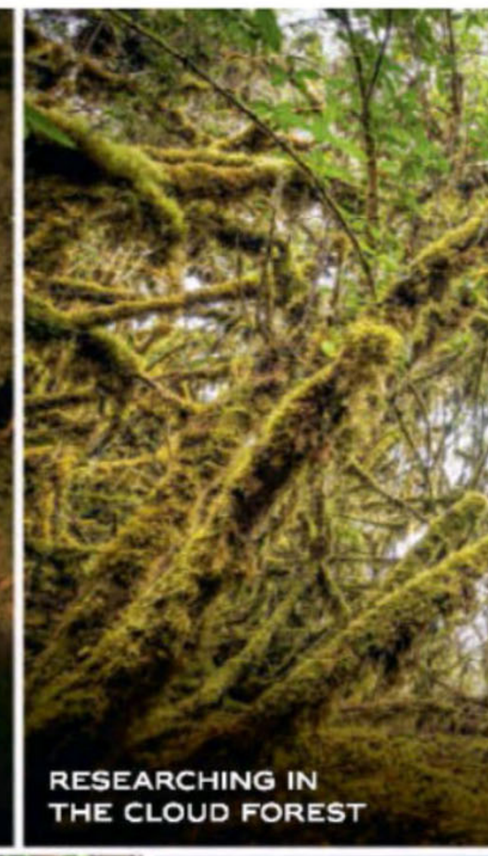
The Economist

NOVEMBER 9TH–15TH 2024

WELCOME TO TRUMP'S WORLD

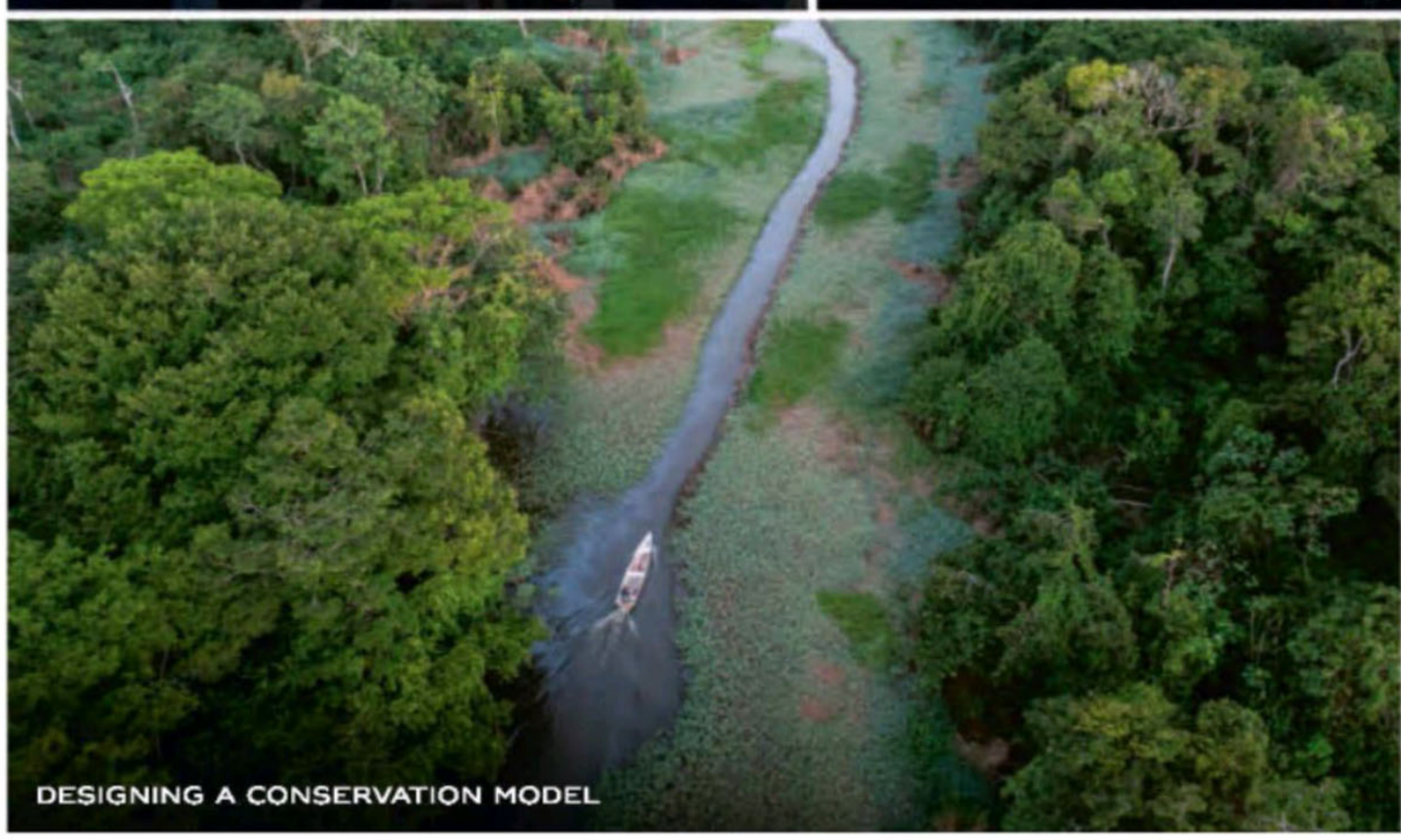
STUDYING AMAZON MANGROVES

MODELLING WETLANDS FLOODING

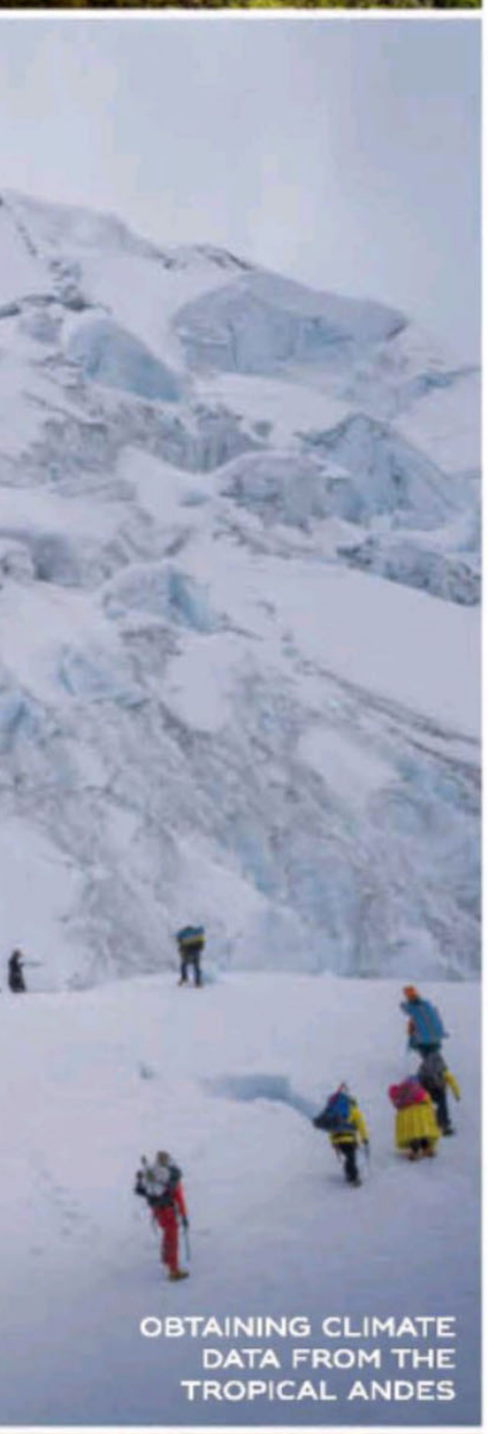

RESEARCHING IN THE CLOUD FOREST

ANALYZING WATER CONTAMINATION

NATIONAL GEOGRAPHIC EXPLORER AND PHOTOGRAPHER THOMAS PESCHAK


DESIGNING A CONSERVATION MODEL

WORKING WITH LOCAL COMMUNITIES



NATIONAL GEOGRAPHIC SOCIETY AND ROLEX: A PARTNERSHIP TO SAVE THE AMAZON

The mighty Amazon helps to regulate the world's climate. For two years, seven teams from the National Geographic and Rolex Perpetual Planet Amazon Expedition have studied the health of one of the world's most important river systems under the watchful eye of photographer Thomas Peschak, who has chronicled their work. Their research will inform decisions on how to protect and restore the river's ecosystems.

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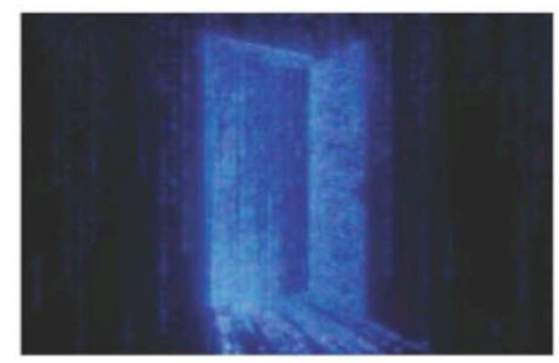

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to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

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The world this week Politics

Donald Trump won **America's presidential election**, handily beating Kamala Harris and becoming the first Republican to win the popular vote since 2004. He won all the crucial states that decided the election, including Michigan, Pennsylvania and Wisconsin. Iowa, which a recent poll suggested Ms Harris would unexpectedly win, ended up plumping for Mr Trump by a margin of 13 percentage points. Mr Trump said the results gave him a "great feeling of love" and "a powerful mandate". He will be the first president to enter office who has been convicted of a felony.

A clean sweep

The Republicans had a good night in **Congress** too. The party won control of the Senate after taking seats from the Democrats in Montana, Ohio and West Virginia. It is also on track to retain a narrow majority in the House of Representatives.

Ballot initiatives aimed at protecting **abortion rights** passed in several states, including Missouri, where an existing ban on the procedure was overturned. Restrictions will remain in Florida, Nebraska and South Dakota.

Binyamin Netanyahu, the **Israeli** prime minister, sacked Yoav Gallant, his defence minister. Mr Netanyahu blamed a "crisis of confidence" between the pair; the two men have long disagreed over Israel's strategy in Gaza and Lebanon. Mr Gallant has supported a ceasefire in Gaza that would lead to the release of the remaining hostages; the prime minister is reluctant to pursue such a deal.

An Israeli court partially lifted a gag order to reveal that a spokesperson working with the office of Mr Netanyahu has been accused of leaking **top-secret documents** that may have undermined negotiations for a ceasefire in Gaza and the release of hostages. Mr Netanyahu has denied any wrongdoing by his staff.

Human-rights campaigners called on **Iran** to release a woman who was detained after taking off her clothes and walking around a university in Tehran in her underwear in an apparent protest against Iran's compulsory hijab laws. The university said the woman suffered from a "mental disorder" and had been taken to a psychiatric hospital.

Fighting broke out at a Hindu temple near Toronto, reportedly between Sikh separatists and other Indian-Canadians. The trouble was sparked by a visit from Indian consular officials. Relations between **Canada** and **India** are at a low ebb over the murder of a Sikh activist in Vancouver and claims that Indian officials were involved. Narendra Modi, India's prime minister, said the violence was an assault on a Hindu place of worship and an attempt to intimidate diplomats.

Australia's High Court ruled that the government could not force certain migrants to wear tracking devices on their ankles. Around 200 migrants with criminal records but who can't be deported were made to wear the trackers, after the same court ruled late last year that they could not be held in custody indefinitely. It has now decided that they can't wear the devices either, because only judges, and not politicians, can impose punishments.

Germany's coalition government unravelled, torn asunder by rows over the budget. Olaf Scholz, the Social Democratic chancellor, sacked his finance minister, Christian Lindner of the pro-business Free Democrats, accusing him of putting his party before his country. With the economy in the doldrums, Mr Scholz wants to loosen Germany's strict fiscal rules in order to borrow more. He has called for a vote of confidence in parliament on January 15th, which he will probably lose.

The Spanish government sent 10,000 troops, police and national guard to help the rescue effort in the Valencia region, the largest such peacetime deployment in **Spain's** history. The death toll from the recent flooding climbed to 219, and was expected to rise. In chaotic scenes some angry residents shouted abuse at King Felipe and local officials, whom they blame for being unprepared for the deluge, during a visit to the scene. The prime minister, Pedro Sánchez, had to be driven away for his safety.

Ireland's prime minister, Simon Harris, called a general election for November 29th.

Kemi Badenoch was elected leader of **Britain's** Conservatives, becoming the first black person to head one of the country's big parties. Straight-talking, blunt and at times abrasive, Ms Badenoch is vocally anti-identity politics and blames regulation for many problems. She says she will fight against what she claims is "left-wing nonsense" from the new Labour government. It is a difficult job. After July's historic election defeat, the Tories have five years in opposition ahead.

Maia Sandu was re-elected as **Moldova's** president for a second four-year term, despite the Kremlin's underhand efforts to bolster her pro-Russian opponent, Alexandr Stoianoglo. Ms Sandu's national security adviser confirmed there had been "massive interference" from Russia during the election.

A senior Ukrainian official said that **Ukrainian** troops had fired on **North Korean** soldiers, who are bolstering Russian forces. The incident took place in Russia's Kursk border region, which Ukraine marched into in August. Volodymyr Zelensky, the Ukrainian president, noted the "increase in North Korean forces, but, unfortunately, we do not see an increase in response from our partners". Meanwhile Vladimir Putin, Russia's president, held a meeting with North Korea's foreign minister at the Kremlin.

A Russian missile strike on the south-eastern Ukrainian city of **Zaporizhia** killed six people. Europe's largest nuclear plant sits just 50km (31 miles) from the city. Russia has stepped up its attacks in the area.

Eight people went on trial in Paris over the murder in 2020 of **Samuel Paty**, a teacher who was beheaded by a Muslim fanatic for showing pictures of Muhammad the Prophet in a lesson on free speech. The perpetrator was shot dead by police. The trial focuses on local residents who whipped up a campaign of hate and lies against Paty on social media.

Entrée interdite

New traffic restrictions came into force in **Paris**, banning cars from entering a five square km (1.9 square miles) zone covering four central *arrondissements*. Residents who live in the zone can still drive in it. The first six months of the scheme is a "pedagogical period", where motorists who enter the area will be politely told of the new restrictions. After that they face a stiff fine.

The world this week Business

Markets responded positively to Donald Trump's victory in America's election. The dollar soared, rising by the most in a day against a basket of currencies for two years. The Mexican peso and the Chinese yuan tumbled amid fears of higher tariffs and more trade protectionism. The **"Trump trade"** also lifted stockmarkets. The biggest winners were companies thought to be favoured by Mr Trump. Tesla's stock jumped, as did shares in banks, which will profit from Mr Trump's promise to overhaul America's regulatory agencies; he has said he will fire the chairman of the Securities and Exchange Commission. Bitcoin surged to almost $75,000, beating its previous record in March. Mr Trump wants to make America the "crypto capital of the planet".

An eight-week strike by **Boeing's** west-coast workers came to an end, after they voted to accept a new contract, which includes a 38% pay increase spread over four years and improved pension contributions. By some estimates the strike cost Boeing around $100m a day in lost revenue. The company recently raised $21bn in equity markets.

Apple's annual report conceded that its future products may not be as profitable as the iPhone, as it invests billions in artificial-intelligence-based services. Meanwhile, speculation mounted that Apple is set to be fined by the European Union's competition regulator for restrictions at its App Store, which would make it the first tech company to be fined under the EU's Digital Markets Act.

Warren Buffett's **Berkshire Hathaway** reduced its stake in Apple further. It now has a $70bn holding in the company, down from $178bn in 2023. After the sale of this and other stock, Berkshire is now sitting on a cash pile of $325bn, its largest ever.

Nvidia replaced Intel on the Dow Jones Industrial Average, a stockmarket index of 30 blue-chip companies. **Intel**, which joined the Dow in 1999, has seen its share price fall by 50% this year and it recently reported a $16.6bn quarterly loss. Nvidia's stock is up by 190% on record revenues and it has surpassed Apple to become the world's most valuable company. Meanwhile **Palantir**, a software firm and another winner in the AI boom, raised its annual revenue forecast again, which pushed its stock up by 35% over three days.

Giving more than it receives

Saudi Aramco booked a third-quarter net profit of $27.6bn, down from $32.6bn a year earlier. The Saudi state-controlled oil giant pays out a quarterly dividend of $31bn, almost all of which goes to the government. Other oil companies have also reported smaller quarterly profits on weaker oil prices and smaller refining margins. **Chevron's** plunged by 31%, to $4.5bn, and **ExxonMobil's** fell by 2% to $8.6bn.

OPEC+ made another attempt to try to lift oil prices when it delayed until the end of the year a scheme to raise output. It had planned to increase production by 180,000 barrels a day by December. Oil prices have fallen this year amid forecasts of lower global demand, especially in China. Prices rose after OPEC+ made its announcement, but then fell back again.

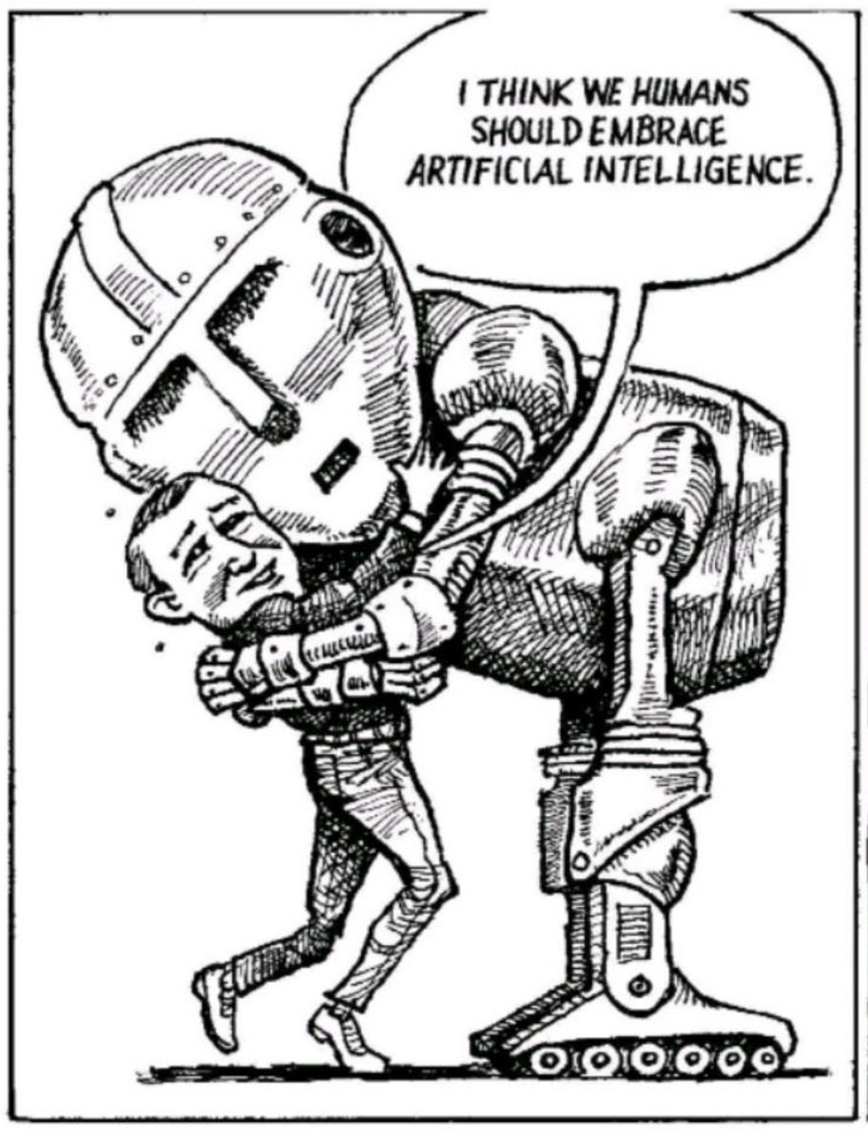
UniCredit, an Italian bank that wants to take over **Commerzbank**, Germany's second-biggest lender, reported a higher quarterly net profit and lifted its profit forecast for the year. Andrea Orcel, the chief executive of UniCredit, said his bank would decide within a year whether to pursue a full takeover, which is fiercely resisted in Germany.

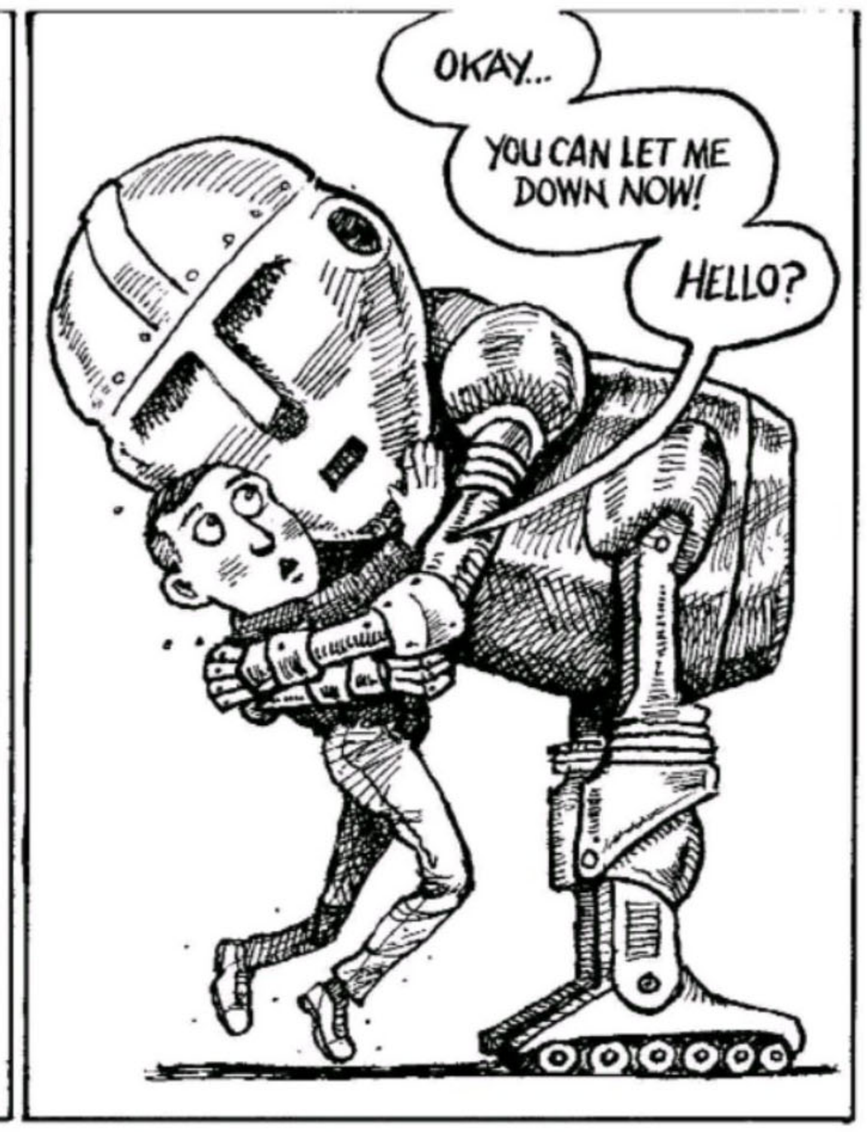
China advanced its complaint at the World Trade Organisation against the EU's imposition of stiff **tariffs** on Chinese-made electric vehicles. The EU says that unfair state aid to Chinese carmakers is undercutting their European rivals, but in its complaint China argues that the new levies are protectionist and "an abuse of trade remedies".

Uniper, which was Europe's biggest importer of Russian natural gas until the invasion of Ukraine brought it to the brink of collapse, said it had started to repay the bail-out it received from the German government. In 2022 the German state nationalised Uniper with a €13.5bn ($14.5bn) rescue package after Russia cut its gas supplies to Europe.

Ballot initiative

Tech employees at the ***New York Times*** went on strike, threatening to disrupt the newspaper's online coverage of election results. The 600-stong workforce of software engineers, data analysts and product managers is in a long-running dispute with management over pay and conditions, including remote working. The Grey Lady put a "robust" plan in place to cope with the walkout and in the end its famous Needle was able to forecast the election result. Workers say the company now needs to "move the needle" on negotiations.





The Economist

Welcome to Trump's world

His sweeping victory will shake up everything

A STUNNING VICTORY has crowned Donald Trump the most consequential American president since Franklin D. Roosevelt. After defeating Kamala Harris—and not just narrowly, but by a wide margin—America's 45th president will become its 47th. The fact that Mr Trump will be the first to win non-consecutive terms since Grover Cleveland in 1892 does not start to do justice to his achievement (see Briefing). He has defined a new political era, for America and the world.

In some ways the Trump era is very modern. It was made possible by technological changes and media fragmentation, at a time when distinguishing law from politics and politics from showbiz is hard. But it is also a return to an old idea of America. Before the fight against fascism convinced FDR that it was in his country's interest to help bring order and prosperity to the world, the country was hostile towards immigration, scornful of trade and sceptical of foreign entanglements. In the 1920s and 1930s that led to dark times. It could do so again.

After Tuesday's victory, the world lies at Mr Trump's feet. He has won a mandate and, probably, the control over Washington he needs to exercise it. In what was supposed to be a knife-edge election, Mr Trump carried most of the battleground states. Thanks to big swings in states that were never in doubt, including Florida, New Jersey and New York, he also won the popular vote. As the polls predicted, he enjoyed a big surge in support from Latino men. But women, whom Ms Harris had expected to move to her, also swung towards Mr Trump. His victory will be made complete by Republicans retaking the Senate and, as seems likely, holding on to the House.

There will be time for recriminations among Democrats about what went wrong, but the early answer is: almost everything. Poll after poll said that under President Joe Biden the country was going in the wrong direction. Voters never forgave him for the burst of inflation that began in the summer of 2021. The Biden administration promoted a view of culture that is out of step with most Americans, especially on sex and gender, which featured in a lot of Trump campaign ads. Most damaging of all, voters throughout the country were infuriated by the Democrats' failure to stop people crossing the southern border illegally. The party compounded its errors by covering up Mr Biden's disqualifying frailty until it was undeniable. By then they had no time to find a political talent capable of beating Mr Trump.

Something deeper is afoot, too. In 2016 some people comforted themselves with the thought that Mr Trump's presidency was an aberration. By choosing to overlook his attempts to stop the transfer of power to Mr Biden in 2020, voters have shown how wrong that conclusion was. Instead they have endorsed Mr Trump's unbounded exploitation of partisanship as the basis of his politics, including the slander of his opponents as corrupt and treacherous. This has spread a cynicism and despair about the merits of government that may serve him, but will not serve America's democracy. MAGA is a movement of iconoclasm against the kind of benign internationalists who occupied the White House for 70 years. This week a majority of voters embraced it with their eyes open.

If Mr Trump has wrecked the old order, what will take its place? Whereas the old America championed free trade, Mr Trump will accelerate the return to pre-war mercantilism. He is a believer in tariffs. Trade deficits, he claims, are proof that foreigners are taking his country for fools. On his watch America is likely to be spendthrift, as he and his party push through tax cuts, which will further widen the budget deficit. Mr Trump has promised massive deregulation. That may well bring benefits, but the next president loves power and craves sycophancy. There is a risk he will carve out special deals for his supporters, such as Elon Musk, the world's richest man.

Our hope is that Mr Trump will avoid these pitfalls, and we acknowledge that in his first term he mostly did. Our fear is that during this presidency he will be at his most radical and unrestrained, especially if, as America's oldest-ever president, his powers begin to fail him. Having learned from Trump 1, his team will set out to ensure that no one who is likely to restrain him will be appointed to the administration. Mr Trump will therefore be able to put his control of Congress and his popular mandate to maximum use.

In the decades after FDR, American foreign policy worked through alliances. By contrast, Mr Trump's instincts are to treat allies as suckers to be shaken down. He likes to say he is so unpredictable that America's adversaries will be too cowed to try anything. He may indeed be able to strike a deal with Vladimir Putin over Ukraine that does not end up with Russian tanks in Kyiv. He may also be able to exert pressure on Iran and deter China from using military power to dominate Asia. But if Mr Trump's threats seem like bluster, his unpredictability is just as likely to encourage Chinese and Russian aggression (see International section).

What is clear is that uncertainty will impose costs on America's allies, especially in Europe (see Leader). If they fear they cannot depend on Mr Trump to support them when they are threatened, they will take steps to protect themselves. At the very least America's allies will need to spend more on their own defence. If they cannot muster enough conventional weapons to deter the local aggressor, some of them may follow Britain and France and seek to acquire nuclear weapons.

The imitation game

Part of America's global influence came through the power of example. In their own politics and in their international conduct, its leaders were mindful of the precedents they were setting. What was remarkable was not that they sometimes broke the rules, but how much they stuck by them. Under Mr Trump the converse will be true. His victory will inspire imitators elsewhere. In Brazil Jair Bolsonaro was elected two years after Mr Trump won in 2016. In France Marine Le Pen now seems a more likely president in 2027. The international movement of nationalist populists that seemed to be waning after 2020 will ▸▸

be revived. If Mr Trump uses the justice system against his opponents, as he has vowed, it will set a dangerous example.

It will take time for the full significance of Mr Trump's victory to sink in. America remains the pre-eminent power. Despite the debasement of its politics, its economy is world-beating—at least for now. It dominates artificial intelligence. It is rich and its armed forces are second-to-none, even if the People's Liberation Army is catching up.

However, without American enlightened self-interest as an organising principle, the world will belong to bullies. Countries will be more able to browbeat their neighbours, economically and militarily, without fear of consequences. Their victims, unable to turn to America for relief, will be more likely to compromise or capitulate. Global initiatives, from tackling climate change to arms control, have just got harder.

The old order in the new world

Mr Trump would no doubt retort that this is the world's problem, not America's. Under him, Americans can get on with their lives free from the weight of foreign responsibilities. And yet, two world wars and the ruinous collapse of trade in the 1930s say that America does not have that luxury. For a time—possibly for years—America may do fine. Eventually, the world will catch up with it. ■

Europe and Donald Trump

Wake up!

The old world is vulnerable. The biggest obstacle is Germany, which urgently needs elections

HAD KAMALA HARRIS won on November 5th, Europe would have heaved a huge sigh of relief, turned over, and promptly gone back to sleep. Donald Trump's first presidency, followed by the full-scale invasion of Ukraine by Russia in February 2022, had served as a pair of noisy wake-up calls, forcing Germany's chancellor, Olaf Scholz, to invoke a *Zeitenwende*, a historic turning-point, in defence and security. But as the war in Ukraine has settled into a grinding, slow-motion endurance test, European countries have been distracted by the concerns of voters about eroding pay-packets, surging migration and failing health-care systems. Many have returned to the habitual complacency that comes from sheltering peacefully for 80 years under America's mighty umbrella.

Mr Trump's triumph means that those days in Europe are over. Few places will be worse affected by the return to the White House of the 45th president. He will have no patience for Europe's trade surplus—in the campaign he has been caustic about German cars. In security, his brutally short-termist approach to alliances ought to teach Europe that it can no longer depend on America for its defence. As if to signal that Europe is not up to the task, the coalition governing Germany, Europe's biggest country, collapsed on the day of Mr Trump's victory.

Mr Trump approaches European security with a transactional logic, which is hardly a solid foundation for an alliance like NATO. Earlier this year, railing against countries that spend too little on defence, he said: "No, I would not protect you...in fact, I would encourage [the Russians] to do whatever the hell they want. You got to pay. You got to pay your bills." Article 5 of the alliance's charter, which stipulates that an attack on one NATO member is an attack on them all, is not yet a dead letter. But with Mr Trump back in office, it is in danger.

This shock could hardly come at a more perilous time for Europe. In Ukraine Russia is advancing, slowly for the moment, but much faster if the Ukrainian front collapses. Vladimir Putin has made no secret of his desire to undermine NATO and the European Union. If Mr Trump imposes a Carthaginian peace on Ukraine or casts further doubt on NATO, Europe itself will suddenly seem at risk.

Europe has the wealth and technology to do more for Ukraine and to deter Mr Putin. But Britain, France and Germany are not taking their own security seriously enough. Each hides behind a NATO target of 2% of GDP for defence spending. Much more is needed. Europe's defence industries are underpowered, and are fragmented because governments support their national champions. If Europe were to be denied the American command structure in NATO, its constituent countries would struggle to pool their resources.

Even if Europe could find the money to put all this right, the continent lacks leadership and cohesion. One obstacle is the growing influence of autocratic tendencies in European politics, which Mr Trump's election victory will surely encourage. Another is that Mr Trump will urge European leaders to negotiate with him bilaterally—because that will give him the greatest bargaining power. They need to stay together.

In the past Europe has made progress only when propelled by both cylinders of its Franco-German motor. Today, France is led by Emmanuel Macron, an impotent president who has nothing close to a parliamentary majority. Germany has been led by a bickering three-way coalition. Its collapse, after Mr Scholz fired his finance minister in a furious row over the budget, leaves the chancellor hoping to stagger on at the head of a minority government until early elections are held in March.

The death of the unloved "traffic-light" coalition is long overdue. Fractious, unable to grapple with Germany's deep-seated economic woes, and incompetently managed by the uninspiring Mr Scholz, it would have had precisely no chance of grappling with the new Trumpian realities. Europe needs more joint money for Ukraine and a large EU budget for defence. Yet the coalition had set its face against any new version of the covid-recovery fund that has injected hundreds of billions of euros into European economies in the past three years.

In part, this paralysis is because Germany is bound by an absurd constitutional "debt brake" that bans it from running more than tiny deficits. That urgently needs reform, which in turn requires a new government. Neither Germany nor Europe can afford to wait five months. ■

Finance in India

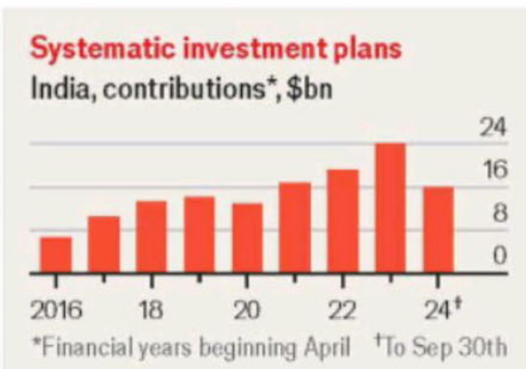
Bombay bulls

A welcome shareholder revolution faces threats from wild derivatives bets

OVER THE past five years India's financial markets have undergone an extraordinary transformation. Rapid economic growth has been accompanied by a booming stockmarket, which has risen by around 80% in dollar terms. Tens of millions of Indians have become investors for the first time. The world's most populous country is becoming a nation of shareholders. This revolution is welcome, but financial regulators are worried about sky-high retail use of speculative equity derivatives as markets have taken off. They are right.

Rising incomes are not the boom's only cause. Digital payments and trading apps mean that any Indian with a phone and cash can own slivers of listed firms. Since 2019 the share of households that own stocks has risen from 7% to 20% (see Finance & economics section).

Households can expect better long-term returns from listed companies than gold, property or bank deposits. For companies, a deeper capital market has improved funding. India generates only 3% of the world's GDP, but has been home to nearly a third of all public listings so far this year, which accounts for a tenth of the capital raised in IPOs globally.



Unusually among emerging economies, India has successfully translated economic growth into shareholder returns, letting ordinary investors benefit. Stocks there have roared since 2019, even as those in China have fallen by 15%. Analysts at Franklin Templeton, an asset manager, reckon that the correlation between Indian company earnings and GDP growth is closer than in any other emerging market.

But the good news comes with a health warning. Indian stocks are priced at 23 times their expected earnings over the next year, higher than those in America, but in a market with far fewer fast-growing technology stocks. No wonder foreign investors are now pulling out. Even more eye-catching is the explosion of equity derivatives. Four-fifths of equity futures and options trades in the world now take place in India.

Derivatives are useful. They can help companies and investors hedge against all kinds of risk. But in India much of the volume comes from new retail traders. A study from the Securities and Exchange Board of India (SEBI), the country's financial regulator, suggests that 91% of individual Indian investors in this market lose money. That is why SEBI has imposed new restrictions, some of which take effect this month. These will shrink the number of options contracts that brokers can offer, raise minimum contract sizes, and increase margin requirements on the day that contracts expire.

The bar to putting limits on a market with willing buyers and sellers should be high. Short-term options contracts may be little more than a bet on whether the price of a stock will rise or fall on a given day, but investors should be free to make losses. Nonetheless, India's regulators are right to be watchful.

The boom in derivatives trading is drawing in people who are not financially literate. Trading is also big enough to endanger financial stability. Traders hop from one instrument to another as they expire, causing spikes in buying and selling, which both SEBI and the Indian central bank worry are amplifying volatility in the underlying stockmarket. The leverage taken on such options could also magnify downturns when markets shift against expectations, as traders are forced to sell securities to cover their losses.

First-time investors have yet to face a slump; when it comes, regulators will face pressure to act. Their focus should be on financial stability rather than preventing losses. That would be the best way to protect India's shareholder revolution. ■

Technology

Freedom to tinker

AI models benefit from being open-source

OPEN INNOVATION lies at the heart of the artificial-intelligence (AI) boom. The neural network "transformer"—the T in GPT—that underpins OpenAI's was first published as research by engineers at Google. TensorFlow and PyTorch, used to build those neural networks, were created by Google and Meta, respectively, and shared with the world. Today, some argue that AI is too important and sensitive to be available to everyone, everywhere. Models that are "open-source"—ie, that make underlying code available to all, to remix and reuse as they please—are often seen as dangerous.

Several charges are levelled against open-source AI. One is that it is helping America's rivals. On November 1st it emerged that researchers in China had taken Llama 2, Meta's open large language model, and adapted it for military purposes. Another argument against open-source AI is its use by terrorists and criminals, who can strip a model of carefully built safeguards against malicious or harmful activity. Anthropic, a model-maker, has called for urgent regulation, warning about the "unique" risks of open models, such as their ability to be "fine-tuned" using data on, say, making a bioweapon.

True, open-source models can be abused, like any other tech. But such thinking puts too much weight on the dangers of open-source AI and too little on the benefits. The information needed to build a bioweapon already exists on the internet and, as Mark Zuckerberg argues, open-source AI done right should help defenders more than attackers. Besides, by ▸▸

some measures, China's home-grown models are already as good as Meta's.

Meanwhile, the benefits of open software are plain to see. It underpins the technology sector as a whole, and powers the devices billions of people use every day. The software foundation of the web, the standards of which were released into the public domain by Tim Berners-Lee from CERN, is open-source; so, too, is the Ogg Vorbis compression algorithm used by Spotify to stream music to millions.

Making software free has long helped developers make their code stronger. It has allowed them to prove the trustworthiness of their work, harness vast amounts of volunteer labour and, in some cases, make money by selling tech support to those who use it. Openness should underpin innovation in AI as well. If the technology has as much potential as its backers say, then it is a way to ensure that power is not concentrated in the hands of a few Californian firms.

Closed models will have their place, for uses that are sensitive, or tasks that need to be conducted at the cutting edge. But models that are open or partly open will be crucial, too. The Open Source Initiative, an industry body, defines a model as open-source if you can download it and use it as you want, and if a description of the underlying training data is provided. None of the open models of the big labs, such as Alibaba and Meta, qualifies (see Science & technology section). But by offering partially open platforms, the labs provide insight into their models, allowing others to learn from, and sometimes build on, their techniques.

One reason the Open Source Initiative says Meta's models are not open-source is that access to them is restricted, notably because their use is limited to applications with fewer than 700m monthly users. But Meta may yet find it in its own interest to open up further. The more it does, the more attractive its platform could become to developers, and the more likely that a future superstar application is nurtured on its technology.

Governments, too, should allow open-source AI to thrive, imposing safety regulations uniformly and eschewing restrictions and intellectual-property protections that force research under lock and key. With artificial intelligence, as with a lot of other software, innovation flourishes in the open. ■

Iodine deficiency

An avoidable threat to babies' brains

Iodine levels are slipping in the rich world. Simple fixes can avert disaster

WITHOUT IODINE, the thyroid gland cannot produce hormones that enable the human body and the brain to develop properly. The visible consequences of iodine deficiency, such as goitres (swellings in the neck), are bad enough. The invisible ones are much worse: it can cause a 15-point drop in IQ.

Such afflictions were once common. A century ago, one in three schoolchildren in Michigan had a visible neck swelling; in Britain goitres were so endemic in some places that the condition was known as Derbyshire neck. Then manufacturers started fortifying certain foods with iodine, dramatically reducing the scourge. The number of countries where iodine levels are insufficient fell from 113 in 1990 to 21 in 2020.

However, levels in rich countries are slipping (see Science & technology section). In America, where good data exist, the median urinary concentration of it in adults has fallen from around 300 micrograms per litre in the 1970s to 116 in 2020, just shy of insufficiency, which begins below 100. Most at risk are pregnant women, who need more iodine to keep themselves and their fetuses healthy.

One reason is that diets are changing. Many people get their daily iodine from salt, which has been artificially iodised in America and parts of Europe for a century. But iodisation is often voluntary and inconsistent. Whereas table salt is often fortified, the salt in processed foods generally is not. Gourmet alternatives, from pink to Himalayan, are similarly deficient.

The rise in veganism and climate-conscious eating has also reduced appetites for fish and meat, which are natural sources of iodine. Because dairy farmers add iodine to feedstocks to keep their cattle healthy, milk products are also serendipitously fortified (in Britain and America, a litre of milk contains more iodine than a teaspoon of iodised salt). Alternative milks, which are increasingly popular, mostly lack these protections.

There are simple remedies governments can apply. First, identify the foodstuffs most commonly consumed by the needy population and mandate their iodisation. Dairy alternatives and salts used in processed foods should top the list. Iodised salt can be added to bread, as in Australia and Denmark. Large food companies could seize the opportunity to improve their customers' health before being legally obliged to do so.

Iodine supplements could also be made more widely available, especially to pregnant women; two-fifths of prenatal vitamins in America currently lack the mineral. And public-health messaging on their value should be clearer. In regions where iodine levels in the soil are low, farmers should be incentivised to add more to animal feed.

Such interventions would pay for themselves many times over. Between 1993 and 2019 salt-iodisation schemes are estimated to have prevented 720m cases of deficiency worldwide, with improvements to cognitive development and earning power leading to a net economic benefit of $32bn a year. Poorer countries, where most of the 2bn people with iodine deficiency are thought to live, would have the most to gain.

Some worry that people may be confused if told both to eat less salt and to consume enough iodine. That insults the public's intelligence. Others fret about risks of iodine over-consumption. But this could be overcome with careful planning, and in any case is less dangerous than consuming too little iodine. For too long the world has relied too much on luck to keep people supplied with this life-enhancing mineral. That so many countries succeeded without mandatory iodisation programmes was an accidental public-health triumph. It would not take much for it to become an accidental disaster. ■

Letters

LETTERS ARE WELCOME AND SHOULD BE ADDRESSED TO THE EDITOR AT:
THE ECONOMIST, THE ADELPHI BUILDING, 1-11 JOHN ADAM STREET, LONDON WC2N 6HT
EMAIL: LETTERS@ECONOMIST.COM. MORE LETTERS AVAILABLE AT: ECONOMIST.COM/LETTERS

Should you be forced to vote?

You weighed the positive and negative consequences of compulsory voting ("Much obliged", October 26th). But you did not examine the more basic question of when a state may reasonably oblige its citizens to do a specific thing on a specific day. In a free society such obligations are rare (jury service, occasional military service) and require a compelling case to be made for them, and not just because they are a net positive result in a cost-benefit assessment.

To make a rough comparison, if every person attended a science museum on one day a year, doubtless there would be net benefits both to individuals and to society, as people would be inspired by science, choose to study it, make discoveries that benefit humanity and so on. But would anyone suggest that the state should mandate such attendance? Your article follows the fine, Aristotelian tradition of the active life, the citizen dedicated to participation in a spirited polity. But spare a thought for the tradition of the contemplative life, or, to put it another way, negative liberty: the right not to be told what to do unless there is a compelling justification.

ANDREW LEWIS
London

As an Australian, I am perplexed at the undemocratic voting arrangements in other Western democracies, such as Elon Musk's scheme to register voters ("The $1m voters", October 26th), when so many problems have been solved here merely by making voting compulsory. Failing to vote in Australia results in a small fine, and failing to pay can result in a refusal to renew your driver's licence. You can avoid these negligible effects on personal liberties by turning up to vote and carelessly filling out your ballot paper before secretly placing it in the ballot box.

That practice is known here as "donkey voting", presumably because giving up your most important democratic right is something done only by an ass.

PHILIPPE DOYLE GRAY
Barrister
Sydney

Angela Merkel's record

It was a little unfair of Charlemagne (October 26th) to compare Angela Merkel, a recent and much-admired chancellor of Germany who left office at a time of her choice, to Margaret Thatcher, a British prime minister who was forced from office 34 years ago and whose contested legacy is only now becoming clear.

Had Mrs Thatcher had her way, Germany would not have reunified. Fortunately, Europe and America had statesmen who saw things differently. The Germans whom Mrs Merkel served were happy with her, even when she allowed huge numbers of refugees to come here, because she bore the war guilt of her generation and encapsulated our humanitarian responsibility. We will see what her legacy is in 30 years from now, but I imagine it will be far more positive than Charlemagne's take.

PAUL SAMENGO-TURNER
Berlin

Defeating terrorism

Thank you for the reference to my work on how terrorist groups meet their end ("Killing an idea", October 26th). In my book and recent article in *Foreign Affairs* I laid out six patterns of endings (negotiations, decapitation, success, failure, repression, reorientation) drawn from studying 457 terrorist groups. Decapitation works against small, young, hierarchically structured groups, characterised by a cult of personality and lacking a succession plan. By contrast, older, highly networked groups like Hamas and Hizbullah can reorganise and survive. How flattering to think my argument has become "almost an article of faith".

Yet you assert that "The problem with this historical argument is that the past year has few historical parallels." The institutions of Hamas and Hizbullah have been crushed, you say, their successors won't gain Iranian support and the philosophies behind them will die just as Islamic State's idea was crushed. That claim would surprise victims of the bombing in March of the Crocus City Hall in Moscow, where 130 people were killed and hundreds injured. It was carried out by a branch of ISIS.

Following the barbaric attacks of October 7th 2023 the Israel Defence Forces and Israeli intelligence have re-established deterrence. There are indeed aspects of Israel's military campaign against Hamas and Hizbullah that are exceptional. Yet the lack of a long-term political plan from the Netanyahu government is a classic counter-terrorism blunder. I'm glad *The Economist* believes we've reached the end of history in the Middle East.

PROFESSOR AUDREY KURTH CRONIN
Carnegie Mellon University
Pittsburgh

Learning maths

The review of David Spiegelhalter's "The Art of Uncertainty" raised the importance of making the public aware of the uses of mathematics and statistics ("Known unknowns", October 19th). Previous attempts to do this stretch back further than the two works from 1996 and 2002 that you mentioned. Lancelot Hogben wrote over 60 books, including "Mathematics for the Million" (1936), "Science for the Citizen" (1940) and "Man Must Measure" (1955), which was aimed at younger readers and included graphics. Looking at how such efforts are now forgotten gives little hope that more recent attempts will have any greater success in achieving their aim.

Mathematics, fundamentally, is hard to understand without a lot of practice. A professor at a Scottish university is reputed to have said that the road to mathematics lies through ten examples a day and 20 on Sundays.

J.M. INNES
University of South Australia
Adelaide

How to be British

I appreciated your article on the British citizenship test ("Testing times", October 19th). Although many useless facts about cheese-rolling and TV-licence fines are lodged in my brain, the study guide covers essentials on voting, government and cultural norms. As an American studying for the test, I was surprised to learn about Britain's unwritten constitution. With a modest amount of study, the test is manageable, but it also signifies a level of commitment from those seeking British citizenship. Knowing the correct answer to the number of jurors in Scotland, which my British wife didn't, was a silver lining in this glorified but useful pub quiz.

TYLER MARTIN
London

Your article came soon after a piece noting that Britons consume more baked beans than the rest of the world combined ("The pulses quicken", October 12th). I suggest replacing the current multiple-choice nationality test with a single, practical culinary assessment comprising a tin of beans, two slices of bread and a toaster. It would be cheaper than the £50 ($65) a pop for the current test, too.

ALASTAIR CAMERON
Edinburgh

Sadism and masochism

The September 28th issue explained that Volodymyr Zelensky is "the president of Ukraine" and that Sir Keir Starmer is Britain's prime minister. But curiously there was no need for any explanation of a "lashing of S&M" in Sally Rooney's writing ("How do you avoid the trap of success?"). Clearly the editors know the minds of their readers intimately.

BRIAN O'BRIEN
Kinsale, Ireland

Briefing America's election

Comeback king

WEST PALM BEACH

Donald Trump's victory was resounding. His second term will be, too

WHEN DONALD TRUMP claimed victory in the wee hours of November 6th before a fawning crowd at Palm Beach County Convention Centre, he did not have a single vituperative word to say. He aired no grievances and made no direct criticisms of his defeated rival, Kamala Harris, or her boss, the incumbent president, Joe Biden. Gone was the angry, crude and vengeful candidate of the final weeks of the campaign. Instead Mr Trump pledged to unite a divided nation—just as he did with surprising graciousness in 2016 before initiating four years of chaos.

This time Mr Trump's victory was even more resounding, if less surprising. For the first time in his three recent campaigns for president, he won the popular vote. He appears poised to win all seven swing states, giving him an even bigger margin in the electoral college than in 2016. All 50 states shifted rightward. And all this despite being impeached twice, defeated in the election of 2020, prosecuted four times, convicted of multiple felonies and found liable for sexual abuse, not to mention being shot on the campaign trail. It is arguably the most remarkable political comeback in American history. "If you want to make somebody iconic, try to throw them in jail, try to bankrupt them...All those things failed. They just made him bigger and more powerful as a political force," exulted Roger Stone, a Republican operative.

Foiler's failure

It was just this outcome that Mr Biden had promised to ward off when he announced he would run for a second term in April last year. His and his aides' decision to hide his decline from the American public and press ahead now looks unspeakably selfish. When his party at last forced him to stand down in July after a disastrous debate performance, there was little time or appetite for a competitive primary. That allowed him to anoint Ms Harris, handing the Democratic nomination to a woman whose previous campaign for president, in 2020, had quickly collapsed.

Ms Harris's strategy was to renounce past progressive positions for new moderate ones and to eschew difficult interviews in order to avoid explaining herself. When asked where she differed from the unpopular Mr Biden, she said, "There is not a thing that comes to mind." This Ming-vase strategy might have worked if she had been the overwhelming favourite, but for an electorate upset over inflation and illegal immigration, she does not appear to have represented meaningful change.

Ms Harris underperformed Mr Biden across the board (see map on next page). Rather than flipping Texas, a long-standing Democratic pipe dream, Ms Harris lost it by 14 points. In several states where she was expected to romp home, she won by less than ten points, including Illinois, New Jersey and Virginia. Her 11-point win in New York was the Democrats' worst performance in the state since 1988. ▸▸

Ms Harris seems to have haemorrhaged support among Hispanic men, in particular, a grave injury to the Democratic coalition. In 2016 Democrats won 64% of the vote in Miami-Dade County in Florida; in 2020 that fell to 53%; this year they mustered only 44%. Although Ms Harris did better in whiter areas, particularly those with lots of college-educated voters, she also lost ground in cities, which are typically powerhouses of Democratic support.

Mr Trump gained the most ground in places with high inequality, rising housing costs and large foreign-born populations. For every percentage point of foreign-born residents above the national average in a given county, the Democrats' share of the two main parties' votes decreased by 0.17 percentage points between 2020 and 2024.

In the days leading up to the election, when it became clear that Ms Harris's poll numbers were uncomfortably close, Democratic operatives self-soothed by insisting that female voters would push her to victory, perhaps in defiance of their husbands, out of their fury at the Supreme Court's voiding of the constitutional right to an abortion in 2022. Discontent at that decision was indeed manifest: voters in Arizona, Missouri, Montana and Nevada comfortably approved referendums enshrining the right to an abortion. But that did not stop many of them voting against Democratic candidates at the same time. In Florida a referendum to protect the right to abortion up to the point of fetal viability nearly met the required threshold of 60%, even though the state as a whole voted for Mr Trump by 13 points.

Some Democrats are consoling themselves by arguing that incumbent parties all over the world have been rebuked by economically disgruntled voters, including the Tories in Britain, Emmanuel Macron's Renaissance in France and the LDP in Japan. The difference, however, is that the economy has grown rapidly in America and real wages are increasing. The Federal Reserve has largely quelled inflation and started cutting interest rates. Although Ms Harris largely failed to differentiate herself from her boss, she did at least sound empathetic about rising costs and offered (misguided) remedies such as banning price gouging. Yet discontent remained high.

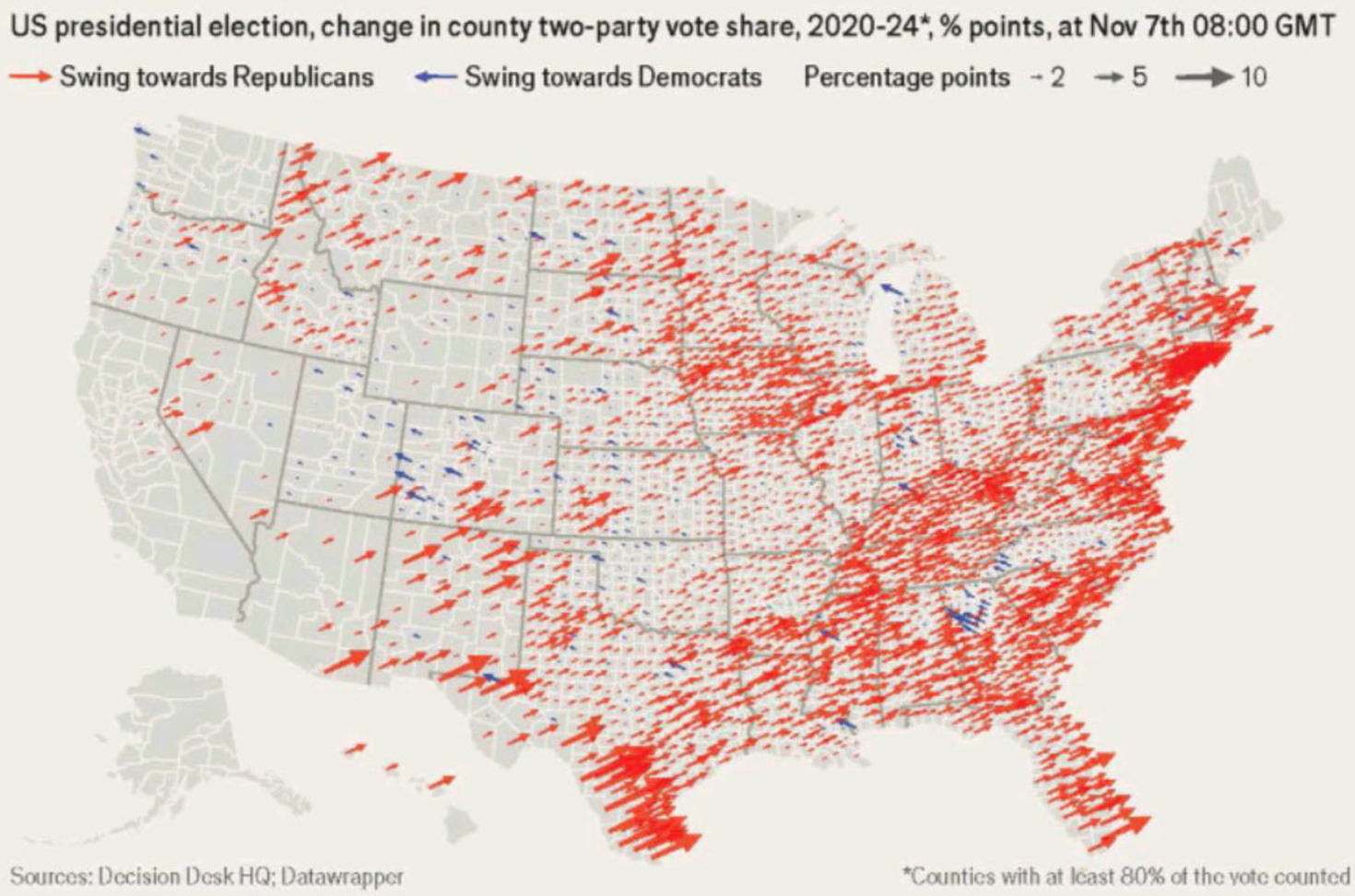
Democrats who are tempted to explain away Ms Harris's defeat as part of a global wave of anti-incumbency may be missing something more fundamental. In 2016, when Mr Trump defeated Hillary Clinton, Democrats dismissed the result as an electoral-college aberration fuelled in part by racism, sexism and Russian disinformation. But this year, with Mr Trump winning the popular vote with the backing of a multiracial, working-class coalition, such arguments are harder to sustain. It is also difficult to prove that Ms Harris suffered from sexism given how little she emphasised her sex during the election, says John Sides of Vanderbilt University.

"People scratch their heads, like, 'Oh, these Latino men, these black men, why are they moving to Trump?' And the answer is, they're conservative," says Lynn Vavreck of the University of California, Los Angeles. The Democratic turn in recent years towards left-wing identity politics, with talk of decriminalising illegal immigration, defunding the police and championing critical race theory, did not endear them to minorities, as intended. Even though Democrats like Ms Harris had recanted such views and begun to ape Mr Trump's approach to crime, trade and immigration, they failed to stanch their losses among black and Hispanic men and unionised workers.

Democrats also believed, wrongly, that wavering voters would spurn Mr Trump because of his conduct on January 6th 2021, when a mob of his supporters stormed the Capitol in order to overturn his defeat in the recent presidential election. What politicians call negative partisanship, or the contempt for the other side, is especially potent in America's two-party system. "The doom loop is real and getting worse. It was an extremely nasty and ugly election...yet people voted for Trump largely because he was the Republican," says Lee Drutman of the New America Foundation, a left-leaning think-tank. The only candidate voters did in effect disqualify for the presidency was Mr Biden—because of his age, not his conduct. A triumphant Mr Trump (who is himself 78 and at times wobbly on his feet) now returns to the Oval Office in less than 75 days.

Red dawn

US presidential election, change in county two-party vote share, 2020-24*, % points, at Nov 7th 08:00 GMT



Sources: Decision Desk HQ; Datawrapper

*Counties with at least 80% of the vote counted

Avenger's advent

When conceding the election on November 6th, Ms Harris enjoined Democrats to nurture "optimism" and "faith" even if they feel America is "entering a dark time". Mr Trump will take the oath of office on the western steps of the Capitol on January 20th 2025, returning to power democratically at the site where four years ago his supporters attempted to install him by force. He has pledged "within two seconds" to sack Jack Smith, the special counsel who has charged him with crimes over his handling of classified documents and his attempt to subvert the election of 2020. (Mr Smith, acknowledging the inevitable, is reported to be calling off the prosecutions already.) Mr Trump once mused that he might behave like a dictator on his first day. "We're closing the border, and we're drilling, drilling, drilling. After that, I'm not a dictator," he said.

Dictator or not, Mr Trump should be able to govern relatively untrammeled. Democrats have forfeited control of the Senate, losing seats in Ohio, Montana, and West Virginia. Republicans will hold at least 52 seats in the 100-seat chamber (see United States section). This should allow Mr Trump's judicial nominees to win confirmation, including those to fill any vacancies on the Supreme Court. It will also give Mr Trump a relatively free hand to pick whomever he wants in his cabinet and other senior jobs.

Although moderate Republican senators such as Susan Collins of Maine or Lisa Murkowski of Alaska may object to wildly unqualified judicial or executive-branch nominees, they will have to pick their battles. The leadership of the Republicans in the Senate is expected to be equally circumspect. Worse for Democrats, their chances of reclaiming the chamber in 2026

also appear slim, since there will be few seats up for election that year that Democrats might plausibly flip. Mr Trump may thus end up appointing a majority of the nine members of the Supreme Court, having already picked three justices in his previous term.

In order to pass much legislation, Mr Trump will need Republicans to control the House of Representatives, too. That may yet happen. Control of the chamber will be in doubt for several more days as very tight elections in slow-to-count states like California are settled. It would be quite unusual, however, for a new president to win office without his party winning the House. Betting markets, at any rate, are supremely confident that Republicans will end up in control of Congress as well as the presidency.

During his first term, Mr Trump squandered much of his legislative capital on a failed attempt to repeal Obamacare. His signature piece of legislation, the Tax Cuts and Jobs Act (TCJA), was largely delegated to the Republican leaders of the day, Paul Ryan and Mitch McConnell, neither of them MAGA types. This time Mr Trump is likely to be dealing with more accommodating leadership. Congress will want to craft an extension to the personal-tax cuts of the TCJA, many of which expire next year. Judging by recent practice, that bill is likely to become an omnibus for Mr Trump's fiscal priorities, which could include a clawback of some of Mr Biden's green subsidies and congressional authorisation for some ferocious tariffs in order to pay for the many further tax cuts that Mr Trump promised while campaigning.

Of course, Mr Trump was previously uninterested in the grinding legislative process and more attracted to the exalted powers of the imperial presidency. He would wield his authority with immediate effect. Having pledged mass deportations of the 12m or so illegal immigrants in the country, Mr Trump would make a show of following through, despite the massive logistical and legal obstacles. Similarly, Mr Trump will feel compelled to begin raising tariffs on most imported goods, and especially on imports from China. This would prompt immediate legal challenges in America and perhaps retaliatory tariffs abroad. He will use his power to pardon to exonerate not just himself of the various federal crimes with which he has been charged, but also those convicted for violent offences on January 6th.

The defanging of the deep state that Mr Trump promised in the first term would also get under way much more determinedly this time. The intelligence community is bracing for impact, as are senior civil servants in policymaking roles. Mr Trump would like to make it much easier to sack them. Anxiety among foreign diplomats will also increase. American allies in Europe are nervously contemplating what might happen if Mr Trump were to cut support for Ukraine abruptly or seriously undermine the NATO security alliance (see Europe section). China will eye him warily (see China section). The allies in Asia that Mr Biden spent years wooing will wonder whether their courtship with America is over.

A lot will depend on whom Mr Trump appoints to big jobs. There is ample reason to worry. Most accomplished Republicans refused to serve in his first administration and many of those who thought they could stomach it ended up bowing out. The riot on January 6th led to a further dwindling of the ranks. There are still a few adults vying to be in the room, including Scott Bessent, a billionaire investor who aspires to be treasury secretary, and senators such as Bill Hagerty of Tennessee or Tom Cotton of Arkansas, who are said to be contenders for secretary of state and defence respectively. But Mr Trump's inner circle is composed chiefly of sycophants and chancers. A kakistocracy is a society governed by the worst and least qualified. It may be a useful word over the next four years.

Four-month fizzle

Unprincipled protectors

Mr Trump's secretary of homeland security, whoever that may be, will face the difficult task of carrying out a mass hunt for illegal immigrants, probably in the face of widespread public resistance. Even more important will be Mr Trump's choice for attorney-general. Although Democrats assailed Jeff Sessions and Bill Barr, attorneys-general in his first term, for ignoring the law to pander to Mr Trump's preferences, both turned out to have more spine than Mr Trump, at least, considered appropriate. He is likely to pick a more supine candidate this time round.

The president-elect has sweeping plans for the Justice Department: he wants it to abolish its independence and turn it into a personal legal army to undertake selective prosecutions of his political enemies. He sees this as revenge for the prosecutions he has had to endure. Although federal judges are likely to put a stop to the worst of Mr Trump's impulses, their interventions will also become less frequent as the president's appointments gradually change the composition of the judiciary.

Mr Trump has plainly established himself as a transformational figure in American politics. He has completely reshaped American conservatism, forcibly converting it to nativism, mercantilism, welfare-statism and isolationism. The old Republican elite, whose members either pointedly refused to support him or even endorsed Ms Harris, has been thrown out on its face. Unlike Mike Pence, J.D. Vance, the vice-president-elect, is an eager acolyte of Trumpism who is heir apparent to the movement when Mr Trump's time in power ends in 2029.

The Trumpist revolution has not just captured control of the Republican Party and the White House (again), it is also spurring a reformation in the way that parties of the right all over the world conceive of conservatism. Trumpist populism is on the march. The Democrats, as Ms Harris's defeat vividly illustrates, have yet to come up with a formula to halt its progress. Worse, many of them also seem to be in denial about the extent of the problem (see Lexington). America's constitution may limit Mr Trump to one more term in office, but it does not provide any restrictions on the spread of his ideas. ■

United States

Congress

Law and peace

WEST PALM BEACH, FLORIDA

What a Republican trifecta will mean for governing

DONALD TRUMP won a decisive victory in the presidential contest and is on track to become the first Republican in two decades to win the popular vote (see Briefing). His party also won the Senate and is favoured to regain full control of Congress by retaining the House of Representatives. It could take weeks before his party knows the size of its Senate majority and whether its apparent House victory is confirmed. The final margins in both chambers will set the scope of Mr Trump's freedom to enact his second-term agenda.

In any event, Mr Trump's leeway to appoint cabinet members, confirm judges, and influence spending and tax legislation in Congress is likely to be expansive. His victory ratified his iron grip on the Republican Party and the potency of his MAGA ideology and coalition. During his first term and in exile after his defeat in 2020, Mr Trump struggled at times to impose his will; his second term from January will begin with fewer constraints.

Yet sharing power with independent-minded senators and fractious congressmen is a fact of presidential life that even Mr Trump cannot wave away. The Senate has welcomed a slate of Trumpish Republican members in recent years, but remains a bastion of pre-Trump conservatism. The size of the Republican majority in the upper chamber will determine whether moderates like Susan Collins of Maine and Lisa Murkowski of Alaska are able to stifle Mr Trump's worst impulses, particularly on staffing. In addition to the cabinet, senators must approve more than 1,000 senior jobs, from deputy department heads to generals and ambassadors.

Mr Trump's campaign to reshape the federal judiciary will also require Senate endorsement. Nothing united Republicans during Mr Trump's first term quite like his judicial nominations. He enjoyed a Republican-controlled Senate for four years, and under the leadership of Mitch McConnell the body approved 234 of his nominees, including three Supreme Court justices. It is now plausible that an outright majority of the high court will have been chosen by Mr Trump by the time his second term ends (see story in this section).

Mr McConnell, however, will not be leading Republicans next year. On November 13th the Senate will vote in what is currently a three-way race to replace him. John Thune, Mr McConnell's leadership deputy, is the front-runner. John Cornyn of Texas represents Mr Thune's biggest threat. Rick Scott of Florida is running a long-shot race from the right. Mr Thune, an establishment figure close to Mr McConnell, once had a rocky relationship with Mr Trump but has since patched it up. ▸▸

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He looks likely to become a big figure in haggling between the White House, the House and the Senate.

Key provisions of Mr Trump's 2017 tax-cutting law will expire in the absence of legislative action next year. Negotiations have yet to begin in earnest, but some battle lines are already being drawn. A Republican-controlled Senate is likely to fight to keep a contentious cap on tax deductions in high-tax states, but if Republicans secure a House majority because of wins in the high-tax states of California and New York, that would prompt a showdown between the two chambers. Congress will also have a say on whether to expand the child tax credit; whether to increase or cut corporate and individual rates; whether to fulfil campaign promises such as removing taxes on tips; and many other measures. On these matters the margins in both chambers will be as important as Mr Trump's preferences.

The outcome in the House is the biggest unknown. From Alaska to Maine, there are still House races that remain too close to call. The non-partisan Cook Political Report now predicts a very narrow Republican majority in the lower chamber. A House Republican strategist reckons his party could lose one or two seats from its present five-seat majority.

If Mr Trump's party does hold the lower chamber, House Republicans will have to appoint a speaker, a task that has repeatedly plunged its divided caucus into disarray. The incumbent, Mike Johnson, took the stage with Mr Trump in Palm Beach, just before 2:30am on Wednesday morning. In between praising the MAGA movement and his wife Melania, Mr Trump added, "I want to thank Mike Johnson, I think he's doing a terrific job. Terrific job." Any intra-party attempt to oust Mr Johnson will prompt a direct confrontation with Mr Trump, who will clearly have the upper hand after his thumping win.

Yet the probable Republican sweep in this election was a collective effort. After Republicans picked up an expected seat in West Virginia, networks called the Ohio Senate race—the most expensive in the country—for Bernie Moreno, who unseated Sherrod Brown, a three-term Democratic incumbent. The defeat of Jon Tester, a long-serving Democrat in deeply Republican Montana, secured their 52nd seat. And Republicans still have room to increase this new majority. Democratic incumbents remain within one point of their Republican challengers in Nevada and Pennsylvania. The Republicans could have 53 or 54 senators in the 100-seat body once all the votes are counted.

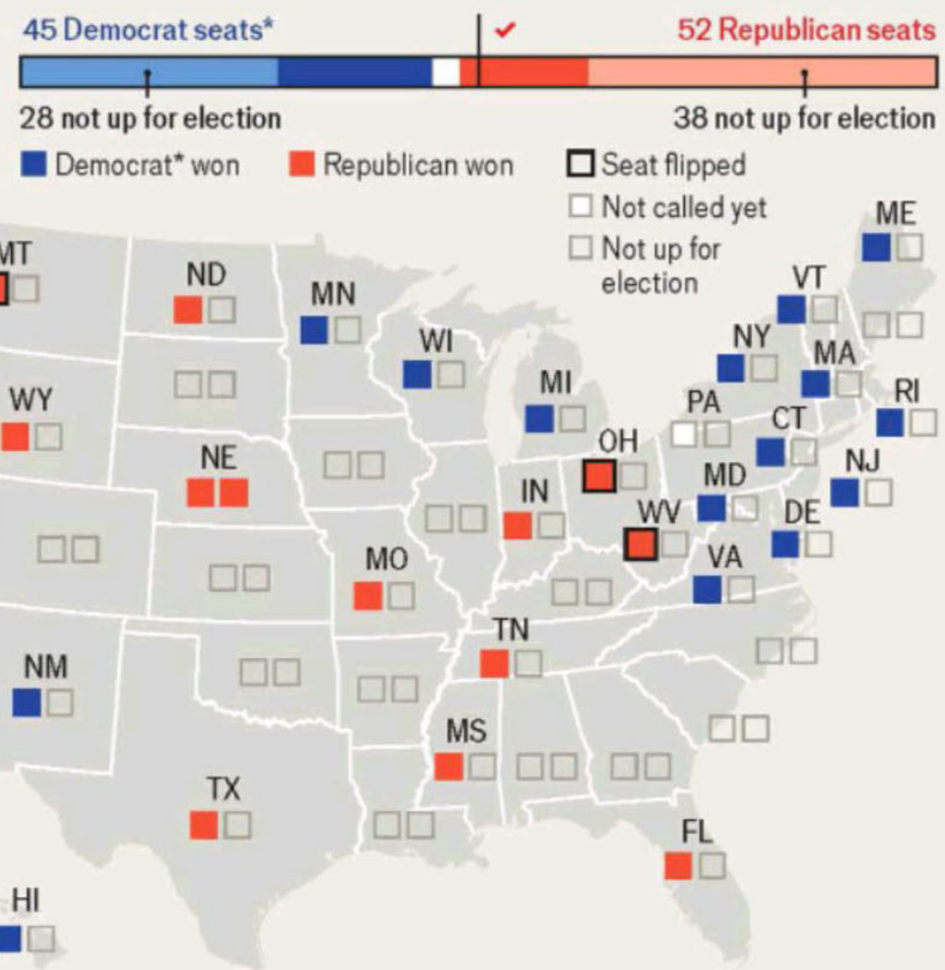
At the time of writing 412 of 435 House races have been called, with Republicans still five seats short of the 218 they need to maintain control of the chamber. At least one race seems destined for a recount, and others will be difficult to call soon.

Once the election is settled, in addition to tax legislation, other fights loom. The lame-duck Congress could pass another in a succession of short-term government-funding bills, but at some point in 2025 Congress will be responsible for a proper budget. And the Senate Armed Services Committee will now be led by a Republican who wants to increase defence spending to 5% of GDP.

Mr Trump has been endowed with plenty of political capital. How to spend it will be a subject of factional arguments, but the direction of travel is clear. ■

Flipped

US Senate election 2024
At Nov 7th 08:00 GMT



Source: Decision Desk HQ

*Includes Independents that caucus with the Democrats

Robert F. Kennedy junior

MAHA man

WASHINGTON, DC

A government health warning

AS DONALD TRUMP returns to power, several colourful characters surround him. One is Elon Musk (see Schumpeter). Another is Robert F. Kennedy junior, a vaccine-sceptic, conspiracy-theorist and excommunicated member of the Kennedy clan, who says he has "so many skeletons in my closet that if they could vote, I could be king of the world".

Mr Kennedy joined the Trump campaign in August, after dropping out as an independent candidate. Since then Mr Trump has promised to let him "go wild" on health, food and medicine. In his victory speech on November 6th he singled Mr Kennedy out as the man who would help "Make America Healthy Again". Although Mr Trump has been vague about what role he has in mind, Mr Kennedy claims he was promised "control of the public health agencies".

This possibility has spooked those working in related fields. Mr Kennedy's history of repeating debunked health claims, most damningly about linking childhood vaccines to autism, has been particularly damaging in a country where science has become deeply politicised. Even Mr Trump's former surgeon-general has warned against appointing him to a senior post.

In a sign of what might lie ahead, Mr Kennedy warned on October 25th, on X, that the Food and Drug Administration's "war on public health is about to end", accusing it of suppressing psychedelics, stem cells, raw milk, hydroxychloroquine, sunshine and "anything else that advances human health and can't be patented by Pharma". On November 2nd he posted that the Trump White House would on its first day "advise all US water systems to remove fluoride from public water".

What job, if any, might Mr Trump give him? That of secretary of health or FDA chief would require Senate confirmation, a spectacle Mr Trump may want to avoid. More likely might be an informal "health tsar" role. This could leave Mr Kennedy stuck in the White House basement with a meaningless title, or at the heart of power with the president's ear. Much will depend on whether his boss gets sick of him.

Initiatives

State of the states

NEW YORK AND PHOENIX

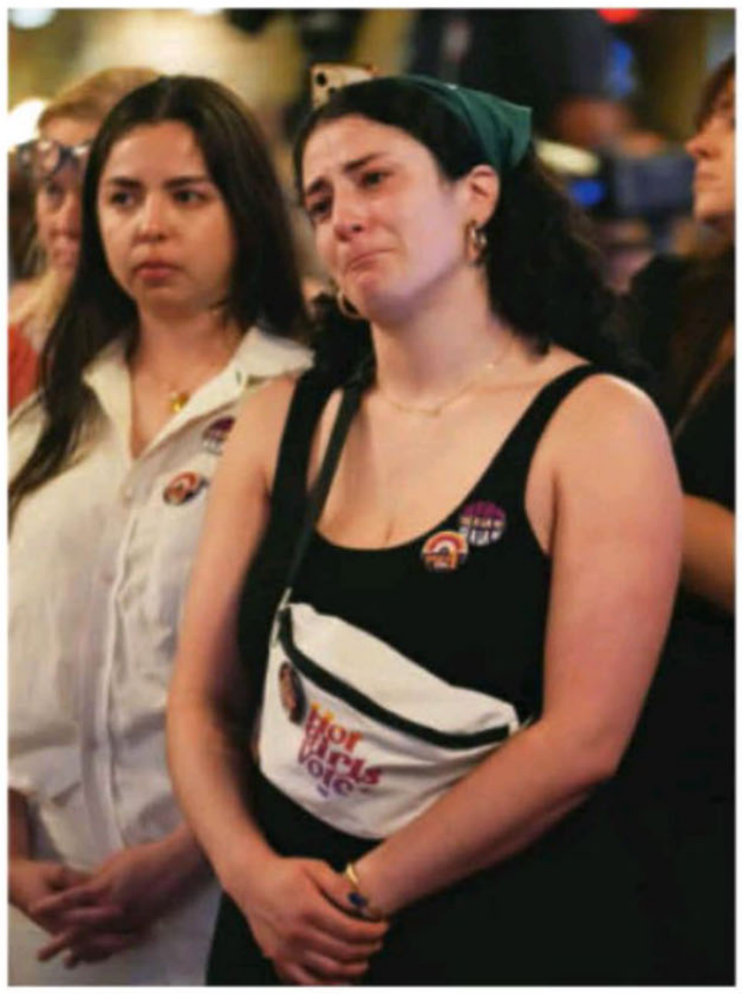
Ballot-measure results reveal the power of state policy

WIPING AWAY tears, Lauren Brenzel, who led Florida's campaign to enshrine a constitutional right to an abortion, claimed one victory: "A majority of Floridians...just voted to end Florida's abortion ban." Though 57% of Floridians supported the amendment, it fell short of the 60% threshold required in the state. Florida's current law banning abortion after the sixth week of pregnancy, with limited exceptions, will stand. The proposed amendment would have made abortion accessible until about 24 weeks from conception. The loss will affect 4m women in Florida and millions more across America's south-east, where the procedure is highly restricted.

Nine other states voted on abortion measures on November 5th. South Dakotans rejected even a limited loosening of their strict ban. Nebraskans enshrined a 12-week ban into their constitution. Some states voted the other way: a slim majority of Missourians threw out the state's complete prohibition. In Arizona, Montana and Nevada amendments passed easily. At an election-night party in Phoenix, Laura Dent, campaign manager of the pro-abortion-rights side, lamented the fragmented policy landscape that resulted in victory in Arizona and defeat in Florida. The failures mark the first times abortion-rights supporters have lost a state ballot campaign since the Supreme Court overturned a national right to the procedure in 2022.

Abortion amendments were among the most prominent of nearly 150 initiatives on America's ballots on November 5th. Such measures allow voters to decide their own policies on everything from criminal justice to climate policy. About $1.2bn was spent campaigning for and against them. Some states have yet to finish counting votes. Abortion aside, the results so far suggest that Americans were aligned on several issues. For the most part, voters repudiated ranked-choice voting (RCV), barred non-citizens from voting and strengthened criminal penalties.

Seven states and Washington, DC, voted on whether to adopt RCV or open primaries, in which all candidates are listed on one ballot regardless of party affiliation. Campaigners hoped such constitutional amendments could help boost moderate candidates over more extreme ones, despite emerging evidence that RCV's effects on partisanship are minimal. The nation's capital was the only place that chose to adopt such a system, while Missourians voted to pre-emptively reject the practice. At the time of writing, a measure to repeal Alaska's relatively new RCV-and-open primaries combo was narrowly leading.



Frustration in Florida

Each of the eight (Republican-leaning) states that weighed whether to bar non-citizens from voting endorsed the idea. These results are a political signal, not a policy change. Before the poll, Donald Trump and Republicans began to question the results of the election by arguing, incorrectly, that illegal immigrants were voting en masse. In reality, the practice is already unlawful except in very few local jurisdictions. A more consequential vote came from Ohioans, who decided not to create an independent redistricting commission for congressional and legislative races. It is the third time in a decade that voters there have tried and failed to stamp out rampant partisan gerrymandering.

Californians will be counting votes for some time, but a controversial measure to strengthen penalties for some thefts and drug crimes seems to have passed with widespread support. In Colorado voters opted to increase funding for police, deny bail for people facing first-degree murder charges and delay parole for violent offenders. These results are part of a broader shift away from milder criminal-justice policies in Democratic states. Arizonans voted to allow police to arrest people for crossing the border illegally. The measure was modelled on a similar law in Texas which is tied up in the courts.

All these votes together offer a mishmash of policies in states that can differ greatly from one another. But the results still provide lessons. The biggest? Americans fed up with what is happening in Washington should look to the states: that's where a lot of the action is. ■

Governors and state legislatures

Knocking down the houses

ATLANTA AND DETROIT

Democrats suffered down-ballot, too

IN FEBRUARY DEMOCRATS in Wisconsin celebrated when Tony Evers, the Democratic governor, signed into law new maps for the state legislature and Senate. The maps were the result of Democrat-aligned judges becoming the majority on the state Supreme Court, and the signing undid 13 years in which Republicans won lopsided majorities on thin vote margins. It constituted a "sea change", said Ben Wikler, the state's Democratic Party chairman, and on November 5th voters would have a real chance to throw out their Republican legislative leaders for the first time.

They didn't. With several seats still undetermined, Republicans controlled 52 of the 99 seats in the state legislature—a big drop from their previous 64, but still a solid majority. They lost their supermajority in the state Senate, but retained control. Wisconsin reflected dashed hopes for Democrats down-ballot across America. Whereas in 2022 four state legislatures flipped to Democratic control, this time Republicans clawed some back. Overall, the result was a slight increase in divided government.

In Michigan Democrats lost their narrow trifecta, and that seemed likely in Minnesota as well, where two races are heading for recounts. In Pennsylvania, where the governor is a Democrat and his party controlled the House but not the Senate, they were on track to lose it. In New Hampshire, in one of the few competitive governor's races, Kelly Ayotte, a Republican, beat her Democratic opponent comfortably, which means the party should retain its trifecta. Democrats also seemed unlikely to make good on hopes of taking the Arizona House of Representatives for the first time since the 1960s.

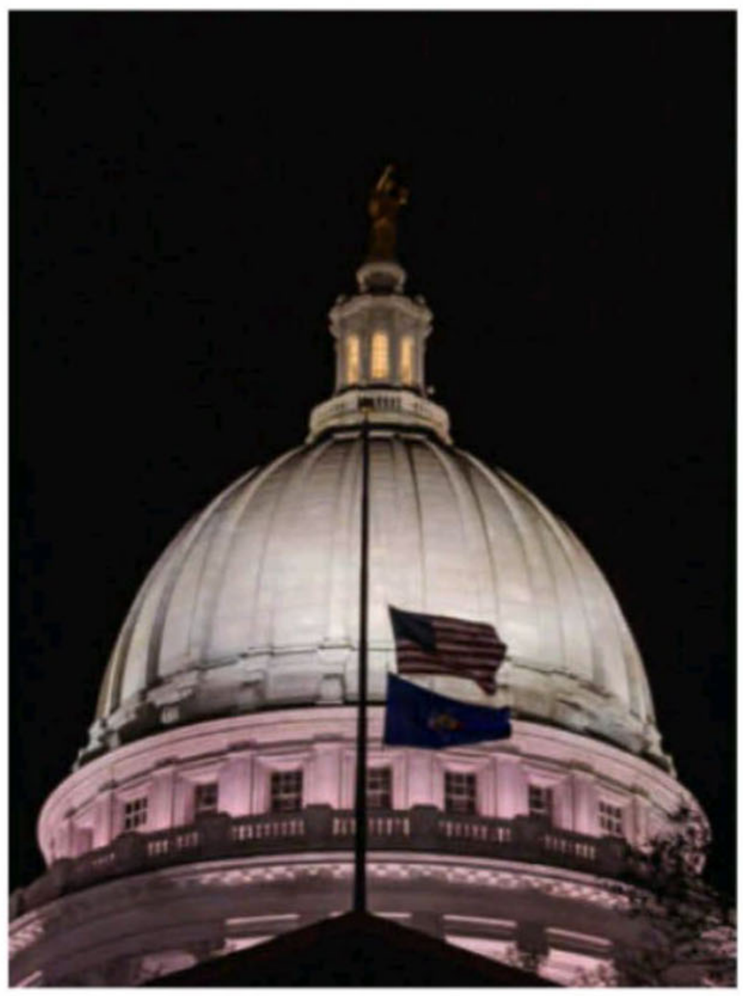
The news for Democrats was not universally bleak. They won the governorship of North Carolina, where Josh Stein defeated Mark Robinson, who was revealed to have described himself as a "black Nazi". They also won the offices of the lieutenant-governor, attorney-general and superintendent of public schools and broke the Republican Party's supermajority there, meaning that the state's Republicans will have to negotiate with Mr Stein if they want to get legislation passed over his veto. Democrats also held onto their supermajorities in the state legislatures in New York and Illinois, despite the surges for Donald Trump in the presidential races there. Republicans did not add any states ▸▸

to the 22 they already completely control.

What does it mean? State governments are powerful. In Minnesota and Michigan, for example, taking control of governments in 2022 allowed the Democratic governors to pass swathes of legislation—legalising cannabis, introducing free school meals, expanding abortion rights, tightening gun-control laws and giving more power to trade unions. Had Democrats held or increased the number they controlled, they might have been able to mitigate some of Mr Trump's national policies. Instead, the governors of those two states, Gretchen Whitmer and the losing vice-presidential candidate, Tim Walz, will probably finish their terms with fewer bills to sign.

Elsewhere, expanded Republican majorities may lead to more aggressive legislating. In Texas Greg Abbott, the governor, said he now has "more than enough votes" to pass a school-voucher programme, which he has tried and failed to get through the legislature, stymied by rural Republican holdouts. But Democratic strategists in several Republican-dominated states say the losses could have been far worse: with Joe Biden at the top of the ticket, some expected a "tidal wave" of new supermajorities. Chaz Nuttycombe, the president of State Navigate, which crunches data on state races, reckons that this year there may well have been more ticket-splitting, where voters chose Mr Trump and their local Democrat, than in 2020.

Polling from Pew published in May showed that voters consider the inability of Republicans and Democrats to work together to be the second-worst problem facing America, behind only inflation (which is now easing). In recent decades divided government had in fact been receding. The bounceback is modest, but division is going to be more entrenched. ■



Emblematic Wisconsin

Campaign calculus

Fool me thrice

A small but stubborn error affected polls across the board

FOR THE third presidential election in a row Donald Trump has stumped America's pollsters. As results came in on election night it became clear that polls had again underestimated enthusiasm for Mr Trump in many states. In Iowa, days before the election a well-regarded poll by Ann Selzer had caused a stir by showing Kamala Harris ahead by three percentage points. In the end, Mr Trump won the state by 13 points.

Overall, the polling miss was far smaller. Polls accurately captured a close contest in the national popular vote and correctly forecast tight races in each of the battleground states. National polls erred by less than they did in 2020, and state polls improved on their dismal performances in 2020 and 2016. Yet this will be little comfort to pollsters who have been grappling with Mr Trump's elusive supporters for years.

The Economist's nationwide polling average found Kamala Harris leading by 1.5 percentage points, overestimating her advantage by around three points (many votes have yet to be counted), compared with an average error of 2.7 points in past cycles. State polling averages from FiveThirtyEight, a data-journalism outfit, had an average error of 3.0, smaller than the average of 4.2 points since 1976.

But in contrast to 2016, when pollsters' misses were concentrated in certain states, those in this cycle were nearly uniform across state and national polls. In the seven key states, polling averages underestimated Mr Trump's margin by between 1.5 and 3.5 points (see chart). Pollsters may claim that their surveys captured the "story" of the election. But the awkward question remains: why did they underestimate Mr Trump for the third cycle in a row?

In past election cycles, pollsters have tweaked survey "weights" to make their samples of voters more representative. Although polls aim to sample the population randomly, in practice they often systematically miss certain groups. Weights are used to increase the influence of under-represented respondents. This has been especially true in recent years as response rates have plummeted.

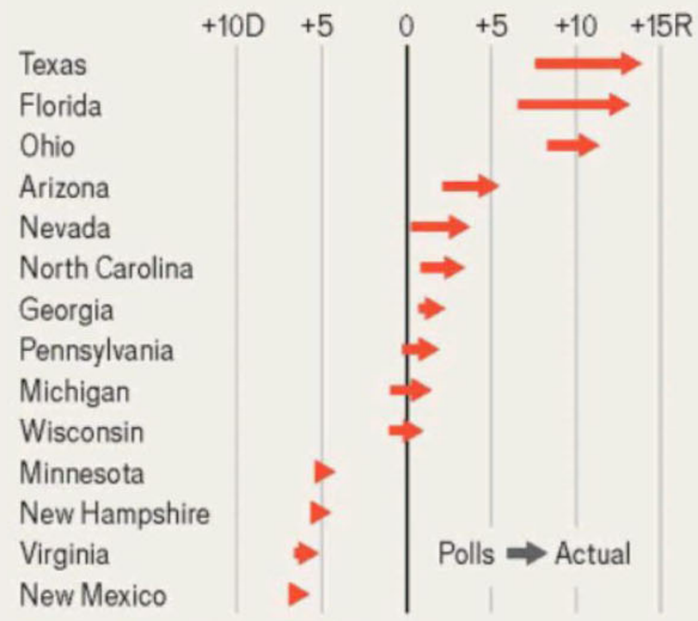
After the 2016 election, when surveys systematically missed voters without college degrees and therefore underestimated support for Mr Trump, pollsters began accounting for respondents' education levels. And after 2020, in an effort to ensure that Republican voters were represented, more pollsters began weighting their samples by respondents' party registration and self-reported voting history. This caused the range of poll outcomes to narrow (weighting reduces the variance of survey results), with many pollsters finding similar results in key states and nationwide.

If there is a lesson from this year's election, it could be that there is a limit to what weighting can solve. Although pollsters may artificially make a sample "representative" on the surface, if they do not address the root causes of differential response rates, they will not solve the underlying problem. They also introduce many subjective decisions, which can be worth almost eight points of margin in any given poll.

A pollster which gets those decisions right appears to be prophetic. But with limited transparency before the election, it is hard to know which set of assumptions each has made, and whether they are the correct ones. To their credit, the pollsters get together to conduct comprehensive post-election reviews. This year's may be revealing. Still, without a breakthrough technology that can boost the representativeness of survey samples, weighting alone is unlikely to solve pollsters' difficulty in getting a reliable read on what Trump voters are thinking.

Miss direction

US presidential election 2024, %-point difference between final polling average and actual result



Sources: Decision Desk HQ; *The Economist*

Justice on high

The great escape

NEW YORK

Donald Trump can now quash and delay felony cases against himself

IT WAS A high-stakes election for all Americans, most of all Donald Trump. Had he lost, there was a fair chance that he would have gone to prison. He faces four separate sets of criminal charges, each with a prospect of jail time. Instead, once back in the White House, Mr Trump will be able to quash his two federal indictments and the two state cases against him are all but certain to be frozen.

That Mr Trump has managed to largely evade legal accountability is partly a result of his stalling for time, in anticipation of this very outcome. His strategy was aided by the Supreme Court, a third of whose justices he appointed. And yet his supporters see a justice system that is pliable and easily weaponised. To some in MAGA world, Mr Trump's threats to train it against his political enemies now sound eminently reasonable.

The first post-election piece of business in Mr Trump's trials will come in the hush-money case in Manhattan, where, barring further delay, he is due to be sentenced on November 26th. In May he was convicted on 34 counts of falsifying business records to conceal a payment to a porn star. Each charge carries a maximum of four years in prison. Yet there is hardly any chance of the judge imposing jail time—constitutional scholars agree that a sitting president cannot be locked up. In any event Mr Trump's lawyers will probably ask to postpone sentencing until after his term in office ends.

Next come the two federal cases brought by Jack Smith, a special counsel in the Department of Justice (DOJ). Mr Trump stands accused of refusing to return classified documents upon leaving the White House and of attempting to overturn his defeat after the 2020 election. He denies wrongdoing in both. DOJ policy says that a president cannot be prosecuted while in office. Extinguishing these cases is simple: Mr Trump can fire Mr Smith and direct DOJ lawyers to drop them. He can do this even before his attorney-general is confirmed, notes Mary McCord, a former federal prosecutor.

In Georgia, meanwhile, Mr Trump faces charges in state court over his meddling in the 2020 election. The case is on hold while an appeals court weighs whether the prosecutor who brought the charges should be removed for alleged impropriety. If it ever gets going again, it will not include Mr Trump so long as he is the sitting president. But his 14 remaining co-defendants could still stand trial.

Then there is the civil litigation against Mr Trump for his role in the January 6th riot. Several Capitol police officers have sued him, alleging that he instigated the attack; courts are in the middle of sorting out whether his conduct is immune from civil liability. If they say it is not immune, precedent suggests that civil suits against a sitting president can proceed.

Soon enough attention will turn from Mr Trump's legal jeopardy to that of his opponents, whom he has vowed to target. At a MAGA victory party attended by your correspondent, shortly before the conga line started, several of his supporters suggested that Joe Biden ought to drop the federal prosecutions against Mr Trump as a show of goodwill. Then one gleefully added that she would love to see their man "take the Bidens down". ■

The Supreme Court

MAGA justice

NEW YORK

Donald Trump's potential picks for America's highest court

WHEN HE RAN for president in 2016, Donald Trump released two lists of potential justices to assure Republicans he would choose conservatives to fill Supreme Court vacancies. He issued a third in 2017 and another in 2020—days before Ruth Bader Ginsburg's death let him cement a 6-3 conservative majority on the court.

Mr Trump issued no lists this time because, as he said last month, he "no longer need[ed]" to shore up his conservative bona fides. Thanks to Mr Trump the court has overturned *Roe v Wade*, bolstered gun rights, hobbled administrative agencies, battered the wall separating church from state and all but immunised presidents from criminal prosecution. Now, in his second term, Mr Trump may get to appoint at least two more justices. Justice Clarence Thomas has been on the court for more than three decades. Justice Samuel Alito mused last summer about a possible retirement. Replacing both would take Mr Trump's count to five justices, a majority of the court and a feat only a handful of presidents have managed.

Who would they be? One contender is James Ho, who was tapped by Mr Trump in 2017 for a seat on an appellate court—and who appeared on his 2020 list. Judge Ho is the most combative jurist on the Fifth Circuit Court of Appeals, America's most conservative intermediate court.

In June, writing for a unanimous Supreme Court, Justice Brett Kavanaugh laid out an error in a ruling by Judge Ho and two colleagues that had rolled back access to mifepristone, an abortion drug. The doctors challenging the Food and Drug Administration's regulations, Justice Kavanaugh explained, lacked the standing to sue because the mifepristone rules had caused them no harm. No mention was made of Judge Ho's peculiar argument that doctors who "delight in working with their unborn patients" can challenge rules on abortion pills because they "experience an aesthetic injury" when fetuses are aborted.

As solicitor-general of Texas in 2009, Judge Ho wrote a brief describing the right to bear arms as "the ultimate guarantor of all the other liberties enjoyed by Americans". He inserts himself into culture-war battles, for example boycotting graduates of Yale and Columbia for clerkships. The man the 51-year-old could replace, Justice Thomas (at 76, the oldest sitting justice), hired him as a law clerk in 2005. Both say they interpret the constitution according to its original meaning.

A colleague on the Fifth Circuit could also find himself elevated if the justice he clerked for in 2008, Samuel Alito, retires. Andrew Oldham, aged 46, may lack Judge Ho's bombast, but his views are just as radical. At his confirmation hearing in 2018 he declined to say whether *Brown v Board of Education*, which declared segregation in schools unconstitutional, was correctly decided. He has pursued a deregulatory agenda on the Fifth Circuit that has, at times, found friendly majorities at the Supreme Court. With Republicans taking over control of the Senate, little will prevent Mr Trump from seating the likes of Judges Ho and Oldham—making the court more MAGA-friendly for years to come. ■

Ho's next?

LEXINGTON

Him again

Democrats need to understand: Americans think they're scarier

IF YOU THINK Donald Trump is too crass or cruel or incompetent to be president—if you are disappointed or even astonished that, having tried and failed to subvert the will of the people in the last election, he has come back to win fair and square—you should be asking yourself this question: why, to so many Americans, does the Democratic Party seem worse?

This victory is a tremendous achievement for Mr Trump, who after his loss in 2020 and the attack on the Capitol on January 6th 2021 was counted out even by leaders of his own party. At the time Mitch McConnell, the Senate Republican leader, who privately regarded Mr Trump as "a sleazeball" and "stupid", called the insurrection "further evidence of Donald Trump's complete unfitness for office", according to reporting he has not disputed in a new biography by Michael Tackett, a journalist.

Yet what might seem a psychological frailty—an inability to brook criticism or concede mistakes, much less defeat—has for Mr Trump been a mighty source of political strength, one that intensifies his connection to the voters he has made the base of the Republican Party. As in 2016, Mr Trump wielded his command of that bloc of voters this year to clear a path through crowded Republican primaries, and then relied upon "negative partisanship", or fear of the other guys, to unite the party. "Can you believe he endorsed me?" Mr Trump chortled at a rally in North Carolina on November 3rd, gloating over how Mr McConnell eventually fell into line. Mr Trump felt no obligation to reciprocate. "Hopefully we get rid of Mitch McConnell pretty soon," he said.

Mr Trump has shown courage, not only in weathering assassins' attacks but in insisting on views on trade, entitlements and other matters that a few years ago were heresy within his party. With his sophisticated grasp of new and legacy media and his instinct for the basic needs and fears of many Americans, he has revolutionised how American politics is conducted and shifted the policy terrain over which it is waged. In terms of disrupting what came before, he has had more impact than even Ronald Reagan.

Unlike Reagan—or the other two-term presidents since, Bill Clinton, George W. Bush and Barack Obama—Mr Trump has never been very popular, though he managed, in this third run as the Republican nominee, at last to win the popular vote. Unlike those predecessors, Mr Trump has relied upon division, not addition, for his electoral maths. In his first term his average approval rating of 41% was the lowest ever measured by the Gallup Poll, which began tracking the statistic under Harry Truman. Democrats have good reason to think Mr Trump repels many voters when he calls adversaries "vermin" or "the enemy from within" or says illegal immigrants are "poisoning the blood of our country".

Yet, after this victory, whatever disdain Democrats have for Mr Trump should be cause only for humility and self-scrutiny. As in 2016, Mr Trump's broad support will present his adversaries with a Rorschach test in which they can see their preferred image of America, and it will be ugly. For some, white supremacy and misogyny will explain Mr Trump's success, while others may attribute it to tax cuts and greed. Some will conclude that poor, non-white or female Americans have been ensorcelled into voting against their self-interest. Rather than retreat into some grand theory, they would so better to think through how, in a divided country, Joe Biden might have nudged the balance a few points away from Mr Trump, rather than towards him. Kamala Harris was no bystander, but prime responsibility lies with the president she served.

Mr Biden did not heed his own warnings about Mr Trump. He tried to eat into Mr Trump's support with blue-collar workers through giant investments in manufacturing and infrastructure that offered something to everyone. Unlike Mr Clinton or Mr Obama, though, he ducked choices that would have respected the concerns of most Americans but disappointed left-wing Democrats. A political strategy of addition still requires some division.

Most egregious, Mr Biden resharpened Mr Trump's most effective political wedge by doing away with obstacles he had created to illegal immigration, providing no alternative. By the time he restored some of Mr Trump's restrictions this spring, more than 4m migrants had crossed the southern border, compared with fewer than 1m under Mr Trump. That was terrible for the Democrats as a party, and worse for people they want to help and the cause they believe in: under Mr Biden, Americans who say they want a decrease in legal immigration rose from a minority to a majority, as did the number who favour mass deportation.

How to defend democracy

Even where Mr Biden had accomplishments that undermined Mr Trump's arguments, he let himself be constrained by his party's loudest activists. Oil production rose to record levels, but Mr Biden did not boast about that. He was also no longer up to the demands of presidential communication that Mr Trump understands so well. He was not constantly, energetically promoting his success in sustaining economic growth and raising wages. His approval rating sagged as low as 36% just as other Democrats were forcing him to face the obvious: he should not be running again. In the short time Ms Harris had, she did her best. But any politician would have struggled under such burdens. She could not separate herself enough from Mr Biden, or from the video Mr Trump's ads used, to devastating effect, of her recently declaring positions that were alienating to most Americans.

"We have learned again that democracy is precious," Mr Biden proudly declared during his inaugural address almost four years ago. "Democracy is fragile. And at this hour, my friends, democracy has prevailed." Now it has prevailed again. Will Democrats get the message this time? ■

The Americas

Mexico (1)

End of the line

MEXICO CITY

Donald Trump, the President-elect of the United States, has a plan to make Mexico curb northbound migration

POLICY COMMITMENTS made by President-elect Donald Trump often lack precision. Not so on November 4th, the final day of campaigning, at a rally in North Carolina. Mr Trump kicked it off by announcing that one of his first calls as president would be to Mexico's President Claudia Sheinbaum. "I'm going to inform her, on day one or sooner, that if they don't stop this onslaught of criminals and drugs coming into our country, I am going to immediately impose a 25% tariff on everything they send into the United States of America." Mr Trump's policy could not have been much clearer. "You're the first ones I've told it to," he told the cheering crowd.

There is little to suggest that his threat this time is not serious. Ending illegal migration across the United States' southern border is one of the chief promises that led to Mr Trump's historic re-election. In his victory speech on November 6th he declared that "nothing will stop me from keeping my word". Along with the Republicans' likely control of Congress, Mr Trump's victory is a "nightmare scenario" for Mexico, laments Jorge Castañeda, a former foreign minister.

The slump in the peso, which reached 20.8 to the dollar after the race was called for Mr Trump, its lowest rate in two years, illustrates the scale of the economic damage that investors believe Mexico could suffer. During Mr Trump's first term, the country benefited from the tariffs applied to China. Companies looked to Mexico as an alternative production site, a trend boosted by the pandemic, which incentivised shorter supply chains. In 2021 Mexico overtook China to become the United States' biggest trade partner.

All that is now imperilled. Ms Sheinbaum and her team are in a "near-shoring bubble", says Lila Abed, head of the Mexican Institute at the Wilson Centre, a think-tank in Washington. "Reshoring [to the United States] and protectionism are back." Several American firms have paused planned investments in Mexico, including Tesla, run by Mr Trump's buddy, Elon Musk. Mr Trump has no qualms about putting tariffs on allies and adversaries alike. He hates trade deficits, and the United States imported $152bn more in goods from Mexico than it sold to it last year. That was the largest deficit the United States ran with any country bar China.

Even if Mexico somehow escapes tariffs, Mr Trump might break the United States-Mexico-Canada Agreement (USMCA) through other means, despite having negotiated it during his first term to replace the North American Free Trade Agreement. He says he wants to turn a review of the deal in 2026 into a renegotiation. One reason is anger over Chinese investment in Mexico. He rails against Chinese-made cars flooding into the United States from Mexico, ignoring the fact that no Chinese firm has yet produced a single ▸▸

→ ALSO IN THIS SECTION

24 Morena tightens its grip

26 Shunning Venezuela

car there. Mexico's government has just made itself more vulnerable on USMCA. Its recent constitutional changes to its justice system (see next story) are potentially in breach of the treaty.

Disrupting the North American trading bloc would hurt all three of its members. Putting tariffs on Mexican imports would raise prices for consumers in the United States. But Mexico would suffer most. A whopping 83% of its exports go to the United States, worth about a third of its GDP. Its economy, already sluggish, could fall into recession. Ms Sheinbaum's cash-strapped government would then be left without the money to pay for the social programmes that are the foundation of its support, let alone the cost of the massive enforcement that Mr Trump wants Mexico to enact to stem the flow of migrants.

Mr Trump says his tariff threats have a "100% chance of working". His confidence may stem from having successfully wielded the threat of tariffs against Mexico before. In his first term he used it to force Mexico to start keeping migrants on its own side of the border while their asylum claims were processed. Mexico deployed some 15,000 troops to its northern border to curb the migrants' northbound flow, and 6,500 to its southern one.

As well as another deployment on a similar scale, this time Mr Trump will try to force Mexico to accept "safe third country" status so that non-Mexican migrants must claim asylum in Mexico instead of the United States. Mexico has flatly refused this, calling it a "red line". He may also tell Mexico to co-operate in accepting back some of the almost 5m Mexicans who live in the United States after entering it illegally. They are among the millions of people he promises to deport.

Even Mr Trump's most hyperbolic threat—to bomb Mexico's criminal gangs to halt the production of fentanyl, a synthetic opioid that killed some 75,000 people in the United States last year—may feel less like a bluff to Mexican officials facing Mr Trump's second term. Law-enforcement agencies in the United States have increasingly worked against Mexico's criminal groups without Mexico's co-operation in recent years. Mr Trump's officials are unlikely to have much appetite for joint action. He has suggested designating Mexico's gangs as foreign terrorist organisations to give his government still more leeway to go after them.

In private, Mexican officials have digested Mr Trump's win with resignation. "Unlike 2016, it was not a surprise," says one. Ms Sheinbaum has responded with optimism, announcing that Mexico has "no reason to worry" about the United States' president-elect. She felt the need to emphasise that Mexico is a "free, independent, sovereign country". Nonetheless, she will have to play Mr Trump's transactional game and come up with offers tempting enough to fend off tariffs.

Mexico does have some leverage, especially on migration, which it has proved willing to use. The number of irregular migrants crossing the border with the United States fell by 77% between December 2023 and August this year (see chart), largely thanks to enforcement by Mexico. Ms Sheinbaum could do as Mr Trump wants and deploy even more soldiers to deal with migrants. Mexico is no longer just a route through which migrants reach the United States, but a destination in its own right too. So Mexico's interests could converge with Mr Trump's, says Ms Abed. Indeed, one Mexican official says they would be "delighted" if the United States managed to stem chaos at the border.

But it is unclear how much more Mexico can do. Even with better technology and a lot more money it will not be possible to stop everyone who wishes to pass through its large and varied territory to cross the 3,200km-long (2,000-mile) border with the United States. It would be more controversial to work with Mr Trump to accept back deported Mexicans, breaking up families. "Giving something for nothing is very dangerous," says Mr Castañeda.

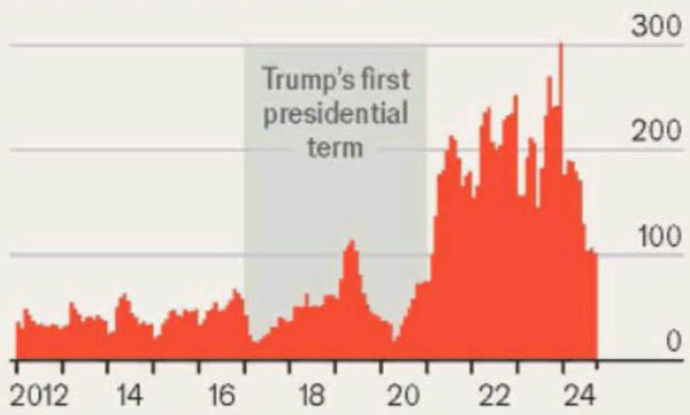
On trade, Mexico wants to convince Mr Trump that it can be a useful part of a regional bloc to out-compete China by working together. Officials say they will encourage companies to source more of their components from Mexico rather than China. That is easier said than done, especially when many of those importing Chinese parts are American companies.

On security, Ms Sheinbaum is more serious than her predecessor about tackling Mexico's gangs. Her security policy, which includes better intelligence-gathering and information-sharing, offers opportunities for bilateral co-operation, too.

Mr Trump will not be able to do everything he has threatened. But even if he carries out a fraction of it, Mexico is in for a rough ride. ■

The president's priority

United States, migrant encounters at the south-west border*, '000



*Since March 2020 monthly totals include apprehensions and expulsions. Prior totals include apprehensions only. Encounters between ports of entry only
Source: US Customs and Border Protection

Mexico (2)

Clubbed

MEXICO CITY

Mexico edges closer to one-party rule

POWER IS often said to come with corresponding responsibility. Not so in Mexican politics. The ruling party, Morena, has been wielding the supermajority its coalition won in elections in June with little regard for the consequences. This week it pushed Mexico to the brink of a constitutional crisis.

The drama revolved around changes to the way Mexico's judiciary works, implemented by Morena in a set of laws passed during the final days of Andrés Manuel López Obrador's presidency in September. The main change was to mandate that all judges in Mexico be elected rather than appointed. On November 5th the Supreme Court narrowly rejected a proposal to strike down some parts of the new laws; it would have allowed judges to be elected to higher federal courts but not to the lower, local ones.

Had the court ruled differently, it would probably have led to an open clash with Claudia Sheinbaum, Mexico's president since October 1st, and Morena. Party bigwigs had declared that they would ignore the ruling if it went against them. That would have risked contempt of court, and an escalating stand-off between executive and judiciary. Ms Sheinbaum herself said she had "a plan" to deal with the court. "The Supreme Court cannot be above the people's voice," she said, accusing it of overstepping its powers.

Previously Mexico's highest court had largely deferred to the government on constitutional changes, only considering them on narrow grounds, such as the violation of correct procedure. But the court singled out the judicial changes for their importance to Mexico's democracy. Analysts, human-rights organisations, businesses and foreign diplomats have all warned that electing judges would politicise the courts and erode the justice system's independence and impartiality.

Morena used slippery methods to try to stop the court considering the case at all. On October 31st Congress passed a law that banned judicial review of constitutional changes, and attempted to write the law so that it applied retroactively to cover the judicial reforms.

The ruling party's bad faith has been on display in other ways, too. The party had said it would let judges who resigned in advance of the judicial elections keep their pensions. Any who ran and lost would miss ▸▸

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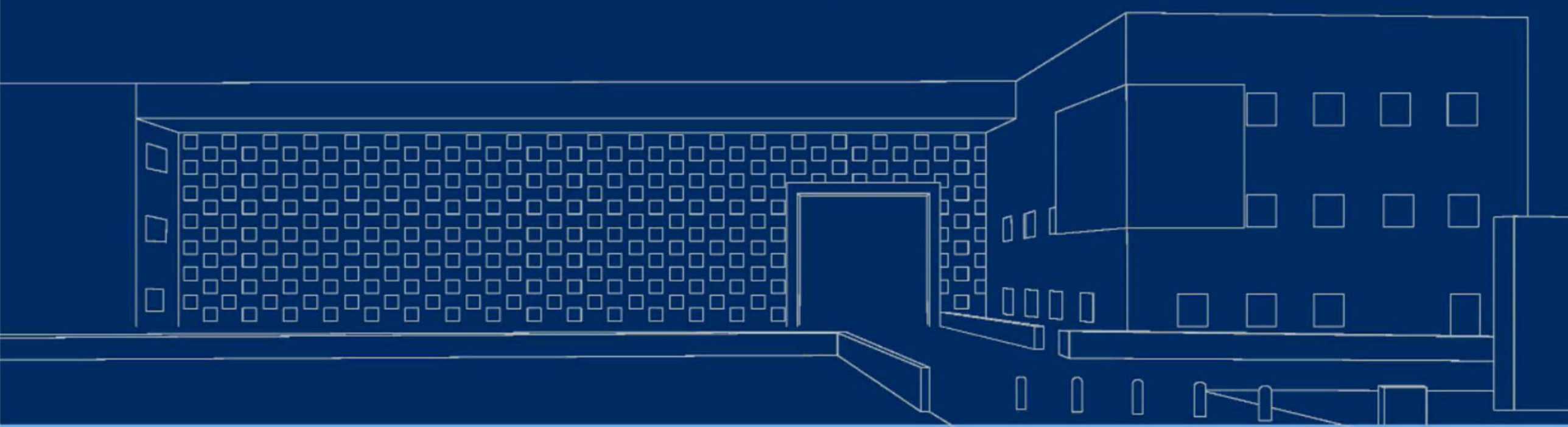

out. But after eight of the 11 Supreme Court judges announced their retirement, the party attacked them for living large at public expense—no matter that at least one of Ms Sheinbaum's circle is a former top judge who enjoys a gigantic pension.

The court's ruling is a win for Morena. It can now move ahead with the first lot of judicial elections in June. The Supreme Court's resignations suggest it will play out as many fear: the three Supreme Court judges who will run for election were appointed by Morena and are confident they will be elected to their posts again. Around half of all judges and magistrates have said they will not stand for election.

The saga illustrates Morena's appetite for control, and how far it will go to satisfy it. "Even though an elected Supreme Court will be loyal to them, they still wanted to control it," says Javier Aparicio of CIDE, a university in Mexico City.

On November 4th Morena said it was getting ready to debate its next constitutional change. This one would remove checks and balances of a different sort by eliminating a raft of Mexico's autonomous agencies, including the freedom-of-information body. A constitutional crisis has been averted, but Morena has tightened its grip. And Mexico looks ever more like a one-party state. ■

Politics in Venezuela

The neighbours hate you

CARACAS

Venezuela's dictator, Nicolás Maduro, is increasingly isolated

THREE MONTHS after stealing a presidential election, the Venezuelan regime is trying to give the impression that the matter is closed. On November 4th an ebullient President Nicolás Maduro joked on state television that one remaining detail he needed to clear up before being reinaugurated on January 10th was the dress code. "Wear a tie, if possible," quipped Jorge Rodríguez, the head of the rubber-stamp national assembly.

The carefree bonhomie is deceptive. Mr Maduro, who claims that he won the election on July 28th even though the opposition has presented clear evidence showing that he lost by a landslide, has not escaped the consequences of his fraud. One sign of that came at the BRICS summit held in the Russian city of Kazan from October 22nd to 24th. Mr Maduro attended on the sidelines, his first trip abroad since the vote. The visit was meant to make him look like a legitimate leader on the world stage, with powerful friends in the global south. Russia's President Vladimir Putin and China's President Xi Jinping both obliged by shaking hands with the dictator in public view. But in protest at the electoral deceit, Brazil's left-wing government vetoed Venezuela's attempt to join the bloc.

That was a humiliation for Mr Maduro, seeing that 13 other countries, even his bankrupt ally Cuba, were accepted into the group. Mr Maduro is understood to have privately berated his foreign minister, Yván Gil, for not warning him of the risk of rejection. In public the regime's response has been to hurl insults at the Brazilian government. Venezuela's foreign ministry has accused Brazil, which has led efforts to negotiate a resolution to Venezuela's crisis, of "inexplicable and immoral aggression". It described Celso Amorim, the measured envoy of Brazil's leftist president, Luiz Inácio Lula da Silva, as "a messenger of American imperialism". Venezuela's police shared an image depicting Lula's silhouette with the caption: "If you mess with Venezuela, you fade away."

That was followed by an equally bad-tempered falling-out with Venezuela's other leftist neighbour in the region, Colombia. Mr Gil accused his counterpart there, Luis Gilberto Murillo, of being "cowardly" after he said Colombia's government could not recognise Mr Maduro's re-election unless the regime produced paper receipts from the polls as evidence of its claimed victory: an impossibility, since the official results were invented.

"They are operating like a cult," said a businessman based in Caracas, Venezuela's capital, describing the mood within the clique around the president. "Everyone has to pretend to believe in the big lie [that Mr Maduro won the election]." Waverers are being expelled from ministries and state companies. On October 21st it was announced that an able former oil minister, Pedro Tellechea, who had resigned citing ill health just days before, had been arrested and accused of sharing privileged information with the United States. At least 12 foreigners, including seven from the United States, have been arrested since the election, most of them accused of planning terrorist attacks.

Flights from countries whose governments have criticised Venezuela, including Panama, Peru and the Dominican Republic, have been suspended. Efforts to get rid of the opposition that has exposed Mr Maduro's unpopularity continue. Almost 2,000 political opponents (including 69 children), are in jail, most of them detained since the election, according to Foro Penal, a Venezuelan human-rights group.

The true president-elect, Edmundo González, is in exile in Spain. The opposition's popular leader, María Corina Machado, who was banned from running for office but helped inspire millions to vote for Mr González, is in hiding. On November 6th she posted a note on social media congratulating Donald Trump on his election. In his first term he had pondered military action to topple the Maduro regime. "We have always counted on you," she said. Mr Maduro breezily pretends that Venezuela's turmoil is over. He is fooling no one. ■

Not fading away

Asia

Indonesia's foreign policy

Prabowo goes to China (and Florida)

SINGAPORE

The new president's upcoming trips raise awkward questions

IN SEPTEMBER 1985 analysts from the CIA puzzled over who might succeed Suharto, Indonesia's dictator and a stalwart opponent of communism. If the old man stayed in power into the 1990s, they reckoned, then his son-in-law, Army Captain Prabowo Subianto, might be a plausible heir. American officials had already begun cultivating Mr Prabowo, inviting him to America to attend military courses. A Prabowo presidency, they reckoned, would keep Indonesia on their side.

The CIA's wonks were not wrong about Mr Prabowo's prospects—they were just early. In February's presidential election, more than a quarter-century after Suharto fell from power and democracy returned to Indonesia, Mr Prabowo won a landslide victory. His win bore some resemblance to Donald Trump's. They are both ageing yet irrepressible would-be strongmen, whose rhetoric is authoritarian but who have won power through free and fair elections. Last month Mr Prabowo took the oath of office. On November 8th he is due to make his first overseas trip as president.

First he will land in Beijing. His hosts in China are expected to pitch new investments in Indonesian infrastructure and, for the first time, a big arms deal between the two countries. Mr Prabowo will then visit Washington. Indonesian diplomats say he may also stop over in Florida to meet Mr Trump before going on to Latin America. Coming so soon after Mr Prabowo's surprise decision for Indonesia to join the BRICS bloc last month, his early foreign-policy moves have rattled American diplomats. They appear to mark a shift towards China and away from the mostly non-aligned position taken by his predecessor, Joko Widodo (or Jokowi).

Relations between Indonesia and China remained icy for years after Suharto seized power in 1966—to disrupt what he alleged was an attempted communist takeover sponsored by China. It was not until 1990 that the two re-established diplomatic relations. And it was only after Suharto fell in 1998 that diplomacy between the two picked up pace. Economic and military links took even longer.

Jokowi came to office in 2014 with plans to develop transport infrastructure across the sprawling archipelago. At the same time officials in Beijing were cooking up China's Belt and Road Initiative, an infrastructure-building scheme. Jokowi also pursued longtime Indonesian aims to use its market power in minerals such as nickel to persuade foreigners to process ore in-country before letting it be exported. These goals, most foreign investors had long told Indonesians, were unachievable due to the poor investment climate. No one would risk putting billions of dollars into a fixed asset in a country where the ▸▸

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rule of law was not well established.

Chinese development banks, however, stepped into the breach. They funded railways, roads, airports and ports. Private Chinese investors then made deals to process minerals, particularly nickel, in Indonesia. By the end of Jokowi's decade in office, China had become Indonesia's most important investor (see chart). Indonesia had also become a leading processor of nickel ore used in batteries, a key part of the green energy supply chain.

Mr Prabowo thus inherits a strong economic relationship, which he seems set to expand. His brother, a billionaire businessman who has bankrolled his political aspirations, told a seminar last month that Mr Prabowo would pitch to Chinese state investors a $60bn sea wall to cover most of the north coast of Java, from the capital, Jakarta, to the second city, Surabaya, as great a distance as between Los Angeles and San Francisco. The first phase, worth $11bn, would protect just Jakarta, which suffers from severe flooding because of subsidence. Experts reckon the project will be a white elephant. China's mandarins might balk at the sea-wall proposal, but it shows that Mr Prabowo, like Jokowi, is not too proud to go cap in hand to Beijing.

Mr Prabowo's relationship with America is more complicated. In the waning days of his father-in-law's rule he ordered his men to kidnap activists protesting against it. Some remain missing. Of those who returned, several claim that they were tortured, a charge Mr Prabowo denies. The Clinton administration sided with the activists, reportedly citing its obligations under the UN's Torture Convention to deny him a visa in 2000. Only after Mr Prabowo became defence minister in 2019 did America change its mind. The re-election of Mr Trump, whose first administration lifted the visa ban, may ease co-operation.

Don't look back in anger

The ban on Mr Prabowo was only one part of a broader American push to hold the Indonesian armed forces accountable for the role they played in suppressing democracy under Suharto. For years America refused to sell military equipment to Indonesia, leaving many of its F-16s inoperable for lack of spare parts. The arms embargo prompted Indonesia's armed forces to look for alternative suppliers, to avoid excessive dependence on a single foreign supplier. As Jokowi's defence minister, Mr Prabowo did deals with America, France, Italy, South Korea and Turkey, among others. Especially when it came to big-ticket items like jets and ships, Indonesia generally avoided buying Chinese kit.

Whether Mr Prabowo is willing to break this taboo in Indonesia's relations with China is unclear. According to one person with knowledge of a proposal on the table, China is hoping to sell frigates and submarines. But Dino Patti Djalal, a former Indonesian diplomat, questions the wisdom of buying ships and boats from China while the two are engaged in a dispute over the rights to resources in a sliver of the South China Sea, where Indonesia's claims to an exclusive economic zone overlap with China's nine-dash line. Recently, Indonesian coastguard vessels have shadowed Chinese counterparts there.

More broadly, Mr Djalal worries that Indonesia could lose its reputation for staking out a position independent of either great power unless it is careful not to be seen as a Chinese proxy. "For a long time, America was the reference point," he says, explaining that Indonesia was careful not to align too closely with Uncle Sam. "Now", he says, "China is the reference point. They need to remember that." ■

The Jokowi effect

Indonesia, inflows of foreign direct investment, 2014-23, $bn

Source: Lowy Institute

Myanmar

Pariah politics

SINGAPORE

The junta's chief finally goes to China

FEW NATIONAL leaders are as unwelcome abroad as Senior General Min Aung Hlaing, the leader of the military junta which seized power in Myanmar in 2021. Even North Korea's Kim Jong Un gets the occasional invitation to Beijing. Min Aung Hlaing, by contrast, has received the cold shoulder from his northern neighbour. But on November 5th the general began his first visit to China since staging a coup nearly four years ago.

Chinese leaders have never liked Min Aung Hlaing, who has been a sharp critic of China's cosy relations with ethnic armed groups inside Myanmar. Moreover, his putsch led to a civil war which threatens Chinese infrastructure in Myanmar, and risks sending refugees over their shared border. Chinese leaders declined the general's request to come to Beijing to meet Xi Jinping. Instead, they invited him to Kunming, the capital of Yunnan province to Myanmar's north, for a small regional summit hosted by Li Qiang, China's premier. But their real purpose is to prod him to lay out plans for fresh elections in 2025. If Min Aung Hlaing wins those elections, China hopes he will have to give up control of the army. A new commander, the thinking goes, might end the fighting.

It is a long shot. Most of Myanmar is either at war or governed by a collection of rebels. Armed groups would target poll workers for holding what they see as an illegitimate election. But Chinese leaders worry that the fighting will get worse anyway, and that its interests will come under attack. Short of peace, Chinese officials hope that by bringing Min Aung Hlaing to Kunming they can at least signal their determination to prevent the collapse of his regime. While they are no fans of the junta chief, Chinese officials harbour an even greater fear of resistance groups with close ties to the West.

South-East Asia's Muslims

A burning issue

SINGAPORE

Many are incensed by the war in Gaza

"I AM NOT trying to be boastful...but I've taken measures and gone way beyond what other countries are willing to do," Anwar Ibrahim, the prime minister of Malaysia, said to opposition members in parliament this week. He was arguing—and, indeed, boasting—that his government has outdone itself with its measures to punish Israel for the war in Gaza. This includes a ban on Israeli ships from docking at Malaysian ports and a halt to direct trade with the country. In response to Israel's recent clampdown on the United Nations Relief and Works Agency for Palestinians, Mr Anwar announced plans for a draft resolution demanding the expulsion of Israel from the UN should it be found to be in violation of international law (which would be the first ousting of a member).

Such grand gestures of support for Palestine are popular in South-East Asia. Over two-fifths of its 700m people are Muslim, ▸▸

most of whom reside in Malaysia and Indonesia. A recent survey by the ISEAS-Yusof Ishak Institute, a Singaporean think-tank, suggested that the war in Gaza was the region's most pressing geopolitical concern (47% of South-East Asian respondents), surpassing aggression in the South China Sea (40%). Almost eight in ten respondents from Indonesia and seven in ten from Malaysia felt that Israel's attacks on Gaza had gone too far.

Malaysia and Indonesia have never had diplomatic ties with Israel. But over the past year relations have got much worse. Both countries now accuse Israel of war crimes. Similarly, both countries have welcomed thousands of refugees from Gaza. Indonesia has offered hundreds of scholarships to Palestinian students. Last year Indonesia's top clerical body released a *fatwa* calling for a boycott of companies that openly support Israel.

Mr Anwar, prime minister since 2022, prides himself on having repeatedly met Ismail Haniyeh, the leader of Hamas who was assassinated in July. Prabowo Subianto, Indonesia's new president, argued for "full support for Palestinian independence" in his inaugural address last month. Indeed, failure to appear pro-Palestinian is met with fierce criticism: when a photo of Mr Anwar's wife appeared on Sara Netanyahu's social-media account it went viral and caused outrage. (Both had attended an event hosted by Jill Biden a month before the October 7th attacks.)

Some analysts worry that this could this lead to the radicalisation of citizens in both Asian countries. Hundreds of thousands of people have attended pro-Palestinian rallies in the past year and many are riled up. Some proclaim their willingness to fight on behalf of Palestinians if needed. Dete Aliah of the Society against Radicalism and Violent Extremism, an anti-terrorism NGO in Indonesia, thinks that thousands of Indonesians would travel to Gaza to fight for Palestine, if it were not logistically nigh-impossible to do so. In Malaysia, during a government-led "Palestinian Solidarity Week" last year, videos of school teachers brandishing toy guns and wearing *keffiyeh* scarves emerged on social media. Others showed students re-enacting combat scenes. This suggested that the education ministry's desire to highlight the humanitarian crisis in Gaza had backfired.

Although organised terrorist attacks remain unlikely, there is a rising threat of lone-wolf attacks across South-East Asia. A recent report by Singapore's home ministry observes "an uptick in anti-Singapore rhetoric" from extremists in the region (Singapore conducts regular military exercises with Israel). According to Noor Huda Ismail, a terrorism expert, individuals have been radicalised in the past by events in Gaza. It could happen again. ■

Japanese justice

Confess, or else

TOKYO

A criminal-justice system rife with abuse

IN 2020 THE president of Ohkawara Kakohki, a small machinery-making firm in Yokohama, near Tokyo, was arrested along with two of its executives. The charge? That the company was sending equipment to be turned into biological weapons in China. The three were detained for 11 months. Their application for bail was rejected by judges five times. The investigators implied they would be freed if they admitted the crime, but they refused. By the time they were released on bail one of them had died from stomach cancer without access to treatment. They were all eventually found to be innocent.

The incident illustrates a wider problem. Japan's criminal-justice system includes long-term detention of suspects and overreliance on confessions. This "hostage justice system" has recently been the focus of growing criticism. After the prosecutors dropped charges against Ohkawara Kakohki, one of the officials admitted publicly that the investigators had "fabricated" the case as a result of "personal greed" to advance their careers by securing convictions. Such an admission is "unheard of", says Takada Tsuyoshi, the lawyer in charge of the case.

In June Kadokawa Tsuguhiko, a former chairman of a publishing giant who was arrested and detained for 226 days on bribery charges, filed a lawsuit accusing the justice system of being "unconstitutional", the first such trial in Japan. (In a recent memoir, Mr Kadokawa wrote that a doctor at the detention centre told him that he would not "leave here alive".) And in September Hakamada Iwao, who spent 46 years on death row for murder, was exonerated. The judge said the evidence used to arrest him might have been faked. Such cases raise questions about the country's very high conviction rate, which is 99.8% for cases that go to trial.

In some respects, Japan is a lenient place. It has a low crime rate and locks up far fewer citizens than other rich countries: 33 people out of 100,000, compared with 541 in America and 140 in Britain. Minor offenders who admit guilt and apologise are often freed with a stern warning. But when prosecutors decide to go after someone, they have extraordinary powers. Unlike in other rich countries, they rely heavily on confessions, rather than physical evidence: nine out of ten cases in Japan still hinge on the suspect's admission of guilt.

Before any indictment, prosecutors can detain suspects for up to 23 days. That is already much longer than in other democratic countries. And suspects are often rearrested on separate charges as soon as the 23 days are up. In 2022 nearly 90,000 people (or fully 96% of suspects) were detained. Conditions are harsh. Cells are clean but tiny: usually around five square metres and sunless. Detainees are called by numbers, are only allowed to exercise for about 30 minutes a week and are constantly watched by guards. "They hadn't even proven that I'm guilty," says Shimada Junji, one of the arrested employees of Ohkawara Kakohki. "So why was I treated like a criminal?"

Detainees are subject to lengthy interrogations. Suspects are questioned for an average of 22 hours in total in Japan, compared with an average of two hours in America and 30 minutes in Britain. Unlike ▸▸

A long way to change

in most other countries, lawyers are not allowed to attend these sessions, and the constitutional right to remain silent is often violated. When Eguchi Yamato, a lawyer, was interrogated following his arrest in 2018, he exercised his right to remain silent. But the interrogation continued for 56 hours over 21 days. Investigators called him a "child".

All this amounts to pressure to make a confession, even a fake one, just to be freed. In 2020 bail rates before an initial trial were 26% for those who confessed, compared with 12% for those who continued to protest their innocence.

Earlier this year, a cabinet member who was asked about the Ohkawara Kakohki case responded that prosecutors handle detention of suspects in a way that "sufficiently takes human rights into consideration". That didn't give much hope to reformers that the system would be changed.

Yet some improvements have been made. Since the mid-2010s some investigations have been recorded. Earlier this year hundreds of parliamentarians formed a group to revise rules pertaining to retrials. Under the current law prosecutors can easily block retrials for those who claim to be wrongfully convicted. That was why it took Mr Hakamada so long to be freed from death row. The recent scandals are also prompting many to rethink how criminal cases are dealt with in the country. "My hope is that things will inch forward towards progress," says Mr Shimada. ■

BANYAN

Tea leaves of parliaments past

What Narendra Modi's third term may look like

"IS MODI STILL THE PM?" read a text received by Banyan one recent afternoon. "I'm getting Modi withdrawal," admitted the sender. It is usually difficult to notice the absence of something. But not Narendra Modi, who has dominated India's newspapers, screens and imagination for the past decade. His Bharatiya Janata Party (BJP) has built an impressive personality cult around its leader, ensuring Indians never forget their prime minister.

But ever since shock electoral results in June, when the BJP lost its majority and was forced to form a coalition, the party seems to have concluded that Indians have had too much of a good thing. The volume of advertisements and ribbon-cuttings has diminished. When the BJP unexpectedly won elections in the state of Haryana last month, it was not thanks to Mr Modi's star power, usually the headline act of every campaign. He was deployed sparingly.

For a quarter of a century until Mr Modi's rise in 2014, no party won a majority in parliament. The BJP's two terms of outright control were an exception. Now the country's fractious politics resembles business as usual. What does history suggest about the next five years?

Three governments between 1989 and 2014 have been especially consequential. The first was led by P.V. Narasimha Rao in the early 1990s. That was when India opened up its sclerotic economy and freed private enterprise from the shackles of the state, spurring high growth that continues today. India badly needs another big bang of reforms, especially on land, labour and agricultural policy. Mr Modi's coalition could implement them: Rao led a minority government. But breaths should not be held. The BJP's boosters have pre-emptively been making excuses, arguing that coalitions are not conducive to reform.

The government of Atal Bihari Vajpayee, a BJP prime minister from 1998 to 2004, boosted India's infrastructure ambitions. Vajpayee made India a declared nuclear power, kickstarted the large-scale building of motorways, launched India's first Moon mission, and brought private investment to telecoms. To the extent his achievements are instructive, the lessons have already been learned. Mr Modi, too, has made tech and infrastructure his calling card, turbocharging road-building and associating himself with the space programme. Data rates have plunged to some of the world's cheapest.

Vajpayee was followed by Manmohan Singh, who led an unwieldy coalition that nonetheless passed major legislation creating, among other things, a rural-jobs scheme, a right-to-information act and Aadhaar, a digital-identity system. He staked his leadership on a civil-nuclear deal with America, which led to closer ties between the two countries.

That suggests a model for Mr Modi's third term. The prime minister has strongly backed Aadhaar. He has expanded welfare, including most recently with universal health insurance for anyone aged 70 or above. He has deepened ties with America. Yet the differences are stark as well. Mr Modi is no fan of transparency. His government has turned welfare into a campaign tool. And geopolitical trust-building has lately suffered a setback: India stands accused of attempting to assassinate an American citizen on American soil.

Mr Singh in 2004 was a new leader who enjoyed the goodwill of the electorate. But in his second term his government was plagued by allegations of corruption. The middle class turned on it with fury. Its last five years, though not without achievements, are remembered as a time of rancour and drift. The risk for the BJP, which after a decade in power can no longer blame India's troubles on other parties, is that its third term will echo Mr Singh's second.

The danger signs are flashing. Since June the BJP has been subject to constant criticism about everything from leaked exam papers to collapsing bridges. An unbending government has been forced into humiliating reversals, including on changes to capital-gains tax rates and on a media bill that would that would have put YouTubers out of business.

These are all subjects that animate the middle class, which today is much bigger but not much happier. Elite opinion and even pro-BJP media reflect its concerns. Well-paid jobs are scarce. Urban consumption growth is flagging. Cost-of-living rises feel more concrete to voters than strong but abstract headline numbers. The mood is dour, with no sign of growth-boosting reforms. Little wonder Mr Modi is keeping a low profile.

China

China and America

Dream or nightmare?

The election of Donald Trump is a propaganda win for the Communist Party. But his second term poses real dangers for China

FOR COMMUNIST PARTY leaders, Donald Trump's electoral success confirms their deepest prejudices about the decline of America and the decadence of its democracy. Towards the end of Mr Trump's first term, Chinese officials privately shared their judgment that he did not know much about the world—and that all he really cared about were his own interests. They ascribed his victory in 2016 to populism, driven by inequality and the heartlessness of American society. His re-election is unlikely to shake those views.

The challenge facing China's rulers is to take advantage of Mr Trump's comeback, while avoiding the dangers of a second Trump administration. For Xi Jinping, China's all-controlling, risk-obsessed leader, the uncertainties will begin on Mr Trump's first day back in the Oval Office.

If campaign promises are any guide, the next president could mark his return to Washington by announcing steep tariffs on imports from any country that runs a trade surplus with America. China, in particular, is a target. Its slowing economy can ill afford the 60% levy that Mr Trump threatens to impose on Chinese goods. But China will see a chance to divide the West if he also slaps tariffs on America's allies (see International section).

A cleaner Chinese win might follow if Mr Trump carries through on another campaign pledge—to speedily end the war in Ukraine. Were he to take the advice of his running mate, J.D. Vance, it would probably be a peace deal on harsh, Russia-friendly terms (see Europe section). Officials in Beijing would be delighted if Mr Trump abandons Ukraine, says a national-security expert at a state-run Chinese think-tank, pointing to the assurances of enduring support from President Joe Biden. China would not hesitate to drive a wedge between America and its treaty allies in Europe and Asia, telling them that American promises are worth nothing.

Above all, China would see a golden opportunity to undermine morale in Taiwan, the democratic island of 23m people which China claims. "We can tell the Taiwanese people, you can't count on the Americans," says the scholar. Long-standing American policy is deliberately ambiguous when it comes to the defence of Taiwan. Mr Biden has muddled that message by saying that it would enjoy American support if attacked by China. For his own part, Mr Trump declines to say whether he would use American forces to defend the island. But during this year's election campaign, he asserted that Taiwan should pay America to defend it and grumbled that the island's world-class semiconductor industry "took all of our chip business".

As so often with Mr Trump, his inconsistency cuts both ways. During his first term in office, he shocked hawkish advisers by privately scoffing at Taiwan's importance. But in pursuit of leverage he also allowed the hawks to stage public shows of support. American warships sailed more often through the Taiwan Strait and his ad- ▸▸

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ministration approved more arms sales to the island. On the campaign trail, Mr Trump said that Taiwan should spend four times more on defence than it does now, committing as much as 10% of its GDP to its armed forces. That line is as unwelcome and alarming to leaders in Beijing as it is to politicians in Taiwan.

The bad-dream team

In Washington it is often said that personnel is policy. China is no less obsessed with staffing decisions in the next Trump administration. Particular Chinese dismay would be provoked by any return for Mike Pompeo, who as secretary of state gave a speech at the Nixon Library, seeming to call on China's people to rise up against Communist Party rule, and who since leaving office has endorsed Taiwanese independence. If Robert Lighthizer, America's trade representative in Mr Trump's first term and a big believer in tariffs, were to return in some capacity, Chinese counterparts would read that as a signal that America is bent on economic decoupling. Cabinet posts for Communist Party-loathing senators, such as Tom Cotton or Marco Rubio, would inspire alarm in Beijing.

Chinese national-security scholars debate whether Mr Trump would be forced into a hardline posture by China hawks this time round. Some dream that the New York businessman might be tempted to strike a grand bargain with Mr Xi, a leader whom Mr Trump has praised as "brilliant" for ruling China with an "iron fist". Former officials from the first Trump administration caution that, while the president-elect is indeed untroubled by Mr Xi's autocratic ways, he sets great store by his reputation as a dealmaker, and would expect extraordinary concessions from China to reach any sort of long-term accommodation.

For decades China has sought out American business leaders to counsel presidents to be pragmatic and focus on profitable coexistence. Towards the end of Mr Trump's first term, many of China's cheerleaders on Wall Street and elsewhere had lost influence in the Oval Office. Officials in Beijing may be hoping that Elon Musk, whose Tesla car company is heavily invested in China, will play a helpful role during Mr Trump's second term.

Broadly, however, China's leaders are resigned to economic decoupling. As business ties weaken, the bilateral relationship increasingly resembles a purely geopolitical contest. In that vein, China sees ways to take advantage of Mr Trump's unilateralism and his hostility to the United Nations and other international organisations. China already portrays itself as a model and natural leader for developing countries, bringing investments and infrastructure to Africa, Asia and Latin America. Whether accusing Mr Biden of having a pro-Israel bias in the Gaza conflict or chiding his administration for erecting trade barriers to Chinese green technology, China has cast America as a selfish bully. Such condemnations will only grow louder once Mr Trump is back in office.

In truth, however, China has much to lose from Mr Trump's "America First" policies. To pick just one example, China wants to decarbonise its economy but needs America to move in parallel, so that China is not alone in absorbing the costs of a green transition. Mr Trump, who has called climate change a "hoax", shows no interest in co-operating. On it and many other issues, his return is a propaganda win for China, but a real-world dilemma. ■

The armed forces

Where China leads

In some areas of military strength, China has already surpassed America

As he prepares for a second term, Donald Trump will receive the same simple message from all 18 of America's intelligence agencies: Russia may be causing mayhem in Europe, but only China has the wherewithal to mount a global challenge. "Beijing is accelerating the development of key capabilities," said the co-ordinating body for American spooks last year. Those capabilities, it added, are ones that China "believes the People's Liberation Army (PLA) needs to confront the United States in a large-scale, sustained conflict".

The PLA is still far from being ready for war with America. China's official aim is to "modernise" its armed forces by 2035 and make them world-class by 2049. But the PLA has already undergone an extraordinary transformation, from an ill-equipped outfit two decades ago to a regional power today. The old image of China's armed forces focusing on quantity over quality is outdated. In recent years China has improved the effectiveness of its arms to such an extent that, in some areas, it has already matched or surpassed America.

A very modern mariner

Any analysis of China's advantages has to begin with its navy—called the People's Liberation Army Navy (PLAN). It is not just the world's largest, but also has the newest vessels. Around 70% of Chinese warships were launched after 2010, compared with a quarter of America's, according to the Centre for Strategic and International Studies (CSIS), a think-tank. When it comes to design and material quality, many Chinese ships are comparable to America's, says the US Office of Naval Intelligence.

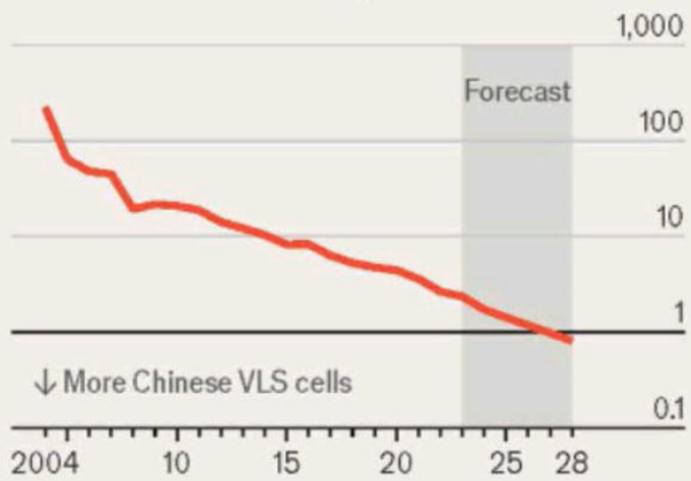
American warships tend to be larger and better armed, but China is catching up. One important measure of naval power is the number of vertical launch system (VLS) cells, or advanced missile launchers. CSIS estimates that in 2004 American ships, on average, had 222 VLS cells for each Chinese one. But the ratio will soon tip in the PLAN's favour (see chart on next page). China is also innovating. America has nothing like the hybrid propulsion systems in China's Zhou-class submarines, says Tom Shugart, a retired American naval officer. He also points to a Chinese amphibious assault ship under construction, called the Type 076, which will be the world's largest and the only one with a catapult to launch drones.

China's air force, called the PLAAF, is on a similar trajectory. Its most advanced warplanes are probably not as state-of-the-art or stealthy as America's. But having once struggled to develop high-quality jet engines, China now produces models that are near the calibre of those from NATO countries, says Brendan Mulvaney of the China Aerospace Studies Institute, a US Air Force think-tank. China is also thought to churn out stealth fighters faster than America does. And the weapons carried by Chinese aircraft have improved dramatically. China is often ahead in areas where America has failed to invest, says John Culver, a former CIA man. He points to the range, speed, sensors and anti-jamming capabilities of Chinese air-to-air and anti-ship missiles.

The most striking progress by China has come in the area of hypersonic missiles, which fly and manoeuvre at more than five times the speed of sound. Such weapons have forced countries to rethink their defences. Earlier this year Jeffrey McCormick of America's National Air and Space Intelligence Centre told Congress that China had the world's leading hypersonic arsenal. America is testing faster and ▸▸

PLAN ahead

Vertical launch system cells, ratio of United States to China, log scale



Sources: Centre for Strategic and International Studies; International Institute for Strategic Studies

more accurate missiles, says Mr Mulvaney. But China has already deployed multiple hypersonic-weapon systems.

With other arms that rely on newer technologies it is often difficult to judge who is ahead, not least because they are rarely tested in public. But the Australian Strategic Policy Institute, another think-tank, publishes an annual critical-technology tracker measuring high-impact research across countries. Its survey in 2024 found that China ranked top in six out of seven crucial defence-related areas: advanced aircraft engines, drones and collaborative robots, hypersonic detection and tracking, advanced robotics, autonomous systems and space-launch systems. America was ahead only in small satellites.

Such rankings are contested and fail to capture the secret research done on all sides. Moreover, combat effectiveness is not just the sum of individual weapons and technologies. The failure of Russia's initial invasion of Ukraine in 2022 was at odds with many Western assessments of Russian military prowess, which did not account for intangible factors. China's armed forces have their own problems, such as corruption, inadequate logistics and poor integration between the army, navy and air force. China also lacks combat experience, having not fought a war in decades.

But that is scant consolation for those watching the PLA's progress over the past two decades. Few peacetime precedents exist for the speed and scale of China's military modernisation. It has done it while barely breaking a fiscal sweat, spending less than 2% of its GDP on the armed forces, compared with more than 3% in America. "We are in a race for military technological superiority with a capable pacing challenge," said Frank Kendall, the US Air Force secretary, in April. "Our cushion is gone. We are out of time." ■

Chaguan, our China column, has been suspended. Our goal is to reinstate it when we have a new columnist resident in Beijing.

The economy

Trashy thoughts

As China tries to stimulate its economy, netizens gloomily ponder the long term

THESE HAVE been heady times for players of China's stockmarkets. After the government began ramping up measures in late September to inject new life into a flagging economy, share prices soared, before settling back a bit as investors waited for details. Senior legislators are poised to reveal more stimulus measures on November 8th. But public anxiety about the economy's long-term prospects may prove hard to dispel. That was true even before Donald Trump, who is threatening massive tariffs on Chinese goods, became America's president-elect.

Debate on Chinese social media offers clues to the way that at least some people are pondering the future. As always, given heavy censorship of China's internet, discussions are cautious, using nudges and winks to convey grievances that might upset the Communist Party. The economy is high on the long list of topics that net nannies monitor closely. They are keen to stamp out gloom.

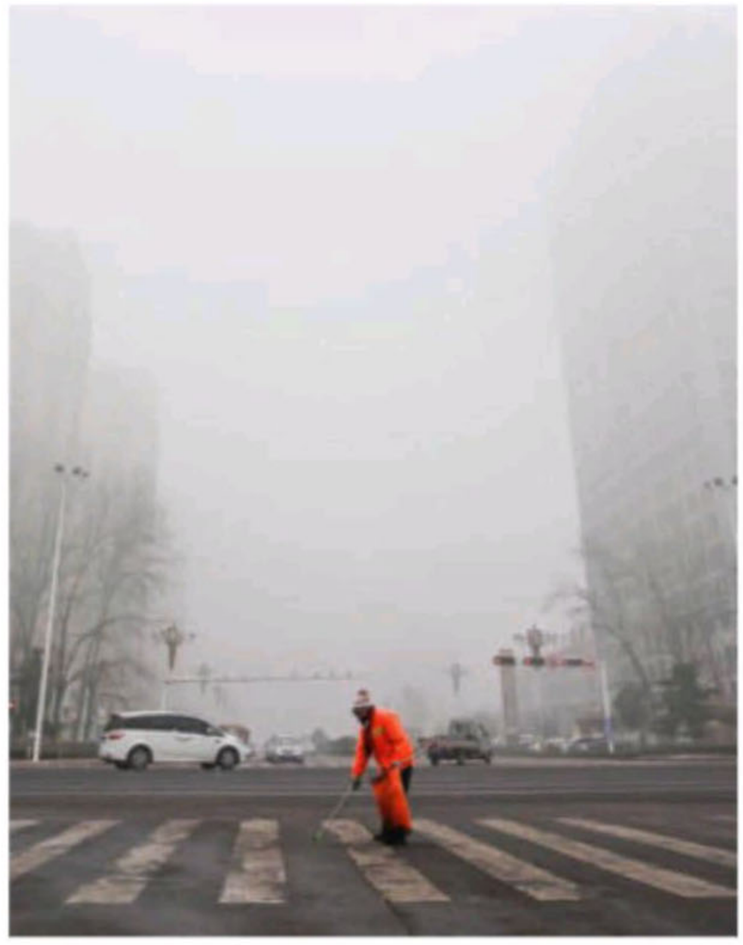
For those inclined to pessimism, the awarding on October 14th of the Nobel prize in economics to three academics at American universities—Daron Acemoglu, Simon Johnson and James Robinson—provided an opportunity to air it. Messrs Acemoglu and Robinson were already known in China for their book "Why Nations Fail: The Origins of Power, Prosperity and Poverty". Three years after the English version was published in 2012, a translation was launched in China. It caused a stir.

The book argues that countries' long-term economic success depends mainly on the nature of their social and political institutions, rather than culture, climate or geography. Those with institutions that are "inclusive"—that is, work in the interests of diverse groups rather than a narrow elite—are better at ensuring sustained growth than ones that are "extractive", it posits. The authors say China's economic institutions have become more inclusive since the era of Mao Zedong. This has enabled China's astonishing economic expansion in recent decades. But they say China's political institutions remain extractive, making it "likely to run out of steam".

It is remarkable that such an argument can be aired in China, especially under Xi Jinping, who took power soon after the book was published in English and swiftly moved to silence the type of liberals who would be its natural fans. The Chinese version omits much of the authors' argument about China, especially parts that are critical of its political system. Mr Acemoglu says he and his co-author felt "it was still worth trying to reach the Chinese audience in this form" even though it was a "very painful episode". Readers could still deduce their point. And striking elements remained, for example that "authoritarian growth is neither desirable nor viable in the long run, and thus should not receive the endorsement of the international community as a template for nations in Latin America, Asia and sub-Saharan Africa". Mr Xi would beg to differ.

Since the Nobel prize was awarded, there has been renewed interest in the work, with some Chinese netizens recommending it (and nationalists attacking it). "There is uncertainty in China's future," posted one user of Weibo, a social-media platform. "If it does not further reform, improve its inclusive economic system and establish an inclusive political system, China's rapid development will be unsustainable. Re-reading this now is truly eye-opening." He attached a glowing review of the book written in 2015 by Wu Jinglian, one of China's most famous economists.

Such sentiment is reflected in an idea that began spreading online last year: that China has entered the "garbage time of history". It refers to an American sports term used to describe low-quality play at the end of a match when competitors run out the clock because the result is already clear. Chinese netizens adopted it to express their feeling that China is stagnating. In July state media assailed the term. On Guancha, a nationalist website, an academic accused its users of "attempting to create public expectations that the nation will inevitably fail". As China unleashes its stimulus package, expect no let-up in the government's attacks on grumblers. ■



Garbage time?

Middle East & Africa

America, Iran and Israel

Direction unknown

DUBAI

How Donald Trump handles the Middle East may depend on which son-in-law spoke to him last

ON HIS FIRST day as president-elect, Donald Trump united the Middle East. Everyone agrees his second term in office will transform American policy in the region. But no one agrees on what that policy will be. Though his election probably heralds a dramatic shift, the direction he will take depends on who has his ear.

Binyamin Netanyahu, the Israeli prime minister, was quick to curry favour. He was among the first world leaders to congratulate the president-elect on what he called "history's greatest comeback".

He reckons that a Trump administration would give him free rein to continue Israel's wars in Gaza and Lebanon: there would be no more nettlesome American calls for a ceasefire (not that Joe Biden's cajoling amounted to much). He has good reason to believe that. In his first term, Mr Trump showed little concern for the plight of the Palestinians. He supported the growth of Israeli settlements in the occupied West Bank, and his son-in-law, Jared Kushner, drafted a peace plan that was deeply skewed in Israel's favour.

But Mr Trump ran for office on a pledge to calm the region. "I'm going to stop the wars," he said in his election-night victory speech. America has sent Israel $18bn in military aid since October 2023, and at least four American soldiers have died in connection with the fighting. Some in Israel wonder if Mr Trump will balk at the cost and demand that Mr Netanyahu end the war before he takes office. "Do you really think Trump wants this hanging over the first year of his presidency?" a Western diplomat in the region asks rhetorically.

If he limits Israel's ability to fight Iran and its proxies, Mr Trump will disappoint hawks in both Washington and Jerusalem. In his first term he abandoned the Joint Comprehensive Plan of Action (JCPOA), the 2015 agreement that imposed limits on Iran's nuclear programme in exchange for sanctions relief. Mr Biden tried unsuccessfully to revive the deal. With Iran now enriching uranium to 60% purity, a hair's breadth from weapons-grade, the JCPOA is a dead letter. Mr Trump may have to decide whether to negotiate a new deal or approve military action against Iran's nuclear sites.

He has promised not to allow Iran to build a bomb. At the same time, he seems unenthusiastic about a conflict. "I don't want to do damage to Iran," he said on November 5th, adding that he wanted it to be a "successful country". Some Iranians joke that the regime should offer him a property deal: the best way to clinch a new nuclear accord would be to throw in a contract for a Trump Tower in Tehran.

The people around him have mixed opinions. His first cabinet had close ties to the Foundation for Defence of Democracies, a bellicose Washington think-tank that advocates regime change in Iran. Some of its members may find roles in a second Trump administration.

At the other end of the spectrum is J.D. ▸▸

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37 Nigeria's other north-south divide
38 Congo's missing millions

Vance, the vice-president-elect, who does not seem keen on a new war in the Middle East. In an interview last month he said that America and Israel would sometimes have diverging interests, "and our interest very much is in not going to war with Iran". Project 2025, a right-wing blueprint for Mr Trump's second term, calls for sanctions on Iran but stops short of recommending military action. Instead it argues that America's Arab allies must do more to protect themselves from Iranian threats.

Such talk worries Gulf states. The last time around, they welcomed a president whose first foreign trip was to Riyadh. But they came to resent the transactional nature of their relationships with Mr Trump, which forced them to spend billions of dollars buying American weapons. Now they also worry that his promised trade war with China will be a drag on oil prices (Brent crude briefly fell by more than 2% the day after Mr Trump's election).

No earthly way of knowing

No one is sure how Mr Trump will govern this time. Last month he promised to bring peace to Lebanon. He did not say how. Will he demand that Israel withdraw its troops and agree to a ceasefire? Or will he back a wider ground invasion in the hope of uprooting Hizbullah for good?

The answer will probably depend on his advisers. Mr Netanyahu hopes to sway Mr Trump, but their relationship is fraught: the president-elect has harboured a grudge against the Israeli prime minister since 2020, when the latter congratulated Mr Biden on his electoral victory while Mr Trump was still disputing the result.

In 2022 Mr Trump's daughter, Tiffany, married Michael Boulos, whose father, Masaad, is a rich Lebanese-American businessman. The elder Mr Boulos has been advising the president-elect on the Middle East—hence Mr Trump's newfound interest in Lebanon.

Mr Trump's swift and clear victory rules out the possibility of a post-election period of uncertainty in which Iran and Israel escalate their conflict. It also leaves Mr Biden with 75 days in which he can confront Mr Netanyahu. In the stretch between election and inauguration American presidents often pursue a less deferential policy toward Israel. In 2016 Barack Obama decided not to veto a UN Security Council resolution that condemned Israeli settlements in the West Bank. Bill Clinton used that period in 2000 to present the "Clinton parameters", a last-ditch effort to reach an Israeli-Palestinian peace deal.

Neither of these moves amounted to much, but they were signals of American frustration. Mr Biden could go much further, if he were prepared to spend his final days in a confrontation with Mr Netanyahu. Mr Trump might not mind if he did. ■

Israeli politics

Not very Gallant

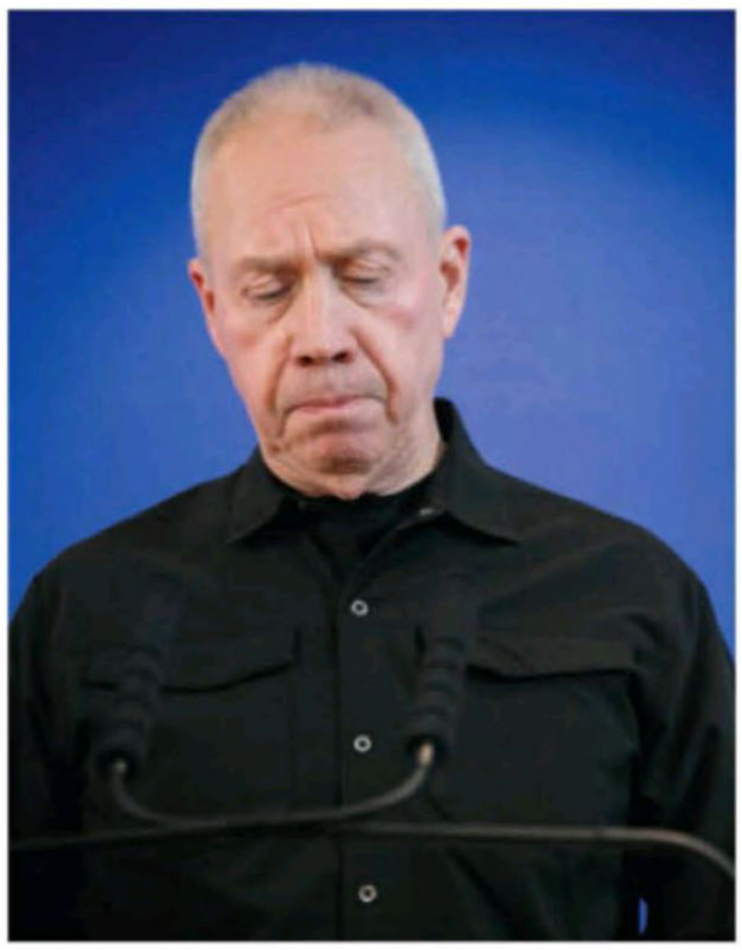
JERUSALEM

Binyamin Netanyahu fires his defence minister

OVER THE past year the two men leading Israel's war effort could barely hide their contempt for each other. So when Binyamin Netanyahu, Israel's prime minister, announced on November 5th that he was, at last, firing his defence minister, Yoav Gallant, because of the "increasingly wide crisis of confidence" between them, it was not surprising. But the timing, with Israeli troops still fighting in Gaza and Lebanon, and Iran expected to respond to Israel's recent strikes, was unexpected.

The two men have differed on strategy throughout the war. Mr Gallant was in favour of launching a major assault on Hizbullah, the Iran-backed Shia militia in Lebanon, immediately after the attacks by Hamas, the Palestinian militants in Gaza, in October last year. Mr Netanyahu waited for nearly 11 months. In Gaza Mr Gallant has for some time favoured winding down ground operations and preparing an alternative Palestinian force to take over the strip. The prime minister, in hock to his far-right allies, has refused. With the security chiefs, Mr Gallant has argued for a deal with Hamas which would have included the release of the 101 Israeli hostages still in Gaza. After his firing, he said "there will be no forgiveness for abandoning the hostages. It is a mark of Cain on Israeli society and those leading this mistaken path."

But the immediate motives for his dismissal are likely to reflect more recent concerns of Mr Netanyahu. One is the demand from the ultra-Orthodox parties in his coalition to pass legislation that would restore an exemption from military service for students of religious seminaries. Israel's Supreme Court has ruled the exemption unconstitutional. Mr Gallant has opposed the new law that would deny the Israel Defence Forces (IDF) tens of thousands of new recruits when Israel is facing the prospect of needing to be more mobilised for a long time. On November 4th he issued, against Mr Netanyahu's wishes, call-up papers for 7,000 religious students. Differences on military strategy are one thing, but jeopardising the coalition is another. Mr Netanyahu's war strategy has always prioritised his own political survival.



So long, farewell

Then there are two investigations, both initiated by the IDF, that have recently emerged into goings-on within Mr Netanyahu's office. The first involves a spokesperson of the prime minister who is alleged to have extracted classified information from the military intelligence branch and leaked it to bolster Mr Netanyahu's public argument against a ceasefire. The second, still under a gagging order, is thought to concern allegations that transcripts of security meetings in his office were being tampered with.

Mr Gallant is not directing these investigations; the police and Shin Bet, the domestic security service, are carrying them out. But his sacking could be both an attempt to divert attention from the allegations and a warning to senior officials who have supported Mr Gallant and who can influence the course of the probes.

Mr Gallant is no dove. He has directed the IDF's devastating campaign in Gaza, which has killed over 40,000 people, a majority of them civilians, and displaced most of Gaza's population. In May the prosecutor of the International Criminal Court recommended that arrest warrants for war crimes should be issued against both him and Mr Netanyahu. But after the departure in June of Benny Gantz and Gadi Eisenkot, the centrist members of the war cabinet, Mr Gallant was the only voice in Israel's cabinet advocating a path towards a ceasefire in Gaza. With him gone, there is no counterbalance in the government to the far-right ministers who are calling for a perpetual Israeli presence in Gaza and for building settlements there.

Mr Gallant was also the main contact in the government for the Biden administration's forlorn attempts to rein in Israel. It seems no coincidence that Mr Netanyahu chose the day of America's election, when Washington's attention was focused at home, to get rid of him. With Mr Gallant out of the way and Donald Trump, who he assumes will be friendlier than his predecessor, in power, Mr Netanyahu hopes he can prove to Israelis that he can at last deliver the "total victory" he has promised. ■

Lebanon

The war widens

AITOU

Israel's northern ambitions seem to be growing

LAST MONTH, near the smouldering wreckage of a house in Aitou, a Christian village in Lebanon, an ancient cedar was festooned with money. A young man shuffled up its trunk, plucking bank notes from its branches. Hours earlier an official from Hizbullah, a Lebanese militia backed by Iran, had arrived at the house where people who had been displaced from southern Lebanon were sheltering. He had brought armfuls of cash in an effort to demonstrate that, despite the war, the group can still look after its followers.

Instead, as the man entered the building, an Israeli airstrike hit, killing at least 21 people, almost all of them women and children. When a second missile struck the car carrying his bodyguards, thousands of dollars-worth of Lebanese lira flew into the sky. After the attack, the local MP, a Christian, said he did not want members or supporters of Hizbullah sheltering in his community, because their presence might bring further Israeli attacks.

Then last week Israeli commandos landed on the beach of the northern Christian town of Batroun, where they captured a man alleged to be involved in Hizbullah's naval activities. Israel is increasingly operating in parts of Lebanon which are not widely populated by Shias, who are most likely to support Hizbullah. This is stoking fears that Israel hopes to inflame Lebanon's long-standing sectarian divisions and thus foment political change. "The biggest risk is that we start killing each other," says Asaad Chaftari, a former militia commander during Lebanon's civil war who is now a peace activist.

Lebanese worry that Israel's war aims in their country now go far beyond the immediate destruction of Hizbullah's fighting capabilities near the border. Israel has begun targeting important parts of the group's non-military leadership. It tried to kill Wafiq Safa, the enforcer through whom Hizbullah imposed its will on the Lebanese state. Israel has also declassified intelligence it claims shows the location of the group's vast financial reserves.

Across Lebanon's various religious sects people speak of a creeping "Gazafication" of the war. They say that Israel's campaign, which had been more targeted than in Gaza, is widening. They fear that the killing of civilians as "collateral damage" is becoming widespread and accepted. According to Lebanon's health ministry, almost 3,000 people have died since October 2023 (it does not specify how many were civilians). Satellite imagery and video footage from the south show whole villages being destroyed by Israel's forces.

American and Israeli officials see an opportunity to take advantage of Hizbullah's relative weakness to get a new president in place, who might push back against the Shia group and be more friendly to the West. Last month, Binyamin Netanyahu, Israel's prime minister, called on the Lebanese to take action against Hizbullah to avoid "the abyss of a long war".

Previous efforts to interfere in Lebanon's politics have ended badly. An Israeli-backed Christian president was elected in 1982, only to be killed by an assassin with links to Syria before he took office. With the backing of the Syrian regime, Hizbullah is believed to have been responsible for the murder in 2005 of the prime minister, Rafik Hariri, which ultimately led to an uprising that forced the Syrians out of the country after decades of occupation.

Meanwhile, the outsiders who are officially meant to help maintain Lebanon's stability have little power to do so. Neither Israel nor Hizbullah has any respect for UNIFIL, a peacekeeping force. It has been ineffective in enforcing UN Resolution 1701, which prohibits the militia from keeping an armed presence south of the Litani River, around 30km from the Israeli border.

And Israel has called on the UN to withdraw from the south. Its troops have fired on UNIFIL at least 15 times in the past two months. Israeli tanks rammed through the gates of a UN base near the border. The UN says that some of these incidents appear to have been deliberate; Israel claims UN troops serve as human shields for Hizbullah. "They want us out," says a former senior UNIFIL officer. ■

A grim prospect

Botswana

Still sparkling

CAPE TOWN

The country's smooth transfer of power is a model for Africa and the world

"I WILL RESPECTFULLY step aside," said the man who lost an election, "and participate in a smooth transition process." The speed with which President Mokgweetsi Masisi conceded defeat on November 1st was striking—all the more so given that his Botswana Democratic Party (BDP) had ruled this diamond-rich southern African country for six decades, ever since independence from Britain in 1966.

On November 4th Mr Masisi was officially replaced by Duma Boko, a Harvard-educated lawyer, whose Umbrella for Democratic Change (UDC) was the first party to defeat the BDP, after 13 attempts. Mr Boko praised his predecessor for the smooth transition. "Botswana today sends a message to the whole world and says, democracy is alive here," he declared. It was a striking contrast with nearby Mozambique, where police have been shooting at anti-government protesters since October 24th, when Frelimo, an equally long-serving ruling party, claimed victory in elections observers say were rigged.

Although always ruled by the same party until now, Botswana is not a one-party state. Voters freely chose the BDP time and again, largely because its record was pretty good. At independence, Botswana was poor as well as landlocked, and had been described by one colonial official as "a useless piece of territory" (he was unaware of the diamonds). But the elites who took ▸▸

power governed reasonably well. Unlike most African countries, it has never had a coup or military rule.

Sensible governance has fostered economic growth. The dividends from Botswana's diamonds have been used fairly wisely, which is unusual in countries that find mineral wealth before their institutions have matured. Diamond dollars have been poured into clinics, schools and a rainy-day fund for Botswana's 2.5m people. It has had a long, mutually beneficial partnership with De Beers, a global diamond firm. Its GDP per person has increased 80-fold since 1966, and at more than $7,200 is now among the highest on the sub-Saharan African mainland.

Yet Botswana does not sparkle as brightly as it used to. The price of natural diamonds, which make up more than 80% of exports, has slumped by about 30% over the past three years. Covid-19 hit tourism, the second-largest source of foreign earnings. The knock-on effects of Russia's invasion of Ukraine hurt a country heavily dependent on food imports. Botswana's model may have run out of steam, even as its efforts to turn natural wealth into human capital are worryingly incomplete.

Mr Masisi made some bad moves. Most Botswanans considered his government somewhat corrupt, a worrying shift for a fairly clean country. He interfered in courts' independence and in areas reserved for traditional leaders. Many disliked his chumminess with the autocratic government in next-door Zimbabwe.

Most important, he was seen to be doing little about the country's underlying economic weaknesses. Both unemployment, the most important issue for voters, and inequality are almost as high as in South Africa, its neighbour to the south. Although the diamond wealth has not been stolen, Botswana has struggled to develop the sort of "value-added" industries, such as cutting, polishing and jewellery-making, that would have created jobs.

The BDP's defeat is also evidence of an anti-incumbent trend in African politics that echoes similar trends elsewhere. In May the African National Congress, hitherto South Africa's hegemonic party, lost its parliamentary majority for the first time, requiring it to govern in a coalition. Incumbents may also lose elections in Namibia and Ghana later this year.

Because sub-Saharan Africa has a rapidly growing population, with 15m people entering the labour force annually, every election is about jobs. The votes in Namibia, on November 27th, and Ghana, on December 7th, will be no exception. One message from Botswana is that incumbents that rely on the past, rather than looking to the future, will take a kicking. The other is that democracy offers a chance for a reset—if the people in power let it work. ■

Demography in Nigeria

One country, two kinds of family

LAGOS AND MAIDUGURI

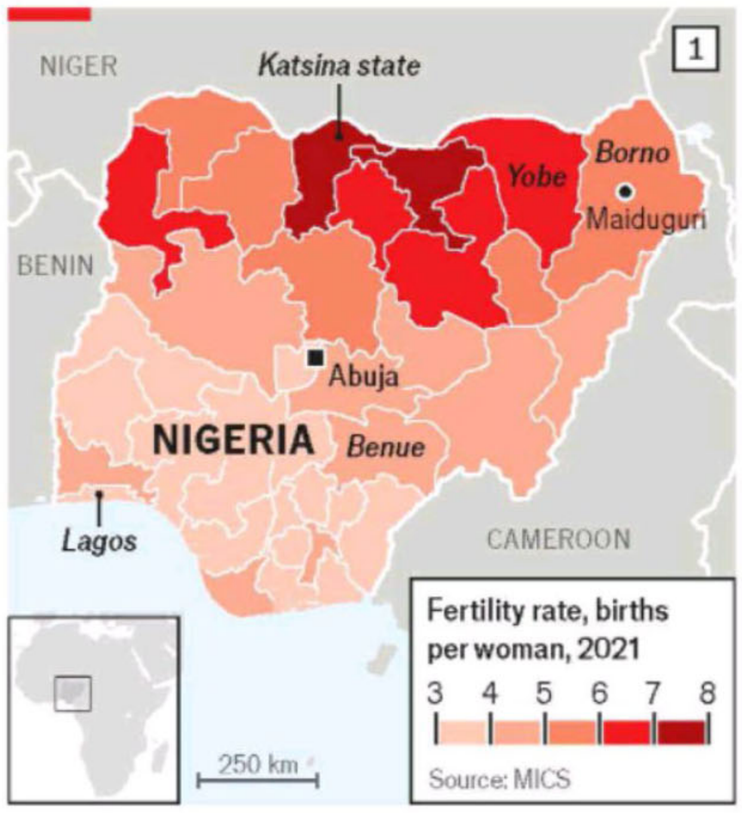
The fertility gap between north and south Nigeria has enormous implications for development

TO FLY FROM the south to the north of Nigeria takes only a couple of hours. Yet in one way, it is like going back in time. In Lagos state, the commercial capital in the south, women can expect to give birth to an average of 3.3 children during their lifetimes, which is what the world's fertility rate was in 1990. In Katsina state in the north, the fertility rate is, at 7.4, higher than the global rate was in 1800.

Family size is hardly the only difference between north and south Nigeria. Most northerners are Muslim, whereas the south is largely Christian. The north is much poorer than the south, with GDP per person on average of $292, less than half what it is in the south, despite the fact that Nigeria has had plenty of northern presidents. It scores worse on social indicators such as child nutrition, school enrolment and literacy. Government spending on health and education, though low nationwide, is especially low in the north. Islamist insurgencies, banditry and fighting between farmers and herders are all much worse in the north than in the south.

But the difference in fertility is particularly consequential because it correlates closely with economic development. Charlie Robertson of FIM Partners, an asset manager, argues that fertility is one of "just three data points" that are "all you need" to know how far along the path to prosperity a country is. The others are adult literacy and electricity consumption per person. In a book called "The Time-Travelling Economist", Mr Robertson examines how these three variables interact.

As populations become better educated, families shrink. Instead of wanting lots of extra hands to toil in the fields and support their parents in their dotage, people start wanting fewer kids, so they can put them all through school. Educated mothers tend to have fewer and better-educated children. Smaller, better-educated families save more, and park their savings in banks. This pool of capital can finance the infrastructure of a modern economy, starting with electricity.



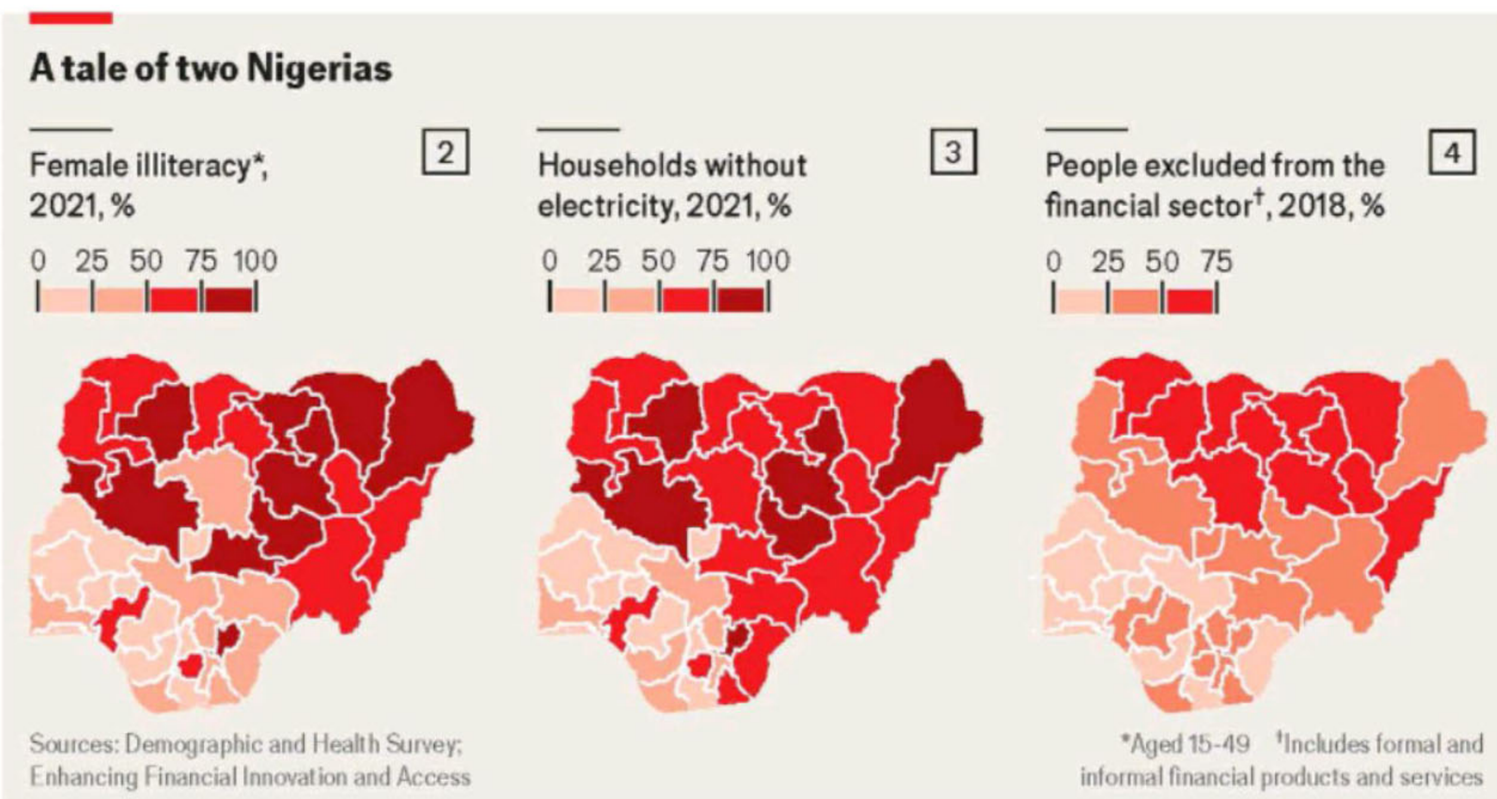
The disparity between north and south Nigeria looks like a case in point. Map 1 shows fertility rates in all 36 Nigerian states plus Abuja, the capital, using estimates from MICS, a UN-backed survey. Compare those rates with global averages over time, and a striking pattern emerges. Of the 19 northern states six have a fertility rate over six, roughly what the global rate was two centuries ago.

Of the 17 southern states, by contrast, 13 have rates below four, the global rate in the mid-1970s. Literacy rates in the south are above 80% for women aged 15-49. In the north, by contrast, most states have rates below 50% and some are in the 30s or even 20s (see map 2 on next page). There are only five southern states where more than half of homes lack electricity; in the north, there are 17 (see map 3).

Hasana Matthew, a 30-year-old mother in Borno state in the north-east, is typical. She lives in an informal home without electricity and reckons she has about 30 brothers and sisters. Her father had three wives, so it was hard to keep track. She never went to school; neither did her siblings. She has five children of her own, so far. They may end up better off than her: all have spent some time in school, and the oldest can read. But they face an uphill struggle.

The combination of many mouths to feed and little cash income makes it hard to save. Ms Matthew has no bank account and her meagre savings are in cash. Again, this is typical: the scarcity of savings makes northern Nigeria considerably less attractive for banks. A measure of "financial exclusion" devised by EFINA, an NGO, shows that most people in ten out of 19 northern states lack access to basic financial services. Across most of the south, more than 70% of people have access (see map 4) to them.

Development in the north is thwarted by other long-standing factors besides high fertility. Christian missionaries estab- ▸▸



lished schools in the south but they were both less inclined to venture to the Muslim north and were less successful when they tried. Though school enrolment has improved since independence in 1960, the north still lags. Schools are largely a state, not a federal, responsibility, giving richer states an edge. Lagos state on the southern coast generates more than 65 times as much in local taxes as landlocked Yobe state in the north.

Crime and instability are more debilitating in the north than in the south. Boko Haram, an extremist group that regards "Western" education as sinful and frequently attacks schools, is more active in the north. So are other jihadist groups. Northern states also see frequent conflict between settled farmers and nomadic herders, hampering economic activity. Nor do social attitudes help. Conservative Islamic laws in some northern states mandate no minimum age for marriage for girls, prompting many to drop out of school prematurely.

The north's misery is a problem for the country as a whole. It makes it trickier for the south to flourish. Bank deposits are concentrated in the south, but interest rates are set nationally, so capital is more expensive for southerners than it might be if their region were a separate country. And although public spending is low throughout the country and the federal government's main source of revenues is oil, sales taxes on other goods sold in the south in effect subsidise the north.

Yet change may be under way. The MICS surveys found evidence of a big drop in the national fertility rate, from 5.8 in 2016 to 4.6 in 2021, with hefty reductions in both north and south. The data are messy: numbers from the National Population Commission put the rate at 5.1 in 2022, down from 5.5 in 2013. Still, some demographers sense a real shift in Nigeria's demographic trajectory.

Migration, either from north to south or from the countryside to a city, can make a big difference. Theresa Ikemu, a grandmother who hails from a rural part of Benue state in the north, recalls being expected to have lots of children to help plant the yams and millet. She had eight, and could not afford to educate them all.

But now Ms Ikemu lives in Lagos, where there are no fields to tend and success depends more on brains than hands. Her 26-year-old daughter, Blessing, who helps her run a spice stall, says she wants no more than three babies, "so I can put them all through school". Asked how she would feel about having eight, like her mother, Blessing groans with horror. ■

Congo-Brazzaville

Missing millions

Prosecutors are looking into what happened to a chunk of Congo's money

MORE THAN a decade ago the Republic of Congo, an oil-producing country of 6m people in central Africa, wanted to improve its decrepit health-care infrastructure. It paid €491m (then worth $658m) to a Brazilian company called Asperbras to build a dozen new hospitals.

Ten years on, the country could use them. The already dire state of public health in central Africa has been made worse by the mpox epidemic. The disease has killed more than 1,000 people and infected tens of thousands across the region this year alone, including several in Congo.

Yet of the 12 hospitals that were promised, only four have been built, according to Publiez Ce Que Vous Payez-Congo, a watchdog. (Asperbras says its companies conducted their business in accordance with the law and their contractual obligations.) Meanwhile, much of the money has disappeared. Where did it go?

Legal proceedings in America, France and Portugal allege that a good chunk may have ended up in the pockets of some of the president's relatives. Denis Sassou Nguesso has ruled the country since 1979, with a brief gap between 1992 and 1997. Court documents offer a glimpse into the mechanisms by which some of his family members allegedly enriched themselves at the expense of fellow Congolese.

America's Department of Justice (DOJ) is trying to seize a flat in Trump International Hotel and Tower in Manhattan. In court filings in New York, prosecutors allege that José Veiga, a Portuguese fixer for Congo's president, bought the flat for $7.1m on behalf of Claudia Sassou Nguesso, one of the president's daughters. In a forfeiture complaint prosecutors allege that the money used to buy it was diverted from the hospital-building programme.

Ms Sassou Nguesso did not reply to requests for comment. Members of her entourage have previously described allegations that she has a flat in New York as "fake". Lawyers for Mr Veiga declined to comment, but a company he manages is contesting the DOJ's attempt to seize the property in Trump Tower, arguing that prosecutors have failed to prove that it was bought for Claudia using embezzled funds. Asperbras says it has always acted in accordance with the law and that it severed ties with Mr Veiga upon learning of the allegations against him.

The flat in Trump Tower is not the only property to have attracted suspicion. In 2022 authorities in America seized an apartment in Miami, worth $2.8m, from Denis-Christel Sassou Nguesso, Claudia's brother. The same year French authorities seized a mansion from him but said he had not been indicted. (Mr Sassou Nguesso did not reply to a request for comment.) French magistrates are also probing property purchases by other family members.

In total, investigators have identified at least $200m of suspect funds, not all of it related to the hospital programme. Recovering the money could, in theory, make a difference to Congo's public infrastructure. Yet that moment seems a long way off. Investigations in France and Portugal have dragged on for more than ten years without resulting in charges being filed. In July Portuguese authorities auctioned a villa in Lisbon worth $12m that they allege was bought for a high-ranking Congolese official. The money will be held in trust until the case is concluded.

Proceedings in America should be speedier. However, even if the DOJ is successful, returning the money might be tricky as long as Denis Sassou Nguesso remains in power. As a former FBI agent who worked on the case puts it, repatriating stolen assets has not been easy in cases where "dad was still president". ■

Europe

Ukraine and Donald Trump

Betrayal or bargain?

KYIV

Surprisingly, many at the top of Ukraine's government and armed forces wanted Mr Trump to win

ON PAPER, Donald Trump's return to the White House looks like Ukraine's worst nightmare. America's incoming president has consistently refused to condemn Vladimir Putin's invasion. He appears to admire the Russian dictator's style of rule. He once tried to blackmail Ukraine by withholding military assistance. So it comes as quite a surprise—and as an indication of just how bad things have become in the country in recent months—to learn that many senior officials were hoping for a Donald Trump victory. Faced with the choice of continued bare life-support or a wildcard president who would rip up the rules and almost certainly cut aid, they were prepared to gamble.

President Volodymyr Zelensky was quick to endorse the victory, and in fulsome terms. "We look forward to an era of a strong United States of America under President Trump's decisive leadership," he wrote on X (formerly Twitter, and now run by the pro-Trump billionaire Elon Musk). This was not just spin. In private, his staff have become increasingly frustrated by what they describe as the Biden administration's "self-deterrence", the habit of fearing escalation with Russia to the point of paralysis, and a growing gap between the rhetoric of "standing with Ukraine for as long as it takes" and actions that suggest the opposite.

America's refusal to grant Ukraine permission to use its long-range missiles for strikes inside Russia, its chronic delays in supplies of military aid (even the package already approved) and its inability to offer solid security guarantees are increasingly seen as weakness and hypocrisy. Mr Trump's victory, however, could offer Mr Zelensky a way out of what looks like a bloody deadlock at best, defeat at worst.

During his election campaign, Mr Trump promised to end the war within 24 hours. Nobody—perhaps not even Mr Trump himself—knows what his peace plan actually consists of. For the moment, Ukrainian officials are working from two public formulations. The first, linked to Mr Trump's running mate J.D. Vance, would see the conflict frozen on current lines and Ukraine forced into neutrality, with no obvious security guarantees or restraints on Mr Putin. A second plan, which Ukraine greatly prefers, was laid out by Mr Trump's former secretary of state, Mike Pompeo, in the *Wall Street Journal*. That focuses on enhanced military and financial support as a deterrent to Moscow, while also keeping open the prospect of membership of NATO. Much could depend on which plan Mr Trump is encouraged to favour.

A total sell-out of Ukraine by Mr Trump is unlikely, not least because of opinion within his own Republican base. He will surely not want to be the author and owner of Ukraine's defeat. But as a transactional politician, Mr Trump is likely to demand something in return from Ukraine. This ▸▸

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might be access to its natural resources, for example. He will care a lot less about any liberal values. Vadym Prystaiko, Ukraine's foreign minister during the 2019 "Ukrainegate" blackmail scandal, suggests that Mr Zelensky should be doing everything he can to impose his own logic on the new administration while Mr Trump is still working things out.

The change in Washington comes at a difficult time for Ukraine's armed forces. After a year facing down the Russian offensive, conducted at an astonishing cost to Russia, with upwards of 57,000 Russians dead this year alone, Ukraine has suffered its worst month of territorial losses since 2022 (some 620 sq km, though this is only 1% of the country's pre-war area). Russia is moving on multiple points, and accelerating its advance. It appears to be a matter of time before Ukraine is forced to withdraw from strategic high ground around Kurakhove, in Donetsk province, leading to the possibility of a psychologically damaging entry into neighbouring Dnipro province by the end of the year.

The worry now is less what is happening at the front lines than what it reveals about stresses behind them. Amid a breakdown of trust between society, the army and the political leadership, Ukraine is struggling to replace battlefield losses with conscription, barely hitting two-thirds of its target. Russia, meanwhile, is replacing its losses by recruitment with lucrative contracts, without needing to revert to mass mobilisation. A senior Ukrainian military commander admits that there has been a collapse in morale in some of the worst sections of the front. A source in the general staff source suggests that nearly a fifth of soldiers have gone AWOL from their positions.

There is no indication that Ukraine's soldiers are about to give up fighting more broadly. For now, they have enough weapons to resist and enough ground to fall back on if things go badly. Ukraine still has plenty more American weapons in the pipeline and due for delivery. Russia meanwhile has its own pressures, not least high inflation, which may cause serious problems next year. But the pinch seems likely to hit Ukraine first, perhaps in a matter of six months or so.

Mr Trump would doubtless want to have his deal ready before then, presumably by the time he returns to sit behind his Oval Office desk on January 20th. The unknown element remains Mr Putin and what he would settle for. Sources close to the Russian leader have given contradictory signals about his willingness to negotiate: ready to freeze hostilities along the existing contact line one day; pushing for something akin to Ukrainian capitulation the next. One source cautions that "complicated issues" make a quick peace deal "unreal." Mr Putin, moreover, thinks his forces are winning, and with the Ukrainians on the back foot he may have a point. "It's logical he will push further," the Ukrainian security source says. "But military success is a deceptive thing. You can never be sure what will happen tomorrow."

Mr Putin will have his own way of negotiating. With temperatures now hovering around zero across Ukraine, Russia is renewing its campaign to destroy much of the country's energy infrastructure. These attacks are bound to intensify. "They will try to do something," says Mr Prystaiko. "Destroy the grid, attempt to assassinate the leadership. The next three months will be terrible." ■

Front-line medicine

Combat and casualties

EASTERN UKRAINE

Hell, horror and heroism in Ukraine's battlefield hospitals

CUT DEEP into the innards of the southern front, Ukraine's first underground hospital feels like something out of a James Bond movie. State-of-the-art gadgetry begins with admissions. Wounded soldiers arrive directly from the battlefield: in cars, in ambulances, on quad bikes. They are assessed and colour-coded into modules by urgency: "red zone" cases for immediate operations, "yellow zone" for other treatment. Alongside an operating theatre, enclosed in steel barrels several metres below ground level, is an intensive-care unit. There is even a laboratory for blood tests. The centre is set up for sophisticated operations: bone repair, soft-tissue reconstruction, arterial bypass surgery.

This is a "role-2" facility, the second of four treatment tiers from front-line triage to tertiary hospital care. Those stable enough are whisked off to "role-3" facilities, approximately 30km away. The rest are stabilised here, a little over 10km from the contact line. The hospital's immaculately joined wooden beams—chosen over concrete to soften shrapnel in the event of a strike—project a deceptive warmth, like being in a Scandinavian sauna. The drones and glide-bombs that terrorise the skies outside make clear that this is not a place to relax. Ukraine's medics are here, underground, not by choice. Like the soldiers they treat, they are among the hunted.

Evhen, the hospital's chief medical officer, grunts at the idea that Russia might obey the Geneva conventions, which forbid targeting medical units. "They don't even know what it means," he says. To the Russians, doctors are "force multipliers"—they patch up soldiers and send them back to fight, and are hard to replace. Ukraine now tells its medics to remove any markings that might set them apart. "If you put a red cross on a car, you'll be fired on within 15 minutes." The goal is still to get wounded soldiers from the front line to a role-2 treatment unit within an hour, but drones drag out the process. That can mean life or death; limb or no limb. Leave a tourniquet on for more than a few hours, and tissue damage is irreversible.

Ukraine believes survival on the battlefield is the key to regaining the edge in a war that has become largely attritional. The underground hospitals are a key part of the puzzle, says Roman Kuziv, the 35-year-old doctor who helped design them. A technocratic planner with experience of working as a surgeon in Europe, Dr Kuziv has quickly risen through the Ukrainian ranks, from local hospital chief to medical commander of the entire eastern and southern front. He lets data guide him to new standards and protocols.

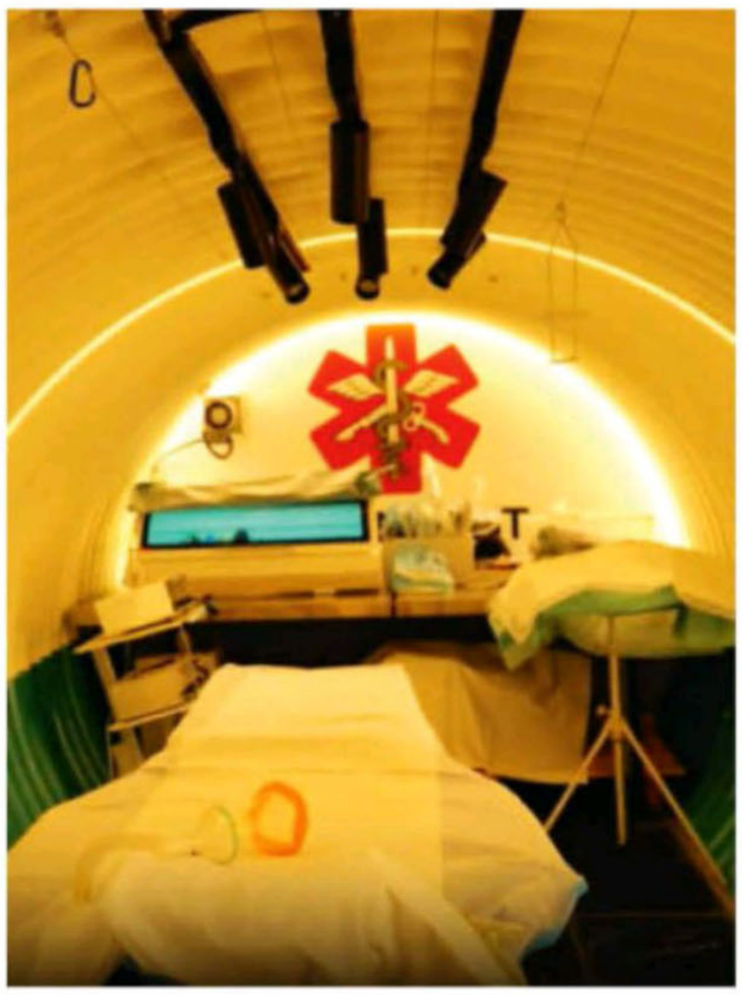
Swiping through images on his smartphone—a surreal blend of family photos and flesh wounds—Dr Kuziv reveals the choices his teams face daily. He pulls up a photo of a man with a gaping hole in his upper body, a kidney sliced in two, and a 30cm slab of missile metal that had been lodged deep in his midriff. "Did he make it?" Remarkably, yes. Another soldier, this time with a deep gash across his back, part of his spine missing, organs spilling out. That man survived surgery, but died two days later. A third clip shows a soldier in his 30s, convulsing violently as he tries to drink a cup of water. What was happening here? "Hydrophobia," the commander ▸▸

says. "An extreme aversion to water." The soldier had rabies, caused by a single bite from a cat, and it was too late to save him. The army saw a handful of such cases before culling wild animals in the area.

Almost three years of war have brought Ukraine's army doctors a mountain of unexpected challenges. Drones have largely rewritten the rulebook on battlefield wounds. The numbers are rocketing, and the attacks are more persistent, more targeted. The "golden hour"—NATO doctrine for evacuating a soldier to proper care within 60 minutes—has become something closer to fiction. Chemical weapons have returned to the field, too. Russia has been using agents like chloropicrin, a poison gas first seen in the trenches of the first world war. Used to flush out Ukrainians from their trenches and foxholes, the gas attacks the soft tissues of the respiratory system. At higher doses, it kills.

Ukrainian military medicine has been forced to develop fast. Today's set-up is unrecognisable from seven years ago, when Dr Kuziv first began working with the army. He tracks Russian social media to gauge how well he is doing. He is usually happy with the comparison with Russian front-line medicine. "It's the second world war over there." But the demands and need to stay ahead are relentless. The ministry of defence has just approved another 20 role-2 underground hospitals

There have been mistakes, and thousands who could have been saved. But Russia's war without limits would test the resources of any military medical service, Dr Kuziv insists. "All-out war gives you one or two months to study and adapt." NATO countries ought to be thinking about how they would cope, he says. "Honestly, they are not prepared. They wouldn't know what's hit them." ■



Going underground

German politics

The exploding traffic light

BERLIN

Germany's unloved coalition finally falls apart. Now what?

EARLY IN THE morning of November 6th, as Europe digested the result of America's presidential election, three senior figures in Germany's government were huddling for crisis talks in Berlin. But Olaf Scholz, the chancellor, Robert Habeck, the vice-chancellor, and Christian Lindner, the finance minister, were not sketching a response to Donald Trump's promised tariffs, or working out how Germany might compensate for a loss of American support to Ukraine. Instead, they were deciding whether to blow up their fraying coalition.

Barely 12 hours later, it was all over—and how. In a blistering speech delivered after last-ditch coalition talks fell apart Mr Scholz, from the Social Democrats (SPD), eviscerated Mr Lindner, head of the pro-business Free Democrats (FDP), for his "completely incomprehensible egotism" and for "breaking my trust". He fired Mr Lindner, announced a parliamentary vote of confidence in January, and said he expected that an election that had been due next September would be brought forward to March. Thus does one of the most unpopular governments in modern German history reach its ignoble end.

The three parties in the "traffic-light" coalition, which took office in 2021 promising to modernise the country, long ago ran out of patience with each other. But the proximate cause for the collapse was a set of demands for changes to tax, social and climate policy issued by Mr Lindner at the end of last week. Economists welcomed some of them; Germany's stagnant economy desperately needs a reboot. But Mr Lindner, whose party was the smallest of the trio, will have known that his proposals were impossible for the SPD and Mr Habeck's Greens. His paper looked like a pretext to quit the government. In response Mr Scholz sought a compromise that would have obliged Mr Lindner to agree to a suspension of Germany's deficit-limiting "debt brake"—a red line for the FDP—in part to enable more support for Ukraine. When his minister baulked, Mr Scholz pushed him before he jumped.

Few will mourn the end of Mr Scholz's unloved coalition. Yet the chancellor's move raises at least as many questions as it answers. Chief among them is how Germany will pass a budget for 2025. With a financing gap of around €8bn-9bn ($8.6-9.7bn) to plug, it was already unclear how the Bundestag would meet its deadline of November 14th. Now, without a functioning majority, Mr Scholz may have to strike a deal with the opposition Christian Democrats (CDU). Mr Scholz said he also hoped to work with the CDU to pass other measures, including on pensions and migration, before the Christmas break.

Yet Friedrich Merz, head of the CDU, does not want to dance to Mr Scholz's tune. The morning after the coalition's collapse he said the confidence vote should be brought forward to next week. The CDU has long pushed for early elections; polls suggest that it, along with its Bavarian sister party, would win them comfortably, elevating Mr Merz to the chancellery, albeit probably at the head of another awkward coalition. As *The Economist* went to press Mr Merz was due to meet Frank-Walter Steinmeier, who as Germany's president has the tricky task of piloting the country through its coming constitutional turbulence. The path ahead remains uncertain.

Meanwhile, the governing parties will prepare for battle. Mr Lindner hopes voters will reward his gamble, lifting his ailing party above the 5% threshold needed to enter parliament and presenting it as a credible coalition partner for Mr Merz. Mr Habeck, who will soon declare his candidacy for the chancellorship, will try to boost his party's sagging spirits, and heal an emerging rift between its moderate and radical wings. And Mr Scholz, one of the least popular chancellors of modern times, will have to convince SPD MPs that his own candidacy will not lead them to electoral oblivion. All will hope that the political chaos does not play into the hands of two fringe outfits, the hard-right Alternative for Germany and the new "left-conservative" Sahra Wagenknecht Alliance.

The experience of managing a three-party coalition—very unusual at federal level—has been a "nightmare", sighs one senior SPD official. In fact the government performed better than its reputation might suggest. It has managed an energy crunch and passed important social and climate reforms. And for all that some allies hoped Mr Scholz might do more, his government remained a generous and steadfast supporter of Ukraine. (For his part, Mr Merz has promised more robust backing for Volodymyr Zelensky.)

Yet as time went by the government proved incapable of marshalling a proper response to Germany's economic rot. The debt brake began to bite as revenues fell and spending pressures mounted, rendering unbearable the ideological differences between the FDP and its progressive partners. The traffic-light coalition was the first casualty of a political fragmentation in Germany that has made the business of forming coherent coalitions devilishly difficult. It may not be the last. ■

Spain

After the flood

VALENCIA

A catastrophe that poses far-reaching political questions

THE RAMBLA DEL POYO is once again the innocuous little stream it normally is. Yet in a matter of hours on October 29th it and two other nearby rivers turned into raging torrents, wiping out several small towns just south of Valencia, Spain's third city. Muddy water came to chest level. Many of the 219 people so far known to have died, with at least another 89 still missing, were trapped in ground floors or basements, or trying to take their cars out of underground car parks.

It was "the greatest natural disaster in our recent history," declared Pedro Sánchez, Spain's Socialist prime minister. It has left behind anger as well as grief in Valencia, and searching questions about not just the country's ability to adapt to climate change but also whether polarised politics in a decentralised state are impeding an effective response to emergencies.

In the disaster area, there are more immediate concerns. The small, once-prosperous towns of Paiporta and Picanya, which bore the brunt of the destruction, resemble a war zone. Four bridges over the Rambla del Poyo were swept away. The tracks of the railway to Valencia were lifted off their bridge and left hanging in mid-air. These towns are still full of smashed cars, useless fridges, the remains of furniture and endless mud. Hundreds of volunteers, many young, armed with shovels and brooms, throng the streets. With bulldozers and the army now at work, order is starting to emerge from what is still chaos.

"This was murder," insisted Ricardo Sanchis, a lorry driver in Paiporta. He survived because he lives on the fourth floor. But he lost several friends and two cars. He blames the lack of warning and the lack of a swifter response for some of the deaths. Widespread anger greeted King Felipe and Queen Letizia when they visited Paiporta on November 3rd. More than at the royal couple, who bravely tried to comfort residents, most of it was directed at Mr Sánchez and Carlos Mazón, the conservative head of Valencia's regional government.

Valencia is accustomed to autumnal storms when a cold front hits warm Mediterranean air. But the almost unprecedented magnitude of this one is likely to be a consequence of climate change, with the Mediterranean 2°C warmer than it was on average between 1980 and 2000. In some places a year's rain fell in hours.

Mr Mazón's inexperienced administration was slow to alert citizens to the risk. Perhaps with its mind on the economic impact of ordering people to stay at home, it waited hours before acting on the national weather agency's warning of extreme rainfall. Worse, for several days in which Paiporta and other towns lacked food, water, power and communications, it failed to organise help. Neither was Mr Sánchez proactive, saying that it was up to Mr Mazón to ask for what he needed. Some 90,000 vehicles, around 4,500 businesses and 90 schools are reported to have been damaged or destroyed. The total cost of repairing the damage will be €31.4bn ($33.7bn) according to an initial estimate.

Years of partisan political warfare between Mr Sánchez and the opposition People's Party (PP) have exposed flaws in the Spanish state. Regional governments have acquired ever more power in what has become a kind of bastard federal system. This needs co-ordination and co-operation between different levels of government, but that doesn't happens, says Juan Romero, a geographer at the University of Valencia. "We have a serious problem of democratic governance in Spain," he adds.

The national and Valencia governments eventually set up joint committees to work on the disaster. But Mr Mazón and Mr Sánchez have announced rival aid plans. The PP's national leader, Alberto Núñez Feijóo, called on the prime minister to declare a state of emergency, which would place responsibility for the relief effort in the hands of the national government rather than the hapless Mr Mazón. But perhaps because the Constitutional Tribunal, at the behest of Vox, a hard-right party, struck that measure down when he imposed it during the covid pandemic, Mr Sánchez has refused to do so.

Mr Mazón scrapped his predecessor's plan to set up a regional agency for handling emergencies. But preparing the country for climate change also requires co-ordination between different levels of government. Scientists say Spain, and especially its Mediterranean coast, face more frequent heat waves, droughts and rainstorms. More than 2.7m Spaniards live on floodplains, the result of disorderly building in the past, according to Jorge Olcina, a geographer at the University of Alicante. Only since 2015 have urban plans been required to take natural risks into account. After a deadly flood in 1957, Francisco Franco's dictatorship diverted the River Turia away from the centre of Valencia to a new, broad canalised course farther south. That left the city unscathed this time. Doing the same for the Rambla del Poyo would require national resources.

By continuing to bicker over what they call the "narrative" of what is a national tragedy, the mainstream politicians are playing a dangerous game. "Spain has to cool its political climate. Party confrontation is insufferable in these circumstances," says Paco Cerdà, a writer who worked for Valencia's previous Socialist president. There is much anger in Valencia against both the governing parties. The hard right, active in the disaster zone, is poised to benefit, unless the political leaders work together far more effectively in what will be a long job of reconstruction. ■

The work begins

CHARLEMAGNE
Back in it

The EU's flailing economy has left the bloc exposed to further Trumpian outbursts

GIVEN THE plethora of crises the European Union has faced in the past 15 years or so—from the euro-zone miasma to those on migration, Brexit, the pandemic, then the war in Ukraine and an ensuing energy-price spike—it can be hard to know when one emergency ended and the next began. If the continent was not in crisis at the start of the week it certainly feels as if it is back in one after the re-election of Donald Trump in America. Bar the odd autocrat like Viktor Orban of Hungary, Europe's leaders did not expect his return and did not do much to prepare for it. Most anxiety will be felt around the prospect of needing to support Ukraine *sans* America, should it come to that. But the outlook for the European economy will come a close second. Already in a long-term funk, Europe's clapped-out economic engine leaves it even more exposed to a dose of Trumpism than in 2016.

At the start of the week—as long ago as it may seem—the focus in EU circles was on a "new and comprehensive horizontal strategy" for its flailing economy. Though that sounds like something either a yoga instructor or a brothel owner might have in mind, it was in fact what the leaders of the bloc's 27 member states had agreed to recommend to boost competitiveness during a meeting in Budapest on November 8th. (A broader group of European leaders including Sir Keir Starmer of Britain were to meet the previous day, as *The Economist* went to press.) Events across the Atlantic rather overtook preparations for the long-planned summit. As necessary as the horizontal reforms seemed at the time—think deepening the single market and turning off the regulatory firehose—it all looks hopelessly underpowered in the face of the world's biggest economy once again seeking to make itself Great Again, possibly at others' expense.

Dealing with a me-first America would be challenging enough for Europe in times of rapid GDP growth. Alas, grow has flagged. The economic story of Europe of late has been an ever-lengthening list of things it needs to pay for, from cutting carbon emissions to industrial subsidies to pensions for its ageing population, none of which it can easily afford. With the re-election of Mr Trump that list has become considerably longer just as the ability to pay for it has diminished.

Perhaps the worst part is the uncertainty. Nobody knows what Mr Trump has in mind for Ukraine, leaving the potential bill for Europe going it alone, should that even be feasible, impossible to quantify. More broadly the incoming president's hostility to NATO means European defence budgets, which have already gone up in recent years, will have to increase yet further. Few have spare cash to fund this. (Germany is one notable exception, but it has a self-imposed limit on running up deficits.) The prospect of across-the-board tariffs for EU firms selling into America will sap whatever little growth the bloc currently has. Again, nobody knows exactly what lies in store. The EU sells far more to America than it buys from it, a surplus Mr Trump equates with stealing American jobs. Its firms would be hard hit by across-the-board tariffs of 10-20% that have been mooted in the past. If Mr Trump plans to, in effect, freeze China out of the global economy, as he sometimes suggests, Europe will also feel some of the impact as Chinese firms redirect their wares its way. A budding EU industrial policy designed to mitigate the club's dependence on imports may be an early casualty of America's new regime.

Mr Trump's political revival is all the more unwelcome to those who had hoped that Europe might seize a moment of quietude—the continuing war in Ukraine aside—to address those very economic woes. In September Mario Draghi, the former boss of the European Central Bank, delivered a 400-page report on the bloc's economy. It is stuffed with (mostly) good ideas, notably on how to deepen the single market. Something close to consensus existed that much of it should be turned into reality. But having been the planned star guest of the Budapest meeting, Mr Draghi will make little more than a cameo appearance before EU leaders. Any political will to enact long-term reforms will once again be diverted into dealing with an immediate crisis instead.

What happens next depends partly on Mr Trump's whims. He may insist that, if the war in Ukraine is as much of an existential threat to European security as some politicians there (especially on its eastern fringe) make out, defence budgets should rise beyond the current target of 2% of GDP. Some countries will struggle to afford that: the German government has collapsed in part over rows over passing its annual budget and France's may yet face a similar fate. One way to get round the issue would be for the EU to borrow the money jointly, as it did to underpin the post-pandemic recovery plan. But that would require unanimity among member states, which has not been forthcoming. Old debates pitting penny-pinching northern countries against "profligate" ones in southern Europe will, predictably, be revived.

Trump towers

The problem Europe faces is that though upheaval has arrived in American politics, Europe remains stuck with its muddle-along attitude. Emmanuel Macron of France will no doubt spend his time in Budapest reminding his fellow leaders he had long called for "strategic autonomy", jargon for Europe being able to stand on its own two feet (and not rely on America or "brain-dead" NATO for its security). Central Europeans, in Poland and the Baltics, will argue that even an unpredictable America is a better deterrent against Russia than flaky France or Germany. Perhaps the crisis triggered by the return of Mr Trump will be one of those that prompt Europe to ditch old shibboleths and move forward into ever-closer union. That is certainly one possible outcome—but there are others, too. ■

Britain

Labour's budget (1)

Picking losers

Businesses and farmers are angry about tax changes

BRITISH FARMERS are not usually ones for public protest. While their continental colleagues block roads with tractors and dump manure at the slightest provocation, they grumble and issue press releases (see Bagehot). But on November 19th farmers will gather in Westminster for a rally and a "mass lobby", to protest against the Labour government's first budget. A "good show" is promised. That is only one way in which the budget threatens to make Britain more European.

There are plenty more. The minimum wage continues to climb: up from a little over half the median wage a decade ago to two-thirds now. Tax is ratcheting up as a share of GDP, pushing the historically smaller British state closer to the norm on the continent. A European-style big state and Britain's predilection for distortive taxes could be an especially troubling combination for businesses.

By far the most significant tax measure was a £26bn ($34bn) annual increase to employers' national insurance contributions. In the short run, that will deter hiring. Workers tend to object loudly to outright pay cuts, so companies will pass on the increase through slower wage growth or lower salaries for new hires. Smaller businesses may hold off hiring at all. The effect will be most pronounced at the bottom end of the labour market. The Institute for Fiscal Studies, a think-tank, reckons the change will raise labour costs by nearly 5% for the lowest-paid workers. Pulling up the minimum wage to two-thirds of median earnings compounds the hit.

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A generous Labour-whisperer might be able to discern a strategy here. Perhaps by making low-wage employment costlier, the government wants to push companies to train up existing workers and automate more. But even sympathetic policy wonks admit there are better ways to achieve that, like explicit tax breaks for investment. The core problem is that Labour chose to rule out better ways of raising the money needed for public services in order to make winning the election easier.

The budget also worsened some of the distortions in the tax code that make firms and workers less productive. By only raising taxes on employers, Labour has further tilted the balance in favour of self-employment. The Resolution Foundation, a think-tank, calculates that someone earning £50,000 will now pay £15,000 in tax if they work for a company, whereas a sole trader or owner-manager will only pay around £10,000. One consequence is that more firms will restructure as partnerships.

The bigger problem is that workers will be nudged away from the helpful economies of scale that companies offer, like centralised facilities, finance, and human resources operations. The rise in employers' national insurance penalises large firms more than small ones, since Labour also expanded the tax-free allowance each employer gets before they start paying. That will reduce the incentives for small businesses to grow, which again cuts ▸▸

against the aim of boosting productivity.

The complaints from farmers have been louder. They are cross about many things, including rapid cuts to their subsidies. Worst, they say, are changes in inheritance tax. Since the 1990s farm property has been almost completely immune. In future, assets over £1m ($1.3m) will be taxed at 20%. Although that is a larger exemption and a lower tax rate than is applied to inherited cash or urban homes, it has set off a panic. "My phone has not stopped ringing," says Jane Bassett, a dairy farmer in Derbyshire.

A government that chooses to tax inherited wealth has no good reason to exempt farms. Doing so creates a loophole that encourages all sorts of people to buy agricultural land, pushing up the price (see chart). Savills, an estate agent, estimates that farmers account for just 43% of buyers, down from 66% at the turn of the century. Steve Meredith, a tax adviser with many rural clients, says that "big boys from the City" can easily outbid growers.

According to the agriculture department, 38% of farmers are aged at least 65. They would probably be loth to hand over to the next generation in any event, since farming is an identity as much as it is a job. But the inheritance-tax breaks and the tax treatment of capital gains encourage them to keep farming as long as they can. That is undesirable. Farming is becoming more complicated, with subsidies giving way to finicky environmental schemes, so new blood would be good.

In their calmer moments, farmers acknowledge the perverse consequences of the existing rules. They resent the suddenness of the reforms, though, and think that the government misunderstands its own tax system. The Treasury points out, soothingly, that only around a quarter of estates claim Agricultural Property Relief on more than £1m of assets. But Business Property Relief, which is also subject to the £1m cap, is more important to many farmers, especially those who have branched out into campsites, weddings and the like.

Bumper crop

Britain, farmland prices per acre, £'000
July 2024 prices

Sources: Knight Frank; ONS; *The Economist*

And the changes will affect ordinary land-owning farmers. The agriculture department estimates that almost half of English farms have a net worth of at least £1.5m. Julie Butler, an expert on agricultural taxation, says that the great landed estates are skilled at passing on property. They tend to do it early, and make use of trusts. A 70-year-old with a few hundred acres is more likely to be caught out.

Optimistically, the new rules will encourage farmers to hand property to their spouses and children sooner, prod the City boys to put their money somewhere more useful and drive down the price of farmland. Pessimistically, they could discourage farmers from investing, for instance in new equipment. They might fear that improvements would push the value of their land over the threshold, forcing their heirs to sell parts of it. Ms Bassett has heard mutterings to that effect already.

Most likely, complaints from both businesses and farmers will fall on deaf ears. Labour's majority runs through younger, urban voters who care most about getting better public services. But if the budget revealed that the government wants to make Britain more European, the prime minister may also need to be prepared for deposits of manure outside Downing Street. ■

Labour's budget (2)

Gilt vigilantes

Some market wobbles, but not another "mini-budget"

IF THERE IS one moment of Tory excess that the Labour Party has long sought to define itself against, it is Liz Truss's market-shaking mini-budget in 2022. "Never again", Rachel Reeves said solemnly in 2023, "will we allow a repeat of the devastation Liz Truss and the Tory party have inflicted on family finances." Which is why the bond market's sharp response to Ms Reeves's first budget as chancellor of the exchequer, which she delivered on October 30th, was particularly tricky.

Gilt yields jumped by 25 basis points (0.25 percentage points) following the budget: a move that was specific to Britain and has been sustained since (see chart). Ms Reeves laid out plans for £70bn ($91bn; 2.6% of GDP) of additional annual government spending, of which £30bn or so would be covered by additional borrowing.

Markets fretted that a hefty injection of fiscal stimulus into an already-hot economy would stoke inflation. The Office for Budget Responsibility (OBR), a fiscal watchdog, reckons that the measures in

Gilt trip

Ten-year government-bond yields, percentage-point change since October 18th 2024

Source: Bloomberg

the budget will boost short-run inflation by around 0.4 percentage points; Goldman Sachs, a bank, raised its forecasts for core inflation (which excludes food and energy) by 0.2 percentage points. More inflation would, in turn, make the Bank of England more likely to keep interest rates higher than anticipated, driving down the price of existing government bonds.

A tug-of-war between monetary and fiscal policy is not ideal but it is also not that uncommon. Labour's argument going into the budget was that because it was borrowing to invest, its spending would boost the supply side of the economy and so tamp down inflation. In the short run, this was never credible. Before projects can boost growth they need to be built; doing so in a tight labour market inevitably bids up wages and prices. The OBR reckons that the benefits of public investment take between five and ten years to materialise.

Still, Ms Reeves is nowhere near Ms Truss territory. One straightforward measure of the pain in 2022 was the value of sterling. All else being equal, higher interest rates should boost a rich-world currency, but sterling crashed after the Truss mini-budget. This time, barring a troubling wobble on October 31st, there have been no such dramatic currency moves to follow Ms Reeves's budget.

Above all, the rise in gilt yields crystallises the fact that Ms Reeves's fiscal loosening entails unavoidable trade-offs. The government talks about "crowding in" private investment through vehicles like its National Wealth Fund, but it will be crowded out by its own borrowing. Households, too, will feel the impact of higher mortgages. Pain elsewhere in the economy could still be a price worth paying for higher public investment in Britain's public services and infrastructure. But the perils are real, too. If that money is not spent well—and governments of all stripes have a sorry record of frittering away public money—the budget's main effect will have been to set the economy back and remind Britain that borrowed money is not free. ■

ECONOMIST IMPACT

School sanitation neglect: A global cost or a golden opportunity?

Building and maintaining toilets can transform health, education and economies

Supported by Unilever

Why is it easier to make a case for building something rather than maintaining it? Time and again, society overspends on the construction of infrastructure but underinvests in its upkeep.

One of the most shocking examples of this is school toilets. According to new research from Economist Impact, supported by Unilever, 6.2m school toilets have been "lost" around the world since 2015 due to poor maintenance. To put that into perspective, this would be the equivalent of removing access to a school toilet for every child in all of Europe and North America combined. This systemic hidden neglect, known as "toilet loss", is happening on such a scale that it impacts public health, public finances and future economic performance.

Governments are under pressure to do more with less money. Global public spending on education has fallen from 4.4% to 3.7% of GDP over the past four years. School systems are still struggling to close the attendance and learning gap from the covid-19 pandemic. Yet, since 2015, $18.5bn in capital investment (one-tenth of all sanitation spending) has been lost to poor school toilet maintenance, affecting the attendance and learning of millions of children. In Europe, 4% of investment has been lost, and in Africa this figure reaches 16%.

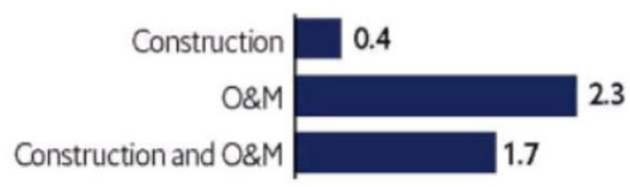
The sum of $2 per child—less than the price of a cup of coffee—would bring usable toilets to every school. That amounts to $33bn over the six years to 2030, the deadline for UN Sustainable Development Goals 4 and 6 (quality education and universal sanitation, respectively).

"The societal and economic impact of stopping toilet loss is compelling and the solution to achieve this is clear–we need to stop building toilets without a plan to maintain them."

Eduardo Campanella, President, Home Care, Unilever

$1.7 returned for every dollar invested in stopping "toilet loss"

Returns for every $1 invested



% of children with basic sanitation access (2030)

*The $1.7 returned is from investing in the construction and maintenance of school toilets

Note: O&M refers to the operations and maintenance of school toilets

Building and maintaining school toilets has a proven return on capital investment, with the ability to unlock $54bn globally by 2030. Reducing illness caused by poor sanitation translates to lower spending on healthcare, as well as wider economic benefits, such as fewer lost working days resulting from parents caring for sick children. Providing functioning toilets in schools for the 427m children currently without them could lead to a 10% annual reduction in diarrhoeal disease cases, significantly improving health outcomes and school attendance.

Halting and reversing toilet loss requires determination and collaboration from policymakers, education stakeholders and the private sector. It will need system-level change in how sanitation services in schools are planned, delivered and managed.

Investing in the construction and maintenance of school toilets is not just a matter of preserving essential facilities, it has the potential to bring profound social and economic benefits. With every $1 spent generating $1.7 in returns, society can embrace smarter investment and foster lasting change in education and public health.

To understand the power of maintenance:
economistimpact.com/tackling-toilet-loss

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BAGEHOT

Roald Dahl versus Jeremy Clarkson

Why are British farmers so politically feeble?

"NEVER PICK a fight with a profession that appears in a children's book" has become a near-universal political rule of thumb since the advice first appeared in *The Economist* two decades ago. Fishermen must be pampered; doctors and nurses placated; photo opportunities are sought with people who have *real* jobs, rather than sending emails. But what happens if that profession is the villain?

In "Fantastic Mr Fox", Roald Dahl introduces the farmers Boggis, Bunce and Bean who are "as nasty and mean as any men you could meet". In "The Animals of Farthing Wood", a farmer shoots Mrs Pheasant ("My wife!" cries Mr Pheasant, after seeing her corpse). In "Chicken Run", a British film, wily poultry attempt to escape their fate as the filling of Mrs Tweedy's Chicken Pies.

Farmers are often the baddies in children's books and sometimes the losers in British politics. The Labour government gave them a sharp poke with a hoe in the recent budget by closing a loophole that allowed them to pass on land tax-free. The aim was to stop billionaires from buying vast amounts of farmland to dodge tax; the effect was to annoy Britain's farmers, who now face a (still discounted) 20% rate on farmland worth more than £1m ($1.3m). The choice had a crude logic: of all the special interest groups to take on, farmers are one of the most politically feeble.

At first, their weakness is strange. Despite a childhood of anti-farmer propaganda, Britons are fond of farmers. They enjoy the countryside that farmers have manicured. "Clarkson's Farm", which follows the travails of motorhead-turned-farmer Jeremy Clarkson, is the most popular show on Amazon. Yet this affection is shallow. Most Britons say they would pay more to buy British, but only in terms of pennies. Price trumps quality, animal welfare and farmer comfort. Supermarkets are happy to squeeze farmers; consumers are content to reap the benefits. Food patriotism comes at a price many are unwilling to pay.

When it comes to imposing their will on governments, British farmers have little practice. They are less militant than their European peers. If European farmers see themselves as latter-day peasants, then British farmers play the role of the landed gentry from whom their parents often bought the farms in the first place (ironically, these farms were generally sold to pay stiff death duties). Naturally, the former are keener on revolution than the latter.

In the European Union, British farmers could hide behind their ferocious continental allies. Farmers from Ireland to Poland make a near-annual trip to Brussels to burn tyres, douse police in milk and dump dung outside the European Commission's offices. British farmers reaped the grotesque benefits—agricultural subsidies are still about a third of the EU's budget—without quite realising that their own government would prune them if it could.

After Brexit, Britain has enjoyed a period of political price discovery. Areas sealed off from direct control, such as agricultural and trade policy, returned from Brussels to Westminster. In trade negotiations, most countries keep their own farmers off the table; for Britain, farmers were the main course. Australia and New Zealand, agricultural superpowers, leapt at securing tariff-free market access. Antipodean farmers cheered; British farmers screamed. No one listened.

That this took place under a Tory government demonstrates how few friends farmers have, politically. The Conservative Party, traditionally the party of rural England, decided farmers were a necessary sacrifice for quick post-Brexit wins. Once the House of Lords represented the land; now it represents donors, do-gooders and retired politicians propounding sensible opinions they could never air in office. British elections are not settled in the English countryside. Labour may boast MPs in rural Oxfordshire and East Anglia. But it is a moment of political trivia—did you know *Banbury* voted Labour?—rather than a new political geography.

Some like to imagine that Britain, and much of the West, is on the brink of rural revolution. Just look at the Dutch. In 2023, the Citizen-Farmer Movement came first in elections for its upper house. Could Britain not follow suit? Perhaps Mr Clarkson could be its head. But the Netherlands has a party for farm-lovers for the same reason it has parties for conservative fiscal liberals, social liberals, Calvinists, animal-lovers and the over-50s. Now, the Citizen-Farmer Movement polls at 4%, just behind the Party for the Animals. Mr Clarkson, who initially bought his farm for the tax break, would have a big job.

Such a revolution would require a hitherto hidden political nous from the country's farmers. Supporting Brexit was hardly the first strategic error of Britain's rural communities. What political capital they do enjoy is often squandered. In the early 2000s the Countryside Alliance, a lobby group for rural life, was able to conjure an army of tweed to march through London. Yet it focused almost entirely on the right to hunt with dogs, which was banned under New Labour (one banner read "They will ban sex next!") It succeeded in making Sir Tony Blair's life, briefly, a misery; it did little to improve the livelihoods of British farmers.

Who fears big farmer?

And so farmers will fight. The National Farmers' Union warns of "militant protest". A rally later this month may rival the size of the futile marches SirTony endured. It is a plot to snarl the government with sob stories of multi-generational farmers forced to sell by a metropolitan elite who care little about the countryside and understand less. Most likely, they will do little better than their literary cousins. In "Fantastic Mr Fox", the farmers are unaware that Mr Fox has broken into their storehouses and gorged on their chickens, turkeys and cider. Instead Boggis, Bunce and Bean wait for Mr Fox to appear from his den. He never does. ■

International

Global disorder

America's allies brace for brinkmanship, deals—and betrayal

WASHINGTON, DC

From Ukraine to Israel there is a frantic scramble to flatter and sway Donald Trump

LIKE QUIZ-SHOW contestants trying to bash the buzzer first, Volodymyr Zelensky, Ukraine's president, and Binyamin Netanyahu, Israel's prime minister, raced to congratulate Donald Trump on his victory—though each for very different reasons. The rush by these and other leaders around the world, such as Emmanuel Macron of France and Lai Ching-te of Taiwan, to ingratiate themselves with America's next president reveals much about the perils and opportunities they foresee under Mr Trump, whose only constancy in foreign policy is his unpredictability.

Mr Zelensky praised Mr Trump's "decisive leadership" and commitment to "peace through strength", perhaps hoping that flattery might do better than an appeal to principle. He moved quickly to try to win the incoming president's favour ahead of any prospective deal that Mr Trump might try to impose on Ukraine to end the war it has been fighting since Russia's full-scale invasion in 2022. Mr Netanyahu's message was also fawning as he hailed "history's greatest comeback", quite a compliment from the original comeback king. Mr Netanyahu may hope that Mr Trump will give him even more of a free hand in the wars Israel is fighting in Gaza, Lebanon and against Iran, but he must also worry whether Mr Trump's pledge to "stop the wars" might be achieved by squeezing support for Israel.

Mr Trump's election comes as America and its allies face their most daunting threats since at least the end of the cold war. These include "the potential for near-term major war", a bipartisan commission mandated by Congress warned earlier this year. And the risks are mounting, as adversaries such as China, Russia, Iran and North Korea increasingly make common cause. A further escalation in the conflict between Israel and Iran, for instance, could well draw American troops directly into another war in the Middle East. Yet at this moment of heightened peril, America's friends and foes alike are preparing for the possibility that Mr Trump may upend its foreign policy and weaken the network of alliances that have been the pillars of Western security.

The danger will begin well before Mr Trump is sworn in on January 20th, as allies and adversaries probe President Joe Biden's resolve and authority during the remaining "lame duck" months of his term. The first test will probably be the Middle East on November 12th, the deadline the Biden administration has set for Israel to vastly increase the flow of food and aid to Gaza or risk having its supply of American arms and munitions cut. Mr Netanyahu, whose government is accused of not doing enough to improve the humanitarian situation, may reckon that Israel can withstand any temporary delays in arms deliveries until the inauguration of Mr Trump, who probably does not care. But as Israel faces the possibility of full-scale war with Iran, it needs more than just bombs. It also needs close co-ordination with America's armed forces to fend off Iranian missiles and to ▸▸

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launch its own counter-attacks.

In the uncertain period before the next administration takes over, America's allies are scrambling to mitigate some of the risks that may arise from the election of a president who regards allies as a burden and approaches mutual defence with the calculus of a gangster. "They want protection, they don't pay us money for the protection," Mr Trump has said. "The mob makes you pay money." Mr Trump boasts that he coerced NATO countries to spend more on defence during his first term, with some justification. Many expect the pressure to intensify in his second.

Europe's response will be to try to Trump-proof aid to Ukraine and to bolster the region's ability to defend itself without American help. Little wonder, then, that in the hours after the election result Boris Pistorius, Germany's defence minister, and Sébastien Lecornu, his French counterpart, called an emergency meeting in Paris to discuss security. Mr Macron, once dubbed a "Trump whisperer", has long championed Europe's collective defence and "strategic autonomy" and will probably do so again at a summit on November 7th. Over the past year Mr Macron has become one of the continent's most outspoken hawks on Ukraine, refusing to rule out putting boots on the ground there and arguing for the use of French SCALP missiles to strike military targets in Russia.

The mood in Asia is more phlegmatic. Taiwan is concerned that Mr Trump might fail to come to the island's aid or cut a deal with China over its head. South Korea worries that Mr Trump might, as he did in his first term, demand more money to cover the cost of American troops stationed there. "If that's the cost of doing business with the Trump administration, it is worth it," says Lee Chung-min of the Carnegie Endowment for International Peace, a think-tank. Australians take heart that Mr Trump is thought to be supportive of AUKUS, the submarine deal between America, Australia and Britain. Though some fret that Mr Trump might seek a grand bargain with Xi Jinping, China's president, most Australian officials believe that defence co-operation will continue.

The trouble for America's allies, though, is that nobody knows for sure what Mr Trump's foreign policy will be. Some things seem certain, such as trade wars with friends and foes alike (see The Telegram). He will probably again accommodate some autocrats and threaten to abandon allies or renegotiate terms with them. Tensions with Mexico will probably rise over trade, migrants and drug-trafficking (see Americas section).

Yet predicting what Mr Trump would do in any given situation is hard. A lot of the uncertainty arises because of disagreements between those who advise him. Broadly speaking he presides over three schools of thought in the Republican Party. What some call the "primacists" seek to preserve America's global leadership and the international order. In contrast, "prioritisers" argue that America is dangerously overstretched and should concentrate its resources where they matter most, in Asia, and leave Europe and the Middle East to fend mostly for themselves. This school of thought overlaps with a third, the "restrainers", who want America to generally do less in the world.

Which of these schools predominates will depend on Mr Trump's picks for the big national-security jobs and whether they are internationalists like Mike Pompeo, Mr Trump's former secretary of state, and Robert O'Brien, his former national security adviser, or more isolationist figures. It may also depend on how much influence is wielded by J.D. Vance, his vice-president, who hails from the more isolationist wing of the party. While this plays out foreign diplomats in Washington are involved in a frenetic sort of Kremlinology, as they scramble to distinguish influential courtiers from peripheral figures.

Given Mr Trump's repeated criticism of aid to Ukraine and his refusal to say whether he wants Ukraine to win the war, many worry that one of his first moves in office would be to capitulate to Vladimir Putin, Russia's president. Yet people in his entourage—or at least people who hope to be in it—suggest that Mr Trump would not be such a soft touch (see Europe section). Republican insiders argue that he knows that defeat in Ukraine would be a political liability, just as the withdrawal from Afghanistan was for Mr Biden.

Mr Pompeo argued in an opinion article that "there's no evidence that such capitulation will be part of President Trump's policy and much evidence to the contrary." He and his co-author, David Urban, pointed out that Mr Trump supplied the first Javelin anti-tank missiles to Ukraine.

Holding onto hope

A diplomatic deal crafted on decent terms may yet be welcomed by Ukraine, whose position on the battlefield is weakening. Ukraine would, however, want membership of NATO to guarantee its security. Mr Pompeo is an advocate of that but other advisers may resist it, as would Olaf Scholz, Germany's chancellor.

Another whisper from Republican insiders is that Mr Trump's administration would be more willing to confront Iran and weaken its clerical regime, a policy that would be widely supported in the Republican Party, they say (see Middle East & Africa section). Israel's decapitation of Hizbullah and Hamas, and its ability to parry Iran's missile salvoes, suggest Iran and its allied militias are vulnerable.

Mike Waltz, a Republican congressman and a contender to become secretary of defence, wrote for *The Economist* recently that America "should put a credible military option on the table to make clear to the Iranians that America would stop them building nuclear weapons". Threatening military action against Iran is one thing; starting a war is another. Mr Trump has spent much of his career denouncing Republican hawks who wasted blood and treasure in the Middle East.

Complicating this reading of entrails is the fact that Mr Trump is a fan of the madman theory of international diplomacy. Asked whether he would threaten to use force if Mr Xi were to invade Taiwan, Mr Trump told the *Wall Street Journal*: "I wouldn't have to, because he respects me and he knows I'm fucking crazy."

To be sure, unpredictability may sometimes enhance America's deterrent power, if foes believe Mr Trump really might take military action. But it could weaken America's position if adversaries conclude he is all bluster and America's friends lose trust that it will come to their aid. Fearing abandonment by Mr Trump, a few allies may hedge by moving closer to China, especially in Asia (see China section). Japan, for instance, will find it necessary to "seek negotiations, not only to prepare for contingencies [with China]", says Sasae Kenichiro, a former Japanese diplomat. Alternatively, some may seek their own nuclear weapons, ushering in a new era of proliferation.

Mr Trump was a disruptive force during his first term but the international scene was relatively calm. He returns to power at a time of rising great-power rivalry and destructive wars in Europe and the Middle East. Instead of building on the alliances and institutions that have enhanced American power, Mr Trump seems intent on undermining them. That would not only make America less secure, but also accelerate the disintegration of the post-war order that kept the peace for 80 years. ■

THE TELEGRAM

Trade wars are coming

Donald Trump's re-election accelerates a crisis for globalisation

THE WORLD stands on the brink of multiple trade wars. Some will be unleashed with enthusiasm by Donald Trump, a man who hails tariffs as "the greatest thing ever invented". Yet other, more reluctant clashes will surely follow, begun by blocs and countries whose prosperity depends on access to foreign markets. Expect those unhappy warriors, notably those based in Beijing and Brussels, to insist that—if forced into battle—their aim is to keep markets open and competition fair, not to tear the system down. Alas, the distinction matters less than defenders of globalisation hope. History records many examples of protectionists wreaking economic havoc. But trade-friendly governments often feel obliged to retaliate, too, rather than stand accused of abandoning domestic industries.

Mr Trump returns to power with a mandate to impose tax rises on trade, and on a historic scale. The Smoot-Hawley Act of 1930 raised the average tariff on dutiable imports by six percentage points. Protectionist moves and counter-moves that followed shrank overall global commerce for years. Mr Trump threw out still larger numbers on the campaign trail, threatening China with an across-the-board 60% tariff, growling about taxing Mexican cars at up to 500%, and about a flat tariff on other imports of 10-20%. Those numbers should be taken seriously, but not literally. Tariffs are coming, but Robert Lighthizer, the trade representative in the first Trump administration, has told associates not to expect 60% tariffs on China right away. Mr Trump's trade goals are "all about leverage" and cutting deals, says a former official. Others in Trumpworld predict a twin-track approach: use tariffs to negotiate with friendly countries and to lean on bad actors.

An openness to dealmaking should not distract from the magnitude of Mr Trump's ambitions. In pre-election conversations in Washington, Republican trade hawks talked of ending what they call the seven-decade blunder of opening American markets to global competition. As one hawk put it, other countries cannot be faulted for building up vast export sectors and treating Americans as "their consumers of last resort". Nor can American companies be blamed for seeking out cheap places to make things. But the costs of globalisation have turned out to be unacceptably high, so a reset is required. Mr Trump's ideal is said to be balanced trade, though rebuilding key industries matters more than the size of this or that bilateral trade deficit.

America will still trade with China in a second Trump term, it is conceded. But the administration will seek to permit only trade in unthreatening consumer goods and commodities. There may be purchase quotas agreed by the two governments, while tariffs generate new revenues. There is an incoherence here: trade hawks argue that tariffs do not cause inflation because, in the first term, Chinese exporters cut prices and absorbed the pain to maintain market share in America. The same hawks then predict that new tariffs will raise "artificially low prices" for Chinese goods, thereby creating economic incentives large enough to alter trade flows, helping domestic firms to employ more Americans.

When it comes to strategic goods and technologies from China, Mr Trump can raise some tariffs on day one by adjusting penalties imposed in his first term under Section 301 of American trade law, punishing China for alleged abuses including forced technology transfers. He could then announce a fresh Section 301 probe to address "new Chinese misdeeds", as a hawk puts it. Tariffs could also be folded into a federal tax bill due in 2025, perhaps claiming that they offset domestic tax cuts. As for the rest of the world, Mr Trump could issue an executive order directing his trade representative to examine all of America's trade deficits.

Same trade tensions, very different solutions

The Biden administration suspended tariffs imposed by Mr Trump on European steel and aluminium while it sought an agreement on climate-friendly "sustainable" metalmaking. It also suspended Trump-era tariffs on Airbus, a European builder of aeroplanes. Should Mr Trump reimpose those tariffs and more, the European Union would face hard choices. It has been inching towards its own trade fight with China, recently imposing tariffs on Chinese-made electric cars despite China's threats to retaliate against European pork and other goods. That challenge to China is complicated by Mr Trump's re-election since Europe can ill-afford a trade war on two fronts. Behind closed doors, European officials admit that their motives in confronting China are very different. Europe is getting tough in order to convince China that its heavily subsidised, export-driven growth is not politically sustainable, they say. But their goal is to rebalance trade flows, not sever them. Governments will no longer tolerate "a world in which Europe is open and China is closed", says one.

In Washington, trade hawks harbour no hopes of changing China's behaviour. In their telling, Mr Trump wants to re-industrialise America. He can't break China or stop China. But he can defend the economy from "a China shock 2.0", says one.

Chinese leaders talk a good game about defending free trade, while pursuing resolutely self-interested trade and industrial policies. China could resolve tensions by letting its electric-car makers and other industrial champions open plants overseas and share advanced technologies with foreign partners—following the same model that China imposed on foreign firms as a price for access to Chinese markets. To date, though, Chinese officials have discouraged such transfers. Your columnist asked a European diplomat in Beijing whether a trade war is inevitable. Coming months will show whether China understands that it must change its ways, was his reply. "Will we achieve that in time? I don't know," he admitted. Mr Trump's victory speeds everything up. ■

Business

Business and politics

CEOs in Trumpland (the sequel)

NEW YORK

How to deal with the returning president and his apprentices

CHIEF EXECUTIVES normally relish the idea of having one of their own in the White House. When that man is Donald Trump, who will be back there after a decisive victory over his Democratic rival, Kamala Harris, on November 5th, the feelings are mixed. Some tycoons are big fans of the president-elect with big hopes for Trump 2.0—notably the wealthiest of the lot, Elon Musk (see Schumpeter). Others loathe the idea of having a convicted felon with a fondness for autocrats as the leader of the free world.

Still, whatever CEOs may think of Mr Trump personally, they have businesses to run. That means making nice with the incoming president and his Republican Party in Congress. Talk to corporate types, though, including many who back Mr Trump, and it seems this may prove easier said than done.

For corporate America there is lots to like about the prospect of a second Trump term. The stockmarket jumped by 2.5% the day after the election, only some of which can be chalked up a "phew" rally by investors happy that the result was clear-cut and uncontested. A lot is down to expectations of lower corporate taxes and a bonfire of red tape, especially for big oil and Wall Street (see Finance & economics section). As for Mr Trump's vow to raise tariffs on all imports, which would increase companies' input costs and provoke tit-for-tat levies in export markets, investors are treating it as bluster. On November 6th shares of firms listed in Shanghai and Hong Kong, which would be hardest hit by the China-bashing "tariff man", lost 0.5% and 2% in value, respectively—hardly a sign of panic.

Bosses will not exactly miss President Joe Biden, either. Their companies did swimmingly on his watch, with record profits and soaring stock prices. But that, chief executives insist, was in spite of his administration, not because of it. Many executives and lobbyists describe Mr Biden's White House as "insular" and bereft of people who "get" business. One Wall Street grandee counts just three figures who shuffled through the president's inner circle with any real private-sector chops: Brian Deese and Mike Pyle, two advisers, and Wally Adeyemo, the deputy treasury secretary. Gina Raimondo, who heads Mr Biden's commerce department, is seen to be competent and is liked by chief executives, but with just a few years of experience outside government, is no great business leader.

By contrast, in his first term Mr Trump surrounded himself with titans of industry, including Gary Cohn, a former president of Goldman Sachs, and Rex Tillerson, a former chief executive of ExxonMobil. Mr Trump's chaotic governing style makes the Reagan-era dictum that "personnel is policy" truer than ever. A big question for businesses is therefore whom he will enlist this time around.

Many reputable business folk have distanced themselves from Mr Trump over the years because of his racist and authori- ▸▸

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tarian outbursts. Those who remain at his side, such as Howard Lutnick, the billionaire boss of Cantor Fitzgerald, an asset manager, and Mr Musk, supposedly to be put in charge of cutting government waste, can be charitably described as controversial—and uncharitably as "bad news", as a veteran New York financier shudders. Mr Lutnick is seen to be self-dealing. And Mr Musk is Mr Musk.

Mr Trump's vice-president in waiting, J.D. Vance, does not reassure America Inc either. In a speech in July he declared that "We're done, ladies and gentlemen, catering to Wall Street. We'll commit to the working man." He is an admirer of Lina Khan, Mr Biden's trustbuster-in-chief, who doesn't see a large firm which she wouldn't like to break up. Mr Vance might even suggest keeping her on as head of the Federal Trade Commission.

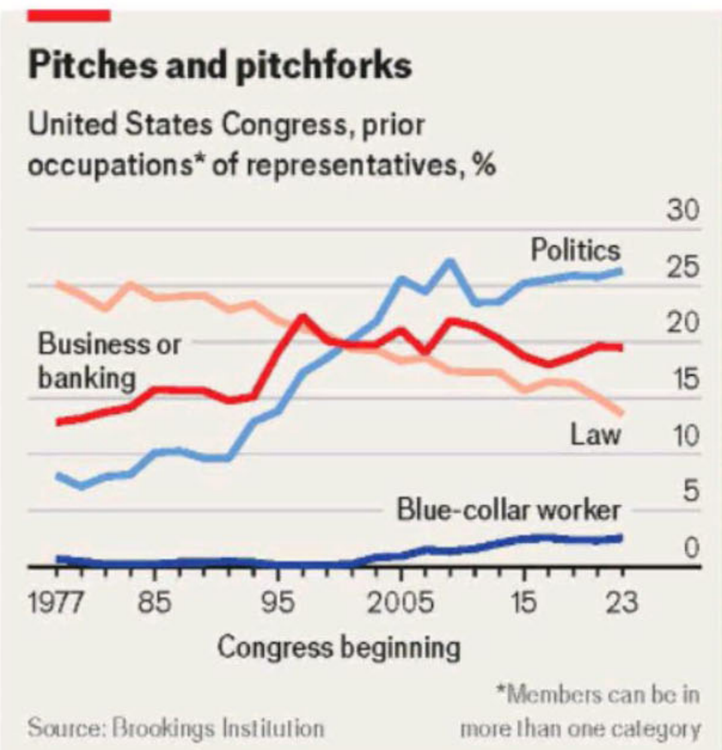
Mr Trump probably won't. He is no antitrust warrior and, as his first term suggests, would rather play favourites and pick targets. Mr Vance, though, embodies a wider concern corporate America has about the next four years: the economic populism engulfing Capitol Hill. In the halls of Congress, businessmen, bankers and lawyers are being progressively displaced by career politicians and blue-collar workers (see chart). Corporate emissaries in Washington complain that the newcomers are often sceptical of business and ignorant of its needs. Meeting requests are declined even by supposedly sympathetic Republicans, lest this come across to the party's working-class base as untoward chumminess. One lobbyist describes his job as "a professional javelin-catcher".

Dealing with this new political reality might be easier if companies spoke as one. Alas, observes a lobbying boss, "The era where business has a singular voice is over." The 112-year-old US Chamber of Commerce, its most venerable megaphone, is losing influence. Its annual spending on lobbying declined from well over $100m in 2009-12 to $70m under Mr Biden. It is still patching things up with Republicans after it dared endorse 23 Democratic freshmen in 2020. The Business Roundtable, a more centrist organisation of half the chamber's age and, thanks to a board full of corporate heartthrobs such as Tim Cook of Apple and Jamie Dimon of JPMorgan Chase, many times its star power, consigned itself to irrelevance after blundering into the culture wars in 2019 by embracing an impossibly cuddly version of capitalism.

With their two big bullhorns going quiet, more companies are turning to industry groups to represent their interests. In the past few years the National Association of Realtors (which advocates on behalf of what the British call estate agents) has often been the biggest spender on lobbying in America. Outfits like Pharmaceutical Research and Manufacturers of America (for drugmakers) and the Institute of International Finance (for Wall Street) report increased interest in their policy and advocacy work.

In a populist move fit for a populist moment, some firms may try to bypass the swamp and go directly to the people. In 2020 Uber, Lyft and DoorDash put $185m into a successful ad blitz to quash a Californian ballot initiative that might have killed their business model by giving gig workers greater employee rights. More likely, CEOs will seek favour from the big man directly: Mr Cook and Andy Jassy, boss of Amazon, promptly praised Mr Trump's victory on X.

Other chief executives have buttered him up in pre-emptive conversations in recent weeks, suggesting that they'll try for the personal touch. And with Mr Trump yet to choose his team, they still hope that his worst instincts will be curbed. But they aren't counting on it. ■



Artificial intelligence

A nasty case of pilotitis

SAN FRANCISCO

Companies are struggling to scale up generative AI

FOR INVESTORS concerned that America's tech giants are making recklessly large bets on generative artificial intelligence (AI), big tech's latest quarterly results have offered some reassurance. The growth in demand from companies for the cloud services of Amazon, Microsoft and Google was red hot. Andy Jassy, boss of Amazon, said that AI revenue for Amazon Web Services (AWS) was growing at triple-digit rates—three times faster than AWS itself grew in the early years after it pioneered cloud computing in 2006.

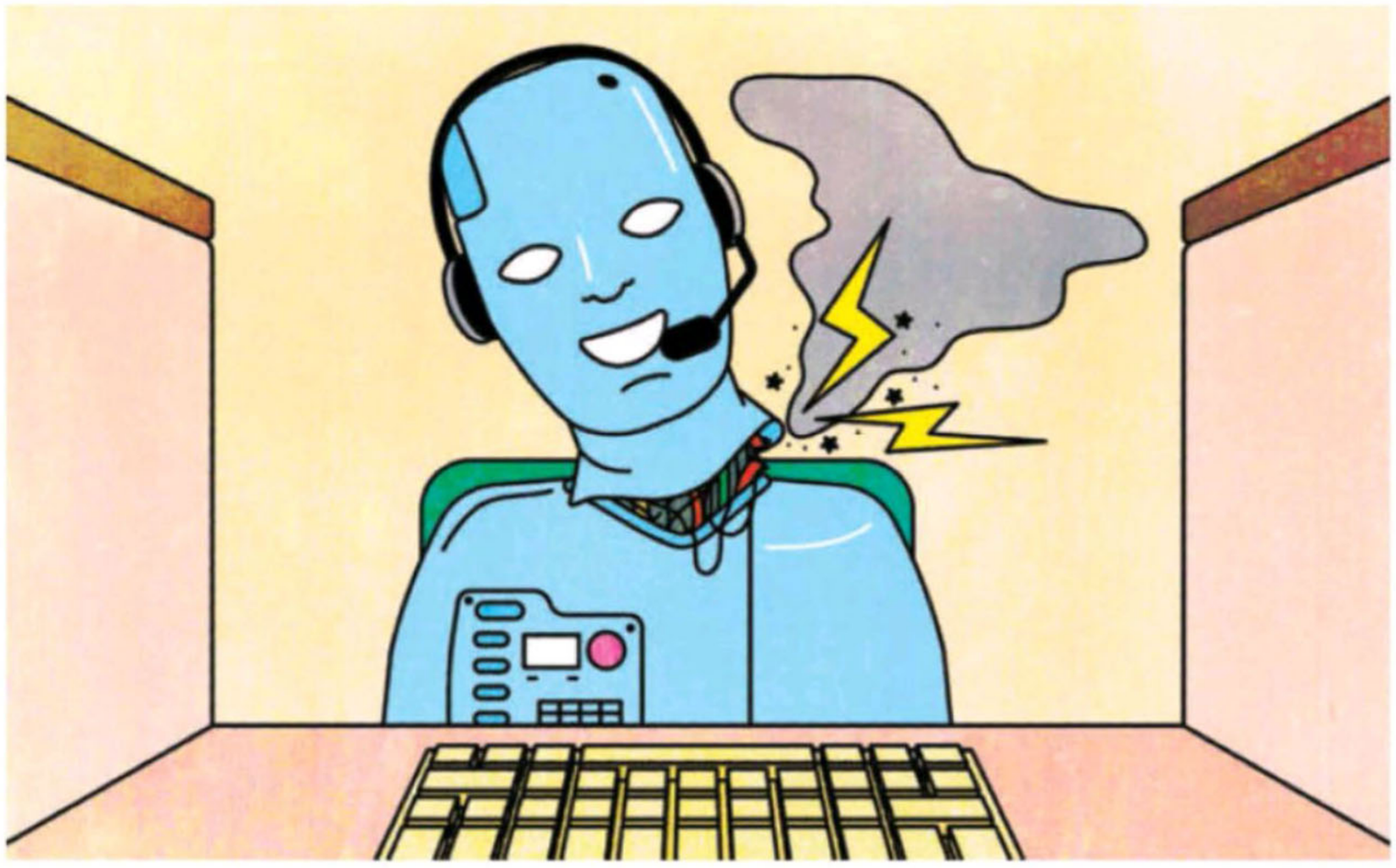
Dig deeper, though, and the situation is more nuanced. Generative AI appears to be one of those innovations, such as email or smartphones, whose the most eager early adopters are individuals. Companies are being far more tentative.

In the two years since OpenAI unveiled ChatGPT, generative AI has had a faster rate of adoption than PCs or the internet. Fully 39% of Americans now say they use it, according to a study by Alexander Bick of the Federal Reserve Bank of St Louis and co-authors; 28% say they use it for work, and 11% that they do so every day.

Many of them, though, seem to be secret cyborgs, using the technology at work even as their employers dawdle. Just 5% of American businesses say they are using the technology to produce goods or services, according to a survey by the US Census Bureau. Many companies seem to be suffering from an acute case of pilotitis, dilly-dallying with pilot projects without fully implementing the technology. In a recent survey conducted across 14 countries by Deloitte, a professional-services firm, only 8% of company leaders said their firms had deployed more than half of their generative-AI experiments.

As a consequence, revenue from selling AI services to companies remains limited. Although Mr Jassy said AWS now generates "multi-billion" dollars of revenue from AI, that is a smidgen of the $110bn of annual revenue for its cloud business as a whole. Accenture, a consulting giant that recently announced it would train 30,000 staff to help companies adopt generative AI, said in September that it had booked $3bn-worth of work related to the technology over the past 12 months, a ten-fold increase year on year. But compared with the company's total sales of more than $81bn, that too is small beer.

Why are many bosses hesitating to adopt generative AI? One reason is that they worry about the downsides. Listen to the tech giants and they will tell you—as Sundar Pichai, the boss of Alphabet, said in July—that "the risk of under-investing is dramatically greater than the risk of over-investing". Alphabet, Amazon, Microsoft and Meta are expected to pour at least $200bn into AI-related capital expenditures this year. Bosses in other industries are more circumspect. At a recent closed-door discussion, the head of a big Ameri- ▸▸



can business group spoke of two types of fears chief executives have about generative AI. One was being left behind if they adopted it too slowly. The other was being embarrassed if they moved too quickly and damaged their firm's reputation.

Legal and regulatory risks loom large. Lawsuits related to privacy, bias and copyright violations are making their way through the courts. In August the European Union's AI Act came into force. AI bills have been introduced in at least 40 American states this year. Bosses in heavily regulated industries, such as health care and finance, are especially wary. Although they see the potential of generative AI to transform their businesses, say by speeding up drug discovery or fraud detection, they are keenly aware of the threats to privacy and security if their customers' medical or financial data are compromised.

Another problem is that the benefits of adopting generative AI can be uncertain. Accessing large language models (LLMs) is expensive, whether via a company's own servers (safer) or via cloud-service providers (simpler). Full-scale implementation of generative AI may increase revenues and reduce costs, but the payoff is not immediate, raising concerns about returns on investment. In its recent survey Deloitte found that the share of senior executives with a "high" or "very high" level of interest in generative AI had fallen to 63%, down from 74% in the first quarter of the year, suggesting that the "new-technology shine" may be wearing off. One executive sums up the scepticism by recounting the story of a chief information officer whose boss told him to stop promising 20% productivity improvements unless he was first prepared to cut his own department's headcount by a fifth.

Even when companies are eager to amp up their use of generative AI, though, they may find it tricky. To reap the full rewards of the technology, businesses have to first get their data, systems and workforce into shape, says Lan Guan, Accenture's head of AI. She reckons companies' readiness for generative AI is much lower than it was for previous technology waves such as the internet or cloud computing.

One problem is messy data, scattered in different formats across various departments and software systems. Ms Guan gives the example of a telecoms firm that wanted to train a call-centre AI assistant by feeding it PDFs, manuals, call logs and more. The bot found that instead of one standard operating procedure—what she calls "a single source of truth"—the company had 37, accumulated over decades. A failure to organise data before using it to train a bot increases the risk of hallucinations and mistakes, she says.

Another problem is that IT systems are often creaky and old, a problem known as "technical debt". That can make it difficult to plug in LLMs without causing trouble. Integrating semi-autonomous AI agents into systems built for humans might also create security vulnerabilities.

Then there is the problem of skills. Many companies are still struggling to get their hands on enough AI specialists. According to Lightcast, a research firm, AI-related job postings in America have surged by 122% so far this year, compared with an 18% rise in 2023. Elizabeth Crofoot, an economist at Lightcast, says that this increase is mostly explained by generative AI, with job descriptions mentioning ChatGPT, prompt engineering and large language modelling on the rise.

Companies also want workers in other roles who know how to use generative AI. A sales rep with AI skills can earn $45,000 a year more than one who lacks them, says Ms Crofoot. No wonder, then, that even as some bosses prevaricate about scaling up generative AI, their employees are all in. ■

Big oil and AI

Pipe dreams

Oil bosses hope that the AI boom will boost demand for natural gas

THIS WEEK 180,000 people descended on Abu Dhabi to attend ADIPEC, the global oil-and-gas industry's biggest annual gathering. This year's focus, perhaps unsurprisingly, was the nexus of artificial intelligence (AI) and energy. On the eve of the jamboree Sultan Al Jaber, chief executive of ADNOC, the Emirati national oil giant, convened a private meeting of big tech and big energy bosses. A survey of some 400 energy, tech and finance bigwigs released in conjunction with the event concluded that AI is set to transform the energy business by boosting efficiency and cutting greenhouse-gas emissions.

That is a high-minded vision. Many energy bosses, though, have their hopes set on a more immediate windfall from the AI frenzy, as tech giants hurry to find ways to power the data centres they are building. "Hyperscalers are driving crazy demand into natural gas right now," said Murray Auchincloss, the chief executive of BP, late last month. In September Mike Wirth, his counterpart at Chevron, argued that "AI advances will depend not only on the design labs of Silicon Valley, but also on the gasfields of the Permian Basin." How long big tech's love-in with big oil will last, though, is unclear.

The oil-and-gas industry has lately been squeezed. Rising production in the Americas and anaemic demand in China have depressed oil prices, despite the threat of a widening conflict in the Middle ▸▸

Fired up

East. Western oil giants, including those run by Messrs Wirth and Auchincloss, have recently reported weak quarterly profits, dragged down by oil prices that are about 15% lower than a year ago.

The AI boom may provide some relief for the oilmen thanks to rising demand for natural gas. Goldman Sachs, an investment bank, estimates that America's data-centre boom will require an incremental 47 gigawatts (GW) of power capacity by 2030, with 60% coming from gas and 40% from renewables such as wind and solar. It thinks the gas market could grow by 50% globally during the next five years.

Many of the tech giants leading the AI charge, though, have made noisy pledges to achieve net-zero emissions of greenhouse gases. They will struggle to meet them if they power their data centres with natural gas. When a local utility in America's South tried to persuade regulators to approve the building of new gas-fired plants to meet growing power demand, a coalition of tech companies threatened to build their data centres in another state unless clean energy was offered instead.

The problem is compounded by growing evidence that natural gas may be more harmful to the climate than claimed by the industry, which holds that burning it emits half as much greenhouse gas (GHG) as coal. But that claim is true only if the upstream emissions associated with producing and transporting gas are not included. The venting and flaring of methane, a more potent GHG than carbon dioxide, is a particular problem.

To their credit, a number of the biggest oil-and-gas companies have committed to slashing their methane emissions. But progress so far has been slow. The World Bank estimates that upstream flaring of methane in the global oil-and-gas industry grew by 7% from 2022 to 2023. Analysis by the Environmental Defence Fund, a green group, suggests that methane emissions from America's oil-and-gas patch are four times greater than what has been calculated by the Environmental Protection Agency, a government body.

That puts tech giants in a bind: to avoid falling behind their competitors in the AI race, they may have to compromise on their climate pledges, or at least defer them. Even if they don't, by cornering what clean-energy capacity already exists, they may force other industries to rely on gas for longer. That helps explain why tech firms are pouring money into developing their own sources of clean energy. Microsoft, one of the hyperscalers, has entered into a $10bn deal with Brookfield, an asset manager, to develop over 10GW of renewable energy to power its data centres. More such deals may come. In the meantime, add oil bosses to the list of winners from the AI boom. ■

Chinese tech

Harmony and enmity

SHANGHAI

Huawei wants to shake up the mobile operating-system duopoly

WHEN HUAWEI, the Chinese tech giant, releases its latest smartphone this month, techies across the world will strip it down to figure out how it works. The semiconductors powering the Mate 70, as the device is called, will reveal how much progress China has made in building its own chips and breaking its reliance on foreign technology. But the software in the phone may prove more important than the hardware. Huawei is expected to install HarmonyOS NEXT, its new home-made operating system, on the devices. This would be China's first clean break with the Western-backed systems on which it and the rest of the world rely.

China's government wants the country to become technologically self-sufficient in everything from fertiliser and passenger jets to chips and payments networks. It views Western chokeholds on critical technologies as national-security risks which could prove especially dangerous to China in a conflict. Huawei's contribution to China's pursuit of self-sufficiency has lately focused on advanced semiconductors. But the country is still overwhelmingly reliant on American mobile operating systems. Android, owned by Google, and iOS, Apple's system, power about 98% of smartphones globally, including almost all of those in China.

Huawei's new system will add a third contender. It was launched last month, and is available only for testing, but is expected to become more widespread with the Mate 70's release. The current, widely used version of Huawei's system still relies on free code from Android and software from Linux, a global open-source project. The new version is expected to throw out those foreign elements and replace them with all-native components. Apps developed for Android, which function on the current version, will not work on the new one. Chinese media have, somewhat disturbingly, described HarmonyOS NEXT as a "pure-blood" system.

Huawei began developing its Harmony operating system in 2012 for internet-of-things devices, such as smart TVs and speakers, rather than for phones. But American sanctions on the company in 2019 cut off its access to Google Mobile Services, including its app store, along with the powerful semiconductors needed to make phones with fifth-generation (5G) wireless connectivity.

This torpedoed the popularity of Huawei's smartphones outside China, and kicked off an effort by the business to shift its smartphones over to its own operating system and indigenise the manufacturing of semiconductors. In August last year Huawei surprised tech analysts when it released the Mate 60, a smartphone containing advanced seven-nanometre chips manufactured domestically, allowing it to re-enter the market for 5G phones. The Mate 70, provided it runs on Huawei's new ▸▸

Bring us your apps

operating system, will mark another milestone in the company's efforts to reduce its reliance on Western companies.

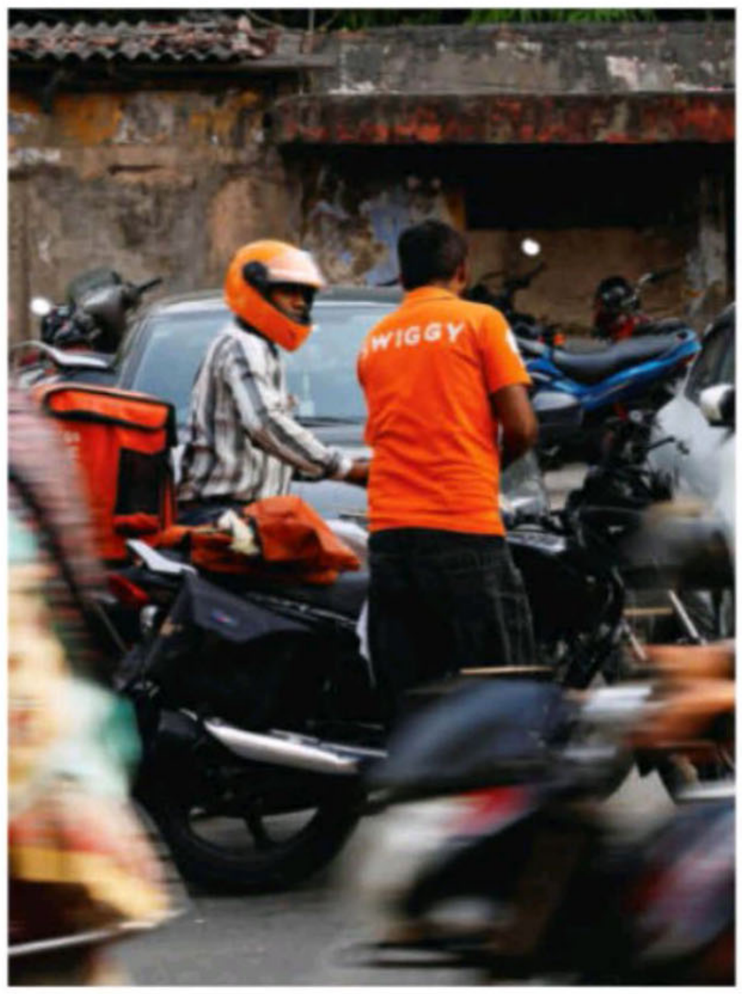
Building an operating system is no mean feat. The main challenge is attracting enough external developers to design applications that run on it. That requires convincing them that the system will be successful and that developing an app for it will be worth their time. Many have tried and failed to make new systems work over the years; app developers generally stick with the incumbents.

This suggests that Huawei is taking a gamble by severing ties with Android. By August last year, when the Mate 60 was released, developers had created fewer than 100 apps specifically for its operating system. The popularity of the device, and the company's subsequent 5G phones, have helped convince many developers to start making new apps for Huawei's phones, with more than 15,000 native apps and services created since the Mate 60 was released. Tests of HarmonyOS NEXT have added to the excitement.

Nonetheless, shifting its devices to the new system risks hurting Huawei's smartphone sales. Android offers users several million apps; if Chinese people cannot find their favourite ones, they may opt for another phone. Chinese journalists who have tested some of Harmony's native apps have complained that they lack important functions. Users that tested Huawei's new operating system in mid-October were able to send messages and make video calls on WeChat, one of China's most-popular super-apps, but not to send money to friends, share their location or watch short videos.

Huawei may be hoping that it can build further momentum for its operating system by persuading other Chinese smartphone-makers to adopt it. It has created OpenHarmony, a rival to Android's open-source offerings that allows companies to design their own versions of its system. Convincing them to do that will not be easy. Rival Chinese smartphone-makers such as Xiaomi, Vivo and Oppo compete fiercely with Huawei, and some are developing operating systems of their own using Android code. It is possible, though, that the Chinese government will eventually order Huawei's rivals to switch from Android to Harmony, reckon analysts at Jefferies, an investment bank.

Huawei's ambitions for Harmony go beyond smartphones. The system will soon replace Microsoft Windows on its laptops. It can be used across all the company's devices, of which there are more than 1bn, including the cars it helps design. That should ease the government's fears about China's reliance on foreign technology—and cause Western tech giants to sit up. ■



Tech in India

Back on the bike

BANGALORE

India's startup scene is picking up speed again

VISITORS TO Bangalore, India's tech hub, quickly learn why locals measure distances in minutes and not kilometres. The city's clogged streets turn every outing into a test of patience. Other large cities in the country are just as bad. So it is no surprise that Indians are getting everything from biryanis and books to mangoes and mobile phones delivered straight to their doors—often in under ten minutes. "Quick commerce" is a booming business in India. Zomato, the largest company in the industry, is valued at $26bn; its share price has nearly doubled this year. Swiggy, its closest rival, is expected to go public on November 13th at a valuation of $11bn. Zepto, another competitor founded in 2021, is now worth $5bn.

India's startup scene has had a difficult few years, as funding dried up and once high-flying firms crashed back down to earth. Yet quick commerce's success may mark the start of a wider revival, fuelled by consumers' growing appetite for digital purchases and by the country's vast engineering workforce.

Back in 2021 investors poured $35bn into Indian startups, more than the amount in the previous three years combined, according to Tracxn, a research firm (see chart). That year minted 40 Indian unicorns (unlisted startups valued at over $1bn). But as interest rates rose, the money dried up. In 2023 investment by venture capitalists (VCs) in startups fell below $8bn; only two firms joined the unicorn herd. As companies focused on preserving cash, layoffs and bankruptcies became common, with over 35,000 startups shutting down in 2023.

The funding slowdown also exposed lax governance at some prominent Indian startups. In January the banking arm of Paytm, an Indian fintech giant, was ordered by India's central bank to stop all services owing to "persistent non-compliance" with its rules. Byju's, an education-technology firm once worth $22bn and now on the brink of bankruptcy, has faced allegations of aggressive sales practices and accounting irregularities (its founder denies the charges).

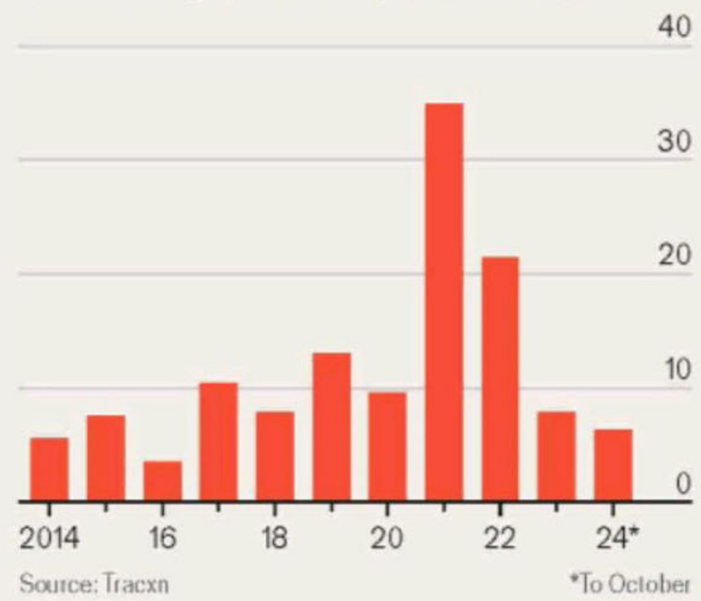
Although venture funding this year is on track to reach a level similar to last year, there are signs of a revival in India's startup scene. One promising area is e-commerce. Online shopping currently makes up just 7% of India's retail sales, but its potential is big. Redseer, a consultancy, projects that e-commerce sales in India will grow from $65bn in 2023 to $230bn by 2030. It helps that India's affluent class—defined as those earning over $10,000 annually—is expanding. Goldman Sachs, an investment bank, predicts that it will swell from 60m in 2023 to 100m in 2027.

E-commerce in India has so far been dominated by two American giants: Walmart, through its ownership of Flipkart, and Amazon. Recently, though, they have lost ground to local upstarts that are tailoring their services to the domestic market.

Quick commerce has proved especially popular in India's densely packed cities, where drivers can deliver goods speedily to many customers living in close proximity to each other, making it cheaper than in cities elsewhere. Having first focused on food and groceries, companies such as Swiggy now sell everything from electronics to clothes as consumers have become more comfortable buying from them. Meanwhile, Meesho, an online marketplace that integrates with social-media platforms such as WhatsApp, has found ▸▸

Down but not out

Indian startups, venture capital received, $bn



Source: Tracxn *To October

success targeting India's smaller cities. Morgan Stanley, another investment bank, estimates that the e-commerce firm now has more active users on its mobile app than Amazon does in India.

A second area of promise is the small but growing number of "deep tech" startups in India working in complex fields like space and robotics. Saurabh Chandra, founder of Ati Motors, a startup that builds autonomous robots, says that access to a vast pool of cheap engineers gives firms such as his more time for research and development before they run out of cash.

The final area of excitement in India's tech scene is artificial intelligence (AI). Some startups, such as Sarvam AI, are building AI models in various Indian languages. Sajith Pai, an investor at Blume, a VC firm, believes that a bigger opportunity for India will be to develop business software that incorporates the technology, drawing on the country's long-standing experience of providing offshore IT services to Western companies. Tie-ups with Indian outsourcing giants such as TCS and Wipro could also help Indian AI startups sell their software overseas.

Venture investors are betting that this new startup wave will fare better than the last, with good reason. Indian startups are now less likely to be Western copycats and more likely to be designed around the specific needs and strengths of their country. The road ahead for India's techies is clearing, even if Bangalore's streets are not. ■

BARTLEBY

Howler horror

How to learn from your mistakes

"MISTAKES ARE the portals of discovery," wrote James Joyce in "Ulysses". In 1888 Lee Kum Sheung, a young cook in a coastal province in southern China, forgot the oyster soup he was boiling on the stove until it simmered down to a thick, sticky gravy. Once he discovered how tasty it was, he decided to sell his "oyster sauce" in jars. That lucky mistake would make him and his heirs rich. According to *Forbes*, the Lee siblings—his great-grandchildren—are worth $17.7bn, making them the fourth-richest family in Hong Kong.

Your guest Bartleby has not been so fortunate in her mistakes. As with most people, hers have led not to riches but, usually, to stomach-churning embarrassment and a good deal of self-flagellation. From fat-fingered spreadsheet errors and incoherent interventions in meetings to failed mergers and bungled products, failure is a part of corporate life. Yet even the most humiliating mistake can prove to be useful.

Some failures can be chalked up to a lack of experience. Katharine Graham wrote in her autobiography of the many ignominious blunders she made after she became the publisher of the *Washington Post* overnight, following her husband's suicide. "I made endless unnecessary mistakes and died over them," she wrote. She was determined to guard against them. Warren Buffett recalled walking into her office ten years after she had taken over to find a sheet of paper on her desk that read: "Assets on the left, liabilities on the right".

Of course, even those with plenty of experience are not infallible. In "Right Kind of Wrong", Amy Edmondson, a professor at Harvard Business School, explores how to build a healthy relationship with failure. In a complex world, she argues, excellence requires taking risks. The important thing is to establish what needs to be done differently next time.

For companies the occasional failure may be the price of innovation. Within months of the Amazon Fire smartphone being introduced in 2014 it was clear to all that the device was a resounding flop, with Amazon forced to write off $83m of unsold inventory. The device was late to the market and had limited features, but was nonetheless priced in the same range as the iPhone and the Samsung Galaxy. Jeff Bezos, the tech giant's chief executive at the time, would later argue that such misfires were the cost of an organisation relentlessly focused on continual innovation. "If you think that's a big failure, we're working on much bigger failures right now," he said two years after the fiasco.

Mistakes are unavoidable. But they are rarely the end of the story. Graham went on to transform the *Washington Post* from a city newspaper into a respected national institution; Amazon's market value today is around 15 times what it was when it made its disastrous foray into phones. So how can individuals and companies successfully bounce back?

In her book Ms Edmondson argues that neither people nor organisations can learn if they deny that an error has happened. Instead, failures need to be carefully and dispassionately examined. That may mean having a process in place to signal when things have gone awry. Workers on Toyota's production lines, for instance, can pull a cord to raise the alarm when problems arise at its car factories, allowing the team to work out what has gone wrong and where.

Drugmakers, too, have processes in place to learn from failures. Ms Edmondson describes the example of Eli Lilly, today the world's most valuable drugmaker. After the firm discovered that a chemotherapy drug called Alimta it had spent vast sums developing was unsuccessful, the physician who conducted the trials pored over the results to understand what had gone wrong. He spotted that although some patients had benefited from the drug, those with a folic-acid deficiency had not. Simply adding supplements to the drug in subsequent trials greatly reduced the treatment's toxicity and improved the survival rate of patients. Alimta went on to be a blockbuster for the business.

You cannot error-proof a career or a company. But you can seek to improve. And if all else fails, a bit of perspective might help. Although it may not feel like it at the time, your error will probably not make the list of history's most notorious howlers. In 1867 Russia sold Alaska to America for $7.2m, around $160m in today's money, handing its future rival 1.5m square kilometres of oil-rich territory and access to the northern rim of the Pacific. Few blunders in business are quite as dunderheaded as that.

SCHUMPETER

Elon Musk, public official?

No American CEO has ever bet so big on a commander-in-chief—and won

YOU HAVE TO hand it to Elon Musk. The man who plumbed the depths of his PayPal fortune to launch SpaceX, a private rocket company, and put up with "production hell" to make Tesla's first mass-market electric vehicles (EVs), has just pulled off another coup. President-elect Donald Trump's most prominent financial backer and loudest advocate has come as close to the levers of presidential power as any serving CEO in American history.

There is little doubt what Mr Trump's election triumph will mean for Mr Musk's business empire. Tesla's share price surged by almost 15% on November 6th, making it one of the biggest gainers in the S&P 500 that day, pushing Mr Musk's fortune up by $20bn, to $285bn. Pundits promptly wondered whether the world's richest man was on a path to becoming its first trillionaire.

What the relationship between the two men means for America is a murkier matter. Mr Musk could just be the breath of fresh air government needs. But the endeavour is fraught with danger. The merger of unrivalled power and wealth between two unashamed egomaniacs with boundless self-regard and scant respect for rules and regulations could go badly wrong—if they don't end up hating each other first.

As he has so often done before in his career, the mercurial Mr Musk went all-in on his instinct. It was Mr Trump or bust. Had Kamala Harris, the sitting vice-president, won the election, it is quite possible that the cold shoulder Mr Musk received from President Joe Biden would have turned into a regulatory stranglehold. The payoff from Mr Trump was immediate. "A star is born: Elon!", the president-elect declared in his victory speech.

Mr Musk stands to benefit from Trumpian favour in a number of ways. The president-elect is no fan of EVs; his allies have talked of rolling back or eliminating emission standards for vehicles and Mr Trump may cut tax credits to EV buyers. Rather than hurting Tesla, though, such measures would give it an advantage over legacy carmarkers, such as General Motors and Ford, whose EVs are not yet profitable. Mr Trump's intention to raise tariffs on imports from China also reduces the risk that Tesla's cars will face competition in America from cheap Chinese models.

SpaceX may benefit even more from the bromance. In his victory speech, Mr Trump gushed over the "beautiful, shiny white" rocket recently launched by Mr Musk's company, and pointed out that when Hurricane Helene struck North Carolina, SpaceX's Starlink satellites swiftly came to the rescue. Many Republicans hope Mr Trump will throw his weight behind Starlink-like satellite systems and scrap Mr Biden's $42.5bn project to roll out broadband to rural areas, which has been an expensive flop. Yet satellites are just one rung on a much longer ladder for SpaceX. Mr Musk's goal is to send people to Mars. That would be easier without regulatory tussles with the Federal Aviation Administration, which oversees commercial space flight. It is hard to imagine Mr Trump not being supportive. He would surely love to boast that he helped put an American on the red planet.

Using political influence to secure regulatory slack for Tesla, SpaceX and other parts of Musk Inc would hardly be unprecedented; why else do CEOs support presidential campaigns? The consequences for X, the social-media platform owned by Mr Musk, could be bigger still. X has been a commercial disaster ever since Mr Musk bought and rebranded Twitter two years ago. But its potency as a mouthpiece for America's new power couple has given it another kind of value. As Tevi Troy, author of a recent book on the relationship between CEOs and presidents puts it, many former presidents have used technologies to promote their ideologies, from Franklin Roosevelt with radio to Barack Obama with Facebook. X, possibly with live-streamed interventions from Mr Trump, may well become the next example. Rumours are already circulating that it could merge with the parent company of Truth Social, the president-elect's own rant factory.

Meanwhile, Mr Musk hopes to shrink America's federal bureaucracy. Before the election Mr Trump promised him a role as the head of a commission to cut government waste. Mr Musk might just be enough of a force of nature to shake up the public sector. On November 6th the entrepreneur tweeted a photoshopped image of himself in the Oval Office carrying a kitchen sink—the same meme he used when he took over Twitter in 2022. The question, though, is how easily his approach can be transferred to government. In his private fiefdom Mr Musk is free to be ruthless, within limits. As a cost-cutter he is brutal; he went as far as firing Twitter's janitorial staff, meaning employees had to bring their own toilet paper to work. He sacks people who talk back to him and tears stuff up on a whim. In government, Mr Musk will encounter unionised workers and endless lawsuits.

From the john to the junta

In a recent interview with Politico, a news site, Fiona Hill, a former national-security adviser to Mr Trump, spelled out the biggest danger: oligarchy. She argued Mr Musk's relationship with Mr Trump, as well as with Russia's Vladimir Putin and some of China's leaders, would serve a clique of powerful interests and strengthen autocracy around the world. That is a risk. But it is not the only plausible outcome. Time and again Mr Musk's successes have astounded sceptics. You cannot rule out the chance that he shakes up government in helpful ways, too.

And there is another possibility. Other businessmen who have worked with Mr Trump, such as Rex Tillerson, the former boss of ExxonMobil, came to regret it. Both Mr Musk and Mr Trump believe they are second to none, which is hardly grounds for a lasting friendship. The bromance has burned bright and fast. It could fizzle out just as quickly. ■

Finance & economics

Donald Trump's economic agenda

Taxes down, walls up

WASHINGTON, DC

The return of Trumponomics excites markets but frightens the world

THE TRUMP trade is already in full swing. As it became clear that Donald Trump would win the presidential election, American stocks soared, the dollar strengthened and Treasury yields jumped higher. The price movements contain two messages about the direction of Mr Trump's economic policies. The promise of big tax cuts, combined with his zeal for deregulation, will boost growth, especially in the short term. But the spectre of tariffs and a crackdown on immigration may drive up inflation and, eventually, undercut America's economic strengths.

Gauging the potential impact of Mr Trump's policies is, however, no easy task. As ever with him, there is uncertainty about whether he means all that he says. He is, for instance, obviously fond of tariffs but he may also, sometimes, treat them as leverage with other countries rather than as end goals. There is also uncertainty about how much he will be able to achieve. Mr Trump's team has evolved from the chaos of his first term into what appears to be a more finely oiled operation. And Republicans are on track for a trifecta, as Mr Trump's resounding victory is likely to come alongside a solid majority in the Senate and a narrower one in the House of Representatives. Still, moderates in the party will have the clout to whittle down some of his agenda.

Mr Trump's economic programme can be divided into three main categories: lower taxes, sweeping deregulation and higher tariffs. He also has some broader policies—in particular, a looming crackdown on immigration—that could have a profound effect on the economy.

Start with the biggest source of immediate excitement for investors and company executives: the sugar rush of tax cuts and, just as importantly, an end to the spectre of tax increases. Kamala Harris had called for raising the corporate-tax rate from 21% to 28% and introducing a tax on unrealised capital gains. To the great relief of many on Wall Street, those proposals are now off the table. Instead, the Republican sweep could, in theory, open the door for Mr Trump to slash taxes. His priority will be to extend the cuts in personal income tax he made in 2017, which are due to expire at the end of next year. He has talked about reducing the corporate-tax rate, perhaps to 15%. And he has also floated a dizzying array of other possible cuts, including ending taxes on tips.

The prospect of higher after-tax earnings for companies helps explain why stocks surged when Mr Trump sealed his victory. The S&P 500 index of large American companies climbed by 2.5%, hitting a record high. But giant tax cuts may not be a slam dunk. The principal worry is that lower taxes will strain America's finances. As it stands, the Congressional Budget Office, ▸▸

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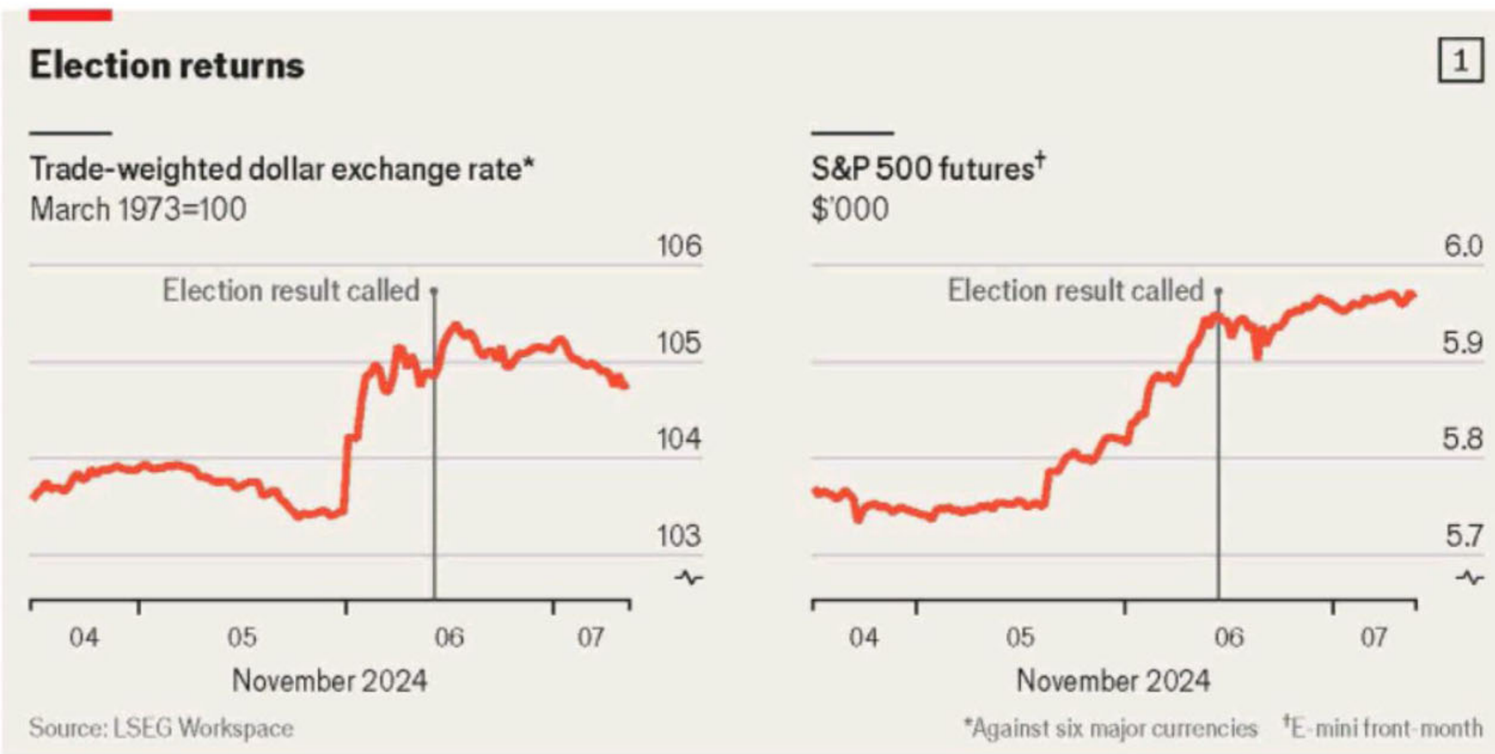


an independent scorekeeper, estimates that America will run a budget deficit of about 6% of GDP over the next decade—exceptionally high for a normal peacetime economy. Mr Trump's various tax cuts could swell the deficit to as much as 12% of GDP by 2035, according to the Committee for a Responsible Federal Budget, a nonpartisan group.

The danger of an exploding deficit may end up limiting how far Republicans in Congress go on tax cuts as negotiations start early next year. Much will also depend on how markets react: a rise in Treasury yields in response to Mr Trump's triumph is already a warning about America's fiscal frailty. With their post-election surge, yields on ten-year Treasuries have now risen by four-fifths of a percentage point since mid-September, a big move for bond markets, reversing the decline seen after the Federal Reserve started cutting interest rates. That could spell trouble for the stockmarket rally since it suggests that borrowing costs will be higher for longer.

Whereas tax negotiations will stretch though much of 2025, Mr Trump will get to work right away on deregulation when he returns to the White House. In his rallies he promised the "most aggressive regulatory reduction" in American history. He may tap Elon Musk, the Tesla boss who became his chief campaigning sidekick, to lead a "government efficiency commission" that eliminates ten existing rules for every new one (see Schumpeter). But businesses are excited less by the razzle-dazzle of such a commission than by the coming U-turn on rules drawn up by Democrats.

Ms Harris had been expected to continue efforts started by Joe Biden to impose stricter oversight on artificial intelligence (AI), including a requirement for companies to share information about their AI models. Mr Trump is expected to drop that. Similarly, the Biden administration had made itself the nemesis of crypto companies with a barrage of disclosure and transparency rules (which it, reasonably, said were necessary to root out illegality). Mr Trump will take a lighter touch; he has pledged to make America "the crypto capital of the planet".

Can big be beautiful?

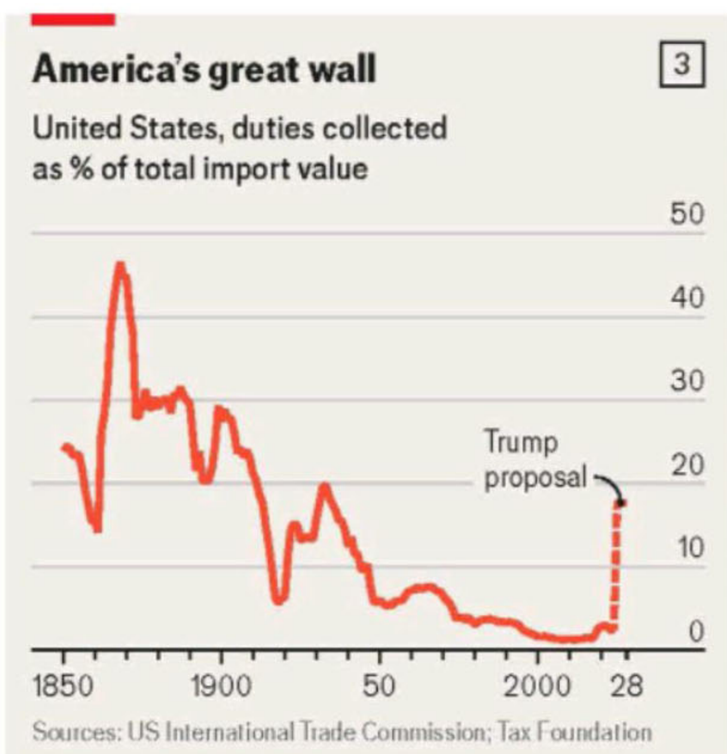
More generally, the antitrust crusade launched under Mr Biden, where bigness by itself seemed to paint a target on companies' backs, is almost certain to be wound down. "I think we've now seen peak techlash, and those waters are going to recede," says Robert Atkinson of the Information Technology and Innovation Foundation, a think-tank. "There's simply no way that that's going to happen under the Trump administration."

Beyond the freer hand for big tech companies, Mr Trump will also preside over a reordering of the regulatory landscape. He has vowed to give energy companies more freedom to drill for oil on federal land and will probably lift a moratorium on the export of liquid natural gas. His second administration could also herald an easing of the onerous reporting requirements placed on banks after the global financial crisis of 2007-09. At the same time, Mr Trump may claw back some of the rules and subsidies drawn up by the Biden administration to encourage Americans to use renewable energy. Winners and losers in the stockmarket reflected this reshuffling (see chart 2). First Solar, America's biggest manufacturer of solar panels, plunged by 10% the day after the election, while big banks such as Bank of America were the mirror image of that, climbing by 8%.

Tariffs will be Mr Trump's most controversial set of policies, especially in foreign capital cities. Central to his programme for nearly a decade has been a belief that protectionism is essential to American prosperity. His first term in the White House, which featured tariffs on steel from around the world and on a range of Chinese products, is probably just a prelude to what he will attempt now (see chart 3). He has talked about slapping levies of 10-20% on everything that America imports, of 60% on all goods from China and even higher duties—perhaps 500%—on cars from Mexico (see International section).

Almost universally, economists say such hefty tariffs would lead to higher consumer prices and act as drags on investment and growth. That is a potentially cruel irony for American voters given that anger about inflation under Mr Biden helped fuel support for Mr Trump's re-election. Many Republicans in Congress are also less enthusiastic about tariffs; a traditional free-trade strain remains alive, if hardly thriving, in the party.

But any opposition from them may not amount to much. Mr Trump's advisers, notably Robert Lighthizer, America's trade representative in his first term, have been drawing up plans to use executive orders and hitherto untested emergency powers to impose across-the-board tariffs. Whether those powers will actually function as they hope is unclear. Companies are sure to challenge the tariffs in court and may succeed in overturning them. So Mr Trump may start with smaller and more targeted tariffs before shooting for universal levies. The White House will have an easier time slapping new punitive tariffs on China as byproducts of previous investigations into



its trade practices.

Tariffs are also sure to invite retaliation. In Europe officials have already drawn up lists of levies that they may impose on American goods. China will probably go after farm products, from soyabeans to corn. Other countries will be tempted to follow suit but will also try to carve out exemptions from Mr Trump's tariffs. That will be especially true for Canada and Mexico, whose fortunes are closely yoked to trade with America; the peso fell to a two-year low the day after the election amid fears that Mr Trump's tariffs could spell trouble for the Mexican economy.

Given the size and diversity of its economy, America may be better insulated than most from a global trade war—that, along with the higher Treasury yields, helps to account for the dollar's rise after Mr Trump's victory. The very real danger for the world is weaker growth, higher prices and more brittle supply chains.

The fix is in

Mr Trump's plan to "fix" America's borders—a constant theme of his campaign—is another source of uncertainty. If he keeps his promise of mass deportations, these would take a huge toll on the economy by shrinking the workforce. Booting out 8m migrants would reduce America's GDP by 7% versus baseline expectations by 2028, according to estimates by the Peterson Institute for International Economics, a think-tank. But the actual number is unlikely to come close to that. Any attempt to deport millions will run into stiff resistance, with local officials in some of America's biggest states, from California to New York, refusing to co-operate.

A more realistic outcome may thus be much stricter enforcement of border controls, which would stem the inflows of illegal migrants seen under Mr Biden. That in itself may translate into labour shortages for restaurants, construction companies and more, imparting yet another inflationary force. How Mr Trump approaches legal immigration could make things worse—or better. In his first term he pared back green-card issuance, but in campaigning he has suggested that he might consider easing immigration rules for foreign students. Given that America's workforce is shrinking as the population ages, Mr Trump will face real economic pressure on this front. "We do need immigration to hold up for potential economic growth to stay healthy," says Satyam Panday of S&P Global, a credit-rating agency.

There are other threats, too. Worries about inflation are likely to weigh heavily in the Federal Reserve's calculations. The rise in Treasury yields shows that many investors believe the central bank will end up leaving interest rates higher next year than previously assumed—though they still expect a quarter-point cut at its meeting on November 7th, after we published this.

A more hawkish Fed may, in turn, invite the wrath of Mr Trump, who has insisted that, as president, he should have a say over interest rates. He will surely want to see steeper rate cuts now that he is in charge. Legally, he can do little to control the Fed, but his advisers have talked of creating a "shadow Fed" to try to steer its decisions. The spectacle of the president attacking the central bank may spook markets but the Fed's statutory independence should keep it well protected.

That Mr Trump may not be able to realise his most extreme ambitions should offer some solace to an anxious world. But he will probably be able to push further in his second term than he did in his first. He is better prepared for governing this time, with a larger team of loyalists and a more detailed plan of action. It is going to be a turbulent economic ride, for America and the world. Buckle up. ■

Political betting markets

The wisdom of the crowd

WASHINGTON, DC

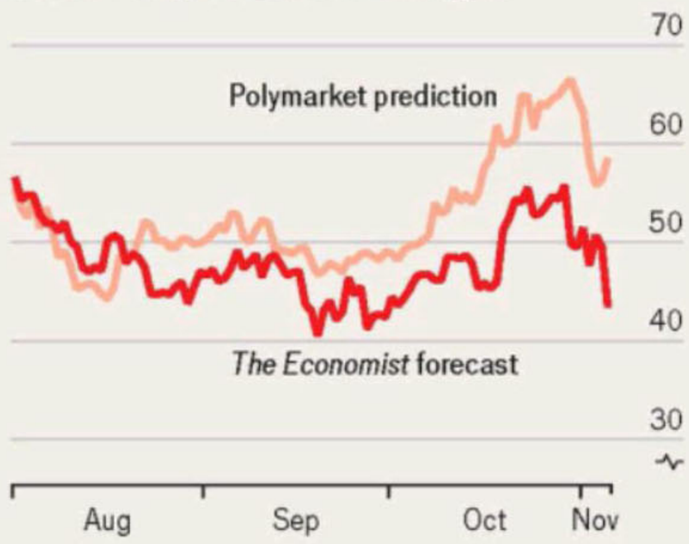
What punters got right and wrong about America's election

THE RISE of political polling and subsequent crackdowns on sports gambling drove political betting markets in America underground after the second world war. They remained in the shadows until last month, when a federal court cleared Kalshi, a betting exchange, to offer political bets to Americans. More than $400m has since been wagered on the site. The sums bet globally on other prediction sites reportedly tot up to several billion dollars. How did the speculators fare in America's election?

At first glance, rather well. Although Kalshi has been operational for only a month, two other prediction markets, Polymarket and PredictIt, were taking bets throughout the election campaign. In general, markets gave shorter odds to Donald Trump, who won comfortably, than would have been implied by the neck-and-neck polls or political models, like the one published by *The Economist*. On Polymarket Mr Trump's chances of victory never dipped far below 50%, despite the euphoria that greeted Kamala Harris's entry into the race, which saw her pull ahead in many swing-state polls. And even as most political models pegged the race as, in effect, tied on the eve of the election, punters on Kalshi still gave Mr Trump an edge.

Trumped

US presidential election 2024, Donald Trump's chance of winning, %



Sources: Polymarket; *The Economist*

Markets should be pretty accurate. When people have to wager real money they tend to reveal their true expectations, as they tend not to when they are simply asked. Aggregating bets should result in a "wisdom of the crowd" effect. Or perhaps speculators knew something others did not: that the polls were underestimating Mr Trump's support by at least two or three points, as happened in 2016 and 2020.

Yet it would be easy to read too much into the betting markets' apparent success. Speculators may simply have got lucky. Markets could have been biased towards Mr Trump, rather than perceptive. The fact that Polymarket is populated by crypto-heads probably skewed the betting Trumpwards. Kalshi is used as an exchange for hedging risk, which might affect its sample, too.

The most compelling evidence that betting markets do not know much more than pollsters and political modellers comes from the nature of Mr Trump's win. At no point did betting markets even get close to divining that Mr Trump was on track to comfortably win the popular vote—an outcome easily inferred from expecting a two- or three-point polling error in his favour. Just before polling stations opened, bettors on Polymarket gave such an event just a 27% chance. Speculators are probably an astute bunch, on average. The fact that they are now allowed to bet on elections provides useful information. But in 2024 they were hardly savants.

Indian markets

Stocking up

MUMBAI

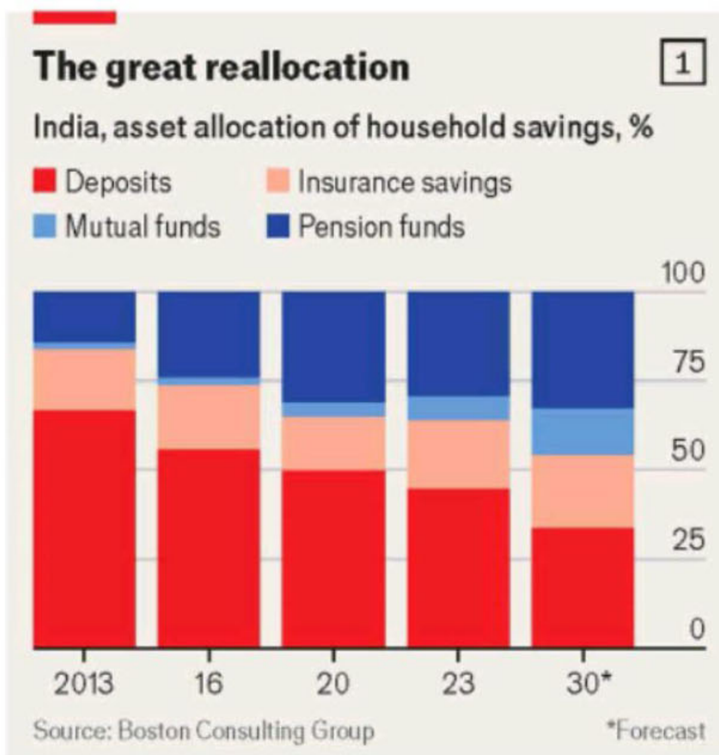
Indians are seeing the benefits, and the potential costs, of becoming capitalists

IT IS THE largest-ever experiment in participatory capitalism. As India's stockmarket has surged, households have scrambled to stake a claim in its success. With barriers to entry falling, roughly 100m people not far above the poverty line have become capitalists, owning tiny stakes in publicly traded companies. One in five households today holds shares, up from one in 14 just five years ago. The number is set to rise further. According to India's financial regulator, a new mutual fund with a minimum monthly contribution of 250 rupees ($3) will soon be launched.

Those who got involved early have benefited from a jaw-dropping rally. In dollar terms, Indian stocks have risen in price by 80% over the past five years, compared with a 6% rise across emerging markets as a whole. Yet this joyous growth comes with growing risks. Many investors are making their first venture into financial markets, with limited knowledge of the pitfalls. The exuberant atmosphere has left India's stocks looking extremely expensive relative to their profits. And financial liberalisation has lit a fire under derivatives markets—posing a threat to financial stability, as well as to fresh-faced investors.

The 250-rupee fund illustrates India's financial transformation. Its sponsor is Aditya Birla Sun Life, a joint venture between an Indian conglomerate (the first two words in the name) and a Canadian insurance firm (the last two). Although Sun Life has a history in India that dates back to the 19th century, it was forced out in 1956 when the government nationalised hundreds of insurers as part of a socialist drive. A reminder of the firm's earlier incarnation remains, in the form of a rusted Sun logo on the crumbling entry way of a building in Mumbai's old business district.

Sun Life's return, just before the turn of the millennium, and new plans for growth reflect a shift in India's political system. The liberalisation of finance began in the early 1990s, but did not reach large swathes of the country. Just over a decade ago bank deposits and cash accounted for two-thirds of household assets, according to BCG, a consultancy. It is now feasible for anyone to open an investment account, trade securities cheaply and have them held by a custodian. Not long ago, each of these seemingly simple steps presented less well-off investors with difficulties. Opening accounts required stacks of documents; orders were placed through brokers charging off-putting commission. Meanwhile, share certificates could be lost and were vulnerable to theft or fraud.



Digitisation of Indian finance has helped to drive the change. The country's Unified Payments Interface, a network for electronic payments, was launched in 2016 and has since been adopted widely. It links individuals to bank accounts, thus satisfying identification requirements, and allows for almost instantaneous withdrawal of money to buy shares. The digital shift has facilitated dematerialisation—the process of transforming physical share certificates into electronic records.

As investment habits have shifted, the share of household assets held in bank deposits has fallen below half. On current trends it will reach a third by 2030 (see chart 1). A campaign backed by the mutual-funds trade association offers a mantra—"Mutual funds are the right choice"—and has been wildly successful. In August the number of mutual-fund accounts reached 205m, up from 73m in 2021. Most are small: the average holding is under $4,000. The growth is facilitated by a wave of new electronic brokers. The largest is Groww, which says it is "taking complicated stuff and making it super simple". The next largest is Zerodha: "Invest in everything."

Much of the growth has been driven by products available to humbler investors. The number of Systematic Investment Plans (SIPs), a way to invest in mutual funds, has risen from 10m to 99m in the past eight years, with contributions increasing to $24bn in 2023 (see chart 2). The funds take monthly instalments from investors. In August they received $2.8bn, continuing a run of record monthly inflows that has, with only rare interruptions, extended back to 2016. There has also been an explosion in "demat" accounts, short for the dematerialised form in which shares are held. In August their number reached 171m, up by 54% from January last year. But the most extreme aspect of the investment boom is in derivatives trading: India now accounts for 80% of global turnover, and retail investors count for 40% of Indian trading, up from 2% in 2018.

A wave of initial public offerings (IPOs) has helped sustain the ebullient mood. In the first three quarters of this year, India's 258 IPOs accounted for 30% of the global total by number and 12% by the amount of money raised, in an economy that makes up just over 3% of global GDP. Zomato, a delivery company, which went public in 2021, now trades at 291 times trailing earnings, the kind of multiple typically applied to a fast-growing tech firm.

There have been even more obvious signs of mania elsewhere. A share offering in August by Resourceful Automobile, which owns two Yamaha dealerships in Delhi, was oversubscribed 419 times. A recent report by India's finance ministry warns that misselling in banking and insurance is "too rampant to be dismissed as an aberration of a few overenthusiastic sales personnel". Social-media stars promise quick and implausible returns to investors. In the more complex corners of the market, few are making money. A study by India's financial regulator, released in September, suggests that more than 90% of individual traders in Indian futures and options lose money.

On the other side of the bet are some of the biggest quantitative trading firms in the world. Jane Street is embroiled in a legal battle with two former employees and their new employer, Millennium Management, a hedge fund. The firm alleges its erstwhile employees replicated an immensely profitable trading strategy in the Indian options market, which Millennium ▸▸

and the two traders deny. Legal releases revealed that the strategy made Jane Street $1bn last year, equivalent to more than a tenth of the company's reported profits.

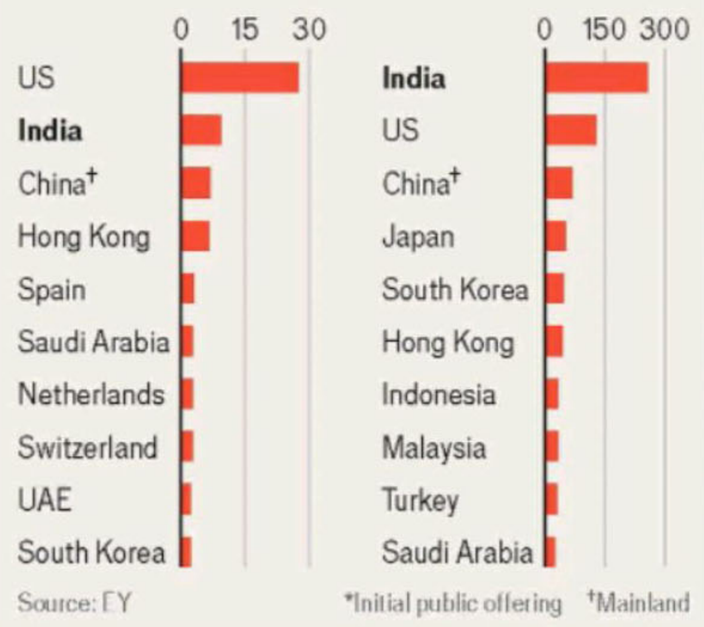
Indian regulators are growing increasingly uncomfortable. In October they announced new rules for the derivatives market, including ones that will raise the minimum contract size of futures and options, and increase the margin for buyers required to protect against extreme losses on some short-term options.

After a long run of strong returns, and with a new wave of inexperienced investors, the risk of disappointment is all the greater. Most Indian speculators will never have experienced a downturn. They are sure to react unhappily when one arrives. The price-to-earnings ratio of India's large stocks, based on expectations for their results one year from now, is 23—far above the ratio of 12 for emerging-market stocks as a whole. Recent public offerings reflect nervousness. The IPO of Hyundai Motor India in October was India's largest ever, raising $3.3bn. But the company now trades at around 7% below its IPO price. The Sensex index of Indian stocks is down by more than 7% from an all-time high in September—a small decline, but concerning in the context of stretched valuations.

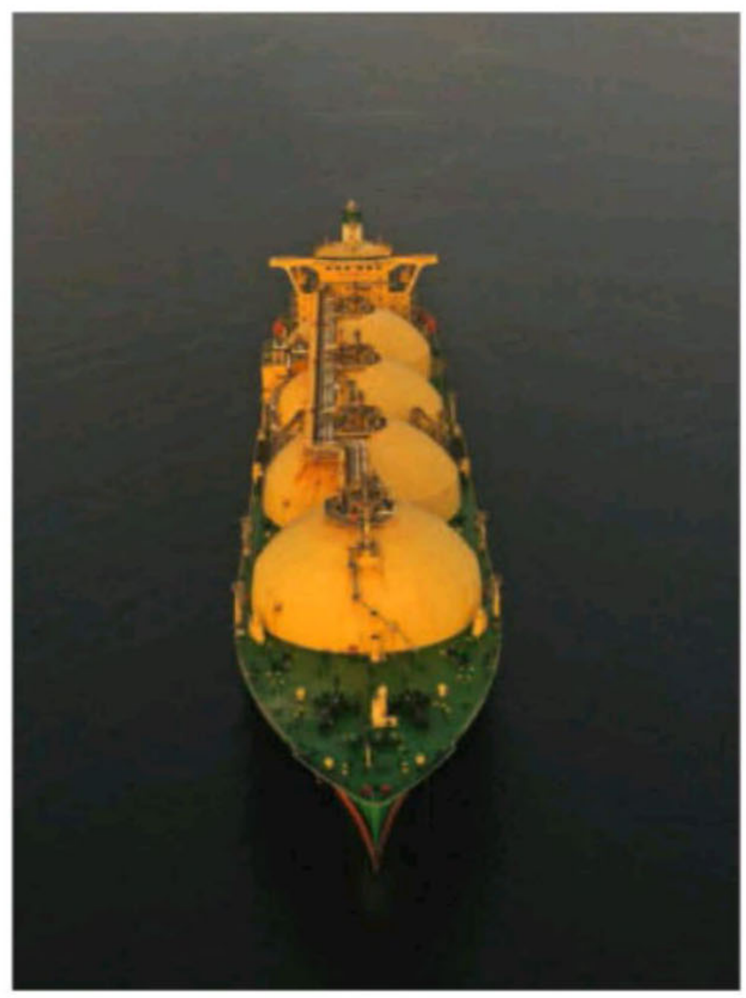
There are also signs that more informed investors are pulling back. Numbers tracked by Pace 360, a wealth-management firm, show that promoters (controlling corporate shareholders of companies) have been average net sellers of almost $1bn of stock per month via the secondary market over the past 15 months, far above the level of preceding years. Foreign investors sold a net $11bn in October, the highest figure on record. There are many reasons to applaud the vibrancy and increasing inclusiveness of India's capital market. A possible bubble could provide harsh lessons on valuation, though—at the expense of the small investors who just arrived. ■

More to offer 3

Top ten IPO* locations, Q1-Q3 2024



Source: EY *Initial public offering †Mainland



Russian gas

The ships are down

Sanctions are sinking Russia's flagship gas project

THE WEST'S economic weapons are missing their target. Last month Russia exported near-record volumes of oil, at a decent price. But there is one exception. After shutting its main gas pipeline to Europe in 2022, Russia had hoped that Arctic LNG 2, an ultra-modern export facility, would open big new markets. Yet last month the plant suspended operations until next summer, for want of ships and buyers. Sanctions are nipping it in the bud.

In 2021 piped fuel to Europe accounted for 69% of Russia's 200bn cubic metres (bcm) of total gas exports. Because redirecting pipelines is hard, the future of Russia's gas industry now hinges on its ability to produce much more gas in liquid form (LNG) and ship it to alternative buyers.

Arctic LNG 2 is vital to that mission. The project, comprising three "trains" projected to liquefy 27 bcm a year, is big in itself. It also pioneers Arctic-proof technologies—such as floating concrete platforms as big as eight football fields—and installation techniques that can be deployed on a large scale. (Its parts are pre-assembled 2,000km away before being clicked together, Lego-style, in Siberia.) It is therefore the prototype for many more potential Russian LNG terminals, says Tatiana Mitrova, formerly of the Russian Academy of Science. Russia aims to produce 100m tonnes of LNG a year—equivalent to 142 bcm when regassed—by 2030.

To prevent this, Western countries have tried to deprive Arctic LNG 2 of key technology, tankers and clients. In May 2022 the EU banned the provision of Western tech to the plant (America blacklisted the project 18 months later). However, Novatek, the Russian firm running the project, had already received much of the Western equipment needed to build the first two trains. It lacked 16 American-made turbines to power the trains, but managed to re-engineer the platforms so they could work with Chinese turbines instead. Using various obfuscation techniques, such as renaming and repainting vessels carrying its freight, one Chinese firm, Wison Energy, has reportedly continued to supply Novatek. Train 1 started production in January. Train 2 is expected to launch in early 2025, only a few months behind schedule.

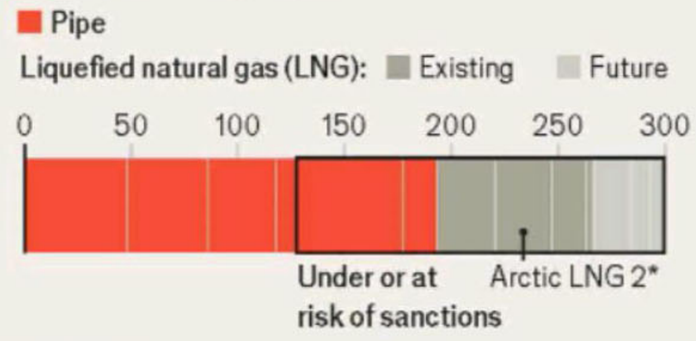
Novatek has had more trouble getting ships. To be able to export outside the summer months, Arctic LNG 2 relies on tankers, called Arc7s, that can cut through ice. Before the war in Ukraine, Novatek had ordered six such vessels from Hanwha Ocean, a South Korean shipyard, and 15 from Zvezda, a Russian one. Three of the former are already built, but sanctions have prevented payment for the vessels. In February Hanwha tried to sell those tankers to a Dubai-based affiliate of Novatek, but the transaction was aborted when America found out. The three other foreign-built Arc7s, owned by a Japanese firm, also cannot be chartered for Arctic LNG 2 because of sanctions. Meanwhile, only two of the Russian-made ones are nearing completion because Western suppliers stopped producing key parts for them after sanctions were imposed. Their delivery date has been repeatedly pushed back.

In the absence of Arc7s, Novatek has gathered a "dark fleet" of old, conventional tankers that can at least pick up cargo during the summer. Ana Subasic of Kpler, a data firm, estimates that such ships, owned through shifty companies in India and the Gulf, currently number around a dozen. Eight loaded some LNG at Arctic LNG 2 between August and October.

These shadow tankers hide their tracks by tampering with their transponders, but satellite images make it possible to trace ▸▸

On thin ice

Russia, gas-export capacity, bn cubic metres
2030 forecast, by project



*Partially built
Source: Centre on Global Energy Policy, Columbia University

their true voyage. America has systematically blacklisted such ships and their operators as they have approached Arctic LNG 2 (the latest sanctions came in late October). That has spooked potential buyers—Novatek's third and biggest headache. Half the tankers previously loaded with Arctic LNG have put their cargo into storage along the Russian coast. The other four are loitering in Asian waters, waiting for buyers to emerge. India has said it does not want to be one of them. Chinese importers, too, have so far been reluctant, despite being offered discounts of around 40%. That may change—or not. One gas trader notes that all China's LNG firms also buy gas from America or rely on dollar funding, making them vulnerable to sanctions.

Sanctions on Arctic LNG are stricter than those targeting Russia's oil exports, which do not stop non-Western buyers purchasing the stuff. They are also easier to enforce: the global fleet of LNG tankers is much smaller than the oil-carrying one, and it can dock at only a few specialised ports. That makes transgressions easier to spot, notes Anne-Sophie Corbeau of Columbia University. And punishing them comes at a smaller cost: from 2025 onwards, lots of new LNG is expected to come from outside Russia, notably America, which should keep global prices down. Sanctions on Arctic LNG are working largely because America wants them to work. How long that lasts depends on the geopolitical whims of its next president. ■

BUTTONWOOD

Barbarians on the porch

Private markets are going mainstream

TWO PRIVATE-EQUITY bros walk into a Nobu. One thinks ordinary people investing in private markets is a swell idea. Stockmarkets are so concentrated that buying the S&P 500 index is just a bet on a handful of giant technology firms, he says. Everyone needs diversification. Private credit is here to stay and the bond market isn't even that liquid. That corners of finance previously open only to institutions and the very rich are now accessible to more individuals is a good thing. Imagine the fees.

His buddy, however, thinks it's a terrible idea. The illiquidity of assets in private markets makes them inherently unsuitable for individual investors, he mutters. Working people are already exposed enough to the industry's talents through institutional investors and, increasingly, life-insurance policies. Shedding the institutional veil in between could be dangerous for them and a bit degrading for buy-out barons. Besides, scepticism is the only appropriate response when a plutocrat says he wants to "democratise" something.

There is some truth to both arguments, but it is quite clear who's getting promoted. Firms such as Apollo, Blackstone and KKR have spent the past decade expanding away from from their roots as leveraged-buy-out shops into new corners of finance, particularly lending markets once dominated by banks. The question today is whose money they invest. "Most of their large, traditional clients already have significant allocations to alternatives, and not a lot of room to make that higher. It's obvious that they would start to look for new pools of capital," says Patrick Davitt of Autonomous, a research firm. One of those pools is life-insurance liabilities. Another, perhaps even more radical move involves bringing private markets directly to individuals.

The result is an explosion of financial innovation. In January Blackstone, more than a fifth of whose assets are managed for "private wealth" clients, launched a private-equity vehicle for individual investors to complement its giant ones in private credit and property. In May KKR partnered with Capital Group, a public-markets manager, and the firms plan to launch credit vehicles for individuals. In September Apollo and State Street, known for its index funds, detailed plans to launch an exchange-traded fund (ETF) that will invest in private credit.

BlackRock, a giant provider of ETFs, is also pushing hard into private markets. This year it bought Preqin, a private-markets data firm, and Global Infrastructure Partners, which does what it says on the tin. It is also said to be going after HPS, a big private-credit shop. An increase in capital raised from individuals is likely to be best for the large, recognisable firms. But it also means more competition between institutions once separated by the boundary between public and private markets, as this increasingly blurs.

Fees, leverage and exclusivity vary greatly between products. One fundamental challenge, though, is working out how much illiquidity individual investors will stomach. Given their reliance on patient institutional investors, managing liquidity transformation—the alchemy that turns short-term deposits into long-term loans in the banking system—has hitherto been a less important part of the private-markets business model.

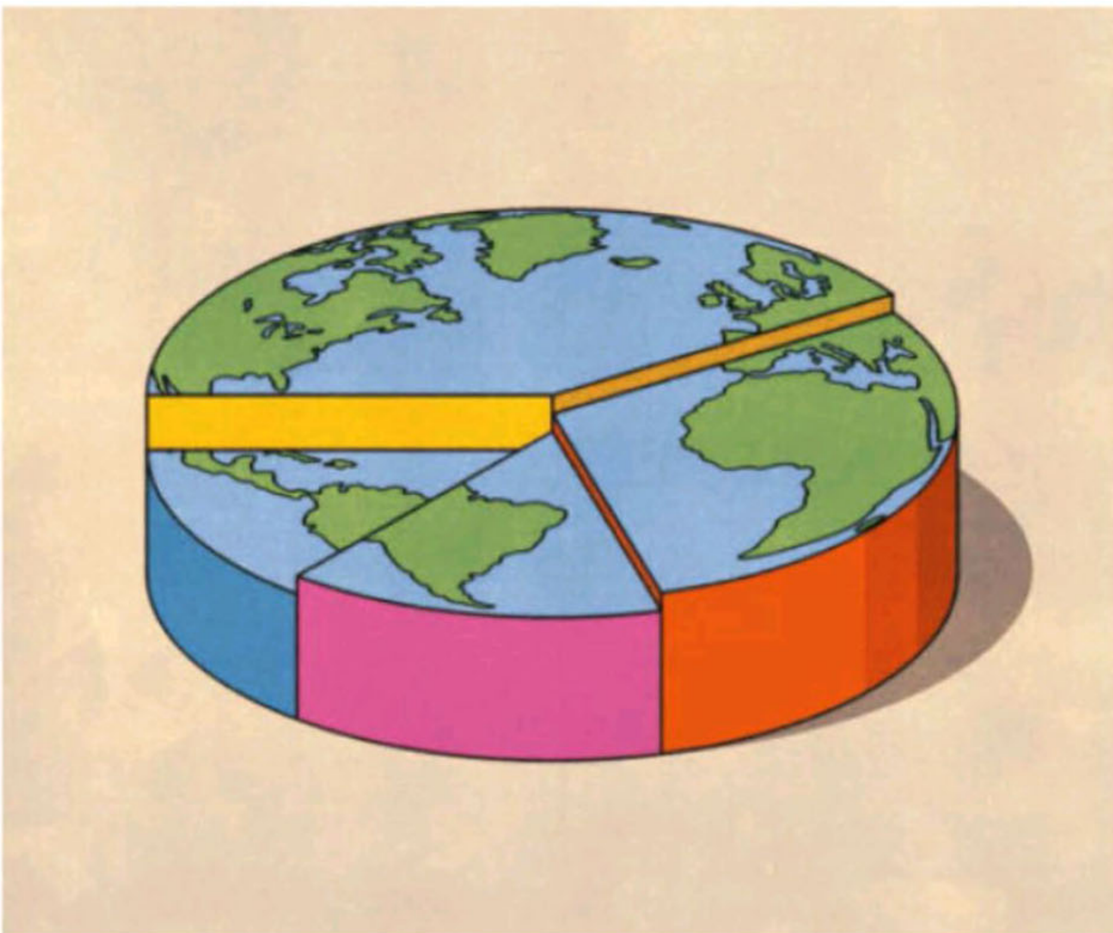
"Semi-liquid" vehicles have so far been the most popular answer among managers. Like mutual funds they allow investors to redeem their shares at their net asset value (NAV) at predetermined intervals. When markets are spooked and redemption demands soar, as they did in Blackstone's property fund starting in 2022, withdrawals are limited to a pre-established level, often 5% of assets per quarter. Finian O'Shea of Wells Fargo, a bank, reckons interval funds—another semi-liquid structure that can reach broader swathes of the retail market—are the industry's "next frontier".

More radical options could involve giving investors greater liquidity. There are plenty of tradeable private-credit vehicles, but packaging such loans into an ETF, as State Street and Apollo plan to do, is truly novel. ETFs are often easier to trade than the securities they track, but market-makers keep spreads tight by creating and redeeming ETF units, often by accessing the underlying market. Exactly how the market for Apollo's loans would function, and how illiquid they really are, particularly in a time of stress, are key questions for regulators. For investors looking to invest their savings, this could turn out to be an innovation too far.

FREE EXCHANGE

The master of comparison

Big Macs, strawberry jam and the wealth of nations, as seen by Alan Heston



WHEN CHINA entered the Korean war in 1950, America was keen to take the measure of its new adversary. The government asked William Hollister to estimate the size of its GDP, relative to America's own. Economists are often accused of giving two answers to any question. Hollister gave three.

After much painstaking work estimating the output of different sectors (including the revenue generated by labour camps) Hollister faced an awkward question: how to compare these totals, given in Chinese yuan, with America's GDP, denominated in dollars? One answer was to use the official exchange rate. But Hollister thought the results were misleading. Instead he tried two alternatives: first valuing Chinese output using American prices and then American output using Chinese prices. Using the latter approach, China's GDP was a puny 5% or so of America's. Using American prices, it was a formidable 20% or more. The truth presumably lay somewhere in between.

The problem faced by Hollister lodged itself in the mind of Alan Heston, a young doctoral student. Mr Heston—who died on October 25th—would spend most of his career at the University of Pennsylvania, where he studied esoteric questions such as why Indian farmers kept fragmented landholdings or why camels in Pakistan survived competition from Suzuki vans. But his biggest contribution to economics was his lifelong work on what became the International Comparison Programme (ICP), or what his children called "The Project".

The ICP, co-founded by his colleagues Irving Kravis and Robert Summers, was an attempt to measure the "real" size of economies holding prices constant across countries. It seems obvious that if two economies produce the same sort of stuff, any comparison of their output should use the same prices to add it up. But that approach, pursued by Hollister and a few others, was rare when the project began in 1968 and remains controversial today.

Instead, the output of countries is often converted into dollars using market exchange rates. Unfortunately these rates are not well anchored by the prices of goods and services in each country. And so they can produce wildly different dollar prices for the same good. *The Economist's* own Big Mac index, for example, shows that the price of the iconic burger varies from over $8 in Switzerland to under $2.30 in Taiwan, when converted into dollars at market exchange rates.

To correct for this problem, the ICP collected the prices of hundreds of comparable items around the world. From the start, statisticians quibbled over what counted as "comparable", Mr Heston recalled in a memoir written in 2017. One Irish delegate remembers European statisticians spending over half a day discussing the varying quality of strawberry jam across the continent.

The European Economic Community back then provided two chauffeur-driven Mercedes to help them collect prices in the suburbs of capital cities. Other price-gathering efforts were less stately. Kravis, who had served in China during the second world war, revisited the country in 1979. Much to the bemusement of onlookers, he tried window-shopping for items on the project's list. To check if a towel met the list's pernickety specifications, he had to know its weight per square metre. The shopkeeper agreed to weigh and measure the towel, only to discover in dismay that the visitor had no intention of buying it.

Once collected, the prices had to be combined into weighted averages for products and countries. The calculations were not easy. For the first report, data would be entered on 80-column punch cards and fed into a mainframe computer. In early 1972 Sultan Ahmad, another contributor to the project, would stay up to an ungodly hour to run calculations on the university's computers, because an extra 256KB of memory would become available at night. With Kravis and Summers, Mr Heston created the Penn World Table, an offshoot of the ICP which extrapolated its results across countries and time. The data for the 1988 version was distributed in three floppy disks, stuffed into the back sleeves of an academic journal by the editors' two daughters.

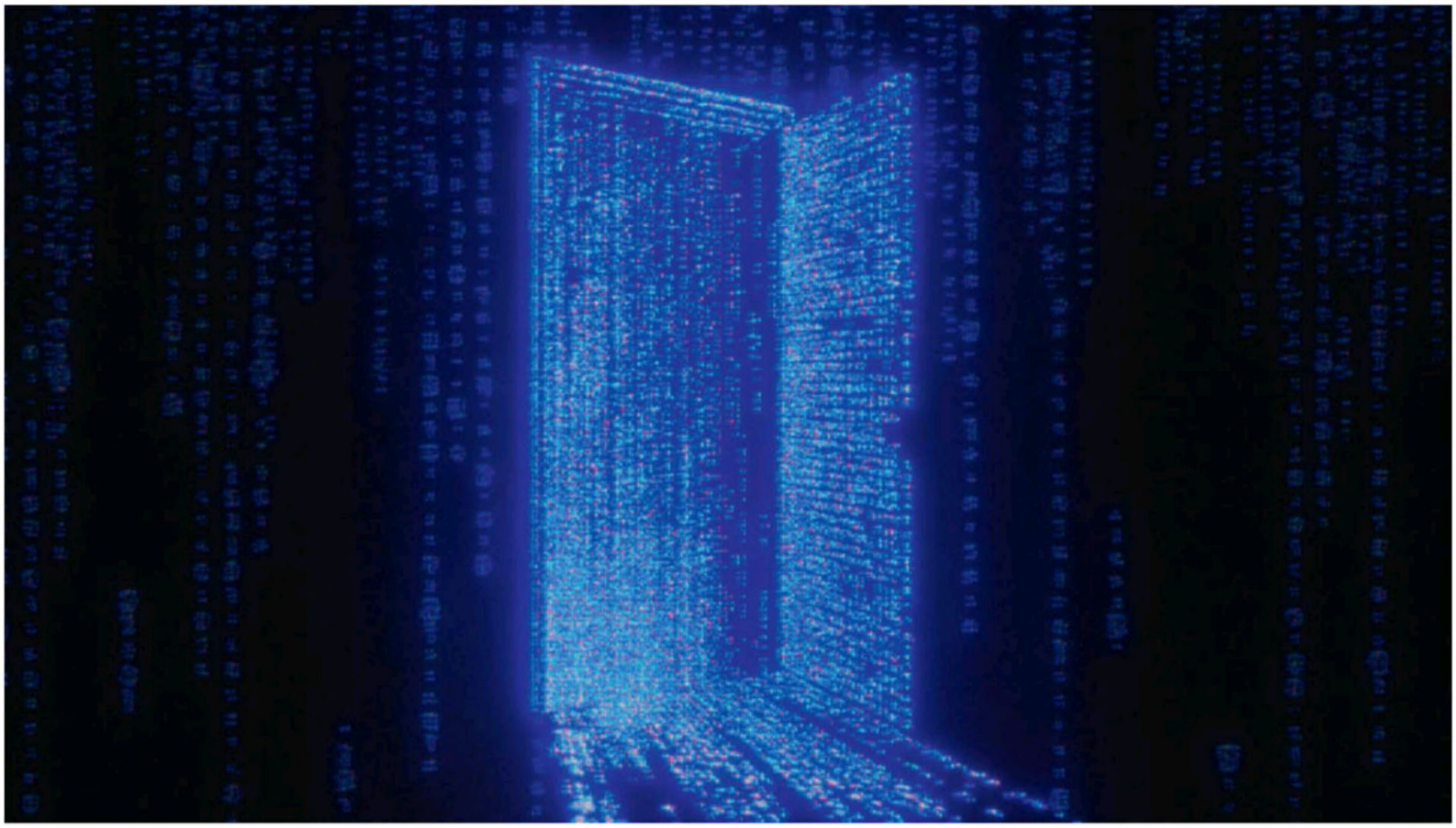
The results, laboriously calculated, were not always welcomed. In the 1985 estimates, India's GDP per person was embarrassingly low—lower indeed than Bangladesh's—because it had collected prices from expensive shops and brands. China, by contrast, has long thought that its GDP appears uncomfortably high, threatening its cherished status as a developing country. It once asked to see other countries' prices before submitting its own, according to Mr Heston, in a clumsy attempt to manipulate the results.

The power of parities

But although national governments were sometimes uneasy about the ICP, economists have embraced its figures and offshoots, especially the Penn World Table. Those floppy disks and their downloadable successors made it easy—perhaps too easy—for economists to test their pet theories of growth across a broad canvas of countries and decades. Even Mr Heston suspected there were perhaps "too many" such exercises, linking their data on growth to a bewildering variety of potential causes, from saving rates to Buddhism. "We were not complaining of course."

The tables that he helped create became something for others to build on. A complex architectural feat, they were more foundation than frieze. They succeed when they are taken for granted. Having started with ten countries, "The Project" now spans 176, drawing on hundreds of people in statistical offices across the globe. It creates "a product that none of us could have done on our own", said Angus Deaton, a Nobel-prizewinning economist, at an event celebrating the 50th anniversary of the ICP. "I should modify that. None of us except Alan Heston." ■

Science & technology



Artificial intelligence

Open-minded

"Open-source" AI rarely lives up to the definition. Does that matter?

THERE ARE two sides to the software industry. One faces outwards, with whizzy products and services that bring in billions of dollars of revenue for trillion-dollar companies. The other faces inwards, creating, updating and sharing—often for free—the basic software infrastructure and tools that makes the digital world tick.

Open-source software—in which a developer releases the source code for a product and allows anyone else to reuse and remix it to their liking—is at the foundation of Google's Android, Apple's iOS and all four of the largest web browsers. The encryption of a WhatsApp chat, the compression of a Spotify stream and the format of a saved screenshot are all controlled by open-source code.

Though the open-source movement has its roots in the post-hippy utopianism of 1980s California, it is nevertheless going strong today in part because its ethos is not entirely altruistic. Making software freely available has allowed developers to get help making their code stronger; prove its trustworthiness; earn plaudits from their peers; and, in some cases, make money by selling support to those who use the products for free.

Several model-makers in the world of artificial intelligence (AI), including Meta, a social-media giant, want to follow in this open-source tradition as they develop their suites of powerful products. They hope to corral hobbyists and startups into a force that can rival billion-dollar labs—all while burnishing their reputation.

Unfortunately for them, though, guidelines published last week by the Open Source Initiative (OSI), an American non-profit, have suggested that the modern use of the term by tech giants has become stretched into meaninglessness. Burdened with restrictions and developed in secrecy, these free products are never going to power a true wave of innovation unless something changes, the OSI says. It is the latest salvo in a lively debate: what does open source really mean in the age of AI?

In traditional software, the term is well-defined. A developer will make available the original lines of code used to write a piece of software. Crucially, in doing so, they will disclaim most rights: any other developer can download the code and tweak it as they see fit for their own ends. Often, the original developer will append a so-called "copyleft" licence, requiring the tweaked version to be shared in turn. Eventually, original code can evolve into entirely new products. The Android operating system, for instance, is a descendant of Linux, originally written for computers.

Following in this tradition, Meta, an American tech giant, proudly claims that its large language model (LLM), Llama 3, is "open source", sharing the finished product with anyone who wants to build on top of it for free. However, the company also places restrictions on its use, including a ban on using the model to build products with more than 700m monthly active users. Other labs, from France's Mistral to China's Alibaba, have also released LLMs for free use, but with similar constraints.

What Meta shares freely—the weights of connections between the artificial neu- ▸▸

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rons in its LLM, rather than all the source code and data that went into making it—is certainly not sufficient for someone to build their own version of Llama 3 from the ground up, as open-source purists would normally demand. That's because training an AI is very different from normal software development. Engineers amass the data and construct a rough blueprint of the model, but the system in effect assembles itself, processing the training data and updating its own structure until it achieves an acceptable performance.

Because each training step tweaks the model in fundamentally unpredictable ways that only converge to the right solution over time, a model trained using the same data, the same code and the same hardware as Llama 3 would be very similar to the original, but not the same. That wipes out some of the supposed benefits of the open-source approach: inspect the code all you want, but you can never be sure that what you're using is the same thing that the company offered.

Other hurdles also stand in the way of truly open-source AI. Training a "frontier" AI model that stands toe-to-toe with the latest releases from OpenAI or its peers, for example, costs at least $1bn—disincentivising those who have spent such sums from letting others profit. There is also the issue of safety. In the wrong hands, the most powerful models could teach users to build bioweapons or create unlimited child-abuse imagery. Locking their models away behind a carefully constrained access point, called an application programming interface (API) allows AI labs to control what they can be asked, and dictate the ways in which they are allowed to respond.

Open and shut

The complexity of the issue has led to disputes over what, exactly, "open-source AI" should mean. "There are lots of different people that have different concepts of what [open source] is," says Rob Sherman, the vice-president for policy at Meta. More is at stake in this debate than just principle, since those tinkering with open source today could become the industry giants of the future.

In a recent report, the OSI did its best to define the term. It argued that to earn the label, AI systems must offer "four freedoms": they should be free to use, study, modify and share. Instead of requiring the full release of training data, it called only for labs to describe it in enough detail to allow a "substantially equivalent" system to be built. Mandating the sharing of all of a model's training data is not always desirable—it would in effect prevent, for instance, the creation of open-source medical AI tools, since health records are the property of their patients and cannot be shared without restriction.

For those building on top of Llama 3, the question of whether or not it can be labelled open source matters less than the fact that no other major lab has come close to being as generous as Meta. Vincent Weisser, the founder of Prime Intellect, an AI lab based in San Francisco, would prefer if the model were made "fully open on every dimension" but still believes Meta's approach will have long-term positive impacts, leading to cheaper access for end users and increased competition. Since Llama was first published, enthusiasts have squashed it small enough to run on a phone; built specialised hardware chips capable of running it blisteringly fast; and repurposed it for military ends as part of a project by the Chinese army, proving the downsides are more than theoretical.

Not everybody is likely to be so willing an adopter. Legally speaking, using true open-source software should come with "no friction", says Ben Maling, a patent expert at EIP, a law firm in London. Once lawyers are needed to parse the details and consequences of every individual restriction, the engineering freedom so much tech innovation relies on disappears. Companies like Getty Images and Adobe have already sworn off using some AI products for fear of accidentally infringing the terms of their licences. Others will follow.

Precisely how open-source AI is defined will have broad implications. Just as vineyards live or die based on whether they can call their produce champagne or mere sparkling wine, an open-source label may prove critical to a tech firm's future. If a country lacks a home-grown AI superpower, says Mark Surman, president of Mozilla, an open-source foundation, then it may wish to back the open-source industry as a counterweight to American dominance. The European Union's AI act currently has loopholes to ease requirements around testing for open-source models, for instance. Other regulators around the world are likely to follow suit. As governments seek to establish tight controls on how AI can be built and operated, they will be forced to decide: do they want to ban bedroom tinkerers from operating in the space, or free them from costly burdens?

For now, the closed-off labs are sanguine. Even Llama 3, the most capable of the almost-open-source contenders, has been playing catchup to the models released by OpenAI, Anthropic and Google. One executive at a major lab told *The Economist* that the economics involved make this state of affairs inevitable. Though releasing a powerful model that can be accessed at no cost allows Meta to undercut its competitors' businesses without troubling its own, the lack of direct revenue also limits its desire to spend the sums required to be a leader rather than a fast follower. Freedom is rarely truly free. ■

Planetary defence

Crash course

China plans to fly a spacecraft into an asteroid. For research purposes

SPACE ROCKS collide with Earth's atmosphere all the time. The vast majority are too small to do any damage, but the risk of a larger asteroid (or comet) wiping out an underprepared city is one that space agencies around the world are taking seriously. The first goal of such would-be planetary defenders is detection: finding all objects capable of wreaking such damage and confirming that they are not on a collision course with Earth. The other goal is testing technologies that could either destroy any sizeable asteroids speeding towards the planet or else, more plausibly, deflect them away from it.

Only one country has thus far tested such technologies in deep space: America. In 2022 its space agency, the National Aeronautics and Space Administration (NASA), collided a semi-autonomous spacecraft (capable of self-steering as well as being remotely piloted) into a 160-metre-long asteroid named Dimorphos, itself orbiting a larger asteroid called Didymos. The Double Asteroid Redirection Test (DART) mission successfully nudged Dimorphos off course while also keeping it from flying off on an unknown, and potentially hazardous, trajectory—proof that, in a genuine emergency, deflection is the better part of valour.

Two years on, China seems keen to do something similar. According to a presentation at a space science conference in South Korea earlier this year, and a paper ▸▸

Shooting stars

published in the spring, China plans to crash a DART-style spacecraft into an asteroid while another vehicle floats nearby and chronicles the collision. The current target is the near-Earth object 2015 XF261, a 30-metre-long asteroid tens of millions of kilometres away from Earth. Such small asteroids are an important area of study. They strike Earth far more frequently (relatively speaking) than the Dimorphos-size "city killers", for a start. And, although they do not pack enough punch to annihilate a metropolis, they could cause shock waves to radiate out from the site of impact that would be similar to those produced by a mid-air nuclear detonation.

China has been signalling its intention to conduct such an experiment for some time. "Every time I look into it, it seems like the details have changed," says Harrison Agrusa, a planetary scientist at the Côte d'Azur Observatory in France. "[But] they do seem serious about testing something." The mission, tentatively likely to launch no later than 2030, will involve the observer craft, remotely controlled from Earth, arriving at the asteroid between three and six months ahead of its impactor partner, and documenting the fallout for up to a year afterwards.

Brace for impact

This mission architecture is reminiscent of an earlier concept put forward by NASA and the European Space Agency (ESA): the latter was originally supposed to send an observer spacecraft to Dimorphos in advance of DART. But funding disagreements within ESA tanked the observer portion of the mission, and DART largely relied on Earth-based observations to monitor the impact. (ESA has since developed *Hera*, a spacecraft that launched in October, to examine the impact DART had on Dimorphos.) For China's mission, however, having a nearby observer spacecraft in place may be critical to its success. For one thing, the intended target will be considerably smaller and dimmer, making it harder for a DART-like spacecraft to autonomously track and follow ahead of a deliberate, high-speed collision.

There are other challenges. Unlike Dimorphos, 2015 XF261 doesn't orbit a larger asteroid, so if it is deflected by the spacecraft, it isn't clear which trajectory it will wind up following. And because the asteroid is so tiny, and the impactor spacecraft will crash into it at breakneck speed, "I think the biggest concern is that they completely destroy the asteroid," says Dr Agrusa. This is a chaotic outcome that planetary-defence researchers usually want to avoid, to minimise the risk of asteroidal shards flying in all directions. Fortunately, if this were to happen to 2015 XF261, the fragments would probably be too small to pose a threat to life on Earth. ■

Metabolomics

Out for blood

How blood-sucking vampire bats get their energy

MOST MAMMALS respond to the demands of exercise in the same way, by breaking down carbohydrates and stored lipids (fats) in their bodies, releasing the energy they need to keep functioning.

But every good rule deserves an exception. Vampire bats, for example, feed only on blood: an energy drink low in lipids and carbohydrates, and rich in protein. This realisation led Giulia Rossi and Kenneth Welch at the University of Toronto to question how these animals were able to sustain intensely energetic activities like flight. There was a possibility that the bats were transforming blood into carbohydrates which were then being burned. But Drs Rossi and Welch were happy to entertain a wilder hypothesis: that the bats might, instead, be able to feed off proteins in the way some bloodsucking insects do.

Tsetse flies and female mosquitoes fuel their energetically costly flying activities by directly burning the amino acids that make up the proteins found in their food. It is an extraordinary metabolic trick that only these insects were thought to have mastered. To find out if vampire bats were doing it too, Drs Rossi, Welch and their fellow stakeholders went vampire-hunting.

The researchers travelled to a tropical forest in Belize, captured 24 adult vampire bats and then took them back to a nearby lab. Their goal was to feed the bats blood, get them to exercise and then monitor their breath for chemical signals of the metabolic processes at play. Putting the bats in wind tunnels where their breath could be monitored as they flew was too challenging. Instead, Drs Rossi and Welch made use of the unsettling fact that vampire bats are actually pretty good runners and built a customised bat treadmill.

To work out where bats were getting their energy, the animals were fed a meal of cow's blood roughly eight minutes before being placed in the centre of the treadmill chamber. Most bats consumed blood that had one of two amino acids (either leucine or glycine) chemically labelled beforehand. Three were kept as controls and fed unlabelled blood.

The researchers report in *Biology Letters* that the exhalations contained the chemical labels. This means that the bats were using the amino acids from the blood they had recently consumed as their primary source of fuel as soon as they began exercise. Had they been burning lipids and carbohydrates, as all other mammals do, their exhalations would have been label-free.

These findings suggest that vampire bats and blood-feeding insects have metabolic systems that are very much alike. From an evolutionary perspective, it is impossible that these evolved in the insects and were then retained by bats without appearing in other mutual relatives. What is much more likely is that natural selection led both groups of animals to develop similar solutions to the same problem. ■

Time for a protein shake

Public health

Worth its salt

Changing diets have led iodine levels to drop dangerously low in America

A CENTURY AGO, much of northern America was known as the goitre belt. In some regions, anywhere from 26% to 70% of school-aged children had the characteristic neck swellings, or goitres, caused by an enlargement of the thyroid gland. After trials showed that supplements of iodine could prevent goitre, iodised salt was rolled out commercially in 1924, starting in grocery stores in Michigan. By the 1940s, the goitre belt had vanished.

The beneficial effects of iodine are not purely cosmetic. Without enough iodine, the thyroid is unable to produce hormones which regulate the body's metabolism and are crucial for brain development. This can result in metabolic disorders, delayed development and cognitive impairment. For growing children and pregnant women especially, iodine deficiency can have lasting consequences. In today's America changing diets, a lack of public-health education, and complacency mean that iodine deficiency may once again be on the rise.

These problems are long-simmering ones. In the 1970s the median concentration of iodine found in Americans' urine exceeded 300 micrograms per litre (µg/L), well above the minimum recommended threshold of 100 µg/L. "Nobody worried about it again for another 20 years," says Elizabeth Pearce, an endocrinologist at Boston University. By the 1990s, however, those numbers had dropped by more than half. A study published in 2022 suggests that concentrations have fallen further still in the intervening decades. Between 2017 and 2020, say its authors, the figure in adults was just 116 µg/L.

Why the decline? In part, says Dr Pearce, because salt iodisation was never federally mandated. This has had several knock-on effects. For one, only about half of American table salt (which makes up 11% of the salt Americans consume today) is actually iodised. Faddish alternatives, like sea salt or pink Himalayan, tend not to be. More important, the salt used in processed foods—which accounts for a dominant and ever-increasing share of American salt consumption—is also iodine-free.

Changing salt consumption is not the only dietary trend at play. Decreasing demand for meat and fish, both good natural sources of iodine, is also having an effect. According to a study published in *JDS Communications* in February, one cup of cow's milk, which is often supplemented with iodine, provides about half the daily intake needed for adult women. Increasingly popular alternatives to dairy, such as oat milk and soy milk, by contrast, typically offer no such benefits: a study published in 2022 in the *British Journal of Nutrition* found that less than a third of dairy alternatives are fortified with iodine.

Even diehard milk-drinkers may not consistently feel the benefits. The iodine in milk is not added for the health of the human, says Michael Zimmermann, a professor of nutrition at Oxford University, but the health of the cow. This means that the amount of iodine in milk products is not regulated, and can vary widely based on the season, the cow's diet and even the sanitation practices of any particular farm.

Certain cohorts are especially at risk. Pregnant women, for example, require 50% more iodine than other women to provide enough iodine for their babies. Iodine deficiency during pregnancy can result in miscarriage, stillbirth and stunted cognitive and physical development of the fetus. It remains the leading cause worldwide of preventable intellectual disability. It is troubling, therefore, that a pair of studies on American women published since 2021 found that one-quarter of pregnant women—and about half of non-pregnant women of reproductive age—do not meet minimum iodine thresholds. Whereas current deficiencies are likely to be too small to be detectable, a continued decline could pose a risk to public health.

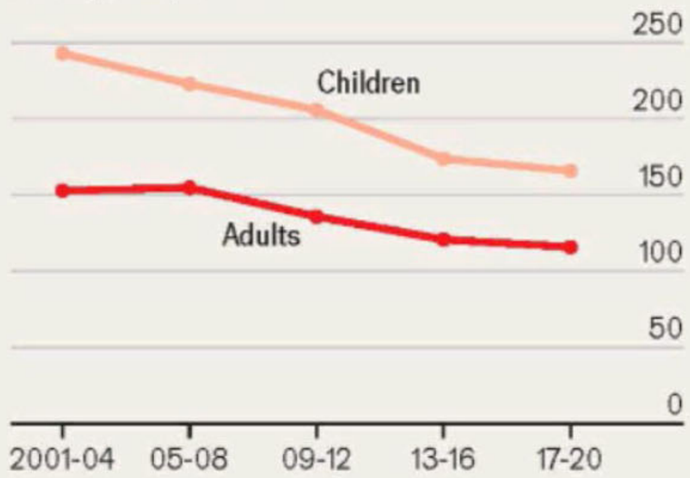
This problem is not exclusive to America. In a report taking stock of iodine intake in Europe, published in June, the World Health Organisation (WHO) sounded the alarm about deficiencies resulting from changing diets. According to Dr Pearce, these are particularly widespread in pregnant women. As in America, she says, dairy has become a key source of iodine: only 40% of European countries have mandatory salt-iodisation policies. Deficiencies have risen as Europeans consume fewer dairy products.

Overall, the WHO estimates that iodine deficiency—one of the world's most common nutritional gaps—affects around 2bn people worldwide. Most live in environments with low natural iodine levels (such as in parts of sub-Saharan Africa and South-East Asia), or in countries without universal access to iodised salt.

The problem is fixable at a modest cost. Mandating, rather than encouraging, salt iodisation, adding iodine to prenatal vitamins or fortifying dairy alternatives could all help reduce deficiencies. America's goitre belt has been thrown off before: similar approaches could stop it returning. ■

Missing element

US, median urinary iodine concentration
Micrograms per litre



Source: "Trends in iodine status among US children and adults", by K. Zhang et al., 2022

Culture

The best TV of 2024

Crowning achievements

The small screen claims some riveting shows this year, both new and returning

"The Bear"
It is among the most feted programmes of the 21st century, with good reason. The central performances—particularly from Jeremy Allen White as the quiet, obsessive chef who seeks to transform a sandwich shop into a Michelin-starred eatery—are among the finest of TV's "golden age". This season was the show's weakest, which is to say it was still very good.

"Colin From Accounts"
A delightful, cringeworthy Australian comedy. Ash and Gordon (Harriet Dyer and Patrick Brammall) are steadfast in their love for Colin, the disabled dog that brought them together, yet their relationship faces tests. Ms Dyer and Mr Brammall—who are married in real life and write the show as well as star in it—have great comic timing.

"Cristobál Balenciaga"
A stylish mini-series about the Spanish couturier once called "the master of us all" by his peer, Christian Dior. It spans three decades of Balenciaga's career, from his arrival in Paris in 1937 to his retirement in 1968. Beautifully shot, the show is a testament to the designer's craft and bold vision—as well as his need for control.

"The Diplomat"
Think ambassadorships are all pomp and parties? You have not watched this political thriller set in London. "The Diplomat" is a blend of international intrigue, office politics and sexual tension. It stars an impeccable trio: Keri Russell as America's ambassador to Britain, Rufus Sewell as her husband and David Gyasi as Britain's foreign secretary.

"The Franchise"
Superhero films may be a serious business, but they are also preposterous. This satire of the Marvel Cinematic Universe—co-created by Armando Iannucci—follows the cast and crew of "Tecto: Eye of the Storm". Daniel (Himesh Patel), the first assistant director, must mediate between egotistical actors, the precious director and bullish executives.

"Franklin"
Based on "A Great Improvisation", Stacy Schiff's biography of the Founding Father, the mini-series focuses on Benjamin Franklin's years persuading the French to fund the revolutionary war. Viewers will be surprised by how close America came to being defeated by the British. Michael Douglas is wily and charming as Franklin.

"Hacks"
A geriatric comedian, Deborah Vance, and her 20-something protégé reunite to pursue her decades-old dream: becoming the host of a late-night talk show. This third outing is both funnier and less conventional than previous seasons. Like the best comics, "Hacks" only gets better with time.

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"Mr & Mrs Smith"
Two spies (Donald Glover, who also co-created the series, and Maya Erskine) go undercover as a married couple—and unexpectedly fall in love. Their assignments are exciting, but the show excels in its examination of marriage and attendant questions of intimacy and trust. Based on the film from 2005, this version of the tale is superior.

"Ripley"
An engrossing retelling of Patricia Highsmith's psychological thriller novel of 1955, darker than the film of 1999. Andrew Scott is captivating as the titular con artist, by turns affable and callous. The drama unfolds over eight hours, all of them gripping thanks to beautiful cinematography and Steven Zaillian's measured storytelling.

"Rivals"
This adaptation of Jilly Cooper's "bonkbuster" novel of 1988 is unabashedly of another era. The men are lecherous, the women gorgeous, the sex gratuitous and the puns execrable. Television programmes today take themselves seriously; "Rivals" does not at all. Instead it offers romps, rumps and lashings of champagne. It is, in short, glorious.

"Slow Horses"
In its fourth season, "Slow Horses" is hitting its stride, with tight plotting, snappy dialogue and a terrific ensemble. Gary Oldman is superb as Jackson Lamb, a filthy, flatulent spy with a well-disguised big heart, as is Kristin Scott Thomas as Diana Taverner, a supremely competent, often conniving but always cool-headed intelligence bureaucrat.

"Shogun"
This samurai epic, set in the 17th century, is adapted from a hit novel of 1975 (itself loosely based on actual historical events). It offers fans of sword-fighting stories everything they would expect. Yet as well as gory action, shocking betrayals and the collapse of dynasties, this Japanese-language drama is an incisive meditation on the pursuit of power.

"True Detective"
The fourth season of this anthology crime drama again features a standout cast, this time including Christopher Eccleston and Jodie Foster. Set at a remote research station in Alaska, the police chief (Ms Foster) must work out what links missing scientists, a murdered Inupiat woman and supernatural forces. It nearly matches the highs of the brilliant first season. ■

All shows are available to stream in America and Britain

How people really feel about "Yellowstone"

The riled west

BOZEMAN

Montanans are ready for the popular TV series to end

TAYLOR SHERIDAN'S Montana is a place where ranchers fight militias, divert rivers with dynamite, run for governor in their spare time and commit murder (although they prefer driving to Wyoming to do so). Mr Sheridan is the creator of "Yellowstone", a television drama that premiered in 2018 about the Dutton family and the lengths they will go to in order to hold on to their immense ranch. John Dutton, played by a tanned and leathery-looking Kevin Costner, is the family patriarch and godfather of the Rockies, hellbent on keeping Montana free of new housing developments and New Yorkers on holiday. "I am the opposite of progress," he growls, when announcing his campaign for governor. "I am the wall it bashes against."

The last time "Yellowstone" was on air, in the 2022-23 season, it was the most-watched show in America, averaging nearly 12m viewers a week. But its reign is coming to an end. The second half of its fifth and probably final season will premiere on November 10th on the Paramount Network. The cast will be without Mr Costner, who left the franchise to work on his own Western film project (a feud with Mr Sheridan may have played a part).

Fans sorry to see the series end will be heartened by the fact that Mr Sheridan has created a kind of cowboy cinematic universe, with two "Yellowstone" prequels ("1883" and "1923") already out and another drama set in Montana ("The Madison", starring Michelle Pfeiffer) in the works. Yet one group is especially looking forward to the finale: actual Montanans.

When your correspondent asked Montanans what they think about the show, the same idea came up repeatedly: that the series often applies a mythical or outdated view of the Wild West to modern Montana. "It feels like it portrays us as cowpokes waiting for Kevin Costner to come tell us what to do," says Joe Hancock, a financial analyst in Bozeman.

Others think the storylines lack complexity. Pat Flowers, a Democrat in the state Senate, offers a very Montanan example: "Everybody's got mixed feelings about grizzly bears. But in 'Yellowstone', you got bear-haters and bear-lovers."

Even if the show is a bit reductionist, it often touches on issues that loom large in the state. Chief among them is growth. One of Montana's nicknames is "the last best place", a mountainous Eden forgotten by modernity. But from 2020 through 2023 Montana's population grew faster than that of all but four other states. Local Democrats and Republicans alike talk about "defending Montana values". Among John Dutton's enemies are Wall Street investors sniffing out development projects.

Montana's resistance to growth is a plot ▸▸

"Is that a herd of...New Yorkers?"

line in "Yellowstone", but many Montanans argue that the show has turbocharged the problem. "The growth we've seen is in large part through the popularity of the show 'Yellowstone'," Greg Gianforte, the state's Republican governor, told *The Economist* last year. "The scenery is legit," he added, "maybe not the drama." (Mr Gianforte was once humorously introduced as "John Dutton" at an event.)

Laurie Bishop lives in Park County, which includes Paradise Valley, home to the Dutton family's fictional ranch. She says tourists and newcomers to the state are easy to spot because they are "playing dress-up". "It was not until the last few years with 'Yellowstone' that I found myself surrounded by so many people wearing cowboy hats and boots," she says, laughing. She does not count herself as a fan of the show. "I just can't do it," she says, raising an eyebrow. ■

How Britain's SAS became famous

The other Iran hostage crisis

The Siege. By Ben Macintyre. *Crown; 400 pages; $32. Viking; £25*

IN APRIL 1980 gunmen stormed the Iranian embassy in London and took 26 hostages. The assailants were not Islamist fanatics. Nor was this in retaliation for the then-ongoing seizure of America's embassy in Tehran by the nascent Islamic Republic of Iran, which had taken power the previous year. Instead this was the work of a militant group, the Democratic Revolutionary Front for the Liberation of Arabistan, hoping to secure a homeland for Iranian Arabs in the oil-rich province of Khuzestan. Less than a week later their ambitions were crushed when Britain's Special Air Service (SAS), an elite group of soldiers (pictured), charged into the embassy.

In "The Siege", Ben Macintyre tells the story of that week. In doing so he captures much more: the febrile politics of the Middle East, torn between Iraq and Iran; the spectacle of modern terrorism and its interplay with a new kind of journalism, reported and filed in real time by satellite phone; the solidarity that appears among those trapped in situations of mortal danger. Mr Macintyre is the master of this sort of modern history. His previous books have included stories of spies and a history of the SAS, which gained global renown after its televised role in the crisis.

The book has a remarkable cast of characters. Trevor Lock, a police constable tasked with guarding the embassy, was absent from duty at a key moment when getting a cup of tea, enabling the gunmen to smash their way in. As a hostage he lived in fear that his firearm would be discovered. It hangs over the story like Chekhov's gun: he refused to eat, lest a visit to the toilet require him to remove his jacket. Fred Luff, a police negotiator, was so traumatised by his experience that he had to be withdrawn. After the siege he was checked into a nursing home, endured a mental breakdown and became a missionary in Africa. Their stories have never been told in such colourful detail before.

The perpetrators were callow young men driven by rage at the mistreatment of their families and compatriots in Khuzestan by the Shah of Iran and the new theocratic government. They were sponsored, encouraged and directed by Saddam Hussein's spies—the siege was the "opening shot" of the Iran-Iraq war that erupted months later, Mr Macintyre asserts—as well as Abu Nidal, a notorious Palestinian terrorist associated with the deaths of 1,000 people in 20 countries. In the Middle East then, as now, terrorist violence and wider geopolitics were intertwined.

The siege was one of many bloodsoaked episodes that emerged from the revolutionary ferment of the region at the time. It became famous in part because it turned into a media spectacle. One surreal moment came when the police frantically tried to stave off a visit by Prince Andrew, who was keen to see the action for himself. Pro- and anti-Iranian crowds jostled outside the embassy. "There were ten Ayatollahs hanging on the wall," sang one group of right-wing skinheads, repurposing a campfire song. "And if one Ayatollah should accidentally fall..."

Undercover operatives taking cover

The hostage crisis attracted "the largest gathering of news reporters since the queen's coronation in 1953". A journalist for the *Daily Mail* provoked envy by turning up with a then-newfangled portable telephone that cost the eye-watering sum of £1,000 ($5,400 in today's money). He was upstaged by American journalists who filed reports by satellite phone at the cost of $150 per minute. It was, wrote John le Carré, a spy novelist, "Action-Man personified, a bunch of 007s on a tight rein live on screen at peak viewing time".

This attention propelled the SAS to fame. A group that began life as "jungle ruffians" in the second world war, covertly blowing up Nazi planes behind enemy lines, became front-page fodder. "Never again would the SAS be able to operate in the shadows," concludes Mr Macintyre. "The regiment has struggled to balance secrecy with celebrity ever since." ■

The man behind the science

Earth father

The Many Lives of James Lovelock. By Jonathan Watts. *Canongate; 320 pages; £25*

TO DECLARE, AS Walt Whitman did, "I am large. I contain multitudes," is fair for a poet. But it poses something of a challenge for a biographer. The life of James Lovelock, an English scientist who, through his writings on what he called Gaia, provided new ways to think about the degree to which life on Earth makes the Earth alive, was not just long. (He died two years ago at the age of 103; for the last decades of that long life this reviewer was a friend.) It was also large, and rich in the contradictions that Whitman thought a life allowed.

In his tender and searching new biography of Lovelock, based on 80 hours of interviews with his subject, Jonathan Watts, global environment editor at the *Guardian*, embraces this multiplicity. Mr Watts structures his story in terms of the relationships that defined his subject's life.

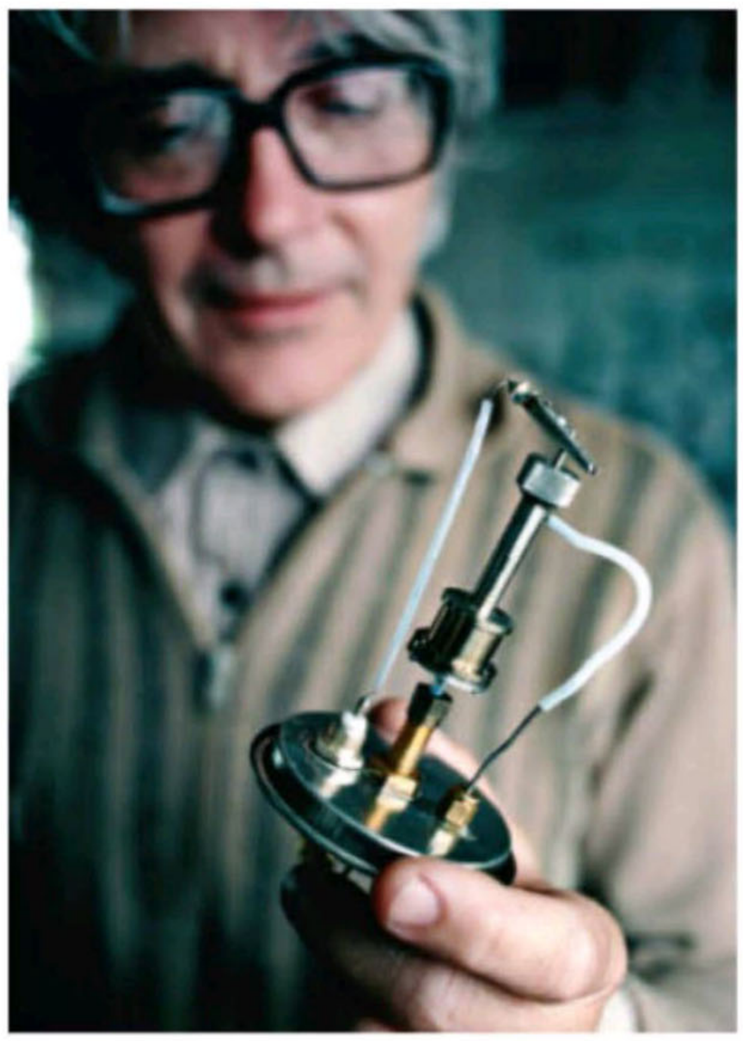
Where Mr Watts most adds to previous accounts is in Lovelock's relationships with women: the toxic one with his mother, which led to his not marrying his first true love, and a later partnership with Dian Hitchcock. Ms Hitchcock was a consultant for NASA when Lovelock was working on instruments for space probes. It was both a love affair (one that Lovelock eventually brought to a cruel end) and a deep intellectual collaboration that has previously gone ▸▸

unacknowledged. She played a crucial role in developing the idea that life affects planets in ways discernible at astronomical distances; this was integral to the genesis of Gaia theory, Lovelock's hypothesis that Earth has a self-regulating system that supports life.

Less moving, but still fascinating, is Lovelock's relationship with Victor Rothschild, an aristocrat who worked in British intelligence and as head of research at Shell Oil. Lovelock both shaped Rothschild's views on climate change and helped MI5 use the hypersensitive chemistry equipment he had developed to sniff out people and explosives.

Bombs turn up often; they were an outlet for anger when he blew up a gate that blocked a favourite path of his father's, and later on they were a way of entertaining his own children. Their recurring presence makes one wish that Mr Watts had taken his organising conceit further; as he notes, the relationships that engrossed Lovelock were as often those between things as those between people. Chapters on, say, his relationship with the sea (on which he loved to voyage and beside which he loved to walk), or the sense of smell (which he deemed vital for a chemist) or the laboratory (always his fondest home) or the planet itself all would have enriched the sense of his connectedness.

Mr Watts does not take his readers very deep into the science Lovelock applied or into the ways his notion of Gaia changed over time. For the latest scholarship, Anglophone readers will need to wait for a translation of Sébastien Dutreuil's "Gaia, Terre Vivante" ("Gaia, Living Earth"), published earlier this year in France. But if you want a rounded sense of the man, this book provides one beautifully. ■



A beautiful mind

Ireland's Magdalene laundries

Sisterly abuse

Books, films and TV shows reckon with church-run homes for "fallen women"

INSIDE THE convent the young women's faces look wan and miserable as they scrub the floors or operate laundry machines. One turns to a visiting local coal merchant, played by Cillian Murphy, and begs for help: take her to the river, she implores, so she might drown herself. Another has been locked in a freezing outhouse for days. The nuns insist it was a game of hide-and-seek gone wrong.

"Small Things Like These", released in America on November 8th, is adapted from Claire Keegan's prizewinning novella of the same name. Set in New Ross, Ireland, in 1985, it is a fictional tale, with the unsettling tension of a horror film. But it is based on reality: Magdalene laundries, in which "fallen women" were forced to work without pay, operated until the 1990s.

"Small Things Like These" is part of a wave of stories reckoning with this grim history. "The Woman in the Wall", a TV drama, aired in Britain in 2023 and in America earlier this year. The gothic thrill- ▸▸

New fiction

Brexit and its aftermath, revisited

Our Evenings. By Alan Hollinghurst. *Random House; 496 pages; $30. Picador; £22*

ALAN HOLLINGHURST has a knack for mining the micro-moment. His outsider heroes are attuned to slight shifts in atmosphere. The young, gay intellectual in "The Line of Beauty", which won the Booker prize in 2004, observes how Margaret Thatcher smiles "with a certain animal quickness". An ageing antiquarian in "The Stranger's Child" (2011) notes the way an Oxford don speaks with "snobbish reserve she hadn't wholly wanted to disown".

Mr Hollinghurst has never wanted to write a "state-of-the-nation" novel. His interest, he has explained, is not in generalities but in the nuances of lives. Like Henry James and E.M. Forster, to whom he is often compared, Mr Hollinghurst is more a miniaturist than a muralist. But his seventh novel feels topical for the way it retraces some of the steps that led to Britain's Brexit vote in 2016 and its aftermath.

"Our Evenings" is narrated by an outsider several times over. Brought up by a single mother near London, David Win knows his Burmese father only as the unsmiling, dark-skinned young man in a photograph. He earns a scholarship to study at Oxford. Although he is British, strangers often ask where he is from, and some tell him to go back there. Naturally, he is discreet about the fact that he fancies men.

The book opens with a 60-something David marvelling at how a brute from his school days, Giles Hadlow, has become a politician and architect of the campaign to leave the European Union. It then casts back to the 1960s, when David was first terrorised by Giles at school, and inches forward, tracing David's sexual awakening and stuttering rise as an actor. Although the drama is concerned mostly with David's life, it all unfolds with an unnerving irony. The decades of changes that allow a brown, gay chap such as David to feel ever more at ease in his life are also fuelling a reactionary politics of resentment.

This novel should not work as well as it does. It unfurls slowly, with vivid scenes but not much plot. Mr Hollinghurst was not wrong to imagine life from a different racial perspective, but the unforgiving climate for such experiments may have nudged him to make David not just sympathetic and perceptive, but also less morally complex and intriguing than previous protagonists. Still, "Our Evenings" is a marvel. As David searches for clues as to who he was and how he came to be, this book becomes a meditation on the pressures of mortality and the mysteries of the self.

er follows Lorna (played by Ruth Wilson) as she tries to ascertain the fate of the baby that was taken from her around 30 years earlier. It hinges on the church's practice of falsifying death records so that infants born out of wedlock could be privately adopted, many in America. (The church accepted "donations" for facilitating these adoptions.) "The Magdalenes and I", a podcast, chronicles the experiences of survivors; so does Maureen Sullivan in her memoir, "Girl in the Tunnel", published last year (she was sent to a laundry aged 12). Several fictional retellings in addition to Ms Keegan's novella have arrived, including Emer Martin's "The Cruelty Men".

Starting in the 18th century, Magdalene asylums—named after Mary Magdalene, a friend of Jesus often described as a repentant prostitute—were run by both Catholic and Protestant patrons. They were advertised as rehabilitative, taking in women who had fallen into poverty or sex work. Later they became more punitive. The Irish government regarded unmarried women as a moral problem and asked the Catholic church to manage it.

Women who were sent to a Magdalene asylum in the 20th century—often by their families—may have had sex out of wedlock; others had come forward with claims of incest or rape. Sometimes they had committed a minor crime, or were simply poor.

Official estimates suggest that between 1922 and 1996 at least 10,000 women were confined in Magdalene laundries. They had to atone for their sins by washing, ironing and sewing, from morning until night, six or seven days a week, for no pay. (The laundries often had lucrative contracts with hotels and government departments.) Nuns beat anyone who protested or slacked. A woman could spend a long time inside, too. A study of an institution called Donnybrook found that the average there was almost 24 years.

The state had a different but similar institution for unwed pregnant women: mother and baby homes. Women would deliver their children there; infants would be removed from their care; and the women would often be forced to work at the home or be transferred to a laundry. In 2021 a government commission said that 56,000 unmarried mothers were taken to one of 18 mother and baby homes between 1922 and 1998. (It is suspected that a further 25,000 were in institutions that did not come under the commission's purview.)

Magdalene laundries and mother and baby homes were not uniquely Irish: they existed in America, Australia, Britain and elsewhere in Europe. But Ireland's laundries were unusual both in scope and longevity, enduring until the end of the 20th century, long after Magdalene institutions elsewhere had closed. (In America most closed by the 1960s and in Australia by the end of the 1970s.) Ireland is thought to have had the highest proportion of unwed women giving birth in mother and baby homes and the highest adoption rate for "illegitimate" babies of any country.

The abuses were an open secret. In the novella "Small Things Like These", a character observes that there was plenty of "talk" about the convent, "but people said lots of things—and a good half of what was said could not be believed." Such wilful ignorance meant the Magdalene laundries and mother and baby homes largely stayed out of the public consciousness until well into the 21st century.

Pulling back the curtain

Activists, many of them survivors, have worked to change that. Since 2003 the Magdalene Names Project has tried to identify the women who lived and died in laundries. Justice for Magdalenes campaigned for an apology from the Irish government and financial redress for victims. (It achieved both in 2013.) Dogged investigations have brought new horrors to light. Efforts by Catherine Corless, a historian, led to the discovery in 2017 of a mass grave, thought to contain the remains of nearly 800 children, at the site of the Bon Secours Mother and Baby Home in Tuam. Exhumations at that site are scheduled to begin next year. Owing to neglect, the death rate for children in laundries was much higher than it was for illegitimate children in Ireland as a whole.

Formal teaching about the Magdalene laundries and mother and baby homes would help spread awareness. But that seems unlikely, since the Catholic church still manages more than 90% of primary schools in Ireland and more than 50% of secondary schools. Culture, then, plays an important role in education. Joe Murtagh, the creator of "The Woman in the Wall", says that, given the "shame and silence" that has surrounded the topic, "it has always taken films, TV and theatre to get this story out there." He and Steven O'Riordan, the host of "The Magdalenes and I" podcast, both trace their knowledge of the laundries to "The Magdalene Sisters", a film from 2002. "Philomena" (2013), starring Judi Dench as a mother looking for her son, also introduced the topic to a wider audience.

Katherine O'Donnell of University College Dublin believes that "Small Things Like These" may have a similar effect on a younger generation: "Next year there will be students, I know, who will have heard of a Magdalene laundry because they know of the movie."

The Irish government may do more. Roderic O'Gorman, the minister for children, equality, disability, integration and youth, recently brought forward legislation to protect privately held records about the homes and laundries (such as those held by religious institutions) by making it "an offence to destroy" them. It came into operation on November 5th. This does not mean, however, that survivors have access to their own records, or that they are publicly available.

Campaigners are hoping for more progress and transparency by the time a new National Centre for Research and Remembrance opens in Dublin. (It is in the early stages of development.) Plans for the site of the former laundry on Seán McDermott Street—the last to close, in 1996—include a museum, archive and memorial garden. The sins of the Catholic church, and those who inflicted suffering in its name, cannot easily be washed away. ■

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Economic & financial indicators

	Gross domestic product, % change on year ago: latest		quarter*	2024†	Consumer prices, % change on year ago: latest		2024†	Unemployment rate, %		Current-account balance, % of GDP, 2024†	Budget balance, % of GDP, 2024†	Interest rates: 10-yr gov't bonds, latest, %		change on year ago, bp	Currency units: per $ Nov 6th	% change on year ago
United States	2.7	Q3	2.8	2.7	2.4	Sep	3.0	4.1	Oct	-3.4	-6.8	4.4		-25.0	-	
China	4.6	Q3	3.6	4.9	0.4	Sep	0.5	5.1	Sep†§	0.7	-4.4	1.8	§§	-75.0	7.16	1.7
Japan	-1.0	Q2	2.9	0.2	2.5	Sep	2.6	2.4	Sep	3.7	-4.7	1.0		12.0	154	-3.0
Britain	0.7	Q2	1.8	1.1	1.7	Sep	2.9	4.0	Jul††	-3.0	-4.0	4.5		13.0	0.78	3.9
Canada	0.9	Q2	2.1	1.2	1.6	Sep	2.3	6.5	Sep	-1.2	-1.2	3.3		-51.0	1.39	-1.4
Euro area	0.9	Q3	1.5	0.8	2.0	Oct	2.4	6.3	Sep	3.1	-3.1	2.4		-34.0	0.93	nil
Austria	-0.9	Q2	-0.2‡	-0.3	1.8	Oct	2.9	5.6	Sep	2.4	-2.4	2.9		-50.0	0.93	nil
Belgium	1.1	Q3	0.8	1.1	4.7	Oct	4.0	5.5	Sep	-0.9	-4.6	3.0		-37.0	0.93	nil
France	1.3	Q3	1.5	1.2	1.5	Oct	2.5	7.6	Sep	-0.6	-6.1	3.3		44.0	0.93	nil
Germany	-0.2	Q3	0.7	-0.1	2.4	Oct	2.4	3.5	Sep	6.3	-1.6	2.4		-34.0	0.93	nil
Greece	2.7	Q2	4.4	2.2	3.1	Sep	2.9	9.3	Sep	-6.4	-1.3	3.3		-71.0	0.93	nil
Italy	0.4	Q3	-0.1	0.6	1.0	Oct	1.2	6.1	Sep	1.5	-4.3	3.7		-89.0	0.93	nil
Netherlands	0.8	Q2	4.1	0.7	3.3	Oct	3.4	3.7	Sep	8.2	-1.9	2.7		-41.0	0.93	nil
Spain	3.4	Q3	3.4	2.7	1.8	Oct	3.0	11.2	Sep	2.6	-3.2	3.1		-66.0	0.93	nil
Czech Republic	0.9	Q2	1.5	1.1	2.6	Sep	2.2	2.9	Sep†	0.3	-2.5	4.1		-40.0	23.6	-3.4
Denmark	4.4	Q2	4.6	1.8	1.3	Sep	1.3	2.9	Sep	10.8	2.1	2.2		-81.0	6.94	nil
Norway	4.2	Q2	5.7	1.0	3.0	Sep	2.2	4.0	Aug‡‡	17.0	12.3	3.9		11.0	11.1	-0.4
Poland	3.2	Q2	5.7	3.2	5.0	Oct	3.8	5.0	Sep§	1.0	-5.7	5.8		23.0	4.06	2.2
Russia	4.1	Q2	2.1	3.7	8.6	Sep	8.5	2.4	Sep§	3.1	-1.7	16.5		453	97.2	-5.0
Sweden	0.2	Q3	-0.4	0.7	1.6	Sep	2.0	8.2	Sep§	6.3	-0.8	2.2		-72.0	10.9	0.4
Switzerland	1.8	Q2	2.8	1.2	0.6	Oct	1.2	2.6	Oct	7.4	0.2	0.4		-71.0	0.88	2.3
Turkey	2.5	Q2	0.3	2.9	48.6	Oct	57.7	8.5	Aug§	-1.8	-4.5	28.9		205	34.2	-16.9
Australia	1.0	Q2	0.9	1.1	2.8	Q3	3.4	4.1	Sep	-1.5	-1.0	4.5		-41.0	1.52	1.3
Hong Kong	1.8	Q3	-4.3	3.1	2.2	Sep	2.3	3.0	Sep‡‡	11.9	-3.1	3.3		-79.0	7.78	0.5
India	6.7	Q2	4.5	6.9	5.5	Sep	4.7	8.7	Oct	-0.5	-4.9	6.8		-51.0	84.3	-1.3
Indonesia	4.9	Q3	3.8	5.1	1.7	Oct	2.2	4.9	Q3§	-0.1	-2.5	6.7		6.0	15,830	-1.9
Malaysia	5.3	Q3	6.2	5.1	1.8	Sep	1.9	3.2	Aug§	2.6	-4.5	4.0		-1.0	4.40	5.2
Pakistan	2.8	2024**	na	2.8	7.2	Oct	13.5	6.3	2021	-1.2	-7.3	12.0	†††	-320	278	2.4
Philippines	5.2	Q3	7.0	5.4	2.3	Oct	3.2	4.7	Q3§	-2.8	-5.9	6.0		-93.0	58.7	-4.7
Singapore	4.1	Q3	8.7	3.1	2.0	Sep	2.6	1.8	Q3	19.8	0.2	2.9		-23.0	1.33	1.5
South Korea	1.7	Q3	0.5	2.5	1.3	Oct	2.5	2.1	Sep§	3.4	-1.8	3.1		-91.0	1,396	-7.1
Taiwan	4.0	Q3	4.4	4.2	1.7	Oct	2.1	3.4	Sep	14.1	0.5	1.5		24.0	32.2	-0.3
Thailand	2.3	Q2	3.1	2.5	0.8	Oct	0.6	0.8	Sep§	1.9	-3.7	2.4		-86.0	34.2	3.9
Argentina	-1.7	Q2	-6.8	-3.5	209	Sep	221.2	7.6	Q2§	0.9	-0.5	na		na	993	-64.7
Brazil	3.3	Q2	5.9	3.0	4.4	Sep	4.3	6.4	Sep§‡‡	-1.5	-7.6	12.7		113	5.72	-14.5
Chile	1.6	Q2	-2.5	2.3	4.0	Sep	3.9	8.7	Sep§‡‡	-2.8	-2.4	5.7		-56.0	964	-8.6
Colombia	1.8	Q2	0.4	1.5	5.8	Sep	6.7	9.1	Sep§	-2.4	-5.7	10.7		-27.0	4,419	-9.9
Mexico	1.5	Q3	4.1	1.4	4.6	Sep	4.8	2.7	Sep	0.3	-5.2	10.0		14.0	20.2	-13.2
Peru	3.6	Q2	9.8	3.0	2.0	Oct	2.4	4.9	Sep§	1.0	-4.0	6.8		-48.0	3.78	-0.5
Egypt	2.4	Q2	12.6	2.4	26.4	Sep	28.5	6.5	Q2§	-5.2	-3.7	na		na	49.2	-37.2
Israel	-2.2	Q2	0.3	0.3	3.5	Sep	3.2	2.7	Sep	4.9	-7.3	4.9		63.0	3.74	4.0
Saudi Arabia	-0.8	2023	na	1.5	1.7	Sep	1.7	3.3	Q2	-0.9	-2.4	na		na	3.76	-0.3
South Africa	0.3	Q2	1.8	1.1	3.7	Sep	4.6	33.5	Q2§	-1.8	-5.2	9.4		-99.0	17.6	3.9

*% 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. Source: Haver Analytics Note: Euro area consumer prices are harmonised.

Markets

In local currency	Index Nov 6th	% change on: one week	Dec 29th 2023
United States S&P 500	5,929.0	2.0	24.3
United States NAS Comp	18,983.5	2.0	26.5
China Shanghai Comp	3,383.8	3.6	13.7
China Shenzhen Comp	2,049.8	3.9	11.5
Japan Nikkei 225	39,480.7	0.5	18.0
Japan Topix	2,715.9	0.5	14.8
Britain FTSE 100	8,166.7	0.1	5.6
Canada S&P TSX	24,637.5	0.5	17.6
Euro area EURO STOXX 50	4,800.6	-1.7	6.2
France CAC 40	7,369.6	-0.8	-2.3
Germany DAX*	19,039.3	-1.1	13.7
Italy FTSE/MIB	33,940.7	-1.6	11.8
Netherlands AEX	875.4	-0.7	11.3
Spain IBEX 35	11,495.3	-1.9	13.8
Poland WIG	80,505.5	0.4	2.6
Russia RTS, $ terms	1,137.5	nil	5.0
Switzerland SMI	11,847.3	-1.0	6.4
Turkey BIST	8,862.3	-1.6	18.6
Australia All Ord.	8,456.0	0.2	8.0
Hong Kong Hang Seng	20,538.4	0.8	20.5
India BSE	80,378.1	0.5	11.3
Indonesia IDX	7,383.9	-2.5	1.5
Malaysia KLSE	1,634.2	2.0	12.3

	Index Nov 6th	% change on: one week	Dec 29th 2023
Pakistan KSE	92,021.4	1.9	47.3
Singapore STI	3,603.0	1.2	11.2
South Korea KOSPI	2,563.5	-1.2	-3.5
Taiwan TWI	23,217.4	1.7	29.5
Thailand SET	1,467.4	1.4	3.6
Argentina MERV	1,976,613.0	7.6	112.6
Brazil BVSP*	130,340.9	-0.2	-2.9
Mexico IPC	51,732.5	1.7	-9.9
Egypt EGX 30	31,045.3	2.2	24.7
Israel TA-125	2,229.5	0.2	18.1
Saudi Arabia Tadawul	12,093.4	0.6	1.1
South Africa JSE AS	85,329.8	-1.6	11.0
World, dev'd MSCI	3,752.1	1.2	18.4
Emerging markets MSCI	1,131.9	0.5	10.6

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2023
Investment grade	100	154
High-yield	327	502

Sources: LSEG Workspace; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

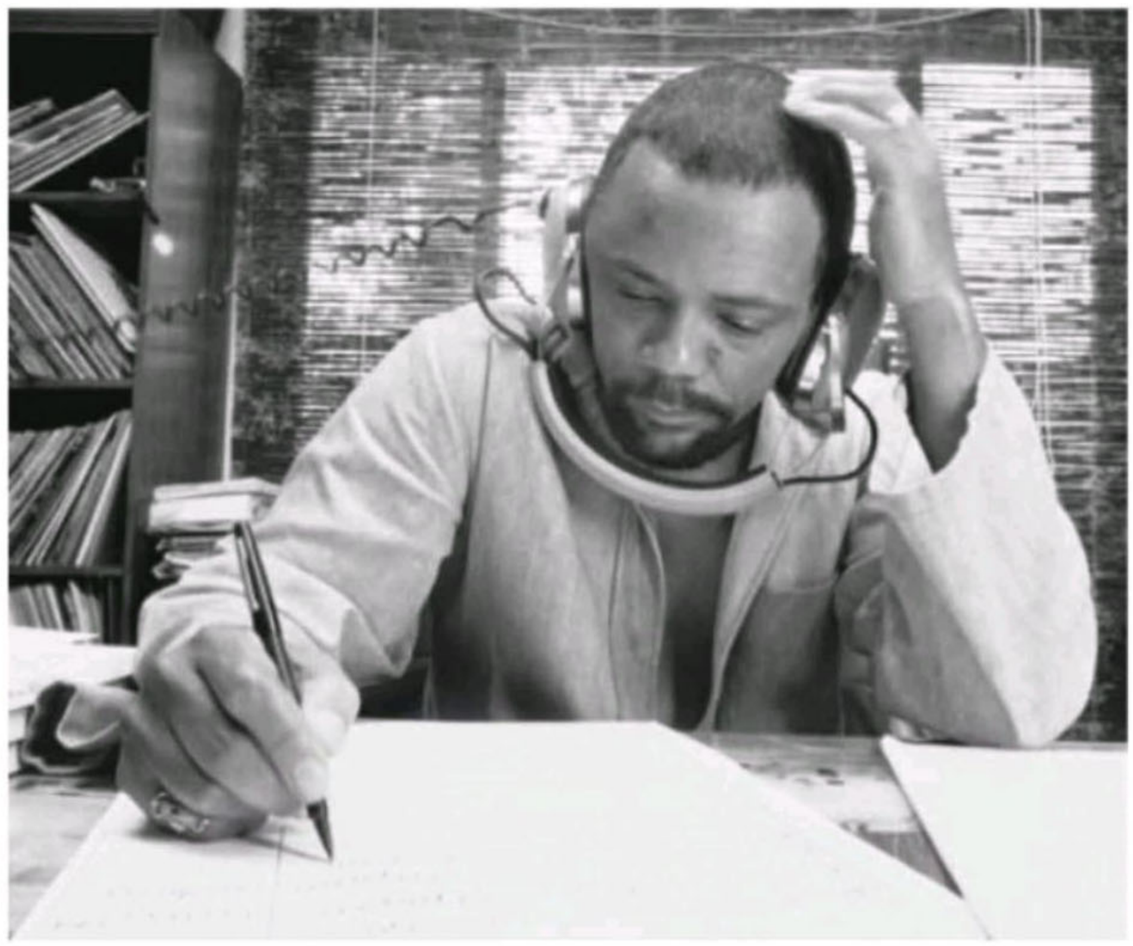
The Economist commodity-price index, 2020=100	Oct 29th	Nov 5th*	% change on: month	year
Dollar Index				
All items	130.7	130.7	-1.5	3.1
Food	137.8	137.5	-1.4	3.3
Industrials				
All	124.8	125.1	-1.7	3.0
Non-food agriculturals	133.4	133.2	-1.4	10.1
Metals	122.6	123.0	-1.8	1.2
Sterling Index				
All items	129.1	129.2	-0.8	-2.4
Euro Index				
All items	138.3	137.0	-0.9	1.1
Gold				
$ per oz	2,767.5	2,742.2	5.0	39.6
Brent				
$ per barrel	71.0	76.1	-1.4	-6.9

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

For historical indicators data, visit economist.com/economic-and-financial-indicators

OBITUARY
Quincy Jones

The man who shaped jazz and pop for half a century died on November 3rd, aged 91



AMONG THE other thousand things that kept him busy and curious without end, Quincy Jones loved to cook. His gumbo was so good, it would make you slap your grandmother. He made the world's best lemon meringue pie by putting lime in the meringue. And lemons themselves were his favourite ingredient, time after time. Forget onions, hot sauce, garlic. A squeeze of lemon knocked out everything else, like a piccolo in a symphony orchestra. In fact, he didn't cook so much as orchestrate.

And perhaps he didn't orchestrate so much as cook. He would try any musical style, jazz or bebop, soul or R&B, rock or funk, and mix them up without fear. Anything he could feel, he could notate. He would get his basic ingredient, a great song, and spike it with something, like the Hammond organ he worked into his version of "Summer in the City", the menacing drum intro to Michael Jackson's "Billie Jean", or the anguished major-minor chord shifts in Lesley Gore's "It's My Party". That was his first recording to top the American charts, in 1963. After that he was the go-to arranger and producer for some of the baddest cats in the world.

He won 28 Grammys, the third-best total. His biggest achievement was to produce the "Off the Wall", "Thriller" and "Bad" albums for Michael Jackson; "Thriller" became and remains the biggest-selling album of all time. His own favourite high-point came when, in 1985, he herded 46 of America's biggest voices into one studio and, in one night, recorded "We Are the World" to raise money for famine relief. There they all sang, Bruce Springsteen, Bob Dylan, Stevie Wonder, Tina Turner, Diana Ross, etc, etc. Michael spiked the mix with his falsetto, and he conducted. He had told them to check their egos at the door, and most had.

That was another thing he was great at mixing: people. He got on with almost everyone he met, giving the regulars nicknames (his was "Q"). Both the Clintons and the Obamas were friends, as was Oprah. So were Elon Musk and Mark Zuckerberg. So was Buzz Aldrin, who carried Q's recording of Frank Sinatra's "Fly Me to the Moon" to the real Moon. Bono took him to see Pope John Paul II, and in Paris he met Picasso. But his real greats were the musicians he worked with. Lionel Hampton ("Hamp"), who recruited him at 19 for his big band; Count Basie ("Splank"), who hired him to compose and arrange for his band; and Michael Jackson ("Smelly", his weird baby-word for funk). For Michael he would drop keys a minor third to extend his range. He would also put up with his boa constrictor ("Muscles") wrapping around his leg. Closest of all was Sinatra ("Frank"). That dear motherfucker who either loved you with his whole heart or else rolled you over like a Mack truck in reverse. With Frank and Ray Charles ("69") he partied his ass off, seven double Jack Daniel's an hour. On one pinkie he wore Frank's ring, with his family crest from Sicily.

He and Frank shared more than cutting hit albums together. Namely, rackets and gangs. On Chicago's South Side in the 1930s young Quincy saw storerooms full of liquor and dead bodies every day. No joke. He went once to the wrong neighbourhood and got his hand nailed to a fence until his Daddy rescued him. When he was seven his mother was confined to a mental institution. His only future seemed to be as a gangster, until fate intervened. At 11, now in Bremerton in Washington state, he was doing a little breaking-and-entering when he found an upright piano. One touch of the keys and he was hooked. He made music his mother, in a way. Every instrument he met he tried to learn, but trumpet was best. He played until an aneurysm in 1974 forced him to stop, but whenever he heard a good tune he still found himself fingering, adding the brass.

Jazz was his career for some time: playing in big bands, or from 1959 building his own. That was the music brothers made. Audiences loved them, but once they left the stage they had to eat in the kitchen. His antennae were out for racism ever after. Because his dreams were huge, he notched up a string of firsts: first black vice-president of a major record label, Mercury; first black nominee for Best Original Song at the Academy Awards; first black conductor and music director at the awards ceremony itself. "First" usually meaning "only". From the age of 15 he had wanted to write film scores, but they didn't use brothers. When he was hired to write the score for "In Cold Blood", Truman Capote called up the director to moan about it. The motherfucker then apologised in tears when it was nominated for an Academy Award.

In all he had seven Oscar nominations. He wrote scores for "The Pawnbroker", "The Italian Job", "In the Heat of the Night" and "The Colour Purple". Plenty of others, too. And TV added to his versatility. He became a composer for "The Cosby Show" and producer of "The Fresh Prince of Bel-Air", which earned him millions and made Will Smith a star. But he had never in his life made music for money. Once you went after that shit, God walked out of the room. The music was all he cared about. He liked to write it from midnight to 10am, lying on the floor in his own mansion in Bel-Air, legs up on the bed. Relaxing into an alpha state. Being alone was fine. He'd had three marriages, seven children and girlfriends all over the world. He was a bit of a dog with women.

The state of popular music in the 21st century gave him a headache or two. Rap and hip-hop were often too violent. Taylor Swift he dismissed. But then he hadn't rated Elvis or The Beatles either: no-playing motherfuckers who couldn't sing. He was irked that too many producers were lazy and greedy, and too many raggedy-ass "stars" knew nothing about music. For all his oddness, Michael had been obsessive about every detail of his songs. And after "Thriller" there was no "white music" and "black music"; all cats sang all sorts. The world had come together. Into his 90s, the mostly contented Prince of Bel-Air saw no reason not to go on enriching the ever-evolving brew. ■

ADVERTISEMENT

The Case for Non-Predictive Decision Making

In our view, market participants systematically **under**estimate the importance of vulnerabilities while correspondingly **over**estimating the importance of triggers. Why?

For one, triggers get more attention. The media tends to cover the collapse of the bridge, not the years of poor maintenance or decay that slowly reduces its structural integrity.

Second, human beings tend to have a natural bias to action. When facing penalty kicks, goalkeepers in soccer tend to guess where the shooter will kick the ball and dive accordingly, even though research has shown that they'd save more penalties by simply standing in the middle of the net.

Rather than anticipating triggers, a better approach in our view is **non-**predictive decision making: a focus on identifying vulnerabilities as opposed to forecasting specific outcomes. It is both more repeatable and more intellectually honest. In an uncertain world, there are any number of events that might influence the performance of a given investment; attempting to foretell all of them accurately isn't possible.

Non-predictive decision making encourages more flexible thinking, a longer-term orientation, and seeking fuller context, whereas a focus on triggers tends to narrow attention, frames of reference, and time horizons.

It's well-understood that being in constant fight-or-flight drastically reduces the potential for rational and sound decision making. In such a state, when faced with new information our lizard brains find it more difficult to distinguish between genuine signal and noise.

After all, trigger events themselves almost always serve as mere catalysts that expose existing vulnerabilities. The sharp rise in interest rates post COVID-19 had a profound impact on many businesses, but the underlying vulnerabilities were always there. Specifically, that the prolonged era of artificially low interest rates that **preceded** recent rate hikes caused certain companies to become overly reliant on steadily rising asset prices and easy access to cheap capital. These were not genuine nor sustainable business models and were destined to break at some point.

To be sure, there are scenarios in which any company can be zeroed; even the strongest of businesses have vulnerabilities that can be exposed by the right trigger. But a "boring" focus on steering away from areas where those vulnerabilities are sharpest as opposed to forecasting triggers—even if it means sacrificing possible short-term gains—should lead to better and more consistent outcomes over time, and especially with appropriate diversification.

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