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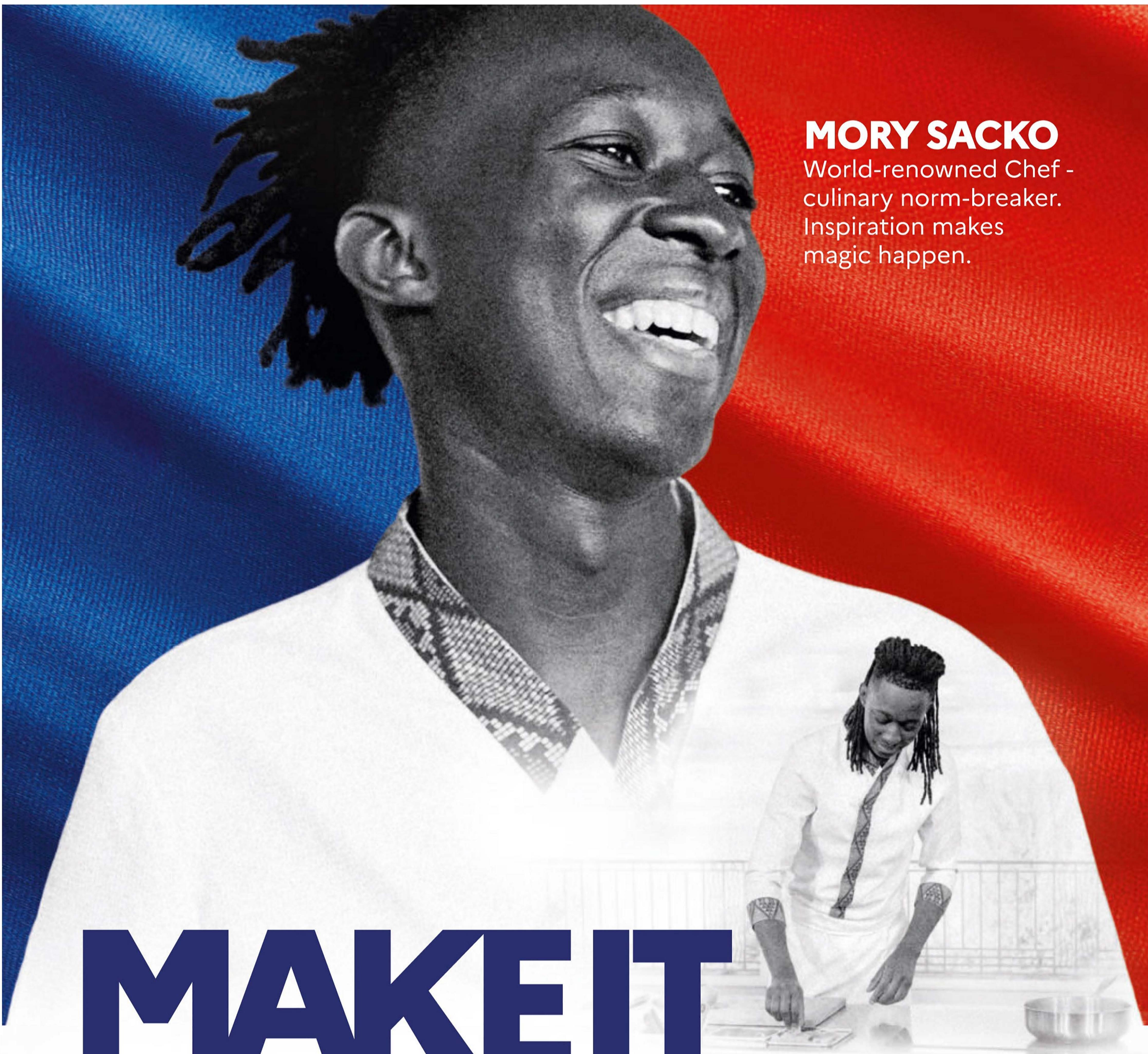
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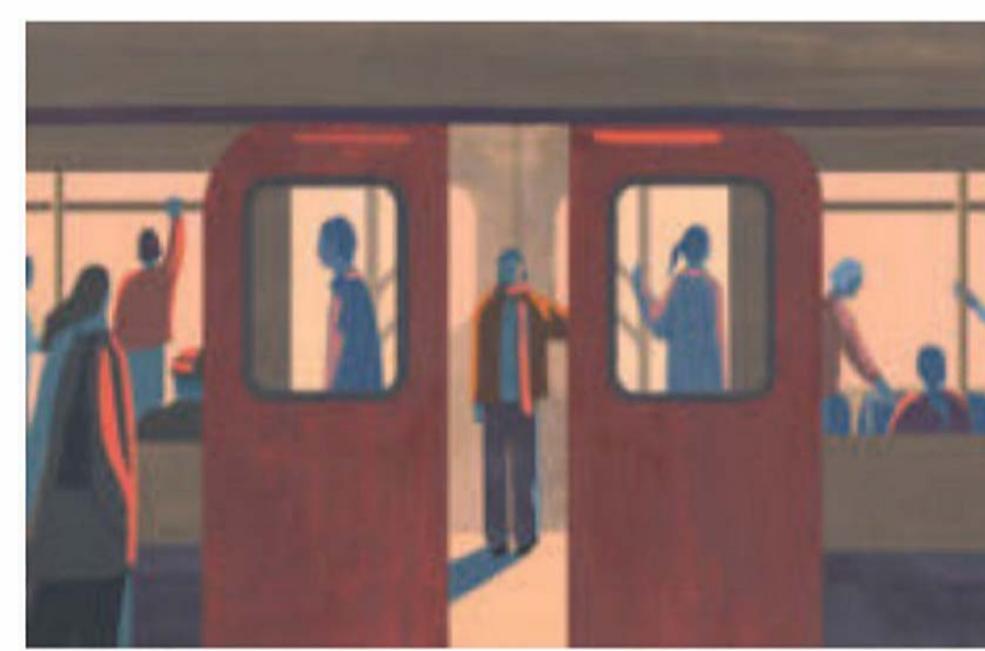


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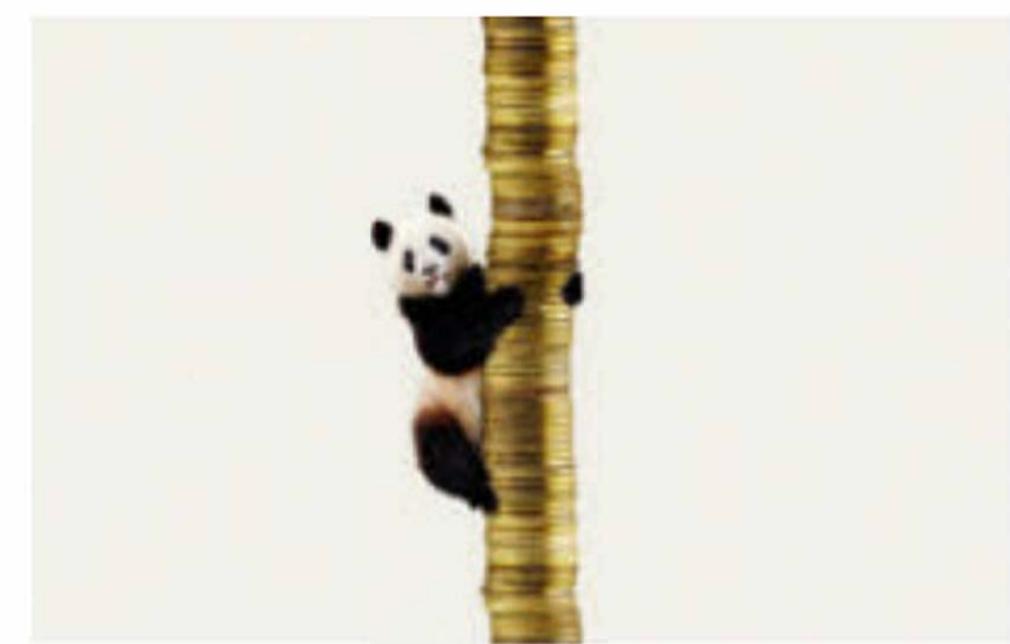
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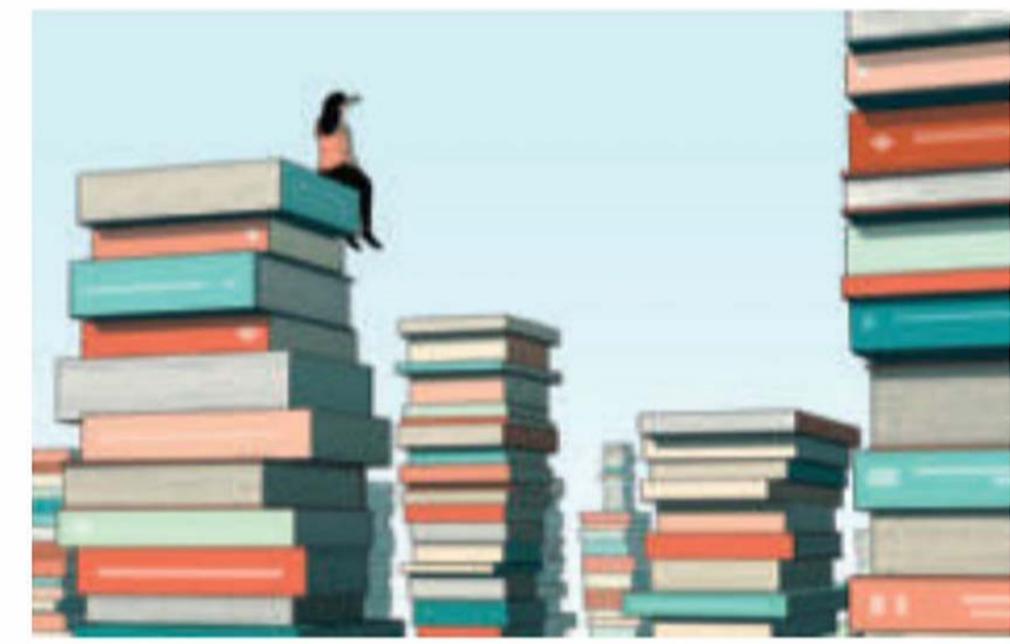
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IONIQ 5, 2022 World Car of the Year

Hyundai introduces the IONIQ 5 robotaxi.

The IONIQ 5 is proven worldwide for its prowess in electrification and sustainability.

With its global award-winning DNA, Hyundai now begins a pivotal journey with the IONIQ 5 robotaxi, a level 4 autonomous vehicle that can drive without a driver.

More than 30 sensors including LiDAR, and a computing system allows the robotaxi to detect 360° and make optimal decisions. Hyundai is beginning production of the IONIQ 5 robotaxi, which is set to launch in Las Vegas during the first half of 2024.

Computer generated images shown, and actual production model may vary.
The vehicle is not available for purchase.

 HYUNDAI



Israel brought its fight against **Hamas** to southern Gaza, encircling Khan Younis, where Hamas has consolidated its position after losing control of northern Gaza. Israeli warplanes stepped up their bombardment of the Palestinian strip. The fighting resumed after the collapse of a week-long ceasefire, which America and Israel blamed on Hamas for breaking its promise to release more hostages, firing rockets while the truce was in place and killing civilians in an attack in Jerusalem. With battles raging in the area where Gazans had sought shelter, concerns grew about civilian casualties. Hospitals are said to be running low on fuel and medical supplies.

America imposed visa sanctions on extremist **Israeli settlers** who are involved in attacks on Palestinians in the West Bank. Antony Blinken, America's secretary of state, has pressed the Israeli government to do more to hold settlers who commit violence accountable for their actions.

Vladimir Putin visited Saudi Arabia and the United Arab Emirates, where he discussed oil (Russia is a big contributor to OPEC+) and business (the UAE is a hub for Russian business dealings). Mr Putin was also set to meet Iran's president, Ebrahim Raisi, in Moscow. Iran supplies drones to Russia for its war on Ukraine.

The military junta in **Niger** scrapped its military partnership with the European Union, which had been helping it fight against jihadists. Niger's defence ministry said his country wants closer military co-operation with Russia.

The death toll rose from flooding in Tanzania. Some 300 people in **east Africa** have died recently, half of them in Kenya, in floods and landslides related to the El Niño climate pattern, which is causing unusually heavy rains in the region.

Nigeria's air force killed at least 85 civilians when it mistakenly bombed a religious gathering in the northern state of Kaduna. The government has been battling jihadists and armed groups of bandits, who have terrorised large parts of the north.

Nicolás Maduro, **Venezuela's** autocratic president, held a referendum asking voters if they wanted to annex two-thirds of neighbouring **Guyana**, which has benefited from discoveries of huge oil reserves. The exercise was skewed in favour of a yes vote as there was no official "no" campaign. The electoral authority claimed that over 10m people voted, an unlikely figure, given that few were seen at polling-stations. Even so, Brazil sent troops and 16 armoured vehicles to the border with Venezuela.

I'm away from my desk

Nayib Bukele stepped back from the presidency of **El Salvador** to campaign for elections in February. The country's constitution bars a second consecutive term, but the Bukele-appointed Supreme Court ruled in 2021 that he could run again if he was out of the post for six months before the inauguration, which takes place on June 1st. Mr Bukele has left his secretary in charge.

Javier Milei, a libertarian economist who takes office as **Argentina's** president on December 10th, selected most of his cabinet. The appointments of Luis Caputo as economy minister and Santiago Bausili as central bank chief, two technocrats from a former centre-right administration, signalled that Mr Milei's flagship plan of dollarisation would be put on hold.

The **Republicans'** majority in America's House of Representatives narrowed to just three, when George Santos was expelled as a member, only the sixth congressman ever to meet that fate, amid charges of unlawful conduct. A special election will be held in his marginal Long Island district. Meanwhile Kevin McCarthy, who was ousted as speaker in October, said he would leave the House by the end of the year. He represents a safe Republican seat in California.

Republicans in the American Senate blocked a bill to provide more military support to **Ukraine**. The legislation became entangled in a row over migration, as the Republicans tied their support for the bill to stricter border measures, which Democrats rejected. Volodymyr Zelensky, Ukraine's president, cancelled a speech to Congress via video link amid the row. Before the vote the White House's budget director warned that cutting aid would "kneecap Ukraine on the battlefield".

The **European Union's** home affairs commissioner warned of a "huge risk" of terrorists carrying out attacks in the region over the Christmas period. Ylva Johansson was speaking after a supporter of Islamic State stabbed a man to death and wounded two other people near the Eiffel Tower in Paris. He had previously served time in prison for plotting another attack. Ms Johansson said the conflict in Gaza was polarising society, and increasing the risk of terrorism.

America signed a defence co-operation agreement with **Sweden**, describing the country as a "strong, capable defence partner that champions NATO's values". The Hungarian and Turkish parliaments have still not ratified Sweden's NATO membership.

The EU criticised the **Russian** Supreme Court's decision to outlaw the "international LGBT public movement" for supposed extremism. The ruling

imperils those few gay organisations that have dared to still operate in Russia.

Germany's coalition government scrambled to resolve a budget crisis caused by the Constitutional Court striking down its spending plans because they increased the federal debt. The government has been left with a spending shortfall of €60bn (\$65bn) for this year, and time is running out to present a revised budget to parliament.

Police in the **Philippines** said that two supporters of Islamic State were suspected of being behind the bombing of a Catholic mass in the city of Marawi, killing four people. In 2017 a pro-is group took command of Marawi for five months as it battled the country's army, which eventually regained control.



At least 22 climbers were killed when **Indonesia's** Mount Marapi volcano erupted. The volcano emitted a 3km-high cloud, covering nearby villages in ash.

Finding a place to stay

Britain's ruling Conservatives were embroiled in fresh turmoil, after the immigration minister resigned in protest against an emergency bill that classifies Rwanda as a safe country in order to send illegal migrants there. The minister said the bill did not go far enough in deterring migration; the government insisted it tackled the recent objections to the policy raised by Britain's Supreme Court. Rumours swirled that the bill might turn into a confidence vote on the government.

ByteDance has offered to buy back stock from investors, according to reports, in a proposal that values the owner of the TikTok and Douyin platforms somewhere between \$260bn and \$268bn. That is about 10% less than what the firm was reportedly worth a year ago in a separate buy-back plan. ByteDance is still the world's most valuable startup and one of the most valuable firms in China. It has toyed with listing on the Hong Kong stockmarket several times.

Meanwhile, a federal judge imposed an injunction against **Montana's** statewide ban on **TikTok**. The ban was supposed to come into force in January, but the judge found that Montana was focused on "targeting China's ostensible role in TikTok", and that foreign policy "is not an important Montana state interest". The ban had been challenged by TikTok and free-speech advocates. Montana described the injunction as "a preliminary matter" in an ongoing process in which it would present "a complete legal argument" to the court.

China has started operating the world's first "fourth-generation" **nuclear reactor**, according to state media. The coastal plant in China's Shandong province generates power through a HTR-PM high-temperature, gas-cooled reactor, based on a modular design. Over the past ten years China has added 37 nuclear reactors to its energy mix (America has added two) and is aiming to install between another six and eight a year.

British American Tobacco said it would take an impairment charge of around £25bn (\$31.5bn), as it writes down the carry value of its cigarette assets over the next 30 years. The company, which counts Dunhill, Kent and Lucky Strike among its brands, aims to get half its revenue from smokeless products by 2035.

Procter & Gamble also booked an impairment charge, on the value of **Gillette**, which it

acquired almost two decades ago. The conglomerate is writing off \$1.3bn from the male shaving-and-grooming business in the current quarter, which comes on top of the \$8bn it wrote down in 2019. Gillette has struggled to compete against razor-sharp marketing from upstarts such as Dollar Shave Club and Harry's.

Return to never-ever land

Disney was forced to defend its business strategy, after Nelson Peltz launched a fresh proxy fight to gain a seat on the company's board. In February Mr Peltz's hedge fund, Trian Partners, backed down from its battle to get a board seat, saying that Disney's restructuring plan, which included 7,000 job losses, did "everything we wanted them to do". But Mr Peltz now says that, since giving Disney the opportunity to "right the ship", shareholders have lost \$70bn in value. Disney responded by saying it is in the middle of a "significant transformation".

The price of **bitcoin** surged past \$44,000, its highest level in 20 months. It was boosted in part by investors betting that central banks will cut interest rates next year, which makes riskier assets more

attractive. **Gold**, another asset that does well when interest rates are lower, hit a record high of \$2,135 a troy ounce.



The bullish mood on rate cuts spurred investors to push up **stockmarkets**. On December 1st the S&P 500 and the Dow Jones industrial average closed at their highest points this year (though they fell back in subsequent trading). The NASDAQ composite has not been as buoyant these past few weeks, but it has still risen by more than 35% this year.

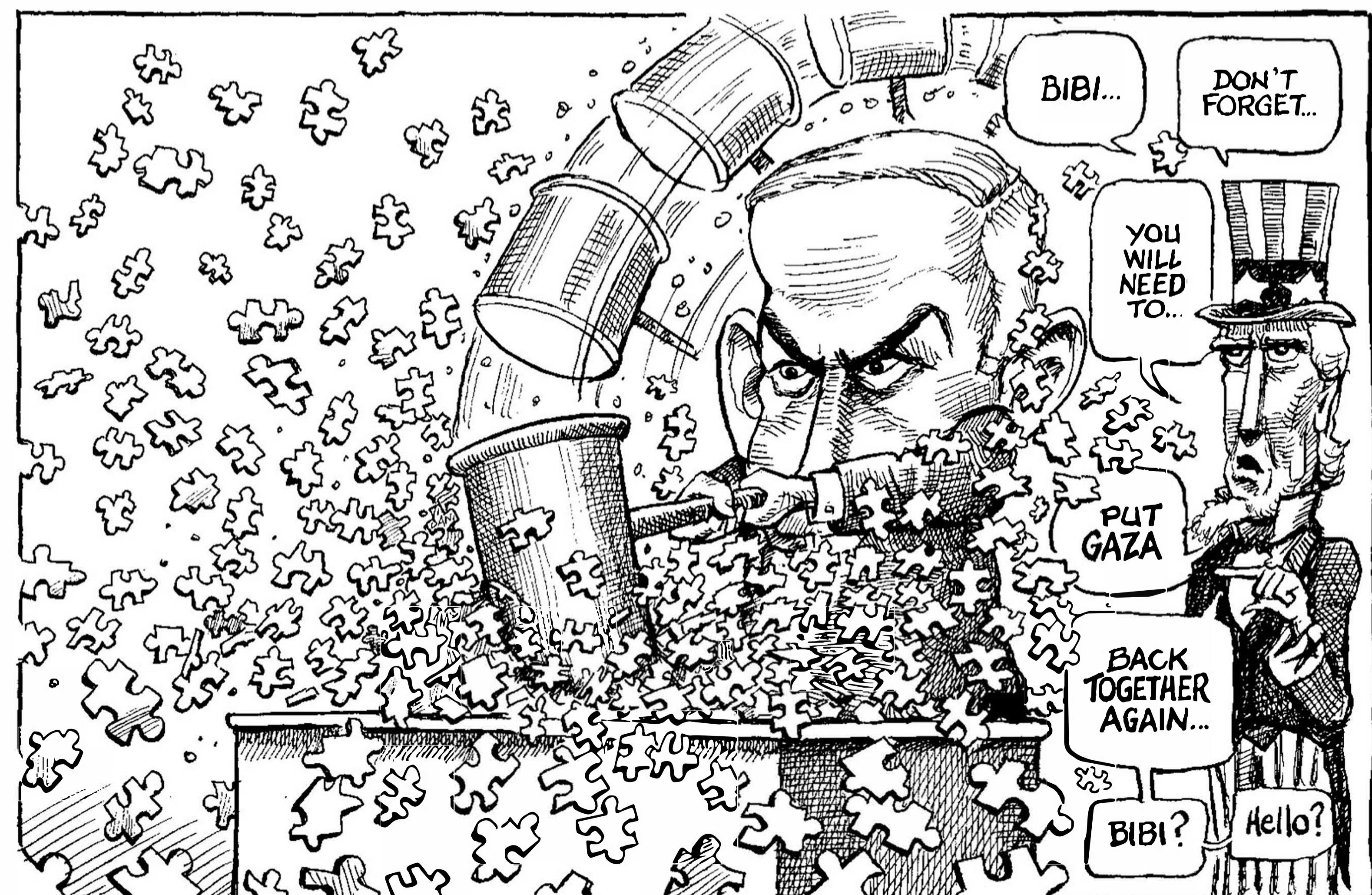
Australia's economy grew by 2.1% in the third quarter on an annual basis, but was just 0.2% bigger than over the previous three months. The quarter-on-quarter rate came in below forecasts and was the slowest pace in a year. Household spending was flat in the Lucky Country, as inflation, interest rates and the end of a tax-offset

scheme took their toll on personal finances.

Spotify decided to cut 1,500 jobs, its third and largest round of lay-offs this year. The music-streaming giant admitted that it hired too many employees in 2020 and 2021 when it "took advantage of the opportunity presented by lower-cost capital", but it thanked those who were being shown the door for "sharing your talents with us".

Virtual reality

After being warned about "greenwashing", companies are now being told not to engage in **AI-washing**, or claiming a product or service has been created with artificial intelligence when it has not. Gary Gensler, the chairman of America's Securities and Exchange Commission, reminded firms that by law they are required to make "truthful" disclosures regarding their use of AI. Examples abound, but include a business that falsely claimed it had used "AI machine learning" to maximise revenues (some investors lost their life savings) and a startup that said it deployed AI to develop mobile apps (the work was mostly done by staff in India).



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How peace is possible

Do not dwell on the many ways a peace process can go wrong, but on bolstering the real possibility that it goes right

IF YOU WANT to understand how desperately Israelis and Palestinians need peace, consider what would become of them in a state of perpetual war. Against a vastly superior Israeli army, the Palestinians' most powerful weapon would remain the death and suffering of their own people. Israel's fate would be woeful, too, if it wants to be a flourishing, modern democracy. If Israel permanently relies on its army to subjugate the Palestinians, it would become an apartheid-enforcing pariah. Israelis carrying out daily acts of oppression punctuated by rounds of killing would themselves be corrupted. For two peoples locked in a violent embrace, peace is the only deliverance.

But how to get there? Israelis are still reeling from the rape and murder of October 7th; Palestinians are watching the mangled bodies of women and children pile up in Gaza. Amid the carnage, outsiders' urging of peace seems naive. Besides, jaded Palestinians and Israelis see endless talks as a mechanism for delaying peace, not forging it. Negotiators in the past have thrashed out almost every imaginable permutation of land swaps and security arrangements (see briefing). All failed.

And yet something changed after October 7th. Israel's strategy of marginalising the Palestinians and their dreams is broken. Both sides have a chance to find new leaders with a new vision. And after years of neglect, outsiders may be ready to help, crucially including a group of Arab countries. They must not fall into the trap of thinking that peace requires sweating the detail yet again. Success depends on the two sides wanting peace and—much harder—believing in it.

If the fighting is to make any sense it must lead to peace, which means two nations living side by side. Israel's bombardment has killed over 16,000 Palestinians, including Hamas fighters. Although some Palestinians have been radicalised by that and the daily humiliations of occupation, many detest Hamas and its unwinnable wars and would live with Israel if they could prosper. So long as the men with guns do not get in their way, those people will seek peace. Israel, too, needs a new strategy. The old one failed to fulfil the state's basic promise to create a land safe for Jews; 1,400 people were killed or kidnapped by Hamas, hundreds of thousands more have been evacuated.

Peace also requires new leaders, because the present ones are discredited. In Israel Binyamin Netanyahu is an obstacle to a genuine reconciliation, the sooner he goes the better. America could usefully signal that it expects Israel to hold elections soon. Polls suggest that he will be replaced by Benny Gantz, a former general who understands the toll of war. Mr Gantz has not endorsed a Palestinian state, but neither has he ruled one out.

New Palestinian leadership is needed, too. Hamas is an avowed enemy of peace: for as long as it runs Gaza, Palestinian pledges to embrace peace will not be believable. On the West Bank, Mahmoud Abbas, who runs the Palestinian Authority (PA), is corrupt, ossified and lacks any democratic legitimacy. Amid the rubble of war, Gaza will need time to rebuild and re-establish some kind of stable administration. Moderate Arab countries should sponsor a transitional Palestinian leadership for the

West Bank and Gaza that can begin building trust among its own people and, vitally, with the Israelis, before holding elections. By running both Gaza and the West Bank, it would become a more credible partner for peace.

That leads to the process. The Oslo accords, marked in 1993 with a wary handshake on the White House lawn, left the hardest details until last. Every inch of progress had to be wrung out of the two sides. This sapped belief that success was possible.

A new process must make early progress. Both sides will have to take on their own extremists, who would sabotage coexistence. The PA must shut down armed groups, foil terrorists and tackle corruption. Boosting the economy demands numerous agreements with Israel over trade, utilities and work permits. Palestinians need to know they are gaining freedoms and rights.

Land swaps can wait, but Israel should deal with the settlements too deep in the West Bank ever to be part of Israel. It must start policing them and stop them from expanding further. It needs to be clear that the 100,000 or so settlers who live in them will eventually have to move or come under Palestinian rule.

This is too hard for the Israelis and Palestinians to do on their own, so the outside world must be involved. Under Oslo, America was the sponsor, but it struggled to exert pressure on Israel, which can muster formidable support in Congress.

This time, the Arab world should play a decisive role. Under the Abraham accords, negotiated during the Trump administration, several countries recognised Israel. That was part of a vision for the Middle East based around trade and prosperity rather than ideology. Their money will be required to rebuild Gaza. Their soldiers can help provide security when Israel leaves the strip, which should happen as early

as possible. If they work together, they can starve Hamas of money and shelter, diverting funds to reconstruction instead. Their heft can give a transitional Palestinian leader diplomatic cover while he establishes himself and his administration.

The key is early pressure exerted by America and Saudi Arabia on Israel and the Palestinians. The PA argues that peace could be kick-started if America and the European Union sent Israel a signal by recognising a Palestinian state upfront—an idea endorsed by Spain, which holds the EU presidency. America should fulfil its promise to open a diplomatic mission for the Palestinians in Jerusalem. But full recognition of Palestine by the West and of Israel by Saudi Arabia should be held out as rewards for the future, as an incentive for progress.

Time for that is short. Israel's anti-Palestinian right will remain strong. Once this government falls, the next may have only a single term to rekindle Israelis' faith that peace is possible. In the PA a new leader will face enemies who got fat under today's rotten system. Whatever remains of Hamas will seek to wreck peace, as will Iran and its proxies, who thrive on chaos and strife. The Biden administration may be willing to press Israel; a Trump administration might not. If permanent war is not to ruin two nations, Israelis, Palestinians and all who cherish them must seize the moment. ■



Britain

Britain's mental-health mess

Too many mild cases are being medicalised; too many severe ones ignored

FOR A PLACE with a reputation for buttoned-up stoicism, Britain is remarkably open about mental health. The British are more likely than people in any other rich country to think that mental illness is a disease like any other. Only the Swedes are more accepting of the idea that a history of mental-health problems should not disqualify someone from public office. The importance of good mental health is a cause vigorously championed by everyone from the Princess of Wales to the opposition leader, Sir Keir Starmer; employers preach the gospel of well-being. Britons were once encouraged to hide their feelings; now they are urged to seek support.

Much of the rich world has struggled with rising rates of self-reported mental-health problems, particularly since the covid-19 pandemic. But the numbers in Britain are startling. Around 4.5m Britons were in contact with mental-health services in 2021-22, a rise of almost 1m in five years. In the past decade no other European country has seen a greater increase in the use of antidepressants. A National Health Service (NHS) survey in 2023 found that one in five 8- to 16-year-olds in England had a probable mental disorder, up from one in eight in 2017. In 17- to 19-year-olds the figure had increased from one in ten to one in four. The number of people who are out of work with mental-health conditions has risen by a third between 2019 and 2023.

It is good that people do not feel they must bottle things up and the suffering from mental illnesses is real. Awareness of mental health has diminished the stigma of some conditions and revealed that many Britons' needs are not met. But awareness has caused damage, too.

For all their good intentions, campaigns intended to raise awareness are leading some people to conflate normal responses to life's difficulties with mental-health disorders. Special treatment creates incentives for people to seek diagnoses and to medicalise problems unnecessarily. The need to treat people with milder conditions competes with care for those who have the most severe ones (see Britain section).

Start with the idea that mental health has become a catch-all term. The sheer proportions of people who say they have a disorder is a red flag. Some 57% of university students claim to suffer from a mental-health issue; over three-quarters of parents with school-age children sought help or advice over their child's mental health in 2021-22. In surveys Britons increasingly describe grief and stress as mental illnesses, redefining how sickness is understood. Most conditions do not yet have objective biomarkers, so self-reported symptoms weigh heavily in official statistics and in diagnostic processes.

People have incentives to label mild forms of distress as a disorder. In 2022 more than a quarter of 16- and 18-year-olds in British schools were given extra time in official exams because of a health condition. Evidence of a mental-health problem can unlock welfare payments. Certification need not come from an NHS doctor: plenty of private clinics stand ready to provide it. Firms may prefer to label stress a disorder rather than deal with the consequences of acknowledging that working conditions

are poor (the World Health Organisation implies that good management is the best way to protect mental health in the workplace). The highest rates of diagnosed depression occur among England's poorest people, but the government probably prefers prescribing antidepressants to trying to solve poverty.

Medicalising mild distress may not benefit patients. One study of mindfulness courses in 84 British schools found that normal teaching was just as good for mental health. But the great harm from overdiagnosis is to those who most need help.

The NHS, in theory, is able to triage patients by need. In practice, a service that has long been understaffed and poorly organised is struggling with surging demand. The number of young people in contact with mental-health services has expanded at more than three and a half times the rate of the workforce in child and adolescent psychiatry. A 22% increase in the overall mental-health workforce in the five years to 2021-22 could never have matched a 44% increase in referrals for all patients. At least 1.8m people are waiting for mental-health treatment.

Increased demand is driving staff into private practice. Clinicians burned out from dealing with the most severe NHS cases can earn as much as £1,000 (\$1,265) a session conducting assessments of attention-deficit hyperactivity disorder. The NHS has only 6% more consultant psychiatrists than a decade ago, com-

pared with 86% more consultants in emergency medicine. The police pick up some of the pieces—officers in England spend around 1m hours a year with mental-health patients in accident-and-emergency departments—but that is not treatment. Even as awareness of mental-health conditions rises, outcomes for people with severe mental illnesses, such as bipolar disorder and schizophrenia, are worsening; they die 15-20 years earlier than the rest of the population, a gap that was widening before covid-19 and was exacerbated by it.

Rethinking Britain's approach to mental health requires several changes. More money should go on research so that individuals are treated appropriately; mental disorders absorb 9% of England's health budget but 6% of medical-research funding. The social causes of mental illness should also receive more attention. Earlier this year the government shelved an ambitious plan to look at the underlying context for mental disorders, from poverty to isolation; that plan should be revived. More time and effort should be devoted to those most in need of help; reforming the Mental Health Act, a punitive law that still criminalises the mentally ill, would be a start.

Causes and affect

Above all, Britain needs to avoid the mass medicalisation of mild forms of distress. Funnelling people into an overstretched health-care system is having predictable effects. All suffering should be taken seriously, but a diagnosis is not always in someone's best interests; one recent piece of research found that volunteers were happier when they learned to suppress negative thoughts. Britain has become more compassionate about mental health. It needs to become more thoughtful, too. ■



The Republican primary contest

A race for second place

Our poll tracker suggests that the competition behind Donald Trump is coming to a head

AS A HORSE race, the contest to be the Republican Party's nominee for president is as much of a walkover as they come. Donald Trump has been far ahead all year, and his lead has steadily lengthened. As our new poll tracker shows, the gap between the former president and his closest challenger, Ron DeSantis, Florida's governor, has grown from 14 percentage points to a seemingly unassailable 51 points (see United States section). With Iowa's big night less than six weeks away, it looks all over bar the caucusing. And if he wins his party's nomination, Mr Trump would have a good chance of returning to the White House. Analysts at home and abroad are rightly starting to get their minds round what a second Trump term might mean.

However, just as in a horse race, the primaries' front-runner can stumble, or be tripped up by the voters in Iowa and New Hampshire. In Mr Trump's case, his legal troubles—including four criminal trials and 91 felony charges—could start to look like a threat in the general election. Concerns over candidates' ability to last the course have understandably centred on the 81-year-old, gaffe-prone President Joe Biden. But the more vigorous-looking Mr Trump is only four years younger and you cannot rule out that a health scare will afflict such a short-fused burger enthusiast. Momentum in politics can change, and a dead-cert can suddenly start losing ground.

For all these reasons, although the nomination looks like Mr Trump's to lose, it is worth keeping an eye on the race far behind him. Contenders have started to drop out, including Mike Pence, Mr Trump's former vice-president. A fresher face, Vivek Ramaswamy, an entrepreneur, managed a mini-spurt over the summer but has since fallen back. As the field narrows, it is becoming more interesting. Heading towards election year, the struggle to be Mr Trump's main challenger is between two credible

candidates: Mr DeSantis and Nikki Haley, a former governor of South Carolina who served as Mr Trump's ambassador to the UN.

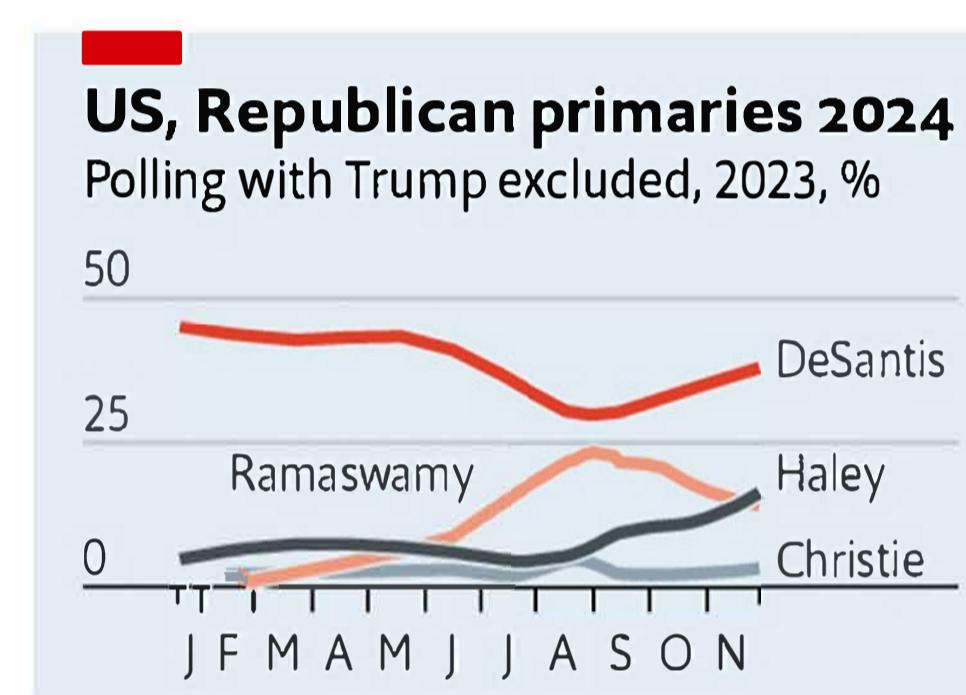
Ms Haley has been on something of a roll. In the absence of Mr Trump, she has stood out in candidate debates (calling Mr Ramaswamy "scum" in Miami last month), and predictably came under attack from the diminished field of just three rivals at the latest one on December 6th. "I love all the attention, fellas," she said. She has won the endorsement of the wealthy political network founded by the Koch brothers. According to our poll tracker, she has risen to within one percentage point of Mr DeSantis, at 11% to the Florida governor's 12%. Betting markets suggest that she has already overtaken him, with on average a 13% chance of

winning the nomination, compared with just 6% for the wooden, unconvincing Mr DeSantis.

However, Florida's governor still has some running in him. His dismal form for most of the year has meant that his support has slumped by more than 20 points. But he mustered a combative performance in another recent televised debate, this time with Gavin Newsom, the Democratic governor of California. And, in-

triguingly, our tracker shows him well ahead of Ms Haley in the polling of Republican voters' second preferences—the candidate they would favour should Mr Trump drop out. Those polls suggest that, were that to happen, Mr DeSantis would pick up much of the former president's support, giving him more than double the backing of Ms Haley.

The tussle far behind Mr Trump looks like a sideshow, given his commanding lead. But if he falters, the Republican primary is not the only one that would suddenly become compelling. Mr Biden let slip at a fundraising event this week that "If Trump wasn't running, I'm not sure I'd be running." Rarely are presidential races so certain and so uncertain at the same time. ■



The Treasury market

Gensler v Griffin

By bashing hedge funds, America's regulators could cost taxpayers money

THERE IS NO more important financial market than American government debt, and it is growing fast. In the 12 months to October the Treasury, on net, issued \$2.2trn in bills and bonds, worth 8% of GDP, to fund America's gaping deficit. Adding to the supply, the Federal Reserve has shrunk its own portfolio of Treasuries by nearly \$1trn since mid-2022. Foreign demand is flat, meaning the Treasury increasingly needs big asset managers and hedge funds to buy its debt (see Finance & economics section). That is worrying some regulators. Could capricious hedges shake the foundation of the global financial system?

One concern is the "basis trade". This is when hedge funds exploit small gaps in price between futures contracts on Treasuries, which they sell to asset managers, and the bonds them-

selves, which they buy. Making money this way requires high leverage, so hedge funds borrow from banks, posting Treasuries as collateral. By one estimate, in December 2022 they owed \$553bn this way and the trades were leveraged at a ratio of 56 to 1.

Gary Gensler, chairman of the Securities and Exchange Commission, has called generous lending to hedge funds the biggest source of risk in the financial system, and said that the public will pay the price if things go wrong. Regulators are studying how to overhaul the market. Some ideas on the table, such as a compulsory 2% haircut on Treasuries posted as collateral, have vexed the masters of the universe. Ken Griffin, head of Citadel, has said that fear of the basis trade is "utterly beyond me".

Who is right? Loans to hedge funds do not much threaten ►

► banks, which have the security of the bond if they are not paid back. Instead the chief worry is that a failure of a large hedge fund could set off a repeat of the “dash for cash” at the start of the covid-19 pandemic, in which investors dumped Treasuries; or the doom loop that struck Britain’s bond market in September 2022, in which falling bond prices forced pension funds to sell bonds, further pushing down prices. These fire sales were resolved only when central bankers bought bonds at scale.

The interventions were dramatic, but they did not expose taxpayers to much danger. Unlike lending to banks or firms, public debt bought by central banks does not involve credit risk for taxpayers, who become both borrower and lender. Fire sales caused by financial rather than fundamental factors in effect result in the central bank buying back government bonds on the cheap. The Bank of England made a £3.8bn (\$4.8bn) profit on its purchases, a return of 20% in a matter of months.

The trouble comes when central banks fail to contain the panic or stay in the market long after it has stabilised. After the dash for cash, central banks’ goals switched from financial stability to monetary stimulus. They amassed huge portfolios of

long-term bonds which have fallen in value as interest rates have risen. At the end of September the Fed’s mark-to-market losses on its portfolio of Treasuries stood at nearly \$800bn. Ultimately, these losses pass through to the Treasury.

First, do no harm

Provided central banks get in and out of the market quickly, though, there is nothing untoward about stopping fire sales of sovereign debt. Indeed, knowing central bankers can act should create a more liquid market, which will help keep bond yields low and well-behaved. Unfortunately some of the rules proposed by Mr Gensler making borrowing for hedge funds more expensive by imposing haircuts on their collateral would do the opposite. If it becomes too costly for hedge funds to trade, the interest expenses on \$26trn of outstanding debt will rise over time. The status quo is not perfect; some of the ideas for reform, such as replacing the market’s intermediaries with a centralised exchange, have merit. But when playing with vast sums it is not just hedge funds that can make errors. Regulators must tread with care, too. ■

Decarbonisation

Power trip

Expanding renewable-energy capacity is becoming worryingly hard

IF THE WORLD is to decarbonise, then more clean energy is needed, fast. Nearly everyone at the UN’s annual climate summit, which is being held in Dubai, seems to agree with the sentiment: delegates from 118 countries have pledged to raise global renewable-energy capacity to 11,000 gigawatts (GW) by 2030, up from 3,400GW last year. But the task of adding roughly 1,000GW every year—almost as much as the entire generating capacity of America—looks increasingly daunting.

Despite record investment in renewables in the first half of the year, the industry is under strain (see Business section). Wind-turbine supply chains have struggled as manufacturers rushed out bigger and more powerful models. Last month Siemens Energy was rescued by a loan guarantee from the German government. Rising costs, caused partly by higher interest rates, have led developers to abandon once-profitable projects. Five offshore-wind developments have been cancelled in America this year.

There is a bigger problem, too. At a meagre 6%, the average return on capital for solar and wind developers will not entice the \$8trn or so of investment needed over the rest of this decade to honour the 11,000GW pledge. One obstacle is slow approval, which delays projects for years and can needlessly tie up capital, lowering returns. In September, in a bid to speed up permits, the European Parliament designated the development of renewables to be of “overriding public interest”. Yet such diktats have not worked in the past; European Union rules already require permitting to take no longer than two years, a limit that member states often breach. Reforms to federal permitting have been proposed in America, but will do little to ease delays at the state or local level. Better to streamline approvals across all tiers of government.

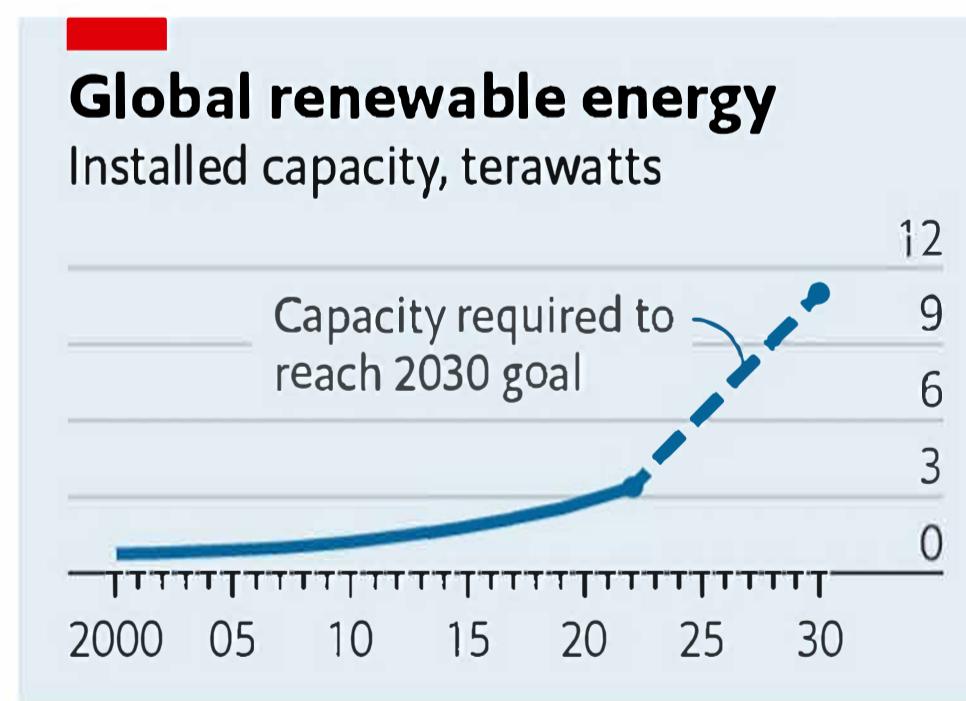
Another obstacle is that, not counting China, too little devel-

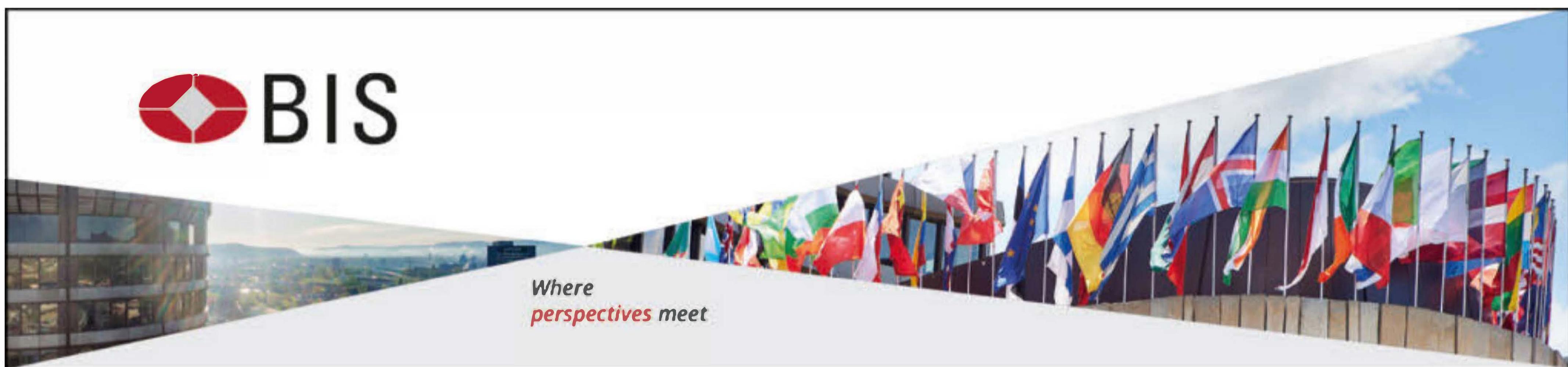
opment is happening in the global south, even though the demand for electricity there is surging. Investors want a premium when putting money to work in emerging markets. One fix is to blend in government funding that takes on some of the risk. That is the idea behind the Just Energy Transition Partnerships, which Western governments have set up over the past two years, and the \$30bn climate fund announced by the United Arab Emirates on December 1st. Yet the sums involved remain too small, and earlier deals have been beset by backsliding and delays.

A last obstacle is protectionism, which raises costs and threatens shortages. Solar panels are already more than twice as expensive in America as elsewhere, mostly owing to anti-dumping duties on Chinese suppliers. From June 2024, those duties will also apply to some South-East Asian suppliers deemed to be redirecting Chinese products. The Inflation Reduction Act incentivises the use of pricier home-made components even though their makers will struggle to supply enough of them (see Finance & economics section).

America is not alone. Last month the European Parliament passed the Net Zero Industry Act, which sets domestic-content thresholds for bidders in public auctions. The European Commission is considering investigating Chinese turbine-makers, which it sees as a threat to local industry because their wares are much cheaper. India, too, plans to tighten local-content rules for solar projects.

Rather than micromanaging production, governments should unleash investment, by acting boldly to strip back permitting rules and ease the risk of projects in the global south. They also need to face up to the fact that protectionism frustrates their climate goals. It leads to lower returns, higher prices for power and more broken promises over decarbonisation. ■





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Solar geoengineering

Your article on the push to develop solar geoengineering was remiss in failing to highlight the biggest risk of the technology: the shock of terminating it ("Darkening the sun", November 25th). Carbon dioxide, once released into the atmosphere, has a warming effect that spans millennia, whereas even stratospheric particles fall out of the atmosphere after a year or two. That means that if one comes to rely on solar geoengineering to prevent a dangerous level of warming, one is committing humanity to maintaining the deployment flawlessly over untold future generations, lest a cessation in the process leads to a catastrophic rapid warming. And if deployment is used as an excuse to continue emitting carbon, which is a probable consequence of human nature, each year would require a greater degree of solar geoengineering, incurring an ever-increasing magnitude of potential termination shock.

Some proponents say that sucking carbon out of the air will save us from a dangerous millennial commitment, but to rely on such technology to provide an exit strategy before it exists at anything like the required scale is the height of foolishness. Proponents also play the "it's only research" card, but neglect the fact that much of the proposed research develops the technology for deployment, and once the technology is out in the wild, it will not be the researchers, however well intentioned, who will control the decision about deployment.

RAYMOND T. PIERREHUMBERT
Professor of physics
University of Oxford

Accounting for emissions

Mark Carney correctly identifies data as the first in his list of priorities for tackling carbon emissions (By Invitation, November 24th). Data must be verifiable. In financial terms that means data must be auditable, which the carbon-data declaration process isn't.

Realising this, Robert Kaplan and Karthik Ramanna proposed in 2021 an auditable accounting system for carbon emissions. IDG Group, which provides security services to the UN, has piloted the system in Afghanistan, of all places. We have found that even the challenges in that country aren't a barrier to adopting Messrs Kaplan's and Ramanna's system, which they have called "e-liability".

We now have an approach to produce auditable figures for the carbon costs of the services we provide to the UN. The accuracy, particularly of our upstream Scope 3 data, will increase once our supply chain also uses this system. It is not burdensome to adopt. It works the same way as accounting for supply-chain financial costs and requires no special software or retraining of staff. When this auditable system becomes the accepted global standard for carbon declaration, investors and decision-makers will have the actual data that Mr Carney identifies as the critical first step to enable action and investment. Without it, the guessing and greenwashing will continue.

IAN GORDON
Chair
IDG Group
Dubai

The power of the mandarins

The solutions you proposed to the British Treasury's short-termism are themselves short-termist ("Treasury island", November 18th). Previous attempts to make Britain's finances focus on the long-term have all been, at best, only partly successful. Five-yearly spending reviews happen more than once every five years; the budget's welfare cap was breached, then fiddled with, then redesigned; "fixed" departmental budgets are raided to pay for other priorities (the former Department for International Development being the most high-profile example).

The Treasury is simply too powerful, and has proved that it cannot be trusted to tie its

own hands. Both Labour and the government would do well to accept the recommendation of Lord Maude in his recent review of the civil service and separate the budget functions of the Treasury into a separate department, as has happened in America, Australia, Canada and New Zealand.

The Treasury's overbearing power is only one manifestation of the hyper-centralisation that afflicts the British state. Britain's economic fundamentals are no worse than its European peers, yet from regional transport to housebuilding, it performs poorly. Grappling with these problems requires ending the entrenched centralisation of British decision-making and fiscal power. If breaking up a government department is too difficult, what hope is there for more ambitious reform?

JAMES WILSON
Canberra

It's fun to have a confab

The only thing worse than badly run meetings is somebody who doesn't stop complaining about them. Bartleby has a long-standing gripe with meetings (November 18th), but never thinks about how great they can be. Meetings are a chance for great minds to commiserate about the drudgery of their everyday lives. They are an opportunity to coalesce into a greater whole. And they give co-workers a chance to share a smile and find that maybe, just maybe, they have something in common. Instead of thought leaders haranguing us to "start on time and finish on time", why not remind your readers that meetings are an opportunity to bring work and life together, to turn that tiresome nine-to-five into something more.

CHRIS RYAN
Insurance defence counsel
Calgary, Canada

I have greatly enjoyed the podcast series "Boss Class" by the Bartleby columnist. The episode on running better meetings was particularly intriguing. It highlighted

Shopify's approach, and noted that the company's mass deletion of recurring emails at the start of this year resulted in a reported 14% drop in meetings and a bump in productivity. However, in May Shopify cut its workforce by 20% and offloaded its logistics arm. Fewer workers should translate into fewer gatherings. Suddenly Shopify's reduction in meetings looks less impressive.

ROSS WHITE
Atlanta

Double Dutch

You translated *bestaanszekerheid* to mean "income security" in Dutch ("The good gadfly", November 19th). Your translation is broadly right, but "certainty of existence" would be a more accurate meaning. Some Dutch words are nearly impossible to convert to English, but the political meaning of *bestaanszekerheid* is so equivocal that even Dutch people have little idea what it actually means.

ROELOF BREUKINK
Utrecht, Netherlands

Privy counsel

Xi Jinping could resolve a lot of his "toilet revolution" problems ("Bogged down", November 11th) by adopting a solution in the Santo Antônio district in the heart of Lisbon. A few months ago the old underground loos near the main square were transformed into a concert hall, seating just 12 people, and a gallery. The name given to this reincarnation of a public lavatory was WC 10m3. After attending a recent concert I suggested that they might want to consider renaming it "The Louvre" to attract more customers (I've yet to hear back).

HENRY ADLER
Lisbon

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More letters are available at: Economist.com/letters



Solution or delusion?

DUBAI AND JERUSALEM

Despite the war in Gaza, talk of a two-state solution will not go away

BRUTAL AND distressing, for sure, but perhaps the war between Israel and Hamas could also be an opportunity. That was how America's president saw it, at least. Though he backed Israel's right to defend itself, he argued that the fighting should be a wake-up call for Israelis and Palestinians alike. "The moment is ripe for both sides to realise that the path that they are on is one that is not going to result in prosperity and security for their people," he said in a televised interview.

The president, in this case, was a newly inaugurated Barack Obama almost 15 years ago. But it could just as well be Joe Biden today. History has a way of repeating itself in the Middle East. War in Gaza has once again led to talk of peace, which may seem far-fetched, given the massacre of more than 1,200 Israelis on October 7th and the subsequent killing of some 16,000 Palestinians during the Israeli assault on Gaza. The Holy Land has not seen this much bloodshed since Israel was founded in 1948. Peace has never seemed so far away.

Mr Biden hopes it will emerge nonethe-

less. "When this crisis is over, there has to be a vision of what comes next, and in our view it has to be a two-state solution," he said in October. At a conference in Bahrain in November, one Arab official after another offered a similar message. "We need to go back to a two-state solution, to an Israeli and Palestinian state living side by side," said Anwar Gargash, an adviser to the president of the United Arab Emirates (UAE).

Some see such talk as a fig leaf, intended to dispel misgivings about Western support for Israel and Arab inaction amid a horrifying war. After all, the 30-year peace process between Israelis and Palestinians is littered with failures. A revival of negotiations would be doomed from the start without, at the very least, three essential changes. First is new leadership. The political parties on either side of the current war in Gaza are the same ones that laboured to spoil the nascent peace process 30 years ago; they must go. Next is an effort to make the negotiations credible: both sides are ever more doubtful about the other's sincerity. Last, both sides need in-

centives to make a deal. Palestinians need to feel that their state is viable, and Israelis need to feel that theirs will be secure.

The two-state solution has been around, in one form or another, for almost a century. The United Nations adopted a partition plan for Palestine in 1947 that would have created two states, one Arab and one Jewish, with international control of Jerusalem. Arab states rejected it, Israel declared independence, and its neighbours promptly invaded.

After decades of conflict, Israelis and Palestinians began talks at a peace conference in Madrid in 1991. Then came the Oslo accords in 1993, which set a five-year deadline to create a Palestinian state and in the meantime established the Palestinian Authority (PA), a government of sorts, albeit with limited powers and jurisdiction over only part of the occupied territories. A string of failures followed: the summits at Camp David and Taba, the Bush administration's "road map for peace", Mr Obama's diplomacy. The last direct talks collapsed in 2014 and were never resuscitated.

Unattainable yet indestructible

All along, the outline of a two-state solution changed little. There would be a Palestinian state in Gaza and the West Bank—around 22% of the area of historic Palestine—with its capital in east Jerusalem. Israel would keep some settlements in the West Bank, in exchange for territorial swaps, and evacuate others. A token num- ►

►ber of refugees would be allowed to return to Israel and a greater number to Palestine.

The idea was once popular, but many have lost faith. Even before October 7th, only a third or so of Palestinians and Israeli Jews supported a two-state solution, down from almost half just five years ago (see chart). "Every failed process has a price tag," says Nimrod Novik, who was a foreign-policy adviser to Shimon Peres, an Israeli politician. "It reinforces the erroneous conclusion that it cannot be done." Since October 7th support for peace negotiations of any kind has plunged in Israel.

Despite the disillusionment, there is no clear alternative. Polls show both Israelis and Palestinians divided about how to end the conflict. Some hope for a "one-state solution" that would see them live in a single country with equal rights. Others support apartheid or ethnic cleansing (they disagree, of course, on who the victims of such an approach should be).

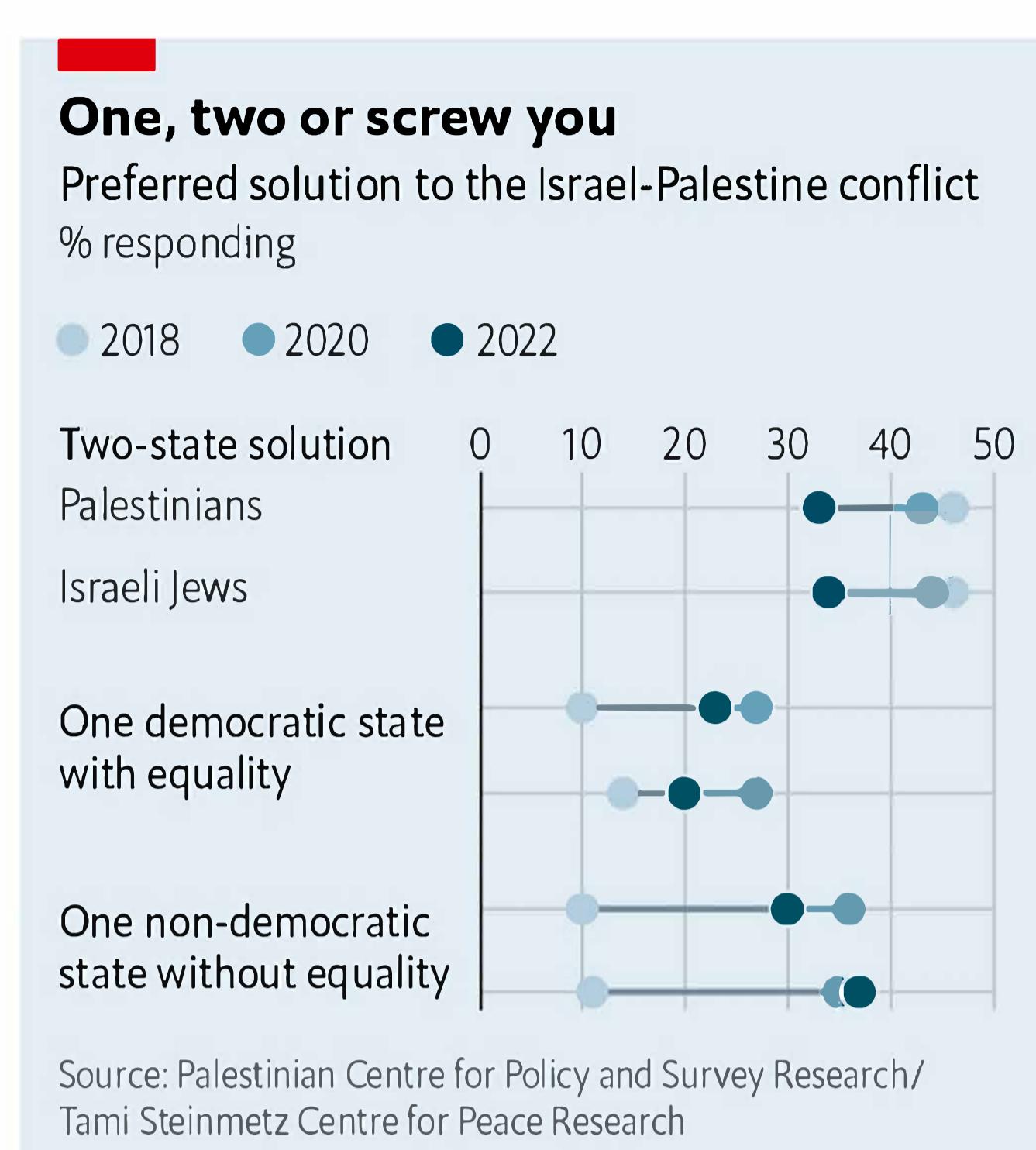
These are all non-starters. The events of October 7th blew up the status quo. Expulsion or discrimination are abhorrent. A one-state solution might sound reasonable, but it is practically unworkable: most Israelis and Palestinians reject the idea.

That leaves two states. The hitch is that this solution requires big sacrifices from both sides. Israelis would have to give up land, while Palestinians would have to give up on much of the land they have lost since 1948. Leaders on both sides would need to sell these concessions to a sceptical public. But neither side has such leaders.

Israel has Binyamin Netanyahu, who has spent his entire career trying to prevent the emergence of a Palestinian state. In a sop to Mr Obama, he did endorse a two-state solution in a speech in 2009 at Bar-Ilan University—though six years later he declared that the Middle East had changed and his speech was "irrelevant". His Likud party has adopted resolutions opposing Palestinian statehood. Kan, Israel's public broadcaster, reported in November that Mr Netanyahu met backbenchers from Likud to plead for his political survival. "I am the only one who can prevent a Palestinian state in Gaza and Judea and Samaria after the war," he said, using the Hebrew name for the West Bank.

But Mr Netanyahu's days are numbered. Most Israelis want him gone—fully 76% according to a poll published in November. Surveys suggest that, if an election were held, his Likud party would lose around half of the 120 seats it now holds in the 120-member Knesset.

The frontrunner to succeed Mr Netanyahu is Benny Gantz, a former army chief who reluctantly joined Mr Netanyahu's war cabinet in October. His centre-right National Unity party has opened a wide lead in the polls. He is becoming a rarity in Israel's fractious politics: a unifying figure.



Some of this is down to his vague position on the two-state solution. He has said little about it in public. His party's official position is a woolly call for "separation from the Palestinians", without any detail on how this might be achieved. Sources close to Mr Gantz say he has no interest in being more specific. To do so, they say, would play into the hands of Mr Netanyahu. Palestinian statehood is a wedge issue, and therefore Mr Gantz will try to avoid it in the interest of wooing voters away from the prime minister.

"In Benny's conversations with the Americans he says that we should stop using old words for new situations," says an aide. In other words, he is open to discussing a form of the two-state solution but is wary of using the discredited term. In surveys carried out by his party, most Israelis are in favour of a two-state solution when



it is described in other terms, such as "two separate entities".

If Mr Gantz were to pursue some variation on the two-state solution, he would face political obstacles. His party includes hawkish lawmakers who would oppose such a push. "Gantz has some very, very right-wing people in there," says Dan Ben-David of the Shores Institute, an Israeli think-tank. The same goes for some of his prospective coalition partners—and the Israeli public, which has swung to the right over the past few decades.

Palestinian politics look even more forbidding. A peace process is unthinkable with Hamas, which has spent three decades playing spoiler. It started a campaign of suicide-bombings to sabotage the Oslo accords, and then soured a generation of Israelis on the idea of peace with continued attacks during the Palestinians' second *intifada*, or uprising.

Mahmoud Abbas, the Palestinian president, supports a two-state solution, as does his nationalist Fatah party. But he is 88 years old and will soon start the 20th year of what should have been a four-year term. Few Palestinians (or Israelis, for that matter) think he has the legitimacy or acumen to lead a serious push for peace. "He's in a delusional bubble, surrounded by three or four very powerful yes-men," says an Israeli officer, an assessment shared by many of Mr Abbas's former associates.

The White House has mused about Salam Fayyad, a technocratic ex-prime minister and former IMF official, coming back to his old job. Even Arab officials now say in private that they want a change in Palestinian leadership. The Saudis are pushing for Hussein al-Sheikh, Mr Abbas's right-hand man, to succeed the president. The UAE hopes to see a role for Muhammad Dahlan, a former Fatah security chief who has spent the past decade in exile in Abu Dhabi. They would all be acceptable to Israel—but perhaps not to Palestinians. Polls put their popularity in the single digits.

Plausible but unavailable

Another option is Marwan Barghouti, a Fatah leader serving five life sentences in Israel for orchestrating attacks on Israeli civilians. (He refused to present a defence, denouncing the trial as illegitimate.) Some hope he could become a Palestinian Nelson Mandela, emerging from prison to unite a fractured movement and negotiate with Israel. He often polls as the most popular Palestinian leader—but that is mostly because he has spent decades out of the public eye, at a time when Fatah descended into corruption and senescence. Even if Israel allowed him out, it is unclear how capable a leader he would be.

American and Arab officials have pushed for Palestinian elections. At least in the West Bank, though, that could lead to ►

► victory for whatever remains of Hamas, seen by Palestinians as the only party willing to stand up to Israel. For Fatah to regain popularity, it would need to do two things. One is to curb its members' rampant graft (asked to name the most pressing problem for the PA to tackle, more Palestinians mention corruption than occupation). The other is to show that a non-violent approach can yield results. "They have to make Hamas ineffective," says Khalil Sayegh, a Palestinian academic from Gaza. "People have to see that Hamas is not really doing anything good."

That requires concessions from Israel, which points to a second question: how to make negotiations credible. After decades of failure, both Israelis and Palestinians would be sceptical. For Israelis, though, those decades were nonetheless good ones: they coincided with an economic boom, a long stretch of relative peace and burgeoning relations with Arab states. For Palestinians, they brought only deepening despair. "The whole project of an independent Palestinian state is becoming part of the past," says Ghassan Khatib, a former Palestinian minister. The onus would be on Israel to dispel that perception.

Mr Novik is part of Commanders for Israel's Security, a group of retired security officials who advocate a two-state solution. He offers a "menu" of steps Israel could take to show renewed commitment. It could shrink Area C, the two-thirds of the West Bank under full Israeli control, and expand Area B, where the PA has authority over civil matters, but not security. (Area A, where the PA has full control, is even smaller: see map on previous page.) It could stop demolishing unlicensed homes in Area C, where it refuses to grant Palestinians construction permits (it usually issues ten or fewer each year). It could curtail army raids in Palestinian cities.

For Palestinians, though, these steps would be woefully insufficient. A slightly expanded Area B would hardly be a resounding achievement that Fatah could sell to a dubious public. "We've waited 30 years for a state," says a diplomat. "We don't want some construction permits." The Oslo accords, after all, were undone by gradualism: the idea that both sides needed to build trust with symbolic moves before agreeing on more substantive steps.

Asked what would constitute a more serious gesture, several Palestinian analysts point to the settlements in the occupied West Bank, home to around 465,000 Israelis. It would not be enough to freeze new construction, they say; that has been tried before, including under Mr Obama. Israel should go further and dismantle some of the settlements it would have to relinquish in a peace deal. That would both build confidence and advance a final-status agreement. It also seems politically impossible

in Israel, especially after October 7th, since it would be seen as rewarding a massacre.

After decades of foot-dragging, Israel is unlikely to make any big gestures without pressure from America. "Unless the Israeli system actually feels there's a cost for going in this direction, I don't see how you free up some space for different politics," says Daniel Levy, a former Israeli negotiator. An Arab diplomat suggests this pressure, too, should initially be aimed at settlers: "America needs to get rough."

On December 6th America announced that it would impose visa bans on violent settlers who attack Palestinians and their property. That is an unprecedented step—but it, too, is symbolic. Settlers motivated by ideology are unlikely to be dissuaded by a visa ban. Anyway, some of them cannot be banned: they are American citizens.

For an American squeeze on settlements to succeed, it would need to encompass the Israeli state, too. International law obliges the Israeli army to protect Palestinians in occupied territory, but it often stands by as settlers carry out attacks. If it continues to allow (and sometimes abet) such violence, America could threaten to cut military aid. That would be a clear signal, to the Palestinians and the Arab world, that America was serious about trying to play a less biased role. But such a threat is hard to imagine in an election year—or if Donald Trump wins the presidency in 2024. If Mr Biden secures a second term, though, such a move would be popular with the progressive wing of his party.

Along with threats, America and its partners would also have to offer incentives. For the Palestinians, these would probably be mainly financial. The most immediate question is how to rebuild a shattered Gaza, the bill for which will easily run into tens of billions of dollars. Wealthy Gulf states would be willing to contribute—but only if Gaza becomes part of a Palestinian state and their investments

are unlikely to be blown up again.

At the same time, the Gulf states could help assuage Israel's security concerns. When the Oslo process began, only one Arab state, Egypt, had diplomatic ties with Israel. Today six of them do, and Saudi Arabia appears willing to join the club. The prospect of normal relations with the Arab world seems real in a way it never did in decades past. Ending conflict not only with the Palestinians but also with the entire region should be a powerful inducement.

At a meeting in Qatar earlier this month, the Gulf states talked about a plan for post-war Gaza. They resolved to work with Jordan, Egypt and Western powers to form an international coalition to push for a two-state solution. Arab states would demand that the PA choose new leaders, while America would press Israel.

But even if the Gulf states recognise Israel, Iranian-backed militant groups that have weighed in on Hamas's side, such as Hizbullah in Lebanon or the Houthis in Yemen, would not do the same. "We would have to get Iran on board," says a diplomat from the Gulf. Asked if that was realistic, he demurred. Hostility toward Israel has been a core tenet of the Islamic Republic's ideology for decades. The creation of a rump Palestinian state may not turn them into Zionists overnight.

Familiar but uncertain

The risk, then, is that history repeats itself again. A new crop of leaders might pay lip service to a two-state solution. Israel might soften its hostility toward the PA and offer a few concessions. Gulf states would pledge money and recognition. But the deal on offer would be, fundamentally, the same as before—a deal that a far more optimistic generation of Israelis and Palestinians rejected.

In recent years intellectuals on both sides have begun calling for more creative thinking. One idea is of a confederation in which there would be both a Jewish and a Palestinian entity. Citizens of one part would be entitled to live and work in the other. The idea is to diminish the importance of exactly how such a small parcel of land is carved up and to give each side greater interest in the stability of the other.

There are even more obstacles to this idea than to the standard two-state blueprint, but there is a virtue in novel concepts. "Israel benefits from the unseriousness of an international approach which simply says, go back to two-state negotiations," says Mr Levy. Those negotiations too often become an end rather than a means, even though by now there is little left to negotiate: it has all been discussed ad infinitum. The events of the past few months show the status quo is untenable. Change is inevitable. The only question is what form it will take. ■





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4.97 Conservation

Call of the wild

MISSOULA

How the culture wars came for grizzly bears

THE UNIVERSITY OF MONTANA is used to the idea of grizzly bears. This towering predator is the college mascot, and the campus in Missoula is plastered with grizzly memorabilia. Purple paw prints (lethal claws included) are painted on the pavements. Banners on lampposts tell students to "Rise and roar". Students can frequent Grizzly Grocery, Grizzly Espresso and—if they are of age—Grizzly Liquor. But recently communities around the university have been confronted with something a bit beyond college spirit: actual grizzly bears.

This spring one such bear lumbered down from the Rattlesnake mountain range and into a forested exurb of Missoula. "We saw the tracks," says Chris Servheen, a biologist who led the grizzly-bear recovery effort for the US Fish and Wildlife Service until 2016. Mr Servheen drives your correspondent in his truck along the route that the bear took. "He walked right through here," he says. Pine trees and larches line the foothills. Water rushes in a creek nearby. "They're here," he adds.

"They're right up in the mountains."

Missoula is not alone. The number of bears in Montana has risen steadily while they have been protected under the Endangered Species Act (ESA), America's landmark wildlife-conservation law, which celebrates its 50th anniversary in 2023. But their recovery has brought mixed feelings: pride, that a species once close to extinction in the lower 48 states is again thriving; anger, from those who feel that the bears threaten their way of life; and fear, because run-ins with the predators do not always

end well for bears or for people. The bears' success has also reignited one of the longest-running battles in the American West: Republican states' ideological war against federal environmental regulations.

Grizzlies once roamed across a broad swathe of North America, from Alaska down to central Mexico. Their numbers plummeted as Europeans settled the continent, until they were reduced to roughly 2% of their historical range in the lower 48 (see map on next page). "They put grizzly bears on the state flag in California," says Mr Servheen, "and then they proceeded to kill every last one of them."

Grizzlies became a novelty. For decades tourists at Yellowstone National Park gathered to watch them eat rubbish. After the last dump was closed in 1970, and the grizzlies lost this reliable food source, their numbers dwindled to as few as 136. The Fish and Wildlife Service placed them on the endangered-species list in 1975.

Scientists reckon that in 1984 there were around 300 grizzlies in the Greater Yellowstone Ecosystem (GYE), the conservation area at the border of Wyoming, Idaho and Montana that surrounds Yellowstone National Park. In 2022 there were roughly 1,000 (see chart on next page). The number of bears in the Northern Continental Divide Ecosystem (NCDE), around Glacier National Park in north-west Montana, has risen by about 50% since 2004, to more than 1,100. The bears in the NCDE ➤

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► have expanded their range by an average of 2.9% a year between 2004 and 2022.

As the bears multiply and spread out, they are running into people. But the growing risk of human-bear conflicts is not only due to the bear boom. Montana's human population grew by nearly 12% in the decade to 2022, almost twice the national rate. That of Gallatin County, which includes part of the GYE, grew by a whopping 35% in the same period. Greg Gianforte, the state's Republican governor, attributes some of the growth to the popularity of the hit television show "Yellowstone" (a ranching drama) and the allure of wild places and remote work during the covid-19 pandemic. "People move to the most beautiful places," he says. "I personally think Montana is the most beautiful place."

Mr Gianforte is a central character in this drama. In 2021 he petitioned the Fish and Wildlife Service to remove the NCDE grizzlies from the endangered-species list, arguing that the bears have fully recovered. Wyoming and Idaho sent similar petitions about the GYE bears and the entire population of grizzlies in the lower 48, respectively. The latter petition was denied. But the agency could decide as early as February whether the bears in the other two ecosystems still need federal protections.

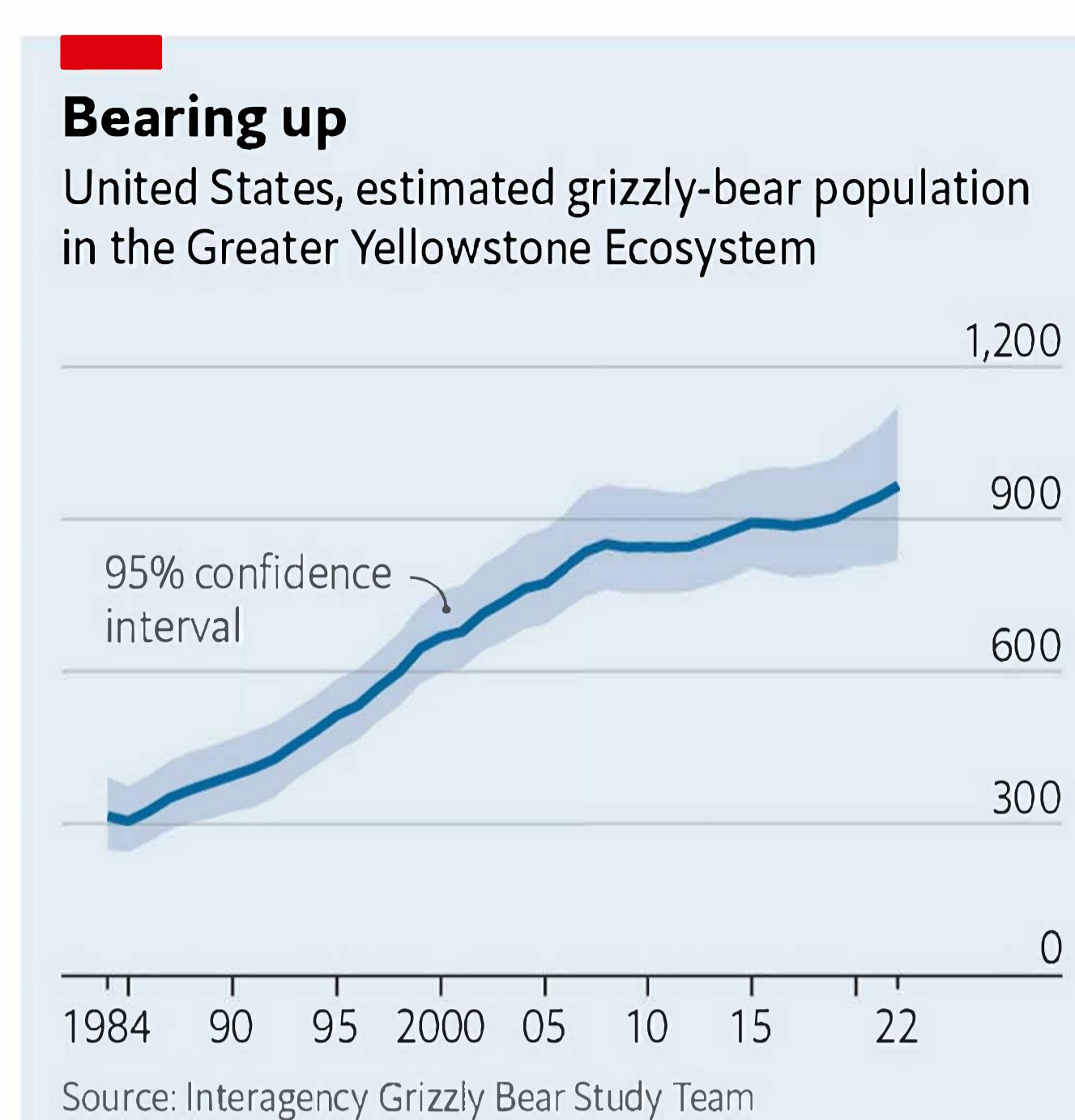
Good news bears

The ESA aims to protect species so well that they can recover. That grizzlies are thriving enough to be taken off the list should be welcome news for a law with a mixed record. To mark its 50th birthday, federal officials crowed that 99% of listed species have resisted extinction. But very few have been able to leave the list. A study from the Property and Environment Research Centre, a conservative think-tank in Bozeman, Montana, calculates that only 3% of species ever listed have recovered.

During an interview at his office in Helena, Mr Gianforte admits that his campaign to get the bear delisted is not just about population numbers. A huge stuffed grizzly stands by the entrance to the room, and seems to stare inquisitively at your correspondent as if it knows its species is the topic of conversation. "It's a tenth-amendment issue," says the governor, referring to states' rights. "There is nothing in our constitution that talks about wildlife anywhere. And yet the federal government has taken a very strong role."

The mistrust flows both ways. Federal authorities have been sceptical that those states will manage the bears well, says Holly Doremus, an environmental-law professor at the University of California in Berkeley. She argues that partisanship has seeped into wildlife management.

This year Martha Williams, the head of the Fish and Wildlife Service and ex-director of Montana's wildlife-management



agency, urged the Treasure State to amend a law championed by Republican legislators that allows Montanans to kill a grizzly if it is threatening livestock, which is a federal crime. She also warned that several anti-predator laws passed in 2021 could make delisting less likely. Montana officials have tried to shore up their case by proposing to ban grizzly hunting—a great fear of local tribes, which view the bear as sacred—for at least five years after their delisting.

One sticking-point will be whether the Fish and Wildlife Service believes that the connection of hitherto isolated grizzly populations will be possible without federal protections. Scientists have long hoped that NCDE bears would venture far enough south to introduce some genetic diversity to the GYE population. The bears are tantalisingly close. Officials in Montana reckon just 100km (62 miles) separates the northern grizzlies from their Yellowstone kin.

The impending decision will not end this debate. Past grizzly delistings have been challenged in the courts. The feds are also deciding whether grizzlies should be returned to Washington state. Beyond bears, Ms Doremus reckons the ESA will stay in the spotlight. If Republicans retake the White House and the Senate in 2024, she expects them to try to quietly gut the law by carving out exemptions for energy-

infrastructure projects. The ESA is often used by environmentalists and NIMBY groups to block development.

In some ways, the debate over bears boils down to control. The feds think they should preside over the protection of lands and species important to the country. States resent federal environmental regulations as government overreach. Montanans who deal with grizzlies walking through their backyards wonder why Washington should decide how they protect their family and property. Yet Americans across the country feel the bear belongs to them, too. When a family takes a trip to Yellowstone in the hope of seeing a grizzly (ideally from afar), they are ready to marvel at the fact that there are still sufficiently wild parts of America in which such impressive predators can thrive.

While politicos in Washington and Helena squabble, most Montanans are trying to learn to live with bears. A survey from the University of Montana suggests that 85% of them believe grizzlies are part of what makes their state special, and three-quarters think the state should try to maintain a self-sustaining grizzly population. Perhaps the culture wars—whatever the specific issue—are less salient to Americans than to those seeking political office.

Be bear aware

This desire to coexist with bears, rather than violently dominate them, has spurred Missoula to attempt a grand experiment. The city will soon require some residents to have bear-proof rubbish bins to deter black bears and grizzlies from entering neighbourhoods to look for food. Wildlife officials are trying to teach locals, tribes, scores of new Montanans and clueless Airbnbers what to do if they encounter a bear. If Missoula's experiment succeeds, it would be a rare conservation bright spot in a world inundated by news of biodiversity loss. Rather than a symbol of the past, like the grizzly on California's state flag, Montana's bears would be testimony to what people can do for nature, not just to it. ■



George Santos

Cameo man

WASHINGTON, DC

The contest to replace the expelled congressman

GEORGE SANTOS last week became only the sixth member of America's House of Representatives to be expelled from the chamber in its 234-year history. After his ejection, the disgraced politician did what any millennial would do: monetised his infamy on social media. Calling himself a "former congressional icon", Mr Santos is recording personalised videos—from pep talks to birthday wishes—on the website Cameo. Although he faces 23 federal criminal charges, from wire fraud to identity theft, the 35-year-old will send brief clips to just about anyone with \$400 to spare.

As Mr Santos enjoys his moment of notoriety ahead of what could be years behind bars, New York's political class has already moved on. State law requires Kathy Hochul, the governor, to hold a special election about two months after the seat has become vacant. Mr Santos represented New York's third congressional district (which extends across part of the North Shore of Long Island) for less than a year, but his victory, along with other pickups in the Empire State, were a rare bright spot for Republicans in an otherwise underwhelming midterm election cycle.

Both parties are carefully managing expectations for the race to replace him—arguing, at least for now, that the outcome shouldn't have much predictive value for the 2024 general election. The political climate could change drastically over the next 11 months. Yet the truncated contest could still attract tens of millions of dollars in campaign spending. Joe Biden won the district by ten points in 2020, and Mr Santos flipped the seat with a similar margin last year. A win would boost morale and donor confidence on either side.

The race also has outsize policy implications for the 435-member lower chamber. House Republicans, already an unruly bunch, saw their four-seat majority shrink to three after Mr Santos departed. Mike Johnson, the new House speaker, has more goodwill with his caucus than his predecessor, but that relationship will be tested by fights over assistance for Ukraine and a long-term government-funding deal. Perhaps these battles will be over by the time the special election takes place, but Congress has a way of dragging its feet.

Democrats, for their part, will be eager to shake off their 2022 loss and show strength on New York's Long Island. The Nassau County Democratic Party, which



Fifteen minutes of infamy

will select the nominee for the special election, is poised to pick Tom Suozzi, the three-term congressman whom Mr Santos replaced last year when Mr Suozzi ran unsuccessfully for governor. Republicans had yet to announce their candidate at the time of writing.

The campaign will focus more on policy and the new candidates than on Mr Santos. Republicans plan to return to the playbook from their successful 2022 campaign. "We're gonna talk about the issues that voters care about, like the migrant crisis, like rising crime and like the economy that's slowing down," says a national Republican strategist.

Democrats are banking on a fresh political environment. Many will be relieved not to have Ms Hochul at the top of the ticket. The governor, who came to power after Andrew Cuomo's resignation in 2021, won a full term by only six points in a state where Joe Biden trounced Donald Trump by more than 20 two years before. And if Democrats lose the special election they may have better luck in November, when a ballot initiative to codify abortion rights into the state constitution could drive Democratic turnout, as it has in other states since *Roe v Wade* was overturned.

Beyond the House, the Santos expulsion also has implications for the upper chamber. In September Bob Menendez, a senator from New Jersey, was charged with bribery. Following the precedent of expelling Mr Santos before a criminal conviction, many want Mr Menendez expelled from the Senate. John Fetterman, a Democratic senator from Pennsylvania critical of his colleague, asked Mr Santos to offer advice to a friend with legal problems, Bobby from Jersey. Mr Santos complied: "Stand your ground, sir, and don't get bogged down by all the haters out there." ■

Young views on Jews

Old hatred, new audience

WASHINGTON, DC

Our polling shows one in five young people think the Holocaust is a myth

ON DECEMBER 5TH, for over five hours, lawmakers grilled the presidents of elite universities in a congressional hearing about antisemitism on college campuses. In one of the testiest exchanges a Republican congresswoman, Elise Stefanik, asked whether "calling for the genocide of Jews" violates university rules. It is "context-dependent", replied Liz Magill, the president of the University of Pennsylvania. Clips of the exchange went viral on X, formerly Twitter. Yad Vashem, a Holocaust museum and research centre, issued a condemnation and stressed the importance of "raising awareness about the history of antisemitism and the Holocaust".

A new poll from YouGov/The Economist suggests that Yad Vashem has its work cut out. Young Americans—or at least the subset of them who take part in surveys—appear to be remarkably ignorant about one of modern history's greatest crimes. Some 20% of respondents aged 18-29 think that the Holocaust is a myth, compared with 8% of those aged 30-44 (see chart). An additional 30% of young Americans said they do not know whether the Holocaust is a myth. Many respondents espouse the canard that Jews wield too much power in America: young people are nearly five times more likely to think this than are those aged 65 and older (28% versus 6%).

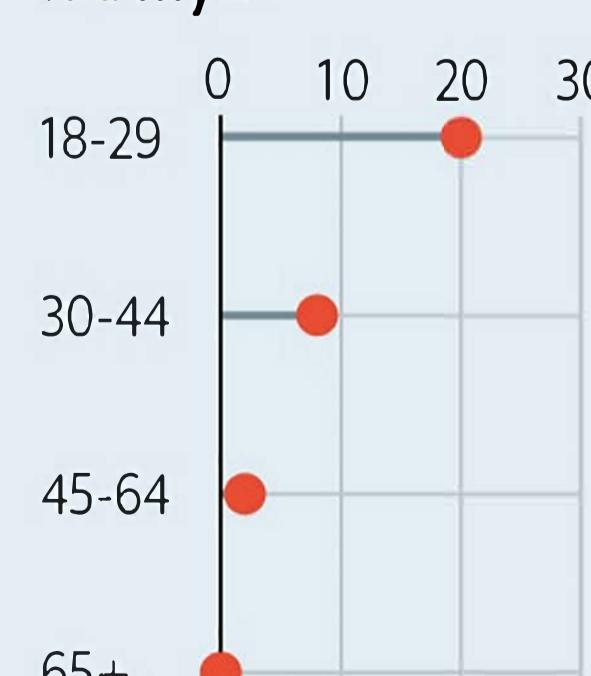
Now for the harder part: why do some young Americans embrace such views? Perhaps surprisingly, education levels do not appear to be the culprit. In our poll, the proportion of respondents who believe that the Holocaust is a myth is similar across all levels of education.

Social media might play a role. Accord-

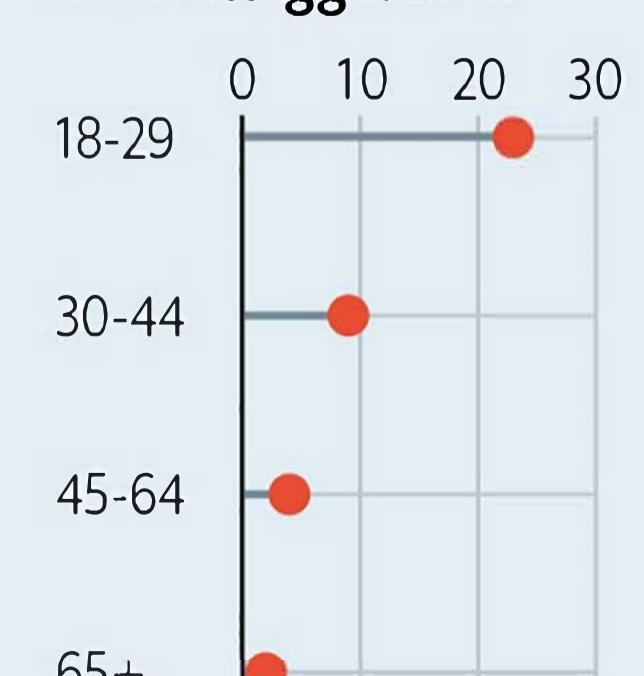
Seriously?

United States, Dec 2nd-5th 2023, % agreeing
By age group

"The Holocaust is a myth"



"The Holocaust has been exaggerated"



Source: YouGov/The Economist

ing to a 2022 survey from the Pew Research Centre, Americans under 30 are about as likely to trust information on social media as they are to trust national news organisations. More recently Pew found that 32% of those aged 18-29 get their news from TikTok. Social-media sites are rife with conspiracy theories, and research has found strong associations between rates of social-media use and beliefs in such theories. In one recent survey by Generation Lab, a data-intelligence company, young adults who used TikTok were more likely to hold antisemitic beliefs.

Though young Americans' views are most stark, antisemitism is rearing its head in other demographic groups. The same YouGov/The Economist poll found that 27% of black respondents and 19% of Hispanics believe that Jews have too much power in America, compared with 13% of white respondents who say so. Whatever the reasons, the polling is alarming. ■

The Republican primaries

A Don-horse race

Our tracker of voters' intentions sheds light on the race behind Donald Trump

TO SEE HOW EXTRAORDINARILY TIGHT Donald Trump's grip on his party is, look back eight years. Then Mr Trump was the unexpected front-runner in the Republican presidential primaries, polling at around 30%. That was still uncertain enough for *The Economist* to call his candidacy a "long shot" in December 2015. Today, according to our analysis of Republicans' voting intentions (see the latest odds at [economist.com/republicans-tracker](#)), he has double the support he did then. His closest rival, Ron DeSantis, the governor of Florida, is on a lowly 12% (see left-hand chart). Of all the things that could stop Mr Trump from contesting next year's election, the most probable obstacle is himself.

The primaries may yet throw up some surprises. Despite high-profile withdrawals in recent weeks, including Mike Pence, Mr Trump's former vice-president, determined opponents remain. Mr DeSantis has flopped on the campaign trail, but Nikki Haley, who trails just behind Mr DeSantis, received a boost recently when the Koch network, one of the party's biggest donors, backed the former governor of South Carolina. She has notably distanced herself from Mr Trump by being hawkish on Ukraine. And Vivek Ramaswamy, a 38-year-old former pharmaceutical-company boss, has learnt from Mr Trump: he is quick to throw himself in front of a microphone, heaps praise on the former president and sticks sharp barbs into everyone else.

None is likely to overtake Mr Trump. But they are boosting their profiles—in some cases maybe positioning themselves for jobs in a new Trump administration.

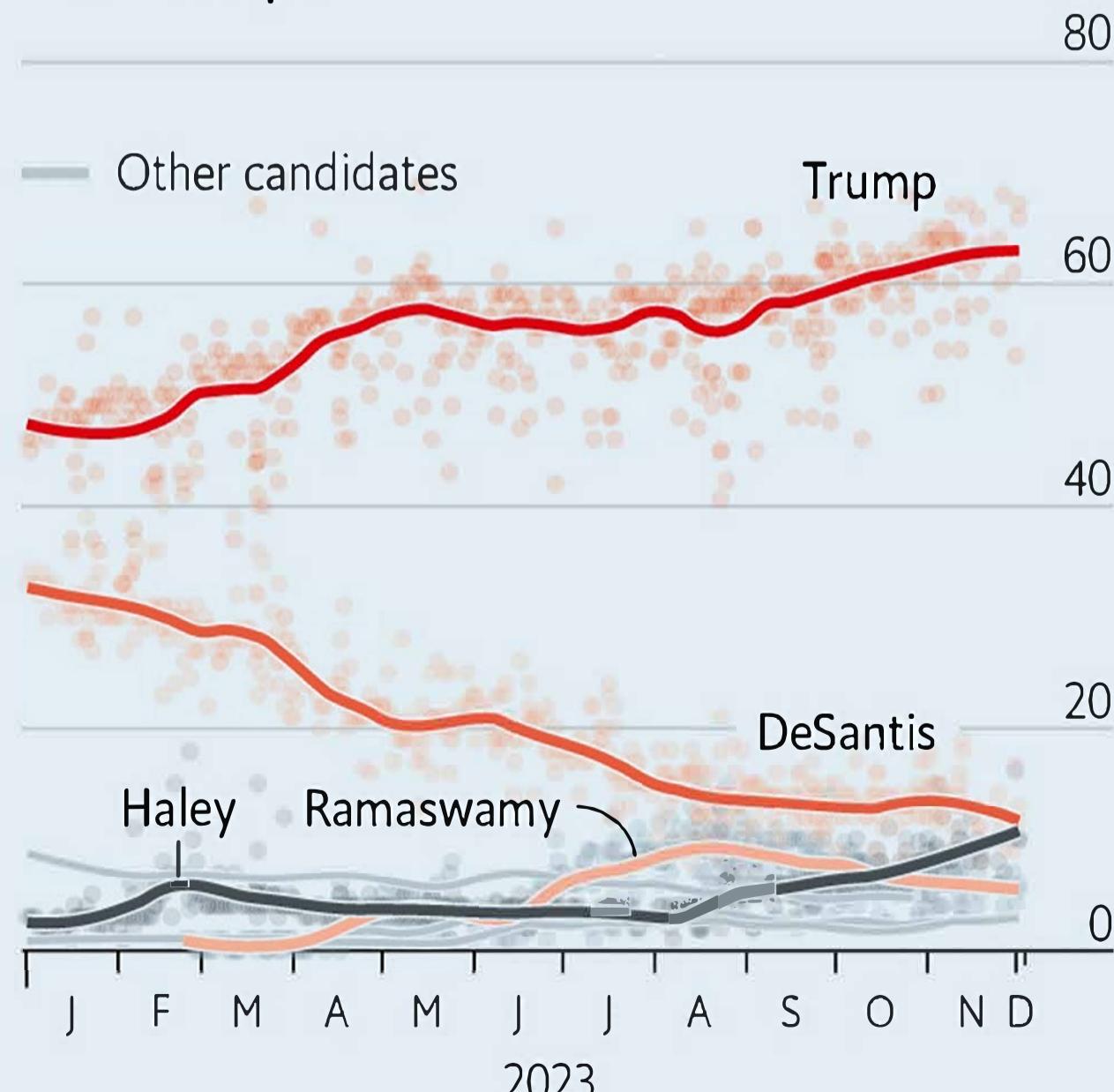
Never-Trumper instead look to the courts to scupper the former president. Mr Trump faces four criminal trials. If he is convicted, the constitution would probably not prevent him from running. But the trials may yet sour voters on him.

What if Mr Trump were to drop out, improbable as that may be? The few polls which take into account his supporters' second preferences currently suggest Mr DeSantis would be the most likely victor (see right-hand chart), though Ms Haley is moving up. The Republican National Convention in Milwaukee, where the party will crown its nominee, is still seven months away. But the race is Mr Trump's to lose. ■

Trump and the rest

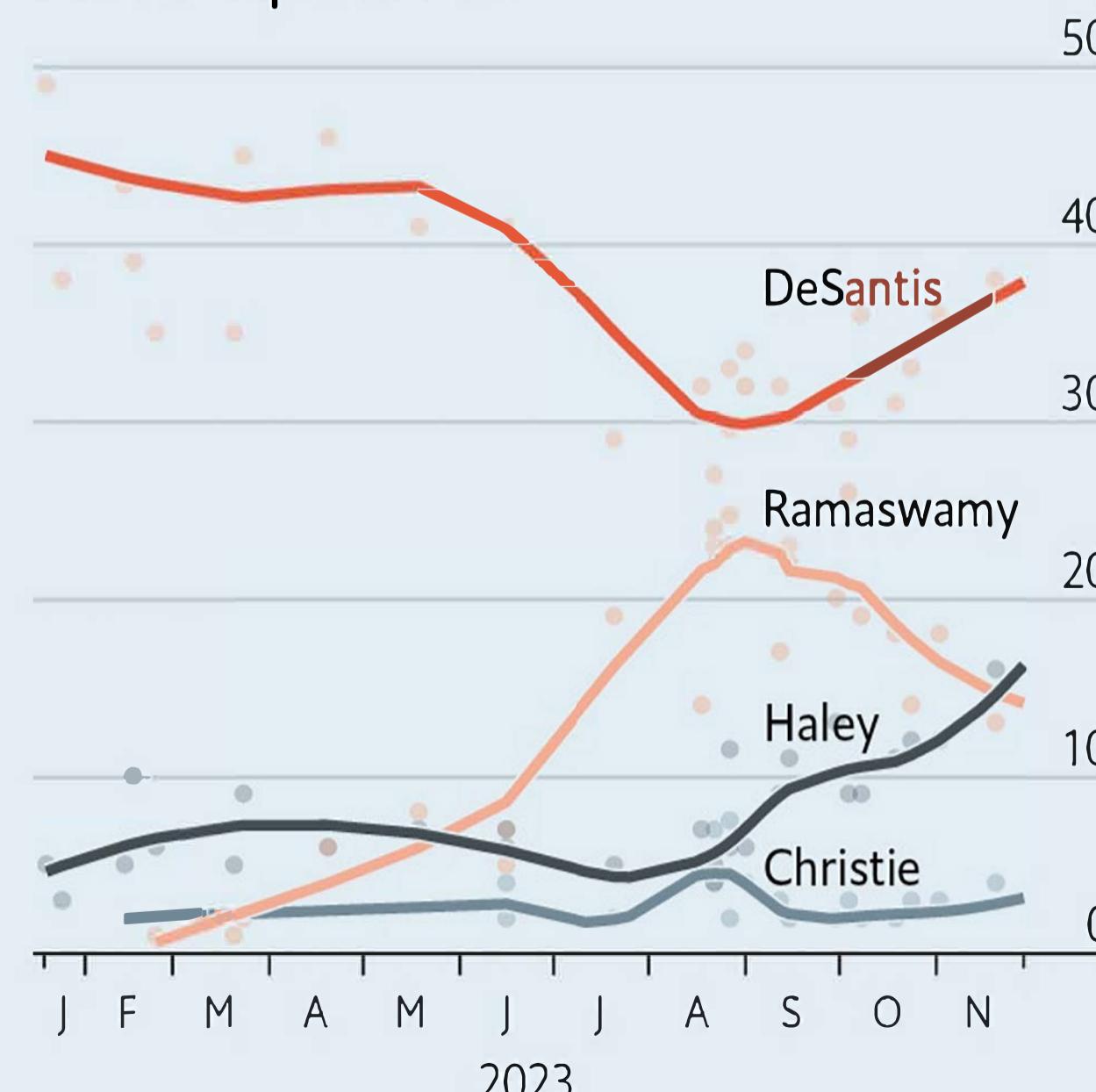
United States, Republican primaries 2024, voting intention*, %

With Trump included



Sources: FiveThirtyEight; national polls; YouGov; *The Economist*

With Trump excluded



*Polling of likely or potential Republican voters

Easier voting

Fuhgeddaboudit!

WASHINGTON, DC

New Jersey gave an automatic right to vote at home—then let it lapse

THE COVID-19 PANDEMIC changed a lot of things. For some states, this included voting. Four states (California, Nevada, New Jersey and Vermont) and the District of Columbia decided to automatically send every voter a mail-in ballot. Five other states (Colorado, Hawaii, Oregon, Utah and Washington) already did this before the pandemic. After implementing this temporary change for the 2020 presidential election New Jersey had the highest voter turnout in the country after Washington, DC. Then it did what any reasonable government would do when something goes well. It allowed the provision to expire.

Being citizens of one of the richest and most educated states, New Jerseyans should vote more than they do, says Jake Grumbach, a public-policy professor at the University of California, Berkeley. In the previous presidential election, in 2016, only 62% of eligible voters in the state cast a ballot (about the same as the national average). This changed in 2020. New Jersey topped the league with a 78% turnout (compared with 67% nationally).

The pandemic election also seemed to engage a notoriously nonchalant group: younger voters. According to a study by the National Vote At Home Institute (NVAHI), a non-profit outfit that advocates for expanded voting access, among all the states New Jersey also came top for participation among eligible voters aged 18-34, with a turnout of 64%. In the previous presidential election, less than half of young eligible New Jerseyans cast a ballot.

There could be many reasons for the rise in civic engagement in 2020. It was a presidential-election year during a global pandemic. George Floyd's murder months earlier sparked a racial reckoning. Many people found themselves at home with little to do but much to worry about. Still, Phil Keisling of the NVAHI thinks that something else was in play for New Jersey: the automatic ability for every registered voter to vote from home.

During the 2020 election every registered voter in New Jersey received a mail-in ballot. Those voters then had options. They could post their ballot back. They could place it in a secure drop-box or at a polling place on election day. Still others left those ballots at home and voted the traditional way in a booth.

It appears that this surge of voter participation was too much of a good thing for ►



Back to the ballot booth

► the Garden State. After 2020 New Jersey ignored the success of its experiment and let its automatic mail-in-ballot policy end. This is a particularly surprising move for a state where 57% of voters chose President Joe Biden. (Donald Trump tweeted in 2020 that mail-in voting “doesn’t work out well for Republicans”.)

“Universal mail ballots with automatic registration...is the best system,” says Professor Grumbach. “So it is weird when any state, especially a blue state that says it likes accessible voting, moves away from that.” After the 2020 election, California, Nevada, Vermont and Washington, DC, kept their automatic mail-in-ballot system. New Jersey chose to invest in in-person voting technology instead.

Voter turnout is already down for New Jersey, and it will probably stay down for the next presidential election. Mid-term elections tend to have lower voter participation than presidential ones, but compared with other states New Jersey had the biggest drop between 2020 and 2022 (31 percentage points, compared with the national fall of 20 points).

Micah Rasmussen, of the Rebovich Institute for New Jersey Politics at Rider University, says that low turnout, especially during presidential elections, is not a concern for New Jersey’s state politicians. New Jersey is one of only four states to have off-year elections, meaning that governors and state legislators are elected outside the federal-election cycle. And for the most part this process works well for the Democrats in charge. “Democrats are using vote-by-mail very strategically and effectively to build the electorate they want to get the turnout that they want,” says Mr Rasmussen. “They’ve got things the way they like them, and there’s not really a desire to change that.” ■

Commercial property Science and the city

CHICAGO

Can lab workers fill up city centres as offices retreat?

FROM INITIAL impressions, the headquarters of Portal Innovations, a business in Chicago, resemble any other tech-firm office space. In the main lobby, workers in jeans and t-shirts sip on fancy coffees and lounge around on modernist furniture. Walk around the place, however, and differences become apparent. First, there are almost no cubicles or desktop computers. Instead, the rooms surrounding the central atrium are filled with lab equipment: microscopes, mass spectrometers and bioreactors. Second, the space is in use. Given your correspondent visited late on a Thursday afternoon, the workers are rather numerous. Evidently almost nobody is working from home—probably because they do not have access to those bioreactors in their living rooms.

Portal is a firm somewhere between a WeWork and a venture-capital incubator for life-sciences firms. Its tenants are start-up firms typically trying to develop new drugs. The complex they are based in is Fulton Labs, in Chicago’s West Loop, which opened its second building last year. From the outside it resembles a fancy hotel, or any other new office building, with its gyms and balconies. But inside it is largely lab space. As well as Portal, space is taken up by the Chan Zuckerberg Biohub, a charitable research lab set up by the Facebook founder, which opened in October. Its construction represents a bet that scientists

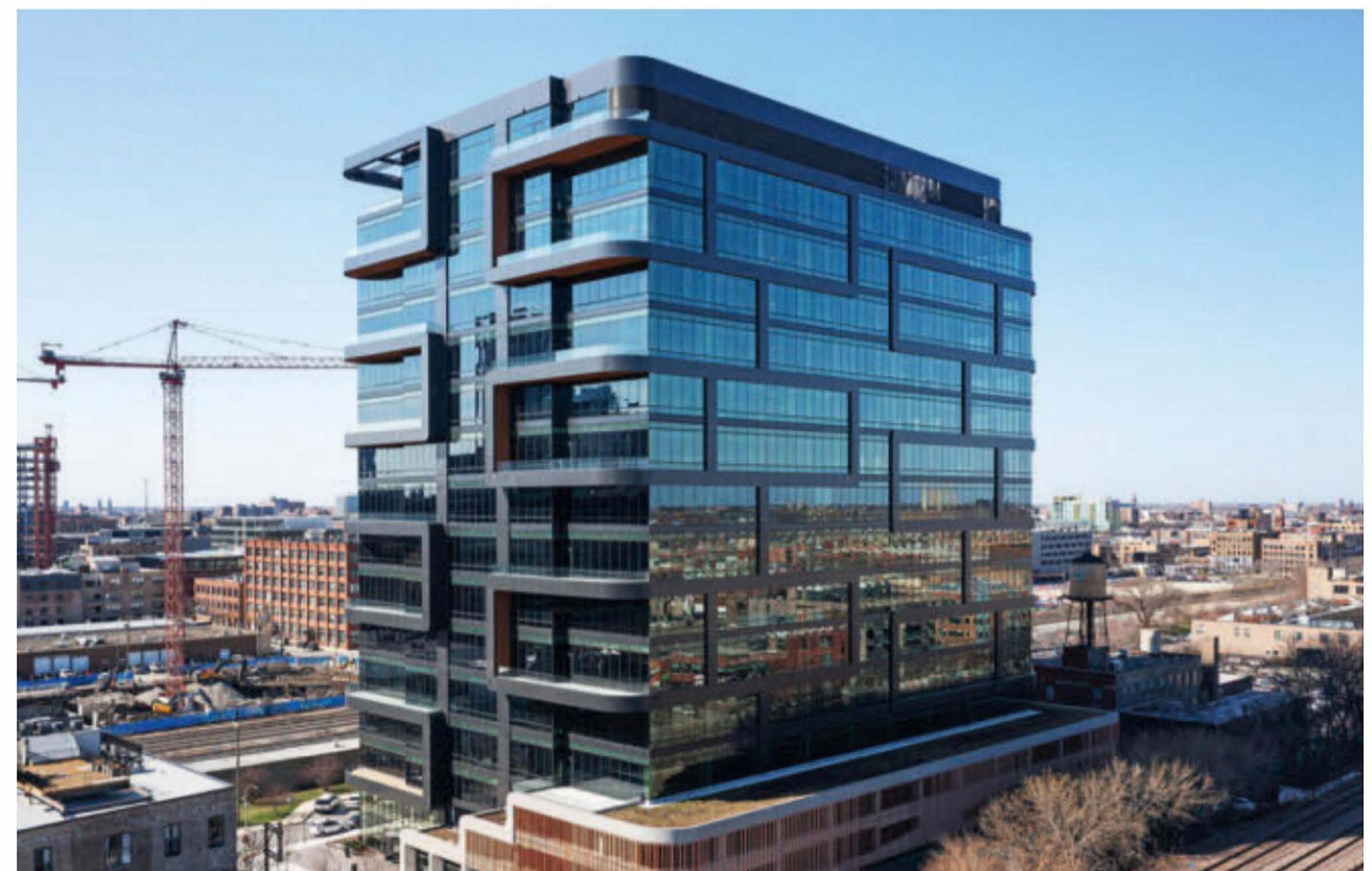
will flock to city centres, even if office workers remain slow to return.

Until recently, says John Flavin, of Portal, biosciences mostly happened in the suburbs. Big pharmaceutical firms operated huge labs on corporate business parks. But that, he insists, is changing—because bioscience is becoming more like tech.

New drugs used to be invented by large vertically integrated firms. But now they are increasingly developed by startups that come out of universities and are funded by venture capitalists. These firms face a vicious fight for workers—especially fresh graduates from high-end universities, such as MIT or, in Chicago, Northwestern and the University of Chicago. Those young workers tend to want to live in city centres. “Power is with the individual talent,” says Mr Flavin. “And they all want to be in an urban environment.” That means proximity to restaurants, bars—and other similar businesses to poach staff from.

Could labs make up for diminishing demand for office space, and so help save struggling city centres? It will not be easy. Mr Flavin notes that the building his firm is based in had to be custom-built. JLL, a property consultancy, points out that scientists have different requirements: lab spaces need higher ceilings and more power, which can make converting older buildings to new uses tricky.

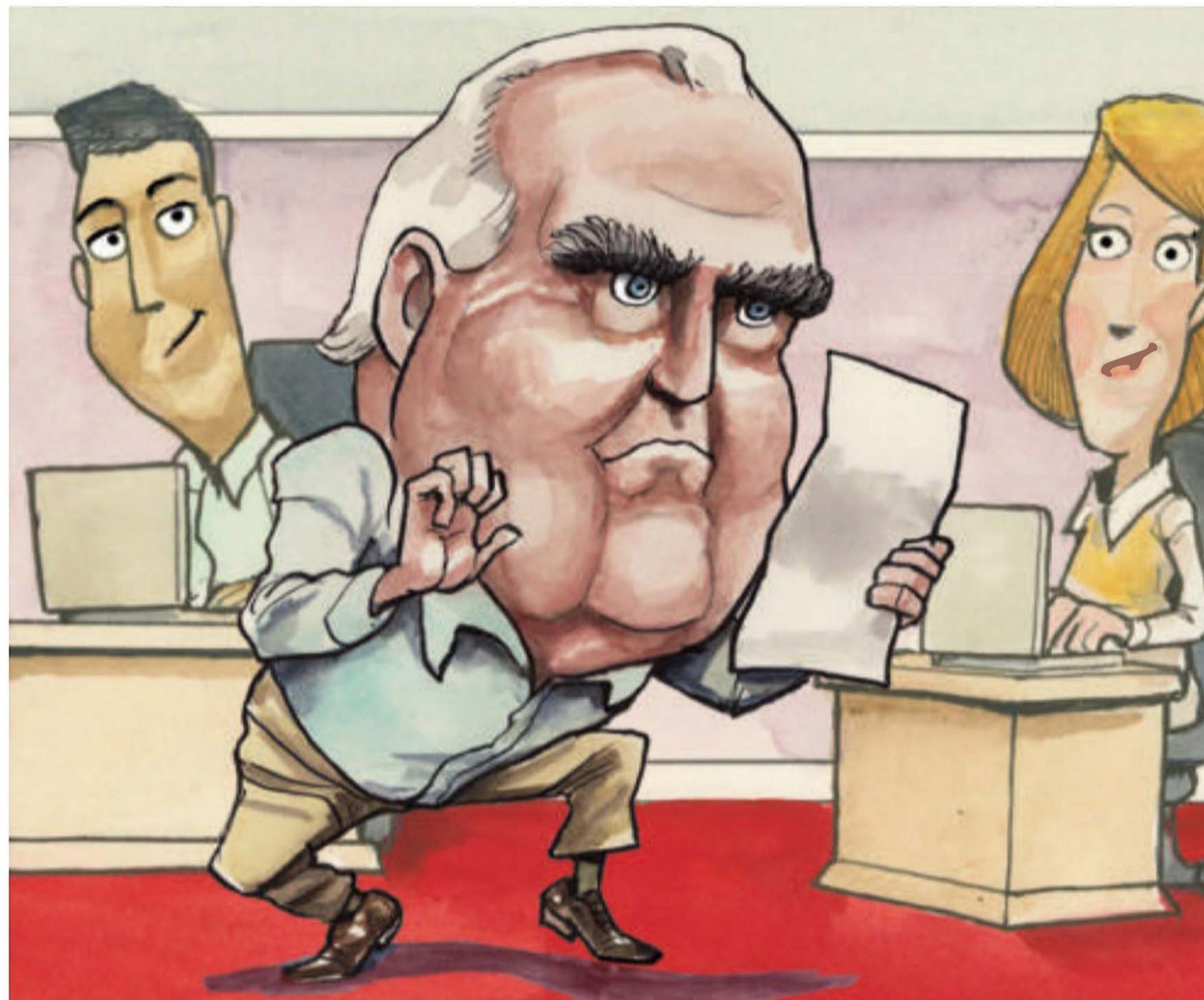
Nonetheless, Boston, a centre for life sciences, last year approved the conversion of an office block to lab space. And new lab space is being built in Manhattan and across the Atlantic in Canary Wharf, in London. Unless office workers can be replaced, landlords in such places will soon face the prospect of hefty rent cuts. The equipment may be microscopic. But the potential rewards for accommodating it are on a macro level. ■



Any labs to let?

Lexington | The man who tried to save Washington

Charlie Peters believed that ruthlessly idealistic journalism would renew faith in government



FOR THOSE who thrive in Washington, DC, the city is so pleasant they often lose sight of how smug and insular it can be—how abstracted from the country it is meant to serve. They arrive with dreams of changing the world, and some even do so, a bit. But the city changes them, too. Over the years their innate proportions of idealism and careerism, though both to some degree ever-present, tend to migrate towards the latter.

It comes to seem only natural that a city created to benefit all Americans sucks in enough wealth to make it among the richest places in the country; that one of its key industries, lobbying, manufactures influence over lawmakers (with record sales of \$4bn in 2022); that book parties, embassy receptions and television green rooms, along with the touchlines of soccer pitches at private schools where tuition exceeds Americans' median personal income, are venues for journalists and public officials to chew over the latest occupant of the White House. Presidents come and go; the Washington establishment abides, and prospers.

Charles Peters, a magazine editor who died on Thanksgiving Day at the age of 96, was a fixture of Washington who nevertheless stood apart from it. Mr Peters—Charlie, as he was invariably called by those who knew federal Washington—arrived during what now seems a romantic and even innocent time, the presidency of John F. Kennedy. An Army veteran and lawyer, Charlie won a seat in the West Virginia house of delegates in 1960 while in the primary helping deliver a crucial county to Kennedy. His reward was a role in a signature Kennedy initiative, the Peace Corps.

Tasked, fatefully, with evaluating the programme's effectiveness, he became fascinated with how a bureaucracy's culture can undermine its objectives. In the Peace Corps pressure to show progress led field staff to propose flimsy programmes and then gild the results, while officials in Washington preferred not to challenge them, to duck accountability themselves. He also discovered his best evaluators were journalists he hired part-time, sharp observers who could write and had no long-term ambitions within government that might soften their judgments.

Restless, and never lacking in confidence, Charlie combined these insights and set out to save government from itself by changing the way journalists covered it. He started his own maga-

zine, the *Washington Monthly*, in 1969. "I wanted to look at Washington the way that an anthropologist looks at a South Sea island," he wrote in his autobiography, "Tilting at Windmills". The title, which was also the name of his column in the *Monthly* from 1977 until 2014, captured with characteristic self-awareness the immodesty, idealism and impracticality—the glory—of his venture.

His faith in government made him a ruthless sceptic of it. A Roosevelt Democrat, he believed in an activist federal role, and he despised the tax-cutting, anti-government drift of the Republican Party. But he feared, rightly, that Democrats' indifference to bureaucratic bloat would erode support for programmes to help poor and working-class Americans. This orientation—idealism with a gimlet eye—was the essence of his approach. He summed up the prejudices of liberals as "Don't say anything good about the bad guys", including businesspeople, the police and the clergy. A corollary was "Don't say anything bad about the good guys", meaning Democratic constituencies such as civil servants, teachers and union officials. His writers had to be willing to do both.

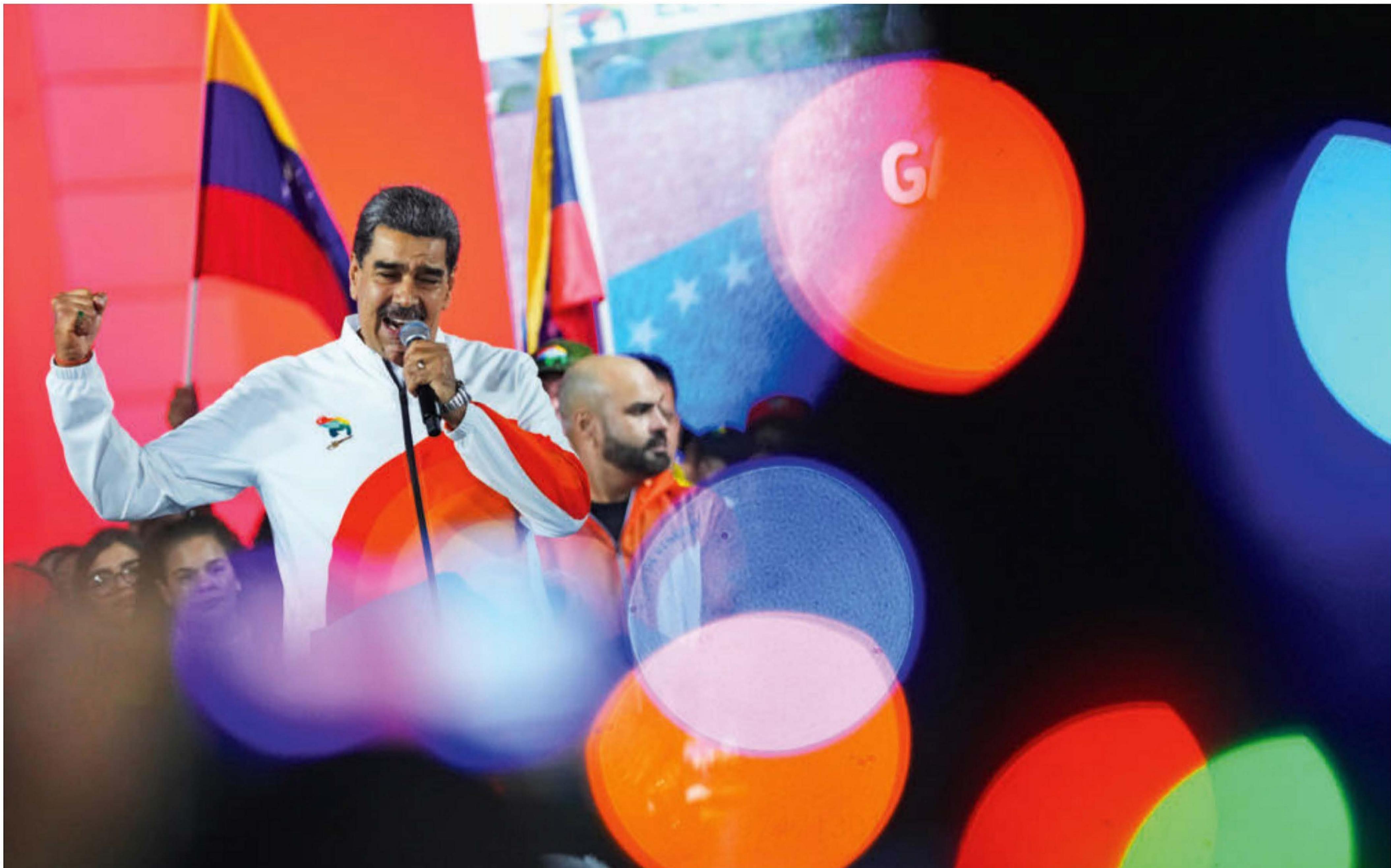
Charlie thought Democrats could respect the armed forces while attacking Pentagon waste or foolish wars; be patriotic without indulging chauvinism; and embrace entrepreneurship without neglecting the poor. He believed in some form of national service to encourage class-mixing and civic responsibility. He saw cultural snobbery, and the chase for status and wealth it inspired, as among the most destructive forces in American life. It was Charlie who first applied the label "neoliberal" to his synthesis of liberal, conservative and even radical ideas, but he never liked the term, and now it is linked to an anti-regulatory fervour he reviled.

Though the *Monthly* published many important articles over the years, Charlie changed Washington far less than he hoped. It grew more cynical, and Americans grew more cynical about it. But Washington changed him even less. The magazine was never a juggernaut. He ran it on the model of the Peace Corps, hiring aspiring editor/writers for two-year terms. Into the 1990s he paid himself less than \$25,000 a year—his wife, Beth, helped keep them housed and fed through her work as a school administrator—and he paid his editors less than half that. He demanded articles with a strong point of view earned through shoe-leather reporting and meticulous reasoning that always acknowledged, as he would put it, when the other side was 20% right, or even 49% right.

Making it rain

Straw men sent him into a fury. His editing technique became known as the "rain dance" because it would so often eject him from his seat and send him bouncing around the room. He was not tall, and in these moments the blazing dark eyes under billowing eyebrows and the small hands pawing at the air called to mind a particularly terrifying raccoon. If the rain dance took place during a meal, the writer's disappointing draft, and even the writer, might emerge flecked with tuna fish or spotted with Negroni.

Those journalists are Charlie's most influential legacy. One of them, Paul Glastris, has edited the *Monthly* since Charlie stepped down in 2001, and dozens of others went on to roles as writers and editors throughout American media, sometimes training journalists themselves. Charlie continued to advise his former staff until near his death. Each of these journalists, including Lexington, has Charlie's voice in their ear as they write, demanding that they do better than to indulge despair over the state of things, that they do not just criticise but try to solve, that they never forget how fortunate they are or why they got into this struggle to begin with. ■



A dodgy referendum

Nicolás Maduro threatens to annex Guyana

CARACAS

An unpopular president holds a poll to distract voters from his failings

IT IS THE one issue that almost all Venezuelans agree on. For generations, they have been taught that the correct map of their country should include a large chunk of next-door Guyana. The dispute has gained more prominence since 2015, when ExxonMobil, an American oil giant, started making a series of massive discoveries off the Guyanese coast, some of which are in waters that Venezuela claims.

So when the propagandists inside President Nicolás Maduro's regime were pondering how they could demonstrate that their unpopular leader, who faces a presidential election next year, could still mobilise the masses, a referendum on the centuries-old border dispute seemed like a promising tactic. On December 3rd, with much patriotic fanfare and blanket coverage on state TV, the vote was held.

Voters were asked five questions, exploring in some detail how the existing border, agreed to in 1899, could be declared illegal and redrawn. The most provocative

question came last, asking people if they agreed that two-thirds of the current land mass of Guyana, an area almost the size of Florida known as Essequibo, should be absorbed by Venezuela, forming a new state.

The result of the referendum was predictable, especially since the regime holding it has a reputation for fiddling elections. Indeed, there was no organised "no" campaign. According to the government-controlled electoral authority, the CNE, 95% of answers to each of the questions was yes. "The 'tick here to make my country bigger' option was always bound to win," quips a Western diplomat in Caracas.

The question of turnout was more controversial. The CNE declared on December 5th that 10.4m Venezuelans had voted.

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That was an unbelievable figure. In the presidential election in 2018, which was widely seen as rigged and which Mr Maduro claimed he won, the official turnout was 9.4m. TV footage of that vote showed large crowds of people waiting to cast ballots.

On the day of the referendum, by contrast, barely any queues were seen or reported outside thousands of polling stations. Even government broadcasters, practised at giving the impression that Venezuela is a thriving democracy, struggled to find voters to film. True turnout was probably fewer than the 2.4m who voted in October in opposition primaries, which were run without government resources. Those were won with 93% of the vote by María Corina Machado, a fierce critic of Mr Maduro. She is banned from office.

Did such apathy over the referendum worry Mr Maduro? Seemingly not. "The Venezuelan people spoke loud and clear," the autocrat declared, wearing a bespoke white referendum tracksuit top as he addressed supporters at a rally after the vote near the presidential palace in Caracas. Jorge Rodríguez, the president of the regime's rubber-stamp National Assembly, said the mandate was so large that the government had no choice but "to abide by it".

And that is what it is doing, at least on paper. On December 5th Mr Maduro ordered a new Venezuelan state to be created, called "Guayana Esequiba". He appointed ➤

► Rodríguez Cabello, a general, as its chief. A new map of a now larger Venezuela has been published. Mr Maduro, whose rule has been marked by mass emigration and soaring poverty, said that Petróleos de Venezuela SA (PDVSA), the state's oil company, should begin granting operating licences for the exploitation of crude oil, gas and mines in Essequibo, and that "social care" should be organised for its inhabitants.

This has all the hallmarks of "the fairytale stage" of a dictatorship, says the Western diplomat. In reality, the exercise has backfired. If Venezuelans could not be persuaded to vote in large numbers for a profitable slice of Guyana, what hope might Mr Maduro have that they would re-elect him in a fair election, assuming the regime decided to hold one?

The timing of the referendum also appears to be something of an own goal for the usually savvy Mr Maduro. In October representatives of his regime signed an agreement in Barbados with members of the opposition over how the presidential election might be held in 2024. In return for some modest pledges, the United States lifted a raft of sanctions for an initial six months, most significantly on PDVSA. This means that it can expand production and the regime can begin selling its oil at market prices.

President Joe Biden's administration recently reminded Mr Maduro that he needed to fulfil his part of the deal, by releasing American prisoners and beginning the process of rehabilitating banned politicians, including Ms Machado, by the end of November. Mr Maduro's government appeared to be partially complying with that demand, hours before the deadline expired. It announced on November 30th that opposition politicians could appeal against their bans until December 15th.

But now Mr Maduro has chosen to be a pariah once more. Luiz Inácio Lula da Silva, Brazil's president, has long avoided blaming Mr Maduro for the economic disaster that Venezuela has been through under his decade-long rule. But Lula showed irrita-

tion on December 3rd at the COP28 summit. "If there's one thing South America doesn't need right now, it is conflict," he said.

Before the referendum Vladímir Padrino López, the defence minister, ominously claimed that the dispute "is not a war, for now". Nevertheless, Venezuela is unlikely to invade its neighbour. It "has a massive military advantage over Guyana, but Venezuela would not be confronting only Guyana," says Rocío San Miguel, a military analyst. The United States and Brazil would swiftly come to the small nation's defence with military help, she thinks.

Mr Maduro, who had no doubt convinced himself that the referendum was a brilliant idea, has in fact confirmed his unpopularity. Could this threat of a phoney war against Guyana be his Waterloo? Might those close to him decide he is a liability? Maybe. But he does have an uncanny ability to survive. ■

...more than a grand slam."

Mr Rocha is not the first such case. "I don't find this particularly surprising," says Duyane Norman, who ran the CIA's Latin American operations. "Pound for pound Cuba is recognised as one of the better intelligence services in the world." Cuban intelligence was modelled on the Soviet KGB and East German Stasi. It penetrated the United States in the 1970s and 1980s, focusing on the recruitment of women and Hispanic men. In 1987 Florentino Aspíllaga Lombard, a top Cuban intelligence officer, defected and revealed that virtually every CIA agent on the island since the 1960s had been plants, or later turned and fed misinformation.

American spooks have long acknowledged that their Cuban counterparts were part of, as one government report noted, "a first-rate intelligence service" who could run "highly aggressive operations...throughout the world". One reason for this was that, as in other communist countries, the brightest often gravitate to positions that bring power and privilege, such as the opportunity to live abroad, says Mr Norman. "They have been cultivating a class of genuine professional intelligence officers for a long time," he adds.

Those officers have taken a long-term view. "One of the hallmarks of a lot of Cuban operations is patience," says Mr Norman, allowing recruits to rise to positions of prominence over time. He points to the example of the "Cuban Five", a group of intelligence officers arrested in Miami in 1998 and accused of infiltrating anti-Castro groups. Mr Rocha was recruited at around aged 30 and helped by the DGI to join the State Department.

Cuba's biggest known success was Ana Montes, the top Cuba analyst in the Pentagon's Defence Intelligence Agency (DIA). She had been recruited by Cuban intelli- ►

Cuban spies

Their man in Havana

America unmasks a Cuban agent

INSIDERS HAVE long known that Cuba's foreign intelligence agency—the Intelligence Directorate, or DGI in its Spanish acronym—punches above its weight. Evidence of that came on December 4th when the US Justice Department charged Victor Manuel Rocha, a former American ambassador, with secretly serving as a Cuban agent for 42 years.

Mr Rocha would be one of the highest-placed moles that America's government has recently found. An indictment says that he started working for Cuba no later than in 1981 and joined the State Department that year. He went on to become the top official for the Americas in the National Security Council in the White House, a senior diplomat in Havana, deputy ambassador in Argentina and ambassador in Bolivia between 1999 and 2002.

Even after retirement, Mr Rocha had access to valuable intelligence. From 2006 to 2012 he was an adviser to the head of the Pentagon's Southern Command, which has responsibility for Latin America. He was in contact with the DGI as recently as 2016 or 2017. He was caught in a sting when the FBI pretended to be his new handler. He is said to have praised Fidel Castro, Cuba's revolutionary leader, as "the Comandante", referred to the United States as "the enemy" and described Cuban spooks as *compañeros*, or comrades. "What we have done", he is said to have boasted, is "enormous



Tinker, Tailor, Soldier, Ambassador



MAKING CLIMATE FINANCE AVAILABLE, AFFORDABLE AND ACCESSIBLE



Eight years ago in Paris, governments and civil society pledged to limit global warming to 1.5°C above pre-industrial levels in order to avoid environmental disaster. As things stand, we are not even close to meeting this target.

One major obstacle has been money. Climate finance is not available, affordable or accessible, particularly in the Global South. Although financing commitments have nearly doubled to \$850m per year since 2015, that figure needs to grow fivefold to \$4.3trn per year by 2030 if the Paris goals are to be met, according to the Climate Policy Initiative.

Reforming climate finance is front and center at COP28 in Dubai. The COP presidency has been clear on the inadequacy of the global response to date and the need for radical change.

One reason for the shortfall in finance is government inaction. Wealthy countries pledged \$100bn per year in 2009 to help fund climate change mitigation in poorer countries, but this money has not materialized. To fast-track the shift to a resilient net-zero economy, a new framework on climate finance is needed, alongside crucial reforms that match the magnitude of climate finance required. Pledged commitments, meanwhile, must be met.



COP28
UAE

gence in 1984, trained in Havana and served as an agent for 17 years until her arrest in 2001. In that time she revealed the names of four American undercover officers in Cuba and details of operations in El Salvador, Nicaragua and Panama.

The case of Ms Montes, who was released from prison in January, illustrates another reason why the DGI has enjoyed such success. Cuba does not need to resort to what Russia calls *kompromat*, compromising material to blackmail would-be agents, says Mr Norman. Ideology is often enough. Just as Soviet spies traded on the appeal of anti-fascism and socialism in the 1930s, so too did the DGI exploit the (former) romance of the Cuban revolution.

In the cold war the KGB had to pay, often handsomely, to recruit many of its best agents. Mr Rocha and Ms Montes apparently worked for free. Ms Montes was radicalised by the Reagan administration's policy in Latin America, including its intervention in Grenada in 1983 and its support for the Contras, right-wing rebels, in Nicaragua. She was, she later told the FBI, a "comrade in the struggle" against America. Mr Rocha, though adopting right-wing garb—last year he contributed to the re-election effort of an anti-Castro congresswoman—was driven by the same ideology. He boasted that his "number-one priority" was to prevent any action "that would endanger...the revolution itself." ■

Military might

General purpose

ASUNCIÓN

Latin America's armed forces have increasing clout

THE ESSEQUIBO, a swathe of jungle that makes up two-thirds of Guyana, seems an unlikely place for war to break out. But in recent weeks the area has seen an unusual flurry of military activity. Venezuelan troops built an airstrip and roads near the border ahead of a referendum on December 3rd on whether to annex the territory, which Venezuela has long claimed as its own (see lead story). American military advisers flew down to Guyana—an oil-rich but poorly armed nation—to talk strategy. On December 4th Brazil's defence minister sent 16 armoured vehicles to the border with Venezuela after Nicolás Maduro, its autocrat, claimed that 95% of voters had agreed to the annexation.

Latin America has avoided a major international war for almost a century. Even its cold-war military dictators abstained from attacking each other. Instead, the generals collaborated in the mass murder



Full metal jacket

of dissidents. By the turn of the millennium, newly democratic governments had sent their soldiers back to the barracks. Some got rid of them altogether. Costa Rica abolished its armed forces in 1948. Panama followed suit in 1990. The region spent just 1.1% of its GDP on defence in 2022, on a par with sub-Saharan Africa. Paraguay's airmen today use second-hand choppers that last saw service in Vietnam.

Yet Latin America's armed forces are no longer irrelevant. For a start, the region is becoming more embroiled in geopolitical tensions. Its commodities—such as copper, oil, lithium and foodstuffs—have huge strategic value. Chinese state-owned companies are building deepwater ports in Peru and Argentina. China is also said to be ramping up signals bases in Cuba: potential targets in the event of a war with the United States over Taiwan. It is training with the region's armed forces, too.

And though wars are exceedingly rare between Latin American countries, the region is "the most violent...in the world" for its citizens, says Nicolás Terradas of the Pontifical Catholic University of Peru. As the global demand for illegal drugs has increased, criminal gangs have achieved a level of territorial control and firepower which few police forces can match.

As a result, politicians that once looked askance at their armies are embracing them. The trend started in Mexico, which drafted troops into fighting criminal gangs in 2006. That has intensified under its current president, Andrés Manuel López Obrador, who came to power in 2018. He has replaced the police with a new National Guard, 80% of whose 130,000 members are active-duty soldiers. The president is also trying to put the guard under the command of the armed forces.

Mexico's army is engaged in dozens more non-military missions, such as man-

ning Mexico City's new airport, building banks and guarding refineries. Mr López Obrador has relied on the army to circumvent a hostile civil service and complete his pharaonic infrastructure projects, such as a tourist train to run around the Yucatán peninsula. The only government institution "that responds with 100% loyalty to the president is the military", says Raúl Benítez Manaut at the National Autonomous University of Mexico.

Flush with inflated budgets and new powers, Mexico's military commanders appear increasingly unaccountable. Earlier this year a data hack of the defence ministry suggested that they had spied on journalists and human-rights defenders investigating murders allegedly carried out by soldiers. (They deny wrongdoing.)

Brazil's former president, Jair Bolsonaro, stuffed his cabinet with military men. Some generals appear to have supported rioters who stormed Congress in January to demand a coup after Mr Bolsonaro lost the election. To keep the army on-side, Brazil's new president, Luiz Inácio Lula da Silva, looks set to approve a plan to double the military budget to 2% of GDP.

Since coming to power in 2022 Gabriel Boric, Chile's left-wing president, has renewed the state of emergency in the south of the country 35 times and sent the army to guard the northern border. (Before he was in office, he criticised such policies.) In El Salvador Nayib Bukele, who has just circumvented term-limits by stepping down as president in order to seek re-election, has used the army to lock up 70,000 alleged gang members over the past 18 months, or 2% of the adult population.

In Argentina, Javier Milei, who takes over as president on December 10th, appears to have downplayed the atrocities by the military junta, which ran the country from 1976 to 1983. He acknowledges that "excesses" were committed but denies a systematic extermination plan. He describes the dictatorship as part of a war where crimes were committed on both sides.

A warning shot

The region's democracies are unlikely to attack their neighbours. But its dictatorships may. Venezuela's sabre-rattling will probably increase ahead of a presidential election next year. The Falklands war of 1982 set a precedent when Argentina's dictators briefly seized the windswept British archipelago in a bid to distract from brutal repression at home. Hugo Chávez, Venezuela's former autocrat, repeatedly sent tanks trundling towards Colombia, a firm ally of NATO. A renewed outbreak of hostilities in Latin America "is still a distant prospect", thinks Robert Evan Ellis of the US Army War College. But Russia's invasion of Ukraine has made the region's armies realise "that the unthinkable is still possible". ■

**Cow-belt elections**

Big Mo for Modi

DELHI

The Bharatiya Janata Party looks set fair for next year's general election

THE POLITICAL divide between India's poor heartland and richer south has got even starker. In five state polls, the last big tranche ahead of a general election due by next May, the Bharatiya Janata Party (BJP) won emphatic victories in northern Rajasthan and in the central states of Madhya Pradesh and Chhattisgarh. In both Rajasthan and Chhattisgarh, India's ruling party thereby unseated its main national rival, the Congress party, dashing its hopes of a revival in the Hindi-speaking "cow belt" where around half a billion Indians live.

In the south, meanwhile, Congress won in the prosperous state of Telangana (whose capital is the technology hub of Hyderabad). The incumbent party there was a regional one, not the BJP. Even so, the Hindu nationalist party's failure to bag Telangana will compound its loss to Congress last May in the neighbouring state of Karnataka (which is home to Bangalore, another tech hub). It is another indication of the limited appeal to southerners of the

BJP's Hindu-centric ideology.

Rajasthan and Madhya Pradesh are by far the most populous of the five states that went to the polls. Together they command 54 of the 543 seats in the lower house of the national parliament. In the fifth state, small, north-eastern Mizoram, one regional party ousted another; neither of the big national parties did well.

Overall, the state results are excellent news for Narendra Modi, the BJP prime minister. In power since 2014, Mr Modi is campaigning for a third term on a platform

that combines the BJP's "Hindutva" ideology, a Hindu-first view of Indian culture and identity, with a pledge to transform India into a developed country by 2047, the centenary of its independence. BJP leaders credit Mr Modi with India's recent strong economic growth and impressive progress on infrastructure development. They also praise him for taking action against corruption and other problems long neglected by former Congress-led regimes.

"The results in Chhattisgarh, Madhya Pradesh and Rajasthan indicate that the people of India are firmly with politics of good governance and development," Mr Modi wrote on X (Twitter, as was) on December 3rd. He predicted support for the BJP would grow in Telangana. Despite its failure to win the state, the BJP's vote share there was double the 7% it won in Telangana's previous state election, in 2018.

Conversely, the results are a blow to Mr Modi's opponents. They accuse him of undermining India's secular constitution by pandering to Hindus, who represent 80% of the population, and fomenting discrimination and violence against minorities, especially Muslims, who account for about 14%. Critics allege that Mr Modi's government has eroded judicial independence, muzzled local media and used law enforcement agencies to harass opponents. (The government denies doing any of that.)

Mr Modi's opponents worry, too, that he ➤

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wants to change the constitution to give more power to the executive branch. A revision of electoral boundaries, due in 2026, would probably make it relatively easy for him to make such changes. It could see the lower house expanded to around 753 seats, with most new ones going to northern states, where the BJP is popular. Mr Modi has also proposed holding simultaneous national and state elections, which many see as another move to centralise power.

The five state polls are not straightforwardly predictive of next year's general election result. In 2018 Congress won control of Chhattisgarh, Madhya Pradesh and Rajasthan, and then was trounced in all three states in the general election that followed. Congress's vote share in all three this year was roughly the same as in 2018, while the BJP's rose at the expense of smaller parties. Yet given that the BJP tends to do better in national than state-level polls, these results look bad for its opponents. The party's greater success nationally is based on the popularity of Mr Modi, whose image as a strong, charismatic leader is sustained by the BJP's media operation.

The BJP performed especially strongly in India's north and north-west in the general election held in 2019, and probably needs to do so again next year to win another majority. India's south seems to be "out of bounds" to it, says Rahul Verma of the Centre for Policy Research, a Delhi-based think-tank. "With this kind of performance, the BJP is sitting in a much sweeter spot than it was a couple of months ago and the road for Congress has become very, very difficult."

Congress will now face pressure to cede more ground in negotiations over strategy and candidates with the other 27 opposition parties it joined in July in a coalition called the Indian National Developmental Inclusive Alliance, or INDIA. The alliance also looks unlikely to accept as its prime ministerial candidate a Congress leader, such as 53-year-old Rahul Gandhi (whose father, grandmother and great-grandfather were all Indian prime ministers). Mr Gandhi said in a posting on X that he accepted Indians' latest bruising verdict. "The ideological battle will continue," he added.

The BJP's victories in Rajasthan and Chhattisgarh were due, in large part, to Congress's internal divisions. The government of Rajasthan, which Congress had controlled since 2018, had a good record, particularly on delivering welfare programmes. But its rule was marred by a bitter two-year-long power struggle between the chief minister, 72-year-old Congress stalwart Ashok Gehlot, and his ambitious 46-year-old deputy, Sachin Pilot.

In Chhattisgarh, again governed by Congress since 2018, the party was also undermined by feuding between its chief minister and one of his deputies, as well as



by a failure to fulfil election promises. In Madhya Pradesh, Congress's inability to exploit dissatisfaction with the incumbent BJP government was attributed largely to its selection of another ageing and controversial Congress veteran, 77-year-old Kamal Nath, as its candidate for chief minister. He had taken that post after Congress won the last state election in 2018 but his government collapsed 15 months later.

Beyond such local factors, the BJP's success was down to superior strategies, organisation and message discipline. In Madhya Pradesh, Mr Modi's party worked hard to promote an image of collective leadership, sending several national figures to campaign and largely sidelining its 64-year-old chief minister, Shivraj Singh Chouhan, who may now be replaced. That helped offset public frustration with Mr Chouhan's leadership and focus attention on Mr Modi. The BJP also concentrated on women voters, who have been voting in larger numbers in recent polls. Congress may be cheered by its win in the south. It has little to be encouraged by elsewhere. ■



She's just mad about saffron

India's hit list

A damning indictment

LOS ANGELES

The jaw-dropping details of an Indian assassination scheme

IT IS A plot worthy of John le Carré. A shadowy figure in India recruits an international arms-and-drugs smuggler to organise a hit-job in New York. The smuggler recruits an assassin. The assassin turns out to work for America's Drug Enforcement Administration (DEA). The man behind the foiled plot? An Indian government official.

The indictment America's Justice Department unveiled on November 29th is an astonishing read. It lays out in bracing detail an alleged plot by an Indian official to kill Sikh activists in America (unsuccessfully) and Canada (successfully). It also describes the equally gripping ruse employed by American spies to foil the plot. This brings to a head a month-long diplomatic scandal over India's alleged hitman schemes in North America, which began after Canada's prime minister, Justin Trudeau, first raised them in that country's parliament. The indictment has made India's earlier denials ring hollow. It will also put stress on the improving relationship between India and the West, on intelligence co-operation in particular.

American prosecutors say that in May a person described as "cc-1" hired Nikhil Gupta, the alleged smuggler, to kill a Sikh separatist understood to be Gurpatwant Singh Pannun, an American citizen. cc-1 had worked in intelligence as a "senior field officer" and "was employed at all times...by the Indian government". The agency is left unspecified, though the job description is consistent with the Research & Analysis Wing (RAW), India's foreign spy service.

There are hints that this chief plotter was acting on behalf of more senior Indian officials. Mr Gupta told the hired assassin that "his co-conspirators directing the assassination plot from India had extensive resources." The Indian official allegedly got Mr Gupta off the hook for a criminal charge at home. Most tellingly, he urged the assassin to avoid carrying out the killing in June during sensitive US-India diplomacy, including a visit to Washington by Narendra Modi, India's prime minister.

The indictment corroborates the Canadian allegations in some ways. Mr Gupta, the smuggler, is said to have told the DEA agent Mr Pannun was one of "many targets", also including Hardeep Singh Nijjar, the separatist killed in Vancouver in June. The official allegedly provided photos of Mr Nijjar's body to Mr Gupta with an exhortation to "get rid of" him. The indictment also reveals that Mr Gupta had previously been involved in smuggling weapons and drugs from India to America. It is not clear whether he was working for the Indian government or for a private individual.

► tation to hurry up with killing Mr Pannun. These machinations have sent ripples through the intelligence world, where disputes are normally handled with quiet rebukes. Canada publicly expelled RAW's representative from Ottawa. India kicked out his Canadian equivalent from New Delhi. Praveen Swami, an Indian journalist, reported in the Print, a website, that America had also expelled RAW's top official in San Francisco and refused to allow a replacement for RAW's outgoing station chief in Washington, and that Britain had kicked out RAW's number two in London. *The Economist* could not verify those reports.

Ties between America and India have been through rough patches before. In the 1990s India bristled at American criticism of its conduct in Kashmir. In 1998 America imposed sanctions after India tested nuclear weapons. In 2004 Rabinder Singh, a RAW official, vanished from Delhi. He is believed to have been recruited and whisked away by the CIA. In 2013 warming bilateral ties were interrupted when America prosecuted Devyani Khobragade, India's deputy consul-general in New York, for visa fraud and mistreatment of staff.

The difference today is that both countries are deeply invested in their bilateral relationship, which now spans defence, trade and technology. Both sides are therefore treading delicately. America's top intelligence and security officials have all confronted Indian counterparts in private. But the indictment carefully avoids blaming India's government as a whole.

Many influential Indians are defiant. Some are outraged that Mr Pannun and Mr Nijjar are described as activists, not extremists, seeing this as symptomatic of Indian interests being misrepresented in the West. Vikram Sood, a former head of RAW,

describes the indictment as part of an American plot to undermine Mr Modi's drive for self-reliance in defence. "The US wants to discipline us," he wrote. "So something that could have been sorted out across the table has been splashed everywhere. They nurtured a terrorist."

Yet the Indian government's response to the indictment has been "diminuendo in contrast to the crescendo with Canada", notes Nirupama Rao, who served as India's ambassador in Washington a decade ago. India's foreign ministry, which had described Mr Trudeau's accusations as "ab-

surd and motivated", said the American ones were "a matter of concern" and that assassination would be "contrary to government policy". It convened a high-level committee to look into the matter.

Notably, Samant Goel, RAW's chief at the time of the plot, retired at the end of June. One option for India could be to blame him for the intrigue and absolve Mr Modi. That would allow America and India to put the row behind them and get back to containing China. "My hunch", says Ms Rao, "is that the situation will be handled in a manner that tensions are defused." ■

Japanese joy

The new geishas

TOKYO

Japan's accomplished women entertainers are innovating to survive

AT FIRST BLUSH Azuha and Seiko, two geishas in Tokyo's Asakusa neighbourhood, are paragons of Japanese decorum. With white-painted faces and silky black hair, they dance elegantly in silk kimonos for a small crowd. But then they slip into relaxed goofiness. During a drinking game, Azuha crawls like a tiger. Seiko pretends to be an old crone with a walking stick. When they lose, they down glasses of beer.

This informal geisha behaviour is a response to hard times. In the late 1920s there were around 80,000 of these skilled women entertainers. Only 1,000 remain. Most Japanese men prefer more informal and often cheaper hostess bars. Few teenage girls are willing to commit to the arduous education in music, dancing and etiquette on which the 18th-century geisha tradition is based. "Japanese are losing touch with geisha culture," laments Suzuki Takeshi, who manages a union of geishas in Asakusa. This has prompted some of the remaining geishas to rethink.

During the covid-19 shutdown, some launched crowdfunding projects and Zoom drinking sessions. Others have opened cocktail bars. Traditionalists find these innovations jarring. Yet they are consistent with geisha history. The service was for centuries flexible. Geishas have played board games with clients and, during the post-war boom, golf. Geisha entertainment was always closer to today's hostess bars, or *kyabakura*, than the purists admit.

Even before the pandemic, geishas were targeting a more mixed crowd, including women and tourists. Many have dispensed with the practice of *ichigensan okotowari*, or "no entry without introduction". Shiomi Fumie, another geisha in Tokyo, started holding geisha



She dances, sings and Zooms

"livehouse" events that omit the lavish meals traditionally consumed in hours-long geisha parties, in favour of short performances for as little as 8,000 yen (\$54). By making geisha shows accessible, she hopes to woo younger customers—and maybe recruit some geishas.

Such changes are helping to correct some misconceptions. Geishas have been over-romanticised and mischaracterised as prostitutes in Japanese as well as Western culture—from "Memoirs of a Geisha", a book by Arthur Golden, to "In the Realm of the Senses", a film by Oshima Nagisa. By pushing back on that, the innovations have helped win recruits. Ms Shiomi once worked for an IT company. She loves her new profession's beautiful kimonos, dances and songs. "You can't earn lots of money as a geisha," she says. "But it's incredibly cool."



A RAW deal for Khalistanis

Australian universities

Campus politics

SYDNEY

Foreign students are pouring back into Australia

THE FIRST international student, from China, enrolled at the University of Sydney a century ago. Now its sandstone buildings hum with foreign languages: almost half the university's students are from overseas. "For Asian kids, we value the rankings a lot," says one of its Chinese students, who asks not to be named. Australian universities perform well in them; the University of Sydney is one of nine ranked among the world's top 100 institutions. Australia also has better weather than Britain or Canada, and less gun crime than America. When the student enrolled in 2015, it "seemed like one of the friendliest countries in the Western world."

Over the past two decades the number of international students in Australia has risen nearly fourfold, to 440,000 in 2019. Its universities now attract more foreign talent than those of any country except America and Britain. Education is Australia's fourth-biggest export, worth around 3% of GDP. This has made its universities dependent on the higher fees foreigners pay—a worry when Australia closed its borders in 2020 and again later that year when a trade war erupted with China, which supplies about a third of the incomers. Yet most of the universities have managed these shocks fairly easily. And this year foreign students have returned in droves, with 425,000 now in Australia.

The universities were largely unaffected by the trade spat. While slapping curbs on Australia's exports from wine to coal, China did not deter its citizens from attending the country's universities. When the pandemic struck, Chinese students were also more willing than others to stick with online learning, notes Peter Varghese, chancellor of the University of Queensland. "One of the ironies was that the universities which were least impacted financially were those that had the highest concentrations of Chinese students," he says. Mark Scott, vice-chancellor of the University of Sydney, agrees: "A point of vulnerability emerged as a point of strength."

Public investment in Australian tertiary education is among the lowest in the OECD. This makes the universities especially reliant on the revenue foreign students provide, including A\$41bn (\$27bn) in fees and other spending in the year to September. There is also value in "the enduring diplomatic benefit of building constructive relationships" with some of the world's

brightest citizens, notes Professor Scott.

But there is a downside. Some universities have been accused of suppressing criticism of China. Chinese student spies are alleged to be snooping on campuses and intimidating classmates. In 2019 scuffles broke out in several universities between Chinese nationalists and pro-democracy campaigners. Universities have been subject to a "sustained campaign of intimidation, harassment, censorship and intelligence gathering", thundered a conservative senator, James Paterson, last year.

Partly as a result, the universities are becoming just a bit less dependent on China. Scandals over foreign interference were a big wake-up call, says Rory Medcalf of the Australian National University. Vice-chancellors are now wooing new markets. The University of Sydney is taking record numbers from Malaysia and Vietnam. Since 2018 the number of Indians studying down under has risen by a third. Chinese students now represent 33% of the foreign cohort, down from a peak of 38%.

Continued geopolitical tensions are meanwhile leading to more scrutiny of university research and partnerships. Foreign-interference laws passed by the former conservative government require universities to inform security agencies about "arrangements" with "foreign entities". When, in 2019, Monash University signed a partnership with the state-owned Commercial Aircraft Corporation of China to develop aviation technology, there was an outcry. A parliamentary review last year called for it to be cancelled, as the work could have military applications.

A more heated debate over security on campuses is brewing. Through AUKUS, a trilateral security pact, America and Britain will share nuclear-propulsion technol-

ogy with Australia. The pact will also lead to collaborations on emerging technologies such as artificial intelligence and quantum computing. Australian officials say this will make the country's universities a bigger target for espionage. The Labor government led by Anthony Albanese has drafted legislation that would make it illegal for academics to share sensitive research with any foreigner, except Americans and Britons, without government approval. Universities fear a stifling of their academic freedoms. Yet, for the moment, such measures seem a fairly modest curb on their impressive openness. ■

North Korean shipping

Rusty buckets

SEOUL

North Korea is getting more vessels, with China's help

LAST CHRISTMAS EVE the *Hui Yi* was docked in Yantai, a Chinese port just across the Yellow Sea from the Korean peninsula. Then on January 2nd the Chinese cargo vessel switched off the transponder that reports its movements and disappeared. It was not seen again until early February, when it was spotted offloading cargo in Nampo, North Korea's main port. A month later it had a new name, the *Kum Gang 1*, and was flying a North Korean flag.

Between January and May this year North Korea's commercial fleet grew by 14 ships, according to the latest report by the UN panel of experts that is tasked with monitoring the sanctions regime placed on the country. Transferring vessels to North Korea is forbidden under it. Yet since 2020 the hermit kingdom has acquired 52 ships. The sanctions-busting they facilitate is a lifeline for the economically isolated country, in particular by connecting it to its main patron, China.

The fleet had been shrinking, to about 200 ships in 2016. But several rounds of sanctions following a North Korean nuclear test in 2016 have made it more economically significant. After a long covid-19-instigated shutdown, North Korea's ports have reopened and trade with China, by far the country's largest trading partner, is approaching pre-pandemic levels. With fewer foreign ships entering North Korea's ports, its vessels have more responsibility for ferrying goods in and out.

Increased trade left North Korea needing new ships. China was willing to help. The UN panel found that ten of North Korea's recent acquisitions were previously Chinese-owned. Most return to China with North Korean goods—the trade is mostly ►►



Gongxi, cobbers

Banyan Rohingyas all at sea



Western donors should do a lot more to help an increasingly forgotten people

IN RECENT WEEKS wooden boats from Bangladesh have been turning up off Aceh, the Indonesian province on the tip of Sumatra, 1,000 nautical miles (1,852km) away. They are packed with Rohingya refugees, previously resident in the Kutupalong camp complex in south-eastern Bangladesh. A Muslim people from Rakhine state in Myanmar, the Rohingyas have long been persecuted by that country's Buddhist elite. In 2017 about 750,000 fled into Bangladesh, carrying genocidal tales of arson, rape and murder. Today Kutupalong is the world's biggest refugee camp, with nearly 1m residents. Yet having fled from Myanmar, many are now attempting to flee from Kutupalong—a measure of desperation in the face of dwindling food rations and mounting gang violence there.

The exodus of 2017 won global sympathy. At a UN-backed aid conference that year donors pledged \$344m for Rohingya refugees. But attention has long since moved on, and the aid is drying up. This year the World Food Programme (WFP) has cut rations for each Kutupalong inhabitant from a value of \$12 a month to \$10, then \$8, citing a funding gap of \$56m. Even before the cuts, two-fifths of camp children showed signs of stunted growth; now malnutrition is rising fast.

There are many kinds of problem at the camp. Its bamboo-and-canvas huts were designed as a short-term fix. Now some of its neighbourhoods have turned into slums. They are unhygienic and vulnerable to flooding. Two-fifths of camp residents have scabies.

Worse, a social crisis is brewing as security in Kutupalong is breaking down. Prostitution and child marriage are on the rise in the camp. Rival armed gangs terrorise the population with rapes and kidnappings. They have murdered doz-

ens this year and target community leaders especially—at least 16 were killed in the first half of the year. Bangladesh's Armed Police Battalion, in charge of security, are part of the problem, often extorting pay-offs from those seeking justice as well as from the gangs.

Last month Abdur Rahman, a 36-year-old with a wife and four children, had had enough: life in the camp was "hell", he concluded. He scraped together \$3,000 from relatives for a broker promising a boat to Aceh. On November 21st he and his family sneaked down to the shore to meet 300 others, mostly unmarried women looking to Indonesia or Malaysia for a future. But the next day an armed gang led by a rival broker seized them as they were boarding and demanded ransoms. On this occasion, the police rescued them. Back in the camp, Mr Rahman fears the brokers will seek revenge.

Whatever the risks, Mr Rahman still reckons taking to the waves in a leaky craft is better than staying put. More than 3,700 Rohingyas from Kutupalong are believed to have crossed the Andaman Sea this year,



with 400 now thought to be adrift. Since early November, at least eight large and crammed boats have attempted the journey. Acehnese who once welcomed their fellow Muslims now force them back out to sea. The refugees will probably try to land elsewhere along the coast, or in Malaysia, across the Malacca Strait. But with every failed attempt, their options shrink. At least 225 are thought to have drowned this year, twice as many as in the same period in 2022. Many more are unaccounted for.

The crisis spreading across the Andaman Sea is just one example of how neglecting the Rohingyas' plight carries broader costs. Bangladesh's government is storing up trouble by forbidding Kutupalong's residents from working outside the camps and by banning schools within them. The idea is to stop the refugees putting down roots. But blighted prospects for young Rohingyas play recruiting sergeant for violent gangs.

It is also a huge waste of human potential. For it is absurd to pretend that the Rohingyas will be able to return to their homes in Myanmar soon, if ever. Though the junta that seized power there three years ago insists that repatriations should begin, it will not promise the Rohingyas the statehood they crave. Meanwhile, Myanmar's civil wars make return even less appealing.

Rich countries should strive to persuade Bangladesh to allow the Rohingyas education and work. They should also be much more generous themselves in resettling Rohingyas—Australia has accepted only a few hundred, Europe fewer than 3,000. And they should urgently make up the WFP shortfall. It is tiny compared to their aid budgets, yet a major problem for one of the world's most persecuted communities.

▶ between Nampo in North Korea and Dalian, in China's Liaoning province.

Many of the vessels import grain or fertiliser. They also bring in sanctioned goods, such as luxury cars. These are often transferred between ships on the high seas at night, with transponders switched off or transmitting a false location. Huge floating cranes are used to load containers from one vessel to another.

Such smuggling brings in essential goods and revenue. North Korea is only permitted to import 500,000 barrels of refined oil a year, yet imports more illicitly.

Much of it comes from criminal networks that smuggle subsidised Taiwanese oil—North Korean tankers have recently been seen loitering in the Taiwan Strait. An authority that monitors shipping activity via satellite told the panel of experts that North Korea may have exceeded its annual import limit as early as April.

Its fleet also helps it export coal, mostly to China, with help from Chinese barges. Though the pandemic curbed this trade, it is reported to have grown fourfold between the first quarter of 2022 and the same period this year. And North Korea exports tex-

tiles and seafood to China, though both are under sanctions. China told the UN it had no information on North Korea's new ships. It also claimed to be "fully and strictly implementing" the sanctions, despite the evidence to the contrary.

While "the Chinese are showing contempt," says Hugh Griffiths, a former boss of the panel of experts, "what the Russians are doing is far worse." In October America accused North Korea of sending 1,000 containers of weapons to Russia for its war in Ukraine. North Korean arms exports are also banned under the sanctions regime. ■



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China and Ukraine

Eyeing Russia's backyard

KYIV

In war-torn Ukraine, China ponders its economic and political interests

MANY RESIDENTS of Kyiv, the Ukrainian capital, have grown so used to air-raid warnings that they pay little heed. They prefer to think, or pray, that the common pattern will prevail: that the city's air-defence systems will work, more or less, or that the alerts will prove merely precautionary. But for those who do take shelter, the tunnels of the underground railway network are an obvious choice. Thanks to Chinese equipment, there is some relief to be found there during what can be a long and tedious wait for the all-clear.

Less than a year before Russia mounted its invasion of Ukraine in February 2022, work was completed on kitting out the metro with a high-speed 4G mobile network. It uses hardware from Huawei, a Chinese telecoms firm of which Western countries are suspicious—several now ban the use of Huawei's (even faster) 5G technology because of fears that it may enable China to harvest users' secrets. As they sit on foldable stools or snooze on mats, while commuters rush by, the bomb-wary may well be using the 4G system on Chinese-

branded handsets. Phones made by Xiaomi are among the most popular in Ukraine.

China, while professing to be neutral, supports Russia, such as by helping it dodge Western sanctions. But China's business and political ties with Ukraine are not broken. Under a UN-brokered deal that allowed safe passage of ships carrying Ukrainian grain through the Black Sea, China was the biggest recipient of their cargo. Russia withdrew from the pact in July, but China remains an important buyer as traffic picks up along a new shipping corridor. When the fighting eventually halts—no matter to which side's satisfaction—many wonder whether China's firms might see golden opportunities as Ukraine looks for help with the task of rebuilding.

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China has interests in Ukraine that stretch beyond its clear desire for the war to weaken Western alliances and leave Russia much as it is, in tune with China's worldview. Before the invasion, both China and Ukraine hoped to reap economic benefits from their relationship. China had overtaken Russia as Ukraine's largest single trading partner (though as a bloc, the European Union was still the biggest). Chinese firms were already doing deals for the building or financing of infrastructure (a new line for the metro is one that may eventually materialise). In 2021 Ukraine's president, Volodymyr Zelensky, told his Chinese counterpart, Xi Jinping, that Ukraine should be China's "bridge to Europe". For all Mr Xi's sympathies with Russia's president, Vladimir Putin, that would have been music to the Chinese leader's ears.

The EU hints at the possibility of post-war business deals for China in Ukraine as a way of swinging it more to Ukraine's side. "We do consider it essential that China makes a major effort to convince the people of Ukraine that China is not Russia's ally in this war," said the EU's foreign-policy chief, Josep Borrell, in a speech in October at Peking University. He suggested that China step up humanitarian aid and propose an initiative to protect Ukraine's cultural heritage from destruction by Russia. Such gestures, he said, would "dramatically" improve China's image in Ukraine and put it in a "good position to contribute" to the country's reconstruction. ➤

▶ China is trying to buff up its image by presenting itself as a peacemaker. In February it issued a 12-point proposal to settle the conflict. The plan aroused little enthusiasm, especially in Ukraine and among its Western supporters, as it did not call for Russia to withdraw from Ukrainian territory. Ukraine has suggested that China act as a guarantor of a peace deal. China has been non-committal, perhaps worried about having to show its hand should Russia violate the terms. But China's proposal did say that the country was "ready to provide assistance and play a constructive role" in post-war rebuilding. To many observers, that looked as if China was interested in mobilising its huge capacity for the rapid roll-out of high-quality infrastructure.

But will China play much of a role in what could become the biggest frenzy of construction in Europe since the one that followed the second world war? This will depend in part on how the shooting ends. In the unlikely event Russia winds up in control of Ukraine, China would have a stark choice to make: siding with Russia in such a scenario would risk a meltdown of relations between itself and the West. Assuming the government in Kyiv remains in control of most of Ukraine—and has an appetite for Chinese help—China would have to calculate how much its contribution would risk annoying Russia, whose friendship it sees as vital to its own security.

No Belt No Road

China's involvement in Ukraine leading up to the latest invasion may offer clues to the way its thinking will work. On the face of it, Ukraine would appear an obvious target for Chinese investment. It joined the Belt and Road Initiative, China's global infrastructure-building scheme, in 2017. And it is well placed as a potential conduit for Chinese goods destined for European markets and has resources that China wants, ranging from wheat and maize to iron ore. But observers in Kyiv see a long-standing pattern of caution in China's business dealings. Its share of foreign direct investment in Ukraine has been "very tiny", says Yurii Poita of the Kyiv-based New Geopolitics Research Network. A Ukrainian foreign-ministry official says that "not a single project has been done" in Ukraine under the belt-and-road banner.

It once looked very different. In 2013 Ukraine's then pro-Russian president, Viktor Yanukovych, visited China and secured what he said were deals involving \$8bn of Chinese investment in an array of projects from airlines and shipbuilding to agriculture. Those plans were thrown into disarray by a popular uprising against Mr Yanukovych that resulted in his flight to Russia in 2014 and a decisive political shift by Ukraine away from Moscow. Russia swiftly responded by seizing Crimea, in the south of

the country, and instigating a separatist war in Donbas, an eastern region.

The turmoil and violence discouraged Chinese investors. But some analysts in Kyiv believe there may have been another reason for their hesitancy: that China did not want to upset Russia by forging too close a relationship with a government that Russia despised, in a country that was once part of the Soviet Union. "I think the Russians did a lot to persuade China that it's their sphere of influence," says Maksym Skrypchenko of the Transatlantic Dialogue Centre, a think-tank in Kyiv.

It did not encourage China that Ukraine looked to the West for security. When a private Chinese aerospace firm, Beijing Skyrizon, began attempting a takeover of Motor Sich, a Ukrainian maker of aircraft engines, America complained that Skyrizon was linked to the Chinese army. Ukraine duly blocked the sale in 2021. Skyrizon then filed a case against the government, demanding billions of dollars in compensation. In 2022 Ukraine used wartime powers to nationalise the firm. Skyrizon accused the authorities of "unjustified plundering of the legitimate rights and interests of Chinese investors". Ukraine has not yet followed Western countries by banning the use of Chinese technology in 5G networks. But Huawei must be wondering whether that day is far off.

Public attitudes in Ukraine may not help Chinese businesses either. In 2019 opinions of China in Ukraine were among the most favourable in Europe, with 57% expressing positive views, according to the Pew Research Centre, a think-tank in Washington. The invasion in 2022 has soured the mood. Rating, a polling agency in Kyiv, reported in June that 34% of Ukrainians it surveyed saw China as hostile, compared with 12% at the end of 2021. There may be good economic reasons for seeking Chinese help with reconstruction, says Oleksandr Merezhko, chairman of the foreign-affairs committee in Ukraine's parliament. But, he adds, the country should bear in mind the "political price and moral price" of accepting it.

Ukraine and its supporters are already planning for the reconstruction phase. They have held two conferences—in Lugano, Switzerland, in 2022 and this year in London—to discuss Ukraine's post-war recovery. China did not take part in either. The Ukrainian foreign-ministry official says he hopes it will join subsequent meetings. "If they want to be part of this, they should start engaging with international efforts," he says. In Beijing, however, that may seem like abandoning a beloved friend. Providing Russia with moral support is still China's priority—not figuring out how a country that China's state-controlled media portray as a Western puppet can win a distant-seeming peace. ■

Hong Kong

More and more like the mainland

Why Agnes Chow fled Hong Kong and isn't likely to return

ON THE EVE of her 27th birthday this month, Agnes Chow updated her Instagram feed for the first time in two and half years. The former activist (pictured) was jailed in 2020 for taking part in pro-democracy protests in Hong Kong a year earlier. Upon her release on bail in 2021, national-security agents in the city confiscated her passport. She is still under investigation. On Instagram she said that she lived in fear, avoiding politics and struggling with anxiety and depression.

She also outlined the extraordinary steps that the authorities in Hong Kong took in an effort to change her views. She was forced to write a letter expressing regret for her actions and vowing not to contact other activists. In August five agents escorted her to Shenzhen, a city in mainland China. They took her to an exhibit touting the country's achievements since it began to reform its economy. She was made to pose for photographs at the headquarters of Tencent, a technology giant. In the end, she had to write a thank-you letter to the police for showing her "the motherland's great development".

Ms Chow had to do all that in order to get her passport back. Earlier this year she was accepted into a master's programme in Canada. In September, a day before she was due to leave, the document was returned to her. Now in Toronto, she has decided not to go back to Hong Kong, perhaps for the rest ►



Hong Kong's loss

► of her life. "I don't want to be forced into doing things against my will any more," she wrote on Instagram. "My body and spirit will collapse."

As the story of Ms Chow shows, the police and officials in Hong Kong are adopting tools often used on the mainland to control residents. These range from forced confessions and so-called "patriotic tours" to re-education campaigns in prisons. Young people are a particular target. Even as the city tries to woo back tourists and businesses under the banner of "Happy Hong Kong", its leaders are planning to expand the use of such tactics.

Officials in Hong Kong have condemned Ms Chow for jumping bail. "Fugitives will be pursued for life unless they turn themselves in," said John Lee, the city's chief executive. He added that Ms Chow is a "liar" and a "hypocrite" who is suspected of "collusion with foreign forces to endanger national security", a vague charge often used to punish activists. Those foreign forces are still trying to infiltrate Hong Kong, said Mr Lee, so the local government intends to enact new security-related measures next year. Article 23 of Hong Kong's constitution, the Basic Law, mandates the government to form such legislation, but public opposition has delayed the task until now.

Radical measures

In order to control people like Ms Chow the government has also developed what it calls a "deradicalisation" programme. This usually takes place in prison. According to officials, hundreds of detainees have taken part. Most were protesters. A young participant called Tsang Chi-kin was recently interviewed for a television series sponsored by Hong Kong's police. Shot during a pro-democracy protest in 2019 and later arrested, Mr Tsang said the programme taught him to manage his emotions. "We must think clearly before acting to avoid being incited and instigated by others."

The programme involves meeting a psychologist, studying Chinese history and culture, and attending career-planning sessions. One government video shows detainees playing the drums. They perform a song called "Chinese People". "I am proud to be Chinese," says a detainee. "Chinese drums were invented by us Chinese people. I feel very accomplished to be a part of the People's Republic of China."

Hong Kong officials seem to think the deradicalisation programme is working. There have been no big protests since 2019. But the pandemic and China's broader crackdown on dissent in Hong Kong are the main reasons for that. Released detainees say they resent the attempted "brainwashing". Such coercive methods are good for one thing, though: pushing young people like Ms Chow away. ■

Henry Kissinger

Goodbye to an old friend

BEIJING

A statesman beyond reproach, in China at least

IN MUCH OF the world the death of Henry Kissinger on November 29th elicited pained debate. Was the former American diplomat a towering statesman—or a war criminal? Much ink has been spilt making the case either way. But in China, there is no argument.

A day after Mr Kissinger's death the country's official news agency, Xinhua, said he was "best known in China and all over the world for the wisdom of diplomacy to seek common ground while reserving differences". Neither Xinhua nor any other state-media outlet made much of his peccadilloes, much less his alleged war crimes.

China's supreme leader, Xi Jinping, sent his condolences to President Joe Biden, calling Mr Kissinger "a world-renowned strategist". Prominent Chinese scholars praised Mr Kissinger for his use of "realism to the extreme in a virtuous and rational way" and his ability "to transcend differences in his dealings with other countries without strong political and ideological biases".

On Weibo, a popular social-media platform, discussion of Mr Kissinger's death drew over 700m views. There was little mention of his ruthlessness, but much admiration for his interest in China. Mr Kissinger made dozens of trips to the country, including one in July, not long after turning 100. On that visit he spent hours in meetings with Mr Xi. He also met other Chinese officials who, at the time, were refusing to see top mem-

bers of the Biden administration.

Mr Kissinger has been revered in China since the early 1970s when, as national security adviser to Richard Nixon, he orchestrated the president's historic trip to the country. The preparations took place in secret. Feigning illness while on an official visit to Pakistan, Mr Kissinger stole away to Beijing for secret meetings with Zhou Enlai, then China's prime minister (pictured together). This daring statecraft laid the groundwork for the normalisation of Sino-American relations years later.

Nixon is also admired in China, where the Watergate scandal is seen as a footnote to his story. Mr Kissinger's legacy gets similar treatment. In other countries, not least America, he has been accused of setting the stage for a coup in Chile, blessing genocidal campaigns by Pakistan and Indonesia, and mercilessly expanding the war in Vietnam to Cambodia and Laos. But few Chinese are aware of this criticism, let alone the vitriol hurled at Mr Kissinger by people such as the late Christopher Hitchens, a British journalist who once called him "a reeking piece of ordure".

There is something ironic, and telling, about China's love of Mr Kissinger. His foreign policy was defined by efforts to contain America's rival at the time, the Soviet Union. He treated smaller countries like pawns. China often criticises America for such actions, accusing it of "cold-war thinking". But Mr Kissinger's tactics were part of a broader strategy that aimed to balance the powers—and which held that big countries mattered most. In his pragmatic view of things, principles often took a back seat to national interests. That is a type of thinking China understands well.

Mr Kissinger had his own interests in China. After leaving government in 1977 he founded a lucrative consulting firm that often opened doors for Western executives in the country. He remained engaged in Sino-American affairs until the end. His influence in Washington had waned, but when Mr Xi came for a summit with Mr Biden in November, Chinese diplomats wanted Mr Kissinger to play a role. But he was too frail.

The visit to China in July would be Mr Kissinger's last. Perhaps sensing that this was the final act in the diplomat's long relationship with his country, Mr Xi told him: "We'll never forget our old friend."



Is it okay if my boss joins us?

Chaguan | How trade wars start

Massive Chinese overcapacity in electric cars is a giant political risk for Europe



CHINA AND the European Union could not have set expectations much lower for their summit on December 7th in Beijing. Before Xi Jinping hosted Charles Michel, president of the European Council, and Ursula von der Leyen, head of the European Commission, EU officials warned that substantive agreements on trade, climate change or geopolitical differences were unlikely.

The EU visitors were expected to raise China's closeness to Russia and to ask about alleged sales by Chinese companies of dual-use items, such as semiconductors or drone parts, that help Russia's war effort in Ukraine. Alas, China's line on Ukraine has hardened in recent months. Chinese officials have left Western diplomats with the impression that they expect Vladimir Putin to avoid a humiliating defeat, and to see Western unity crumble, making a frozen conflict a likely outcome. Just in case China's indifference to moral pressure was not clear enough, on December 4th Mr Xi hosted Alexander Lukashenko, the president of Belarus, for the second time this year. Mr Xi spoke of strengthening political trust with Mr Lukashenko, a Putin ally and pariah in EU circles.

Arguably, the China-EU summit was not as urgently needed as last month's meeting between Mr Xi and President Joe Biden in California. For months the Chinese government had severed channels of communication with America. In contrast China-EU dialogues and working groups never stopped. That said, recent high-level China-EU contacts are described as "talking about everything, without concrete results".

Yet the lack of drama should not be mistaken for calm. A giant confrontation over trade looms. Tensions are high because, as so often before, Chinese state planners and local officials have subsidised overcapacity in a promising sector. Over the years, Europe's industrial landscape has been reshaped several times by China opening far more firms and factories than markets need. Whereas in the past the threat involved basic commodities such as steel, lately China has achieved dominance in advanced sectors which European firms once led, like wind turbines or solar energy.

Another such sector is cars, an industry with a powerful grip on public hearts and minds. China has focused on battery-powered electric vehicles. Even after consolidation in the sector, over a hundred firms still produce such cars. A few brands are world-

class. Most are cheaper than Western rivals. Chinese firms became dominant through a mixture of subsidies and coercive transfers of foreign technologies, but also hard work and foresight, as they leap-frogged slow-to-change foreign firms. Between them they make far more cars than China's market demands.

Some European governments are ready to resort to crude protectionism. In October the European Commission launched an investigation into Chinese electric vehicles and whether their makers receive subsidies that break international trade laws and harm EU firms. The probe could see punitive tariffs imposed. It has already angered China. German carmakers—whose China operations remain huge, though less profitable than before—are anxious about retaliation. In a recent speech, Ms von der Leyen retorted to German politicians that Europe faces unsustainable competition. "There is clear overcapacity in China, and this overcapacity will be exported. Especially if overcapacity is driven by direct and indirect subsidies," she said. "This will worsen as China's economy slows down, and its domestic demand does not pick up."

In early December Chaguan attended the Stockholm China Forum, a private gathering in Singapore of American, Chinese and European officials and scholars convened by the German Marshall Fund, a think-tank, and Sweden's foreign ministry. One theme was Chinese overcapacity in manufacturing and its potential to disrupt European attempts to "de-risk" relations with China.

When considering the European perspective, it helps to think about EU goals as sides of a triangle. On one side is the bloc's determination to embrace green, low-carbon technologies. On another is its desire to end damaging dependencies on Chinese products and inputs. And on the third side is its goal of preserving industrial jobs. As of now, Europe cannot have all three sides of its triangle.

Hard to square

The EU could prioritise the first goal, focusing on the environment by importing Chinese-made electric vehicles and other clean tech. But that would ignore fears about lost businesses and jobs. European officials worry that millions of subsidised Chinese cars could be dumped on its markets each year, especially as tariffs and other rules close American markets to batteries from China. Of course, guarding European jobs and businesses by blocking Chinese vehicles would raise the opposite problem: Europe would be less green than it wants to be. Such protectionism would also harm drivers.

A bigger challenge pertains to the second side of the triangle. China is determined to keep the EU reliant on its supply chains. Indeed, in 2020 Mr Xi called such dependencies a "powerful counter-measure" for controlling foreigners. Since then China has imposed export controls on critical minerals, including a form of man-made graphite that European firms need to make advanced batteries. The EU could work to avoid dependencies on Chinese technologies while trying to keep factories humming at home. But without Chinese minerals, for instance, those same factories cannot produce electric cars or batteries at scale, forcing Europe to forgo or delay its low-carbon revolution. For years to come, then, Europe must choose between the planet, independence from China and shielding industry at home.

China, for its part, continues to invest heavily in manufacturing. Chinese officials appear to believe that their country's market power and control of clean technologies will force Europe to back down. They hope that Ms von der Leyen's commission lacks support from key EU governments. Perhaps they are right. If they are wrong, this could end with a trade war. ■

**War in Gaza**

The final battle looms

JERUSALEM

Israel is pushing into southern Gaza as the clock ticks down on its operation

WITH THE war in Gaza about to enter its third month, Israeli forces are pushing hard into the crowded southern half of the coastal strip. In the most intense fighting seen so far, they are hoping to inflict as much damage as they can to Hamas's remaining strongholds before the political clock runs out on what may be Israel's last large-scale ground offensive of the war.

On December 5th Lieutenant-General Herzi Halevi, the chief of staff of the Israel Defence Forces (IDF), said his troops had encircled Khan Younis, the largest city in southern Gaza and the birthplace of Hamas's two main leaders in Gaza, Yahya Sinwar and Muhammad Deif. They have since entered the city itself which, along with two other Hamas strongholds in northern Gaza, Shujaiya and Jabalia in Gaza city, have been the main focus of the IDF since the collapse of a weeklong truce on December 1st.

Israel's aim is to destroy Hamas's military capability and its ability to govern Gaza. So far it has succeeded only partially, at a terrible price to Gaza's civilians: the Hamas-run authorities say more than 16,000

have been killed. Israel, which says the tally includes militants and several senior field commanders, has forced Hamas from its main hubs in Gaza city, large chunks of which have been destroyed. A similar fate now awaits Khan Younis. But the movement's top leaders are hunkering down in an extensive tunnel network, along with thousands of fighters.

The IDF says it has found more than 800 tunnel entrances in northern Gaza and has blown up most of them. But many of the deeper tunnels are believed to have remained intact, so Israel is considering more drastic measures, such as flooding them with seawater.

→ Also in this section

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Hamas, meanwhile, has retained the ability to launch rockets against Israeli cities as distant as Tel Aviv, more than 70km away. Though the salvos are smaller than in the earlier stages of the war, the fact that they are continuing after months of intense Israeli attacks shows how difficult it will be for the IDF to destroy Hamas as a military threat. In any case, Israel may be running out of time.

In public Israel's leaders insist that there is no time limit on the operation. Yet in private, senior officials acknowledge that the push into Khan Younis may well be the last major manoeuvre of the war and a prelude to the next stage, when the IDF will carry out smaller, briefer raids.

The clock is ticking

International support—and what Israel calls its “window of legitimacy” to conduct intensive warfare—is eroding in the face of the bloody toll in civilian lives in Gaza. Antony Blinken, America’s secretary of state, has made clear to Israel’s war cabinet that the IDF will not have the “months” they say it needs to finish the job.

Mr Blinken also said that the administration is watching closely to see whether Israel is making greater efforts to minimise civilian casualties than earlier in the war. America also wants Israel to let more aid reach the 2m or more Palestinians who are now crowded into southern Gaza. Whether Israel appears to be meeting these conditions will determine how long America will keep backing its offensive. ➤

► Israeli officers say they have tried to minimise hitting civilians when fighting an enemy that hides among them. They say that Hamas fighters account for about 5,000—or roughly one-third—of the total deaths reported, giving a rough ratio of two civilians killed for every combatant. But this arithmetic is not winning over its American ally.

Lloyd Austin, America's defence secretary, said on December 2nd that his lesson from commanding forces against Islamic State in Iraq was that “you can only win in urban warfare by protecting civilians” and that “if you drive them into the arms of the enemy, you replace a tactical victory with a strategic defeat.”

In an attempt to lower the rate of civilian casualties, the IDF is trying to micro-manage the movements of Gaza's inhabitants. In the first stage of the war it simply ordered them to vacate northern Gaza, forcing some 1.2m out of Gaza city and its surrounding towns. It has since issued a map that divides Gaza into a jigsaw puzzle of 623 sections. It sends out text messages and air-drops leaflets telling people which ones to leave and which are safe.

Relief organisations say this is unrealistic and ineffective amid the chaos of Gaza. In order to move to safety, the shell-shocked population is inevitably finding it hard to escape Israel's bombardment or Hamas's attempts to fight back. Even if civilians do follow Israeli guidelines, they will have to crowd into a shrinking area alongside the thousands of Hamas fighters who will doubtless follow them. Moreover, Israel has yet to present a comprehensive humanitarian plan for these supposedly safe areas. During the truce, Israel agreed to allow in 200-300 aid lorries a day, though on average only 170 crossed the border from Egypt and the number has since fallen to around 100 a day.

Binyamin Netanyahu's government faces other pressures, too. For the sake of Israel's economy he must start scaling down the war and let many of the 360,000 reserve soldiers go back to work. Yet some parts of Mr Netanyahu's far-right coalition have threatened to peel away from his government if he winds down the ground campaign too soon.

Meanwhile the families of the 138 hostages still held in Gaza (some of whom Israel reckons are dead) are clamouring for another agreement with Hamas to get them back. During the truce Hamas freed 110 hostages (mainly women and children), including 24 foreign workers. But the deal brokered by Qatar collapsed when Hamas refused to release the remaining 17 women and children it still holds. Israel insists they must be returned before it will begin talks about the male hostages.

Yoav Gallant, Israel's defence minister, has tried to assure the families that “when

the military operations advance, the pressure on Hamas rises and so do our chances of returning more hostages”. Meanwhile, the captives remain in grave jeopardy. Some were wounded on October 7th and need treatment. In a tense meeting with their families on December 5th, Mr Netanyahu was accused by one relative of “putting politics above returning the hostages”.

The IDF is acutely aware that it is operating under a mix of irreconcilable expectations. Israel's politicians and most of its people want it to destroy Hamas; the hostages' families above all want their loved ones home; and Israel's international allies want fewer Palestinian casualties and an

end to this war. If America calls more loudly for a quicker end to the fighting, the pressure will inevitably grow.

Meanwhile Hizbullah, a Shia Islamist militia in Lebanon, is again launching missiles and drones towards northern Israel as intensively as it did before the truce. And Houthi rebels in Yemen are busily attacking ships in the Red Sea (see next article). Israel's embattled prime minister, whose popularity is plummeting and whose rivals in the war cabinet are eyeing his job, is seeking desperately to avoid making hard choices between those irreconcilable aims. As the tanks rumble into southern Gaza, crunch time looms. ■

The Red Sea

The new peril

Why Yemen's Houthis are attacking ships in the Red Sea

ALTHOUGH NOT the first of their kind, the missile attacks on three bulk carriers in the Red Sea by Yemeni Houthi rebels on December 3rd marked a sharp rise in the risk to commercial shipping in the region. The USS *Carney*, an American Arleigh Burke class guided-missile destroyer, shot down several unmanned aerial vehicles (UAVs) that appeared to be heading in its direction while it was sailing to assist the damaged carriers. Fortunately the attacks caused no injuries and fairly minor damage to the three ships.

America's Central Command said it was considering “appropriate responses” to the attacks, which had been “fully enabled by Iran”. This careful wording reflects the probability that, though the missiles were undoubtedly supplied by Iran and the at-

tacks would have been welcomed by its government, the Houthis may well have been acting off their own bat.

Israeli intelligence sources beg to differ. They are convinced that Iran ordered the attacks and that they are being co-ordinated by Brigadier-General Abdolreza Shahlaei, a veteran commander of Iran's expeditionary Quds force. The hope in Tehran is that the attacks will drive up oil and shipping prices, putting pressure on Israel's allies to rein it in. What seems certain is that more such attacks are likely.

Emile Hokayem, an expert at the International Institute for Strategic Studies (Iiss) in London who knows how Iran uses its proxies in the region, says the attacks also mark a strategic opportunity for the Houthis—in a number of ways. First, by linking them to Israel's assault on Hamas in Gaza, the Houthis can improve their standing in the Arab world, where the Palestinian cause remains popular and emotions are running high. The attacks let the Houthis show, as they always claim, that they are on the side of the oppressed. Moreover, they can hit a range of targets, not just ones at home or in Saudi Arabia.

Second, they send out a clear signal that the Red Sea is now a legitimate theatre for the struggle against Israel and that the Houthis are even willing to go after American warships as well as commercial shipping that may have some relationship with Israel, however tenuous. The sophistication of the attacks also shows that the Houthis are very far from being a raggle-taggle group of warriors, as they have sometimes been described.

Fabian Hinz, a specialist in Middle East- ►



ern missile and UAV forces, also of the HISS, says the Houthis have received a huge number of anti-ship missiles and drones from Iran. They have also seized and adapted some from Yemen's regular army. The Houthis have at least ten different anti-ship missiles in their arsenal, including sea-skimming Exocet-type missiles based on Chinese designs, such as the al-Mandab 1 and 2. These have a range of about 120km. The Houthis have the Quds 2-o and Sayad cruise missiles, too, which boast ranges of up to 800km and which have radar, infrared or electro-optical seekers to home in on their targets.

The Houthis have an arsenal of anti-ship ballistic missiles that runs from short-range locally produced systems to longer-range and much heavier missiles, such as the Asef and the solid-propellant Tankil (based respectively on the Iranian Fateh and Raad-500 missiles, which carry a 300kg warhead and are designed to hit a warship up to 500km away). Because of the limited damage reported as a result of the latest attacks, it seems likely that smaller missiles were used.

Indeed, such are the Houthis' capabilities that they may well have the potential to do in the Bab al-Mandab Strait, the Red Sea's southern choke-point, what Iran has often threatened to do in the Strait of Hormuz. Though a long-range Houthi ballistic missile aimed at Eilat was shot down last month by an Israeli Arrow 3 interceptor, Yemen is not an easy spot from which to attack Israel. It is, however, perfect for striking ships in the Red Sea.

A variety of Iranian attack-drones, including the Shahed 136 that Russia is using against Ukraine, is beefing up the Houthis' arsenal. As far as those shot down by the Carney are concerned, Mr Hinz thinks these were probably intelligence and surveillance drones that the Iranians have cloned from America's RQ-21. In addition to aerial drones, the Houthis also have naval ones and mine-laying devices.

American warships in the region are not at great risk from Houthi missiles. Their defences are simply too good, though a lucky strike from a salvo of attacks can never be ruled out. But it is another matter as to whether on their own they can provide much protection for commercial shipping. Following the latest incidents America's national security adviser, Jake Sullivan, suggested talks were under way with allies to establish a larger naval task-force in the Red Sea.

If the Houthis keep shooting, there could be increasing pressure on the Americans to go after missile sites in Yemen, assuming they could be found. Yet the last thing America will want is to be dragged into Yemen's civil war, which Joe Biden's administration has recently been trying hard to dampen down. ■

Palestine's economy

Money troubles

RAMALLAH

Israel is strangling the West Bank's administration

THE WAR in Gaza has ushered in a grim new economic reality in Ramallah, the de facto capital of the West Bank. Supermarkets have hired security guards to fight off shoplifters. Thousands of businesses have closed. One official reckons the current economic crisis is worse than that caused by the covid-19 lockdowns.

About 160,000 Palestinians employed in Israel and in Jewish settlements in the West Bank have had their work permits revoked since October 7th. Tens of thousands more worked in Israel illegally. Before the war their salaries pumped some 1.4bn shekels (\$370m) a month into the West Bank's economy.

Because it does not control its own borders, the Palestinian Authority (PA) has to rely on Israel to collect import taxes on its behalf, which account for 64% of its total revenue. When the Gaza war broke out, Bezalel Smotrich, Israel's far-right finance minister, refused to transfer any of this money to the PA, though the Israeli cabinet later compromised, saying it would withhold the portion paid by the PA to Gaza. Though Hamas has controlled the strip since 2007, the PA still covers Gaza's power bill to Israel and pays the salaries of thousands of public workers including those in the health ministry and the official Palestinian security forces, who are paid to stay at home. In response Shoukri Bishara, the PA's finance minister, furiously rejected



Crossing the line

the whole amount. Accepting it would, he says, have been a "violation of our social contract" with Palestinians in Gaza.

Those two factors have led to an 80% drop in the PA's revenues since October 7th, leaving Mr Bishara with a fiscal deficit of \$1.5bn (roughly 10% of GDP in the Palestinian territories). In November it was unable to pay public servants their salaries at all, though it did manage to convince the Bank of Palestine to offer some employees loans worth half of their pay.

Whereas foreign aid once made up 30% of the PA's operating budget, it paid for just 0.7% of it this year. But the Palestinian economy still relies heavily on aid. Donors have shifted much of their direct budgetary support to development financing, in part because of frustration at the PA's rampant corruption.

That is one reason why the PA is in a poor position to deal with economic crises. Another is that it cannot get funds from the IMF, because it is not a member-state of the fund. With no central bank it has no lender of last resort to bail out its banks, some of which are starting to sweat after writing off at least \$1bn in loans in Gaza. In normal times lending to PA employees is a tidy source of income. Yet unless they are paid their salaries soon, thousands will begin to default on their consumer debts.

Adding to the banks' woes are signs of capital flight, especially by Palestinians with a foot in Jordan or in the Gulf. Mr Bishara has reduced the PA's borrowing from Palestinian banks and is loth to increase it again because of the risks this could pose to financial stability.

To stave off the PA's financial collapse Mr Bishara could try to persuade Mr Smotrich to hand over the customs revenues. But there are few signs Israel's finance minister will have a change of heart, even though America has tried to alert him to the security risks if the PA goes bust.

America and the EU are particularly worried about the already meagre salaries of the more than 30,000 members of the Palestinian security forces in the West Bank. Without pay these men with guns will have little incentive to keep turning up for work. Some have already stopped. "We can tell him [Mr Smotrich] his policies are risking the financial collapse of the PA," says a diplomat in Jerusalem. "But for him that's a long-coveted dream."

The PA has asked Qatar for \$900m to get through the next six months. But so far neither Qatar nor any of the other Gulf states seems prepared to pay Israel's obligations, says Raja Khalidi, a Palestinian economist. If they did, it might further tempt Israel to deduct the money it is meant to hand over under a protocol of the Oslo accords, the peace agreement between Israel and the Palestinians.

A handout might also allow the PA to set ►

► aside desperately needed reforms. “Temporary mechanisms often have a terrible way of becoming permanent and ineffective,” says Mr Khalidi. It could also offer a lifeline to a sclerotic and corrupt institution that few Palestinians believe can ever bring about a Palestinian state.

America has been touting the idea of a “revitalised PA” as the only serious alternative to Hamas’s rule in Gaza. Yet if the pressure of the economic war being waged against the PA by Israel’s far-right government is not relieved soon, there may be little left of the PA to run the West Bank, let alone to govern Gaza. ■

Israeli politics

The irrelevant prime minister

JERUSALEM

Binyamin Netanyahu is at the mercy of his hardline coalition

ISRAEL’S COURTS returned to normal service on December 4th after a two-month pause because of the war in Gaza. Among the trials to resume was that of Binyamin Netanyahu, the prime minister, who is charged with one count of bribery and three of fraud; he denies them all.

For the more than four years since charges were laid, they have consumed Israeli politics. Mr Netanyahu has refused to resign for the duration of the trial, arguing that it would not hinder his work as prime minister. Yet now his lawyers are asking for an adjournment, saying he does not have time to prepare—because of the war.

But is Mr Netanyahu really leading Israel in its war effort? Israeli officials claim

that military decisions are being made mainly by Yoav Gallant, the defence minister, along with two other former generals, Benny Gantz and Gadi Eisenkot, the two leaders of the centrist National Unity party. Both joined the government soon after Hamas attacked Israel on October 7th to serve in a new war cabinet.

This group, which has five members in all, makes all the key decisions to do with the war, yet Mr Netanyahu is largely isolated within it. Mr Gallant, a member of the prime minister’s Likud party, has had little love for his leader since Mr Netanyahu tried in vain to sack him in March. Mr Netanyahu is wary of Mr Gantz, too, who is far ahead of him in the polls: three-quarters of Israelis recently said they wanted Mr Netanyahu to resign, either immediately or once the war is over.

The three former generals in the war cabinet are much closer than Mr Netanyahu to the serving generals in the Israel Defence Forces (IDF), upon whom the prime minister has tried to pin all the blame for the debacle of October 7th. That was when Hamas caught Israel unprepared with a devastating surprise attack that claimed some 1,200 Israeli lives.

Among the decisions over which Mr Netanyahu has exercised little influence was the timing of the recent ground offensive in Gaza. Another was to accept a week-long truce with Hamas in return for the release of 110 mostly female and child hostages, according to senior Israeli officials.

The prime minister, meanwhile, is trapped inside a hardline coalition. Before the war the main centrist parties had refused to join a government led by a prime minister on trial for corruption. So a year ago Mr Netanyahu returned to power after 18 months in opposition by putting himself at the mercy of far-right and ultra-Orthodox parties to form a majority. They now hold his political fate in their hands.

As a result Mr Netanyahu has very little power over the budget, which is controlled by the religious parties in his coalition. They have allocated billions of shekels to West Bank settlements and religious schools. Nor can he block other right-wing policies, such as the wholesale issue of gun licences by the national security minister, Itamar Ben-Gvir, who leads the far-right Jewish Power party.

Mr Netanyahu’s political paralysis means he cannot plan what to do with Gaza when the fighting stops. The extreme wing of his coalition wants to keep the Israeli armed forces permanently in the territory. But Israel’s key ally, America, wants Israel to withdraw completely to let a hopefully revitalised Palestinian Authority (PA) take control. Under pressure from his far-right ministers, however, Mr Netanyahu has had to veto co-operation with the PA, which his finance minister is depriving of funds.

Mr Netanyahu exposes his political weakness with his inability to rein in junior ministers who are making inflammatory and damaging remarks. These include the grandly titled intelligence minister (albeit that she has no authority over Israel’s intelligence services), who called for Gaza’s people to be resettled in Egypt, and the heritage minister, who mused about dropping a nuclear bomb on Gaza.

Within the ruling Likud party, stirrings of rebellion are afoot. Mr Gallant and Nir Barkat, the independent-minded business minister, are among those thought to be pondering challenges for the leadership. But Mr Netanyahu still controls his party and will be hard to dislodge.

There are two ways to replace the prime minister. One is through a “constructive no-confidence” measure whereby a majority of the Knesset, Israel’s parliament, votes for a new prime minister from among its members. There may soon be a parliamentary majority against Mr Netanyahu, but the fractious Knesset is much less likely to agree on a replacement.

A more plausible outcome, once the war in Gaza has been scaled down, would be a speedy dissolution of the Knesset. In that case Israel’s sixth election in less than six years would be held by mid-2024. Once again the main issue at stake would be Mr Netanyahu’s political survival. ■

No-strings handouts

Free money on trial

ADDIS ABABA

The world’s largest basic-income study finds lump sums are best

WHAT HAPPENS when you give people free money? The world’s largest basic-income experiment is trying to find out. Since 2018 the American charity Give-Directly has been sending the equivalent of \$22.50 a month to thousands of villagers in western Kenya. On December 1st researchers including Abhijit Banerjee, a Nobel prize-winning economist, presented results from the first two years of the trial.

The core idea of a universal basic income, which is intended to reduce poverty, is to send money to everyone, without strings attached, regardless of their earnings or if they are employed. But attempts to test it, from Finland to California, have generally made payments to a smattering of individuals for short periods of time. The experiment in Kenya is unusually “universal”: it covers every adult within selected villages and will run for 12 years.

In all, more than 22,000 people in 195 villages got money. The outcomes were ►



Surely I still matter

► compared with a control group of about 11,000 people who got nothing. The most striking pattern was of recipients leaving waged work on farms to open shops. When payments were scheduled for the full 12 years, the number of non-farm enterprises rose by a quarter, and their profits nearly doubled. Recipients ate more protein and reported lower rates of depression. Land became more expensive, but it appears consumer goods did not.

That is evidence that giving people money helps them, but not how best to do it. So the researchers also compared a group of villages where payments were drip-fed in monthly instalments with other villages where the equivalent sum was given upfront. Business outcomes were better when people got all the money at once, enabling them to make chunky investments. Otherwise they had to patiently accumulate funds by stowing their stipend in local savings groups.

The findings are further proof, if any were needed, that poor people know what to do with their money. "Two big worries with any of these interventions is that they'll make people lazy and they'll make them consume badly, and you see neither," says Mr Banerjee. People said they did not drink more booze, although liquor stores made higher profits, perhaps because patrons bought pricier drinks.

The study has attracted the interest of officials from California, who visited some of the villages in August. Lump-sum payments are already part of some pilot programmes in America, such as a scheme in Flint, a city in Michigan. Next year it will give \$1,500 to expectant mothers, followed by a monthly allowance of \$500 in their child's first year. The research is also relevant to social-protection programmes in poor countries, where cash transfers are replacing in-kind handouts, such as food.

But some are disconcerted by the idea of NGOs running large-scale social experiments, however benign the intent. The documentary "Free Money", released last year, explores GiveDirectly's impact on one Kenyan village. The film follows jubilant recipients as they install clean-water taps and extend their homes. It also captures the unfairness felt by others who live just outside the catchment area of the scheme, or are excluded by some quirk of registration. They wonder why they were the unlucky ones, comparing the mysterious ways of foreign benefactors to unknowable acts of God.

Those are the kind of gnarly problems that bedevil targeted welfare programmes, and which the principle of universality is supposed to avoid. But unless the idea of providing a basic income is taken up by governments, schemes will always be limited in scope. Ones that rely on charity will never be truly universal. ■

Citizenship in Kenya

Please accept me

NAIROBI

Documents are belatedly being granted to groups once deemed foreign

IDENTITY CARDS are a big deal in Kenya. Without them you cannot marry, register to vote or get salaried jobs. Nor can you open a bank account, go to university or legally buy a SIM card. Walking around without papers can even get you arrested, a hangover from the colonial era when many African workers needed a special pass. Though that is legally dubious, few Kenyans, especially those without documentation, dare challenge the police. "If you don't have an ID, you don't exist," says Mustafa Mahmoud of Namati, a group that campaigns for legal rights for the poor.

For most Kenyans, applying for an ID card is quite simple. A school leaving certificate and a copy of a parent's ID will usually do. Yet some ethnic groups have still faced discrimination when applying. If your forebears migrated to Kenya during British colonial rule, you were still officially deemed foreign at independence in 1963. Generations later, long after losing touch with your ethnic homeland, for instance if it is Somalia, the government would not recognise you as a Kenyan citizen. Thousands were left in a bureaucratic limbo. The UN High Commissioner for Refugees (UNHCR) reckons that 16,800 people in Kenya are stateless. But the true number is probably far higher.

In 2016 Kenya's then president, Uhuru Kenyatta, declared that the Makonde, about 6,000 of whom came up from Mozambique and Tanzania in the 1940s, would "become Kenyans"; several thousand got ID cards. Mr Kenyatta later made a similar offer to the Shona people, originally from Zimbabwe, and to a small community of Rwandans. His successor, William Ruto, said the Pemba, originally from an island north of Zanzibar, constituted "one of the ethnic communities of Kenya". He ceremoniously handed them some 7,000 ID cards.

These presidential interventions raise awkward issues for Kenya, says Samantha Balaton-Chrimes of Deakin University in Australia. They suggest that the Kenyan state is "fumbling its way towards a kind of inclusivity" yet entrench the idea that citizenship is linked to the notion of ethnicity.

That is troubling because it can be used to legitimise discrimination against certain groups. For instance, ethnic Somalis and people of Nubian descent still face extra vetting when applying for



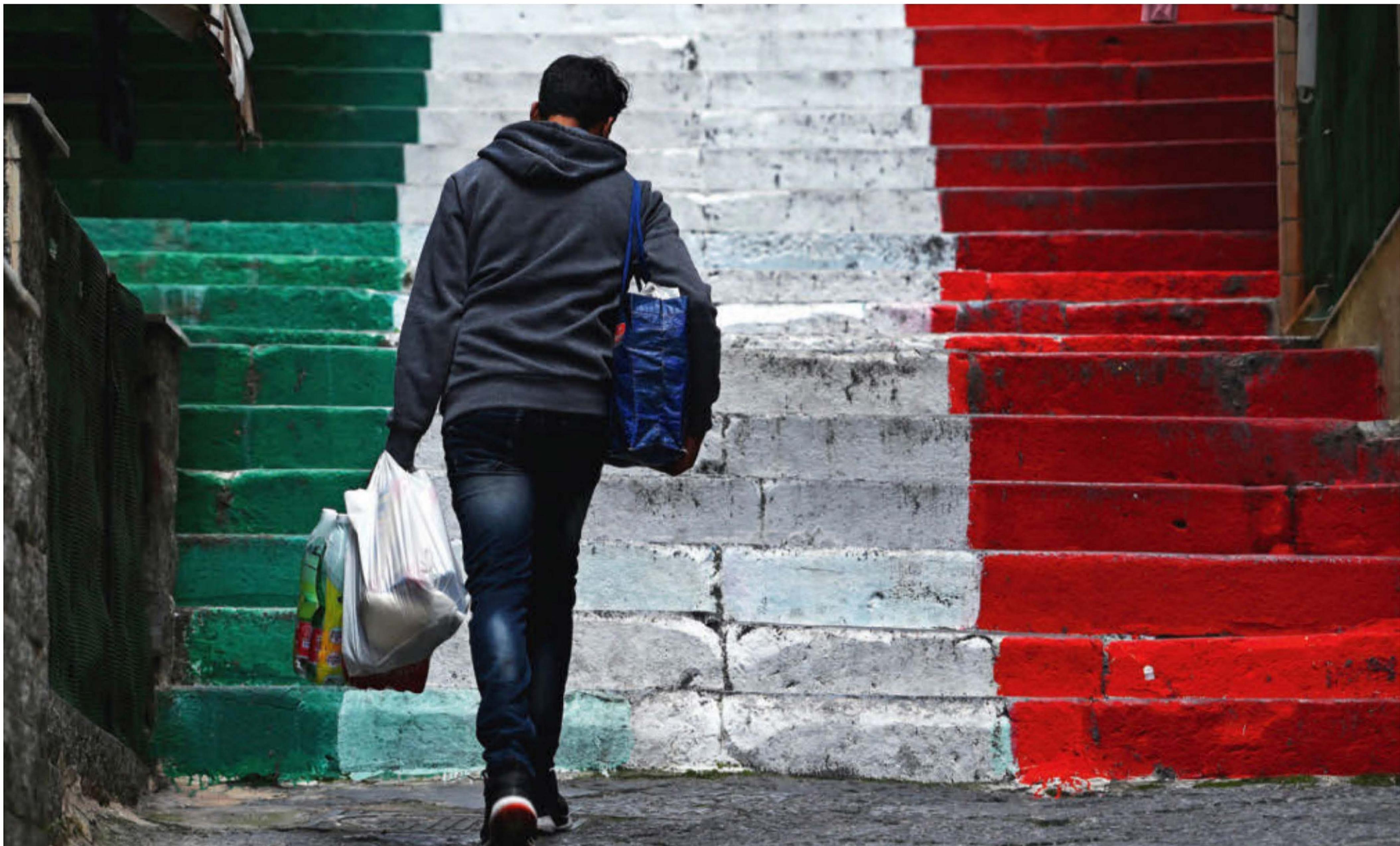
The forgotten

IDS. The police and security officials sometimes grill them with harsh demands for proof of descent. Some vetting committees ask people to prove that all of their grandparents were born in Kenya—often an impossible task.

Things may, however, be improving. Most Nubians now eventually get an ID if they request one. But ethnic Somalis, a few of whom have been involved in jihadist terrorism on Kenyan territory and beyond, are sometimes still given a hard time proving their credentials when renewing their ID cards, if they are lucky enough to have one in the first place.

Moreover, the procedure can be frighteningly random and can require bribes. "There's an absolute lack of due process and oversight," says Bronwen Manby, a lawyer at the London School of Economics. "Nothing is written down anywhere: it's just internal departmental directives and you don't know the rules."

Nubian activists say a batch of IDs issued since 2021 were faulty, preventing their holders from opening bank accounts or registering SIM cards. Government officials apologised, explaining that the "ethnic code" had been incorrectly entered. This appears to have been a clerical error and the issue was resolved. ID cards are not supposed to specify ethnicity at all. But suspicions were aroused that any ID code could be used by officials for malign purposes, such as tracing a voting record.



Southern unemployment

A tough climb

MADRID AND ROME

Europe's sun belt must do more to improve employment rates

AH, TO BE YOUNG and in Spain. A record 21.3m people are in work, and the unemployment rate is at its lowest in over a decade. More youngsters are working or studying: the rate of those aged 15-29 who are doing neither fell from 22.5% in 2013 to 12.5% in 2022. Indeed, across southern Europe (including France, which is partly southern), more and more people are employed (see chart 1 on next page). For the part of the continent that has always had high unemployment, even before the euro crisis, these are very good numbers.

But on closer inspection, the boom is less impressive than it seems. For a start, employment has been growing across the rich world, not just in Europe. Spain still holds the top spot for unemployment in the OECD, a club of mostly rich countries, followed by Greece. Italy and France are not far behind. Youth unemployment is above the EU average in all of southern Europe, apart from Portugal. The region remains the exception in a world of very low unemployment.

Nor is it likely to get better. The south's post-pandemic recovery, fuelled by a tourism rebound and large public deficits, is coming to an end. The EU covid-recovery fund's generous transfers will start to fall after 2024. France's unemployment rate ticked up from 7.3% to 7.4% in the third quarter, which is bad news for President Emmanuel Macron's promise of full employment by 2027.

The south's higher unemployment is partly a hangover from past crises. In Spain many workers left school to profit from a construction boom in the first decade of

the century, before the financial crisis destroyed it—and their job prospects. More recently the pandemic hit tourist destinations hard. Hence in Italy, Greece and Portugal an unusually large share of the unemployed have been jobless for more than six months (see chart 2).

But crises are only part of the answer. When a good bit of the working-age population is consistently unemployed, structural factors are at fault. Three things need to come together for workers to find jobs.

First, they need the right skills. Portugal, Italy and Spain lead Europe in their shares of low-educated workers: 35-40% of those aged 25-64 have only a lower secondary-school education or less, compared with around 17% in Germany (or France). Those who do go on to university often receive questionable benefits. Few public universities in Spain and Italy place high in global rankings, and most have only spotty connections to the job market. The sort of vocational education that might provide more useful skills is underdeveloped and sniffed at. France subsidised apprenticeships to the tune of €20bn (\$22bn) in 2022 alone, according to a study, to emulate the German system of on-the-job training. But critics say most of those who benefited would have done well anyway.

The second requirement is that workers be where the jobs are. That is not always the case. In Italy and Spain, unemployment rates are still consistently higher in ➤

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the south than in the north. In Cádiz and Granada the rate is above 20%, compared with 6% in some of Spain's northern regions. Workers hesitate to move for temporary contracts, which are too common in southern Europe. Selling a home in the cheaper south may not bring in enough to buy one in the expensive north. And if grandparents provide child care, leaving them behind creates new problems.

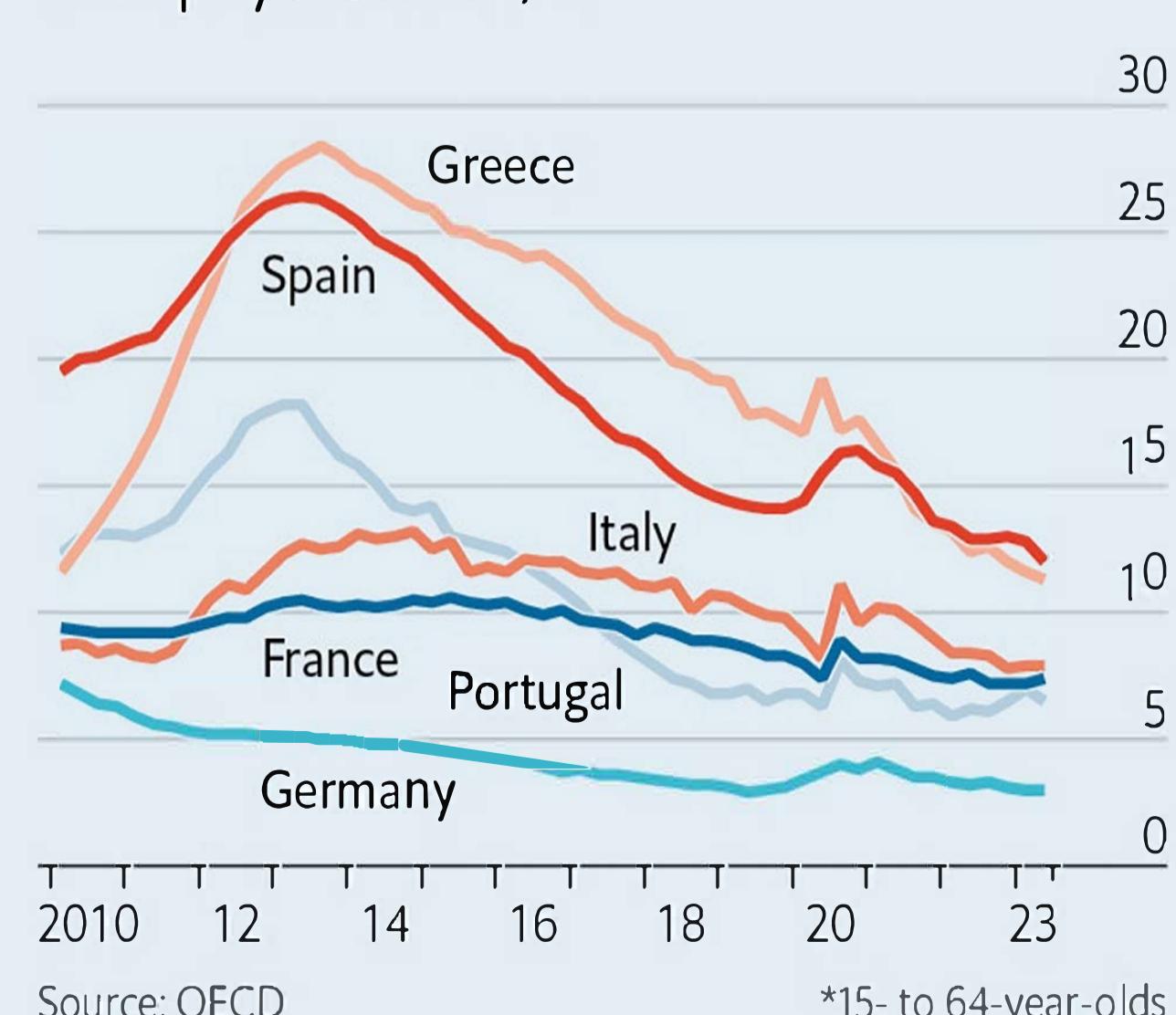
Finally, many firms in southern countries have problems with the hiring process. Each country has its own issues. In Spain, temporary contracts are widespread because permanent employees have long been overly regulated and are hard to fire. Firms have as little incentive to invest in the skills of temps as workers do to move for a short-term gig. Recent reforms have made permanent contracts less burdensome, and the share of part-time contracts is falling. That is a start. In France centralised wage bargaining and high minimum wages and generous unemployment benefits have long depressed employment. Recent changes modelled on Germany's reforms in the early 2000s have helped, but have not gone far enough.

As for Italy, its many small firms tend to have low productivity and hence low wages. Red tape discourages them from growing bigger. The current government wants to cut taxes on lower-earning workers and boost temporary contracts. The latter might improve employment numbers, but will worsen conditions for workers unless permanent contracts are also deregulated. In any case, a country that has generated almost no economic growth for decades will continue to struggle to create jobs.

Politicians in southern countries do not seem unduly bothered by any of this. That may be because some of the "unemployed" are actually working in southern Europe's large shadow economy. With employment rising anyway due to the post-covid recovery, there has been little pressure to tackle thorny structural issues. That may change now that the recovery is coming to an end. "The rising numbers are a huge problem

From great heights

Unemployment rate*, %



for Macron, after he promised 5% unemployment," reckons Phillippe Martin, head of France's Council of Economic Analysis, an independent body.

Unemployment is partly an unfortunate side-effect of an otherwise good aspect of southern Europe: its communities and families are tight-knit. Rather than moving elsewhere to find work, young people tend to live with their parents and keep looking. That is bad for growth, economic efficiency and jobs. But not all parents, or children, seem to mind. ■

Bosnia

Prospecting for hope

VARES

A new mine in a country that has long been paralysed by politics

"**I**F YOU WRITE that, they will kill you," says an interviewee after explaining how local politics is connected to crime and corruption. Your correspondent would hardly be the first to address the topic. On November 8th the European Commission issued a scathing report on Bosnia-Herzegovina, writing of "criminal infiltration" in the country's politics, courts and economy. It also attacked a Putinesque draft law in the Republika Srpska, the Serb-dominated part of the country, which would classify many civil-society groups as "foreign agents".

The commission nonetheless recommended that the EU open accession negotiations with Bosnia if certain conditions are fulfilled. There is no chance they will be in the foreseeable future. On the 28th anniversary of the peace deal ending the war in Bosnia, politics is still war by other means.

Since September a battle of flags has been fought in Sarajevo, the capital. A giant Bosnian wartime banner was raised close to the Republika Srpska's boundary. Now a

telecoms tower overlooking the city is lit up in Serbian colours; it sits on the mountain from which Serbs shelled the mostly Bosniak (Bosnian Muslim) capital during the siege of 1992-95. Last month Milorad Dodik, the Bosnian Serb leader, reiterated that all Serbs should live in one state, which would spell Bosnia's disintegration.

All hope is not lost. You just have to look for it. The small town of Vares, 50km north of the capital, has suffered as much as anywhere from the failure of politicians to put country ahead of ethnic and personal interests. Now, however, there is a buzz: in January a British mining firm is set to begin production, extracting silver, lead and zinc. Since 2017 Adriatic Metals has been prospecting here. When it completes its planned investment of \$250m in the project, says Paul Cronin, its managing director, it will be the largest single post-war private investment in Bosnia.

In 1991 Vares was home to 22,200 people. Today, says Zdravko Marosevic, the mayor, there are barely 8,000. War and the collapse of the mining industry led to an exodus. With few jobs, Vares has far more old than young. In 2022 91% fewer babies were born here than in 1991.

The town is surrounded by bucolic hills and forests, and mining is as controversial here as anywhere. Critics say the company is paying low concession fees. Ecologists and officials from neighbouring Kakanj charge that pollution from the mine is beginning to poison their water supply. Mr Cronin rejects these claims, which he says government inspectors have refuted. In Bosnia, political action is often a way for different groups to angle for their own cut.

So far 750 jobs have been created, two-thirds filled by locals. Every direct job creates up to two more indirectly, says Mr Cronin. Empty flats are being refurbished to house workers from other parts of Bosnia and from abroad. Dario Dodik, who runs a local restaurant, has hired six new staff who came home from abroad, four of them to work on his contract to cater for miners. The revival shows that when political and ethnic interests are put aside, investment comes, jobs are created and local decline is halted. That has already been the case in towns such as Gorazde, which has a thriving car-parts industry, not to mention Sarajevo, which has a booming IT sector.

Mr Marosevic was elected mayor on the slate of Bosnia's largest Croat party. All of Bosnia's big parties are ethnically based. In power they dispense jobs and contracts to cronies. Fed up with this, Mr Marosevic quit his party in September. "This is a state of thieves," he says angrily. Few Bosnians disagree. Once the mine gets going, he says, "all the other wheels that were stopped for the last 30 years will start spinning too." That means jobs, income and a future for a town that was dying. ■

NATO air policing

Close contact

ISTRES AND SIAULIAI

Keeping Russian aircraft out of NATO airspace

SHORTLY AFTER dawn on a recent weekday morning four Mirage 2000 fighter jets took off from France. They were heading on a 1,600-kilometre trip to the Siauliai air base in Lithuania, where on November 30th France (with Belgium) took over from Italy for a four-month NATO air-policing mission. Escorting them was a French air-to-air refuelling tanker, which left from Istres, near Marseille. Mid-flight, with the fighter jet's nose just ten metres from the tanker's wingtip, the aircraft released its refuelling hose for the Mirage to hook on to and fill up. Later, over the Baltic Sea, the tanker refuelled Finnish F/A-18 fighter jets, newly patrolling under the banner of NATO, which Finland joined this year.

NATO air policing over the Baltic Sea has been going on for nearly two decades. None of the three Baltic states—Estonia, Latvia and Lithuania—has a serious air force, and each relies on the alliance to keep its skies safe. After Russia invaded Ukraine in 2022, NATO beefed up these air-policing operations. Fighter jets on the ground are on 24-hour alert. They can be scrambled in minutes to check out and identify non-responding non-NATO aircraft—for which, read Russian—approaching Baltic air space. In parallel, allies take part together in air-shielding activities along the length of the eastern flank, from the Baltic Sea to the Black Sea.

The Italians say that the Russian aircraft they intercepted behaved “professionally”, meaning in a non-escalatory way. In contrast, Russian jets in the Black Sea have recently fired missiles at British planes and dumped fuel on American drones. All the same, in the four months to November 2023 the Italians intercepted no fewer than 60 Russian aircraft, including fighter jets, bombers, intelligence-collection aircraft and transport aircraft.

The French are fully expecting a similar pace of interception. The base is not far from the Russian enclave of Kaliningrad, on the Baltic Sea. Tensions there have risen in recent months, after a spate of mysterious underwater cable-cutting incidents. The alliance stepped up maritime patrols in October in response. NATO's posture is defensive, so the aerial interceptions are designed primarily to gather information and feed it to NATO command.

The number of intercepts has been broadly stable, but the large volume raises eyebrows about what Russia is up to. Its ap-

proaches are sometimes intended as practice runs for long-range bombers; at other times Russian intelligence aircraft seem to want to test NATO's radars and interception times. Most approach, but only rarely enter, NATO airspace.

For France, the air-policing stint—its tenth in the Baltics—comes at a time when a full battalion of its forces has also been dispatched to Romania as part of NATO's defence of its eastern flank. In addition French-crewed aerial surveillance flights have been deployed on the western Black Sea coast, watching over the route taken by Ukraine's grain shipments. “It used to look as if NATO was a sideshow for France,” says an ex-alliance official. “Now it is one of the few allies present on the ground, air and sea from the Baltics to the Black Sea.”

This happens to coincide with a shrinking of France's military counter-terrorism presence in its ex-colonies of the African Sahel. Following a series of military coups in Mali, Burkina Faso and Niger, French forces have been kicked out of the first two countries and are leaving the third. From a peak of over 5,000 troops in the Sahel in 2020, France now maintains only 1,500, most of them at its base in Chad. Operationally, say the armed forces, this is “not a pivot”. Politically, however, the two trends look connected, and could point to the future shape of France's priorities as it reassesses its military footprint in Africa.

In Siauliai, meanwhile, after landing their fighter jets the French pilots are swapping notes with their Italian counterparts. The watchword is the “Alpha scramble”, or quick-reaction alert. From the moment the alarm is sounded pilots are expected to be in the cockpit, strapped in and in the sky within ten minutes. In reality, says the lead French pilot on the ground with a grin, “we can do it much faster”. ■



Eastern watch

Armenia

Poking the bear

YEREVAN

Armenia is turning against Russia

RUSSIA IS CLOSE to losing one of its last old friends: Armenia. The Kremlin is irritated by the country's recent overtures to America, Europe and Ukraine. Armenia says Russia has abandoned its pledge to protect it from Azerbaijan. In October, Nikol Pashinyan, the prime minister, accused Russia of trying to overthrow his government. Moscow did little to deny it: its state media quoted an anonymous high-ranking source accusing Mr Pashinyan of “following in the steps of [Ukraine's President Volodymyr] Zelensky”.

Mr Pashinyan, a critical journalist, came to power in 2018 after protests overthrew a Russia-friendly regime. But he tried to keep the Kremlin onside, even sending Armenian forces to co-operate with Russia's interventions in Syria and Kazakhstan. Relations nevertheless began to sour in 2020, when Russia stayed largely neutral while Azerbaijan bested Armenia in an attack on Nagorno-Karabakh, an ethnic-Armenian enclave. Still, after that war Russia sent 2,000 peacekeepers.

Afterwards Azerbaijan carried out repeated incursions. That should have activated the mutual-defence provisions of the Collective Security Treaty Organisation (CSTO), a Russia-led pact to which Armenia belongs. But Russia dithered. In September 2023 Azerbaijan launched a lightning offensive to capture the rest of Nagorno-Karabakh. The Armenian authorities surrendered, nearly the entire population fled, and the Russians just watched.

As Russia failed to help, Armenia looked elsewhere. It used to buy nearly all its weapons from Russia. But lately it has signed deals for rockets and ammunition with India and for armoured vehicles and radars with France. In February it welcomed an EU border-monitoring mission. Mr Pashinyan seems determined to goad Russia. In September his wife personally delivered an aid package to Kyiv. In October the parliament ratified the Rome statute of the International Criminal Court. Since the court has indicted Vladimir Putin, Russia's president, this requires Armenia to arrest him, if he seeks to visit.

Some Armenians think Mr Pashinyan is going too far. “I'm arguing to be a little more prudent,” says Richard Giragosian of the Regional Studies Centre, a think-tank in Yerevan, Armenia's capital. “We're poking the bear.” But as long as the overtures to the West remain symbolic, Russia's re-



sponses will too, he argues. Mr Pashinyan rules out serious steps such as leaving the CSTO or expelling the Russian army from its base in Armenia.

Armenia's room for manoeuvre is slim. Russia is its biggest trading partner by far and provides nearly all its grain and energy imports. Many Armenians depend on remittances from family members working in Russia. In November Russia began turning away Armenian lorries for "phytosanitary" (plant-health) reasons, which Armenia sees as a shot across the bow.

Armenia's choices are unpromising. America's credibility was hit when a State Department official told Congress that it would "not tolerate" an attack on Nagorno-Karabakh, yet when Azerbaijan invaded five days later the American response was limited merely to critical statements. The head of the EU's monitoring mission in Armenia recently admitted that, in a war, the unarmed monitors would flee. "They cannot be human shields," said a Western diplomat in Yerevan. The main problem, he said, was that the Armenians themselves "don't know what the endgame is". ■

Ukraine's war orphans

Ice cream in heaven

LUTSK

The war has ravaged grieving children

YURI NECHIPORENKO couldn't see much of the soldier who killed his father: just the eyes and nose through the balaclava. Father Ruslan, 47, and son Yuri, then 15, had cycled down Tarasovskaya Street in Bucha to check out a rumour that humanitarian aid had arrived in the famished satellite town north of Kyiv. The soldier stopped them and asked what they were doing. Hands aloft to show they were not carrying weapons, they tried to explain, but he started shooting. Ruslan fell to the

ground. Yuri, shot through his arm, fell too. Two more bullets skimmed his crown, passing through his hoodie. The boy hugged the ground, playing dead, while the blood of his dying father trickled against his body. He ran when he saw the soldier had left.

Yuri is still tormented by that grey winter day, 20 months ago. Across Ukraine, tens of thousands of children like him are coping with the loss of parents in harrowing circumstances. The exact number is secret, since it correlates with the number of soldiers killed in action. But the trauma casts a devastating shadow. "It's frightening to think what the next generation will look like," says Oksana Lebedeva, a businesswoman turned philanthropist who has organised "grief camps" to help rehabilitate over 300 Ukrainian children.

Ms Lebedeva, who was inspired to help when she saw Yuri give an interview last year, says the scale of the problem means Ukraine has to think up its own solutions. There is no ready-made formula or international protocol. Her grief camps adapt ideas from conflicts around the globe. She has settled on a three-week residential programme, which she runs every month in Lutsk, a small city in western Ukraine. There is daily individual and group psychotherapy, as well as art therapy, dog therapy, theatre and sport. The kids are encouraged to cry and show emotion, something they may not be able to do at home. Some arrive too traumatised to speak. But if psychologists reach them quickly, progress can be rapid.

Three weeks are rarely enough. Even in the final stages of a camp *The Economist* witnessed in early October, pain was never far away. War showed itself everywhere—in play, paintings, tears and mood swings. Almost all the children go to bed with torches, Ms Lebedeva says, frightened of the dark. Some of them take their anger out on a boxing bag they call "Putin", which organisers replace every three weeks, beaten to shreds. Others mould Play-Doh into figurines missing limbs and heads.

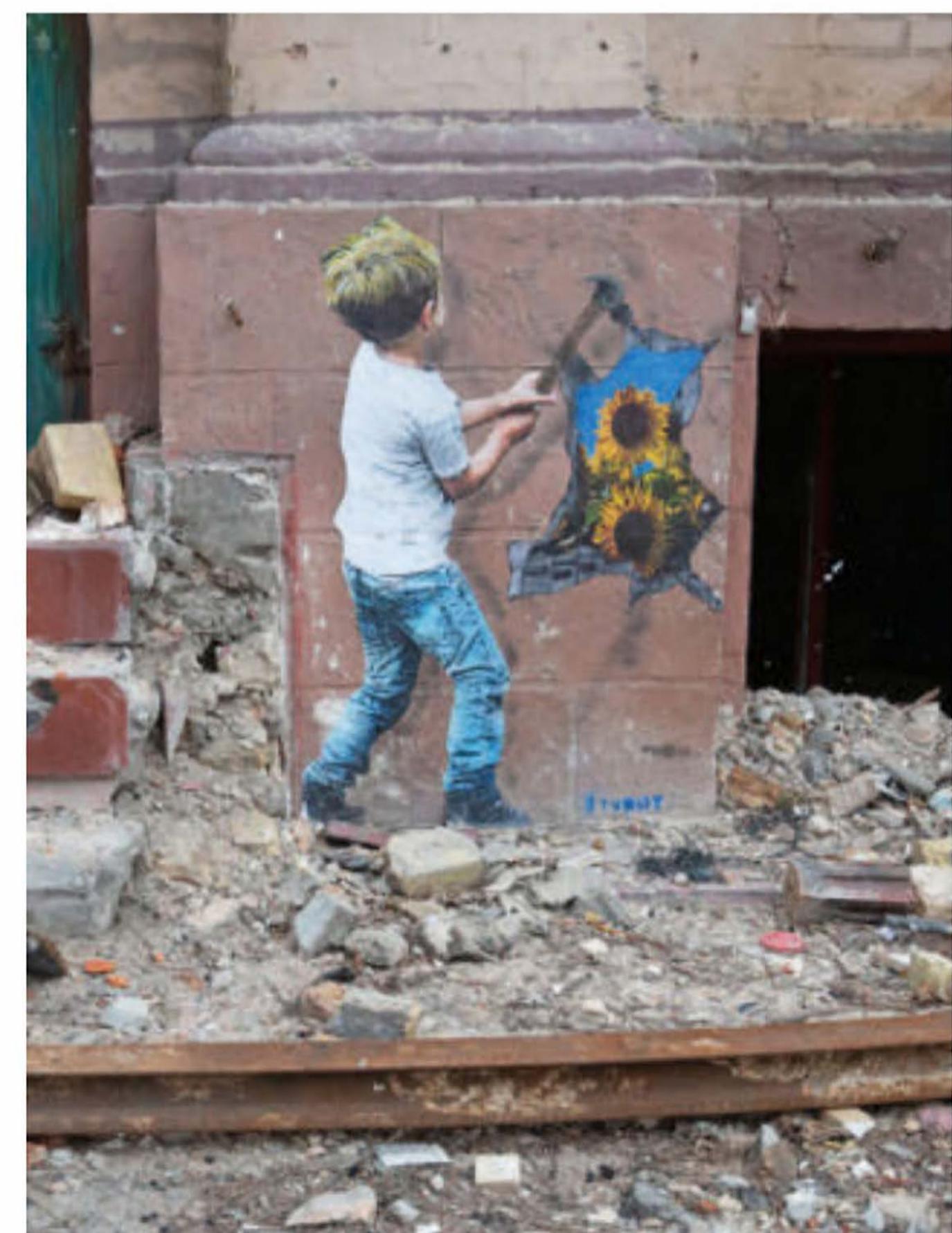
Vladik, a delicate six-year-old boy whose anguished face at his mother's graveside in Bucha made international front pages last year, spent one therapy class drawing "Putin". The picture depicts various bloody forms of torture. "I'm going to kill him," he told everyone. Vladik's 11-year-old brother, Vova, drew someone hiding behind a smiling mask while drowning in tears. Vova is one of the camp's success stories. After arriving in a state of shock, he can now recount his mother's tragic end: she froze to death in an underground shelter during the Russian occupation, aged 34. He talks about her burial, the "man with the cross" who administered last rites, the exhumation, and the trip to the morgue with hundreds of other corpses. His broth-

er is managing less well. Vladik whispers to explain why he keeps bringing coins to his mother's grave: "She'll need them to buy something in heaven. Like ice cream."

As Vladimir Putin's war grinds on, more children from military families are attending the camps. Sofia, a ten-year-old from Khmelnytsky, in the west, is still mourning the death of her father in May 2022. When he went to the front, he told her he was going to "train a soccer team". Now she is afraid to let her mother, a military medic, out of her sight. Some children have lost both parents. Sasha, 14, lost her mother when Russians fired a missile at Kramatorsk station in April 2022. Her father went to fight and was killed six months later.

Yuri, now 16, is one of the oldest at the camp. He says younger children find it harder to process what they are feeling: "They haven't developed their psyche or whatnot properly yet." In the months after his father's shooting, Yuri was consumed by a thirst for revenge. He tracked down the killer on a Ukrainian secret-service database, recognising his nose and eyes, and left a message on his social-media account: "You killed my dad but didn't get me." The soldier replied with the verbal equivalent of a shrug. In the age of the internet, grieving children are often only a click away from talking to a parent's killers, or seeing a photo of their corpse.

Yuri says therapy has helped soften his anger. He now feels an intense urge to help those around him. But those closest to him are taking no chances. Ms Lebedeva has arranged for him to study at a prestigious college in New York, where he can see a way of life that is not war. "We worry his desire for revenge will push him to the front lines," says Ms Lebedeva. "His mother told me she wouldn't be able to cope with another funeral." ■



The smallest victims

Charlemagne | Playing the green card

In Europe, green politicians struggle even as their policies reshape the continent



IMAGINE A SCANTILY clad woman suggestively wiggling her behind in your direction, then inviting you to dance like a feverish chicken. You might think you have somehow landed in a bachelor party, circa 1995. The reality is odder still: this is a rally organised by the French green party in Paris. On December 2nd members of *Les Écologistes* were invited to a 20-minute session of “la booty therapy”, involving raunchy twerking and encouragements for the bemused crowd to “let their buttocks fly”. After this unexpected interlude, normal service resumed: appeals to smash the patriarchy, pleas for a kinder sort of politics, and (almost as an after-thought) alarm over carbon emissions. On the same day but in another political universe, the German chancellor and the French president were among those at the COP climate jamboree in Dubai, hammering out a global deal to avoid frying the planet.

The green movement in Europe is a paradox. On one hand, the policies espoused by environmentalists sit squarely at the centre of today’s political agenda. The European economy is being overhauled to mitigate climate change, nuclear plants in Germany have been shut and new cars running on petrol or diesel will be illegal by 2035. By contrast with America, denying humans are responsible for climate change is considered kooky. But the green parties dedicated to promoting these ideals are in a rut. At their best they have struggled to win votes beyond organic-food-munching urbanites in Europe’s rich northern bits. Now eco-politicos are discovering that, even there, caring for the planet turns out to be more popular on paper than in practice. Having voted for virtuous policies, Europeans are balking at the cost of them. Green policies endure; the political relevance of greens might not.

Parties defending the environmental cause appeared in Europe over 40 years ago, a variant of the counterculture movements of 1968. Battling pollution was only part of the appeal: taking on the warmongering, capitalist pigs who had wrecked the planet in the first place mattered just as much. By the 1990s greens had mellowed somewhat, ditching their attachment to pacifism and the overthrow of market economies. They found their way into national parliaments, occasionally nabbing ministerial posts. As an independent movement, they are unique to Europe (only in New Zealand have they had comparable success). Nowadays greens are

in a handful of national governments, including in Germany, Ireland and Belgium. A surge of support in European elections in 2019 saw the Greens’ parliamentary group (which includes a slew of regionalist parties) control 72 of the 705 seats in Brussels, their best result ever. Not coincidentally, an ambitious Green Deal unveiled soon after committed the EU to cut its carbon emissions to “net zero” by 2050, with a 55% reduction on 1990 levels by the end of the decade. “There would not have been a Green Deal if there had not been a green wave in 2019,” says Mélanie Vogel, a French senator who co-chairs the European Green Party.

Alas, waves tend to crash. The backlash against greens is now in full swing. In Germany, it was a case of going too far too fast. Most notably, a push by *Die Grünen* to make climate-friendly heat pumps mandatory before sufficient skilled labour was at hand to install them backfired. Having once—briefly—been Germany’s most popular party, the Greens now languish in fourth place. Their co-figurehead, Robert Habeck, is the economy minister at a time when people are feeling the pinch: once Germany’s most popular politician, he languishes in 16th place now. In provincial elections earlier this year Dutch voters rebelled against nature-protection rules that were throttling economic activity, propelling a farmers’ party bashing green rules into first place; in national elections last month Geert Wilders, a hard-right populist who denigrates environmentalism, beat Frans Timmermans, the architect of the EU’s Green Deal himself. At the EU level, where much eco-regulation is crafted, polls suggest the Greens will lose around one-third of their seats in the European Parliament next year. From being the fourth-biggest group they may fall to sixth.

Already the signs of the environmentalists’ diminished standing can be seen. Bits of the Green Deal package that are still being legislated now struggle to get through parliament. Balking centrists, notably on the conservative right, are fed up. Emmanuel Macron, who as French president took in erstwhile greens as ministers, has called for a “pause” in new environmental rules, no doubt remembering how the *gilets jaunes*, led by rural drivers who felt sneered at by the city-dwelling elite, nearly paralysed the country in 2018. The EU’s flagship ambition to cut carbon emissions looks safe for now; indeed Europe is the only place whose emissions are much lower than in 1990. But the talk in Brussels is of the need to implement existing rules, not craft fresh red tape.

Green shoots themselves in the foot

As cheery about politics as they are glum about the state of the planet, party leaders put a rosier gloss on things. “Green policies today are one of the dividing lines of the political spectrum...We are at the centre of the debate,” says Thomas Waitz, an Austrian MEP who also co-chairs Europe’s greens. But limited progress is being made in expanding beyond their heartlands in the Benelux, Scandinavia, France, Germany and Austria. Voters in southern Europe are not keen on the militants’ post-materialist values (green plans to “de-grow” the economy on purpose will sound ominously familiar to Italians well used to “no growth”). As in central Europe, few voters think of environmental protection as a priority.

All parties whose ideas are enacted get less popular in time, especially junior coalition partners. But the problem is most acute for greens. Not only does their nagging tone galvanise their foes, the exercise of power annoys starry-eyed activists who resent the compromises required to run bits of government. The flagship policies of the greens, or at least their environmental ones, push in the right direction. But good luck convincing voters of that. ■

**Mental health**

Time to rethink

WIRRAL

Britain has a mental-health crisis. It's not the one you think

IT HAS BOARD games, club nights until “silly o'clock” and bouncy castles. But Open Door, a social enterprise for youngsters on the Wirral peninsula, has still not achieved peak fun. Its founder, Lee Pennington, plans soon to move the charity to the “Joy Building”, an ex-council property that will be adapted so that visitors can whizz between floors on slides. Not that long ago, the charity would have called itself a youth club. Now it uses a different argot. “We're rebranding mental health,” says Mr Pennington. “We're trying to engage the disengaged, normalise the conversation and ultimately have a good time doing it.”

Mr Pennington is not alone in trying to get more Britons to open up about their mental health. Visitors to Open Door have included the Prince and Princess of Wales, who have spearheaded mental-health awareness campaigns in recent years. Such efforts have been very successful in destigmatising mental-health problems. In a survey in 2019 more than three-quarters of Britons said that mental illness is an ill-

ness like any other, the highest of all 29 countries polled. Awareness has only increased since the covid-19 pandemic.

That is in many ways welcome. Britain may be the home of the stiff upper lip but there is nothing wrong with it wobbling. Conditions such as anxiety and depression, to say nothing of more severe forms of psychosis, can and do blight lives; early interventions can stop problems spiralling out of control. But some now fret that things have gone too far. “We're starting to wonder whether it's time to scale down our mental-health awareness,” says Simon Wessely, a professor of psychiatry at King's College London. Lucy Foulkes, a psycholo-

gist at the University of Oxford, is blunter. “The campaigns are alienating the very people they are meant to help,” she says.

The case to re-examine the way that mental health is talked about and treated in Britain rests on two arguments. First, that demand for mental-health services has been artificially inflated. Second, that this increased demand is inadvertently harming people who most need help.

On the first argument it is beyond dispute that demand for mental-health services has gone up in recent decades. The last big study of adults by the National Health Service (NHS), in 2014, found that one in five women and one in eight men had anxiety or depression (a follow-up survey was stymied by covid-19). In the decade to 2021 rates of antidepressant use grew more in Britain than in any other European country; only the Portuguese and Icelanders take more antidepressants.

There are reasons to think that mental suffering could be increasing, particularly among the young. “It's not easy to be a young person at the moment,” says Dr Jon Goldin, a consultant child-and-adolescent psychiatrist at the Soke clinic in London. For Dr Goldin, the factors which contribute to a mental-health problem are typically predisposing (ie, genetic), precipitating (ie, the pandemic) and perpetuating (ie, financial hardship). Factors that protect mental health include supportive relationships and a sense of meaning; British teen-►

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Younger people are more likely to say these are absent than peers in other rich countries.

The pandemic will have triggered some illnesses. Covid infections have had a direct impact on the brains, and mental health, of some. Eating disorders, usually associated with anxiety, have exploded among young women. An NHS survey in 2023 found that a fifth of 8- to 16-year-olds and a quarter of 17- to 19-year-olds in England had a probable mental disorder, up from 12% and 10% in 2017.

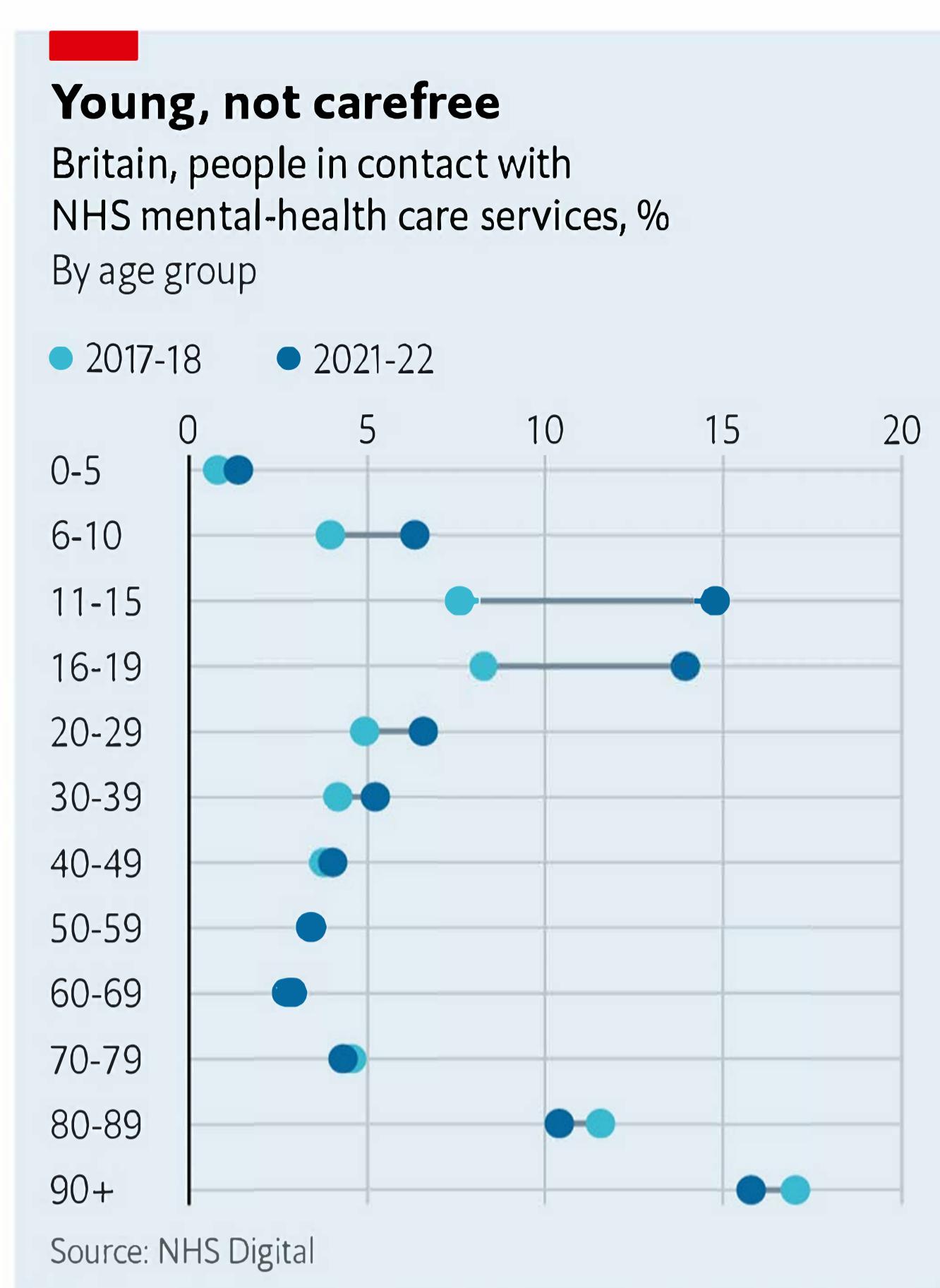
But these arresting statistics are also a reason to question what exactly is going on with the nation's mental health. They typically come from self-reported surveys, which produce less reliable results than clinical interviews; in 2023 they were based on the "Strengths and Difficulties Questionnaire" (SDQ), a short online survey. Youngsters (or their parents) were invited to respond to 25 statements such as "I usually share with others (food, games, pens, etc)" and "Other people my age generally like me". They were categorised as having a probable mental-health condition if their scores exceeded a threshold.

A survey cannot exercise the judgment of clinicians or determine if an "abnormal" result reflects a mental disorder or a normal response to an abnormal event. During the pandemic a girl who preferred to "play alone" and was "easily scared" would have been adhering to official guidelines and cultural expectations. On the SDQ these statements would push her closer to a threshold for a mental disorder.

The official definitions of mental disorders have also broadened. The fifth and latest edition of the Diagnostic and Statistical Manual of Mental Disorders (DSM), a widely recognised resource for psychiatrists worldwide, was released in 2013. It lowered the thresholds for some of its 298 listed disorders, meaning that fewer symptoms are required for a diagnosis. For attention-deficit hyperactivity disorder (ADHD), for example, DSM-5 reduced the number of symptoms from six to five. Impairments once had to be "clinically significant"; now they need to "reduce the quality of social, academic or occupational functioning".

Shifting diagnoses are not unique to psychiatry. But without objective biomarkers, the boundaries demarcating mental illness look arbitrary. This is particularly so when cultural definitions of mental-health disorders are changing. A study published in 2019, measuring the effect of a mental-health awareness campaign in England, showed that public understanding of what constitutes a mental illness has widened to include normal responses—like stress and grief—to life experiences.

When the mental-health net expands in this way, more and more people are likely to get scooped up in it. In one survey in 2022 some 57% of British students report-



ed having a mental-health issue. According to a recent government study, 76% of parents with school-aged children sought help or advice for their child's mental-health concern from 2021 to 2022. "You're going to lose any sense of what mental illness is if you start to apply it to 30%, 50% of the population," says Adrian Massey, author of a book called "Sick-Note Britain".

Clinicians see these changes in their own practices. "We're getting more and more expert parents and families coming in [who] know what they need to access," says Dr Ramya Mohan, a consultant psychiatrist who works in the private sector as well as the NHS. Mersey Care, an NHS trust, is carrying out 400% more ADHD assessments for adults than it was four years ago; Dr Noir Thomas, its chief medical officer, notes that the increased awareness has resulted in more people presenting with "subthreshold diagnoses".

In a recent co-authored paper, Dr Foulkes suggests that while awareness may indeed help some people to recognise previously unreported symptoms, it may also lead to some people self-diagnosing,

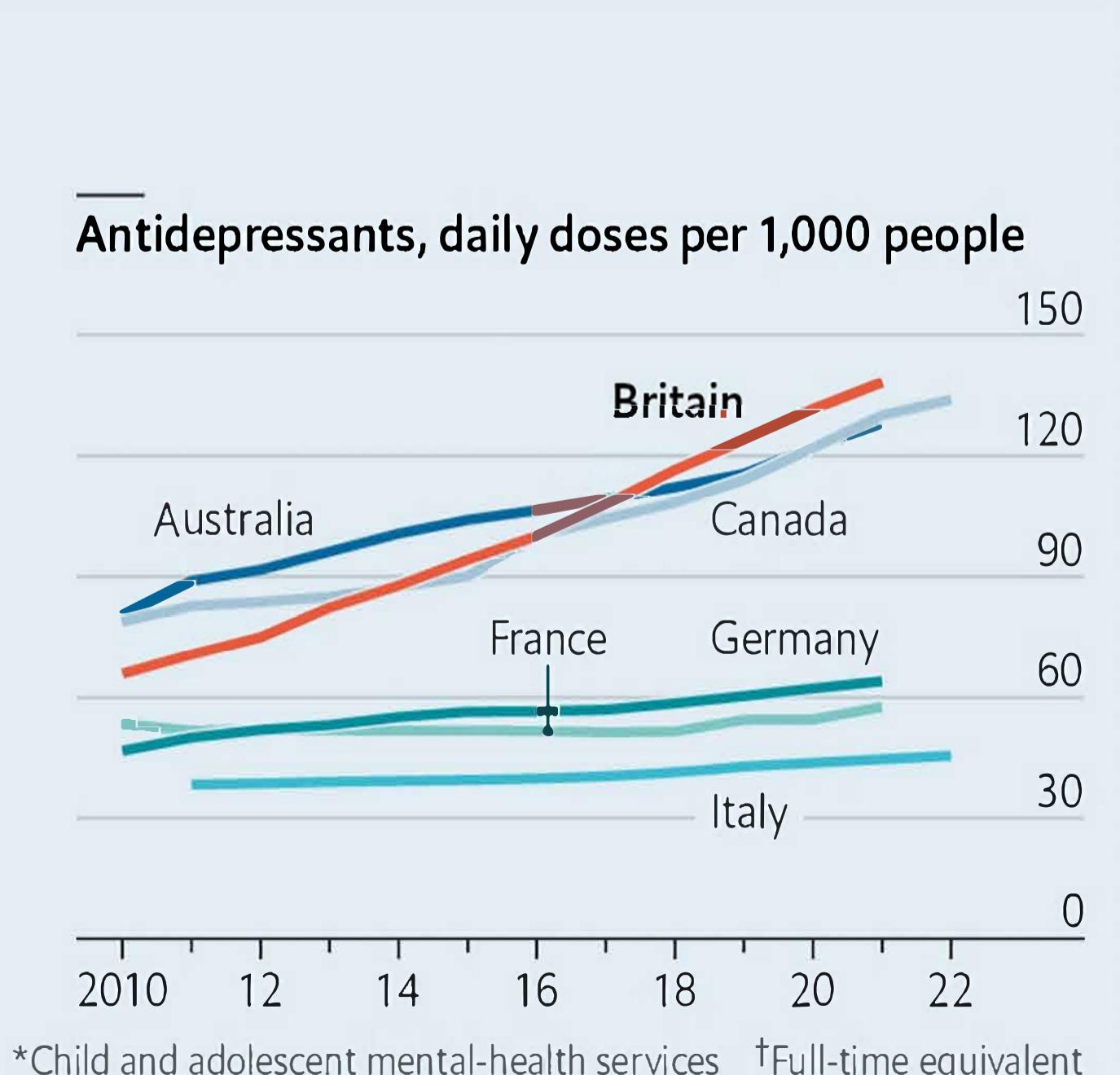
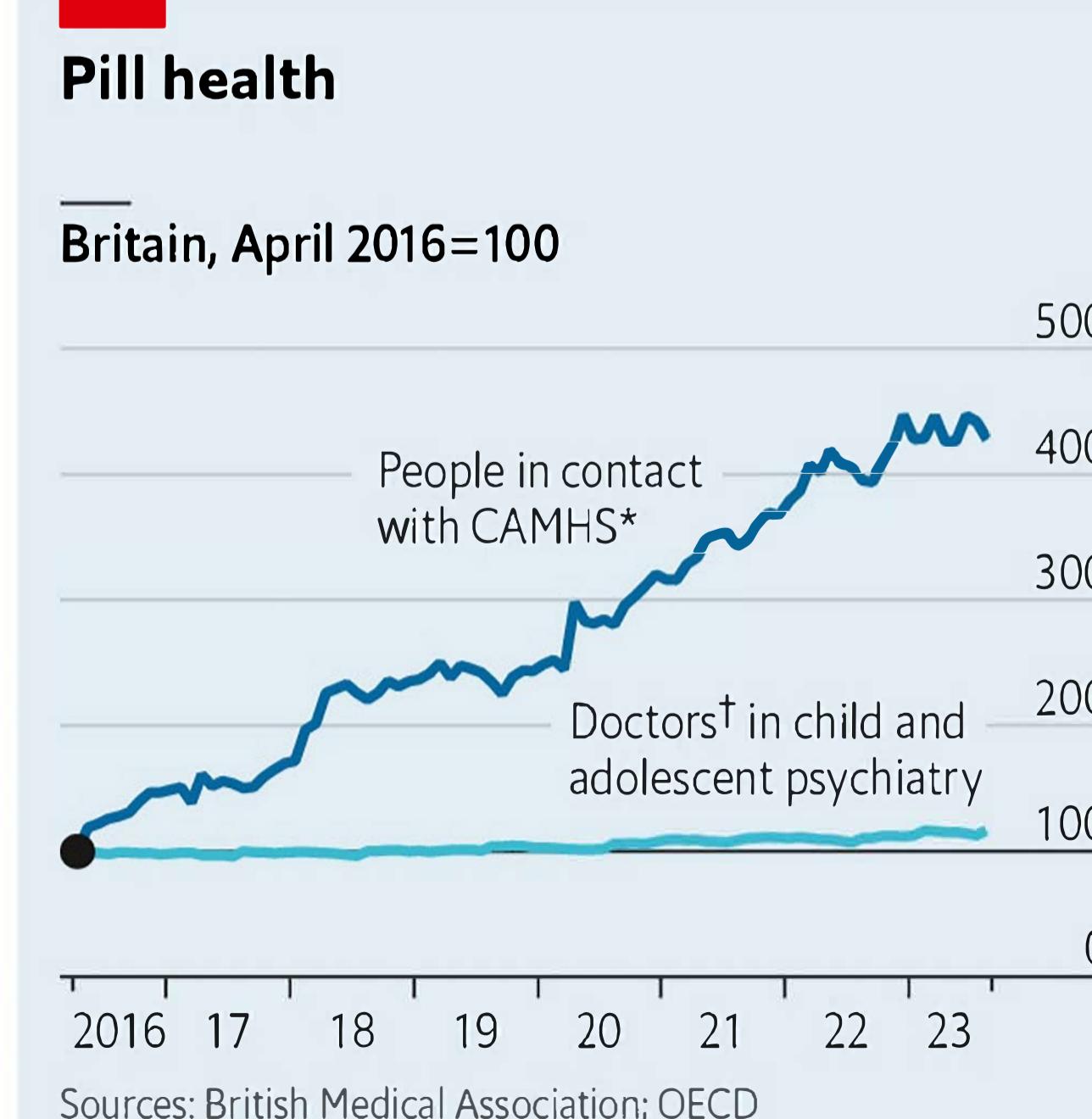
or pushing for diagnoses, thereby relabelling milder forms of distress as mental-health problems. Increased prevalence in turn drives more awareness, creating a perpetual upwards cycle.

Relabelling can be easy. Your correspondent took an online self-assessment for ADHD offered by Oxford CBT, a private mental-health clinic, in which the highest possible score is 48. She answered first as she normally would (19/48) and then took the test again in order to deliberately score zero. In both cases the tool concluded that she "may be experiencing low-level signs of ADHD or another difficulty".

The medicalisation of milder problems is not necessarily helpful for individuals. A student with low-level anxiety who is exempted from a class presentation, for example, might end up exacerbating the symptoms through avoidance.

Mental-health treatments are not always productive. A study from the University of Cambridge found that volunteers were happier when they learned to suppress negative thoughts, not bring them up as they might in psychotherapy. Another study, of mindfulness courses in 84 British schools, found no evidence that they helped pupils' mental health more than normal teaching. "There is a need for much better, more rigorous science about what works for whom and when," says Miranda Wolpert, director of mental health at Wellcome, a charitable foundation.

Yet incentives work with the grain of medicalisation. A diagnosis can mean more time for a child to sit an exam; evidence of a condition is needed to unlock welfare payments. Of the record 2.6m Britons who are not working or actively looking for jobs because they are sick, half report having depression, bad nerves or anxiety (these may not be their primary health condition). "For the individual, certification is necessary as a means of legitimising their inactivity to society," writes Dr Massey. Jeremy Hunt, the chancellor, is making work-capability assessments more stringent (as well as announcing more



► talking-therapy places to help those with anxiety and depression to work).

It can also be easier—and cheaper—for institutions to pass structural problems off as medical ones. Stress and erratic behaviour may be symptoms of mental-health problems but they may also indicate toxic workplaces or wider deprivation. Poverty, family trauma and isolation are by far the biggest risk factors for mental illness; among children, kids from the poorest households are the biggest users of NHS mental-health services.

Greater awareness is good in principle: it enables people who are suffering to get help and to have their struggles recognised. But “there is a very real risk of us going too far, especially because we’ve been flooded with information from all sources,” notes Dr Mohan. Which leads to the second argument: inflated demand is bad for those who most need treatment.

Serious problems

The drive to raise awareness of mental health has tended to focus on common disorders like anxiety and depression, conditions which, terrible as they can be, do not seem any more prevalent in Britain than other rich Western countries. Less attention is paid to conditions like schizophrenia and bipolar disorder, even though Britain has the highest rates of severe mental illness Europe.

One study by academics at King’s College London found that the probability that a newspaper article would stigmatise depression dropped significantly between 2008 and 2019, but stayed about the same for schizophrenia. “All the oxygen is being taken up by the milder, more palatable problems which can be described by broadly high-functioning people,” says Dr Foulkes. That in turn has an impact on the allocation of resources. When you inflate diagnoses, “you end up diverting resources away from smaller numbers of people who need them to larger numbers of people who don’t,” says Professor Wessely.

On paper the NHS operates under a “stepped care” model, in which care is allocated according to need. Family doctors, known as general practitioners (GPs), usually act as the first port of call for mental-health concerns, as they do for all non-emergency illnesses. Patients can be referred (or self-refer) onto talking therapies, usually consisting of cognitive behavioural therapy. GPs can also refer into secondary care, either in the community or, as a last resort, in hospital.

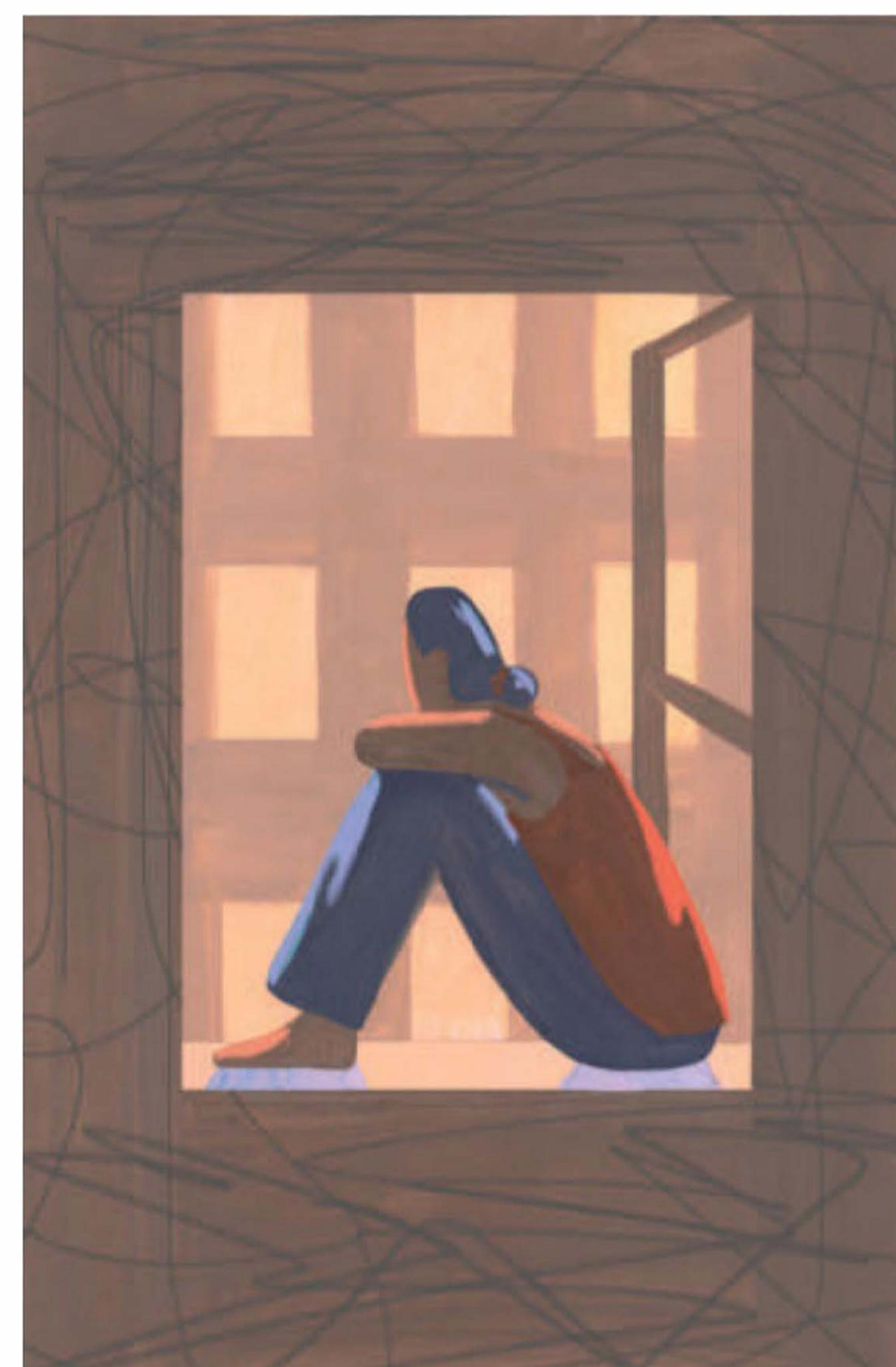
The extra demand for mental-health services is being funnelled into a system that has long needed more staff, more money and better spending decisions. In September some 6.7m people waited more than two weeks to see their GP. In August NHS mental-health services received al-

most 390,000 referrals, a third more than they did four years ago. More than 720,000 young people received support from NHS-funded community services in the year to March, a 26% increase from two years ago. At least 1.8m people are waiting for mental-health treatment.

People who can afford to are able to jump the queues by going private. After an initial consultation costing £300 (\$380), Oxford CBT charges £1,200 for an ADHD assessment. An appointment is available the following week; in the NHS it could be a multi-year wait. (If a diagnosis is issued, it can be used to oblige an employer or school to provide “reasonable adjustments” to ensure that those with disabilities are not disadvantaged.)

A vibrant private market sucks in clinicians as well as clients. “[In the private sector] I could be doing less for more money but I could also not be putting my physical body at risk,” says Jessica Valentine, a psychologist who used to work in the NHS and now provides private therapy. You “need to learn breakaway techniques and what happens if someone strangles you,” she recalls of her NHS experience. Another psychologist who trains new salaried clinicians says that of the 31 trainees she supervises each year, all used to stay in the NHS; now half go part-time to work privately.

There are not enough NHS doctors to keep up with demand, particularly in child and adolescent psychiatry (see chart on prior page). The Royal College of Psychiatrists says there are 6% more consultant psychiatrists in the NHS in England than there were a decade ago, compared with 86% more consultants in emergency medicine and 72% in gastroenterology. A similar trend goes for mental-health nurses.



As a result, NHS care is not readily available for the most acutely ill. A decade ago, Danni, now 28, feels she was “saved” by an early-intervention psychosis team in her local NHS, which helped her to stop believing that classmates were spying on her. When she visits her GP now, he is often “at a bit of a loss” to find a team that will take her. Another patient waiting for treatment for bipolar disorder was told to download an app with an NHS logo, which directed her to private providers. “Services have moved away from treatment into signposting,” says one psychologist.

The NHS often leave emergencies to the police, who in England spend around 1m hours a year with mental-health patients in A&E departments (some forces, including the Met in London, are now pushing back). “We unfortunately have something of a two-tier system where people who can afford it can access services quicker than those who can’t,” admits Dr Goldin.

Even as mental-health awareness has risen, those living with severe mental illness have been faring worse. They were five times more likely to die prematurely during the pandemic than the rest of the population, a mortality gap that was widening long before then. Conditions often get attention only once they have become acute. In Wirral 29% of inpatients this year were not known to mental-health services before they were hospitalised for their problems; that is up from 8% in 2019.

Some who cannot get help end up being criminalised. At least 50,000 people are detained each year under the Mental Health Act, a punitive law that enables the compulsory detention and treatment of the mentally ill in England and Wales. A bill to reform the act has been shelved.

Cuts to local-government budgets have withered treatment services for drugs and alcohol as well as housing projects for those vulnerable to serious mental-health problems. In Wirral 1% of inpatients being treated in hospital for mental-health problems were homeless in 2019, a figure which has now increased to 8%, notes Simon Banks, a local NHS director. Although the NHS has specialist programmes to support the homeless in Wirral, they do not manage to reach everyone.

In 2022 the government announced a ten-year plan to look, among other things, at this wider context for mental-health disorders. This year the government scrapped it. Instead it released a strategy to reduce suicides (such as by controlling sales of paracetamol) and performed stunts. In the summer the farming minister drove a tractor around Parliament Square for rural mental health. “We were asking for money to plug up the system during the pandemic,” says Paul Spencer of Mind, a charity. “Instead we got more focus on the benefits of talking about your mental health.” ■

Bagehot | Inside the Spectocracy

A good way to run a magazine is a bad way to run a country



A READERS' LUNCH at the *Spectator*, the world's oldest weekly magazine, is not for the faint of heart or light of wallet. It starts with an aperitif of Lanson Le Black Reserve (a reasonable £55 per bottle). Next comes a magnum of Laurent Perrier Grand Siécle Grande Cuvée No. 23 (a less reasonable £400). Round it off with a Graillot & Perez Encinas Bierzo (a mere £26). Those with the means to drop £150 can enjoy a boozy meal in the *Spectator*'s boardroom, surrounded by the 195-year-old back catalogue of the magazine that counts a few chancellors, many cabinet ministers and a Conservative prime minister among its alumni.

People are willing to pay a premium for a slice of Tory life. A recent struggle over the ownership of the *Spectator* and its stablemates, the *Daily* and *Sunday Telegraph*, proved just that. Lloyds, a bank, put the outlets into receivership after a long-running row with the Barclay brothers, hotel magnates and Channel Island overlords who bought the titles in 2004, over a £1.2bn debt.

A consortium led by Jeff Zucker, a former CNN editor, and backed by Gulf royalty, paid off the whole Barclay debt, with a view to taking control via a debt-for-equity swap. Conservative MPs, usually cheerleaders of foreign investment, were appalled that a foreign power was putting up the cash. Now the Conservative government has put the deal on hold.

Their interest is understandable. The past, present and future of the Conservative Party runs through the *Spectator*. More specifically, it runs through the editor's office. At one end sits the desk of Nigel Lawson, who went on to become Margaret Thatcher's most influential chancellor. In front of the window, looking onto St James's Park, stands a chaise longue on which Boris Johnson once enjoyed a post-lunch "erotic reverie".

On the wall, a cartoon shows Dominic Cummings, Mr Johnson's former chief adviser, looming over the ex-prime minister. Even he worked briefly at the magazine. Unfortunately, he left abruptly after he published a controversial cartoon of Prophet Muhammad. Happily, Mr Cummings's wife, Mary Wakefield, is still there as an editor.

The Spectocracy is not only a quirk of history, but a quirk of the present. Its former political editor, James Forsyth, now sits in Downing Street as Rishi Sunak's political secretary, having left the

magazine in late 2022. The duo have known each other since school. Given the polls, Mr Sunak and Mr Forsyth may not stay in Downing Street long. But the Spectocracy will survive them. Kemi Badenoch, a former digital director at the magazine and now the business secretary, is among the favourites to take over if Mr Sunak quits politics.

For the *Spectator*, its influence is incidental. "We're a cocktail party, not a political party," in the words of one former editor. It is proudly irresponsible, mixing Westminster coverage with giggling reactionaryism. For much of its history it was famed as much for its drinking as its journalism. Kingsley Amis, a contributor, once described the main problem with the office as "Not getting arseholed whenever I go there." The magazine still keeps two bottles of Pol Roger in the fridge at any one time. Mr Johnson built his career boasting about drinking too much and falling asleep in the office. If it was a sinister plot to place its alumni in power, it was a risky one.

Instead, the *Spectator* resembles another deeply English cultural institution. In the 1980s comedy, "Withnail and I", two out-of-work, booze-soaked English actors find themselves trapped in a falling-down cottage in Penrith. Wet, hungry, they flag down a neighbour to moan: "We've gone on holiday by mistake." Take the magazine at its word and a similar affliction haunts the *Spectator*: it ended up running a country by mistake.

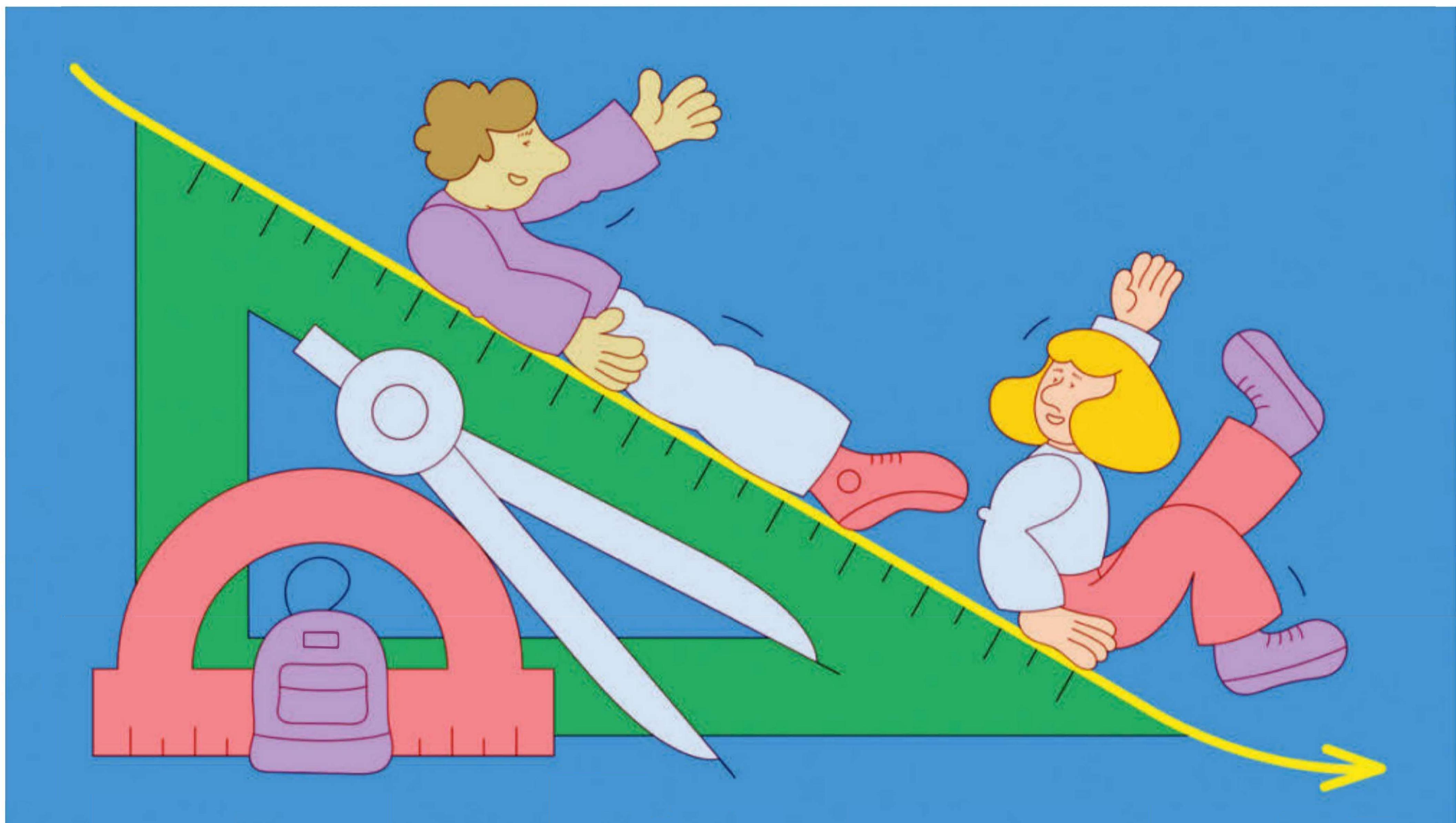
Links between the Conservative Party and the Tory-supporting press are well-scrutinised. Tim Bale, a historian of the Conservative Party, came up with the idea of "party in the media": his term for the columnists and reporters who see the world through Tory spectacles, and who view the party's wants and needs as inseparable from those of the nation. It is true enough for the *Daily Mail*, the *Daily Express* and the *Daily Telegraph*, who are usually supine.

When it comes to the *Spectator* and the Conservatives, Mr Bale's formulation is reversed: the media is in the party. Results vary when a journalistic mindset is applied to government. Good polemics make poor policy. Mr Johnson first floated the idea of an EU referendum in 2003. Likewise, bold plans of Tory ministers, such as repeated plans to unleash house-building, usually end up as little more than op-eds on [gov.uk](#) rather than law.

Eclecticism is positive in a magazine, but not so in a politician. The *Spectator* swings between liberalism and Conservatism, by turns thoughtful and thuggish. Similar behaviour dogs the government. In the past six months, Mr Sunak has been the technocrat, keen to patch things up with the EU; the protector of White Van Man, scourge of environmentalism and Brussels basher; and a fiscal conservative who pushed through big tax cuts, based on make-believe spending forecasts. Even the *Spectator*'s reticence about its relations with the Conservatives feels familiar. The magazine has an anti-establishment streak, while clearly part of it. The government, equally, behaves like an opposition in office, railing against decisions it made itself.

We want the finest wines available to humanity

While the personnel and the politics of the *Spectator* and the Conservative Party overlap, their fortunes do not. The party is heading for oblivion; the *Spectator* is in fine health. Circulation is at an all-time high, while the Conservatives—coddled by an uncritical media—are set for their worst performance since at least 1997, unless something dramatic happens. Opposition is a happy state for a magazine, if not a political party. Particularly with plenty of champagne in supply. ■



The latest PISA results

Class divisions

Awful new grades come after years of educational stagnation in the rich world

IT IS ALMOST four years since the world's classrooms started shutting down to 1.6bn pupils as covid-19 spread. At their height, school closures affected some 80% of all those enrolled globally. Youngsters then learned remotely, or not at all. It was the greatest disruption to education since the second world war. In many countries closures lasted long after it became clear that covid-19 posed a low risk to children's health, and after vaccines became widely available to adults. Even when schools reopened, social-distancing quarantine rules still disrupted lessons for many.

The full effects of these policies are only just starting to be understood. Data from tests in maths, reading and science released on December 5th by the OECD, a club of mostly rich countries, offer the best snapshot yet of how children were affected. Fifteen-year-olds sat the exams between March and November last year. Pupils from Japan, Singapore and South Korea are among those who did well despite everything. British and American pupils mostly scored above the average for rich countries. The critical point is that results

in many places were much worse than expected, even as some youngsters managed to weather the disaster with their academic progress surprisingly unscathed.

The OECD has run these tests mostly every three years for two decades under its Programme for International Student Assessment, better known as PISA. Even before the pandemic, PISA data showed that school marks in the rich world had been stagnant for years. In the latest round of exams performance has tumbled sharply (see chart 1 on the next page). On average, pupils in the rich world scored ten points lower in reading tests and almost 15 points lower in maths than was the case in 2018, when the exercise was last carried out. This implies that, compared with earlier cohorts, those tested have missed out on learning that is judged equivalent to between half and three-quarters of a school year.

A decline on this scale is a calamity. As a rule of thumb, every extra year of schooling a child receives pushes up their annual salary by close to 10%. Lost learning could still be holding wages down years from now. A dip in grades can have especially dramatic

effects for youngsters who, as a result, fail to graduate from high school or do not hone the skills they need to succeed at university. Degree-holders in rich countries earn roughly 50% more than people who got jobs straight out of school.

In the places recording the steepest drops, PISA finds 15-year-olds to be performing at levels that in 2018 were typical of youngsters a full year younger. In maths, the worst affected of the three subjects that PISA tests, declines of that magnitude were found in countries including France, Germany and Poland (see chart 2 on the next page). This list also includes Finland, whose schools have been held up for more than two decades as models for how to teach effectively.

Swot teams

The findings for America and Britain are a bit less solid than for most other countries. Difficulties getting quite enough children to sit the tests mean that their data should be handled with care. Nonetheless, test scores seem to have dropped in both places, if not quite as sharply as they have for some of their neighbours.

Reading scores in Britain have fallen back to levels last measured in 2006. America's reading scores have remained surprisingly sprightly. Its big challenge is maths: its youngsters have long ranked in the bottom third of rich countries in the OECD's tests of numeracy. Plummeting scores during the pandemic will do nothing to help them climb out of that hole. ➤

PISA tests were taken by pupils in 81 countries and territories in 2022, most of them not in the rich world. Many of the developing countries that choose to take part appear to have done better than was forecast—though for reasons that may be grim. Their pupils tend to progress at slow rates even when schools are open as normal, says Andreas Schleicher of the OECD. So getting kicked out of classrooms may have come at a lower cost to their grades. The story on achievement gaps is similarly double-edged. PISA's findings suggest that the pandemic has not, on the whole, ripped much wider the void separating poor pupils' test scores from those of richer peers. But that is only because, in most countries, wealthy children have seen their progress stall just as much as disadvantaged children have.

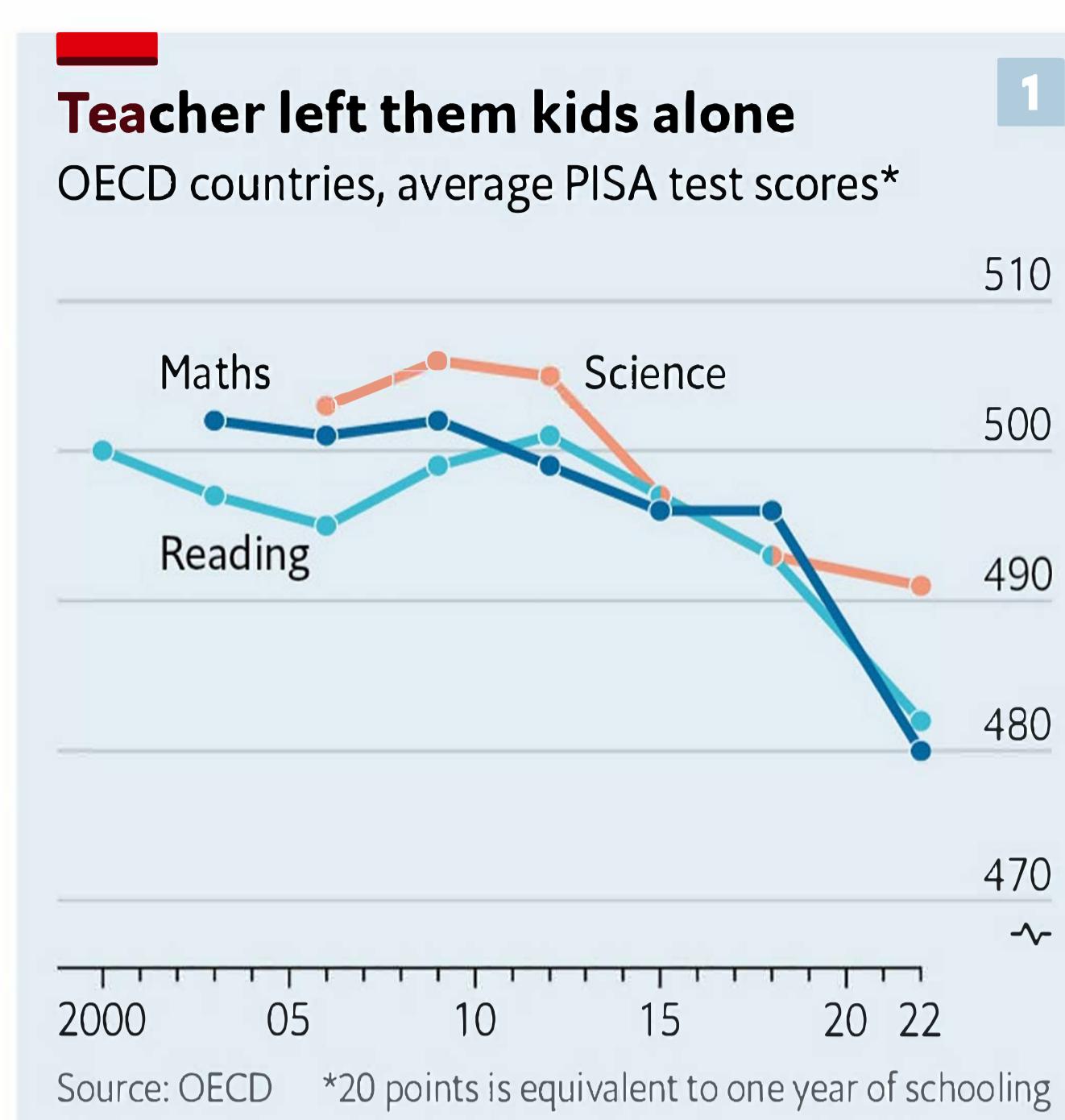
Education ministries the world over will envy the handful of rich places that have a cheery story to tell amid the gloom. In Japan, Singapore, South Korea and Taiwan, test scores not only held steady over the pandemic period, they actually ticked up in at least one of the three subjects in which pupils sat exams. Israel and Switzerland are among other countries that appear, at least as judged from these data, to have done reasonably well.

Cramming it in

Some of these outliers protected learning by keeping school closures short. Across the OECD's dataset there is a modest association between the length of time schools stayed closed and children's subsequent performance in tests. Teachers in Switzerland ran fully remote or hybrid timetables for only six weeks (the average among countries in Europe was around 29). Closures in Japan were also comparatively zippy: in 2020 schools in that country shortened their summer breaks in order to claw back some of the class hours that children had lost up to then. Singapore, likewise, decided to alter school holidays to maximise learning time.

For other top performers it was the quality of remote schooling that appears to have made the difference. In South Korea social distancing was strict and long-lasting. Children were permitted to attend school only part-time for more than a year after classrooms first reopened. Yet they also got lots of help. In the first year of the pandemic the government hired 30,000 additional teaching staff; some were pensioners called back into service.

What is to be done to revitalise schooling elsewhere? The terrible results ought to renew enthusiasm for programmes aimed at helping pupils catch up on learning lost during the pandemic. In Britain the government has coughed up about £3.5bn (\$4.4bn) to support such schemes since 2020, a sum roughly equivalent to 6% of



one year's spending on schools. Much of that money has gone on tutoring: the available information suggests that children are making back time. But cash for the scheme is likely to dry up next year.

In America a whopping \$190bn in federal relief money has been found for schools since the start of the pandemic, equal to about a quarter of what the country spends on public schooling in a normal year. But schools have been given enormous freedom to spend the money as they wish; only a feeble 20% of it is required to go on schemes designed to get children's learning back on track. A big crunch will arrive in September next year, when all the extra money will run out.

Data released in July by NWEA, a test-provider with access to over 6m children's scores, suggest that American pupils in many grades made no more progress than usual during the most recent academic year. Indeed, rather than catching up, they seem to have progressed at a slightly slower rate than was standard before the pandemic. A tight labour market has made it difficult for American schools to hire the



army of tutors that might help speed up educational recovery. The other problem, reckons Tom Kane of Harvard University, is that schools have shied away from adding extra hours to the school day, or extra days to the school year. He thinks it was always unlikely that schools, emerging from catastrophe, would suddenly find ways to make an average school day dramatically more productive. Providing more learning time, by contrast, is something that even the least innovative establishment ought to be capable of.

In the best of all worlds, policymakers would be seizing this moment not only to patch up lost learning but to drive through reforms that might alter the less-than-impressive trajectories many school systems were tracing even before the pandemic hit. The OECD's previous data dump, in 2018, found that 15-year-olds in most rich countries were doing no better in maths, reading or science than pupils 20 years before them. Indeed, in a number of big countries—not just Finland, but also France, the Netherlands and New Zealand, among others—school marks were already heading down. In these kinds of places it is difficult to disentangle exactly how far the pandemic itself contributed to score declines. There is a high risk that underlying problems will go unsolved if bad results are written off as a pandemic blip.

Learning the lessons

The challenge goes beyond finding more cash. In the decade to 2018 spending per pupil rose by around 15% in rich countries without producing dramatic results. The OECD's data suggest that pushing up school funding brings reliable improvements only until it reaches a threshold of about \$75,000 per pupil, spread over each child's first ten years in school. Beyond that point, the gains quickly peter out. America is a striking example. It spends more than \$140,000 per pupil. Yet across the board its maths, science and reading scores still lag behind those of Japan, which shells out about 40% less.

In that context, Mr Schleicher of the OECD worries when he hears education ministers promising that they will respond to the pandemic's effects by "building back better". He fears that could involve pouring more money into the same old strategies. "Building forward differently" would be smarter. International evidence, for example, reveals that improving teachers' training and motivation is a far surer way of improving marks than splashing cash on smaller classes—the lever politicians find easier to pull. And too many school systems do a poor job of making sure adequate resources flow to the schools and pupils that have the most need. A big opportunity may be wasted if mediocre school systems are recreated much as they were before. ■

**Business and climate change (1)**

Unsustainable developments

DUBAI

The renewable-energy business faces a make-or-break moment

A FEW YEARS ago renewables were having their moment in the sun. Rock-bottom interest rates lowered the cost of clean power, which is expensive to deploy but runs on sun and wind that come free of charge. The price of solar panels and wind turbines fell as technologies matured and manufacturers gained scale. These developments brought the levelised cost of electricity (LCOE)—which accounts for capital and operating expenditures per unit of energy—for solar, onshore wind and offshore wind down by 87%, 64% and 55%, respectively, between 2010 and 2020 (see chart 1 on next page). Clean energy became competitive with dirty alternatives, and was snapped up by big corporate power-users directly from developers.

Infrastructure investors such as Brookfield and Macquarie made big renewables bets. So did some fossil-fuel firms, such as BP. Utilities such as EDP and Iberdrola in Europe and AES and NextEra in America poured money into projects. Average re-

turns on capital put to work by developers rose from 3% in 2015 to 6% in 2019, a similar level to oil-and-gas extraction but with less volatility. The industry's prospects looked so bright that in October 2020 the market value of NextEra briefly eclipsed that of ExxonMobil, America's mightiest oil giant, making it America's most valuable energy company.

Today these prospects look considerably dimmer. Over the past two years the economics of renewables have been hit by

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rising interest rates, supply-chain snags, permit delays and, increasingly, the protectionist instincts of Western governments. The “green premium” in stocks has turned into a “green discount”. The S&P global clean-energy index, which tracks the performance of the industry, has declined by 32% over the past 12 months, at a time when the world's stockmarkets have risen by 11% (see chart 2). AES has lost more than a third of its value. NextEra is worth roughly a third as much as ExxonMobil, which has been buoyed by a surge in the oil price. Manufacturers of wind turbines went from just about profitable to loss-making (see chart 3).

That is a problem, and not just for the renewables companies and their shareholders. On December 2nd, at the annual UN climate summit being held in Dubai, 118 countries pledged to increase their combined renewable-energy capacity to 11,000 gigawatts (GW) by 2030, up from 3,400GW last year, as part of their decarbonisation efforts. That will require adding some 1,000GW a year, three times what the world managed last year. For this to happen, renewables must once again look like a business to bet on.

The industry's recent troubles are the result of a confluence of factors. One problem is rising costs along the supply chain. The price of polysilicon, a key material in solar panels, rocketed from \$10 per kilo-►

► gram in 2020 to as much as \$35 in 2022, thanks to pandemic-era supply-chain problems in China. The price of solar modules jumped in response.

Costs related to wind turbines have soared, too. Russia's invasion of Ukraine pushed up the price of steel, an important input of which both countries are big producers. What is more, to create longer and more powerful blades, their makers have pushed into new technological territory, including experimenting with materials like carbon-fibre composites rather than fibreglass. To capture stronger winds at bigger heights, the average tower is now almost 100 metres tall. In 2018 GE unveiled a 260-metre offshore wind turbine, not much shorter than the Eiffel Tower. Suppliers of the 8,000-odd parts of a wind turbine have struggled to keep up. Ships and lorries are having trouble transporting parts the size of football pitches.

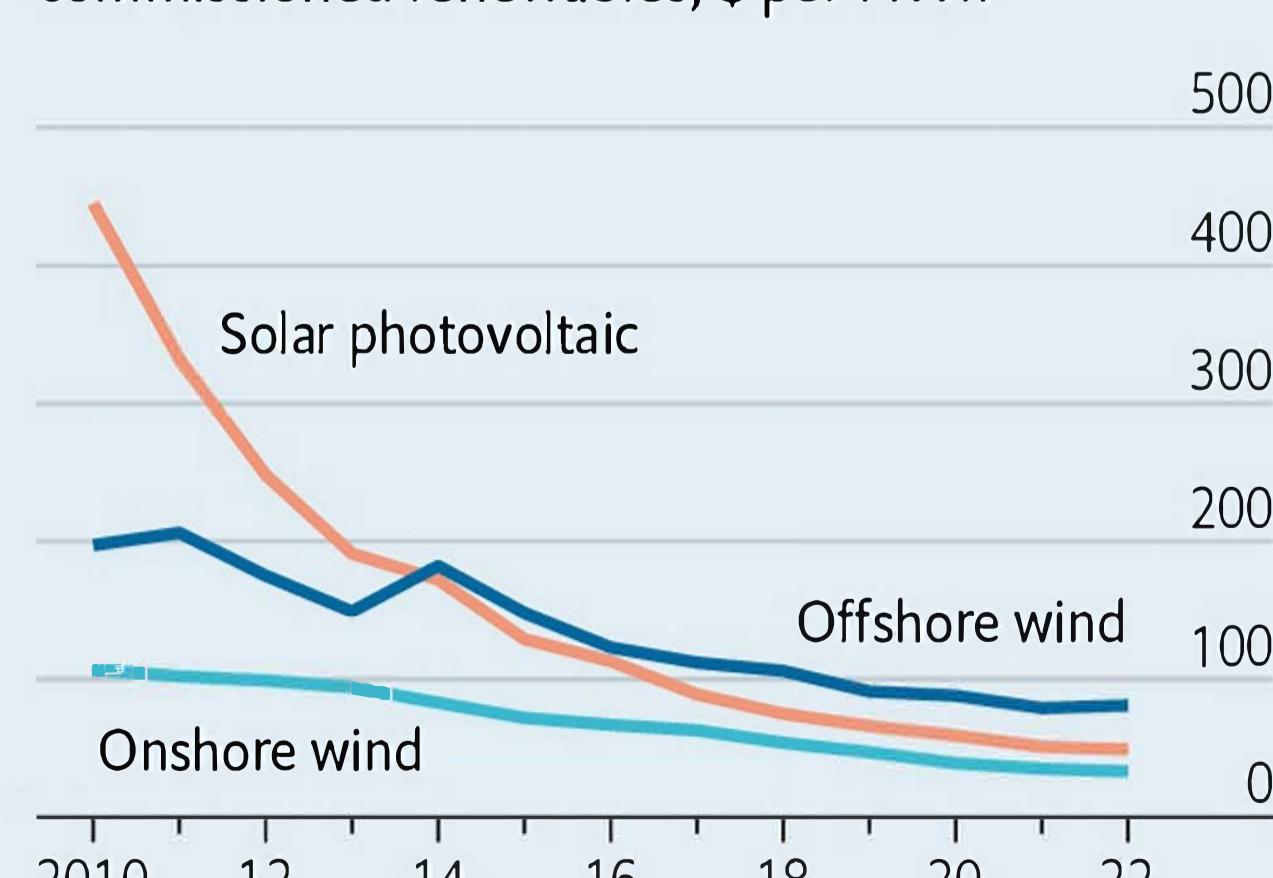
All this has led to delays and manufacturing failures for wind turbines. In October a turbine made by Vestas, a Danish firm, caught fire in Iowa. Around the same time the blades on a GE turbine in Germany snapped and fell into a field. Warranty provisions in sales contracts make manufacturers bear the cost of such incidents. In the past 12 months such warranties cost Vestas €1bn (\$1.1bn). Quality problems at Siemens Gamesa, including creases in its blades, drove annual operating losses for its parent company, Siemens Energy, to €4.6bn. On November 14th the parent was granted a loan guarantee by the German government to help it avert a crisis.

Can green stay out of the red?

To stem the bleeding, equipment-makers have been raising their own prices. Western ones now charge a fifth more than they did at the end of 2020, according to S&P Global, a data provider. These price rises have combined with higher interest rates to push up the LCOE for American offshore-wind projects by 50% over the past two years, calculates BloombergNEF, a research firm—even after including subsi-

Downwind

Global levelised cost of electricity* from newly commissioned renewables, \$ per MWh



Source: IEA



dies wrapped up in the Inflation Reduction Act (IRA), President Joe Biden's mammoth climate law.

Developers that locked in electricity prices with customers before locking in costs have found themselves stuck with unprofitable projects. In America they have either cancelled or sought to renegotiate contracts for half the offshore-wind capacity being built in the country, according to BloombergNEF.

In October Orsted, a Danish company that is the world's largest offshore-wind developer, took a \$4bn writedown when it cancelled two large projects off the coast of New Jersey. In Britain, a government auction in September to provide offshore wind power to the grid at a maximum guaranteed price of £44 (\$56) per megawatt-hour (mwh) received no bids.

Renewables bosses also grumble about bureaucratic delays. In America it takes on average four years to get approval for a solar farm and six for an onshore wind one. An EU rule that approval times for renewable projects in the bloc should not exceed two years is honoured mostly in the breach. Because solar and wind farms typically produce less energy than conventional power plants and, with easy-to-connect sites already taken, are being built in increasingly remote places, they often need new transmission lines. These, too, need to be approved. In America the interconnection queue for renewable energy is 2,000GW long and growing.

All this is made worse by rising green protectionism. America has, in effect, locked out Chinese solar manufacturers with hefty anti-dumping duties and the Uyghur Forced Labour Prevention Act of 2021, which bars American developers from importing modules containing polysilicon from the Xinjiang region, source of half of the global supply. As a result of such policies, solar modules are more than twice as expensive in the United States as elsewhere, according to Wood Mackenzie, a consultancy.

Those costs may rise further. In August

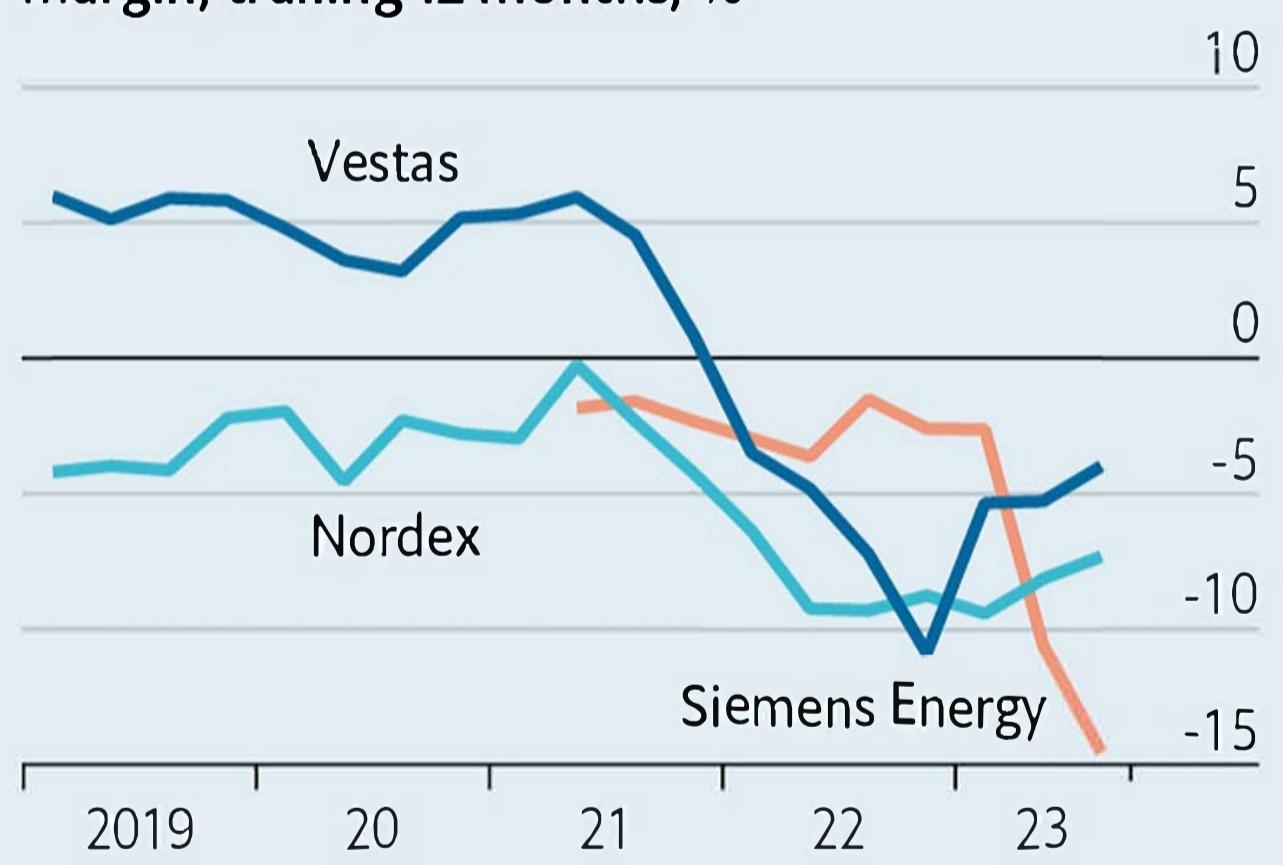
the Department of Commerce found that some South-East Asian suppliers were merely repackaging products from China, and would thus also be slapped with the same anti-dumping duties from the middle of next year. The Biden administration is using the IRA's domestic-content requirements to lure production home. First Solar, the biggest American maker of modules, is expanding its domestic production capacity from 6GW this year to 14GW by 2026. Yet that is a tiny fraction of what America will need to meet its decarbonisation goals. It will also do little to lower prices in the industry as a whole.

Europe is sending mixed signals. The EU has dropped earlier anti-dumping duties on Chinese solar panels. But on November 22nd the European Parliament passed the Net Zero Industry Act, which will introduce minimum domestic-content requirements for public renewable-energy contracts. The European Commission is also mulling a probe into China's subsidies for its turbine manufacturers, which sell their gear for 70% less at home than Western rivals charge elsewhere in the world (see chart 4). Chinese firms are already gaining traction outside their home market. They are now bidding more regularly on projects around the world, notes Miguel Stilwell d'Andrade, chief executive of EDP.

Trade restrictions will not just keep out cheap Chinese solar panels and wind turbines. They will also affect the availability

Blown to bits

Wind-turbine manufacturers, net profit margin, trailing 12 months, %

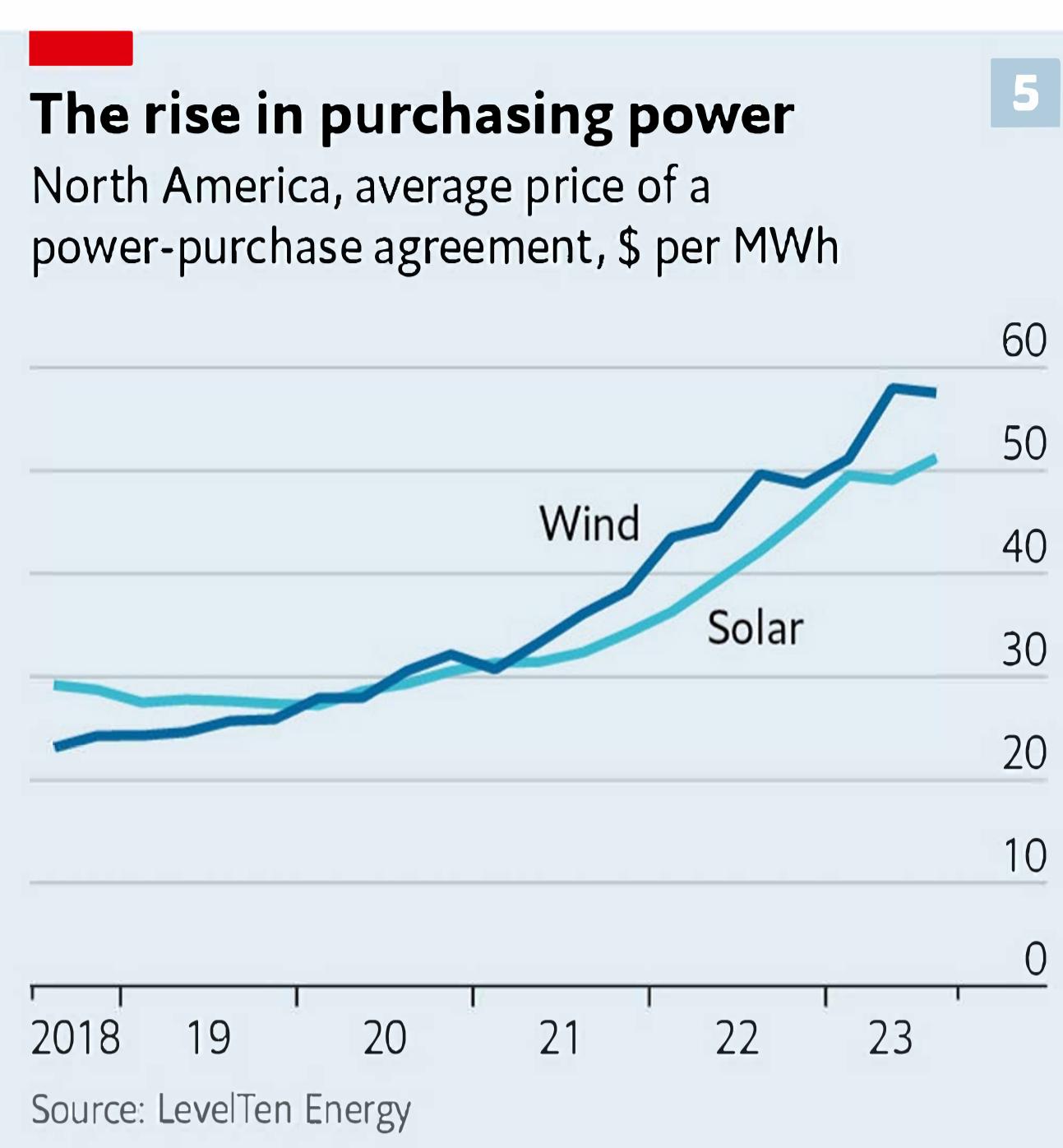


Onshore wind turbines, average selling price, \$ per watt



*Vestas, Nordex and Siemens Energy

Sources: Bloomberg; S&P Global Commodity Insights



Business and climate change (2)

Step on the gas

DUBAI

Fossil-fuel giants agree to slash methane emissions

METHANE IS RESPONSIBLE for perhaps 45% of current global warming. In debates over climate change the short-lived but highly potent greenhouse gas is nevertheless typically upstaged by carbon dioxide, which hangs around the atmosphere for hundreds of years. Not at this year's annual UN climate summit, hosted by the United Arab Emirates (UAE) in Dubai. "Methane is taking its rightful place as the single biggest and fastest way to slow warming," declares Durwood Zaelke, a renowned methane-warrior at the Institute for Governance and Sustainable Development, a think-tank.

On December 2nd some 50 big hydrocarbon firms pledged in Dubai to all but eliminate the methane emissions associated with the exploration and production of fossil fuels by 2030. They also pledged to end routine flaring of methane, which is the principal component of natural gas. Although farming releases more methane (via belching ruminants and upturned land), the energy sector is more concentrated and thus easier to corral. Drillers also have a bigger incentive than farmers to prevent leaks. After all, the gas that doesn't leak can be sold for a profit.

Critics were quick to denounce the deal as greenwashing. Some argued that it would not lead to a phase-out of fossil fuels, something that campaigners want to see agreed in Dubai. These sceptics suggest

that a methane deal could be seen as giving the oil-and-gas industry, which they want to kill off, a "get out of jail free" card. One green group complains that the deal is voluntary and worries that the promised cuts will not be honoured.

That is a reasonable concern, given the fossil-fuel industry's dismal record of climate denial and regulatory obstruction. Still, the deal represents a breakthrough of sorts. The companies involved account for some 40% of global oil production, and include not just Western supermajors like ExxonMobil and Shell but also 29 national oil companies, among them Saudi Aramco, the mightiest of them all, and ADNOC of the UAE. The state giants, which are responsible for the majority of the industry's methane emissions, had long resisted joining any such agreement, or even acknowledging that the leaks existed. Their participation is therefore a big win.

The adopted target, to cut methane emissions by an order of magnitude, to a mere 0.2% or so of oil and gas production by the end of the decade, is both ambitious and precise. Progress will be independently verified by third parties, including the UN Environment Programme. Helpfully, the third-party verifiers have a growing toolkit at their disposal, from methane-sniffing satellites to ground-based sensors. Any methane-miscreants should have nowhere to hide. ■



Is it ruminants' turn next?

of parts. Siemens Gamesa plans to outsource more of its supply chain to trim costs. Western turbine manufacturers already purchase nacelles, towers and other components from China, which dominates their production. For offshore-wind projects, America will need to import the majority of components to meet its 2030 targets, according to the Department of Energy. Supply shortages are likely as the world races to deploy more renewable power. Tariffs and local content regulations could make the problem worse.

There are few signs of the protectionist mood lifting. But the industry is at least starting to get a grip on some more immediate challenges. Polysilicon prices have fallen and production capacity is increasing up and down the solar supply chain. Western turbine manufacturers may be turning a corner, too, helped by a fall in commodity prices and greater technological and financial discipline. The industry is realising that "bigger is not always better" for turbines, says Henrik Andersen, chief executive of Vestas. On November 8th the Danish firm reported that it returned to profitability in the third quarter.

Developers, for their part, are managing to raise prices without hurting demand. In the past two years prices for solar and wind power received by developers in America under power-purchase agreements have increased by nearly 60%, according to figures from LevelTen Energy, an energy marketplace (see chart 5). Andres Gluski, chief executive of AES, says that his company is on track to put more than twice as much renewable-energy capacity into service this year as in 2022. Returns are holding steady, he adds. In next year's offshore wind auction Britain will lift the maximum price from £44 per MWh to £73. Germany, too, has been raising ceiling prices for solar and wind auctions.

"No one enjoys seeing prices go up, but they are accepting it," says Mark Dooley of Macquarie. If approval rules are not relaxed and protectionism goes unchecked, a lot more acceptance will be necessary. ■

Startups in Europe

Partying like it's 2023

HELSINKI

Forget the slowdown in tech: European entrepreneurs are doing just fine

NEVER HAS a crisis been so exciting. Startup valuations are plunging, tech layoffs abound and fresh venture capital (vc) is hard to come by. But at Slush, a big annual tech shindig which wrapped up in Helsinki on December 1st, founders and their financiers were partying almost like it was 1999, the height of the dotcom bubble. More than 30,000 people, a record number that included 5,000 entrepreneurs and 3,000 investors, spent two days in a cavernous trade-show, witnessing presentations, panels and lots of laser beams.

Like startups everywhere, those in Europe have been hit by rising interest rates, which make their promise of rich future profits look less alluring today. This year they are forecast to attract just \$45bn in investments, according to "State of European Tech", an annual report released at Slush by Atomico, a vc firm based in London. That is down by 38% compared with last year and by 55% from a scorching 2021. The median valuation of more mature "growth stage" startups now hovers below the five-year average. Whereas in 2021 Europe created 107 "unicorns" (unlisted firms worth \$1bn or more) and last year it produced another 48, so far in 2023 it has added just seven. Many more have been "dehorned", according to Atomico: 50 this year, on top of 58 in 2022.

Take a longer-term view, though, and Europe's startup scene as a whole is holding up surprisingly well. In some ways, it is dealing with the crisis better than America's more established one. Investments in European startups may be down over the past two years, but they are still up by 18% compared with 2020 (see chart 1), except for Britain where they dropped by more than 2%. In America they declined by 1% over that period. And whereas valuations are shrinking overall, "down rounds", where startups accept a lower valuation when raising fresh capital, are less widespread than one might expect. They comprised only 21% of all rounds this year.

On other measures, too, European tech continues to thrive. Europe now creates more startups than America: around 14,000 between January and September, compared with 13,000 across the Atlantic. The old continent, including Britain, has more than 41,000 young tech firms and about 3,900 more mature ones. Together they employ 2.3m or so people, about twice as many as in early 2019 and more than in

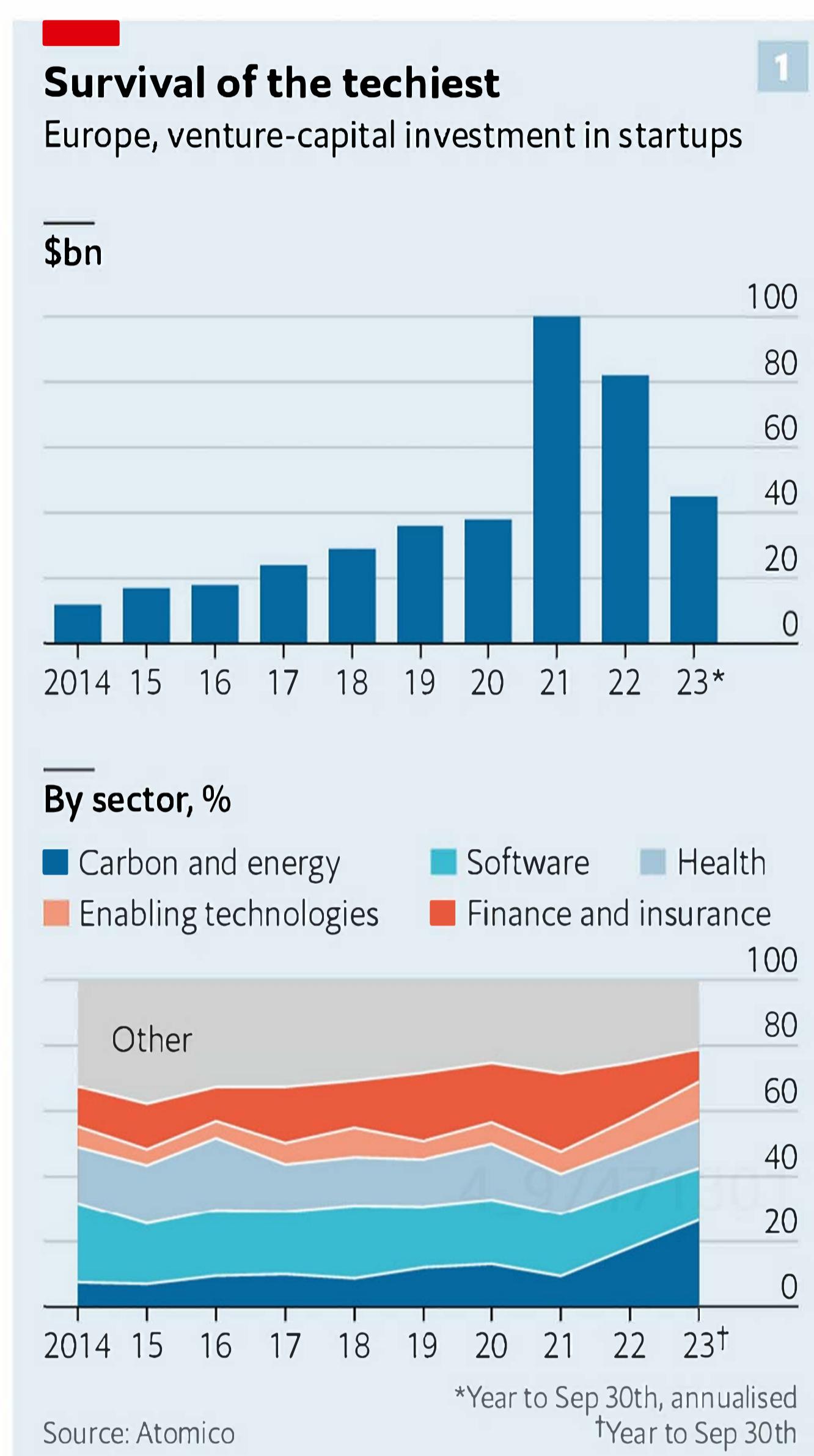
today's unicorns which were created in the 2000s have gone on to found their own businesses. That is about 50% more than the number of people who left unicorns which date back to the 1990s in order to strike out on their own (see chart 2).

Europe also now hosts tech "mafias", as groups of entrepreneurs that once worked for the same firm are known. The biggest has formed around Skype, which pioneered phone calls over the internet. Skype gave rise to more than 900 startups, which today together employ over 65,000 people. Equally important, successful founders now regularly invest their wealth in new businesses and even form their own vc firms. One of the most notable such vc outfits is Plural Platform, the partners of which include founders of Skype, Wise, an online payment service, and Songkick, a service to discover concerts.

As it continues to mature, Europe's tech industry is also developing its own characteristics. European founders are less cock-a-hoop than their American counterparts at all things ChatGPT-like: from January to September Europe saw 35 financing rounds backing developers of generative artificial intelligence, compared with 106 across the pond. By contrast, climate-related startups accounted for 27% of all capital invested in European tech in 2023, a much bigger share than in America. Climate-tech firms have now overtaken fintech, until recently Europe's most represented technology niche.

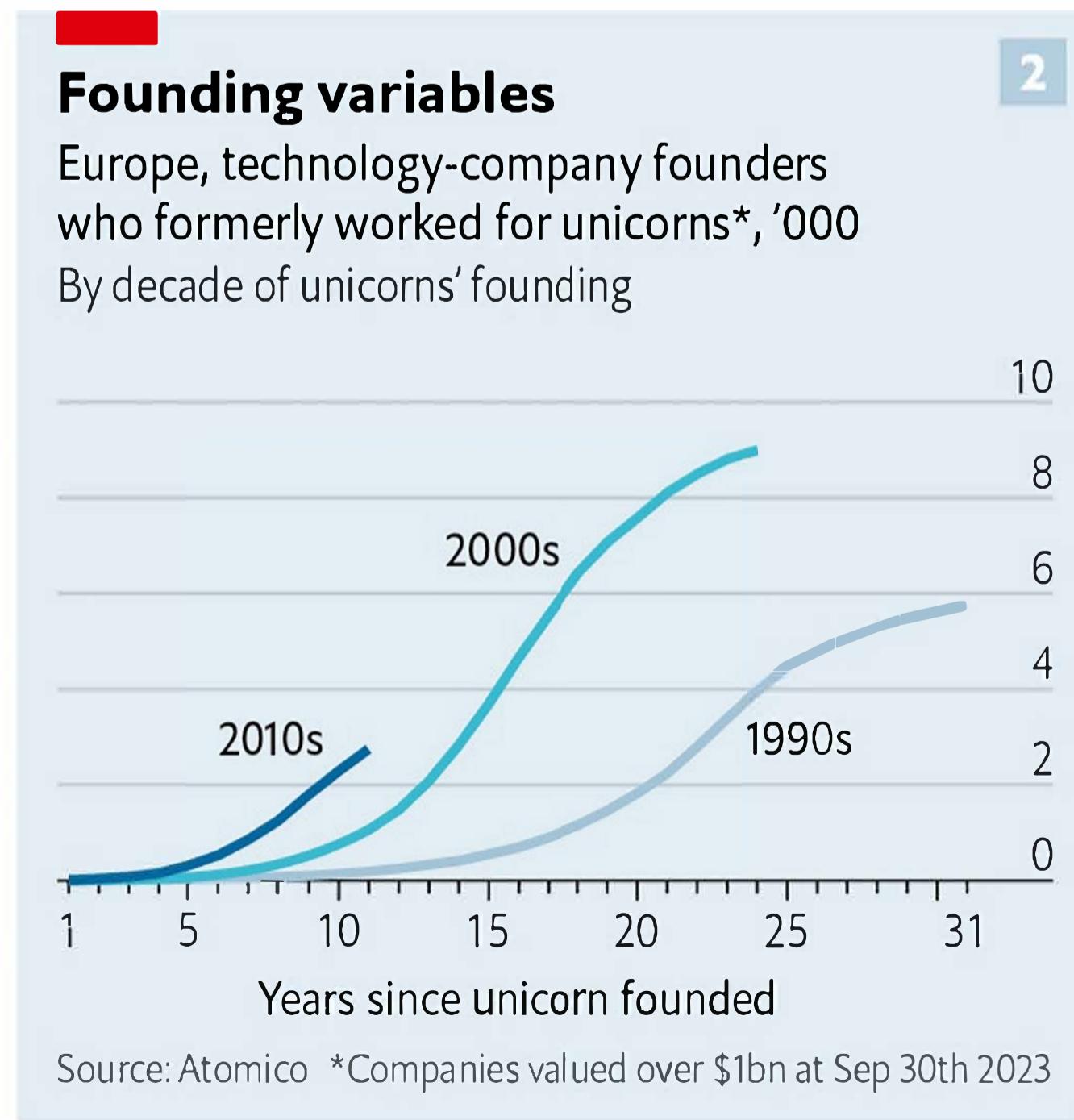
European tech is unlikely to become as big as America's just yet. Silicon Valley and its satellites in Austin, New York and elsewhere are still way ahead. America's herd of unicorns (about 700 on last count) is twice the size of Europe's (356). Capital is still much easier to come by in America, points out Tom Wehmeier of Atomico, one of the authors of the report. New firms in America are 40% more likely than those in Europe to have secured an injection of vc within five years of founding. And when it is time to go public, European startups still feel the pull of New York, where a listing is likely to raise far more money.

The biggest obstacle to European startups' ambitions is home-grown, however. The EU has repeatedly tried to create a single digital market as frictionless as the American one, but differences in taxes and regulations still abound. Europe has shown what is possible, says Zeynep Yavuz, who invests on the continent for General Catalyst, an American vc firm. The explosion of enterprise in fintech in recent years was a direct result of bloc-wide regulations drafted in Brussels. If EU leaders really want to strengthen European tech, which they all profess to do, they should spend less time trying to regulate various digital markets and instead create a single truly European one. ■



Europe's property sector (excluding construction). The total value of Europe's private and publicly listed tech companies is again nearing the peak of \$3trn reached in 2021. Last year it was \$2.8trn.

European tech's relative resilience can be explained by its increasing maturity. Take the number of companies founded by ex-employees of successful startups. More than 9,000 people who worked for those of



Social media

Mad man v mad men

Why X is especially vulnerable to an ad boycott

FOR SOMEONE who despises the advertising industry, Elon Musk has a way with viral slogans. At a *New York Times* event on November 29th the world's richest man was asked how he felt about firms pulling ads from X, the social network he bought last year when it was known as Twitter. "If somebody's going to try to blackmail me," he replied, "go fuck yourself." The "GFY" approach, as he dubbed it, may come naturally to billionaires. But it is bold for a company that last year made 90% or so of its revenue from ads. Those that have pulled ads from X include Apple and Disney, whose presence Mr Musk previously cited as evidence that X was a safe space for brands.

Advertisers are worried about unsavoury content on the platform. Since Mr Musk fired 80% of X's staff, including many moderators, more bile seems to be leaking through the filters. Last month Media Matters for America, a watchdog, reported that ads for brands such as IBM had appeared alongside posts praising Adolf Hitler (X disputes this and is suing Media Matters).

Social networks are freer than mainstream media to tell advertisers to get lost. Whereas a typical TV network in America gets most of its ad revenue from fewer than 100 big clients, social networks can have millions of small ones. A year ago the largest, Facebook, was getting 45% of its domestic sales from its 100 biggest advertisers, reckons Sensor Tower, a research firm; a boycott against it in 2020 by more than 600 firms, including giants like Unilever and Starbucks, had little effect on sales. But X lacks Facebook's sophisticated ad-targeting apparatus, and relies on campaigns by big brands. In October 2022, when Mr

Musk bought Twitter, its 100 top clients accounted for 70% of American ad sales.

Half of them have since left X, Sensor Tower says. On December 1st Walmart said it had gone, owing to its ads' poor results on X. The impact has been severe. In September Mr Musk said that X's American ad business was down by 60%. Advertisers in other regions may be less bothered by the culture wars that Mr Musk is fighting. But X is unusually reliant on America. Whereas Meta, Facebook's parent company, makes most of its money abroad, 56% of Twitter's revenue came from America before Mr Musk bought it. Even before GFY, Insider Intelligence, another research firm, expected X's worldwide ad sales to fall by more than half this year (see chart).

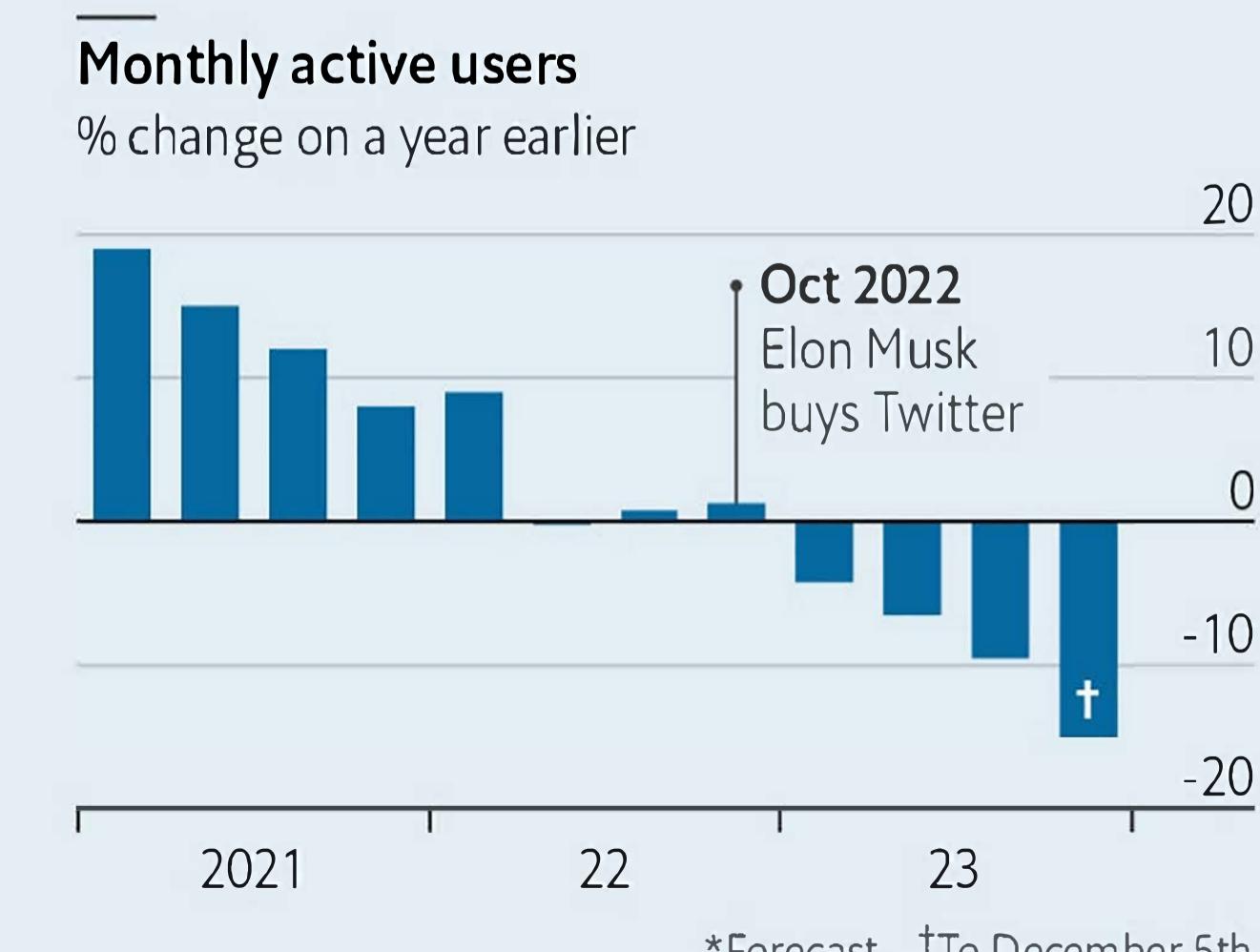
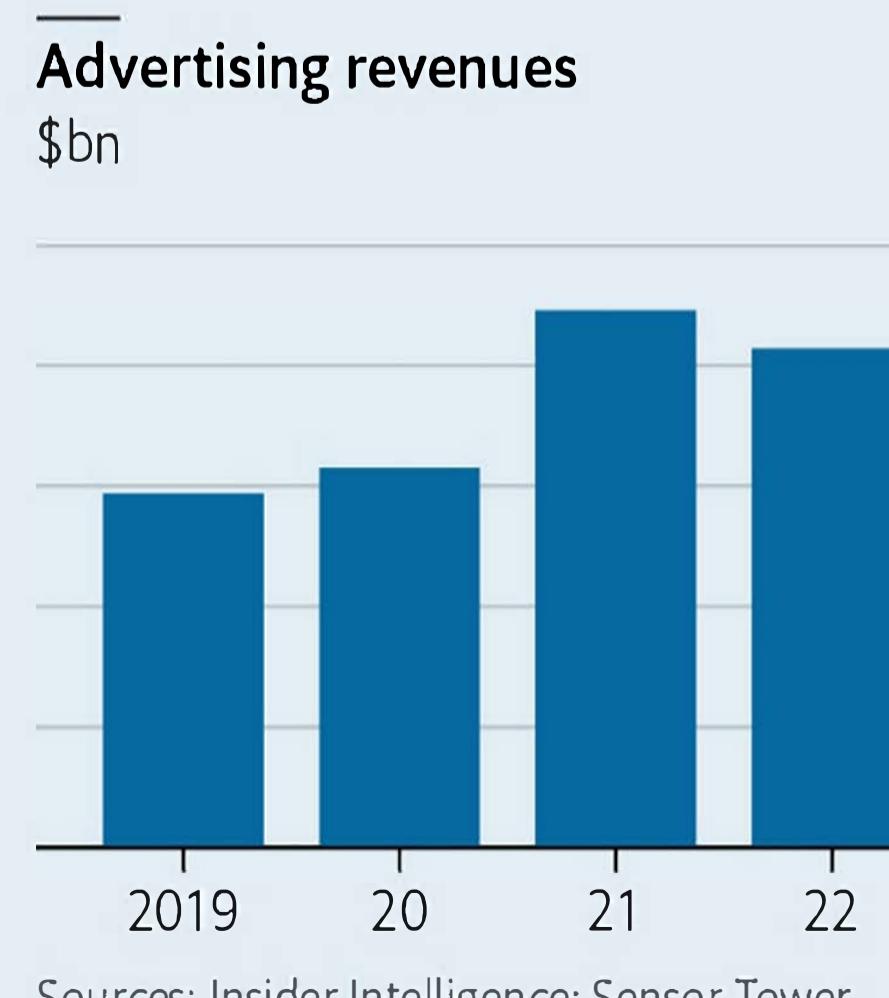
Mr Musk's fans insist being rude to air-kissing admen and "woke" brands delights X's everyman users. X still has nearly five times as many as Threads, a newish rival from Meta. Yet Sensor Tower reports that the X app is being downloaded less often than a year ago, and estimates that it has lost 15% of monthly users.

Some observers put this down to a purge of bots and fake users. Still, X must monetise the users it has in new ways to make up for the declining ad dollars. One idea is X Premium, which offers extra features and fewer ads for between \$3 and \$16 a month. So far there seem to be few takers: Sensor Tower estimates that X has sold \$60m-worth of subscriptions in the past year, equivalent to 1% of pre-Musk annual ad sales. Mr Musk has talked of turning X into an "everything app", handling payments, calls and more. But even optimists concede this would take years.

Until then, the aim is to replace the departing big advertisers with an army of little ones. X is said to be working on its ad technology for smaller firms, eyeing a Facebook-like long tail of clients. There is no time to lose. Further drops in ad sales could necessitate a bail-out from investors, or from Mr Musk himself. X's employees have their work cut out to attract advertisers faster than their boss repels them. ■

The X-odus

Twitter/X



Business in China

A corporate whodunnit

SHANGHAI

The strange case of the vanishing chairmen

"WE HAVE LOST contact with our chairman," is an awkward disclosure from the board of a listed company to its investors. It can lead to a collapse in the share price. In China the resulting confusion can persist for months, casting a shadow over the company's future. Such announcements have become so common this year that a state-owned newspaper, *Securities Times*, has offered advice to directors dealing with a disappearance. "Don't be coy when it comes to disclosing these matters," the paper said in November. It reminded firms that they have a responsibility to keep investors informed of any major incidents affecting their operations. This includes an inexplicably uncontactable chairman or chief executive.

Two separate listed Chinese companies—a children's-fitness firm and an agricultural one—warned investors on November 29th that their chairmen had vanished without a trace. The fitness company, My Gym Education, said that it "tried communicating via phone and WeChat messaging but could not reach Wang Hongying", its chairwoman. "After communicating with her family, the company has been unable to determine the reason for the loss of contact with her."

These latest incidents followed two other freak disappearances at a live-streaming company and a drugmaker earlier that month. All told, at least 11 listed Chinese companies have been forced to put out disclosures this year, alerting investors to the disappearance of executives or board members. A review of corporate disclosures and Chinese media reports indicates that this odd phenomenon has become more common in 2023.

When a firm reports a missing boss, it is generally assumed they have been detained by the police. A look at this year's cases suggests as much. In rare instances, the police release statements. In November, about two weeks after the chief executive of DouYu, the live-streamer, disappeared, cops in the south-western city of Chengdu confirmed he had been detained. He is accused of operating a casino. More often, the authorities keep mum. China has never publicly acknowledged the detention of Xiao Jianhua, a businessman who was abducted by Chinese agents in Hong Kong in 2017 and imprisoned in 2022—facts confirmed by authorities in Canada, where Mr Xiao is also a citizen. ►

► It is more common for the companies themselves to inform their investors about the detentions. In February China Renaissance said that its chairman, Bao Fan, was “co-operating in an investigation being carried out by certain authorities in the People’s Republic of China”. The disclosure came ten days after the boutique investment bank reported the mysterious absence. (Mr Bao is still missing and authorities have never confirmed his whereabouts.) A property developer, China Fortune Land Development, noted that its co-chairman had “exited the board” after

the company confirmed his detention.

However they find out, investors grow understandably nervous. The share prices of the afflicted firms typically tumble on the news. The price of China Renaissance’s Hong Kong-listed shares fell by about 30% in February as rumours of Mr Bao’s disappearance began to spread. It has remained around that level since. When the chairman of a successful hedge fund, Greenwoods Asset Management, was detained this year, wealthy Chinese grew concerned about a broader crackdown on the asset managers that handle their fortunes.

Executives disappear most often from firms with high levels of debt. This year the most common profile was chairman at a property developer. That industry has seen widespread defaults in the past two years. The two most recent cases in November are both linked to Zhongzhi, a wealth manager that recently said it has \$36bn in unpayable debts. Zhongzhi holds large stakes in both the fitness firm and the agricultural one, but also dozens of other big listed companies. As China’s economy slows, more businesses are likely to go bust—and their bosses to go missing. ■

Bartleby What's wrong with Mondays?

The most detested day of the week is misunderstood

WHEN THE Boomtown Rats, an Irish band, released “I Don’t Like Mondays” in 1979, the song became an instant hit. The inspiration behind it was the Cleveland Elementary School shooting in San Diego that year. The 16-year-old perpetrator listed “not liking Mondays” as her main reason for firing 36 shots, killing two adults and injuring eight children and a police officer. This is not, though, why the song resonated with millions of people around the world; most of them are in all likelihood unaware of its tragic origins. What many do recognise all too well is the difficulty of summoning the energy to get out of bed on Monday mornings in order to face the week ahead.

Many bosses argue that starting off the week in person in the office creates good energy. Plenty of employees beg to differ. A paper published in 2021 by the *Journal of Applied Psychology*, found that people tend to be more ill-mannered on Mondays, and grow more courteous as the week unfolds.

A paper from 2015 by Yun Tae Hwang and Amy Kang published in the *Medical Journal of Australia* goes so far as to diagnose a new condition, Mondayitis. The authors define it as “a systemic illness with a non-specific constellation of symptoms including fatigue, lethargy or asthenia, dysthymia, irritability, light-headedness, photophobia, dry mouth, myalgia and headache in the absence of another focal or systemic illness”.

These symptoms typically appear on the first working day after a period off work, which could be a weekend or a longer holiday. They can lead sufferers to call in sick, decide to work from home or, if they do show up in the office, come across as detached and unavailable. So much for good energy.

Mondayitis appears to be contagious, infecting other days of the week. Some Americans now complain of “Sunday scaries”, when pre-Monday dread sets in as the weekend draws to a close. Both conditions can be aggravated by a weekend hangover, a looming deadline or painful memories (double science in secondary school first thing in the morning?). They are likely to be particularly acute among the nearly half of American workers who, according to a poll from 2022 conducted by UKG, an HR-software company, hate their jobs.

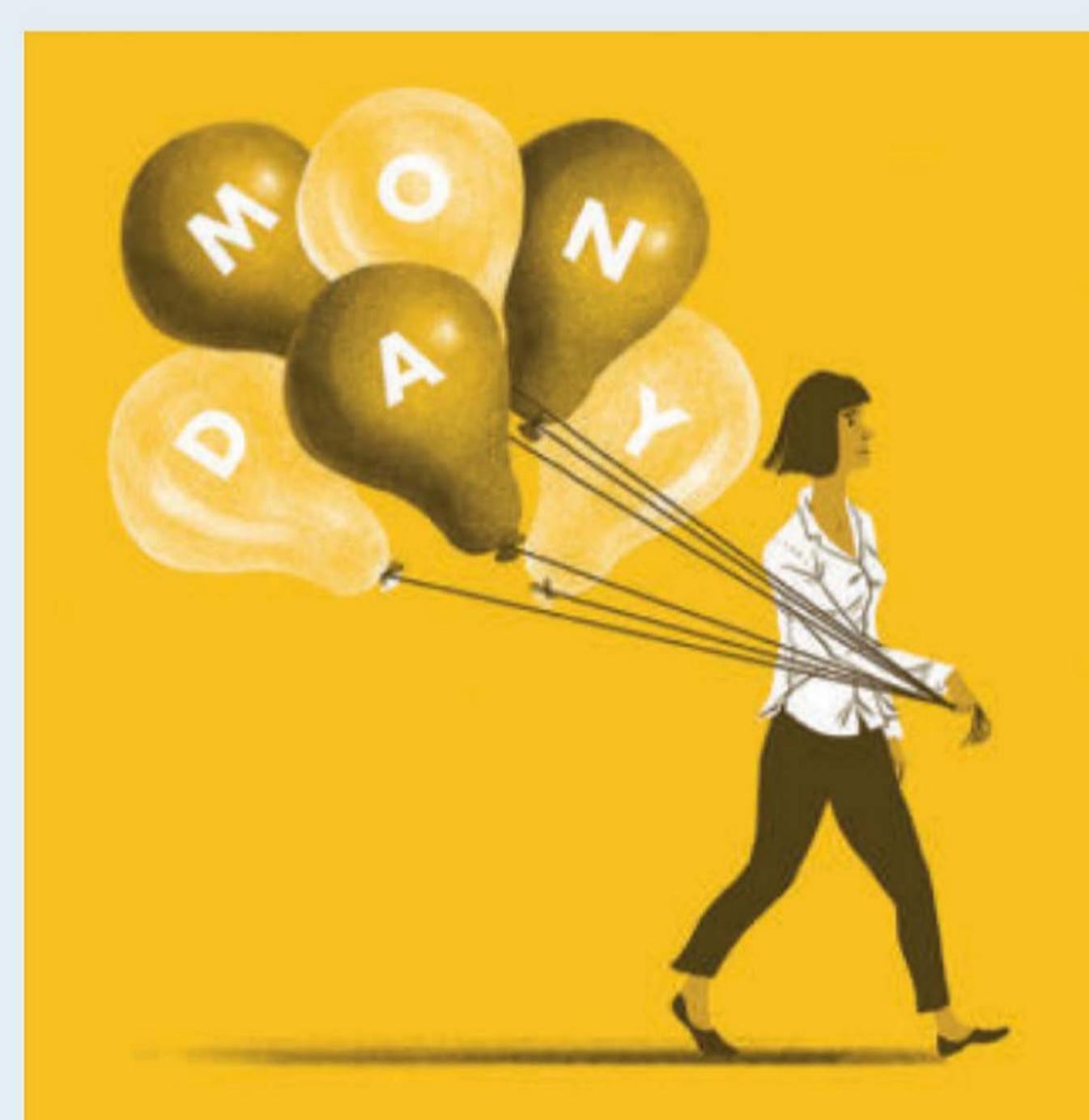
Still, the sudden shift from non-work to work affects everyone, not just those who despise what they do for a living. The covid-19 pandemic has led many people to re-evaluate their work-life balance. A barrister in London who spends weekends working on cases likes to ease into the formal workweek with an elegant breakfast at The Delaunay and lunch in Inner Temple Hall. A broader movement is promoting the idea of a four-day workweek, one permutation of which would make Monday part of the weekend

(though this may lead to an epidemic of Tuesdayitis instead). Less ambitiously, and more realistically, a social-media campaign for “bare-minimum Mondays” argues for a gentle start to the week.

All this reflects a deep human instinct towards self-indulgence and procrastination; there is a reason why “Thank God it’s Monday” does not feature on many bumper stickers or t-shirts. Still, on that first day of the week employees do not have to be mired in apathy, weariness and desire that things were otherwise. As Robert Frost counselled in his poem, “A Servant to Servants”, “the best way out is always through.”

The preceding 60 hours or so were probably spent with people who have nothing to do with your job. You may have prepared—or merely enjoyed—a more elaborate meal than an *al desko* sandwich. You may have gone for a walk in the park or simply lounged in bed. Either way, you almost certainly cleared your head. Unless you capped the weekend off by going on a bender, this means that the following morning could be your most productive time of the week.

For one banker, Monday is the day to cross items off their to-do list. Your columnist, a guest Bartleby, feels crisp and invigorated on Monday mornings (which is when the editorial meetings take place at *The Economist*, planning and discussing the coming week’s issue). The first shower, coffee and commute after the weekend do not have to feel like a hike with a rucksack full of stones. They can instead be imbued with a renewed sense of purpose and, as such, act as a tonic. It is on Friday afternoons when Bartleby feels depleted and cannot wait to go home—until Monday morning, when revived and spirited, she is ready to do it all over again.



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The
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Schumpeter | Elon Musk's messiah complex

Saving humanity is all the rage right now



EVERY FEW days a Falcon 9 rocket takes off to ferry satellites into orbit. You might think it would feel commonplace by now. Not for the crowds gathered at Vandenberg Space Force Base in California on December 1st. First came the exhilaration. The sight of the rocket blazing through the sky, then dropping its reusable first stage, with Mary Poppins-like grace, onto the launch site provoked gasps of awe, as did the sonic boom that followed. “It never gets old. It’s like being at an AC/DC concert,” a bystander murmured. Then came the realisation of the accomplishment. This spacecraft had a geopolitical payload: it carried South Korea’s first spy satellite, trying to catch up with North Korea days after the hermit state reportedly put its own spyware into orbit. It also had a scientific one: it took Ireland into the space age, by carrying the country’s first satellite, built by students at University College Dublin.

It was lost on no one that they had Elon Musk to thank for the spectacle. At the same time, the almost unwavering reliability of the engineering marvels the founder of SpaceX, the firm behind the Falcon, has fathered—SpaceX has launched and recovered its rockets 250 times—stands in stark contrast with the unhinged, error-prone remarks that in recent weeks have made him sound like a petulant space cadet. These included: appearing to endorse an antisemitic tweet on X, his social-media platform (an act he later called “foolish”); a cringeworthy trip to Israel that he said was to promote peace but looked more like an apology tour; a barrage of “Go fuck yourself”s to advertisers such as Disney at a *New York Times* summit, after they pulled their ads from X; and crass self-mythologising like his comment that he has “done more for the environment than any single human on Earth”.

One attendee at the rocket launch sighed that Mr Musk, for all his genius, now reminded him of the messed-up Tony Soprano, from the mobster TV series. But another, a young British physics buff, put his finger on why the entrepreneur still enjoyed a cult following. “He’s clearly a very troubled man. But being strong and turning a troubled past into a successful future is attractive. He’s a mega-leader. He has to make people believe he can walk on water.”

This points to the quandary at the heart of the Musk phenomenon. Is the braggadocio just the showmanship of a business pioneer? Can a man who has challenged conventions of engineering,

energy and economics to revolutionise land and space travel get away with defying rules of human decency because of the importance of his mission? Or has the mission itself gone to his head, creating a saviour complex that could eventually bring him down?

The answer is a combination of all three. Mr Musk’s provocative humour, from boyish fart jokes to pranks like smoking pot in public, have helped burnish his reputation as a business maverick. Often he goes too far, riling regulators and raising concerns about the state of his mental health. But his rule-breaking also thrills his fans and, though his main marketing technique has been to sell great products, helps his brands get noticed; until this year, Teslas sold themselves by word of mouth, rather than by advertising. His showmanship has a Willy Wonka quality to it; it is hard to know where the magic ends and the madness begins, but you can hardly tear your eyes away.

To be sure, now that Tesla, worth \$750bn, is the most valuable carmaker in the world and SpaceX is reportedly valued at \$150bn, his motives for continuing to behave obnoxiously are murkier. An anecdote in Walter Isaacson’s recent biography suggests they may be compulsive. Mr Musk’s friends once took his phone and locked it in a hotel safe to stop him tweeting overnight. At 3am he ordered hotel security to unlock the safe. Yet however toxic his tweets are for X, which lives off ads, they do not matter much to customers and investors of Tesla and SpaceX. Though his X antics have caused periodic drops in Tesla’s share price, over the years it is up spectacularly. If SpaceX goes public, investors will dive in, even if some hold their noses while doing so. For all his flare-ups, it is mostly thanks to his vision and drive that the company has such a head start in both rocketry and satellite communications.

Most troubling is the messiah complex. From Tesla and SpaceX to artificial intelligence (AI), Mr Musk acts as if he is on a mission to save humanity, by preventing climate catastrophe, providing an exit route via interplanetary travel, stopping machines from out-thinking man, or averting nuclear Armageddon (last year he stymied Ukraine’s efforts to strike back against Russia by refusing to extend its access to his Starlink satellites to Russian-occupied territory, on the grounds that such an attack might lead Vladimir Putin to retaliate with nukes). At times he sounds like a capricious Greek god who believes he holds the fate of the world in his hands. “Finally the future will look like the future,” he bragged when launching Tesla’s Cybertruck pickup on November 30th.

Saving humanity is in vogue right now. It is a dangerous fetish. Last month a charter to protect the world from the dangers of rogue AI almost destroyed OpenAI, maker of ChatGPT. A year ago Sam Bankman-Fried, now a convicted fraudster, claimed that the disastrous risks he took with his FTX crypto-exchange were in service of humanity. Such missionary zeal is not new in business. It pushed Henry Ford, inventor of the Model T, to raise workers’ living standards. But his saviour complex got the better of him and he ended up spewing antisemitic bile.

X post

Mr Musk’s hubris, too, may end badly. For all the futuristic twaddle about the Cybertruck, drivers struggled to find its door handles. Yet in the grand scheme of things, his technical accomplishments will probably outweigh his all-too-human imperfections. For pioneering electric cars and reusable rockets, he has earned his place in history. Future generations will probably judge him the way today’s judges Ford: a handful will decry his flawed character; most will remember the majesty of his creations. ■



The 5% question

How fast can it go?

HONG KONG

Xi Jinping must decide whether to accept China's drab economic growth

AFTER THE global financial crisis of 2007-09, economists quickly understood that the world economy would never be the same again. Although it would get past the disaster, it would recover to a "new normal", rather than the pre-crisis status quo. A few years later the phrase was also adopted by China's leaders. They used it to describe the country's shift away from breakneck growth, cheap labour and monstrous trade surpluses. These changes represented a necessary evolution in China's economy, they argued, which should be accepted, not resisted too strenuously.

After China's long campaign against covid-19 and its disappointing reopening this year, the sentiment is popping up again. China's growth prospects seem "structur-

ally" weaker—one reason why Moody's, a rating agency, said this week that it might have to cut the country's credit rating in the medium term. Several economists have declared a new normal in China's unruly property market. Some commentators

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hope for a new equilibrium in China's relations with America following the recent meeting between the two countries' leaders. In September Cai Fang of the Chinese Academy of Social Sciences identified a "new" new normal, brought about by a mixture of China's shrinking population, greying consumers and picky employers.

Calibrating the new normal is a matter of some urgency. China's leaders will soon gather in Beijing for the Communist Party's Central Economic Work Conference. Their deliberations will help set a growth target for 2024, which will be announced in March. Most forecasters expect China's economy to grow by less than 5%. Moody's forecasts 4%. Officials must thus decide how strenuously to resist this slowdown.

If they think it represents a new equilibrium, they may accept it and lower their growth target accordingly. If they think China has room to grow faster, they may stick with the 5% target they set for 2023. Meeting such a goal will be more difficult in 2024 than it was this year, because the economy will not benefit from another re-opening boost. However, an ambitious target could also serve a purpose, underlining the government's commitment to growth, and reassuring investors that more fiscal help is on its way if required.

It is impossible to think about how the economy will grow without first considering how China's property slump will end. Although most economists agree that the market "cannot return to its past glory", as Liu Yuanchun of the Shanghai University of Finance and Economics has put it, there is less agreement on how inglorious its future must be. In the past, sales were buoyed by speculative demand for flats from buyers who assumed they would rise in price. In the future, the market will have to cater chiefly to fundamental demand from buyers who want a new or better home.

How much fundamental demand remains? China now enjoys a living area of 42 square metres per person, according to the census of 2020; an amount comparable to many European countries. On the face of it, this suggests that the market is already saturated. But the European figures typically count only the useable area of a property, as Rosealea Yao of Gavekal Dragonomics, a research firm, has pointed out. The Chinese number, on the other hand, refers to everything that is built, including common areas shared by several households.

Ms Yao has estimated that China might eventually reach a living space per person of about 45-50 square metres when common areas are included. The country's property sales might therefore have room to grow from their depressed levels of 2023, even if they never return to the glories of earlier years. Ms Yao believes that sales needed to fall by about 25% from ►

► their levels in 2019. Yet in recent months the drop has been closer to 40%.

Property developers could also benefit from the government's new efforts to renovate "urban villages". As China's cities have expanded, they have encompassed towns and villages that were once classified as rural—the cities move to the people not the other way around. This "in-situ urbanisation" accounted for about 55% of the 175m rural folk who became city-dwellers over the ten years from 2011 to 2020, according to Golden Credit Rating International, a Chinese rating agency. By some estimates, the government's "urban villages" project could span as many as 40m people in 35 cities over the next few years.

China's property slump has also revealed the need for a "new normal" in the country's fiscal arrangements. The downturn has hurt land sales, cutting off a vital source of revenue for local governments. That has made it more difficult for them to sustain the debts of the enterprises they own and the "financing vehicles" they sponsor. These contingent liabilities are "crystallising", as Moody's puts it.

The central government would like to prevent an outright default on any of the publicly traded bonds issued by local-government financing vehicles. But it is also keen to avoid a broader bail-out, which would encourage reckless lending to such vehicles in the future. Although any assistance that the central government grudgingly provides will weaken the public finances, a refusal to help could prove fiscally expensive, too, if defaults undermine confidence in the state-owned financial system. For now, the relationship between China's central government, its local governments and local-government financing vehicles remains a work in progress.

Whatever happens, property seems destined to shrink in the medium term. What will take its place? Officials have begun to talk about the "new three", a trio of industries including electric cars, lithium-



ion batteries and renewable energy, especially wind and solar power. But despite their dynamism, such industries are relatively small, accounting for 3.5% of China's GDP, according to Maggie Wei of Goldman Sachs, a bank. In contrast, property still accounts for almost 23% of GDP, once its connections to upstream suppliers, consumer demand and local-government finances are taken into account. Even if the "new three" together were to expand by 20% a year, they cannot add as much to growth in the next few years as the property downturn will subtract from it (see chart 1).

Under the hammer

The new three as a group are also not as labour-intensive as property, which generates a useful mixture of blue-collar jobs (builders) and white-collar careers (estate agents and bankers). A period of transition from one set of industries to another can make jobs and career paths less predictable. Mr Cai worries that this labour-market uncertainty will inhibit spending by Chinese consumers, who will anyway become more conservative as they age.

During erratic pandemic lockdowns, consumer confidence collapsed and household saving jumped (see chart 2). Many commentators believe that the experience has left lasting scars. Consumers still say they are gloomy in surveys. Yet they seem less stingy in the shops. Their spending is now growing faster than their incomes. They have, for example, snapped up Huawei's new Mate 60 smartphone, with its surprisingly fast Chinese chips.

One question, then, is whether China's new normal will feature a permanently higher saving rate. Some economists fear that further declines in house prices will inhibit consumption by damaging people's wealth. On the other hand, if people no longer feel obliged to save for ever-more expensive flats, then they might spend more on consumer items. Hui Shan of Goldman Sachs argues that retail sales, excluding cars and "moving-in items", such as furniture, are, if anything, negatively

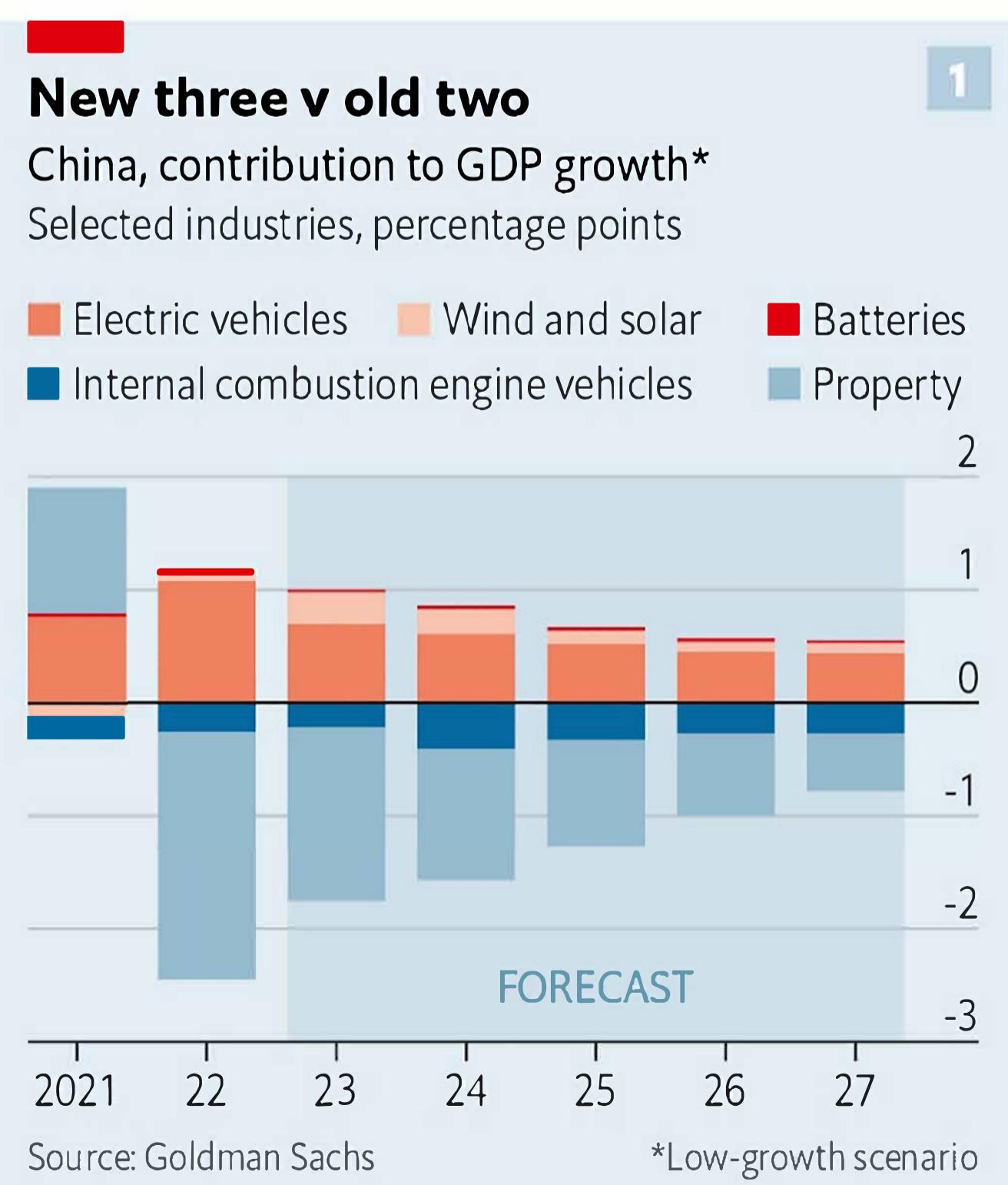
correlated with house prices. When homes become cheaper, retail sales grow a little faster. She believes the saving rate will continue to edge down, albeit gradually.

What do these shifts add up to for the economy as a whole? The consensus forecast for Chinese growth next year is of about 4.5%. China's policymakers might accept this as the new normal for the economy, just as they accepted the slowdown after 2012. But should they?

According to economic textbooks, policymakers can tell when an economy is surpassing its speed limit when it starts to overheat. The traditional sign of overheating is inflation. By that measure, China can grow faster than its present pace. Consumer prices fell in the year to October. And the GDP deflator, a broad measure of prices, is forecast to decline this year (see chart 3), raising the spectre of deflation.

Another potential sign of overheating is excessive lending. The Bank for International Settlements, a club of central bankers, calculates a country's "credit gap", which compares the stock of credit to companies and households with its trend. From 2012 to 2018 and again in mid-2020, China's credit gap surpassed the safe threshold of 10% of GDP. Yet the gap has since disappeared. China's problem now is not excessive credit supply to companies and households. It is weak loan demand.

Therefore neither test suggests that China's economy is growing too fast. And growing too slowly poses its own dangers. If China's policymakers do not do more to lift demand, they might fail to dispel deflation, which will erode the profitability of companies, increase the burden of debt and entrench the gloominess of consumers. After the global financial crisis, many economies "muddled along with subpar growth", as Christine Lagarde, then head of the IMF, put it. They resigned themselves to a "new normal", only to instead lapse into a "new mediocre". China could find itself making the same mistake. ■





Rising bond yields

Tax and pretend

TOKYO

Will a fiscal mess thwart Japan's nascent economic growth?

WHEN MOODY'S, a research firm, cut Japan's top-grade credit rating and warned of a "significant deterioration in the government's fiscal position", Nintendo's first colour Game Boy was taking the world by storm and Japan's net government debt ran to 54% of GDP. Twenty-five years later that figure stands at 159%. The growth has been cushioned by a fall in government bond yields, which means that Japan paid less interest to its creditors last year than it did three decades ago. But now Moody's warning may finally come true.

That is because refinancing is becoming more expensive. Ten-year government bond yields have risen from, in effect, zero three years ago to around 0.7% now. A rise in inflation has forced the Bank of Japan (BOJ) to all but abandon its policy of capping long-term bond yields. The next step may be to raise short-term interest rates for the first time since 2007. Central banks elsewhere are considering cutting rates; Japan is moving in the opposite direction.

Politicians seem not to have realised. Kishida Fumio, Japan's prime minister, plans to splurge. Defence spending is set to double as a share of GDP by 2027. As the population ages, welfare payments will grow. On November 29th parliament voted in favour of temporary tax cuts worth 1% of Japan's GDP. The decision drew a rebuke from Shirakawa Masaaki, a former BOJ governor, who questioned the logic of cutting taxes when the country faces inflation.

Japan's finance ministry predicts that interest payments to bondholders will rise from ¥7.3trn (\$54bn) in the last fiscal year

to ¥8.5trn in the current one, the largest nominal increase since 1983. This is just the start, since payments go up only when bonds are refinanced. In 2024 ¥119trn in bonds will mature. Another ¥158trn will then mature over 2025 and 2026.

The scale of the threat to Japan's public finances depends on economic growth. Goldman Sachs, a bank, calculates that, with nominal growth of 2%, Japan's persistent budget deficit will be sustainable if average interest rates on its debts stay at 1.1% or below. Since average interest rates were nearly 0.8% in the year to March, that leaves a modest buffer. A little additional growth would go a long way. With nominal growth of 3%, Goldman's analysts think that interest rates could rise as high as 2.1% without threatening the public finances.

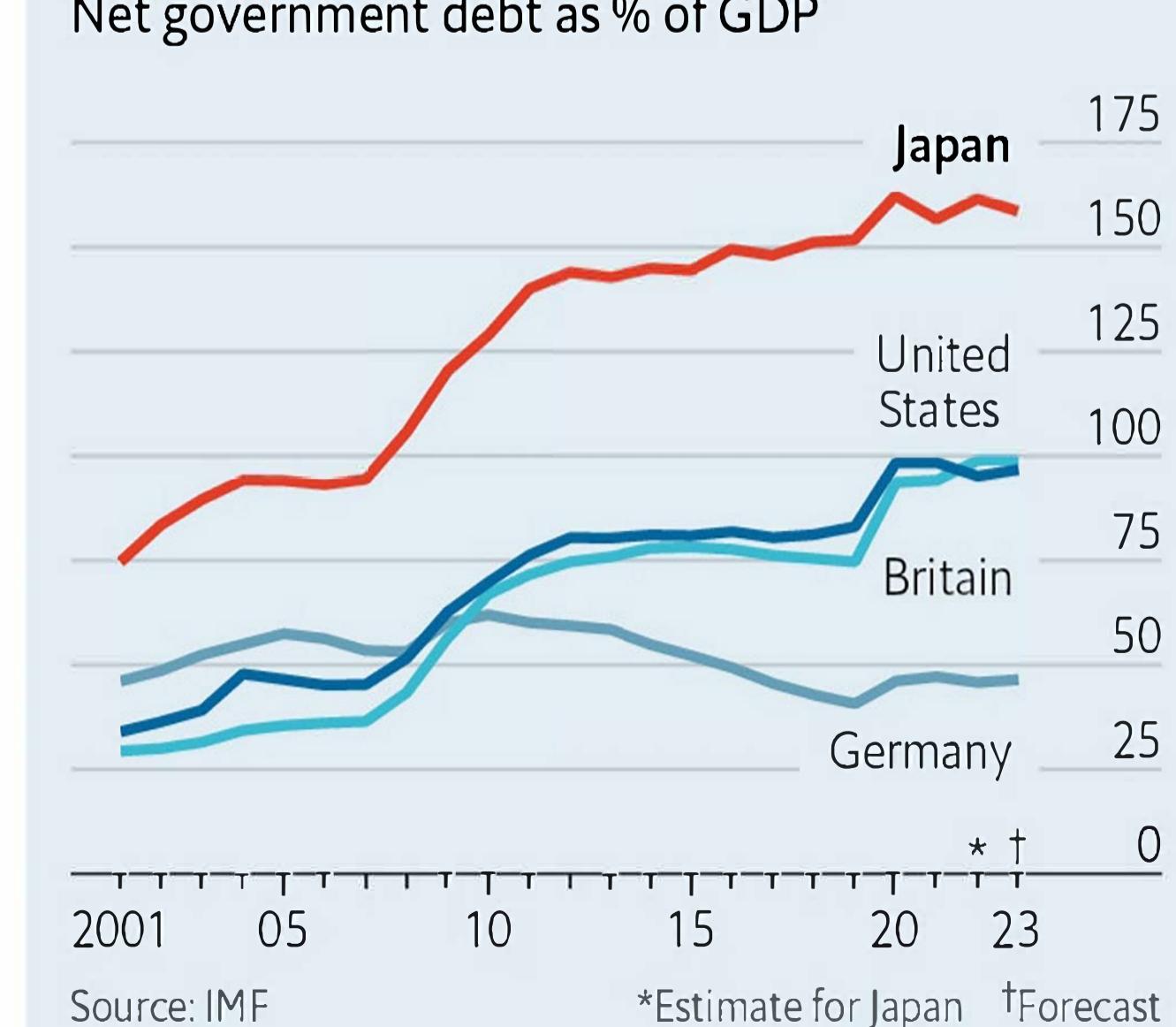
Even if the public finances are not imperilled, the bill from greater interest payments will mount, putting policymakers under pressure. After a decade of bond-buying, the BOJ owns almost half the country's government debt. To finance the bond purchases, it created a huge volume of central-bank reserves—a sort of deposit owed to the commercial banks that sold the bonds to the BOJ in the first place. These reserves have floating interest rates.

When short-term rates were zero, this was hardly a problem. From April to September, the BOJ earned ¥807bn in interest on its holdings of government bonds, and paid out ¥92bn on its deposits. But if the BOJ were to pay even half a percentage point in total interest on its reserves, outgoings would run to ¥2.7trn, an amount equivalent to 40% of the defence budget.

How should politicians respond? If the government slashes spending when monetary policy is tightening, it could ruin another opportunity for economic recovery. For now, ministers are more concerned with stimulating growth—as shown by Mr Kishida's tax cuts. In time, though, rising interest payments may force their hand. Without the cushion of low interest rates, long-discussed risks to Japan's finances will become uncomfortably real. ■

Quite a burden

Net government debt as % of GDP



Environmental policies

Making friends

DUBAI

How to sell free trade to green types

ENVIRONMENTALISTS DO NOT get on with free-traders. Suspicion is the norm, if not the outright hostility on display at the "Battle of Seattle" in 1999, which took place between riot police and activists outside a meeting of the World Trade Organisation (WTO). When Ngozi Okonjo-Iweala, boss of the WTO, went to the COP climate summit in Glasgow two years ago she was the first head of the trade club to attend the portion reserved for ministers and senior officials. She is once again at this year's summit, which began in Dubai on November 30th, to explain how trade can save the planet.

Past animosity may help explain why green policies in many countries are at odds with the principles of free trade. "Buy American" provisions in the Inflation Reduction Act (IRA), Joe Biden's flagship green policy, lock out European firms. Tariffs on European steelmakers, introduced by Donald Trump on national-security grounds, have been suspended to give negotiators time to reach a deal on "sustainable steel", but talks have stalled. America has ratcheted up tariffs on Chinese solar panels and battery-powered cars, and the EU has announced a counter-subsidy investigation into China's carmakers.

The effect of these policies is to give a boost to polluters. The WTO reckons that renewable-energy equipment faces an average tariff of 3.2%, four times that on oil. Electric vehicles experience tariffs that are 1.6 to 3.9 percentage points higher than those on combustion engines. Non-tariff barriers such as domestic-content requirements, which mean a given proportion of the components of, say, a car must be made domestically, raise costs even further and slow the spread of clean technology.

Free-traders are belatedly fighting back. This year's COP featured the first ever "trade day". The WTO marked the occasion with a ten-point plan laying out how free trade could speed the green transition. Points range from the uncontroversial (speeding up border checks so that container ships spend less time idling) to the tricky (co-ordinating carbon pricing to stop unilateral border taxes causing trade disputes).

They will need more than the promise of efficiency to win over green types, however. Take the EU's carbon border adjustment mechanism (CBAM), which aims to charge the same carbon price on certain industrial commodities whether they are produced inside or outside the bloc. It is ➤

► designed to be non-discriminatory: businesses in the EU pay the same price wherever they source their inputs from. Therefore it satisfies free-traders who think domestic and foreign producers should be treated the same. Nevertheless, despite its green credentials, many activists object to it on the grounds that the rich world should fund the green transition. The CBAM will hit many poor countries hard, since their production is more polluting.

One way to get the critics on board might be for rich countries to provide more climate finance to the developing world.

During COP, Ursula von der Leyen, the European Commission's president, Kristalina Georgieva, managing director of the IMF, and Ms Okonjo-Iweala together floated using revenues from carbon pricing to smooth things out. The EU pledged \$145m, on top of \$100m from Germany, towards compensating poor countries for climate change, as well as support for the UN's green climate fund, which helps countries decarbonise and adapt to a hotter world.

The WTO will need to make changes as well, argues Daniel Esty, a professor at Yale University seconded to the organisation. A

world of cross-border carbon taxes and green industrial policies will require a referee to set commonly agreed standards and measurements of emissions. The WTO published a report that attempted to establish how to account for the embodied carbon in steel imports on December 1st, the second day of COP. It could also start to distinguish between subsidies that distort trade but might be good for the planet, such as America's IRA, and those which are bad on both counts, suggests Mr Esty. That would represent a compromise between free-traders and environmentalists. ■

Buttonwood A cheap shot

It might be time to buy banks, even if not in America

WHO WOULD want to own shares in a bank? Rising interest rates should have been a blessing, lifting the income they can earn on assets. But a few banks that had lent and invested freely at rock-bottom rates faced runs, which pushed up funding costs for the rest. More may yet fail. And new regulations, ominously named Basel 3 "endgame" rules, could raise the capital requirements on some American banks by as much as a quarter if they are introduced in their current form in 2025. This would scupper any chance that shareholders can be paid much out of profits, perhaps for years.

Nasty stuff. Indeed, the KBW index of large American bank stocks has shed 15% this year, even as American stocks have risen by 19%. This underperformance, after a decade of mediocrity, means that banks now make up less than 5% of the S&P 500 index of large American firms. Blackstone, a private-markets giant, has a market capitalisation 20% bigger than that of Goldman Sachs. Just about any measure of valuation shows banks to be at or near an all-time low.

Yet being cheap is not the same as being a bargain. Banks are not startups selling a growth story. Nor are they tech firms building innovative new products. Banking is a mature business; its fortunes are closely tied to the macroeconomic environment. Investors therefore look for institutions where profits or earnings might grow in the near future and where those profits may be returned to investors via dividends or buy-backs.

On neither front do American banks look appealing. Net interest income, a measure of the difference between the interest banks earn on loans and that which they pay out on deposits, seems to have peaked. Although rising rates boost income, the climb in funding costs has

eaten into this. Customers fled regional banks following collapses earlier in the year and have moved away from all banks in favour of money-market funds, which offer higher low-risk returns. Even in the best-case scenario for America's banks—a "soft landing" or "no landing" at all, in which there is no recession, few loan defaults and interest rates do not come down much—earnings would probably remain only around their present levels.

Then there are the capital rules. If bankers have to hoard capital in order to boost buffers there will not be much left to pay dividends or do buy-backs. Bankers are concerned that the rules could even spell the end game for their business. Jamie Dimon, boss of JPMorgan Chase, America's biggest bank, has remarked that less regulated competitors, such as growing private-credit firms, should be "dancing in the streets". Marianne Lake, JPMorgan's head of consumer banking, has described the situation as "a little bit like being a hostage". The requirement was so shocking at first that "even if it changes a bit, you sort of are grateful for that," she

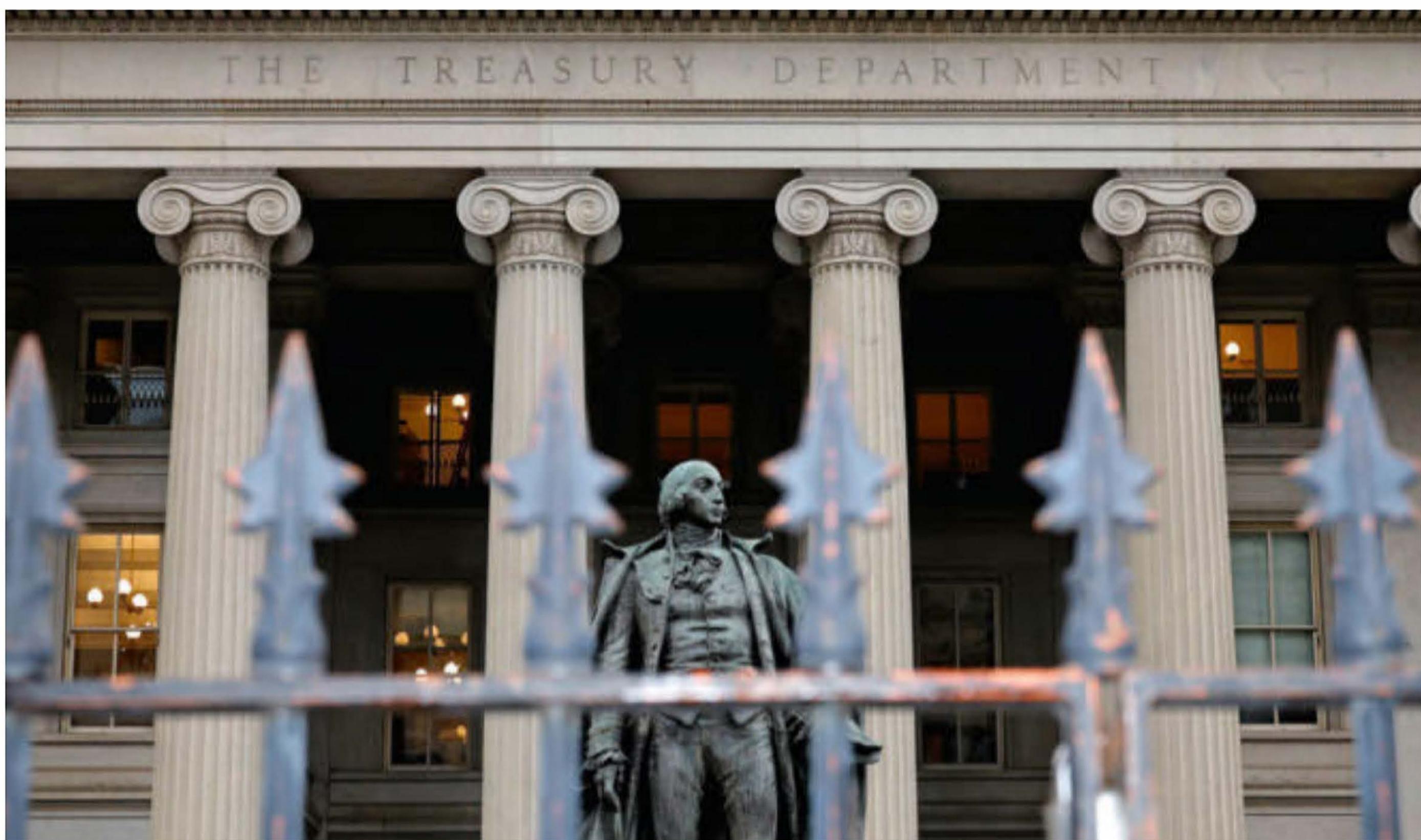
has admitted, despite the pain it will nevertheless cause your company.

The fight over the proposed changes has become ugly. Although bankers typically lobby behind closed doors, the new requirements have pushed them into open warfare. They have pointed out that the proposals would quadruple the risk-weighting given to "tax equity" investments, a crucial source of financing for green-energy projects under President Joe Biden's Inflation Reduction Act. Some lobbyists reportedly may sue the Federal Reserve for failing to follow due process and argue that the regulator should give people more time to comment once it has been followed.

These tactics could work. The Fed might water down its plans, or a back-and-forth might push the proposals into a grey zone ahead of America's presidential election. The rules are subject to review by Congress, and it will have few days in session next year owing to the primaries, summer recess and the election itself. As the odds of a Republican presidency rise, so do the chances that a later review would result in much smaller increases in capital requirements.

Still, an investor might feel queasy at making that bet. So one looking at banks might turn his attention to Europe instead. Unlike in America, funding costs have not climbed much, in part owing to weaker competition. The result has been a steady stream of earnings upgrades. After nine years of negative rates the return to positive ones has been "like rain in the desert", says Huw van Steenis of Oliver Wyman, a consultancy. Extra capital requirements from Basel 3 are more modest in Europe. An investor might want to buy shares in a bank, then. But for the first time in a long time, perhaps he should consider a European one.





Fixing finance

Hamilton's legacy

WASHINGTON, DC

Investors despair at proposed changes to the world's most important asset market

IN 1790 AMERICA'S finances were precarious: debt-servicing costs were higher than revenues and government bonds traded at 20 cents on the dollar. Alexander Hamilton, the country's first treasury secretary, wanted a deep and liquid market for safe government debt. He understood the importance of investor confidence, so proposed honouring all debts, including those of states, and offering to swap old debt, at par, for new bonds with a lower interest rate. This was controversial. Shouldn't speculators who picked up cheap debt in secondary markets be paid less? Yet Hamilton could not be swayed: "When the credit of a country is in any degree questionable, it never fails to give an extravagant premium, in one shape or another, upon all the loans it has occasion to make."

More than two centuries later American politicians are busy undermining Hamilton's principles. Debt-ceiling brinkmanship has pushed America towards a technical default. Rising interest rates and incontinent spending have seen debt balloon: the country's total stock now amounts to \$26.6trn (96% of GDP), up from \$12.2trn (71% of GDP) in 2013. Servicing costs come to a fifth of government spending. As the Federal Reserve reduces its holdings of Treasuries under quantitative tightening and issuance grows, investors must swallow ever-greater quantities of the bonds.

All this is straining a market that has malfunctioned frighteningly in the past. American government bonds are the bedrock of global finance: their yields are the

"risk free" rates upon which all asset pricing is based. Yet such yields have become volatile, and market liquidity looks thin. Against this backdrop, regulators worry about the increasing activity in the Treasury market carried out by leveraged hedge funds, rather than less risky players like foreign central banks. A "flash crash" in 2014 and a spike in rates in the "repo" market, where Treasuries can be swapped for cash, in 2019 raised alarms. The Treasury market was then overwhelmed by fire sales in 2020, as long-term holders dashed for cash, before the Fed stepped in. In November a cyberattack on a Chinese bank disrupted settlement in Treasuries for days.

Repo repair

Regulators and politicians want to minimise the potential for further mishaps. New facilities for repo markets, through which the Fed can transact directly with the private sector, were put in place in 2021. Weekly reports for market participants on secondary trading have been replaced with more detailed daily updates, and the Treasury is mulling releasing more data to the public. But these fiddles pale in comparison to reforms proposed by the Securities and Exchange Commission (SEC), America's main financial regulator, which were outlined in late 2022. The SEC has invited comment on these plans; it may begin to implement them from early next year.

The result has been fierce disputes about the extent and causes of problems in the Treasury market—and the lengths reg-

ulators should go to repair them. A radical overhaul of Treasury trading comes with its own risks. Critics say that the proposed changes will needlessly push up costs for the Treasury. Do they have a point?

The Treasury market touches almost every financial institution. Short-term bills and long-term bonds, some of which pay coupons or are linked to inflation, are issued by the Treasury. They are sold to buyers including "primary dealers" (banks and broker dealers) in auctions. Dealers then sell them to customers: foreign investors, hedge funds, pension funds, firms and purveyors of money-market funds. Many raise money to buy Treasuries on the overnight repo market, where bonds can be swapped for cash. In secondary markets high-frequency traders often match buyers and sellers using algorithms. Participants, in particular large asset-managers, often prefer to buy Treasury futures—contracts that deliver the holder an eligible Treasury at a future date—since it requires less cash up front than buying a bond outright. Each link in the chain might be a vulnerability.

The most important of the SEC's proposals is to mandate central clearing, under which trading in the Treasury and repo markets would pass through a central counterparty, which would be a buyer to every seller and a seller to every buyer. This would make market positions more transparent, eliminate bilateral counterparty risk and usher in an "all to all" market structure, easing pressure on dealers. Nate Wuerffel of BNY Mellon, an investment bank, has written that central-clearing rules will be put in place relatively soon.

Yet the SEC's most controversial proposal concerns the "basis trade" that links the Treasuries market to the futures market. When buying a futures contract investors need only post "initial margin", which represents a fraction of the face value of the Treasury. This is often easier for asset managers than financing a bond purchase through the repo market, which is tightly regulated. As such, there can be an arbitrage between cash and futures markets. Hedge funds will go short, selling a contract to deliver a Treasury, in the futures market and then buy that Treasury in the cash market. They often then repo the Treasury for cash, which they use as capital to put on more and more basis trades. In some cases funds apparently rinse and repeat this to the extent that they end up levered 50 to one against their initial capital.

The trade is mostly pretty low-risk. But in times of stress, such as in 2020, when Treasury prices swung wildly, exchanges will send out calls for more margin. If funds cannot access cash quickly they sometimes close their positions, prompting fire sales. The unwinding of trades in 2020 may have exacerbated market volatility. Thus the SEC has proposed that hedge

► funds which are particularly active in the Treasury market should be designated as broker-dealers and made to comply with stricter regulations, instead of simple disclosure requirements. It is also considering new rules that would limit the leverage hedge funds can access from banks.

This has infuriated those who make money from the trade. In October Ken Griffin, boss of Citadel, the world's most profitable hedge fund, argued that the regulator was simply "searching for a problem". He pointed out that the basis trade reduces financing costs for the Treasury by allowing demand in the futures market to drive down yields in the cash market.

Will officials hold firm? In a sign of diverging opinions between the SEC and the Treasury, Nellie Liang, an undersecretary at the department, recently suggested that the market may not be functioning as badly as is commonly believed, and that its flaws may reflect difficult circumstances rather than structural problems. After all, market liquidity and rate volatility feed into each other. Thin liquidity often fosters greater volatility, because even a small trade can move prices—and high volatility also causes liquidity to drop, as it becomes riskier to make markets. Ms Liang pointed out that "high volatility has affected market liquidity conditions, as is typically the case", but it does not appear that low liquidity has been amplifying volatility.

Moreover, high volatility can be caused by events, as has been the case in recent years, which have been lively. It is far from certain that periods of extreme stress, like March 2020 or the chaos caused in the British gilt market when derivative bets made by pension funds blew up, could be avoided with an alternative market structure.

As well as the SEC's proposals, the Treasury is working on its own measures, such as data gathering, more transparency and buybacks. These would involve the Treasury buying older, less liquid issuance—say, ten-year bonds issued six months ago—in exchange for new and more liquid ten-years, which it might start doing from 2024. The Treasury has acknowledged that leverage practices, which make the basis trade possible, warrant investigation. But Ms Liang has added that there are upsides to the trade, such as increased liquidity.

Although Hamilton could not have envisaged the network of institutions that make up the modern Treasury market, he had a keen appreciation for speculators, who stepped in to buy Treasuries when bondholders lost faith. He would have been more concerned by politicians rolling the dice on defaulting and the debt stock than he would have been by enthusiastic intermediaries. Plenty of his successors' ideas have broad support. They would nevertheless do well to remember his aversion to snubbing those keen to trade. ■

Suspicious activity

Caught short

WASHINGTON, DC

Who made millions trading the October 7th attacks?



BEFORE ITS attack on October 7th, Hamas maintained tight operational security. The assault blindsided Israel's spies, and seems to have surprised even Hamas's political leaders. But did someone know enough to profit? A new paper by Robert Jackson Jr, a former commissioner of America's Securities and Exchange Commission, and Joshua Mitts of Columbia University suggests so.

The authors' most striking finding is a surge in short sales—bets that a security's price will fall—of an exchange-traded fund (ETF) listed on the New York Stock Exchange under the ticker EIS, which tracks an index of Israeli shares. In September an average of 1,581 shares a day of EIS were sold short, representing 17% of the daily total trading volume. On October 2nd, five days before the attacks, a whopping 227,820 shares were shorted, representing 99% of total volume. Rather than reflecting a souring of market sentiment, the increase in activity seems to have come from just two trades. Then, on the first trading day after the attack, standard "long" transactions outnumbered short sales by a similar number of shares (248,009). If these trades were made by the same investor, they would correspond to a \$1m profit.

Other securities also showed suspicious patterns. During the three weeks before the attacks, the number of outstanding options contracts expiring on October 13th on American-traded shares of Israeli firms—the derivatives that would yield the greatest returns if prices moved sharply in the direction a trader expected—rose eightfold. In contrast, the number of longer-dated options on such shares, whose value depended on events beyond mid-October, barely changed.

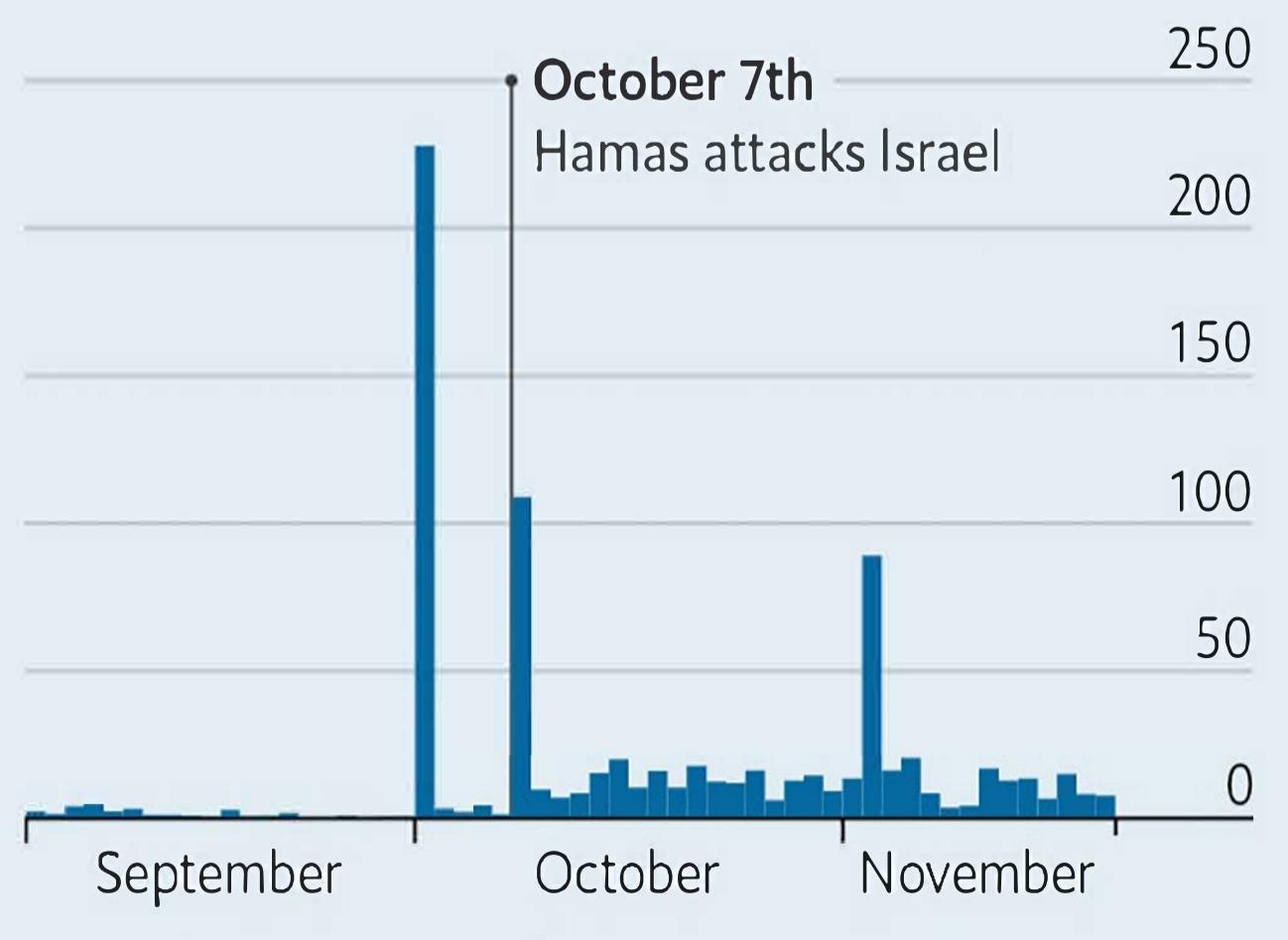
The paper's authors examined other periods of turmoil in Israel, such as that prompted by the government's attempted judicial reform earlier this year, and did not detect similar behaviour. The only match was in April—two days before Passover, which according to reporting by an Israeli TV station was the date originally scheduled for the attack.

Critics of the paper, which has not yet been peer-reviewed, suggest that the activity could reflect investors closing positions on the first day of a quarter, or have been a market-maker's response to a trader buying up shares in the fund. Yet no surge has occurred at the start of any other quarter since 2009. The authors say that had any large purchases of EIS been made to offset the shorts, such transactions would appear in their data. Another objection is that although a big short sale should in theory drive down prices, EIS actually rose in value. In response, the authors note that the fund's value is tied to the prices of the shares it contains, and that the shorts of EIS were tiny in comparison with the market capitalisation of the firms the fund tracks.

The study has prompted an inquiry by Israel's securities authority. Assigning motives to trading activity is always hard; the authors cannot rule out benign explanations. But they argue that the most plausible account is that whoever made the trades was familiar with Hamas's secrets. Although the millions of dollars in potential profits are small, Mr Mitts notes they are a lower limit identifiable with public data. He thinks that they could be "just the tip of the iceberg".

Trouble foretold

Volume of short sales in MSCI Israel ETF
2023, '000 shares



Source: "Trading on terror?", by R.J. Jackson Jr and J. Mitts, SSRN working paper, 2023

Free exchange | Opioid overload

What really lies behind America's drug-death crisis



IT IS HARD to overstate the impact of America's fentanyl epidemic. The synthetic opioid and its close chemical relatives were involved in about 70% of the country's 110,000 overdose deaths in 2022. They are now almost certainly the biggest killer of Americans between the ages of 18 and 49. Every 14 months or so America loses more people to fentanyl than it has lost in all of its wars combined since the second world war, from Korea to Afghanistan.

Perhaps it seems odd to look to economics for insights about how to manage a crisis which is more naturally the domain of public health, but economists' research methods are well-suited to examining the problem. It is thus regrettable that the discipline has had little to say about fentanyl. A review of 150 economic studies in 2022 included just two that were focused on the drug.

Such inattention can be explained by the research time lag. From identifying questions to writing up findings to—most painful of all—peer review, it can easily take a decade to go from inchoate idea to published paper. Given that fentanyl overtook heroin as the biggest drug killer in America in 2016, economic research on its spread is only just beginning to arrive.

This delay has led to a backward-looking bias in discussions of the crisis. Research has concentrated on earlier waves of America's opioid addictions, notably prescription pills in the early 2000s and the shift to heroin and other alternatives in the 2010s.

The best-known explanation is the "deaths of despair" hypothesis, advanced by Anne Case and Angus Deaton of Princeton University. They examined a sharp rise in mortality for white Americans, driven by opioids and, to a lesser extent, suicide and alcohol. This suffering, they argued, was related to economic insecurity. Yet their analysis had major defects, such as a failure to adjust for ageing populations. The arrival of fentanyl has highlighted a more fundamental flaw: it now kills black people at a higher rate than white people, the group supposedly gripped by anguish. An ill-defined notion of "despair" that leaps between different segments of the population does not carry much explanatory heft.

Some economists have homed in on the financial roots of the crisis. Justin Pierce of the Federal Reserve and Peter Schott of Yale University documented how areas most exposed to trade liberalisation suffered most. They found that counties exposed to import

competition from China after 2000 had higher unemployment rates and more overdose deaths. Their analysis, however, ended in 2013, when the effects of this trade-related affliction were wearing off—and just before the fentanyl storm erupted.

Others have traced America's addiction to the original sin of pharmaceutical firms pushing painkillers. In a paper published in 2019 Abby Alpert of the University of Pennsylvania and colleagues showed that states with looser prescription rules were targeted by Purdue Pharma in the late 1990s when it started selling OxyContin, its notorious opioid, and that they had nearly twice as many deaths from opioid overdoses as states with stricter rules over the following two decades. But recent years have been horrific everywhere: in California, a state with stricter rules, the opioid-overdose death rate roughly tripled between 2017 and 2021.

At last, economists are catching up with the awful turn in the opioid crisis. A new working paper by Timothy Moore of Purdue University, William Olney of Williams College and Benjamin Hansen of the University of Oregon offers a novel way of examining the spread of fentanyl. Rather than trying to account for demand for opioids, the focus of most research, they look squarely at the supply side of the equation, finding a strong correlation between aggregate import levels and opioid use. In states that import more than the national median, overdose deaths are roughly 40% higher. Put another way, 10% more imports per resident are associated with an 8.1% increase in fentanyl deaths from 2017 to 2020.

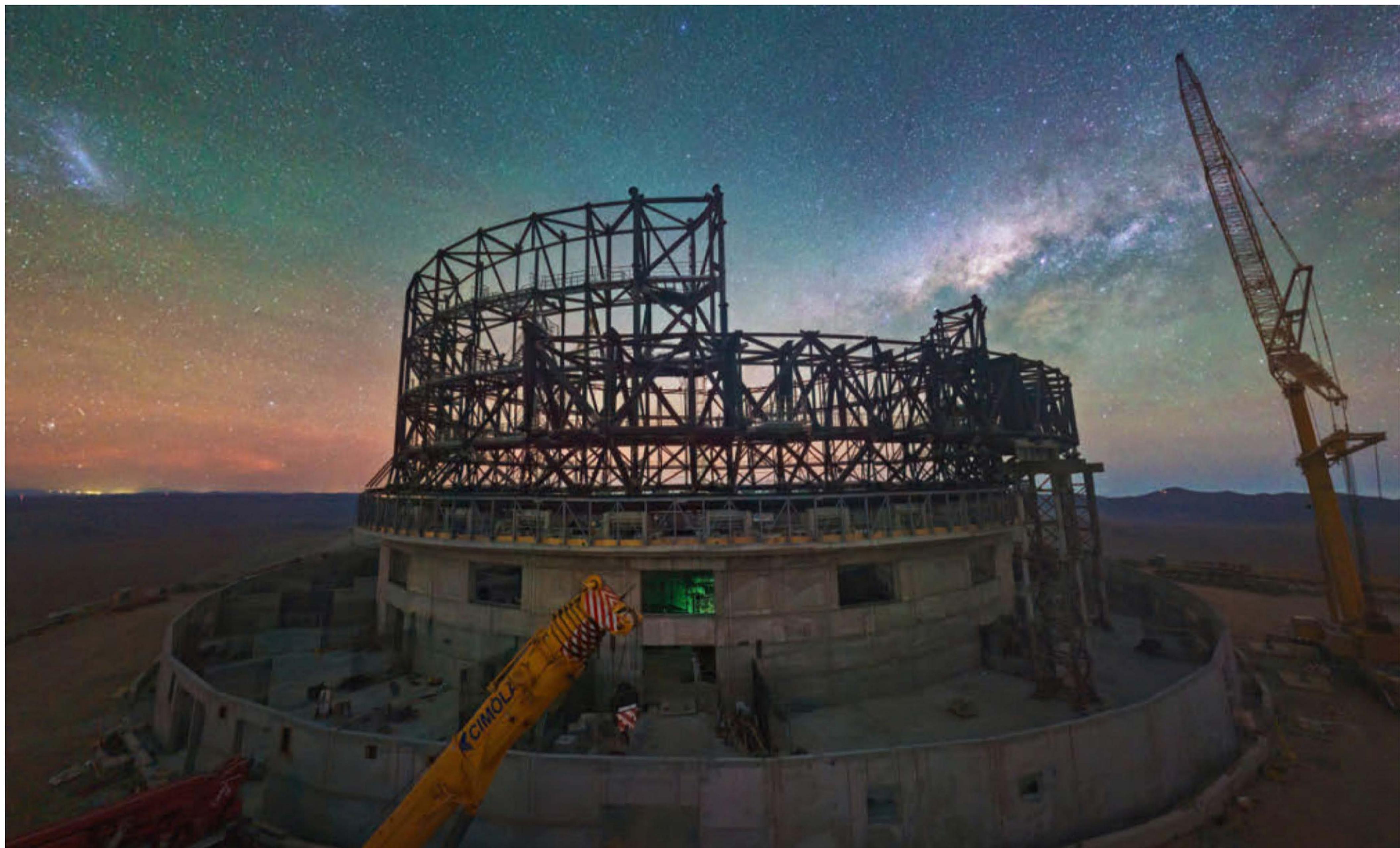
This is not because of some kind of trade-induced economic malaise. Many big importing states are wealthy, such as New Jersey and Maryland. Rather, the essential point is that these states bring in more stuff from abroad, and fentanyl is often part of the mix. It may ultimately travel around America, but much of it remains, and kills, in the states where it first arrived. None of the previous hypotheses—deaths of despair, competition from China or opioid marketing—have an impact on the relationship between trade flows and fentanyl deaths.

Policy responses often centre on the roles of China as a producer of fentanyl-related chemicals and Mexican drug gangs as distributors. America's drug enforcers are especially active on its southern border; its diplomats want China to crack down on makers of synthetic opioid feedstocks. But Mr Moore and his colleagues conclude that more trade with pretty much anywhere is associated with fentanyl deaths. The probable explanation is that gangs are nimble and shift their smuggling routes.

Slow it down

This makes intuitive sense. Fentanyl's danger stems from its potency: it is up to 50 times stronger than heroin. Criminals can sneak in tiny volumes, with devastating effects. And drug users can get one hell of a high for next to nothing: a single \$5 pill contains a lethal dose. In business terms the overall picture is that of a classic positive supply shock—of a most negative product.

The forensic accounting of fentanyl's spread by Mr Moore and his colleagues is important. It suggests that targeting China and Mexico risks a game of whack-a-mole. Any country at any given moment may be the trouble spot, so it is better to spread out enforcement resources more evenly. It also shows that legal trade is probably the main conduit for fentanyl smuggling, meaning that more sophisticated screening operations at all ports of entry would be wise. Last, it reveals that despite all the attention paid to the disadvantaged and the despairing, the core problem is at once simpler and more depressing: fentanyl is just too easy to get. ■



Astronomy

The Chilean colossus

CERRO ARMAZONES AND CERRO PARANAL, CHILE

The Extremely Large Telescope will be by far the biggest optical telescope ever built—and a powerful time machine to boot

IT IS THE colours of a sunset that inspire Joseph Anderson, an astronomer at the European Southern Observatory (eso) in the high Atacama desert, in northern Chile. “They start off very blue and turquoise. And gradually, as it gets more purple, then we’re getting closer to observing the universe.” Once night falls the sky is dominated by the star-spangled curve of the Milky Way. If there were any extra left to give, more than two kilometres above sea level, your correspondent’s breath would have been taken away.

The Atacama is home to more than a dozen different astronomical observatories, and for good reason. It is far from the light pollution of civilisation. The air is thin and dry, which improves what astronomers call the “seeing”. And the desert averages 325 cloudless nights each year. Dr Anderson is standing on top of a mountain called Cerro Paranal, showing off the Very Large Telescope (VLT). The VLT is made up of four individual telescopes, each individually one of the largest in the world, along-

side another four much smaller ones. It is Earth’s most productive astronomical facility, yielding more than one scientific paper each day. In 2004 it took the first picture of an extrasolar planet—one that orbits a star other than the Sun—and was the first instrument to track individual stars whipping around the enormous black hole at the centre of the Milky Way.

But it may not hold that title for much longer. An hour’s drive from the VLT, atop Cerro Armazones, a 3,046-metre peak, sits the half-finished bulk of the ELT, or Extremely Large Telescope. (Eso is a fan of quotidian names.) Like so many big projects, the ELT is behind schedule. But when it is finished—in 2028, on current plans, at a cost of €1.5bn (\$1.6bn)—it will be, by far, the biggest optical telescope in the known universe. The result, says Robert de Rosa,

an astronomer at Eso, will be “a step change in what we can do in terms of observational astronomy”.

Optical telescopes use a series of mirrors to capture light from space and redirect it to their various instruments. A bigger mirror can collect more light, which means it can both see dimmer things and resolve them in finer detail than a smaller one. The ELT’s main mirror will have a diameter of 39.3 metres, more than four times that of the VLT’s big telescopes (8.2 metres) and over three times that of the present record-holder, the 10.4-metre Gran Telescopio Canarias (GTC), in the Canary Islands. Since a telescope’s power depends on the area of its mirror, looking only at the diameter understates the difference. The GTC has a collecting area of around 75 square metres. The ELT will boast 978 square metres, a little smaller than four tennis courts (see diagram 1 on next page).

That size will be a boon for many branches of astronomy. The ELT will shed light on everything from the role of black holes in shaping the large-scale structure of the universe to how dark matter and dark energy affect the rate at which it is expanding, and even whether the supposed constants of physics really are constant over vast intergalactic distances.

It should also provide a big boost to the study of planets outside the solar system. These days, the existence of most exoplanets is inferred from the effects they have on ➤

→ Also in this section

74 Roadrunners v Coyotes

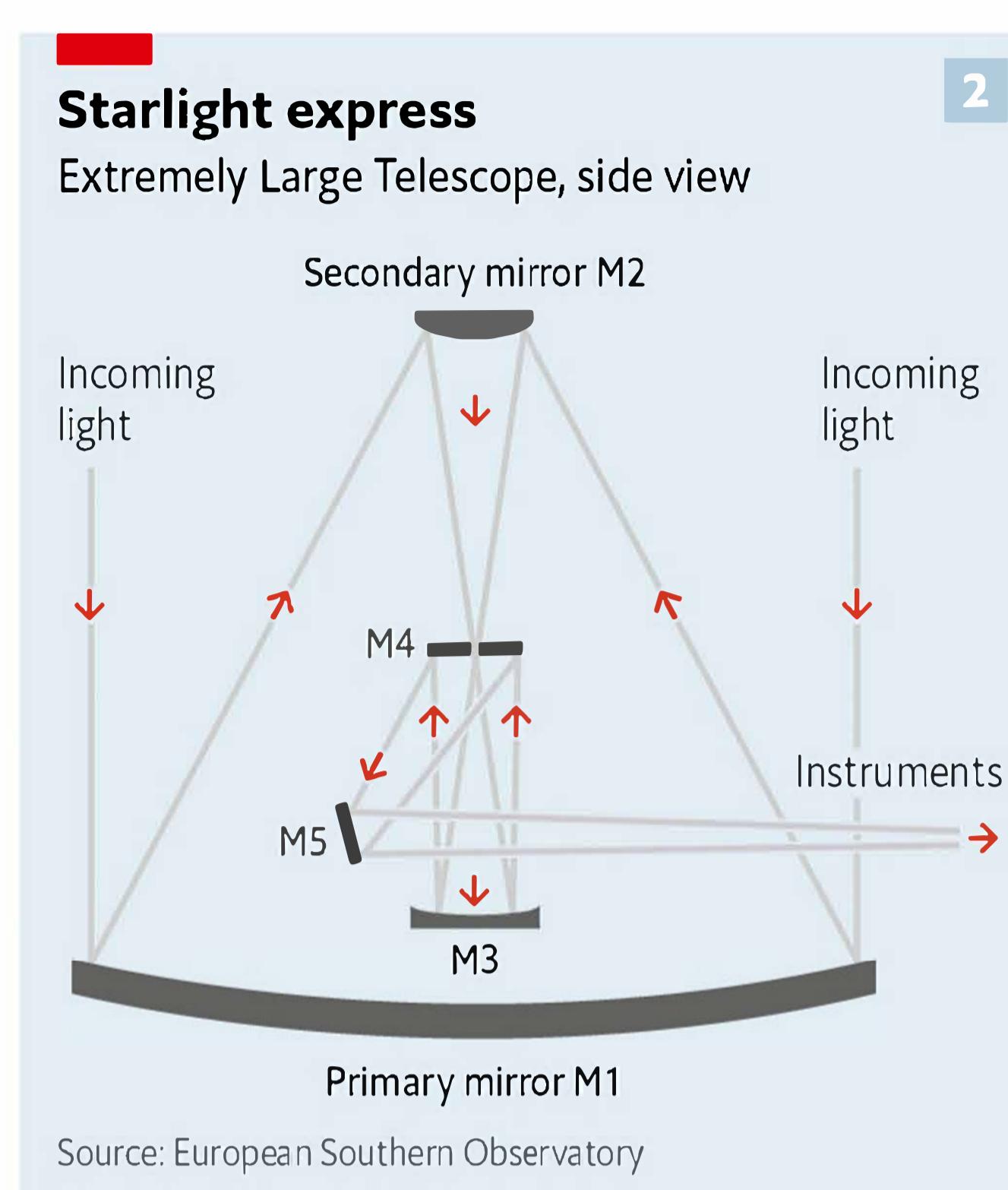
► the light from their parent stars. Taking pictures of them—so-called direct imaging—is rare. Of the roughly 5,500 known exoplanets, scientists have pictures of only around 1% of them.

Time and relative dimension in space

The ELT's enormous mirror will allow astronomers to separate the faint light of a planet from the overwhelming glare of its star from dozens of light-years away. The result should be a direct-imaging bonanza. And direct imaging will also help reveal the chemical composition of exoplanet atmospheres, and whether any show signs of potential alien life.

And because telescopes are also time machines, the ELT will allow scientists more insight into what happened shortly after the universe began. Since the speed of light is finite, astronomers see distant objects not as they are today, but as they were when the light that arrives in their instruments first set out. Astronomers are keen to use the ELT to investigate how stars and galaxies formed when the universe was young. Early results from the James Webb Space Telescope, launched in 2021, have already turned up an array of stars and galaxies that seem too old to fit easily into existing theories of universal evolution. The ELT could help resolve that mystery.

Assuming, that is, that everything works. When your correspondent visited, the 80-metre-tall steel dome that will shelter the telescope was still being built. Each segment takes around 20 minutes to lift and slot into place; a further six hours are needed to tighten each of the 200 bolts. Work must finish before night, lest gusts of wind blow a panel loose. Once finished,



the entire 5,500-tonne dome will be able to rotate so that the telescope can follow the stars as they move across the sky.

One of the few downsides of doing astronomy in Chile is that the country is prone to earthquakes. The telescope will therefore float atop a thin layer of oil. The oil, in turn, will sit atop hundreds of rubber shock absorbers, with the whole lot built on a 3-metre concrete foundation. That will isolate the dome both from earthquakes and any vibrations from the offices and laboratories next door.

The most impressive parts are the mirrors, of which the ELT will have five. Astronomical mirrors are precise, delicate things. Even the comparatively small mirrors of the big VLT telescopes are so heavy that, if not supported properly, they would shatter under their own weight. Engineers must lift them with a special harness with

15 hooks when they need cleaning.

The ELT's main mirror is so big that it cannot be made as a single piece. Instead Schott, a German optics firm, will make 798 separate pieces that will act as a single mirror. Each is a slightly curved, 1.5-metre-wide hexagonal slice of high-tech glass ceramic that undergoes almost no thermal expansion. The segments are cast in Germany, polished in France, and then mated with supports produced in the Netherlands before being transported to Chile.

Each is checked to ensure it has survived the trip unscathed. Ricardo Parra, an ELT engineer, likens the process to ringing a bell. Vibrations are induced in the glass, and measurements made by accelerometers in strategic locations. The segments are finished by coating them with several further layers of chemicals, including a 100-nanometre layer of silver that provides the reflectivity. (A nanometre is a billionth of a metre.) That silver is protected from tarnishing by a layer of hard silicon nitride glass. Even so, the ESO thinks each segment will need re-coating every two years.

Getting all 798 segments to work together presents another set of difficulties. To produce a usable image each segment must be held in a precise position, with an accuracy of just tens of nanometres. Each is backed by a system of sensors and motors that can subtly deform the surface of the glass in order to correct for warping due to everything from small temperature variations to the changing angle of gravity as the mirror moves and tilts.

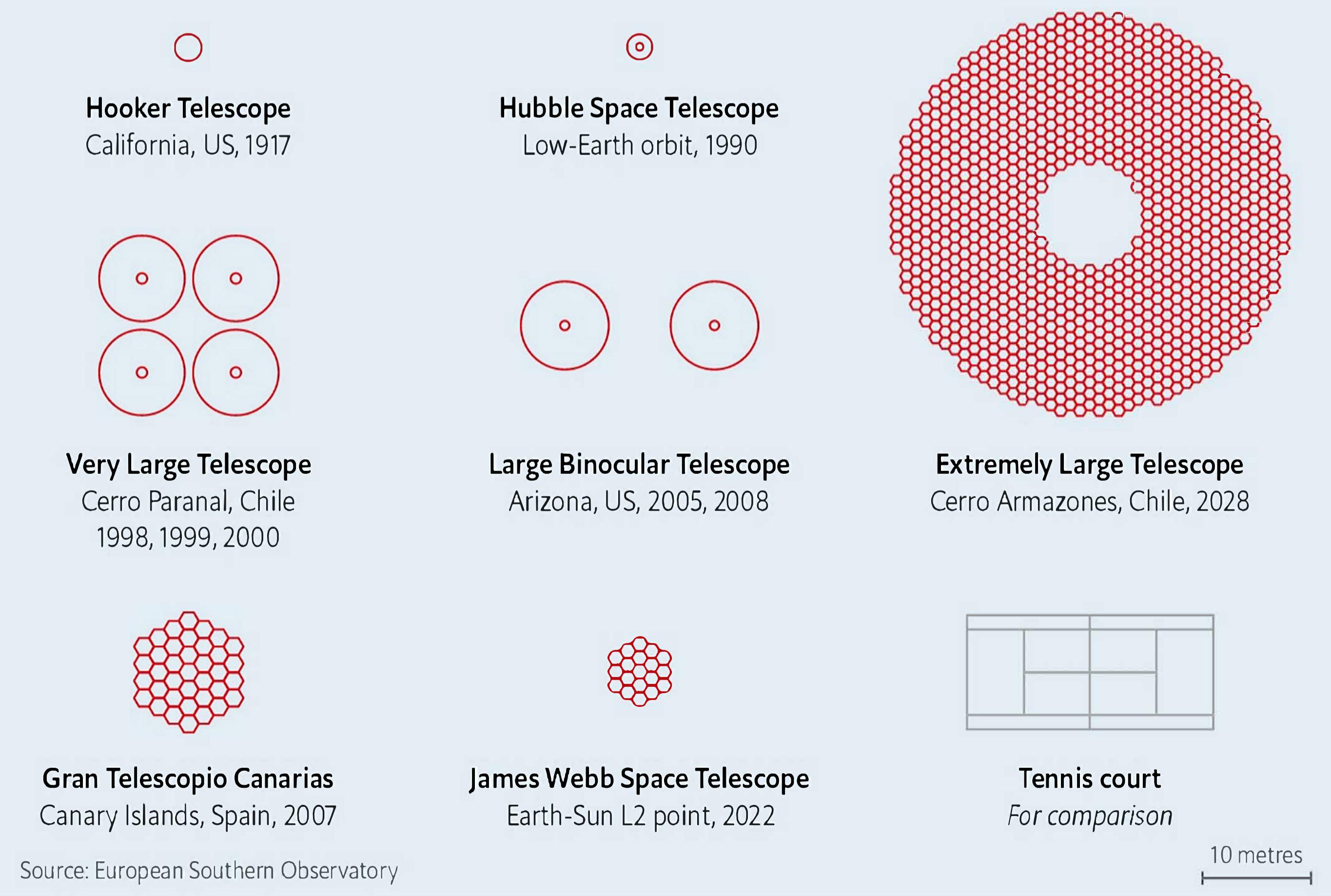
The primary mirror is just the first stop (see diagram 2). Light hitting it will be redirected towards a secondary and tertiary mirror, which are designed to correct various subtle optical defects. At around 4 metres across, each could be an impressive telescope main mirror in its own right.

The job of the fourth mirror is to counteract the vagaries of Earth's atmosphere. The reason stars appear to twinkle when seen from the ground is that the atmosphere is constantly churning. Frédéric Gonté, an instrumentation engineer at ESO, compares the effect to peering into water. "Try to see the ground of the swimming pool, you can see it is moving," he says. "The atmosphere is doing that to us."

Space telescopes avoid this problem by flying above the atmosphere. Ground-based ones can rely instead on a technology called adaptive optics. This involves deforming the surface of a mirror to cancel out the distortions imposed by the air. The technology is not unique to the ELT. Many modern telescopes sport it, including one of the VLT's big telescopes (it is being added to the other three). But the ELT's sheer size makes it more susceptible to atmospheric distortion than smaller telescopes. More than 5,000 actuators behind the ELT's fourth mirror will make tiny, rippling ad-

Mirror, mirror on the wall

Size comparison of selected optical telescope primary mirrors



justments to its shape a thousand times each second. Without the adjustments, the ELT's images would be hopelessly blurred.

Working out exactly how the mirror must be deformed, millisecond by millisecond, requires the presence in the sky of something whose shape is known in advance. Comparing what the telescope actually sees with what it should see reveals the state of the atmosphere at that particular moment, allowing the system to counteract it. Often the object in question is a bright star near the object being studied. If no convenient star is available, though, astronomers can create an artificial one. "Laser guide stars" are made by firing four bright orange laser beams upwards so that they converge in a single point around 90 kilometres up, above the atmosphere's thickest layers. Because the system knows exactly what the ersatz star should look like, it can make whatever mirror-twisting adjustments are needed.

You might think that once the ELT is up and running, all other telescopes will be rendered obsolete. That is not really true, for even a machine such as the ELT cannot do everything. The twin Keck telescopes in Hawaii, for example, once the world's largest, have mirrors that are a comparatively puny ten metres across. But they have the advantage of sitting on a substantially taller mountain, where the seeing is even better than it is in Chile. And the fact that there are two of them means they can serve twice as many astronomers at once.

The VLT, and other multi-mirror telescopes, can also use a technique called interferometry, a clever way of combining signals such that resolving power depends not on the size of individual mirrors, but on the distance between them. For the VLT that is more than 100 metres. On the other hand, that resolving power comes at the cost of a narrower field of view. The ELT is not competing with telescopes like the VLT, says Dr Gonté. "It's completing."

Ain't no replacement for displacement

But when it comes to detecting the dimmest and most distant objects, there is no substitute for sheer light-gathering size. On that front the ELT looks like being the final word for the foreseeable future. A planned successor, the "Overwhelmingly Large Telescope", would have sported a 100-metre mirror. But it was shelved in the 2000s on grounds of complexity and cost. The Giant Magellan Telescope is currently being built several hundred kilometres south of the ELT on land owned by the Carnegie Institution for Science, an American non-profit, and is due to see its first light some time in the 2030s. It will combine seven big mirrors into one giant one with an effective diameter of 25.4 metres. Even so, it will have only around a third the light-gathering capacity of the ELT.

A consortium of scientists from America, Canada, India and Japan, meanwhile, has been trying to build a mega-telescope on Hawaii. The Thirty Meter Telescope would, as its name suggests, be a giant—though still smaller than the ELT. But it is unclear when, or even if, it will be finished. Construction has been halted by arguments about Mauna Kea, the mountain on which it is to be built, which is seen as sacred by some. For the next several decades, it seems, anyone wanting access to the biggest telescope money can buy will have to make their way to northern Chile. ■

Anti-drone technology

Meep-meep. Boom!

Anduril hopes its "Roadrunner" missile will shake up arms-makers

PALMER LUCKEY is no stranger to hype. In 2014 he sold Oculus, a virtual-reality startup, to Facebook for \$2bn, kickstarting the current wave of interest in VR. In 2017 he co-founded Anduril, another startup, this time focused on weapons. On November 29th Mr Luckey said Anduril would release "a radical new category of weapon that is totally unlike anything that has come before it". On December 1st he unveiled Roadrunner, a missile-cum-drone. It is not revolutionary. But it is interesting.

Roadrunner has two party tricks. Its payload can be changed depending on the mission. Sensors can be installed for surveillance, for instance. But the company's emphasis is on Roadrunner-M, which is explosive-tipped and designed to destroy

drones. It is also reusable. Most air-defence systems, including America's Patriot and Israel's Iron Dome, fire several missiles at a target to boost the odds of a kill. Unused ones are lost. Roadrunners can talk to each other in flight. If one takes out the target, the rest can return home and land.

Both features have precedents. "Loitering munitions" such as Israel's mini-Harop or the Polish Warblefly can land, too. The Coyote, an air-defence weapon built by RTX, an American firm previously known as Raytheon, also has modular payloads. But putting everything together is new.

Anduril claims Roadrunner is "far superior" to competing missiles, with higher take-off speed, a bigger payload and ten times the range. Brian Schimpf, the firm's boss, says it can also cope with faster, more evasive drones likely to appear over the coming years, which might be comparable to high-end cruise missiles.

Perhaps. Comparing air-defence systems is tricky, for they are designed for different things. Iron Dome deals with small rockets. Patriot handles large missiles and planes. Coyote is built for what the Pentagon calls Group One and Two drones, which weigh less than 25kg and fly below 3,500 feet (1,069 metres). Roadrunner is designed for Group Three threats, which can weigh almost 600kg and fly up to 18,000 feet, like the Iranian Shahed-136 drones that Russia has used to attack Ukraine.

A Coyote costs about \$100,000 per unit. Roadrunner is priced at "low six figures". That makes it "not much cheaper than many existing air-defence missiles that can engage a far wider range of higher-end threats", like cruise missiles, says Justin Bronk of the RUSI think-tank in London. He points to NASAMS, a Norwegian-American system which uses off-the-shelf missiles. The cheapest cost around \$400,000 to \$500,000 each.

Nonetheless, America's special forces have already bought a few Roadrunners. Anduril will hope large-scale production can bring costs down. But anti-drone technology is a crowded field. In 2019 an American destroyer downed an Iranian drone using electronic warfare. High-powered microwave weapons and lasers have been fitted on warships and tested at air bases.

Roadrunner's theatrical launch reflects a divide in America's arms industry. Critics see the country's established firms as complacent and lazy, and welcome disruption from scrappy newcomers such as Anduril. Indeed, Roadrunner's name is a deliberate dig. In the Looney Tunes cartoon of the same name, the nimble roadrunner outwits Wile E. Coyote's attempts to catch it with needlessly complicated gadgets. The big players, for their part, roll their eyes at upstarts with little experience of mass production. But there is nothing like a little competition to spur everybody on. ■



The Acme of anti-drone technology?



The best books of 2023

Shelf help

This year's picks transport readers to the top of mountains, out to sea and back in time

Current affairs and politics

Deadly Quiet City. By Murong Xuecun. In 2020, at the start of the pandemic, a celebrated Chinese writer interviewed people in Wuhan about their experiences during lockdown. His brave and vital book follows eight people, including a doctor at a small hospital, an unlicensed driver of a motorcycle taxi and a citizen journalist, whose daring efforts resulted in a prison sentence.

Fear Is Just a Word. By Azam Ahmed. Since the early 2000s, the number of Mexicans who have disappeared and not yet been found has risen from a handful to more than 100,000. A journalist for the *New York Times* tracks Miriam, whose youngest daughter is kidnapped and then killed by the Zeta gang. By focusing on one mother's extraordinary story, the author evokes the cartels' painful toll.

Flowers of Fire. By Hawon Jung. A brilliant examination of South Korean

feminists' struggle for equality with global resonance. It describes how many South Koreans still see women only as cooks, cleaners and "baby-making machines" and tells tales of misogyny, from spycams in public toilets to bigots in public office.

The Kingdom, the Power and the Glory. By Tim Alberta.

This chronicle of the modern evangelical movement in America is a horror story told from the inside. Its author, a staff writer for the *Atlantic*, is angry and heartbroken as he watches the religious community in which he was brought up being hijacked by power-hungry hucksters and right-wing nationalists.

Some People Need Killing.

By Patricia Evangelista.

A rigorously reported look at Rodrigo Duterte's campaign against illegal drugs

→ Also in this section

77 Staff books in 2023

79 Johnson: The top word of 2023

from a Filipina journalist. It is also a story of lost innocence, as she learns that the vast majority of people in the Philippines supported their president's lawless war on drugs, in which perhaps 27,000 people were killed extra-judicially.

Sparks. By Ian Johnson.

A Pulitzer-prizewinning journalist describes the valiant efforts of China's "underground historians", a motley and persistent group of academics, artists, film-makers and journalists attempting to correct the official record and provide truthful accounts of history. An insight into the risks that some Chinese take to illuminate the darkest episodes of Communist Party rule.

Business and economics

Anansi's Gold. By Yepoka Yeebo.

This is the story of one of the world's greatest (but least famous) con artists. Ghana's John Ackah Blay-Miezah bilked investors on several continents by promising he knew where lost gold was hidden. Exhaustive reporting by the author makes this a welcome addition to the canon on great swindlers.

Best Things First. By Bjorn Lomborg.

A forceful argument to replace the sprawling and vague Sustainable Development Goals from the United Nations with 12

► cost-effective policies to help the world's poor. "Some things are difficult to fix, cost a lot and help little," the author writes. Others are solved "at low cost, with remarkable outcomes".

The Fiscal Theory of the Price Level.

By John Cochrane.

An economics professor at Stanford University builds out a new(ish) theory for how government debt, not interest rates, ultimately determines prices. Not for the faint-hearted, this book is provocative to economists and well-timed for an age of big deficits and high inflation.

The Geek Way.

By Andrew McAfee. A technology-and-business guru at MIT explains how the mindset that inspires Silicon Valley could be usefully applied in life and in other fields of business, with a focus on teamwork, producing prototypes quickly and avoiding bureaucracy through individual accountability.

How Big Things Get Done.

By Bent Flyvbjerg and Dan Gardner.

Megaprojects often turn into megasnaus. This entertaining book, co-written by an academic at Oxford University and a journalist, looks at why ambitious schemes so consistently miss deadlines and budgets and what can be done about it. Project management has never been more fun.

Material World.

By Ed Conway. The economics and data editor of Sky News in Britain travels the world in this study of how six crucial materials—copper, iron, lithium, oil, salt and sand—have altered human history and underpin the modern economy. As countries seek to decarbonise, a battle is raging to control their supply.

The Missing Billionaires.

By Victor Haghani and James White.

A compelling book dealing with an important and neglected question in finance: not what to buy or sell, but how much. Even sophisticated professionals tend to answer this question badly, leading to lost fortunes. But financial theory provides the answer. Mathematical but not excessively so, this will appeal to anyone with an interest in markets.

Scaling People.

By Claire Hughes Johnson. Good books about the nuts and bolts of management are vanishingly rare. A former executive at Google and Stripe offers a practical guide to everything from giving feedback and delegating to running a meeting and building teams.

Unscripted.

By James Stewart and Rachel Abrams.

A deeply reported and unsparing account

of the final years of Sumner Redstone, an American media mogul who died in 2020. Like a lot of reality TV, "Unscripted" is riveting because its cast is so awful. It delves into (sometimes excruciating) detail about his domineering character and extraordinary antics.

Biography and memoir

Hitler, Stalin, Mum and Dad.

By Daniel Finkelstein.

Both sides of the author's family were remarkable. His maternal grandfather, Alfred Wiener, was a prominent German Jew who created the most extensive archives documenting the Holocaust; Alfred's wife and daughters were deported to a concentration camp. The author's paternal grandmother was transported to a gulag in Siberia. A tale of survival, eloquently told.

Ian Fleming.

By Nicholas Shakespeare. To be published in America in March.

Almost everyone on Earth has heard of James Bond. But fewer know the details of how exciting and tormented the life of 007's creator, Ian Fleming, was. This biography has flaws, but it will still be remembered as definitive, tracing Fleming's childhood, military service, espionage, love affairs and writing career.

Into the Amazon.

By Larry Rohter. Cândido Rondon, an orphan from Brazil's poor hinterland, rose to become a military officer who oversaw monumental engineering works in the Amazon and pioneered a non-violent approach to local indigenous groups. A vivid look at a hero whose humanism was ahead of his time, by a journalist for the *New York Times*.



J.L. Austin.

By M.W. Rowe.

Most people are lucky if they enjoy one distinguished career: J.L. Austin had two. He shook up the study of philosophy at Oxford. And, as this scrupulous and engrossing biography shows, he played a crucial role as an intelligence analyst in the Allied invasion of France in 1944.

King.

By Jonathan Eig.

This magnificent biography is an overdue attempt to grapple with Martin Luther King in all his complexity. The author, an American journalist, makes the civil-rights leader's courage and moral vision seem all the more exceptional for having come from a man with so many ordinary human flaws.

Milton Friedman.

By Jennifer Burns. The most complete biography of the economist who did more than any other to inspire free-market reforms around the world in the 1980s. It documents Friedman's role in shaping laissez-faire economic policies and libertarian thought and shows his enduring relevance, despite the world's protectionist turn.

Monet.

By Jackie Wullschlager.

Written sympathetically and with skill by the chief art critic of the *Financial Times*, this is the first account in English of the much-loved artist's life and work. Monet was a tempestuous man, whose most lasting relationship—in art as in life—was with water.

Still Pictures.

By Janet Malcolm.

A kind of posthumous memoir in which a *New Yorker* writer (who died in 2021 and famously compared journalists to conmen) probes memory, childhood and storytelling itself. "Do we ever write about our parents without perpetrating a fraud?" she asks, with characteristic incisiveness.

Waiting to Be Arrested at Night.

By Tahir Hamut Izgil. Translated by Joshua Freeman.

A memoir from a Uyghur poet now living in exile in America. He recounts how Xinjiang was transformed into a panopticon of state control, as the Chinese government began the detention and torture of Uyghur Muslims. An urgent tale of survival and subversion.

Wifedom: Mrs Orwell's Invisible Life.

By Anna Funder.

In this thought-provoking inquiry into the life of Eileen O'Shaughnessy, George Orwell's long-suffering wife, the author's aim is not to "cancel" Orwell, a thinker she deeply admires. Instead, by imaginatively resurrecting Eileen, she explores patriarchy and asks why women still vanish into subordinate roles.

History

A Day in the Life of Abed Salama.

By Nathan Thrall.

An American journalist in Jerusalem examines the events that led up to a bus crash in the West Bank in 2012 that killed six Palestinian children and one of their teachers. Part history, journalism, diatribe and lament, the book builds a relentless case that this crash and the ensuing trauma must be remembered.

The Blazing World. By Jonathan Healey. A page-turning yet erudite history of the 17th century in revolutionary England. This account of a time of religious and political turmoil, intellectual ferment, scientific innovation and media upheaval is accessible and abounds with contemporary resonances.

Emperor of Rome.

By Mary Beard. A much-loved Cambridge professor, known for her passion for unearthing the “real” Rome, describes a chariot-load of extraordinary characters, examining

around 30 emperors over 250 years. Readers will enjoy learning about the lives of these blood-splashed, technicolour rulers. Prepare to be shocked and entertained.

In Her Nature.

By Rachel Hewitt. For hundreds of years, women have had to fight for space to pursue outdoor sport. This inspiring book interweaves the author’s personal story of loss with the hidden history of trailblazing women who became cyclists, hikers, mountaineers and runners.

Judgment at Tokyo.

By Gary Bass. To be published in Britain in January.

A meticulously researched and authoritative account of efforts to prosecute and punish Japanese generals and politicians deemed responsible for some of the horrors of the second world war. The author, a former writer for *The Economist*, looks at why attempts to produce a shared sense of justice failed.

The Lumumba Plot.

By Stuart Reid. An editor at *Foreign Affairs* recounts the rise and demise of Patrice Lumumba, who was prime minister of post-independence Congo for less than three months in 1960 before he was assassinated, establishing the playbook for future CIA interventions. A shameful story, recounted with verve and thoughtfulness.

Revolutionary Spring.

By Christopher Clark.

A historian at Cambridge University traces the events leading up to and following the year 1848—when revolutions spread to almost every country in Europe. “Hierarchies beat networks. Power prevailed over ideas and arguments,” he writes. This book features a compelling cast of idealists, thinkers, propagandists and cynics and argues that their sacrifices were not wholly in vain.

On Savage Shores.

By Caroline Dodds Pennock.

An absorbing account of indigenous peoples in 16th-century Europe. Using archival documents and oral histories, the study shatters the Eurocentric assumption that, half a millennium ago, people and ideas flowed in only one direction, from the old world to the “new”.

The Wager.

By David Grann.

A thrilling account of a shipwreck off the coast of Patagonia in 1741 from the author of “Killers of the Flower Moon” (recently adapted into a film by Martin Scorsese). It revolves around three complex figures. Those who love yarns involving cannon fire, sea-chests and mainmasts will find this book worth plunging into, as will those less intrigued by the age of sail.

Staff books in 2023

From our desks to your library

The Economist’s writers were busy this year

Age of the City.

By Tom Lee-Devlin and Ian Goldin.

One of our business correspondents examines how cities came to dominate the global economy and explains how they will solve issues, including climate change and inequality, in the years ahead. Richard Florida, an urban theorist, called it “the book we need now.”

Always Take Notes.

Edited by Rachel Lloyd and Simon Akam.

A compendium of writing advice, co-edited by our deputy culture editor. Celebrated authors, including Ian McEwan and Elif Shafak, reflect on their careers and creative process. “An invaluable repository of wisdom that you can return to over and again”, said the *Fence*.

Carmageddon.

By Daniel Knowles.

A polemic against the dominance of automobiles, by our Midwest correspondent, which argues that cars threaten the climate, undermine cities and make people economically worse off. “Briskly written” and “well researched”, according to the *New Yorker*.

Lifescapes.

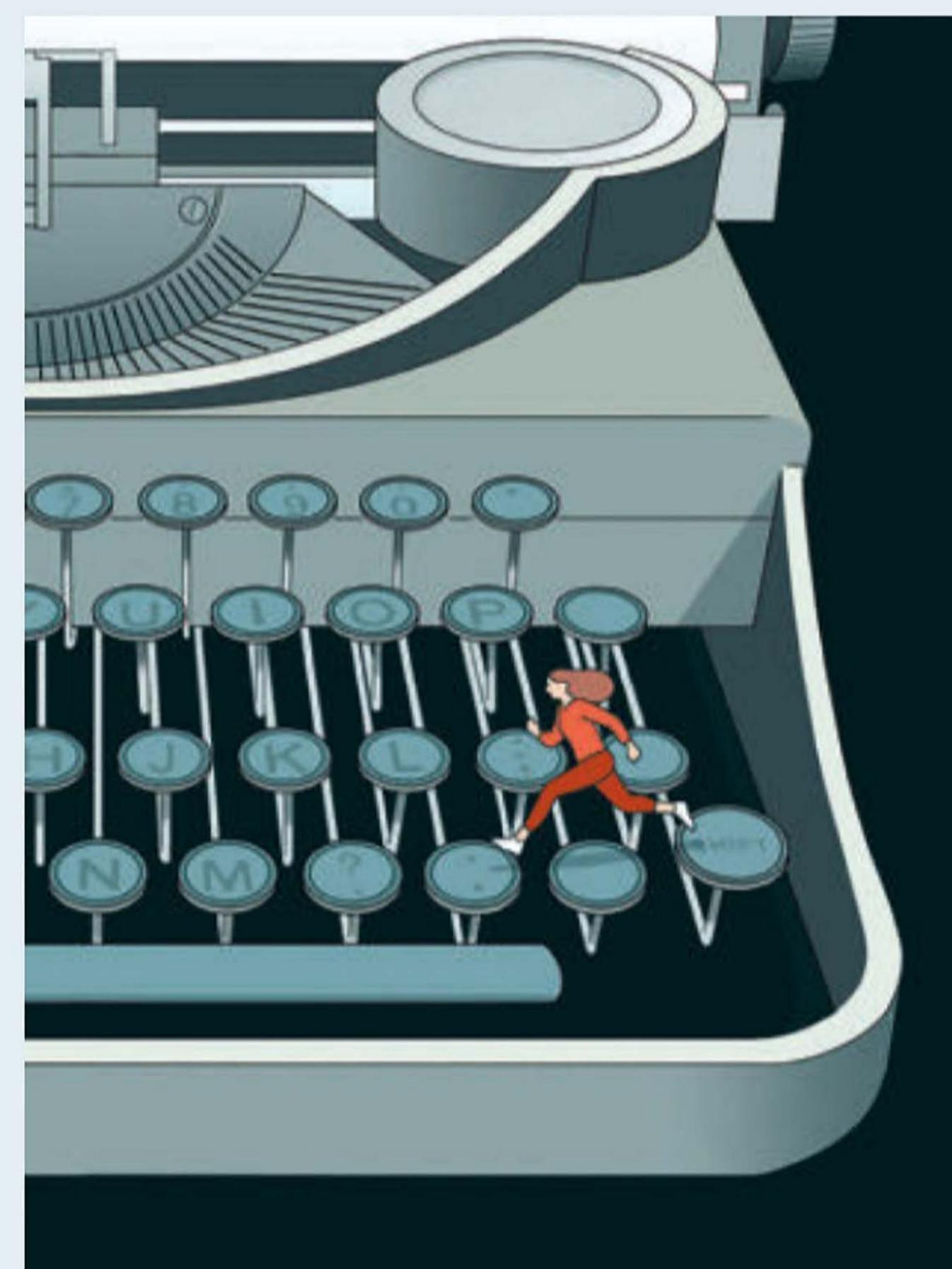
By Ann Wroe.

Our obituaries editor reflects on 20 years of recording the lives of other people in a collage of prose, poetry and memoir. “Astonishing”, said the *Daily Telegraph*. Named a book of the year by the London Times, the Financial Times and the *Times Literary Supplement*.

The Shining Mountains.

By Alix Christie.

A novel about the North American fur trade in the 19th century, by one of our regular contributors to the Culture section. An “original, truly epic and memorable saga”, said the *Midwest Book Review*.



Spain.

By Michael Reid.

An account of Spain’s democratic achievements since Franco, by a former correspondent and senior editor. “Reid has a gift for making the abstruse accessible,” said the *Wall Street Journal*.

Vienna.

By Richard Cockett.

One of our senior editors traces Vienna’s rich intellectual history from psychoanalysis to Reaganomics. This book looks at how history, science and culture have been shaped by the city of Sigmund Freud and Gustav Mahler. The *Financial Times* thought it was “illuminating”.

Writing with Style.

By Lane Greene.

Our guide on how to write with style, updated by our language columnist. “A succinct yet comprehensive distillation of *The Economist*’s long-standing philosophy of language,” said MultiLingual.

Fiction

The Bee Sting. By Paul Murray.

A story of one unhappy family told from multiple perspectives. Paul Murray is a confident, stylish writer: he convincingly evokes a teenage girl's rage, a boy's fear, a father's secrets and a mother's disappointments and grief.

The Fraud. By Zadie Smith.

This historical novel centres on a butcher's claim to be the heir of an English aristocrat. It focuses on an ex-slave who backs his story and on a woman who, fascinated by the case, becomes a writer. Slavery, populism and women's roles are serious themes in an often funny book.

Kairos. By Jenny Erpenbeck. Translated by Michael Hofmann.

A tale of an affair gone sour between a middle-aged male academic and a young female student in East Berlin in the dying days of the German Democratic Republic. It brilliantly weaves the personal with politics and history and does a fine job of unsettling the reader.

North Woods. By Daniel Mason.

Set in a single home in the forests of Massachusetts, the interconnecting stories of this enthralling novel span four centuries. It offers a timely musing on what and who are lost to history.

Prophet Song. By Paul Lynch.

The winner of this year's Booker prize is a cautionary tale of war, parenthood and loss. Tender and terrifying at once, it follows a mother-of-four trying to keep her family together in an imaginary dystopian Ireland, where the government has

succumbed to authoritarianism and is trampling on civil liberties.

Soldier Sailor. By Claire Kilroy.

A skilful and disquieting exploration of motherhood. In limpid, brisk prose, Claire Kilroy describes the difficulty of completing everyday tasks when accompanied by an infant, including making breakfast and going to the supermarket.

Western Lane. By Chetna Maroo.

After her mother dies, Gopi, the 11-year-old narrator, takes up the game of squash at the urging of her bereft father. A slim, subtle debut novel of grief and growing up that conjures a panoply of emotions in an elegant style.

Culture and ideas

Eight Bears. By Gloria Dickie.

Wonder, fear and friction characterise the relationship between bears and people. The author, a journalist for Reuters, travels the world in search of eight surviving species of bruin, including grizzlies and pandas, bringing readers on a unique sort of bear hunt.

Gradual. By Greg Berman and Aubrey Fox.

A passionate argument for incrementalism, the idea that humanity has grown more prosperous by making a long series of only modest improvements. Revolutionaries promise paradise but tend to bring about bloodshed, breadlines and book bans. Gradualism works.

High Caucasus. By Tom Parfitt.

This gripping travelogue recounts the author's hike across the Caucasus mountains from Russia's Black Sea coast to the

Caspian. A meditation on the role of memory in a fascinating place with a tumultuous, tragic past, it is liable to instil an unexpected urge to visit Dagestan.

The Identity Trap. By Yascha Mounk.

A well-argued treatise about wokeness and cancel culture from a political scientist at Johns Hopkins University. The left's swerve towards authoritarianism is "oddly unexplored territory" in intellectual history, Yascha Mounk contends. Bold and timely, this book asks questions about identity politics that many on the left are too afraid to ask.

Magisteria. By Nicholas Spencer.

The common misconception that science and religion are at odds is revised in a deeply researched history of the interplay between the two ways of understanding the world. Religion produced the critical thinking that welcomed scientific knowledge, and science was often inspired by appreciating forces beyond our ken.

Pandora's Box. By Peter Biskind.

A binge-worthy book about television, which argues that the risky, rule-breaking shows that defined the golden era of TV in the early 21st century are giving way to less original fare.

Sailing Alone. By Richard King.

An engaging, beautifully written book that asks what possesses an ever-growing number of people to get into a small boat and sail on their own across the world's seas. Both wimps and thrill-seekers will delight in this literary voyage.

A Thread of Violence. By Mark O'Connell.

In this scrupulous, penetrating true-crime inquiry, the author tries "to understand the darkness and violence that run beneath the surface of so many lives". His subject is Malcolm Macarthur, who committed an infamous double murder in Ireland in 1982.

Science and technology

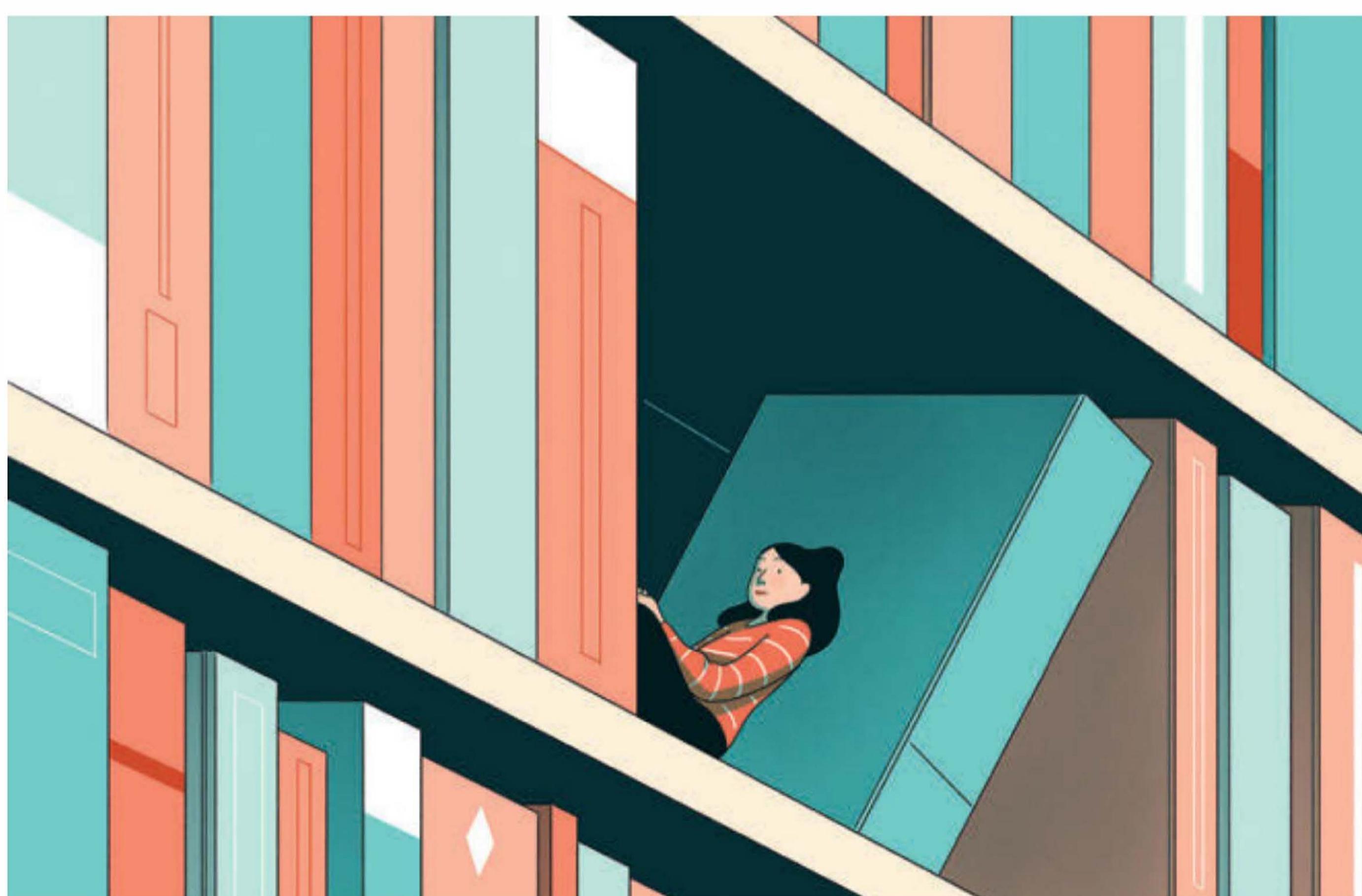
The Coming Wave. By Mustafa Suleyman, with Michael Bhaskar.

A cogent look at the potential of AI to transform the economy and society, along with the risks of misuse and surveillance. By a co-founder of DeepMind, a leading AI company, and board member of *The Economist*'s parent company.

The Heat Will Kill You First.

By Jeff Goodell.

A thorough, sometimes frightening examination of the many ways that rising



► temperatures threaten environments and societies. The author, a climate journalist, tells his story through intrepid reporting and memorable characters. It is one of the rare books on climate change that anyone can pick up and understand.

Outlive. By Peter Attia.

A longevity expert shows just how behind the times much of modern medicine is, partly because it so often seeks to cure rather than prevent chronic disease. There are simple things people can do to live longer and more healthily.

Time to Think. By Hannah Barnes.

This book focuses on a medical scandal at a paediatric gender clinic in Britain, but it also tackles a controversy that is playing out across the rich world: how to treat gender-identity dysphoria in children. A journalistic and sobering take on a divisive subject.

Ultra-Processed People.

By Chris van Tulleken.

There is much to cheer about calories being cheap and abundant, when for most of history they were neither. But the

cheapness and abundance of “ultra-processed” food comes at a cost. (Warning: this book may ruin the joy of junk food.)

What an Owl Knows.

By Jennifer Ackerman.

A natural-history writer draws on recent research to explain the allure of owls. An ear tuft-to-tail appreciation of the raptor that Mary Oliver, a poet, called the “god of plunge and blood”. ■

All books on this list are available for sale in America or Britain.

Johnson The word of the year

Johnson's choice for 2023 will be on people's lips for years to come

BEFORE NAMING a word of the year, Johnson turns to colleagues to find out what those in different fields and in various countries are talking about. It is a salutary reminder that the world is much bigger than the English language and that, even in largely English-speaking countries, the stock of words is constantly being refreshed by the languages with which English makes contact.

Our senior correspondent in Africa suggested *coup* as the word of the year—there have been two successful ones there in 2023. But an honourable mention should go to the Yoruba verb *japa*, used colloquially in Nigeria to describe making a quick escape from a precarious situation. Recently it has been extended to mean escape from Nigeria itself, which is plagued by misgovernment.

In contrast, India had a self-confident year, and *vishwaguru* was on many lips. As India hosted the G20 summit under the satisfied gaze of Narendra Modi, the prime minister, his fans revived the Sanskrit term. It means, roughly, “teacher to the world” (*vishwa* means “world”, and *guru* has long been an Indian export). Indians using it feel they need no lessons from arrogant Westerners.

Or is that “Northerners”? The *global south* has gained ground as a way to talk about developing countries, especially those that used to be called “the third world”. They avoid following America’s line on issues like Ukraine or Gaza, though they may be wary of Russia and China, too. Talk of the *global south* has led more people to refer to the *global north*, which is mostly what used to be the *West*. These linguistic shifts make for all-encompassing confusion.

In the global East, Johnson’s colleagues highlight *lan wei lou*: Mandarin for *rotten-tail building*. Ordinary Chinese

are obsessed not with geopolitics but the collapse of their property sector. Those who bought unfinished flats, never to see them completed, were especially angry.

In the West, strategists have moved on from talk of *decoupling* their economies from China’s. They now prefer *de-risking*. It came to prominence thanks to Ursula von der Leyen, the president of the European Commission. Though its ungainliness may suggest it was coined in her native German, it is an older term that had been previously used to refer to financial institutions cutting ties with dodgy actors.

But nothing can stop technology from dominating this year’s words. This was the year of artificial intelligence (AI), and not any kind but *generative AI*, which can churn out text and images with only some simple prompts. The breakthrough in particular of *large language models* (LLMs) has been stunning. They produce prose so human-like that they have ignited a debate about whether LLMs are actually thinking (and whether students will ever do homework without them again).

Generative would be the word of the

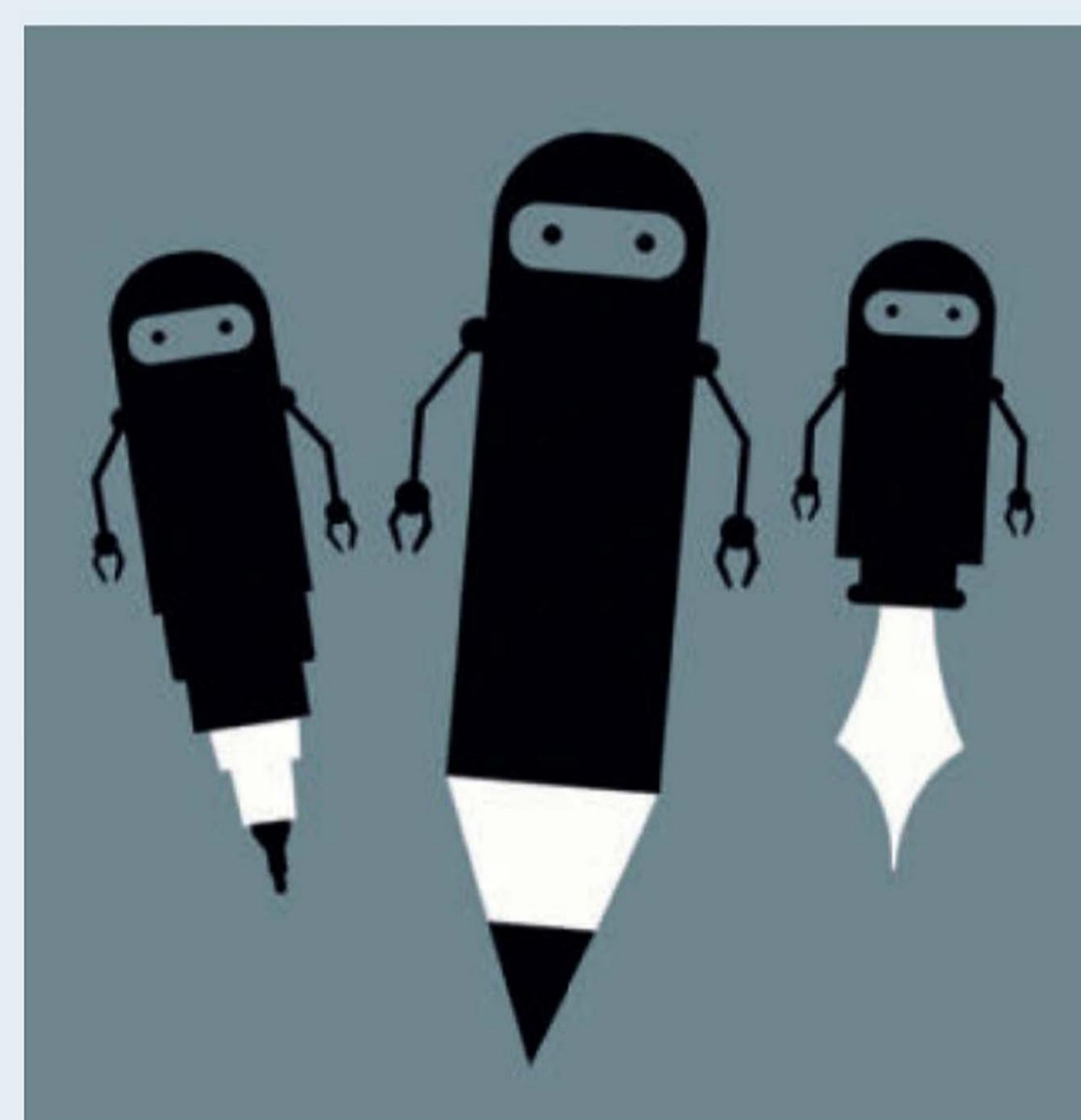
year if it were more widely known and used beyond the experts who follow AI. But since its launch in 2022, one term in particular—*ChatGPT*—has been on the lips of everyone from journalists to cab drivers wondering what all the fuss is about. Can a name be a word of the year? Is it even a word?

Yes. Names are nouns. And Google searches for “*ChatGPT*” are more than 90 times as frequent as those for “*generative AI*” or “*large language model*”. *ChatGPT* is the same in every language. Moreover, trade names have a long history of spreading into the collective parlance: aspirin, escalator, Hoover and Frisbee. (Though it is a mark of success, companies desperately try to prevent the “*genricide*” of their brands.)

In technology, most people “Google” rather than generically “search online”. And in that same vein, *ChatGPT* is the conversational term for any LLM: “What a lousy break-up text—did he get *ChatGPT* to write that?” The people have spoken with their overwhelming interest. It is impossible to pick anything else for Johnson’s word of the year.

Johnson has not been put out of work by *ChatGPT*. Nor is he trying to *japa* out of his column. But after eight years, it is time to relax the bonds of a rigid schedule. Reporting, opinions and analysis on language will continue to appear, but on a more occasional basis.

The great man whose name this column has borrowed, Samuel Johnson, knew that his labours could never be complete. He wrote that at any given moment, “some words are budding, and some falling away...a whole life cannot be spent upon syntax and etymology, and...even a whole life would not be sufficient”. But it has been a great pleasure to make the attempt.



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Economic data

	Gross domestic product			Consumer prices		Unemployment rate		Current-account balance		Budget balance		Interest rates		Currency units		
	% change on year ago latest	% change on year ago quarter*	% change on year ago latest	% change on year ago latest	%		%	% of GDP, 2023†	% of GDP, 2023†	%	%	10-yr gov't bonds latest, %	change on year ago, bp	per \$ Dec 6th	% change on year ago	
United States	3.0	Q3	5.2	2.4	3.2	Oct	4.1	3.9	Oct	-2.8	-6.3	4.1	61.0	-	-	
China	4.9	Q3	5.3	5.5	-0.2	Oct	0.7	5.0	Oct†§	1.8	-3.8	2.6	§§	-13.0	7.16	-2.2
Japan	1.2	Q3	-2.1	1.8	3.3	Oct	3.2	2.5	Oct	3.1	-5.1	0.7	39.0	147	-7.2	
Britain	0.6	Q3	-0.1	0.4	4.6	Oct	6.8	4.3	Jun††	-3.2	-3.5	4.2	90.0	0.79	3.8	
Canada	0.5	Q3	-1.1	1.1	3.1	Oct	4.0	5.8	Nov	-0.4	-1.3	3.3	50.0	1.36	nil	
Euro area	0.1	Q3	-0.2	0.7	2.4	Nov	5.5	6.5	Oct	2.3	-3.4	2.2	40.0	0.93	2.1	
Austria	-1.8	Q3	-2.1‡	-0.3	4.9	Nov	7.7	5.1	Oct	2.6	-2.4	2.8	35.0	0.93	2.1	
Belgium	1.4	Q3	1.6	1.3	-0.7	Nov	2.6	5.6	Oct	-1.3	-4.6	2.9	43.0	0.93	2.1	
France	0.6	Q3	-0.5	0.9	3.8	Nov	5.7	7.3	Oct	-1.0	-5.0	2.9	62.0	0.93	2.1	
Germany	-0.4	Q3	-0.5	-0.2	2.3	Nov	6.0	3.1	Oct	5.5	-2.4	2.2	40.0	0.93	2.1	
Greece	1.8	Q3	0.1	2.4	3.8	Oct	4.0	9.6	Oct	-6.5	-2.1	3.4	-43.0	0.93	2.1	
Italy	0.1	Q3	0.4	0.7	0.7	Nov	6.1	7.8	Oct	0.7	-5.3	3.9	28.0	0.93	2.1	
Netherlands	-0.6	Q3	-0.8	0.2	1.4	Nov	4.5	3.6	Oct	8.1	-1.9	2.5	44.0	0.93	2.1	
Spain	1.8	Q3	1.3	2.3	3.2	Nov	3.5	12.0	Oct	1.6	-4.1	3.4	61.0	0.93	2.1	
Czech Republic	-1.0	Q3	-2.1	-0.5	8.5	Oct	10.6	3.0	Oct‡	-1.4	-3.9	4.1	-64.0	22.5	2.8	
Denmark	0.2	Q3	-0.3	1.5	0.1	Oct	3.8	2.8	Oct	11.1	1.5	2.5	40.0	6.91	2.5	
Norway	-1.9	Q3	-2.1	1.4	4.0	Oct	5.8	3.6	Sep†††	17.1	10.8	3.4	30.0	10.9	-8.8	
Poland	0.5	Q3	6.1	0.4	6.5	Nov	11.3	5.0	Nov§	1.1	-4.8	5.3	-129	4.01	11.5	
Russia	5.5	Q3	na	2.8	6.7	Oct	6.2	2.9	Oct§	3.0	-2.8	12.1	177	93.0	-32.0	
Sweden	-1.4	Q3	-1.2	-0.6	6.5	Oct	6.0	7.4	Oct§	4.6	-0.3	2.4	62.0	10.4	-0.4	
Switzerland	0.3	Q3	1.1	0.8	1.4	Nov	2.2	2.1	Oct	7.4	-0.7	0.7	-35.0	0.87	8.1	
Turkey	5.9	Q3	1.1	3.4	62.0	Nov	53.1	8.9	Sep§	-4.6	-5.0	23.2	1,273	28.9	-35.5	
Australia	2.1	Q3	0.9	1.9	5.4	Q3	5.7	3.7	Oct	0.6	0.5	4.3	88.0	1.52	-2.0	
Hong Kong	4.1	Q3	0.3	3.4	2.8	Oct	2.0	2.9	Oct††	6.7	-1.5	3.7	22.0	7.81	-0.5	
India	7.6	Q3	8.6	6.5	4.9	Oct	5.7	8.1	Apr	-1.3	-5.9	7.2	nil	83.3	-0.8	
Indonesia	4.9	Q3	na	4.9	2.9	Nov	3.8	5.3	Q3§	0.6	-2.5	6.6	-27.0	15,492	0.8	
Malaysia	3.3	Q3	na	4.0	1.8	Oct	2.6	3.4	Sep§	1.7	-5.0	3.7	-33.0	4.67	-5.8	
Pakistan	nil	2023**	na	1.7	29.2	Nov	31.8	6.3	2021	-0.1	-7.6	15.1	†††	156	285	-21.3
Philippines	5.9	Q3	13.9	4.1	4.1	Nov	6.0	4.2	Q4§	-4.5	-7.2	6.2	-72.0	55.3	1.2	
Singapore	1.1	Q3	5.6	0.9	4.7	Oct	4.9	2.0	Q3	18.8	-0.7	2.9	-15.0	1.34	1.5	
South Korea	1.3	Q3	2.5	1.3	3.3	Nov	3.7	2.1	Oct§	2.2	-2.7	3.5	2.0	1,313	0.5	
Taiwan	2.3	Q3	7.8	1.2	2.9	Nov	2.5	3.4	Oct	13.4	-0.2	1.3	-12.0	31.5	-2.7	
Thailand	1.5	Q3	3.1	2.8	-0.3	Oct	1.6	0.9	Sep§	0.5	-2.7	2.8	29.0	35.2	-0.3	
Argentina	-4.9	Q2	-10.9	-1.0	143	Oct	134.2	6.2	Q2§	-3.4	-4.3	na	na	364	-53.4	
Brazil	2.0	Q3	0.6	3.0	4.8	Oct	4.6	7.6	Oct†††	-1.6	-7.6	10.9	-203	4.90	6.7	
Chile	0.6	Q3	1.3	-0.2	5.0	Oct	7.6	8.9	Oct†††	-4.0	-3.2	5.6	30.0	870	1.2	
Colombia	-0.3	Q3	1.0	1.6	10.5	Oct	11.8	9.2	Oct§	-4.0	-4.2	10.6	-194	3,992	20.6	
Mexico	3.3	Q3	4.3	3.4	4.3	Oct	5.5	2.7	Oct	-1.4	-3.8	9.2	14.0	17.3	14.6	
Peru	-1.0	Q3	-1.1	-0.3	3.6	Nov	6.5	6.1	Oct§	-1.3	-2.9	6.9	-72.0	3.76	2.4	
Egypt	2.9	Q2	na	3.8	35.9	Oct	37.5	7.1	Q3§	-1.8	-6.7	na	na	30.9	-20.5	
Israel	3.5	Q3	2.8	0.9	3.7	Oct	4.3	3.1	Oct	5.4	-4.9	4.0	75.0	3.70	-7.6	
Saudi Arabia	8.7	2022	na	-1.1	1.6	Oct	2.3	4.9	Q2	3.0	-1.9	na	na	3.75	0.3	
South Africa	-0.7	Q3	-1.0	0.7	6.1	Oct	5.9	31.9	Q3§	-1.8	-5.2	10.0	-63.0	18.9	-8.1	

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	% change on:			index	% change on:		
	Index Dec 6th	one week	Dec 30th 2022		Dec 6th	one week	Dec 30th 2022
United States S&P 500	4,549.3	nil	18.5	Pakistan KSE	63,778.8	5.4	57.8
United States NAScomp	14,146.7	-0.8	35.2	Singapore STI	3,087.2	0.1	-5.0
China Shanghai Comp	2,968.9	-1.7	-3.9	South Korea KOSPI	2,495.4	-1.0	11.6
China Shenzhen Comp	1,855.2	-1.8	-6.1	Taiwan TWI	17,360.7	-0.1	22.8
Japan Nikkei 225	33,445.9	0.4	28.2	Thailand SET	1,389.6	0.1	-16.7
Japan Topix	2,387.2	1.0	26.2	Argentina MERV	894,502.3	13.2	342.6
Britain FTSE 100	7,515.4	1.2	0.9	Brazil BVSP*	125,622.6	-0.4	14.5
Canada S&P TSX	20,274.2	0.8	4.6	Mexico IPC	54,100.4	2.5	11.6</td



A cowgirl on the bench

Sandra Day O'Connor, the first woman on America's Supreme Court, died on December 1st, aged 93

THAT ARIZONA sun was hot, and Sandra Day, then a teenager, was in the high desert alone. She had taken the disreputable old Chevy pickup on a two-and-a-half-hour drive to where her father, and the cowboys of his 200,000-acre Lazy B ranch, were branding cattle. The chuck-wagon box held the lunch she had packed for them herself, coleslaw and potatoes and applesauce cake. But now the left rear tyre was totally flat.

The desert was an empty and dangerous place, so silent that you could sometimes hear an ant running on a leaf. Anything there could scratch or sting you. If something went wrong, you had to fix it yourself. So she climbed out, jacked up the truck, and struggled to get the lug nuts off. It took a while; they were on tight. After an hour she got the tyre changed, reached the men, made a brushwood fire for the coffee and spread out lunch. No one thanked her. This was her allotted job, and she was late.

It was probably for experiences like this, she thought later, that President Ronald Reagan had picked her in 1981 to be the first woman justice on the Supreme Court. He too was a westerner who loved the ranching life. And for all the law she had learned by then, it was the lessons of the desert that inspired her in her 24 years on the bench. Tackle the job in front of you. Overcome your own difficulties. Don't expect anyone else to assist. But in company, co-operate kindly. It was all good training for being a woman and a moderate on a court otherwise equally divided, most of the time, between four liberals and four conservatives.

All the same, her appointment was a shock. She had no aspiration that way. And it seemed just as well. She left Stanford Law in 1952, third in her class, to find no law firm would hire her. Only one would even interview a female; at the end, rejected again, she was asked how well she could type. But she was determined to practise law, no matter what. She took a first post without pay, became assistant to Arizona's attorney-general, and rose to be an appeals

court judge. Not the deepest legal preparation, but enough.

Though the tag was annoying, the role of swing vote was ideal for her. She had no ideology to speak of. As a longtime Republican, she approved of small government, remembering how her father had been driven mad by far-off paper-pushers in Washington. She also tolerated guns well. But no grand vision, save reverence for the Framers, coloured her decisions. Instead, as on the Lazy B, she was clear-eyed and practical. For her the most striking part of the justices' conference was the way, at the end, they all shook hands.

The first day was nerve-racking, but she soon steadied. For most of her tenure the chief justice was William Rehnquist, a fellow Arizonan, with whom she had played cards and had fun at Stanford Law. The work itself was fascinating. Her method was to stay close to the record, ignoring any dramatics from the lawyers. Not all "crises", she wrote, were real. Crises were when a ranch-hand was badly hurt, with no medical help for miles. Crises were when a windmill stopped pumping water. By contrast, her cases involved a potential injustice that needed long consideration.

In doing so, she sometimes had to adjust her own beliefs. Several cases involved affirmative action, which she instinctively disliked. She ruled against it in a gerrymandering case, because the equal-protection clause protected persons, not groups; she ruled for it in university admissions, because it encouraged diversity in work and civic life. She admitted to falling under the spell of Thurgood Marshall, the court's first black justice, and the stories of racial suffering he told, in his ringing voice, at the conference table. She had not heard that sort of talk in Arizona.

Her opinions were written narrowly, because she always bore in mind the effect of her decisions on ordinary people. Unlike most other justices, she had been a politician, serving in the Arizona Senate. She therefore knew that, on the ground, legal rulings could prove intolerable. Abortion was the prime example. Eight years before she joined the court, *Roe v Wade* had become the law of the land. Twice, as the casting vote, she could have overturned it. But she did not. Personally, she found it repugnant; but at her age, 60 or so, she was not about to face an unwanted pregnancy. How could she cause distress to a young woman who was?

States had to be free, too, to run their own affairs. Her time in the Arizona Senate convinced her to trust their officers. But a notable exception came with the hair's-breadth presidential election of 2000, when her opinion that Florida's recount should stop put George Bush junior in the White House. As a Republican, she felt awkward; perhaps the court should have said "We're not going to take it, goodbye!" to that case. But then again, the recount was a shambles that contravened the equal-protection clause.

This was possibly the trickiest moment of her long legal career. She could think of others, though. Her failed attempt to run her own little law firm in the suburbs of Phoenix, while being a mother and a housewife. The time when the Arizona attorney-general, having no idea what to do with a woman, sent her to work in the state mental hospital. (Undeterred, she set up legal aid for the patients.) The time when, asking her first question from the Supreme Court bench, her light voice barely made itself heard.

Eventually, however, her questions rang out loud and clear. Lawyers quailed. Her presence also made a social difference to the court. She encouraged friendship, not just among her clerks, whom she mothered, but among the justices, whom she urged to lunch together after oral arguments. And in the wider world she chalked up one truly fine men's club conquered, though it was 12 years before Ruth Bader Ginsburg joined her there.

That bastion was not the first to fall. Before that, she had become the first woman majority leader of a state Senate. And before that she had been the first woman, or rather girl, to ride with a cattle drive at the Lazy B ranch. In that rugged, wonderful place, which surged through her mind and heart long after it was sold, she learned to show the men what women could do. Even if it made her late with their lunch. ■



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