for every $1 in premiums they took in.

And yet what Ms DuBarry's story shows is that, in fact, American car insurance is still far too cheap. As much as drivers may resent paying higher premiums, insurance covers only a small fraction of the costs inflicted in car crashes. Instead, health insurers, government and drivers involved in crashes shoulder the burden, and victims are rarely fully compensated.

According to a study published last year by the NHTSA, America's highway-safety regulator, the direct economic costs of car crashes in 2019 was $340bn, or about 1.6% of GDP. Yet the NHTSA says insurance—and not just car insurance—covered just 54% of that. The agency put the true social cost, including lost life years, at nearly $1.4trn. In 2019, 9m people were involved in serious car crashes; around 4.5m people suffered injuries and 36,000 were killed.

Since then, the number of severe crashes has climbed. It is hard to say exactly why. New, heavier sports utility vehicles and pick-up trucks seem to be deadlier. Since the pandemic, traffic has spread out more evenly through the day, and so speeds have increased. Insurers also point to more people driving while looking at their phones. Whatever the cause of the spike, in 2022 nearly 43,000 people were killed in car crashes, including 7,500 pedestrians—the highest figure since 1981.

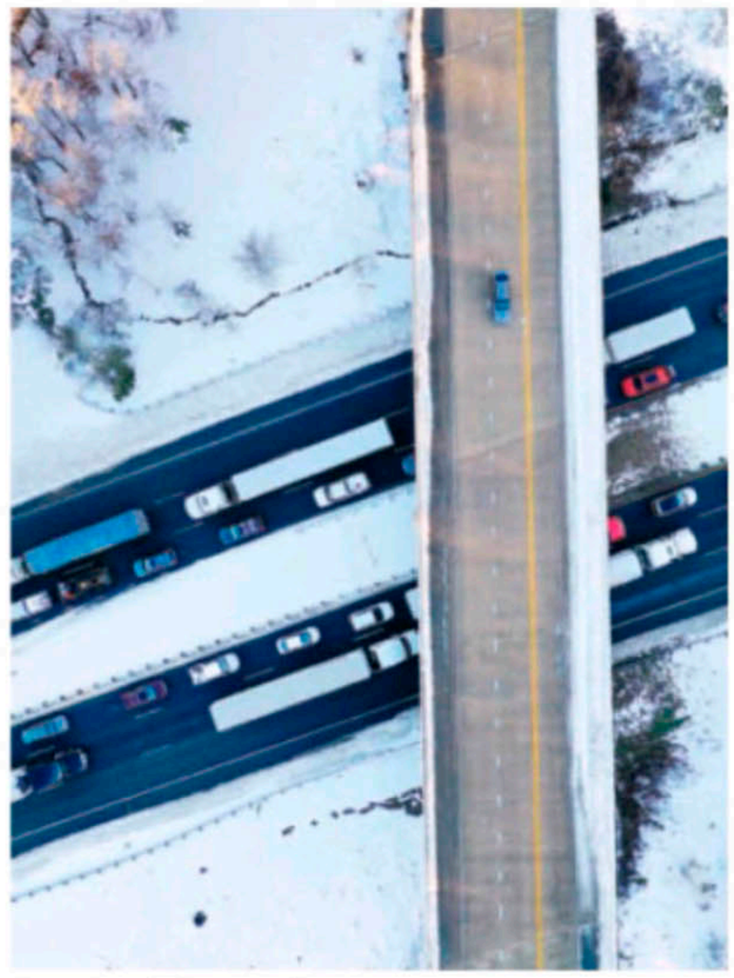
America's spartan car insurance stands out in the rich world. Legal minimum bodily-injury coverage varies state by state, but nowhere does it pass $100,000 per accident. According to the Insurance Research Council (IRC), an industry data group, 29% of claims nationally (and over 50% in several states) involve people insured at the state minimums. Few policies go beyond a few hundred thousand dollars of liability. The cost of a serious crash "is never going to be covered by that", says Dale Porfilio, of the IRC. By contrast, in Germany drivers are required to have €7.5m ($8.2m) of bodily-injury coverage, and in Britain liability is unlimited. And in those countries, going into hospital does not mean running up a life-altering bill.

Hardly by accident

Why not raise the liability legal limits? The problem, points out Robert Gordon, a vice-president at the APCIA, is that it would make insurance cost more. And that is deeply unpopular.

In October California raised its minimum limits for bodily-injury coverage—but to just $30,000 per victim. A few states are going in the other direction. Michigan, where car insurance is "no fault", which means that victims claim from their own policies regardless of whose fault the crash was, in 2019 removed a requirement for people to buy coverage for unlimited medical costs. That led to a big drop in premiums, defying the national trend (previously Michigan drivers had higher bills than most). Gretchen Whitmer, the state's Democratic governor, considers that to be a victory for consumers.

Cheaper premiums do not mean that the costs go away. Indeed, as prices rise nationally, in part because of the greater number of crashes, some worry that more drivers will forsake buying insurance altogether. Already around one in eight American drivers is not covered, a far higher share than in other rich countries. David Abels, a personal-injury lawyer in Illinois, says that "in reality, you have to protect yourself." Drivers are subsidised, and society at large pays the bill. ■



Road-trip hazard

Immigration

Over the wall

JACUMBA HOT SPRINGS AND MUMBAI

More migrants are arriving from China, India and Russia. Why?

SOME MIGRANTS huddled in tents provided by local volunteers. Others slept on the desert floor, facing fire pits burning rubbish. The camp, which in 2023 sprang up outside Jacumba Hot Springs, a town in San Diego County, California, was encircled by mountains, highways and the border wall. When Border Patrol agents came to take people for processing, they had to resort to nonverbal communication. "Sit if you have a passport." "Step forward if you are travelling with children." If the migrants were from Mexico and Central America, as most used to be, Spanish would suffice. Yet among those who had just walked across from Mexico were people from China, India and Turkey.

Last year seems to have set records for the number of migrants apprehended at the southern border, and Republicans in Congress are demanding reforms to America's asylum system in return for aid to Ukraine. A deal has proved elusive. Slightly more under the radar, the diversity of the Jacumba camp reflects a big change in who is crossing over. In fiscal year 2023, for the first time, migrants from places beyond Mexico, El Salvador, Guatemala and Honduras made up more than half of all those apprehended at the border (see chart 1). Venezuelans are the largest part of this group. But last year 43,000 Russians, 42,000 Indians and 24,000 Chinese also made the crossing—up from 4,100, 2,600 and 450, respectively, in 2021. America's northern border has proved porous, too. In total some 40,000 Indian and Chinese migrants came south from Canada last year.

Migrants take different paths to the southern border, depending on where they come from. An analysis by Idean Salehyan and Gil Guerra of the Niskanen Centre, a think-tank in Wasington, DC, suggests that most Chinese fly to Ecuador, to which they have visa-free travel, before making the long and dangerous trek through Panama's Darién Gap. Panamanian data confirm that the number of Chinese migrants crossing the jungle rose steadily in 2023. In October, El Salvador began to tax African and Indian travellers at the country's main airport. Turkish migrants in Jacumba had flown to Tijuana and then walked into California.

Certain nationalities tend to cluster in specific border sectors. Chinese and Russians often cross near San Diego and Indians near Tucson, Arizona. Migration flows are constantly evolving, says Ariel Ruiz Soto, of the Migration Policy Institute, a think-tank. He likens the border to a balloon. If you squeeze one side (say, enforcement increases in San Diego), the air will flow to another (migrants will head to Tucson or El Paso.) Social media and messaging apps have helped spread information. TikTok and YouTube are filled with videos teaching migrants about routes. "Once families know that their friend or cousin has made it," says Mr Ruiz Soto, "they're much more likely to take a chance."

Smuggling networks have evolved to serve the increased demand. Notices painted on walls and printed on fliers all over the Indian states of Punjab and Gujarat promise help with moving to America, Australia, Britain and Canada: visa services, college admissions, job opportunities. A charter plane bound for Nicaragua and filled with Indian migrants was recently grounded in France while officials conducted a human-trafficking investigation. The Turks in Jacumba admitted they had paid a *coyote* to show them the way to a hole in the border wall. Mexican cartels are also diversifying their enterprises by getting into the people-smuggling business.

Why the surge? A number of trends converged in 2023 to diversify illegal migration to America. War and instability pushed people to leave their countries. The Jewish Family Service of San Diego, which runs a migrant shelter, helped more Russians than any group besides Mexicans in the nearly two years since Russia invaded Ukraine. The end of China's lengthy and repressive zero-covid policy allowed Chinese to travel internationally again.

Several Republican politicians have suggested that China is sending spies to infiltrate America. It is not lunacy to be wary of potential agents working for Chinese security services. Last year the Department of Justice charged two Chinese men living in New York City with operating an illegal police station "to monitor and intimidate dissidents". Yet Mr Salehyan argues that there is no evidence that asylum-seekers, who willingly give themselves up to Border Patrol, have sabotage in mind.

Roughly 70% of asylum applications from Chinese migrants between 2003 and 2023 were granted, suggesting that their reasons for leaving China were mostly credible (see chart 2). In fact, Ecuadorian data show that a disproportionately high share of Chinese migrants are coming from Hong Kong, where dissent has been punished, and Xinjiang, where Uyghurs have been persecuted. Rather than plotting to undermine America, plenty seem to be seeking freedom.

But many, probably most, migrants have a financial incentive to come. Several at the camp in Jacumba said they were fed up waiting years for a visa, and hoped to earn more money in America than back home. As of December, more than 300,000 people who had submitted immigrant visa applications were waiting for an interview. Delays are largely the result of the pandemic, which shut down consulates and decimated their staff. More important, there are not nearly enough visas for the number of people who want to come. Yet expanding legal pathways has not, so far, been part of Congress's spasmodic negotiations.

This increasingly global migration to America's borderlands says something about the enduring power of the idea that America is a land of opportunity. For many migrants in Jacumba there is no other place that they would risk everything—their money, their safety—to get to. When asked why he didn't try to move somewhere closer to Turkey, Selim Gok, a 20-year-old student, responded matter-of-factly: "Because I speak English." ■

From near and increasingly far 1

US, south-west border migrant encounters by citizenship*, % of total

Source: US Customs and Border Protection *Includes migrant apprehensions and expulsions

Yearning to breathe free 2

US, asylum-application acceptance rate* by selected nationality, 2003-23†, %

Source: TRAC, Syracuse University *Applicants granted asylum or alternative asylum-like relief †Fiscal years ending Sep

Swing states

Finding the votes

ATLANTA

In Georgia, cyber-security experts and conspiracy theorists find themselves on the same side

IN 2020 NO other state produced as much election drama as Georgia. In the end it gave Democrats slender victories that helped them win both the White House and a majority in the Senate, though not before Donald Trump, unsuccessfully, implored Georgia's Republican secretary of state, Brad Raffensperger, to "find 11,780 votes", the number needed to overturn the swing state's results in his favour. In 2024 Georgia will again find itself taking centre stage—for three reasons.

The first is Mr Trump. After a big win in Iowa, the former president looks as politically robust as ever. Though his legal woes have not alienated Republican voters (rather the reverse), they could yet cause him trouble, not least in Georgia. Last August a grand jury indicted him for running a criminal ring that conspired to overturn the state's 2020 election. Unlike in the federal cases pending in Washington and Florida, if re-elected Mr Trump could not pardon himself from the Georgia charges (though, according to long-standing policy, he would have immunity while in the White House). Nor could Brian Kemp, the state's Republican governor, nix them.

But the case has taken an unexpected turn. On January 8th Fani Willis, the district attorney prosecuting Mr Trump, was accused by one of his co-defendants of having a fling with a special prosecutor she hired. Though the salacious claim is unlikely to disqualify her from litigation, it opens her to allegations of corruption (Ms Willis denies acting improperly in hiring him). Her foes are calling for her to go. That plot twist is unlikely to be the last.

Second, there is the matter of election security. Though Georgia is not home to the country's loudest election-deniers—its Republican statewide politicians have staunchly asserted that its contests have been fair—fierce debates over election safety are playing out in the courts. A case that has been dragging on for over six years is reaching its end. An Obama-appointed judge will decide in the coming weeks if Georgia must scrap its electronic voting machines. Left-wing plaintiffs argue that the touchscreen ballot-markers are eminently hackable and make paper audits impossible. They point to a breach in Coffee County, where Trump allies copied election software from a rural polling station in January 2021, as proof that bad actors have all they need to do damage in 2024.

Good on paper

To the dismay of the cyber-security professors making the case for a switch to hand-marked paper ballots, Georgia's most infamous conspiracy-theorists have taken their side. During opening statements the courtroom was packed with Trump apostles keen to tell your correspondent about the counterfeit ballots that flipped elections past. The office of Mr Raffensperger, the defendant, says it refuses to negotiate with election-deniers of left or right, noting that the trial is sowing unsubstantiated distrust of the state's elections.

On 11 criteria for "fair, accessible, secure and transparent" elections—including, for example, whether a state has early voting and conducts audits—the Bipartisan Policy Centre, a think-tank based in Washington, DC, ranks Georgia best in the country (tied with Colorado). Even some who do not see it that way reckon it is too late to change the voting system before November. "It would cause mayhem," says Cianti Stewart-Reid, the head of Fair Fight Action, a voting group started by Stacey Abrams, a Democrat who ran for governor in 2018. The case plants the seeds for fights over the validity of the results in November.

Third, voting rights: Georgia's increasingly diverse electorate makes the state a laboratory for the demographic changes expected across America—and the fights over voter access that come with them. That has catalysed a movement to get unlikely voters registered and to persuade national campaigns to invest in Georgia. The Abrams machine spent $400m doing so in the decade to 2022. But since 2013, when the Supreme Court struck down the preclearance regime that gave the federal government authority to monitor election rules in places with historical injustices, Georgia's Republicans have also been tightening voting laws.

After Joe Biden won Georgia in 2020 the legislature passed SB202, a bill that, among other things, made it illegal to pass out water and snacks to those queuing to vote and allowed individual citizens to challenge the voter registrations of neighbours they suspect are unlawfully registered. Though the law has had a more muted effect than some expected, it has forced Democrats into new battles. According to ProPublica, an investigative outlet, in two years nearly 100,000 registrations were challenged (oddly, 89,000 challenges were filed by just six people). Those who fail to respond to the notices can get kicked off the rolls. In early January Democrats lost in court to True the Vote, a conservative group leading the challenge crusade. Following the decision, its leaders announced the launch of new automated mass-challenge software.

All this amounts to the most dynamic political tug-of-war outside the capital. "Without a doubt there was some sore-loser politics involved, but SB202 addressed real issues as well," says a Republican who took part in its deliberations. The handful of Georgia judges making decisions on the Trump trial, election security and voting-rights cases have the hard task of distinguishing between political high-jinks and good-faith arguments. Their rulings will matter for all Americans. ■

Dunking on democracy

ORACLE
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Lexington | It's not the Trump Party yet

Chris Sununu and Nikki Haley claim, against the odds, that their brand of conservatism is the Republican future

SLENDER, HIGH-SPIRITED and young, at least by the sagging standards of American politics, Nikki Haley, the former governor of South Carolina, and Chris Sununu, the current governor of New Hampshire, make a dynamic team as they barnstorm his state in advance of its primary on January 23rd. "What better place to meet the next president of the United States than in a candy shop," boomed Mr Sununu, grinning, as he introduced Ms Haley recently to a gaggle of constituents in Chutters sweet store in Littleton, in the White Mountains. Smiling as brightly as her ally, she reeled off a list of policy objectives before warning that America could not hope to move forward with either Joe Biden or Donald Trump as president. "You can't do it if you've got two 80-year-olds as the choice of where we're gonna go," she said.

That is the essence of her argument as Ms Haley tries, after Mr Trump's thumping victory in the Iowa caucus, to block his march back to the Republican nomination. Ms Haley came in a close third there to Ron DeSantis, the governor of Florida, but both were out of hailing range of Mr Trump. The next day, her campaign began running a new advertisement in New Hampshire saying that Mr Trump and Mr Biden were America's most disliked politicians, "consumed by chaos, negativity and grievances of the past".

Yet the paradox of Ms Haley's candidacy is that although she looks like the party's future she, more than Mr Trump, can sound like its past. While Mr Trump continues to revise Republicanism, Ms Haley wants to return the party to its pre-Trump principles, to when it at least made a more substantial pretence of caring about cutting debt, reforming entitlement programmes and containing Russia, not to mention being polite and not getting indicted.

Though Mr Trump may have stolen Ronald Reagan's campaign slogan ("Let's make America great again"), he has otherwise shown little deference to the values Reagan laid down. In a sign of how Mr Trump has upended the party, and of his lingering anxiety about Ms Haley, he is running an ad in New Hampshire attacking her as wanting to cut Social Security, traditionally the kind of thing Democrats say Republicans are out to do.

There is a whiff of nostalgia in the very way Ms Haley is campaigning, not just in her commitment to retail politics but in the company she keeps. In 1988 another Governor Sununu—John, this Sununu's father—rescued George H.W. Bush after he came in third in Iowa, delivering a victory that propelled him to the White House. "We're copying a few pages out of that playbook," Mr Sununu acknowledges, after snagging a chocolate bar from one of Chutters's giant jars. "But only in that it's tried and true."

He argues that his state's politics still depend on activating networks in towns such as Littleton, and that if Ms Haley, whom he endorsed last month, beats Mr Trump in New Hampshire, and then in her home state of South Carolina, "everything would flip upside down on him very, very quickly." That is a very long shot but somehow, borne along on Mr Sununu's stream of enthusiastic patter, it starts to sound more than barely plausible.

Mr Sununu, who is 49, has been elected to four consecutive two-year terms, most recently by more than 15 points, in a state whose two senators and two representatives are all Democrats. In his party he is a relative moderate on social issues, including abortion rights, but he boasts of being the most fiscally conservative governor in the country. He has little patience with the argument that Mr Trump has fundamentally changed the Republican Party, insisting he has merely hijacked it.

Mr Sununu thinks the anger of Americans over the failures of "elitists in Washington", rather than any policies, led them to support Mr Trump in 2016 as a disrupter, and now as a victim. "He provides no leadership, no guidance, no basis in the Republican fundamentals of being fiscally conservative or limited government, or any of that," Mr Sununu says. "His unique skill is making people feel like he's sharing their troubles and chaos, right?" But Mr Trump is "using their anger for his own personal benefit. He's not going to help them, at all. He didn't before." He fears a Republican wipeout at other levels of government if Mr Trump is re-elected.

He predicts that once Mr Trump leaves the scene—after a Haley victory, or further down the road—the old dynamics in the party will reassert themselves, "with no one individual trying to redefine where the party goes".

Courage about conviction

This may sound wishful, or even delusional, particularly in light of Mr Trump's showing in Iowa. But the picture remains more complicated than that. Less than 15% of registered Republicans turned out, and of them almost half preferred a different candidate from Mr Trump, a quasi-incumbent. More broadly, Republican governors—not just in New Hampshire but in states like Georgia, Ohio and even Iowa—are succeeding not as Trump acolytes, but with more conventionally conservative and pragmatic Republican politics. Congressional Republicans, particularly in the House, are falling in line behind Mr Trump, but Mr Sununu insists that is only because they need him to raise campaign money. He thinks they will also revert to previous form when "they won't have this emperor, this, you know, this dictator, if you will".

Maybe. For all his criticism of Mr Trump, Mr Sununu, a fierce opponent of Mr Biden, has also said he would support Mr Trump if he becomes the Republican nominee, even if he is convicted of a felony. Mr Sununu insists he was engaging in a "hypothetical" for "shock value", to persuade Republicans they should not rely on the courts. "If you think Trump is a threat to democracy, then get up and participate in the democratic process and vote him out," he says. "It happens in the primary." But if it does not happen in the primary, conservatives such as Mr Sununu will have to ask themselves a hard question: whether they will really save their party by helping Mr Trump burn it down. ■

Shock therapy

Resisting Mr Milei

Argentina's new president is slashing spending and enraging unions

JAVIER MILEI has wasted no time. Forty-eight hours after taking office on December 10th his economy minister, Luis Caputo, a former banker, unveiled measures to cut public spending by 3% of GDP. He devalued the peso, pledged to slash subsidies, and eliminated nine of 18 government ministries. One week later Mr Milei decreed that state-owned companies could be privatised, price controls eliminated and labour laws reformed.

In the midst of Argentina's worst economic crisis in two decades, this flurry of activity is intended to push the budget into surplus (before interest payments) by the end of 2024. The IMF, to which Argentina owes $43bn, has noticed. On January 10th it agreed to restart payouts to the Argentine treasury, stating that Mr Milei's government had "moved quickly and decisively" to "restore macroeconomic stability". The global elite has noticed, too. Mr Milei's thundering about defending "the values of the West" was met with enthusiastic applause by the audience at Davos in Switzerland on January 19th.

But as well as striving for fiscal rectitude, Mr Milei is doggedly determined to destroy what he calls "the caste", a network of corrupt politicians, business cronies, media lapdogs and, most important, powerful trade unionists. On December 27th he sent a sprawling "omnibus" bill to Congress, designed to "free the productive forces of the nation from the shackles of the oppressive state". It would allow him to rule by decree for two years, change Argentina's electoral system and enforce prison terms of up to six years for those who organise protests that obstruct transport or damage property. All the better to break the caste. One month into Mr Milei's presidency, the caste has started fighting back.

Lawyers are furious about plans to fast-track divorces through the civil registry without requiring their services. Doctors hate a new requirement for them to preferentially prescribe generic medicines. Arty types are protesting about gutted funds and the closure of the national theatre institute. Fishermen are cross about permit deregulation. Sugar producers are railing against plans to remove import tariffs. Football clubs are manoeuvring to escape plans to turn them into limited companies in order to attract investment from what Mr Milei calls "Arab groups".

But no one is more affected by Mr Milei's shock therapy than Argentina's trade unions, or more enraged by it. His labour reforms would kneecap them by requiring employees to opt in to union membership, rather than having dues taken automatically, as they are at present. This would leave the unions out of pocket.

They are leading the pushback. The day after Mr Milei vowed to "break the shackles of the oppressive state" the General Confederation of Labour (CGT), Argentina's largest union group, called a national strike for January 24th. That is record-setting time for an Argentine president to prompt such action. The unions are fight- ▸▸

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ing back through the courts, too. On January 3rd one suspended the chapter on labour reform in the emergency decree, in response to a request filed by the CGT.

Trade unions are central to the system Mr Milei seeks to tear down. They are powerful and enduring, often run like family businesses. The truckers' syndicate, for example, has had the same boss, Hugo Moyano, for 36 years. His oldest son is installed as the union's co-chief. A daughter and another son sit on the board, while a different son ran a separate union established for toll workers. He then became a congressman. The family has owned football clubs and runs a political party. They have been investigated for corruption, money-laundering and fraud, but few investigations have ended in charges. The Moyanos, who can freeze the transport of food and petrol around the country, have hitherto seemed untouchable. But Mr Milei seems unfazed.

Markets were initially buoyant about Mr Milei's plans. Bond prices hit a two-year high after the emergency decree. But investors are beginning to question the political feasibility of his project.

Union opposition is not the only hurdle. Mr Caputo wants not just to slash public spending but also to raise annual revenues by 2% of GDP. He would do this by temporarily raising import and export taxes. He plans to boost the central bank's foreign reserves, which are $7bn in the red, by using a crawling peg to the dollar which devalues the peso by 2% every month.

Contact with the enemy

But Congress has not yet approved the tax rises, and revenues are shrinking. Argentina is in recession. Last year GDP contracted by 2.7%, estimates the World Bank. Mr Milei's devaluation and the lifting of price controls will fuel inflation and deepen Argentina's recession, at least in the short term. This combination means that by the time taxes are collected, their worth will have fallen. Econviews, a consultancy in Buenos Aires, estimates that the government could lose 0.8% of GDP in tax collection in 2024. Populist bungs have also hurt revenues. In September, before the presidential election, the Peronist candidate, Sergio Massa—who was also the economy minister at the time—all but abolished income taxes, which accounted for a good chunk of the government's revenues. Even though he voted for the tax cut, Mr Milei now says he wants to reverse it. He will have to go through Congress to do so.

Many analysts fear that the 2% crawling peg is not enough, as prices rise faster than expected. Annualised inflation surpassed 211% in December—higher than the rate in Venezuela. The peso is once again weakening on the country's black market, which offers a route around currency controls. If another sharp devaluation looms, prices could rise even more.

It will also be difficult to pass much of the omnibus bill in its current form. Even with the support of centre-right parties, Mr Milei cannot muster a majority in Congress, which threatens his tax rises too. He is attempting hardball, nonetheless. Congress, Mr Milei says, can either do the right thing and pass his law, or dedicate itself "to destroying the lives of Argentines".

The mastermind behind much of this slash and burn, Federico Sturzenegger, a former central-bank president who advises Mr Milei, appears to be unflustered. He says the government is only getting started. In an interview with Bloomberg, he said the administration will send another bill to Congress soon to scrap 160 "absurd" regulations. Boldly, he claimed that the only way to change Argentina's rotten economic structure is "to disarm it" and "drain it of its resources". That will not sit well with the likes of Mr Moyano, his offspring, and the country's caste. ■

Demographics

Accelerated ageing

BUENOS AIRES, MEXICO CITY, SÃO PAULO AND SAN SALVADOR

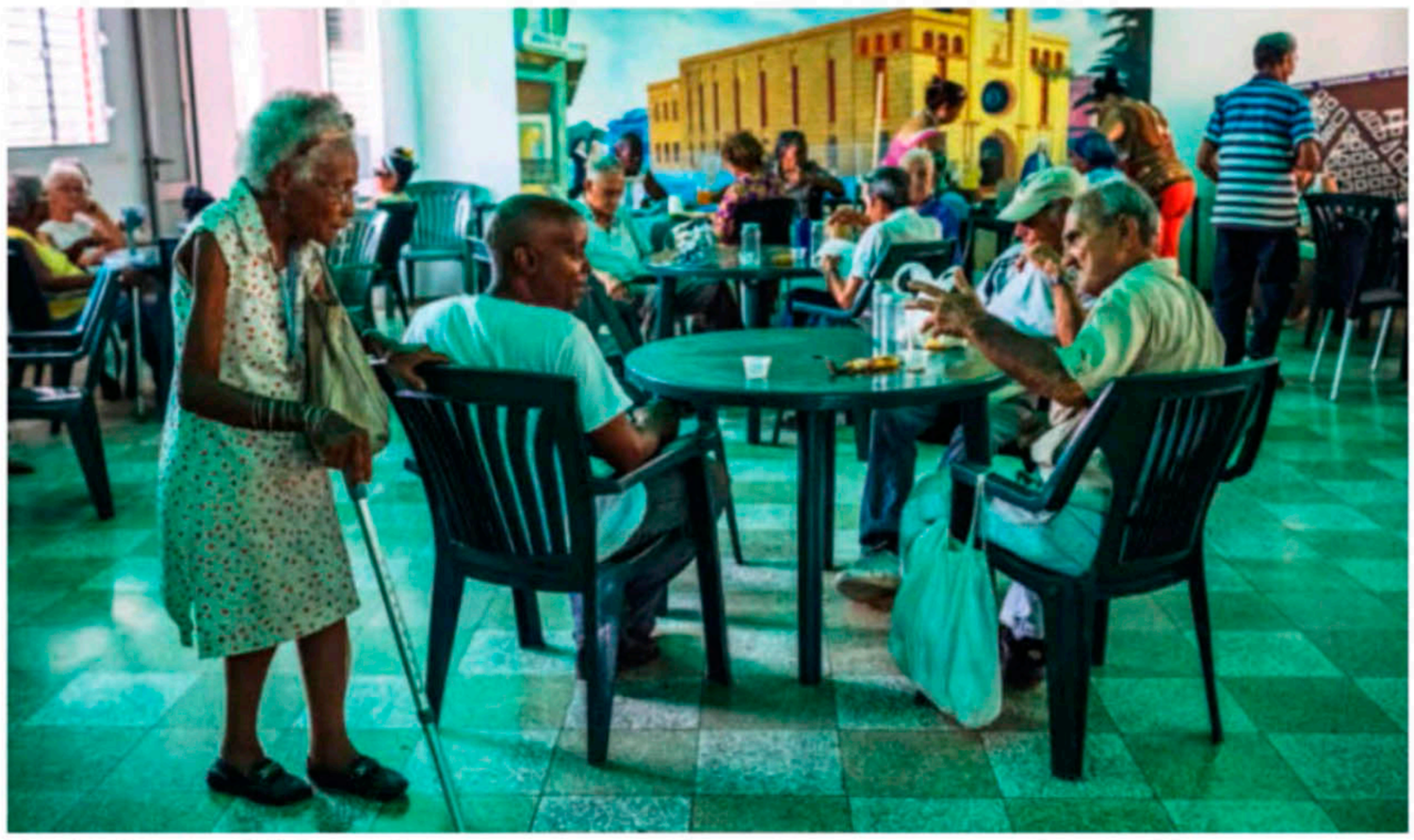
Rapidly declining fertility rates are creating problems for Latin America

DANIELA BARROS does not want children. Her mother had three by the time she was Ms Barros's age, but the 31-year-old São Paulo hair stylist decided against it years ago. "It would mean giving up my personal and professional life, as well as changes in my body that I don't want to go through," she says.

Her choice is not unusual. Latin America's fertility rate fell below the 2.1 births per woman required to maintain a stable population in 2016; the region is home to some of the fastest-falling fertility rates in the world. Together with rising life expectancy and high levels of emigration, mostly of working-age people, this is creating a problem for Latin America: the region is getting old very quickly.

The United States enjoyed a 57-year period over which its population of people older than 65 doubled from 10% to 20%. Latin America is about to embark upon the same transition in just 28 years. This provides little time to adapt to what Simone Cecchini of the UN's Economic Commission for Latin America and the Caribbean calls a "radical change". Footing ballooning bills for pensions and health care will be a big challenge. Dealing with the drag on economic growth created by a shrinking workforce will be another.

Look at pensions. Countries with defined-benefit systems, such as Brazil and Argentina, face rising bills as the number of claimants grows. Brazil's pension deficit is running at 2.6% of GDP, and is projected to rise to 5.9% by 2060. In places that use defined-contribution systems, such as Mexico and Chile, pensioners often find payouts to be meagre. The region's legion of informal workers often have no retirement savings at all. Fully 82% of Salvadoreans are neither paying into a pension nor saving independently for old age, accord- ▸▸



We had more children when I was your age

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ing to the country's central bank.

The response to these problems is often cash handouts for old people. But those are already becoming unaffordable. Almost a quarter of Mexico's federal budget will be spent on the "well-being pension" in 2024. By 2050 the number of over-65-year-olds potentially in receipt of the handout is expected to double.

Health care for the old is even patchier. Many Latin American countries entirely lack services designed for older people. There are very few public nursing homes in the region. Private ones are expensive. Traditionally families look after each other. But that is becoming harder when more women—the default carers—work or simply don't want to provide care. Noemí Domínguez Punaro, a university lecturer in Mexico City, moved her 92-year-old mother in with her a few years ago. "The government takes advantage of this expectation," she says. "Caring limits my life."

All the extra spending entailed by its ageing population will make the obligations of Latin America's governments exceed their revenues by some 3.8% by 2065, according to research by Carola Pessino and colleagues at the Inter-American Development Bank; that gap is running at 1.7% in the European Union. After the old are looked after there will be "little to spend on everything else", says Ms Pessino.

Failure to launch

Countries with high birth rates, like Bolivia, should try to make the most of it. But doing so successfully would be out of character for the region. Latin American countries have mostly failed to take advantage of their expanding working-age populations, largely because they have not managed to get young people into decent jobs. Youth unemployment in Costa Rica, for example, is as high as 27%. Informal labour is much to blame. Dropping out of school to take temporary, informal work is standard. When that work ends, the dropout does not return to school, and is left without the skills required for the formal jobs market. Keeping children in school for longer would pay dividends for the whole region.

Where dependents will soon outnumber workers a different focus is needed. Raising the age at which people stop working is sensible. Brazil began raising its retirement age from the mid-50s in 2019. It estimated that this would save $200bn by 2029, but it will soon need to go higher. Uruguay started raising its pensionable age from 60 last year. Similar reforms in Costa Rica took effect on January 12th.

Latin American countries could help themselves by boosting productivity and becoming more attractive to working-age people, potential immigrants and emigrants alike. There is room for improvement. Latin America's productivity is the second-lowest of any region in the world after the Middle East. Overhauling education systems which fail to equip young people properly with the skills they need is vital. Attracting migrants seems harder. The region's sluggish economic growth and soaring murder rates are not alluring.

Women could perhaps prove fertile in a different way, says Ms Amarante. The female labour participation rate in the region is only 51% versus 59% in East Asia and the Pacific. But women can work only if there are decent jobs and a market providing affordable care for the old people and children that are their responsibility at present. Ms Domínguez Punaro has had to go part-time in order to care for her mother. That Latin America's women have long been able to choose how many children to have has been a great boon. Now they need more and better choices about caring for their family members, too. That might just help Latin America face up to the challenges of rapid ageing. ■

Reaping what you sow

Superpigs

VANCOUVER

Wild boar hybrids are raising hell on the the Canadian prairies, and moving south

IT SEEMED LIKE a good idea at the time. When Canadian pig farmers were told in the 1980s that their animals' gene pool was thin, they turned to wild boars from Britain for fortification, crossing them with an improved strain of domestic pig. This yielded a longer creature with an extra rib, and more meat per beast.

Then, in 2001, the boar-meat market plunged. Some farmers, unable to sell their stock, simply released their hybrid pigs into the wild.

Today those pigs' descendants roam the Canadian prairie provinces, a horde some 62,000 strong. They reproduce at a clip, and are well adapted to withstand the extreme winters, with thick fur and long legs that let them traipse through the snow. Their tusks are as sharp as steak knives. Their meaty breeding lends them a troublesome bulk now they are feral. One captured boar weighed more than 280kg (600lbs).

They are destructive, opportunistic omnivores who feed by shoving their snout and tusks into the soil in search of grubs and roots. Some Canadian farmers now live in fear of discovering acres of crops ploughed up by a herd of pigs.

Hogging the road

"They're turbocharged superpigs," says Ryan Brook of the University of Saskatchewan: the animals are both smart and adaptable. They have learned, for instance, to burrow for shelter. "When we have howling winters, these pigs are under a half a metre or a metre of snow and comfortable," he says.

So far, Canada's animal-management programmes have proved no match for the hybrid pigs' fecundity, removing a mere 300 of them in 2023. Mr Brook says that getting rid of even ten times as many would not be enough to keep the superpigs in check.

In fact, the pigs have multiplied to such an extent that they have now started spilling over the border to the south. Lori Stevermer, a Minnesotan who grew up on a pig farm, married a pig farmer and now sits on the board of the National Pork Producers Council, says the scale of Canada's superpig problem became clear to her just last year.

Farmers and pork producers in the northern United States are worried about damage to their crops and the potential for wild pig herds to be a vector for African swine flu. An outbreak could cost the domestic pork industry $7.5bn of its roughly $20bn annual sales, according to a recent study by Iowa State University.

The United States already has a feral pig problem, but in the warm south. What concerns John Tomecek, chair of the National Wild Pig Task Force in Texas, is that their physiology is actually better suited to cold weather. That makes the new sort of swine coming down out of the prairies into chilly northern states a cause for serious concern.

"What you're seeing in Canada," he says, "is the beginning of a very real, very long-term problem."

Taiwan's elections

Democracy island

TAIPEI

Taiwan's new president is William Lai Ching-te. China is not happy

CHINA HAS no say in Taiwan's elections, but for months its officials had warned that Taiwan should not choose William Lai Ching-te of the Democratic Progressive Party (DPP) as their new president. Mr Lai was a separatist whose election would create a "dangerous situation of high winds and urgent waves in the Taiwan Strait", a spokesman for China's Taiwan Affairs Office threatened. On January 13th Taiwan's voters elected Mr Lai anyway, ushering in an unprecedented third term for the pro-independence ruling party.

So far the Taiwan Strait has remained relatively calm. But Mr Lai may soon face storms at home. His party has lost its majority in the Legislative Yuan, Taiwan's parliament. It will struggle to forge consensus on divisive issues like defence spending and strategy. China already seems to have identified such domestic divisions as Taiwan's weak point. Its first statement responding to the election claimed that the DPP's victory "does not represent mainstream public opinion" and promised that it would keep working with "relevant parties, groups and people" within Taiwan to promote "national unification".

Most Taiwanese support neither immediate unification nor independence but the current state of de facto independence. Yet voters are divided over how best to safeguard it. Mr Lai won with 40% of the vote, a sign that a plurality want to continue along his party's path of strengthening deterrence and relations with other democracies. Another third of the vote went to Hou Yu-ih of the Chinese Nationalist Party, or Kuomintang (KMT), who promised to lower tensions through trade and dialogue with China, based on rejecting Taiwan's independence. A hefty 26% went to a third-party challenger, Ko Wen-je, of the parvenu Taiwan People's Party (TPP).

"Taiwan is telling the whole world that between democracy and authoritarianism we choose to stand on the side of democracy," Mr Lai told his victory rally on election night. But vows to defend democracy are no longer enough for many voters. Mr Ko's supporters in particular were drawn to his focus on domestic issues like housing and wages. Many were young Taiwanese who said they disliked the two traditional parties' "ideological" politics.

The DPP is already worrying about how to unite the country. From February the parliament will be split between the three parties, with TPP legislators a potentially decisive vote. The last time Taiwan had a split assembly and executive was under the DPP's Chen Shui-bian, president from 2000 to 2008. The KMT-dominated parliament blocked Mr Chen's proposed military budgets more than 60 times, eventually forcing him to cut defence spending from a proposed $19.6bn to $320m. During his campaign Mr Lai warned that opposition lawmakers might block his budgets.

That will alarm America, Taiwan's main military partner. An unofficial delegation of former senior US officials visited Taiwan just after the elections. They met not only Mr Lai and the outgoing president, Tsai Ing-wen, but also Mr Hou, Mr Ko, and the KMT's party chair, Eric Chu. Afterwards ▸▸

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Laura Rosenberger of the American Institute in Taiwan said that America would continue to "work across the political spectrum" in the belief that all Taiwan's parties want to do "what's best for Taiwan, regardless of their political affiliations".

China's Communist Party seems to disagree. On January 15th its journal *Qiushi* published a speech by President Xi Jinping about the importance of winning hearts and minds among ethnic Chinese worldwide, including "patriotic unification forces" in Taiwan. On January 16th China's Ministry of State Security published an article on China's Anti-Secession Law, calling it a "sharp sword hanging high" over the heads of would-be separatists, and warning Taiwanese spies that the DPP might put their lives at risk. The *Global Times*, a Chinese tabloid, said China would try to rally Taiwan's people, distinguishing "compatriots" from "secessionists".

In the past, Mr Lai was known for being more outspoken in his advocacy of independence than Ms Tsai. But during the campaign he promised not to declare independence. Taiwan is already independent in effect, so has no need to declare it, the DPP's leaders say. Mr Lai's running-mate, Hsiao Bi-khim, the island-state's former representative to America, is known in Washington as a firm but careful defender of Taiwanese democracy. Together they are rather unlikely to stray from Ms Tsai's path of moderation.

That is little reassurance to the Chinese Communist Party, which also hated Ms Tsai. Since she came to power eight years ago, China has cut off communication with Taiwan's authorities and increased military pressure on the island. In August 2022, China sent missiles over Taiwan and enacted a mock blockade around it after a visit from Nancy Pelosi, then speaker of America's House of Representatives. China also sent balloons over the island and reimposed some tariffs on Taiwanese products in the weeks before the vote. But it did not make a major new show of force.

That may change in the coming months as China tries to isolate Taiwan internationally and divide it internally. On January 15th the Republic of Nauru, one of Taiwan's few remaining diplomatic partners, said it was cutting ties with Taiwan to recognise the People's Republic of China instead. China's foreign ministry gloated.

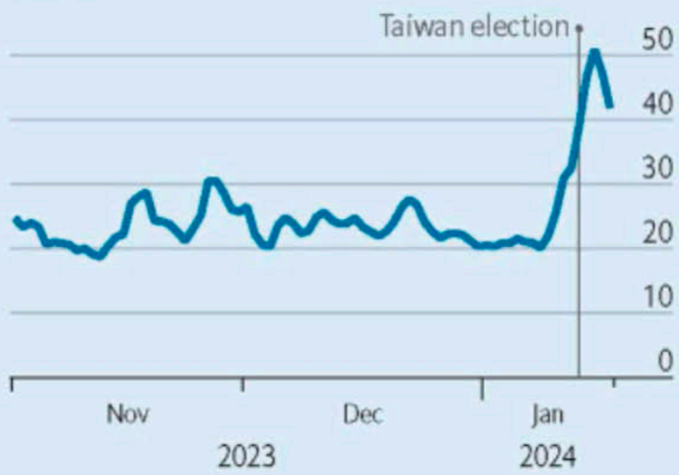
Given the fuss China made over Mr Lai, some kind of symbolic military action seems likely. That would excite China's online nationalists: an *Economist* analysis of posts on Weibo, a microblogging platform, found that hostile posts about Taiwan more than doubled after the election (see chart). Mentions of "motherland" rose five-fold; "Taiwan independence" jumped eight-fold. A potential flashpoint is May 20th, Mr Lai's inauguration day.

Mr Lai did not quite manage to avoid controversy during the campaign. He caused a rumpus by saying he hoped, against precedent, to see a Taiwan president visit the White House one day. Such language makes American officials nervous. For its part, China will want to make Taiwanese citizens feel they have entered more dangerous waters by electing Mr Lai. The government in Beijing failed to scare Taiwan's voters into ditching the DPP. It will now try to make them regret it. ■

You'll be sorry

Weibo posts* about Taiwan estimated to be hostile

% of total



*Three-day moving average based on a sample of 27,000 posts

Sources: Weibo; *The Economist*

Cambodia's genocide

After the killing

SINGAPORE

New research highlights the Khmer Rouge's enduring legacy

REMEMBER THE past but look to the future. That was the message Cambodia's leaders gave to the 20,000 people who gathered in Phnom Penh, the country's capital, on January 7th to commemorate "victory over genocide" day. Around 2m people (nearly a quarter of the population) were killed between 1975 and 1979 during the Khmer Rouge's attempt at a great leap forward. Since that communist regime's fall, Cambodia's recovery has been impressive. Over the past decade annual growth has averaged 5.5%. Still, the effects of genocide linger.

More than 40 years on, the households and villages most ravaged by Khmer Rouge atrocities are among the country's poorest, according to a new working paper by Rahul Mehrotra of the Geneva Graduate Institute, a university. To quantify the long-term impact of the genocide, he measures the wealth of a household in relation to its proximity to a Khmer Rouge mass grave. In areas with more mass graves, households are likelier to be in the poorest quintile of Cambodia's wealth distribution. Few have access to piped water. This chimes with earlier studies. One published last year in the *American Political Science Review*, a journal, by Donald Grasse of the University of Southern California found that poverty rates in villages ruled by a radical faction of the Khmer Rouge were 4% higher than those controlled by a more moderate one.

These effects are so deeply entrenched because, in the Khmer Rouge's fanatical quest to establish an egalitarian society, educated Cambodians suffered especially. The loss of their lives and the forgone years of education among survivors set back subsequent generations. Decades later, men and women with median levels of exposure to the genocide, in terms of proximity to mass graves, receive 1.8 fewer years of education than they otherwise might. They are also likelier to work on farms than in factories or offices. These effects are most pronounced in families that lost members to the Khmer Rouge.

Households near former Khmer prisons are also especially likely to be poor, according to Mr Mehrotra's study. These enduring effects should serve as a warning to the current government. The ruling Cambodian People's Party has banned the opposition, shut down independent news outlets and threatens activists. Cambodia's economy might otherwise be doing even better than it is. Remembering the past is important, but learning from it even more so.

Cambodia's bitter harvest

Japanese housewives

A hidden asset

TOKYO

Legislators are starting to tap a dormant labour pool

AFTER GRADUATING from college, Obora Shizue, now in her 40s, was building a solid career at an insurance firm. But after giving birth to her first child she became a full-time mother. "I wanted to keep working, but I suppressed those feelings," she says. But unlike previous generations of Japanese women she was unwilling to stay at home. Eight years later, in 2015, she returned to work as a journalist.

Ms Obora represents a hugely important change. Female participation in Japan's labour force used to be much lower than in other big rich countries. For decades most women quit their jobs after giving birth to their first child. Outdated tax and welfare systems, as well as cultural mores, underpinned this anomaly. But it is now becoming less pronounced. As Japan's labour force ages and shrinks, women are playing a growing role in it. In 2022 the employment rate for women aged 25-39 surpassed 80% for the first time since records began. Meanwhile, the percentage of households with stay-at-home wives fell below 30%, another record.

A shift in cultural attitudes towards women and work underlies this change. As talent has become scarcer, working women are more prized. Japanese women's high education levels make them well placed to take advantage of the shift: 53% of women go to university in Japan, compared with 59% of men. "Women are Japan's hidden asset," says Mori Masako, a former gender-equality minister.

But outdated family laws still serve as a barrier to women's advancement. Japanese tax and welfare policies discourage married women from working. When "dependent spouses" earn less than 1.3m yen ($8,900) a year, they do not need to pay in to public-pension and health-insurance schemes. A government report published in October suggested that more than 1.1m working women were limiting their working hours and earnings in order to stay under that threshold.

The ruling Liberal Democratic Party (LDP) is starting to take steps to tackle the issue. Last October the government introduced subsidies and other measures to alleviate the effects of the so-called "income wall", which penalises women who go over the million-yen threshold. Experts reckon lawmakers will further chip away at the income wall next year, following a five-yearly review of the pension system.

Getting back on the train

But such policy updates alone may not be enough to entice millions of Japanese housewives back to the workplace. Oshima Yasuko of Recruit Works Institute, a research outfit, reckons a bigger shift in corporate culture is needed. In a study in 2019, she showed that among housewives who re-entered the workforce some 30% soon quit because they found it difficult to balance work schedules with child-rearing and household chores. Re-entering the workforce after a pause is also hard because Japanese firms tend to look with suspicion on candidates with "blanks" in their résumé. Ms Obora, who suffered many rejections before landing her journalism job, describes how demoralising that can be. "I used to think if I become a housewife once, I'll always be one."

It would help if Japanese men and women shared their domestic burdens more equitably. In 2022 just 17% of men eligible for parental leave actually took it, compared with 80% of women. Among married couples, Japanese women spend five times more time doing chores than men (in Germany the gap is three times). When the government speaks of gender equality, "the emphasis always seems to be on making women do more," says Mochizuki Rie, a former housewife who now works in marketing.

When Kishida Fumio, the prime minister, announced a plan last year to invest in "reskilling" for those on parental leave to support their transition to the workforce, many housewives complained that they were already overloaded with domestic work. "I used to think that being a housewife must be easy. I couldn't have been more wrong," says Ms Obora. Women such as her are part of a major, long-overdue socioeconomic change. More is required from both sexes to make it go faster. ■

North Korean belligerence

War talk

SEOUL

The two Koreas are probably not bent on fighting

KIM JONG UN, North Korea's dictator, ended 2023 with war on his mind. Speaking to assembled party grandees on December 30th, he declared that the North and the South were now "two belligerents in the midst of war". In early January he claimed to have no intention of starting a real conflict, but would have "no hesitation in annihilating" South Korea if it did.

Since Mr Kim's bromance with Donald Trump, then America's president, fizzled out after an ill-starred summit in Hanoi in 2019, such belligerence has become increasingly common. Hardly a month passes without Mr Kim testing fearsome weapons or threatening to annihilate South Korea. Yet a recent commentary published on the website 38 North by Robert Carlin and Siegfried Hecker, veteran North Korea-watchers , raised eyebrows by saying Mr Kim had made the "strategic decision to go to war". That is hard to judge and perhaps overblown. Yet North Korea is certainly more threatening than ever and grows more dangerous by the day.

Its war machine is getting stronger. In the past two years it has tested an unprecedented number of missiles able to fire nuclear weapons at South Korea and America. In November it put a military satellite into orbit, the first step towards building a network that would provide vital military information. Already in 2024 it has conducted artillery drills and a test of what state media claim is a solid-fuelled intermediate-range ballistic missile that is topped with a "hypersonic" warhead.

Accompanying this military build-up has been a hardening North Korean attitude towards the South. Reversing decades of policy, Mr Kim now claims that Northerners and Southerners no longer belong to a single Korean people and that talk of unification with the South's governing "clan" is pointless. North Korean propaganda sites and radio stations targeting the South have gone dark. On January 15th Mr Kim ordered the closure of three departments that deal with the South. The Arch of Reunification, a garish monument to inter-Korean rapprochement straddling the motorway between North Korea's capital and the demilitarised zone separating the two countries, will be torn down.

Yet none of this need suggest that Mr Kim really wants war. He is "more comfortable than ever", notes Christopher Green of Leiden University in the Netherlands. Chi- ▸▸

na provides food and industrial imports to keep his country going. America, distracted by Ukraine, Israel and the Red Sea, pays it little heed. And North Korea's new friendship with Russia is going swimmingly. On January 17th the two countries' foreign ministers met to follow up on a pow-wow between Mr Kim and Vladimir Putin, his Russian counterpart, held last September. North Korean munitions have been sighted on the battlefields of Ukraine.

War would be costly and risky for Mr Kim, even in the unlikely event that America stayed out of it. Any victory would be pyrrhic. What could be more destabilising for his totalitarian regime than absorbing 52m people with a passion for democracy?

Mr Kim is probably sticking to North Korea's pattern of using aggression to get leverage before eventual negotiations with America, says Go Myong-hyun of the Asan Institute, a think-tank in Seoul. Although America insists that denuclearisation must be on the table and North Korea clings to its nukes, neither side is keen to talk. But Mr Kim can afford to wait, perhaps for the return of Mr Trump.

In 2010 North Korea shelled Yeonpyeong, a nearby South Korean island, killing four South Koreans. Robert Gates, then America's secretary of defence, recalled in his memoirs how the South Koreans needed to be talked out of a "disproportionately aggressive" response involving artillery and air strikes, which he feared would trigger an escalation. Yoon Suk-yeol, now South Korea's president, promised on January 16th to respond to provocations "with a punishment multiple times more severe". Such an overreaction would be more likely to start a war than Mr Kim's wild rhetoric about conquering the South. ■

Banyan Bharat first

A new book by India's foreign minister seeks to Hinduise Indian foreign policy

THE CONSTITUTION of India begins: "India, that is Bharat, shall be a union of states." Unable to agree on whether to use the English or Sanskrit name for the country, its authors included both. On the surface, the difference is no greater than that between Germany and Deutschland. But from the debates in the constituent assembly 75 years ago until today, India's alternative names have been loaded with distinct meanings. One was imposed by a colonial power and is increasingly associated in India with an out-of-touch anglicised elite. The other is increasingly considered a true reflection of a proud, ancient civilisation.

So it was significant when, at the G20 summit in Delhi in September, Narendra Modi, India's prime minister, sat behind a nameplate that read Bharat, bolstering his credentials as a representative of the "real" India. In the same vein, a new book by Subrahmanyam Jaishankar, India's erudite foreign minister, is called "Why Bharat Matters".

Mr Jaishankar deploys the Ramayana, one of two great Hindu epics, to illustrate the importance of allies, intelligence and a rules-based order. The Ramayana tells the story of Lord Ram, a noble king and avatar of the god Vishnu, who is forced into forest exile where he faces multiple travails, including the abduction of his wife, Sita, by the demon-king Ravana. For many Indians it is the ultimate story of the triumph of good over evil, and Ram the embodiment of honourable conduct.

Mr Jaishankar's previous book, "The India Way", included a chapter that drew on the Mahabharata, the other great Hindu epic, and its lessons on statecraft. The central argument of that book was that India must resist pressure and chart its own course in a turbulent world. In the four years since it was published India has done so—in particular, by refusing to condemn Russia's invasion of Ukraine even as it grew closer to the West in general and America in particular.

India's foreign policy must be based on "its own values and beliefs", writes Mr Jaishankar in his new book, drawing "from the totality of its culture, heritage and traditions". This is consistent with his previous volume, in which he lamented that "the standard American introduction to Indian strategic thought does not even refer to the Mahabharata". He is right to stress the importance of understanding Indian culture. Whether or not they have actually read the epics, for many Indians the Mahabharata and Ramayana are at the heart of their conception not just of the cosmos but also of everyday conduct.

Even so, the foreign minister's efforts to assert the connection between Indian culture and policy become tautologous and hard to fathom. "India can only rise when it is truly Bharat," he writes. And then again, after noting India's increased global weight: "This is an India that is more Bharat." Overall, he concludes, "with each passing day, it is becoming clearer that India matters because it is Bharat."

It is tricky to know what to make of this—as the author concedes elsewhere. "Why Bharat Matters" is, as he explains in its opening pages, "a volume that is to be read between the lines". Doing so suggests pretty standard realism, not Hindu mythology, is his guide. India's foreign policy will be determined by its national interest, which will in turn be directed by the needs of most Indians.

To Indians, Mr Jaishankar's message is that their government will protect them from a dangerous world. He describes this as a corrective to the relatively weak counter-terrorism policies and idealistic internationalism of earlier Indian governments. Here, too, Mr Jaishankar's mythological analogising can go overboard, such as when he describes "Ram Rajya" (the rule of the Lord Ram) as "the epitome of a rules-based order". On January 22nd Mr Modi will breeze through the constitutional barriers between state and religion by consecrating a controversial new temple at the claimed birthplace of Ram in north India. For the one-fifth of India's 1.4bn people not represented by what Mr Jaishankar calls the "totality" of India's culture—which omits its Islamic, Christian, secular and liberal traditions—this will not be rules-based or reassuring.

Mr Jaishankar claims to describe two big policy shifts under Mr Modi. One, which is at least arguable, involves the replacement of an internationalist foreign policy with an India-first one. The other, the graduation from India to Bharat, is harder to grasp. But a third metamorphosis, also between the lines of the foreign minister's tome, is indisputable. That is Mr Jaishankar's development from a bureaucrat into a politician.

Crime and punishment

A fresh attack on the rule of law

BEIJING

Why China's government is hushing up court rulings

OVER THE past three decades China's legal system has been gradually improving, albeit from a low base. The Communist Party still dominates the system: Xi Jinping, China's leader, considers judicial independence a dangerous idea. Suspected criminals who end up in court are found guilty 99% of the time. But analysts reckon the quality of judges on the civil and commercial side has got better and corruption has decreased. The World Bank has a rule-of-law measure that uses indicators like property rights and judicial independence. In 2006 China was in the bottom third of countries. By 2022 it was in the top half.

Better pay for judges and harsher punishments for misconduct have helped. But one crucial change has been more transparency. A decade ago China's courts were ordered to upload all but the most sensitive of their rulings to a database called China Judgments Online, which was open to anyone. The platform grew to contain over 140m decisions. This unprecedented window into the system was a boon for civil-society groups, which could refer to cases in their campaigns to, say, protect the environment or defend women's rights.

But the era of transparency seems to be ending. In December the supreme court admitted that the pace at which rulings were uploaded to China Judgments Online had fallen (see chart on next page). Some judges have reportedly been told that they no longer need to upload cases at all. "Judicial transparency doesn't mean we need to post all judicial information on the internet," said the court. It suggested that China Judgments Online raised privacy and security concerns. An alternative database will be launched this year, but will be accessible only to court officials and police.

Transparency does not guarantee fairness in a justice system. In 1980 China televised the trial of Mao Zedong's widow, Jiang Qing, who stood accused of persecuting thousands of people during the Cultural Revolution of the 1960s and 1970s. Prosecutors assembled evidence and called witnesses. The public, wrote one of the judges, could "see for themselves what was meant by the rule of law". But the verdict was never in doubt. The Communist Party needed a scapegoat for the chaos of Mao's rule. Jiang received a death sentence, later commuted to life imprisonment.

More recently, the increased visibility of China's court system has improved the quality of justice. But it has also caused embarrassment. Similar offences often yield differing rulings. Some decisions, such as judges denying the victims of human-trafficking a divorce from their buyers, are cruel and absurd. A more accountable government might acknowledge such problems and promise to do better. The Chinese government, though, seems to have tired of providing fodder for activists by putting its failings on display.

That this experiment in transparency is ending comes as little surprise. China has ▸▸

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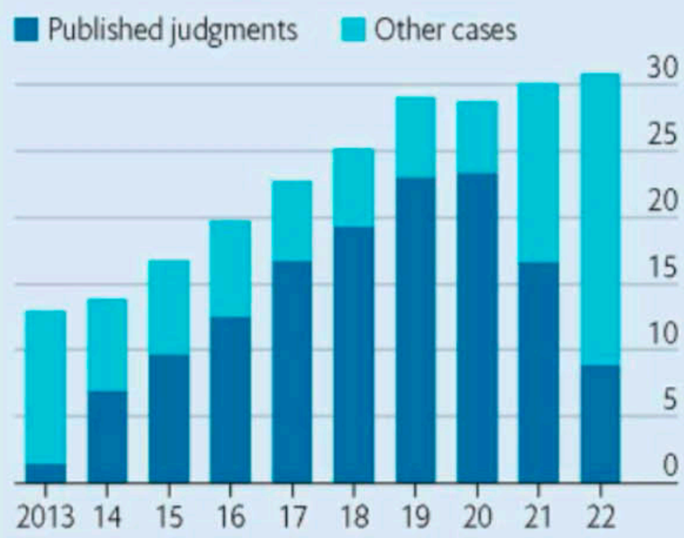

Source: The Supreme People's Court

been growing more opaque in other ways, too. Last year foreigners lost access to parts of a database called China National Knowledge Infrastructure (CNKI), which contains around 95% of Chinese academic articles and a host of other documents. The firm that runs CNKI cited cyber-security rules. In August the government stopped releasing the unemployment rate for city-dwellers aged 16 to 24 after it rose to 21.3%. In January officials began calculating the rate differently, producing a lower number, and started releasing it again. Analysts at banks have been warned against publishing bearish views on the economy.

The gutting of China Judgments Online will have as big an impact as any of these moves. Lawyers used the database to find precedents that could strengthen their arguments. Those who specialise in helping citizens sue the state—a tricky task at the best of times—complain that almost all such cases have vanished from the database. With a bit of persuasion, court officials might provide relevant rulings. But that could involve paying backhanders. An informal market for judgments that are no longer publicly available has reportedly sprung up on social media. Lawyers warn that less public scrutiny of decisions could also lead to more corruption.

Activists at home and abroad may be most affected by the changes. They had employed the database in a variety of ways, such as exposing how the government uses vague offences like "picking quarrels and provoking trouble" to criminalise dissent. Many related cases have been removed. So have others that expose the party's brutality, including those resulting in a death sentence (China does not reveal how many people it executes). Cases involving sensitive terms, "freedom of speech" for example, have also disappeared.

The government's efforts to contain scandals extends to the database. In 2022 a woman was found chained by the neck in a freezing outhouse in Jiangsu province, provoking public outrage. After issuing a series of contradictory statements, officials admitted that she had been sold into marriage. Embarrassed, the government limited access to the woman's village and censors deleted news reports about her plight. Many cases related to human-trafficking appear to have been removed from China Judgments Online, too.

Cases involving wildlife-trafficking have also gone missing from the database. With many people believing that the covid-19 virus jumped from animals to humans at a market in Wuhan, that is perhaps no surprise. Other deletions are more puzzling. Cases to do with "stealing or insulting a corpse" can no longer be found. Researchers believe the government is deleting anything that could be embarrassing.

If the decline in transparency leads to more corruption, the party will not fight it in the open. It has a parallel system for dealing with graft, managed by the Central Commission for Discipline Inspection (CCDI). Since assuming power in 2012 Mr Xi has increased the CCDI's resources and authority. In 2023 alone it punished over 400,000 officials. Only a tiny fraction of such cases are ever revealed to the public.

One of Mr Xi's favourite slogans is *yifa zhiguo*, or "governing the country according to law". He is not referring to the rule of law in the Western sense. Rather, he wants the party's rule to become more professional and predictable. That, he hopes, will give it more legitimacy.

But lawyers believe that the decline in transparency will have the opposite effect. In response to their criticism, the supreme court has pledged to be more open. Few believe it. Some lawyers, such as Han Xu of Sichuan University, argue that by reducing the public's access to cases the supreme court is itself breaking laws that require courts to disclose their judgments. With the court setting such a bad example, he asks, "How can we cultivate people's belief in the rule of law?" ■

Xi Jinping's approval rating

Survey says

BEIJING

The Communist Party is less popular than it likes to think

CHINA'S LEADERS have no qualms about using intimidation and force to stay in power. But the Communist Party also claims that it deserves to rule because it governs well and has the support of the public. Officials point to decades of impressive economic growth—and to opinion surveys that researchers at Harvard University conducted between 2003 and 2016. In the last such survey, over 90% of Chinese people expressed satisfaction with the party. "Such high approval ratings are beyond the wildest dreams of American politicians," boasted Hua Chunying, a foreign-ministry spokeswoman, in 2020.

Gauging public opinion in China is hard. Foreign firms are generally banned from carrying out surveys. Chinese pollsters tend to avoid sticky subjects, though some work with Western researchers (this was how Harvard conducted its study). No matter who is asking the questions, re-

Only fans

spondents may not share their actual views for fear of reprisal. So researchers at the University of Southern California tried to get around this problem by using a survey method called a "list experiment". Their findings, published this month, suggest that the Communist Party has fewer fans than previously thought.

The researchers divided participants in their survey (conducted online) into two groups. Those in the first were shown three anodyne statements, such as "I consider myself a sports fan". Those in the second were shown the same three items plus one sensitive statement, such as "I support Comrade Xi Jinping's leadership", or "China's system of government is better than any other I can think of".

Respondents in both groups were then asked how many statements they agreed with, without having to identify them. This allowed them to express their political opinions indirectly. By subtracting the average of the first group from that of the second group, the researchers were able to estimate the share of respondents who agreed with the sensitive statement.

The results suggest that when the survey was conducted in June and November 2020 between 50% and 70% of Chinese people supported the party. (This is an upper bound, say the researchers, because concerns about online surveillance may still have spooked some respondents into giving positive responses.) Around half of respondents did not agree that China's system of government is best. Nearly 40% said they were "afraid of the consequences" of protesting against the state. Support for Mr Xi was between 65% and 70%.

His approval rating has probably fallen since then. Mr Xi's "zero-covid" policy angered many Chinese, who grew tired of the constant testing and lockdowns. When the government at last dropped its pandemic controls at the end of 2022, analysts predicted a big rebound in economic activity. But consumers remain gloomy and many young Chinese are struggling to find jobs.

Even if it has fallen, Mr Xi's rating could still be the envy of Western politicians. A paltry 33% of Americans approve of the job President Joe Biden is doing, according to a recent poll. Still, the results of the study might concern China's leaders. The Communist Party relies on the (circular) presumption that the public thinks that it is overwhelmingly popular. If disgruntled citizens believe they are in a small minority they are less likely to discuss political issues, let alone resist the party. But if they believe there are many others like them, dissent could snowball, says Erin Baggott Carter, an author of the study.

There is no sign that China's Communist Party is about to face a revolution. But party officials are keen students of history. They are haunted by the collapse of communist regimes in eastern Europe, where opposition movements grew quickly once people realised their anger was widespread. Mr Xi has ordered his propagandists to "adhere to the correct guidance of public opinion". They might point to a different survey, conducted in November by Edelman, an American consultancy. In that one 85% of Chinese expressed trust in their government. That was second best among the 28 countries surveyed. The firm did not use a list experiment. ■

We are hiring a correspondent to strengthen our China coverage. Candidates should be willing to be based in mainland China. A knowledge of geopolitics and economics is helpful. Applicants should send a cv, a cover letter and an unpublished article of 600 words suitable for publication in *The Economist* to chinawriter@economist.com. The deadline is February 23rd 2024.

Burgers in China

Step aside, Ronald

How China is re-making fast food

At first glance, the burger appears like any other. But on closer inspection, something is different. Pressed between the buns is not a patty of minced beef, but morsels of roasted duck. The buns themselves are wrinkled and slightly charred. They are hand-rolled and made using traditional pastry-making techniques, says Tastien, the fast-food chain serving up this meal. If duck isn't your thing, other options include fish-fragrant shredded pork and mapo tofu. Though not technically a hamburger, Tastien's ads declare, "The Chinese hamburger is here!"

It appears to be popular. Last year Tastien added nearly 3,500 stores, for a total of around 6,700 in China. That is more than McDonald's, which has 6,000, according to GeoHey, a Chinese analytics firm. KFC (11,000) and local brand Wallace (18,000) still lead the fast-food industry.

McDonald's and KFC brought burgers to China. When the first KFC opened in Beijing in 1987, customers queued up to get a taste. Back then the fast-food chains targeted well-off Chinese. But as incomes rose, such meals grew more affordable. Still, a big part of Tastien's success is its prices, which are well below those of Western fast-food chains.

Founded in 2012, Tastien started out making pizzas. It began selling burgers in 2017. Two years later it claimed to be the creator of the Chinese hamburger, though it was hardly the first to offer such a thing. Still, the patriotic marketing has gone down well. Tastien received a 120m yuan ($19m) investment from Chinese venture-capital firms in 2021. Until recently, it has focused on smaller cities where it faces less competition from Western chains.

Now it is taking on rivals in big cities like Guangzhou and Shanghai. And the competition is growing. Local fast-food chains such as Running Panda and Chuzheng have also attracted sizeable investments. Many of these smaller chains offer burgers similar to Tastien's and have adopted marketing strategies that emphasise their Chinese origins.

Digging in, Chinese style

Chinese burgers are part of a wider trend, called *xinzhongshi* (new Chinese style), which sees companies infusing elements from traditional Chinese culture into their products and branding. The label "Chinese style" has been attached to everything from coffee to fried chicken. There is a political tinge to the fad. Companies are capitalising on the nationalist tendencies of young people.

This type of marketing is no guarantee of success. Tea-houses in China date back hundreds of years, but some that have opened recently under the "Chinese style" banner are still struggling. So too are some vendors of steamed buns, which originated in China long ago. It is perhaps less of a surprise that Chinese-style ice cream has not taken off. The label can often seem like a gimmick, attached to products that have little to do with traditional culture. One might say the same about burgers. Good thing Tastien's are cheap.

Chaguan | Taiwan's election, seen from China

Ordinary Chinese express no eagerness for war, but back threats of force

As China's rulers tell it, the Communist Party must control Taiwan to make the whole country safe and strong. "Unification brings strength while division leads to chaos," says the State Council, China's cabinet. "This is a law of history."

Actually, the party's obsession with Taiwan is a political choice. After 1991 China signed a series of treaties fixing its borders with the Soviet Union and Russia, in effect ceding over a million square kilometres of Chinese territory grabbed by Russia in the 19th century. No law of history forbade that decision to forget past wrongs.

Taiwan is different because it represents a direct affront to the Communist Party. That dates back to 1949 when the island became the home-in-exile of the Nationalist regime defeated by Mao Zedong and the People's Liberation Army (PLA) in the Chinese civil war. If Xi Jinping could take Taiwan, he would be the final victor of a war that Mao could not end. In contrast, letting the island slip out of China's grasp would undermine the party's legitimacy, or so Chinese scholars claim.

Political self-interest, then, explains decades of investments to build up the PLA, with a focus on deterring America from coming to the island's rescue. It explains, too, threats to use force should Taiwan declare formal independence. Those are political calculations. They make the world more dangerous than it needs to be.

Still, there is another self-serving choice by China's leaders that arguably keeps the peace in the Taiwan Strait. That choice involves telling the Chinese public—despite much evidence to the contrary—that most Taiwanese long to be part of China, but are thwarted by separatists egged on by America, Japan and other hostile foreign powers. This is a gambit. Mr Xi enjoys more room for manoeuvre as long as lots of ordinary Chinese believe that Taiwan may one day embrace "peaceful reunification".

The tactic can be seen at work since Taiwan's presidential election on January 13th was won by the Communist Party's least-favoured candidate, Lai Ching-te (see Asia section). Mr Lai's win marks the third presidential term in a row for the Democratic Progressive Party (DPP), which emphasises Taiwan's separate, democratic identity. Yet since that victory, mainland propaganda outlets have downplayed its significance and played up the DPP's poor showing in parliamentary elections held the same day. Chen Binhua, a spokesman for China's Taiwan Affairs Office, assured the Chinese public that the elections show that the DPP "does not represent mainstream public opinion" in Taiwan. Rather than stoke anger, party media dug up soothing past comments by Mr Xi about the need to woo "patriotic", pro-unification forces on the island.

It is unclear how angry China's public is even ready to be, after years of being told that most Taiwanese are their blood brothers. When researchers from the South China University of Technology and the National University of Singapore polled Chinese people in nine cities in 2019, they found almost 40% ready to rule out unifying Taiwan with the mainland by force under any circumstances.

A paper for the *Journal of Contemporary China*, published in 2022, records the survey organisers' surprise that support for keeping force on the table as an option was highest among the well-educated and those knowledgeable about Taiwan. Qi Dongtao, a lead author, suggests that well-informed Chinese may not be war hawks as such, but simply more aware than regular folk that Taiwan is not about to submit peacefully to Beijing.

To sample the post-election mood, Chaguan flew south to Xiamen. The Chinese port city enjoys close economic and cultural ties to Taiwan—and would be on the front line in a war. Serving as a reminder is Hulishan Fortress, whose weathered cannons point at an outlying Taiwanese island, Jinmen, just 27km (17 miles) offshore. In the Mao era, the PLA shelled Jinmen. The fort acted as a military radio base. Now a museum, it hosts tourists who tended to flee when asked questions about politics. Those who stuck around offered strikingly diverse views.

A middle-aged woman from Tianjin, strolling on the beach below the fort, expressed confidence that most Taiwanese support unification. She did not know the election results but had recently seen online reports about islanders travelling to an ice festival in the city of Harbin, in China's frozen north. "We should promote this kind of contact," she enthused. That said, she supported threats of force as an option, venturing that "toughness" by China's leaders should balance "softness" towards Taiwan's people.

Talking of war and peace, in a fort

Up in the fort a retired man from Ningbo, a coastal city, stood taking pictures of Jinmen through the mist. The photographer disclosed that his own father served in China's navy and was killed in the Taiwan Strait in the late 1960s. His family's loss makes him long for peace, he said, adding that China needs to become more appealing, economically, politically and culturally, if Taiwan is to choose unification. Yet his patience co-exists with a belief that force cannot be ruled out. "If we promise to give up the threat of force altogether, and promise that in front of the world, then the island would just declare its independence, right?" he asked.

A university student from Shanghai saw Mr Lai's victory as a sign of trouble ahead, but called the election the will of Taiwan's voters. "Among my generation, I know few who want a war. Whereas some older people may hope that we can recover Taiwan by force one day," he worried.

The student was not wrong. A former rural official from the province of Jiangsu was encountered briskly climbing the fort's stone steps with his granddaughter, though he turns 85 next month. Every place wants to be ruled by its own king, he declared, and Taiwan has been separate for too long. "We have to reunite with Taiwan by force." Indeed, if the PLA were not powerful, Britain would not have given Hong Kong back, the old man added with a glare. Having laid down that law of history, off he marched. ■

Israel and its war

The price of conflict

JERUSALEM

The war in Gaza will shape Israel's defence posture, and therefore its economy, for years to come

ISRAEL'S GENERALS are calling 2024 a "year of warfare". That is quite a prediction, given the bloodshed of 2023. They believe it will take many months to dismantle Hamas's military capabilities. For now, Israel's focus remains on its immediate battles in Gaza and the fate of the more than 130 hostages still held there. But it is increasingly obvious that even after the fighting ends, the impact of this war will be felt for years on Israel's military strategy and by extension on its economy.

This is Israel's worst war in half a century in terms of casualties and its most prolonged since the conflict in 1948-49 which the country calls its War of Independence. Economists refer to the years between the Yom Kippur war in 1973 and Israel's invasion of Lebanon in 1982 as its "lost decade". Defence spending soared, as did the deficit and inflation while foreign investors stayed away. Israel escaped financial meltdown only by enacting a drastic economic stabilisation plan in 1985. Though there are huge differences between Israel's economy now and then, from its world-leading tech sector to its ample foreign reserves, some Israelis worry that a protracted war could be a long-term drag on growth.

Before October 7th the IMF had expected Israel's GDP to grow by 3.1% in 2023 and 3% in 2024, more than double the rich-country average. The deficit for 2023 was projected at a mere 0.9% of GDP. Public debt, which stood at 61% of GDP at the end of 2022, had fallen by ten points since the pandemic. But the war is slowing growth and leading to a wider deficit. The Bank of Israel expects GDP to expand by 2% this year. Others are more pessimistic: the OECD forecasts 1.5% and S&P, a ratings agency, just 0.5%.

The deficit, meanwhile, has blown out to 4.2% of GDP—Israel's highest since 2012 (apart from 2020, during the pandemic). The shortfall came from war spending of 17bn shekels ($4.5bn, or 1% of GDP) in December alone, as well an 8% slump in tax revenue in 2023. An amended budget for 2024 adds 55bn shekels in defence spending (3% of GDP), imposes cuts on many civilian ministries and predicts a budget deficit of 6.6% of GDP.

Though much of this increased spending is directly related to the current war, Israel is unlikely to return to its pre-war economy when the fighting in Gaza eventually ends. To begin with, it seems to be reversing a multi-year trend of reducing the size of its ground forces. Before the attack by Hamas in October, Israel had spent billions on its missile defences and a sophisticated border fence, hoping technology could substitute for soldiers. These defences failed to stop the terrorists crossing the border. "We relied on technology and thought we would never again manoeuvre in large formations," says one veteran general. "That was wrong."

In response, Israel called up more than 300,000 reservists, strangling the economy. The labour ministry estimated in November that 18% of Israel's workers could not do their jobs. That included reservists as well as the more than 100,000 people displaced from their homes. Their absence ▸▸

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is affecting vital sectors. Many of Israel's tech entrepreneurs and engineers are now in uniform. Start-Up Nation Policy Institute, an Israeli think-tank, found that Israeli startups raised just $1.3bn in the fourth quarter of 2023, down 46% from the previous year and the lowest since 2017.

Though thousands of reservists are now being sent home—many more will be released by the end of January—Israel aims to keep twice as many soldiers guarding its borders as before the war. Previously about 130,000 reservists were on "active service", meaning they spent at least 20 days on duty over three years. Now the army will be calling up nearly three times as many of them. That will not be cheap, because it pays the civilian salaries and the benefits of those it has called up.

In order to fund this, the government would have to increase defence spending by about 1% of GDP in the long term. Doing so would require tax increases or spending cuts elsewhere. It will also need the money to buy tanks and gear to equip an expanded force, which includes a newly formed tank battalion and border-security brigade. It will also have to replenish its depleted stockpiles of munitions.

Many of those stripping off their uniforms are getting only a brief reprieve and have already been handed the dates of their next call-up in just a few months. But their return to civilian life could well be politically consequential. After a bloody war in 1973 and two others in Lebanon—in 1982 and 2006—reservists coming back from the fighting led protests that ultimately brought down the governments of the day.

Israel was dragged into this war after nine months of civil unrest over efforts by the right-wing government led by Binyamin Netanyahu to weaken the courts and control the appointment of judges. This turmoil is one reason why investment in the tech sector was lacklustre before October 7th. Yet since then the protests that had rocked Israel's major cities were put on hold as the country united. Many of those involved turned the movement into a campaign to distribute aid to the displaced.

Most of the leaders of the protests against the legal reforms are wary of damaging that unity by restarting the demonstrations before there is a ceasefire. But anger is building: over three-quarters of Israelis say they want the prime minister to go, once the war is over. The protests that have resumed against him are still small, but if returning reservists join them in large numbers, that could mark the beginning of his end.

Whoever replaces Mr Netanyahu, a generation of young working Israelis will have to pay for this war, out of their pockets and in months of reserve duty, for years to come. That will shape how they see their country—and build its future. ■

Israel's Arabs and Gaza

Calm at home

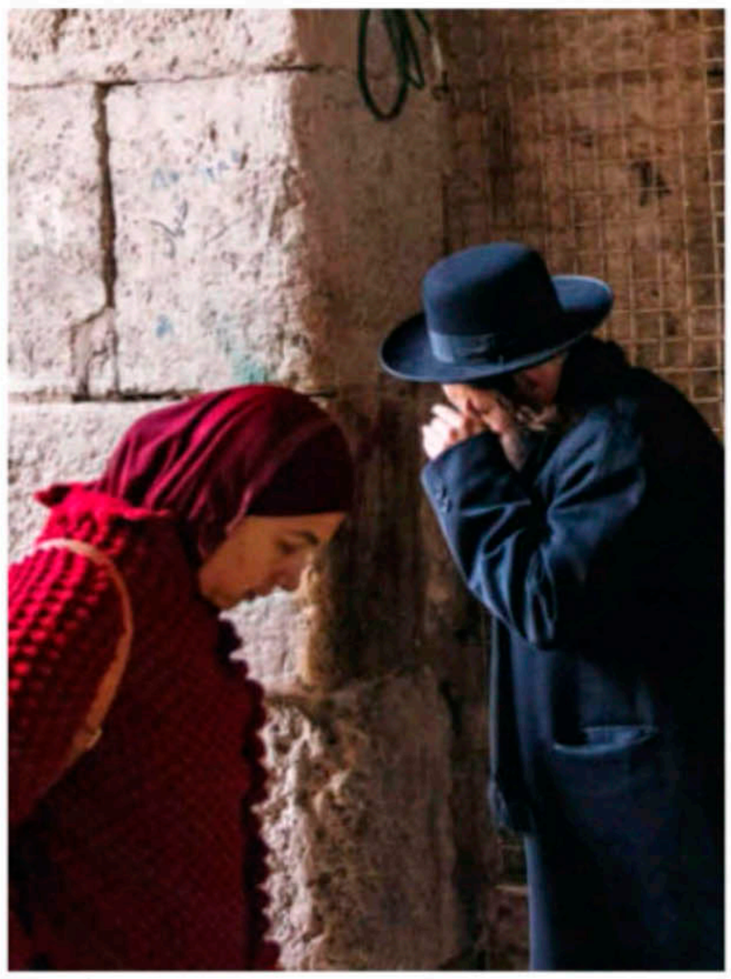
JERUSALEM

Most Israeli Palestinians are choosing their state over their kin

"O PEOPLE IN the Negev, in the Galilee and the Triangle, set the ground ablaze under the feet of the invading occupiers through killing, burning, destruction and roadblocks." The command came from Muhammad Deif, Hamas's military chief, as he unleashed the horrors of October 7th. It was aimed at Israel's Arabs, who make up a fifth of its population. They have not answered his call. "We all agree that civilians should be outside the theatre of battle," says Muhammad Barakeh, the head of the High Follow-Up Committee, an umbrella group of Arab factions in Israel.

The contrast with previous bouts of fighting is striking. When missiles flew from Gaza in 2021, violent clashes between Arab and Jewish Israelis erupted across Israel's mixed cities. This time the response has been a studied silence. Palestinians in Israel "don't want to be part of the war", says Muhammad Darawshe of Givat Haviva, Israel's oldest centre promoting Jewish and Arab co-existence.

Many Jewish Israelis think this is because their Arab compatriots are afraid, particularly of the police. In 2021 Itamar Ben-Gvir, a far-right Jewish politician, urged Jewish mobs to take up arms and shoot Palestinian stone-throwers. Today Mr Ben-Gvir is the minister for national security, in charge of the police. Since October 7th forces have detained or interrogated some 200 Israeli Palestinians, many women, many for minor offences, such as endorsing social-media posts expressing sympathy with Gaza's dead. Mr Ben-Gvir's supporters have sent prominent Palestinian Israelis death threats. Rallies demanding a ceasefire have been banned. Any such gatherings have been forcibly dispersed.



Turning a corner

But after decades torn between their state and their people, opinion polls suggest Israel's Palestinians are siding firmly with the state. In a survey this month by Givat Haviva, over half of Arab respondents attributed the calm to their desire for peace and a shared destiny with mainstream Israel. Another survey published last month showed two-thirds of Israeli Palestinians saying they identified with their state, up from half before the war.

This desire for integration is counterintuitive. The Palestinian death toll has been higher than in any other war in the long conflict. The yearning has several causes. One is the shared horror at Hamas and the threat it poses. On October 7th the Islamists abducted Israeli Arabs and Jews alike, including a veiled Muslim girl. (An embarrassed Hamas later released her.) Its attack and rockets have killed some 20 Palestinians in Israel. "Hamas threatens Arabs as well as Jews," says Makbula Nassar, an Israeli Palestinian journalist.

The war in Gaza is also eroding workplace barriers. Hundreds of thousands of Jewish reservists have gone to fight, so Israeli firms have recruited Palestinians from Israel and occupied East Jerusalem in their place. Israeli Palestinian attendance was high when universities reopened earlier this month. Some campuses plastered their walls with appeals for co-existence. And although Mr Ben Gvir and his cohorts spew hate, at a conference in Tel Aviv on January 9th Benny Gantz, the defence minister, insisted that the slogan emblazoned on main roads across Israel, "Together we will win", included the country's Arabs. And Moshe Arbel, the ultra-Orthodox interior minister, overruled the decision of Bezalel Smotrich, the far-right finance minister, to cut Arab municipalities' funding.

Still, communal divisions run deep. In the survey 44% of Jewish Israelis said they would stop their children from playing with Arabs. (13% of Arabs said the same of Jewish children.) Over 40% thought Arabs should receive less state funding than Jews. And 62% opposed Arab parties being part of Israel's governments. Among Arab Israelis, Arabic's downgrading as an official language in 2017 still rankles. So does the lower funding for Arab public services.

That Israel's Arabs feel closer to the state does not mean that they no longer feel Palestinian. "We won't forget our identity," says Reem Younis, a female entrepreneur from Nazareth, Israel's largest Arab town. "Why can't I feel pain for Palestinians as well as Jews?" ■

Yemen

Sea change

DUBAI

Joe Biden puts the Houthis back on America's baddies list

IT IS ENOUGH to cause whiplash. Three years ago America removed the Houthis from its list of foreign terrorist groups over the objections of Saudi Arabia, which was fighting a war against the Shia rebel group in Yemen. Now it is putting the Houthis back under broad sanctions and bombing them—while the Saudis are trying to make peace with the group.

On January 17th the Biden administration labelled the Houthis, who are backed by Iran, a "specially designated global terrorist" group. That comes after two months of Houthi attacks on commercial shipping in the Red Sea and the Gulf of Aden, and days after America and Britain began bombing Houthi targets in Yemen.

Neither the strikes nor the sanctions are likely to stop the Houthis' piracy, which they say is in solidarity with Gaza. They initially said they would target only vessels with links to Israel (in practice, some of their attacks have been random). The first round of Anglo-American strikes on January 12th struck some 60 targets across the country. "This was intended as limited, single action and we hope the Houthis will now step back and end their destabilising attacks," Rishi Sunak, the British prime minister, told Parliament on January 15th.

That was wishful thinking. Since the British and American strikes the Houthis have hit a Greek-owned vessel sailing to Israel and an American-owned ship (neither sustained much damage). The group also fired a missile at a tanker carrying Russian oil, but missed. On January 16th Shell became the latest energy giant to suspend shipments through the Red Sea.

American officials believe they only destroyed a fraction of the Houthis' anti-ship missiles and drones. They have carried out further strikes since the initial barrage including one targeting a radar station and another aimed at four anti-ship missiles that were being readied for use.

Sanctions are another tool, albeit a weak one. The Trump administration put the Houthis on America's foreign-terrorist list in January 2021. Mr Biden reversed that decision a month later, amid warnings that the designation would complicate delivery of food to Houthi-controlled areas already on the brink of famine.

Sanctions will not stop the Houthis from stealing aid, smuggling oil and imposing taxes on Yemenis, their main sources of revenue. Nor will they prevent Iran from delivering weapons. Two American Navy SEALS went missing off the coast of Somalia on January 11th while trying to seize a shipment of Iranian-made missile parts allegedly being smuggled to Yemen, in defiance of a UN arms embargo.

Those shipments will continue: Iran finds it useful to have a proxy that can shut a vital waterway. In recent days it has taken the unusual step of lashing out directly. On January 17th Iran launched a missile attack in western Pakistan. It said it was targeting Jaish al-Adl, Sunni militants blacklisted by Iran as terrorists. This came after it hit targets in Iraq and Syria. Pakistan retaliated with strikes inside Iran. Broadly, though, the Islamic Republic prefers to stoke regional chaos from a distance.

In private, American officials acknowledge that their strikes are unlikely to be a deterrent. They can impose a cost on the Houthis and perhaps degrade their ability to continue the campaign. But as long as the Houthis control large bits of Yemen and receive weapons from Iran, their ability to threaten shipping will remain. ■

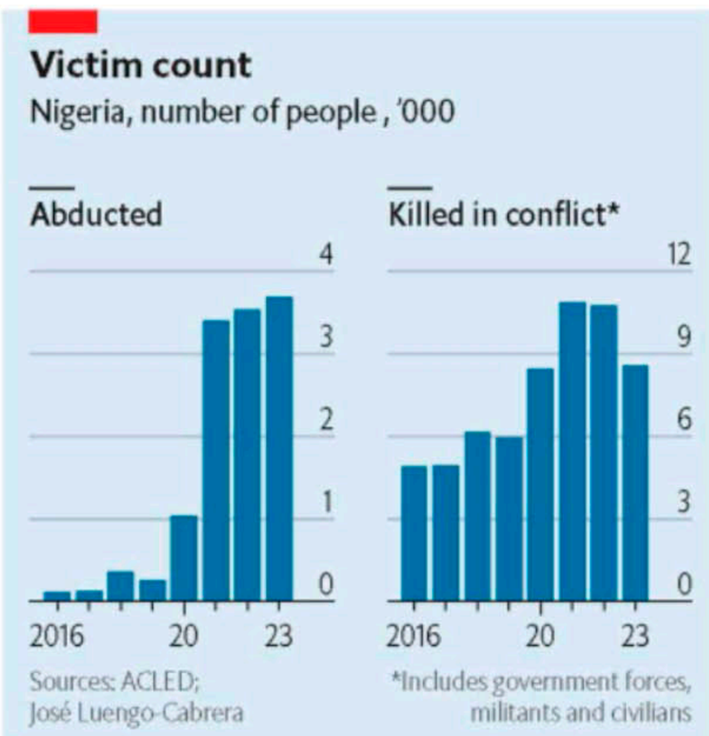
Violence in Nigeria

Abductions and killings persist

ABUJA

Yet the president's security plans look worryingly like his predecessor's

HOW MUCH politicians in Nigeria care about national insecurity has long been correlated with how close it gets to their mansions in Abuja, the capital. On its outskirts on January 2nd a father and his six daughters were kidnapped, prompting a rare outcry on high. A crowdfunding effort to pay the ransom was even backed by a former minister. But the kidnappers instead killed one of the girls and demanded more cash. The wife of President Bola Tinubu publicly lamented a "devastating loss". Yet such horrors are still appallingly frequent—and largely ignored by politicians. In one incident last week in the south-east 45 people were kidnapped and are still missing, yet few leaders spoke out.



The deadliest zone is the north-east, where jihadists linked to Islamic State attack the army and villages. The north-west, too, is riddled with gangs that routinely kidnap for ransom. A decades-long conflict between mostly Muslim herders and largely Christian farmers rumbles on in the country's centre, where on Christmas Eve gunmen mowed down at least 160 people. Separatist violence still smoulders in the south-east.

At his inauguration last May Mr Tinubu declared security his "top priority". Yet more than 3,600 people were kidnapped in 2023, the most ever, according to ACLED, a global monitor of conflict. The snatching rose sharply after Mr Tinubu took office. And almost 9,000 Nigerians were killed in conflict last year (see chart).

The government stresses that, in its most recent budget, spending on defence and the police took the biggest share, about 12% in all. Defence got a fifth more than it did last year. Yet inflation is running at 29%, so in real terms the defence budget has actually fallen.

The government tends to splurge on fancy weapons systems that fail to tackle the roots of the problem, which is poverty, poor education and anger at army atrocities. The latest budget includes funds for six T-129 Turkish attack helicopters on top of the 12 costly Bell choppers bought last year from America for $1bn, not to mention 12 Super Tucano attack aircraft. Buying strike drones has become so popular that the army actually runs its own fleet alongside that of the air force.

But drones are not much good at guarding schools from kidnappings, and heavy weaponry risks disaster. A drone recently killed at least 85 civilians at a festival in Kaduna state—not the first such cock-up. The army promised to "fine-tune" its operations, but more radical change is needed. The police, well equipped but able to use better human intelligence, should lead on domestic security, not the army, which has been deployed in all 36 of Nigeria's states.

Another huge problem is graft in security spending. "Defence is a really prime part of the budget where you can take large quantities of money out without people being any the wiser," says Matthew Page of Chatham House, a think-tank in London. Much of the budget, he says, is still about rewarding those who paid to get Mr Tinubu elected. Sometimes the army fails to receive its budget allocation.

This is worsened by a system known as "security votes", whereby parts of defence spending are deemed too sensitive to require public oversight. The practice, which ▸▸

accounts for perhaps $700m a year, increased sharply under the last president and may well jump more under Mr Tinubu. The defence budget has nearly tripled since 2019. But thanks to inflation, wasteful purchases and corruption, Nigerians do not seem safer. General Christopher Musa, chief of the defence staff, appears to understand the roots of the insecurity. "Military effort alone is incapable of restoring enduring peace," he says, adding that the army helped build hundreds of schools under his command in the north-east.

Yet many politicians seem keener to spend on themselves, rather than create the conditions for peace or fill the country's fiscal hole. Even if Mr Tinubu resists the temptation to reinstate the petrol subsidy that he largely removed last year, debt servicing alone in 2024 may gobble up 61% of revenue.

In November the national assembly approved new SUVs for all 460 lawmakers, at a reported cost of $150,000-plus per car. In two months the government has budgeted $31m to improve accommodation for the president and vice-president—in a country of around 220m people where more than 80m are reckoned to live on less than $2.15 a day and many fear being kidnapped. ■

Diplomacy over Sudan

The worst warlord is winning

NAIROBI

Why African leaders are embracing Sudan's chief villain

IT IS HARD to imagine a greater irony than a man who stands accused of genocide being welcomed on an official tour of a memorial to that most heinous of crimes. But on January 6th that is precisely what happened, when Sudan's most infamous warlord, Muhammad Hamdan Dagalo (better known as Hemedti), visited the genocide memorial in Kigali that commemorates the Rwanda catastrophe of 1994. Sudan, he said barefaced, "must learn from Rwanda".

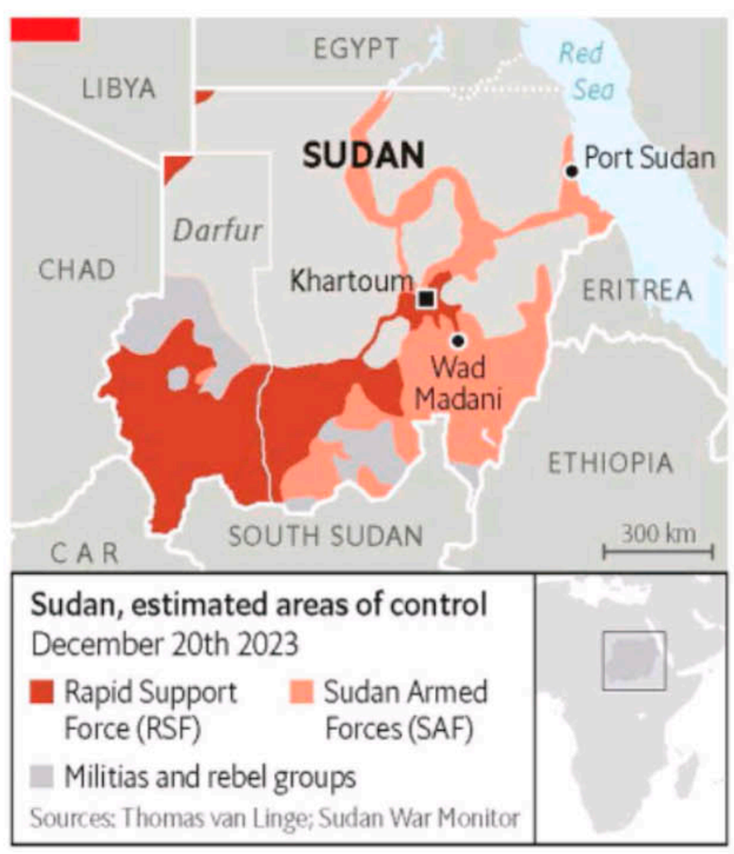
Mr Dagalo's paramilitary body, the Rapid Support Forces (RSF), is waging a war to the death against Sudan's regular army, the Sudanese Armed Forces (SAF), for control of the state. Since the fighting erupted last April, more than 7m Sudanese have been forced from their homes; 1.4m of them have fled to neighbouring countries. Khartoum, the capital, has been laid waste, while parts of the countryside are on the brink of famine.

Neither side is angelic; the SAF has bombed civilians and persecutes peace activists. But only the RSF faces credible allegations of genocide. Along with allied Arab militias, it is conducting a campaign of ethnic cleansing against black Africans in Darfur, a region in the west, so bloody that many fear a repeat of the genocide there two decades ago.

This makes the welcome Mr Dagalo has been getting in capitals across Africa all the more galling for many ordinary Sudanese. He has recently enjoyed a string of official receptions that more befit a head of state than a genocidal warlord. Beginning on December 27th in Uganda, he has since waltzed through Ethiopia, Djibouti, Kenya and South Africa, before his controversial visit to Rwanda.

In Nairobi he was greeted on a red carpet with a hug from William Ruto, Kenya's president, who commended him for his efforts to end the war. In a post on X, previously Twitter, which was later deleted, the office of South Africa's president, Cyril Ramaphosa, referred to his guest as "His Excellency President Mohamed Dagalo of Sudan". Since then, the Intergovernmental Authority on Development (better known as IGAD), an eight-country east African regional bloc, has asked him to attend a summit on January 18th, prompting his rival, General Abdel Fattah al-Burhan, who commands the regular army and is Sudan's de facto president, to withdraw from negotiations in protest.

Diplomatic recognition granted to Mr Dagalo by African leaders may partly reflect a pragmatic adjustment to reality. "Hemedti is winning," says Entisar Abdelsadig of Search for Common Ground, an NGO based in Washington and Brussels. In December, his forces captured Wad Madani, one of Sudan's biggest cities, which had been presumed to be a stronghold of the national army. Since then they have threatened to push east towards Port Sudan, where General Burhan's government has been based since it was forced out of Khartoum in August. IGAD has tried to arrange a ceasefire, which means its members may reckon they must receive Mr Dagalo so as to retain the bloc's neutrality as a mediator.



Sudan, estimated areas of control
December 20th 2023
Rapid Support Force (RSF)
Sudan Armed Forces (SAF)
Militias and rebel groups
Sources: Thomas van Linge; Sudan War Monitor

But "it's not just that [African leaders] met with Hemedti—it's *how* they met him," says Kholood Khair of Confluence Advisory, a Sudanese think-tank. For instance, Uganda's President Yoweri Museveni studiously maintains social-distancing protocols because of covid-19 yet had himself photographed mask-free shaking hands with Mr Dagalo. Perhaps Mr Museveni has not forgiven Sudan's regular army for once backing the Lord's Resistance Army, a rebel group that terrorised northern Uganda from 1987 to 2006. Like several other east African leaders, Mr Museveni may view the RSF as having "less baggage" than the SAF, Ms Khair notes. General Burhan can count on only Egypt and South Sudan as reliable allies in the region.

Mr Dagalo's key advantage on the battlefield is the backing of the United Arab Emirates (UAE), which is said to have been providing him with weapons, armoured vehicles and drones. The UAE's support may help explain the success of his recent diplomatic forays. Many African countries are keen to strengthen ties with the UAE, which is flush with petrodollars and ambitious to expand its influence across the region. Mr Dagalo, who owns UAE-linked gold mines in Darfur and has been crisscrossing the continent on a Dubai-registered jet, is a member of an emerging bloc led by the UAE. This includes Ethiopia, Chad and the internationally unrecognised breakaway state of Somaliland. The Emiratis are also believed to have pushed several Sudanese opposition politicians, including Abdalla Hamdok, the former prime minister, into signing an agreement with Mr Dagalo in Addis Ababa, Ethiopia's capital, on January 2nd.

This is the stuff of nightmares for the SAF, which has threatened to "investigate" those who hobnobbed with Mr Dagalo in Addis Ababa. Meanwhile General Burhan has recently visited Iran, which is said to have given him arms. Though denouncing others for treating the RSF commander as his equal, the SAF general nonetheless says he too is ready to meet Mr Dagalo in person, but insists that the RSF must withdraw from Khartoum and other cities as a precondition for negotiations. Mr Dagalo, for his part, scents outright victory. And so the war goes on. ■

Arming Europe

Shell-shocked

Without America Europe will struggle to arm Ukraine, or itself

WARS OF ATTRITION, which is what large-scale conflicts between militarily sophisticated adversaries such as Russia and Ukraine tend to become, are usually decided by which side has the better arms industry. Russia's economy is nearly 14 times the size of Ukraine's, but the combined resources of Ukraine's allies are so much greater that it should be able to win. Yet as the conflict enters its third year, it is Russia's defence industry that is slowly turning the war in its favour.

Nothing shows the problem more starkly than artillery shells. At the height of Ukraine's summer counter-offensive, it was using some 7,000 a day, significantly more than the Russians. This has reversed: since last month, while Ukrainian forces have been rationed to 2,000 shells a day, the Russians have been firing five times that number. The West now faces a choice, said Jack Watling, an expert at RUSI, a think-tank in London, earlier this month. It can give Ukraine what it needs, "or cede an irrecoverable advantage to Russia".

Both America and the European Union are having trouble delivering aid. In Washington, $61bn-worth of military assistance is held up in Congress. In Brussels, €50bn ($54bn) of financial support is stymied by the veto of Hungary's pro-Russian leader, Viktor Orban. Ukraine is worried that American hyper-partisanship and Donald Trump's hostility will steadily throttle support from the Pentagon. That may leave the Ukrainians wholly dependent on Europe.

So far, the Europeans have not done badly. The committed military aid of EU countries has surpassed America's €44bn. Germany has given more than €17bn; the Nordic countries are digging deep, too. But the picture is patchy. France has contributed just €0.5bn, though its president announced on January 16th that more is on the way. Last March the EU said it would buy Ukraine 1m artillery shells over the course of a year, via the European Defence Agency. By last month it had supplied just 480,000, though the EU still insists the total will be met.

This month NATO's Support and Procurement Agency said it would help EU members bulk-buy 1,000 Patriot air-defence missiles worth about €5bn. NATO cannot send lethal aid directly to Ukraine, but the order will free up members to transfer their own air-defence assets. The EU's Act in Support of Ammunition Production (ASAP) programme, launched in October, will allocate €500m to ramping up shell-making. Yet it will take time to have any impact. On January 9th the EU's internal market commissioner, Thierry Breton, proposed a €100bn fund to boost Europe's defence industry—not just to help Ukraine but to hedge against an American withdrawal from NATO if Mr Trump becomes president. But it is unclear whether anyone else supports the idea.

None of these efforts meets the urgency of the situation. Russian military spending has increased by 68% this year, reaching 6.5% of its GDP. According to Estonia's ministry of defence, Russian production of artillery munitions will rise to 4.5m units this year. Justin Bronk of RUSI reckons Russia is churning out 100 long-range missiles ▸▸

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a month, more than double its capacity at the start of the invasion.

American and European shell production is also surging, but not fast enough. American production of 155mm shells is slated to reach 1.2m a year by 2025, a sixfold increase from last year. Sash Tusa, a defence analyst at Agency Partners, an equity-research firm, estimates European production will hit 1.25m. But unlike America, where munitions factories are government-owned, Europe depends on private firms, making increases less certain.

Europe has four main munitions producers: Germany's Rheinmetall, Britain's BAE Systems, France's government-owned Nexter, and Nammo, owned by the Norwegian and Finnish governments. After the cold war they concentrated on making fewer, more sophisticated systems. Tim Lawrenson of the International Institute for Strategic Studies, a think-tank, says they came to resemble artisans crafting small numbers of exquisite products. Before shifting to high-tempo production lines, they want governments to provide the certainty of multi-year contracts, says Jan Pie, who heads the ASD, the European defence trade organisation.

"Our orders are already three times higher than they were in March 2022," says Morten Brandtzaeg, the boss of Nammo. He says the increased production capacity is so huge that government must help industry share the risk. The most forward-leaning European producer has been Rheinmetall. It has committed to annual production of 700,000 artillery rounds by the end of 2024, and this year will open production and maintenance facilities in Ukraine for armoured vehicles.

One way for Europe to move faster could be to relax technical specifications. Shells will rarely meet fine-tuned accuracy demands anyway when fired from Ukraine's often worn-out artillery barrels (the country will probably need 2,000 new barrels per year). And safety regulations for long-term storage make little sense for shells that will be fired within days. In wars of attrition the need for quantity nearly always overrides quality.

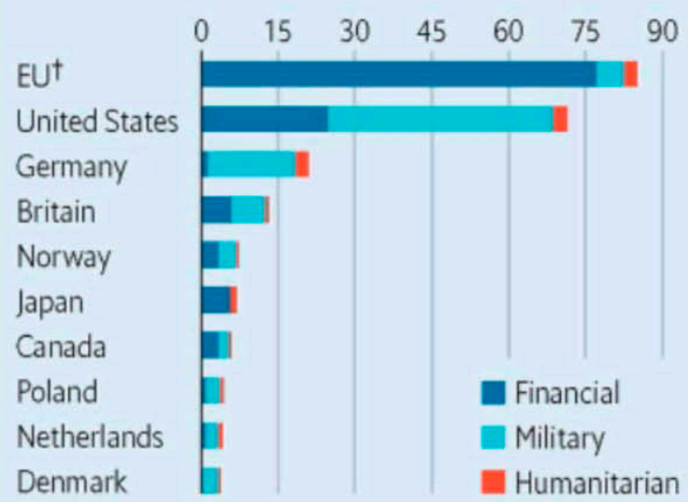
Churning out other kinds of munitions, particularly guided multi-launch rocket systems (GMLRS) and ground-based air defence (GBAD) interceptors, is even harder for Europe. Estonia's defence ministry estimates Ukraine will need 8,760 GMLRS a year by 2025. Europe can make GMLRS and interceptors, but not at scale. The Estonians say annual production for some European air-defence systems is in single figures. Nico Lange, a former adviser to the German defence ministry, says that for Europe's biggest missile-maker, MBDA, to set up new factories, governments must buy at least ten years'-worth of production. If investments were made now, he reckons the rockets might start arriving in 2026.

Europe will struggle to keep Ukraine in the fight this year if American assistance dries up. In the longer term, with American support growing uncertain, the continent has no option but to rebuild its defence industry. "We have the technology, we must build the capacity," says Mr Brandtzaeg. "We can't not do this." ■

Still not enough

Total bilateral commitments to Ukraine*, €bn

Top ten donors, Jan 24th 2022-Oct 31st 2023



*Includes multi-year commitments. Excludes private donations, support for refugees outside Ukraine and aid by international organisations †Via Commission, Council, EPF and EIB

Source: "The Ukraine support tracker: which countries help Ukraine and how?", by A. Antezza et al., Kiel Working Paper, 2023

War drug

Trip out of hell

KYIV

Ukraine is pioneering ketamine psychotherapy for soldiers

IHOR KHOLODILO should probably not have survived. The military psychologist and medic was evacuating comrades in early 2023 when his jeep was hit by a Russian tank shell. He was left barely able to communicate. Operations saved his heart and vision. But doctors were unable to correct his slur and stammer. He tried all kinds of radical therapies, but nothing helped. Then he met Vladislav Matrenitsky, a pioneer of psychedelic-assisted psychotherapy, who posed an unexpected question. Would he try ketamine?

Mr Kholodilo did not expect much, but the results were astonishing. After one session his stammer all but disappeared. Another five and he was almost back to normal. Gone were the nightmares and the fears about daily life. Ketamine therapy was not easy, he says, but it allowed him to resolve the trauma that caused his symptoms: "I returned to what you could call life...I felt light, just blessed."

Ketamine has been legal in Ukraine to treat mental illness since 2017. The therapeutic use of psychedelics has a long history, and was explored in America in the 1950s-60s. After the hippie movement it fell out of political favour, and for a while psychedelics were equated with narcotics like heroin. But in the past decade or so they have experienced a renaissance.

Now the war is putting Ukraine at the forefront of the treatment. Dr Matrenitsky, who runs the country's only clinic offering ketamine therapy, says he has handled nearly 300 patients suffering from depression, post-traumatic stress disorder (PTSD) or anxiety. A growing share are soldiers.

A 40-minute session at Dr Matrenitsky's clinic, on the top floor of a drab children's hospital in north Kyiv, costs just 4,000 hryvnia ($105), although the clinic provides some soldiers with treatment free. A typical course runs between two and six sessions. The ketamine dose—0.5 mg per kilo of body weight—is administered by drip. A psychotherapist leads the patient through their trip. The aim, says Dr Matrenitsky, is to tap subconscious traumas: "What we are doing is turning the memories into a metaphorical journey." He says about a third of his patients receiving ketamine enjoy "extremely good" results, and another third "reasonably good" ones. Bad reactions, usually panic attacks, are rare. That is the signal to stop the drip.

The doctor says most soldiers on the front lines would benefit from his treatment. He blames stigma and a "Soviet" approach to military medicine for slowing access, and is lobbying to make it more common. Another goal is to expand the treatment to include banned substances like MDMA and psilocybin (the active molecule in magic mushrooms).

MPs and officials in the health ministry are largely sympathetic. Kseniya Vozsnityna, director of Forest Glade, a government military-rehabilitation centre, thinks a pilot project using MDMA and psilocybin could get the go-ahead within six months. In May her centre sponsored a conference ▸▸

Sami and borders

Reining in the reindeer

Russia's closed border splits an indigenous people in two

THE SAMI are used to change. The indigenous people has been pushed north by settlers and pulled south by economics. They now number just 70,000, a small share of the population of the Sapmi, their ancestral homeland, which stretches across Scandinavia and the Kola peninsula. Now Russian aggression has split them in two.

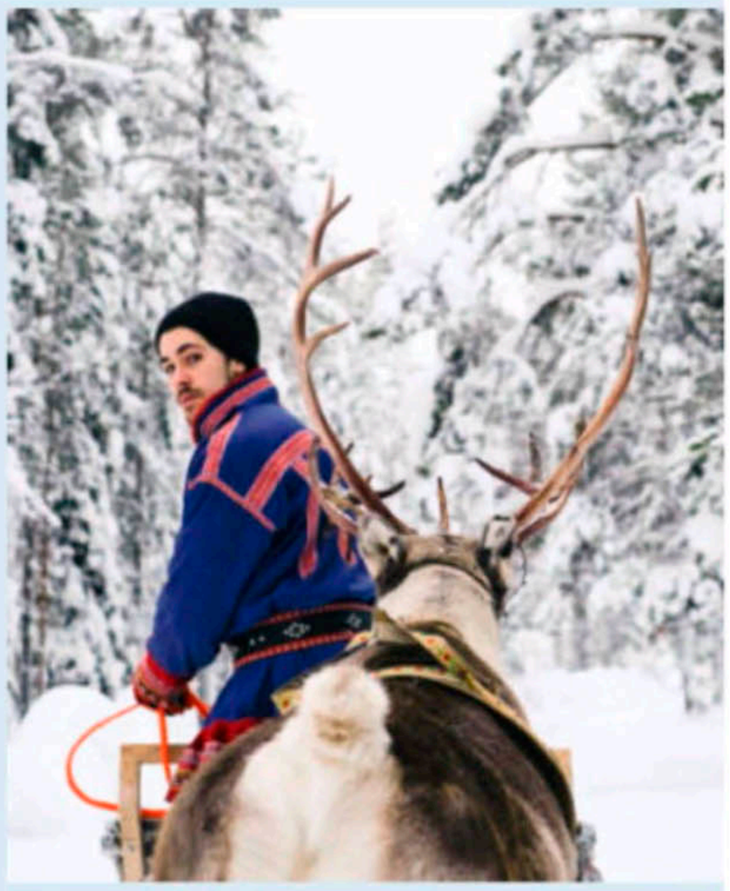
Since Russia attacked Ukraine in 2022, border closings have cut off Russian Sami from their kin in Norway, Sweden and Finland. This winter Finland shut its border after influxes of migrants, leaving Norway's Storskog the only open crossing from Russia to the EU. Some visa agreements have been cancelled. Russian-registered cars are banned.

States have often conflicted with indigenous peoples' conceptions of space. Reindeer husbandry, central to Sami culture, has long been hampered by borders. Last August, Russia demanded $4.4m from Norway's government after 42 Norwegian-owned reindeer wandered into its territory to graze.

The fall of the Soviet Union allowed Sami in Russia to reconnect with their Scandinavian brethren after decades of isolation, but the war in Ukraine has turned the clock back. "We are back almost to the beginning in 1992," laments Stefan Mikaelsson, deputy chair of the board of the Sami Parliament. Russia has stopped taking part in the Barents Euro-Arctic Council and the Arctic Council, two regional bodies. The International Sami Council suspended co-operation with its Russian members in April 2022 after its Russian vice-president was filmed playing a guitar marked with a Z, a symbol of support for Russia's war.

Sami in Russia have been subject to a crackdown on freedoms. In 2012 the state shut down the association of northern indigenous peoples, then let it reopen with a head from the ruling party. Russia's foreign-agents law has stifled cross-border communication, says Silje Karine Muotka, president of the Norwegian Sami Council. Indigenous men are disproportionately recruited to the army. Andrei Danilov, a Russian Sami activist seeking asylum in Norway, says that Sami hunters and fishermen are classified as jobless by the state, which can then conscript them more easily.

All of this has serious consequences for the Sami. Cross-border political organising and cultural preservation projects have been suspended. But above all, the impact is personal. "We are suffering from being separated from our family," says Mr Mikaelsson.



Whoa, Rudolph

on psychedelics in psychotherapy. But Ms Voznitsyna thinks psychedelics should be used sparingly, and never for active soldiers. "This is a therapy for difficult situations, medication-resistant PTSD, when the usual methods don't work."

Others disagree. Mr Kholodilo says Ukraine should be using psychedelics to improve battle performance. He sees two uses. The first he calls "decompression", to prevent depression from developing in front-line fighters in the first place. The second would be a ritual to prepare soldiers for the possibility of death. "It's foremost in the mind of any soldier heading to the front lines. It paralyses some of them." A soldier who accepts the risk of death is a much more effective warrior, he says—and has a greater chance of surviving.

The notion of using psychoactive drugs to help soldiers fight raises troubling moral issues. The army is still far from formally embracing ketamine therapy, let alone giving it to serving soldiers. But Ukraine's armed forces are highly decentralised, and some units are apparently experimenting. Mr Kholodilo says he has already referred one elite special-forces unit for the treatment. "The soldiers were surprised at being able to return to the front lines so quickly," he says. "They simply didn't think it was possible." ■

Spanish separatists

Ungainly Spain

MADRID

Pedro Sánchez has discovered how wobbly his majority is

WHEN THE conservative People's Party (PP) won Spain's elections in 1996, its supporters chanted *"Pujol! Enano! Habla castellano!"* They were taunting the diminutive separatist leader of Catalonia, Jordi Pujol: "Pujol! Dwarf! Speak Spanish!" The next day, though, it turned out the PP would need support from Mr Pujol's party to govern, and it is said that the chant quickly changed to *"Pujol! Guaperas! Habla lo que quieras!"* "Pujol! Handsome! Speak whatever you like!"

Spain's regional nationalists have a tendency to get their way. The two big national parties do not form grand coalitions. So when they lack majorities, both the PP and the centre-left Socialists devolve powers to Catalonia and the Basque Country in exchange for votes. But the current Socialist government of Pedro Sánchez, installed in November, is already testing the breaking point of such arrangements.

To secure the votes to return to power, Mr Sánchez promised a Catalan separatist party, Junts per Catalunya (Together for Catalonia), an amnesty for the organisers of an illegal independence referendum held in 2017. This infuriated many Spaniards. But Junts promised to provide "stability" in the legislature.

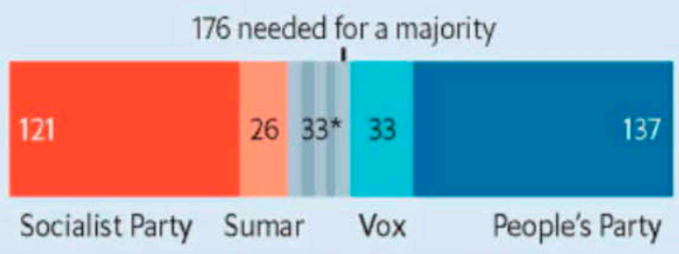
Yet on January 10th, when the government needed parliamentary approval of three decrees, Junts held back. One decree included economic measures needed to unblock a €10bn ($10.9bn) tranche of European Union covid-recovery funds. In the end that decree and one other passed, but at a heavy cost. Junts and the Socialists agreed that the government would transfer control of immigration to Catalonia. Analysts scratched their head at what exactly control of immigration at a regional level would look like.

The parties had not worked that out either. The written deal referred to a "complete" transfer of authority on immigration. Mr Sánchez maintains this does not include border control or expelling migrants. Junts's secretary-general, Jordi Turull, insists that "'complete' must mean complete", and threatens to pull the party's backing for the government unless there is progress towards another independence referendum. Mr Sánchez defends his deals with Spain's various national separatists by arguing that they guarantee a "progressive" government. But Junts is a conservative party close to Catalonia's business in-

Unstable ground

Spanish parliament, January 17th 2024

Seats in the lower house



*Seven other parties: Together for Catalonia (7); Republican Left (7); EH Bildu (6); Basque Nationalist Party (5); other (8)

Source: Spanish Congress of Deputies

terests, and its leaders flirt with Catalan chauvinism.

To make matters worse, Mr Sánchez has trouble on his left. His third decree, on social spending, failed on January 10th not because of Junts but because of a split in Sumar, the prime minister's smaller left-wing coalition partner, itself an amalgam. One element of Sumar, Podemos, quit the grouping after being given no ministries in the new government, and voted against the social-spending decree. Podemos argued it would cut unemployment benefits, though the claim is debatable. The real cause is probably lasting bitterness between Sumar and Podemos. Whatever the cause, Mr Sánchez cannot reliably count on Podemos as part of his wobbly majority.

Across Europe, parties of the centre-right and centre-left are failing to win the majorities they once enjoyed. But many countries solve this with broad coalitions. The refusal of Spain's left and right to cross the aisle renders this harder. Divisions between the centre and the periphery—not just Catalan but Basque, Galician and so on—are making it almost impossible.

Mr Sánchez's best hope for now might be distraction. An investigation by *La Vanguardia*, a Barcelona-based newspaper, claims that the previous PP government, in power from 2011 to 2018, had engaged in illegal tricks against Catalan nationalist leaders. Mr Sánchez says the matter will be looked into "until the last consequence". Bashing the right (and fear of the far right) has held the left and the separatists together. Yet focusing on past Spanish repression also feeds Catalonia's drive for independence. The prime minister is an inveterate escape artist. But it is hard to imagine how he can survive almost four more years. ■

Italy's war victims

Partial justice for partisans

ROME

Some victims of Nazi crimes are finally getting compensated

HEARING GUNFIRE, Leonildo Pistoni ran from the stables of his farm on the outskirts of Monchio, a mountain village in central Italy. He did not get far before he was shot dead. His killer was a rifleman of the Hermann Göring 1st Paratroop Panzer Division. The date was March 18th, 1944. Pistoni's only crime was to live in Monchio: the rifleman belonged to a detachment sent to avenge nearby killings by local partisans of German soldiers, who had occupied Italy after it withdrew from the second world war the previous September.

The echoes of that lethal shot will reverberate again next month when the victim's granddaughter, Walda Pistoni, presents a petition for compensation to a judge in Rome. It is the latest in an avalanche of applications to a €61m ($66m) fund set up by the Italian government. "The issue has become enormous," says Giulio Arria, a lawyer representing several applicants, including Ms Pistoni. He estimates that up to 1,500 claims have been submitted.

Petitioners include descendants of victims of arbitrary killings, like Ms Pistoni; of executed partisans; of Jews and Roma who died in Nazi camps; and of Italian soldiers, sailors and airmen sent to Germany to work as forced labourers. In cases already judged, the descendants of those forced to labour have received payouts of €30,000-40,000. The kin of those who died have been awarded much higher sums. Two sisters orphaned when their father died in a massacre in Tuscany got €270,000 each. That has raised questions over the adequacy of the fund, which was created to avert a crisis in relations between EU partners.

Fighters against fascism

Germany has long argued that its liability for the actions of its armed forces in Italy was settled in 1962 when it handed over 40m D-marks (worth around €1.5bn today). But the cash was not primarily intended to compensate individuals and, where it did, only applied to then-existing claims. Italian judges later ordered the German government to pay awards to numerous survivors and descendants of victims, but Germany refused.

Italy is not the only country with claims. A Greek parliamentary commission reckoned damage from its wartime occupation at €289bn, and the country's government has said it wants to negotiate reparations. Poland's previous government made even bigger demands—it wanted €1.3trn. But in both cases, Germany says all debts were discharged in agreements struck decades ago.

In 2012 the International Court of Justice ruled in Germany's favour on the grounds that governments were not subject to decisions by the courts of other countries. But two years later Italy's constitutional court ruled that they were liable if the underlying offences violated international law. Italian judges continued issuing verdicts, and in 2022 a court in Rome was poised to order the confiscation of German government-owned properties, including the Goethe Institute, a cultural agency. Italy's previous government, headed by Mario Draghi, then stepped in and created the new fund. It was originally intended for outstanding claims, and set a 30-day deadline to file any new ones. But that deadline was pushed back in stages to the end of 2023, enabling hundreds more to be submitted.

Meanwhile, Italian government lawyers have taken the place of the German government's representatives, fighting the applicants at every turn. Their objections have drawn fire from some politicians. "They've put up arguments that make your skin crawl," says Dario Parrini, a senator for the opposition Democratic Party. Last May he submitted a bill to rein in the government's lawyers. It got cross-party support, but has languished in committee.

Since the government appeals against every judgment, and appeals in Italy take years, some of the cash is unlikely ever to be disbursed. The two orphaned daughters, now in their eighties, may never see a euro. "From a juridical standpoint, I am not surprised," says Mr Arria, the lawyer. "But as the grandson of a Jew who was deported to Auschwitz and never came back, I am horrified." ■

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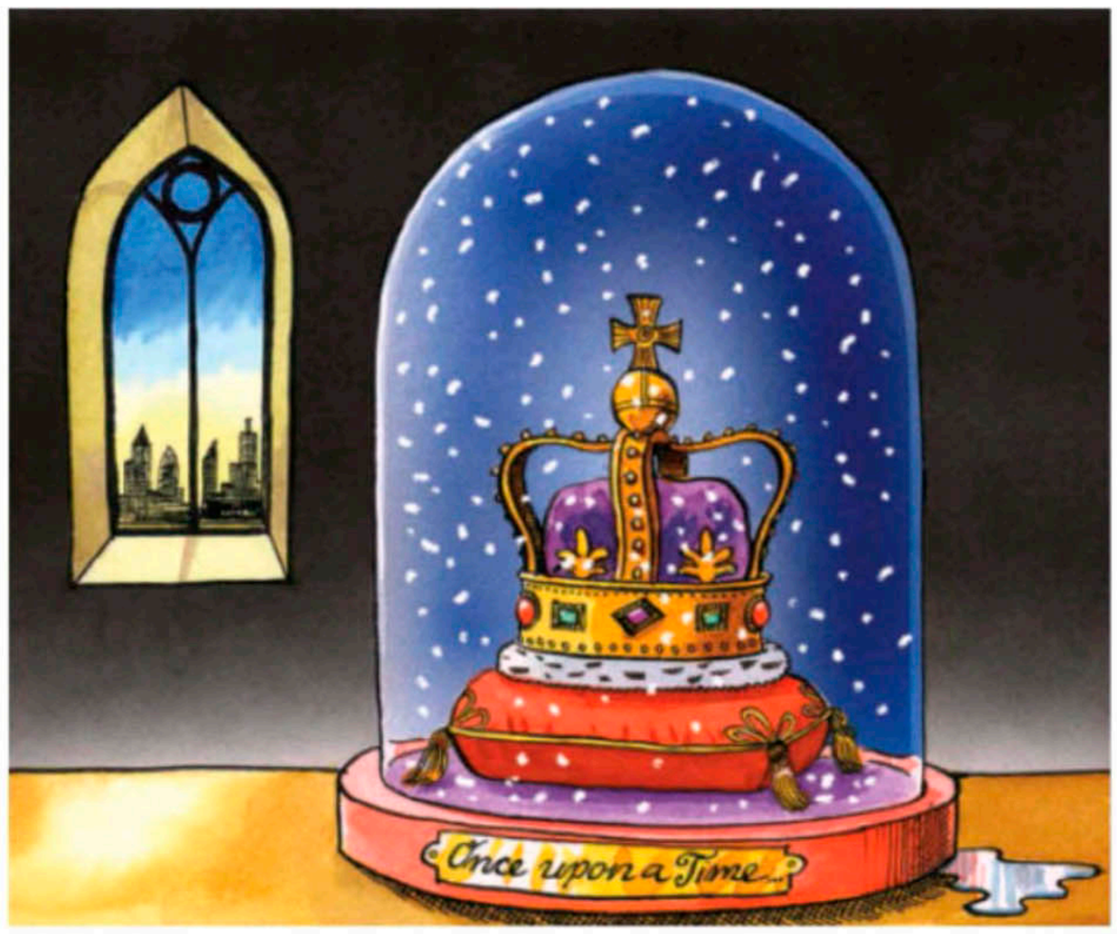
The Economist

Charlemagne | Kings of convenience

Europe's monarchies are a study in dignified inanity



FRANCIS II ASCENDED the French throne after his father took a lance in the eye at a jousting tournament in 1559. A century earlier James III became King of Scotland after his father had found himself unwisely standing next to an exploding cannon. Other princes got promoted as the by-product of a brother's poisoning or an uncle's beheading—a pity, to be sure. The ascension of Frederik X to the throne in Denmark on January 14th was a staid affair by comparison. A fortnight earlier his mother, Margrethe II, startled her subjects by announcing that 52 years on the throne was quite enough. Unbeheaded, unpoisoned and seemingly unflappable, she convened government ministers to witness her signing the instrument of abdication, then invited Frederik to take her seat at the Council of State. After uttering "God Save the King," the 83-year-old shuffled out of the room and off the royal scene. Outside, cheering crowds awaited a glimpse of their new monarch.

Every family has an heirloom which is too precious to throw away yet of little practical use. A dozen European countries have the constitutional equivalent. Kings, princes and one grand duke still rule over otherwise enlightened places mainly in northern Europe—think egalitarian Scandinavia, pragmatic Britain or no-frills Benelux. In an age of democracy none is elected; in an era striving for gender balance all now happen to be men; in these times of accountability many float somewhere above the law. They exude the mustiness of quill and parchment in an age of ChatGPT. Yet most monarchies have approval ratings their democratically elected counterparts might murder a parent for. Like the human appendix, Europe's royal highnesses are essentially vestigial: they serve little obvious purpose, but few think there is much reason to excise them until they cause trouble.

Perhaps Charlemagne is being uncharitable to his fellow crowned heads. Sweden, Luxembourg and Spain (the only European monarchy south of the Alps, apart from tiny Monaco and Andorra) are hardly hothouses of tyranny. As emblems of the state, monarchs provide continuity: governments come and go, kings stick around for decades. Crowns, sceptres and royal uniforms with enough military medals to make a North Korean general blush add a little pomp to the polity. Such was the case for tolerating monarchs put forward by Walter Bagehot, *The Economist*'s greatest editor. In 1867 he posited that the state needs an "efficient" part, made up of ministers, but also a "dignified" one, to "excite and preserve the reverence of the population".

In Bagehot's time monarchies were the political system *de rigueur* across Europe, as they had been since the Middle Ages. In the ensuing century, two world wars and the advent of communism got the better of most of the continent's crowned heads (even if literal beheadings have become mercifully rare). Those that retained their thrones lost much of their power, and learned to adapt by becoming charity patrons, state banquet hosts and expert ribbon-cutters. Once separated from the commoners they ruled over, they came to join them, at least on occasion. "Bicycle monarchies" mostly replaced fusty aristo balls. The Dutch king has been a part-time pilot for KLM for over two decades. Princess Victoria, next in line to the Swedish throne, married her personal trainer.

Beyond providing employment for hatmakers and tabloid columnists, what is the point of monarchy today? Fans of the institution play up its role in attracting tourists, or opening doors to companies while on trade missions overseas. In times of crisis, a dignified royal can heal wounds, as King Harald V of Norway did by grieving publicly after 77 people were killed in a terrorist attack in 2011. In periods of instability they can provide a calming influence. Juan Carlos I of Spain is credited with cementing its return to democracy after 1975. The Belgian king is sometimes said to be one of the few things—alongside beer and the football team—keeping the place together. For many, monarchs symbolise a realm's glorious history and serve as a way of co-opting a form of national superstition into healthy patriotism.

The case against monarchy is clearer. Elected figurehead presidents, as in Germany, are just as capable of public grieving as kings. What threats to democracy exist in Europe these days are not the sort that monarchs can do much about. There is something feudal about having unelected, often untaxed plutocrats at the heart of modern polities. And crowned heads enjoy more power, or at least influence, than is sometimes supposed. In most countries, including Britain, Norway and the Netherlands, the prime minister meets the monarch weekly to discuss affairs of state—an opportunity to sway policy in ways entirely opaque to the public.

House of cads

The problem with royal families is not so much the royal as the family. Siblings with grand titles but no real job abound, and have a tendency to create trouble. The Belgian king's brother once tried to partner with the regime of Libya's Muammar Qaddafi, of all people, on a forestry project (it did not go well). The future Norwegian king's sister claims she can talk to angels and relinquished her royal duties to run a quack medicine business with her fiancé, a self-proclaimed shaman from America. Juan Carlos, who stepped down in 2014, has in recent years been in self-imposed exile in Abu Dhabi, after facing investigations over Saudi bribes involving Swiss bank accounts and a disgruntled ex-mistress. And the less said about Britain's Prince Andrew, the better. The dignified bit of the constitution is all too often the grubbier one.

Royals know they are on thin ice and act accordingly. Even if unelected, they serve at the pleasure of the people. Where is the fun in that? Being seen to flash their privilege is out: the Dutch king had to apologise after being caught jetting off to a Greek island getaway during covid-19. Frederik lost no time in pledging fealty to the Danish people as he ascended to the throne last week. Once upon a time, it would have been the other way around. ■

The peace process

Still troubled

BELFAST

Northern Ireland's search for truth and justice is not over

MORE THAN 3,500 people were killed in Northern Ireland during the 30 years of violence known as the Troubles. Although those killings stopped 26 years ago, the conflict has never truly ended. The 1998 Good Friday Agreement saw (pro-British) unionists accept that the political representatives of the Irish Republican Army (IRA), the largest terrorist group, would enter government. Nationalists accepted that Northern Ireland would remain British unless a majority of its inhabitants voted for their cause of a united Ireland.

These political compromises have largely worked, but they came at the expense of victims. All paramilitary prisoners were released from jail, for example; anyone subsequently convicted would serve no more than two years in prison. Some thought that the passage of time would smooth these injustices away: as victims and their relatives died, the problem would fade. It has not. A sense of injustice does not die with an individual; families took up their cases through the civil courts or in media campaigns. Constant anniversaries of atrocities mean that the past is always present. Prosecutions of British army veterans have still been happening. The moral questions raised by the Troubles are powerfully alive.

One such question is over state compensation to victims of the violence. Although payments were made during the early years of the Troubles, they were often paltry: one bereaved family had their loved one's life valued at just £44.62 (worth £403.29, or $511, now); another family got £90. But righting such wrongs is hard. Even the most basic question—who counts as a victim and who as a perpetrator—is a source of continuing controversy.

Since 2006 the law has deliberately defined victims so broadly as to include a bomber blown up by their own bomb. On January 2nd Ian Jeffers, the province's outgoing victims' commissioner, proposed a payment of at least £10,000 to each close relative of those killed during the Troubles, including to the families of killers.

That date was already painful for Jennifer Jordan; on the same day 44 years earlier, her father had been murdered by the IRA. In all, she lost six relatives in the Troubles. She is incredulous: "What other country in the world would do that? You might as well say that the families of the 19 hijackers on 9/11 will get a payment for blowing themselves and other people up. It's the same principle. How ridiculous is that?"

Now 75, Ms Jordan says she wouldn't accept the money if it was offered, regardless of who was to get it, because it attempts to put a price on the lives of her loved ones. But she accepts that some other victims think there can never be a fair compensation scheme and are wearily resigned to money being paid to murderers' relatives.

A second source of controversy is a "legacy law", passed by the British government ▸▸

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in September 2023, which in effect gives an amnesty to Troubles-era killers. The law created a body that will examine deaths and very serious injuries caused during the conflict and give "conditional immunity" to those who co-operate with it. All other bodies will be statutorily barred from investigating such cases; the law also ends all civil actions and outstanding inquests dating from the Troubles.

The law was driven more by the Tory government in Westminster than sentiment in Northern Ireland, where it is almost universally opposed. Several British army veterans, including soldiers accused of being responsible for the "Bloody Sunday" massacre of civilians in Londonderry in 1972, are now being hauled in front of the courts. Critics say that an amnesty for everyone is designed to make the threat of such prosecutions go away.

There is an enlightened case for such a bill. Only a handful of people will now be successfully prosecuted because of the passage of time. The police and courts are spending considerable resources on crimes from half a century ago. The amnesty requires killers to tell the truth about what they did, freed from the fear of prosecution. If justice is unlikely, truth would at least be something. That may be unrealistic, however. Is a killer ever going to admit, even to himself, the full ugliness of sectarian assassinations? Will a soldier really admit they deliberately targeted a civilian?

The law is now being fought over in the British courts; a second legal front opened up in December when the Irish government in Dublin launched a challenge to it at the European Court of Human Rights. That has enraged the British government, which in an undiplomatic statement accused Ireland, in effect, of hypocrisy since it has no stomach for prosecuting IRA killers in its territory. The statement highlighted the words of Michael McDowell, a former Irish attorney-general, who said in 2021 that there had been "a de facto moratorium on investigation and prosecution of IRA members" after 1998. Labour, which is likely to be in power within a year, has pledged to repeal the law on the grounds that it is wrong in principle and commands no support within the province.

Tim McGarry, a comedian from Belfast, once joked that the definition of success in Northern Ireland was "passed off peacefully". In that regard, the past 26 years has been thoroughly successful. Despite episodic rioting and killings, the violence of the Troubles is long gone. Northern Ireland has had no devolved government for two years because of a dispute about post-Brexit trade borders; a huge public-sector strike over pay took place on January 18th. But in the context of even recent history the province is in an enviable position.

The unresolved injustices of the conflict are not about to reverse these achievements. But they do have a unique ability to poison the mood, especially if still-violent dissident republicans can stoke the idea that Britain is giving its soldiers an amnesty for their role in atrocities. And the ugly truth about Northern Ireland's peace process is that an end to the violence involved buying off lots of nasty people and turning a blind eye to others. As a result, the people who had already been hurt the most are also the most likely to suffer now. ■

Instapoets

Britain gets verse

The nation has / seen an alarming rise / in poetry sales

DONNA ASHWORTH, a British poet, loves words. You can tell because on her website she calls herself "Donna Ashworth—Author and lover of words", doubtless to distinguish herself from all those other authors who don't like words. But Ms Ashworth loves so much more than words, for, as she says, "what are we here to do, if not love?" So she also loves our "magical" planet, and being kind, and wrinkles, and the child within us all and *putting meaningful things in italics*.

It goes without saying that she loves motherly love. A mother's love for her son is "like a beautiful black-hole", which is not a line to run past an astronomer. Or a Freudian. She loves hope ("It is the light"), ageing and stretch marks (for they are "by Mother Nature's paintbrush"). The overall effect feels less like poetry than as though ChatGPT has been asked to produce inspirational fridge magnets.

Vestseller

But people love her back. Ms Ashworth's writing is, as one fan says, "like a warm hug", which is not something anyone ever said of Philip Larkin, a misanthropic English poet. Then again, people do not buy Larkin in their droves. In early January "Wild Hope", the latest of Ms Ashworth's eight books of poetry, reached number seven on the Amazon bestsellers list. It is one of a handful of books behind a rise in British poetry sales: 2023 was the highest since records began. Which is to say, still very low (at £14.4m, or $18.2m, according to Nielsen BookData). Britain may occasionally produce very good poets but Britons are not much interested in them, and they certainly don't pay to read them.

Poets used to be marketable. Lord Byron—often described as the first celebrity—could sell 10,000 copies of a poem in a single day; in the 20th century a book by John Betjeman could shift 2.5m copies. Modernism may be partly to blame for the decline, says Jonathan Rose, a professor of history at Drew University, since it aimed to make literature deliberately difficult and "frown[ed] on anything that...was relatively easy to appreciate". High-minded imprints still publish poetry by clever sorts sounding glum and using words like "quixotic". Almost no one buys them.

Ms Ashworth does sell, and not just on paper. She is one of a number of poets for the Instagram age who market their work via social media (where she has 1.6m or so followers) and on websites. The poems may be of variable quality but the accompanying products are lovely. Ms Ashworth's website offers a "Wild Hope" tote bag (£8), scented candle (£30) and hoodie (£58); the site of an American poet, Rupi Kaur, offers not only books but a signed tapestry ($100); a T-shirt ($45) and a box of cards titled "Writing Prompts Self-Love". Not a phrase you find in Virginia Woolf.

The problem with Instapoetry is not that it is full of nice words. Poetry has always allowed for prettiness: who knows, or frankly cares, what "In Xanadu did Kubla Khan" means when it sounds so good? The problem is that it doesn't feel true. Larkin gives the reader a shiver of pleasure not because his lines are nice but because they are spot-on. Perhaps Instagram accountholders do indeed look at their stretch marks and see "Mother Nature's paintbrush". It seems much more likely that they just think, "Damn".

Yet comparisons can also be unfair. As Ms Ashworth writes in a poem called "Youier", imagine "if snow didn't dare to fall / because rain was *fallier* / if planets did not glow / because stars were *glowier*." You should, she says, "stop all that folly". And no one said a *truier* word than that. ■

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Bagehot | Left and behind

The Scottish National Party tries to fight off a resurgent Labour Party

BIDENOMICS HAS many fans. The newest is Humza Yousaf, the first minister of Scotland. In a speech on January 8th he praised the Biden administration's revival of industrial strategy and the "great force and clarity" of its vision. He noted approvingly the Inflation Reduction Act, a vast package of manufacturing tax breaks, and the CHIPS Act, intended to bring semiconductor-makers to America. Here was a blueprint for an independent Scotland. With oil revenues and borrowing powers, he said, a new nation would plough £2bn a year ($2.5bn, 1% of GDP) into green energy.

As policy, this is nonsense. No one in the Scottish National Party (SNP) really thinks that independence is coming any time soon. Momentum has been stalled, first by a ruling in 2022 from Britain's Supreme Court that a unilateral referendum would be unlawful and then by a party-finance scandal involving Nicola Sturgeon, Mr Yousaf's predecessor. America can indulge in protectionism and splurge on subsidies because it has a vast domestic market and the world's reserve currency. Scotland's population is little larger than South Carolina's, and nationalists can't agree on what currency their new state would use.

As politics, however, it adds up. For Mr Yousaf is in trouble. The SNP's monopoly on pro-independence voters is slipping: between May 2022 and November 2023, its share of those who voted "Yes" in the 2014 referendum fell from 81% to 69%. These voters are leaching to Labour, which presents itself as the surest route to an end to Conservative rule from Westminster. *The Economist*'s poll tracker has Labour holding a narrow lead over the SNP, which would mean heavy losses in an election. In the short term Mr Yousaf would then face the sack, say his SNP colleagues. In the long term a Labour government supported by a raft of Scottish Labour MPs would puncture nationalism's most potent claim—that the union condemns Scotland to governments it doesn't elect.

Mr Yousaf's answer is to tack to the left, and dress the SNP up as more Labour than Labour. Sir Keir Starmer is on track for power come what may, the argument runs, but he is so compromised by fear of alienating English swing voters that he might as well be a Tory. Note, says Mr Yousaf, how Labour won't reverse Tory welfare cuts and is already trimming back its own Bidenomics-inspired industrial strategy. Wince as Labour shuns the idea of rejoining the EU; gag at it refusing to support a ceasefire in Gaza.

This is not just rhetoric. Mr Yousaf has kept a promise to trade unionists in last year's SNP leadership contest that he would squeeze high earners. Income tax elsewhere in Britain falls into three bands, at 20%, 40% and 45%. Scotland now has six. A new 45% rate was introduced in a budget in December on incomes between £75,001 and £125,140; the top rate was increased from 47% to 48%. Anyone earning over £28,850 pays more in Scotland than they do elsewhere in Britain; the marginal rate on earnings of £100,000-£125,000 (adjusting for national-insurance contributions and tax allowances) is now 69.5%, compared with 62% in England. Other left-leaning measures pile up. Temporary rent controls, introduced as inflation rose, are to become permanent in spite of evidence they have not worked. New levies are planned on supermarkets that sell alcohol and tobacco.

This agenda is justified by a notion of Scottish exceptionalism, which draws a cartoonish contrast between Scotland's "social contract", where the wealthier "are asked to pay a bit more", and a supposedly crueller England. Such exceptionalism is also central to the pitch for independence, which Mr Yousaf says will be "page one, line one" of the SNP manifesto. Yet it is increasingly difficult to get the sums behind this social contract to add up.

The Scottish government still depends on money from Westminster for much of its spending. The SNP boasted of having averted strikes by handing doctors the biggest pay deals in Britain; that will be hard to reconcile with next year's tight budget settlement, says the Institute for Fiscal Studies, a think-tank. Free university places, one of the SNP's crowning glories, will have to be cut back.

The new income-tax increases are not going to change this picture materially. The 48p rate will fall on just 40,000 earners; a notional yield of £53m will become a nugatory £8m once behavioural changes are accounted for, reckons the Scottish government's official forecaster. Banks and doctors' groups warn of employees heading south. The underlying problem is a tax base that has grown more slowly than England's since devolution, due to an ageing population and fewer people in work. Mr Yousaf has spent a lot of political capital on a hike that raises little real capital.

No more Celtic tiger

Far from uniting all nationalist voters, Mr Yousaf's leftward tilt has left many of his colleagues unconvinced. Nationalism's success has been its heterogeneity and flexibility: socialists and libertarians parked their differences until after independence day. Alex Salmond, the first minister from 2007 to 2014, wanted to emulate Ireland and slash corporation tax. Ms Sturgeon, Mr Yousaf's mentor, styled herself a Nordic social democrat, and displaced Labour as Scotland's centre-left party after the 2014 referendum. But she was also assiduous in reassuring the aspirational "middle Scotland" of professionals and public-sector workers living in new-build estates that nationalism would not bankrupt them.

Those voters deserted the SNP at a by-election in Rutherglen in October. The free eye tests and prescriptions afforded by the SNP's social contract are all very well if they are funded by fiscal transfers from London; paying substantially higher taxes than the English may be another matter. Relationships with business have become frosty; donations have dried up. Perhaps, says one nationalist, Mr Yousaf might have been able to sell his colleagues on a core-vote plan to outflank Labour if it had been more coherent and better executed: "You're too kind in calling it a strategy. It's a drowning man grasping at anything." ■

The International Court of Justice

War, war crime, or the crime of crimes?

JERUSALEM

The genocide case Israel faces is more about politics than the law

SINCE ITS creation in 1946 the International Court of Justice (ICJ) has heard an average of fewer than three cases a year. Many are obscure, such as a dispute over pulp mills in Uruguay. The trial that began on January 11th, though, was one of the highest drama, when it heard arguments from South Africa that Israel was committing genocide in Gaza.

Palestinians were elated by the sight of Israel in the dock after decades of impunity for its conduct in the occupied territories. Crowds gathered to watch it broadcast in squares in Ramallah, the de facto capital of the West Bank.

A full trial would take years to conclude. In the meantime South Africa has asked the court for "provisional measures", one of which is that it orders Israel to stop fighting in Gaza. The burden of proof for an injunction is low: "South Africa just needs to show that its claims are plausible," says Adil Haque of Rutgers Law School. Judges must now decide whether to demand that Israel end its longest and deadliest war against the Palestinians since 1948.

As a political gambit, South Africa's case is already a success. Yet as a legal strategy it is risky. Some of Israel's actions in Gaza since October 7th could plausibly be described as war crimes. But in seeking to label them genocide, a uniquely horrific crime, it risks making the debate about the label rather than the actions themselves.

In politics, genocide has become a byword for the worst human suffering imaginable. But legally it is a tightly defined concept, and hard to prove. This is because it entails not just particular acts, such as killing civilians or causing them "serious bodily or mental harm", it also requires that they be done with the "intent to destroy, in whole or in part, a national, ethnical, racial or religious group, as such".

To prove intent, South Africa cited Israeli ministers, lawmakers, army officers and soldiers: the Knesset member who spoke of "erasing the Gaza Strip from the face of the earth"; the troops who later chanted "may Gaza be erased". It sought to show that these statements were followed by rank-and-file soldiers. Israel argued that these were "random quotes that are not in conformity with government policy".

Parts of South Africa's presentation were sloppy: its lawyers referred to a speech in which Mr Netanyahu invoked the biblical story of Amalek, a nation that persecuted the Israelites, yet in seeking to explain how the allusion was genocidal they cited the wrong biblical passage. Their filing then quoted Yoav Gallant, the Israeli defence minister, saying on October 10th that "Gaza won't return to what it was before. We will eliminate everything." That sounds genocidal. But in Mr Gallant's actual comments there is an additional sentence in the middle: "Hamas will no longer be." The correct quote, and the rest of the clip, make clear that he is referring to Hamas, not to Palestinians.

Still, it is impossible to deny that some prominent Israelis have said things that could incite genocide, which is also an offence under the UN convention, to which Israel is a signatory. Though they have suffered no legal or political consequences for doing so, it would be hard to prove that their incitement amounts to state intent.

A second issue is proving Israel has killed Palestinians because of their nationality. South Africa's lawyers claim that Israel's use of 2,000lb (907kg) bombs, the largest in its arsenal, in densely populated places like Jabalia, in northern Gaza, is evidence of genocide. Using such large bombs ▸▸

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52 Israel's judge at the ICJ

could be a war crime, unless Israel can show it had no other way to strike a vital military target. But it is not a genocidal act unless South Africa can prove that Israel dropped those bombs specifically to kill lots of Palestinians. Thus far, it has failed to do so. The same goes for the restrictions Israel has imposed on aid to Gaza. "Israel could argue that it used starvation as a weapon of war to make people suffer," says Mr Haque. "That would be a war crime, but it's not genocide."

To call these arguments distasteful would be an understatement. The South African filing describes a litany of horrors committed against Palestinians in Gaza. Whichever way the ICJ rules, they will still be horrors. By pressing the charge of genocide, South Africa has created a situation in which a ruling in Israel's favour could be seen as absolution for its conduct.

Yet even if it is absolved of genocide, Israel should still be scrutinised for other possible violations. Start with two of the core principles of international law: distinction and proportionality. The former requires armies to distinguish between civilian and military targets. The latter demands they not inflict excessive harm on civilians in relation to military utility. With northern Gaza now a wasteland, and thousands of civilians dead, it is hard to trust that Israel has adhered to those principles. Israeli officials concede that in this war the army has approved strikes that are both deadlier for civilians and achieve smaller military gains than in previous conflicts in Gaza. Some Western officials think Israel has crossed a legal line with its new calculus of proportionality.

Other questions of law deserve scrutiny as well. One is the destruction of Gaza's medical facilities. There is strong evidence that Hamas has used hospitals for military purposes, which is itself a war crime. Under international law, hospitals can lose their protection if used for "acts harmful to the enemy". But they do not become valid targets indefinitely. That Hamas militants might have used Shifa hospital in October does not necessarily justify an Israeli raid there in November. In many cases Israel has not offered compelling proof that its attacks on hospitals were justified.

Another question is over the appalling humanitarian conditions in Gaza, where the UN says there is a risk of imminent famine. Israel told the ICJ that it has not limited deliveries of food to Gaza, which is true in theory but not in practice. It has largely barred such deliveries via its own territory, which is how most supplies entered Gaza before the war, and it imposes long and unpredictable inspections on aid entering from Egypt.

Investigating such cases, however, will not be the job of the ICJ. That task would fall to the International Criminal Court (ICC), the other big court in The Hague, which claims jurisdiction over both the Hamas attacks in Israel on October 7th and the war in Gaza that followed because Palestine is a signatory to its founding treaty. But such investigations will be sluggish.

For now, that leaves the genocide case at the ICJ and the question of whether to impose any of the provisional measures requested by South Africa. Because the ICJ settles disputes between UN member-states, and Hamas is not one, judges are in the uncomfortable position of being asked to order Israel to implement a unilateral ceasefire with no corresponding obligation on Hamas to halt its genocidal attacks.

Even if it were to issue such an order, it would have no means to enforce its judgments, which governments sometimes ignore. Israel has made clear that it will do just that. "We will continue this war until the end," Mr Netanyahu has said. "No one will stop us, not even The Hague."

Still, a ruling against Israel could have far-reaching consequences. It would certainly make the politics of supporting Israel's war more complicated for its allies. There could also be legal implications. In America the so-called "Leahy law" bars the government from providing military aid to foreign forces that commit human-rights abuses. If the ICJ were to find that Israel is "plausibly" committing genocide, some Democrats would no doubt try to invoke this law. It is unlikely that such a view would find majority support in a country that is both supportive of Israel and hostile to international courts. But President Joe Biden's administration could still find itself in the uncomfortable position of appearing to much of the world to be excusing a crime it has long sought to end. ■

Aharon Barak

Tough justice

JERUSALEM

Israel's judge in The Hague is its government's bogeyman

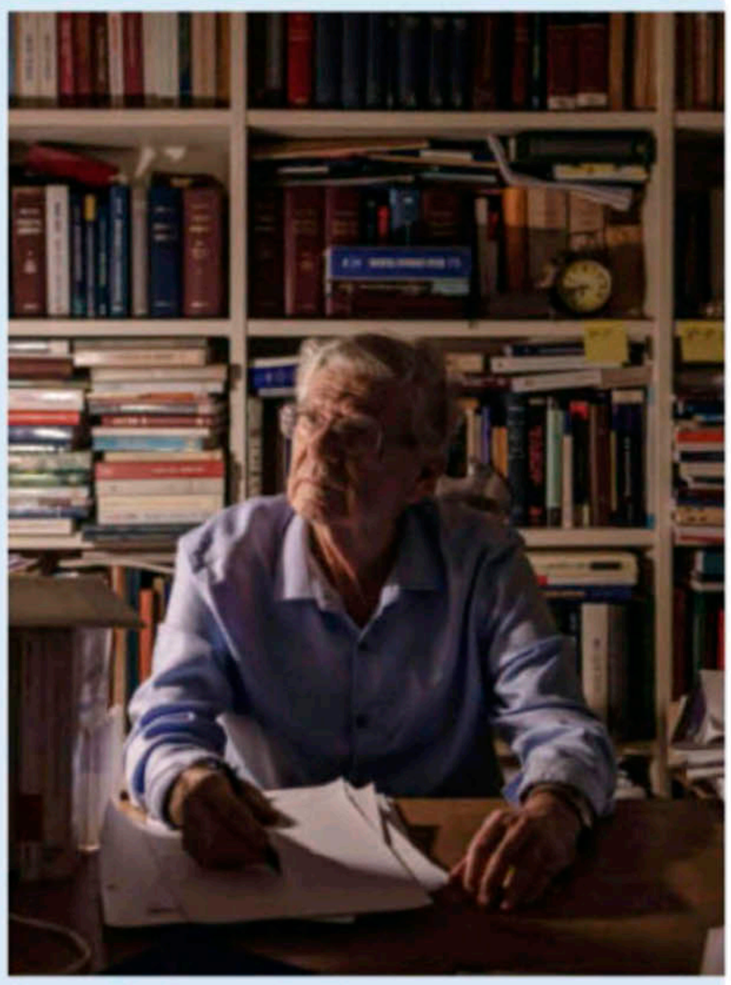
EVEN IN RETIREMENT Aharon Barak, a former president of Israel's supreme court, remains a controversial figure. Binyamin Netanyahu's right-wing government spent most of 2023 attempting to dismantle his constitutional legacy. Yet when asked to appoint a judge to join the panel of the International Court of Justice (ICJ) hearing South Africa's claim that Israel is committing genocide in its war in Gaza, it chose Mr Barak, Israel's most renowned jurist.

Mr Barak, who is 87, has earned acclaim and condemnation for spearheading what he called Israel's "constitutional revolution". In a series of landmark rulings he broadened the court's powers to accept petitions from public bodies and individuals, intervene in government decisions and cancel legislation.

His supporters see him as the man who built the ramparts protecting Israel's fragile democracy from a rising tide of populist nationalism and religious fundamentalism. To his detractors he is a "judicial dictator" whose rulings have usurped the will of the people and imposed liberal values that they claim contradict traditional Jewish ones. Mr Netanyahu's coalition came to power promising to roll back Mr Barak's precedents, weaken the courts and gain control over the appointment of new judges.

On January 1st the supreme court, following in Mr Barak's footsteps, struck down a law passed five months earlier that had all but abolished the court's ability to use the "reasonableness standard" to hold the government to account. Mr Netanyahu's decision a week later to appoint Mr Barak to the ICJ ruffled feathers in his Likud party: one parliamentarian accused the prime minister of "showing contempt for his voters".

For once, Mr Netanyahu had done the right thing in defying his hard-right supporters. Mr Barak is Israel's foremost legal scholar and a Holocaust survivor. Who better to defend Israel from charges under the Genocide Convention, drawn up in 1948 to prevent another Holocaust from occurring?



An unlikely revolutionary

Big business and politics

Duck and cover

NEW YORK AND WASHINGTON, DC

Many CEOs fear a second Trump term would be worse than the first

WHEN DONALD TRUMP left office three years ago, still huffing, puffing and plotting to overturn the results of the 2020 presidential election, the leaders of most of America's biggest corporations were only too happy to see the back of him. They wore their moral outrage like a badge of honour. True, they had conveniently put aside their earlier scruples about Mr Trump's suitability for the White House, bought off by generous corporate and personal tax cuts in 2017. True, many had cravenly turned a blind eye to his torching of environmental rules in support of a broad-brush regulatory bonfire. But his attempts to subvert American democracy, and the storming of the Capitol by his supporters on January 6th 2021, were a step too far.

With unusual unity, they huffed and puffed back. Manufacturers called the riots a "disgusting episode". The Business Roundtable, a lobby group for big companies, called on Mr Trump to "put an end to the chaos". Some prominent firms pledged not to provide financial support to the 147 Republican lawmakers who had refused to certify Mr Trump's defeat.

Mr Trump's runaway victory in the first bout of the Republican primary contest in Iowa on January 15th cemented his status as the party's presumptive nominee. The polls suggest that in a head-to-head battle with President Joe Biden, he would win. But if there are murmurings of alarm about what a sequel to his chaotic presidency might mean for corporate America, this time they remain behind closed doors and off the record. Recently, Larry Summers, the pro-Biden former treasury secretary, urged CEOs to reject Mr Trump, noting that Italy's markets did well in Benito Mussolini's first few years in power—until they didn't. Yet for the moment, most advisers and leaders of business associations counsel bosses to keep their heads down. Forget *Il Duce*. The message is: duck and cover.

There is rationale for lying low. For a start, with ten months to go before the elections, anything can happen. Health issues could force either candidate out of the race (combined, Messrs Biden and Trump have had 158 years on Earth, nearly two-thirds the age of America itself). Mr Trump has not only his Republican rivals and Mr Biden to contend with, but 91 felony counts across two state courts and two federal districts, which could cause havoc.

Staking out the moral high ground from corner offices may also be counter-productive. It could backfire on those who attack Mr Trump in public, and bolster his anti-elite appeal. In office, he was quick to retaliate when attacked (preferred weapon, CAPITALISED TWEETS!). With trust in big companies on the wane in recent decades, it has become easier for populists to whip up an anti-business hue and cry. The head of a prominent business organisation ruefully admits that if he took a public stand against Mr Trump's campaign proposals, ▸▸

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"the former president would be delighted."

In the past few years, as the relationship between big business and Mr Trump's MAGA Republicans has soured, executives have learned the hard way the risks of sticking their necks out. A public-relations adviser to CEOs thought a year ago that it would be relatively easy for business to disown Mr Trump because of his legal travails. But then came the unofficial boycott of Bud Light, a beer, by right-wing culture warriors offended by its marketing campaign with a transgender influencer. The PR man realised the power of the mob to hurt the bottom line. "We are back to walking on eggshells," he says—caught between progressive employees and customers demanding that firms take a stand against Mr Trump, and fear of the MAGA masses.

Then there is Mr Biden. When pushed to express a preference, many businesspeople say they see him as a steadier pair of hands in policymaking and geopolitics. But they are fed up with his administration's anti-business rhetoric (Gina Raimondo, the commerce secretary, is an honourable exception). That makes them more tolerant of Mr Trump. Of the two, Mr Biden is "hands down a bigger threat to prosperity", says a billionaire financier.

Even Mr Biden's backers rail against the "big is bad" stance of his trustbusters. Those trustbusters' bite has not been as bad as their bark; many of their cases have failed in court. But the bark alone has chilled dealmaking, laments an investment banker. As for the risk that Mr Trump could "weaponise" administrative agencies against his corporate enemies, Neil Bradley of the US Chamber of Commerce counters that Mr Biden, too, has urged his administration to crack down on "junk fees" and price gouging in industries ranging from airlines to banking and health care. Mr Bradley draws few distinctions between either party's economic populism.

Some business folk angrily dismiss efforts to draw parallels between the dangers of Mr Trump and Mr Biden. Calling it "whataboutism", they quietly profess to be terrified by the prospects of a second Trump administration. In the first one, the former president may have pushed radical policies, but sensible conservatives in his administration, as well as his own predilection for chaos, got the better of him. Now he is surrounded by true believers, such as those at the Heritage Foundation, a pro-MAGA think-tank whose job, says one business leader, is "to prevent the amelioration of the Trump agenda".

In other words, Mr Trump has plenty of people in place to advance a plan that could shake up the economic framework on which American business has prospered for generations. The pillars of that plan of most immediate concern to corporate America are trade, migration, the fiscal deficit and public debt, and clean energy.

A trade war is the most palpable worry. The self-described "Tariff Man" has floated the idea of imposing a baseline 10% levy on all imports. These would be raised, "an eye for an eye", in retaliation against any country with a higher tariff. China is the main target. Businesspeople fear his goal is to terminate, unilaterally, trade with China, which would be a nightmare for any firm exposed to the country. Such a trade policy would be far more draconian than that of the Biden administration, which has kept Mr Trump's tariffs but worked with allies such as Japan and the Netherlands to restrict export of strategic goods such as advanced semiconductors without cutting China off altogether.

Some hope that Mr Trump is posturing. They take solace in the fact that Congress, not the White House, regulates commerce and that courts adjudicate trade law. Yet Kent Lassman, who contributed a bold essay in support of free trade to the

Donald Trump and donors

Hardly PAC-ed to the rafters

Trumpian populism is turning off corporate givers

"GO WOKE, GO broke," intone Republicans fed up with socially aware American firms. But it is the politicians who are paying for their own ideological zeal. In 2000 and 2004 corporate political-action committees (PACs) gave them twice as much as they gave Democrats. After divvying up donations nearly evenly between the two parties in 2008 (perhaps thanks to a charismatic newcomer named Barack Obama), in 2012 and 2016 they favoured Republican candidates again, by a factor of nearly two to one. Company bosses, too, preferred conservatives. A paper in 2019 found that between 2000 and 2017 CEOs of firms in the S&P 1500 index directed two-thirds of their giving to the right.

In the 2019-20 election cycle, by contrast, corporate PAC donations to Republicans fell by a quarter, compared with four years earlier. One explanation is that donors were unhappy with the party's populist shift away from trade, immigration and international co-operation. After Mr Trump's supporters stormed the Capitol on January 6th 2021, dozens of firms halted donations to Republican lawmakers who voted against certifying Joe Biden's 2020 election win. According to Jeffrey Sonnenfeld of the Yale School of Management, more than three-quarters of these firms were still withholding such donations a year later.

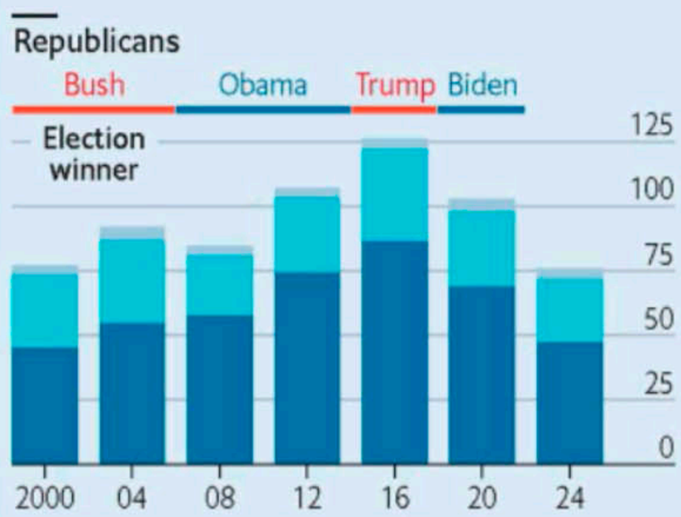
Preliminary figures suggest this will be another disappointing year for Republican fundraisers. Data from the Federal Election Commission show that in the first 11 months of this presidential cycle Republicans got a third less from corporate PACs than in 2020 and half as much as in 2016 (see chart). Comcast, a cable operator, and Northrop Grumman, an armsmaker, have cut their cheques by a third since 2020. ExxonMobil, an oil giant, has halved donations. Top-spending trade groups, such as the National Beer Wholesalers Association and the National Association of Realtors, gave Republicans less than four years ago.

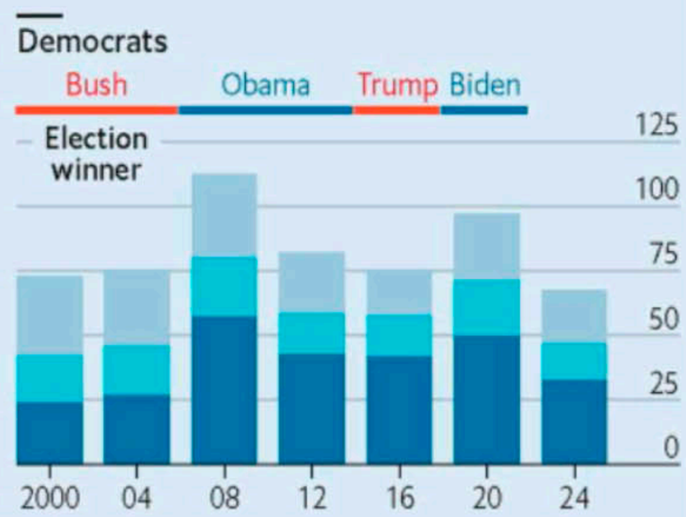
The unspent money may not go to Democrats. According to End Citizens United, an advocacy group, 73 mostly Democratic congressmen have sworn off corporate PACs entirely, up from 56 five years ago. America Inc is always looking for friends in Washington. In the post-Trump era, it is finding itself alone.

War-chest thumping

United States, campaign contributions from political-action committees

During first 11 months of presidential election cycles, $m, 2023 prices





Source: Federal Election Commission

Heritage Foundation's pro-Trump "Project 2025" road map, thinks the former president means it, even if it disrupts America's existing trade treaties. Mr Trump "is not changing his stripes"; his sense that everything is a deal and that America is victimised is stronger than ever. His chief advisers on trade, protectionist hawks such as Robert Lighthizer and Peter Navarro, "know how to play off of those beliefs", Mr Lassman says.

Mr Trump's threat to round up and deport millions of undocumented migrants has also alarmed businesses—not only for humane reasons but also because of a chronic worker shortage afflicting many American firms. In November America had 8.8m job openings. The number of unemployed is 6.3m.

Mr Trump's harshest proposals would be hard to implement. He made a similar mass-deportation promise on the campaign trail in 2016 but was frustrated by court challenges and other pushback. Still, any pickup in expulsions could hurt industries such as farming, leisure, retail and hospitality that rely on low-cost labour, executives say. However important it is to maintain strong borders, whipping up anti-immigrant fervour for political ends jeopardises legal migration. That hurts businesses' ability to recruit skilled and unskilled workers alike.

Government debt also looms large in CEOs' minds. They praised Mr Trump's Tax Cuts and Jobs Act, which reduced corporate-tax rates from 35% to 21%. But they fear that neither Mr Trump nor Mr Biden has credible plans to stop the deficit from swelling (see next article). If Mr Trump pursues his most unorthodox economic ideas, there are fears that a loss of confidence could jolt the treasury market, pushing up borrowing costs and sending the dollar into a tailspin.

Greenbacks and green leafs

Some think that is going too far. "The world has insatiable demand for US treasuries," notes a pro-Biden Wall Street grandee. But a few corporate advisers raise the possibility that an unrestrained Mr Trump could trigger an American version of Britain's bond-market sell-off in 2022, when investors lost faith in the economic stewardship of Liz Truss, a prime minister who was outlasted by a lettuce. "I have parliament envy," the leader of a lobby group chuckles—unlike American leaders, he observes wryly, fiscally irresponsible British ones such as Ms Truss can be quickly forced out of office.

America's environmental trajectory under Mr Trump is another concern. The former president, like the current one, would be expected to double down on industrial policy. But unlike Mr Biden, whose signature effort has been the green-tinged Inflation Reduction Act (IRA), Mr Trump remains a climate sceptic who is likely to try to gut clean-energy programmes. In this case, he may face pushback from his own party. Many of the clean-energy projects predicated on funding from the IRA are in Republican-leaning states. Business, too, is likely to oppose a reversal of Mr Biden's green agenda. Mr Bradley says that though industrial policy writ large remains "incredibly problematic", government programmes that induce changes of behaviour are justified when technology is at an early stage, as with clean energy.

If Mr Trump's policy proposals directly related to business do not inspire confidence, his efforts to undermine faith in the judiciary, rule of law, NATO and other alliances, including with Ukraine, raise big questions about America's role in the world. Some executives shrug this off. A few weeks ago the head of an international asset manager met a group of American bankers and found them "shockingly sanguine" about the election. They told him that whatever the outcome, the system would hold; that stockmarkets had done well under both presidents; and that the American economy was in such rude health that it could survive even electoral shenanigans. "Maybe their point is that business has transcended politics in America," he says. He adds pensively: "Maybe they are right."

Or maybe they aren't. Michael Strain of the American Enterprise Institute, a pro-business think-tank, says that Mr Trump's populism makes political violence in America more likely this year. That would hurt business. The head of a global risk-advisory firm says that uncertainty over Mr Trump's geopolitical agenda will haunt multinationals, making it hard for them to decide, for example, whether or not to allocate resources to China or perhaps even Russia. Any sense that he is weakening the rule of law and the sanctity of contracts and treaties would ripple around the world. "Things like the rule of law are gossamer concepts that disappear just like that," says a New York financier.

His colleague, an expert on geopolitics, says that American businessmen rarely step back to consider how much the country's global influence, including the hegemony of the dollar and the defence of maritime shipping routes, underpins their companies' prosperity. Ron Temple, chief market strategist at Lazard, an investment bank, says the gap between right and left has widened in America, amplifying policy variability and becoming too important a factor for business to overlook. "There is almost a sense of complacency, married with entitlement, combined with presumptuousness," he concludes. If anyone is likely to shake corporate America out of such numbness, it is Mr Trump. ■

Donald Trump and the economy

Fiscal Trumponomics

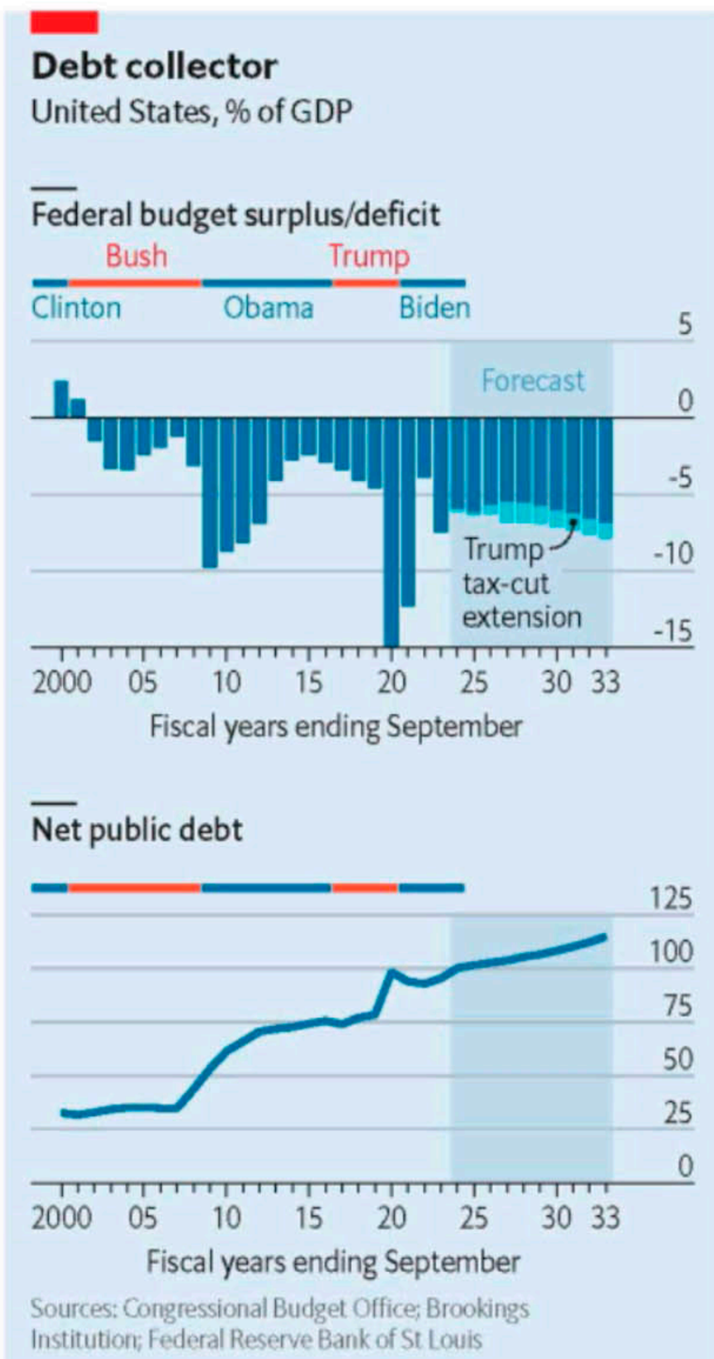
WASHINGTON, DC

His tax cuts would add to American growth—and debt

OF THE MANY differences between Donald Trump and Joe Biden, perhaps the easiest to quantify has to do with tax policy. Mr Biden has long pledged to raise taxes on both the wealthy and companies. Mr Trump's main legislative achievement from his presidency was a tax-cut package in 2017. Unsurprisingly, many corporate bosses prefer Mr Trump on taxes. The big economic question is whether they are being short-sighted and overlooking America's fiscal health, which they also profess to care about.

When Mr Trump was elected in 2016, net federal debt was about 75% of GDP. When he left office in 2021, it was 97% of GDP. The Congressional Budget Office (CBO) forecasts that it is on track to hit an eye-watering 181% three decades from now. At that level the government's annual interest payments are expected to exceed its combined spending on national defence, education and highways. That raises the risk of a financial crisis—hardly an ideal environment for business.

Critics of Mr Trump point to the debt ▸▸



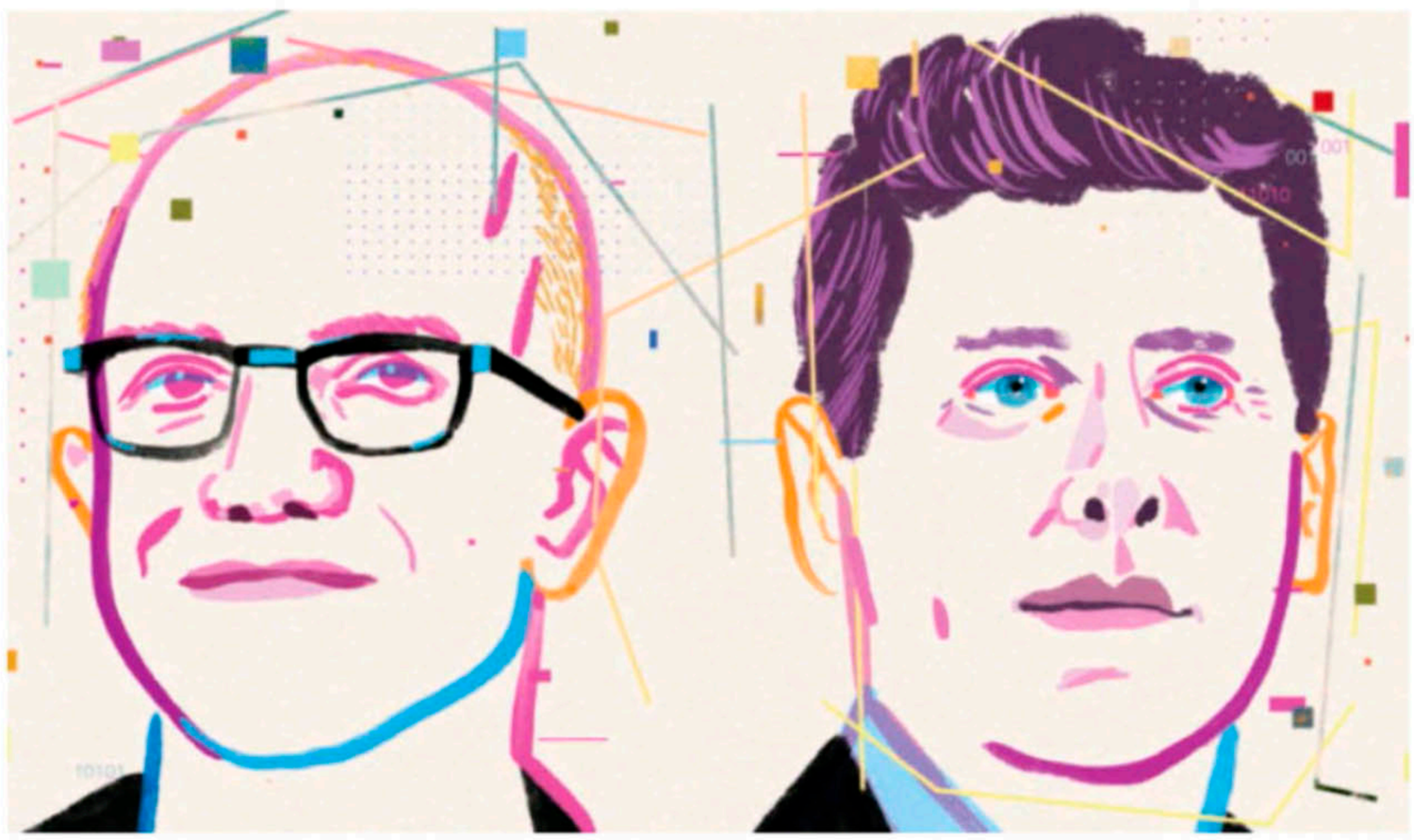
trajectory on his watch as evidence of fiscal mismanagement and warn he would make things worse if elected for a second term. Many of his tax cuts are set to expire at the end of 2025 (the individual-income-tax rate for the highest earners will revert to 39.6% from 37%, for instance). If Mr Trump returns to office, he will try to make the cuts permanent. The CBO estimates that this would add $350bn or so to the deficit annually over the next decade, equivalent to 1% of GDP (see chart on previous page).

Yet this line of criticism misses two important points. First, the accumulation of debt under Mr Trump largely stemmed from the stimulus launched soon after covid-19 struck, which countered some of the economic drag from the pandemic. The comparison is unflattering for Mr Biden: he expanded the stimulus in 2021 when there was less need for extra fiscal support from the government, and this additional spending helped stoke inflation.

Second, it is not enough to look at taxes alone. The interaction between taxation and growth lies at the heart of debt sustainability. "The overriding driver of our fiscal problems is that we don't have enough growth," says Stephen Moore, who helped design Mr Trump's tax cuts in 2017. "We want to bring jobs and capital here, and yes, we can grow out of this." Many economists dismiss such talk as hyperbole. After all, in the 2016 election, Mr Trump vowed that deregulation and tax cuts would unleash a torrent of economic growth; in reality America's growth rate ticked up just slightly in the two years after his tax law went into effect, before covid erupted. But this extra activity did help to boost America's fiscal revenues, offsetting some of the cost of the tax cuts. "Thinking you should tax away to a lower deficit is misleading," says Tomas Philipson, an economic adviser in Mr Trump's administration.

Mr Biden's approach offers a counterpoint. He has called for a range of tax increases, including raising the corporate rate from 21% to 28%. "That may be counterproductive," says Erica York of the Tax Foundation, a think-tank. Ms York and her colleagues estimate that Mr Biden's tax proposals would lower America's debt-to-GDP ratio but also shrink the economy by 1.3%, whereas Mr Trump's tax cuts would, if permanent, push up debts but expand long-run GDP by 1.2%. It is not a simple trade-off either way.

A true clean-up of America's finances would require reforms to big social programmes, especially income support for pensioners and state-provided medical insurance, which together account for nearly half of federal spending. Here, Mr Trump and Mr Biden look indistinguishable. Both are silent on serious changes to these programmes, because both are well aware how deeply unpopular any cuts would be. ■



Artificial intelligence

The Sam and Satya show

DAVOS AND SAN FRANCISCO

The bosses of OpenAI and Microsoft talk to *The Economist* about the future of AI

ONE REASON the world's corporate elite jet off to Davos each year is to check in on important relationships, be they with critical suppliers or big-spending clients. This year many are wondering about their relationships with Microsoft and OpenAI, the startup behind ChatGPT. The companies are the world's most prominent purveyors of artificial intelligence (AI), which has the business world giddy. OpenAI exclusively licenses its technology to Microsoft. The software giant is busy injecting it into products from Word to Windows.

The relationship between the two companies is also under scrutiny—including in recent weeks by EU and British antitrust regulators. In November Sam Altman, OpenAI's boss, was fired by his board, only to be reinstated days later. Satya Nadella, Microsoft's chief, whose company reportedly owns 49% of the startup, supported Mr Altman during the ordeal. The kerfuffle left many wondering about risks to what Mr Altman has called the "best bromance in tech". When the pair sat down with *The Economist* in Davos on January 17th, they were upbeat and, for the most part, singing from the same hymn sheet. Their partnership is "great" and "unbelievable". They often remarked on how much they agree.

The magic number

Market capitalisation, $trn

Source: LSEG Workspace

One concurrence was that the tie-up boosts competition. "You can look at the vertically integrated option and you can look at our partnership, and you can decide which is more pro-competition," says Mr Altman. Another was that 2024 will be a big year for AI. Microsoft's huge bet on the technology this month helped it to dethrone Apple as the world's biggest firm (see chart). It is closing in on a value of $3trn. Its next quarterly earnings will give the first hint of how much corporate customers are willing to spend on AI.

Although some observers have been underwhelmed by the progress made by OpenAI's latest model, GPT-4, Mr Altman hints at new capabilities, such as greater ability to understand and produce audio. Mr Nadella says models will get better at all tasks, from writing essays to churning out computer code. "I really think the magic of this is the generality," says Mr Altman.

The general-purpose nature of AI is why Mr Altman thinks of the technology as "a new computer". Mr Nadella sees it in similar terms. He argues that "since the PC, we ▸▸

have not had [...] the real driver of getting more things done with less drudgery." Microsoft's supply-chain team already use AI to help model the impact of their decisions, without having to wait for the finance department at the end of the quarter.

AI's ability to replace skilled workers, such as accountants, raises concerns about its effect on jobs. An new IMF paper suggests that people with a university degree are most exposed to disruption but also best placed to reap the rewards. Both Messrs Nadella and Altman are convinced that AI will create more new jobs than it destroys. Mr Nadella thinks it may make the labour market more dynamic, by allowing people to learn new skills and switch jobs faster. That, he says, will cause some wages to go up and others to be "commoditised" (in other words, decline).

Disruption will be all the more dramatic with the advent of artificial general intelligence (AGI), which, if it is achieved, would be able to outperform humans on most intellectual tasks. AI doomers think this could engender economic chaos or even a robot apocalypse. Nonetheless, producing AGI is the stated goal of OpenAI. Mr Altman describes progress towards this aim as "surprisingly continuous". He likens it to the evolution of the iPhone, where no single new model represented a big leap but the jump from the first version to the latest one has been extraordinary. For that reason he expects the fuss caused by the first AGI to be short-lived. "The world will have a two-week freakout and then people will go on with their lives," he says.

Neither Mr Nadella nor Mr Altman will say when AGI might come around. Mr Nadella believes that by the time it does, its use will be regulated: "Nation states are absolutely going to have a say on...what is ready for deployment or not." Mr Altman broadly agrees, but is a bit more circumspect. Regulators, he notes, will have to weigh the risks and capabilities of AI—as with aeroplanes, which create enormous benefits despite occasionally crashing. Likewise, AI's "tremendous upside" means that halting progress would be a mistake. Safety is not a binary question of using or not using a technology; it is "the many little decisions along the way". He points to the launch of GPT-4, which was pushed back by seven or eight months.

Mr Altman, ever the techno-optimist, insists that "technological prosperity is the most important ingredient to a much better future". Mr Nadella, a corporate veteran, strikes a more businesslike note. He talks about the 20 meetings he had earlier in the day with executives from a range of industries, talking to them "about something that they are doing where I can have some input". He is, in other words, firming up Microsoft's relationships—as befits a big boss in Davos. ■

Business and Taiwan's election

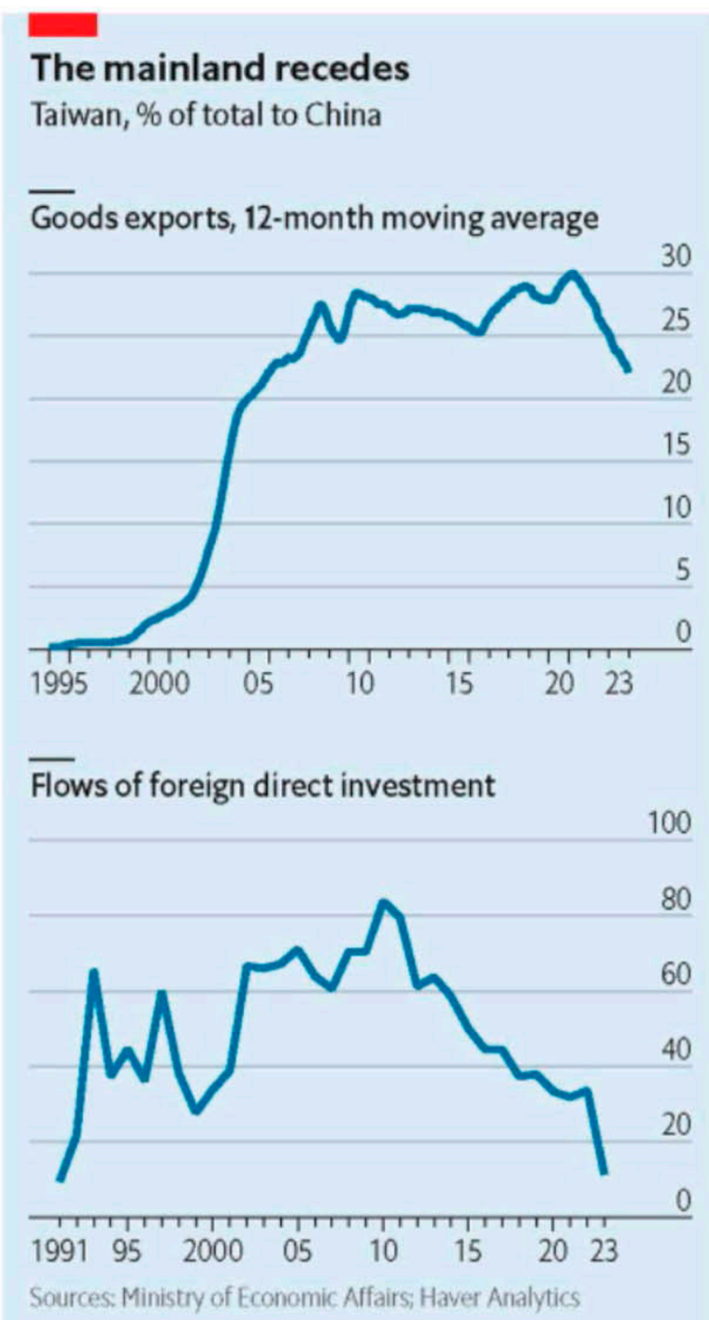
Cross-strait squeeze

TAIPEI

China may be losing its sway over Taiwanese business

ON JANUARY 13TH William Lai Ching-te was elected as Taiwan's president. He thus secured a third term for his pro-independence Democratic Progressive Party (DPP). The vote will shape relations between self-governing Taiwan and China, which wants the island to be governed from Beijing. It will also affect the commercial relations between the two—and, because Taiwanese manufacturers sit at the heart of critical global supply chains, between them and the rest of the world.

For Taiwan's big businesses, the cross-strait tensions are unwelcome. Taiwanese entrepreneurs have been building factories on the mainland since the 1980s. These used to make textiles and other cheap goods. Today many make sophisticated electronics, including chips. Chinese data suggest that in 2022 Taiwanese firms had assets worth $43bn in the People's Republic; by comparison the figure for those from America, an economy 35 times the size of Taiwan's, was $86bn. The real sum is almost certainly higher; Taiwan's companies often channel investments via Hong Kong and other jurisdictions to avoid the scrutiny of their China-wary government.



The Chinese Communist Party is likely to express its displeasure at the DPP's victory by putting a squeeze on Taiwanese business. The corporate supporters of the first DPP president, Chen Shui-bian, who served from 2000 to 2008, faced regulatory scrutiny and investment restrictions from China, according to Taiwan's Mainland Affairs Council, an agency dealing with cross-strait relations. In 2005 Shi Wen-Long, a petrochemical magnate and one of Mr Chen's biggest backers, was forced into a humiliating public endorsement of a Chinese anti-secession law, which formalised military threats against the island.

Since the DPP returned to power in 2016 under Tsai Ing-wen, Chinese commercial pressure has increased. Far Eastern Group, a Taiwanese conglomerate, was hit by a fine in 2021, which Chinese publications tied to the political views of its chairman, Douglas Hsu. Shortly afterwards Mr Hsu issued a statement rejecting Taiwanese independence. Even businessmen friendlier to China have not been spared. In October Chinese state media reported a tax investigation into Foxconn, a giant Taiwanese contract manufacturer with vast operations in China. Taiwan's National Security Council claims that the tax probe was a targeted effort by China to prevent Foxconn's founder, Terry Gou, from dividing the pro-unification camp by running for president. In January China slapped tariffs on a range of Taiwanese chemical exports, a move widely viewed as another warning shot ahead of the election.

In the past such bullying led companies either to back the independence-wary Kuomintang (KMT), which favours closer economic links with the mainland, or to stay out of politics altogether (the approach of TSMC, the world's biggest chip-maker and Taiwan's most valuable firm). This time corporate grandees, even those with exposure to the mainland, appear less cowed. Some have gone so far as to affiliate themselves with the DPP. Early last year Tung Tzu-hsien, who chairs Pegatron, a big contract manufacturer, became vice-chairman of the New Frontier Foundation, a DPP-associated think-tank. In the run-up to the election Frank Huang, chairman of Powerchip Semiconductor Manufacturing Corporation, endorsed Mr Lai openly.

Taiwanese businesses' increased resistance to China's strong-arm tactics has sev- ▸▸

eral causes. American tariffs on Chinese-made goods have made export manufacturing on the mainland less attractive, notes Chun-yi Lee of Nottingham University. Harsh policies such "zero-covid" lockdowns and arbitrary crackdowns on sectors such as consumer technology have further dented China's appeal. The recent weakness of its economy (see Finance & economics section) is compounding the sense that Taiwan's economic future may not be so bound up with the mainland.

A shift is already visible in Taiwan's trade and investment trends. The share of the island's exports going to the mainland dropped to 22% over the 12 months to November, down from an all-time high of 30% in 2021 and the lowest in almost two decades (see chart on previous page). In 2010 over 80% of Taiwan's annual outbound investment went to mainland China. In 2023 just 11% did. Firms like Pegatron and Foxconn are investing in places like India and Vietnam, which offer both cheaper labour and a chance to avoid the American tariffs. According to one recent poll, more Taiwanese business owners care about Taiwan's admission to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership, a trade deal between 12 countries including Australia and Japan, than the Economic Co-operation Framework Agreement, which a KMT government signed with China in 2010.

China's ability to inflict pain on Taiwanese business is diminishing for another reason. More than 60% of the island's exports to the mainland and Hong Kong are electrical machinery and equipment, including computer chips. Cutting off such products could damage Chinese buyers more than it does Taiwanese sellers. ■

Bartleby A firm for all seasons

Companies run to their own annual rhythms

SEASONALITY IS A big part of business. For some industries, seasonal patterns are a defining feature. Agriculture is one obvious example; tourism another. Western toymakers notch up a huge proportion of their annual sales in the run-up to Christmas. Construction is harder during cold weather, which is why that industry employs fewer people in the winter.

Firms that are less obviously tied to the seasons can still be deeply affected by them, as a recent review by Ian Hohm of the University of British Columbia and his co-authors makes clear. An analysis of social-media posts on Twitter, now X, found that dieting-related tweets peak in the spring, as the season of body dysmorphia (ie, summer) approaches. Condom sales and online searches for pornography in America tend to rise in the summer and around Christmas.

Even when overall demand does not vary greatly between the seasons, preferences change. Beef-eaters buy diced meat and roasts in the slow-cooking winter season and plump for steaks during the summer grilling months. Starbucks is among those firms that make seasonality a marketing event. The pumpkin-spiced latte is a reliable sign that autumn is on its way, along with falling leaves and glum faces at condom manufacturers.

Seasonality also leaves a less obvious imprint inside organisations. Just as there are daily and weekly patterns of activity, from slumps in concentration during the late afternoons to the ebb and flow of hybrid workers coming to the office, so annual cycles leave their mark.

One is occurring this week, with the World Economic Forum's annual shindig in Davos. Public holidays aside, in no other week in the working year are so many CEOs of large organisations reliably away. The corporate world is briefly without a government, a concentrated version of Belgium in the early 2010s. This may well be Davos's real contribution to improving the state of the world: with so many bosses stuck on a mountain for a few days, productive employees can get on with some work and lazy ones can relax.

School holidays offer an obvious form of seasonality, although in that case people throughout the organisation are off. Mass absences make it hard to schedule meetings in Brazil in the period between Christmas and the start of Carnival; it is a similar story in August in Europe.

These patterns of clustered absences show up inside organisations in big ways and small. Second-fiddle employees are more likely to get their chance to run the show; fewer big initiatives are likely to be launched when the holidays are in full swing. Employees without children are resentful that they are covering for colleagues on holiday; colleagues on holiday are resentful that they have children.

There is some evidence that people feel more creative after returning from holiday—but you need to schedule that brainstorming session quickly. A paper from 2010 by Jana Kühnel of Goethe University and Sabine Sonnentag of Universität Mannheim reckoned that the benefits of a break fade within a month.

Set-piece events mark the corporate calendar, too. Some are public: annual general meetings and shareholder letters, say. Others are internal. At many companies the annual budgeting process involves a gathering organisational effort, in which more and more people spend more and more time arguing about numbers that are certain to be wrong. It is almost a season in itself. A pre-pandemic estimate from APQC, a benchmarking organisation, reckoned that the median firm spends around 30 days on this effort; at plenty of firms, it takes an awful lot longer.

Pay decisions are seasonal events, too. The time when employees find out their salary rises and bonuses sets off ripples of disappointment and happiness in all workplaces. In some, they are more like tsunamis. The bonus round on Wall Street, when bankers find out what they will get for their work the previous year, is under way now and is predated by months of internal wrangling and gossip. The actual date on which bonuses are paid matters, too—once the money is safely deposited in the bank, people are more likely to move jobs.

There are other forms of corporate seasonality. The office Christmas party signals another wind-down in activity. Some firms shorten the workweek during the summer months. Yearly calendars are punctuated by sales conferences and leadership retreats. There is not much research on the impact of seasonality within firms. That they have their own annual rhythms is indisputable.

Chinese business

Amer-ican dream

SHANGHAI

Can Arc'teryx's owner revive Chinese IPOs in America?

FOREIGN ACQUISITIONS by Chinese buyers have a lousy reputation. The takeover of PizzaExpress, a British restaurant chain, by Hony Capital, a Chinese private-equity firm, ended up in restructuring. Financial collapse forced HNA, a Chinese conglomerate, to sell its stake in Hilton Worldwide, an American hotel chain, not long after buying it. Sanpower, a Chinese mall operator that bought House of Fraser, a British department store, succumbed to similar pressures.

An exception is the €5.6bn ($6.3bn) purchase in 2019 of Amer, the Finnish owner of brands such as Arc'teryx, Salomon and Wilson, by a consortium led by Anta Sports, a Chinese rival to Adidas and Nike. The year before, stiffening competition in sports goods all but wiped out Amer's revenue growth. In the first nine months of 2023 sales swelled by nearly 30% year on year; a fifth came from China. Bankers hope that having scored a win for Chinese foreign buyouts, Amer can do the same for Chinese foreign listings. On January 4th Amer filed for an initial public offering (IPO) on the New York Stock Exchange.

A few years ago, when Chinese firms were raising billions from foreign investors, it would have been an easy lift. Now it is enough to make a cross-fit champion buckle. In the West, politicians are looking askance at commercial ties to China. At home, economic growth may be in long-term decline and President Xi Jinping is becoming more ideological. Investors fear a repeat of Didi Global, a Chinese ride-hailing giant: in 2021, days after a $4.4bn New York debut, it faced a probe by its domestic regulators, lost much of its market value and was eventually forced to delist. IPO activity in Hong Kong, once the top offshore venue for such listings, is sluggish. In America, it is worse. In 2020 and 2021 Chinese firms raised a total of $27bn in New York. In the past two years they raised $1bn.

Amer hopes to rake in as much all by itself. The company is in a sweet spot for foreign investors, says a banker. It is controlled by Anta, but most of its assets sit abroad. Its headquarters stayed in Helsinki. Retail is deemed safe from the whims of Chinese regulators. Having gone from stitching trainers for Nike in the 1990s to eclipsing its former client as the world's largest sportswear firm by revenues, Anta is regarded as a national champion—and thus safer still. Salomon skis and Wilson tennis rackets are not the sort of strategic gear to set China hawks' pulses racing (other than literally).

Plenty of globally curious Chinese stars would love Amer to succeed. They include Ant Group, a fintech giant whose $37bn IPO in Hong Kong was halted by regulators in late 2020; ByteDance, the owner of TikTok, which is backed by KKR, an American investment firm, and SoftBank, a Japanese one; and Shein, a superfast-fashion firm which has filed for an IPO in America under pressure from American investors such as General Atlantic but may go public only after Amer. Didi, too, must one day relist its shares in Hong Kong. Those firms' foreign backers need them to float shares offshore to avoid trapping the proceeds within China's strict capital controls. They will be watching Amer's IPO closely. ■

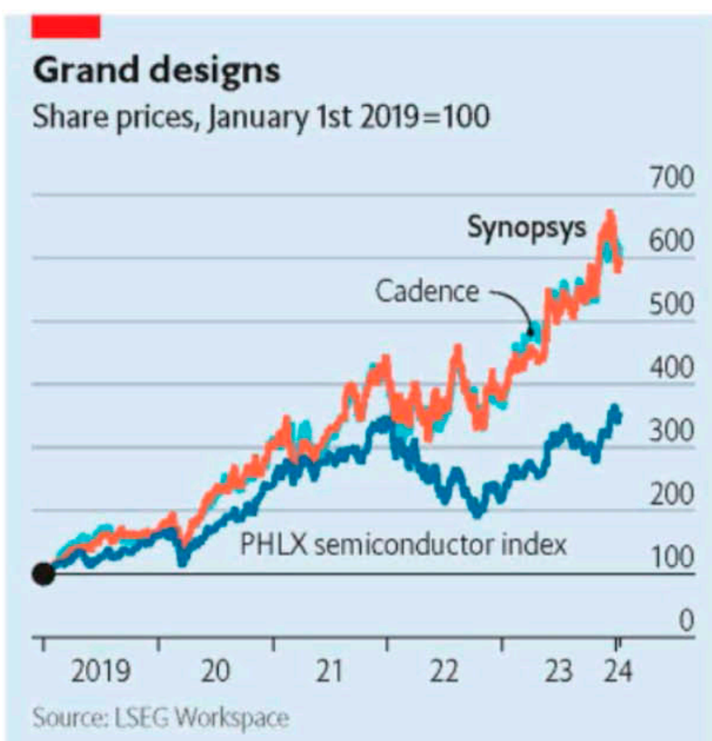
Semiconductors

Big by design

A $35bn mega-merger strengthens a quiet chip-industry duopoly

TECH DEALMAKERS had a quiet 2023. S&P Global, a financial-data firm, reckons that total spending on technology mergers and acquisitions reached its lowest level in a decade. Big tech mostly sat on the sidelines, as it fended off trustbusters. This year began on a louder note. On January 10th Hewlett Packard Enterprise, a business-software giant, snapped up Juniper Networks, a maker of telecoms gear, for $14bn. Less than a week later Synopsys, an American maker of programs for chip designers, splurged $35bn on Ansys, a computer-simulation company.

The megadeal shines a spotlight on an obscure but critical link in the semiconductor supply chain. Like many other of its links, this one, too, is highly concentrated.



Yearly sales of chip-design software have grown by 12% since 2018, twice as fast as the chip industry as a whole, to around $15bn. Synopsys and its smaller American rival, Cadence, each capture around a third of this, reckons IDC, a research firm. Siemens, a German engineering giant with 15% of the market, is a distant third. The two American firms' market values have almost sextupled in the past five years (see chart). They are worth nearly $80bn apiece.

This growth looks likely to continue. Chipmakers such as Nvidia and AMD are racing to design better graphics-processing units (GPUs), which technology firms are hoovering up in order to train artificial-intelligence models. Big tech's model-builders are themselves getting into the chip-design business, creating custom-made blueprints optimised for training their AIs and outsourcing manufacture to contract "foundries" like TSMC of Taiwan. This GPU race is shortening the time between releases of new chips—and more designs mean more licensing fees for the software firms. It has also reduced Synopsys's and Cadence's reliance on a few big chipmaking customers.

This reliance is diminished further by another trend. Although chip demand has lately been driven primarily by computers, smartphones and data centres, semiconductors increasingly pervade the economy, powering everything from cars to toasters. These products require silicon tailored to their needs. Ansys's software, which simulates how electronic systems behave in the real world, can help with that. It enables system designers to craft the packaging of "chiplets", as stacks of chips in modern processors are known. Sassine Ghazi, Synopsys's boss, expects that Ansys's broad customer base across industries, from carmaking to health care, will open up new markets for his company's tools. The merged company will be able to offer them a complete service: Synopsys designs the chips and Ansys simulates the behaviour of systems that contain them.

The deal still needs the blessing of regulators. Mr Ghazi points out that there is not much overlap between what Synopsys and Ansys do, so their merger would not increase concentration in his firm's core market. Even though trustbusters have grown warier of such "vertical" mergers in tech, he remains confident.

A bigger worry is China. Nearly 15% of Synopsys's revenue comes from the country and growth there has outpaced that in any other region. Chinese chip firms buy nearly 90% of their design software from American companies, including Cadence and Synopsys. Security hawks in Washington increasingly want to keep American tech out of Chinese hands, lest it give China a boost in a bigger race: the geopolitical one for technological supremacy. ■

Schumpeter | Rock solid

Why BlackRock is betting billions on infrastructure

THE GLOBAL economy is on the cusp of an "infrastructure revolution", if Larry Fink is to be believed. The boss of BlackRock, the world's largest asset manager, made the modest prediction shortly after announcing on January 12th that his firm would acquire Global Infrastructure Partners (GIP) for $12.5bn. That company, led by Adebayo Ogunlesi, an old pal of Mr Fink's from their banking days, is the world's third-largest infrastructure investor, behind Australia's Macquarie and Canada's Brookfield. Its assets range from Gatwick Airport in London to the Port of Melbourne. Mr Ogunlesi and his fellow partners will collectively become BlackRock's second-largest shareholder.

Mr Fink is not the only one excited about the industry. On January 16th General Atlantic, a private-equity (PE) firm, confirmed reports that it would buy Actis, an infrastructure investor focused on emerging markets. In September CVC, another PE firm, announced it was buying DIF, a Dutch infrastructure investor. Over the past decade assets under management in infrastructure funds have increased almost five-fold, to $1.3trn, according to Preqin, a data provider. Pension funds and sovereign-wealth managers have been lured in by the industry's returns, which are both handsome and relatively stable. More than half of such backers surveyed by Preqin intend to increase the share of their portfolios allocated to infrastructure. Some of the larger among them now invest directly in these dull assets. Why, then, all the excitement?

The infrastructure-investment business took shape in the 1990s and 2000s. Western governments with growing debts began seeking out private investors to acquire—and help rejuvenate—ageing infrastructure from airports and railways to water pipes. Later, a growing assortment of companies from energy suppliers to telecoms operators also turned to infrastructure investors to offload assets such as pipelines and cell towers, observes Sam Pollock, boss of Brookfield's infrastructure business.

Now demand for infrastructure investment is soaring thanks to three megatrends, explains Mr Pollock. The first is decarbonisation. For the world to meet its climate goals, some $8trn will need to be invested over the remainder of this decade in renewable energy such as solar and wind, as well as batteries to store it and transmission lines to transport it. Hefty investments will also be needed in hydrogen facilities, to produce carbon-free fuel for planes and ships, and in carbon removal. The second megatrend is digitisation. Software may well be eating the world, as a venture capitalist once predicted, but it is relying on an awful lot of physical assets to do it, from fibre-optic cables and 5G networks to data centres. Third, deglobalisation. Efforts to shift supply chains away from China are spurring demand for capital-hungry factories and new transport infrastructure to move goods over land and sea. In Europe concerns about energy security following Russia's invasion of Ukraine have also provoked a rush to build liquefied-natural-gas terminals to bring in the fuel from less belligerent places.

All that demand for investment is arriving at a time when government and corporate balance-sheets are under strain. America's $26trn (98% of GDP) pile of federal-government debt is expected to continue expanding over the coming decade. Many governments in Europe also have weighty debt burdens. Higher interest rates are making those liabilities more expensive to service. They are also making life awkward for companies which have gorged on cheap debt to juice shareholder returns. The need to deleverage will limit their ability to make big investments in the years ahead. Infrastructure investors are ready and willing to fill the gap. In 2022 Intel, a big chipmaker, turned to Brookfield to fund 49% of a new $30bn chip factory in America.

So far most infrastructure investors have concentrated on rich countries, where governments are more dependable and currencies more stable. More than four-fifths of assets under management in the industry are allocated to Western markets, according to data from Preqin. At the same time, the need for new infrastructure is most pronounced in the global south, where both populations and economies are growing faster. "Emerging-market investment is a big opportunity for us," says Raj Rao, one of GIP's co-founders. Leigh Harrison, who leads infrastructure investing at Macquarie, notes that his firm is increasing the share of its funds it allocates to such markets.

The industry, then, looks set to become increasingly important to the global economy. Yet it is not without its detractors. In Britain Macquarie has been criticised for its stewardship of Thames Water, which manages the water supply of London and its surrounds. During its ownership of the utility from 2006 to 2017, Macquarie tripled the company's debts, to £11bn ($14bn), helping to deliver a hefty return for itself and fellow shareholders. Since then the utility, weighed down by those debts, has struggled to afford necessary investments in fixing leaky pipes and reducing the sewage it pumps into rivers. Mr Harrison counters that £1bn a year was invested in the company during Macquarie's tenure as its owner, more than in any previous period. Still, he concedes that "markets were very different" when it bought the business, and that his firm no longer loads its assets with debt to the same extent.

From spreadsheets to hard hats

In a world of pricier debt, the way infrastructure investors make money is shifting from financial engineering to cleverer management of assets. Mr Harrison notes that Macquarie is bulking up the number of industry experts in its team. "Where we really add value is when we bring greater operational rigour to an asset," says Mr Rao of GIP. He offers the example of Gatwick, where GIP has focused on speeding up security screening, leaving travellers with more time to relax—and indulge in some pre-flight shopping. For the infrastructure firms, merely shopping around for assets is increasingly an indulgence, too. ■

Growth and politics

Of money and Modi

CHENNAI AND MUMBAI

How to judge India's economy under Narendra Modi

IN THE SECOND week of 2024 business leaders descended on Gujarat, the home state of Narendra Modi, India's prime minister. The occasion was the Vibrant Gujarat Global Summit, one of many gabfests at which India has courted global investors. "At a time when the world is surrounded by many uncertainties, India has emerged as a new ray of hope," boasted Mr Modi.

He is right. Though global growth is expected to slow from 2.6% last year to 2.4% in 2024, India is booming. Its economy grew by 7.6% in the 12 months to the third quarter of 2023, beating nearly every forecast. Most economists expect annual growth of 6% or more for the rest of this decade. Investors are seized by optimism.

The timing is good for Mr Modi. In April some 900m Indians will be eligible to vote in the largest election in world history. A big reason Mr Modi, in office since 2014, is likely to win a third term is that many Indians think him a more competent manager of the world's fifth-largest economy than any other candidate. Are they right?

To assess Mr Modi's record *The Economist* has analysed India's economic performance and the success of his biggest reforms. In many respects the picture is muddy—and not helped by sparse, poorly kept official data. Growth has outpaced that of most emerging economies, but India's labour market remains weak and private-sector investment has disappointed. But that may be changing. Aided by Mr Modi's reforms, India may be on the cusp of an investment boom.

The headline growth figures reveal surprisingly little. India's GDP per person, after adjusting for purchasing power, has grown at an average pace of 4.3% per year during Mr Modi's decade in power. That is lower than the 6.2% achieved under Manmohan Singh, his predecessor, who also served for ten years.

But this slowdown was not Mr Modi's doing: much of it is down to the bad hand he inherited. In the 2010s an infrastructure boom went sour. India faced what Arvind Subramanian, later a government adviser, has called a twin balance-sheet crisis, which struck both banks and infrastructure firms. They were left loaded with bad debt, crimping investment for years afterwards. Mr Modi also took office amid slowing global growth, caused by the financial crisis of 2007-09. Then came the covid-19 pandemic. All told, average growth among 20 other large lower- and middle-income economies fell from 3.2% during Mr Singh's tenure to 1.6% during Mr Modi's. Compared with this group, India has continued to outperform (see chart 1).

Against such a turbulent backdrop, it is better to assess Mr Modi's record by considering his stated economic objectives: to formalise the economy, improve the ease of doing business and boost manufacturing. On the first two, he has made progress. On the third, his results have been poor.

India's economy has certainly become more formal under Mr Modi, albeit at a high cost. The idea has been to draw activity out of the shadow economy, which is ▸▸

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dominated by small and inefficient firms that do not pay tax, and into the formal sphere of large, productive companies.

Mr Modi's most controversial policy on this front has been demonetisation. In 2016 he banned the use of two large-value banknotes, accounting for 86% of rupees in circulation—surprising many even in government. The stated aim was to render worthless the ill-gotten gains of the corrupt. But almost all the cash made its way into the banking system, suggesting that crooks had already gone cashless or laundered their money. Instead, the informal economy was crushed. Household investment and credit plunged, and growth was probably hurt. In private, even Mr Modi's supporters in business do not mince words. "It was a disaster," says one boss.

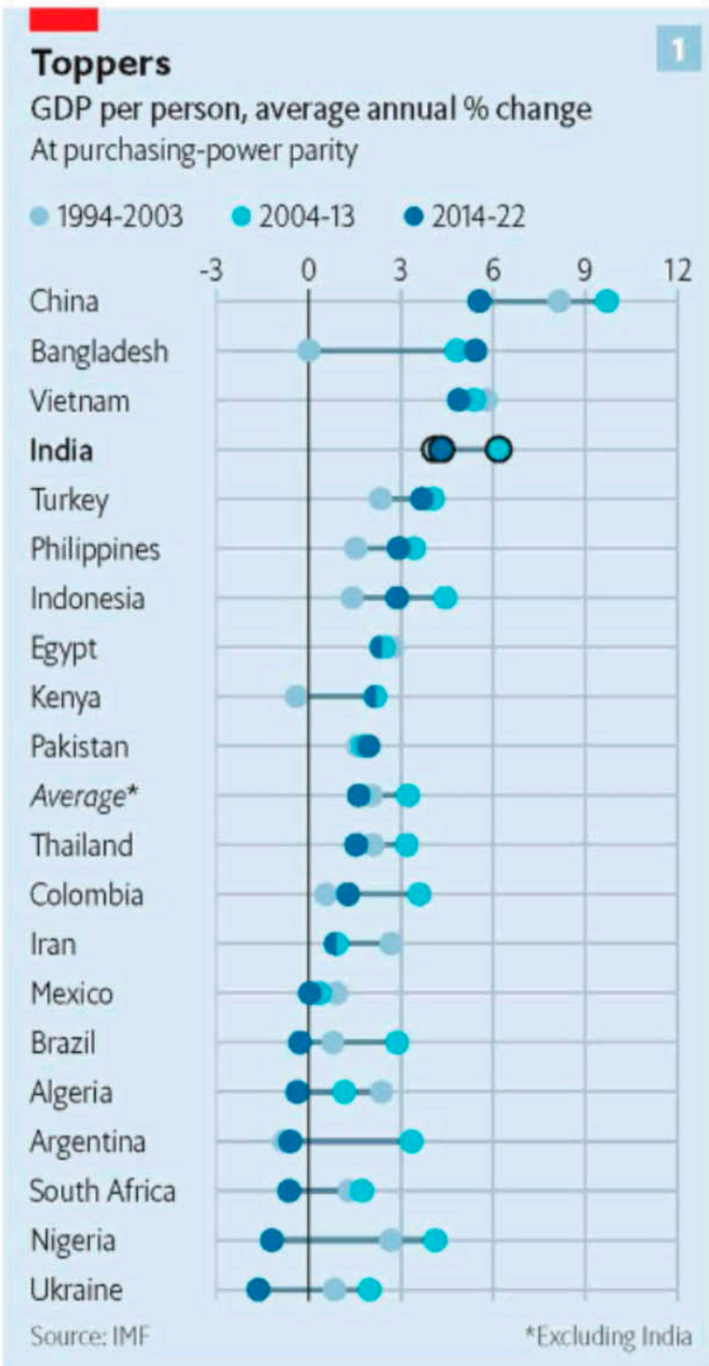
Demonetisation may have accelerated India's digitisation nonetheless. The country's digital public infrastructure now includes a universal identity scheme, a national payments system and a personal-data management system for things like tax documents. It was conceived by Mr Singh's government, but much of it has been built under Mr Modi, who has shown the capacity of the Indian state to get big projects done. Most retail payments in cities are now digital, and most welfare transfers seamless, because Mr Modi gave almost all households bank accounts.

Those reforms have helped Mr Modi ameliorate the poverty resulting from low job-creation. Fearing that stubbornly low employment would stop living standards for the poorest from improving, the government now doles out welfare payments worth 3% of GDP per year. Hundreds of government programmes send money directly to the bank accounts of the poor.

It is a big improvement on the old system, in which most welfare was distributed physically and, owing to corruption, often failed to reach its intended recipients. The poverty rate (the proportion of people living on less than $2.15 a day) fell from 19% in 2015 to 12% in 2021.

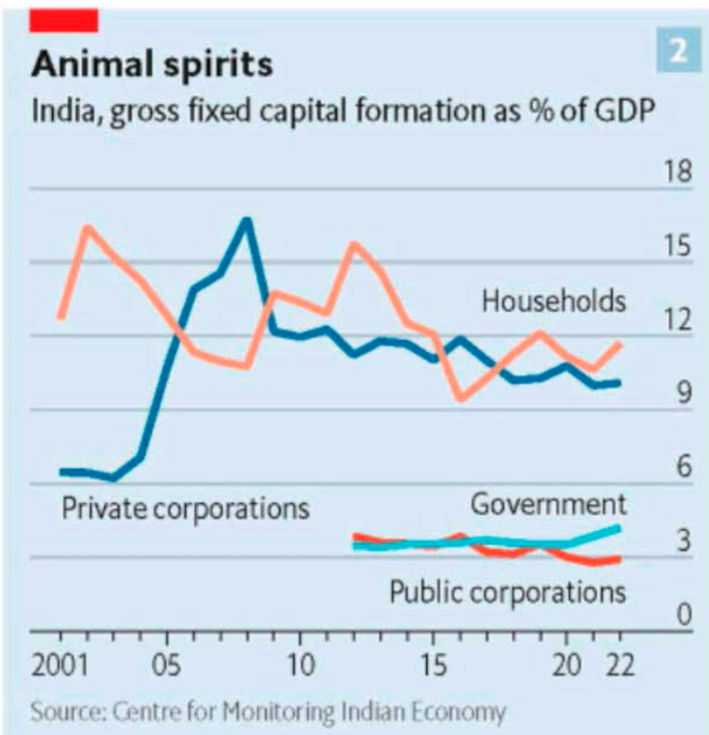
Digitisation has probably also drawn more economic activity into the formal sector. So has Mr Modi's other signature economic policy: a national goods and services tax (GST), passed in 2017, which knits together a patchwork of state levies. The combination of homogenous payments and tax systems has brought India closer to a national single market than ever.

That has made doing business easier—Mr Modi's second objective. GST has been a "game-changer", says B. Santhanam, the regional boss of Saint-Gobain, a French manufacturer with big investments in India. "The prime minister gets it," adds another manufacturing executive, of the need to cut red tape. The government has also put serious money into physical infrastructure, such as roads and bridges. Public investment rose from 3.5% of GDP in 2019 to nearly 4.5% in 2022 and 2023.



The results are now materialising. Mr Subramanian recently wrote that, as a share of GDP, in 2023 net revenues from the new tax regime exceeded those of the old system. This happened even as tax rates on many items fell. That more money is coming in despite lower rates suggests that the economy really is formalising.

Yet Mr Modi is not satisfied with merely formalising the economy. His third objective has been to industrialise it. In 2020 the government launched a subsidy scheme worth $26bn (1% of GDP) for products made in India. In 2021 it pledged $10bn for semiconductor companies to build plants domestically. One boss notes that Mr Modi personally takes the trouble to convince executives to invest, often in industries where they face little competition.



Some incentives could help new industries find their feet and show foreign bosses that India is open for business. In September Foxconn, Apple's main supplier, said it would double its investments in India over the coming year. It currently makes some 10% of its iPhones there. Also in 2023 Micron, a chipmaker, began the construction of a $2.75bn plant in Gujarat that is expected to create 5,000 jobs directly and 15,000 indirectly.

So far, however, these projects are too small to be economically significant. The value of manufactured exports as a share of GDP has stagnated at 5% over the past decade, and manufacturing's share of the economy has fallen from about 18% under the previous government to 16%. And industrial policy is expensive. The government will bear 70% of the cost of the Micron plant—meaning it will pay nearly $100,000 per job. Tariffs are ticking up, on average, raising the cost of foreign inputs.

So what matters more: Mr Modi's failures or his successes? As well as economic growth, it is worth looking at private-sector investment. It has been sluggish during Mr Modi's time in office (see chart 2). But a boom may be coming. A recent report by Axis Bank, one of India's largest lenders, argues that the private-investment cycle is likely to turn, thanks to healthy bank and corporate balance-sheets. Announcements of new investment projects by private corporations soared past $200bn in 2023, according to the Centre for Monitoring Indian Economy, a think-tank. That is the highest in a decade, and roughly double the value for 2019, in real terms.

Although higher interest rates have sapped foreign direct investment in the past year, firms' reported intentions to invest in India remain strong, as they seek to "de-risk" their exposure to China. There is some chance, then, that Mr Modi's reforms will kick growth up a gear. If so, he will have earned his reputation as a successful economic manager.

The consequences of Mr Modi's policies will take years to be felt in full. Just as an investment boom could vindicate his approach, his strategy of using welfare payments as a substitute for job creation could prove unsustainable. A failure to build local governments' capacity to provide basic public services, such as education, may hinder growth. Subhash Chandra Garg, a former finance secretary under Mr Modi, worries that the government is too keen on "subsidies" and "freebies", and that its "commitment to real reforms is no longer that strong." And yet for all that, many Indians will go to the polls feeling cautiously optimistic about the economic changes that their prime minister has wrought. ■

Global monetary policy

Farewell to Hikelandia

The countries which raised rates first are now cutting them

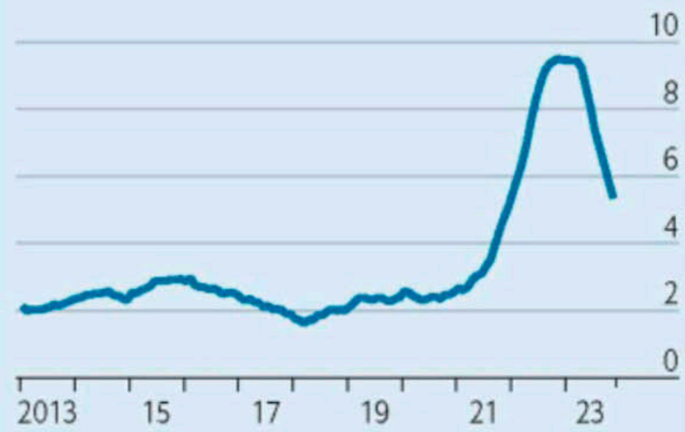
OVER THE past two years *The Economist* has studied the economic fortunes of Hikelandia. This group of eight countries—Brazil, Chile, Hungary, New Zealand, Norway, Peru, Poland and South Korea—started to tighten monetary policy in 2021, many months ahead of the Federal Reserve and the European Central Bank (ECB). They also raised rates far more aggressively. Yet for much of 2022 and 2023 Hikelandia's central bankers had little to show for their hawkish determination. Inflation just kept on climbing.

Now, though, that has decisively changed. Hikelandian inflation is still far too high, but it is falling fast (see chart). So fast, in fact, that the club's central bankers are now getting ahead of the rest of the world in a new way: by cutting interest rates. Policymakers in Hikelandia have reduced borrowing costs by about a percentage point on average from the peak last year. Chile's central bank has reduced its policy rate by three percentage points. Neither the Fed nor the ECB, meanwhile, has moved. Lower interest rates seem to be helping Hikelandia's growth. A year ago economic output across the club was declining sharply. Now it is rising.

Not everywhere in Hikelandia is enjoying sharply lower inflation. In Norway "core" prices, a measure that excludes those of food and energy, are still rising by 6% year on year. That is only a bit below a recent peak of 7%. The core-inflation slowdown in Peru is also modest. But elsewhere, price growth is easing fast. Core inflation in Hungary has fallen by an astonishing 15 percentage points since the beginning of last year, when huge rises in energy prices had raised the cost of producing practically everything.

Other data show inflation becoming less entrenched. In late 2022 prices for every category of good and service in Poland's inflation basket had risen by more than 2% year-on-year. By late 2023, only 90% of them had. The fall in "inflation breadth" in South Korea is even more impressive. Wage gains are moderating, limiting further increases in companies' costs. In Chile in November nominal wages were 8.2% higher than a year previously, compared with well over 10% for much of 2022. Annual wage growth in New Zealand has fallen from about 5.5% to 5%. People across Hikelandia are no longer Googling "inflation" anything like as much as they were.

Are we nearly there yet?
Hikelandia*, core consumer prices†
% increase on a year earlier



*Average of Brazil, Chile, Hungary, New Zealand (to Sep 2023), Norway, Peru, Poland and South Korea †Excl. energy and food
Sources: Haver Analytics; *The Economist*

Hikelandia's central bankers are still keen to stress their inflation-fighting credentials. Hungary's central bank boasts of its "careful approach to monetary policy", pointing out that real interest rates are still restrictive. On January 9th Poland's central bank declined to cut rates; South Korean policymakers reached the same decision on January 11th. But tumbling inflation is undoubtedly good news. And if Hikelandia's hawkish central bankers are now cutting rates, others may soon follow. ■

Morgan Stanley

Follow that!

WASHINGTON, DC

Ted Pick takes charge of Morgan Stanley

WHEN JAMES GORMAN took the helm at Morgan Stanley it was barely afloat. His tenure as the bank's chief executive began on January 1st 2010, in the teeth of the global financial crisis. After the failure of Lehman Brothers, in 2008, fear had spread that other dominoes would soon topple. Morgan Stanley seemed a likely candidate. Hank Paulson, then treasury secretary, is rumoured to have offered it up to JPMorgan Chase for free (Jamie Dimon, JPMorgan's boss, apparently declined). The firm then accepted a government bailout. In 2009 its return on equity, a benchmark measure of profitability, was just 4%.

Fourteen years later Mr Gorman has handed the wheel of a far finer vessel to Ted Pick, the former head of its investment-banking and trading arms. "We had our moment before the abyss," said Mr Pick on January 16th, during his first earnings call in charge. "We are determined never to face anything like those days again."

Mr Pick described Morgan Stanley's progress after 2009 as a "classic 'self-help' story". It started out as a highly leveraged, volatile outfit specialising in trading and investment banking. In the years since it has transformed itself into Wall Street's pre-eminent wealth manager, through a series of well-chosen deals.

Mr Gorman has often described this strategy as building "ballast" to balance the "engine room" of the traditional investment-banking business. He started by scooping up Smith Barney, a wealth-management business, from Citigroup for a song during the financial crisis. In 2019 a small stock-plan administration company followed. Then in 2020 Mr Gorman pulled off two mammoth deals in just three months, buying E*Trade, a brokerage firm, and Eaton Vance, an asset manager.

The result is that Morgan Stanley is sitting on $6.6trn in client assets, the biggest pot of wealth in the world. It now earns almost two-thirds of its profits from that pot, and has posted a juicy return on equity, averaging 16% a year since 2020. Other global banks are now aping its push into wealth management. Analysts making the bull case for UBS's recent acquisition of Credit Suisse, a firm with a large wealth business that ran into trouble in 2023, point to Morgan Stanley as an example of how such a merger can pay off.

Could the firm become a victim of its own success? On the earnings call on January 16th one analyst asked Mr Pick if he anticipated fiercer competition in wealth management, as other banks attempt to beef up their operations. Margins in Morgan Stanley's wealth-management business in 2023 were around 25%, a drop from the 30% or so the firm had posted in prior years. Investors may share such concerns: the bank's share price fell by some 4.5% in the hours after the earnings call.

Mr Pick himself seems set to stay the course. Those who have worked with him describe a disciplined, straight-talking, no nonsense kind of man—a steady pair of hands who can keep things sailing smoothly. "There may have been a change in leadership," he told investors, "but there has not been a change in strategy."

He did not rule out that Morgan Stanley might grow through acquisitions, either. "We have made five different acquisitions. The view inside the house is: that's good for now." But if opportunities come up, especially outside America where the firm has lower market share, "we could staple them on," he said.

In a sign of how far Morgan Stanley has come since 2009, Mr Pick added that the "ballast" and "engine room" analogy Mr Gorman favoured might need updating. "At one point we called the wealth and investment management business 'the ballast', which was the right word because we wanted to convey stability," he said. But now he thinks "it is actually the engine for future Morgan Stanley growth." ■

Global house prices

The turn of the screw

Australian houses are less affordable than they have been in decades

IN AUSTRALIA, AS in most places, waterfront property comes at a premium. But to see the full effects of high-cost Australian housing, look beyond trophy homes on Sydney Harbour and beach pads in Bondi. In cities across the country, tents and other makeshift shelters are springing up by the water. They are the dark side of a housing market that has held firm despite rising interest rates. For households of all incomes, the share of homes that are affordable is at its lowest in 30 years.

Australians are not alone. House prices are high relative to incomes across the rich world, and last year defied expectations by rebounding after only the briefest of blips. Rental markets are hot, too. Vacancies are at or near historic lows in many rich countries, while rents are climbing quickly. In previous decades, notes Peter Tulip, an economist, rising housing costs were offset by cheaper lending. Now mortgage rates have risen as well, meaning would-be buyers can afford to borrow less.

What is behind the unexpected resilience in prices? It is partly down to global trends, such as people working from home more and so placing a higher value on their living space. But Australian policymakers are increasingly focusing their attention on three domestic factors, too.

The first is that foreign demand for Australian housing is greater than ever. Net immigration was 500,000 in the year to June, more than twice the intake in 2019. At the same time some 650,000 international students call Australia home, and all need somewhere to stay. And even foreigners who do not live in Australia full-time seem keen on its housing market: such buyers snapped up 10% of newly built homes sold in the third quarter of 2023.

The second factor is the cost of materials. The producer price index for construction has risen by 30% since the start of 2021. As well as making houses costlier to build, this has left Australia with fewer builders. More than 1,500 construction firms collapsed in the year to June, mostly owing to cost overruns. The result is a reduced supply of new homes and even more upward pressure on prices.

But the biggest brake on home-building, says Mr Tulip—and the third factor driving house prices up—is local councils' planning rules. A prime example is Sydney, where large numbers of homes face development restrictions. Meanwhile, zoning rules raise house prices well above the combined underlying cost. Mr Tulip's research suggests that, again in Sydney, this increase is a whopping 73%.

Might the government be able to ease the squeeze? It has promised to reduce immigration, to triple the fees paid by foreign purchasers of existing homes and increase taxes on properties left vacant. A national target to build 1m homes over the next five years has been raised to 1.2m. And there are some signs of planning restrictions being loosened. The New South Wales state government is rewriting its zoning rules to force local councils to accept higher density housing. Such efforts will inevitably provoke furious objections. But they will not come from the growing number of Australians who settle down for the night in a waterside tent. ■

Demographics and growth

Double dip

HONG KONG

China's population is shrinking and its economy is losing ground

"HOW SHOULD one look at the Chinese economy?", asked Li Qiang, the country's prime minister, at the World Economic Forum in Davos on January 16th. "It is similar to looking at the Alps," he suggested, an "undulating mountain range" that is best appreciated from afar. Official figures released the next day revealed two notable undulations in China's economic landscape. The country's population fell in 2023 for the second year running. And its GDP shrank in dollar terms.

In his previous job as Communist party chief of Shanghai, Mr Li oversaw a strict lockdown of the city to quell an outbreak of covid-19. After China abandoned such measures at the end of 2022, many people succumbed to the virus, although doctors were pressed to attribute their deaths to other causes. One academic model, drawing on Hong Kong's experience, suggested the national death toll might have been as high as 1.4m between December 2022 and February 2023. *The Economist*'s modelling estimated that the virus would claim about 1.5m lives if left to spread unencumbered.

The official data released this week showed that deaths from all causes in 2023 rose to 11.1m, up from 10.4m in the previous year. The 0.7m increase is lower than the modelled estimates of the covid death toll. But some of the fatalities included in those estimates would have occurred in the last month of 2022. And some of the elderly and infirm people killed by covid in early 2023 might have died anyway from other frailties before the year was out. The official number is within the wide range of possible outcomes yielded by our model. In China it is relatively easy to fudge the cause of a death. But it is harder to pretend it never happened.

The increase in deaths was mirrored by a decline in births, which fell by over half a million despite China's reopening. All told, the country's population dropped by more than 2m last year. And it is greyer as well as smaller: over a fifth of its people are now aged 60 or above. If these 297m elderly Chinese were a country of their own, they would be the fourth-largest in the world.

Despite its shrinking and ageing population, China struggles to employ its younger workers. After the unemployment rate among the urban young exceeded 21% in June, China abruptly stopped releasing figures for it. This week the National Bureau of Statistics (NBS) began publishing a revised measure which excludes students who may be looking for work. By this new metric, youth unemployment in China's cities was 14.9% in December.

It is hard to know how much of an improvement that represents, because the NBS statisticians did not show what the past figures would have looked like under the new method. Excluding those students who were looking for work might have made a big difference. In April last year an official disclosed that almost 39% of China's unemployed young people had yet to graduate. Removing them from the labour force, and hence dropping them from the unemployment count, would have reduced the youth unemployment rate for March 2023 from 19.6% to 13%.

In another departure from statistical norms, Mr Li revealed China's 2023 growth figure in his speech at Davos, a day before its scheduled release. The economy grew by 5.2% in real terms, comfortably meeting the government's official target of about 5%. Consumption (private and public) contributed over 82% of that growth, its highest share since 1999, offsetting some of the enduring weakness in the country's ▸▸

Older and slower

China, change on a year earlier

Sources: Haver Analytics; Wind

property market.

All this looks good from afar. But zoom in, rather than appreciating the view from a distance, and the landscape looks more treacherous. Prices across China's economy are falling on average. The drops are concentrated in food and fuel but not confined to them. The price of vehicles, for example, declined by 4% in 2023. The GDP deflator, a broad measure of prices, fell in 2023 for only the fifth time in 40 years. As a consequence, China's nominal GDP, which makes no adjustment for changing prices, grew by only 4.6% in 2023.

To fight this deflationary pressure, China's central bank eased monetary policy last year even as America's Federal Reserve continued to raise interest rates sharply. China's wobbly growth, its regulatory crackdowns and its geopolitical rivalry with America also spooked the kind of cosmopolitan investors who congregate in Davos. One result is that the yuan weakened against the dollar in 2023. Indeed China's GDP, converted into dollars at market exchange rates, fell in 2023, even as America's GDP may have grown by 6% or so last year in nominal terms.

Exchange rates, like mountain ranges, tend to undulate. And the dollar may not always be so strong. But economists have nonetheless begun to wonder whether China's recent setbacks are harbingers of something more fundamental holding the country back. According to some forecasts, China's GDP might stop rising relative to America's in the next decade or so, and lose ground thereafter. There is much talk of "peak China". Mr Li's big speech was an opportunity to shift this perception a little. But in the Alpine village of Davos, mountainous metaphors are hard to avoid. ■

Buttonwood The bleak midwinter

The IPO market is on its longest cold streak since 1980

CAN YOU FEEL the chill? It is bone-deep, now. In 2021 capital markets were searing hot. On average, at least one new firm went public every working day. But financial districts today are icy. For two long years private companies have spurned public markets, as rising interest rates dashed lofty valuations and stock prices vacillated.

All this has been bad news for Wall Street. In 2021 America's five largest investment banks together earned an average of $13bn per quarter through their dealmaking and initial-public-offering (IPO) desks. Over the next two years they managed barely half of that.

Could conditions soon thaw? Company bosses like to make their debut in a roaring bull market, when investors are cheery and liable to overpay. With markets now back near all time highs, that seems to be the case. And executives are encouraged by narrow credit spreads—the difference between the rates companies borrow at and risk-free rates on treasury bonds—which indicate investors do not expect financial trouble.

A strong economy helps, too, because it boosts demand for capital. So do high real interest rates, since they make the capital provided by an IPO more attractive. Given the resilience of the American economy, a Federal Reserve policy rate of 5.5% and underlying inflation around 3%, both conditions are in place.

Sure enough, there is some evidence of activity picking up. Total investment-banking revenues were better than expected in the fourth quarter of 2023, climbing by 15% compared with the previous three months. On earnings calls bank bosses sounded cautiously optimistic about 2024. There are rumours that all kinds of firms, from SKIMS, a pants purveyor founded by Kim Kardashian, to Stripe, a payments giant, are considering making their debut.

Still, executives are easily put off by volatility—and it is hard to describe recent stockmarket moves as anything other than unpredictable. Given that a month or so often elapses between filing for an IPO and actually going public, a steady march higher is far preferable to a rollercoaster ride. Such circumstances tend to mean that those who can wait, do. In even moderately difficult times firms often put off IPOs altogether, rather than accept a lower price, and a stockpile of those waiting to go public builds up.

It still feels as if the economic mood could spin on a dime. This could hurt newly public firms. Shares in Cava, a fast-casual salad seller, doubled in price when it went public in June. Other firms got excited and started chewing over their options. In August Instacart, another firm which specialises in flogging vegetables to the idle, and Arm, a British chipmaker, filed to go public. Yet by the time they made it to market in late September, interest-rate expectations were climbing and share prices were falling. Instacart was valued at $39bn in 2021. It went public with a market capitalisation of $10bn, and is now worth just $7bn.

So when might the IPO winter truly give way to spring? In an attempt to answer this, Gregory Brown and William Volckmann of the University of North Carolina have built a mathematical model. It takes in variables including stockmarket returns, credit spreads and real interest rates, and uses these to try to predict IPO volumes.

Their first find is that today's market really is extraordinarily chilly. They define the IPO market as "cold" when the average of the number of IPOs over the last three months is lower than it was three-quarters of the time between 1975 and 2020 (an average of 5.3 or fewer IPOs per month). On that measure, this is the longest cold spell for American IPOs since 1980. It is also much cooler than the model would anticipate. It says some 20 firms a month should have been going public by the end of 2023. Yet only one firm went public in December.

Messrs Brown and Volckman suspect the market is suffering from a hangover. Far more firms went public in 2021 than their model implied should have done. The stockpile, in other words, was depleted. So despite the recent pause, followed by improved conditions, there are still not many firms ready to list.

A true thaw, then, would take more than a few quarters of rising markets and economic resilience. It needs not only heat, but time as well. That is time in which unexpected developments—such as interest rates resuming their upward climb—could easily spook bosses all over again. So perhaps it is unwise to predict a heatwave. But some green shoots may eventually poke through the ice.

Economics of war

The fallout

Economic chaos threatens to engulf the Middle East

JUST OVER 100 days after Hamas's brutal attack on Israel started a war in Gaza, the conflict is still escalating. On January 11th America and Britain started attacking Houthi strongholds in Yemen, after months of Houthi missile strikes on ships in the Red Sea. Five days later Israel fired its biggest targeted barrage yet into Lebanon. Its target is Hizbullah, a militant group backed by Iran.

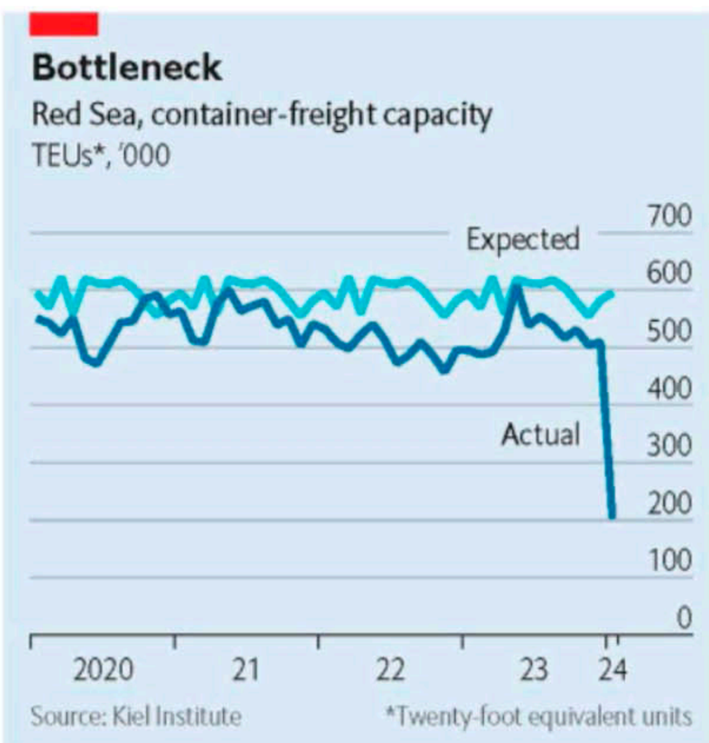
A full-blown regional war has so far been avoided, largely because neither Iran nor America wants one. Yet the conflict's economic consequences are already vast. Trade routes are blocked, disrupting global shipping and devastating local economies. The Middle East's most productive industries are being battered. And in Lebanon and the West Bank, growing hardship threatens to spark even more violence.

Start with trade. Before Hamas's attack, a fifth of the average Middle Eastern country's total exports—from Israeli tech to oil from the Gulf—were sent somewhere else in the region. Geopolitical enemies were increasingly trading with each other. Now, the routes that transported more than half of all goods are blocked. Intra-regional trade has collapsed. At the same time, the cost of shipping goods out of the Middle East has risen. That will send many exporters, operating on razor-thin margins, out of business in the months to come.

The Red Sea used to handle 10% of all goods moving around the world. But since the Houthis began launching missiles, its shipping volumes have dropped to just 30% of normal levels (see chart). On January 16th Shell, an oil and gas giant, became the latest multinational to say it would avoid the Sea.

For some of the countries bordering the Red Sea, Houthi missile strikes have far worse consequences. Eritrea's economy is propped up by fishing, farming and mining exports, all of which travel by sea owing to tense relations with its neighbours. For crisis-stricken Sudan, the Red Sea is the sole point of entry for aid, almost none of which has reached the 24.8m people in need of it since the attacks began.

Further disruption could visit financial ruin on Egypt, one of the region's biggest countries. For its population of 110m, the Red Sea is a vital source of dollars. Its government earned $9bn in the year to June from tolls on the Suez Canal, which links the Mediterranean to the Red Sea. Without



the toll revenue, Egypt's central bank would have run out of foreign exchange reserves, which stood at $16bn (or two months-worth of imports) at the start of 2023. The government would also have faced a yawning hole in its budget, which already relies on cash injections from Gulf states and the IMF.

Both crises may materialise in 2024. Egypt's year-to-date income from the Suez is 40% less that it was this time last year. That puts it at real risk of running out of dollars, which would push its government into default and its budget into disarray.

Conflict has also hit the Middle East's most promising industries. Before October 7th Israel's tech sector was its brightest bright spot, contributing a fifth of the country's GDP. Now it is struggling. Investors are pulling funding, customers are cancelling orders and much of its workforce has been called up to fight.

Staring into the abyss

Jordan, meanwhile, is suffering from forgone tourism, which would normally constitute 15% of its GDP. Its struggles are emblematic of those across the region: even Gulf states have seen tourist numbers dip. In the weeks after Hamas's attacks, international arrivals to Jordan fell by 54%. Just like Egypt, the lost revenues leave it perilously close to default.

Yet the most dangerous economic consequence of the war may be the hardship inflicted on populations in Lebanon and the West Bank, two powder kegs that could easily explode into more violence. As Israel and Hizbullah trade air strikes, they are destroying southern Lebanon. More than 50,000 people have already been displaced (as well as 96,000 in northern Israel). Repairs will be expensive, but there is no cash left for them: Lebanon has had a shell government since it defaulted in 2019. In recent months its economic freefall has accelerated as foreign tourists and banks, which together make up 70% of its GDP, have deserted the country on the advice of their governments.

Things are no better in the West Bank. Of its 3.1m residents, 200,000 are factory workers who used to commute to Israel every day. They are out of work after Israel revoked their permits. Meanwhile, 160,000 civil servants have not been paid since the war began. The West Bank's government now refuses to accept its tax revenues from Israel (which collects them) after Israel withheld funds that would usually be sent to Gaza. Public services are shutting down, and missed mortgage payments from civil servants risk triggering a banking crisis.

The Middle East has long been full of economies on the brink. Israel's war with Hamas may now tip them over. To make ends meet, their governments have built houses of cards, balancing bail-outs from Gulf states, handouts from America and expensive short-term loans. The risk of it all tumbling down is worryingly high.

The rest of the world economy has so far faced few costs from the conflict. Oil prices have remained relatively calm, except for a spike in early January, and the effects on global growth and inflation are likely to be minimal. But if much of the Middle East slides into a debt crisis, all that could change, and fast. It would hit populations that are young, urban and increasingly unemployed. That is a recipe for even more extreme politics in a large group of strategically important, chronically volatile countries. The consequences would reverberate across the world. ■

Free exchange | Discoveries from the recovery

The curious and furious bounceback from the pandemic has brought some old ideas to the fore

SCIENCE ADVANCES one funeral at a time, to paraphrase Max Planck. The Nobel prize-winning physicist was arguing that new ideas in his field would only catch on once the advocates of older ones died off. With a little adaptation he could have been describing the dismal science, too: economics advances one crisis at a time. The Depression provided fertile soil in which John Maynard Keynes's theories could grow; the Great Inflation of the 1970s spread Milton Friedman's monetarist ideas; the global financial crisis of 2007-09 spurred interest in credit and banking.

Sure enough, the recovery from the covid-19 pandemic has given economists another chance to learn from their mistakes. Papers presented at the recent conference of the American Economic Association (AEA) offer clues as to the theories that might eventually become the received wisdom of the next generation.

One such paper takes a harder look at the Phillips curve, which describes a theoretical trade-off between unemployment and inflation. When unemployment is low, the logic goes, inflation should be higher, as competition for workers exerts upward pressure on wages. In turn, consumer prices rise. Yet during the 2010s the curve appeared to have vanished. Unemployment kept falling but inflation stayed quiescent. Then, after the pandemic, the relationship suddenly seemed to re-exert itself: inflation rose as swiftly as unemployment fell.

At the AEA conference, Gauti Eggertsson of Brown University suggested that adding a kink to the (previously smooth) Phillips curve might rescue the concept. The idea is that, at a certain point—as the last available worker is employed—the relationship between inflation and unemployment suddenly becomes non-linear. "As you hire all the people you hit the maximum level of employment...there is only one way to go," he told the conference. Beyond that point, inflation no longer rises smoothly as unemployment falls, but instead shoots up.

Mr Eggertsson's kink could explain both inflation's absence in the 2010s and its sudden resurgence in 2021. To understand how inflation has recently faded without a rise in unemployment, he suggests examining how a tight labour market interacts with supply disruptions. A scarcity of materials and components exacerbates labour shortages. Without extra workers available, businesses cannot ramp up production or use labour as a substitute for other inputs. As supply shortages eased, this process went into reverse. And so the inflationary effect of a tight labour market abated without leading to a rise in unemployment.

Part of the confusion over the Phillips curve, suggested another paper presented by Stephanie Schmitt-Grohé, of Columbia University, arose because the Great Inflation looms too large in economists' minds. Friedman's work emphasised the role of inflation expectations during that episode. Workers and businesses lost faith in central bankers' willingness to fight rising prices. Then came a vicious cycle in which soaring inflation fuelled expectations of future price rises, which then became self-fulfilling.

But the experience of the 1970s was far from typical, suggests Ms Schmitt-Grohé. Peering further back, she points to frequent instances of American inflation suddenly rising, then falling just as suddenly. One such episode took place amid the Spanish flu pandemic, starting in 1918. That year annual inflation rocketed to 17%. But by 1921 it had turned to deflation, with prices falling by 11%. Consider data from the whole 20th century, and not just its second half, and the fading of the most recent bout of inflation is much less surprising. Ms Schmitt-Grohé suggests that the shocks now hitting the economy—such as climate change, conflicts and a pandemic—mean a return to the greater volatility of earlier ages.

Meanwhile, others are trying to refine models for the overall economy. These have traditionally represented production as taking place in a single sector—employing workers, renting capital and producing output—that is hit by shocks to demand and supply. Iván Werning, of the Massachusetts Institute of Technology, suggests instead considering a set of different sectors, each hit by such shocks in its own way. The challenge for monetary policy is then to control inflation without inhibiting the necessary reallocation of labour between sectors.

Mr Werning's model is a good fit for the post-pandemic economy. It adjusted not just to a shift in demand from services to goods, but to supply-chain disruption, energy shocks and employees in some sectors working from home. As such, inflation moved through the economy in waves, starting in select goods then spreading out. That is not to say that monetary and fiscal stimulus did not also contribute to rising prices, says Mr Werning. It is more that the rejigging of the economy acted like a supply shock, raising inflation for any given level of aggregate demand.

New ideas in old books

Many of these ideas are not exactly new. Mr Eggertsson, for instance, said that the experience of the past few years led him back to an "old Keynesian fairytale", and that his version of the Phillips curve is similar to the original. Mr Werning points to a speech by James Tobin, a Keynesian economist, in 1972. Like Mr Werning, Tobin suggested that inflationary pressure can arise from sectors growing and shrinking at different rates. Combine that with a non-linear Phillips curve, Tobin argued, and you can envisage inflation taking off even without a hot labour market.

That crises spur a search through the archives is itself nothing new. To make sense of the Depression, Keynes looked to Thomas Malthus, a 19th-century economist. Friedman's take on the causes of the Great Inflation owes much to the quantity theory of money, which was first mentioned in ancient Chinese texts and popularised in Europe by Nicholas Copernicus, a 16th-century astronomer. Science may indeed proceed one funeral at a time. Economics, however, has resurrections. ■

Military chemistry

More bucks, bigger bangs

Most of America's explosives date from the second world war. The Pentagon is hunting for better ones

AMERICA'S WARS are high-tech affairs. Many of the bombs and missiles with which it has attacked the Houthis in recent days, as part of an effort to protect shipping in the Red Sea, were guided to their targets by lasers or signals from satellites.

But the business ends of such weapons are looking rather long in the tooth. RDX and HMX are the two most common explosives in American weapons. RDX was invented in 1898. HMX dates from 1941. As Bob Kavetsky, who runs the Energetics Technology Centre (ETC), a research group in Maryland, puts it, America's explosives have been made with mostly "the same processing, literally, since World War II".

Now, alarmed by growing Chinese and Russian investment, things are changing. A study funded by the Office of Naval Research and published in 2021, worried that some Russian and Chinese weapons "overmatch" American ones in range and power. Another, published in 2022 by the Hudson Institute, a think-tank, noted that for every scientific paper on energetics published by American researchers, Chinese ones published nearly seven. Five years ago the budget of the part of the Department of Defence that concerns itself with improving "energetics"—army-speak for explosives, propellants and pyrotechnics—was $20m. In 2023 it was more than $250m.

Bigger bangs, more bucks

In the decades following the development of cheap sensors and microprocessors in the 1970s, better precision, not more firepower, "became almost our singular focus", says Bill Hix, a former senior leader of the Army Futures Command, a modernisation outfit. Quests to build laser and microwave weapons have also steered R&D away from explosives and propellants, as has the fact that, in the decades after the fall of the Soviet Union, America's military rivals were all technologically far inferior.

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Progress did not stall entirely. Take hexanitrohexaazaisowurtzitane, better known as CL-20 after the base at China Lake, in California, where it was first synthesised. It packs at least 10% more power than explosives made with HMX. It also detonates faster, an important factor in an explosive's performance (see chart on next page). That can produce a larger number of smaller and faster-moving pieces of shrapnel, increasing the number of "hits on target", says Anthony Di Stasio, head of the Pentagon's Manufacturing Capability Expansion & Investment Prioritisation directorate. By one reckoning, shaped-charge explosives made with CL-20 have up to 40% more armour-penetrating power than those made with HMX.

It also shows promise as a propellant. Of the molecule's 36 atoms, 12 are oxygen. This reduces the amount of oxidiser required compared with other missile fuels, saving space and weight. That could give a range boost of between 5% and 20%, and might allow bigger missiles to be shrunk enough that they would fit inside a stealth aircraft's internal weapons bays.

CL-20 was first synthesised in 1987. But limited funding and strict safety rules slowed its development. The Switchblade 300, a kamikaze drone which has been supplied to Ukraine, is the first American munition developed for the explosive.

The size of the bang is not the only measure of an explosive's performance. LLM-105 was first produced at Lawrence Livermore National Laboratory in 1995. Part ▸▸

of its appeal lies, paradoxically, in its reluctance to detonate. It can withstand high temperatures without blowing up, making it a candidate for warheads used in hypersonic missiles, which fly and manoeuvre at more than five times the speed of sound.

LLM-105 can also tolerate heavy knocks and bumps. It is therefore being put into a new generation of "bunker-buster" warheads designed to punch through hard structures before blowing up inside. A munition full of LLM-105 is also less likely to be set off by an enemy attack, even if it is hit by shrapnel or bullets. Mr Di Stasio reckons that the first weapons with LLM-105 could be ready in three years' time.

The fact that it has taken so long for new explosive compounds to make it to the battlefield underlines how tricky such substances are to develop. Safety precautions, for obvious reasons, are rigorous. Many exotic materials require specialised equipment such as diamond anvil cells, which can create enormous pressures. And enough surprises lurk in the underlying chemistry that luck also plays a significant role, notes John Fischer, ETC's principal scientist, who likens it to occasionally finding "hidden gems in that brown [chemical] muck you just made".

It's called nitroglycerine for a reason

The gems most sought-after are molecules which contain a lot of nitrogen atoms. The amount of energy released by an explosive depends on the difference between the energy locked up in its starting state, and that in the more stable end state reached once all the chemical reactions have finished. Nitrogen atoms like to pair up into a very stable molecule linked by a strong chemical bond. That means that the energy difference between the start and end states of nitrogen-containing compounds can be very large, which makes for a big bang.

Nitrogen makes up a third of the atoms in a molecule of CL-20, for instance. More exotic setups should be possible. Hexazine, for now still theoretical, is a molecule composed of six nitrogen atoms arranged in a ring like that of benzene, a common hydrocarbon. If hexazine proves makeable, says Dr Fischer, its molecular setup means it is "going to be good".

Part of Dr Fischer's job is keeping an eye on advances made in other countries. One paper, published in June by Ru-jing Yu, a chemist at Nanjing University of Science and Technology, and his colleagues, describes a pentazolate salt, a chemical based on a five-atom nitrogen ring. It has a detonation velocity measured at 9,487 metres per second, a bit faster than CL-20. In 2022 a team at Ludwig-Maximilian University of Munich reported an explosive based on tetrazole (a ring with four nitrogen atoms and one carbon) with a detonation speed of 9,697 metres per second. When it comes to specific impulse, a measure of propulsive power, CL-20 appears to be outperformed by a class of substances called furazans.

Better energetics are also being made by packaging explosives in "reactive" materials including aluminium and Teflon, a polymer often usually used in non-stick frying pans. Reactive materials are normally inert, but when subjected to sufficient heat or mechanical stress from a blast, they burn quickly, releasing additional energy. America's army and navy are testing explosives made with reactive materials that the Pentagon's Mr Di Stasio says will soon be incorporated into the country's arsenal.

Efficiency can be boosted further by using reactive materials with thermobaric weapons, which use a small explosive charge to disperse fuel that is then ignited. Rather than carrying their own oxidisers alongside the fuel, thermobaric weapons (which America began using in the Vietnam war) use the oxygen in the air. The ETC reckons this can lead to weight savings of up to 60%, potentially allowing even small drones to carry powerful bombs.

Other innovations focus on things besides the bang itself. A group at the Ludwig Maximilian University of Munich, for instance, aims to reduce erosion in gun barrels by designing novel nitrogen-rich propellants. The chemical effects of such propellants can harden gun barrels every time they are fired. And they have lower combustion temperatures than other propellants, which also reduces stress.

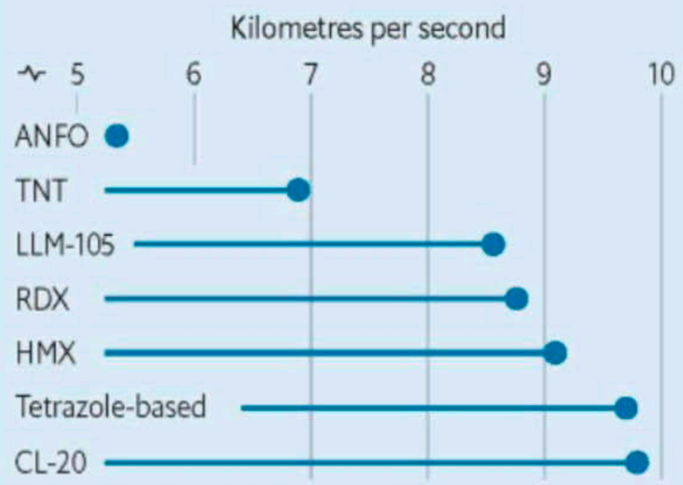
Resodyn Acoustic Mixers, a firm based in Montana, has pioneered a new way to produce energetics. The standard approach is to mix the ingredients with blades. Resodyn's machines use acoustic vibrations instead. A 420-litre mixer, the biggest model, takes three years to build and costs about $12m. Sales are nevertheless brisk. Safety is one benefit: in conventional mixers, a broken blade or loose ball bearing risks sparking an explosion.

Speed is another. With standard kit, the mixing happens in vortices at blade edges. In an acoustic mixer, it happens everywhere. This can cut the time it takes to mix a polymer-bonded explosive like HMX more than tenfold. Lawrence Farrar, Resodyn's boss, says acoustic mixing can reduce the amount of (non-explosive) binder chemicals in a standard explosive mix from about 13% to just 7%, leaving more room for the energetics themselves.

Totting up the benefits of better explosives is hard. But in 2021 the ETC concluded it might be possible to build a 400lb (181kg) state-of-the-art bomb roughly as deadly as an existing 1,000lb munition. And the rate of advance is only likely to accelerate. Few things spur innovation better than competition. Mr Di Stasio reckons that America's lead over its rivals in deploying better explosives is around two years at most. ■

Light blue touchpaper

Detonation velocities of selected explosives, 2022



Sources: "1-Nitramino-5-aminotetrazole", by M. Benz et al.; *The Economist*

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Social psychology

A slippery concept

Why common sense is not actually very common

IN 1776 THOMAS PAINE, a traitorous Englishman living in the American colonies, published a seditious 47-page pamphlet. Called "Common Sense", it became a bestseller. It argued that the colonies should seek independence from British rule. Later that year they did exactly that.

Appeals to common sense are a staple of politics, especially when an insurgent wishes to distinguish himself from a supposedly aloof and out-of-touch elite. But in a paper published in *Proceedings of the National Academy of Sciences*, Mark Whiting and Duncan Watts, a pair of computational social scientists at the University of Pennsylvania, note that the idea has seldom been rigorously studied.

The two researchers set out to fix that. They started by noting that the standard concept of common sense has a somewhat circular definition: common sense is a set of claims that sensible people agree with, and sensible people are those who possess common sense.

To get around such philosophical tangles, the researchers turned to Mechanical Turk, a website run by Amazon, a big tech

firm, that allows people to post odd jobs. They recruited 2,046 human participants and asked them to rate 50 statements from a corpus of 4,407 claims that might plausibly be seen as commonsensical.

As common sense might have predicted, the researchers found that plainly worded claims concerning facts about the real world were the most likely to be rated as demonstrating common sense ("triangles have three sides", for example, which is true by definition, or "avoid close contact with people who are ill"). The more abstract the claims, the less likely participants were to agree that they were common sense ("all human beings are created equal"; "perception is the only source of knowledge").

When they split the claims by subject, the researchers found that those concerning technology and science were the most likely to be rated as commonsensical, while matters of history and philosophy were the least likely. A respondent's age, sex, income and personal politics had little effect on what they thought counted as common sense, although psychological measures of social perceptiveness and the ability to reflect on one's opinions did.

Having investigated individual opinions, the researchers looked at how common sense works across big groups. Here, they found much less agreement than might have been expected. Only around 44% of claims in the corpus were rated as commonsensical by at least 75% of respondents. A stricter definition of common sense, in which everyone has to agree with a claim for it to count, cut that number to just 6.6%. Where exactly a sensible cut-off lies is a matter for debate. But truly "common" sense, it seems, is an elusive thing. ■

Detecting AI fakery

True or false?

NEW ORLEANS

Many researchers think AI-generated fakes will eventually become undetectable

RISHI SUNAK is Britain's prime minister. If some advertisements on Facebook can be trusted (which they cannot) he also appears to be flogging get-rich-quick schemes. One such advert shows Mr Sunak endorsing an app supposedly developed by Elon Musk, a businessman, into which viewers can make regular "savings".

The video is fake. Generated with the help of AI, it is just one of 143 such advertisements catalogued by Fenimore Harper Communications, a British firm, which ran in December and January. It is not just those in the public eye who can have their likenesses used for dubious ends. In June 2023 the Federal Bureau of Investigation in America warned the public of "malicious actors" using AI to create fake sexually themed videos and images of ordinary people, in order to extort money.

How to detect such trickery is a live topic among AI researchers, many of whom attended NeurIPS, one of the field's biggest conferences, held in New Orleans in December. A slew of firms, from startups to established tech giants such as Intel and Microsoft, offer software that aims to spot machine-generated media. The makers of big AI models, meanwhile, are searching for ways of "watermarking" their output so that real pictures, video or text can be readily distinguished from the machine-generated sort.

But such technologies have not, so far, proved reliable. The AI cognoscenti seem gloomy about their prospects. *The Economist* conducted a (deeply unscientific) straw poll of delegates to NeurIPS. Of 23 people asked, 17 thought AI-generated media would eventually become undetectable. Only one believed that reliable detection would be possible. (The other five demurred, preferring to wait and see.)

Detection software relies on the idea that AI models will leave a trace. Either they will fail to reproduce some aspect of real images and video, or of human-generated text, or they will add something superfluous—and will do so often enough to let other software spot the error. For a while, humans could do the job. Up until about the middle of 2023, for instance, image-generation algorithms would often produce people with malformed hands, or get the numbers wrong on things like clock faces. These days, the best no longer do.

But such telltales often still exist, even if they are becoming harder for humans to spot. Just as machines can be trained to reliably identify cats, or cancerous tumours on medical scans, they can also be trained to differentiate between real images and AI-generated ones.

It seems, though, that they cannot do so all that well. Detection software is prone to both false positives (wrongly flagging human content as generated by AI) and false negatives (allowing machine-generated stuff to pass undetected). A pre-print published in September by Zeyu Lu, a computer scientist at Shanghai Jiao Tong University, found that the best-performing program failed to correctly spot computer-generated images 13% of the time (though that was better than the humans, who erred in 39% of cases). Things are little better when it comes to text. One analysis, published in December in the *International Journal of Educational Integrity*, compared 14 tools and found that none achieved an accuracy of more than 80%.

If trying to spot computer-generated media after the fact is too tricky, another option is to label it in advance with a digital watermark. As with the paper sort, the idea is to add a distinguishing feature that is subtle enough not to compromise the quality of the text or image, but that is obvious to anyone who goes looking for it.

One technique for marking text was proposed by a team at the University of Maryland in July 2023, and added to by a ▸▸

This one should be easy, at least...

team at University of California, Santa Barbara, who presented their tweaks at NeurIPS. The idea is to fiddle with a language model's word preferences. First, the model randomly assigns a clutch of words it knows to a "green" group, and puts all the others in a "red" group. Then, when generating a given block of text, the algorithm loads the dice, raising the probability that it will plump for a green word instead of one of its red synonyms. Checking for watermarking involves comparing the proportion of green to red words—though since the technique is statistical, it is most reliable for longer chunks of writing.

Many methods for watermarking images, meanwhile, involve tweaking the pixels in subtle ways, such as shifting their colours. The alterations are too subtle for human observers to notice, but can be picked up by computers. But cropping an image, rotating it, or even blurring and then resharpening it can remove such marks.

Another group of researchers at NeurIPS presented a scheme called "Tree-Ring" watermarking that is designed to be more robust. Diffusion models, the most advanced type of image-generation software, begin by filling their digital canvas with random noise, out of which the required picture slowly emerges. The tree-ring method embeds the watermark not in the finished picture, but in the noise at the start. If the software that created a picture is run in reverse, it will reproduce the watermark along with the noise. Crucially, the technique is less easy to thwart by fiddling with the final image.

But it is probably not impossible. Watermarkers are in an arms race with other researchers aiming to defeat their techniques. Another team led by Hanlin Zhang, Benjamin Edelman and Boaz Barak, all of Harvard University, presented a method (not yet peer-reviewed) that can, they say, erase watermarks. It works by adding a dash of new noise, then using a second, different AI model to remove that noise, which removes the original watermark in the process. They claim to be able to foil three new text-watermarking schemes proposed in 2023. In September scientists at the University of Maryland published a paper (also not yet peer-reviewed) claiming that none of the current methods of image watermarking—Tree-Rings included—is foolproof.

Nevertheless, in July 2023 America's government announced "voluntary commitments" with several AI firms, including OpenAI and Google, to boost investment in watermarking research. Having imperfect safeguards is certainly better than having none (although open-source models, which users are free to tweak, will be harder to police.) But in the battle between the fakers and the detectives, it seems that the fakers have the upper hand. ■

Animal cloning

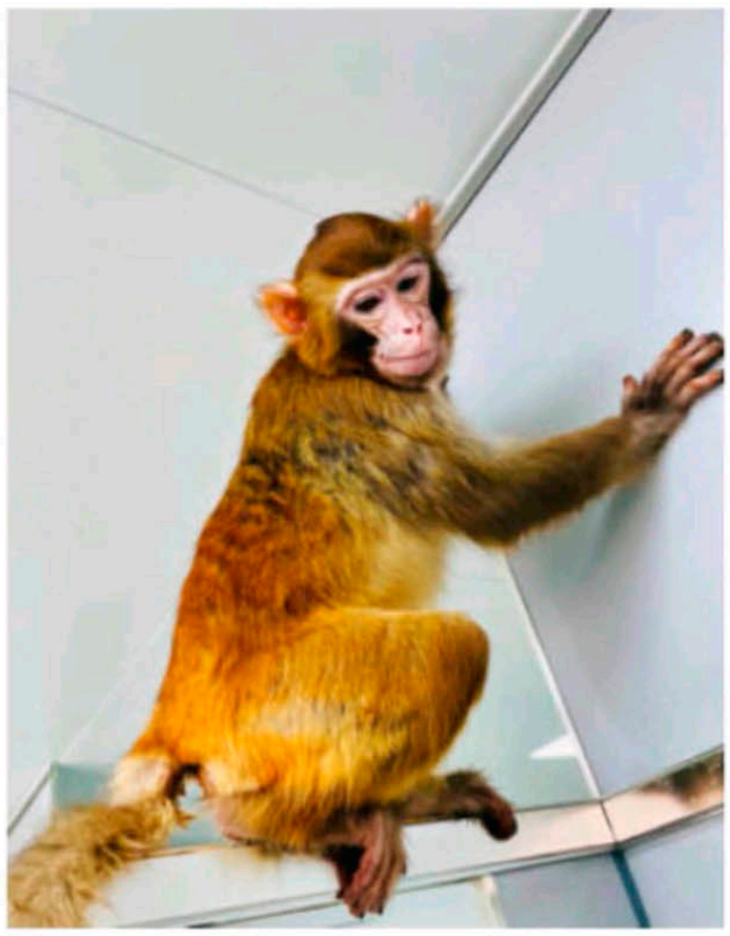
Mass production?

Primates have proved hard to clone. A new technique could change that

PRIMATES RESIST cloning. For some, that is a blessing, since it postpones the awkward day when somebody proposes cloning people. For others it is a problem. Medical researchers would find the genetic standardisation which cloning brings useful, especially if it could be applied to the two species of monkey—crab-eating and rhesus macaques—that are the mainstay of non-human-primate research. And if monkeys with clinically interesting genetic modifications could be mass-produced, it would be even better.

That sort of routine cloning is the goal of Sun Qiang, of the Chinese Academy of Science's Institute for Neuroscience, in Shanghai. In 2018 Dr Sun made headlines by bringing to term and raising two cloned crab-eating macaques. The following year, he and his group performed the same trick with five genetically engineered crab-eaters. Now, they have managed it with a (non-genetically modified) rhesus macaque. As they reported on January 16th, in *Nature Communications*, they have in their institute a healthy, two-year-old cloned male rhesus. And in creating him, they may have invented a better way of cloning monkeys in bulk.

Cloning, in this context, means taking a cell from the body of an animal, extracting its nucleus, and inserting it into an unfertilised egg from the same species that has had its own nucleus removed to make room. That produces a zygote, which is nurtured through until it becomes a blastocyst, at which point it is implanted into the uterus of a female of the species. If fortune smiles upon the effort, the result, a few months later, will be a healthy baby, genetically identical to the animal that donated the body-cell.



Plenty more where he came from

Somatic-cell nuclear transfer, as the trick is officially known, has come on since it gave the world Dolly, a sheep that, in 1996, became the first mammal to be cloned from an adult with this method. But success rates are low. For most species only 1-3% of implants produce a viable newborn. Even for cattle, where the odds are better, they are still only 5-20%. At the moment, the only people making money from cloning are companies that clone pets and horses. If cloning animals is to become a scientifically useful technology, then better ways of doing it will be needed.

One cause of failure is problems with the placenta—the organ by which a fetus is attached to the uterine wall, and through which it feeds. The placenta grows from both maternal cells and cells from a blastocyst's outer layer, the trophoblast. The embryo proper, meanwhile, develops from the blastocyst's inner cell mass. Dr Sun therefore experimented with the idea of a second and subsequent transplant—moving the inner cell mass of a cloned blastocyst into a trophoblast created by a non-cloning technique called intracytoplasmic sperm injection (ICSI), which is sometimes used for human in vitro fertilisation.

Dr Sun was encouraged by the discovery that four genes in trophoblast cells from clones had often had their imprinting removed, while blastocysts resulting from ICSI did not. Imprinting is a strange phenomenon, which applies to a handful of mammalian genes, in which a gene's activity depends on which parent it was inherited from. A lot of imprinted genes are active in the placenta, where they are believed to be a molecular manifestation of the battle of the sexes. Genes bearing the father's imprint encourage the transfer of more resources from mother to fetus while those bearing the mother's oppose this. Upset that balance by removing the imprints and placentas will not work properly.

After going down a blind alley involving a variant of somatic-cell nuclear transfer called electrofusion, which results in cells with four sets of chromosomes, rather than the usual two, the researchers simply took the inner cell masses of several cloned blastocysts and injected them into blastocysts created by ICSI that had had their own inner cell masses removed. From 11 implants into seven surrogate mothers, they obtained two pregnancies. One, of twins, failed to come to term. The other gave rise to the now two-year-old. Not yet an industrial process, but not a bad outcome for the first outing of a new technique. ■

African literary culture

In your face

N'DJAMENA

Chad, one of the world's most sexist countries, is a hub for feminist slam poetry

IN A RESTAURANT in N'Djamena, the capital of Chad, a woman in a white dress picks up a microphone as a keyboardist gently plays. "I wanted to silence these scars that reminded me how I was broken, bullied, beaten and cut open alive," she begins. Épiphanie Nodjikoua Dionrang is not only trying to entertain the audience but also to express her rage.

In her poem, she addresses all the men who abuse women: "If one day life allows me, with my vagina I will piss on your face." Her voice rises, and her hand gestures between her legs. "Yes," she repeats, in case the men sipping sodas missed it, "with my pussy I will piss on your face."

Young Chadian women do not normally use such coarse, defiant language in public. Many are scared to speak out at all. Chad, a desert-covered African country, is poorer than Afghanistan and nearly as sexist. Half of Chadian men and almost three-quarters of women think it acceptable for husbands to beat their wives sometimes for such transgressions as arguing or going out without asking, according to a survey in 2015. The same poll found that nearly one in three Chadian women had experienced physical or sexual violence from a partner at some point. A quarter of girls marry before they turn 15.

Chad is not an easy place for men either. Dissidents are routinely arrested and tortured. Mahamat Idriss Déby, the president, is an autocrat who seized power in 2021 after his predecessor, who was also his father, was shot dead while fighting rebels.

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But grim as life is for everyone, it is especially bad for women.

Far fewer women than men are visible in the dusty streets of Chadian cities. Men whizz around on motorbikes and throng streetside shops. Many women are stuck at home. If they go out, they are expected to conform. Roukhaya Mahmat Traoré, a soft-spoken 26-year-old, recalls that when she stepped into the street after shaving her head for health reasons, a man "immediately called me a prostitute".

Ms Nodjikoua Dionrang, known on stage as Fanny's D'Or, answers patriarchy with poetry—sometimes "very, very vulgar" poetry, as she puts it. "There are no taboos for me," she says as she wolfs down fried plantain at a café, her huge Africa-shaped earrings swaying vigorously. "We must say things as they are."

She is a slam poet, a practitioner of an art form that originated in Chicago in the 1980s and is now conquering Francophone Africa. Slammers recite their rhymes competitively in front of lively, demanding audiences. For young people, it is a way to speak truths that might normally be silenced. For women, it is liberating.

Ms Nodjikoua Dionrang first saw slam in 2014 when she was a student in Niger. She was moved by the female poets, known as *slameuses*: "It was as if I was them." At the time, N'Djamena was fast becoming a hub ▸▸

of slam poetry on the continent. "Chad was taking the lead," says Mirjam de Bruijn of Leiden University. In 2018 the city hosted the inaugural African Cup of Slam Poetry, with entrants from 20 countries.

Slam's surprising strength in this conservative Muslim country owes much to Didier Lalaye, known as Croquemort. One of his poems, "Cousin de l'UE" (Cousin of the European Union), made slam popular almost overnight. In it, he rails against European ignorance of Africa. "They think that our fathers are all polygamous; that our grandfathers are cannibals," he says. "They have Treblinka, the Gestapo and the Nazis. But they adore the genocide of the Tutsis and Hutus."

In 2013 Croquemort founded an annual festival called *N'Djam s'enflamme en Slam* (roughly: N'Djamena is burning with Slam). Another collaborator, Gabriel Kada, known as Bokal, helped Chadian slammers set their poems to music, a Chadian twist on the genre's origins. Slam festivals, complete with light shows and live music, sound like literary rap concerts. The audience cheers, shouts and applauds wildly as poets drop lyrics.

Most slam fans are young urbanites, including young women keen to push past society's conservative expectations. The slightly literary bent helps reassure at least some wary parents that it is a passion worth indulging. Not all slam is angry—at times it is playful and funny—but it can often have the fury of an opposition rally.

Croquemort sought female participants for the festival. In 2016 Ms Nodjikoua Dionrang signed up, performing a poem about surviving a near-fatal bout of appendicitis. She was the first female Chadian slam poet to compete. "I came third," she smiles, "and, as I was the only woman, I was immediately declared the number one *slameuse* in Chad!" She quickly became a fixture on the Chadian slam scene.

At first she was not radical. That changed in 2020, when a friend in Togo stopped replying to her messages. Eventually she found out why. "She had been kidnapped, raped and killed," she says. The police never found the perpetrator. "That was the biggest turning-point in my life," she says. "That made me rage." Many women "suffer this way. And nothing is done."

Ms Nodjikoua Dionrang's slamming became overtly feminist. "Tell me, is being born a woman a curse?" she asks in one performance. "Can we live, constantly dreading the evening blows?" Her words became angrier, too. "Let all this stop, otherwise we will take up our axes and our machetes against these cowards," she spits, her voice rising.

Around this time she got to know Ms Mahmat Traoré. When asked what made her a feminist, Ms Mahmat Traoré takes a slow, deep breath. "I was abused by my older brother and my cousin for six years," she says. Her brother told her that God approved of what he was doing. Ms Mahmat Traoré finds the idea absurd. "If God really existed, why was he allowing all this to happen to me?" she asks.

In 2020 Ms Mahmat Traoré and Ms Nodjikoua Dionrang became activists as well as artists. They founded the Chadian Women's Rights League, which campaigns against violence against women. It helps victims get medical and legal aid and publicly denounces alleged attackers. "I've had so many problems with the authorities," says Ms Nodjikoua Dionrang. Officials at Chad's ministry for women, who in theory have the same goals, "do not want me to say [blunt] things".

She is not the only *slameuse* demanding a better deal for women. Many have suffered abuse. Ommel Gwladice Djiraibe, known as Djemi, began performing in public in 2018. The next year she appeared at "Slam et Eve", a festival devoted to women performers. Her poems are bracing: "The one who was in charge of my education took it upon himself to rob me of my innocence; he enrolled me very early in the course of, 'Come, I pee between your legs'." She says that "slam is as therapeutic for the *slameuse* as it is for the listener."

Slam poets also test the limits of what conservative Chadians and the paranoid government will stomach. Many criticise female poets for talking about sex or abuse. "When they say 'It's not done for a girl', that pisses me off," says Djemi. She adds that many men also lust after *slameuses* who speak frankly about sex: "Everyone tries to have sex with you." Ms Nodjikoua Dionrang provokes extreme reactions. "Be careful. One day we are going to kill you," she is often told on social media. On one occasion she saw a car full of men tracking her as she took a motorbike taxi home.

"I'm not afraid of death," she says. On stage, she throws her critics' taunts back at them: "Yes, I am the one you called a dirty slut, less than nothing, easy woman, a prostitute and above all—and above all—whore," she says, spitting the final French word, *pute*. Many women thank her for speaking up.

Fighting words

Pressure from the government has worsened since Mr Déby took power in 2021, says Croquemort. Financial supporters of slam festivals sometimes pull out. Permits for events are often denied. Radio stations refuse to play poets' tracks. Self-censorship is on the increase, too, adds Croquemort. At other times the government tries to co-opt slam poets, inviting them to perform at official events but restricting what they can say.

In October 2022 the regime delayed elections and brutally cracked down on the resulting protests, killing at least 128 people. Outspoken artists were targeted. "It was truly a door-to-door hunt," says Croquemort. "It was clear at that moment that I could not be in Chad and express myself," he says.

He is now based in the Netherlands. With elections finally due in Chad in October, he worries about more repression. "No independent voice will be tolerated," he says. Djemi, too, lives abroad: "by choice" one would not live in Chad, she says. Ms Nodjikoua Dionrang still writes poetry but, swept up in the league's battles, she performs less often now.

Chadian slam lives on all the same. After a long pause precipitated by the covid-19 pandemic, *N'Djam s'enflamme en Slam* was back in style in November. Slam still helps young people "become" and find an identity, says Ms de Bruijn.

A dozen teenage Chadians gather for their debut slam performances after a three-day workshop. As the hall fills up, the young slammers shuffle around, eyes downcast, speaking little. Even as they are called up, their heads remain bowed.

And then, suddenly, magic. Eyes light up, jaws jut forward and voices ring out. "Je suis venue; j'ai vu; j'ai vécu; j'ai été déçue," begins one young *slameuse*, evoking the words of Julius Caesar to decry Chadian and African politics: "I came; I saw; I lived; I was disappointed."

Young female slammers continue to shatter taboos. "STDs spread unchecked; no education, therefore no protection, that's the thing," declares Louange, a *slameuse*. "Sexual suffering that has no cure. Education is the key, but for her the doors are locked; an uneducated girl, condemned to break down," she cries to applause. From the audience, Ms Nodjikoua Dionrang watches proudly. ■

German history

Diary of a bad year

1923. By Mark Jones. *Basic Books; 432 pages; $32 and £25*

THE YOUNG murderers were out for more than blood. By gunning down Walter Rathenau, the Jewish foreign minister, in June 1922, they were hoping to spark a crisis that would lead to the destruction of the Weimar Republic, the German government formed after the first world war. The heavily armed, virulently antisemitic terrorist network that Rathenau's killers belonged to, called the Organisation Consul, wanted to rise up and destroy the republic, avenging Germany's defeat in 1918 and subsequent humiliations.

Rathenau's death briefly became a rallying point for the republic, with people taking to the streets to oppose violence and the depleted German army demonstrating loyalty to the country's young democratic institutions. But the trial of 13 men who had been involved in Rathenau's murder ended in laughably lenient sentences. As Mark Jones, a historian, argues, it was a political and judicial failure that would have profound consequences. His book, "1923", is a gripping narrative of the extraordinary year in which Weimar Germany was struck by successive blows, though it somehow survived for another ten years.

As 1923 dawned, much that could go wrong had. A bad harvest was a boon to already soaring inflation. In less than six months there had been a 24-fold drop in the value of the mark against the dollar, the result of Germany having funded its war effort almost entirely with debt. Instead, after the war, Germany had to pay substantial reparations, with most owed to France.

Germany's unwillingness or inability to meet its liabilities led the French prime minister, Raymond Poincaré, to invade and occupy the industrial Ruhr in January. This was a calamity for almost every German other than potential putschists and contributed to the hyperinflation that rocked the country. By December 1923 a dollar was worth 4.2trn marks.

The occupation of the Ruhr and its consequences provided the small but growing Nazi party, led by a charismatic agitator, Adolf Hitler, with the opportunity to call repeatedly for a violent "masculine" response and to propagate the "stab in the back" myth about the treacherous politicians who had sought a truce in 1918. By the autumn Hitler, who was inspired by Benito Mussolini's march on Rome the previous year, was convinced that the "fascist moment" had come—and with it the opportunity to overthrow the government.

However, the "Beer Hall putsch", as the coup attempt came to be known, failed. Hitler realised belatedly that Gustav Ritter von Kahr, the right-wing Bavarian state commissioner general who seized emergency powers and was also plotting the overthrow of the Weimar government, was using him. Kahr turned on Hitler, who lacked the backing of local army units and the state police and was too weak to prevail. A brief fight in the city centre with the police resulted in the Nazis fleeing, leaving behind 13 dead comrades.

Despite Hitler's high treason and the violence he unleashed against political opponents, Jews and the police (four of whom were killed), he was sentenced to a mere five years in prison. He was released after only eight months, during which he wrote the first volume of his manifesto and autobiography, "Mein Kampf". Mr Jones surmises that Hitler's threats and knowledge of the anti-republican conspiracies in Bavaria led by Kahr helped him cut a deal. The trial gave Hitler a platform that turned him into a national figure.

Hitler had also learned a valuable lesson: to take power and harness the forces of the army and state he must first achieve electoral success. This is what he would achieve nine years later. Mr Jones concludes that the unwillingness to try Hitler at the Court for the Protection of the Republic, where he and other Nazis would have faced far more severe sanctions, "turned out to be one of the most costly errors in world history". ■

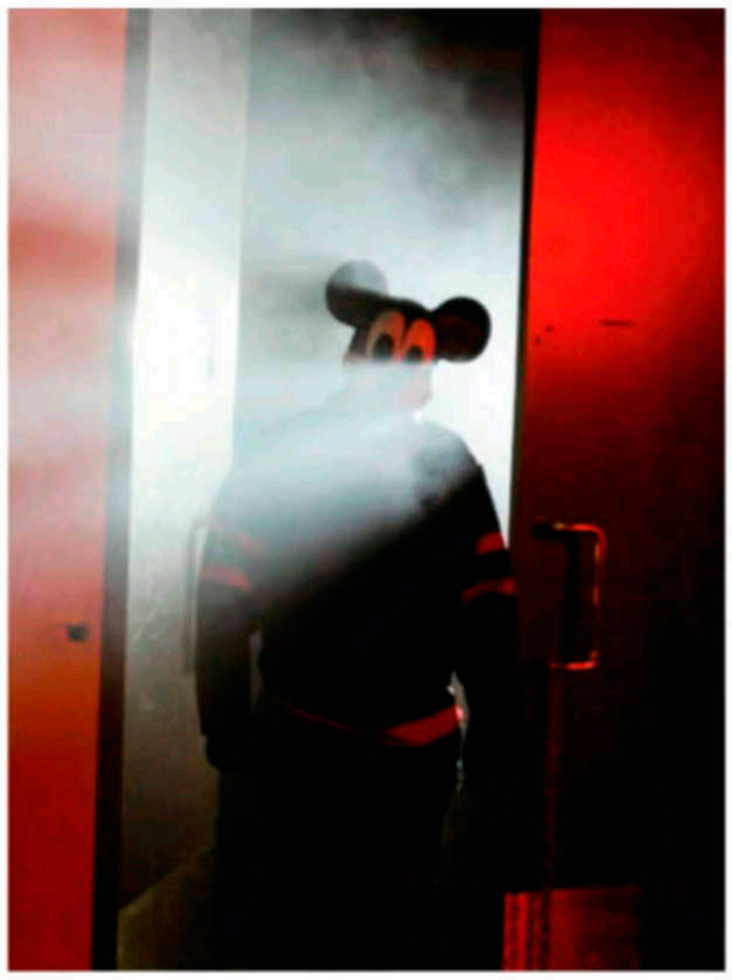
The past and future of copyright

Copy wrongs

Does copyright benefit creators or fuel inequality? It depends on whom you ask

Who Owns This Sentence? By David Bellos and Alexandre Montagu. *W.W. Norton; 384 pages; $28.99. Mountain Leopard Press; £20*

IF WALT DISNEY were still alive, he would be dismayed at the new film role given to his signature character, Mickey Mouse, as a slasher hunting teenagers in an old arcade. The trailer for "Mickey's Mouse Trap" was released on January 1st. That is the day the copyright of "Steamboat Willie", the short film that introduced Mickey Mouse's character in 1928, expired. This early version of Mickey is now in the public domain.



Not your usual suspect

Even before the arrival of a murderous mouse, the field of copyright has been full of dramatic turns, as a new book, "Who Owns This Sentence?", recounts. That is because "copyright is an edifice of words resting on a long and complicated string of metaphors and double meanings," write the authors David Bellos, a professor at Princeton, and Alexandre Montagu, a lawyer. Over centuries artists, authors, lobbyists, publishers and public officials have defined and redefined the meaning of copyright, with debate and legal changes happening beyond the public eye.

Initially an author's right to their creative output was a question of honour. Hermodorus, a student of Plato, published notes he took from Plato's lectures without permission, which incensed the philosopher. Privileges, a precursor to copyright, emerged in the 15th century in Venice, where authorities gave skilled craftsmen a seven-year monopoly over luxury goods they produced. Among those who profited from Venice's system was Johannes of Speyer, an apprentice of Johannes Gutenberg, maker of the printing press.

Authors and artists did not always benefit. Powerful publishing syndicates treated books like property and profited from selling the works of Chaucer, Milton, Shakespeare and others. Britain's Statute of Anne, the first copyright law regulated by ▸▸

Back Story Picturing the abyss

How should cinema tackle the horror of the Holocaust?

A BABY IS crying, but whose: the one in the nursery or someone else's child, beyond the garden wall topped with barbed wire? A dog is barking, but is it the family pet or a far more menacing animal? In "The Zone of Interest" (pictured), an ambitious new film by Jonathan Glazer, the nursery and the dog belong to Rudolf Höss (played by Christian Friedel), the commandant of Auschwitz. The wall divides his family home from the adjacent concentration camp.

Every director who grapples with the Holocaust—from Mr Glazer to Steven Spielberg, whose landmark hit "Schindler's List" came out 30 years ago—faces a daunting, possibly insuperable challenge. They must attempt to convey the horror while knowing that their efforts are bound to be inadequate, and risk seeming disrespectful of the suffering. Different as they are in other ways, "The Zone of Interest" and another new release, "One Life", offer similar solutions. Both succeed—up to a point.

"The Zone of Interest" takes its theme of domestic life at Auschwitz (though little else) from Martin Amis's novel of the same name. It is less a story than a map of a moral void. In the shadow of the crematoria Rudolf, his wife Hedwig (Sandra Hüller) and their five children live "how we dreamed we would". They enjoy picnics, parties in the garden, looted clothes and bucolic swims in rivers that are only sometimes awash with human remains. Rudolf is sad to be transferred away, then thrilled to be sent back to Auschwitz to oversee the murder of the Jews of Hungary.

Ghostly inmates tiptoe into this warped idyll to wash blood from his boots or spread ash on the flower beds. Terrible sounds—gunshots and heinous commands as well as barks and cries—drift over the barbed wire. But midway through the film you realise, with a complicated sort of relief, that the camera will not be going over the wall to show the barbarity first-hand. Watchtowers, the steam from trains, belching chimneys: the visual shorthand of the Holocaust is enough, the film seems to say.

Whereas "The Zone of Interest" is arty (and an Oscar contender), "One Life" is as unflashy as its protagonist. He is not a mass-murderer but a rescuer: Nicholas Winton, a self-effacing stockbroker who helped spirit 669 mostly Jewish children from Prague to Britain on the eve of war. He embodies what you might call the banality of goodness, his feat requiring as much dogged paperwork as derring-do. James Hawes, the director, uses a dual time-frame. In sequences set in the 1930s Winton is played by Johnny Flynn, in the 1980s by Anthony Hopkins, wonderfully.

The climax restages Winton's genuine appearance on "That's Life!", a British TV show, in 1988, which brought him together with some of the people he saved. Here is another big difference between these

films. Like many feted Holocaust movies—not just "Schindler's List" but "The Pianist" and the facile "Life is Beautiful"—"One Life" succumbs to cinema's bias for redemption over desolation; for a happy ending, or at least survival, over oblivion. "The Zone of Interest" does not.

In the matter of the horror, though, the films are alike in their restraint. The most heart-rending scenes in "One Life" involve desperate partings on train platforms or old photos of lost children. There is vanishingly little violence.

The two films stand in tactful contrast to others that intrude into the gas chambers. Back Story's reservation about them is as much a question of timing as content. Are such oblique tales an apt way to dramatise the Holocaust now?

Its place in Western culture has become vexed. Commemorated in museums, memorials and memoirs, it can often seem inescapable. At the same time, as the Holocaust slips out of living memory it is widely misrepresented, even forgotten. It is a common touchstone in political disputes, not least for voices on both sides in the tragedy of Israel and Gaza. On the web it is material for risqué memes. According to a recent poll, one in five young Americans think the Holocaust is a myth.

In this context, the urgent job of storytellers is to remember—to insist on—the victims, not just the perpetrators or heroes. The recent film which did that best was "Three Minutes: A Lengthening", a documentary that boasted neither stars nor avant-garde effects. It aimed to identify the people in a home-movie clip from a small Polish town in 1938. Almost all the gap-toothed Jewish boys and smiling girls soon perished, but the film does not dwell on that fate. What it mourns is not the horror, but the loss.

government and the courts instead of private parties, came into effect in 1710 and gave authors rights to their works for a limited time (though booksellers and publishers could buy the books before the copyright expired and claim to own the rights perpetually). But it was a decision by the House of Lords in 1774, reasserting term limits for copyrighted works, that fully established copyright in Britain and served as the beginning of modern copyright law in the West.

Mr Bellos and Mr Montagu argue that copyright has gone from a right that favours creators to something more akin to a privilege for the rich and powerful. Two major legal developments led to this. First, in the early 1900s a skirmish over printing posters for a travelling circus redefined the meaning of authorship to include employers of artists. In other words, companies could own copyrights. Second, in 1976 the meaning of literary works was adjusted so that computer software was included.

Intellectual property is now among America's chief exports. About a third of the 50 richest people in the world derive their fortunes—in whole or in part—from copyrighted goods. Some creators have benefited handsomely (Bruce Springsteen, for example, sold his music catalogue to Sony for a reported $550m in 2021). But many have not. "Copyright is the elephant in the room when it comes to understanding the origins of the wealth gap in modern societies," the authors write.

Today the newest frontier of copyright is generative AI, which allows people to create images, prose and sounds based on prompts. Artists have called AI "vampirical" because it scrapes pre-existing content for training.

Some writers and artists, such as Sarah Andersen, a cartoonist, have taken AI giants to court over copyright infringement. "We're not necessarily fighting for AI to go away, but if our work is going to be involved in these systems, we would like to be credited," Ms Andersen says. She also argues that artists should be compensated and be able to opt out of having their work used to train AI models.

Publishers are in legal tussles, too, including the *New York Times*, which in December sued OpenAI (the maker of ChatGPT) and Microsoft for copyright infringement, after talks between the news publisher and tech companies failed. Others are more optimistic. Some news groups, including the Associated Press, have signed deals to share story archives with OpenAI.

"Who Owns This Sentence?" does not predict how the future is likely to unfold. That is because no one is quite sure. "Things are up in the air," Pamela Samuelson, a professor at the University of California, Berkeley School of Law tells *The Economist*. Copyright law could slow down the work of AI companies. Or AI could upend the current copyright system and claim new victims, like Mickey's new incarnation does on his rampage. ■

Live performances

Two-billion-dollar baby

LAS VEGAS

Does the Sphere showcase the future of concerts?

NESTLED BETWEEN hotels and conference centres, a short walk from the Las Vegas strip, is a giant, wide-eyed emoji. Sometimes it is an enormous, hyperrealistic eyeball, a basketball or a whorl of flames. The Sphere, a remarkable new concert venue, is 366 feet (110 metres) tall and 516 wide; an LED screen spanning almost 600,000 square feet covers the exterior.

Inside, enveloping the 17,500 seats, is another vast, ultra-high-resolution screen. This pleasuredome offers an experience unlike any other. It also raises questions about the future of live entertainment.

The high-tech arena was opened in September by U2, who remain in residence until March. The Irish band has a history of innovative concert design as well as corporate ventures, including a long partnership with Apple. Perhaps just as important, U2 is loved by middle-aged rock fans, who form the bulk of concertgoers in America and might shell out for a ticket. (Prices start at $140 and go up to $1,500.)

The Las Vegas trip

A celebration of "Achtung Baby", an album released in 1991, U2's show is an overwhelming phantasmagoria. The band plays on a stage shaped like a turntable while work by artists including Es Devlin and John Gerrard appears on the vaulting screen. During "Even Better Than the Real Thing", there are animations of slot machines and Elvis kitsch. For "Where the Streets Have No Name", the crowd is transported into the blinding daylight of the high desert. During "With Or Without You" the ceiling teems with images of endangered local species such as the leaf-nosed bat. "It's a show that's about the venue that it's in," says Willie Williams, U2's longtime production designer. "It's about us all going to experience the venue."

From one angle, the Sphere represents a major development in an existing trend of the arts becoming more immersive. Exhibitions that turn the paintings of Monet or Van Gogh into interactive, room-encompassing installations have proliferated in recent years, as have immersive theatre productions. Virtual-reality technology has improved significantly.

From another angle, it is part of the evolution of the modern rock concert, which since the 1960s has combined light and sound to transport fans into another dimension. At a show your correspondent attended at the Sphere in October, there were moments when the experience was transcendent. (There is a quiet room, filled with bean bags, for the over-stimulated.) Yet viewers still took their eyes off the big screen to reach for the smaller ones in their pockets. At times the band seemed like an expensive soundtrack to the bright lights.

Is this the future of the concert? In the short term, no. The sheer cost of the Sphere—$2.2bn—means that the model cannot be easily reproduced. Its ostentation is also a barrier: Sadiq Khan, the mayor of London, recently vetoed a sister Sphere in the city, calling it "bulky, unduly dominant and incongruous". Sphere Entertainment Company, the owner, hopes to build other iterations and is in "serious" talks for an arena in Abu Dhabi. But negotiations regarding Spheres in Saudi Arabia and South Korea have stalled.

Some artists and promoters are said to be wary of developing shows that cannot be taken on tour to other, standard arenas and of letting the venue outshine the music. For now, at least, what happens in Vegas is staying there.

The Sphere does mark a bullish bet on the future of live music, however. The biggest acts have long had to make do with sports stadiums with dodgy acoustics, but this is a capacious, purpose-built venue. There seems to be plenty of demand for lavish productions by the biggest hitmakers: witness the billions of dollars in revenue made by Beyoncé's "Renaissance" and Taylor Swift's "Eras" tours.

According to Luminate, an analytics firm, in 2023 consumers spent 91% more on live music events than the year before and attended 32% more concerts. Goldman Sachs predicts the market for live music will grow by 5% this year to reach nearly $40bn annually by 2030.

This growth is not just driven by pent-up demand from the pandemic. Youngsters, who prefer to spend their money on experiences than on items, consider concerts good value, even when they are pricey. "People still want to have that experience of liveness," says Steve Waksman, a concert historian, regardless of whether, as at the Sphere, it is "mediated" through screens. To some, the Sphere may be more bewildering than beautiful, but one thing is clear: the future of concerts is as rosy as Bono's trademark glasses. ■

Economic & financial indicators

Economic data

	Gross domestic product, % change on year ago: latest		quarter*	2023†	Consumer prices, % change on year ago: latest		2023†	Unemployment rate, %		Current-account balance, % of GDP, 2023†	Budget balance, % of GDP, 2023†	Interest rates, 10-yr gov't bonds: latest,%		change on year ago, bp	Currency units, per $: Jan 17th	% change on year ago
United States	2.9	Q3	4.9	2.4	3.4	Dec	4.1	3.7	Dec	-2.8	-6.3	4.1		57.0	-	
China	5.2	Q4	4.1	5.5	-0.3	Dec	0.3	5.1	Dec‡§	2.3	-3.8	2.4	§§	-32.0	7.20	-6.0
Japan	1.5	Q3	-2.9	1.8	2.9	Nov	3.3	2.5	Nov	3.1	-5.1	0.6		10.0	148	-13.7
Britain	0.3	Q3	-0.5	0.2	4.0	Dec	6.8	4.3	Jun††	-2.9	-3.9	3.9		42.0	0.79	2.5
Canada	0.5	Q3	-1.1	1.0	3.4	Dec	3.8	5.8	Dec	-0.9	-1.5	3.4		58.0	1.35	-0.7
Euro area	nil	Q3	-0.5	0.6	2.9	Dec	5.5	6.4	Nov	2.3	-3.3	2.3		19.0	0.92	1.1
Austria	-1.8	Q3	-2.1‡	-0.7	5.7	Dec	7.7	4.9	Nov	1.6	-2.2	2.9		19.0	0.92	1.1
Belgium	1.4	Q3	1.5	1.3	0.5	Dec	2.6	5.6	Nov	-1.3	-4.6	2.9		7.0	0.92	1.1
France	0.6	Q3	-0.5	0.9	4.1	Dec	5.7	7.3	Nov	-1.0	-5.0	2.7		10.0	0.92	1.1
Germany	-0.3	Q4	-1.2	-0.1	3.8	Dec	6.0	3.1	Nov	5.6	-2.2	2.3		19.0	0.92	1.1
Greece	1.8	Q3	0.1	2.4	3.7	Dec	4.0	9.4	Nov	-6.5	-2.1	3.5		-65.0	0.92	1.1
Italy	0.1	Q3	0.4	0.7	0.5	Dec	6.1	7.5	Nov	0.7	-5.3	3.9		2.0	0.92	1.1
Netherlands	-0.8	Q3	-1.2	0.1	1.0	Dec	4.1	3.5	Nov	9.4	-2.1	2.6		21.0	0.92	1.1
Spain	1.8	Q3	1.2	2.3	3.3	Dec	3.5	11.9	Nov	1.6	-4.1	3.2		7.0	0.92	1.1
Czech Republic	-1.0	Q3	-2.5	-0.5	6.9	Dec	10.7	2.6	Nov‡	-1.3	-3.9	3.9		-42.0	22.8	-2.7
Denmark	-0.5	Q3	-2.6	1.5	0.7	Dec	3.8	2.9	Nov	11.1	1.5	2.5		15.0	6.87	0.3
Norway	-1.9	Q3	-2.1	0.4	4.8	Dec	5.4	3.6	Oct‡‡	17.2	10.6	3.6		71.0	10.6	-6.5
Poland	0.5	Q3	6.1	0.5	6.2	Dec	11.3	5.1	Dec§	1.0	-4.8	5.3		-78.0	4.06	6.9
Russia	5.5	Q3	na	2.8	7.4	Dec	6.2	2.9	Nov§	3.0	-2.8	11.9		145	88.6	-22.2
Sweden	-1.4	Q3	-1.2	-0.6	4.4	Dec	6.0	7.1	Nov§	4.6	-0.3	2.2		24.0	10.5	-0.9
Switzerland	0.3	Q3	1.1	0.8	1.7	Dec	2.2	2.2	Dec	7.2	-0.7	0.8		-30.0	0.87	5.8
Turkey	5.9	Q3	1.1	4.3	64.8	Dec	53.1	8.8	Nov§	-4.4	-5.0	24.8		1,484	30.1	-37.6
Australia	2.1	Q3	0.9	1.9	5.4	Q3	5.7	3.9	Dec	0.6	0.5	4.1		42.0	1.53	-6.5
Hong Kong	4.1	Q3	0.3	3.4	2.5	Nov	2.2	2.9	Nov‡‡	6.3	-1.7	3.5		33.0	7.82	nil
India	7.6	Q3	8.6	6.9	5.7	Dec	5.7	8.1	Apr	-0.5	-5.9	7.2		-17.0	83.1	-1.6
Indonesia	4.9	Q3	na	4.9	2.6	Dec	3.7	5.3	Q3§	0.8	-2.5	6.7		-4.0	15,640	-3.0
Malaysia	3.3	Q3	na	4.0	1.5	Nov	2.5	3.3	Nov§	1.8	-5.1	3.9		-9.0	4.72	-8.3
Pakistan	nil	2023**	na	nil	29.7	Dec	31.4	6.3	2021	-0.3	-8.0	14.9	†††	86.0	280	-18.3
Philippines	5.9	Q3	13.9	5.4	3.9	Dec	6.0	4.2	Q4§	-4.1	-7.2	6.2		-12.0	55.9	-1.9
Singapore	2.8	Q4	7.0	1.2	3.6	Nov	4.8	2.0	Q3	18.8	-0.7	2.9		1.0	1.35	-2.2
South Korea	1.3	Q3	2.5	1.3	3.2	Dec	3.6	3.3	Dec§	2.1	-2.7	3.4		-7.0	1,344	-7.8
Taiwan	2.3	Q3	7.8	1.2	2.7	Dec	2.5	3.4	Nov	12.9	-0.1	1.2		-2.0	31.6	-4.1
Thailand	1.5	Q3	3.1	2.5	-0.8	Dec	1.3	0.9	Oct§	0.8	-2.7	2.8		30.0	35.5	-6.8
Argentina	-0.8	Q3	11.3	-1.1	211	Dec	135.3	5.7	Q3§	-3.4	-4.4	na		na	819	-77.7
Brazil	2.0	Q3	0.6	3.0	4.6	Dec	4.6	7.5	Nov§‡‡	-1.4	-7.5	10.7		-184	4.93	3.6
Chile	0.6	Q3	1.3	nil	3.9	Dec	7.6	8.7	Nov§‡‡	-4.0	-3.2	5.5		31.0	922	-11.2
Colombia	-0.3	Q3	1.0	1.2	9.3	Dec	11.7	9.0	Nov§	-3.4	-4.2	9.6		-276	3,974	17.9
Mexico	3.3	Q3	4.3	3.4	4.7	Dec	5.5	2.8	Nov	-1.4	-3.8	9.2		64.0	17.3	8.2
Peru	-1.0	Q3	-1.1	-0.5	3.2	Dec	6.3	5.8	Dec§	-1.0	-2.7	6.7		-106	3.74	2.7
Egypt	2.7	Q3	na	3.8	33.6	Dec	37.7	7.1	Q3§	-1.6	-6.2	na		na	30.9	-4.6
Israel	3.4	Q3	2.7	1.2	3.0	Dec	4.2	3.1	Dec	5.9	-4.6	4.3		103	3.80	-10.5
Saudi Arabia	8.7	2022	na	-1.1	1.5	Dec	2.3	5.1	Q3	3.0	-2.0	na		na	3.75	0.3
South Africa	-0.7	Q3	-1.0	0.6	5.6	Nov	6.0	31.9	Q3§	-2.1	-5.2	9.8		-2.0	19.1	-10.7

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 Jan 17th	% change on: one week	Dec 30th 2022
United States S&P 500	4,739.2	-0.9	23.4
United States NAScomp	14,855.6	-0.8	41.9
China Shanghai Comp	2,833.6	-1.5	-8.3
China Shenzhen Comp	1,698.7	-2.0	-14.0
Japan Nikkei 225	35,477.8	3.0	36.0
Japan Topix	2,496.4	2.1	32.0
Britain FTSE 100	7,446.3	-2.7	-0.1
Canada S&P TSX	20,695.0	-1.4	6.8
Euro area EURO STOXX 50	4,403.1	-1.5	16.1
France CAC 40	7,318.7	-1.4	13.1
Germany DAX*	16,431.7	-1.5	18.0
Italy FTSE/MIB	30,098.9	-1.2	27.0
Netherlands AEX	771.4	-0.5	12.0
Spain IBEX 35	9,867.8	-2.0	19.9
Poland WIG	73,582.3	-4.2	28.1
Russia RTS, $ terms	1,129.8	1.3	16.4
Switzerland SMI	11,148.6	-0.9	3.9
Turkey BIST	8,024.4	1.9	45.7
Australia All Ord.	7,622.5	-1.0	5.5
Hong Kong Hang Seng	15,276.9	-5.1	-22.8
India BSE	71,500.8	-0.2	17.5
Indonesia IDX	7,200.6	-0.4	5.1
Malaysia KLSE	1,491.2	0.3	-0.3

	Index Jan 17th	% change on: one week	Dec 30th 2022
Pakistan KSE	63,567.3	-0.6	57.3
Singapore STI	3,142.2	-1.2	-3.4
South Korea KOSPI	2,435.9	-4.2	8.9
Taiwan TWI	17,161.8	-1.7	21.4
Thailand SET	1,380.7	-2.3	-17.3
Argentina MERV	1,124,212.0	5.0	456.3
Brazil BVSP*	128,523.8	-1.8	17.1
Mexico IPC	54,711.7	-1.1	12.9
Egypt EGX 30	26,758.3	5.1	83.3
Israel TA-125	1,830.4	-2.6	1.6
Saudi Arabia Tadawul	12,063.0	-0.6	14.4
South Africa JSE AS	71,693.1	-2.6	-1.9
World, dev'd MSCI	3,120.4	-1.3	19.9
Emerging markets MSCI	958.4	-3.1	0.2

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 30th 2022
Investment grade	109	154
High-yield	398	502

Sources: Refinitiv Datastream; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index, 2020=100	Jan 9th	Jan 16th*	% change on: month	year
Dollar Index				
All Items	127.9	125.8	-2.9	-6.8
Food	128.6	128.9	-3.7	-8.5
Industrials				
All	127.2	123.2	-2.1	-5.3
Non-food agriculturals	127.0	128.2	2.3	-5.4
Metals	127.3	121.9	-3.2	-5.3
Sterling Index				
All items	129.3	127.7	-2.2	-9.6
Euro Index				
All items	133.8	132.2	-1.9	-7.5
Gold				
$ per oz	2,027.5	2,035.8	-0.4	6.6
Brent				
$ per barrel	77.9	78.4	-1.3	-9.0

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

For more countries and additional data, visit
economist.com/economic-and-financial-indicators

From boys to men

Elmore Nickleberry, one of the last of the striking sanitation workers of Memphis, died on December 30th, aged 92

THAT EVENING of April 3rd 1968, round Mason Temple in Memphis, Tennessee, a mighty storm was blowing. The tin roof banged in the rain, and the rafters blew against each other. Yet the vast hall was packed, because people had come to hear another mighty voice, Martin Luther King's, thundering out among them. Somewhere in that crowd was Elmore Nickleberry, wiry and neat, listening hard. What he heard was a great man who could change things, where hundreds of black Memphians could not.

Mr Nickleberry was one of 1,300 sanitation workers in the city who had gone on strike at the start of February. It was sparked off by the dreadful accident that had happened to two colleagues, Echol Cole and Robert Walker, nice fellas, in a storm much like this. They were hiding from the rain in the back of the garbage truck when suddenly the compactor got going and crushed them both to death. Because they were only hourly workers, not full employees, the city would not pay proper compensation to their families. This, added to a lot else, prompted the walk-out, which in April was still going on. Mayor Henry Loeb refused to budge or to recognise the union they had formed, an offshoot of the American Federation of State, County and Municipal Employees (AFSCME). Instead, he ordered "my Negroes" to get back to work.

Work was tough. Every morning during that time Mr Nickleberry would get up at 4am, walk the two miles to the depot, and spend his days humping number-three tubs in and out of people's backyards. The tubs, loaded with loose waste, were heavy, so he didn't have much choice but to tote them on his head; they were old and leaky, so maggots and foul stuff ran down his face. They were given no overshoes, uniforms or rain-suits, and could not use the depot's bathroom or the shower, being black men. By the end of the day he stank so bad that he couldn't ride the bus, but walked home, where his wife Peggy would make him take off his clothes in the back yard, put on a housecoat and take a shower before he did anything. Peggy, as a proud house lady, wasn't about to welcome some hobo to her kitchen table.

This was not the future he'd imagined for himself. When he was given honourable discharge from the army, where he served in Korea driving a GMC 6x6 truck and rose to corporal, he thought he might get a job at Firestone, the tyre company. He was 21, and eager to work hard. But there weren't too many jobs in Memphis for black men. Eventually he took to standing outside the gates of the parking lot for sanitation trucks, until a white man inside said "You looking for a job, boy? Come on in." The next day, he started.

By 1968 his pay was $1.65 an hour for a nine-hour day. He and Peggy already had three children, and you couldn't feed a family on that. Fully 40% of the sanitation workers were on welfare and food stamps. So he also became a hustler, as his daddy was, in the good sense of doing any job he could find and could fit into his hours. Sometimes he picked cotton, sometimes chopped wood or pruned trees. (In the elegant white parts of the city, homeowners assumed that he could tidy their gardens as well as collect the trash.) School had been no big thing for him, and he left after sixth grade; he learned instead to be flexible. His father had managed to provide for 17 children, but in that respect at least he didn't follow him. He stopped at seven.

The first strike march, down Main Street, was marvellous until the police messed it up, spraying Mace and whupping round with batons, yelling "Get off the sidewalk, boy!" Some people had dogs sicked on them. But it was that word "boy" that irked him more than anything. "Do this boy, over here boy." He'd tell them, he was no boy. As a sanitation worker he also heard "Hey, garbage man!" as if he was garbage himself. But a clever young black official at AFSCME, Bill Lucy, thought up a slogan for the strikers that said simply, "I am a Man". By late March they could march silently and in single file, just holding up that message.

Though they still seemed to be getting nowhere, and the mayor kept digging in, they had been noticed well away from Memphis. The union backed them more strongly, and Dr King decided to make their cause part of his Poor People's Campaign to elevate and house the poorest. On March 28th Mr Nickleberry was overjoyed to see America's most inspiring black preacher linking arms at the head of a march on Beale Street, Memphis's famous home of the blues. But again, when a few black youths on the sidelines broke windows and looted shops, the police pounced with their batons and Mace. A young man got killed by a shotgun, and he himself was clubbed so hard on his arm that he fled down to the strong, reassuring Mississippi river. But Dr King had planned another march for April 8th, and on the 3rd at Mason Temple the sanitation workers with their supporters squeezed in to hear him speak.

Mr Nickleberry never forgot that day. The speech was all about the change black people could make, even when they felt helpless. They could make a difference—he could make a difference—simply by not drinking Coca-Cola and not eating Wonder Bread, both made by companies with unfair hiring policies. The end, though, was the most extraordinary part, where Dr King spoke with a real voice of power: when he talked of letting justice roll down like waters, and said he had been to the mountaintop and seen the promised land. It was as if he knew something was going to happen, because the next day he was shot at the Lorraine Motel.

The world's eyes turned to Memphis then. Within a month, the shamed city agreed to give Mr Nickleberry and the others a fair amount of what they had been asking for. He got 15 cents more an hour, shoes, a uniform and a depot bathroom he was allowed to use. Even the trucks were new. He kept working there well into his 80s, partly needing the money, but confident that he was respected now. It was Dr King who had achieved this, and he felt tears ever afterwards when he thought of that. Someone had come from out of town to fight for them; thanks to him, the kicked-around "boys" had become men. And more than men: because, with him, they had climbed the mountain and glimpsed the promised land. ■

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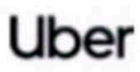

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