The Economist



DECEMBER 16TH–22ND 2023

# THE MEDIA AND THE MESSAGE

Journalism and the 2024 presidential election


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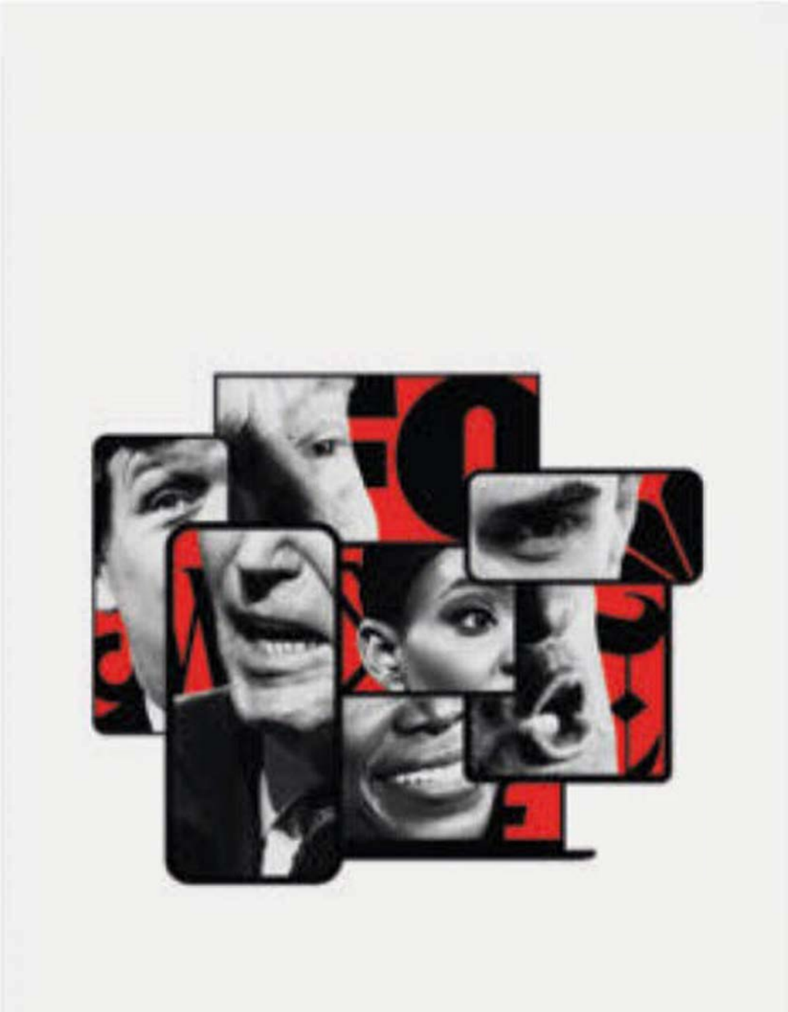
# Contents



## On the cover

**Next year's election in America will test whether a healthy democracy needs a common set of facts: leader, *page 7*. No institution that enjoys the trust of Republican voters can stand up to Trump, *page 19*. Lexington's account of being ejected from the *New York Times*, *page 20*. Our data-crunching shows American journalism sounds much more Democratic than Republican, *page 21***

**London, the invincible city** Its resilience is a lesson to policymakers everywhere: leader, *page 10*. Despite Brexit and covid-19, London thrives: briefing, *page 14*

**Iran is weaker than it looks** That reality should inform American policy: leader, *page 9*. Iran's ageing rulers are preoccupied with succession, *page 37*

**Russia's overheating war economy** Wartime spending means Russia's economy is running dangerously hot, *page 60*

**The seismology of 70,000 Swifties** Their excitement can shake the Earth, *page 64*

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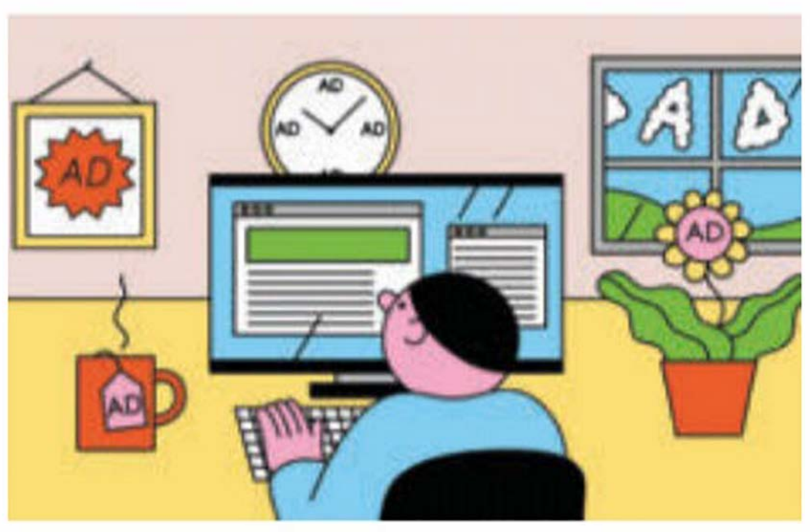
▸▸ Contents continues overleaf





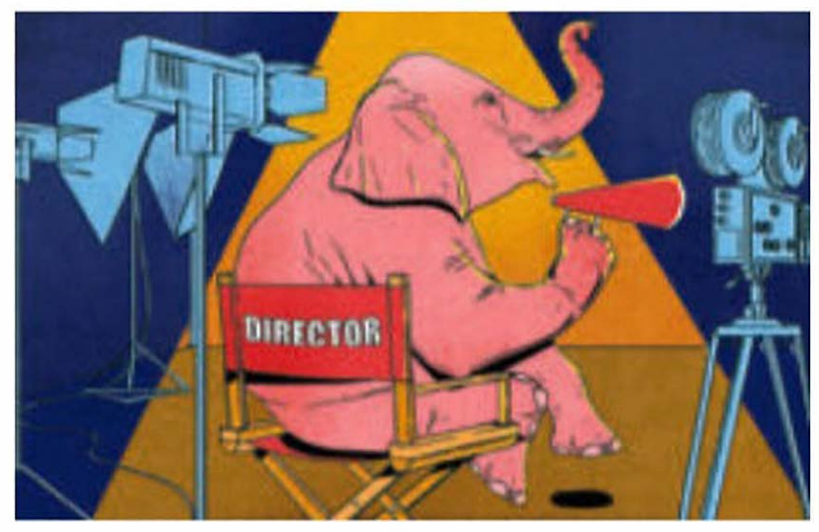










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# The world this week Politics




The UN global summit on **climate change** produced an agreement that, for the first time, calls on countries to transition away from fossil fuels. Some delegates attending COP28 had hoped for a more forceful phrasing on phasing them out. Dirty fuels, especially coal, will be used for some time. The words of the text need to be put into action, but still, the industry minister of the United Arab Emirates, which hosted COP28, described it as historic.

The UAE recently held a mass trial of more than 80 **dissidents** on fabricated charges of supporting terrorism, according to Amnesty International. The government does not allow charges or judgments concerning political prosecutions to be made public or reported on.

In a rare criticism, Joe Biden described **Israel's** bombing campaign in **Gaza** as "indiscriminate" and is pressing its government to scale back its operations. Jake Sullivan, America's national security adviser, has been dispatched to Israel to discuss a timetable to that end. The UN General Assembly voted for a **ceasefire**. Israel's foreign minister said a ceasefire now would be a "gift" to Hamas, and that the war will continue "with or without international support".

Ernest Bai Koroma, a former president of **Sierra Leone**, has been placed under house arrest, according to the opposition. Mr Koroma has been questioned by police about what the government describes as an attempted coup in November that was mounted by his former bodyguards.

Luis Caputo, the new economy minister in Javier Milei's cabinet in **Argentina**, announced a sweeping package of measures. The official exchange rate of the peso was devalued by half and public spending was slashed. The IMF, which has supported the beleaguered economy with a $43bn loan, welcomed the shock therapy.

Irfaan Ali, the president of **Guyana**, agreed to meet Nicolás Maduro, **Venezuela's** autocratic leader. Earlier this month Venezuela held a dodgy referendum, in which 95% of respondents agreed to annex two-thirds of its neighbour. Mr Ali has repeatedly stated that "Guyana's land boundary is not up for discussion."

Efforts by a circle of elites to keep **Guatemala's** president-elect Bernardo Arévalo from taking power in January intensified. The attorney-general said the electoral result should be nullified because of fraud (of which there is no evidence). But the electoral tribunal reiterated that the results are "unalterable". The United States condemned the attempt to undermine Guatemala's troubled democracy.

## The new American elite

Harvard's governing body decided that Claudine Gay should remain president of the university, after she came under intense criticism for her ambiguous answers at a congressional hearing into the surge of **antisemitism** on American campuses. But Elizabeth Magill stepped down as president of the University of Pennsylvania. She got in trouble at the same hearing responding to a question about the genocide of Jews.

The House of Representatives formalised an **impeachment** investigation into Joe Biden that centres on the business dealings of his son, Hunter, who said he would be willing to testify to a public committee. The Republicans have been probing the Bidens for almost a year now.

In **Germany** Olaf Scholz unveiled a deal that seeks to fill a budget shortfall caused by the Constitutional Court striking down the government's previous spending plan. The chancellor said that the budget, which contains lots of new green levies, would retain money for supporting Ukraine and adhere to the "debt brake", which limits government debt.

**Alexei Navalny** has been removed from the penal colony where he had been imprisoned on trumped-up charges of supporting extremism, according to his spokeswoman, and has not been heard from for days. It was expected that Russia's opposition leader would be placed in an even harsher prison. Meanwhile Vladimir Putin confirmed that he would stand for a fifth term as president in 2024.

Donald Tusk was sworn in as **Poland's** prime minister, bringing an end to eight years of rule under the populist Law and Justice (PiS) party. Mr Tusk heads a coalition of centrist parties, which together took the most seats at an election in October, though PiS remains the single biggest party in parliament. He was Poland's prime minister from 2007 to 2014 and then president of the European Council until 2019, and promises to repair ties with the EU and to fully support Ukraine.

The EU prepared for a summit to discuss extra funding for **Ukraine** and a path to its membership of the bloc, both of which are opposed by Hungary. Volodymyr Zelensky visited Washington to drum up more financial support for Ukraine's defence against Russia. The Ukrainian president met politicians in Congress in the face of Republican opposition to giving any more money to his country. His pleas fell on deaf ears.

Rishi Sunak survived a vote on his controversial bill declaring Rwanda to be a safe country for asylum-seekers to be sent to. The **British** prime minister introduced the bill after the Supreme Court ruled against the Rwanda scheme last month. No Conservative MPs voted against the government, though dozens abstained.

## Back in the game

In **Pakistan** a court revoked a conviction for corruption that had been handed down to Nawaz Sharif, a former prime minister, which his supporters claim all but assures that he can run for office again in an election in 2024. Meanwhile, militants linked to the Pakistan Taliban said they carried out an attack on an army base near the Afghan border that killed 23 soldiers.

Four ministers resigned from the **Japanese** government amid a fundraising scandal. The biggest beast to fall was Matsuno Hirokazu, the powerful chief cabinet secretary. All four are members of a faction in the Liberal Democratic Party that supported Abe Shinzo before his assassination in 2022 and which is at the centre of allegations about missing party funds. The approval rating of Kishida Fumio, the prime minister, has plummeted since the scandal broke a month ago.

An MP in **Thailand** was sentenced to six years in prison under the country's *lèse-majesté* law. Rukchanok Srinork, from the reformist Move Forward party, was accused of criticising the monarchy on social media, which she denies. She is seeking bail. A 26-year-old man was also sentenced to prison but given bail, for shouting at a royal motorcade.

The **Federal Reserve** left its key interest rate on hold at a range of between 5.25% and 5.5%, but it also published projections that suggested it would cut rates three times in 2024. That delighted investors. Stockmarkets surged, with the Dow Jones industrial average closing at a new all-time high. The Fed's decision came after data for November showed that America's annual inflation rate had slowed only slightly to 3.1%, and the core rate, which excludes food and energy, had remained at 4%.

## An Epic battle

A federal jury in San Francisco found that **Google's** Play app store was a monopoly, a victory for **Epic**, the gaming company behind the "Fortnite" series. Epic brought the case, accusing Google of rigging competition in the market for Android apps so that it could charge excessive fees. Epic wanted to use its own payments system that avoided the fees. Epic lost a similar case against Apple in 2021, though that was decided solely by a judge. The matter will probably end up in the Supreme Court.

**Anglo American's** share price plunged by 19% on the day it announced plans to curtail production, including its iron-ore operations in South Africa. The mining company has been hurt by a number of factors, such as higher costs and lower market prices for diamonds.

There was more consolidation in the energy industry, as **Occidental** agreed to buy **CrownRock**, a privately held shale-oil producer, in a transaction valued at $12bn. Unhindered by institutional shareholders with an eye on ESG targets, CrownRock has happily ramped up production in the Permian basin in recent years.

**BP** said that Bernard Looney, its former chief executive, would forfeit up to £32.4m ($41m) for "serious misconduct" that led to his resignation in September. The board alleges that Mr Looney misled it about his personal relationships with employees.

**Oil prices** fell sharply, as markets pondered American oil production, China's economy and other factors that affect supply and demand. Brent crude traded at six-month lows of a little over $72 a barrel.

A federal judge in Texas upheld the state's ban on public-sector employees using **TikTok** on government-issued devices. The judge found that, although this prevented public universities carrying out research on the Chinese-owned video platform, Texas had an interest in protecting privacy. The ruling is narrower in scope than the recent decision by a judge in Montana to impose an injunction on a total statewide-ban on TikTok there.

The European Union's member states and the European Parliament reached a provisional agreement on regulating the use of **artificial intelligence**, the details of which are now being worked out by officials. The deal includes mandates to assess the risks from large language models that power AI tools such as ChatGPT and measures to mitigate them. Emmanuel Macron, the French president, warned that the new act could stifle innovation at European firms.

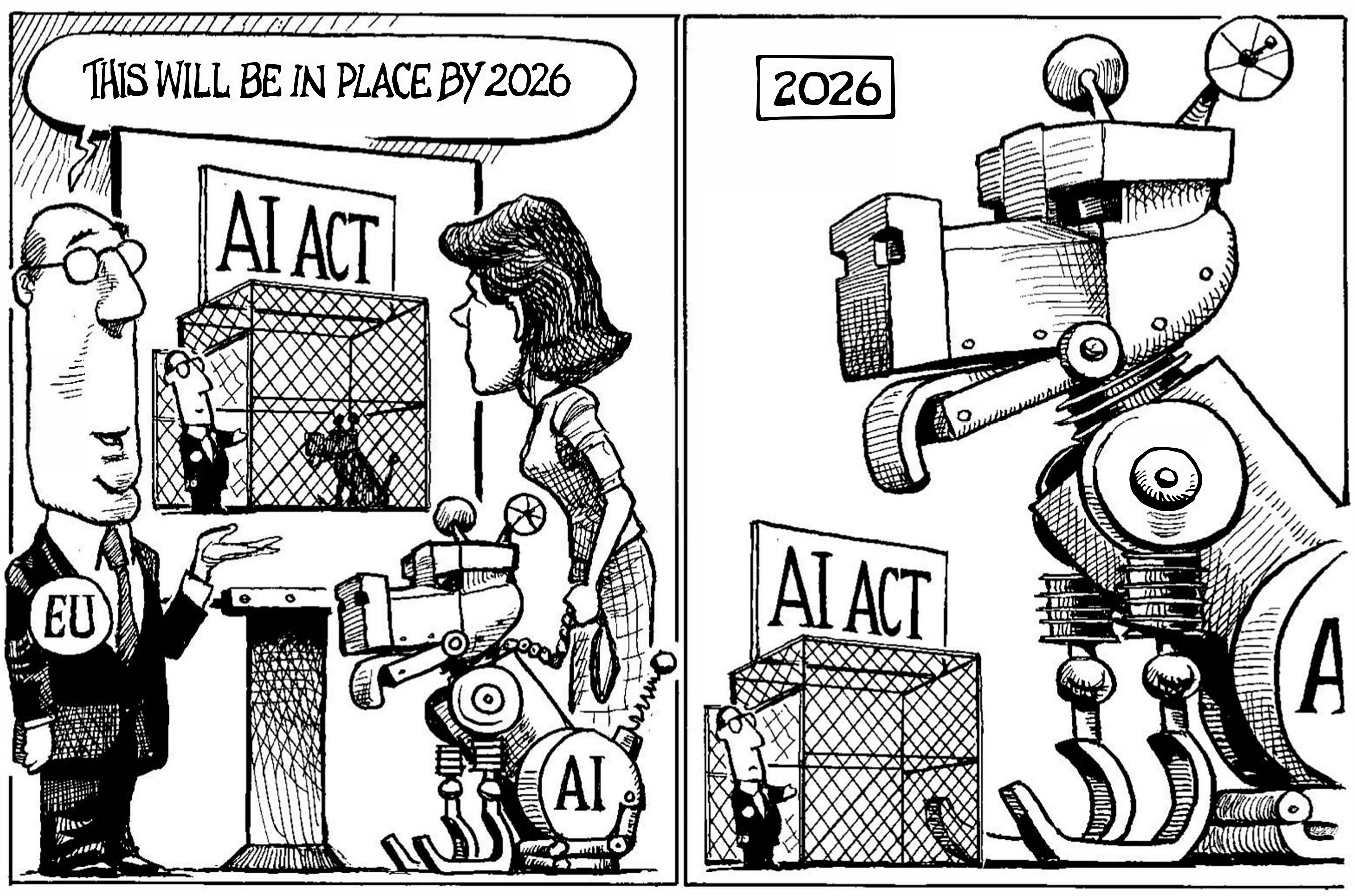
**Eli Lilly's** stock took a brief dive, when a study found that non-diabetic obese patients who took its fat-loss treatment, Zepbound, regained weight a year after halting injections. The Food and Drug Administration only recently approved the treatment. Eli Lilly is one of the pharmaceutical companies that have seen their fortunes rise on the mania for weight-loss drugs.

## Christmas on 34th Street

**Macy's** share price surged amid reports that it has received a buy-out offer from a property investor. The retailer's sales have struggled of late, but the value of its properties in prime locations like midtown Manhattan has stood up well. The news comes shortly after Neiman Marcus was said to have rejected a takeover offer from Saks Fifth Avenue.

Christmas has been ruined for workers at **Hasbro**. Over 1,000 are being laid off, a fifth of the workforce, according to reports. The toymaker, which counts Monopoly, Play-Doh and My Little Pony among its brands as well as the Dungeons & Dragons franchise, has seen sales slide since the pandemic.


**Netflix** published its first "engagement" report, counted by viewing hours. Hollywood writers and actors had demanded more transparency from streaming services during their recent strike. Between January and June "The Night Agent" was the most popular programme (viewed for 812m hours) followed by season two of "Ginny & Georgia" (665m) and "The Glory" (623m). Only four shows in the top 50, including "Pablo Escobar" (170m) and "New Amsterdam" (153m), were produced before 2020.



# The media and the message

**Next year's election in America will test whether a healthy democracy needs a common set of facts**

Journalists should not spend much of their time writing about journalism. The world is more interesting than the inky habits of the people who report on it. But this week we are making an exception, because the discovery and dissemination of information matters a lot to politics. Don't take our word for it: "A popular government," wrote James Madison in 1822, "without popular information, or the means of acquiring it, is but a prologue to a farce or a tragedy; or, perhaps both." Were Thomas Jefferson offered a choice between a government without newspapers and newspapers without a government, he said that he would choose the press (though that is probably going a bit far).

As the turmoil at America's elite universities over antisemitism shows, creating a political culture in which people can argue constructively, disagree and compromise is not something that happens spontaneously. In media, business models, technology and culture can work together to create those conditions. They can also pull in the opposite direction. Our analysis of over 600,000 pieces of written and television journalism shows that the language of the mainstream American media has drifted away from the political centre, towards the Democratic Party's preferred terminology and topics. That could lower the media's credibility among conservatives (see United States section).

As the country braces for next year's election, it is worth thinking about the internal forces that deepened this rift. You can take comfort from the fact that the industry has been buffeted time and again during its long history, yet somehow survived. The worry is that today's lurch may prove worse than any before.

One of those forces is technological disruption. From printing to the mobile web, new media tend to disrupt authority. That is good news if you live in an autocracy. In America, though, technologies have often brought trouble. Father Charles Coughlin, a pioneering demagogue in the 1930s, used radio to reach a mass audience before Republicans and Democrats got the hang of it. Cable news helped foment a revolution in the Republican Party. It is hard to see how Donald Trump could have become the party's nominee in 2016 without the ability to speak directly to tens of millions of Americans in messages of 140 characters. Artificial intelligence (AI) will up-end media once again, for good or ill. It may feed mind-scrambling fakery to anyone who hankers after conspiracy. But, for anyone who wishes to know what is really going on, AI may put a greater premium on filtering out the nonsense.

Disruption powers fragmentation. The American media have passed through narrowcast ages and broadcast ages. In Madison's and Jefferson's day, narrowcasting was the norm: small-circulation partisan journals spoke to different factions of a small elite. Later, the spread of the telegraph and the penny press created mass media. Narrow partisanship was no longer good business. Advertisers wanted to reach as many people as possible and scarce electromagnetic spectrum, which limited the numbers of radio and television stations, led to a system of regulation. All that favoured objectivity: journalists should try to put their opinions aside and stick to the facts.

Today, however, the smartphone has caused fragmentation and American media are back in a narrowcast age. As much of the advertising revenue that once paid for reporters has flowed to Google and Meta, this has created new business models. There is a lot to like about the subscription-based outfits that now rule: what better test of the quality of the work than whether people will pay for it? But such businesses can also be built on pandering to people's prejudices. Tucker Carlson was fired from Fox News only to create a new venture as a subs-based, one-man broadcast company. This is closer to a business model the Founding Fathers would have recognised, but rather than creating content for curly-wigged merchants steeped in 18th-century learning, he wants to tear down such Enlightenment values.

This is not just happening on the fringes. Our package this week also contains an essay by James Bennet, our Lexington columnist, a former editorial-page editor of the *New York Times* who was fired for publishing a piece by a Republican senator that sparked a newsroom revolt. He argues that the *Times* increasingly affirms its readers' leftish bias even as it reassures them that it is independent. Unlike the right-wing media, the mainstream lot do not routinely peddle falsehoods or conspiracy theories. But their bias undermines their ability to put the record straight. They used to be like the best public broadcasters in other Western democracies, establishing common facts and setting the boundaries for debate; today, less so.

Why does this matter? Although most Americans do not regularly read a newspaper or watch cable news, elites matter in democracies. When different political camps exist in separate information universes, they tend to demonise each other. If you are told Joe Biden is in the grip of a cabal of antisemitic socialists, then voting for Mr Trump makes perfect sense. If Trump supporters are anti-democratic racists, why bother trying to win them over? As a result, the parties will find it even harder to reach the compromises that are essential for sustained good government. If the elites cannot see the world as it is, they will make bad decisions.

As well as being a problem for politics and journalism, this is also a threat to core liberal ideas: that arguments need to be strength-tested, that insights can be found in unusual places and that encountering opposing views and uncomfortable facts is usually a good thing. These ideas will be challenged by newsrooms that see "objectivity" as a sleight of hand which privileged groups use to embed their own power. Old-style liberals may have to adapt to AI-powered business models that reward those who tell people everything they already think is true is true.

### Breaking news

America progressed from narrowcast media and a limited franchise in the early days of the republic to broadcast media and universal suffrage. It has never had narrowcast media and universal suffrage at the same time. As a newspaper founded to promote classical liberalism, *The Economist* would like to think they can coexist happily. Next year's election will be the test. ■

British politics

# Rishi Sunak's strategic genius

**The Tories are incapable of offering Britain either stability or normality**

The Conservative party has changed Britain profoundly during its 13 years in office. One such change is that it has made the absence of chaos seem like competence and the previously unthinkable seem acceptable. A prime minister should not be a relief because he did not blow up the financial markets within a month, yet Rishi Sunak was just that. Governments with large majorities should not lose votes in the early stages of legislation, yet the fact that the new Rwanda bill passed a second reading this week was greeted as a triumph of Tory party management. It is not normal for a British government to suspend human-rights legislation, ignore international law or set Parliament in opposition to the judiciary, yet moderate Tory MPs cravenly go along with it. Britain needs stability. The Rwanda row underlines that neither Mr Sunak nor the Tories can provide it.

The Rwanda policy itself is both impractical and unprincipled (see Britain section). Boris Johnson's government struck an agreement to deport to Rwanda asylum-seekers who arrive in Britain on small boats. Their claims would be heard in the African country; if successful, the claimants would be settled in Rwanda, too. That prospect would, the scheme's backers say, deter people from illegally crossing the English Channel.

Yet no plane has yet taken off; the plan was declared unlawful by Britain's Supreme Court on November 15th on the basis that Rwanda was not a safe destination to send asylum-seekers. Britain has thus far paid Rwanda £240m ($302m, or 2.3% of Rwandan GDP) without dispatching a single migrant to Kigali. Although illegal immigration is a genuine concern and many other governments like the idea of processing refugees offshore, this scheme is unusually mean. The government's desire to deport people to a penurious police state that British courts have found to be unsafe is shameful.

To turn that desire into reality, the government has made things even worse. It claims that a new treaty with Rwanda deals with the Supreme Court's concerns. But it does not trust the judges to agree. The new bill stipulates that decision-makers, including judges, "must conclusively treat the Republic of Rwanda as a safe country". It also prevents courts from applying elements of the Human Rights Act, which implements the European Convention on Human Rights (ECHR) in Britain, when dealing with Rwanda deportees.

All this is justified on the ground that Parliament can make and unmake any law it wishes. So it can; so it always could. But that does not mean it should. For Parliament has long sought to legislate in accordance with other principles which are fundamental to the rule of law. Parliament's own joint committee on human rights says that requiring judges to follow a law that tells them to ignore the country's highest court "undermines the constitutional role of the judiciary". During the Brexit negotiations in 2016-19 the principle of parliamentary sovereignty became a battering ram in the hands of ministers; the same tactic is being used today and is again causing wider damage.

A sensible prime minister in charge of a sensible party might long ago have made a judicious retreat on Rwanda—not least because the number of small-boat crossings has actually been falling as a result of other measures. Mr Sunak, regrettably, is not that prime minister, and the Tories are definitely not that party.

The prime minister has notched up some successes in office, most notably the agreement he made with the EU earlier this year on trading arrangements for Northern Ireland. But a plausibly technocratic manner disguises two truths about him. The first is that he has a weakness for silly ideas. He is a true believer in Brexit and was a supporter of Mr Johnson becoming prime minister. He is a big fan of freeports, which tend only to displace economic activity. The Rwanda policy is another gimmick, first conjured up around the same time as officials were wondering whether to install wave machines in the Channel. (He is capable of killing schemes but the biggest thing he has amputated—HS2, a high-speed rail project—was worth keeping.)

The second truth about Mr Sunak is that he is not very good at politics. In the past few weeks he has set himself up as an agent of change only to bring David Cameron back into the cabinet; picked a pointless row with the Greek prime minister over some 2,500-year-old bits of stone; and sacked a home secretary he should never have appointed. Rwanda started out as a policy whim; Mr Sunak has stupidly turned it into a totem.

In so doing, he has elevated the need to maintain Tory unity into an organising principle of government. All of the Brexit behaviours were back on view this week. "Star chambers" were convened. Hardliners chuntered that an already-extreme position does not go far enough: they want to close down avenues for individual asylum-seekers to appeal against deportation. Centrist MPs meekly fell into line because they do not want to bring down their own government.

This week's vote does not end that drama but extends it. As it makes its way through Parliament next year, radicals will push to make the bill tougher, widening Tory splits. If it gets past the House of Commons, the bill is likely to get mired in the House of Lords: Parliament will then be accused of undermining the sovereignty of Parliament. The likelihood that the Tories will lose the next election, which must take place before the end of January 2025, incentivises radicalism. Being a hardliner on Rwanda could be useful in winning the backing of Tory members, who will make the final choice on the next party leader. Opposition to the ECHR will become a test of purity in some quarters, even though the last country to leave it was Russia. And all this for a policy that is not that popular with the public and won't "stop the boats": Rwanda can take only a few hundred of the thousands of asylum-seekers who cross the Channel each year.

### The new abnormal

The tale of Tory factionalism is very familiar. But that is the tragedy. Mr Sunak is using a deeply flawed bill to try to force through a bad policy. The Rwanda debate is sucking up political oxygen, stopping the government from doing more useful things and giving the Labour Party an easier ride than it deserves. None of this is normal. Only this government makes it seem so. ■

The Middle East

# Nervous in Tehran

**Iran's rulers are weaker than they look. This reality should inform American policy**

TWELVE MONTHS ago Iran was reeling from protests sparked by the death in custody of a young woman who had been arrested for showing too much hair. Its theocratic regime was increasingly isolated, as Arab states forged closer ties with its enemy, Israel. The economy was a mess, adding to popular anger at Iran's ageing supreme leader and inept president. The Islamic Republic had not seemed so vulnerable in decades.

In many ways, its position looks stronger today. Since October 7th Iran's proxies have been fighting Israel and attacking American troops in Syria and Iraq. Yet the regime has managed to preserve its recent detente with Saudi Arabia, and the Saudi rapprochement with Israel is on hold, at least for now. Iran has deepened its ties with Russia by selling it drones. And even though Iran is drawing closer to being a nuclear-armed state, enriching more and more uranium to 60% purity, America has relaxed its enforcement of oil sanctions. Iran now pumps more than 3.4m barrels a day, a five-year high.

Yet look harder, and Iran's weaknesses are plain (see Middle East & Africa section). Although its client militias have joined the battle to defend Hamas in Gaza, their efforts have been half-hearted. Iran has been boxed in by America, which has sent two aircraft-carrier groups to the Middle East. This seems to have deterred Iran from ordering Hizbullah, its Lebanese proxy, to escalate the war over Gaza. It knows that anything more than token attacks on Israel would risk a devastating response. Hamas leaders grumble about Tehran's wishy-washy support. "Either they lose their face, or they lose their arm," says Enrique Mora, the EU's Iran envoy. "They decided to lose face."

Iran's economy is worse than it looks, too. The country is pumping more oil, but the proceeds from selling it are often stuck abroad. The rial is 25% weaker than a year ago. Inflation remains above 40%. Russia cannot offer much investment, if any, and China will not do so while Iran is under American sanctions. Ali Khamenei, the supreme leader, is 84 years old. His succession will be fraught: the would-be candidates are unpopular, incompetent or both. "You'd think they're confident," one Iranian analyst says of the regime. "But they're deeply nervous."

This reality should inform American policy. Some want President Joe Biden to try to revive the abandoned nuclear deal in 2024. But Iran will not strike a grand bargain with a president who might soon be replaced by Donald Trump. Instead, America should continue to focus on de-escalation. That means continuing to show strength. It should maintain military pressure on Iran and its proxies, and stand up an international coalition to deter Yemen's Houthis from further attacks on commercial ships in the Red Sea (talks about one are said to be under way).

Meanwhile, America should resume indirect talks with Iran. It should focus on regional stability, pushing for a deal that would see Hizbullah move its forces north of the Litani river in Lebanon, thus averting a bigger war with Israel. That could be a starting-point for broader negotiations. Mr Biden should avoid returning to his predecessor's failed policy of "maximum pressure" and leave open the door to a deal that limits both Iran's nuclear programme and its regional meddling.

Iran has a choice to make. The militias it sponsors in other countries now threaten its own interests. They have jeopardised efforts at de-escalation. They have also cost it $6bn in the form of frozen oil revenue that was about to be released after a prisoner swap with America just weeks before October 7th. America has even threatened to attack Iran directly if it does not restrain Hizbullah. Instead of keeping conflict away from Iran's borders, as they were meant to, its proxies now risk bringing it closer.

Iranians are restive. A tricky transition looms. The regime, as ever, cares most about its own stability, which would be best served by tempering its revolutionary zeal abroad. That this would be a relief for its neighbours, too, goes without saying. ■

Interest rates

# The Powell pivot

**Looser money is premature in America—but overdue in Europe**

FOR MOST of 2023 big central banks have shrugged off investors' bets that interest-rate cuts were imminent. That all changed on December 13th, when the Federal Reserve signalled that it expected to cut rates by three-quarters of a percentage point in 2024, coming close to endorsing markets' doveish views and causing a frenzy of buying on a delighted Wall Street. At the start of the month Jerome Powell, the Fed's chairman, had said that it was premature to discuss the timing of rate cuts. Now he says loosening is under discussion for the first time since inflation surged after the covid-19 pandemic.

Could the pivot set off a global move towards monetary easing? As we went to press the Bank of England and the European Central Bank were due to announce their monetary-policy decisions, having, like Mr Powell before this week, recently pushed back against the idea that rate cuts were imminent. The irony is that a turn towards looser money looks far more appropriate in Europe than it does in America, where Mr Powell is gambling that recent good news on inflation will keep rolling in.

The main factor behind the pivot is that inflation has fallen fast. America will probably log underlying price growth of less than 3.5% for 2023 as a whole, on the Fed's preferred measure, compared with 5.1% in 2022. Having started the year predicting a ▸▸

recession, many economists now reckon that a "soft landing" for America is nigh.

Yet inflation is not at the Fed's 2% target yet, and there is a significant danger that it will soon stop falling. The labour market continues to look too hot. Although the number of job vacancies has fallen, employers created 199,000 jobs in November, more than double the long-term growth in the labour force, helping push the unemployment rate down to 3.7%. Wages continue to grow at a rate that is too fast to be consistent with inflation of 2%, even after accounting for productivity growth. Consumers are spending plentifully. Output is 7.4% above its pre-pandemic level—and, astonishingly, less than 2% shy of its 2015-19 trend. The economy does not much look like it needs a helping hand from the Fed.

By contrast the euro zone would benefit from a monetary-policy pivot. Inflation in the bloc has fallen even further: core consumer prices, which exclude food, energy, alcohol and tobacco, have grown at an annual pace of just 0.7% over the past three months.

And, unlike America's, the euro-zone economy looks soggy; surveys suggest that both the manufacturing and services sectors are shrinking. Output is languishing 5.3% below its pre-pandemic trend. It is harder to tell the condition of the European labour market, owing to the long lag with which wage figures are reported. But there are clear early signs of softening, which will probably look like a slump when the data appear (see Finance & economics section).

The transatlantic divergence in inflationary pressures is explained in part by fiscal policy. America enacted stimulus worth 26% of GDP during the pandemic; its consumers are still spending down the cash they accumulated from handouts and staying at home. The federal government continues to add heat to the economy. Its underlying deficit reached 7.5% of GDP during the 2023 fiscal year.

Europe's big economies, by contrast, handed out only about half as much stimulus as a share of GDP during the pandemic and in 2023 the members of the European Union will run a combined deficit worth about 3.5% of GDP. Whereas rampant spending at home has driven American inflation, Europe's has to a greater degree flowed from supply disruptions, including its energy crisis. European inflation is only likely to prove sticky to the extent new supply shocks strike. (Britain is a hybrid case in which both stimulus and supply shocks were large.)

### Pivotal moment

The ECB would therefore do well to loosen policy significantly in 2024. To keep rates high would be to repeat its hawkish missteps of 2008 and 2011, during which it raised rates and aggravated the effects of the global financial crisis. America's different circumstances mean the Fed is not at risk of making such an error. But Mr Powell's pivot leaves it in danger of making an equal and opposite mistake. ■

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Cities

## Metropolished

**London's resilience is a lesson to policymakers everywhere**

IN 2012 LONDON could claim to be the world's pre-eminent city. The Olympics had given it a showcase. Despite the financial crisis, globalisation was still just about in vogue and cosmopolitan London was its emblem. Since then, it has been hit by a series of blows. Brexit signalled that Britain was turning inwards and made its capital a less attractive place for businesses. Covid-19 raised big questions for cities everywhere; workers in central London are in the office on average for just 2.3 days per week. Over the past decade some of the most powerful currents in Western politics—anti-globalisation, fear of immigration, the fetishisation of manufacturing—have turned against London.

London has had rough spells before: a long one after the Romans left, and another in the early 18th century when its population stagnated because of mass addiction to gin. By the end of the 1980s the city's population had fallen from a pre-war peak of 8.6m to just 6.7m. The blows of the past decade might seem like another turning-point.

Instead London is doing pretty well, as our Briefing this week describes. Its economy has weathered Brexit far better than other parts of the country. Tourism has almost returned to pre-pandemic levels. London's population, which dipped again during the pandemic, is projected to hit 10m by 2040. The volume of new office construction hit record levels in the third quarter of 2023. It is not, and has never been, a nice place to be poor but it remains an engine of social mobility: children receiving free school meals in the capital are much more likely to go to university than their peers elsewhere in Britain.

Residents of other world cities will argue that their home patch is better than *The Economist*'s. (And if you like rats, heatstroke or boredom, then New York, Dubai and Singapore really are terrific.) But even friendly rivals ought to celebrate London's resilience. The British capital is a compelling advertisement for metropolitan strengths: services, agglomeration and openness.

London's emphasis on services rather than manufacturing helped it to sidestep the worst fall-out from Brexit. Between 2016 and 2021 London's exports of services grew by 47%. London's status as a global financial centre remains intact even as its dominance within Europe has been eroded; it is a vibrant centre for tech startups. Politicians in America, Europe and Britain itself are shovelling subsidies towards manufacturing, but London is a reminder that high-value services—from law to coding, consulting to higher education—can be a better source of growth, jobs and innovation.

London is proof that agglomeration still matters. The pandemic raised questions about the power of cities when people can work remotely. But in a world of hybrid work, cities win and superstar cities win bigger. Offices are still needed as places for employees and clients to gather; entertainment options matter more in drawing people into cities if their jobs do not.

Catchment areas for cities can expand if people have to com- ▸▸

mute less often, and if the transport infrastructure allows it. The railways propelled London outwards in the 19th century, and they are doing so again. The Elizabeth line, a new railway running east to west through the capital, means that the Tube map now spans an area more than 100km wide. The truncated version of HS2, a high-speed railway that was meant to benefit the north, will bring more people within the city's reach. London is well on its way to becoming a megacity.

It remains a magnet for newcomers of all sorts: Nigerians, South Asians and Latin Americans have taken the place of EU immigrants. Two-fifths of Londoners were born abroad. Most great Asian metropolises are far less heterogeneous: under 5% of Tokyoites are foreign-born, for example. London and New York are roughly as diverse but the British capital is not as ethnically segregated, in part because of the dispersal of social housing across every borough. Immigrants have helped raise standards in London's schools, which have gone from the worst-performing of any English region to the best.

London does have problems. The biggest by far is housing: factor in the cost of a roof and London's poverty rate is higher than in the rest of England. London can continue to be an engine of social mobility only if people can afford to live there: planning constraints on home-building should be eased. The ruling Tories' draconian approach to immigration is another threat.

These are problems born principally of success, not stagnation. In Britain itself politicians should be trying to replicate the capital's success by knitting together northern conurbations. And policymakers everywhere should reflect on London's robustness. Big cities are motors of growth and innovation. They are where people want to live, work and play. London dazzled when everything was going its way. But the lessons it offers now are even more important. ■

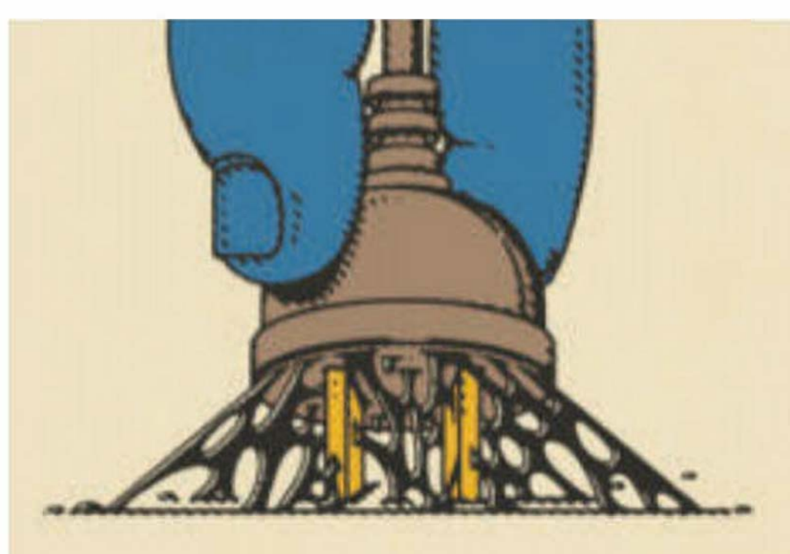
Climate change

# Green shoots

**COP28 goes further than ever in targeting the root cause of climate change**

As activists and diplomats first assembled in Dubai for COP28, the UN's climate summit, a fortnight ago, the chances of significant progress seemed slim. War had returned to the Middle East and the geopolitical order was fragmenting. The choice of the summit's host country—the United Arab Emirates, one of the world's leading petrostates—and its chairman, Sultan al-Jaber, the head of its national oil company, threatened to turn the event into a giant exercise in greenwashing.

Instead, COP28 defied the pessimists. For the first time the world has agreed to move away from the coal, oil and natural gas that are the principal causes of global warming. The 198 parties to the UN Framework Convention on Climate Change agreed on a text that called for a transition away from fossil fuels "in energy systems, in a just, orderly and equitable manner".



Some will be disappointed at the compromises made. The Europeans had hoped to agree to "phase out" fossil fuels entirely, to which fossil-fuel producers refused to sign up. Small island countries say their voices were not heard. The deal states that only "unabated" coal power will be phased down, leaving the option of the dirtiest fuel continuing to be burnt as long as its emissions are captured at source. Nonetheless, the document is an important, and realistic, step forward.

The call to phase out fossil fuels was both politically naive and economically unfeasible. COP operates by consensus, meaning that the big petrostates had a veto on any deal. Moreover, fossil fuels are likely to remain part of the energy mix for decades to come. Even optimistic forecasts suggest a substantial role for oil and gas, balanced by technologies that remove their greenhouse-gas emissions, in scenarios for the world to achieve net zero by 2050. Although clean energy has made vast strides, it is unlikely to displace fossil fuels fully by then.

Climate diplomacy also proved to be more potent than the pessimists had expected. Mr al-Jaber proved keener to ensure a negotiating success for his country than to distort the process to favour its economic interests. An early pledge from 50 oil companies, including Mr al-Jaber's firm, to reduce their emissions of methane, a potent greenhouse gas, suggests that there were some benefits to an oilman running the show.

An agreement between America and China ahead of the summit helped lay the groundwork. It meant that the two largest polluters and geopolitical rivals together pressed for restoring some language on fossil fuels into the deal, which helped steer recalcitrant petrostates towards agreement. Even the choice of the venue for next year's summit—Baku—was a symbol of harmony. Armenia lent its support for Azerbaijan's bid as the two warring neighbours inch towards peace.

Yet a global agreement is only one small step. A far bigger and harder one will be to translate words on a page into action in the real world. The deal sends a signal to oil companies, especially in rich countries, that they may find it harder to do business, for example because of legal challenges to exploration licences. But reducing reliance on fossil fuels will ultimately depend on making them uncompetitive. A combination of carbon prices and well-targeted subsidies for clean technologies can do so in the rich world.

Poorer countries will need help. The summit largely sidestepped this thorny issue. Developing countries with fossil-fuel reserves argued that it was unfair to expect them to forgo one of their few revenue streams without being given aid to do so. According to the Energy Transition Commission, a think-tank, getting rid of coal power early will require the rich world to make available around $25bn-50bn a year in grants and other concessional finance to poor countries over the rest of this decade, to retire coal assets early.

This provides the backdrop for a fierce battle. Projects in poor countries are much costlier than those in rich ones, because the private sector demands a premium to compensate for the associated risk. But rich countries will try to limit their financial obligations to the developing world. Bridging the gap, far more than diplomatic backslapping in Dubai, will determine whether the beginning of the end for the fossil-fuel era has come. ■

## Investing in research

Perhaps there are more fundamental reasons for the slowing pace of R&D than the bureaucratic barriers you identified ("Putting science under the microscope", November 18th). Over the past half-century, the proportion of R&D funded by governments has fallen sharply relative to private-sector funding. Corporations struggle to capture the full value of investments in early-stage research and tend to focus on short-term wins. At the same time governments, which economic theory tells us should be filling the gap in early-stage research, have shifted their focus towards later technology readiness.

The trend is accelerating. According to data from the American Defence Department, recent spending in early phases of R&D was a quarter of the total at the turn of the century. In the budget request for fiscal year 2024 it dropped to 13%. Australia's defence agency recently considered its own version of America's Defence Advanced Research Projects Agency. It changed course, opting instead for a "capabilities accelerator" charged primarily with speeding adoption of dual-use and other later-stage technologies.

GEORGE HENNEKE
Visiting senior defence economist
Australian Strategic Policy Institute
*Canberra*

As you say, the first step is to try new things in funding science. How about a more entrepreneurial approach that cuts the bureaucracy and red tape? If the British government treated the multitude of small charities supporting nascent cancer-research projects as early "angel" investors it could join in with larger later-stage funding for the most promising research. Small charities like Pancreatic Cancer UK have an important role in seeding new, risky and ambitious research for pressing challenges in treating the less survivable cancers: brain, pancreatic, liver, stomach, oesophageal and lung. They seek outcomes, not profit.

Promising projects funded by PCUK, like an exciting new low-cost breath test being developed by a team at Imperial College, can dramatically improve outcomes through early detection. We urgently need to fund and accelerate such work with an entrepreneurial, rapid-response approach. Breakthroughs in research for the deadliest cancers coming from projects seeded by small charities can change these outcomes. We must act now.

ALICE GAST
Former president of Imperial College London

There is an alternative to the funding models for scientific research that you discussed. Prediction markets use betting to aggregate expertise and incentivise participants to get it right. They could be used as a mechanism to fund some types of research in a more inclusive and performance-driven way. Where the primary aim of research is a well-specified prediction, climate forecasting for example, using the proven ability of markets to synthesise diverse information could be more effective than traditional grant proposals and peer review.

MARK ROULSTON
*Witney, Oxfordshire*

## Women in the UAE

Another area where the United Arab Emirates has made progress recently is in eliminating many of the multiple forms of discrimination against women embedded in the country's laws ("Port in a storm", November 25th). As recently as 2016, the World Bank's "Women, Business and the Law" report placed the UAE in broadly the same category as Iran, Jordan, Qatar and Saudi Arabia as among the worst places in the world for women in terms of property rights, workplace protections, access to institutions and other areas.

A close examination of the 2023 report shows the remarkable progress made by the UAE in modernising its legislation to make the country a more congenial place for women's economic participation, such as providing them with protections from various forms of violence. This is to be commended. The economic empowerment of women is vital for growth and prosperity. Numerous studies have shown the benefits of higher female labour-force participation, for instance.

But the UAE's recent experience also shows that it is possible to reconcile Islam with modernity, including better treatment of women. This is a vital lesson for countries in the region.

AUGUSTO LÓPEZ-CLAROS
Executive director
Global Governance Forum
*Madrid*

## Dancing with dollarisation

Two crucial aspects remain insufficiently addressed regarding Javier Milei's policy of dollarisation for Argentina ("What Milei must do", November 25th). First, economists generally agree that a country's progress is positively linked to robust institutions. Although a nation may cede sovereignty in monetary policy, this alone does not strengthen fiscal, commercial and legal frameworks. Handing sovereignty over key developmental policies to third parties does not guarantee sustainable progress.

The second reason is that a society's culture cannot change overnight. Argentina is not Ecuador. Carlos Gavito, an Argentine tango dancer, showcased the "Forever Tango" spectacle on Broadway. He toured 90 countries and mastered several languages, but he understood that when the stage lights come on, a tango performance is a duet performed "by Argentines".

Without a credible plan to strengthen its institutions, including the central bank, sustainable progress in Argentina is unattainable. Argentines understand that when the lights come on, this particular tango won't be danced with the Federal Reserve.

MATÍAS ACEVEDO F.
Former executive director at the Inter American Development Bank
*Santiago*

## Too late to ditch Biden?

Donald Trump's potential return to the White House indeed poses a danger to American democracy and the world ("Next year's great danger", November 18th). It is maddening to watch the Democratic Party's leadership stand behind Joe Biden while his approval rating approaches that of Jimmy Carter in 1979. Poll after poll suggests that, at best, a rematch between Mr Biden and Mr Trump would be a toss-up. The stakes are far too high to leave the outcome of this election to chance.

A saner course of action for Democrats would be to persuade Mr Biden to graciously step aside (he could then claim the mantle of selfless protector of democracy, rather than risk being remembered as a tone-deaf politician who put his own interests before his country's). A robust Democratic primary could produce a relatively young, competent candidate, who would have better odds of defeating Mr Trump.

NICHOLAS BUXTON
*New York*

## Cocaine bust

It is interesting to note that your article on Brazilian drug gangs felt it necessary to explain that Lisbon was the capital of Portugal, but didn't feel that the slang word "blow" required clarification ("Blow up", November 25th). I fear I may be out of touch with the lifestyle of the average *Economist* reader now.

MIKE WARD
*London*

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# Invincible city

LONDON

**Buffeted by Brexit and battered by the coronavirus, London has continued to prosper. How?**

IT WAS NOT an auspicious time to open a pub in central London. When Michael Belben and his business partner took over the Eagle on Farringdon Road, Britain was in recession. Undeterred, they bought mismatched crockery from car-boot sales, removed the fruit machine and darts board and installed an open-plan kitchen and a blackboard menu. The pub was relaunched in January 1991.

In the decades since, the struggles and success of the Eagle—reputedly Britain's first "gastropub"—have encapsulated those of London itself. At first its Mediterranean dishes were novel; but as the city's tastes and population diversified, its formula of refined but affordable grub was widely imitated. The Eagle was unruffled by the financial crash of 2007-09; it scraped through covid-19 and its devastating social-distancing rules. For a venue that has always hired migrants from Europe, says Mr Belben, Brexit may prove "a dreadful problem". But not yet.

"It's amazing how resilient we are," he concludes. The same can be said of London. In the early 1990s a city that had seemed to be on the skids was rejuvenated. After shrinking by over a fifth since the second world war, the population began to grow. Enterprising foreigners poured in. The economy boomed, fuelled by financial deregulation, European integration and communism's collapse. By the time it hosted the Olympic games in 2012, London had a fair claim to be the capital of the world.

Cue a perfect storm of woes that threatened to capsize cities in general and London in particular. Already its mercantile heart had been shocked by the financial crisis. Then a cosmopolis that runs on immigration faced the shuttering of Brexit and the pandemic barred tourists from one of the planet's most visited places.

Yet like the Eagle, London is thriving—a hardiness that holds lessons for cities everywhere. Its globalised economy has weathered Britain's exit from the European Union far better than doomsayers had predicted. For all the political bluster on immigration, it remains a magnet for ambitious newcomers. And it is better-placed than many cities to absorb the disruptions of covid-19. Traverse London from south to north and west to east, and you find that its biggest challenges are the results of its dynamism rather than decline. Begin in the south London neighbourhood of Peckham.

A regal woman in ceremonial Yoruba attire rides a horse down Peckham's high street. Youngsters playing basketball and shoppers at west African grocers watch in wonder (with classic London insouciance, some don't bat an eyelid). Adeyemi Michael's short film, recently on show at the South London Gallery in Peckham, honoured the Nigerians who began thronging to this part of the capital in the 1970s, earning it the nickname "Little Lagos".

### Southern crossroads

You can still eat knockout jollof rice at Lolak Afrique, a café just off Peckham's main drag. But the neighbourhood, and London's Nigerian community, are changing. As cocktail bars and sushi restaurants have moved in, the Nigerians have spread out, their numbers falling in Southwark, the borough which includes Peckham, and rising elsewhere. London has never been as ethnically segregated as some American cities; as analysis by Gemma Catney of Queen's University Belfast shows, it has become progressively less so over the past few decades, the black African population dispersing especially fast.

As it spreads, London's Nigerian population is growing. In the past couple of years post-Brexit immigration policies have admitted many more students and workers (largely in health care) from beyond Europe. In the year to June 2023, 141,000 Nigerians moved to Britain, more than the total from the entire EU, to which there is now net emigration.

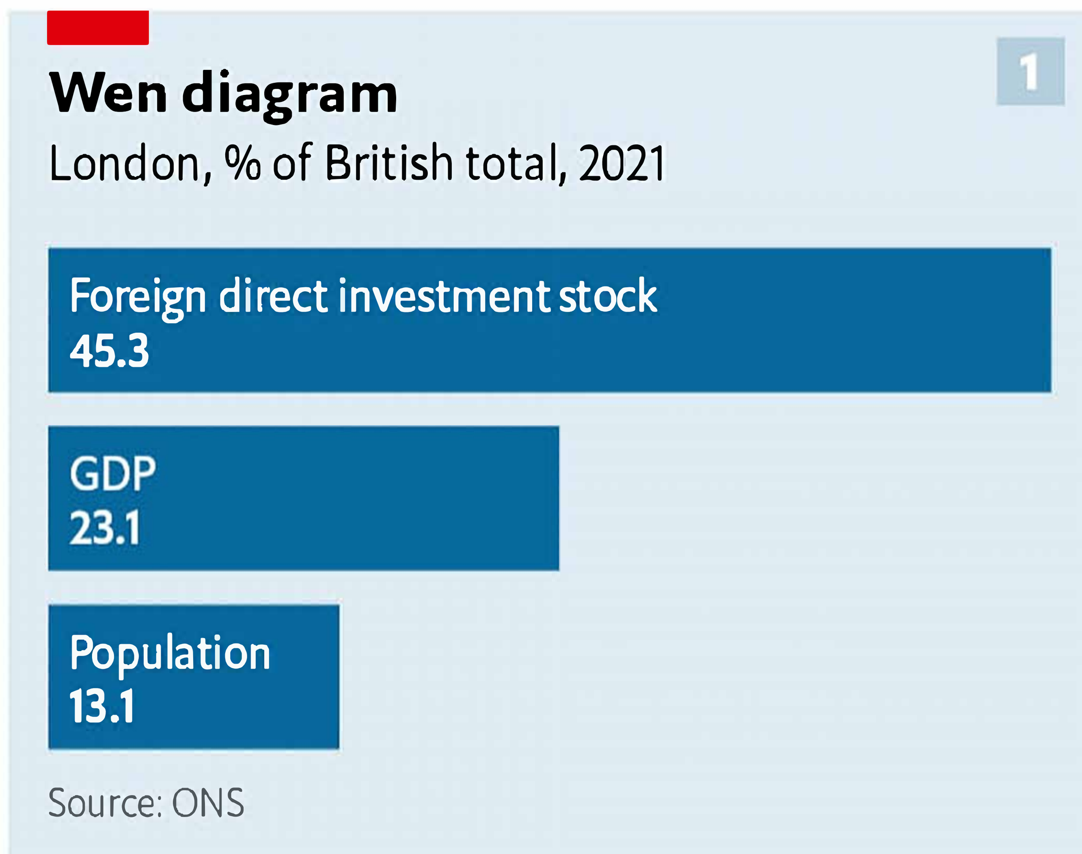
On December 4th the government announced plans to cut immigration. But so far, at least, the fear that Brexit might stem the flow of migrants to London has not been realised. In one of Brexit's ironies, other arrivals have more than compensated for the shortfall of Europeans. Partly as a result, London's population, which dipped during the pandemic, is nudging 9m and is expected to hit 10m by 2040. Taking into account the inflow of skills and students, says Jonathan Portes of King's College London, Brexit's effect on the city "has if anything been positive", in terms of immigration, at least. It remains "a roost for every bird", as Benjamin Disraeli wrote in 1870.

Nor does the latest influx into what was already a spectacularly diverse city seem to have stirred much tension. According to Ipsos, a pollster, Londoners are more than twice as likely as Parisians to say immigrants have had a positive impact on their home town. Suella Braverman, twice forced out as home secretary in Conservative governments, recently claimed multiculturalism has "failed". She is walking proof of the opposite: a Buddhist brought up in London by parents from Mauritius and Kenya, she found a Jewish husband and rose to one of the highest offices in the land. The London dream, you might call it.

In another widely predicted way, Brexit has indeed bruised London: by damaging the City, an engine of growth already beleaguered by the financial crisis and the rise of other hubs. Yet as at the Eagle, the consequences have, so far, been manageable.

Brexit's overall costs will be felt as much in things that don't happen—internships forgone, romances that never blossom—as in those that do. The same goes for its impact on the City, says William Wright of New Financial, a think-tank. He points to the hundreds of new jobs created in Paris by American investment banks, which in different circumstances would probably have come to London. As for things that have happened: London's share of new listings, and of trade in European equities and derivatives, has dwindled.

Still, relatively few existing jobs have been relocated from the City because of




Brexit. The latest estimate by EY, a consultancy, is around 7,000, far lower than the tens of thousands once anticipated. The City will no longer be the default financial centre *for* Europe, predicts Mr Wright; but because of its status in global financial markets, it is set to remain the dominant hub *in* Europe. It is big enough to cope.

Besides sheer size, the City and the rest of London enjoy two other advantages in Brexit's aftermath. The first is that they already did lots of business with the world beyond Europe, receiving copious foreign direct investment (FDI) from America especially. London has become even more reliant on American investment since Brexit, observes Riccardo Crescenzi of the London School of Economics (LSE). Worryingly, when downsizing and divestment are included, in 2021 there was a net outflow of foreign capital from both London and Britain for the first time since 1984. Even so, says Professor Crescenzi, London is still the top city in Europe for new FDI projects.

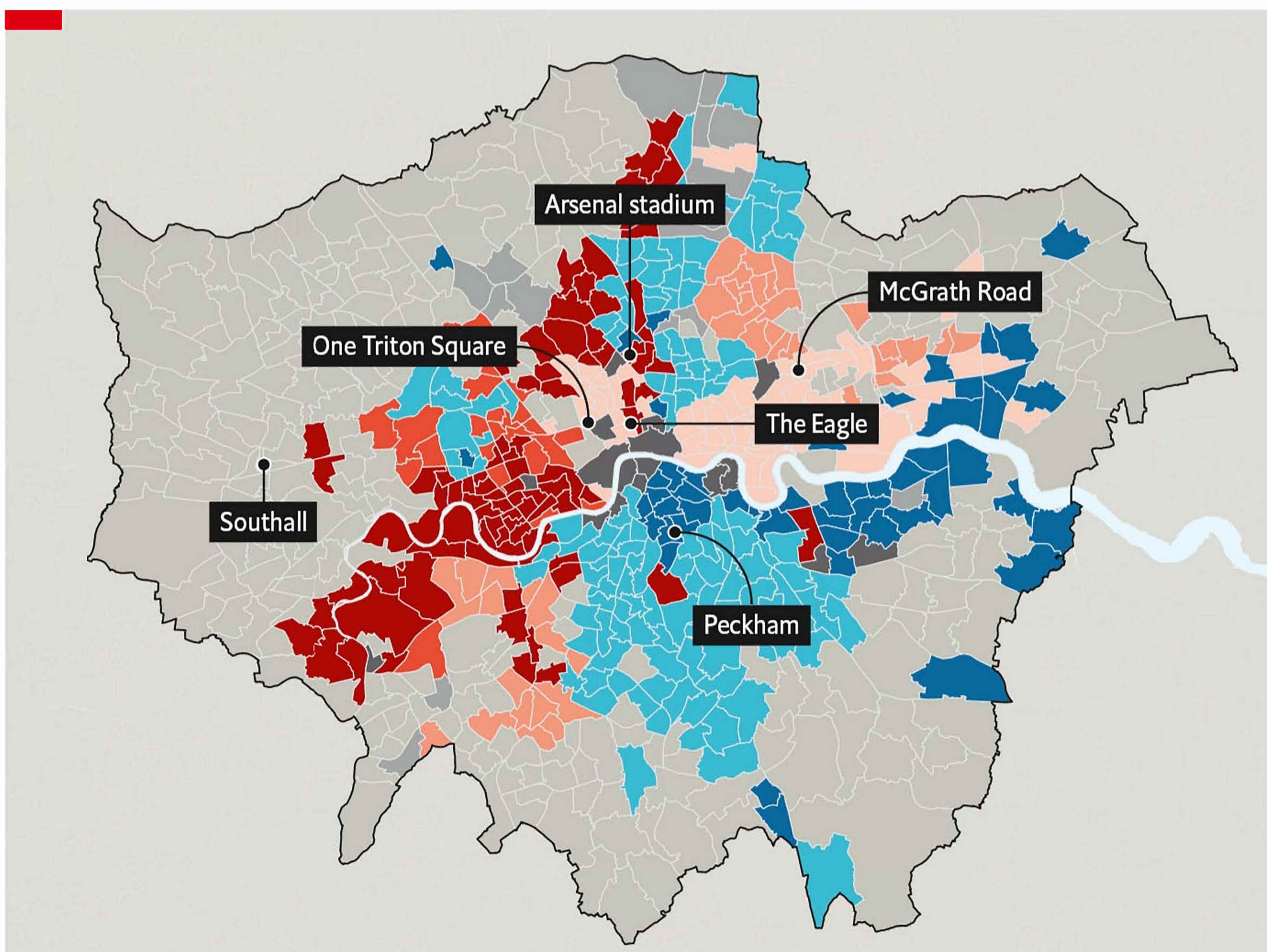
The other plus is that the industries in which London specialises—not just finance but law, accounting, consulting, the media and higher education—have been less hampered by post-Brexit rules than other sectors. Between 2016 and 2021 London's exports of services grew by 47%, notes Emily Fry of the Resolution Foundation, another think-tank; for the rest of Britain the rise was just 4%. Places that import parts and export goods have suffered more Brexit-related costs and bureaucracy.

The momentum of the tech scene, in particular, is too strong to be "stopped in its tracks", insists Brent Hoberman, a tech guru and investor. Because of Brexit "we have to be more paranoid" about competition, but, he reckons, London remains the best place to start a tech firm in Europe. American venture capitalists are still keen. The record supports his confidence: London has produced more tech unicorns than its three nearest European rivals—Berlin, Paris and Stockholm—combined.

## Unhobbled hub

Its perennial virtues—the time zone, English language and rule of law—are reinforced by the proximity of top universities and an abundance of skills and capital. Babs Ogundeyi, the founder of Kuda, a fintech firm based in London, says savvy local angel investors helped attract more capital. Kuda runs a digital-only bank in Nigeria and a remittance service for Africans in Britain. For all Brexit's hassles, Mr Ogundeyi notes, it has led to closer ties to Africa.

The upshot is another irony of Brexit;




London, most common ethnicity excluding white British, by ward, 2021

Indian · Bangladeshi · Pakistani · Arab · European · African · Caribbean · Chinese · Others

Source: ONS

you might also call it karma or poetic justice. London, the only region of England that in the referendum of 2016 voted to stay in the EU, has fared better than regions that wanted to leave. For overlapping reasons, it has bounced back faster from the pandemic. Head to north London to see why.

**Sally north**

On a chilly evening at Arsenal's football stadium, the club's new anthem rings around the ground: "North London for ever/Whatever the weather/These streets are our own." It is a sentimental but affecting tune, especially after the lockdown months in which spectators were barred. Now the stadium is packed; Gunnersaurus, the team's mascot, is high-fiving young fans. The faithful are loudly outraged by lunging tackles on their hero, the winger Bukayo Saka (he duly scores).

Like the carousing at the Eagle, London's entertainment economy is buoyant again after the deathly doldrums of covid-19. Its seven Premier League football clubs project soft power around the globe. Tourism has almost returned to pre-pandemic levels, boosted by a rise in American visitors. The Society of London Theatre says audiences are up. On some weekends the Tube is busier than in 2019.

All told, London's nimble economy has recovered much more strongly than has the rest of the country's. Like other cities, it faces obstacles in the post-covid world. But it is better equipped for them than many.

Already under pressure from online shopping, some retail districts are struggling—notably Oxford Street, which this year looks somewhat bedraggled beneath its Christmas lights. Along with a rise in rough sleeping, vacant shops have contributed to a dilapidated air in parts of central London. By some accounts, however, the main threat to its pizzazz is Londoners' reluctance to return to the office full-time.

One Triton Square, an office tower a mile from the Eagle, near Regent's Park, is an emblem of this trend. It stands in a snazzy development with all the modish appurtenances of a modern office complex, including a climbing wall and an art gallery. But the building is empty. Lights blink eerily in the dark atrium; the escalators are frozen. Earlier this year Meta, the parent company of Facebook, paid a whopping fee to cancel its lease on the tower before it even moved in.

The ghostly building is not unique. Vacancy rates in commercial property in central London are high, in part because—as elsewhere, only more so—people are loth to kick the working-from-home (WFH) habit acquired during the pandemic. A recent survey for the Centre for Cities, also a think-tank, found that, on average, workers in central London were in the office 2.3 days per week, less than other Britons. Of 32 countries surveyed for research by Nick Bloom of Stanford University, British workers stayed home more than any bar Canadians. Taken together, these findings imply Londoners are among the most absent workers anywhere.

Passing through Peckham

Face-to-face interactions are good for productivity, already stalling in London before the pandemic. Low office attendance could in time deter foreign investors. Then again, in a WFH future, London has enticements that other places lack.

A three-days-a-week office will have to look different from the antediluvian sort: more flexible and alluring. Yet networking, transport and entertainment possibilities mean the case for keeping a central-London HQ is stronger than for having a satellite office. Notably, the WFH culture has not led armies of Londoners to retreat beyond striking distance of the workplace. Most inner Londoners who moved home between the summers of 2021 and 2022 circulated around the city, rather than fleeing it.

Like the nosh at the Eagle, London is appealing enough to sustain footfall even as other downtowns stumble. As Jonathan Seager of BusinessLDN, a lobby group, puts it, "If you're a company that needs space, London is still the place for you."

**House-vise index** 2

House-price-to-income ratio

Long-run average=100


Sources: Census Bureau; ONS; Zillow; *The Economist*

It has brushed off another crisis that some thought would nobble it: the war in Ukraine and ensuing sanctions on Russia's elite, who had brought joy to London's libel lawyers, estate agents, PR firms and football fans. For all their notoriety and flamboyance, their largesse was always less important than that from China and the Middle East, says Oliver Bullough, author of "Butler to the World", an exposé of Britain's services to kleptocracy. In any case, plenty of other high-rollers still call London home, or one of them. (For an Ozymandian monument to London's indulgence of oligarchs, stroll west from Harrods and look out for a disused Tube station. In 2014 the government sold it for £53m—$87m at the time—to Dmitry Firtash, a Ukrainian tycoon wanted in America on charges of alleged corruption, which he denies.)

London, after all, has absorbed all manner of shocks in its 2,000-year history. Its most precarious period, considers Tony Travers of the LSE, came after the Romans left in the fifth century AD. The Black Death killed much of its population in the 1340s; the Great Fire of 1666 razed swathes of it. A port city that adapted to the decline of its port, it was also an imperial capital that acclimatised to the loss of empire. It defied the Blitz of 1940-41—when, rather than sheltering in the Tube as urban myth has it, most Londoners simply slept at home.

That phlegmatism is one of London's abiding traits. Its biggest worries now may not be external threats but the repercussions of success. Moscow, Paris, Seoul, Tokyo: other cities dominate both the politics and economies of their country. Even so, London stands out for its grip on government, finance, media and the arts (worlds that collide at the Eagle, a watering hole for moneymen and media types and home to an art gallery). Equally glaring are the differences in the demography and outlook of Londoners and their compatriots.

At the last count, disposable household income per person was 43% higher in London than in the country as a whole. Londoners are younger, more left-wing and far more diverse: ethnic minorities account for 46% of residents, over double the proportion in England and Wales. Two-fifths of Londoners were born abroad. Contrary to its reputation in the shires as a latter-day Gomorrah, on average London is slightly more socially conservative and less boozy than other regions.

For that, thank its immigrants, many of whom are devout. They have also helped raise standards in London's schools, which this century have been transformed from the worst-performing of any English region to the best. For a close-up look at that phenomenon, go west.

Known as "Little India", the western suburb of Southall is studded with Punjabi and Afghan restaurants, mosques and Sikh temples. Nathan Walters, head of the local Featherstone High School, says 85% of its pupils use another language at home. Almost a third receive free school meals (a standard measure of poverty). Whether or not they speak English themselves, parents are "unfailingly positive" about education; results far outstrip the national average. Proximity to opportunity is a motivation, says Mr Walters. Pupils "can almost see it from their bedroom windows".

London's dominance, and voracity for people and capital, have been concerns for centuries. Over 400 years ago King James I griped, "Soon, London will be all England." In the 19th century it was dubbed "the great wen" (cyst). These days polling finds other Britons view it as crowded and expensive and its denizens as arrogant and insular. Many think it is favoured by policymakers and the exchequer, though it contributes far more than it gets back. London's net fiscal contribution per head is over £4,000.

That sort of resentment has fed populism across the West. In Britain it coloured the Brexit referendum. Yet since then, the divide—in wealth, diversity and opportunity—has grown (see chart 1 on prior page).

In its bid to narrow the gaps, the current government, like its predecessors, has recycled failed ideas. As a recent parliamentary report noted, for instance, schemes to shift civil-service jobs to the regions are reliably launched every ten to 15 years. Often such efforts involve constraining London's growth in hope of diverting it elsewhere. A good example was a misguided rule of 1964 (since discarded) that in effect banned new office developments in central London.

Too often, policies have corseted the capital without boosting other places—and have wound up punishing everyone. The other big cost of London's appeal has proved just as hard to tackle. This distress cry comes from inside the house.

"Affordable housing isn't always as nice as this," a resident of McGrath Road says with droll London understatement. Home, for her, is one of 26 houses in a beguiling development in Stratford, in the east London borough of Newham. Set amid unlovely 20th-century estates, the units, some of them public housing, form what looks like a Moorish citadel, with turrets and crenellations but also welcoming arches, balconies and a tree-lined central courtyard. Walk up to the railway tracks and you spy the glinting towers that were part of the regeneration spurred by the Olympics.

Peter Barber, the architect of McGrath Road, says a lot can be learned from the compact cities of north Africa and the Middle East. Newham's council, he recalls, initially expected a design for a block of flats. Instead he emulated the Georgian terraces that are the acme of efficient London housing, with a distinctive twist.

Clogged roads, air pollution, long and pricey commutes, a discredited police force—inevitably London suffers from many big-city ailments. Compared with their compatriots, Londoners report a low sense of neighbourhood belonging; as is common amid such hurly-burly, life can feel lonely and atomised. ("It is strange with how little notice", wrote Charles Dickens, "a man may live and die in London.") But the most acute problem, and most enduring, is the scarcity and cost of housing—and it is sharpest, and most intransigent, in the East End.

### Orient compress

In late Victorian times the East End was known as "the empire of hunger" and "the city of dreadful night". Today overcrowding in Newham runs at double the rate for the city, itself more than double the national average. The basic causes of the shortage are a failure over decades to provide sufficient new homes and to use space as imaginatively as does Mr Barber.

The result has been at once inevitable and stunning. James Carville, an American political strategist, once joked that he'd like to be reincarnated as the bond market, because then he could intimidate everybody. Another good choice would be to come back as the London house price: perhaps only the city's brazen foxes can match its indestructibility. True, a finance-driven boom that lasted two decades has recently flattened, but at a dizzying plateau.

In 2020 the average house in the capital sold for over 13 times average earnings, almost double the ratio two decades earlier (see chart 2 on previous page). A two-bedroom flat near the Eagle will set you back around £1m. Since 1981, meanwhile, the share of Londoners living in public housing has fallen from over a third to a fifth. Rents in the private sector have soared: in 2022 the median rent was 35% of median income. As Jack Brown of King's College London says, the city "has never been quite this big or quite this expensive".

All this means the perception of Londoners as wealthy is incomplete. It is a rich city with many poor people. Factor in housing costs and the poverty rate is higher than in the rest of England. Eight times as many London households live in temporary accommodation as in the country overall. The most affluent decile has nearly ten times the income of the poorest. Because of London's unusually integrated economic geography, deprived and well-heeled families rub shoulders more than in Paris or New York, pound shops abutting artisan bakeries on the high street.

Complaints about how packed London is, notes Professor Travers, recall the old joke of the restaurant that is so crowded, no one wants to go there any more. Still, the pandemic may open up solutions to this age-old problem. In a place with an oversupply of offices and a deficit of homes, it would make sense, where possible, to repurpose commercial buildings as residential ones. More than ever, in an age of hybrid work it is time to build on some of the protected land of the "green belt", starting with existing commuter corridors.

Something like this happened after crises of yore. Christopher Wren reimagined the city in the ashes of the Great Fire. Idealistic urban planners did so again in the rubble of the Blitz. The evidence of the past few years, and of the past two millennia, is that London—one of the world's greatest cities, and perhaps its most resilient—will find a way to cope, and to thrive. ■


Space poor, opportunity rich

ADVERTISEMENT

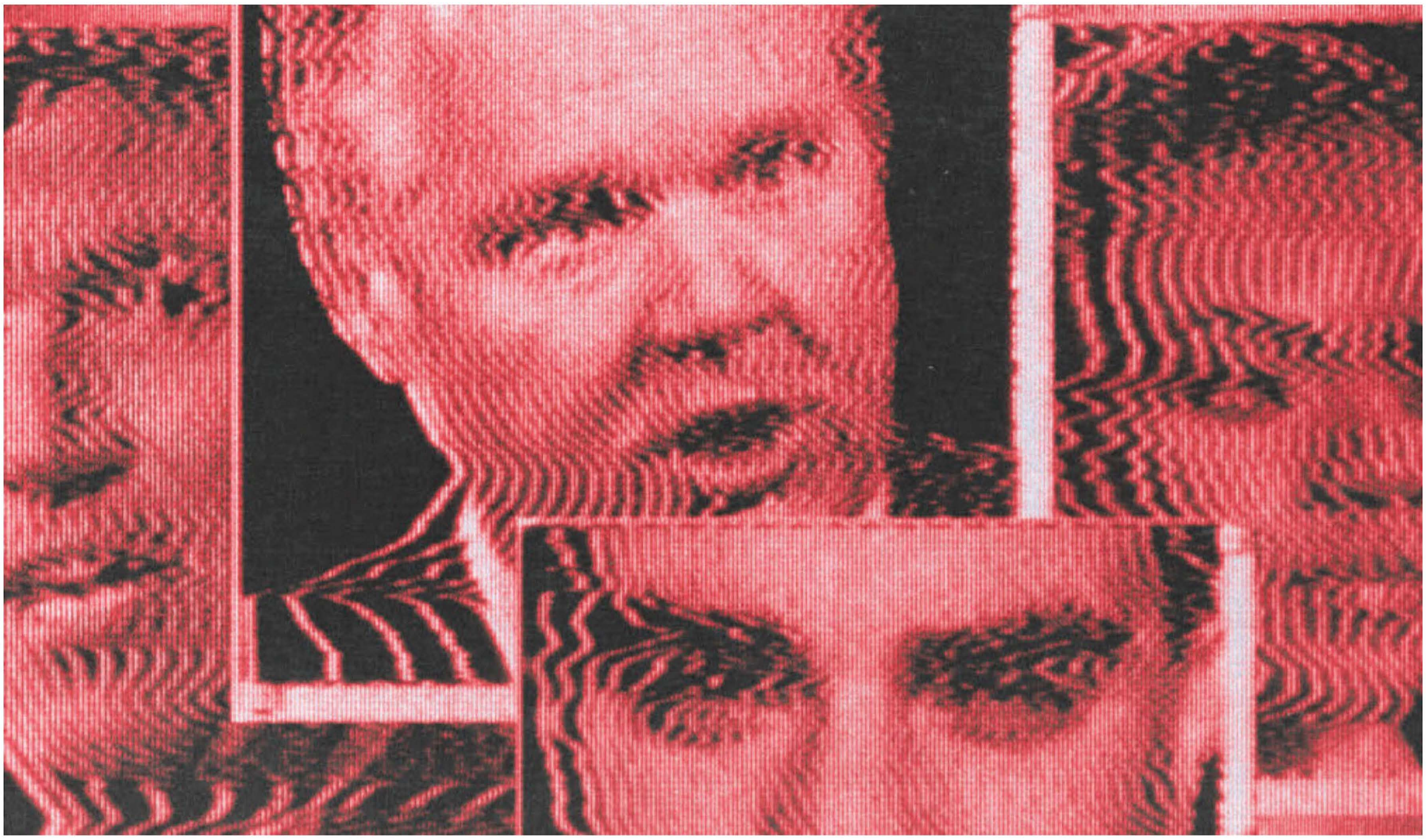
# PUTTING PEOPLE AT THE CENTRE OF THE CLIMATE CHANGE AGENDA

This year has been the hottest on record - both on land and in the oceans. More parts of the world have experienced what vulnerable communities have endured for many years: droughts, floods, fires, extreme storms and sea-level rise.

That these impacts are so severe with a 1.2°C temperature increase foretells decades of disruption to the lives and livelihoods of billions of people. This holds true even if the COP28 climate summit in the United Arab Emirates achieves its goal of keeping a 1.5°C rise within reach, the most ambitious target under the Paris agreement.

At COP28 in Dubai this year, the host government has accordingly sought to mobilise new political visibility and resources for lives and livelihoods, while centreing them in the discussions on mitigation. Health and crisis settings feature on the agenda for the first time at a COP, while people's experience of food, water and nature - especially in local and indigenous communities - is receiving unprecedented political focus.

COP28 UAE



Conservative media

# Right nation

WASHINGTON, DC

**No institution that enjoys the trust of Republican voters can successfully stand up to Donald Trump**

DRAKE, A RAPPER, wanted to see his friend, the basketball superstar LeBron James, immediately after the Miami Heat won the 2013 NBA Finals. But a security guard refused him entry into the champagne-drenched celebration because he lacked press credentials. "I am media," the Grammy winner reportedly responded. Three years later, Donald Trump successfully crashed a much bigger party: the Republican National Convention. Mr Trump, a walking media institution, brushed aside early opposition from right-leaning news and opinion outlets and won the 2016 Republican presidential nomination. In the years since, conservative media either have conformed to his vision of politics or tried and failed to persuade Republican voters to abandon it. This dynamic has accelerated as he pursues his party's nomination for a third time.

For much of American history, the dominant media institutions were partisan or ideological. George Washington even complained of being "buffitted in the public prints by a set of infamous scribblers". But the media oligopolies that dominated much of the 20th century—big television and radio networks and print publications with enormous circulations—claimed to bring Americans balanced, non-partisan, objective reporting. American conservatives were highly sceptical of the arrangement.

"There was no conservative media. It was basically a wasteland. And anything that even remotely expressed any kind of conservative point of view was sort of relegated to a smattering of columnists," says Laurence Jurdem, a historian at Fairfield University and Fordham College and author of a book on conservative media before Ronald Reagan. "Everything sort of changed with *National Review*."

Founded in 1955 by William F. Buckley junior, the magazine promoted a political philosophy that came to be known as fusionism. The new conservative coalition would fuse together economic libertarians, social traditionalists and anti-communists. Buckley also served as a gatekeeper at times, denouncing the leader of the conspiratorial John Birch Society in editorials. Other conservative publications—*Commentary* magazine, the *Wall Street Journal* editorial page, the *Washington Times*, *Human Events*, and more—influenced the presidency of Reagan. Conservative media continued to grow after Reagan left the White House, and the fusionist consensus largely held together at the end of the cold war, at least at first. That was owing in great part to three men who found a way to do what Buckley and other intellectuals never could: run highly profitable media businesses.

Together, Rush Limbaugh, Roger Ailes and Rupert Murdoch challenged the old guard's dominance by developing viable conservative alternatives in every medium. Limbaugh, a charismatic radio veteran, took his show national in 1988 and drew a weekly audience of some 20m listeners by the 1990s. He also published ▸▸

→ Also in this section

books and would sometimes appear on Fox News. Mr Murdoch controls the network that Ailes led from its founding in 1996 until he resigned in 2016.

The media magnate found ways to make the written word profitable through his acquisition of the *Journal* and several publishing houses. But Fox News was special. It overtook CNN in ratings in 2002, and in 2022 it marked 20 consecutive years with more daytime and prime-time viewers than any other network. Perhaps because of its dominance, it is easy to overlook that it serves a niche: 74m Americans voted for Mr Trump in 2020. Fox News's prime-time audience is below 2m (its digital reach is wider).

Limbaugh, Ailes and Mr Murdoch could have disagreements but shared fundamental conservative instincts. For decades Fox News and Limbaugh, alongside publications like *National Review*, kept Republican Party politicians in line with free markets, hawkish internationalism and fiscal and social conservatism. They did not always succeed in swaying powerful Republicans. Yet a dissenting or unsavoury figure had little way to get his message to a large audience of conservatives if he was banished from Fox News, talk radio or the pages of a few print publications.

Then came the internet. Blogs, podcasts and social media provided a way for a conservative journalist or pundit to become influential outside the established ecosystem. Mr Trump relied on conservative media to reach Republican voters in the 2016 primary, as all candidates did, but he alone could reset the newscycle with a tweet.

In early 2016, as Mr Trump's winning the nomination appeared increasingly likely, *National Review* devoted an issue to opposing his candidacy. The cover simply read: "Against Trump", and the magazine's editors commissioned a range of conservative intellectuals to make the case. Mr Trump, naturally, responded with a tweetstorm about "the dying National Review". Six months later he became the Republican nominee. Fusionism had been challenged by a conservatism that wanted to cut taxes, maintain entitlement programmes for the elderly, was preoccupied by illegal immigration, fairly relaxed about gay marriage—and had built a cult around the leader. Call it confusionism.

### Gone are the gatekeepers

"He'll be influenced occasionally by things people say, or ideas that are out there, but it's Trump who lays down the line. And then everyone else follows," says Rich Lowry, editor-in-chief of *National Review*. "He is the conservative media." Mr Trump may call someone after seeing him on Fox News, and he closely studies headlines. But, Mr Lowry adds, "it just doesn't seem to matter what anyone says about him. He's just a phenomenon."

The sheer variety of options available to consumers of conservative media has diluted the power of the old gatekeepers. After Tucker Carlson was fired from Fox News, he began publishing videos on Twitter, now called X, that reflected his increasingly isolationist take on international affairs. They can draw millions of viewers. This week Mr Carlson launched a subscription service.

In 2015 a longtime conservative pundit, Ben Shapiro, co-founded the Daily Wire. Mr Shapiro has many fusionist fans, but the Daily Wire is a big tent. "He also has Candace Owens," who has been critical of Israel, notes Matthew Continetti of the American Enterprise Institute, a conservative think-tank based in Washington, DC. "And he has Jordan Peterson, who has been

American journalism

## Signs at the times

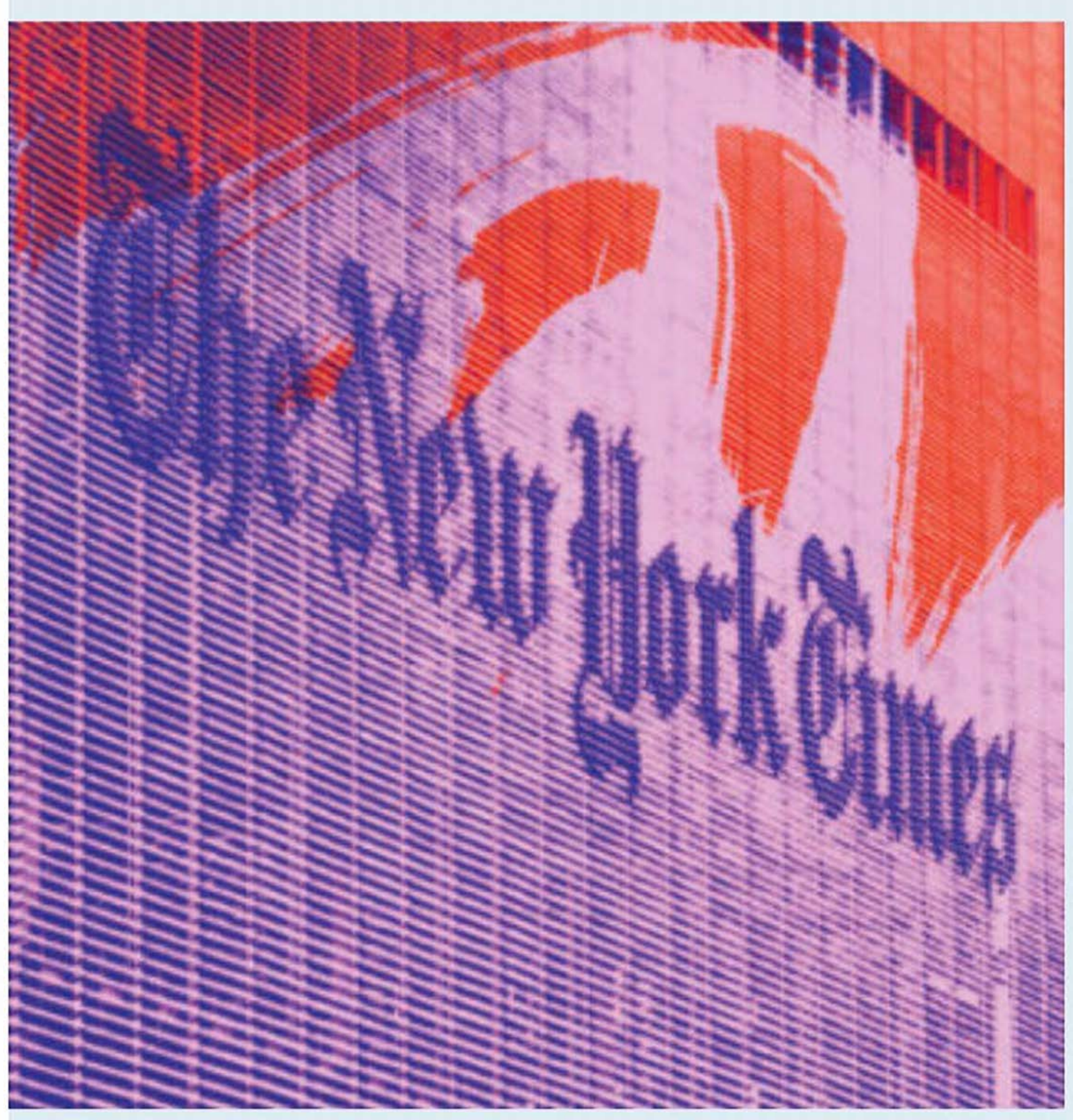
NEW YORK

**Lexington's account of being ejected from the *New York Times***

To heal the rifts in American politics, journalism urgently needs renewal. Instead, much of the mainstream media is in the grip of an illiberal bias. That includes the *New York Times*.

In an essay, James Bennet, our Lexington columnist, and a former editorial-page editor of the *Times*, argues that the paper's pledge to pursue the news "without fear or favour" is no longer being honoured. For the *Times* to assert that it plays by the same rules it always has "is to commit a hypocrisy that is transparent to conservatives, dangerous to liberals and bad for the country as a whole," he writes. "It makes the *Times* too easy for conservatives to dismiss and too easy for progressives to believe. The reality is that the *Times* is becoming the publication through which America's progressive elite talks to itself about an America that does not really exist."

Mr Bennet resigned from the *Times* in 2020, after his pages published an op-ed by Tom Cotton, a senator from Arkansas, that caused a newsroom revolt. America was reeling after George Floyd, an African-American man, had been murdered by a white policeman in Minneapolis. Throughout the country, protesters were on the march. Mr Cotton argued troops were needed to protect lives and businesses from rioters, leading the journalists' union to describe his op-ed as "a clear threat to the health and safety of journalists we represent". After three days of upheaval, The *Times* asked Mr Bennet to leave the paper.




In his essay Mr Bennet chronicles how new business models and intellectual fashions have changed the *New York Times*, as they have at many workplaces in America. He argues that A.G. Sulzberger, the hereditary publisher of the *Times*, needs to stand up to an illiberal newsroom. "Leaders of many workplaces and boardrooms across America find that it is so much easier to compromise than to confront", he writes. "This is how reasonable Republican leaders lost control of their party to Trump and how liberal-minded college presidents lost control of their campuses. And it is why the leadership of the *New York Times* is losing control of its principles." Mr Sulzberger declined to be interviewed.

A spokeswoman said: "The *New York Times* believes unequivocally in the principle of independence, as has been demonstrated consistently by our journalism…In the case of the Tom Cotton op-ed, the handling of such a sensitive piece, specifically the decision to rush it into publication without key leaders having read it because it was 'newsy', made it unusually vulnerable to attack."

Mr Bennet thinks that opinion journalism benefits from a range of voices. "It matters that conflicting views do not just appear before different audiences in politically rivalrous publications," he writes, "but instead in the same forum, before the same readers, subject to the same standards for fact and argumentation." More than the *New York Times* is at stake. Mr Bennet argues that: "It is hard to imagine a path back to saner American politics that does not traverse a common ground of shared fact." To read the essay in full, go to **Economist.com/NYT** sceptical of aid to Ukraine. Even within that institution, there's a variety of perspectives." The company earned around $200m in revenue in 2022. The Daily Wire was the seventh-largest podcast publisher in America in November, according to Podtrac, which keeps count.

The upstarts cannot act as gatekeepers either. Mr Shapiro was supportive of Ron DeSantis, the governor of Florida, entering the 2024 presidential primary. Other conservative intellectuals and pundits lined up behind Mr DeSantis, who has relied heavily on friendly conservative media for cover from Mr Trump and the mainstream media alike. So far, it hasn't worked. Mr Trump's lead over Mr DeSantis in our average of polls is just over 50 points.

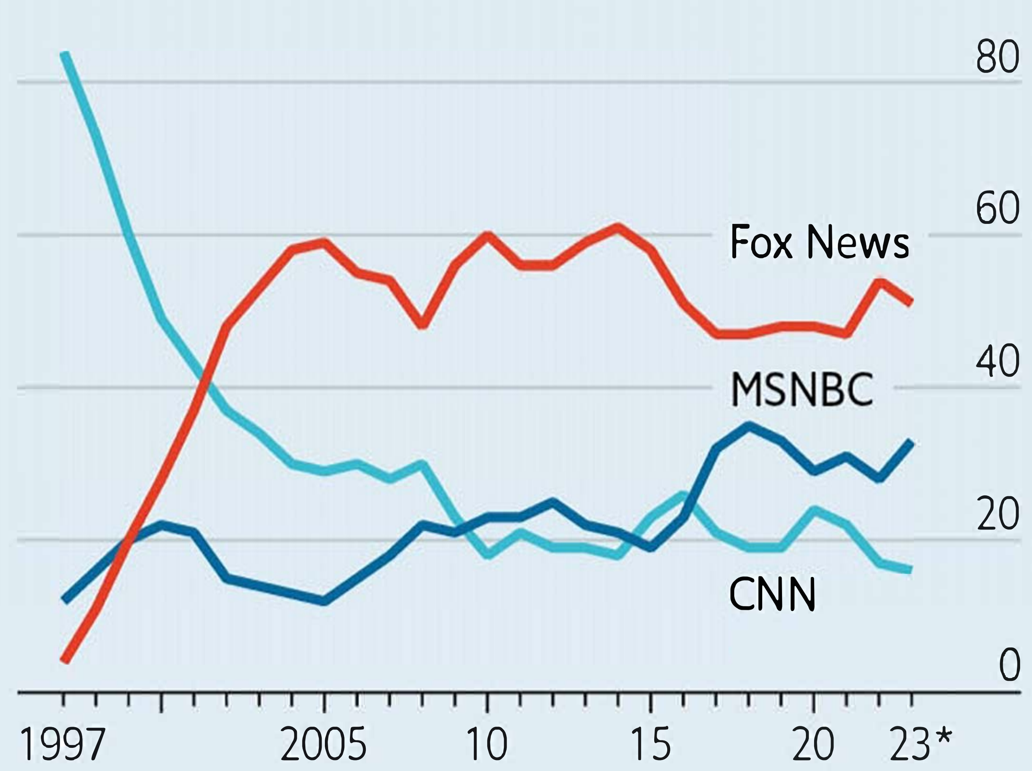
With Mr Trump likely to win the Republican nomination, where does that leave conservative media? Alienating Mr Trump also risks alienating consumers of conservative media. Fully embracing the former president's worst tendencies brings its own risks. Many outlets now balance trying to keep their audiences from fleeing to a growing number of smaller outlets without completely giving in to Mr Trump.

After the 2020 election, some Fox News employees embraced stolen-election conspiracy-mongering similar to what other networks and many conservative influencers were offering on social media. Such recklessness resulted in a $787.5m settlement with Dominion Voting Systems to squash a defamation lawsuit. Mr Trump called Fox News a "hostile network" in June after tough questioning from its chief political anchor, but conservative prime-time hosts like Sean Hannity still throw softballs to the former president. (Mr Hannity recently asked Mr Trump to reassure people that he would not abuse his power in office. "Only on day 1," Mr Trump replied.)

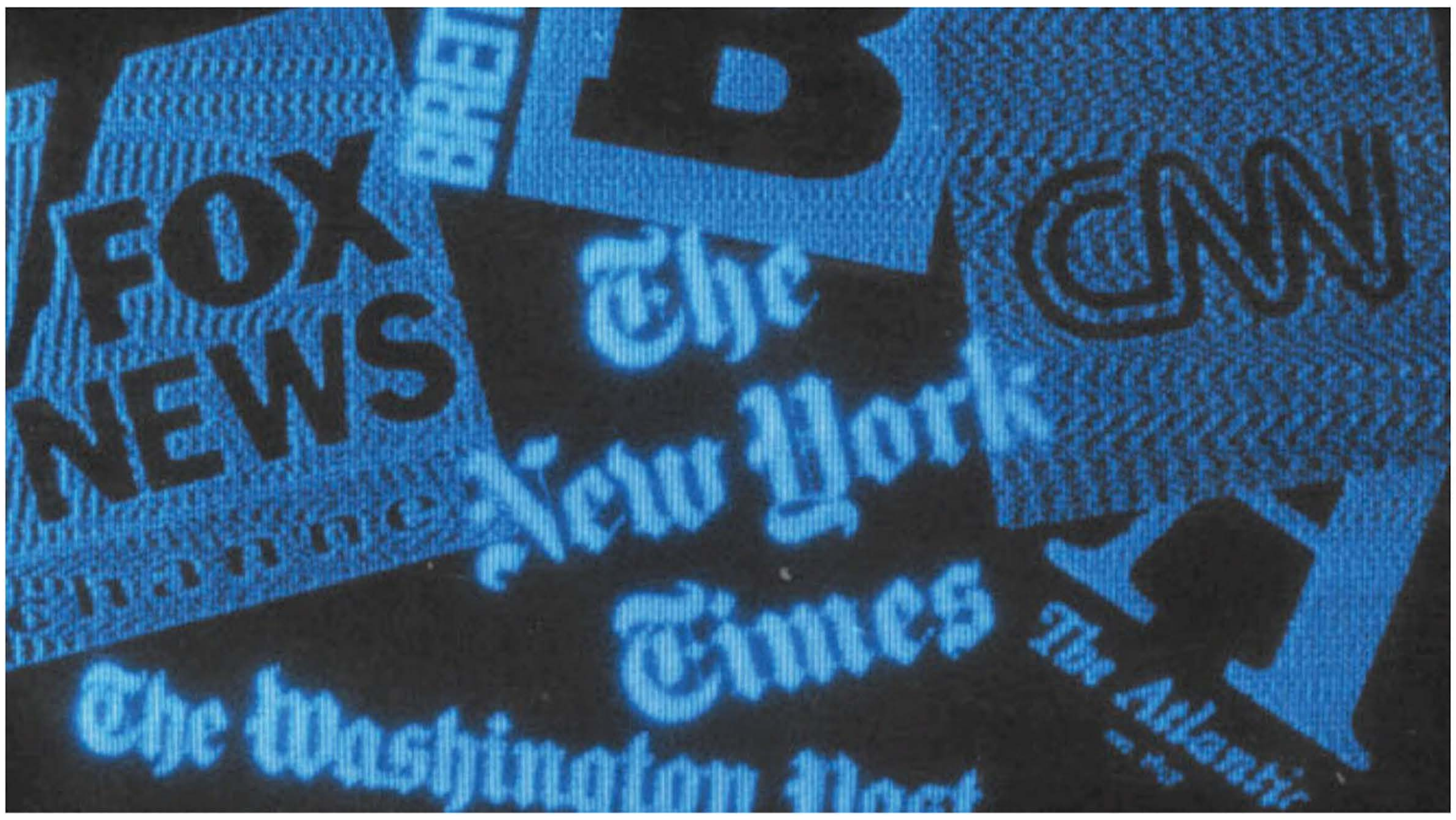
There are still responsible conservative publications and pundits drawing audiences and forming sustainable businesses. They are far from regaining their past prominence. Mr Lowry is right. For now, Mr Trump is the conservative media. ■

**Outfoxed**

United States, % of prime-time cable news viewers




Source: Nielsen Media Research *At December 8th




Measuring media ideology

# Bias or reality?

### American journalism sounds much more Democratic than Republican

PUBLIC TRUST in American media has plummeted since the 1990s. Most of this decline is among conservatives, spurred by Republican charges of liberal bias from avowedly non-partisan outlets. Such claims are hard to assess fairly: stories viewed by one party as following the facts are often seen by the other as ideological.

Most public estimates of news sources' partisan leanings rely on subjective ratings. Political scientists seeking an objective approach have used the language in politicians' speeches to set a baseline and compared stories with that. However, most studies in this vein look at the period before 2016; do not discriminate between politics and other topics; and focus on either TV or written journalism, but not both.

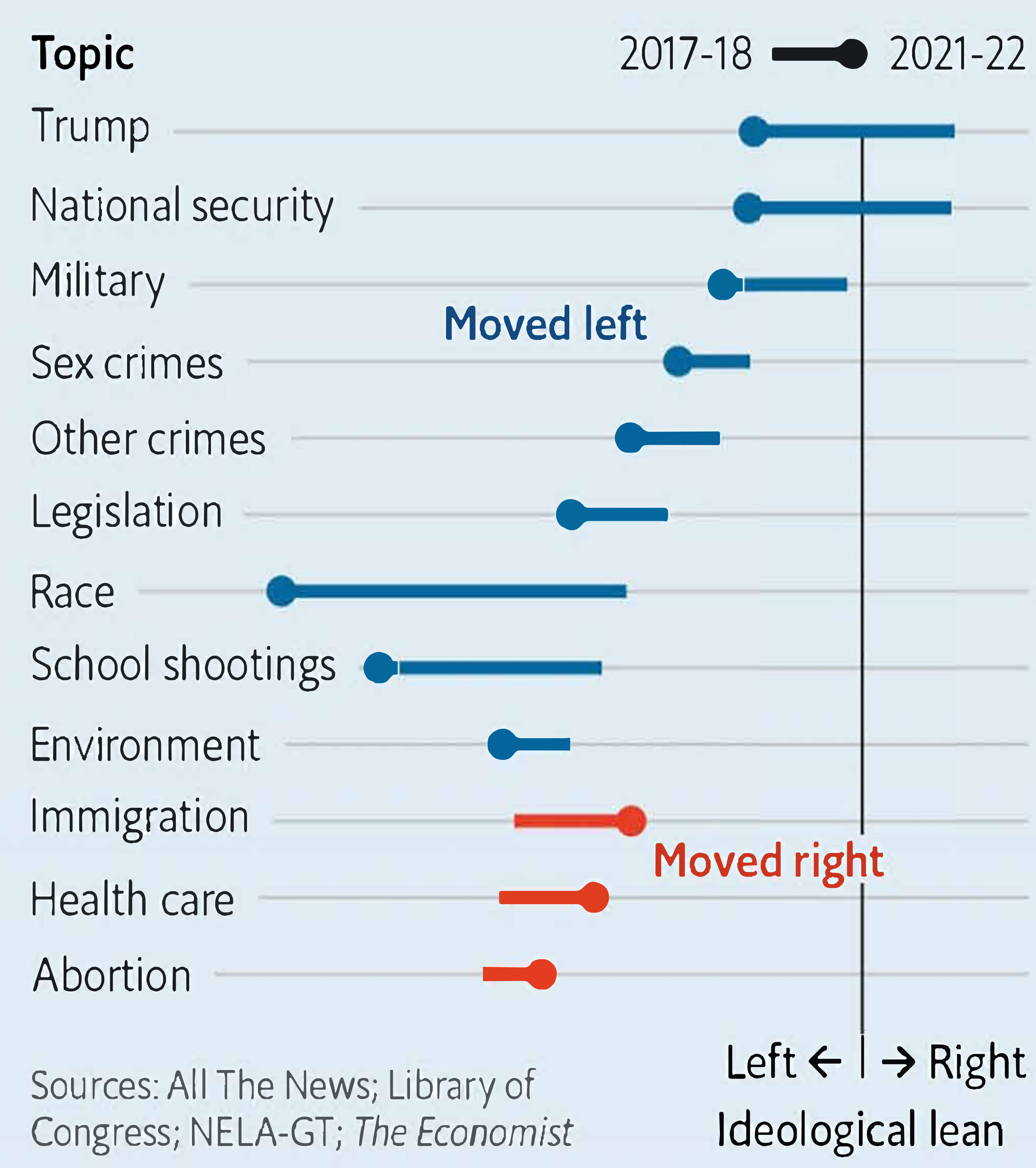
In an effort to provide a measure of partisan slant that is comprehensive, impartial and up-to-date, we have applied this academic approach to the output in recent years of a wide range of news sources. We find that there is indeed an affinity between the media and the left, because journalists tend to prefer the language used by Democratic lawmakers. Moreover, this disparity has grown since the start of Donald Trump's presidency. As a result, the number of media sources covering politics in balanced language has dwindled.

The first step in our analysis was compiling a partisan "dictionary". We took all speeches in Congress in 2009-22 and broke them up into two-word phrases. We then filtered this list to terms used by large shares of one party's lawmakers, but rarely by the other's. The result was a collection of 428 phrases that reliably distinguish Democratic and Republican speeches, such as "unborn baby" versus "reproductive care" or "illegal alien" versus "undocumented immigrant".

Next, we collected 242,000 articles from news websites in 2016-22, and transcripts of 397,000 prime-time TV segments from 2009-22. We calculated an ideological score for each one by comparing the frequencies of terms on our list. For example, a story in which 0.1% of distinct phrases are Republican and 0.05% are Democratic has a conservative slant of 0.05 percentage points, or five per 10,000 phrases. ▸▸

**To the left, to the left**

Ideology of language in articles by CNN, the *New York Times* and the *Washington Post*




Sources: All The News; Library of Congress; NELA-GT; *The Economist*

To avoid counting incidental uses of such phrases in stories unrelated to politics, we also identified the mix of subjects present in each piece, using a machine-learning algorithm that identifies clusters of words that tend to appear together. Finally, we calculated the average partisan leaning of each news source's coverage, weighting each story by the share of its content about domestic politics.

To test whether this method accurately reflected partisanship, we compared our rankings with estimates from AllSides and Media Bias Fact Check, ratings websites that rely on human coders. Overall, it yielded a close match: conservative outlets like Breitbart and Fox News used disproportionately Republican terms, whereas left-leaning ones such as Vox and Buzzfeed published mainly Democratic ones. (Because our study focused on American media, we did not include *The Economist*. Applied to our own coverage, this approach produces scores very close to the centre.)

However, our method has two advantages. Not only is it free of subjectivity, it also measures ideology in absolute terms, providing answers to questions that mere rankings cannot resolve. Are conservatives right to see the media as a whole, rather than just specific outlets, as hostile terrain? Our results suggest so. Of the 20 most-read news websites with available data, 17 use Democratic-linked terms more than Republican-linked ones. The same is true of America's six leading news sources on TV, of which Fox is the only one where conservative language predominates.

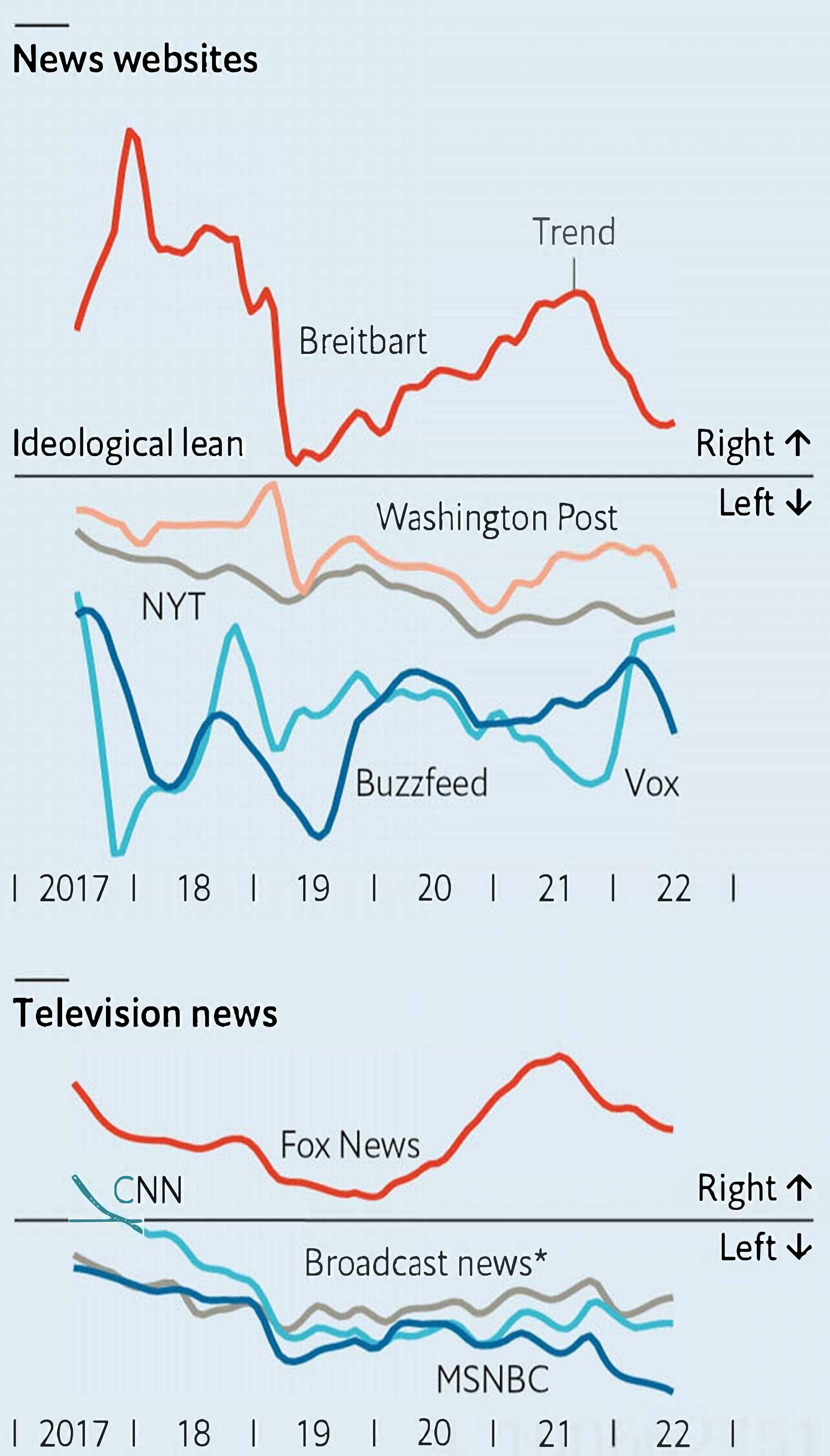
This Democratic slant has grown over time, driven mainly by changes in once-centrist outlets. In 2017 CNN used more Republican terms than Democratic ones, while MSNBC and the evening news on ABC, CBS and NBC had only modestly left-leaning scores of around 1.5 phrases per 10,000. By 2022, the broadcast channels and CNN had Democratic leanings of near 2.5, and MSNBC had reached 5.5, putting it twice as far from the centre as Fox.

In written journalism the shift has been smaller but in the same direction. In 2017 the *New York Times*, *Washington Post* and CNN's website all had mild Democratic leanings: around 1.5. This put them a bit closer to conservative sources like Fox News's website, whose average Republican slant in 2017-22 was two, than to left-wing sites like Vox, whose average Democratic leaning in those years was seven. By 2022 these sites' left-of-centre slants had grown to four, three and three, leaving them much closer to lefty alternatives.

In theory, this trend could result from changes either in subject matter—moving from Republicans' favourite topics, like border security, to those Democrats prefer, such as health care—or in the language used about each topic. The data make clear

**The centre cannot hold**

United States, ideology of language about domestic political topics




Sources: All The News; Library of Congress; Internet Archive; NELA-GT; *The Economist*

*ABC, CBS and NBC

that most of the shift stems not from what is being talked about, but how.

In three "mainstream" websites—the *New York Times*, *Washington Post* and CNN—coverage moved left from 2017-18 to 2021-22 on 25 of 29 domestic political topics. Articles about race and school shootings were already among the most left-leaning in 2017-2018, but have also seen the largest leftward shifts since then. By contrast, pieces on health care and immigration, which used lots of Democratic terms in 2017-18 thanks to Mr Trump's unpopular policies, have inched to the right.

Our analysis has important limits. First, our dataset, compiled from academic sources, contains only a fraction of the media's full output. It had little content from prominent sources like the *Wall Street Journal*, and none from radio or social media.

Second, our scoring method cannot distinguish between media bias and asymmetric polarisation. Is journalism more left-wing, or have Republicans just sailed further from reality than Democrats? Either could raise the share of Democratic language in media—and in the case of stories describing Mr Trump's false claims of electoral fraud as "the big lie", for example, both have probably played a part. Yet journalists can still say that one party's views are closer to the truth than the other's without relying on partisan language. ■

Prevaricating university presidents

# A reckoning over antisemitism

NEW YORK

**Elite colleges' treatment of obnoxious speech is wildly inconsistent**

SOMETIMES YOU get the technicalities right but still flunk the test. So it was at the congressional hearing on campus antisemitism on December 5th. When asked if calling for the genocide of Jews would be punished at their schools, the presidents of Harvard, MIT and the University of Pennsylvania prevaricated. That would depend on context, they said—such as whether the speech crossed into threats directed at individuals. Amid an uproar the president of the University of Pennsylvania, Liz Magill, resigned four days later. On December 12th Harvard's board said that their school's president, Claudine Gay, would keep her job. More than 700 faculty had signed a letter calling for her to stay.

The disastrous hearing has forced a reckoning over how the universities handle antisemitism, while raising questions about the boundary between acceptable protest and impermissible speech. It came amid a spate of antisemitic incidents on campuses in the wake of the war between Israel and Hamas that began on October 7th. Hillel International, a Jewish non-profit organisation, has tallied 38 antisemitic physical assaults at colleges, and 227 cases of vandalism, since the war broke out.

During the five-hour hearing the presidents denounced that worrying uptick and explained how harassment is disciplined. Yet their responses to a grilling about antisemitic speech by Elise Stefanik, a Republican congresswoman, were evasive, legalistic and wholly unsatisfying. Somehow they forgot that congressional hearings are political theatre, not legal depositions. "Over-prepared and over-lawyered", said Scott Bok, chair of the University of Pennsylvania board, who also resigned.

The presidents accurately described what is permissible under their schools' speech codes, which closely track the First Amendment. Odious talk is allowed so long as it does not turn into discriminatory harassment or incite violence. Holding a placard with a vile slogan at a protest is different from sending someone threatening texts. Context does indeed matter.

Much of the blowback stems from the universities' own lack of credibility when it comes to protecting free speech—the sense that they are all too willing to clamp down on talk deemed racist, sexist or anti-trans. "When they tried to argue a free-speech case no one took them seriously because they've treated it with such a double ▸▸

standard," says Greg Lukianoff of the Foundation for Individual Rights and Expression (FIRE), an advocacy group. Of nearly 250 colleges evaluated by FIRE, Harvard and Pennsylvania rank as the two least hospitable to free speech and open inquiry, based on surveys and instances of lectures cancelled and professors disciplined.

Inconsistency by administrators takes two forms: silencing speech outright, and failing to punish students who violate school policies by, say, shouting down unpopular speakers or blockading lecture halls. In 2019 Harvard, facing a student revolt, refused to renew the deanship of a law professor who worked on Harvey Weinstein's legal defence. In 2021 it cancelled a course on police tactics after students petitioned to nix it. That year MIT rescinded a lecture invitation to a geophysicist who had criticised affirmative action. Too often universities try to mollify students rather than have them grapple with ideas they find unsettling, says Edward Hall, a philosophy professor at Harvard. Administrators see an angry or upset student in their office and try to make them feel better.

Students at elite colleges sit overwhelmingly on the political left. That makes for a censorious climate in which conservative voices are curtailed, even when administrators are not doing it, and people self-censor. Carole Hooven, a scientist who says that sex is binary, left Harvard after being branded a transphobe by students. "I felt as if I had the plague," she said of her departure. Changing culture is hard: it requires encouraging debate and signalling that people who hold controversial opinions are welcome on campus. "We can't punish our way out of this," says Jeannie Suk Gersen of Harvard Law School.

What lessons will university leaders learn from the recent turmoil? Harvard's board scolded Ms Gay for her initial statement after the Hamas attack. It should have been an "immediate, direct and unequivocal condemnation", said the board. Yet universities are in this mess partly because they started wading into all sorts of political and social issues.

Rarely does taking a position satisfy everyone; opining on some topics but not others gets arbitrary. That is why, some 50 years ago, faculty at the University of Chicago advised it to stay neutral and mum on matters that didn't directly affect it—to be a "home and sponsor of critics...not itself the critic". Perhaps this latest controversy will see colleges move towards a consistent, content-neutral approach to speech. Yet that is not what donors or politicians are demanding, notes Keith Whittington, a politics professor at Princeton. They are in effect demanding that restrictions on free speech be expanded in the name of safety. Incentives and pressures may well mean more inconsistency. ■

Jack Smith, Trump and SCOTUS

## Appealing highly

NEW YORK

**The special counsel tries a gambit to keep the January 6th trial on track**

"THE SUPREME COURT", Donald Trump tweeted in December 2020, "has a chance to save our country from the greatest election abuse in the history of the United States." America's justices declined pleas from Mr Trump and his allies to pilfer the 2020 election on his behalf. But as the 45th president competes in the 2024 contest his fortunes may again rest on the court he helped shape.

On December 11th Jack Smith, the special counsel prosecuting Mr Trump for extralegal attempts to overturn the last election after dozens of far-fetched lawsuits failed, filed what he acknowledged was an "extraordinary request" at the Supreme Court. Mr Smith asked the justices to resolve "as promptly as possible" whether former presidents are "absolutely immune from federal prosecution for crimes committed while in office"—a claim Mr Trump has been pushing. The request was for "certiorari before judgment", a rare attempt (more common in recent years) to short-circuit the usual appellate path by asking the justices to weigh in before the circuit court has completed its review.

The Supreme Court agreed to hasten its consideration of Mr Smith's request hours after it was filed, giving Mr Trump's lawyers until December 20th to respond. After another brief from Mr Smith, the court will then decide whether to hear the case. If it does, the oral argument could be held in January with a ruling arriving before March 4th, the scheduled start date for Mr Trump's trial in the district court less than a mile away from the Supreme Court in Washington, DC. This schedule, Mr Smith observed, would approximate to that of the accelerated decision in 1974 requiring Richard Nixon to turn over tapes and documents related to the Watergate scandal.

The Supreme Court has said that ex-presidents cannot be sued civilly for actions related to their official duties as president. It has also held that current presidents can be subject to civil lawsuits for things they did before entering the Oval Office. But it has not had occasion to address the question at the heart of Mr Smith's request, since no other former president has ever been criminally prosecuted.

"A cornerstone of our constitutional order", Mr Smith wrote to the justices, "is that no person is above the law." That principle, he contended, is especially important when an ex-president has been indicted for plotting to cling to office despite losing an election. Resolving the matter quickly is thus "at the apex of public importance".

If the justices find that former presidents are indeed immune to criminal prosecution for actions they took while in office, Mr Trump will get to cross one massive legal headache off his long list. If they decide to the contrary, his trial could begin, as planned, one day before Super Tuesday—when primaries and caucuses will be held in 16 states.

Getting the trial moving—and resisting the defendant's strategy of delay—is clearly the special counsel's priority. If Mr Trump wins another term next November before litigation concludes, that's it for the special counsel's case, because of a president's immunity while in office. Without an early-spring launch, his election-subversion trial could itself be subverted by the next election. ■

Second-term plans

## Biden-gnomics

WASHINGTON, DC

**Regulatory changes hint at what might be in store in a second term**

QUITE A LOT has been written, including by *The Economist*, on what Donald Trump's plans are for government, should he be elected again in 2024. Though he is the sitting president, rather less has been said of President Joe Biden's plans for another four years. One reason is that the Senate looks like an uphill battle for Democrats next year, so if Mr Biden were to win he would probably have to rely on executive orders and the regulatory state to push America's green transition forward.

Look closely and you can see some of the groundwork being done for this eventuality. On December 2nd the Environmental Protection Agency (EPA) announced new, tougher regulations on methane emissions. The rule was announced at COP28 in Dubai and positions America with 154 other governments who pledge to reduce methane emissions by at least 30% by 2030. The new rule will require oil and natural-gas operators to greatly reduce emissions. The EPA says this new rule should reduce projected emissions in the sector over the next 15 years by nearly 80%.

Underpinning the change is a new calculation of the social cost of carbon. This purports to price the damage from one extra ton of $CO_2$. This number matters a lot. A low dollar amount makes it hard to justify strict new rules. A high one means such restrictions could pass cost-benefit tests and make it past a legal challenge.

The newest update increases the social cost of carbon to $190 per metric ton for 2020, quadrupling the Obama-era estimate. This means regulations on carbon implemented today will be assumed to have a higher value in the future (lowering the discount rate for social costs from 3% to 2%). "Biden is saying that there is more economic value to cutting greenhouse gases than we thought," explains James Connaughton, an environmental adviser in the George W. Bush administration.

"There is always some 'politicking in the wonkery'," says Alex Armlovich at the Niskanen Centre, a think-tank. But, he says, "lowering the rate of social discount for existential or irreversible policy choices is supported by many philosophers and a surprisingly wide variety of economists." The administration last year also created a system, known as natural-capital accounting, that measures and reports on the country's natural resources. Natural capital is jargon for the assets, such as forests, that nature provides.

Natural assets have always been important, but "we were just pretending that they were free," says Solomon Hsiang of the White House's Office of Science and Technology. "We've sort of been doing make-believe economics in the past where we thought these things didn't matter, and now everyone in the field of economics recognises that they matter tremendously." This too could be a prelude.

Were a second-term President Biden to find himself in a bind with Congress, he could use his authorities under the Clean Air Act and other existing laws to push climate policy forward, says Nathaniel Keohane of the Centre for Climate and Energy Solutions. Yet the Supreme Court has its eyes on a pair of cases that could overturn *Chevron v Natural Resources Defence Council*, the precedent that gives regulatory agencies lots of leeway to make rules. It is possible that by the time he is sworn in again, Mr Biden will find the rules about rulemaking have changed. ■

NYC's traffic

# New London

NEW YORK

**First bins, now congestion charging. NYC is copying LDN**

William Vickrey, an economist, first proposed congestion pricing in 1952 for New York's subways and later for roads. It has taken decades, some false starts and some stalling, but the idea finally has the green light in the Big Apple. Earlier this month the Metropolitan Transportation Authority (MTA), the agency tasked with implementing congestion pricing, gave the fee-scheme the go-ahead. From May (probably), 21 years after London made a similar move, drivers of cars entering Manhattan's central business district will have to pay $15. Lorries, depending on their size, will be charged $24 or $36. Taxis will face a $1.25 surcharge per ride, rather than fees every time they enter the zone. Rideshare drivers, such as Uber, will get a $2.50 charge. At night, fees will be 75% cheaper.

The hope is that the fees will alleviate traffic. More than 900,000 cars enter what will become the charging zone daily. Travel speeds fell by 23%, to 7mph (11kph), between 2010 and 2018. It is even worse in Midtown, where cars crawl at less than 5mph. The MTA expects 17% fewer vehicles on the city's streets. This should decrease air pollution and help the economy. The MTA points to a report that claims traffic congestion costs $20bn a year. But the main reason the plan was approved was because the money it should bring in—$1bn annually—is needed for MTA capital projects. These projects should improve reliability as well as access to the transport system. Some of the signalling equipment on the subway dates back to the 1930s.

The plan has not been met with universal delight. New Jersey drivers already pay a toll to cross into the city, and the Garden State has filed suit. Phil Murphy, New Jersey's governor, who supports pricing in principle, but not seemingly in actuality, has said that "We can't fix a broken MTA in New York City on the back of New Jersey commuters." Fort Lee, a town on the New Jersey side of the George Washington Bridge, has sued over air-quality concerns. The town expects increased traffic as lorry drivers try to avoid paying fees. "If New York is really committed to doing it, they will come to some kind of settlement and/or accommodation," says Nicole Gelinas of the Manhattan Institute, a think-tank.

If New York gets this right, says Tom Wright of the Regional Plan Association, which has pushed for congestion pricing since 1996, "it's going to influence the planning and policy of other great metro regions", including how they finance capital projects. Fuel taxes have been the main tool of capital finance in transport. They are declining as a revenue source. Congestion pricing could be a new one.

Sam Schwartz, better known as Gridlock Sam, unsuccessfully tried to introduce congestion pricing in the 1970s when he was a city traffic engineer. Mike Bloomberg also tried to enact pricing when he was mayor. New York's roll-out has been delayed several times since state lawmakers voted for pricing in 2019. About 60% of the infrastructure needed to charge cars is already in place. ■


Here we go again, my my

Canadian politics

# Could Mark Carney lead Canada?

OTTAWA

**The former central-bank governor is coy, but clearly has political ambitions**

THE EYES of every diner seem to follow Mark Carney, the dapper two-time former central-bank governor, as he bounds into a busy Sri Lankan restaurant in Ottawa, the capital of Canada. He sits down at the table with a smile, which vanishes when he realises he will be asked what he calls "that awful question": will he run to be the country's next prime minister?

Canada must hold a general election within the next two years. Justin Trudeau, the prime minister since 2015, is unpopular and leads a minority government. A recent poll by Ipsos suggested that fully 72% of Canadians feel that Mr Trudeau should step down as the leader of the Liberal Party before the vote. Mr Carney is among a handful of potential candidates to replace him, including Chrystia Freeland, the current finance minister, and Mélanie Joly, the minister of foreign affairs. Ms Freeland leads the polls as Mr Trudeau's replacement, with 25% of those asked saying they have a positive opinion of her, compared with 18% for Ms Joly and 16% for Mr Carney (most answer that they "do not know").

Mr Carney has not yet explicitly stated his intention to throw his hat in the ring. When speaking with *The Economist* he says, evasively: "If you can avoid going into politics it's better not to go into politics."

Even so, it is clear that he harbours ambitions. Mr Carney's close advisers, as well as one of Mr Trudeau's counsellors, say the two men have spoken several times since 2019, in order to try to get him to join the prime minister's team. Those advising Mr Carney say that if Mr Trudeau offers him a parliamentary seat close to his home in Ottawa, as well as a meaningful role in cabinet, he will make the leap from the private sector. They also believe that he would make a bid for party leadership, should Mr Trudeau step down before the election.

→ Also in this section
26 A dose of shock therapy
27 Daniel Ortega v Miss Universe

But does the former bank boss have what it takes? Mr Carney is in many ways a textbook instance of the metropolitan liberal elite. He was educated at Harvard and Oxford, then worked for Goldman Sachs, a bank. In 2004 he moved to Canada's finance department, to work for Stephen Harper, the Conservative prime minister. In 2008 he became governor of the Bank of Canada just after the global financial crisis struck. Mr Carney was the public face of a decision to cut interest rates by 0.5 percentage points one month into his appointment. Canada came out of the recession faster than other G7 economies.

In 2013 he became the first non-Briton to head the Bank of England since it was founded in 1694. He was pummelled by conservatives for his blunt warnings about Brexit and climate change (though Michael Gove, when Britain's justice minister, lauded him for preparing well for the former). He ended that role in 2020, and now spends half of his time working pro bono as the UN special envoy for climate action and finance. The other half is spent as chairman of Bloomberg LP, a media company, and as head of impact investing at Brookfield Asset Management, a fund.

Although he has never been elected to anything, Mr Carney does not lack self-belief. And he has big ambitions for his country: "We can be leaders…or we can be followers. The nature of this country in the past has been to be a leader. We should be ▸▸

**Oh, no!**

G7 countries, real house prices, Q1 2000=100


Source: Federal Reserve Bank of Dallas

again." He wants Canada to be "an energy superpower", along with building up AI prowess and building houses "at a totally different scale". He is a "big believer" in the power of public policy going hand-in-hand with free markets. When asked which political leaders he admires, he includes Mr Harper in a short list, and jokes: "Clearly he had good judgment in selecting me." He is also a fan of Pope Francis and Emmanuel Macron, the president of France.

Should he come to power, one of the biggest issues he will have to deal with is economic: the unaffordability of Canadian housing. Since 2000 real house prices in Canada have grown faster than in any other G7 country (see chart). "People are worried about falling behind as opposed to getting ahead," he says. Over the past decade, and under Mr Trudeau's watch, the widely quoted benchmark price of a house in Canada has doubled, to C$760,000 ($560,000).

Mr Carney is critical of Mr Trudeau's decision in October to water down Canada's modest carbon tax. He thinks far more could be done to tackle climate change. Just as Canada has successfully exploited its oil sands, he wants it to take the lead developing green technologies such as carbon capture and storage, hydrogen and nuclear reactors. More generally, Mr Carney is among many who acknowledge that, globally, liberalism has taken a battering. The world is at a "moment...where the accepted forces and policies that have been in place virtually all my adult life are changing". That is true in Canada, too.

Pierre Poilievre, the leader of the Conservative Party, has blamed Mr Carney for Canada's housing woes (because the bank governor loosened monetary policy in 2008). The pugilistic Mr Poilievre seems keen to go head-to-head with Mr Carney, who he says is "the incoming leader of the Liberal party". Would Mr Carney's technocratic, globe-trotting persona appeal to ordinary Canadians? Possibly not. But his response to Mr Poilievre's populist brand of politics is unapologetic: "This is not a time for novices." ■

President Javier Milei

# The whirr of the chainsaw

BUENOS AIRES

**Shock therapy comes to Argentina**

When Javier Milei was sworn in as Argentina's president on December 10th he told the assembled crowd: "There is no alternative to austerity." Instead of rosy promises, he warned that tough times lay ahead. Announcing austerity upon taking office is usually political suicide in Argentina. Yet Mr Milei's sombre message was received with cheers. Fans raised chainsaws into the air, in reference to his promise to cut down the size of the state.

The inaugural address set the tone for the shock therapy to follow. On December 12th Luis Caputo, the new economy minister, unveiled a series of radical economic reforms. He announced a devaluation of the peso by over 50%, and promised to slash electricity and transport subsidies, halve the number of government ministries from 18 to nine, suspend public works and reduce federal transfers to Argentina's 23 provinces. The government reckons these cuts amount to almost 3% of GDP.

Alongside this, however, the administration will increase taxes on imported goods from 7.5% to 17.5%, and extend a tax of 15% on all exports (an existing tax of 30% on soyabean exports will be maintained). Child benefits will double, as will the value of a government food card for the country's poorest. The idea is to cut spending while temporarily increasing taxes to raise revenue, in order to lower the annual deficit from over 5% of GDP today to zero by the end of 2024. "We have come to solve the addiction to fiscal deficits," said Mr Caputo, noting that Argentina has been in the red for 113 of the past 123 years. The IMF, which is owed $43bn by Argentina, applauded the "bold initial actions" and promised to work "expeditiously" with the new government in the coming months. In a statement the fund admitted that the deal it signed in March 2022 with Argentina's government to restructure its loan had suffered "serious policy setbacks".

Sash and burn

Mauro Roca, the managing director of TCW Group, an asset-management company, says investors are pleased with Mr Milei's pragmatic turn. The new president rose to fame promising to dollarise the economy and shut down the central bank. Yet since being elected in mid-November, he has put plans for dollarisation on hold and sidelined loyalists. Instead, he has stuffed his cabinet with technocrats from the main centre-right coalition, Together for Change, which held the presidency from 2015 to 2019.

Things may get worse before they get better. In the short term, these measures will lower growth. Given that a cheaper peso, new taxes and fewer subsidies will make living more expensive, there is a chance that prices could rise even higher. Martín Rapetti, a consultant, believes monthly inflation will at least double to around 20% and remain high for several months. But that is far from certain. Mr Milei's emphasis on fiscal discipline may reassure markets that Argentina is not headed for disaster—if they choose to believe him. That would quickly pull inflation down, rather than push it up.

The confidence of the market "will depend on the degree of social conflict", says Mr Rapetti. Since Argentina's return to democracy in 1983, all but one non-Peronist president has been booted out of office by protests against economic reforms. Social organisations were quick to respond to Mr Caputo's announcement. Demonstrations have been called for December 20th.

Mr Milei may also face pushback from his base and from Congress. On the campaign trail he promised to cut taxes and said spending cuts would be paid for by the "caste", a term he uses to refer to corrupt politicians. Yet taxes will now increase significantly, at least temporarily, and austerity will affect far more than just public workers. His coalition has only 10% of seats in the Senate, and 15% in the lower house. On average since 1983, presidents have commanded the support of 45% of Congress, according to Ana Iparraguirre, a political consultant.

Mr Milei is using his political capital now to pass tough reforms in the hope that the economy will begin to recover by mid-2024. The question is how long the pain will last. ■

Nicaragua's autocrat

# Dissing Miss Universe

BUENOS AIRES

**Pageant participants are the latest victims of Daniel Ortega's authoritarian regime**

FEW PEOPLE would perceive a 23-year-old bikini and ball-gown model as a political menace. Yet the crowning of Sheynnis Palacios, a Nicaraguan beauty queen, as Miss Universe in November ruffled the feathers of the country's dictatorial duumvirate. On December 1st Nicaraguan police accused Karen Celebertti, the organiser of the local franchise of Miss Universe, of having incited and financed terrorist actions and of having conspired in a foreign-backed plot to overthrow the government (she, of course, denies such absurd allegations). Ms Celebertti was barred from returning to Nicaragua after the competition, which was held in El Salvador. Her husband and son have since been arrested.

Ms Palacios's victory sparked a rare wave of euphoria in her home country. Nicaraguans poured into the streets, honking car-horns and waving the national flag. The spontaneous joy unnerved president Daniel Ortega and his vice-president and wife, Rosario Murillo. Both are former Marxist-Leninist guerrillas who helped overthrow a family-run dictatorship in 1979. Mr Ortega was in power for a decade before losing an election in 1990. He was re-elected in 2006 and has since installed his own family dictatorship. All bar one of the ruling couple's nine children are presidential advisers or control state-owned petrol-distribution companies and media channels. (The exception accused Mr Ortega of sexual abuse and lives in exile. Mr Ortega denies all charges.)

The celebrations of Ms Palacios's triumph provoked a queasy déjà vu for the ruling family. The last time so many Nicaraguans took to the streets was for pro-democracy marches in 2018. After those protests police killed at least 350 people and imprisoned many more. All leading opposition candidates in a presidential election in 2021 were jailed, and have since been exiled and stripped of their citizenship. Charities were barred as foreign agents. The independent press and many universities were shut down. Not even the Roman Catholic church has been spared. In February a popular bishop was sentenced to over 26 years in jail.

Those who wave the blue and white national flag instead of the ruling party's red and black banner risk being arrested. Some 600,000 Nicaraguans—about a tenth of the population—have emigrated since 2018, and over a fifth of respondents in a recent poll by Gallup said it was "very likely" that they would emigrate to the United States or Costa Rica within the next year.

Against this backdrop, many Nicaraguans interpreted Ms Palacios's sartorial choice for the pageant's finale as a message of support for the pro-democracy cause. She wore a silvery-white gown and a sky-blue cape, a reference both to the national flag and the persecuted church, in its likeness to the Virgin Mary. The regime reacted coldly. An official communiqué, without the signatures of the ruling couple, praised her coronation as a moment of "legitimate joy and pride".

But behind the scenes local media reported that the Ortegas initially tried to prevent Ms Palacios from returning to Nicaragua after the competition, seemingly in order to prevent her from becoming a national hero. (She now lives in New York, as part of her agreement with Miss Universe.)

Indeed, even before her triumph an anchor on state-run television dismissed her as "Miss Buñuelos", a reference to the fried manioc and syrup doughballs that Ms Palacios grew up selling on the street. Police forced artists who were making a mural in her honour to paint it over.

The regime was particularly angered by photos circulating in Nicaragua that showed Ms Palacios at the protests in 2018. When opposition media in exile praised Ms Palacios, Ms Murillo, who is also the government spokesperson, warned of "crude and evil terrorist communications" that were promoting "a return—of course impossible—to the nefarious, selfish and criminal practices" of 2018. The police charged Ms Celebertti, who also participated in the demonstrations in 2018, of "turning the contests into political traps, financed by foreign agents".

Universal acclaim

The Nicaraguan regime's reaction stands in contrast to that of Nayib Bukele of El Salvador, which hosted the competition. The budding dictator embraced the spectacle to distract critics from his questionable run for a second term and the widespread violations of human rights associated with his crackdown on gangs, which has involved locking up 70,000 alleged gang members in the past year. He highlighted posts on X, formerly Twitter, by contestants from the beaches lauding the country's security. "As the president Nayib Bukele said, El Salvador is changing," wrote last year's Miss Universe.

**Beauty and the beast**

Rumours of a personal vendetta abound. On December 11th Ms Celebertti, who is thought to be in Mexico, announced she had retired as the head of the local Miss Universe franchise after 23 years at the helm. The following day Univisión, an American Spanish-language TV channel, reported that the regime had pressured Ms Celebertti to resign in exchange for the release of her husband and son. The channel went on to say that the local franchise could now be run by a daughter-in-law of the Ortegas. (The daughter-in-law would probably be Xiomara Blandino, herself a former Miss Nicaragua.) However, neither of these statements has been verified and none of the parties has commented.

Controlling the franchise would allow the government to ensure that Nicaragua's next Miss Universe participant wears symbols of the ruling Sandinista party instead of national ones. Nicaraguan boxing champions have worn outfits decorated with the Sandinista flag at international tournaments. In 2021 the regime decreed it illegal for any Nicaraguan to accept national or international awards unless the recipient is approved by the government.

Perhaps nobody is more enraged than Ms Murillo. Unlike the first lady's children, Ms Palacios is self-made. Born in a poor neighbourhood, she helped her grandmother sell *buñuelos* before getting into one of Nicaragua's top universities. That university was seized by the state in August and closed down. Her humble origins have endeared her to the people. "[Vice-president] Murillo feels threatened because she thinks she is the queen of Nicaragua," says Silvio Prado, an exiled academic. "And the only queen recognised by the people today is this young woman." ■

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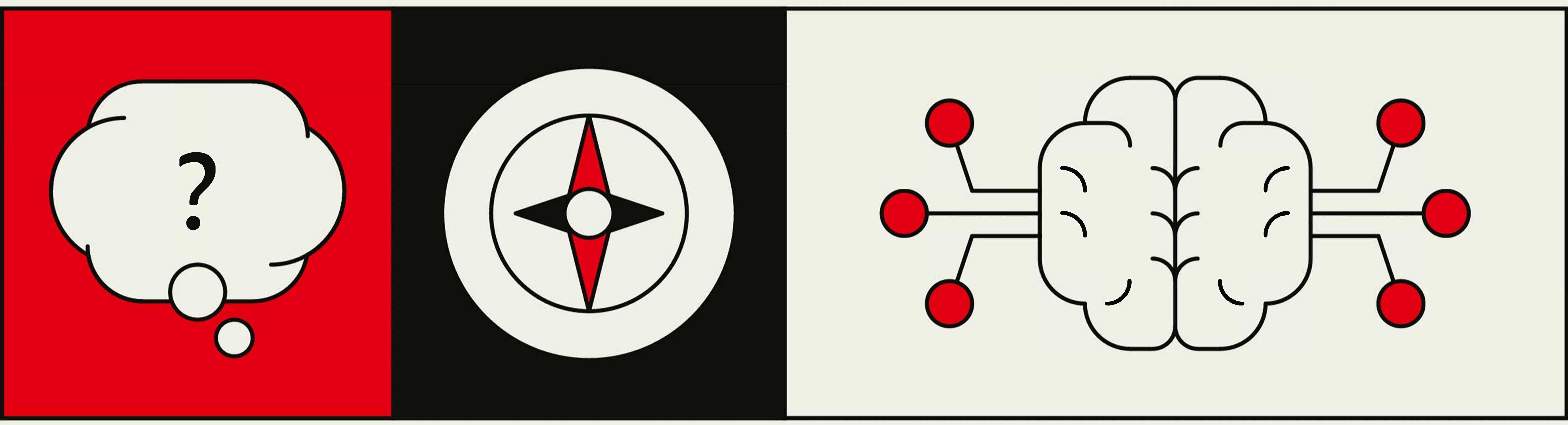


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ECONOMIST EDUCATION

Japan and ASEAN

# Cuddles with intent

BANGKOK, JAKARTA, MANILA, SINGAPORE AND TOKYO

**Relations between Japan and South-East Asia are entering a new era**

ASIAN GEOPOLITICS is often described in terms of two giants: America, the incumbent superpower, and China, a rising one, standing astride the region and competing to pull smaller countries to their sides, including the ten members of ASEAN, the Association of South-East Asian Nations. But this misses a lot. It elides smaller countries' agency and oversimplifies what is rarely a Manichaean divide. It also ignores the pivotal role of another rich power with strong ties: Japan.

For many South-East Asian countries, Japan offers a vital hedge against the rival powers, as a source of capital, technology and aid. Over the past decade, Japanese foreign direct investment into ASEAN countries has totalled $198bn, behind America's $209bn, but beating China's $106bn. Japanese firms covet South-East Asia's growing markets, and policymakers see the region as a bulwark against Chinese expansionism. Sustained engagement, from mediating regional conflicts to building regional institutions, has helped Japan accumulate substantial influence. According to a survey of South-East Asian researchers, businesspeople and policymakers by the ISEAS-Yusof Ishak Institute in Singapore, Japan is the region's most trusted outside partner.

That trust will be on display in Tokyo on December 16th-18th, when Japan's prime minister, Kishida Fumio, welcomes the leaders of nine ASEAN members and Timor Leste. The gathering will mark the 50th anniversary of dialogues between Japan and ASEAN, which began with contentious talks over synthetic rubber. It will also be a moment to recalibrate the relationship, as the power dynamic between Japan and ASEAN members shifts, competition for influence grows, and security fears intensify.

Warm ties between Japan and South-East Asia were hardly inevitable. Imperial Japan spread death and destruction across the region. After the second world war ended, ill-will lingered. In the early 1970s anti-Japanese riots broke out in Bangkok and Jakarta. In 1977 Japan's prime minister, Fukuda Takeo, called for building equal partnerships with South-East Asia based on "heart to heart" ties. The soft-edged "Fukuda Doctrine" came to characterise Japan's relations with the region. John Ciorciari of the University of Michigan and Kiyoteru Tsutsui of Stanford University dub Japan the "courteous power". As Mr Tsutsui puts it, "It's not that Japan is nice—Japan had to do it because of the legacy of the war."

Japanese diplomacy tends to be deferential where America's and China's can be preachy or pushy. Japan keeps relatively quiet about human-rights violations and talks to autocrats, hoping they will transform. At times this has seemed to pay off, as when military rule ended in Myanmar in 2011; at others it has not, as when the junta returned there a decade later. The past three Japanese prime ministers have visited South-East Asia within four months of taking office. America is "riding Japan's coat-tails" in South-East Asia, says Emma Chanlett-Avery of the Asia Society Policy Institute, an American think-tank.

Japanese private investment and state aid have helped to generate growth and goodwill. The Japan International Co-operation Agency (JICA), Japan's overseas development arm, has provided training, expertise and funding for decades. The key to the trust Japan enjoys is "long-term consistency", says Tanaka Akihiko, JICA's president. ▸▸

→ Also in this section

The Manila-based Asian Development Bank, of which Japan is the largest shareholder, plays a big part in financing regional development. Japan is central to the two biggest regional trade deals of recent years, the CPTPP and RCEP. (America is absent from both, China a member only of the second.) Japanese soft power, from anime to ramen, has helped create Japanophiles across South-East Asia.

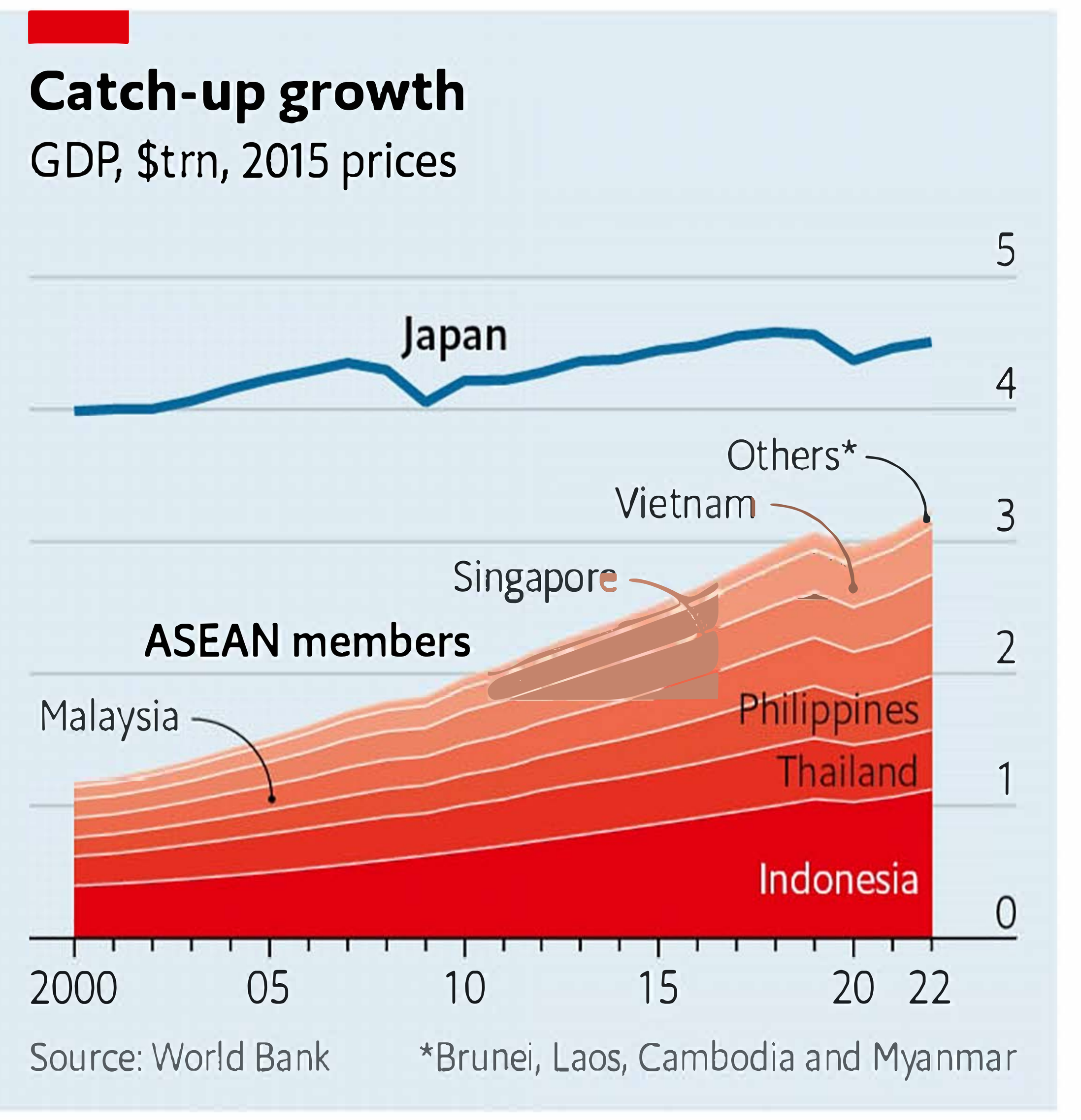
But Japan's presence in South-East Asia is most visible in infrastructure, from roads to sewage systems and power plants. Even in the heyday of the Belt and Road Initiative, Japanese infrastructure investments in many South-East Asian countries outpaced China's. Earlier this year the Japanese emperor was warmly welcomed in Jakarta, where he toured a Japan-backed railway. Nearly 30 metres below the choked streets of Manila, Japanese engineers are boring the Philippine capital's first subway, a project financed largely by JICA.

Yet as South-East Asia grows, the relationship is shifting. In 2000, the combined GDP of the ten ASEAN members was equivalent to 30% of Japan's in real terms; by last year, the figure was 72% (see chart). "We're co-operating as equals now," says one Japanese diplomat. And Japan faces competition over aid. South Korea has become an active donor. Thailand and Indonesia have aid agencies of their own.

China has surpassed Japan on trade. In 2010 two-way goods trade between China and ASEAN and ASEAN and Japan was $236bn and $219bn respectively. By 2022 China's had grown to $722bn, while Japan's was $269bn. Japanese companies are too cautious, says an Indonesian businessman: "The Chinese care about returns on capital and making a profit as soon as possible, so things don't have to be perfect."

China's rise has also pushed Japan to play a more proactive role in regional security. Under Abe Shinzo, prime minister from 2012 to 2020, Japan loosened the legal shackles on its armed forces and defence industry. It has since concluded defence-equipment transfer agreements with the Philippines, Malaysia, Vietnam, Thailand, Singapore and Indonesia; Japan builds boats for coastguards in the Philippines and Vietnam. Such aid helps when responding to Chinese incursions, says Jay Batongbacal of the University of the Philippines. Japanese strategists also see capacity-building in South-East Asia as a way to counter China's assertiveness throughout the Indo-Pacific. As a Japanese security official puts it, "The theatres are connected."

That linkage suggests where relations between Japan and South-East Asia are heading. Security ties with states worried about Chinese expansionism will thicken. In November Mr Kishida visited Manila and launched talks on a pact to facilitate closer defence collaboration; the Philippines will be part of the first group in a new Japanese aid programme focused on security kit, alongside Malaysia, Bangladesh and Fiji. In late November Vietnam's president visited Tokyo and elevated Japan to the first tier of Vietnam's diplomatic partners; Vietnam will probably become part of the second group to receive Japanese assistance. Japan's outreach to South-East Asia will always include roads, ramen and courtesy. But a harder edge is emerging. ■




India and pets

# Pooch raj

PUNE

**Middle-class Indians are going gooey over dogs**

When Kyle D'Costa and his wife met Rio, a nine-month old shih apso, in 2021, "it was love at first sight." The newlyweds soon added a shih tzu and, besotted with their pooches, also pet insurance, doggy-sized India cricket jerseys and other accoutrements. Then they rented a bigger flat to give the animals "more space".

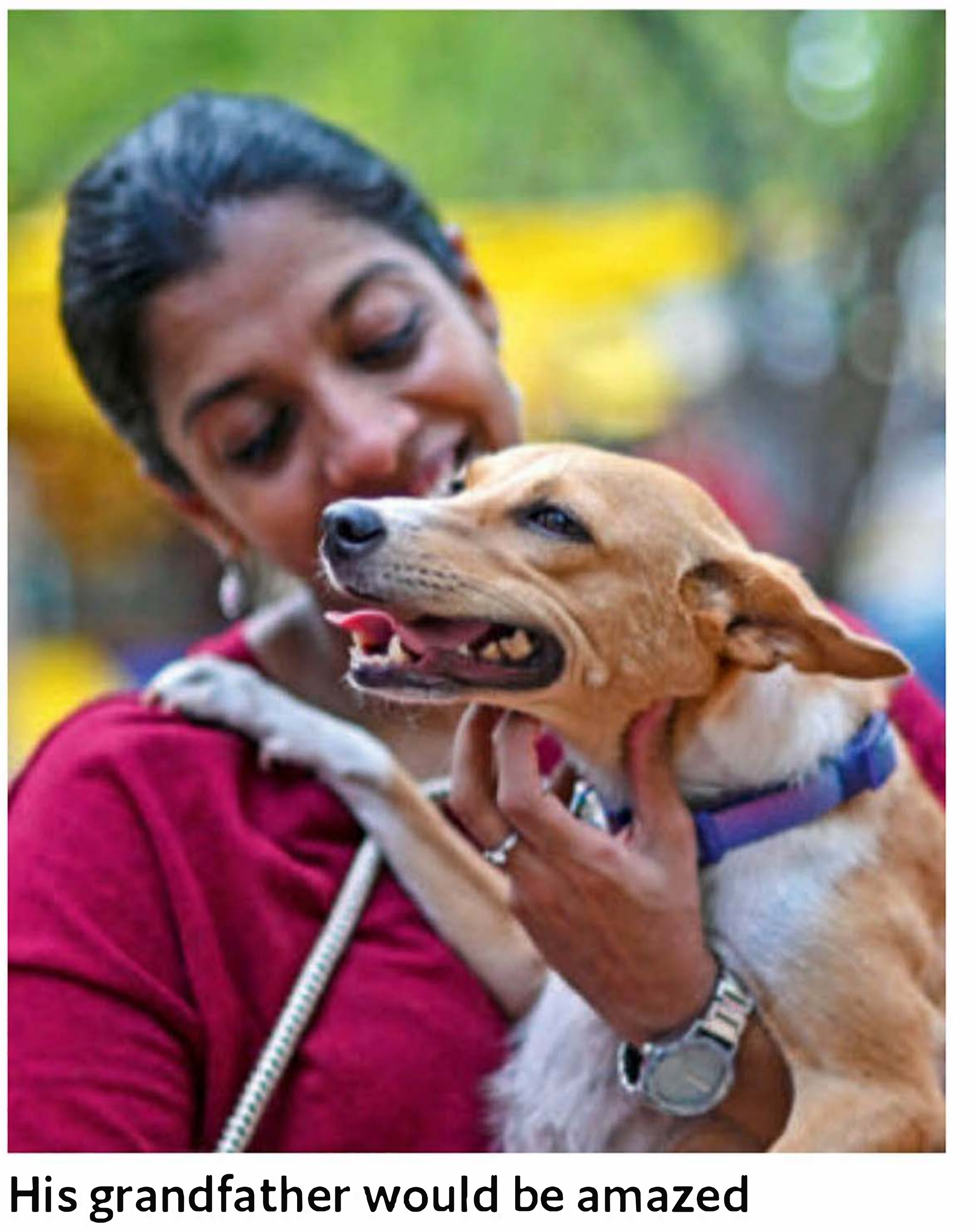
The D'Costas and millions of other middle-class Indians, chief beneficiaries of the country's strong recent growth, are following a well-trodden development path. No longer content with new cars, branded sneakers and other Western baubles, they are rapidly acquiring pets. According to Statista, a data company, India had 19.4m pet dogs in 2018 and may now have 31m. In 2021 Market Decipher, another research outfit, estimated India's pet economy to be worth $890m and that it would almost triple in size over the next decade.

The trend mirrors even more dramatic growth in China's pet industry, which is estimated to have increased fivefold in seven years, to $58.6bn in 2022. Increased pet-ownership comes with rising incomes, especially among young professionals who tend to delay marriage and parenthood and to be especially open to a poochie surrogate. It is only a matter of time before Indian matrimonial websites include a "pet-friendly" option. In India as elsewhere, the covid-19 lockdown also increased demand for animal companionship.

Established pet-industry players are gearing up and new ones emerging. Nestlé, the world's biggest food company, last year acquired Purina Petcare, an Indian pet-food business. Emami, an Indian consumer-goods giant, offers Ayurvedic medicines for pets. Euromonitor International, a market-research company, thinks India's pet-food industry is worth $480m and will grow to $1.2bn by 2025.

Pet services, conventional and somewhat outlandish, are also booming. Grooming and boarding companies are becoming commonplace. Wiggles, one such firm, recently opened a vast facility in Pune, in Maharashtra. Supertails, an online pet store, offers pet-relationship managers and advises on pet-friendly policies. "We offer paw-ternity leave", deadpans Varun Sadana, its co-founder, "for new parents [he means owners]." Take A Dog's Story, a pet-friendly hotel chain, encourages customers "to pick a paw-perty at some of the most scenic locations across India." Visiting pets are garlanded with marigolds. "For me, the pet is a guest, not you," says its founder, Himmat Anand.

As the prestige of pet-ownership rises, so does that of those working in the industry. "Being in this trade was looked down upon just five years ago," says Chinmay, a 30-year-old dog trainer in Thane, a suburb of Mumbai. "How will you find a girl?" he recalls his relatives asking him. But dog trainers in Mumbai can these days charge 2,400 rupees ($30) an hour—more than twice as much as piano teachers. Chinmay, in hot demand, is now happily married to one of his clients. ■



His grandfather would be amazed

Kashmir's autonomy

# Gone for good

DELHI

**India's Supreme Court upholds the loss of the region's special status**

THE PHRASING was unusually gushing even by Narendra Modi's fulsome social-media style. On December 11th India's prime minister praised the country's Supreme Court on X (formerly Twitter) for having "in its profound wisdom…fortified the very essence of unity that we, as Indians, hold dear and cherish above all else."

Mr Modi was delighted by the court's unanimous verdict, delivered minutes before, to uphold his government's revocation of article 370 of India's constitution. Thereby it endorsed Mr Modi's decision, in August 2019, to scrap the semi-autonomous status of Jammu & Kashmir, and then break India's only Muslim-majority state into two. A priority of Mr Modi's Hindu-nationalist government, this was deeply opposed by many Kashmiris. Given the authoritarian way in which the power grab was carried out, the Supreme Court's judgment on the issue had been billed as a big test of the judges' own independence from Mr Modi's powerful influence.

Under its constitutionally-enshrined special status, Jammu & Kashmir, uniquely among Indian states, used to have its own constitution and flag, and the right to bar outsiders from buying its land. Before stripping it of statehood, Mr Modi's central government first cut the region's phone lines, television signals and internet cables. It also put Kashmiri political leaders and other public figures under house arrest. Then it carved the state into two "union territories", to be ruled from Delhi.

The court had not been expected to side with the Kashmiri petitioners who had challenged Mr Modi's right to scrap the former state's special status. It duly argued that, like other princely states absorbed into India in 1947, Jammu & Kashmir had not retained intrinsic sovereignty. Article 370, it ruled, had been a temporary provision designed to govern the state in a "wartime situation", with the ultimate aim of integrating Jammu & Kashmir into the rest of India. Though this was expected, the extent to which the court endorsed Mr Modi's heavy-handed methods was surprising.

The judges offered no comment on the authoritarian style of the power grab. They merely directed the government to restore statehood (though not special status) to one of the two territories, which is also now called Jammu & Kashmir, "at the earliest". They said elections should be held by next September. One of the five judges proposed that a "truth and reconciliation commission" should be convened to examine abuses committed in the territory since a secessionist insurgency began there in the late 1980s. The court did not suggest how this might be done.

The court also appeared to rebuke the petitioners for having brought their challenge. In a state under president's rule—as Jammu & Kashmir was at the time of the carve-up—the central government cannot be routinely subject to judicial challenge without bringing administration "to a standstill", tutted the chief justice, Dhananjaya Chandrachud.

The verdict sparked little if any public protest in Kashmir. Yet it is likely to deepen Kashmiris' long-standing feeling of disaffection. It is also ominous for other states attempting to resist Mr Modi's centralising efforts. The eight states of north-eastern India, some of which also enjoy a degree of autonomy, should worry. And the verdict is yet another signal that the Supreme Court has lost its former appetite to resist Mr Modi. Ahead of an election next year that is expected to give him a third term, the prime minister looks increasingly authoritarian and diminishingly restrained. ■

Bangladesh's election

# Rigged and violent

DHAKA

**The Awami League is set to win another sham election on January 7th**

SHEIKH HASINA has served four terms as Bangladesh's prime minister, three of them consecutively since 2009. Nobody seriously doubts that she will begin her fifth after an election due on January 7th. The government claims the election will be competitive; 29 parties are contesting it. Yet the Bangladesh Nationalist Party (BNP), the biggest opposition party and the only one capable of mounting a challenge to the ruling Awami League (AL), is boycotting the poll. It could scarcely take part if it wanted to. Most of the BNP's leaders and thousands of its activists have been jailed over the past six weeks. Five have died in custody since late November. Many of those who have so far evaded arrest are in hiding.

This farce points to the conundrum that Sheikh Hasina, the world's longest-serving female prime minister, represents. In her nearly 15 years in power, she has presided over one of the world's fastest-growing economies and the biggest improvement in living standards in South Asia. She has also skilfully negotiated the rival interests of China and India, the feuding giants Bangladesh's 170m people are sandwiched between, and also America, which has a long-standing interest in the country's stability. At the same time, the 76-year-old prime minister has assailed Bangladeshi democracy with impunity.

Sheikh Hasina greets her people

She has cowed the press and captured the police, courts and judiciary. She has built a personality cult around her father, who was murdered in a coup in 1975 and whose face is now plastered everywhere in Dhaka, the capital. She has neutralised the BNP's leader, Khaleda Zia, who has been under house arrest since 2018. Bangladesh's previous two elections, in 2014 and 2018, were also massively stacked in the ruling party's favour. The coming one could make the BNP almost defunct. To manufacture an impression of a competitive poll, observers say the AL has encouraged its party members, their acquaintances and also defectors from the opposition to run as independent candidates.

The mass arrest of BNP members was sparked by street violence between the party's supporters and police after a rally on October 28th. It left at least 16 people dead, including two police officers, and injured thousands, according to Human Rights Watch, an NGO. The government claims the BNP started the violence; the party says the opposite. "They have arrested 20,000 of our people," says Mahbub Uddin Khokon, a lawyer and BNP leader. "We are fighting for democracy. If we participated in this illegal election we would legitimise it."

The arrested activists have been charged with crimes from arson to attempted murder. Many of the arrests look arbitrary; where police could not find those they were looking for, they took their relatives. Witnesses say the arresting officers were sometimes accompanied by AL activists carrying wooden truncheons.

The crackdown has kept the BNP off the streets. Blockades of roads outside Dhaka by the party in November partially cut off

# Banyan Cat warrior

*Hsiao Bi-khim, Taiwan's former emissary to America, is running for vice-president*

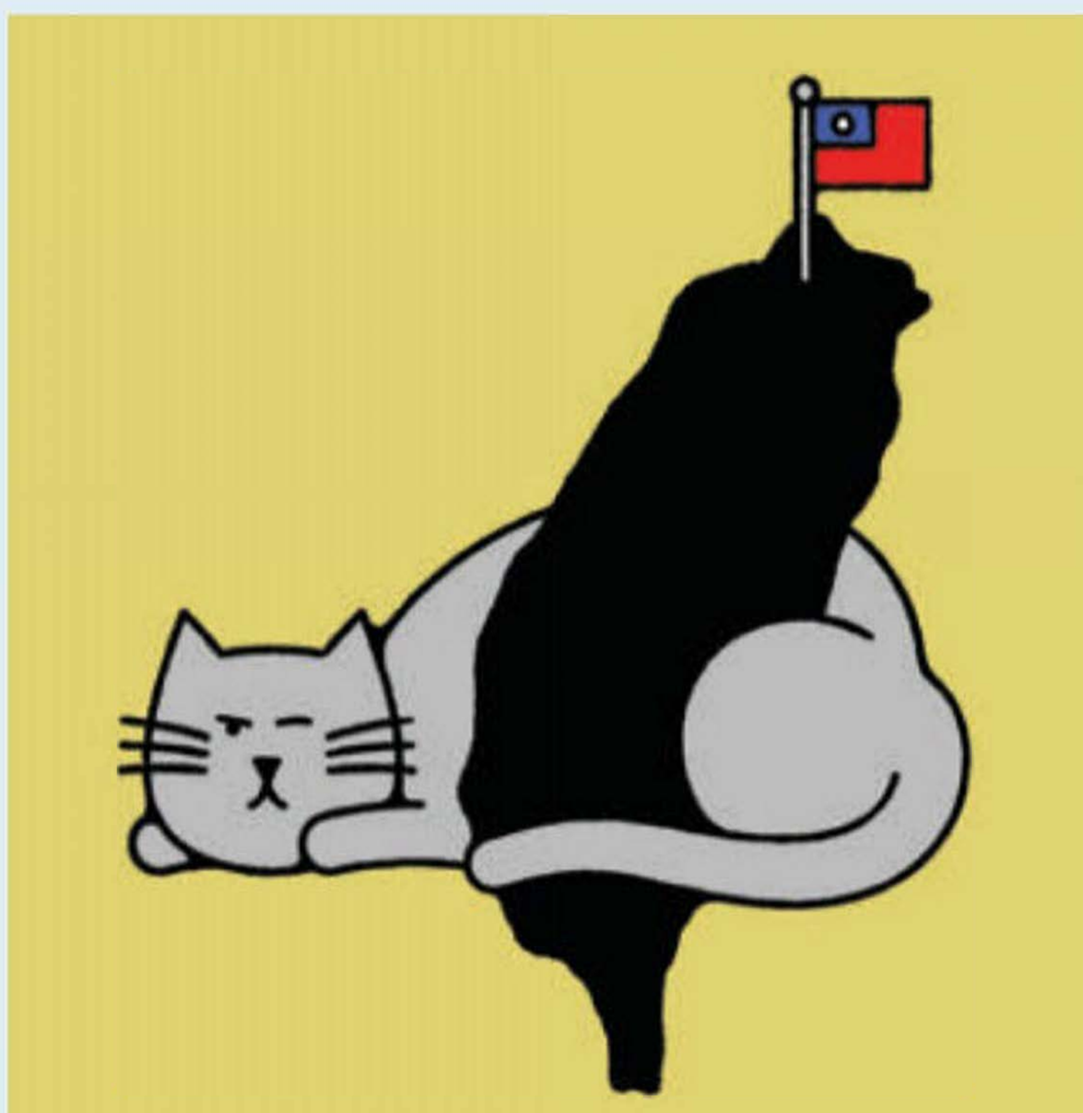
Before Hsiao Bi-khim was dispatched to Washington in 2020, she was asked how she would counter China's so-called wolf-warrior diplomacy. Taiwan's new de facto ambassador to America said she would be a "cat warrior". Inspired by her four beloved felines, she would be lovable, nimble and flexible. Cats "can balance themselves in very delicate places", she tells Banyan. "They tread softly, but they...are able to find the right positions of defence." What is more, adds Ms Hsiao, who recently returned to Taiwan to contest the election due on January 13th as the vice-presidential candidate of the ruling Democratic Progressive Party (DPP), cats are independent-minded. "You can't force them to do things they don't want to."

Ms Hsiao's candidacy is a strong signal that the DPP plans to maintain its current posture towards China under William Lai, its presidential candidate and the narrow favourite in the election. Under Tsai Ing-wen, Taiwan's current president, this has been characterised by avoiding unnecessary provocation, while asserting Taiwanese sovereignty. That is reassuring to America, where Ms Hsiao's feline outreach won her many friends and admirers, but irritating to China. It has sanctioned Ms Hsiao twice and derides her as an "unyielding separatist".

Ms Hsiao is unruffled. A politician before she became a diplomat, she was formerly the DPP's director of international affairs and has advised both Chen Shui-bian, Taiwan's first DPP president, and Ms Tsai. Ms Hsiao spent eight years as a legislator in Hualien, a rural district where the opposition Kuomintang (KMT), which wants reunification with China, has significant support. Her ability to win the trust of the local farmers earned her a reputation for deft grass-roots campaigning. Today she exudes confidence in her domestic support. She and Ms Tsai, another cat-lover, have become minor social-media stars in Taiwan, appearing in videos with their furry pets.

Seated at the DPP headquarters in Taipei, Ms Hsiao points to a photo of the party's founders, who launched it in 1986 to resist the KMT's authoritarian rule. They were "willing to risk their lives", for the sake of Taiwan's democratisation, she says admiringly. They were mostly in favour of Taiwanese independence, which is why China denounces the DPP as a "separatist" outfit. In reality, it has become more moderate since Ms Tsai became president in 2016. She advocates not outright Taiwan independence but a continuation of de facto separation and peaceful relations across the Taiwan Strait. That is "the most practical approach to Taiwan's status", says Ms Hsiao. It chimes with the conflict-averse view of most Taiwanese, she notes, and provides a position that Taiwan's friends and allies can support.

Such pragmatism has been much needed in recent years. Ms Hsiao went to Washington just as America was pivoting from engagement with China to competition. Taiwan promptly became a bellicose talking-point for hot-blooded American politicians. Some are outspoken supporters of Taiwanese independence. Ms Hsiao refuses to say whether such talk has been helpful to Taiwan or not. The important thing, she says, is that under both Donald Trump and Joe Biden there has been bipartisan American support for Taiwan. As vice-president, she would be charged with maintaining that backing after America's own election, due next November, no matter who captures the White House.



Managing cross-strait relations would be tougher. Taiwan's opposition parties criticise the DPP's inability to engage the Chinese Communist Party, which cut off contact with Ms Tsai after she refused to say Taiwan was part of China. Ms Hsiao says the DPP is in principle open to dialogue. Taiwan should also be "clear-eyed" about its trade dependency on China, she says. It has remained constant under Ms Tsai, despite coercive Chinese import bans on Taiwanese goods.

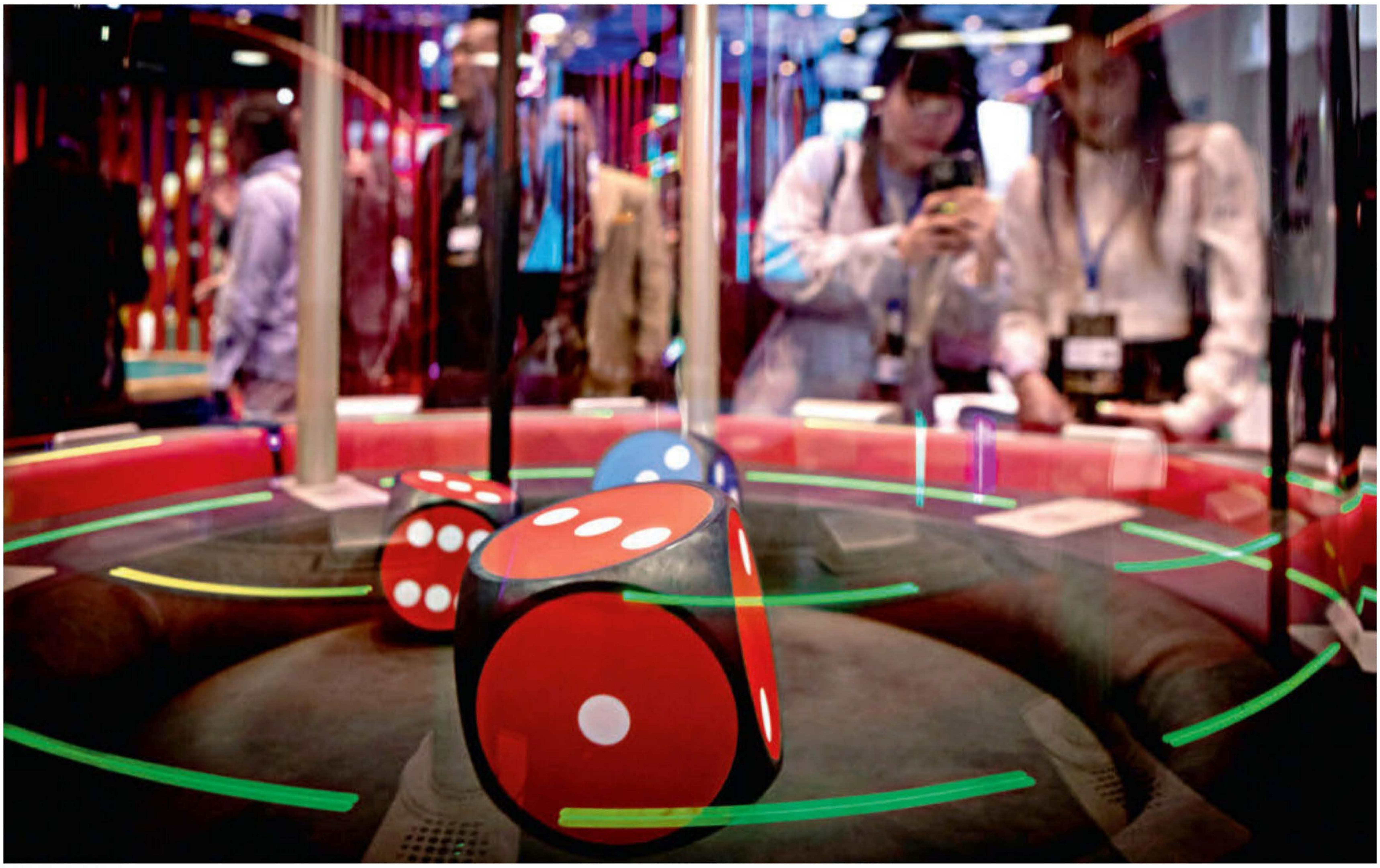
Ms Hsiao's promise, then, is of continuity. Under Mr Lai, the current vice-president, Taiwan would keep building alliances and strengthening its defences. "Like cats, we can be warm and cuddly, but don't mess with us," she says. So, tensions would stay high in the Taiwan Strait—a hard message for many Taiwanese, especially younger voters, who are tired of hearing about the Chinese threat while facing costly housing and low wages. Recent polls suggests the DPP's lead is only around 3-6% (see the latest at economist.com/taiwan-tracker). Ms Hsiao's cat-like assurance is compelling. But it remains to be seen whether Taiwanese voters are convinced by it.

▸ the capital. But by early December delivery of most goods had resumed. An opposition protest in Dhaka, a hotbed of anti-AL sentiment, on December 10th drew hundreds, not the usual thousands.

Some AL officials say in private that it would be better if the BNP was taking part in the poll. But Sheikh Hasina is unlikely to pay a price. India, Bangladesh's main regional partner, calls the election an "internal matter". America says it will deny visas to officials whom it deems to be "undermining the democratic election". Yet it, like India, is fearful of pushing Sheikh Hasina towards China, so minded to ignore her abuses. The EU has merely declined to send a full team of election observers.

Sheikh Hasina remains popular in much of the country. A recent survey by the International Republican Institute, an American pollster, gave her a 70% approval rating. But in the cities especially, a tough economy has increased disaffection with the government. Rising energy and commodity prices in the wake of Russia's invasion of Ukraine forced Bangladesh to take a $4.7bn loan from the IMF in January. Foreign reserves remain low, the banking system is stressed and the taka, the country's currency, is under pressure. The official inflation rate, just below 10%, is probably an underestimate. Workers in the important garment industry are dissatisfied with a recent hike in the minimum monthly wage to 12,500 taka ($114), which is less than the increased cost of living.

Still, growth is fairly robust, at just under 6% in the last financial year. On December 13th the IMF lauded the government's commitment to its bail-out programme and called it "broadly on track". So is Sheikh Hasina's bid to stay in power. ■



Macau

# A big wager on the future

MACAU

**China's sin city wants to be more like Las Vegas. A fortune is on the line**

On a balmy morning in southern China tourists are back walking the canals of Venice and admiring the architecture of St Mark's Square. The crowds have returned to the Venetian Macao, a resort with gondoliers and gaming tables. It and other casinos in Macau, the world's largest gambling centre by revenue, were hit hard by the pandemic as China closed its borders. Tax receipts from the city's gaming sector fell by 85% from 2019 to 2022. But now they are surging again. More people visited Macau in the first nine months of 2023 than in the preceding three years combined (see chart on next page).

Yet Macau's future still feels uncertain. So long as gambling remains illegal in mainland China, the city and its casinos should do well. But under Xi Jinping the national government has taken a dim view of vice. The state's actions have already changed the way Macau operates. Over the coming decade, they are likely to reshape the place. Macau is under pressure to follow the model of Las Vegas, which has diversified its leisure offerings and become more family-friendly. China's sin city, though, is struggling to adjust.

Things began to change for Macau with the ascendance of Mr Xi, who launched the largest anti-corruption campaign in Chinese history soon after taking power in 2012. Part of that effort was aimed at the city, a former Portuguese colony that has been an autonomous region of China since 1999. Like neighbouring Hong Kong, it has its own currency that is, in effect, pegged to the dollar. Mainland officials and entrepreneurs often used the city's casinos as conduits for money-laundering or exit routes for ill-gotten gains. High-rollers would circumvent China's strict capital controls by taking winnings in foreign currencies or staging losses and paying the "debt" into a foreign bank account.

Mr Xi's campaign has put an end to much of that activity. In 2021 the government went after "junket" operators, who bring high-rollers from the mainland to Macau's casinos (and often arrange credit to finance their betting). Alvin Chau, the boss of the biggest junket group, Suncity, was arrested that year and is now serving an 18-year prison sentence for illegal gambling, fraud and involvement in a criminal organisation. Macau's gaming regulator has slashed the number of junket licences it issues. In 2011 nearly three-quarters of the city's gaming revenue came from high-rollers; last year less than a quarter did.

Macau's future depends on it attracting a broader audience. In 2019 mass-market gaming accounted for more than half of casinos' earnings for the first time. But it is harder to make money from vast numbers of regular punters than it is from smaller groups of high-rollers. In the 2010s, as the number of tourists in Macau rose, their average expenditure fluctuated. This year it is down compared with last year. At the Venetian Macao, tables with high minimum bets attract few customers. Poker tables, introduced to bring in new clientele, are largely empty. (Most people play baccarat.) ▸▸

→ Also in this section


The casinos are suffering a "long hangover" from the pandemic, says a staff member. But the problem goes beyond that. Macau's tax take peaked in 2013. In 2019, before covid-19 hit and despite a record number of visitors to the city, government revenue was down 25% from its high six years earlier.

Before the pandemic Macau made most of its money (around 80%) from gambling—unlike Las Vegas, which makes more from non-gaming sources such as shows. Over the past decade Macau's resorts have invested billions of dollars to expand their offerings, increasing entertainment and shopping options. Much more is planned. Last year the city's government agreed to renew the licences for the six largest gambling operators for ten years starting in 2023. But they had to pledge to spend $13bn on non-gaming projects and efforts to draw foreign tourists.

### Raising the stakes

One operator, Galaxy Entertainment Group, has vowed to build the city's "first and only high-tech amusement park". Another, Sands China, will add a glass conservatory to the 50,000-square-metre garden next to its Londoner Macao resort (with its own Big Ben and King's Guard). Other developments aim to attract business travellers with upgraded spaces for meetings and conventions. Some wonder if there is a big enough market for these offerings.

Mr Xi has urged local governments to invest in the "Greater Bay Area", which encompasses Macau, Hong Kong and much of Guangdong province (see map). Some of Macau's casino groups are planning to build non-gaming resorts in the region. The 55km Hong Kong-Zhuhai-Macau bridge has linked up those cities, but it also makes it easier for visitors to spend just a day—not a night—in Macau. The gaming hub's neighbours are also getting in the way of its other ambitions. In recent years Macau has tried to develop its financial industry and to depict itself as a centre for technology and innovation, but it has struggled to compete with Hong Kong and Shenzhen in those areas.

Pessimists point to other challenges. Slowing economic growth on the mainland could mean fewer domestic tourists. The flight of rich expats from Hong Kong will not help. It is unclear where new international custom will come from, particularly given the rise of gambling hubs in South-East Asia.

### Betting on Beijing

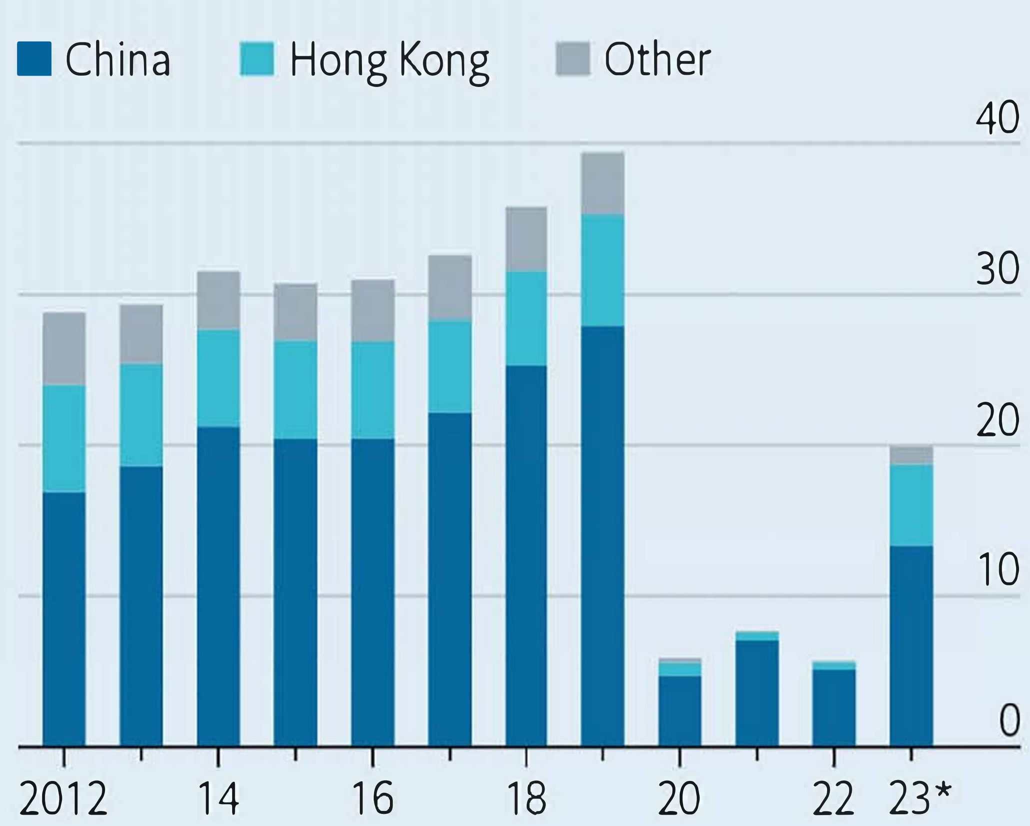
Then there are Sino-American relations. Three of Macau's biggest casino groups are largely American-owned: MGM, Sands and Wynn. Their operations in the city form a big part of their overall businesses. They were reassured when their licences were renewed, though the ten-year commitment was shorter than the previous two-decade deals. If tensions between America and China were to rise even higher, some fear the government in Beijing would order mainland firms to take a greater stake in the businesses.

Though nominally administered under the "one country, two systems" principle, Macau tends to follow the Communist Party's lead. The media and schools instil loyalty to the mainland. A security law, known as Article 23, is there to punish treason and secessionism (or anything that resembles it). In 2021 pro-democracy candidates were disqualified from running in Macau's legislative elections. The city's chief executive, Ho Iat Seng, is pro-Beijing. The party hand-picked the officials in charge of justice and public security.

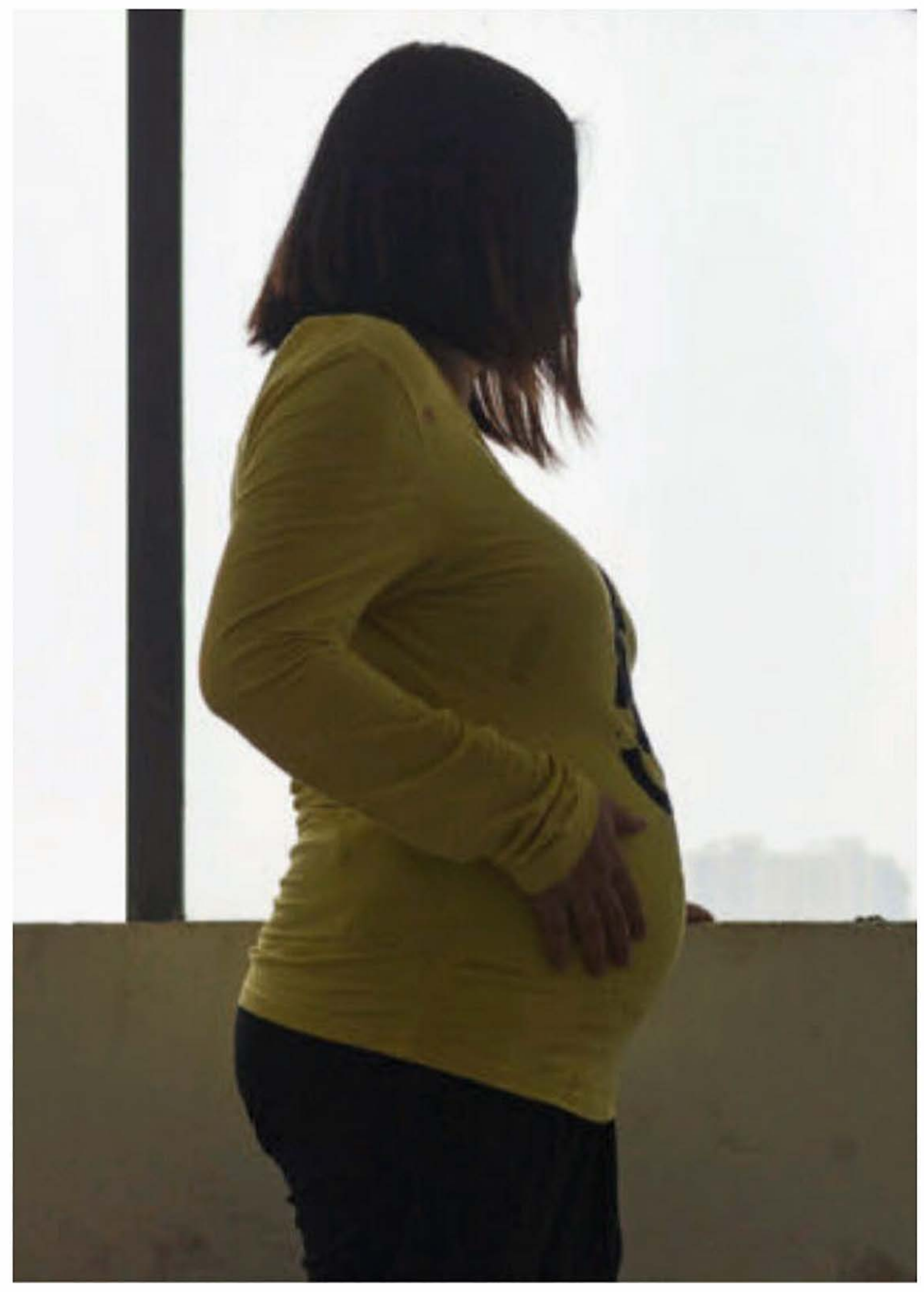
One reason why Macau is less demanding of democracy than Hong Kong is because its GDP per person is usually among the highest in the world (the pandemic knocked it back). But Macau's loyalty and riches will not necessarily shield it from Mr Xi's wrath. He appears to have a deep-seated suspicion of the gaming industry. And his push for "common prosperity" aims to reduce the type of inequality that is often on display in Macau. If the city can become a little more wholesome, Mr Xi might be more inclined to tolerate it. ■

**Viva Macau**

Macau visitor arrivals, by origin, m




Source: Government of Macau *To September 30th



Surrogacy

## High-risk pregnancies

BEIJING

**The dangers of carrying a child for someone else in China**

FAKE BIRTH certificates have long been a hot (if niche) commodity in China. In past decades couples would seek them out in order to get around the one-child policy. They could legally have two children if they were twins—or if their counterfeit papers stated as much. The one-child policy was loosened in 2016. But fake birth certificates remain in demand. Several hospitals are suspected of selling them. Some believe human-traffickers are the buyers. But investigators are eyeing another group: people who have babies via surrogates.

Surrogacy falls into a legal grey area in China. The state often says that the practice is banned; but there is no law against being a surrogate or hiring one. Yet doctors and hospitals that facilitate it are punished. Selling eggs, sperm or embryos are also crimes. And surrogacy contracts are not recognised by the state. That is where the bogus documents come in. A birth certificate is needed to obtain such things as health insurance, social security and household registration (see Chaguan). The fake ones allow non-biological children to officially be part of their new families.

For a country with a shrinking population, China's approach to surrogacy is rather counterproductive—to say nothing of its effect on families. With couples waiting longer to have children, demand for surrogacy in China seems to be growing. By one estimate, over 10,000 babies are born via the process every year in the country. But the path clients and their surrogates must navigate is full of risks.

The first step, at least, is easy. Agencies that connect people with surrogates and, if needed, egg or sperm donors operate in the open. Your correspondent found an employee of one such agency on social media. His account contained pictures of dozens of prospective egg donors from various countries. It included their height, blood type, education and whether they had had plastic surgery. "There are many Chinese 'egg-sisters'. You are welcome to inquire about them," said a message on his page.

Chinese clients usually want their surrogates to be Chinese too, says the agency employee. The surrogates often come from poor, rural areas and have already had their own children. They can earn tens of thousands of dollars per pregnancy. In some villages in Hubei province, where two hospitals are under investigation for selling fake birth certificates, surrogacy has become a common way for local women to make money, according to an investigation by Chinese media in 2017.

But it is a dangerous job. Agencies are known to confiscate surrogates' identity cards during pregnancies for leverage. Bad medical care can leave them with health problems. Sometimes agencies promise clients a boy, the gender favoured by traditional families. If the fetus is a girl, surrogates can be forced to have an abortion.

The law is not much help if a dispute arises between a surrogate and a client or an agency. In 2018 a woman named Yan Xiaoli agreed to be a surrogate for 350,000 yuan ($50,000). She was paid a portion of the total. But, she claims, the client refused to hand over the rest once he learned that she was pregnant with twin girls. So Ms Yan sued him. A court not only denied her claim, but told her to return the money she had already received. It said the contract she had signed was invalid because it violated "public order and morality".

Some Chinese people seek out surrogates in the wider region, but this is getting harder. Thailand, once a relatively affordable option, banned commercial surrogacy in 2015. A year later Cambodia did the same, using existing laws against human-trafficking. In 2020 a Chinese businessman called Xu Wenjun was given a 15-year jail sentence in Cambodia after he paid a local woman to bear his child.

Back in China most of the public seems to oppose surrogacy. In April footage of a woman covering up an advertisement for such services went viral. Many commenters expressed disgust at the practice of surrogacy. Women interviewed by local media said they often encountered similar adverts and covered them with lipstick or stickers making a counter-argument. "Surrogacy exploits women...you will be punished for it," says one such sticker.

Every so often the government channels this mood, launching campaigns against the industry or commenting on high-profile cases. In 2021 a famous actress named Zheng Shuang was accused by her former partner of abandoning two babies they had had via surrogacy in America. She was blasted by China's state broadcaster, CCTV, which said surrogacy showed a "disregard of life". Even the Communist Party's main law-enforcement body weighed in, accusing Ms Zheng of taking advantage of legal loopholes and having a "twisted worldview". The actress was blacklisted and later charged with tax evasion.

Surrogacy agencies are sometimes targeted, too. But their owners are rarely punished. And the firms, even if forced to shut down for a time, often reopen later. In between such campaigns, officials tend to turn a blind eye to the industry. The investigation into fake birth certificates in Hubei was launched only after an activist exposed the practice. Local governments have, after all, been tasked with reversing China's demographic decline. Officials may see surrogacy as a means to that end. It would benefit everyone involved if the practice were regulated sensibly. ■

Xi Jinping

## Lost in translation

BEIJING

**The world continues to garble the name and title of China's leader**

It has been 11 years since Xi Jinping took charge in China, becoming one of the most powerful people in the world. But for many outsiders, this has not been enough time to learn how to pronounce his name. Foreign politicians and pundits often stumble over it. The letters "x" and "j" cause the most problems. In the English-speaking world, many insert a misguided series of "z" sounds into their pronunciation.

This was on display last month when Mr Xi met President Joe Biden in America. Airwaves around the world buzzed with mangled sibilants. It seems the internet's many pronunciation guides (and videos of failed attempts to say Mr Xi's name) have yet to solve the problem.

There is, however, a more substantial source of confusion when it comes to Mr Xi. This has to do with his job title. Like past Chinese leaders, Mr Xi holds three distinct positions. The most important is general secretary of the ruling Communist Party; it is that role which makes him the paramount leader of China. He is also chairman of the party's Central Military Commission, or commander-in-chief of the armed forces.

Shee Jin Ping and Joh By Duhn

By far the least important of his titles is that of state president. This is a largely ceremonial role, akin to that played by figureheads elsewhere. Think of Germany or Israel, where presidents have little authority. Mao Zedong was communist China's first president, but the position has also been assigned to powerless figures. For a stretch in the 1960s and 70s it sat vacant. In 1975 it was abolished completely, returning in the early 80s. The tradition of China's leader having all three titles took hold under Jiang Zemin, who was president from 1993 to 2003.

Yet when referring to Mr Xi, foreign media and politicians usually choose the title of president. When communicating in English, so does the Chinese government. This is misleading not only because it is the least important of the three hats Mr Xi wears. It is also a poor translation: *guojia zhuxi*, China's presidential title, means "chairman of the country". China uses a different term, *zongtong*, to refer to Mr Biden and other presidents.

Of course, "chairman" and "general secretary" have a whiff of Leninism about them. And "Chairman of the Central Military Commission" sounds like the title of a junta leader. China probably believes that "president" is more relatable (and less ominous-sounding). But foreign commentators don't have to abide by China's preferences. If in doubt, they could take a cue from Mr Biden and consider calling Mr Xi the dictator.

# Chaguan | Competing for children

*Enlightened self-interest prods China's rich cities to woo rural families*

As a rule, China's central planners do not say much about love. But look closely at recent plans from some reform-minded provinces—notably schemes that try to address a shrinking population—and appeals to hearts as well as minds leap from the page.

Take, for instance, a five-year plan to help rural migrants settle down in the cities of Zhejiang, a prosperous coastal province, and ideally to bring their young children with them. At first sight, Zhejiang's proposal, issued in July and covering 2023 to 2027, is dry stuff. One section explains how, in every city except the provincial capital, Hangzhou, recently arrived families can access places at city-funded schools and other public services. They qualify without buying a home or securing a local *hukou* (household registration). The *hukou* system has been used to regulate internal migration since Maoist times, when the Communist Party feared hungry peasants might crowd into cities. On the ground in Zhejiang the human import of these changes is well understood.

Chaguan travelled to Yiwu, a city of 1.9m in Zhejiang that is a trading hub for small commodities, supplying the world with pencils and parasols, shoelaces and shopping trolleys. He heard locals and migrants weigh the likely impact of relaxed residency rules on Yiwu's economy, on school waiting lists and on housing prices. Strikingly often, the same people then stopped talking about statistics and spoke of how the reforms make them feel.

Though Zhejiang stands out for reforming zeal, cities across China are being encouraged to hand out *hukou* papers more easily. Some are opening public services to migrants who prefer to remain registered in their rural birthplaces. Both economics and demographics are driving change. Fertility rates are dropping fast and China's population declined in 2022 for the first time since the early 1960s. Natives of some of China's biggest and richest cities are proving indifferent to offers of baby-bonuses and other government incentives. Far-sighted provinces and cities are now focusing on a stock of young people who have already been born: China's 67m "left-behind children". That is the term for youngsters being raised by relatives or in boarding schools in villages, county towns or minor provincial cities, while one or both parents works as a migrant away from home.

Even some of China's biggest cities are anxious about maintaining their populations, says Lu Ming, an economist at Shanghai Jiaotong University and a prominent advocate of *hukou* reform. What is more, China is generating fewer of the factory jobs that can be filled by migrants straight from the countryside, and creating more service-sector jobs that require an understanding of city folk and their ways, notes Professor Lu. By way of example he cites jobs in nursing or housekeeping or as decorators, adding that workers raised and educated in cities are best placed to fill such vacancies. Cities have been offering *hukous* to university graduates and other skilled workers for years. Now, the contest is on for blue-collar families, the professor suggests.

Not every city has the means to compete. Yiwu, a wealthy place, has spent heavily on wooing young families this year. To help outsiders, the city closed 28 private schools that catered to migrant children, some of which charged as much as 20,000 yuan ($2,811) a year. Others offered classes in shabby industrial premises. The city converted 24 into publicly funded schools, bringing 25,000 migrant children into the state sector. It built new primary schools, too, with one campus costing 224m yuan.

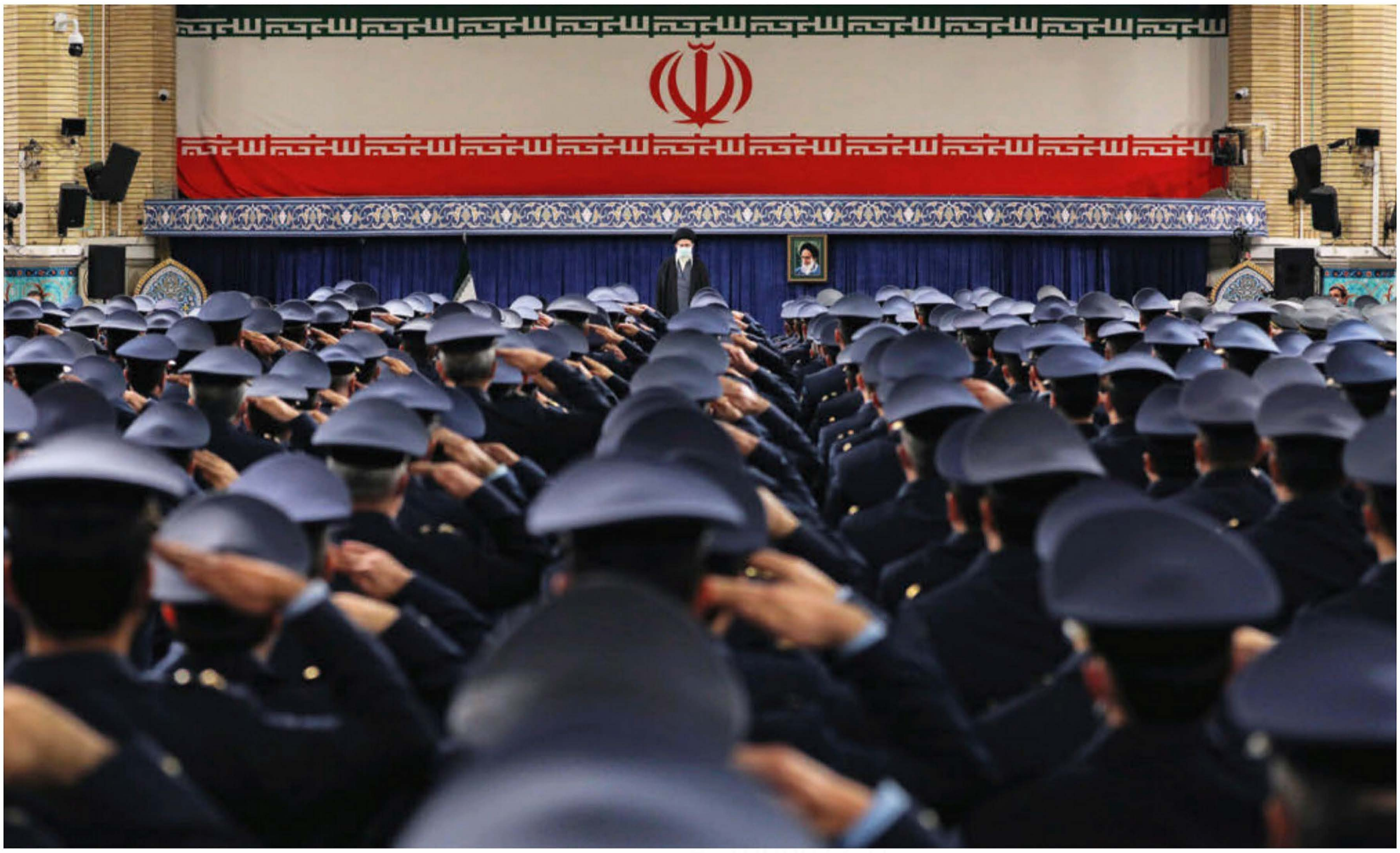
Migrant parents have mixed reactions. Yiwu's wide avenues are lined with commercial complexes devoted to specific industries. Outside a centre for stationery merchants, your columnist found three men from the same rural corner of Hunan province. They eke out a living selling adhesive price labels from plastic crates balanced on electric scooters. One used to pay over 6,000 yuan a year to send his child to a local private school. The same school is now public and costs him a tenth of that. Yiwu "wants to hang on to more outsiders", suggests that lucky father. A younger colleague will not be moving his 13-year-old daughter from Hunan to the city, however. "Of course, she'd prefer to live with her parents," he admits. But he and his wife both work in Yiwu, often till midnight or later. "We don't have time to take care of the child here," says the label-seller, smoking as he waits for customers.

Inside the mall, a mother of one from elsewhere in Zhejiang sells children's diaries and pens to buyers from around the world. The reforms leave her both grateful and sceptical. Migrants who rent homes and pay social-security contributions can now access city schools, even without a full *hukou*, she agrees. But they rarely land spots at Yiwu's best schools. Homeowners and longstanding *hukou*-holders have a higher priority than newcomers who rent, she explains. In a nearby shop, a mother of two who moved to Yiwu years ago reports that she paid a hefty premium to live near a good school. She ventures that it would be "very unfair" on homebuyers if the newcomers could access the best schools.

### A benign contest for growth

Some migrants prefer a life in two places. Some keep a rural *hukou* to maintain their rights to village land. A woman from southern China may send her daughter back to her home province to take university-entrance exams in ten years' time. Back home, the competition is less "ferocious" than in wealthy Zhejiang, she says.

In a playground near a new primary school, a retired migrant worker from Hunan talks proudly of her grown children and the four grandchildren that she now helps to raise, each of whom has a *hukou* from Yiwu. A generation ago, her own children lived in her home village and she saw them twice a year. She supposes that her children missed her, she says, with a strained laugh. "But I don't know and I would not ask." China remains full of such sad tales. Self-interest now prompts cities and provinces to help more families stay together. Easing heartache will be one of their rewards. ■



Iran

# A tamer troublemaker

AJMAN AND BEIRUT

**The Islamic Republic is preoccupied with its transition to a new generation of leaders**

ON THE FACE of it, the war in Gaza has been good for Iran's clerical regime. First, its ally, Hamas, proved itself horrifyingly more effective than most observers had assumed in its attack on Israel on October 7th. Since then the other members of the "axis of resistance" have demonstrated Iran's reach, striking Israeli and American targets from Iraq, Lebanon, Syria and Yemen. The Houthis, Iran's proxies in Yemen, have attacked oil tankers in the Red Sea and fired missiles with a range of 800km, allowing Iran to threaten trade through the Suez canal, much as it already dominates passage to the Persian Gulf. "They're showing the world needs Iran if it wants to keep the Middle East stable," says a former UN diplomat in Tehran. In Washington, DC Republican politicians present the regional menace posed by Iran as proof of President Joe Biden's geopolitical incompetence.

Iran's muscle-flexing comes after a year in which the ayatollahs have regained their grip over the country's citizens. In late 2022 widespread demonstrations, triggered by the death in custody of a woman who wore her hijab improperly, appeared to be close to toppling the regime. In the end it was the protests, not clerical rule, that died out. Iran's diplomatic and economic isolation is also easing. It has positioned itself as a crucial supplier of weapons to Russia. Oil exports, especially to China, are booming. In March China brokered a deal to restore diplomatic relations between Iran and Saudi Arabia. In August Iran was invited to join BRICS, the bloc of big emerging economies. And in September America agreed to unfreeze $6bn of Iranian assets as part of a prisoner exchange.

But Iran is less confident than it appears. It has restrained attacks by its proxies. It signals support for Hamas, but does not go far enough to invite furious retribution from Israel and America, whose navy is now near its shores. That caution, in turn, reflects weakness in Iran's economy and simmering discontent among ordinary Iranians. Above all, Iran is on the verge of a change in leadership, owing to the age (84) and infirmity of its "supreme leader", Ayatollah Ali Khamenei. The regime's focus is increasingly on securing its hold on power, not fomenting chaos abroad.

The clearest sign of this is that, having nurtured a network of regional troublemakers for decades, Iran suddenly seems reluctant to let them make too much trouble. Hamas's appeal to "brothers in the Islamic Resistance in Lebanon, Iran, Yemen, Iraq and Syria" to "merge with the people of Palestine...to unite and expel this occupation from our sacred lands" has been largely ignored. Hizbullah, a Lebanese militia allied with Iran, has been cautious, contenting itself with skirmishes and sporadic missile attacks across Israel's northern border. A long-awaited address in November by its leader, Hassan Nasrallah, amounted to 80 minutes of excuses. As Yoav Gallant, Israel's defence minister, put it, "no one has come to [Hamas's] aid—neither the Iranians nor Hizbullah."

Iranian officials still trot out their formula for resolving the Israeli-Palestinian conflict: a referendum of the "original inhabitants" of Palestine (not including Jews), which would vote to wipe Israel off the map. But in recent weeks Iran's clerics ▸▸

have also signalled moderation. A manifesto by religious scholars published in mid-October condemned the killing of civilians by Hamas as well as Israel. Recognition of Israel is the Palestinians' "own business, of course", says Mr Khamenei's foreign-policy adviser, Kamal Kharazzi. "We are not going to declare opposition to others." At the UN General Assembly on October 27th Iran voted in favour of a two-state solution, which would entail recognition of Israel, a break with a long-held policy of opposition. Mr Khamenei shocked hardliners recently by saying that Iran did not believe that "Jews or Zionists should be thrown into the sea." "We're not radicals," insists an Iranian diplomat.

Or perhaps they would rather not sound like radicals. Iran clearly does not want to be blamed for Hamas's rampage. In his first comment on the attack Mr Khamenei denied Iran's involvement three times within 90 seconds—as if pronouncing a threefold Islamic divorce, noted an Iranian wag. "The resistance groups in the region do not take orders" from Iran, insists Nasser Kanani, the foreign ministry spokesman.

If what he means is that they are free agents, that is nonsense. Abdolreza Shahlaei, a commander of the Yemen division of the Islamic Revolutionary Guard Corps (IRGC), the regime's elite military force, directs the Houthis from the mountains of Yemen, according to Israeli intelligence. Since October 7th Ismail Qaani, the commander of the IRGC's foreign arm, the Quds Force, has opened "a joint operations room" close to Syria's front line with Israel and launched combat drones from Syria deep into Israel.

Iran may not have ordered the attack on October 7th, but the IRGC clearly helped Hamas acquire the capabilities needed to mount it. The jamming and drone attacks against Israel's defences all showed its logistical support. "It's the work of a state," says an Iranian political-risk analyst.

The question is not so much whether Iran was involved but why it is now so anxious to avert escalation. Some observers consider its quiescence to be purely tactical—a way to stave off attack. A more interesting possibility is that the country is making a strategic shift. While Hamas is causing havoc in the region, the attention of Iran's leaders is turning to its troubled domestic affairs. Mr Khamenei will not be in charge much longer. Many Iranians expect a succession crisis that could destabilise the regime. "To smooth the succession they need a better economy and less catastrophic foreign policy," says Yaser Mirdamadi, an Iranian religious scholar in exile.

Neither foreign adventurism nor domestic strife will help with that. Relief from Iran's economic woes might. That is what prompted Mr Khamenei, in the six months before October 7th, to cut by two-thirds production of uranium enriched to 60% U-235, to stop harassing American shipping in the Strait of Hormuz and to discourage proxy attacks on American targets. America, in turn, has turned a blind eye to trade in Iranian oil, which it subjects to sanctions. Oil exports soared fourfold, from 300,000 barrels a day (b/d) in 2022 to more than 1.2m b/d today. When Iran held back its proxies after Hamas's attack, Mr Biden quietly rewarded the regime by allowing Iraq to begin transferring $10bn it owed to Iran for outstanding energy bills.

## Domestic woes

All this should help the economy. Iran's oil and non-oil revenues are at their highest since President Donald Trump re-imposed sanctions in 2018, when he pulled out of a deal to lift them in exchange for Iran's agreement not to build nuclear weapons. Sales to China alone have increased from 200,000 b/d in 2020 to more than 1.2m in recent months. Oil revenues have risen from $25.5bn in 2021 to $42.6bn 2022. Iran's budget projects that they will reach $71bn in 2024.

Much more has to happen for Iran's citizens to feel the benefit. Although Iran's exports have soared, American sanctions still make it hard for Iran to repatriate the proceeds. Traders dealing in oil from the "pistachio country" arrive with duffle bags full of cash in Dubai. Some is sent to Iran overland via Iraqi Kurdistan or Afghanistan or is laundered through informal currency exchanges and cryptocurrency transactions in Dubai. Near al-Hamriya port there is a strip of massage parlours, which, since they sell their services for cash, probably help launder it. Even so, "a lot of the earnings stay here," says a Western diplomat in Dubai, with a nod at the skyscrapers stretching to the horizon. The city bustles with new Iranian art houses and clubs.


Iran cannot afford that. Even were all the proceeds to head home, Iran would still run a large budget deficit. The country needs to export 1.5m b/d at a price per barrel of $85 to balance its budget. But oil currently trades for less, and Iran has to offer buyers a hefty discount to the market price.

At home, the IRGC and their cronies capture much of the oil revenue, creating a two-tier economy. The *aghazadehha*, children of the elite, flaunt their Lamborghinis in northern Tehran and head to London or Dubai to shop and party. Finding it difficult to get visas for America but no less attracted to it than pre-revolutionary elites, thousands fly to Canada. Toronto has so many Iranians they dub it Tehranto.

Life is harder for most Iranians. Inflation has accelerated, outpacing wage growth. Food prices are up by 40% year on year; the price of meat has risen at double that rate. The poverty rate has increased from 19% to 30% in a decade, according to official figures. More than 26m people, 30% of the population, live on less than $7 a day, an official poverty line. University lecturers moonlight as taxi-drivers. There are reports of Iranians selling body parts to Turkey and the United Arab Emirates. Those who have money stash it abroad.

These woes would test able politicians. Unfortunately, the government, led by President Ebrahim Raisi, is widely regarded as the Islamic Republic's most inept yet, as well as its most hardline. Most of his ministers are either IRGC veterans or graduates of Imam Sadiq, a seminary-cum-university in the capital with an ideological bent. They are ill-equipped. For the last six months they have imported petrol at market prices to make up a shortfall in local production. Even so they continue to subsidise it to keep the price to motorists at two cents a litre, for fear of the unrest that might follow a price hike. Earlier governments raided public pension funds. To deal with the resulting deficit, parliament last month decided that workers would have to stay in their jobs for an extra five years, prompting protests by pensioners.

Iran has much to offer foreign investors, but American sanctions, protectionism and mismanagement chase almost everyone away. China has signed copious memoranda of understanding, but is waiting for sanctions to be lifted to implement them. Saudi investment is conditional on a halt to Iranian support for its proxies. Russia is the latest hope. In exchange for Iranian weapons, especially drones, for Russia's invasion of Ukraine, Iranians say, Russia will invest in its oilfields and a north-south rail link to the Indian Ocean. To date, though, the two countries' biggest joint venture has been busting Western sanctions through middlemen in Dubai.

Environmental miseries compound economic ones. Last summer, temperatures in the south neared 60°C (140°F). Drought has nearly emptied reservoirs. Desertification is destroying the bread-basket, sending hundreds of thousands to the cities. But those, too, are experiencing blackouts and water cuts, prompting more protests. By 2050 water shortages could force 70% of Iranians out of the country, a presidential adviser has warned.

These stresses make the coming transition to a new leader even more fraught than it would otherwise be. In an attempt to consolidate the system, Mr Khamenei has purged it of doubters. Elections for the Assembly of Experts, which chooses the supreme leader, and to the parliament are both due in March. But what was once a fairly competitive process increasingly resembles the staged showpieces of other Middle Eastern autocracies. Reformers and pragmatists have been purged from parliament. Power is more concentrated and, without a popular base, brittle. "We've shifted from being a form of a democracy to dictatorship," says an Iranian analyst who is often in Tehran.

### What's next?

To date, Mr Khamenei has refused to nominate a deputy, who would be viewed as a likely successor. Mr Raisi is a contender to take over (Mr Khamenei was president before he became supreme leader). But Mr Raisi is dogged by his record of economic incompetence. Hassan Rouhani, his predecessor, had a better run, but Iran's hardliners mistrust him. Mr Khamenei may be grooming Mojtaba, his second son, but the heirs of a revolution that toppled one dynasty are reluctant to create another. Mr Khamenei's death or retirement may be followed by violent jostling for power within the elite.

Initially, it seemed, the Gaza war might stretch Iran's domestic tensions to breaking point. Hard-up Iranians fumed at the flow of money to foreign militias. "We're their proxy," griped a university lecturer, who fears that Palestinian extremists could drag Iran into the fray. Some Iranians even embraced the regime's nemeses. Baristas in cafés pinned stars of David to their aprons. When a regime loyalist waved a Palestinian flag at a football stadium in Tehran, fans roared to shove it up his backside. Capturing the mood, an Iranian cartoonist depicted an ayatollah laying down an Israeli flag for crowds to stamp on; they just tiptoe around.

For now, the regime is seeking to placate its citizens without formally surrendering to them. Theocracy's enforcers are still active. Women in chadors and revolutionary-green sashes monitor commuters' adherence to the dress code at metro-station entrances. University lecturers face expulsion for allowing women without headscarves into their halls. Cafés flouting the code are fined and shut down. But the authorities cannot close all cafés. In many, hardly a woman wears the headscarf. The Guardian Council, an assembly of clerics and notables that vets legislation, ruled in October against a chastity law passed by hardliners in parliament on the grounds that enforcement would be un-Islamic. Without admitting it, the regime is bowing to popular pressure, just as it has before when it relented on banning Beethoven, suppressing celebration of pre-Islamic festivals and prohibiting satellite dishes.

The emerging elite may be instinctively more liberal than their elders. Many of the ideologues' children are as attracted to Western freedoms as other young Iranians. "They see life in Dubai or Turkey and are not going to obey the Islamic rules the regime dictated in the past," says an analyst in Tehran. Some observers suggest that Mojtaba Khamenei, if he succeeds his father, might emulate aspects of the rule of Muhammad bin Salman, the modernising authoritarian who governs Saudi Arabia. Iran might become more autocratic, but freer of religious strictures. Others see the IRGC as a likelier engine of change. According to the constitution, Mr Khamanei's successor must be a qualified cleric. But if the clerics could not agree on one, some IRGC generals might dictate the choice.

Over time, some analysts hope, the regional restraint the country has shown since October 7th might become the norm. Iran might begin to prefer maintenance of the status quo to revolutionary chaos. Its regional satellites already have dominant roles in Iran, Lebanon, Syria and Yemen; it might seek to consolidate rather than expand further. Some Israeli security analysts wonder whether, having restrained Hizbullah, Iran could be persuaded to relocate the movement's militants to the other side of the Litani river, 18 miles (29km) north of the Israeli border. A two-state settlement between Israel and the Palestinians could enable Iran to dial down its conflict with Israel. Iranians know that America is not likely to revive the moribund nuclear deal and lift sanctions in an election year. But while elusive, a comprehensive bargain with America in the medium term is conceivable.

Despite popular anger, the regime has little organised internal opposition. The opposition in exile is in disarray. Its most popular television channel, Manoto, recently announced its closure. Advocates of regime change have postponed their hopes until after America's election, which some wistfully hope will bring back Mr Trump and his policy of maximum pressure. But the regime, which turns 45 next year, has proven its resilience. What the aftermath of Hamas's attack has revealed is that it may no longer be willing to live as dangerously as its proxies. ■

Congo

# Cobalt and chaos

KINSHASA

**In a crucial election, the risk of fraud or a delay is high**

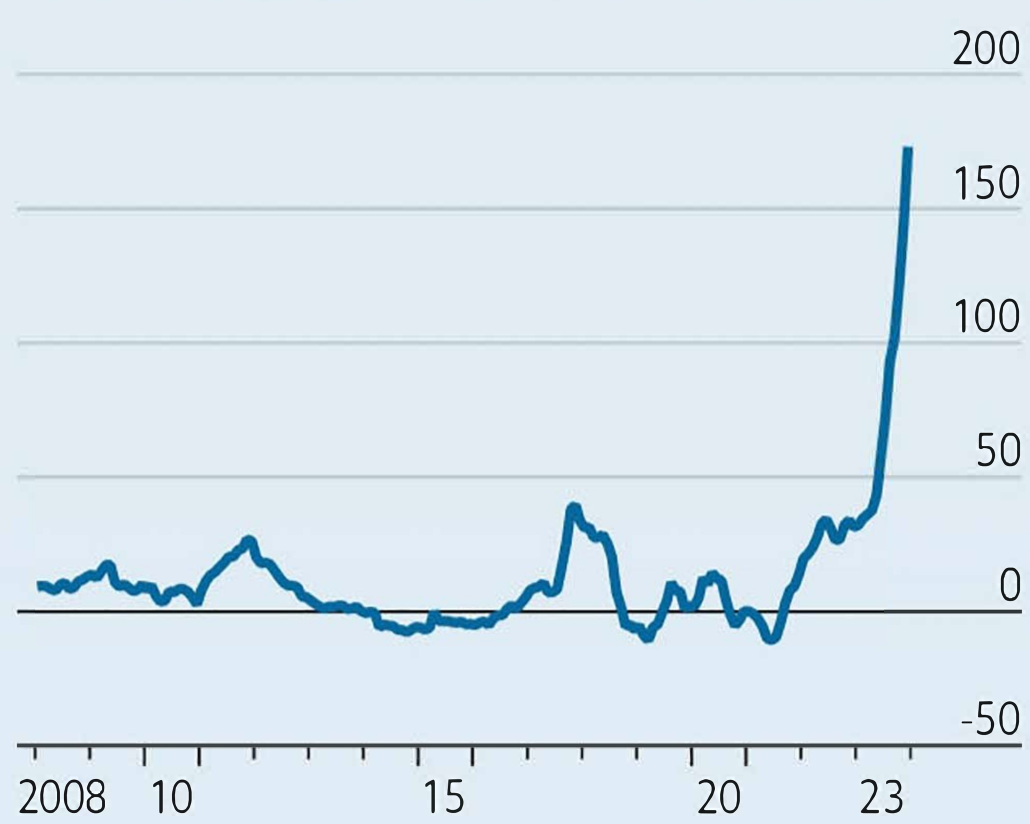
FINDING EXAMPLES of government success in the Democratic Republic of Congo (DRC) is not easy. The campaign team of Félix Tshisekedi, who is running to be re-elected president in a vote scheduled for December 20th, set itself the task of showing reporters something impressive near Lubumbashi, Congo's second-biggest city. The journalist-jammed bus made wrong turns, repeatedly asked villagers for directions and twice nearly became mired in mud. Eventually it found a few half-built classrooms and an unfinished clinic. Yet locals are delighted. Mr Tshisekedi "does beautiful things!" beams Nadia, a young mother. After years of neglect by politicians some Congolese are understandably pleased with any sign of progress.

Congo should have achieved much more. It stretches from Africa's west coast to its centre and has a youthful population of 100m. It has large amounts of the minerals needed for the transition to green energy, producing 70% of the world's cobalt. Yet after brutish rule by Belgium's king, a chaotic passage to independence in 1960 and a long dictatorship, it is one of the weakest states in the world. Many major cities are not connected to each other by all-weather roads. Some 60% of Congolese live on less than $2.15 a day, an international standard of extreme poverty. The state has no control of large chunks of territory. Corrupt politicians, other African countries and rebel groups plunder its minerals.

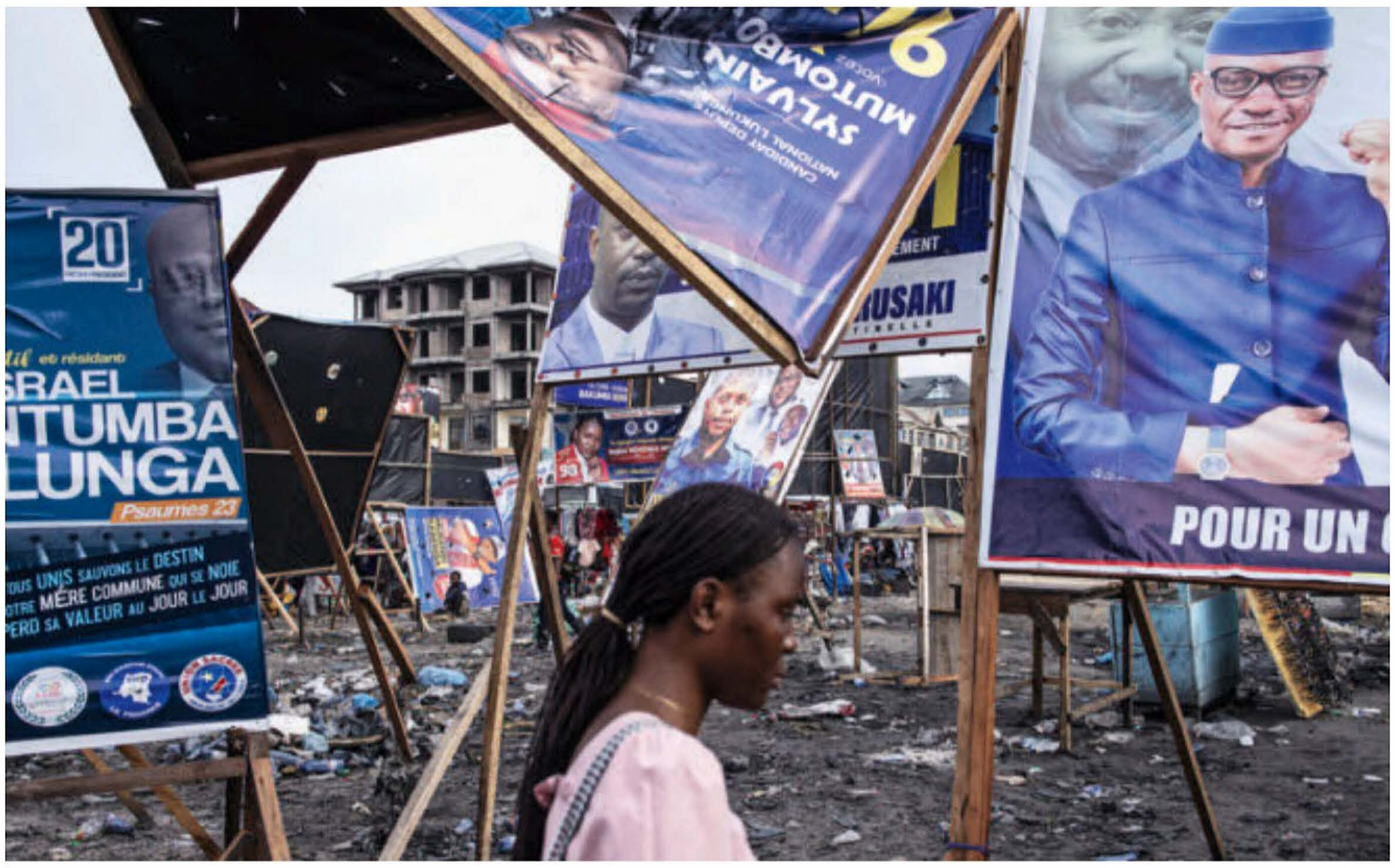
A war has ravaged much of the east for almost three decades. It has recently worsened. M23, an armed group, has been fighting towards Goma, the biggest eastern city. Some 450,000 people were displaced in ▸▸

**Félix's food bill**

Congo, food prices, % change on a year earlier*




Source: World Bank *Estimate




At least the posters don't smudge

the six weeks to the end of November, bringing the total to nearly 7m, a number exceeded only in Sudan. It could get worse. M23 is backed by neighbouring Rwanda, whose army also appears to be fighting in Congo. (Rwanda denies this.) In November Avril Haines, America's intelligence chief, met the presidents of both countries to try to avert an open cross-border war. At a rally near the Rwandan border this month Mr Tshisekedi raised the tension, saying to a cheering crowd that Rwanda's president, Paul Kagame, was acting like Hitler and "will end up like Hitler".

This month's elections, for offices from president to municipal councillor, are an opportunity and a danger. They give Congolese a chance to choose leaders who could reduce poverty and make progress towards peace. Yet they will be a shambles, and could be stolen outright. Voters seem to have been cheated in the last election, in 2018. According to leaked official data, Martin Fayulu, a former ExxonMobil executive, won 59% of the vote, compared with 19% for Mr Tshisekedi. Yet, allegedly after a backroom deal with the outgoing president, Joseph Kabila, Mr Tshisekedi was named the winner. (Both deny any deal.) America endorsed the result.

The electoral process is a mirror of Congo's disarray. The problems begin with the electoral law, under which the candidate who gets more votes than any other in a single round becomes president. With 26 candidates on the ballot, the winner might have a weak popular mandate—and no mandate at all, if the vote is rigged. The war in the east will prevent 1.7m Congolese from voting at all. Opposition candidates have no trust in the new head of the electoral commission (CENI), Denis Kadima. "Nothing is happening correctly, it's a disaster," says Moïse Katumbi, an opposition candidate. Six candidates are suing Mr Kadima, alleging "intentional irregularities".

Among them are voter identity cards that are so badly printed that the person's name and photo rub off. Eric Nsenga, of the Protestant and Catholic churches' election-observation mission, estimates that 70% of cards are illegible. Mr Kadima says that he will announce measures to allow people with smudged cards to vote. But that may heighten fears of rigging.

Opposition candidates do not trust the electoral rolls. Unlike in the last election, when an independent institution vetted them, CENI has this time appointed auditors, who did the job in six days. That is not enough time, says the observation mission of the Carter Centre, an American NGO. Mr Kadima points out that an external audit is not legally required. The EU drastically scaled back its electoral-observation mission in late November because the government would not let it import equipment such as satellite phones. There will be domestic observers, but Mr Kadima encourages mistrust in them. Many "have already chosen their side", he claims.

Even now the vote may be delayed. The papers for reporting the results from each polling station to CENI arrived in Kinshasa only on December 9th. In nearly roadless Congo it may be impossible to deliver them to 75,000 stations in 11 days. Technically and logistically this election is Congo's worst ever, says Mr Nsenga.

Yet Western diplomats are strangely upbeat. One talks of Congo's "vibrant" democracy, while conceding that the election is likely to be "messy and highly flawed". The diplomat suggests that "by and large" people may still be able to "express their will". As in 2018, much of the West may endorse a questionable result. Such an outcome could trigger violence or, some fear, a coup. "We don't want to be like Gabon," a nearby country where soldiers seized power in August after a dodgy election, warns Mr Katumbi. Tensions are rising. On December 12th live rounds were fired and several people were injured as he spoke at a rally.

Mr Tshisekedi might well win without chicanery. His campaign poster, unlike those of his opponents, is ubiquitous. He has not, as he promised, made Congo the "Germany of Africa" or brought peace to the east. But he can point to an economy that has grown at rates of between 6% and 9% over the past three years, thanks to rising mineral prices. Mr Tshisekedi decreed that primary education and care for childbirth should be free. "People do not want to hear good news about DRC," complains Nicolas Kazadi, the finance minister.

That is no doubt because few Congolese feel its effects. The number of people living on less than $2.15 a day is higher than when Mr Tshisekedi took office. Life in Lubumbashi is easily summed up, says John, a 28-year-old university graduate who sells phone credits for a living: "*La misère*." The franc has slumped. When Mr Tshisekedi attends football matches the crowds chant "the dollar is too high!" in Lingala, a local language. Food inflation has rocketed to 173% (see chart on previous page).

Parents have stopped paying teachers, but some teachers grouse that the government has not made up the difference. Class sizes are so big that few children learn much. (Mr Kazadi says these are isolated problems.) Corruption "is worse" than it was, says Willy Mulamba, the chairman of the banking association. Worst of all, death and displacement in the east have sharply increased since Mr Tshisekedi took office.

Although polls are unreliable, his strongest challenger appears to be Mr Katumbi, who might be an improvement. A businessman who owns sub-Saharan Africa's best football club, Mr Katumbi had a reputation as a good manager when he was governor of Katanga province in the south-east from 2007 to 2015. Questions have been raised about the sources of his wealth. Yet, though he was a legal target of Mr Kabila's regime, prosecutors did not pin corruption charges on him. Asked about rumours of corruption, Mr Katumbi sends an aide to fetch a huge poster of him in a hard hat at a mine in 1997. "I didn't go [into politics] with empty pockets," he says.

Mr Katumbi's chances would improve if the opposition united around him. Four presidential candidates have endorsed him, but that may not be enough. He must contend with Mr Fayulu, who continues to denounce corruption and the political system. Mr Fayulu looks tired, but he could siphon support away from Mr Katumbi, whom he despises. "For me Katumbi is really nothing," he says. The outcome of the election, if it goes ahead on December 20th, is impossible to predict. It could, depressingly, be more of the same. ■

The Israel-Hamas war

# The end of the beginning

JERUSALEM

**The current large-scale operation is probably the last one in Gaza**

As Israel's offensive in Gaza ends its tenth week there is little sign that it is lessening in intensity. The Israel Defence Forces (IDF) have deployed an entire airborne division in and around the southern city of Khan Younis, where it believes that senior leaders of Hamas, which on October 7th murdered 1,200 Israelis and took 240 people hostage, are now holed up. Three armoured divisions are still operating in the northern sector. Fierce fighting has been occurring in the Shujaiya and Jabalia areas of Gaza city. The IDF is destroying tunnels, where Hamas fighters take refuge, and infrastructure, both military and civilian, in the city and its outskirts. Israel's bombardment continues: more than 18,000 Gazans, mostly civilians, have died.

Yet the current large-scale offensive is almost certainly the last of the war against Hamas. "We have been at peak deployment for over two months now," said one security official. "The next stage will be a lower-intensity mobile campaign." The big question for Israeli generals is whether that shift will thwart Israel's main war aim: destroying the military capabilities of Hamas, the Islamist group bent on destroying Israel that has governed Gaza for 16 years.

Israel has little choice but to scale back its offensive. Its main ally and supplier of arms, America, is insisting on lower levels of firepower to avoid more mass killing of civilians. The bombardments have destroyed much of Gaza city, the biggest in the strip, and have displaced 1.8m people, nearly four-fifths of the enclave's population. Israeli operations will have to avoid the tent cities in the south where they now shelter. The continued mobilisation of 360,000 reserve soldiers is beginning to strain Israel's economy.

As the most intense phase of the offensive nears its conclusion, Israel is trying to give its citizens the impression that resistance from Hamas is collapsing and that it now controls extensive territory in the strip. Footage has appeared on social media of dozens of men rounded up by Israeli soldiers, who order them stripped to their underwear in order to be searched for explosive belts. The IDF has raised the Israeli flag in Palestine Square in Gaza city and lit Hannukah candles at several battlefield locations. But this is not yet the "victory picture"—the image that confirms a final triumph—that Israeli citizens are demanding from their leaders.

The IDF may have destroyed as much as half of Hamas's force of perhaps 30,000 fighters. But Hamas still has thousands of soldiers left. They emerge from tunnels to carry out ambushes on Israeli soldiers, of whom around 100 have been killed. Hamas is still holding more than 130 hostages who were not released when the two sides called a truce and exchanged captives in November. They are in danger from the constant bombing. On December 8th Israeli soldiers were wounded in a failed attempt to rescue a hostage. Hamas later showed gruesome footage of a dead hostage, a 25-year-old Israeli civilian. Hamas claims that the Israelis killed him in their rescue attempt, Israel that Hamas murdered the man shown in the video.

Nor has Israel managed to obliterate Hamas's leadership or destroy its infrastructure. The IDF has killed a number of senior field commanders. But Yahya Sinwar, the group's overall boss in Gaza, and Muhammad Deif and Marwan Issa, the commanders of its fighting force, have so far survived. That is thanks in part to Hamas's network of hundreds of miles of tunnels, which Israel has failed to destroy despite its firepower and its drone-borne surveillance capabilities.

About to shift into a lower gear?

### More than a friendly nudge

In public there is little indication of American pressure on Israel. On December 8th the United States vetoed an emergency resolution by the UN Security Council calling for an immediate ceasefire in Gaza. Britain abstained. All the other 13 members voted in favour of the resolution. The American veto underlined just how dependent Israel has become on its strategic ally for diplomatic support. It needs more American arms, too. America's State Department has recently approved a shipment to Israel of almost 14,000 120mm tank shells, one of the main munitions that the IDF is using in its ground operation. Both governments deny that President Joe Biden's administration has set any sort of deadline for the Israelis to finish their offensive.

But American pressure is mounting in private. Several sources have confirmed that during his recent visit to Israel Antony Blinken, the American secretary of state, told the Israelis that they would have to end the offensive by the new year. Differences are becoming apparent between the two governments on how to govern Gaza once the fighting reduces. Mr Biden has called for a "revitalised Palestinian Authority" to take over. On December 12th Israel's prime minister, Binyamin Netanyahu, seemed to reject that idea. He declared that Gaza will "not be Hamastan and not Fatahstan", a reference to the Fatah movement that dominates the Palestinian Authority on the West Bank.

Mr Netanyahu's statement may have been grandstanding for a domestic audience. Behind the scenes, Israel is already discussing with the Biden administration plans in which the Palestinian Authority plays a role. But in any scenario the IDF will continue to maintain a big presence in Gaza for a while yet. And it may well be the case that Hamas will continue to control parts of the strip. The bombardment, and therefore the suffering of Gaza's people, may lessen somewhat. But their future is more uncertain than ever. ■

Poland's new government

# Return to the rule of law

WARSAW

**Donald Tusk must undo years of populist subversion**

THE HANDOVER was just as bitter as the years-long political brawl that preceded it. After losing an election in October, Poland's hard-right Law and Justice (Pis) party finally ceded power on December 12th to a coalition headed by Donald Tusk, a veteran former prime minister. After Pis lost a vote of confidence in parliament, the party's leader, Jaroslaw Kaczynski, took to the lectern to call Mr Tusk "a German agent"—a puerile insult Pis used throughout the campaign, referring to Mr Tusk's German ancestry and his experience as president of the European Council.

A refusal to go gently is common among ousted populists. But it will only bolster Mr Tusk's resolve. In a two-hour speech on December 12th, he promised to mend the rule of law in Poland and win back the favour of the European Union, and with it €60bn ($65bn) in withheld recovery funds. "No one can outplay me in the EU," he quipped. The cabinet, sworn in on December 13th, includes tough old hands such as Radoslaw Sikorski, who will return as foreign minister, and Borys Budka, a former justice minister tapped to clear Pis cronies out of state firms. Mr Tusk is ready for a fight. He will need to be.

In its eight years in power, Pis plugged thousands of apparatchiks into courts, public media and state-owned companies, and siphoned off funds to benefit the party. In its final weeks in office, the party changed the rules in the Supreme Court to make it harder to oust illegally appointed judges. Mr Tusk's new government is also hemmed in by Andrzej Duda, the president, who hails from Pis and can veto legislation. Mr Duda signed many of Pis's legal reforms and may see unravelling them as challenging his own power. A presidential election is not expected until May 2025.



Another problem is the Constitutional Tribunal, which Pis packed with loyalists soon after coming to power in 2015. The opposition can use EU court judgments to remove immediately three judges whom Pis appointed illegally. But it will need to wait out the nine-year terms of the remaining judges. One of them, Krystyna Pawlowicz, has compared Mr Tusk to Hitler (she later apologised) and more recently said that Germany and the EU intend to liquidate Poland. The court can derail any of the new government's laws.

The final task in fixing the judiciary will be dealing with some 2,200 judges who, courts have ruled, were appointed illegitimately. Pis changed the law in 2017 so that the National Council of the Judiciary (NCJ), which appoints justices, was selected by parliament. The EU's top court has ruled that this violates judicial independence and that the appointments are void. But scrapping them all would wreak havoc. Many simply graduated from judicial academy at an unlucky time; the government may let them stay. Others who were handpicked, often from non-judicial careers, by the Pis-controlled NCJ will probably be vetted again or fired.

Repairing the system is as delicate as a game of jackstraws, says Ewa Letowska, who was Poland's first ombudsman and later a judge on the Constitutional Tribu- ▸▸

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nal. Yet some moves are relatively simple. The government can end disciplinary cases against judges who opposed PiS's reforms or enforced European law.

The winning coalition has already started to use its majority. Starting on November 28th it created several parliamentary commissions to investigate alleged PiS misdeeds, including corruption and the deploying of spyware against rivals. In its manifesto Mr Tusk's party, Civic Coalition (KO), promised to hold accountable those it accuses of breaching the constitution—including the president, a former prime minister and the governor of the central bank.

Critics worry that Mr Tusk's party lacks the necessary resolve. (In 2015, they recall, it missed a chance to prosecute Zbigniew Ziobro, who later became PiS's fanatical justice minister.) But the government should avoid the appearance of vengefulness, warns Marcin Matczak, a law professor at the University of Warsaw. Criminal proceedings against populists, such as Donald Trump, often boost their popularity. A further challenge will be to rebuild public trust in the rule of law.

To do so, the government will need to take back control of public media, which have become a crude propaganda outlet. The key obstacle here is the National Media Council, a body created by PiS in 2016 to appoint heads of public television and radio. Parliament could try replacing some of its members, or attempt to scrap it, relying on a court ruling that it is unconstitutional. Another route would be to liquidate the public media and bring in caretaker managers. (PiS tried to block this possibility by changing the media law on its last day in office, but may have botched the paperwork.) Journalists loyal to PiS are already accusing the new government of "purges".

Turning back the clock is not enough. It is a cliché in Poland to say that PiS had the right diagnosis but the wrong solutions. The judiciary was inefficient and mistrusted, but the party's reforms have made it even slower and less fair. Mr Tusk could start with digitisation: Polish lawyers must still submit procedural documents by mail. Kamila Gasiuk-Pihowicz, an MP from KO, suggests encouraging more out-of-court settlements. Iustitia, an independent organisation of judges, proposes flattening the wage differences between levels of courts to prevent judges from leaving lower ones.

For now, liberal Poles are optimistic about a democratic renaissance. Ms Gasiuk-Pihowicz thinks PiS's attack on judicial independence has fostered an appreciation of the rule of law: "When viruses attack the body, it reacts by creating antibodies. It was the same in Poland." Mr Tusk, who likens his coming task to wading into the muck of the Augean stables, is hoping the antibodies are strong. ■

Turkey

# Tentative turnaround

ISTANBUL

**Turkey's economy is on the right track. Not so its politics**

After years of reckless lending and spending, Turkey's new economic team, appointed after President Recep Tayyip Erdogan's election victory in May, is putting the house in order. The central bank, which previously stoked inflation with cheap money, has raised interest rates by a whopping 31.5 percentage points since June. Prices are 62% higher than a year ago, but the monthly inflation rate has fallen from a white-hot 9.5% in July to somewhat over 3% in recent months (see chart). The Turkish lira, which lost nearly 30% against the dollar in the year's first half, continues to depreciate, but much more slowly.

Things have also improved in other areas. The new interior minister, Ali Yerlikaya, has launched a belated crackdown on organised crime. The evening news features footage of police smashing in doors and pinning down suspected drug barons, arms dealers and human traffickers. Awkwardly, this has exposed Turkey's role as a magnet for crime syndicates from the Balkans to South America.

Turkish democracy shows no sign of improvement. Many of Mr Erdogan's opponents are still in prison, particularly Kurds, journalists and civil-society activists. But the economic reforms have won cautious plaudits abroad. So have improved relations with Greece, highlighted by Mr Erdogan's visit to Athens on December 7th. In a report in late November, the European Commission recommended opening talks with Turkey on an upgraded customs union. (There are strings attached: for one thing, Turkey must first get serious about peace negotiations with Cyprus, which it partially occupies.) EU leaders will discuss this during a two-day summit starting on December 14th.

**Wrestling with inflation**

Turkey, consumer prices

% change on a month earlier


Source: Central Bank of Turkey

But the reformist current faces three big impediments: Mr Erdogan's strongman instincts, his pact with Turkey's nationalists, and his government's relationships with Russia and Hamas. Relations with America have turned frosty again since Turkey failed to live up to its pledge this summer to let Sweden into NATO. Mr Erdogan now wants an ironclad guarantee from America to sell Turkey 40 new F-16 fighter jets. He and his Justice and Development (AK) party may eventually give up and put Sweden's accession to a vote, possibly before Christmas. But they may also decide to keep moving the goalposts.

A vote could expose cracks in Turkey's governing coalition. Mr Erdogan can count on his own party to vote as instructed. But he has no such control over his main ally, the far-right Nationalist Movement Party (MHP). On December 8th Devlet Bahceli, the MHP's leader, announced that his party would back Sweden's accession only once the Palestinians have a state and Binyamin Netanyahu, the Israeli prime minister, is on trial in The Hague. That may be a while. Tensions between AK and the MHP have already begun to come to the surface. Insiders say the war on organised crime has ruffled feathers in the MHP, which has links to some notorious mob bosses.

The bloodshed in the Middle East may poison Turkey's relations with the West even further. Many Turks are seething over America's support for Israel's bombing of Gaza. In Europe and America, meanwhile, Turkey's government has come under fire for its links to Hamas. Brian Nelson, an American treasury official who visited Istanbul last month, said he was "profoundly concerned" about the group's ability to raise funds in Turkey. Mr Erdogan stands by Hamas, which he calls a "liberation group" rather than a terrorist organisation. A few months ago a visit by Mr Erdogan to the White House seemed to be in the cards, but his embrace of Hamas has nixed that.

The EU and America are also increasingly worried about Turkey's dealings with Russia. Western officials have pleaded with Turkey to stop turning a blind eye to companies selling Russia "dual-use" goods, which can be used to make weapons. Such exports, mostly through intermediaries in the Caucasus and central Asia, surged to $158m in the first nine months of 2023, compared with an average of $28m before Russia invaded Ukraine.

Turkey's economy is not yet out of the woods, but it is on the right track. After a long hiatus, foreign portfolio investors are starting to trickle back. But long-term investors will not return as long as Mr Erdogan creates new problems with the West. Politics in Turkey need to follow the economy's lead. ■

Spain

# Unfair play

MADRID

**Partisanship is eroding Spain's democracy**

IN A WELL governed country, who runs the statistical agency or the courts is not a partisan issue. But in an increasingly embittered Spain, the basic functions of government, and especially trust in the judiciary, are being poisoned by politics. Things are not as bad as in Poland under its just-departed populist government, but they are moving in the wrong direction.

Pedro Sánchez's Socialist party came second in July's elections, but brought together a rag-bag of parties to support his return as prime minister. Chief among the favours offered was an amnesty to the supporters of an illegal independence referendum held in Catalonia in 2017. The amnesty bill will be challenged in the Constitutional Tribunal when it passes. But Mr Sánchez has tilted that court to a sympathetic majority by appointing two left-leaning judges; its head is a former chief prosecutor under a previous Socialist government.

Most observers expect the court to approve the amnesty (though parts could be struck down). Worse, for critics, is an agreement between the Socialists and Junts per Catalunya, one of the separatist parties, to set up parliamentary commissions to investigate "lawfare", by which they mean the use of criminal prosecution for political ends. For Junts, it is self-evident that separatist politicians have been targets of such harassment.

To many this looks like undermining the separation of powers, with lawmakers nobbling judges and tossing out prosecutions they dislike. Speaking to foreign correspondents on December 5th, Mr Sánchez waved away that notion, saying the lawfare commission's findings "would of course not be binding". He also argued that the prime example of lawfare is the "kidnapping" of the General Council of the Judiciary, which appoints many top judges, by the centre-right opposition People's Party (PP). After Mr Sánchez took power in 2018, the PP opportunistically called for changes in how judges are nominated, and has refused to renew the council's mandate, which expired five years ago.

But Mr Sánchez has repaid his opponents in the same coin. Not only is the constitutional court's head an ally, but so is the country's top prosecutor. The prime minister has put Socialist faithful in non-political jobs at the Centre for Sociological Research (which conducts opinion polling, among other duties), the National Statistical Institute and the EFE state news agency. One minister, Félix Bolaños, a kind of fixer for Mr Sánchez, has been named justice minister as well as minister for the presidency (the prime minister's right-hand man) and minister for relations with parliament—a one-man symbol of the erosion of the separation of powers.

Victor Lapuente, a political scientist at Gothenburg University and a columnist for *El País*, a newspaper, says that Mr Sánchez should hold back from actions that, while legal, infuriate many voters and undermine trust in the system. In turn, his opponents have undercut their case with inflammatory language. The leader of Vox, a party well to the right of the PP, said recently that the people "will want to string Sánchez up by his feet", a fate that befell Benito Mussolini upon his execution in 1945.

"None of the rhetoric coming from the PP or Vox is useful," says Camino Mortera-Martínez, a critic of the amnesty and of Mr Sánchez's undermining of the separation of powers. An expert on the rule of law at the Centre for European Reform, a think-tank in Brussels, she says that Spain is "by no means" the sort of pariah that Poland became as it defied the EU. But some of Mr Sánchez's steps remind her of the early days of Polish backsliding. Polarisation has driven both parties to seek advantage wherever they can. As they do, Spaniards' trust in their democracy suffers. ■

Russian TV

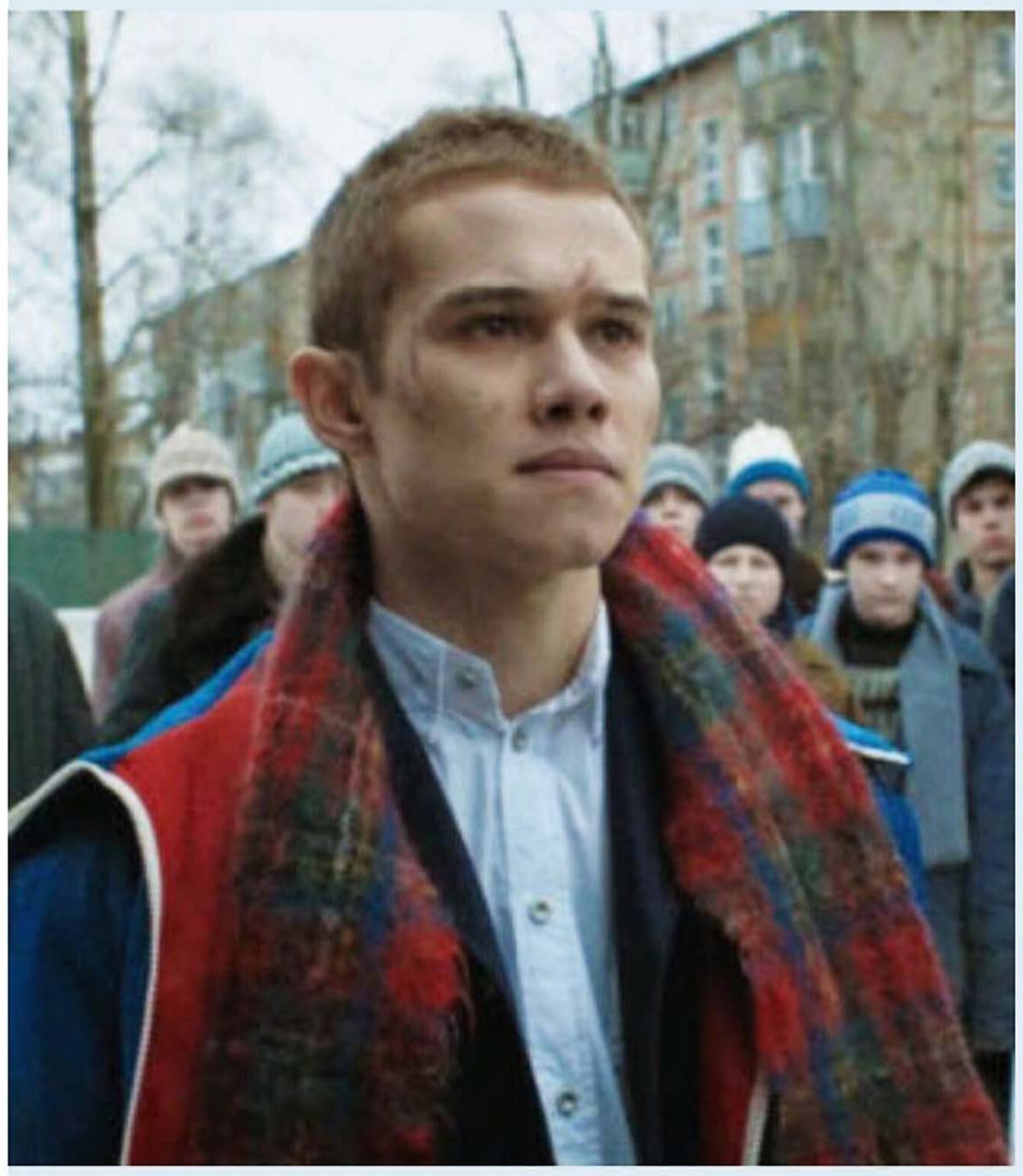
## Gangsters of glasnost

KYIV

**The hit show that both Russia and Ukraine want to ban**

UKRAINIANS AND Russians agree on very little lately, but a Russian TV series has created an unlikely connection. In both countries, audiences are lapping it up and bureaucrats want to ban it. "Slovo Patsana", or "A Fella's Word", is set in the criminal underworld of *perestroika*-era Tatarstan. By the late 1980s, the Russian republic's street gangs were infamous. Young kids "divided up the tarmac" of Kazan, the regional capital, under the eyes of older criminals. Those who joined the gangs were called *patsany*, and had protection of sorts. Those who did not, the *chushpany*, were targets of often extreme violence.

Zhora Kryzhovnikov's eight-part series is an unsentimental take on late Soviet decay, cynicism and sadism. Its high production values and unflinching drama made it a hit almost as soon as it aired in November. In Russia its title was the single most-searched term on search engines; in Ukraine it was not far behind. The title music, which goes unidentified in the credits because the musicians are anti-war, tops charts in both countries.



Scars of the past

Ukrainian officials worry that the series serves as Russian propaganda: it is financed by a state agency tasked with providing "patriotic content". On December 7th, Ukraine's culture ministry warned citizens not to watch an unnamed "Russian-made series" that "propagates violence". The state film agency meanwhile declared that public showing of the series was illegal. This had little impact on streaming, which mostly uses pirate platforms beyond the reach of regulators.

If "Slovo Patsana" is Kremlin propaganda, Russia's government seems not to know it. Russian officials rail against the series for romanticising violence and alternative authorities. Rustam Minnakhanov, the head of Tatarstan, promised to ask the Kremlin to block it. His human-rights ombudsman wondered whether it was the work of foreign agents. Senators in Moscow have called for the show to be pulled from streaming platforms.

The series' grimmer episodes, full of severed ears, rape and murder, make it clear it does not glorify violence. Commissioned before Russia invaded Ukraine, it is a sober examination of history. But it offers allegories to the present too, says Alexander Rodniansky, a Ukrainian-Russian film producer: the helplessness of citizens in impossible circumstances. "The problem for the Ukrainian state is that series such as these normalise Russians, it shows them as living people."

# Charlemagne | Remembrance of crimes past

*How to grieve for millions of victims of the Nazis, one at a time*

Max Kösterich lived for a time at 204 Chaussée de Waterloo, an elegant apartment block on a hilly thoroughfare in Brussels. A married father of four sons, he probably arrived in the Belgian capital from Frankfurt in 1934, aged 50. What Kösterich did for a living is lost to time, though a previous stint working in the Dutch East Indies suggests a well-off trader of some sort. Why the family moved is also not known, but might be guessed at. For if history remembers Kösterich at all, it is as a statistic: one of 6m Jews murdered by the Nazis. Three of his sons died with him at Auschwitz. Only the second one, Manfred, survived. In 1938 an opportunity came up for just one brother to emigrate to Australia, an escape from the impending horror. It was Manfred who drew the winning straw. Those not so lucky were rounded up, landing in French camps before being loaded onto eastbound trains.

Last month the Kösterich family returned from Australia to the Chaussée de Waterloo. Manfred died in 1984, unable or unwilling to share with his loved ones much about the circumstances of his emigration. His son Joe Kosterich (the umlaut on the "o" was lost in the move down under), a medical doctor from Perth in his early 60s, had made the journey with his wife Cathy and their grown children. Number 204 is a little faded these days, its entrance flanked by a dingy bar and a dental practice. One drizzly Saturday morning in November the Kosterich family looked on as a small slab of pavement in front of the building's threshold was excised. In its place, a brass plaque the size of a cobblestone was cemented in. "Here Lived Max Kösterich. Born 1884", it starts, before noting his grim fate. As trams rolled by and city life went on, a few short speeches were attempted to a dozen well-wishers. "My grandfather until today was just another number," said Joe, unable to hold back a tear. Cathy laid down a few flowers by the plaque: a kangaroo paw and some eucalyptus, an Australian wink to the new life the tides of history had foisted upon the Kösterich/Kosterich clan.

The man on his knees expertly laying the brass that morning was Gunter Demnig. Since 1996, the German artist has chipped away at pavements in around 30 countries in Europe, filling them with what he calls Stolpersteine, or "stumbling stones". Earlier this year the 76-year-old laid the 100,000th memorial. Each plaque cites just one victim and is placed at their last freely chosen abode; when entire families were killed a sort of family tree of Stolpersteine is recreated, with parents placed above their children. Most are Jews, but there are stones for Roma, deserters, Jehovah's Witnesses, homosexuals, mentally or physically disabled people and various others deemed "undesirable" by Nazis. (A few are dedicated to survivors who managed to escape.) The memorials are discreet yet impossible not to stumble upon, at least metaphorically. One house in Brussels has 16 in front of its threshold. Berlin alone has more than 10,000 Stolpersteine.

The Holocaust is richly remembered in cities across Europe; a giant memorial in the German capital, opened in 2005, is a staple of the tourist circuit. But to honour the victims collectively is not the same as remembering each for who they were. "Six million Jews is abstract, it is a number," says Mr Demnig. "You cannot imagine a number." A plaque evokes a person, a story, perhaps some descendants in faraway lands. What started off as a one-off project of a few dozen stones snowballed as demand for the decentralised memorial scheme kept coming. A Jewish custom beseeching the living to remember the dead helped spur requests across Germany and, from 2006, the rest of Europe. At first the stones were laid without much in the way of permission. Now local authorities are generally happy to help.

Sporting a wide-brimmed fedora, a red bandanna around his neck and a denim shirt, Europe's rememberer-in-chief is no establishment figure. Mr Demnig is from the 1968 generation, the first to have only heard about the war rather than lived through it. In his student days protesters sought to understand better what the Nazis—and Germany—had wrought. There was something provocative in remembering, like a rebuke to those who had hoped it would all be forgotten. Kids started to ask their parents questions that few relished answering. Such as, in Mr Demnig's case, how to explain the picture he had found in his family's attic of his own father in uniform, manning an anti-aircraft gun.

### Casting the first stone

These days Mr Demnig has complemented his artistic talent with expertise in logistics and civil engineering. In the back of the Peugeot van that he drives alone across Europe for over 200 days a year are the various angle grinders, chisels and shovels needed to prise open pavements, though mostly the holes are dug in advance these days. After making the first 7,000 stones himself, Mr Demnig roped in help. Now a small team and a non-profit foundation assist with manufacturing the Stolpersteine and taking appeals for new ones. Many requesters are descendants of the victims; the family's assent is always sought anyway. Sometimes the initiative comes from neighbours, or students. Mr Demnig insists on laying the first stone in a new town himself, after which community groups can take over, sparing the ageing German's knees.

The elegance of the Stolpersteine has caught the public imagination; around 700 a month are installed these days. Their glistening patina, regularly cleaned by volunteers, is art in itself: each plaque is handcrafted, better to contrast with the machine-like efficiency of the Nazis. But, Mr Demnig says, the process of a community looking for new ways never to forget is a form of art, too.

The ceremony in Brussels lasted only a few minutes. When it was over, Mr Demnig drove off: there was a stone to lay by the Belgian coast that afternoon, then another dozen in the Netherlands over the following week. After the speeches, the crowd on the Chaussée de Waterloo dispersed. The flowers from Australia were soon swept away by the rain. The stone remains. ■

The Tories

# A flight from reality

**How did a Rwandan gambit end up consuming the Conservative Party?**

THE STORY of the modern Conservative Party can be found in Rwanda. In 2007, then in opposition under David Cameron, the party launched "Project Umubano". Tory MPS and activists volunteered in impoverished Rwandan villages, where they built schools, taught English or played cricket. Mr Cameron visited Kigali, embraced President Paul Kagame, and talked about aid and climate change. It all showed that the Tories had been "detoxified".

Lord Cameron is still around, as Rishi Sunak's foreign secretary. So is Mr Kagame, now in his 23rd year of repressive rule. And Rwanda transfixes the party more than ever. In 2022 the British government struck a deal to deport asylum-seekers to Kigali. The failure to see a single migrant take off has become a humiliation for Mr Sunak. And the scheme now symbolises a different set of Tory values: an authoritarian approach to border control, a disdain for checks and balances, and the triumph of performativeness over pragmatism.

The idea of sending asylum-seekers to a faraway land has tickled the Conservative fringe for decades. Whimsy became policy under Boris Johnson, whose tenure saw an increase in migrants attempting to cross the Channel in small boats. Priti Patel, his home secretary, spitballed numerous schemes to deter them—wave machines in the sea, jet-ski patrols or sending folk to British territories in the South Atlantic.

She struck lucky with Mr Kagame, who in April 2022 agreed a "Migration and Economic Development Partnership" with the British government. People who would otherwise seek asylum in Britain would be flown to Kigali, which would process claims and settle successful applicants there. Britain would pay Rwanda handsomely: £240m ($300m, or 2.3% of Rwandan GDP) so far, plus another £50m next year, plus expenses for every migrant sent.

Mr Johnson was "gung-ho about getting the deal over the line, money no object," according to Sir Anthony Seldon, his biographer. Concerns from officials were brushed aside. Sir Matthew Rycroft, the permanent secretary at the Home Office, refused to sign it off as "value for money", declaring that "evidence of a deterrent effect is highly uncertain". The UN's refugee agency accused Britain of shirking its responsibilities. In June 2022 the first flight of asylum-seekers was grounded after the European Court of Human Rights issued an emergency ruling.

A cannier party might have used Mr Johnson's fall to quietly ditch the scheme. But in the Tory leadership contest that summer, endorsing the Rwanda scheme was a virility test for any contender. Thus Mr Sunak, determined not to be outflanked, promised that migrants would end up "in Kigali, not King's Cross".

Mr Sunak has actually made a decent go of his pledge to "stop the boats": the number of illegal arrivals was 33% lower between July and September 2023 than a year earlier, due largely to a returns deal with the Albanian government. But the Rwanda ▸▸

gambit became the defining test of his government on November 15th, when the Supreme Court struck the scheme down. Since Rwanda's asylum system was defective, the judges found, there was a "real risk" that people in danger would be sent on to unsafe destinations. That would breach international and domestic laws.

Here was another chance for Mr Sunak to back down. Yet he was under internal pressure to push ahead. New data showed that net migration of all forms had hit a record of 745,000 in 2022. Suella Braverman, the home secretary until Mr Sunak fired her last month (and a former Project Umubano volunteer), accused him of thwarting measures necessary to make the Rwanda deal viable. Above all, she wanted "notwithstanding clauses" to "block off" Britain's obligations under the European Convention on Human Rights (ECHR).

So Mr Sunak sought to rescue the scheme. On December 5th James Cleverly, his new home secretary, signed a treaty with Rwanda, setting out how Kigali must treat the deportees. It is to be ratified in a new British law—the Safety of Rwanda bill—which requires courts to accept that Rwanda is safe and seeks to disapply bits of human-rights legislation that might prevent the scheme from going ahead.

The bill cleared its first legislative hurdle on December 12th but no one is happy. A constellation of the Conservative right wants it to go further; when Parliament reconvenes in January, they will try to wall off any remaining avenues for individuals to appeal against deportations. The One Nation Group of Tory moderates, which claims to number more than 100 MPs, has said the bill is already at the limit of what is tolerable. The party is poised for weeks of haggling and division.

The combination of factionalism, self-absorbed backbenchers and enormous payments to foreign governments has direct echoes of the crisis that engulfed the Tories under Theresa May during the 2016-19 fight to implement Brexit. Backbench organisers from that time are enjoying being back in the limelight. As then, careerists sense an opportunity in rallying to the right as the election approaches and power ebbs from Mr Sunak. On December 6th Robert Jenrick, a one-time ally of the prime minister known as "Robert Generic" for his colourless views, resigned as immigration minister to demand a harder line.

The hope of getting flights airborne before the general election may be forlorn. The bill is likely to face heavy amendment in the House of Lords, which is increasingly concerned at the expansion of executive power. Britain is still a signatory in international law to the ECHR; an appeal to the court in Strasbourg is therefore highly likely. Withdrawal from the court's jurisdiction entirely may emerge as the Tory selectorate's new litmus test for a future leader: 71% of party members back that idea.

Project Umubano was wound up in 2017. A gala dinner was held in Kigali, attended by scores of Tory MPs and activists. Mr Kagame was the guest of honour. A message from Mrs May congratulated him on his election victory that year, in which he won 98.8% of the vote. Their nations' friendship would endure for a long time, he said. So too the strange entanglement between Rwanda and the Conservatives. ■

**Corrections** In last week's issue we said that the Mental Health Act criminalised the mentally ill. We should have said that it leaves the mentally ill feeling like criminals. In our coverage of the autumn statement in November, we said that the Office for Budget Responsibility forecast that permanent full expensing would boost annual business investment by almost 1% of GDP. In fact that is the Treasury's figure, applying to the whole autumn statement, and using today's GDP. Sorry.

Government v the courts

# Expelliarmus!

**The magical thinking behind Britain's new Rwanda bill**

"MAGICAL THINKING" is an overused term. Yet it well describes the government's new Safety of Rwanda bill, which passed its first vote in Parliament on December 12th.

The scheme the bill seeks to resurrect—sending asylum-seekers to Rwanda—is not grounded in reality as laws should be. It won't "stop the boats": Kigali could take only a few hundred of the tens of thousands of asylum seekers who have crossed the English Channel in recent years. The scheme pretends that Rwanda's asylum system protects human rights as Britain's does, when it does not come close. That means it is also unlawful, as the Supreme Court ruled last month: the chief risk is of "refoulement", the return of asylum-seekers to dangerous countries.

The centre of many storms

The bill is designed to swat such objections aside. Part of it describes a treaty that James Cleverly, the home secretary, signed in Kigali on December 5th. It has some differences from an initial agreement made in 2022. The most substantial is Rwanda's undertaking that it will not send asylum-seekers to any country other than Britain (thus surely eroding any deterrent power the scheme might have). There will be a new monitoring committee and an appeals tribunal.

None of these measures resolves the concerns about Rwanda identified by the Supreme Court. In its ruling, it explained that to comply with international and domestic laws Rwanda would need to change in time-consuming ways. No matter. For the bill's key passage reads like a line from a fairy-tale in which countries are ruled by imperious monarchs. "Every decision-maker", it says, "must conclusively treat the Republic of Rwanda as a safe country."

What does this mean? Nothing good. The bill says "decision-makers" includes courts. If the bill makes it onto the statute book, the courts would be obliged to follow a law that tells it to ignore Britain's highest one. This is a "remarkable thing" for a bill to require, observed Parliament's Joint Committee on Human Rights. Though Britain has no written constitution, this "undermines the constitutional role of the judiciary, arguably jeopardising both the separation of powers and the rule of law".

The new bill still allows some asylum-seekers to claim that Rwanda is not safe for them, and for the British courts to consider such claims, though not because of possible refoulement. That has angered some hardline Tories. Although the bill disapplies parts of several domestic laws, like the Human Rights Act 1998, it also cannot prevent the European Court of Human Rights in Strasbourg from intervening. That raises the possibility that if the bill becomes law and asylum-seekers are put on a plane to Kigali, the court would object—sparking a new Tory push to leave the convention it oversees.

The more likely outcome is that the bill founders in the House of Lords. The "Salisbury convention" holds that the Lords should not obstruct a government's manifesto commitments. But the Tory manifesto from 2019 does not mention the Rwanda scheme. It does, however, promise to "continue to grant asylum and support to refugees fleeing persecution". ■

# Bagehot | Cheer up, Keir! It may never happen

*Labour is too pessimistic about the backdrop it is set to inherit*

USUALLY, POLITICIANS try to offer optimism. Sir Keir Starmer's Labour Party specialises in despair. "This is worse than the 1970s," said Sir Keir in one speech. "We are in a hole." Every Labour figure emits the same dirge about Britain's high debt, low growth and exhausted public services. Even moments of hope are tempered with warnings of misery. In a rare bout of cheer, Sir Keir promised: "A realistic hope, a frank hope, a hope that levels with you about the hard road ahead." Hooray!

If Labour wins the next election, as is highly likely, the consensus is that it would inherit a total mess. In 1997 New Labour were handed a booming economy and low debt. In 2010 the Conservatives took over thriving public services. In 2024 Labour will receive neither. But the party harbours a dirty secret. Some problems will fix themselves; some things are better than they look; and a few conundrums can be solved with only a little effort. Pessimism is judicious. Sir Keir would enter office with the lowest expectations of any prime minister since the 1970s. The good thing about low expectations? They are easily met.

Sir Keir has promised to boost economic growth, for instance, which is forecast to crawl along at 0.6% this year and 0.7% next year. But the Office for Budget Responsibility, a fiscal watchdog, is already predicting growth of almost 2% by 2028 through no effort of Labour's own. Labour will undoubtedly claim credit; in truth, growth can hardly get worse.

Labour engages in pantomime booing of Conservative tax increases. In fact, the Tories have done Labour a favour by pushing through the steepest tax rises in the best part of a century. That means the public finances are now highly geared: a small jump in growth can lead to a big jump in tax revenues. The Conservatives took the political pain; Labour can spend the proceeds.

A steep rise in interest rates, which started last year, has hurt both public and private finances. Rising debt costs blew a hole in the Treasury's accounts: Britain now spends about £83bn ($104bn; 3.6% of GDP) a year on interest. Each quarter hundreds of thousands of voters move from a cheap mortgage to an expensive one. But inflation is falling steeply. The markets expect a slew of rate cuts in 2025, just in time to benefit a newish government. Public and private finances will then improve—and quickly. In the course of the next parliament, mortgage renewal will flip from being a moment of despair to one of relief.

Seemingly bold political promises by Labour are easily met. Sir Keir says that his party will whittle down National Health Service (NHS) waiting lists, for instance, but these are due to peak next summer anyway. The queue is likely to shorten from the end of 2024, regardless of who lives in Downing Street.

Reforming Britain's NHS is the more Augean task. After a bout of restrained spending from 2010, the service has been doused in cash in recent years yet barely treats more patients. Extra money always takes time to have an effect. A lag occurred in the 2000s; greater funding initially failed to improve productivity but it did so eventually. Perhaps the NHS really is irredeemable. It is more likely that the fading effects of the pandemic, decent funding and improvements to management will make a difference. If so, the effects will show up slap-bang in the middle of a Labour term.

Other political problems will melt like snow in spring. Sir Keir talks tough on net migration, which hit an all-time high of 745,000 in 2022. Labour's pledges to cut this number will happen anyway. One-off influxes, such as arrivals from Ukraine, will end. The backlog of moves delayed by lockdowns, when people could not travel, will clear. Labour's promise to return net migration to its recent (and still historically high) norms is not much of a challenge, yet it will still be seen as an achievement.

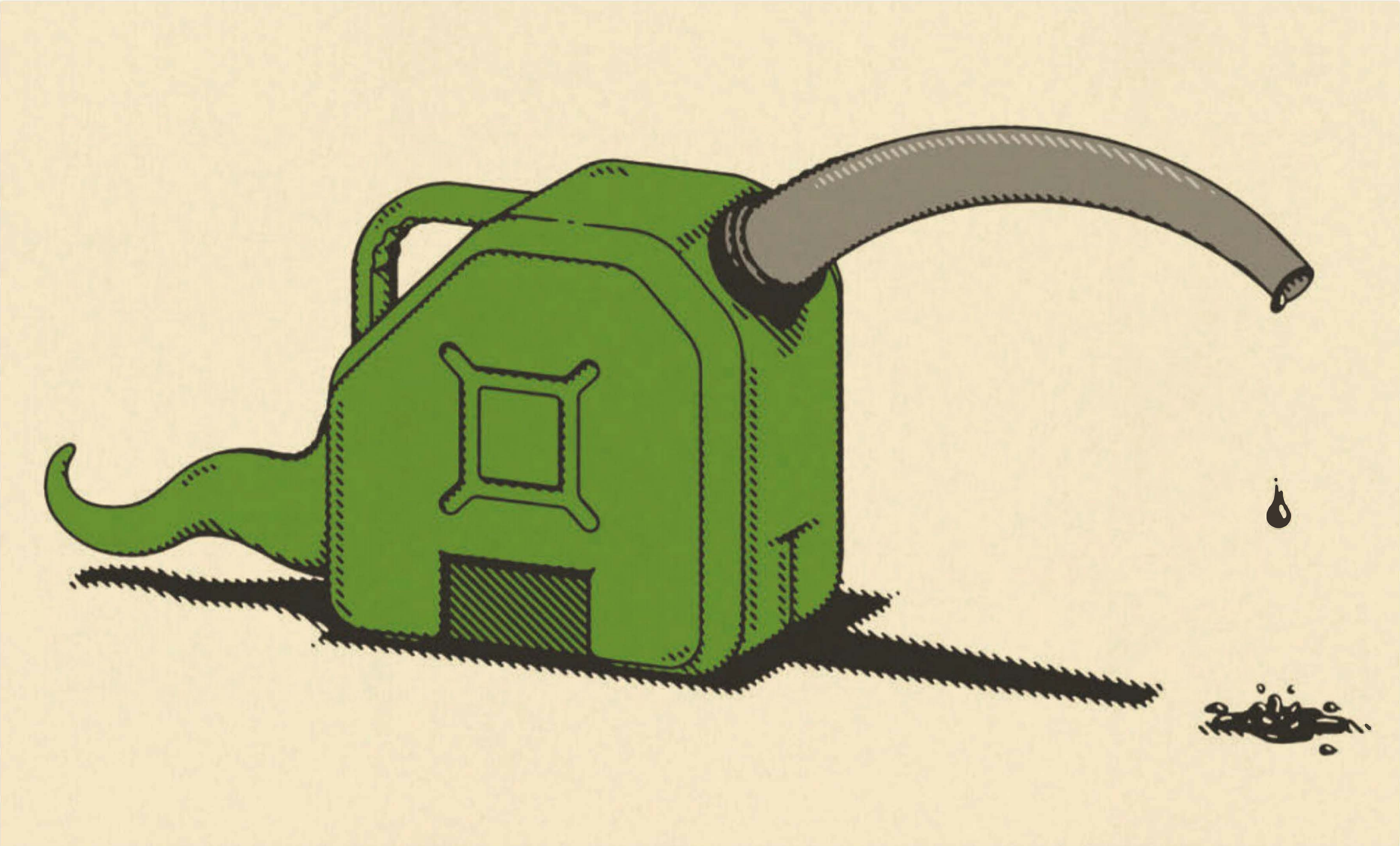
When it comes to the EU, too, things are set to stop getting worse without Labour needing to do much. The pain of Brexit was front-loaded, argues John Springford from the Centre for European Reform, a think-tank. Exporters have already adjusted to the new relationship. It is politically easy for Sir Keir to forge closer ties with Brussels. Since eight in ten Labour voters say they would rejoin the EU, a tighter and more prosperous relationship with the EU is perfectly viable.

Stability in government will bring its own rewards. Britain has been politically chaotic for the best part of a decade. The Conservatives have swung from a vision of a small-state government sat snugly inside the EU to a free-spending one far outside it. In the process it went through five prime ministers, with often radically different agendas, in seven years. Labour would take power with a vague, uninspiring plan to improve Britain's public services without spending money and a pledge to generate growth through modest reforms. But pulling in one direction for five years would still do Britain a lot of good. Call it the "being normal" dividend.

### Can't have a triumph of low expectations without a triumph

Some pessimism is justified. Unrealistic spending plans by the Conservatives, subsequently adopted by Labour, will not be adhered to. Tax rises will, almost inevitably, have to plug the gap. Things can always go wrong. Inflation may flare up again, meaning interest rates stay higher for longer. The NHS may indeed prove unreformable. Bored Labour backbenchers will make trouble eventually. Assuming that things will inevitably improve is naive. Yet so is assuming that things must remain terrible.

Given the choice, the Labour leadership would grab the benign backdrop Sir Tony Blair enjoyed in his early years in office. But a golden inheritance brings high expectations. During the 2005 general-election campaign, Sir Tony was harangued by voters complaining that GPs were *too* quick to see patients. A rotten inheritance, in contrast, means any improvement will do. Sir Keir is set to take office at the bottom of a trough. Luckily for Labour, when you have hit the bottom, the only way is up. ■



COP28 concludes

# The long goodbye?

DUBAI

**Climate talks at last lead to a global deal on cutting fossil-fuel use**

MOST EVENINGS at COP28, the latest instalment of the annual United Nations climate conference, delegates were treated to a dazzling light show. It transformed the central dome of the venue, Expo City in Dubai, into a teeming coral reef. Priority was given to prettiness over precision. Turtles swam cosily with similar-sized humpback whales. A change in soundtrack saw them suddenly turned into dancing, blood-red squid.

In the end the conference delivered the same combination of deliberate choreography and otherworldly fantasy. For the first time in more than three decades of international climate diplomacy, all parties explicitly agreed to move away from using fossil fuels in energy systems. These systems generate vast wealth, but also the bulk of the world's emissions. On December 13th the meeting's president, Sultan al-Jaber, chief executive of the Abu Dhabi National Oil Company, announced that the agreement would be passed without objections. The plenary rose in applause. Outside, the desert sun beat down on a planet that is already around 1.2°C warmer than in pre-industrial times. The world's largest gas-fired power plant, just a stone's throw away, ran on regardless.

Nevertheless, it was a rare success for multilateralism, given the 198 delegations involved. The conference took place against the backdrop of wars in Ukraine and the Gaza strip, both of which have worsened divisions between the rich and poor worlds. An agreement before the summit between America and China laid the groundwork for its success. The pair promised to triple the deployment of renewable energy by 2030—a declaration originally made by the G20—which ultimately inspired a clause in COP28's final agreement. Similarly a cross-cutting coalition of countries from the EU, Latin America and the Alliance of Small Island States (AOSIS) repeatedly pushed for more progress on reducing fossil-fuel use.

The final text is a product of bitter compromises between the desire to limit the planet's warming and the economic interests aligned with fossil fuels. It calls on parties to transition "away from fossil fuels in energy systems" and to accelerate action "in this critical decade, so as to achieve net zero by 2050". Although many of the deal's provisions leave much room for interpretation, the agreement forged in Dubai could serve to indicate the direction of travel. But like all UN climate deals, there is no enforcement mechanism within the latest one. Government actions alone will give it teeth.

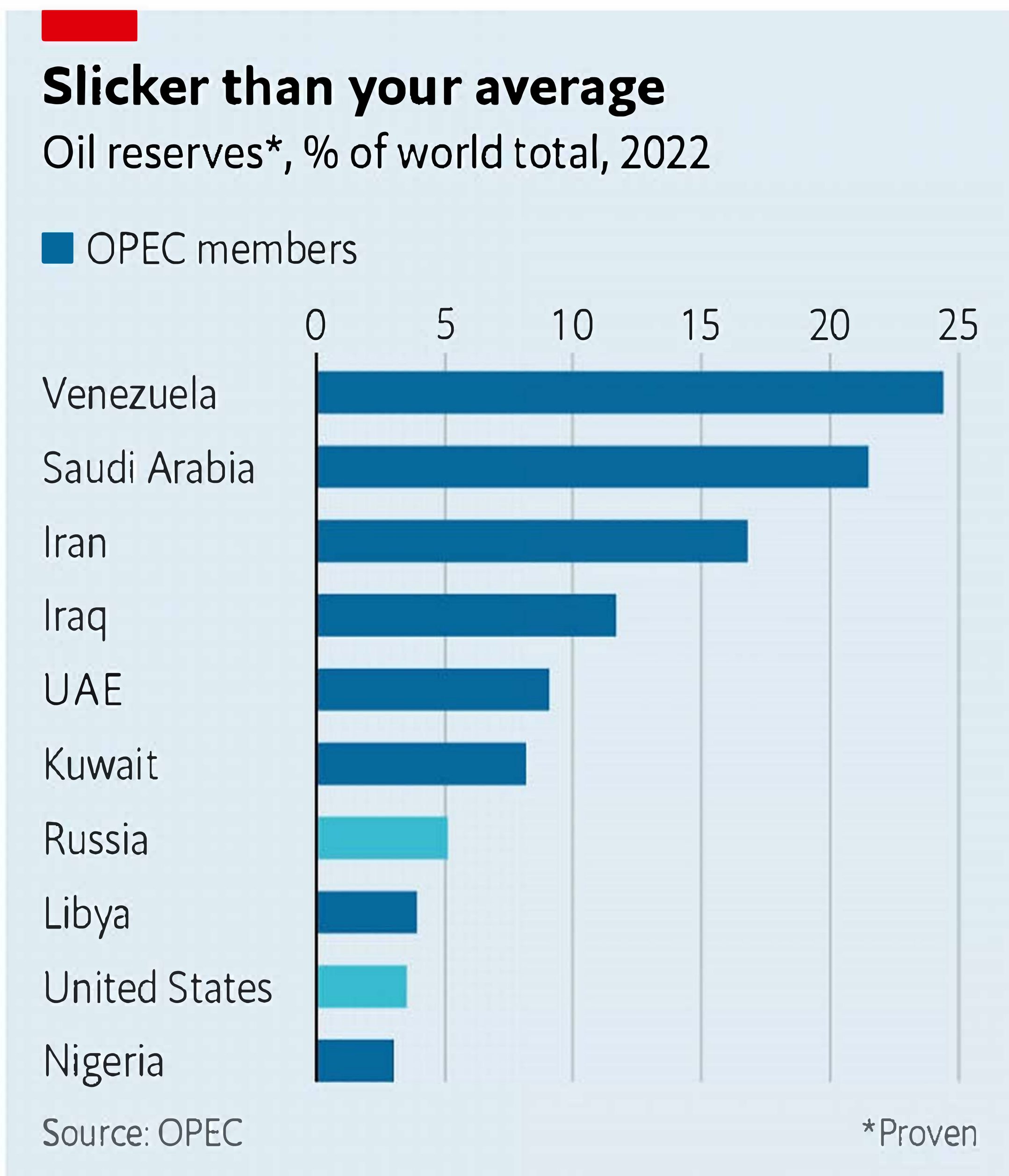
COP28 marked a critical moment in the UN climate calendar. The Paris agreement, signed in 2015, decreed that this year's meeting would be the first "global stocktake": an inventory of progress on cutting emissions thus far and feedback on how efforts could improve. The verdict that countries remain well off-track was not a surprise. The text states that greenhouse-gas emissions need to be cut by 43% by 2030 and 60% by 2035, relative to 2019 levels, if limiting global warming to 1.5°C by the end of the century is to be considered plausible. It noted with alarm that even if every aspect of countries' current plans were met, emissions reductions in 2030 looked closer to a dismal 5% (putting the world on track for a rise of 2.1°C-2.8°C even in the best-case scenario). More urgent reduction is possible; the cuts of 7% year on year needed to hit the target are not.

The exact implications of the deal will ▸▸

be fiercely contested. Language calling for a phase-out or phase-down of fossil fuels was removed. It was a "red line" for some oil-producers. Petrostates fret over what climate action could mean for their vast reserves (see chart). On the other side, a major objection from AOSIS was the text's "litany of loopholes". These included its focus on energy systems, which excludes fossil fuels used in other sectors such as the production of plastics or in fertilisers for agriculture. Another concerned "abatement" technologies, such as the carbon capture and storage systems (CCS) meant to divert the carbon dioxide produced by power plants rather than see it emitted into the atmosphere. Many observers fear CCS will be used by fossil-fuel producers in lieu of shifting away from coal and oil. Vague references to the acceptability of undefined "transitional fuels", presumably natural gas, drew criticism too.

Other complaints focused on the weakness of the language used, as countries were "[called] on" to act, and on the various conditions that could allow some to delay peaking their carbon emissions. Special terms may be necessary for many poor countries, but can offer others excuses to delay action. And noting that countries must behave "in line" with science will probably not be enough to keep governments on track.

That a climate deal is tackling fossil fuels directly is mostly the result of changes to their perceived importance in America and China. That is partly a reflection of facts on the ground: America's domestic consumption of oil and natural gas is forecast shortly to either fall or plateau by the Energy Information Administration, its own official forecaster. (That will, however, free up more for America to export as the world's biggest oil producer.) Meanwhile record sales of solar panels and electric vehicles offer the possibility of prosperity without pollution. China is also changing its approach. Some analysts think emissions in the country have already peaked as expanding renewable and nuclear capacity meets increases in demand. Transport is being electrified, too. But it is difficult to decipher the trends precisely. The country is also building more coal plants in pursuit of energy security. This is not the same China as it was a decade ago, says Li Shuo of the Asia Society Policy Institute, which analyses such matters.




Yet the Dubai deal also shows that the world still has not figured out how to tackle the many problems that climate change poses simultaneously. The major achievement of COP27, held in Sharm El Sheikh in 2022, was an agreement that the rich countries most responsible for rising temperatures should pay poor ones for some of the "loss and damage" they suffer. The price of that advance was meagre action on fossil fuels. The same trade-off played out again in 2023, but in reverse: better language on fossil fuels, little real progress on the needs of the poorest. The formal establishment of the loss and damage fund agreed to the year before—on COP28's first day—was much celebrated. The glitz faded when it emerged that much of the $700m put in it was already promised to other projects.

Diplomats will struggle to duck such arguments next year when the conference travels to Baku, in Azerbaijan. Between 2020 and 2025 rich countries promised to deliver $100bn a year to poor countries in climate finance. A follow-on deal will need to be agreed upon as related discussions in Dubai mostly focused on procedure, not substance. Some progress was made outside the UN negotiating rooms. Mr al-Jaber boasted that $83bn in climate finance had been offered up during the conference, including $30bn for a new private investment fund from the United Arab Emirates. Development banks, such as the World Bank, announced an increase in funding and new clauses in debt contracts that would allow countries to defer payment after natural disasters.

**Not so slick**

Other challenges loom. The world may soon have to contend with an America that is not willing to negotiate with either China or the UN on climate change. President Donald Trump withdrew from the Paris climate agreement as soon as he was able, in 2020, arguing that climate change was a Chinese invention to hamper American competitiveness. Mr Trump is currently the frontrunner for the Republican nomination for president. A victory for him at the polls in November could lead to another four years of slow climate diplomacy.

For all the concerns and complaints, most delegates appeared to leave the jamboree in Dubai with a sense of achievement; many smiled and stopped to snap photographs. Mr al-Jaber declared the agreement "historic". Others proclaimed it as "the beginning of the end of the fossil-fuel era". Both might prove to be true; neither is in any way guaranteed. For all they are resisted by oil producers, the UN climate treaties are normally toothless and always imperfect. This one is no exception, with every stride made the result of giving up some ground elsewhere. It must be seen as an aid for convincing governments and businesses that oil, gas and coal are no longer the solid investments they once were, and that they would be better directing their money towards cleaner sources of energy. Otherwise it will be little more than a pleasing display of light. ■


Advertising

# Welcome to the ad-free internet

**As the rich pay to banish commercials, advertisers hunt for their attention elsewhere**

FOR A PREVIEW of what lies wrapped beneath the Christmas tree, log in to Facebook. The social network tracks its users' behaviour so intimately that it is able to personalise adverts with a precision that sometimes verges on mind-reading. Its ad-stuffed newsfeed at this time of year embodies the internet's great trade-off: consumers enjoy free services, but must submit to bombardment with commercials from companies that know who has been naughty or nice.

Yet increasingly, those consumers with deep enough pockets are getting the chance to escape the online admen. Last month Facebook's owner, Meta, began offering customers in Europe ad-free subscriptions to Facebook and its sister network, Instagram, for €9.99 ($10.85) a month. In October X (formerly Twitter) launched an ad-free option. In the same month TikTok, a fast-growing Chinese-owned video app, announced that it was testing an ad-free subscription. The following month Snapchat, another social-media rival, said it was doing the same.

Social networks are not the only medium allowing the group that advertisers most covet—the better-off with money to splurge—to wriggle beyond their reach. From video and audio to news and gaming, a combination of regulation and technological change is encouraging media companies to offer alternatives. "We are in a world where it will be increasingly possible to avoid ads," says Brian Wieser of Madison and Wall, an advertising consultancy. As the rich opt out of commercials on some platforms, advertisers are therefore looking for new places to catch them.

Grabbing the attention of the well-heeled via old media has been getting harder for some time. As the internet has eroded the value of their ads, newspapers and magazines have made a decade-long pivot to other sources of revenue. Whereas in 2014 only 5% of adults in rich countries paid for a subscription to an online news site, this year 13% did, according to Oxford University's Reuters Institute (see chart 1 on next page). During the same period ad-supported radio has been giving way to streamed music and podcasts on platforms like Spotify, 40% of whose 575m users cough up $10.99 a month to listen ad-free.

TV, on which adverts are worth $160bn a year, is well into its own digital transition. Last year streaming overtook cable and broadcast networks to become the most-watched television in America, according to Nielsen, a firm which tracks viewership. Whereas linear TV is stuffed with ads, three-quarters of American streaming customers pay to skip ads, estimates Antenna, another data firm (see chart 2).

Streamers such as Netflix and Disney+ have launched ad-supported tiers in the past year or so; Amazon's Prime Video will follow suit shortly. But they show only about four minutes of commercials per hour, compared with more like 15 on American broadcast TV. As viewers drift to streaming, television's ad inventory in America will decrease by a quarter in the ▸▸

→ Also in this section

next four years, estimates Mr Wieser.

Social media seemed like a safer space for advertisers. For years Facebook promised that it was "free and always will be". Two things have changed that. One is regulation. Meta's ad-free plan in Europe follows a series of court rulings establishing that, under regional data-protection rules, tech firms must get users' consent before showing them personalised ads. Rather than making its ads less effective, Meta is offering the alternative of no ads, for a price. (Privacy campaigners say that this price is so high as to be prohibitive; expect more legal battles in the new year.)

Meta will not launch the plan elsewhere unless it has to: "We will always advocate for an internet funded by ads," it said on December 4th. But other countries may get ideas. Britain and India are already sharpening their digital-privacy laws. Tech firms are also watching Brazil, Indonesia and Australia (where Snapchat is testing its ad-free option).

The other change comes from the tech platforms. Since 2021 Apple has let customers opt out of being tracked by apps, crippling the ability to personalise ads and triggering a rush to alternative methods of monetisation. Snapchat launched a $3.99-per-month subscription last year offering extra features; this September it had 5m subscribers. Mobile games, which often rely on ads, have moved towards alternatives such as in-app purchases and subscriptions, says Tianyi Gu of Newzoo, a firm of analysts. Apple and Netflix are among those to have launched game subscriptions with no ads.

The existence of advert-free options does not guarantee take-up. Few Europeans will pay for Facebook or Instagram, believes Eric Seufert, author of the "Mobile Dev Memo" newsletter. "Meta will use the low adoption rate to champion the ad-supported business model as a consumer preference," he predicts. However, as Meta's networks deal increasingly in video, switching off their ads may become more tempting for users. YouTube Premium, which charges $13.99 a month to go ad-free, had 80m paying subscribers last year (the latest figure available), behind only Netflix, Disney+ and Amazon Prime among Western platforms.

Children in particular are increasingly off-limits to ads by default. Snapchat said in August that most of its ad-targeting tools would no longer be available to use on under-18s in the EU and Britain, to comply with new privacy rules. Meta has made Facebook and Instagram entirely ad-free for European youngsters while it works out its legal position.

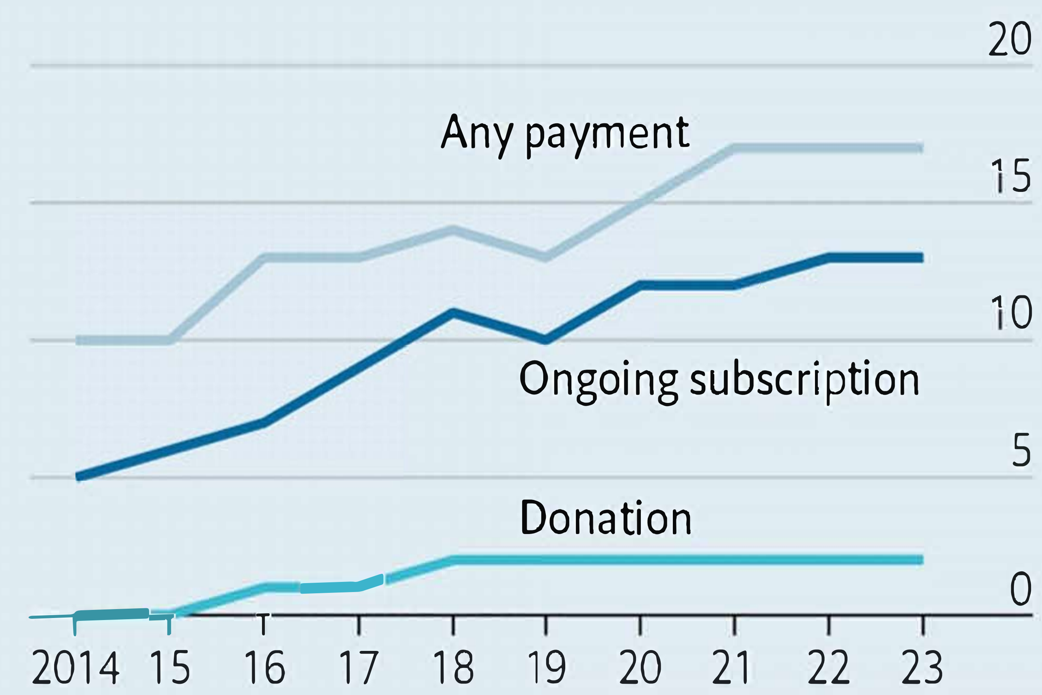
Whoever pays to opt out of ads tends for now to be wealthier than those who sit through them. Among those paying for news online, eight out of ten are from me-

1

**Scaling the paywall**

"Have you paid for online news content in the past year?", % replying yes

Average across 20 rich countries*




Source: Reuters Institute

*Approximately 2,000 adults surveyed in each country

dium- or high-income households, according to the Reuters Institute. As well as having more money, the wealthy tend to be more privacy-conscious: the richest users are likeliest to decline to be tracked on their iPhones, says Mr Seufert.

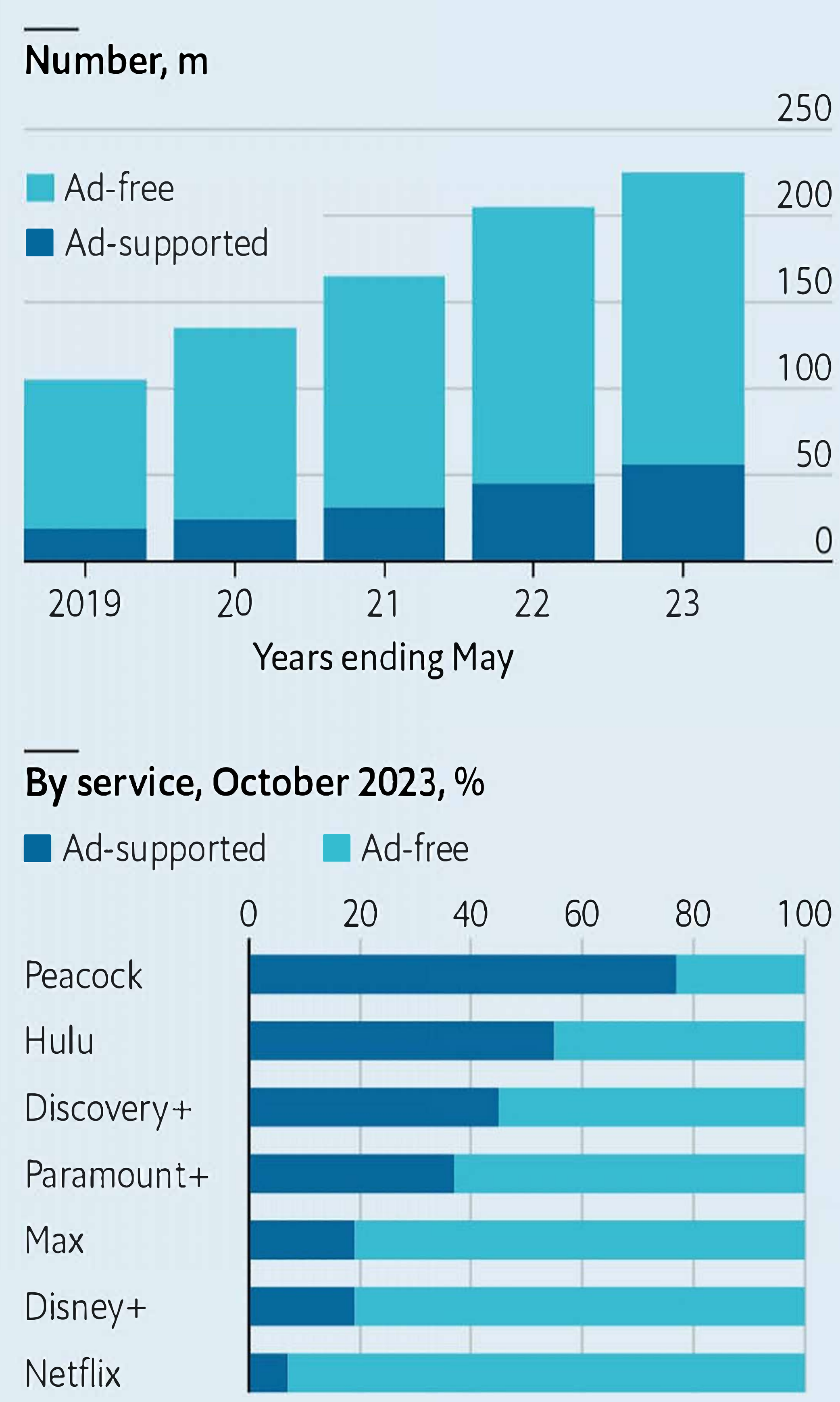
Still, early indications are that, in television at least, the difference may not be big. In America the highest-earning households make up 9% of ad-supported subscribers and 11% of ad-free ones, finds Antenna. Mr Wieser suggests that, as consumers are squeezed and spend less on nights out, they may in fact be more inclined to pay for ad-free TV.

Either way, admen are confident that they have alternative paths to reach valu-

2

**Minus ads**

United States, streaming subscriptions




Source: Antenna

able consumers. Worldwide ad spending (excluding American political spots) will reach $889bn in 2023 and grow by 5-6% annually for the next five years, led by digital adverts, forecasts GroupM, which places ads on behalf of brands.

The number of ads seen on television may fall, but streamers' ability to target the commercials will make them much more effective than conventional TV spots, argues Mark Read, head of WPP, the world's largest ad company and GroupM's parent firm. Streamers' shorter ad breaks will be better at holding viewers' attention. "Our clients understand that a two- to three-minute ad load is more valuable than a nine-minute ad load," says Mr Read. In addition, streamers are eating into the time spent watching ad-free public-service broadcasters such as Britain's BBC.

Advertisers can also fall back on platforms from which the rich have no escape. Spending on out-of-home media—billboards and the like—has grown by 7% this year, and is now above its pre-pandemic level, according to Magna, a research arm of Interpublic, another big ad agency. Sponsorship of sports events and the like remains immune to digital disruption. And other kinds of corporate persuasion, such as public relations, may benefit as it gets harder to reach people via old-school ads, says Mr Wieser.

Perhaps the biggest new advertising opportunity is in areas that never previously showed ads at all. Amazon's ruse of selling ads alongside search results on its retail site—something it began doing little more than a decade ago—will earn around $45bn this year, more than the entire global newspaper industry did from ads.

Last year Uber started selling ads in its ride-hailing and delivery apps, personalising them using its own data on customers (something Apple's anti-tracking changes do not affect). It expects to make $1bn next year from this new sideline. Marriott hotels launched an ad network last year to send targeted messages to guests on their in-room TVs. United Airlines is said to be planning to show personalised ads to passengers during their in-flight entertainment. GroupM predicts that this kind of "retail media" will be worth more than TV advertising by 2028.

### And now, for a break from commercials

Even on social networks there will be ways for brands to reach people who pay to go ad-free. Advertisers increasingly rope in charismatic "influencers", who promote products to users who follow them and share their content by choice. WPP recently took a group of them to Lapland to visit Santa's home, as part of a promotion for Coca-Cola. Users who pay to block ads in some areas are still likely to find them popping up in new ones. ■

Big tech

# Un-appy returns

### What Google's antitrust defeat means for the app economy

It took less than four hours for nine jurors to reach a verdict. On December 11th in a San Francisco courthouse they unanimously agreed that Google's app store was a monopoly and that the company had engaged in anticompetitive behaviour. The decision strikes a blow against the search giant, which is concurrently embroiled in other legal battles. It may also redefine the app-store economy.

Most smartphones run on one of two operating systems. Apple's ios is a walled garden with just one app store—its own. Other device-makers tend to use Google's Android, which on paper lets in app stores other than the Google Play store. The case was about whether it does in practice. In 2020 Epic Games, a game studio, urged players to use its payments system to make purchases in "Fortnite", its blockbuster shoot 'em up. The idea was to bypass the 30% cut taken by Apple and Google on most in-app purchases in their app stores. "Fortnite" was briefly banned from both.

Epic sued. Its lawyers argued Google was stifling competition by striking deals with, among others, smartphone-makers such as Samsung and LG, to give the Play store prime placement on their devices in exchange for a cut of revenues. The jurors did not buy Google's defence that it competes fiercely with Apple, as well as other app stores on Android devices.

So far, so straightforward. What makes the situation strange is that the verdict is at odds with the one in Epic's near-identical case against Apple. That concluded in 2021 with Apple winning on nine out of ten counts (on the tenth, related to the use of alternative billing systems, it lost).

**Storing up trouble**

Alphabet, revenues, $bn


*Assumes a 30% share of all app-store revenues †To Sep 30th

Sources: Sensor Tower; company reports

One reason for the difference may be that Google's fate was decided by a jury, not a judge. Public opinion is sceptical of big tech, which two-thirds of Americans regard as having too much power. Jurors may also struggle to grasp the nuances of antitrust laws. Another explanation is, ironically, that Google has tried to make its mobile software too open. Anyone can use Android's open-source code free of charge to create their own os. By contrast, Apple's customers and developers know that it controls all aspects of the iPhone. Being locked in Apple's walled garden may be more palatable if consumers know what they are getting into. Less so if limits are imposed by the maker of just the operating system, which it claims is open.

The verdict may influence two other lawsuits against Google by America's Department of Justice. The first went to court in September. It focuses on Google's deals to ensure it is the default search engine on various devices, including Apple's, and web browsers. Such arrangements cost it $26bn in 2021. The second is likely to begin next summer, and looks at Google's advertising business.

The judge in the Epic case will decide on a remedy early next year. One possibility is for app developers to be freed from Google's billing system. Last year South Korea forced Apple and Google to enable alternative payments. The EU's new digital law has similar provisions. This may be making the app-store economy more competitive—especially for games. Microsoft, which has just concluded its $69bn acquisition of Activision-Blizzard, a big game developer, is planning its own app store for games. Epic already has one, for PCs. Riot Games, a rival, may launch its own.

The tech giants do not like this one bit. According to Sensor Tower, a research firm, people around the world will spend about $160bn on apps this year. Google's and Apple's commissions account for perhaps 5% of each firm's overall revenue. Operating margins for both app stores are thought to be over 70%, according to testimony in the two court cases. (Google argued in court that this figure does not account for some app-store costs, such as research and development.) That is much higher than the overall margins of 26% for Google and 30% for Apple last year.

Google is already seeing its Play store revenues dip, reckons Sensor Tower (see chart). So neither firm will give up without a fight. Google is challenging the jurors' decision at an appeals court, where a panel of judges will hear the case. Apple is appealing against the payments ruling in its Epic case. Both are finding ways around rules like those in South Korea, where they let in alternative billing methods—and promptly slapped a commission of up to 26% on any sum paid using them. ■

German business

# Season's grumblings

BERLIN

### Deutschland AG is fed up with a government in disarray

Many German bosses wanted just one thing for Christmas—*Förderbescheid*. The country's business circles have talked about little else than these "formal funding notices" since November 15th. On that day the federal constitutional court declared that the government's plan to repurpose €60bn ($66bn) in "emergency" covid-19 credit lines towards infrastructure and the energy transition was unconstitutional. This blew a hole in the coalition government's spending plans. It also raised concerns among those companies which depend on public support for their investments. Though not that numerous, they are central to the government's economic vision—and that vision, in turn, matters to German enterprise as a whole.

In early December Northvolt, an innovative Swedish battery-maker, received a *Förderbescheid* for a €564m subsidy to construct a €4.5bn factory in the northern German state of Schleswig-Holstein. Other companies, including those behind 11 of Germany's 27 "important projects of common European interest" that have yet to receive a formal funding offer, anxiously awaited their economic sweeteners.

What they got instead was a bitter dose of austerity. "We have to get by with significantly less money," said Olaf Scholz, the Social Democrat chancellor on December 13th. After tense discussions with his Green and Free Democrat partners, Mr Scholz unveiled €29bn in savings, including €12bn less for an off-budget climate and transition fund. Details have yet to be hammered out, but some of this will come from an early end to subsidies for electric vehicles and solar power, a higher-than- ▸▸

**Sturm und drag** 1

Germany, Ifo business-climate index*, 2015=100


*Average of 9,000 companies' assessment of current business situation and expectations for next six months

Source: Ifo Institute


expected rise in the carbon tax and a new fee on companies that use plastics. Not another *Förderbescheid* in sight.

Mr Scholz's belt-tightening is fuelling doubts about the federal and state governments' other promises. "Bosses are lobbying like crazy at the economy ministry while the finance ministry is trying its best to block new spending promises," says Christoph Bertram of FGS, a consultancy. A €10bn subsidy for Intel, an American chipmaker, to erect a €30bn semiconductor factory, which would be post-war Germany's largest single foreign investment, seems to be in doubt. So is €5bn for a chip plant in Dresden to be built by TSMC, a Taiwanese manufacturer. These handouts are a costly, and possibly futile, attempt to compete in the global chip-subsidy race. Still, scrapping them now "would send a catastrophic signal" about the government's trustworthiness, warns Marcel Fratzscher, head of the German Institute for Economic Research, a think-tank.

### Coalition of the wilting

The budget shambles adds to a litany of German business *Ängste*, on top of shrinking GDP, high energy prices, a shortage of skilled workers, persistently cumbersome red tape and the rise of the populist far right. Small wonder bosses are becoming ever more deeply disillusioned with Mr Scholz and his coalition partners. Almost 83% say that the government is not doing a good job, according to a survey in early December by a business publication; 75% would like Germany to hold new elections in 2024. An index of the business climate by the Ifo Institute, a think-tank, which exceeded its pre-pandemic level for much of 2021, is once again well below it (see chart 1 on previous page).

The glum sentiment is affecting investment decisions. Capital spending by companies fell in the third quarter, year on year, having barely grown in the few previous ones (see chart 2). Businesses have "significantly" reduced their investment plans, according to a new survey of 5,000 businesses by the Ifo Institute. According to the latest quarterly poll of the *Mittelstand*, only 24% of Germany's admired family-owned pocket multinationals are planning to invest in expansion, the lowest share since the survey began in 2010. Fully 42% said they would not invest in Germany any more.

All this reflects worries about high interest rates, weak demand and general uncertainty over economic policy, explains Lara Zarges of Ifo. It may also paint a flattering picture, since the survey was conducted before the budget fiasco. Although most economists predict a mild recovery for the German economy next year, Sebastian Dullien of the IMK research institute expects the recession to persist into 2024 because of the spending cuts following the constitutional court's verdict.

Mr Dullien thinks that it is "economically absurd" to stick to strict spending limits, as Mr Scholz is intending to do next year, at a time when the country is facing an energy crisis, giving shelter to more than 1m refugees from war-torn Ukraine, and suffering from economic weakness. Siegfried Russwurm, head of the BDI, Germany's main industry association, sees the draft spending bill as a "tough austerity budget that will be a big burden for the economy and consumers". He agrees with Mr Dullien that it will make Germany's recovery in 2024 more difficult.

The government is trying to prove the doomsayers wrong. On December 11th the Green economy minister, Robert Habeck, took a break from the budget negotiations to pay a visit to Völklingen, a city in south-western Germany. There the federal government is teaming up with the state of Saarland to finance the transformation of Stahl-Holding-Saar, a big local steelmaker, into a climate-neutral company. SHS is the third of Germany's four big steel companies to be promised state aid for a green makeover. It could eventually receive €2.6bn in subsidies. But first it awaits its *Förderbescheid*, which has yet to land under its Christmas tree. ■

Digital protectionism

# Toko-Tok

SINGAPORE

### TikTok navigates its way around Indonesia's digital shakedown

THE MORE the world's youngsters love TikTok's viral videos, the more their elected elders hate the app. They decry it for supposedly corroding young minds and, worse, for its links to China, home to its parent company, ByteDance. Many in America want to ban it. India already has. In October Indonesia, another big and promising market, shut down TikTok's fledgling but lucrative sideline of selling goods via its videos, by requiring social-media firms to obtain an e-commerce licence—with no guarantee of success.

Such obstacles have forced TikTok to act strategically, for instance by moving its global headquarters to Singapore and hiring a Singaporean chief executive, which has put distance between it and its Chinese parent. In another canny move, on December 11th it announced that it was paying $840m for a 75% stake in Tokopedia, the e-commerce arm of GoTo, an Indonesian tech conglomerate. It has also pledged to invest $1.5bn in the tie-up.

The deal is something of a shotgun marriage, but it benefits both sides. GoTo, which has struggled to turn a profit in recent years, will no longer need to subsidise its loss-making retail arm. TikTok, for its part, will be allowed to restart its e-commerce operations. Sales on TikTok's app will be fulfilled by Tokopedia's logistics network (though, like all e-merchants in Indonesia, it must now charge minimum ▸▸


TikTok on the straight and narrow?

prices for products made abroad).

TikTok and Tokopedia separately account for 10% and 28%, respectively, of Indonesia's fast-growing e-commerce market, according to Momentum Works, a data firm. Together, they are a powerhouse, matching the market share of Shopee, hitherto the country's biggest online emporium (owned by Sea Group, a Singaporean technology conglomerate).

Most important, an intimate link with a domestic champion makes TikTok look less like a foreign interloper. If the firm can make its new partnership work in the world's fourth-most-populous country, it could use this as a model for expansion and consolidation in other countries where it is greeted with wariness, such as Malaysia and the Philippines.

It will be an uphill struggle, and not just because of challenges particular to TikTok. All over the world, the advocates of international openness in digital commerce are losing the battle for hearts and minds. Last year Sea halted its expansion to India in the face of regulatory pressure, after its popular mobile game, "Free Fire", was banned. Stringent new European rules on cloud computing, including requirements to store local users' data locally, are aimed squarely at the American tech giants.

Last month America, itself in an increasingly isolationist mood, dropped earlier demands to liberalise trade in digital goods and services as part of the Indo-Pacific Economic Framework, the already flimsy pact which President Joe Biden's administration has been negotiating with 13 Asian allies. To thrive amid rising protectionism—digital and otherwise—TikTok and its rivals will need to show plenty of delicate diplomatic footwork. ■

## Bartleby The art of delegation

*How to entrust decisions to subordinates and not regret it*

DELEGATING WELL is the six-pack of management: widely desired and harder to achieve the older you get. In theory, handing appropriate decisions off to people lower down the corporate ladder means greater satisfaction all round. Bosses get more time to concentrate on the issues that really deserve their attention. Middle managers and workers enjoy a greater sense of autonomy. And the organisation benefits from faster decision-making on the part of people who are better informed about the matter at hand. In practice, however, delegation is a minefield.

Some bosses do not even try to delegate. They may mistrust people below them or crave control. Their career success may simply have persuaded them of their own genius. But there are kinder explanations, too. Startup founders are conditioned to do everything, at least until firms get to a certain size. Plenty of managers shoulder more work than they should in order to protect their teams from overload.

Other managers do delegate but they do so for the wrong reasons. Studies suggest that people are likely to hand off decisions when choices are hard, when the consequences affect others and when they want to avoid being blamed for a bad outcome. In a paper from 2016 by Mary Steffel of Northeastern University and her co-authors, volunteers were told that they had to book hotel rooms at a conference, either for their own use or for their boss, and asked them if they would like to reserve the rooms themselves or delegate the task to an office manager. When they were choosing for the boss and the hotels were ropey, people were more likely to pass the job to the hapless office manager.

A new study, by Victor Maas and Bei Shi of Amsterdam Business School, reaffirms this bleak picture of human motivation. It found that people were more likely to hand work off to subordinates when the performance targets for that particular task were demanding; they were much happier to keep hold of tasks with targets that were easier to attain. If a habitual micromanager unexpectedly asks you to take the lead on something, in other words, run for the hills.

The great mass of managers fall into a greyer area. They may be full of good intentions to leave decisions to others but still find it hard to do so. What if you put trust in your team members but then discover you violently dislike the choices they make? What if you want to hand over some decisions but you know that your own bosses will hold you personally responsible for them? These problems can easily result in "faux-tonomy"—a lip-service version of delegation in which managers do not actually leave their teams to get on with things or underlings use their freedom solely to guess what the boss would like.

One way to navigate such problems is to use an explicit decision-making framework that tries to make it clear who is on the hook for what. These frameworks are not perfect. Project managers often use something called the RACI model. Its first two letters sort those who are "responsible" from those who are "accountable", a distinction which normal people may find "confusing" and "incomprehensible". Other, clearer frameworks are available. They have punchy names like DACI, DARE and DICE: you might be choosing a cloud-computing vendor but you get to feel a little like you are in the special forces.

As well as working out who does what, it helps to have a way to parse what kinds of decision can be delegated and what not. Before Jeff Bezos started hanging out in spacesuits and doing laughable photoshoots in *Vogue*, he liked to articulate his management philosophy in annual letters to Amazon's shareholders. In 2015 he made a useful distinction between type-1 decisions ("one-way doors") that are important and irreversible, and type-2 decisions ("two-way doors") that can be reversed if they do not pan out. Type-1 decisions warrant slow, deliberative processes; type-2 decisions should be taken quickly by smaller groups. Having a theory of decisions improves choices on what to delegate and reduces the chance of regrets.

Delegating well requires a lot of judgment, too. Delegation is not all-or-nothing. A detached boss can be as demotivating as a micromanager; you have to stay informed on decisions and, on occasion, override them. But checking in at the right cadence, and letting people proceed with decisions that you would not have made yourself, demands self-restraint and discipline. Just like those abs.

# Schumpeter | Build bridges, not walls

*Populist responses to America's border crisis are a threat to nearshoring*

LAREDO, ON AMERICA'S southern border, does not look like a crown jewel. The Texan city of 250,000 people appears more like a dusty trading outpost in the middle of nowhere. Sure, it has a quaint centre. Laredo dates back to 1755, making it older than the United States—though for part of its history it was almost as poor (and not nearly as much fun) as Nuevo Laredo, the Mexican town just across the Rio Grande. Yet since the covid-19 pandemic, it has become a shining symbol of American commerce. This is expected to be the first year when the value of goods passing through Laredo eclipses that of any other port in America—even that of mighty Los Angeles, where stuff is shipped in from China.

Laredo's trade is lubricated by axle grease. Every day about 20,000 lorries trundle back and forth across its two trade bridges, transporting everything from cars to chewing gum. Commerce is booming. The value of imports and exports passing through the inland port rose by 8% between January and October, year on year. That bucks the trend in other ports, such as LA, where trade has declined. Because of bilateral trucking restrictions, all that cargo has to be transferred between American and Mexican drivers, requiring 43m square feet (4m square metres) of warehousing—an area bigger than Manhattan's Central Park. Investment is pouring in. Over the next two years, the city is expected to add another 10m square feet of warehouse space. It is daunting to think about. The number of lorries is already so large that tailbacks can stretch almost ten miles (16km) into Mexico.

The explanation for the buzz is nearshoring, which posits that, given the risks from overstretched supply chains and the trade war with China, manufacturers should move to North America. Although the potential is huge, so far it is more visible in truck traffic than investment flows. This year Mexico once again became America's biggest trading partner, overtaking Canada and China. Yet foreign investment into Mexico as a whole, though rising, does not signal a flood of new money. The problem is politics. There is something about border crossings that breeds insanity in elected officials. Instead of keeping the vital arteries unblocked, they favour putting up barriers. Laredo is a case in point.

It is an unusual city. With a 95% Hispanic population, most people, even those who have lived there for generations, speak Spanish. Many residents feel as much cultural affinity with Nuevo Laredo, even though it is plagued by violence, as they do with other parts of America. This came across clearly during a meeting of the Border Trade Alliance (BTA), a coalition of business executives and local officials, in Laredo this month. After greeting each other with Mexican-style *abrazos*, those present quickly turned to concerns about decisions taken in Austin, Texas's state capital, and Washington, DC, that were thwarting the free flow of goods. Héctor Cerna, the BTA's treasurer, says knee-jerk policies related to illegal migration have hit the supply of vegetables to American supermarkets, Corona beer to distributors, car parts to companies like General Motors and Nissan, and refrigerators to firms like Whirlpool. "It's self-inflicted pain," he says.

Travel to the Colombia Solidarity bridge, on the outskirts of Laredo, and you see what he means. Built in preparation for the start of the North American Free Trade Agreement (NAFTA) in 1994, it was once called the "bridge to nowhere", because there was no highway on the Mexican side. Now it is a flourishing transit point for avocados, cherry tomatoes and other goods from Mexico. Yet the governor of Texas, Greg Abbott, wants to strong-arm Mexico to do more to halt the wave of migrants trying to enter America. Under his orders, a state law-enforcement agency is imposing random safety checks on vehicles that have already passed US customs, creating long queues. The result is spoilage and ruined just-in-time delivery schedules. The costs are passed on to consumers.

The border crisis has led to other counterproductive policies. BTA delegates complained that Customs and Border Protection, an American federal agency, has responded to the surge of asylum seekers by temporarily closing international bridges to free up manpower to process asylum claims. This forces shippers to wait—or divert cargoes elsewhere. Logistics executives worry that hot-button issues such as illegal migration and fentanyl will take centre stage during next year's presidential election in America, causing further trade-disrupting demagoguery. No one yet knows whether Donald Trump, the most likely Republican contender (and wall-builder-in-chief), will proceed with his ruinous plan to slap a 10% levy on all imports to America. But, by 2026, whoever leads the government will oversee a sexennial review of the USMCA, an update to NAFTA signed by America, Canada and Mexico in 2020. Given its importance to the trio's economies, it will probably survive. But opponents to free trade with Mexico, such as Florida's fruit growers, are already lobbying for a trade war.

The threats to cross-border trade are, of course, not just American-made. Andrés Manuel López Obrador, the Mexican president, has committed his own act of sabotage by imposing state control over the energy industry, which discourages firms from relocating to Mexico. He has militarised the border, putting oversight of trade into the hands of soldiers with little customs experience. Lawlessness is another hindrance.

### Light up the border

Yet in America the border is a perennially touchy subject. Those far away see it as a place of chaos and crisis. Those who live near it think that if only it were managed with more sensitivity, the result would be more trade and a regulated flow of guest workers to ease labour shortages. Testament to their optimism is Laredo's love of bridges. It hopes shortly to increase the number from four to five, with a new trade bridge built by a public-private partnership. Mexico has given the green light. But officials in Washington are stalling on permit approval. There the focus is squarely on walls. ■


Financial flows (1)

# Incoming flight

SINGAPORE

**As China's economy suffers, investors are fleeing. Where will they end up?**

IT HAS BEEN a terrible year to be bullish on China. The CSI 300 index of Chinese stocks has dropped by 13% so far in 2023, to below the level reached during the last of the country's severe covid-19 lockdowns. Difficulties in the property market are prompting corporate defaults. The lacklustre outlook for economic growth, combined with the need to manage capricious autocratic leadership at home and uncertain relations with big trading partners, makes for a miserable financial climate.

This is also a recipe for enormous capital outflows. Foreign investors, who once had boundless enthusiasm for China, are rushing for the exits. So are numerous wealthy Chinese individuals. According to the Institute of International Finance, a think-tank, there have been cross-border outflows from the country's stocks and bonds for five consecutive quarters, the longest streak on record. Firms are getting itchy feet, too. In the third quarter of this year the net flow of foreign direct investment in China turned negative for the first time since the data began to be collected a quarter of a century ago. In part, this reflects investment by domestic manufacturers in overseas operations, which can lower labour costs and help skirt American tariffs. The size of the overall outflows is up for debate (see next story), but some believe up to $500bn-worth is disguised in China's murky balance-of-payments data.

The last surge of capital out of China came in 2015-16. It was set off by a currency devaluation, which was itself sparked by a stockmarket collapse. By one estimate, as much as $1trn escaped the country in 2015 alone. Back then, many countries welcomed Chinese capital with open arms. Now they are suspicious. New destinations for Chinese funds—both legitimate and illicit—are therefore being found.

Dodging China's capital controls is the first task for fretful investors. Some transfers are piecemeal: mainland residents can buy tradable insurance policies in Hong Kong, though they may legally spend only $5,000 at a time. In the first nine months of the year, sales of insurance to mainland visitors hit HK$47bn ($6bn), some 30% more than in the same period in 2019. Other avenues are being closed off. In October China banned domestic brokers from facilitating overseas investment by local residents. For business owners, misinvoicing trade shipments, by overstating the value of goods being transacted, is one way to get money out of the country.

Many places are less inviting to Chinese investors than during the last era of capital flight. Dozens of American state legislatures have passed bills blocking foreign citizens residing overseas from buying land and property. Chinese buyers spent $13.6bn on American property in the year to March, less than half the amount spent during the same period in 2016-17. In Canada, another once popular market, non-residents are now banned from buying real estate altogether. Golden visas in Europe, which offer residency rights in exchange ▸▸

→ Also in this section

for investment, are falling out of favour: schemes in Ireland, the Netherlands and Portugal are being tightened or abolished. Although Hong Kong remains a gateway through which Chinese capital can reach the rest of the world, its appeal as a bolt-hole for rich families aiming to shield their assets from the Chinese state has dimmed since the territory's political crackdown.

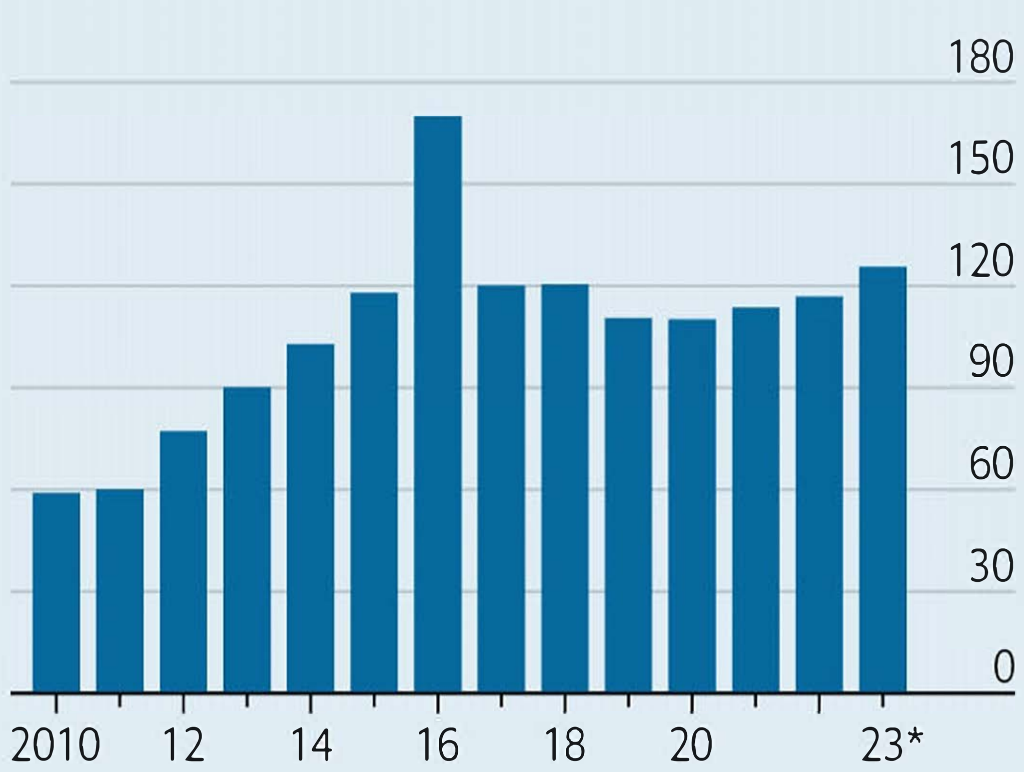
It is in this context that Singapore has taken on an increasingly important role. Its success in attracting Chinese cash owes a lot to its relative proximity, low taxes and large Mandarin-speaking population. Direct investment from Hong Kong and the Chinese mainland has risen by 59% since 2021, reaching 19.3bn Singapore dollars ($14.4bn) last year. Suspicious gaps in the trade data between the two countries suggest greater unrecorded capital flight, too, note analysts at Goldman Sachs, a bank.

The number of family offices in Singapore rose from 400 in 2020 to 1,100 by the end of 2022, a trend driven by Chinese demand. There is little transparency about what assets ultra-rich investors hold through such vehicles, but Singapore's modest capital markets suggest that most money will eventually be invested abroad. Nevertheless, Chinese inflows have buoyed Singapore's banks, helping to lift profits at institutions like DBS and Overseas Chinese Banking Corporation. Other neutral locations are also benefiting from Chinese cash. Although golden visas are in decline elsewhere, issuance in Dubai rose by 52% in the first six months of 2023, compared with the same period in 2022, with lots of recipients thought to be Chinese.

Neutral countries are not the only beneficiaries. Inquiries about Japanese properties from clients in China and Hong Kong have roughly tripled in the past year, says Glass Wu of Japan Hana, an estate agency. The trend has been accelerated by a weak Japanese yen, which has fallen by a fifth in the past three years against the Chinese yuan. Around 70% of the buyers make viewings via video call, says Ms Wu, and buy without first visiting the property.

**Here we go again**

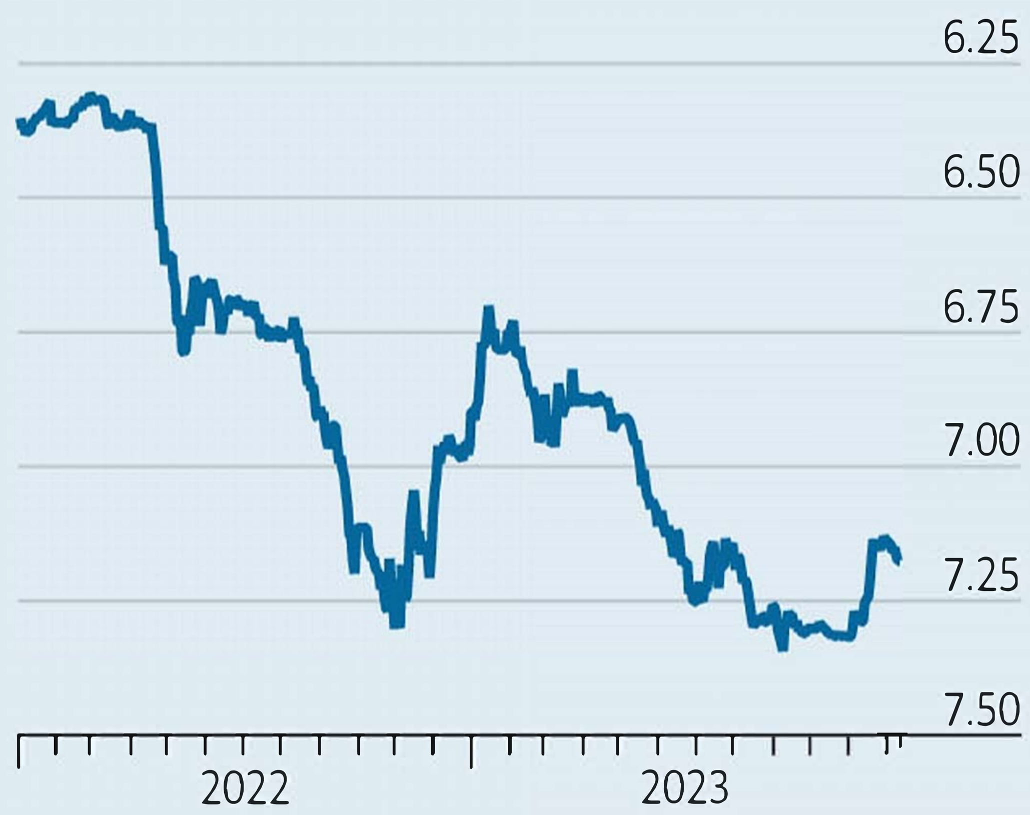
China, direct investment abroad by non-financial enterprises, $bn




Source: Haver Analytics *Year to October, annualised

**Uncomfortable descent**

Chinese yuan per $, inverted scale




Source: LSEG Workspace

Australia has also seen a surge in overseas demand for property, mostly from potential owner-occupiers, rather than investors as in previous waves, says Peter Li of Plus Agency, a local realtor. Data from Juwai IQI, a property firm, seem to confirm the trend. Since 2020 the median price of homes around the world receiving inquiries from Chinese buyers has risen from $296,000 to $728,000. Rather than buying smaller properties to let, buyers are opting for spacious ones in which they will actually live.

Chinese capital can cause problems. It has put pressure on Singapore's housing market, which is dominated by state provision and contains fewer than half a million private units. In April the state introduced an eye-watering 60% tax on all property purchases by foreigners to try to cool things down. The city's financial secrecy may also invite the wrong kinds of activity. In August police raids resulted in the seizure of assets including cars, jewellery and luxury property, together worth around $2bn, and the arrests of ten foreigners. The group had all been born in China, but most had acquired other citizenships through international investment schemes. In October the Singaporean government noted that at least one of the accused may have had links to a family office. Other countries in the region, such as Cambodia and Thailand, are wary of hosting elite Chinese citizens who may bring politics with them.

Although outflows from China are not yet on the vast scale of those seen during the panic of 2015-16, they might prove more enduring. Back then, a government-engineered credit boom in the property industry helped revive the economy's animal spirits. This time around, the Chinese government wants to allow the industry to cool. Without a sudden, unexpected recovery in the fortunes of the Chinese economy, the stream of capital looking for an exit is unlikely to slow. Investors and companies will continue to seek a wide variety of foreign assets—the ones, at least, they are still allowed to buy—prompting joy and headaches wherever they land. ■

Financial flows (2)

# Trade blows

HONG KONG

### Official Chinese export figures have a $230bn puzzle at their heart

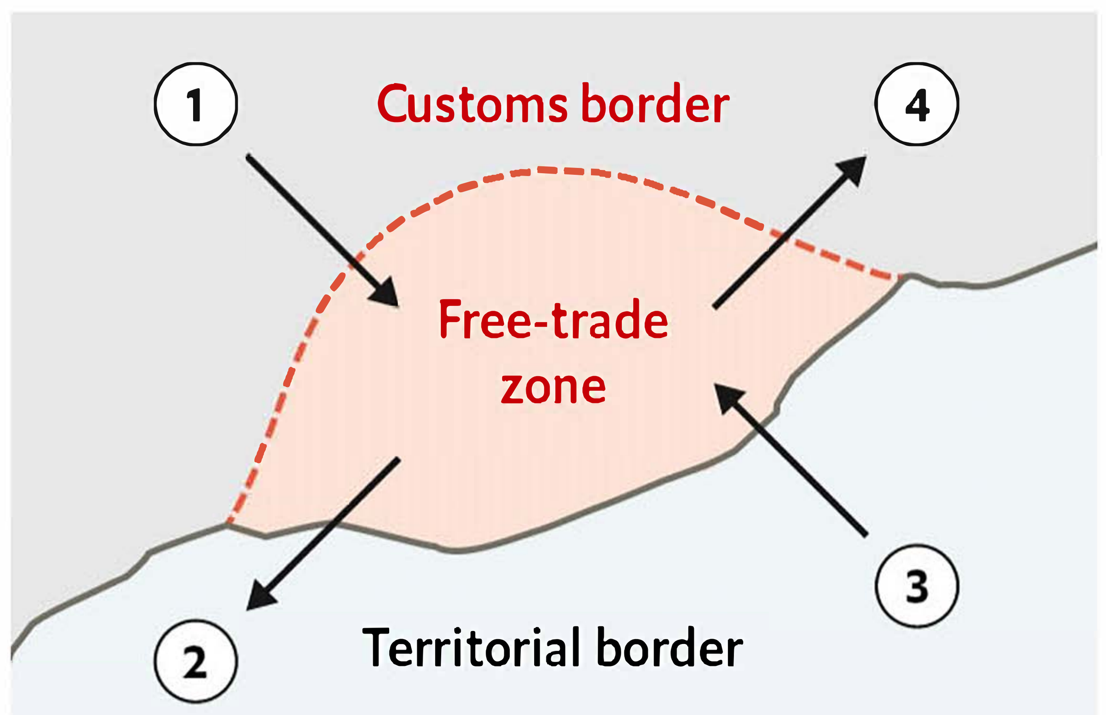
CHINA'S CURRENT-ACCOUNT surplus was once one of the most controversial statistics in economics. The figure, which peaked at almost 10% of GDP in 2007, measures the gap between China's earning and its spending, driven largely by its trade surplus and the income it receives from its foreign assets. For much of the past two decades, China's surpluses have left it open to the charge of mercantilism—of stealing jobs by unfairly boosting its exports. Some trading partners now worry about a similar shock if the country's output of electric vehicles grows too quickly.

But China's current-account surplus is now modest: $312bn or 1.5% of GDP over the past year, according to the country's State Administration of Foreign Exchange (SAFE). That is below the 3% threshold that America's Treasury deems excessive.

Is the figure reliable? Some, such as Brad Setser of the Council on Foreign Relations and Matthew Klein, a financial commentator, believe that the official numbers are dramatically understated. China's true surplus, Mr Klein reckons, is now "about as large as it has ever been, relative to the size of the world economy". They offer two arguments. First, China may be understating income from its foreign assets. Second, it may be understating exports.

According to SAFE, the income China earns on its stock of foreign assets plunged from mid-2021 to mid-2022. This seems odd given rising global interest rates. Mr Setser's alternative estimate, based on assumptions about China's assets, would add about $200bn to the surplus.

China's goods surplus also appears smaller in SAFE's figures than it does in ▸▸




Exports 1 From the interior into the free-trade zone
2 From the zone to the rest of the world
Imports 3 From the rest of the world to the zone
4 From the zone to the interior

China's own customs data. The gap was \$230bn over the past year. "That is real money, even for China," says Mr Setser.

China might take some comfort from a bigger surplus. But it has an unsettling implication. What is happening to the additional dollars China is earning? Since they are not showing up on the books of China's central bank or its state-owned banks, they must be offset by a hidden capital outflow. Such outflows typically end up in a residual category of the ledger. Mr Setser believes this residual should be about 2% of GDP, not the official figure of near zero.

SAFE has a different explanation. It attributes the export gap largely to China's free-trade zones and similar enclaves. These lie inside China's territory but outside its official tariff border (see diagram). Goods leaving these enclaves for the rest of the world are counted as exports by customs but not by SAFE. Adam Wolfe of Absolute Strategy Research points out that these zones account for a growing share of China's exports. That may explain why the gap has emerged only in the past two years.

Mr Setser is unconvinced. If China's free-trade zones have enjoyed a dramatic export boom, it should produce ripples elsewhere. Wages earned by workers, for example, should appear as increased remittances. In fact, they have risen only a little. And as Mr Wolfe points out, even if the official current-account surplus is correctly calculated, it may be of little comfort to China's trading partners. After all, if the country's domestic demand remains weak, goods made in its free-trade zones may flood foreign markets. The rest of the world will count them, and experience them, as Chinese imports, even if SAFE does not count them as Chinese exports. ■

## Buttonwood Blighted

*The mystery of Britain's dirt-cheap stockmarket*

It is hard to get a man to understand something, wrote Upton Sinclair, an American novelist, when his salary depends on not understanding it. Hard, but not impossible: just look at those paid to promote Britain's stockmarket. Bankers and stock-exchange bosses have an interest in declaring it an excellent place to list new, exciting businesses, as do politicians. Yet deep down they seem keenly aware that it is doomed.

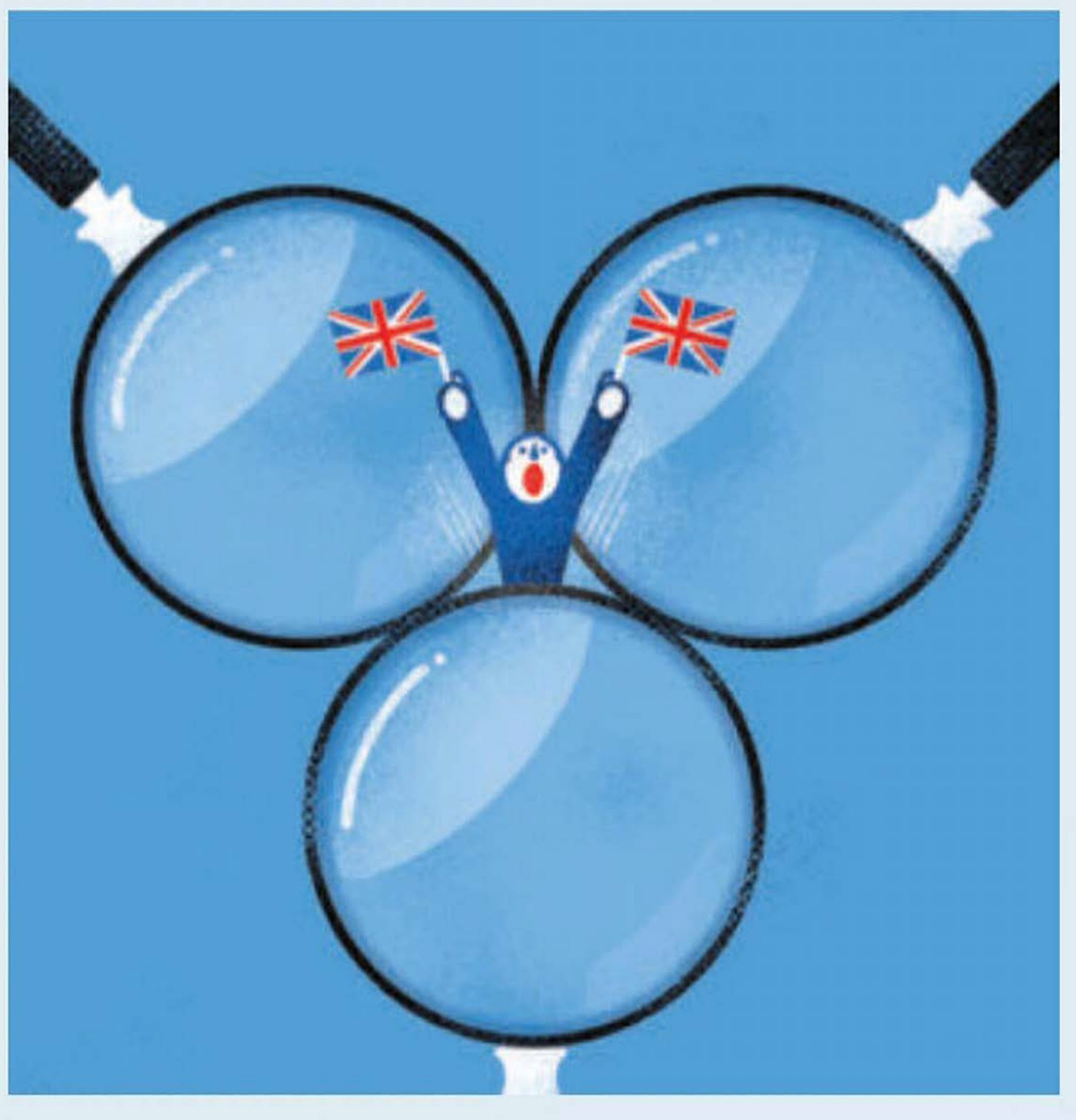
Government ministers once spoke of "Big Bang 2.0", a mixture of policies aiming to rejuvenate the City of London and, especially, attract initial public offerings (IPOs). But if anyone ever thought an explosive, Thatcherite wave of deregulation was on its way, they do not any more. The new rules are now known as the more squib-like "Edinburgh reforms". On December 8th the chair of the parliamentary committee overseeing their implementation chastised the responsible minister for a "lack of progress or economic impact".

In any case, says the boss of one bank's European IPO business, he is unaware of any company choosing an IPO venue based on its listing rules. Instead, clients ask how much money their shares will fetch and how readily local investors will support their business. These are fronts on which the City has long been found wanting. Even those running Britain's bourse seem to doubt its chances of revival. Its parent company recently ran an advertising campaign insisting that its name is pronounced "L-SEG" rather than "London Stock Exchange Group"; that it operates far beyond London; and that running a stock exchange is "just part" of what it does.

London's future as a global-equity hub seems increasingly certain. It will be drearier. If everyone agrees London is a bad place to list, international firms will go elsewhere. But what about those already listed there? Their persistent low valuation is a big part of what is off-putting for others. And it is much harder to explain than a self-fulfilling consensus that exciting firms do not list in London.

The canonical justification for London-listed stocks being cheap is simple. British pension funds have spent decades swapping shares for bonds and British securities for foreign ones, which has left less domestic capital on offer for companies listing in London. Combined with a reputation for fusty investors who prefer established business models to new ones, that led to disruptive tech companies with the potential for rapid growth listing elsewhere. London's stock exchange was left looking like a museum: stuffed with banks, energy firms, insurers and miners. Their shares deserve to be cheap because their earnings are unlikely to rise much.

All of this is true, but it cannot explain the sheer scale of British underperformance. The market's flagship FTSE 100 index now trades at around ten times the value of its underlying firms' annual earnings—barely higher than the nadir reached during March 2020, as the shutters came down at the start of the covid-19 pandemic. In the meantime, America's S&P 500 index has recovered strongly: it is worth more than 21 times its firms' annual earnings. The implication is that investors expect much faster profit growth from American shares, and they are probably right. Yet virtually every conversation with equity investors these days revolves around how eye-wateringly expensive American stocks are. Should earnings growth disappoint even a little, large losses loom.



Britain's FTSE 100 firms, meanwhile, are already making profits worth 10% of their value each year. Even if their earnings do not grow at all, that is well above the 4% available on ten-year Treasury bonds and more than double the equivalent yield on the S&P 500. At the same time, higher interest rates ought to have made the immediate cashflows available from British stocks more valuable than the promise of profits in the distant future. Why haven't they?

No explanation is particularly compelling. British pension funds might no longer be buying domestic stocks, but international investors are perfectly capable of stepping in. Some sectors represented in the FTSE—tobacco, for instance—may see profits dwindle, but most will not. Britain's economy has hardly boomed, but it has so far avoided the recession that seemed a sure thing a year ago. Global investors seem content to ignore Britain's market, despite its unusually high yield and their own angst about low yields elsewhere. Yet spotting such things is what their salaries depend on. There is something Sinclair might have found hard to understand.

Financing conflict

# Lock and load

### Wartime spending means Russia's economy is running dangerously hot

THE HISTORY of Russian inflation is long and painful. After revolution in 1917 the country dealt with years of soaring prices; it then faced sustained price pressure under Josef Stalin's early rule. The end of the Soviet Union, the global financial crisis of 2007-09 and then Vladimir Putin's first invasion of Ukraine in 2014 also brought trouble. Fast-forward to the present, as the war in Ukraine nears its second anniversary, and Russian prices are again accelerating—even as inflation eases elsewhere.

Russia's inflation was 7.5%, year on year in November, up from 6.7% the month before. The central bank dealt with a spike soon after the invasion of Ukraine in 2022. But now officials worry they are losing control. At the bank's latest meeting they raised interest rates by two percentage points, twice what had been expected. At its next one on December 15th a similar rise is on the cards. Most observers nonetheless expect inflation to continue rising.

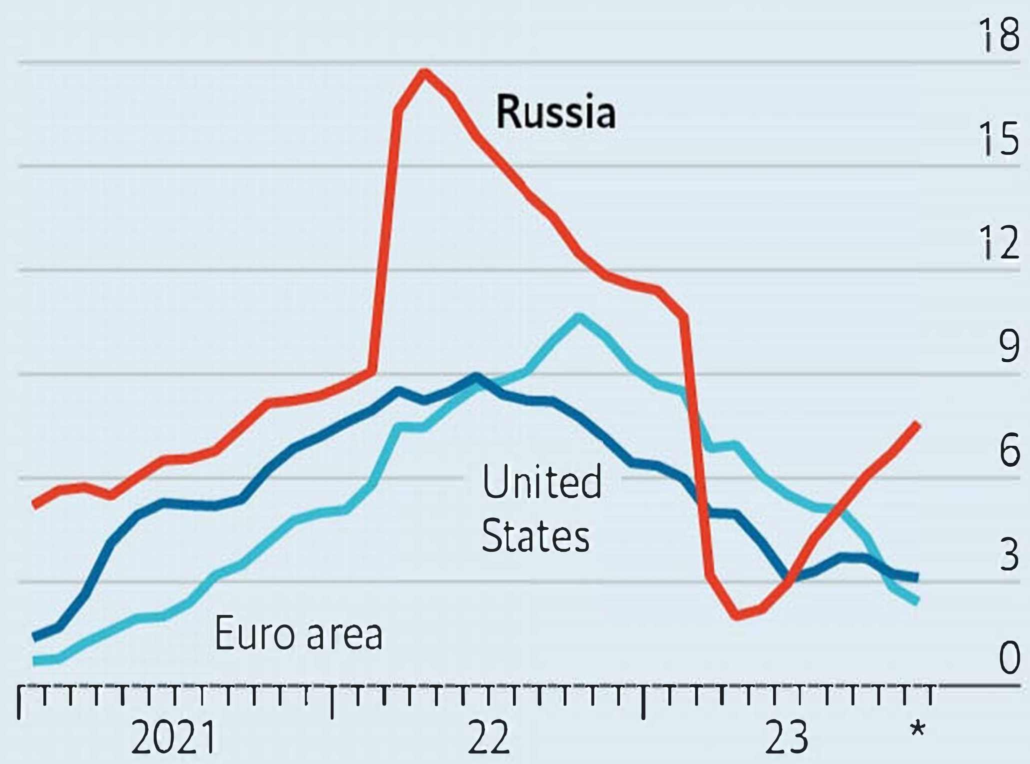
Price rises in 2022 were caused by a weaker rouble. After Mr Putin began his war the currency fell by 25% against the dollar, raising import costs. This time currency moves are playing a small role. In recent months the rouble has actually appreciated, in part because officials introduced capital controls. Inflation in non-food consumer goods, many of which are imported, is in line with the pre-war average.

Look closer at Mr Putin's wartime economy, however, and it becomes clear that it is overheating. Inflation in the services sector is exceptionally high. The cost of a night at Moscow's Ritz-Carlton, now called the Carlton after its Western backers pulled out, has risen from around $225 before the invasion to $500. Such examples suggest that the cause of inflation is home-grown.

In 2024 defence spending will almost double, to 6% of GDP—its highest since the collapse of the Soviet Union. Mindful of a forthcoming election, the government is also boosting welfare payments. Some families of soldiers killed in action are receiving payouts equivalent to three decades of average pay. Figures from Russia's finance ministry suggest that fiscal stimulus this year is worth about 5% of GDP, a bigger boost than that implemented during the covid-19 pandemic.

**Putin prices up**

Consumer prices, % increase on a year earlier




Sources: Haver Analytics; national statistics

*Estimate for euro area

As a result, the growth rate is rising. Real-time data from Goldman Sachs, a bank, point to solid performance. JPMorgan Chase, another bank, has lifted its GDP forecast for 2023, from a 1% fall expected at the start of the year, to an increase of 1.8% in June and more recently to 3.3%. Predictions of an economic collapse—made almost uniformly by Western economists and politicians at the start of the war in Ukraine—have proved thumpingly wrong.

The problem is that the Russian economy cannot take such growth. Since the start of 2022 its supply side has shrunk. Workers, often highly educated, have fled the country. Foreign investors have withdrawn around $250bn-worth of direct investment, nearly half the pre-war stock.

Red-hot demand is running up against this reduced supply, resulting in higher prices for raw materials, capital and labour. Unemployment, at less than 3%, is at its lowest on record, which is emboldening workers to ask for much higher wages. Nominal pay is growing by about 15% year on year. Companies are then passing on these higher costs to customers.

Higher interest rates might eventually take a bite out of such demand, stopping inflation from rising more. An oil-price recovery and extra capital controls could boost the rouble, cutting the cost of imports. Yet all this is working against an immovable force: Mr Putin's desire for victory in Ukraine. With plenty of financial firepower, he has the potential to spend even bigger in future, portending faster inflation still. As on so many previous occasions, in Russia there are more important things than economic stability. ■

**Correction** In a recent briefing on Russia ("For the fatherland"), we wrote that inflation hit 12% year on year in the third quarter of 2023. In fact, that is the quarter-on-quarter rate, annualised. Sorry.

Travel tips

# Road trader

HONG KONG

### Why stockpickers should get out more

IN JOSEPH O'NEILL's novel "Netherland", a jaded equities analyst, covering oil and gas firms, confesses to the tricks he uses to add credibility to his stock picks. "Voice a first-hand opinion about the kebabs of Baku", he says, "and people will buy almost anything you follow up with".

Financial analysts, like journalists, split their time between deskwork and roadwork: meeting executives, inspecting operations, tasting the local cuisine. Are these escapes into the outside world worth it? Travel can be eye-opening. Managers may reveal more in situ than they would on an earnings call. But roadwork is also time-consuming and potentially misleading. Charismatic managers with flashy facilities can employ their own tricks. Stray impressions can skew a visitor's judgment.

In a new paper Azi Ben-Rephael of Rutgers University, Bruce Carlin of Rice University, Zhi Da of the University of Notre Dame and Ryan Israelsen of Michigan State University investigate the benefits of travel. They track 336 analysts of American stocks from 2017 to 2021, estimating the length of their office days from the time they spent logged in to their Bloomberg terminals. Analysts who did not log in during a workday were assumed to be travelling for work.

Logging off and getting out has some costs: peripatetic analysts issued fewer forecasts. But their stock recommendations made more of a splash, moving the market by more than their peers' picks. They were also more likely to be rated as "star" analysts in the rankings published by *Institutional Investor*, a magazine.

Was this prestige deserved? Escaping from the office does, after all, give a stockpicker more time to schmooze with the institutional investors who contribute to rankings. And it fills their sleeves with more seductive tales to tell.

On the other hand, the paper shows that the forecasts of well-travelled analysts were also significantly more accurate than those of their peers. Causality is hard to establish: perhaps better forecasters earn more freedom to roam the world. However, the authors demonstrate that when the covid-19 pandemic struck in early 2020, clipping the wings of analysts who had previously travelled frequently, the accuracy of their forecasts deteriorated disproportionately. Travel helps analysts. It's not just the kebab-tasting. It's also the tyre-kicking.

Recession response

# Euro moans

**The continent's economy is in a bad way. Policymakers risk being slow to react**

EUROPEAN STOCKS and bonds have had a lot to deal with in recent years, not least war, an energy crisis and surging inflation. Now things are looking up. Germany's DAX index of shares has added 14% since the start of November. Yields on French ten-year government bonds have dropped from 3.5% in October to 2.6%. Even Italian yields have fallen below 4%, from 5% in mid-October. Investors are upbeat in part because inflation is falling faster than expected. Yet their mood also reflects a grimmer reality: the economy is so weak that surely interest-rate cuts are not far away.

Will policymakers follow through? In November inflation stood at 2.4%, within a whisker of the European Central Bank's target of 2%. On December 13th America's Federal Reserve sent out doveish signals. Markets are now pricing in at least three ECB cuts by June, with about six in total by October, to bring down the main rate to about 2.5% (see chart 1). "The most recent inflation number has made a further rate increase rather unlikely," admitted Isabel Schnabel, a hawkish ECB board member, recently. At the same time, though, there have been no hints of cuts, and economists expect fewer than markets. Certainly nobody was expecting one at the meeting on December 14th, which was due to take place just after *The Economist* had gone to press. Since Europe's economy is weakening fast, officials risk being slow to react.

There are two reasons for concern. The first is wage growth. Initially, inflation was driven by rising energy prices and snarled supply chains, which pushed up the price of goods. Since pay deals are often agreed for a number of years in Europe's unionised labour market, wages and prices of services took longer to respond. By the third quarter of 2023 German real wages had fallen to roughly their level in 2015. Now they are recovering lost ground. Similarly, Dutch collectively bargained wages grew by 7% in October and November, compared with a year earlier, even as inflation hovered around zero. Overall wage growth in euro-zone countries is about 5%.

A tricky point in the cycle

If such wage growth continues, inflation might tick up in 2024—the ECB's great fear. Yet there are signs that pay increases have already started to come down. Indeed, a hiring platform, tracks job advertisements. It finds that pay growth in listings has slowed (see chart 2), suggesting that wages will soon follow. Moreover, wage growth does not always lead to inflation. Corporate profits, which saw a bump in 2022 when demand was high and wages were low, might take a hit. There is some indication that margins are shrinking.

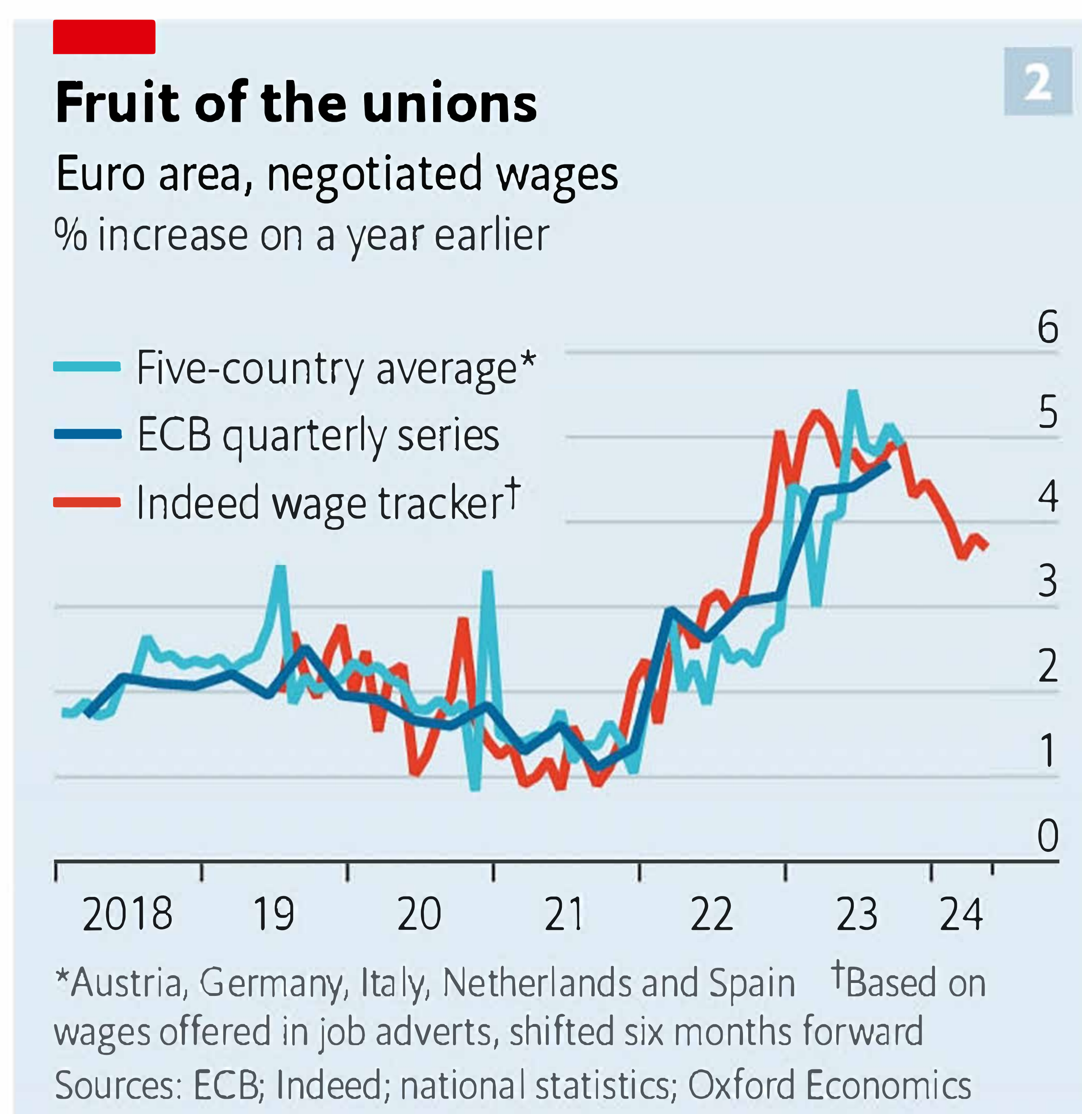
The second reason for concern is the health of the overall economy. It has struggled with weak international demand, including from China, and high energy prices. Now surveys suggest that both manufacturing and services are contracting gently. A consumption boom in parts of Europe is already fading: monetary policy itself is weighing on bigger debt-financed purchases and mortgage-holders are scaling back to meet larger monthly payments.


Declining market interest rates ought to help ease financial conditions for both consumers and investors, and therefore reduce the need for the ECB's policymakers to move quickly. However, there is a catch. As Davide Oneglia of TS Lombard, a research firm, points out, these lower market interest rates mostly reflect falling inflation, and so do not produce lower real rates. As a result, they are unlikely to do all that much to stimulate demand.

There is one more reason for central bankers to get a move on. Interest-rate changes affect the economy with a substantial delay. It takes time for higher rates to alter investment and spending decisions, and subsequently to produce lower demand. The full brunt of changes in rates usually takes a year or more to be felt, which means that many of the ECB's rate rises are still to feed through. Policymakers have probably tightened too much.

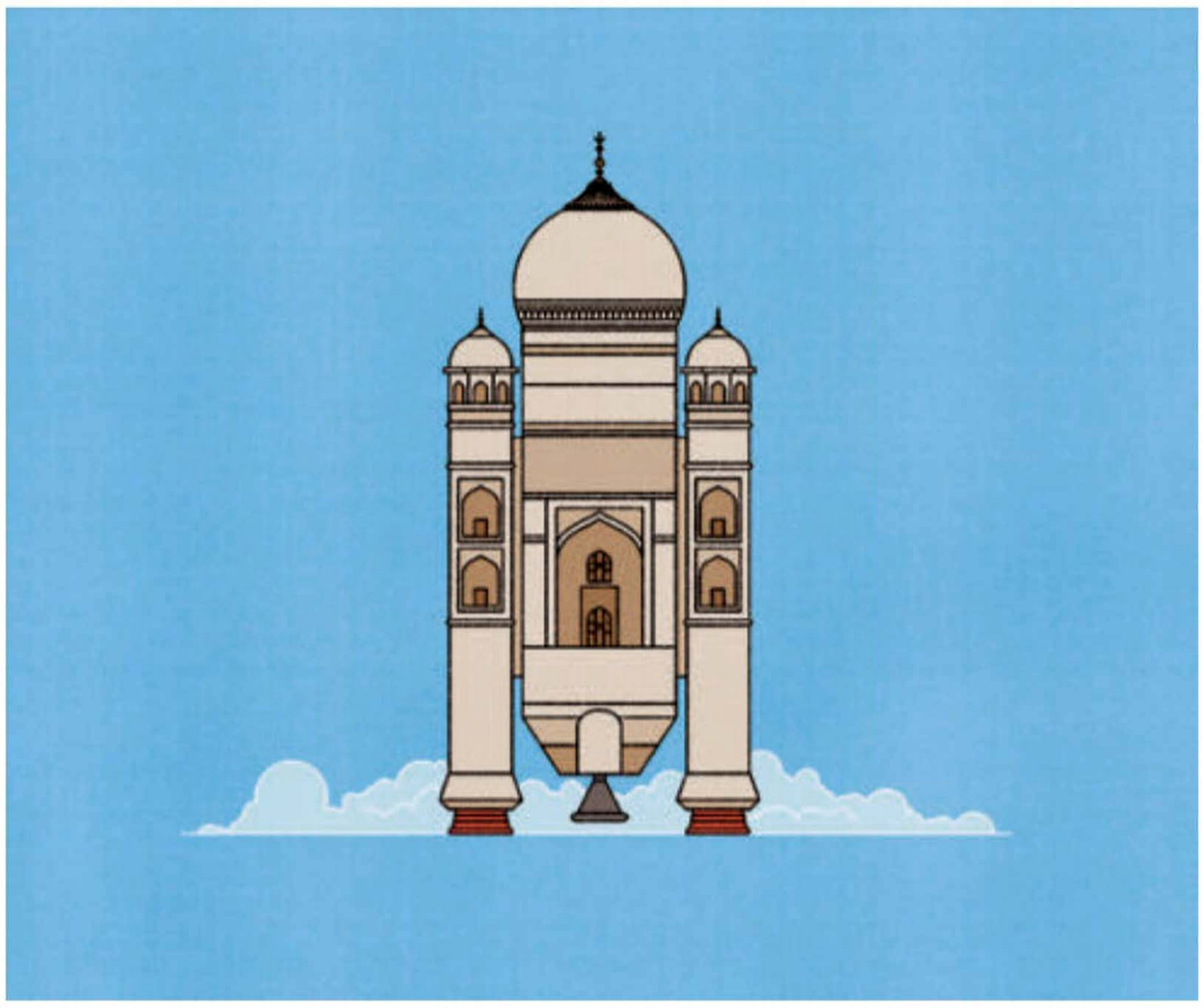
This dynamic has a flipside: rate cuts in the next few months would not affect the economy until the end of 2024, by when few expect inflation still to be a problem and many expect the economy still to be struggling. The ECB's policymakers will want to be close to the bloc's "neutral" interest rate, which is somewhere between 1.5 and 2%, reckons Mr Oneglia, lest they continue to push down demand. Starting early would mean that the central bank would be able to avoid having to cut too aggressively during the summer of 2024.

January's inflation data could be volatile, in part because government-assistance schemes introduced during the energy crisis are being phased out. If price rises accelerate once again, the ECB would probably become even more cautious. Wage data is published with a long lag in Europe, and officials are often reluctant to rely on real-time indicators, such as the data published by Indeed. That is why economists do not expect rate cuts until June, much later than suggested by current market pricing. The ECB was too slow to react to rising inflation. Now it runs the risk of being too slow on the way down as well. ■



# Free exchange | Do the needful

*How to put boosters under India's economy*



LAND IN ANY Indian city, such as Bangalore or Hyderabad, and you will be struck by its heady optimism. India's economy may be in the early stage of a historic boom. Recently released figures show that economic growth roared to an annualised pace of 7.6% in the third quarter of 2023. In the past few weeks four international forecasters have raised their growth projections for the year, from an average of 5.9% to one of 6.5%. The National Stock Exchange of India is now neck-and-neck with Hong Kong's stock exchange for the title of the world's seventh-largest bourse.

Pause for breath, though, and India's performance looks a little less impressive. GDP growth has been slightly slower under Narendra Modi, India's prime minister, who was elected in 2014, than in the decade before. Labour-force participation is a paltry 40-50%, and only 10-24% for women. Subsidies are distorting the economy. A semiconductor plant in Gujarat will create 5,000 jobs directly and 15,000 indirectly. But a state handout covered 70% of its $2.7bn cost. Assuming rather generously that the factory would not have been built without government support, each job cost $100,000—nearly 40 times India's average income per person.

Grappling with the tension between India's enormous potential and an often messy reality is the task of a new book by Raghuram Rajan, a former governor of the Reserve Bank of India, and Rohit Lamba of Pennsylvania State University. The pair sketch out a vision that amounts to an entirely new model of development for India—one that they argue is better suited to its strengths than its current model. Three lessons stand out from their work.

The first is that India should stop fetishising manufacturing—an obsession born of East Asia's growth miracle. In the 1960s India's income per person was on a par with that of China and South Korea. By 1990 South Korea had taken off, while India remained level with China. Today China is three times richer and South Korea is seven times richer, adjusted for purchasing power. The growth of India's rivals was driven by low-skilled manufacturing, which received plenty of state support. Globalisation created a vast market, leading to previously unheard of double-digit growth rates. Once workers and companies got good at the easy stuff, they began to tackle more complex tasks with their newfound skills. Why shouldn't India follow its rivals' example?

As Messrs Rajan and Lamba explain, the problem is that East Asia has made manufacturing so competitive there is little profit left to be captured. Moreover, automation has reduced the number of available jobs—and manufacturing is no longer where value is to be found. Apple is worth $3trn because it designs, brands and distributes its products. By comparison, Foxconn, which actually makes Apple's iPhones, is worth a mere $50bn.

The second lesson concerns the export of services, which some in India's government think is a fresh way to tap into global demand. Modern technology, especially the internet, has made services far more tradable. Remote work has accelerated this trend. Meanwhile, governments around the world are desperate to shore up domestic industries. Partly as a result, global trade in goods has declined over the past decade. Yet trade in services has continued to grow. It is hard to argue against seeking a slice of the cushiest part of the global value chain, especially when the line between services and manufacturing is blurring. Some 40% of the value-added in a Chevrolet Volt, for instance, comes from its software.

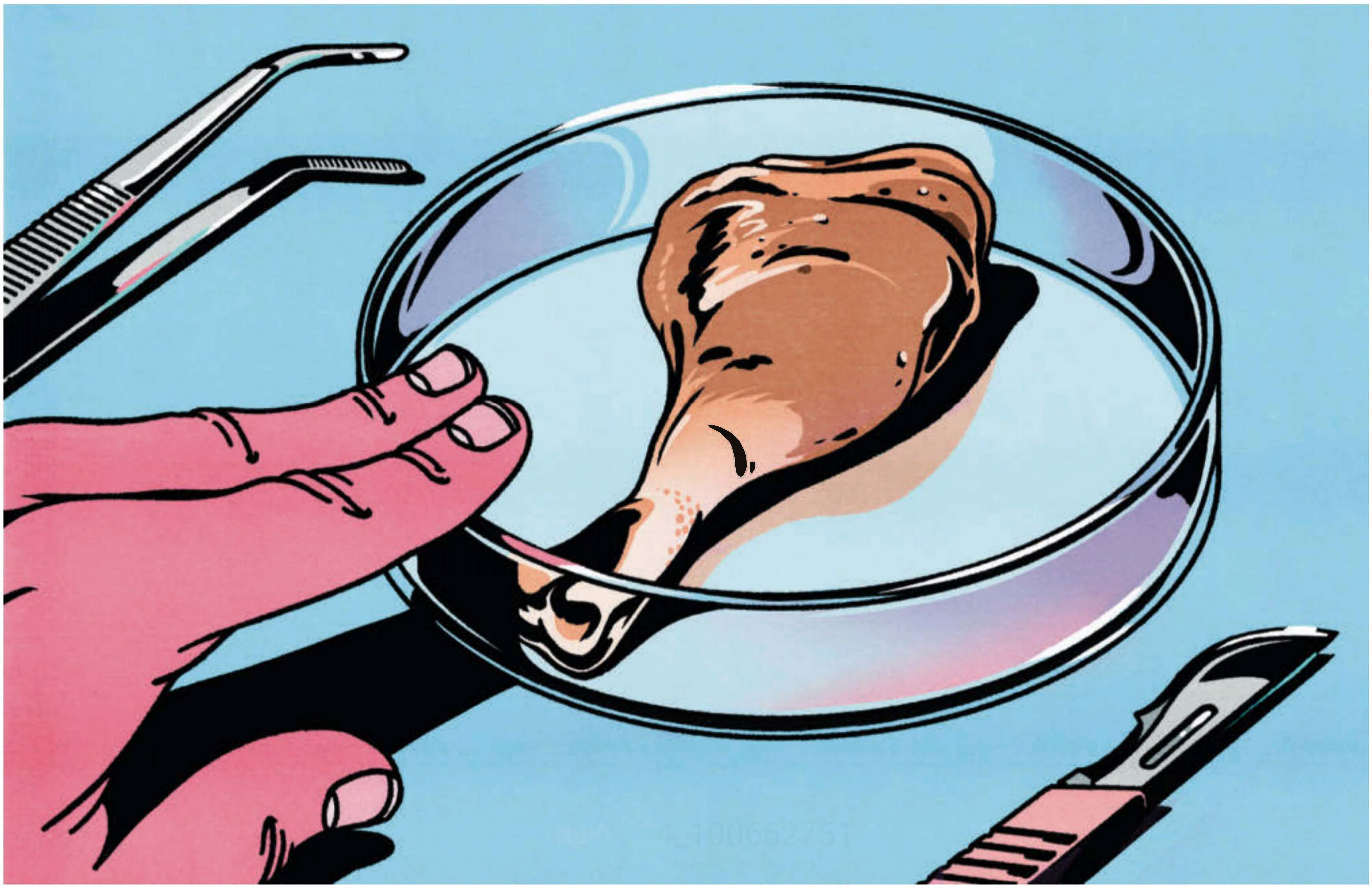
In places, India is finding success. Its famed IT service sector has moved from mostly providing back-office work to more complex front-office fare. According to one estimate, 20% of the global chip-design workforce can already be found in the country. But profound reforms will be required if India is to succeed more broadly. Spending on education as a share of GDP is 3-4%—middling relative to others of similar income. The bigger problem is that India appears to get little bang for its buck. By the latter half of high school, around half of students have dropped out. Bosses report that many of those who graduate are still not ready for work. Getting a new business off the ground is such a nightmare that many startups incorporate in Singapore. Labour laws make workers difficult to sack once they have been employed for more than a year, which incentivises the use of intermittent contracts. France and Italy have global brands, point out Messrs Rajan and Lamba. India does not. It is these sorts of problems that help explain why.

The last big item on the authors' wishlist is liberalism—of both the economic and political varieties. Politicians should start, they write, by jettisoning protectionism. From 1991, when India opened up to global markets, to 2014, when Mr Modi took power, average tariff levels fell from 125% to 13%. They have since risen to 18%, raising the cost of intermediate inputs for producers. India has refused to join regional free-trade agreements, which inhibits the ability of its exporters to reach customers abroad. And Mr Modi's authoritarian tendencies make it difficult for business leaders to criticise the government when a change of tack is required.

### Hear the roar

Messrs Rajan and Lamba paint a lovely picture of what could be. A better governed, more open India would be wonderful. But whether their ambitions are politically feasible is another question. For example, better public services probably mean devolving power from the central and state governments to localities. And who wants to give up power? Certainly not Mr Modi; probably not his rivals. Moreover, a country can endure quite a lot of illiberalism before growth starts to falter. Until recently, China was humming along just fine. The Asian tigers only became more politically free when they were rich. India's economy is already growing at north of 6% a year with a policy mix that is far from the perfect.

In a strange way, though, this ought to provide Indian reformers with encouragement. Even if only half of what would be ideal is feasible, India's boom may only just be getting started. ■



Artificial meat

# Chicken dinner?

SAN FRANCISCO

**Will lab-grown meat ever make it onto supermarket shelves?**

THE FIRST mouthful of "cultivated" meat is both remarkable and dull. In a homely kitchen at the California headquarters of Eat Just, a startup, a playing-card-sized slice of meat has been glazed and grilled. It is served with a sweet-potato puree, maitake mushrooms and some pickled peppers. The meal is remarkable because the meat was grown in a lab, rather than on an animal. It is mundane because the texture, taste, look and smell of the meat is almost identical to that of chicken. And that, of course, is the point.

The cultivated-meat business hopes that this experience will become more common. In June Eat Just and Upside Foods, another California startup, became the first two companies to win regulatory approval to sell cultivated meat in America. Eat Just also sells cultivated meat in in Singapore, which in 2020 became the first country to permit the sale of the stuff. A herd of rivals is stampeding after them. All told, around 160 firms are trying to bring cultivated meats to market.

But doing so will be challenging. In America diners without the benefit of a press card can find cultivated meat in just two restaurants, one in San Francisco and one in Washington, DC. A few years ago the industry was bullish. In 2021 McKinsey guessed it might grow to $25bn worldwide by the end of the decade. That hope is fading, amid stubbornly high costs and troubles with scaling production. Most companies are now more focused on hybrid meats, which combine cultivated animal protein with that derived from soya or wheat. That sort of hybrid dinner is what your correspondent sampled with Eat Just.

→ Also in this section



On paper, cultivated meat looks attractive. The UN reckons meat and dairy production already accounts for 12% of humanity's greenhouse-gas emissions. Demand is soaring among the growing middle classes of Africa and Asia. Advocates of lab-grown meat argue that it could help meet that demand without the world busting its carbon budget.

In rich countries, by contrast, plenty of people say they want to reduce their consumption, either for ethical reasons or environmental ones. (Two-fifths of Americans claim to restrict their meat consumption on environmental grounds.) Lab-grown meat may, for some consumers, be less ethically worrisome than eating animals. And the early success of plant-based meat alternatives gave investors hope. Beyond Meat, one such firm, went public in 2019, and saw its value zoom to $14bn.

Enthusiasts for vat-grown meat have dreamed up all sorts of potential applications beyond chicken. Earlier this year, Vow Food, an Australian startup, created a "mammoth meatball", mixing ancient DNA recovered from frozen mammoth remains with that of modern-day elephants. Wanda Fish Technologies, an Israeli firm, is working on cultivated bluefin tuna. A startup co-founded by Mark Post of Maastricht University, who served up a $300,000 lab-grown hamburger in 2013, is trying to pro- ▸▸

duce vat-made leather.

Broadly speaking, there are two ways to make cultivated meat. Both start with cells taken from livestock or poultry animals. One option is to put the cells in a stainless-steel tank, called a "bioreactor", that is filled with a nutrient-rich liquid that is often, but not always, derived from cow embryos. The cells multiply, and after a month or so a meaty slurry can be harvested and turned into minced-meat products such as chicken nuggets. The alternative is to place the cells on a scaffold. That encourages them to grow into a certain shape, and is used to create more fibrous meat, such as steaks.

### How the sausage is made

The details vary between firms. Some, such as Eat Just and Upside Foods, start with cells from a chicken embryo. The advantage is that embryonic cells can grow in the suspension indefinitely. But they need to be encouraged to follow the desired development path, such as forming muscle cells. This is done either by genetic engineering or by adding proteins called "growth factors" to the nutrient solution. SciFi Foods, by contrast, uses cells harvested from adult cow muscle. Muscle cells stop growing after several dozen generations. On the other hand, they may need fewer growth factors than embryonic ones, and for some they give a flavour closer to that of animal meat.

Every firm faces the same two big challenges. The first is demand. Although cultivated meat is far from supermarket shelves, its alt-protein cousin, plant-based meat, is going through a rough patch. According to Circana, a research firm, sales of alternative meats in America peaked in 2021 at $483m. In the 12 months to November of this year they were down to $338m. Sales are still growing in Europe, albeit more slowly than before. As momentum has dwindled, so has investors' opinion of the plant-based superstars. Beyond Meat's value has plummeted to just over $600m.

Some of this is to do with taste. Data from the Good Food Institute (GFI), an alternative-protein think-tank, suggest that about half of the people who tried plant-based meat just once do not like it. That will give cultivated-meat makers hope, as their product ought to taste much more like the real thing.

The second problem is cost, which may be harder to fix. The GFI calculates that plant-based meats cost around double what a cut of farm-grown meat goes for. Cultivated meat is more expensive still. But progress is being made. In the early days, most firms used growth solution with ultra-pure, pharmaceutical-grade ingredients. Switching to agricultural-grade ingredients can cut those costs by up to 90%, says Elliot Swartz, an analyst at the GFI, though he thinks cultivated meat would still be around five times pricier than the farm-grown sort.

Amy Chen, chief operating officer at Upside Foods, says her firm has found cells that do not need external growth factors, which helps cut costs. The aptly named Gustavo Burger, the boss of Believer Meat, an Israeli company, claims to have lowered the cost of growth solution to below $1 per litre, far lower than other firms pay. (Believer Meat recycles much of its solution.)

Meat-makers hope that costs can be cut further by a new supply chain that is taking shape. Some of this involves existing companies, such as ADM, an agricultural giant that has started to provide the ingredients for growth solutions. New entrants with tailor-made gear have sprung up too. Multus Biotechnology, a British firm, likewise sells solution ingredients. NewDay Farms, a Chinese outfit, produces the scaffolds that help shape the cells when they grow.

There are questions about how climate-friendly cultivated meat really is. A study published earlier this year by researchers at the University of California, Davis, found that, in some circumstances, cultivated meat could be more polluting than the conventional stuff. Industry advocates have retorted that the assumptions made around the type of growth-solution used are inaccurate. In particular, they say that the study assumes the use of resource-intensive pharmaceutical grade ingredients, which the industry is moving away from.

But even fans of cultivated meat acknowledge that the technology will use a lot of energy. Another study published in January by researchers at CE Delft, a consultancy, and the GFI found that per kilogram of meat produced, tank-grown meat is likely to use much more energy than farm-grown protein. This is largely because the bioreactor needs a lot of power to control its temperature. As a result, cultivated meat will only cut the carbon footprint of the meat industry if renewable energy is used in the production process. And even then, according to the study, it will only do so for pork and beef.

Whether all this effort can make lab-grown meat attractive and cheap enough to appeal to consumers remains to be seen. In the meantime, many companies have decided to pursue a hybrid strategy, mixing (relatively) cheap plant protein with their cultivated animal cells. Some firms, such as Mission Barns, another California-based firm, add just a small amount of animal-fat cells to plant-based protein to improve the taste of, say, a sausage. For others, such as Eat Just, the proportion of cultivated meat will be much higher. "It took me a while to get comfortable with [moving to the hybrid approach]. Because it feels a bit like we're compromising," admits Josh Tetrik, Eat Just's boss. ■

Terpsichoseismology

# Look what you made me do

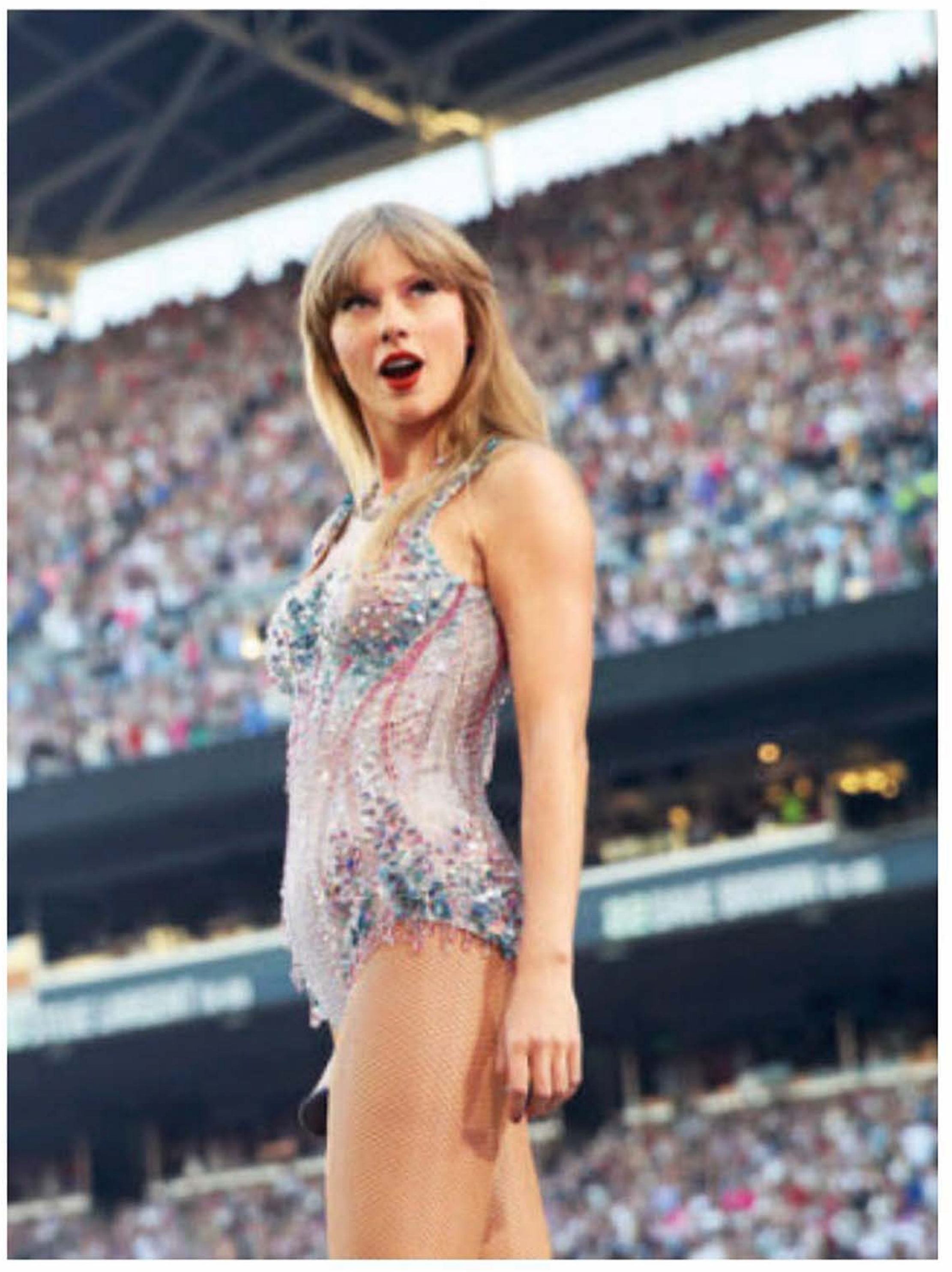
SAN FRANCISCO

**The excitement of 70,000 Swifties can shake the Earth**

"SHAKE, SHAKE, shake, shake," Taylor Swift sings from the stage of Lumen Field in Seattle at 10.35 in the evening on July 22nd. The fans respond, enthusiastically; the stadium duly shakes; a nearby seismometer takes note. To pop aficionados "Shake it off" is an empowering uptempo anthem played at 160 beats per minute. To the Pacific Northwest Seismic Network, which is designed to monitor earthquakes, it is a 2.6 hertz signal in which the amplitude of the acceleration was as large as one centimetre per second, per second.

The well-situated seismometer first came to public attention in January 2011, when it recorded the response of fans of the Seattle Seahawks, an American football team, to a magnificent touchdown by Marshawn Lynch, a running back known as "Beast Mode". The "Beast Quake" went down in local sporting history. When Ms Swift came to town for two nights of her Eras tour, Jacqueline Caplan-Auerbach, a geology professor at Western Washington University, used the opportunity to learn more about how events in the stadium shake its surroundings. On December 11th she presented some of her conclusions at the American Geophysical Union's autumn meeting in San Francisco.

In 1985 Bruce Springsteen and the E Street Band set the Nya Ullevi Stadium in Gothenburg shaking violently enough to alarm some of the audience, and doing



This is what you came for

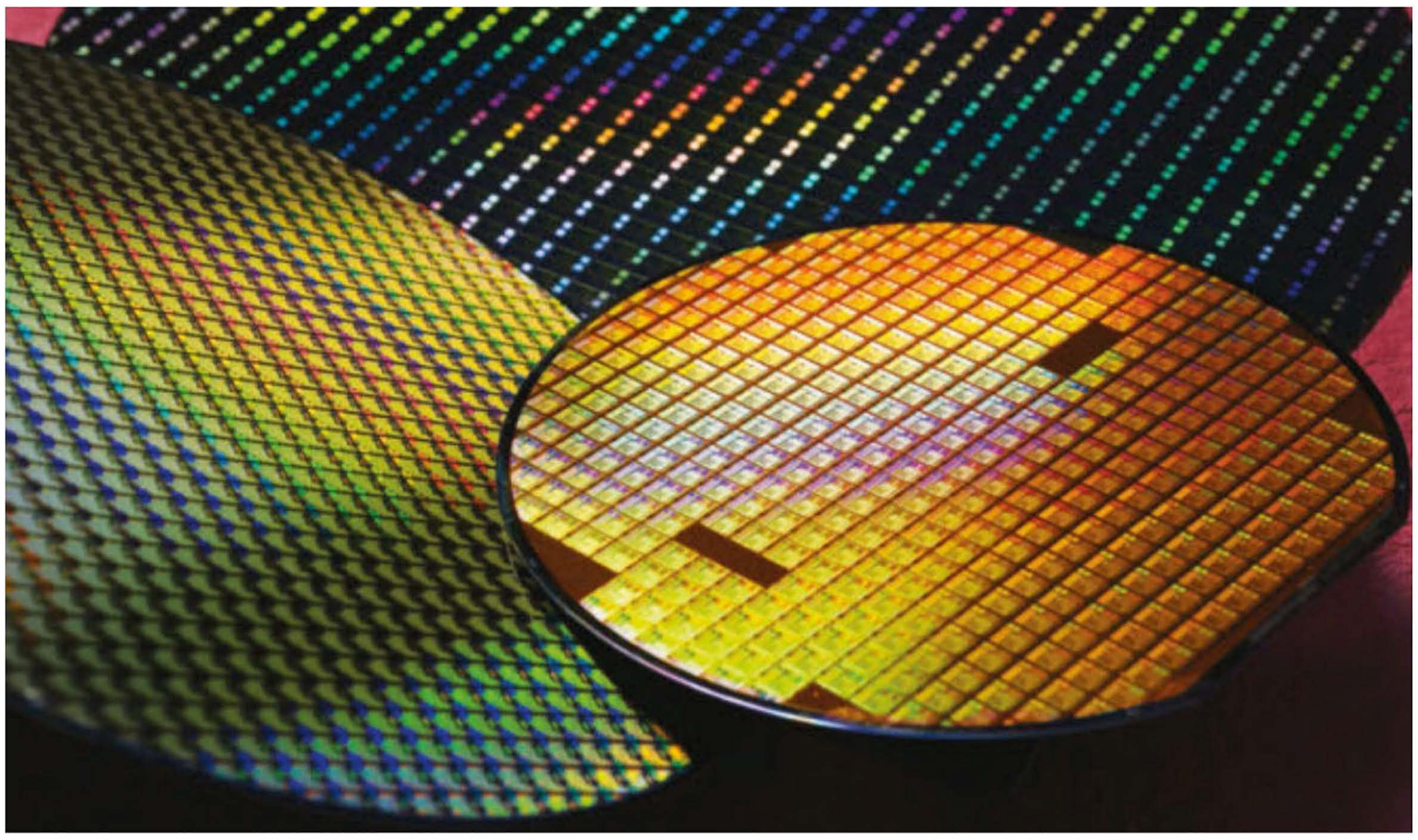
enough damage to the structure for further concerts there to be banned. This, later analysis found, was not down to the intensity with which Mighty Max Weinberg was pounding his drums, though it is an intensity to be reckoned with. The audience on the pitch was moving at a frequency that resonated with the clay beneath the stadium and parts of the building.

Dr Caplan-Auerbach wanted to see whether such resonant amplification might also be at play elsewhere, and to distinguish between the effect of the music itself and the audience's response. Her concert-night data showed two distinct sets of signals, one in higher frequencies (30-80HZ), one in lower frequencies (1-8HZ). The higher-frequency signals were present during the sound check, when the band were on stage but the stadium empty, and absent during the concerts' "surprise songs", played without the band by Ms Swift alone. The lower frequencies were absent when the audience had yet to arrive. Clearly those higher frequencies were from the music itself.

The lower frequency signals changed from song to song in line with the tempo of the music; they were clearly driven by the audience's response rather than a general resonance on the part of the building itself. Harmonics above the main signal seem to be down to what is known in signal analysis as the Dirac comb effect, in which repetitive signals at one frequency create harmonics at multiples of that frequency. Jordi Díaz and colleagues had suggested as much in their seismic analysis of another Springsteen concert, this one at Camp Nou, in Barcelona, in 2016. But Dr Caplan-Auerbach also suggests that they might in some cases reflect fans differing in their interpretations of the rhythms.

The effects of the songs and Ms Swift's performance, as captured on time-stamped pictures of the event taken by fans like Dr Caplan-Auerbach's teenage neighbour (cited in her presentation as a co-author), proved highly replicable, though the first-night crowd was a tad more energetic (perhaps they were the more committed set of fans). On both occasions that "Love Story's" final crescendo reached its peak with the line "Pulled out a ring and said 'Marry me Juliet'" the oscillations came to a climax as the singer's left arm rose in triumph.

Overall, the signal was considerably stronger than the original Beast Quake, presumably because the Swifties are co-ordinated by the beat in a way that football fans are not. But differences in audience demographics, and tastes, may provide further insights. In August 2024 veteran heavy-metal band Metallica will play the Lumen Field. The seismometer will be waiting to see what a bit of headbanging adds to the mix. ■



Chipmaking

# Not quite dead yet

SAN FRANCISCO

**Exotic new materials and 3D components and can keep Moore's law going**

TWO YEARS shy of its 60th birthday, Moore's law has become a bit like Schrödinger's hypothetical cat—at once dead and alive. In 1965 Gordon Moore, one of the co-founders of Intel, observed that the number of transistors—a type of electronic component—that could be crammed onto a microchip was doubling every 12 months, a figure he later revised to every two years.

That observation became an aspiration that set the pace for the entire computing industry. Chips produced in 1971 could fit 200 transistors into one square millimetre. Today's most advanced chips cram 130m into the same space, and each operates tens of thousands of times more quickly to boot. If cars had improved at the same rate, modern ones would have top speeds in the tens of millions of miles per hour.

Moore knew full well that the process could not go on for ever. Each doubling is more difficult, and more expensive, than the last. In September 2022 Jensen Huang, the boss of Nvidia, a chipmaker, became the latest observer to call time, declaring that Moore's law was "dead". But not everyone agrees. Days later, Intel's chief Pat Gelsinger reported that Moore's maxim was, in fact, "alive and well".

Delegates to the International Electron Devices Meeting (IEDM), a chip-industry shindig held every year in San Francisco, were mostly on Mr Gelsinger's side. Researchers showed off several ideas dedicated to keeping Moore's law going, from exploiting the third dimension to sandwiching chips together and even moving beyond silicon, the material from which microchips have been made for the past half-century.

A transistor is to electricity what a tap is to water. Current flows from a transistor's source to its drain via a gate. When a voltage is applied to the gate, the current is on: a binary 1. With no voltage on the gate, the current stops: a binary 0. It is from these 1s and 0s that every computer program, from climate models and ChatGPT to Tinder and Grand Theft Auto, is built.

**Small is beautiful**

For decades transistors were built as mostly flat structures, with the gate sitting atop a channel of silicon linking the source and drain. Making them smaller brought welcome side benefits. Smaller transistors could switch on and off more quickly, and required less power to do so, a phenomenon known as Dennard scaling.

By the mid-2000s, though, Dennard scaling was dead. As the distance between a transistor's source and drain shrinks, quantum effects cause the gate to begin to lose control of the channel, and electrons move through even when the transistor is meant to be off. That leakage wastes power and causes excess heat that cannot be easily disposed of. Faced with this "power wall", chip speeds stalled even as transistor counts kept rising (see chart on next page).

In 2012 Intel began to build chips in three dimensions. It turned the flat conducting channel into a fin standing proud ▸▸

of the surface. That allowed the gate to wrap around the channel on three sides, helping it reassert control (see diagram). These transistors, called "finFETs", leak less current, switch a third faster and consume about half as much power as the previous generation. But there is a limit to making these fins thinner and taller, and chipmakers are now approaching it.

The next step is to turn the fins side on such that the gate surrounds them completely, giving it maximum control. Samsung, a South Korean electronics giant, is already using such transistors, called "nanosheets", in its newest products. Intel and TSMC, a Taiwanese chip foundry, are expected to follow soon. By stacking multiple sheets and reducing their length, transistor sizes can drop by a further 30%.

Szuya Liao, a researcher at TSMC, compares going 3D to urban densification—replacing sprawling suburbs with packed skyscrapers. And it is not just transistors that are getting taller. Chips group transistors into logic gates, which carry out elementary logical operations. The simplest is the inverter, or "NOT" gate, which spits out a 0 when fed a 1 and vice versa. Logic gates are made by combining two different types of transistor, called n-type and p-type, which are produced by "doping" silicon with other chemicals to modify its electrical properties. An inverter requires one of each, usually placed side by side.

At IEDM Ms Liao and her colleagues showed off an inverter called a CFET built from transistors that are stacked on top of each other instead. That reduces the inverter's footprint drastically, to roughly that of an individual transistor. TSMC says that going 3D frees up room to add insulating layers, which means the transistors inside the inverter leak less current, which wastes less energy and produces less heat.

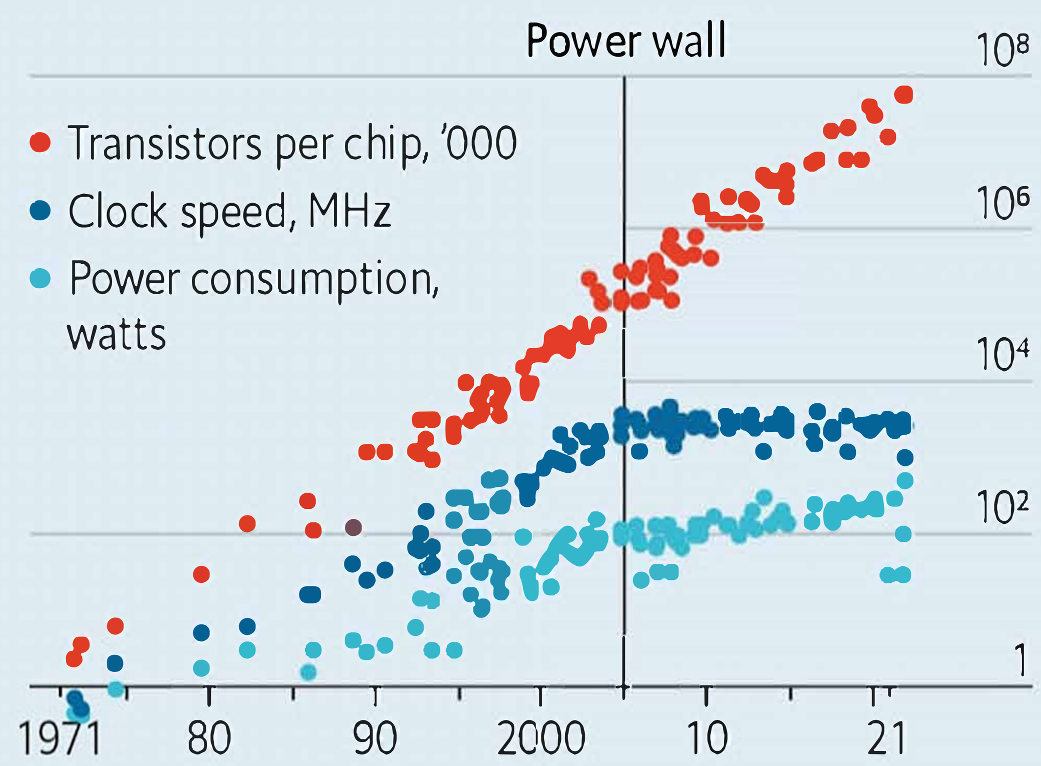
The ultimate development in 3D chipmaking is to stack entire chips atop one another. One big limitation to a modern processor's performance is how fast it can receive data to crunch from memory chips elsewhere in the computer. Shuttling data around a machine uses a lot of energy, and can take tens of nanoseconds, or billionths of a second—a long time for a computer.

Julien Ryckaert, a researcher at Imec, a chip-research organisation in Belgium, explained how 3D stacking can help. Sandwiching memory chips between data-crunching ones drastically reduces both the time and energy necessary to get data to where it needs to be. In 2022 AMD, an American firm whose products are built by TSMC, introduced its "x3D" products, which use 3D technology to stick a big blob of memory directly on top of a processor.

As with cities, though, density also means congestion. A microchip is a complicated electrical circuit that is built on a circular silicon wafer, starting from the

**All the small things**

Microprocessor engineering, log scale




Sources: Imec; "50 years of microprocessor trend data", by K. Rupp et al., 2022

bottom up. (Intel likens it to making a pizza.) First the transistors are made. These are topped with layers of metal wires that transport both electrical power and signals. Modern chips may have more than 15 layers of such wires.

As chips get denser, routing those power and data lines gets harder. Roundabout routes waste energy, and power lines can interfere with data ones. 3D logic gates, which pack yet more transistors into a given area, make things worse.

To untangle this mess, chipmakers are moving power lines below the transistors, an approach called "backside power delivery". Transistors and data lines are built as before. Then the wafer is flipped and thick power lines are added to the bottom. Putting the power wires along the underside of the chip means fundamental changes to the way expensive chip factories operate. But shortening the length of the power lines means less wasted energy and cooler-running chips. It also frees up nearly a fifth of the area above the transistors, giving designers more room to squeeze in extra data lines. The end result is faster, more power efficient devices without tinkering with transistor sizes. Intel plans to use backside power in its chips from next year, though combining it with 3D transistors in full production is still a while away.

Even making use of an extra dimension has its limits. Once a transistor's gate length approaches ten nanometres the channel it governs needs to be thinner than about four nanometres. At these tiny sizes—mere tens of atoms across—current leakage becomes much worse. Electrons slow down because silicon's surface roughness hinders their movement, reducing the transistor's ability to switch on and off properly.

Some researchers are therefore investigating the idea of abandoning silicon, the material upon which the computer age has been built, for a new class of materials called transition metal dichalcogenides (TMDs). These can be made in sheets just three atoms thick. Many have electrical properties that mean they leak less current from even the tiniest of transistors.

Three TMDs in particular look promising: molybdenum disulphide, tungsten disulphide and tungsten diselenide. But while the industry has six decades of experience with silicon, TMDs are much less well understood. Engineers have already found that their ultra-thin profile makes it difficult to connect transistors made from them with a chip's metal layers. Consistent production is also tricky, particularly at the scales needed for reliable mass production. And the materials' chemical properties mean it is harder to dope them to produce n-type and p-type transistors.

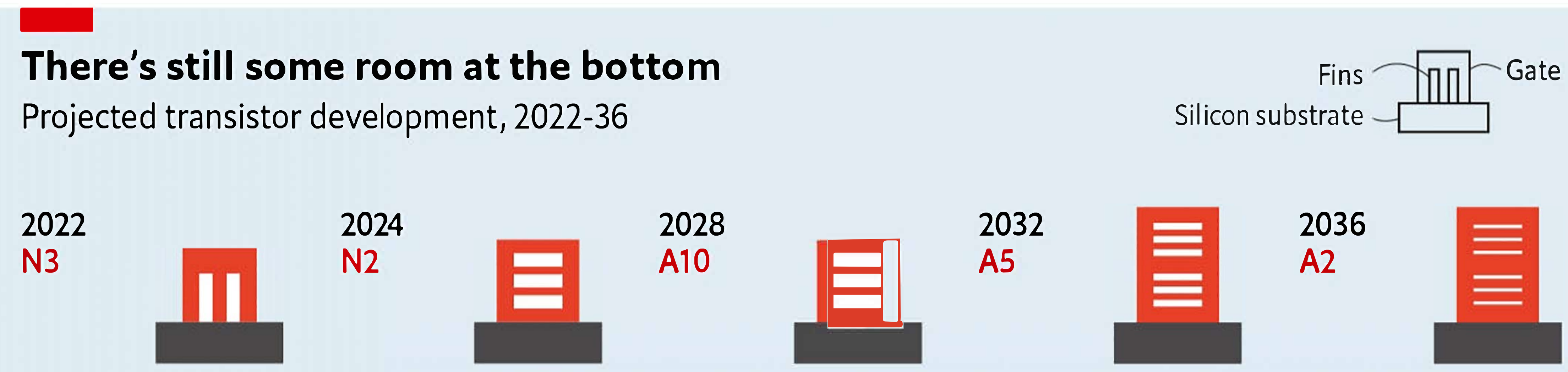
### The atomic age

Those problems are probably not insurmountable. (Silicon suffered from doping problems of its own in the industry's early days.) At the IEDM, Intel was showing off an inverter built out of TMDs. But Eric Pop, an electrical engineer at Stanford University, thinks it will be a long while before they replace silicon in commercial products. For most applications, he says, silicon remains "good enough."

At some point, the day will arrive when no amount of clever technology can shrink transistors still further (it is hard to see, for instance, how one could be built with less than an atom's worth of stuff). As Moore himself warned in 2003, "no exponential is for ever." But, he told the assembled engineers, "your job is delaying for ever". Chipmakers have done an admirable job of that in the two decades since he spoke. And they have at least sketched out a path for the next two decades, too. ■

**There's still some room at the bottom**

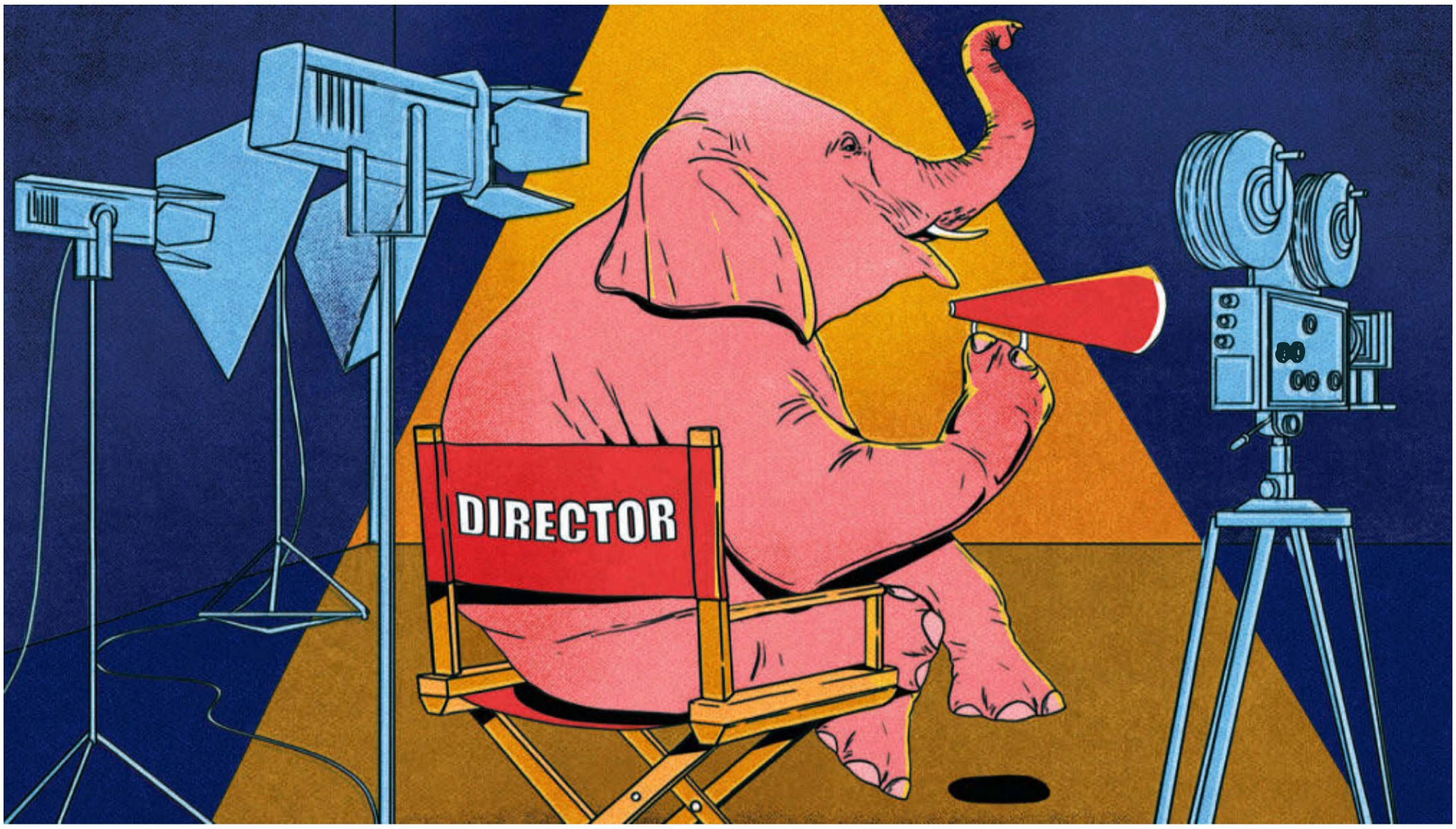
Projected transistor development, 2022-36




| | 2022 | 2024 | 2028 | 2032 | 2036 |
|---|---|---|---|---|---|
| **Type** | FinFET | GAA nanosheet | GAA forksheet | CFET | CFET atomic |
| **Metal pitch*** | 22nm | 21 | 16 | 16-12 | 16-12 |

Source: Imec

*Smallest distance between components, in nanometres (billionths of a metre)




Conservatives take on Hollywood

# The alt-write

**America is politically divided. So is moviemaking**

AN ORDINARY MAN goes up against a powerful nemesis with unlimited resources. This is the pitch of "The Shift", a sci-fi film that was released on December 1st. But it could also describe its distributor, Angel Studios, run by brothers who call themselves simple "farm boys from Idaho" and are on a crusade to remake Hollywood.

Angel, an independent studio, is at the forefront of an important trend in American entertainment. Conservatives, who decry Hollywood for becoming not a dream factory but a "wokeness" factory, are writing and producing their own films and series, catering to viewers who do not share the left's views on gender, race and political correctness. Call them "conservative Hollywood", or the "alt-write".

Their biggest hit is "Sound of Freedom", an action thriller from Angel, which will begin streaming on Amazon Prime Video on December 26th. It raked in $184m in ticket sales in American cinemas, outgrossing the latest instalments in the "Indiana Jones" and "Mission: Impossible" franchises. (It also outperformed abroad, where it grossed $63m.)

"Sound of Freedom" is "Dirty Harry" for the Donald Trump era. The plot appeals to Republican viewers: an American lawman sees evil, tries to defeat it and comes up against a heartless government bureaucracy, so he takes the law into his own hands and saves the day. The film fictionalises the life of Tim Ballard, a controversial campaigner against sex trafficking. In the film, he is portrayed as a righteous federal agent, who catches paedophiles sharing child pornography online. Bent on saving more children, Mr Ballard is told by his supervisor he cannot go on a dangerous rescue mission to South America. He hands in his badge and sets off anyway.

→ Also in this section



Among the film's fans is Mr Trump, who has said, "This is a very important film and very important movie, and it's a very important documentary all wrapped up in one." Ahead of the election in 2024, Mr Trump wants to show support for combating sex trafficking, which many evangelical voters care about and some conspiracy theorists exaggerate in ridiculous ways.

Other firms heard the fireworks of "Sound of Freedom" and showed up for the party, including the Daily Wire, a media outlet founded by Ben Shapiro, a conservative pundit, and Jeremy Boreing, a filmmaker. ("It's time to blow up the Death Star that is the left-wing monopoly on entertainment," Mr Shapiro has proclaimed.) The Daily Wire's films and series come out on DailyWire+, its streaming platform, which claims 1m subscribers.

The latest is "Lady Ballers", a comedy directed by Mr Boreing. It follows lousy male basketball players who become transgender to compete in a women's league and enthusiastically lampoons the liberal orthodoxy around gender identity. Unsurprisingly, it has not scored well with liberal viewers. One progressive commentator dubbed it "'Mrs Doubtfire', but evil".

"Lady Ballers" might not sound like a Hollywood film, but it looks like one. Slicker production has increased the appeal of conservative studios' offerings, and streaming has helped them reach more viewers. This represents a dramatic shift. For decades, conservatives' attempts to compete with mainstream Hollywood ▸▸

films were dismal. "Left Behind", an apocalyptic film trilogy from 2000-05 reimagining the Book of Revelation, is a good example: an aspiring thriller franchise, instead the films resemble amateur, rejected submissions from film-school applicants. (They were released straight to video.)

Today's "alt-write" offerings fall into three categories. The first, most predictably, involves woke-bashing. "Lady Ballers" is the prototype: it takes a hot-button issue and satirises it. The result boosts Republican politicians' talking points. ("Lady Ballers" features a cameo from Ted Cruz, a Republican senator from Texas.) Daily Wire recently announced a new adult animated comedy series, "Mr Birchum", about a teacher who "attempts to navigate a world he doesn't understand or approve of". The voice cast includes Roseanne Barr, a Trump-supporting comedian, and Megyn Kelly, a former Fox News anchor.

The second category is religious, or "faith-based", content. Neal Harmon, the boss of Angel, says his studio wants to tell stories that "amplify light". For example, "The Shift", Angel's newest film, is inspired by the biblical story of Job. One of its biggest successes is "The Chosen", a series based on Jesus's life, which has been streamed more than 500m times. The firm is currently fundraising for an animated movie about David.

Counterintuitively, the third category of content eschews politics altogether. Take, for example, Amanda Milius, a former State Department official under Mr Trump, who shot to fame with a documentary on the Trump-Russia dossier. Among her current array of projects is a biopic of John McAfee, a larger-than-life computer programmer. "It's a bunch of hookers and cocaine on a yacht. I can't really pitch that to conservative America," she quips.

Ms Milius is adamant art must trump partisanship: "If you're going to be on the right and you're going to say, 'Oh, Hollywood is overtaken by the left,' don't make the same mistakes, and don't lead with your ideology...lead with the story and lead with the aesthetics," she says.

Others are doing the same. Daily Wire's non-political films include a Western, "Terror on the Prairie"; a thriller, "Shut In"; and a quirky comedy, "The Hyperions". In October the studio launched Bentkey, a platform for kids, with the mission of depoliticising children's entertainment.

But even in "depoliticised" films, politics are palpable. Bentkey launched amid a row over Disney's remake of the cartoon "Snow White" from 1937. The lead actress, Rachel Zegler, has promised a modern take: "It's no longer 1937," so Snow White is "not going to be saved by the prince, and she's not going to be dreaming about true love". In response, Bentkey is making a version of "Snow White", which claims to be a more faithful remake and "a tale of timeless truth". (It comes out next year.)

Mr Boreing is clear-eyed about the wider market for Daily Wire productions, even ostensibly non-political ones. "I think the idea that you can make 'mainstream content' and draw people left and right to view right now is a bit naive," he admits. America has split into two tribes—liberal and conservative—who consume different products, different news sources and, increasingly, different entertainment.

Does that mean that conservative films will be relegated to audiences of true believers? The broad success of "The Chosen" suggests not. Streaming, whether through studios' own platforms or through popular ones like Netflix, will give films and TV series a wide reach in America.

And there is a potential for reaching ▸▸

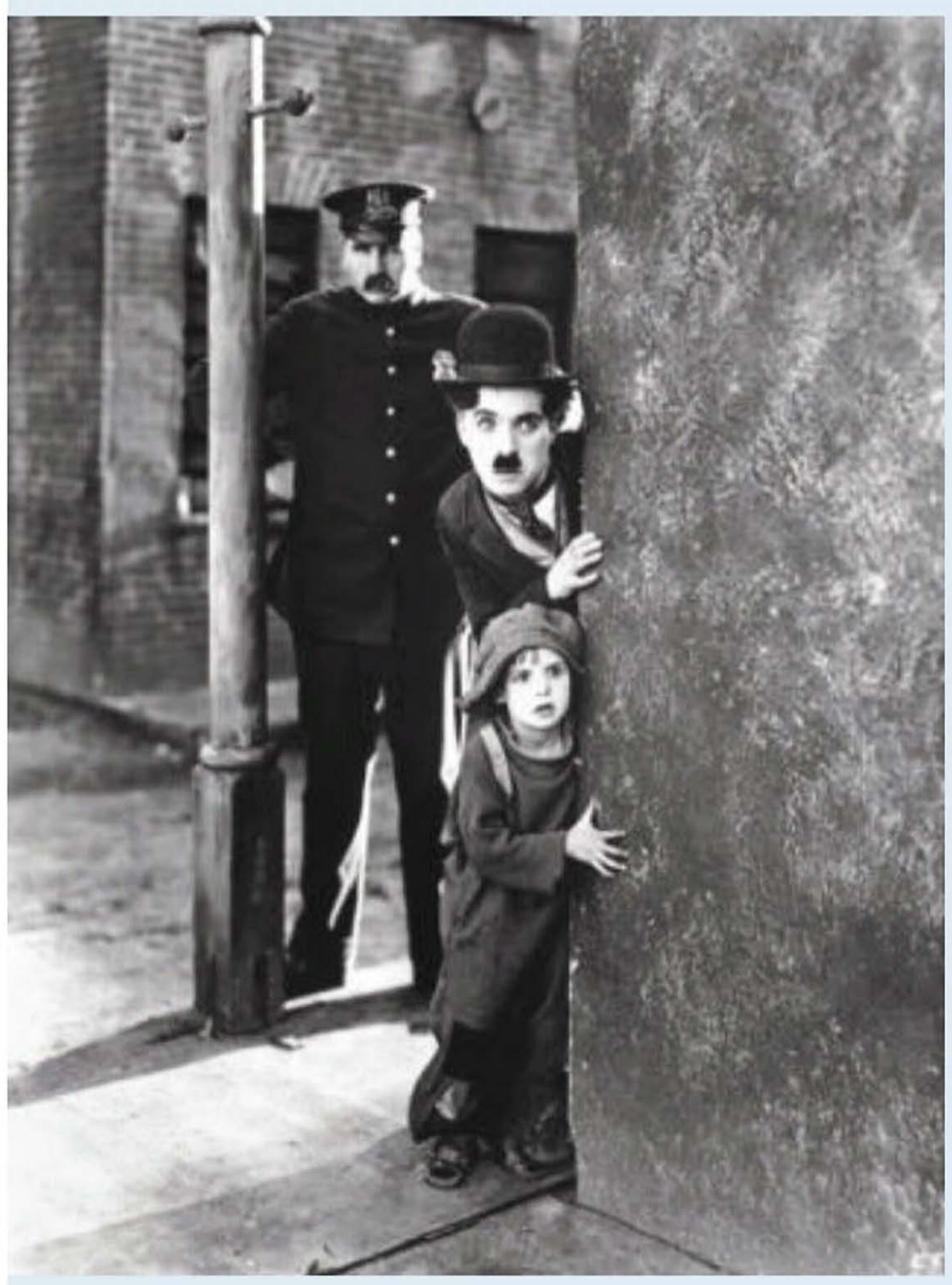
The politics of Hollywood

## Anatomy of a cancellation

**Charlie Chaplin vs America.** By Scott Eyman. *Simon & Schuster; 432 pages; $29.99 and £18.99*

IN TODAY'S CULTURE wars, Hollywood has a starring role. Films tend to trigger debates about America's history and values. That has long been the case, as a new book, "Charlie Chaplin vs America", shows. Chaplin, a British citizen, was harassed by the American government, culminating in the revocation of a re-entry permit in 1952. It is a sobering account of cancel culture in action. Indeed, it makes some of the current spats seem toothless by comparison.

"I don't want to create revolution," Chaplin said. "I just want to create a few more pictures." But the FBI, suspecting Chaplin of communist sympathies, started surveilling the film-maker in 1922. In a paranoid climate, many looked for evidence of Marxism. Those convinced Chaplin was "red" pointed to his screen persona, the Tramp, an embodiment of the beleaguered everyman. They perceived it, too, in "Modern Times" (1936), a dramatisation of workers' plight due to unemployment and automation, and in "The Great Dictator" (1940), which called out America's isolationism.



Copping on to Charlie Chaplin

Officials did not take kindly to Chaplin speaking out about politics, especially when he called for a second front in the war to alleviate pressure on Russia. Some took umbrage that Chaplin made his fortune in America and deigned to comment on its policies but refused to become a citizen.

None of this was illegal. But the FBI bedevilled him, using political groups and the press to whip up anti-Chaplin sentiment. The bureau fed journalists salacious titbits (which were not in short supply: the man was no stranger to a sex scandal). In the eyes of the public, he became "a louche degenerate with a propensity for young girls and communism", writes the author, Scott Eyman.

When Chaplin set off to promote a movie in Europe, the attorney-general took his chance. The film-maker was blocked from returning under a provision that allowed people of questionable "morals, health or insanity" or those "advocating communism or associating with communist or pro-communist organisations" to be kept out. Chaplin was forced to give up his home and studio and move to Switzerland, where the quality of his work suffered.

By the time he was exiled from America, the intelligence file had swelled to nearly 2,000 pages. It contained no proof of party ties. Instead, it was filled with "hearsay, rumour [and] bountiful examples of guilt by association". Readers will be shocked by how Chaplin was hounded with so little cause. The author convincingly argues that the auteur was "the most prominent victim of the Red Scare" and paints a portrait of a time when freedom of speech was even more embattled than it is today.

global audiences, too. Once again, "Sound of Freedom" is a harbinger. The film performed well in South America, where it tapped into a network of conservative movers and shakers. In Brazil, the sons of Jair Bolsonaro, the former president and an ally of Mr Trump, went to the premiere. In El Salvador, Nayib Bukele, the president, encouraged Salvadoreans to see the film.

Europe could also become an important market for American conservative content. Across the continent politicians on the right are ascendant, and battles from America's culture wars have spread there, too. In France, *le wokisme* is a major topic of discussion. Only last month, Europe 1, a leading radio station, ran an editorial slamming Disney for embracing the "woke revolution", which it hotly described as "a deconstruction of our childhood dreams". It sounded a lot like Mr Boreing's sales pitch for Bentkey. ■

The history of "Amazing Grace"

## How sweet the sound

**Amazing Grace.** By James Walvin. *University of California Press; 216 pages; $19.95 and £16.99*

In 2015 Barack Obama gave the eulogy at a funeral service in Charleston, South Carolina, for a black pastor and eight black parishioners who were shot dead at their Bible-study class by a white supremacist. The president's speech reflected on the state of race relations and God's grace, suggesting that, amid the horror and the anger, forgiveness might one day be possible. As he finished, Mr Obama began to sing "Amazing Grace". The congregation, many of them weeping, joined in. No one needed a hymn book.

If you were to put together a soundtrack of America, "Amazing Grace" would be on it. Singers including Johnny Cash, Aretha Franklin, Janis Joplin, Elvis Presley and Diana Ross have recorded their own interpretations. It was performed at the funeral of Ronald Reagan and the inauguration of Bill Clinton. By one estimate, it is sung in public more than 10m times every year.

A short but fascinating book by James Walvin, a professor at the University of York and an expert on slavery, offers a cultural history of the song. Its origins explain its power. The author—the "wretch" of the first verse—was John Newton, an Englishman and former slave trader. "Surely no one could be a greater libertine in principle or practice, more abandoned or more daring than I," he later wrote of his early life.

In 1748 Newton was caught in a brutal storm off the coast of Ireland. Sure he would die, he called out to God for help and underwent a religious conversion. "I was a new man," he wrote.

In time, Newton left the slave trade. He was ordained as an Anglican vicar and became a central voice in the abolition movement. William Wilberforce, Britain's leading anti-slavery campaigner, often sought his advice. In 1772 Newton wrote the hymn as a cry of thanks for his own redemption from darkness.

"Amazing Grace" has inspired many white believers, particularly during the Second Great Awakening that reinvigorated American Christianity in the early 19th century. But it has long been closely associated with African-American churches. The hymn crossed the Atlantic soon after it was written. Its "dangers, toils and snares" resonated deeply with American slaves, Mr Walvin writes, as did its promises of better things to come: "It was as if John Newton had been writing with the enslaved in mind." In 1835 the current tune was added, composed by William Walker, an American Baptist musician.

Perhaps most memorably, "Amazing Grace" became one of the anthems of the civil-rights movement in the mid-20th century. Mahalia Jackson, a gospel singer, would croon it over the phone to Martin Luther King when he was exhausted after a long day of marching. Mr Walvin calls it a "perfect antidote to the turbulence gripping American life" at that time.

Campaigners in Virginia in 1963 had a saying: "When in doubt, pray and sing." So they did, marching peacefully towards a line of armed police. As they walked, they sang "Amazing Grace". The police line broke, and they passed through. ■


Author of a national anthem

The future of fiction

## Sick lit

**Day.** By Michael Cunningham. *Random House; 288 pages; $28. Fourth Estate; £16.99*
**The Vulnerables.** By Sigrid Nunez. *Riverhead Books; 256 pages; $29.99. To be published in Britain by Virago in January; £16.99*

When the world entered lockdowns for covid in 2020, writers and critics, finding themselves with even more time on their hands than usual, wondered how the pandemic would affect fiction. Since the "Iliad", literature has documented—and been shaped by—disease, including Daniel Defoe's semi-fictional testimony of London during the pestilence of 1655, "A Journal of the Plague Year" (1722), and Albert Camus's imagining of a cholera outbreak in a French-controlled Algerian city, "The Plague" (1947). Who would write the first great pandemic novel of the covid era?

Two of America's most distinguished novelists, Michael Cunningham and Sigrid Nunez, have published novels that try to carry this mantle. Despite their new subject matter, however, these books do not break literary ground. Covid did not, as some had predicted, permanently change the way people lived. As fear of the virus ebbed, they snapped back to old habits. The same is proving true for fiction.

The narrator of "The Vulnerables", like Ms Nunez (pictured on next page), is an older writer who lives in New York. She ends up isolating in a luxury apartment with a friend's parrot, pointedly named Eureka, and a bratty 20-something, whom she slowly grows to appreciate.

This writer has all the stereotypical concerns of a middle-aged, middle-class American, but her real covid crisis is literary. Suffering from writer's block, she concludes that "the traditional novel" has lost its "urgency". Now readers want "a literature of personal history and reflection: direct, authentic, scrupulous about fact".

Like "The Friend", which drew on Ms Nunez's own life and won the National Book Award in 2018, "The Vulnerables" reads as autobiographical fiction. In recent years juggernauts of "autofiction", including Rachel Cusk and Karl Ove Knausgaard, have turned away from this style. (Genre and historical fiction, rather than literature focused on the first person, is ascendant.) Ms Nunez's narrator, whose reflections on life, art and children read like a boomer's pandemic diary, is familiar—and not in a good way.

Nunez, emerging from covid's shadow

Mr Cunningham's "Day" is the kind of traditional novel about imaginary people Ms Nunez suggests is now obsolete. But it is much more alive precisely because it looks from the outside in, rather than staying locked in a single head.

Set on April 5th across three years (2019, 2020 and 2021), "Day" tells the story of a young family in Brooklyn. Dan, an ageing rock'n'roller, and Isabel, a photo editor, have two young children and their fair share of burnout. Covid accelerates the unravelling of their marriage and the relationships of several other people they know. "Day" is alive with all of the small thoughts, looks and feelings that covid amplified, like "the isolated inhabitedness" of Dan's days.

Coincidentally, both "The Vulnerables" and "Day" offer tribute to Virginia Woolf, a celebrated British writer. Ms Nunez begins and ends considering a line from Woolf's "The Years" ("It was an uncertain spring"). Mr Cunningham shares the day-long focus of Woolf's "Mrs Dalloway", which he also employed in his Pulitzer-prizewinning novel, "The Hours" (1998). But, unlike Woolf, neither of these novelists pushes the boundaries of fiction for their era.

Unlike other historical traumas—the first and second world wars, or September 11th—the pandemic's impact on fiction, as on art more generally, has so far been muted. With lockdown an increasingly distant memory, Ms Nunez's and Mr Cunningham's books may be most significant as historical novels set in a time that now seems stranger than fiction. They are documents of a new normal that soon slipped right back into the old. Both novels remind readers how much their lives changed during the pandemic, but also, at least for writers and readers of literary fiction, how much stayed the same. ■

The best albums of 2023

# Good to hear

**Throwback sounds such as folk, punk and soul dominate our list this year**

**"Blomi".** By Susanne Sundfor.
With this album Susanne Sundfor proves that she is one of pop's most brilliant performers. Her voice is so magnetic and emotive it enchants audiences whatever tune she sings. Already a star in her native Norway, she deserves wider fame.

**"False Lankum".** By Lankum.
A new wave of Irish folk is producing lots of stirring music, but none quite so stark as that on Lankum's fourth album. "Go Dig My Grave" might be the most uncompromising opening track of any album this year. (You are not likely to hear the band's music in an advert for Irish tourism.)

**"Guts".** By Olivia Rodrigo.
The former Disney star surfs the wave of nostalgia for the pop-punk of the 1990s with a snappy, snarky second album. You can hear her love of Taylor Swift in some of the delivery; "Guts" also connects with an audience of young women seeking a voice that echoes their lives.

**"Heavy Heavy".** By Young Fathers.
An album both accessible and experimental, by a multi-ethnic trio from Scotland. "Heavy Heavy" sounds as though it comes from everywhere and nowhere. One minute you get a glam-rock beat evocative of the 1970s, the next ululating vocals in Zimbabwe's Shona language.

**"Hit Parade".** By Róisín Murphy.
The release of "Hit Parade" was overshadowed by the culture wars, after Róisín Murphy offered her opinions on puberty blockers. But behind the headlines lies a coolly confident album of dance-pop, full of infectious, summery melodies.

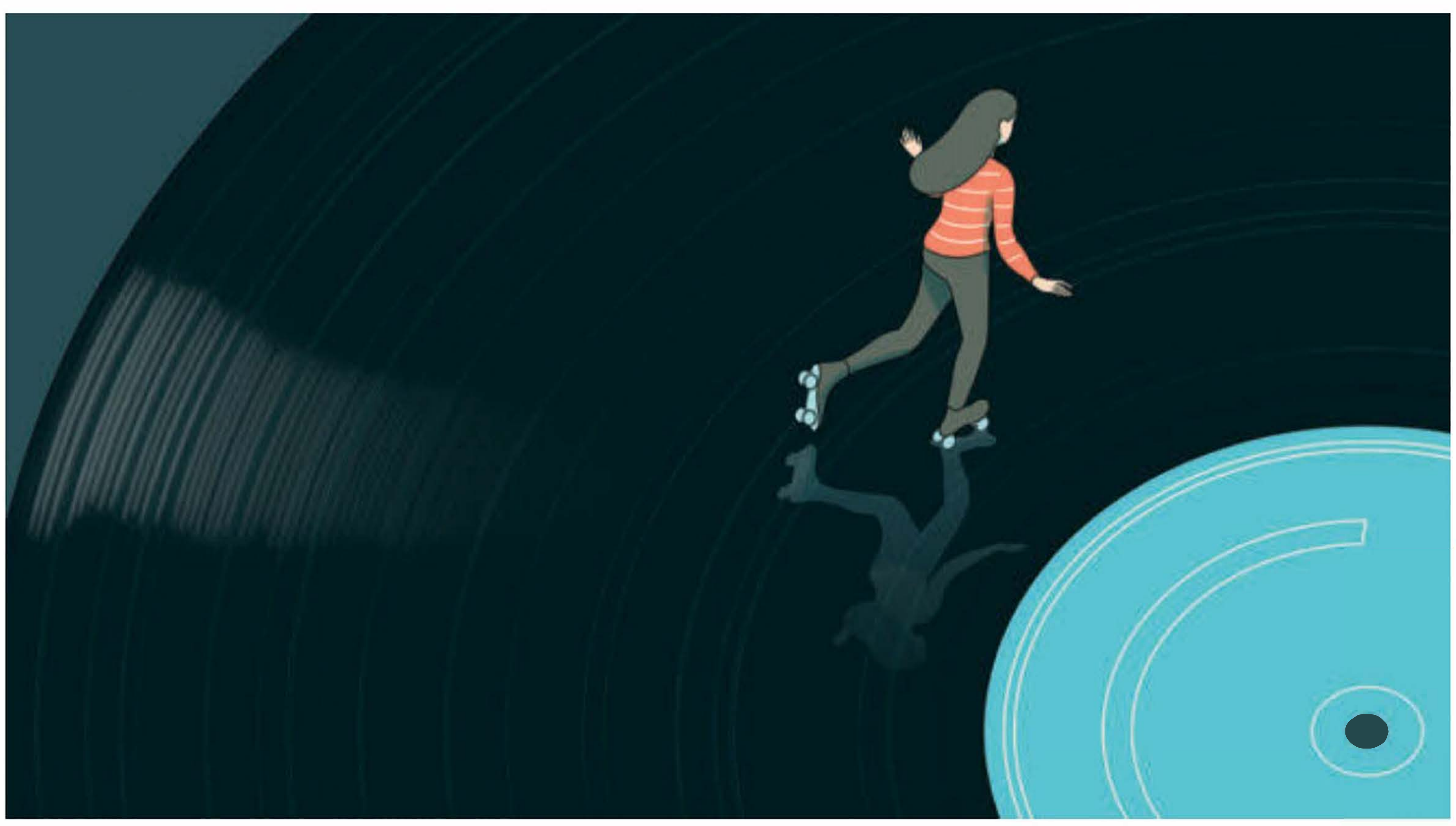
**"Manzanita".** By Shana Cleveland.
This album limns a poor, rural part of California that does not get much attention in pop. The music is beautiful, evoking genres popular in the 1960s, such as baroque pop and psychedelic folk. Ms Cleveland's voice is soft and affectless.

**"The Price of Progress".** By The Hold Steady.
The band's late-career revival continued with their ninth album. Craig Finn no longer sings about youngsters ending up in the emergency room after taking too many drugs. On "The Price of Progress" he tells of older people losing control of their lives in less dramatic ways.

**"The Record".** By Boygenius.
The rare "supergroup" that is bigger than the sum of its parts. No indie fan would be startled by their debut album, but what was new about it was the way it became a rallying point for young queer people of all stripes. Crucially, the songs were superb.

**"Strays".** By Margo Price.
At the beginning of her career Margo Price sang hardscrabble, often autobiographical, country. Her style has since evolved into a winning amalgam of modern Americana and classic rock. "Strays", which incorporates synthesisers and drum machines, is a triumph.

**"Sundown".** By Eddie Chacon.
It had long seemed as though Eddie Chacon would only be known as one half of Charles & Eddie, the duo behind "Would I Lie to You?", a hit in 1992. But a solo career that began in 2020 has now yielded a second short, glorious album of retro soul, both jazzy and introspective. ■



Economic history

# Is the age of Milton Friedman over?

**Some may say so. But we are still living in it**

**Milton Friedman.** By Jennifer Burns. *Farrar, Straus and Giroux; 592 pages; $35*

IT IS VOGUISH to declare the ideas of Milton Friedman dead, whether you think they deserve damnation or eulogy. In America, prominent Democrats spit out his name contemptuously. The most influential American economist of the 20th century is routinely disparaged as a heartless fetishist of Ayn Randian capitalism, who evangelised corporate greed at home and authoritarianism abroad. Friedman is a special bugbear of President Joe Biden. While running for office in 2020, he declared that "Milton Friedman isn't running the show anymore."

Meanwhile, the current, populist standard-bearers of American conservatism—the political movement with which Friedman was identified throughout his life—agree, having turned their backs on fiscal discipline and open markets.

It might be tempting to buy into the thesis that Friedman's ideas are passé and even to wish them good riddance. But that would be a mistake. Few thinkers are as important (and as grotesquely caricatured) as Friedman. His critiques of Keynesianism, his advocacy of the importance of central banks, his emphasis on the primacy of the monetary supply in explaining inflation and his prioritisation of real interest rates over nominal ones were once unorthodox. They are now mainstream.

A recent biography by Jennifer Burns, a professor at Stanford University, dispels fallacies. Because of Friedman's long life (he was born in 1912 and died in 2006) and prolific career involving the modern era's most important economic debates, Ms Burns's book functions as an intellectual guide to the entire 20th century, benefiting from nearly a decade of archival research.

The Friedman who emerges here is one of astonishing economic brilliance, establishing monetary policy as a field worthy of serious study. It is a portrait of a surprisingly heterodox economist, who was perhaps the last great political economist and thought deeply about the connection between political and economic freedom.

Friedman is best known for revolutionary ideas on the importance of money to the macroeconomy, which is now seen as blindingly obvious but once was not. With Anna Schwartz—his greatest intellectual partner other than his wife, Rose Director Friedman—he wrote "A Monetary History of the United States" (1963), which computed aggregate monetary supply to argue that the Federal Reserve had contributed to the Great Depression.

Ben Bernanke, the man who would lead the Fed through the global financial crisis of 2007-09, gave cheeky tribute to this argument in a speech at a gathering celebrating Friedman's 90th birthday: "Regarding the Great Depression, you're right, we did it. We're very sorry. But thanks to you, we won't do it again."

By the 1980s Friedman was catapulted to global renown, claiming a Nobel prize, a column in *Newsweek* and even a popular TV series. He was a perpetual gadfly at the Fed. Were he alive today, he would probably jab at Jerome Powell for thinking that dramatic growth in the monetary supply would not manifest in higher inflation. (During his life, he sported a vanity licence plate with the formula of his quantity theory of money, MV=PY; the equals sign was drawn with the help of black tape, which resulted in several traffic tickets.)

He became a bogeyman of the left for a six-day trip to Chile to advise Augusto Pinochet, its dictator, though Ms Burns argues that while he "failed to the appreciate the optics", that "in truth, he played almost no role in policy design". Other trips, to China and to countries east of the Iron Curtain, did not provoke so much conspiracism, outrage or damage to his reputation.

Although Ms Burns admires Friedman, her book is not a hagiography. She argues that his concept of freedom, the nominal core of his political philosophy, could be "woefully thin". Friedman was vocally opposed to the Civil Rights Act of 1964, which outlawed racial discrimination, and "never revisited his position on civil rights", she writes with disappointment.

Much as the three Abrahamic religions lay claim to one saviour, conservatives, libertarians and classical liberals all claim Friedman. But he defies easy categorisation. Unlike some libertarians, Friedman accepted the legitimacy of the state (though he fought against it and advocated eliminating some government departments). Unlike many conservatives, he deemed redistribution acceptable to alleviate poverty. Indeed, Friedman envisioned the school-voucher and health-care programmes still in effect in America, as well as the tax policies that top up working class wages—perhaps the country's most important anti-poverty programme.

Despite consulting for Barry Goldwater, Ronald Reagan and Margaret Thatcher, Friedman considered himself a classical liberal. "Those of us who believe in liberalism...have a new faith to offer; it behoves us to make it clear to one and all what the faith is", he wrote in 1951. He was critical of overly doctrinaire, laissez-faire philosophy that "assigned almost no role to the state other than the maintenance of order and the enforcement of contracts".

Ms Burns insists on dubbing Friedman "the last conservative" because "the synthesis Friedman represented—based in free-market economics, individual liberty and global co-operation—has cracked apart" in politics. Friedman may no longer be running the show, but he is still one of economics' most influential acts. ■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# Economic & financial indicators

## Economic data

| | Gross domestic product % change on year ago latest | | quarter* | 2023† | Consumer prices % change on year ago latest | | 2023† | Unemployment rate % | | Current-account balance % of GDP, 2023† | Budget balance % of GDP, 2023† | Interest rates 10-yr gov't bonds latest,% | | change on year ago, bp | Currency units per $ Dec 13th | % change on year ago |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| United States | 3.0 | Q3 | 5.2 | 2.4 | 3.1 | Nov | 4.1 | 3.7 | Nov | -2.8 | -6.3 | 4.0 | | 53.0 | - | - |
| China | 4.9 | Q3 | 5.3 | 5.5 | -0.5 | Nov | 0.7 | 5.0 | Oct‡§ | 2.1 | -3.8 | 2.5 | §§ | -23.0 | 7.18 | -2.8 |
| Japan | 1.5 | Q3 | -2.9 | 1.8 | 3.3 | Oct | 3.2 | 2.5 | Oct | 3.1 | -5.1 | 0.7 | | 43.0 | 145 | -6.9 |
| Britain | 0.6 | Q3 | -0.1 | 0.4 | 4.6 | Oct | 6.8 | 4.3 | Jun†† | -2.9 | -3.5 | 4.1 | | 78.0 | 0.80 | 1.2 |
| Canada | 0.5 | Q3 | -1.1 | 1.1 | 3.1 | Oct | 4.0 | 5.8 | Nov | -0.4 | -1.3 | 3.2 | | 40.0 | 1.36 | -0.7 |
| Euro area | nil | Q3 | -0.5 | 0.6 | 2.4 | Nov | 5.5 | 6.5 | Oct | 2.3 | -3.3 | 2.2 | | 26.0 | 0.93 | 1.1 |
| Austria | -1.8 | Q3 | -2.1‡ | -0.4 | 4.9 | Nov | 7.6 | 5.1 | Oct | 2.9 | -2.3 | 2.7 | | 20.0 | 0.93 | 1.1 |
| Belgium | 1.4 | Q3 | 1.6 | 1.3 | -0.7 | Nov | 2.6 | 5.6 | Oct | -1.3 | -4.6 | 2.8 | | 26.0 | 0.93 | 1.1 |
| France | 0.6 | Q3 | -0.5 | 0.9 | 3.8 | Nov | 5.7 | 7.3 | Oct | -1.0 | -5.0 | 2.8 | | 43.0 | 0.93 | 1.1 |
| Germany | -0.4 | Q3 | -0.5 | -0.2 | 2.3 | Nov | 6.0 | 3.1 | Oct | 5.5 | -2.2 | 2.2 | | 25.0 | 0.93 | 1.1 |
| Greece | 1.8 | Q3 | 0.1 | 2.4 | 2.9 | Nov | 4.0 | 9.6 | Oct | -6.5 | -2.1 | 3.4 | | -52.0 | 0.93 | 1.1 |
| Italy | 0.1 | Q3 | 0.4 | 0.7 | 0.7 | Nov | 6.1 | 7.8 | Oct | 0.7 | -5.3 | 3.9 | | 14.0 | 0.93 | 1.1 |
| Netherlands | -0.6 | Q3 | -0.8 | 0.2 | 1.4 | Nov | 4.4 | 3.6 | Oct | 8.2 | -2.1 | 2.5 | | 28.0 | 0.93 | 1.1 |
| Spain | 1.8 | Q3 | 1.3 | 2.3 | 3.2 | Nov | 3.5 | 12.0 | Oct | 1.6 | -4.1 | 3.3 | | 43.0 | 0.93 | 1.1 |
| Czech Republic | -1.0 | Q3 | -2.1 | -0.5 | 7.3 | Nov | 10.6 | 3.0 | Oct‡ | -1.4 | -3.9 | 4.0 | | -69.0 | 22.7 | 0.6 |
| Denmark | 0.2 | Q3 | -0.3 | 1.5 | 0.6 | Nov | 3.8 | 2.8 | Oct | 11.1 | 1.5 | 2.4 | | 22.0 | 6.91 | 1.2 |
| Norway | -1.9 | Q3 | -2.1 | 0.4 | 4.8 | Nov | 5.4 | 3.6 | Sep‡‡ | 17.2 | 10.6 | 3.3 | | 52.0 | 10.9 | -10.6 |
| Poland | 0.5 | Q3 | 6.1 | 0.4 | 6.5 | Nov | 11.3 | 5.0 | Nov§ | 1.1 | -4.8 | 5.3 | | -119 | 4.00 | 10.2 |
| Russia | 5.5 | Q3 | na | 2.8 | 7.5 | Nov | 6.2 | 2.9 | Oct§ | 3.0 | -2.8 | 12.4 | | 217 | 90.3 | -30.1 |
| Sweden | -1.4 | Q3 | -1.2 | -0.6 | 6.5 | Oct | 6.0 | 7.4 | Oct§ | 4.6 | -0.3 | 2.3 | | 60.0 | 10.4 | -2.2 |
| Switzerland | 0.3 | Q3 | 1.1 | 0.8 | 1.4 | Nov | 2.2 | 2.1 | Nov | 7.4 | -0.7 | 0.7 | | -54.0 | 0.88 | 5.7 |
| Turkey | 5.9 | Q3 | 1.1 | 3.4 | 62.0 | Nov | 53.1 | 8.2 | Oct§ | -4.6 | -5.0 | 23.2 | | 1,229 | 29.1 | -35.8 |
| Australia | 2.1 | Q3 | 0.9 | 1.9 | 5.4 | Q3 | 5.7 | 3.9 | Nov | 0.6 | 0.5 | 4.3 | | 89.0 | 1.52 | -4.6 |
| Hong Kong | 4.1 | Q3 | 0.3 | 3.4 | 2.8 | Oct | 2.0 | 2.9 | Oct‡‡ | 6.7 | -1.5 | 3.7 | | 24.0 | 7.81 | -0.4 |
| India | 7.6 | Q3 | 8.6 | 6.5 | 5.6 | Nov | 5.7 | 8.1 | Apr | -1.3 | -5.9 | 7.3 | | -1.0 | 83.4 | -0.7 |
| Indonesia | 4.9 | Q3 | na | 4.9 | 2.9 | Nov | 3.8 | 5.3 | Q3§ | 0.6 | -2.5 | 6.8 | | -13.0 | 15,660 | nil |
| Malaysia | 3.3 | Q3 | na | 4.0 | 1.8 | Oct | 2.6 | 3.4 | Oct§ | 1.7 | -5.0 | 3.9 | | -27.0 | 4.71 | -5.9 |
| Pakistan | nil | 2023** | na | 1.7 | 29.2 | Nov | 31.8 | 6.3 | 2021 | -0.1 | -7.6 | 15.1 | ††† | 152 | 284 | -20.9 |
| Philippines | 5.9 | Q3 | 13.9 | 5.4 | 4.1 | Nov | 6.0 | 4.2 | Q4§ | -4.1 | -7.2 | 6.2 | | -69.0 | 56.1 | -0.3 |
| Singapore | 1.1 | Q3 | 5.6 | 0.9 | 4.7 | Oct | 4.9 | 2.0 | Q3 | 18.8 | -0.7 | 2.9 | | -15.0 | 1.34 | 0.8 |
| South Korea | 1.3 | Q3 | 2.5 | 1.3 | 3.3 | Nov | 3.7 | 2.3 | Nov§ | 2.2 | -2.7 | 3.5 | | 5.0 | 1,320 | -1.0 |
| Taiwan | 2.3 | Q3 | 7.8 | 1.2 | 2.9 | Nov | 2.5 | 3.4 | Oct | 12.9 | -0.1 | 1.3 | | -6.0 | 31.5 | -2.6 |
| Thailand | 1.5 | Q3 | 3.1 | 2.5 | -0.4 | Nov | 1.4 | 0.9 | Sep§ | 0.8 | -2.7 | 2.8 | | 28.0 | 35.8 | -2.7 |
| Argentina | -4.9 | Q2 | -10.9 | -1.0 | 161 | Nov | 134.2 | 6.2 | Q2§ | -3.4 | -4.3 | na | | na | 800 | -78.5 |
| Brazil | 2.0 | Q3 | 0.6 | 3.0 | 4.7 | Nov | 4.6 | 7.6 | Oct§‡‡ | -1.6 | -7.6 | 10.9 | | -232 | 4.96 | 6.2 |
| Chile | 0.6 | Q3 | 1.3 | -0.2 | 4.8 | Nov | 7.6 | 8.9 | Oct§‡‡ | -4.0 | -3.2 | 5.6 | | 21.0 | 877 | -2.7 |
| Colombia | -0.3 | Q3 | 1.0 | 1.2 | 10.1 | Nov | 11.7 | 9.2 | Oct§ | -3.4 | -4.2 | 10.5 | | -241 | 3,998 | 20.0 |
| Mexico | 3.3 | Q3 | 4.3 | 3.4 | 4.3 | Nov | 5.5 | 2.7 | Oct | -1.4 | -3.8 | 9.3 | | 39.0 | 17.4 | 12.6 |
| Peru | -1.0 | Q3 | -1.1 | -0.4 | 3.6 | Nov | 6.3 | 6.1 | Oct§ | -1.2 | -2.8 | 6.9 | | -94.0 | 3.78 | 1.3 |
| Egypt | 2.9 | Q2 | na | 3.8 | 34.6 | Nov | 37.7 | 7.1 | Q3§ | -1.6 | -6.2 | na | | na | 30.9 | -20.2 |
| Israel | 3.5 | Q3 | 2.8 | 0.9 | 3.7 | Oct | 4.3 | 3.1 | Oct | 5.4 | -4.9 | 4.0 | | 74.0 | 3.70 | -8.1 |
| Saudi Arabia | 8.7 | 2022 | na | -1.1 | 1.6 | Oct | 2.3 | 4.9 | Q2 | 3.0 | -1.9 | na | | na | 3.75 | 0.3 |
| South Africa | -0.7 | Q3 | -1.0 | 0.7 | 5.6 | Nov | 5.9 | 31.9 | Q3§ | -1.8 | -5.2 | 10.1 | | -31.0 | 19.1 | -9.6 |

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. †††Dollar-denominated bonds. Note: Euro area consumer prices are harmonised.

## Markets

| In local currency | Index Dec 13th | % change on: one week | Dec 30th 2022 |
|---|---|---|---|
| **United States** S&P 500 | 4,707.1 | 3.5 | 22.6 |
| **United States** NAScomp | 14,734.0 | 4.2 | 40.8 |
| **China** Shanghai Comp | 2,968.8 | nil | -3.9 |
| **China** Shenzhen Comp | 1,845.4 | -0.5 | -6.6 |
| **Japan** Nikkei 225 | 32,926.4 | -1.6 | 26.2 |
| **Japan** Topix | 2,354.9 | -1.4 | 24.5 |
| **Britain** FTSE 100 | 7,548.4 | 0.4 | 1.3 |
| **Canada** S&P TSX | 20,629.5 | 1.8 | 6.4 |
| **Euro area** EURO STOXX 50 | 4,530.2 | 1.0 | 19.4 |
| **France** CAC 40 | 7,531.2 | 1.3 | 16.3 |
| **Germany** DAX* | 16,766.1 | 0.7 | 20.4 |
| **Italy** FTSE/MIB | 30,295.7 | -0.1 | 27.8 |
| **Netherlands** AEX | 787.0 | 1.4 | 14.2 |
| **Spain** IBEX 35 | 10,096.1 | -1.6 | 22.7 |
| **Poland** WIG | 76,948.6 | -0.3 | 33.9 |
| **Russia** RTS, $ terms | 1,062.7 | 1.7 | 9.5 |
| **Switzerland** SMI | 11,188.9 | 1.7 | 4.3 |
| **Turkey** BIST | 7,529.3 | -4.1 | 36.7 |
| **Australia** All Ord. | 7,469.1 | 1.1 | 3.4 |
| **Hong Kong** Hang Seng | 16,228.8 | -1.4 | -18.0 |
| **India** BSE | 69,584.6 | -0.1 | 14.4 |
| **Indonesia** IDX | 7,075.3 | -0.2 | 3.3 |
| **Malaysia** KLSE | 1,448.0 | 0.2 | -3.2 |

| | index Dec 13th | % change on: one week | Dec 30th 2022 |
|---|---|---|---|
| **Pakistan** KSE | 65,280.2 | 2.4 | 61.5 |
| **Singapore** STI | 3,104.3 | 0.6 | -4.5 |
| **South Korea** KOSPI | 2,510.7 | 0.6 | 12.3 |
| **Taiwan** TWI | 17,468.9 | 0.6 | 23.6 |
| **Thailand** SET | 1,358.0 | -2.3 | -18.6 |
| **Argentina** MERV | 1,003,484.0 | 12.2 | 396.6 |
| **Brazil** BVSP* | 129,465.1 | 3.1 | 18.0 |
| **Mexico** IPC | 55,167.9 | 2.0 | 13.8 |
| **Egypt** EGX 30 | 24,773.9 | 0.3 | 69.7 |
| **Israel** TA-125 | 1,802.2 | -1.8 | 0.1 |
| **Saudi Arabia** Tadawul | 11,401.5 | 2.0 | 8.1 |
| **South Africa** JSE AS | 72,640.5 | -3.7 | -0.6 |
| **World, dev'd** MSCI | 3,101.1 | 2.7 | 19.1 |
| **Emerging markets** MSCI | 973.5 | -0.2 | 1.8 |

**US corporate bonds,** spread over Treasuries

| Basis points | latest | Dec 30th 2022 |
|---|---|---|
| **Investment grade** | 117 | 154 |
| **High-yield** | 413 | 502 |

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

## Commodities

| ***The Economist*** **commodity-price index** 2015=100 | Dec 5th | Dec 12th* | % change on month | year |
|---|---|---|---|---|
| **Dollar Index** | | | | |
| All Items | 150.1 | 151.7 | 0.4 | 0.2 |
| Food | 132.0 | 132.0 | -2.4 | -3.1 |
| **Industrials** | | | | |
| All | 167.0 | 170.1 | 2.6 | 2.8 |
| Non-food agriculturals | 117.7 | 118.7 | 1.8 | -10.4 |
| Metals | 181.6 | 185.4 | 2.7 | 5.7 |
| **Sterling Index** | | | | |
| All items | 181.6 | 184.3 | -0.4 | -1.1 |
| **Euro Index** | | | | |
| All items | 154.0 | 156.0 | 0.9 | -1.1 |
| **Gold** | | | | |
| $ per oz | 2,016.3 | 1,983.2 | 0.7 | 9.4 |
| **Brent** | | | | |
| $ per barrel | 77.3 | 73.6 | -10.9 | -8.8 |

Sources: Bloomberg; CME Group; Cotlook; Refinitiv Datastream; Fastmarkets; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

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# Let's talk about now

**Benjamin Zephaniah, poet and "deep-down revolutionary" died on December 7th, aged 65**

IT WAS HIS Mum who started it. She was always singing round the house, turning any stray remark into a rhyme, such as "Let's go to the show, we have to go now, you know...." Uncle Everett added to it when he'd play the latest records from Jamaica at family parties, the men in their suits all dancing to reggae and ska while he, Benjamin the eldest, would add on verses about cooking. Then there was the time he was called to testify at church and made a rap of "Genesis, Exodus, Leviticus" and all the Bible books, forwards then backwards. The pastors named him Zephaniah after that, a prophet's name. So when people said later that he ought to be a painter, or a car mechanic, he clung to what he'd known since he was eight years old: he was going to be a poet, poet, poet.

They said, you can't make a living that way. He was sure he could. It didn't need much, just "a pencil full of lead...light and fine,...[that] moves with me through space and time", and a mind burning with ideas. The first of which was, that he didn't like poetry much. The world Wordsworth wandered in wasn't his: Birmingham's poor black end, all grey tin baths, grey pavements, grey sky, or London, "magnificent through its pollution". He wanted to write about the lives of people now, walking those streets: struggling to survive with social services cut, lied to by politicians, oppressed by authority right and left without even knowing it. And then, as important as writing, he wanted to stir those people up by standing on a stage and letting rip the verse of fire.

He could make them laugh, too, before jabbing in a serious point. Britain's diversity, for example, was worth celebrating, a pot of Picts and Celts to which had been added Romans, Saxons, Normans, Afghans, cool Jamaicans, fresh Indians, Pakistanis, Bosnians, Turks, all sorts. Let simmer; add respect. But "treating one ingredient better than another will leave a bitter unpleasant taste".

Nowhere was the bitterness sharper than in black Britain. It was his main theme. As a child he ached with shame when schoolmates brought their favourite golliwogs to class; as a youth, a naughty boy deep in gangs, rackets and thieving, he'd felt these were the only options open. But even as a dread Rasta strolling real and regal down the street, with his poetry and novels in every bookshop and his face on TV, he still felt unsure about asking a policeman the time. Black males were stopped and searched five times more than white men. When young black men were killed, like Stephen Lawrence, white killers got off. When black men like his cousin Michael and a whole litany of others died in custody, there was no inquiry. And when a white woman sat well away from him on the Tube, was that because he was black?

Black people do not have
Chips on their shoulders,
They just have injustice on their backs

When Nelson Mandela was in prison he wrote a tribute to him, and when South Africa cast off apartheid he hosted a concert for him at the Royal Albert Hall. But he was all too aware that the legacy of colonialism still blighted equality even in Britain, the land paved with gold.

Some black entertainers sold out, of course. They thought going to the Palace and sipping champagne proved how far they had come. He couldn't do that shit. The queen had met him backstage once, a nice old lady, but No Monarchy was his motto. In 2003 the establishment tried to award him the Order of the British Empire; he threw that thought straight back. If there was anything he had railed against all his life, it was the empire and all its works.

People sometimes got the strange idea that he had softened. Perhaps it was because he was interviewed on the BBC and went into schools to teach children to love words, have fun with them and think again about eating animals, who were people too:

Be nice to yu turkeys dis christmas
Cos' turkeys just wanna hav fun...
It could be yu mate, an not on your plate...

He also worked for the British Council, though mostly to prove that British poetry was reggae and dub as well as Keats. Murmurs even arose that he could be poet laureate. But then he would declare yet again that capitalism would eat itself to death, and urge people to break the law every day just to prove they weren't entirely under control: by speeding, or wanking at the bus stop. At which point the establishment would cry, "Fuck! He's still militant!"

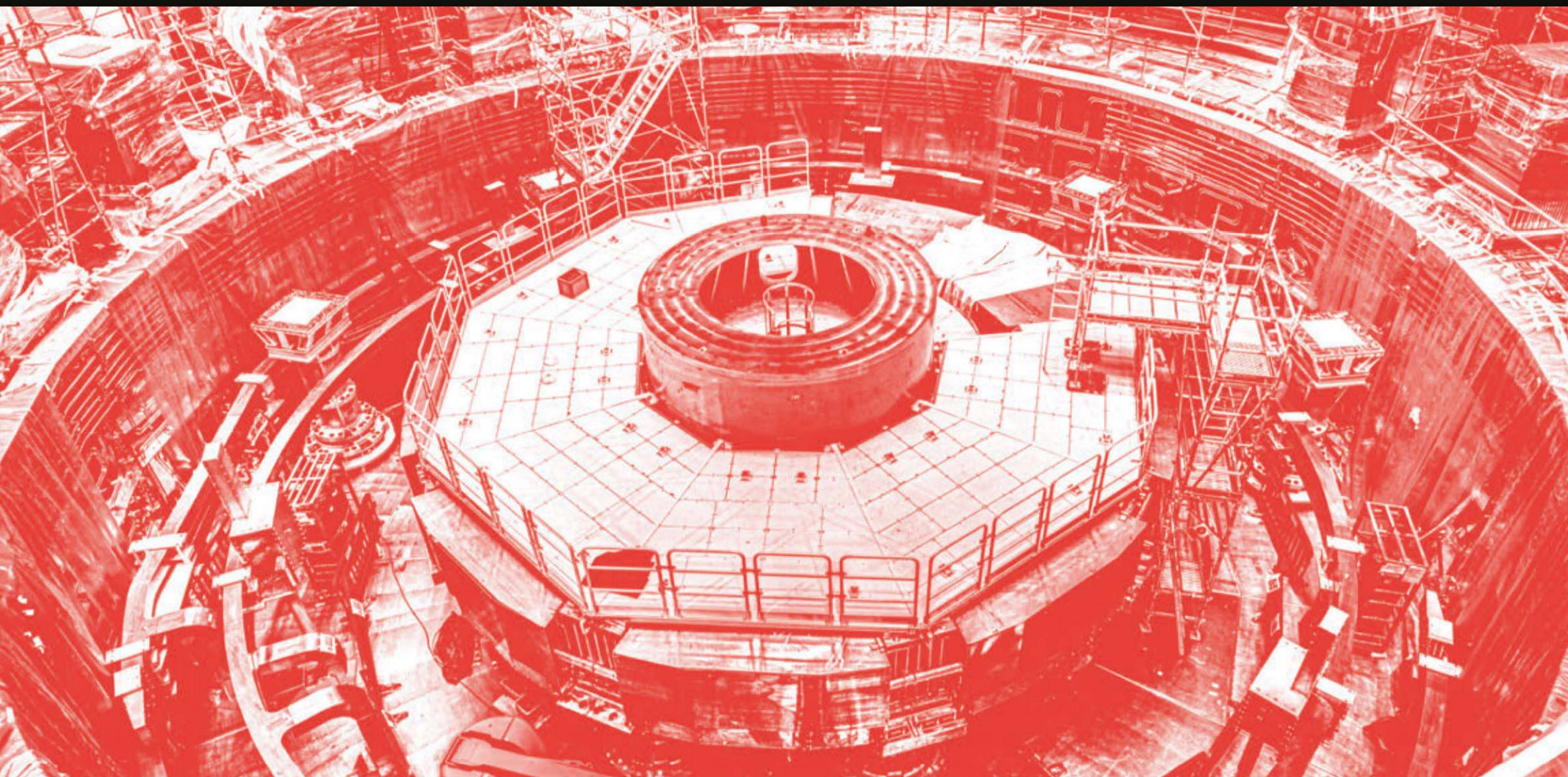
His anger did indeed burn a long, long time. So many causes inflamed him. He wrote, and worked for charities, to address all the suffering he heard of: war victims, abused women, the homeless, refugees ("We can all be refugees. Sometimes it only takes a day"). His duty was to drag into the daylight injustice everywhere. On the cover of his anthology of 2001, "Too Black, Too Strong", with poems about East Timor and Palestine as well as his home cities, his fist punched out smack in the reader's face.

Yet he did have a more reflective side. It showed as he got older, when he moved to the remote Fens of eastern England, grew his own organic vegetables and thought more about "the African heart deep in my Brummie chest". Religion, he had long ago decided, gave God a bad name. After trying and rejecting several, he took Buddha as his hero and self-knowledge as his creed. Meditation gave him a direct line to the creator, and didn't blunt his anger. In fact, one wouldn't work without the other.

When good at last triumphed over evil, as he was sure it would, he hoped it might be partly due to the poetry he had sown in people's heads, especially young heads. The love of words, the drive of rhythm, the search for justice; the sense of prophetic power.

I used to think nurses were women,
I used to think police were men,
I used to think poets were boring,
Until I became one of them. ■

The Economist



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