The Economist

America's safest city

Danger in the South China Sea

Getting Europe to grow

Breast milk: the motherlode

SEPTEMBER 14TH–20TH 2024

How ugly will it get?

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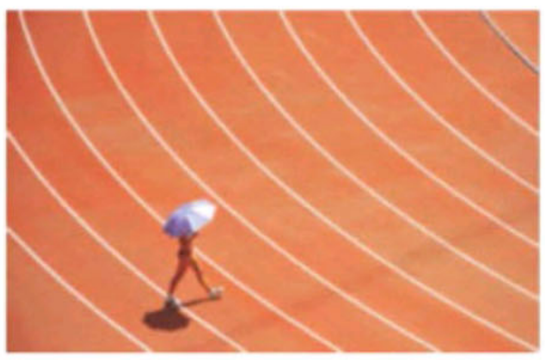

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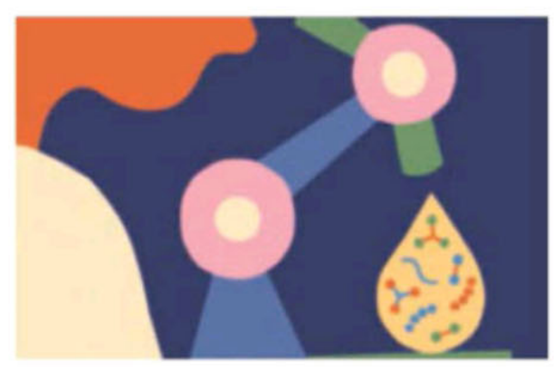

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to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

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The world this week Politics

Kamala Harris and Donald Trump held possibly their only **televised debate** of America's presidential campaign. Ms Harris, the vice-president, put Mr Trump on the back foot; at times he seemed to be the incumbent defending his record. Polling suggested viewers thought Ms Harris performed better than her rival. Before the event opinion polls indicated the race was tightening, and that Ms Harris's momentum was slowing.

A few days before the debate Ms Harris received **Dick Cheney's** endorsement for president. The former Republican vice-president warned that Mr Trump "can never be trusted with power again".

Spoiler alert

Michigan's Supreme Court ruled that **Robert F. Kennedy junior's** name must stay on the state's ballot in November's presidential election, even though he has withdrawn from the race to support Mr Trump. The contest between Ms Harris and Mr Trump is tight in Michigan, a crucial swing state, and the inclusion of Mr Kennedy on the ballot could make a marginal difference.

America, Britain, France and Germany imposed new **sanctions on Iran** for supplying Russia with ballistic missiles for use in Ukraine. The penalties include further restrictions on Iran Air's flights to and from Europe. Antony Blinken, America's secretary of state, has said that Russia is increasingly reliant on Iran and North Korea for weapons. Ahead of a visit to Kyiv by Mr Blinken, Joe Biden suggested he was looking for ways to allow Ukraine to use American **long-range missiles** against Russia.

Russia said its forces had taken control of the town of Novohrodivka in **eastern Ukraine**, which lies just 12km (seven miles) from Pokrovsk, a strategic hub for Ukrainian troops. Ukraine targeted Moscow with another big drone attack, which killed one person and destroyed dozens of homes.

Around 100,000 trade unionists and leftists protested across **France** against the appointment of Michel Barnier as prime minister. Emmanuel Macron gave the job to Mr Barnier, who hails from the centre-right, after two months of deadlock following July's parliamentary election, at which left-wing parties won the most seats but fell far short of a majority.

The **German** government announced a six-month crackdown on illegal migrants crossing its borders. The government thinks it can tighten border restrictions despite being in the EU's Schengen free-movement area because of the security threat from Islamist extremists. The ruling coalition lost heavily in two recent state elections over immigration, which is also a big issue in the forthcoming election in Brandenburg.

In **Britain** the new Labour government easily won a vote on a controversial policy to withdraw winter-fuel payments from all but the most needy pensioners. Some 9m of the 11m elderly people currently getting up to £300 ($392) a year to help with fuel costs will lose out. Only one Labour MP voted against the government, though plenty abstained. The government claims the measure is needed to fill holes in the public finances.

Edmundo González, the widely accepted winner of July's presidential election in **Venezuela**, fled the country for Spain amid threats by the authorities to arrest him. The electoral commission and the courts have deemed that Nicolás Maduro won another term as president, despite the results being far from transparent.

Alberto Fujimori, a strongman who ruled Peru between 1990 and 2000, died aged 86. In 1992 he sent tanks to shut down Peru's Congress and governed as an autocrat for the following eight years. In 2009 he was sentenced to 25 years in jail for human-rights abuses and corruption; he ended up serving less than 15 of them.

The chief of **El Salvador's** police force was killed in a helicopter crash. He was escorting a former bank director who had been accused of embezzling $35m. Nayib Bukele, the president, said the crash was suspicious and ordered an investigation.

Israel said it was "highly likely" that its troops "unintentionally" killed an American-Turkish woman at a protest in the occupied **West Bank**. Witnesses have questioned Israel's claims. Israel withdrew from Jenin after a security operation that lasted nine days, during which 36 Palestinians were killed. Most of the dead were members of armed groups, but the Palestinian health ministry said children were also killed. Israel also struck a school in **Gaza** used by terrorists to plan attacks. Eighteen people were killed there, including six UN workers.

A gunman from **Jordan** killed three Israelis at the Allenby Bridge border crossing between the West Bank and Jordan. Hamas did not claim responsibility for the attack but said it was a natural response to the war in Gaza.

Nigeria's secret police arrested and then released Joe Ajaero, a prominent union leader who had criticised the government's decision to raise the price of petrol. Mr Ajaero said his passport had been briefly confiscated. Critics have accused the government of stifling dissent following protests in recent weeks against corruption and the rising cost of living.

Workers at **Kenya's** main airport in Nairobi went on strike, disrupting travel across the region. They were protesting against the government's plan to lease the airport to Adani, an Indian conglomerate, which they claim will cost jobs and harm the local economy. Kenya's High Court had temporarily halted the deal in response to a legal challenge from NGOs.

The Labor government in **Australia** said it wanted to ban young people up to the age of 16 from access to social media. It has started testing a programme that restricts those aged 16 and under from viewing pornographic sites. Experts warned that implementing age-verification checks was fraught with complications.

Typhoon Yagi battered **Vietnam**, killing at least 197 people and leaving scores missing. Packing winds of 150kmh (92mph), it was the country's worst storm in 30 years. Some 1.5m people in north Vietnam were left without electricity.

Great multitudes came to him

Pope Francis continued his 12-day tour of South-East Asia. Around 600,000 worshippers attended a mass in **East Timor**, almost half the island's 1.3m people. Papal masses have drawn far bigger crowds elsewhere but, as a share of the population, this week's gathering is thought to be the largest ever.

The world this week Business

Mario Draghi released his long-awaited report regarding European growth and competitiveness. Mr Draghi, who has been president of the European Central Bank and prime minister of Italy, focused on boosting innovation, calling for the EU's countries to combine their research spending and create a new super-agency for advanced projects. As well as easing competition rules to enable consolidation, the report calls for the integration of capital markets. Mr Draghi said his recommendations were not a case of do or die, but rather one of do this, "or it's a slow agony."

Underlining the problems with Europe's competitiveness, **Northvolt**, which makes batteries for electric vehicles, said it would scale back its operations and suggested jobs would be lost. The Swedish company is adjusting in part to reduced demand for EVs, but it is also pausing its production of cathode active materials, essential elements for lithium-ion batteries. It will now have to import the materials from cheaper Chinese and South Korean rivals.

A bout of consolidation beckoned in Europe's financial sector, when **UniCredit**, Italy's second-largest bank, declared a 9% stake in **Commerzbank**, Germany's second-biggest lender, and expressed interest in increasing its holding. The German government recently decided to reduce its stake in the bank from 16.5% to 12%.

The European Court of Justice ruled that **Apple** must pay €13bn ($14.3bn) in back taxes, overturning a lower court's decision in 2020 that had dismissed the order from the European Commission. The case arose from the commission's finding in 2016 that Apple benefited from an unlawful deal on corporate tax in Ireland, where it had established its European base. The company said the commission was "trying to retroactively change the rules" on corporate tax. In another victory for the commission, the ECJ upheld a €2.4bn fine against **Google** from 2017 for pushing its own shopping search results over those of its competitors.

In America another antitrust trial got under way against Google, this time for improperly using monopoly power to corner the market in **digital advertising**. Google denies the government's claims, arguing that it competes "millisecond by millisecond" with rivals for ad revenues. The trial will last for several weeks.

Hello Mate

Investors were unimpressed with Apple's new **iPhone 16**, which can use artificial-intelligence features, though only some will be ready in 2025. In China Huawei launched the **Mate XT**, the world's first tri-fold smartphone, which sells for a hefty $2,800.

Southwest Airlines announced that its executive chairman would depart next year, one of the key demands made by **Elliott Management**, an activist hedge fund that plans to launch a proxy battle to shake up the company's management. After a meeting between Elliott and the board Southwest said that six directors would also retire, in November, and four independent directors would be appointed. But the board reiterated its support for Bob Jordan, the chief executive, denying Elliott another of the scalps it wanted.

America's annual **inflation** rate fell sharply in August, to 2.5%, though core inflation, which excludes food and energy prices, was surprisingly high. The Federal Reserve is expected to cut interest rates for the first time in four years when it meets on September 18th.

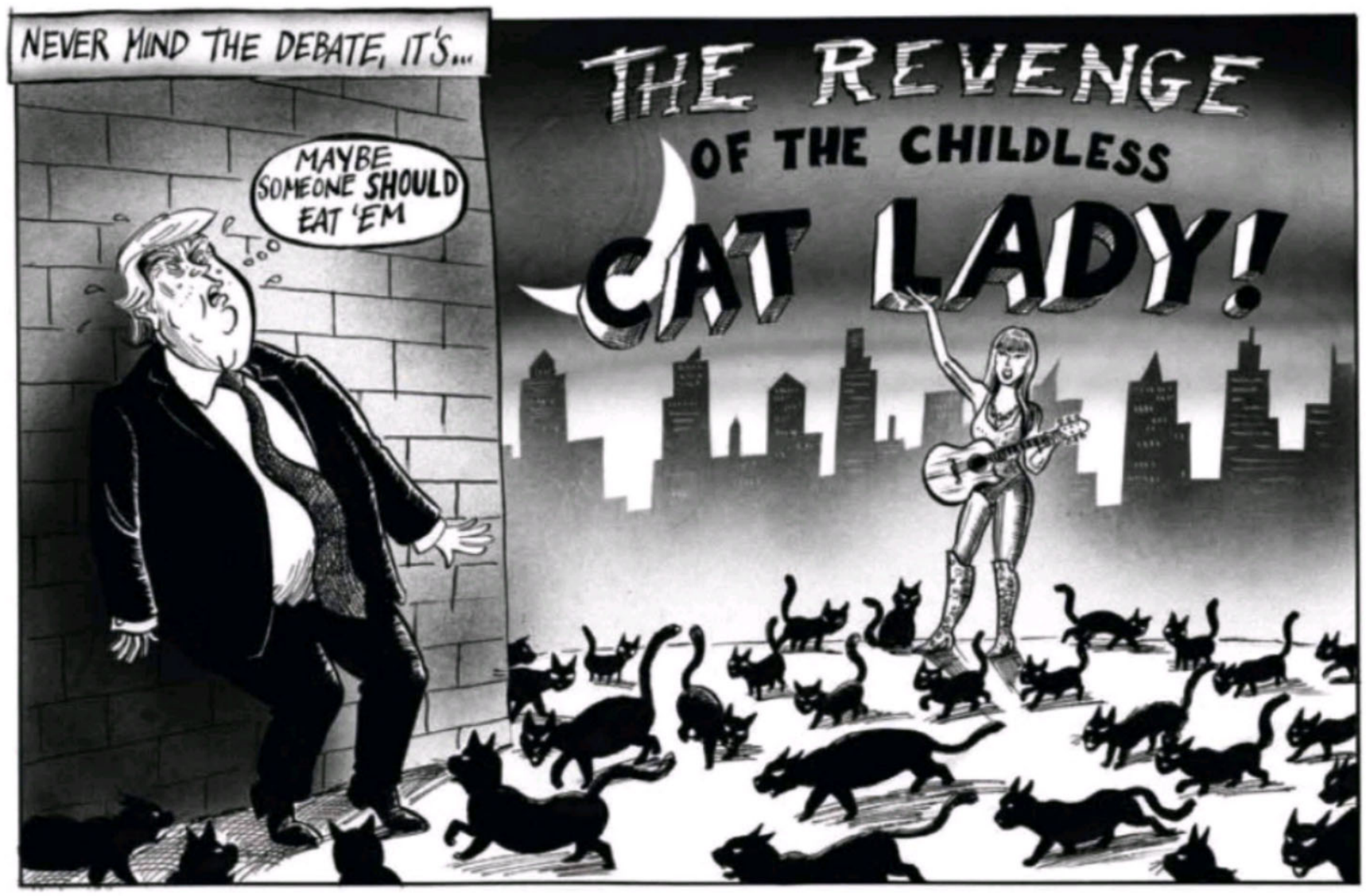
Following intense lobbying from Wall Street, the Fed said it would cut roughly in half the extra capital that America's **largest banks** will be required to hold under new rules that fall under the Basel framework. The Bank of England also announced that it is watering down the rules.

OPEC trimmed its forecasts and now thinks global **demand for oil** will grow by 2m barrels a day this year, which is still above the 1.4m b/d growth seen before the pandemic. Oil prices have tumbled to their lowest point this year. Brent crude is trading around $72 a barrel.

A private crew of four **astronauts** flew 1,400km (870 miles) above Earth's surface, the farthest humans have travelled in space apart from missions to the Moon, which is 384,000km away. The crew, led by Jared Isaacman, a businessman, flew in a SpaceX capsule and prepared for the first spacewalk by private citizens.

Always with us

Tributes were paid to **James Earl Jones**, who died aged 93. The American actor had a long career in theatre and film but is best known as the voice of Darth Vader, for which he was first paid $7,000 in 1977. His baritone voice will live on. Mr Jones struck a deal with Disney, which owns the Star Wars franchise, to reconstruct his voice using AI for future films.



The Economist

How ugly will it get?

After election night in America, complexity will meet conspiracy—with baleful results

EVEN WITHOUT Donald Trump on the ballot, American elections tend to create conflict. America is the only proper presidential democracy in which the person who wins the most votes does not necessarily win power. The two-month gap between voting and election certification in Congress is the most drawn-out anywhere. Complexity invites legal challenges, which add to the complexity. For all those reasons, American elections demand patience and trust. Unfortunately, the country comes joint last among the G7 on trust in the judiciary and dead last on belief that its elections are honest.

And then there is Mr Trump. At the debate in Philadelphia this week the former president was angry and aggrieved. He repeated his false and outrageous claim that the election in 2020 was stolen—an assertion that nearly 70% of Republican voters say they endorse. He and his party are gearing up to wage the post-election war a second time (see Briefing). Both parties argue that victory for the other side would threaten American democracy. For Mr Trump personally the stakes are even higher: if he loses he could go to prison. If the election is not close, perhaps America might avoid another toxic transfer of power. Unfortunately for America's increasingly beleaguered democracy, by our reckoning this presidential race is tighter today than any since polling began.

How messy will it get? There are three possible outcomes. Start with the extremely unlikely one, which is a vote so close that Kamala Harris and Mr Trump tie in the electoral college. Were this to happen, the next president would be picked by the House of Representatives, with each state wielding one vote. Even if Ms Harris won the popular vote on November 5th, Mr Trump would almost certainly become president. That would be fair in the sense that it would follow the rules, but Democrats would be furious.

The second outcome is a Trump win. Democrats could bring legal challenges in close states where Ms Harris lost. Some of these might end up at the Supreme Court, where three justices appointed by Mr Trump would have to adjudicate their merits. Three of the conservative justices worked on George W. Bush's legal team back in 2000 on *Bush v Gore*. That would make it hard to persuade Ms Harris's supporters that decisions favouring the Trump campaign were impartial. After the court's rulings on abortion and presidential immunity, Democrats have come to view the justices as Republican politicians in robes. Nevertheless, most elected Democrats would probably accept the rulings, if more grudgingly than in 2000.

However, if enough Democratic lawmakers were really convinced the courts had acted unfairly, they could try to block certification of the result in Congress, following the precedent set by Republicans in 2021. Then, 139 House members and eight senators (all Republicans) voted to reject the results. A reform of the Electoral Count Act, passed two years ago, raises the threshold, so that 20 senators and 87 members of the House would have to object. In the unlikely scenario that those preliminary votes passed, Democrats would probably lose the subsequent full votes of both chambers. All this is possible, but the most probable outcome, if Mr Trump were to win the election, is that Ms Harris would concede, taking the wind out of any Democratic challenge to the result.

If Ms Harris wins, Mr Trump will not be so gracious. In that third scenario, the complexity of America's voting system collides with the MAGA conspiracy machine. The Republican National Committee has pre-emptively filed more than 100 election lawsuits in the states to create a paper trail in preparation to fight the result. As a legal strategy this would probably fail again, as it did in 2020. Fortunately, the governors of key swing states are not election-deniers. Lawyers who might be tempted to bring conspiracy theories to court ought to be deterred by the example of Rudy Giuliani, a Trump bagman who was bombarded by lawsuits. If some cases do get to the Supreme Court, John Roberts and the three Trump-appointed justices may well be keen to demonstrate their independence by rejecting weak challenges. Democrats might yet come to see the Supreme Court as a guarantor of democracy.

Yet a new "stop the steal" movement could fail legally while succeeding politically. In the last election a shocking number of House Republicans voted to reject the result. Since then the party has only become more beholden to Mr Trump. Members either sincerely believe the other side wins only when it steals elections, or go along with that idea in public. Those who refuse—Liz Cheney, Mitch McConnell, Mike Pence, Mitt Romney—have been sidelined. If Congressional Republicans did indeed secure a vote to overturn the election, they would probably lose. But the retailing of conspiracies could make the stolen-election myth even stronger.

One possible consequence of this myth is political violence. The Capitol will be so well policed in January 2025 that there will be no repeat of the riots on January 6th. But local police, the Secret Service and the FBI will have to prepare for protesters descending on statehouses, and for the risk of assassination attempts against lawmakers. About 20% of American adults say that they are open to the possibility of using violence for a political end. In a large, well-armed country you do not need many of them to mean it for that threat to be scary.

Cheater-in-chief

The other consequence of the stolen-election myth is the continuing degradation of American democracy. To be clear, America will still see a peaceful transfer of power in January 2025. Neither side will be able to install a president who lost by the rules. But that is a minimal definition of democratic success. In the broader sense, elections are meant to generate the consent of the people to be governed, even by a president for whom they did not vote. That requires voters to believe that the process is fair and can be trusted, so that their side has a decent shot in four years. Each time people feel that an election lacks legitimacy, the day draws closer when one side or the other breaks the system rather than accept the result. ■

Europe's economy

Mario's mixed message

The best recommendations in the Draghi report are those that Europe finds most uncomfortable

ADAM SMITH thought that achieving spectacular economic growth required little more than "peace, easy taxes and a tolerable administration of justice". Don't tell Mario Draghi, who has just penned almost 400 pages on boosting European "competitiveness", meaning economic growth. This is the second technocratic door-stopper commissioned by the European Union as it tries to bring stagnation to an end. As Mr Draghi observes in our online By Invitation column, an ageing population means that, if productivity growth does not rise, Europe's economy will be no bigger in 2050 than it is today.

By the standards of such reports, Mr Draghi's is commendably plain-spoken. The former Italian prime minister and president of the European Central Bank writes with authority and much of what he calls for is desirable. That includes more integrated markets, so that startups can benefit from scale among their customers and their financial backers. Mr Draghi also wants to unify decision-making on public investments; to pare back the thickets of regulation ensnaring Europe's firms; and to link up electricity grids.

The biggest question was how much he would endorse the interventionist policies many politicians crave. Here Mr Draghi is too sympathetic to the mercantilists and their calls for subsidies for "strategic" industries, such as carmaking, the relaxation of competition and state-aid rules, and tariffs on imports from China. He pays little heed to Europe's high-tech success stories, which owe more to markets than governments (see Finance & economics section). Even the academic papers Mr Draghi cites in support of his case are generally agnostic about whether state support brings aggregate benefits to an economy, rather than just helping favoured sectors.

Yet Mr Draghi is no crude protectionist. He admits, for example, that in some industries Europe should not attempt to match foreign subsidies on exports but instead allow "foreign taxpayers to contribute to higher consumption by European consumers". He often appeals to national security, which is a more solid basis for intervening than attempts to boost growth. If Europe follows his advice, its industrial policy will at least be thoughtful and guarded.

Mr Draghi's most headline-grabbing analysis is that Europe needs investment by the private and public sectors to rise from today's 22% of GDP to 27%. Germany, especially, needs this spending (see Charlemagne). Well-executed subsidies for R&D might work at a continental level. But northern Europe has little desire for more joint spending, a subject that Mr Draghi dances around.

Another problem is that Mr Draghi's recommendations are so numerous that policymakers will be able to pick and choose from among them. Europe is used to wringing its hands over "competitiveness" and urging investments in infrastructure and technology: Jacques Delors, a former president of the European Commission, did that as early as 1993. Yet extra spending and subsidies are no fix for the structural issues that require Europe to embrace reform. As Mr Draghi also points out, the continent needs bigger, better and more integrated markets, which requires some centralisation but not *dirigisme*.

If policymakers ignore this and instead use Mr Draghi as intellectual cover for weakening competition and state-aid rules, allowing governments or the EU itself to pursue an excessively interventionist agenda, then Europe's problems are likely to get worse. Mr Draghi might have done better to have focused his message on the things that Europe's politicians do not want to hear. ■

The South China Sea

Storm warning

To deter China, America needs to reassure its allies—and discourage reckless behaviour

EIGHT YEARS ago China lost a legal battle over its fantastical territorial claims in the South China Sea. An international tribunal ruled they had no basis. China responded by continuing to occupy and fortify reefs and rocks and sometimes preventing fishing and energy development by other countries. Now the confrontation is heating up as Vietnam, the Philippines and Malaysia challenge China's claims and aggression in different ways. Broadly speaking, this pushback is welcome. However, it should not be reckless. America should ensure that its ally, the Philippines, treads carefully.

The encounters can be dramatic. On June 17th Chinese coastguards wielded axes as they confronted Philippine sailors resupplying a beached warship that marks the Philippines' legitimate claim on Second Thomas Shoal. Two weeks ago China rammed a Philippine coastguard cutter on another shoal, tearing a gap in its hull. Such confrontations often go viral on social media, with images of Chinese bullies with water cannons. They also feature in Sino-American diplomatic meetings, suggesting that both sides fear they could escalate out of control (see Asia section).

The resistance by South-East Asian countries has been years in the making and comes in different forms. Vietnam has mimicked Chinese tactics by building up its own outposts on reclaimed land in the Spratly Islands. Malaysia's government is generally a walkover: it allows China to patrol its fishing grounds and trade oil that is under sanctions in its waters. Still, ▸▸

even it is now exploring for gas off Borneo inside the "nine-dash line" which China says marks its claims.

The Philippines has been the most assertive of all. Since 2023 the administration of President Ferdinand Marcos has pivoted the country away from China. It has agreed to give America access to some military bases, in return for an upgrade of them. And it has taken a tougher line on trying to enforce its maritime borders with patrols and public statements.

All this is fair enough. But the danger for America is that encounters at sea escalate too far, and that if a military skirmish erupted, it might be obliged to defend the Philippines under their mutual-defence treaty. There is already confusion. In May Mr Marcos said that the death of a Philippine citizen in any skirmish would be "close to an act of war", and predicted that America would "hold the same standard". But Lloyd Austin, America's secretary of defence, declined to endorse Mr Marcos's declaration. It is an invidious choice for America. It does not want to risk a wider war. Yet if it failed to back an important ally, American deterrence would suffer in Asia and elsewhere and China's illegal claims in the South China Sea would become more entrenched.

What to do? The first step is calibration and co-ordination by America and its allies, especially the Philippines. Under their treaty, America is bound to "meet the common danger" in the event of an armed attack on a Philippine public vessel. Yet that does not mean the Philippines has a licence to escalate of its own accord and expect Uncle Sam always to back it up.

This year the Philippines raised tensions by deploying a vessel to Sabina Shoal. And then, as different Philippine officials competed for influence, its navy took action near Second Thomas Shoal without informing America or Mr Marcos. That was foolhardy. Some hawkish members of America's Congress also play an unhelpful role, urging the Philippines to take unnecessary risks on the water, without the power to back them up. Better to have careful co-ordination of where in contested waters Philippine vessels sail, public communication of this and clear American backing in advance.

A second priority is transparency. The more the world sees of China's claims and the ugly way it tries to enforce them, the less legitimate they will seem. Most countries used to suffer in silence. Now the Philippines has led the way by publicising maritime incidents.

Other victims of aggression should follow suit. That is likely to draw a broader group of states to criticise China. Several European countries now condemn its actions in the South China Sea. Next should be the Association of Southeast Asian Nations (ASEAN). Some of its members who are chummy with China, including Cambodia and Laos, have blocked it from criticising Chinese activity. Other ASEAN members should speak out anyway. It is strongly in their interest to uphold international maritime law. The South China Sea has become a riskier place. But a more predictable policy of deterrence by America and its allies, and more exposure of Chinese misbehaviour, are the best approach to try to keep the peace. ■

Shareholder capitalism in Japan

Corporate crusaders

The fruits of Japan's reforms to big business are many, but politicians must finish the job

SHAREHOLDER CAPITALISM has had a difficult decade. Large companies around the world have been loaded with social, environmental and national-security goals that are outside their usual profit-making remit, often by governments. Corporate Japan, by contrast, has become far friendlier to shareholders of listed firms. Governance reforms that began after Abe Shinzo became prime minister in 2012 have chipped away at stuffy and value-destroying practices long associated with Japan Inc. The result has been a burst of confidence in Japan's hitherto-stagnant economy.

The fruits of reform have been tasty. Mergers and investor activism have surged (see Business section). Share buy-backs hit a record level in 2023, and Japanese firms have already pledged to repurchase over ¥12trn ($85bn) in their stock in 2024, up 25% on the total for all of last year. Foreign investors have noticed. In the year to August they snapped up ¥4.7trn ($33bn) in Japanese stocks. Warren Buffett, a storied investor, has bought stakes in cheaply valued Japanese conglomerates.

For all the success, however, there is still huge room for improvement—particularly when it comes to deploying capital efficiently. The trouble is that Japan's leaders are acting as if the job were finished. Corporate-governance reform has increasingly been delegated to bureaucrats and is no longer a priority at the highest levels of politics.

The best evidence that reform is incomplete is Japan Inc's woeful valuations. The price-to-book ratios of listed companies, a measure of their value relative to the worth of their assets, is a mere 1.5. By contrast, American companies are worth five times as much as the assets they hold. Japan's non-financial firms now hold ¥372trn ($2.6trn) in cash and bank deposits, a figure that has risen by 82% in nominal terms since the end of 2012, suggesting that too many executives are resting on their laurels.

Fortunately, some low-hanging fruit remains to be picked. Nicholas Benes, a former lawyer and one of the architects of the recent reforms, has proposed several changes. Training new corporate directors in financial and legal skills would boost their performance, at minimal cost to companies. Requiring official documents to be machine-readable would make it easier for analysts and investors to compare companies, and for foreign investors to translate those documents into their own languages.

More controversial changes are needed, too. Popular Japanese firms might be sold to overseas buyers who could manage them more effectively. Alimentation Couche-Tard, a Canadian retail giant, has been trying to buy Seven & i Holdings, which owns the 7-Eleven convenience-store brand. Seven & i has rejected Couche-Tard's first offer of $38.5bn. For Japan to suc- ▸▸

ceed it is important that such deals are feasible.

Other firms will conclude that less productive investments in Japan itself should be abandoned, which means that workers will be laid off. Toshiba and Omron, two Japanese electronics firms, have already announced thousands of lay-offs collectively this year. Managing this change—and explaining its necessity to the public—requires political leadership. Unfortunately Japan's politicians have little zeal for further reforms.

No hiding

The impetus for change today comes from the Tokyo Stock Exchange, which is pressing listed firms to explain how they are planning to raise their valuations. Pressure also comes from bureaucrats at the Financial Services Agency and Ministry of Economy, Trade and Industry, which have progressively raised governance requirements for companies and institutional investors alike. But prospective candidates for the leadership of Japan's Liberal Democratic Party—which governs the country, and has done for all but a few years in its post-war history—have barely discussed corporate-governance reform.

If Japan's politicians cannot recapture some of the reformist zeal of the Abe years, there is little hope for even more difficult reforms, such as making Japan's rigid labour market more flexible. And unless Japanese companies deploy capital more efficiently, the country will struggle to cope with the challenges it is facing. Japan is the oldest large nation in the world, with 30% of its people aged 65 and over. Security threats from an increasingly bellicose Chinese government are rising. Japan hiked its defence spending by 27% last year, and is increasing it by around 17% this year. Strengthening the economy to help pay for all this is crucial. A matter of such importance and urgency should not be left to technocrats alone. ■

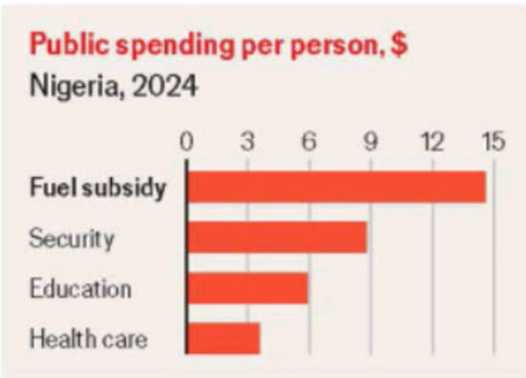
Nigeria

Subsidise people, not petrol

How Africa's giant should end its monstrously wasteful fuel subsidy

WISE PETROSTATES seek to turn oil revenues into human capital. By investing in better clinics, schools and other public services, they nurture healthy, well-educated citizens who will thrive long after the oil runs dry. Nigeria offers its people cheap petrol instead. Nearly half the government's oil revenues are wasted on petrol subsidies—2.3% of GDP, or four times the health budget. It should scrap this subsidy, a hard step that could be made politically easier by the start of petrol production last week at a huge refinery owned by Aliko Dangote, Nigeria's richest man (see Middle East & Africa section).

The subsidy has survived for decades, despite several attempts to get rid of it. President Bola Tinubu announced at his inauguration last year that the fuel subsidy "is gone". Yet it quickly returned. In its current form, it is convoluted and opaque. The state-owned Nigerian National Petroleum Corporation swaps locally pumped crude oil for petrol refined abroad, and sells that petrol to Nigerian motorists at a below-market price. The vast losses it makes on this are deducted from the oil revenues it is supposed to pay to the state. This dramatically reduces what is available for public services.



It is hard to exaggerate how terrible this policy is. It is inequitable, because the benefits flow disproportionately to the car-owning middle class. It is dirty, encouraging Nigerians to burn more petrol. It is an open door to graft. Lorryloads of subsidised fuel are smuggled into neighbouring countries. And because it costs a fortune to keep supplying cheap petrol, which the state cannot afford, petrol often runs out. In recent days mile-long fuel queues have caused huge traffic jams. Some drivers wait all night to fill their tanks.

Worst of all, lavishing more public money on fuel subsidies than on health and education combined makes it hard to improve the dismal quality of either. This is one reason why Nigeria is home to a sixth of the children who die before the age of five, and why the average Nigerian child absorbs only five years of schooling, against 8.5 in Kenya (measuring what is learned, not how long is spent in class). The waste of human potential is spectacular. Nigeria will be the world's third-most populous country by mid-century. The World Bank estimates that, with proper food, schooling and health care, Nigerian children would grow up to be 2.8 times more productive.

The difficulty is that the petrol subsidy is popular. Although it lopsidedly benefits the better-off, every Nigerian swiftly feels the pain when it is reduced. A recent sharp increase in the official price of petrol has raised the cost of everything from groceries to electricity (since Nigerians often use petrol-powered generators at home). People are furious. Last month police fired on crowds protesting against the high cost of living, leaving more than a dozen dead. The government is terrified of provoking further unrest. Yet a failure to reform will only prolong the misery.

There are two possible ways to persuade voters that scrapping the subsidy will ultimately benefit them more than it hurts. One is to end the fuel shortages by letting Mr Dangote (and anyone else) sell petrol at market prices. The transition will not be smooth, owing to bottlenecks in the domestic supply of crude oil. And it will mean higher prices, which people will hate. But Nigerians are sympathetic to the nationalist view that, as an oil producer, their country should refine its own fuel. And the government might find political cover by blaming higher petrol prices on Mr Dangote.

More important, it should invest the money saved by scrapping the fuel subsidy in health care, education and a less threadbare social safety-net. Mere promises to do so will be widely disbelieved. Many Nigerians assume, with some justification, that any spare cash in state coffers is likely to be stolen or wasted on vanity projects. It is up to Mr Tinubu's government to prove them wrong, and quickly.

Much could go wrong, as it has before. But Nigeria's public finances are so wobbly that it can't carry on like this. It should stop subsidising petrol, and subsidise people instead. ■

Letters

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

Life in a Tehran jail

I am a former American hostage in Iran. I was recently contacted by a former cellmate, a European hostage who was just released from Iran's notorious Evin prison. His message included a picture of the latest *Economist*, proudly declaring it was the first item he asked for upon release. It was an inside joke between us, rooted in the dark days of our captivity when your newspaper became our unexpected beacon of hope.

During the last couple of years of my imprisonment, a wealthy inmate with a knack for sneaking in luxury items offered me a generous favour, to bring me one item of my choice each week. To his surprise, I requested neither a long-missed food item nor an item of clothing. I wanted copies of *The Economist*. I was immediately hooked, as were the other foreign and dual-national hostages who eagerly awaited their turn to read. Slowly, I expanded my underground paper route to other sections of the prison, including, on occasion, the women's ward. Who knew that distributing magazines could feel like running a covert intelligence operation?

When my benefactor left, I was too hooked to let go and decided to keep our intellectual lifeline alive, even if it meant learning how to smuggle things into an Iranian prison. It took a while, but my resourcefulness eventually paid off. I managed to bring in a copy of *The Economist* more or less on a regular basis, although it required constantly finding new smuggling routes when the old ones were shut.

On occasion, my "mules" would get intercepted and the precious cargo confiscated. That only meant I had to argue with the prison officials so much that they would eventually relent and return the goods. In fact, they got so tired of my constant haggling that, at a certain point, they allowed me to bring them in officially. But I quickly learned that the official channel took months to clear, so I reverted back to the far more efficient smuggling system. These contraband copies of *The Economist* became our secret treasure, offering a respite from the monotony of captivity. We devoured the articles cover to cover, momentarily forgetting our dire circumstances and feeling a sense of normalcy. The impact of your publication was far more profound than I can ever express.

This letter serves as a belated but heartfelt expression of gratitude for the intellectual nourishment you provided us during those dark days, connecting us to the world outside. Though you were denied a few years' worth of subscription fees, I hope you can forgive this captive enthusiast.

SIAMAK NAMAZI
Washington, DC

Editor's note: September 18th is the first anniversary of Mr Namazi's release from eight years in Iran's Evin prison.

Deciphering doctors

I disagree with Hetty Roessingh about the importance of handwriting (Letters, August 24th). My parents were repeatedly told that I would fail all my school examinations due to poor handwriting. Many attempts to teach me that skill followed, and all failed.

I went on to become a doctor, obviously.

DR JEREMY SMITH
New Plymouth, New Zealand

Below the surface

The challenges of easing access to the mapping of underground infrastructure such as cables and pipes are shared by many countries as well as Britain ("Subterranean assets", August 17th). Israel's National Infrastructure Law of 2023 requires all utility companies to allow the mapping of their infrastructure to be published on an accessible platform. The availability of this type of information is crucial for any country. But it is especially true for the developers and agencies currently involved in planning Israel's mass-transit network. Much time and money in these megaprojects are dedicated to relocating power lines and so on. This is all the more difficult and costly when the exact locations of existing utilities are kept under wraps.

ADAM ROSS
Director
National Infrastructure Planning Department
Israel Planning Administration
Jerusalem

Accepting responsibilities

I note your rejection of the moniker "border tsar" being applied to Kamala Harris ("Woolly warrior", August 24th). In March 2021 Joe Biden gave Ms Harris the job of leading the administration's efforts in "stemming the migration to our southern border". To now claim that the title "border tsar" is a "big exaggeration", with the implication that she bears little or no responsibility for subsequent migration across that border, is surely sophistry at its most blatant. Our political leaders should accept responsibility for their roles rather than cowering behind obfuscation.

ADRIAN FOGARTY
London

The perils of AI

The realistic dangers of artificial intelligence don't necessarily come from whether it could cause "death or physical destruction" ("Reality check", August 24th). As Neil Lawrence points out in "The Atomic Human", AI in social media has already fundamentally changed the way people sense and experience the world by personalising what we get to read, see and hear in microseconds. It does not really matter whether these AI systems have their own agency, are run by humans, or are just stupid inanimate machines. By creating echo-chambers, radicalisation and enabling propaganda at unprecedented scales, AI models in social media may indeed lead to events causing physical destruction and death.

DR WOLFGANG HUBER
Heidelberg, Germany

Film-makers and authors have long explored AI risks and possibilities. In 1942, Isaac Asimov introduced the Three Laws of Robotics to prevent harm to humans (at least in his books). We often focus on threatening fictional examples like "The Matrix" and "Terminator," where AI turns evil and takes control. But what about more probable outcomes, like the benevolent holographic AI doctor from "Star Trek: Voyager"? After all, Star Trek predicted speaking computers, universal translators and personal communicators. The omnipresent and supportive AI entity in the Time Odyssey trilogy by Arthur C. Clarke and Stephen Baxter presents another compelling vision of AI's future. Though maybe that is a bit utopian, as the AI does not run ads or try to sell anything.

MARCELO NÓBREGA
Miramar, Florida

Soul mates

Following the fascinating obituary of Helen Fisher (August 31st), I discovered the oldest description I know of falling in love. It's in the Bible: "And it came to pass, when (David) had made an end of speaking unto Saul, that the soul of Jonathan was tied together with the soul of David, and Jonathan loved him as his own soul" (1 Samuel 18.1, in the Orthodox Jewish Bible, anglicised).

Interesting that it should be between two men.

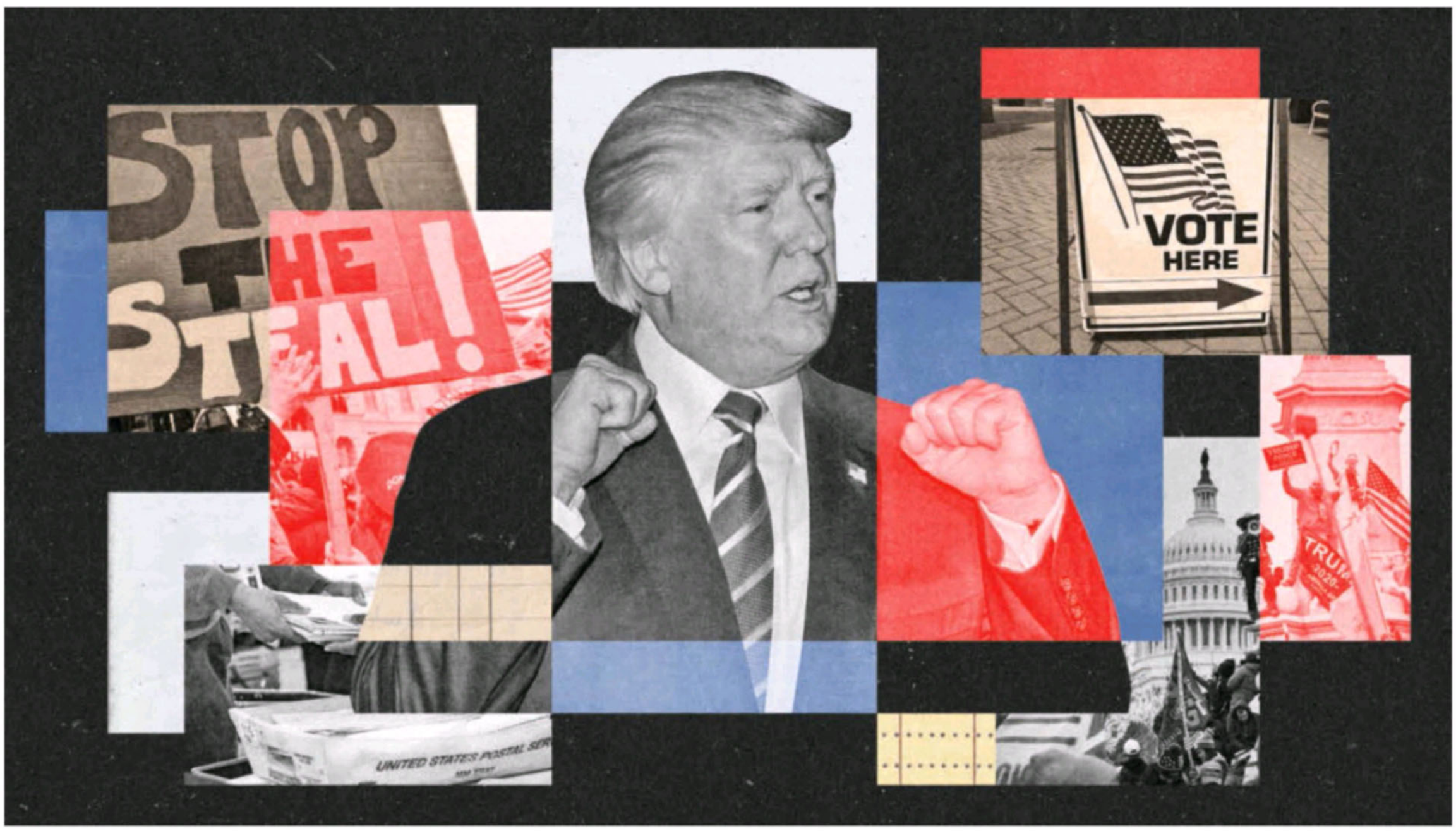
REVEREND ANDY ROLAND
London

Say what?

Sometimes when it comes to signalling their intentions to financial markets, central bankers may find that less could actually be more (Free exchange, August 10th). Perhaps they can all learn from Alan Greenspan, who once said "I know you think you understand what you thought I said, but I'm not sure you realise that what you heard is not what I meant."

SUNNY MAHAJAN
Jackson, Tennessee

Briefing America's rickety electoral system



A foregone confusion

ATLANTA

What will happen if the election result is contested again?

GABRIEL STERLING is preparing for trouble: "Do we have concerns? Yes. Do we have backup plans? Sure. I don't want to get too deep into them, because I don't want people to have backup plans to our backup plans."

Mr Sterling works for Georgia's secretary of state, Brad Raffensperger, whose main job is to administer elections. After the election of 2020, but before Congress had certified the outcome, Mr Raffensperger received a now-infamous phone call from Donald Trump, who was president at the time, asking for help to "find" enough votes to flip the result in the state in his favour. Mr Raffensperger demurred, and Mr Trump tried instead to overturn Joe Biden's victory in other ways, without success. Mr Trump and other Republicans are already signalling that they will dispute the result again this year if defeated. Election officials like Mr Sterling, as well as legions of party functionaries, lawyers and activists, are working on the assumption that there will indeed be attempts to subvert the election this year, and have been preparing accordingly. How will the electoral machinery hold up?

The method the constitution prescribes for installing a new president is centuries old and showing its age. Critically, Americans will not pick a president by majority vote in a single, nationwide election on November 5th. Instead, voters in each of the 50 states plus the District of Columbia will choose a distinct slate of "electors", who have pledged to support one of the presidential candidates. The state's election officials and governor must sign off on the results of this election before the electors vote, in turn, for a presidential ticket in December. After the newly elected Congress is seated, in January, it will tally the electors' votes, under the supervision of the vice-president, Kamala Harris, who is herself the Democratic nominee for president. It is only once Congress has completed its count that the new president can be inaugurated, on January 20th.

This process has many drawbacks. First and foremost, it can result in a candidate losing the popular vote but winning the presidency, as happened in 2000 and 2016, in both cases to the Democrats' detriment. Second, it encourages candidates to focus narrowly on the few states where the outcome is uncertain (there are only seven this year: Arizona, Georgia, Michigan, Nevada, North Carolina, Pennsylvania and Wisconsin). Third, the constitution devolves to the states the authority to decide exactly how the electors are chosen, meaning that election rules are different in every state.

E pluribus plures

Maine and Nebraska allow their votes in the electoral college to be split between the candidates, whereas the other states are winner-takes-all. Although most states require electors to vote for the candidate who carried the state, a few, including Georgia and Pennsylvania, have no rules to prevent "faithless" electors from opting for another candidate. At a more mundane level, states have different deadlines for counties to report their results, for the election authorities to produce a statewide tally, for candidates to request recounts or lodge le-

gal challenges and so on (see timeline).

Worst of all, the process is absurdly drawn out, not under the auspices of any single authority and not always codified in detail, allowing for all manner of obstruction and delay. In 2020 Mr Trump, having failed to get various state officials to change the local results, then tried to convince both Congress and his vice-president, Mike Pence, to reject the outcome. When all else failed, he egged on a crowd that had gathered outside Congress to protest the "certification" proceedings, resulting in a deadly riot.

Should Mr Trump lose (*The Economist*'s election-forecast model considers the race a toss-up), he is all but certain to challenge the result again. Disputing election defeats is a knee-jerk impulse for Mr Trump. In 2016 he claimed he came second in the Republican caucuses in Iowa only because Ted Cruz, the senator from Texas who beat him, had somehow rigged the proceedings. He refused to promise to respect the outcome of the general election that year in which he was pitted against Hillary Clinton, insinuating that he could be defeated only by fraud. And even though it is he, rather than Mr Biden, who has been indicted both in federal court and in Georgia for trying to steal the election of 2020, he has never admitted that he lost it.

Singing from the same cheatsheet

Mr Trump is already preparing to dispute this year's election. On social media this week he accused Democrats of "Cheating and Skulduggery" in 2020 and pledged that this year "WHEN I WIN, those people that CHEATED will be prosecuted to the fullest extent of the Law". At a rally in Las Vegas in June he insisted, "The only way they can beat us is to cheat." At the Republican convention in July Chris LaCivita, an adviser to Mr Trump's campaign, declared, "It's not over on Election Day, it's over on Inauguration Day."

Republican officials have helped prepare the ground by endlessly repeating the claim that Democrats are cheats and Mr Trump is a victim. In 2021 in Arizona, another battleground that Mr Trump narrowly lost, Republicans in the state senate launched an unprecedented partisan audit of ballots cast in the most populous county, inspiring wildcat audits elsewhere (none of which discovered anything much). In 2022 Mr Trump played kingmaker in the midterm elections, encouraging primary challenges to Republicans who had rejected his claims of fraud and endorsing candidates who parroted them (Mr Raffensperger was a rare survivor of this purge). Embracing Mr Trump's lies about election fraud has thus become an article of faith in the Republican Party. One of the slogans the Republican National Committee (RNC), the party's paramount co-ordinating body, is using in its get-out-the-vote drive this year is, "Make it too big to rig." Christina Bobb, an adviser to the RNC, lawyer for Mr Trump and advocate of the spurious recount in Arizona, has written a 270-page book called "Stealing Your Vote", which purports to explain how Democrats rigged the presidential election by stuffing ballot boxes.

Over the past four years Republican-controlled state legislatures have been tightening voting rules, ostensibly to prevent another stolen election. Arizona's legislature has passed a new law requiring that the envelopes in which postal ballots arrive be counted by hand (machines tally the ballots themselves), to make life difficult for election-riggers. In Georgia cheerleaders for the notion that Mr Trump was cheated passed a law removing the secretary of state (Mr Raffensperger) from the state board of elections, which helps make election rules. In the name of "election integrity", the board then passed a rule allowing local officials to undertake "reasonable inquiry" into claims of fraud before they certify results from each county.

Observers worry Republican officials will use the new rule as a pretext to refuse to certify disappointing results. At a rally in August in Atlanta, Georgia's capital, Mr Trump praised by name the three members of the board who had pushed through the change, calling them "pitbulls fighting for honesty, transparency and victory". Janelle King, one of the three, says allowing reasonable inquiry will improve trust in the system. "There's no benefit to us to steal an election. There's no benefit to me to help [Mr Trump]," she insists.

The RNC is involved in more than 100 lawsuits over election rules around the country. "While Democrats continue their election interference against President Trump and the American people, our operation is confronting their schemes and preparing for November," says Claire Zunk, a spokeswoman for its election-integrity unit. "Should the Democrats choose to continue their attacks on election safeguards through Election Day, we will be prepared to litigate and ensure the election is fair, transparent, legal, and accurate."

"It's not unusual to see some litigation ahead of a major election," notes Liz Avore of Voting Rights Lab, which tracks changes to election law, "but the sheer volume that we're seeing just two months before election day and this intense focus on purging voters from voter lists is not the norm." She points to a lawsuit in Arizona to remove 500,000 entries from the state's voter rolls as an example of the lengths to which the Republican Party is going.

The rhetoric Republican functionaries deploy in these legal complaints is consistently overheated. In August the RNC sued North Carolina's electoral bureaucracy twice in one week, alleging that it had "once again failed in its mandate to keep non-citizens off the voter rolls". When announcing legal challenges to new laws on voting in the state of Michigan, Michael Whatley, one of the co-chairs of the RNC (alongside Mr Trump's daughter-in-law), fulminated, "Gretchen Whitmer and Democrats have hung a new sign on Michigan's door: Open For Cheating." The laws in question, which change the procedures for recounts, do not go into effect in time for this year's election anyway, points out Stephanie Chang, the Democratic state senator who wrote them.

The RNC has also launched an initiative called "Protect the Vote", which aims to train 100,000 poll-watchers and attorneys in battleground states "to beat Democrats at their own game" and ensure that "Democratic tricks from 2020 won't work this time". A spokeswoman for the RNC

→ Selected election season dates

Nov 5th 2024	**Election day**
9th	Nevada: deadline for postal ballots to arrive
12th	Georgia: deadline to complete count
14th	Georgia: deadline to request a recount
15th	Nevada: deadline to complete count
19th	Pennsylvania: deadline to complete count
20th	Nevada: deadline to request a recount
25th	Arizona: deadline to complete count
	Michigan: deadline to complete count
	Pennsylvania: deadline to dispute election
27th	Michigan: deadline to request a recount
30th	Arizona: deadline to dispute election
Dec 1st	Wisconsin: deadline to complete count
2nd	Wisconsin: deadline to request a recount
6th	North Carolina: deadline to complete count
10th	North Carolina: deadline to request a recount
11th	National deadline to complete counts
17th	Electors vote for president
Jan 3rd 2025	New Congress seated
6th	Congress tallies results
20th	**New president sworn in**

Sources: Various secretaries of state websites; Ballotpedia

says that 175,000 people have volunteered so far. Cleta Mitchell, a former lawyer for Mr Trump who was on the call with Mr Raffensperger, now runs the Election Integrity Network, which aims to connect "volunteer citizen patriots...to learn how to ensure that elections are administered lawfully." "The leftist advocacy groups are screaming bloody murder whenever we push for such legal compliance," she complains. All this is vastly more organised than the shambolic, last-ditch efforts the RNC and Mr Trump made to challenge the election results in 2020 and makes possible a much more concerted legal fight.

Poll workers are expecting the worst. "There's a lot of bad actors out there, a lot of people just trying to work the system somehow to their advantage," Mr Raffensperger says outside the electoral offices in Spalding County, where he and his colleagues have just conducted a "health check" of voting machines. This year, he notes, some election officials in Georgia will be wearing lanyards equipped with panic buttons. Election offices are stocking an antidote to opioid overdoses after one received a letter laced with deadly quantities of fentanyl.

Counting on the counting

Nonetheless, Mr Raffensperger insists, the election will be sound. After all, he and other officials have been put on their guard and are far better prepared for meddling than last time. In 2022 Congress amended the relevant laws to prevent some of the manoeuvres Mr Trump attempted in 2020. The legislation made clear that the vice-president has no authority to disregard or alter any of the votes cast in the electoral college, and raised the number of congressmen needed to lodge an objection from one member from each chamber to a fifth of members from each chamber.

There are still procedural uncertainties and potential constitutional loopholes to be exploited. In their book "How to Steal a Presidential Election", Lawrence Lessig, a professor at Harvard Law School, and Matthew Seligman of Stanford Law School argue that there is no foolproof mechanism to force a governor to certify the results in his or her state and that state legislatures can still simply order electors to disregard the popular vote and follow their instructions. But voters have not put pro-Trump conspiracy theorists in charge in any swing states, and no state legislature is contemplating such radical legislation. By the same token, although there have been instances of officials at the county level refusing to certify local votes, Derek Muller, a law professor at the University of Notre Dame, points out that, in the end, all the relevant deadlines have always been met.

It could be Democrats who try to stymie proceedings, especially if Mr Trump wins the electoral college but Ms Harris prevails in the popular vote or, worse, if the electoral college is tied and the arcane procedures that follow hand the election to Mr Trump (our model ascribes odds of 1-in-300 to this scenario). They could, for instance, argue that Mr Trump is not eligible since the constitution bars those who have "engaged in insurrection or rebellion" against the government or "given aid or comfort to the enemies thereof" from holding government office. But it is unlikely that Democrats would have the congressional majorities needed to take such a step and the party's leading lights have so far dismissed the idea.

Circumstances are different now, too. The previous election took place during the pandemic. States had to revise procedures hastily, inviting suspicion and lawsuits. Mr Trump is not president, so the Department of Justice will not be dragooned to aid his cause, a step Mr Trump considered in 2020 but abandoned when officials threatened to resign en masse.

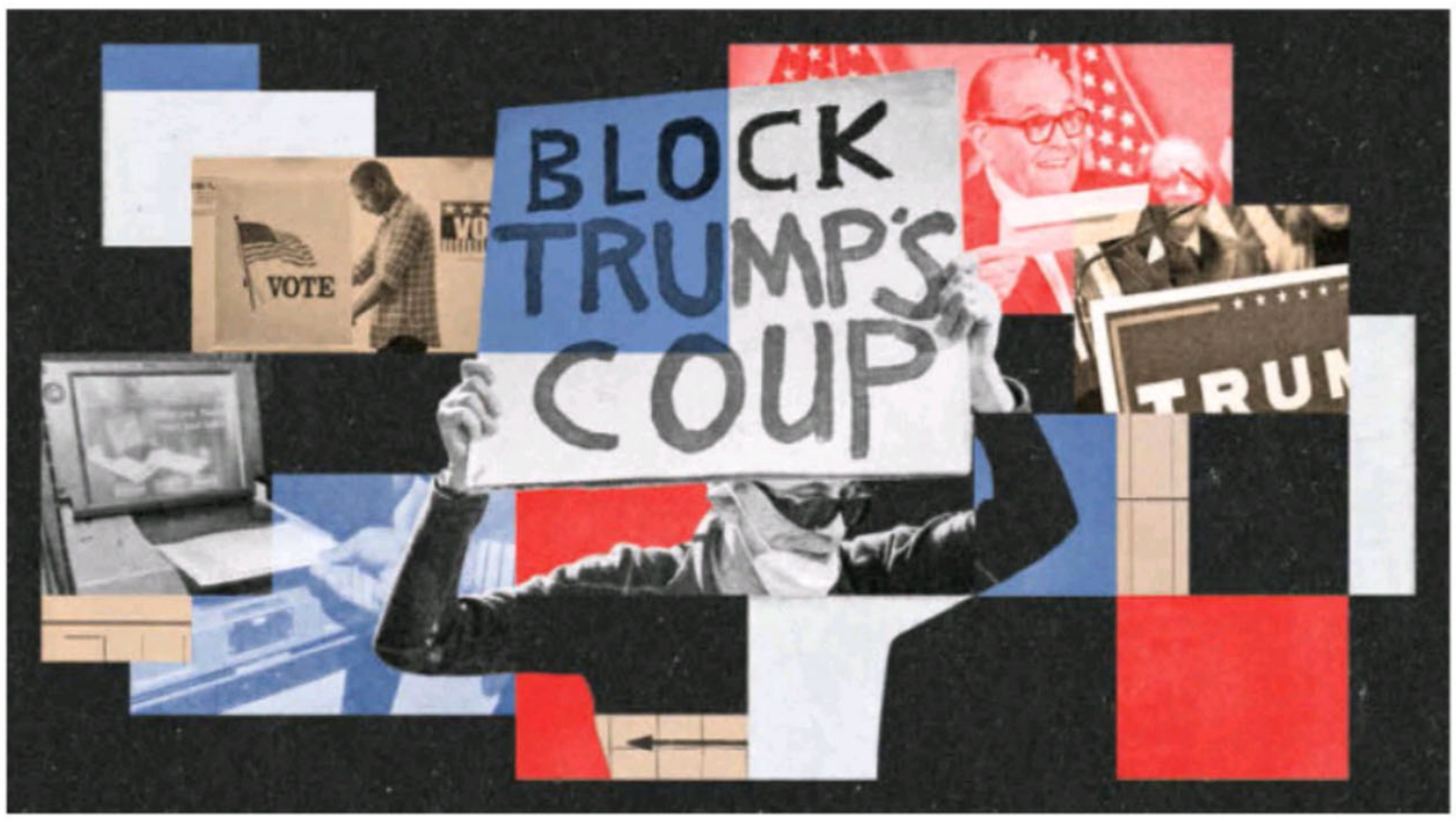
In contrast to 2020, Mr Trump is encouraging his supporters to vote early and to vote by mail. That should help diminish a partisan split, whereby Republicans were more likely to vote in person. That matters because counting postal votes involves more exacting procedures and so is slower. The effect of this in 2020 was for votes to skew more heavily Democratic the longer counts wore on. Mr Trump's apparent lead in several states was gradually eroded and then overturned, a "blue shift" that people like Ms Bobb adduce as evidence that the Democrats cheated.

It is not just Mr Trump, but many of his allies who have found themselves in legal trouble after the attempted subversion of 2020. That should act as a disincentive to get involved in such schemes this time around. Ms Bobb, for instance, was among 18 people charged in Arizona in April with conspiring to overturn the election result. Similar prosecutions are under way in Georgia, Michigan and Nevada. Last year a jury granted damages of $148m to two election workers who had been groundlessly accused by Rudy Giuliani, one of Mr Trump's most imaginative surrogates, of tampering with the vote in 2020. They are now attempting to enforce the verdict by seizing Mr Giuliani's property.

Despite the Supreme Court's expansive view of Mr Trump's immunity as president, he remains in legal jeopardy over his conduct during the previous presidential election. By contrast, the courts have given short shrift to his claims that he was the victim of electoral fraud. That is why, on the whole, election lawyers think the chances of an unsuccessful candidate overturning an election using legal loopholes and constitutional trickery are slim. "Given what we went through in 2020, I think people, if they're vigilant and courts do their job again, we should make it through," says Rick Hasen, a law professor at the University of California, Los Angeles.

But although a stolen election remains a mercifully remote prospect, the fact that Americans are having to assess the odds at all—and that diplomats in Washington are quietly requesting briefings on the question—is itself worrying. Mr Trump's efforts to "Stop the Steal" were alarming not because they were underpinned by strong legal arguments, but because he managed to win widespread and ardent support for his baseless claims among Republican voters and elites alike. Polls consistently find that a majority of Republicans believe Mr Trump was robbed of victory in 2020. Many of those people fear that he will be this year, too. Republicans are more likely to trust Mr Trump than they are election officials, pollsters say.

If there is good faith among winners and losers, even a labyrinthine electoral system such as America's will yield the right outcome. If that good faith evaporates, however, not even the best-designed system can cope. ■



United States

The murder decline

Wicked safe

BOSTON

How Boston became the safest big city in America

IN THE BASEMENT of Charles Street AME, a church in Roxbury, a historically black neighbourhood in Boston, Haseeb Hosein, the captain of the local police district, delivers the good news. "We've had no homicides in B2, year to date," he says. "Keep on praying," he says, to a chorus of "Amens". "I can tell you, the district is going really well when we're focusing on barbershop music, when we're focusing on cars blasting music," he says. "Music is my biggest community concern and I am a happy camper."

It is not just B2. Across the whole city of Boston, by the beginning of this month there had been just 13 homicides this year. That is a 50% reduction on the same point last year—which was already a record low. This year, Beantown is on track to become the safest big city in America.

Nationwide figures do not yet exist. But according to AH Datalytics, which collects real-time crime data from 277 American cities, the number of murders recorded so far this year is down by 18% on the same period last year. Some very violent cities, such as Philadelphia and Baltimore, have experienced improvements almost as big, in proportional terms, as Boston. In Philadelphia there have been 111 fewer homicides this year than last.

Yet Boston is worth looking at, precisely because it shows how safe American cities could be, and what it would take to achieve that. Even with the improvement, America remains a stunningly violent country. The national homicide rate is 14 times higher than it is in Italy. Some of this is the inevitable result of guns being more freely available than elsewhere. But much of what makes America's overall figures so big is the terrifyingly high level of murder among young black and Latino men. Nationwide, a black teenage boy has a roughly one in 100 chance of being shot to death before he reaches the age of 30. Boston shows it is not inevitable.

Some suggest that Boston is safe because it is rich. The median household income is $86,000, compared with a national average of $75,000. Thanks to the tech and finance industries, once-rough neighbourhoods like South Boston are now among the most expensive places to live anywhere in America. Perhaps the criminals have been gentrified out? Another popular claim is that there are still shootings—it is just that more people survive because of advancing medical care. "What you hear is, 'It's all, we're gentrifying, or Boston has the best trauma centres'," says Christopher Winship, a sociologist at Harvard University. "My argument is, that's not adequate."

The data back Professor Winship up. According to the Census Bureau, despite gentrification, Boston's black population has not shrunk in recent decades: black Bostonians continue to make up a fifth of ▸▸

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the city's population, roughly the same share as in 1990. As for wealth, whereas median incomes have grown, the poverty rate, at around 17%, is almost exactly the same as in Chicago. If wealth alone could explain the fall in the murder rate, Washington, DC, a city even more gentrified, with a similar-size population, would be as safe as Boston. Instead, in 2023 the capital suffered seven times as many murders. As Reverend Eugene Rivers, an anti-violence activist in Boston, puts it: "What does white folks getting richer do if all of the murders are committed by poor blacks?"

So what does explain the improvement? Across America, high murder rates among young black men are the result of a lack of trust. In segregated neighbourhoods people are reluctant to call the police because they do not expect them to take their complaints seriously. Young men join gangs to get protection against being robbed or otherwise victimised. Extreme violence is a way of signalling that you should not be messed with. In Boston, when teenagers with guns are arguing, Boston's police usually know how to stop it.

Patient progress

This trust was built over decades. In 1998 Reverend Rivers was among those who started the weekly get-togethers between police and community groups, known as the "Baker House" meetings. To visit is to get a sense of how it works. On September 4th those in the room included three district commanders; the Suffolk County district attorney, Kevin Hayden; senior probation officers; staff from various crime-focused NGOs; several churchmen; a few members of the public; Professor Winship; and your correspondent. Over the course of an hour the officials delivered reports on crime (or the lack of it) during the past week, and took questions.

How does having meetings reduce violence? The explanation, argues Professor Winship, lies in the way they have changed policing. Thirty years ago Boston's police department worked much as many American departments still do—targeting entire neighbourhoods indiscriminately. In one noticeable incident, in 1995, a young black officer was viciously beaten by his own colleagues who mistook him for a suspect during a foot chase. Afterwards, when his assailants realised their mistake, he was abandoned in the street. The officers responsible covered up their crime.

That culture has changed. Today the officer once attacked by his colleagues, Michael Cox, is the city's police commissioner. The police department is far more trusted. As Mr Cox puts it, "Through that trust, we're able to do our jobs better...we're not out there like 30 years ago, just stopping and frisking kids, you know, and hoping that we come up with a gun." A small number of young men commit an enormous share of all violent crime, he says. The important thing is to know who those young men are, and what they are arguing about, including on their social media.

One of the more prominent community bodies that attends the meetings is Roca, a "violence-interruption" group that works with nearly 300 young men (and a few women) in Boston who have been identified as especially likely to get involved in violence. Their goal is to persuade these youngsters to change their ways, using cognitive behavioural therapy and offers of training and job placements. Carl Miranda, the director of Roca's Boston office, describes how young men in a gang are put under intense emotional pressure to "strap up" and "spin the block" (that is, to take part in a drive-by shooting) in response to slights. With help, he says, they can learn to "interrupt those cycles".

Such groups exist all over America. Indeed, funding for them has exploded since the surge of violence after the murder of George Floyd in Minneapolis in 2020. Yet rarely do they work as closely with police as they do in Boston. In many cities, violence-interruption groups avoid interacting with police at all, because cops are so hated that it would undermine their ability to reach young gang members.

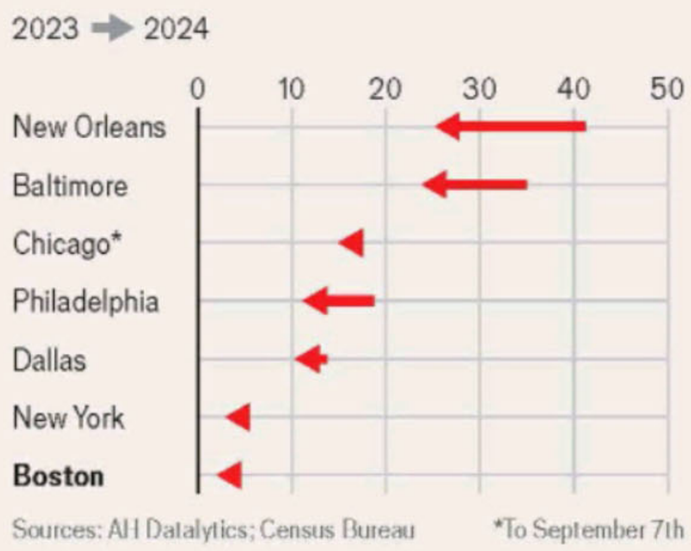
What this adds up to is a criminal-justice system that works preventively. As Mr Hayden, the district attorney, puts it, to change the behaviour of violent people, you need to be able to offer them a choice: get help, or get locked up. The help part is as important as the locking up. "If you don't have a real carrot then it's all a waste of breath," he says. His chief of staff is a former social worker; and social workers operate in police stations.

Can such lessons spread elsewhere? It would probably be hard to recreate what Boston has done. Since the 1990s, when the idea of a "Boston Miracle" first gained traction, hundreds of American police departments have visited the city to learn. Robert Sampson, another Harvard professor, argues that even in the roughest parts of black Boston, "you do not find the same deep level of cynicism towards the law and towards institutions that you find in, for example, the South Side of Chicago." Boston's police have not shot an unarmed person in two decades. Nor have they suffered scandals like those that have hit police departments in Chicago or Baltimore.

Yet there is no alternative but to try. "The more officers actually go and talk to the community and hear from them, the more that they feel better about their job," says Mr Cox. Police officers who feel valued solve more crime. It is more like ending a bitter civil war than tweaking government policy. Cops have to remember that they got into the job to help, and that even places with very high crime rates are home to good people and can improve. As Captain Hosein argues, "Police with dignity and everything comes together." ■

Safah than evah

United States, homicides per 100,000 people
Selected cities, January 1st-September 8th



Sources: All Datalytics; Census Bureau *To September 7th

Political astrology

TikTok, tarot and Trump

NEW YORK

The election result is, apparently, written in the stars

DONALD TRUMP'S horoscope illuminates the laptop screen. "He's going to enter the peak of his life in April 2025," Helena Woods, a professional astrologer, tells your correspondent, a Pisces. The former president's birth chart, a wheel of zodiac symbols, is a snapshot of his destiny, determined by the positions of planets across different aspects, or "houses", of his life. That includes his relationships, his career—and the election. The exact time of Mr Trump's birth is required for the most accurate reading. As for Kamala Harris, Jupiter and Saturn are aligning in her favour. "If she does win, I do think she might carry out two terms," says Ms Woods.

Astrologers have long claimed to be able to chart the fate of politicians. One advised Ronald and Nancy Reagan. Now astrology is captivating a new generation. In 2022, 37% of Americans aged between 18 to 29 surveyed by YouGov, a pollster, said they believe in it. Ms Woods, who has almost 100,000 subscribers across two YouTube channels, is one of many astrologers using social media to reach them.

Evan Nathaniel Grim has accumulated 400,000 TikTok followers by making horoscope videos and cosmically informed forecasts about the news. He touts a "long list" of accurate predictions, including that "a very volatile event" was on the cards for Mr Trump before the assassination attempt happened. Mr Grim does not see Mr ▸▸

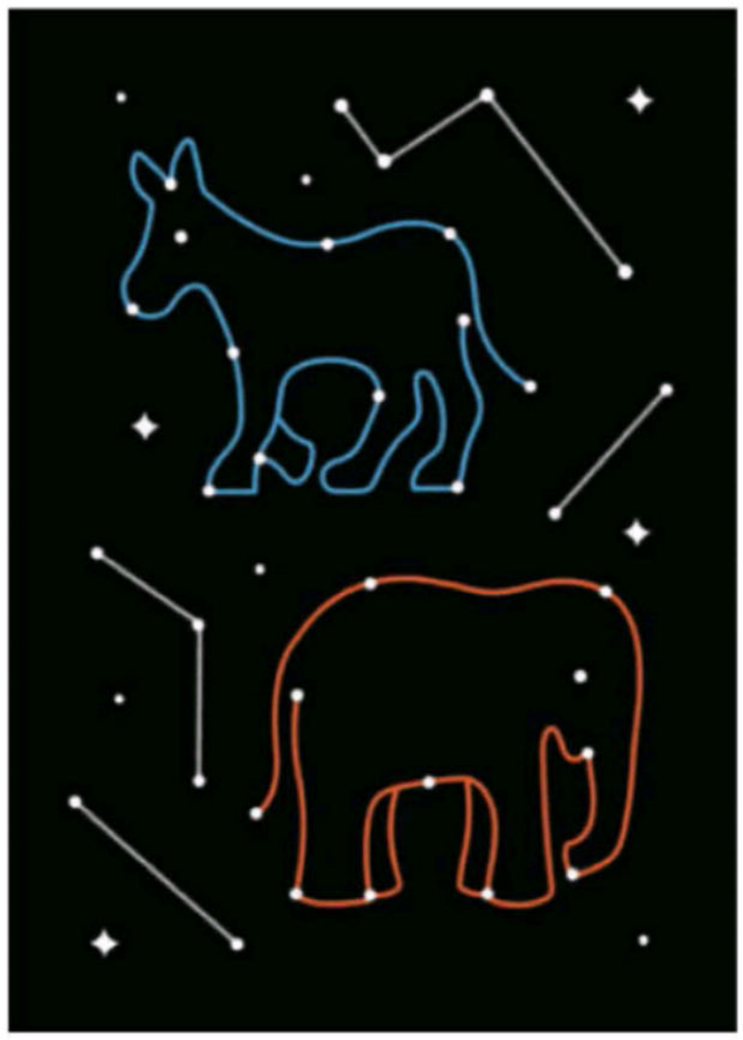
Trump on the ticket after October, owing in part to an upcoming Aries full Moon.

Earning a good reputation can be lucrative. Mr Grim says he has completed thousands of private readings for paying clients, charging up to $750 for sessions. Many astrologers put their juiciest forecasts behind paywalls. Allied Market Research, a firm of analysts, reckons the value of the global astrology market will reach $22.8bn by 2031, up from $12.8bn in 2022. A revived interest in new-age mysticism has helped. Google searches for "tarot" in America have spiked since 2020. Millions of people watch crystal-laden psychics shuffle cards on TikTok and YouTube.

"Every four years, every astrologer or person who thinks they're an astrologer comes out predicting presidential races," says Laurie Rivers, an analyst-turned-astrologer with 200,000 TikTok followers. "Actual astrology is very complex, like any kind of data science." Ms Rivers sees Ms Harris winning "overwhelmingly".

Even astrology is not without polarisation. Ms Woods has paused making political videos because they were causing "intense division". Amy Tripp, an astrologer with almost 150,000 followers on X, reports being "cancelled" over some of her interpretations. "A lot of astrologers let their personal bias come in when it comes to reading charts." Ms Tripp, who predicts Mr Trump will win, says she can make "objective" forecasts because she is an Aquarius.

Gazing at America's birth chart (countries have horoscopes too, although there seems to be disagreement over what counts as America's birthday), astrologers foresee various uprisings, technological breakthroughs and a rewriting of the constitution. "Things get really insane once we get into July of 2025," says Ms Woods. When will the chaos subside? "2033." ■



Montana's Senate race

Trouble in Paradise Valley

BOZEMAN AND LIVINGSTON

Democratic control of the Senate depends on a seven-fingered farmer

"WHEN I SAY dirt, you're going to say farmer. Got it?" The crowd packed into a small room just off Main Street in Bozeman, Montana, quickly obliges the MC. "Dirt!" "Farmer!" "Dirt!" "Farmer!" Thus begins a rally for Jon Tester. "I've never had a wide margin of victory, and I ain't going to have one this time, either," warns the third-term Democrat, who is running for re-election to the Senate in November.

The seven most competitive Senate races this year are seats now held by Democrats (or, in one case, a Democrat-turned-independent). Democrats will need to retain them all to keep control of the chamber. Most of these seven are in swing states (Michigan, Wisconsin, Pennsylvania, Arizona and Nevada). Ohio and Montana are where Democrats will have their work cut out. Mr Tester's job will be the hardest. He will have to persuade voters in a state that Mr Trump won by 16 points in 2020 to send a Democrat to represent them in Washington. An average of recent polls suggests that he is running roughly three points behind Tim Sheehy, his Republican opponent. It is worth noting, however, that a number of these polls are from Republican, or Republican-leaning, pollsters.

A third-generation Montana farmer, Mr Tester lost three fingers as a child when they were caught in a meat grinder in his family's butcher shop. At the rally in Bozeman, he lodges the microphone into the empty space between his thumb and little finger. His first job in politics was serving on a local Soil Conservation Service Committee ("Dirt! "Farmer!"). He moved on to the school board and statehouse before winning election to the Senate in 2006 by beating the Republican incumbent. Though he votes with his Democratic colleagues most of the time, he talks tougher than the Biden administration on issues that rile Republicans, such as border security. He did ten points better in Montana in 2018 than Joe Biden did in 2020.

This year Mr Tester's luck may run out. Montana was once a toss-up. But it has turned Republican as union power, which was a big force in Montana, has declined and politics has become more nationalised. Local Democrats have whiplash. "It just feels hilarious to be living in Bozeman—where I'm surrounded by Democrats—and yet we're going to describe it as a red state," says Julia Shaida, head of the Gallatin County Democrats. If Mr Tester loses, it will be the first time since 1911 that Montana has had two Republican senators. Only six states now have senators from different parties, the lowest number since 1914, when Americans began electing senators by popular vote.

Republicans targeted the state early. The head of the National Republican Senatorial Committee, tasked with electing Republicans to the Senate, is Steve Daines ▸▸

of Montana. With his knowledge of the state, he hand-picked Mr Tester's opponent: Mr Sheehy is a former navy SEAL and multimillionaire in his late 30s who founded an aerial firefighting firm. He is successful and telegenic, but has never before run for office, so has been vulnerable to a string of strange revelations, including disparaging comments he made about Native Americans, and duelling stories about a bullet wound in his right arm. Mr Sheehy insists he was shot while serving in Afghanistan. But the *Washington Post* dug up records suggesting that the gun discharged when he accidentally dropped it while hiking in Glacier National Park. Mr Sheehy denies this version of events.

Mr Tester sounds most conservative when he promises to "defend Montana" from "wealthy outsiders". Some residents who have lived in the state for 50 years are loth to call themselves true Montanans. By portraying Mr Sheehy as a carpetbagger who moved from Minnesota in 2014, Mr Tester is trying to link his opponent to the issue that dominates the state's politics: growth. Montana's population grew faster than all but four other states between 2020 and 2023, when the pandemic pushed Americans to seek more space and fresh air. "Boz Angeles" has become a derogatory nickname for Bozeman, where Sotheby's local office advertises rustic estates. Politicians take turns fretting over these newcomers, and vying for their votes. Data from L2, a firm that gathers voter records, suggests that 39% of people who have moved to Montana since 2018, when Mr Tester last won re-election, were previously registered Republican, compared with 24% who were registered Democrats.

To win, Mr Tester must turn out his base in populous places like Gallatin County, where a lot of Democrats and young voters live. Local Democrats argue that the switch at the top of the ticket from Joe Biden to Kamala Harris has led to a surge in enthusiasm. They also hope that a measure on the ballot to enshrine the right to an abortion in the state's constitution will get Democrats to the polls.

But there are not enough Democrats in Montana to assure Mr Tester victory, even with monster turnout. Voters do not register with parties in Montana, but a recent poll from Emerson College suggests that roughly 30% consider themselves independent. The incumbent must appeal to six Tester-Trump counties, which voted for him in 2018 and Donald Trump in 2020.

Consider Park County. Tester signs abound in Livingston, the big town, but Sheehy posters appear the deeper your correspondent drives into Paradise Valley—past homesteads, ranches and a herd of bison. "Park County is Republican country," one bright-red roadside sign proclaims. Montana will soon find out. ■

Campaign calculus: the electoral college

Tipping the scales

The systemic bias Kamala Harris must overcome to win the election

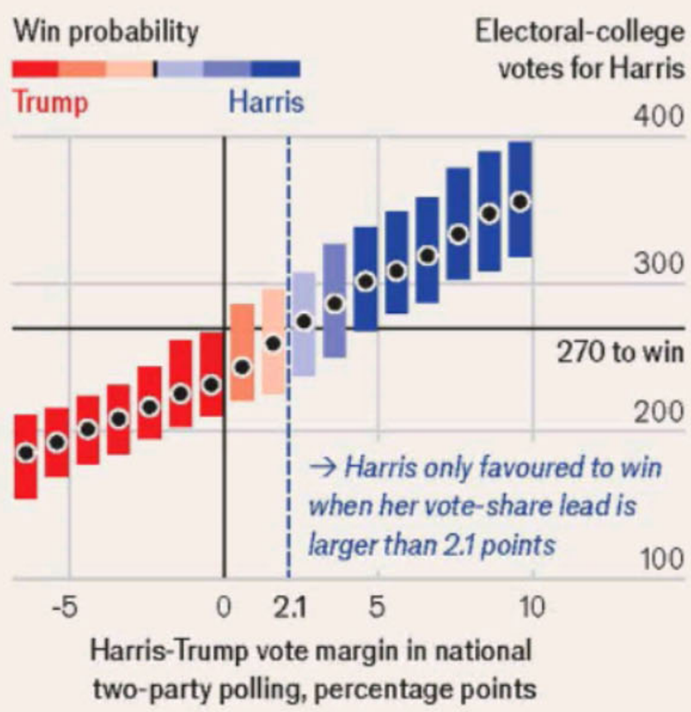
IT IS A common cliché in films: a character flicks through TV channels, seeing the same news story again and again. Pennsylvanians may feel as if their TV sets are mimicking the movies. Donald Trump and Kamala Harris are pouring money into the state. The two campaigns have splurged $189m on advertising there since March, according to the *Pittsburgh Post-Gazette*, compared with $105m in Michigan, the second-highest spend. The people of Pennsylvania can blame the bombardment on the electoral college, which means that the leader of 330m Americans is chosen by a few thousand voters in swing states.

This electoral system is an obstacle for Ms Harris, the Democratic nominee, as it was for Joe Biden and Hillary Clinton before her. Although our presidential forecast gives her a 71% chance of winning more votes than Mr Trump nationwide, she has only a 51% chance of winning the electoral college.

The electoral college is formed of electors from every state and the District of Columbia, roughly in proportion to their population. To get to the White House, a presidential candidate must win a majority—270—of the 538 electors. Aside from those in Maine and Nebraska, practically every elector votes for the winner of the popular vote in their state. This winner-takes-all system encourages candidates to focus on swing states, rather than on places where the outcome is pretty much assured.

College try

US presidential election 2024 simulations*



*9,674 simulations
Source: *The Economist*'s presidential-election model

This year, we estimate that Pennsylvania is the most likely state to be the "tipping-point": it provides the 270th elector for Mr Trump or Ms Harris in 26% of forecast simulations. Pennsylvania is followed by Michigan, North Carolina and Wisconsin as the likeliest pivotal states. On average, the tipping-point states are whiter and poorer than the country as a whole. All this shapes candidates' stances. Ms Harris has recanted her opposition to fracking, a big employer in Pennsylvania, for example. Both candidates have endorsed eliminating taxes on tips, which could play well with hospitality workers in Nevada, another potential tipping-point state.

Though Ms Harris leads in our tracker of national (pre-debate) polls by 2.5 percentage points, her margins are narrower in swing states. In Pennsylvania she leads by 0.7 points, according to FiveThirtyEight, an aggregator. By itself, this suggests the electoral college has a bias of 1.8 points—smaller than the 2.9 points in 2016 or 3.3 points in 2020.

But state opinion polls should be taken with a pinch of salt. In 2016 they indicated that Mrs Clinton was on course for victory. Although polls correctly suggested she had a small lead nationwide, they systematically overestimated her strength in swing states. Mr Trump won despite getting 2.9m fewer votes in total. Four years later, after months of favourable polling, Mr Biden won by the narrowest of margins in Wisconsin and Pennsylvania.

To hedge against this, our forecast combines polling with a "fundamentals" estimate of how states will lean, relative to the country, for example taking into account their tilt at the last election. The model believes Ms Harris will face an uphill struggle in the electoral college similar to Mr Biden: she would need a 2.1-point lead in the two-party popular vote to be the favourite to win the electoral college (see chart).

Alternative routes to 270 electoral-college votes may appear. But Pennsylvania's nickname, the Keystone State, is looking apt. Regular programming will not resume for the time being.

Handling campus protests

New term, same balancing act

NEW YORK AND WASHINGTON, DC

College leaders have learnt some lessons, but face a tough test this autumn

As SOME STUDENTS shopped for Columbia hoodies and Taylor Swift crochet sets in the university bookshop, and others bought apple-cider doughnuts at a farmers' market, it almost felt like a normal back-to-school September. But as classes resumed last week at Columbia University, the heart of last spring's campus unrest over the war in Gaza, it was impossible to avoid renewed pro-Palestinian protests or the changes they have brought.

Access to the campus is restricted to those with university ID. Near the main entrances, a conservative outfit set up two digital billboards that flashed the names and faces of people they considered to be "Columbia's Leading Antisemites". Long queues blocked the gates periodically. On the first day back, a few dozen protesters shouted pro-Palestinian slogans and two were arrested. Inside the gates someone threw red paint on Alma Mater, a statue outside Low Library.

College leaders used the summer to develop plans that might prevent disruptions, tackle antisemitism and minimise resort to police forces. The difficulty of that balancing act can be measured by the number of college presidents who have resigned while attempting to carry it out, including Minouche Shafik at Columbia, who stepped down in August. Despite much reflection and preparation, the autumn may offer her successor and other university leaders little respite. The anniversary on October 7th of the attack on Israel by Hamas is one likely flashpoint.

The problem remains how to combine a commitment to free speech with effective policies to prevent antisemitism, while also enabling all students to learn free of disruption. The First Amendment's speech protections apply only to state action, notes Lee Bollinger, a former president of Columbia and a free-speech scholar. So whereas public universities funded by the state must allow unfettered speech, private ones are under no specific obligation.

Fully adopting a First Amendment standard on private campuses would mean protecting "hate speech or speech that advocates illegal action, or speech that advocates deeply offensive ideas", Mr Bollinger says. Many universities believe that would be inconsistent with their mission.

Tom Stritikus, the president of Occidental College, a liberal-arts college in Los Angeles, has implemented restrictions on the permissible "time, place and manner" of demonstrations. Protests can take place only between 6am and midnight. Demonstrations cannot be mounted in buildings or block access, and no permanent or semi-permanent structures such as tents are allowed. Amplified speech (from bullhorns, for example) is also forbidden. Many other colleges have applied similar restrictions.

In an effort to limit the resort to police, Columbia University has hired more security guards and trained them in de-escalation techniques. In a written statement Katrina Armstrong, Columbia's interim president, said that she supports "the right to free expression...but those rights cannot come at the expense of the rights of others to live, work, and learn here, free from discrimination and harassment". Last month the university's task-force on antisemitism concluded after conducting interviews with hundreds of Jewish and Israeli students that the university "had not treated them with the standards of civility, respect and fairness it promises to all its students".

College leaders have realised that they must prevent harassment and discrimination while also teaching students to handle some speech they do not like—another tricky balancing act. How they do this varies. Occidental College is requiring incoming students to attend sessions on antisemitism and anti-Arab bias. Macalester College, a liberal-arts institution in Saint Paul, Minnesota, is joining the University of Northwestern, a private Christian college nearby, to provide students with opportunities to mix respectfully. Discussions can get heated and people can disagree," says Ravi Rajan, the president of the California Institute of the Arts, which specialises in arts education. "But ostensibly one of the things that we're doing as educational institutions is teaching students how to have those arguments."

Some university leaders have also learned another lesson: keep quiet. "A very curious phenomenon" developed whereby college presidents were expected to speak up about world events, ranging from George Floyd's murder to the war in Gaza, says Suzanne Rivera, the president of Macalester College. This was not expected of leaders in other sectors, she says, and it got some chiefs into trouble.

Occidentalism

Dr Rivera encourages college leaders to issue public statements only for events that directly affect their community and are aligned with the university's mission. She points to the recent Supreme Court decisions on abortion, which had an impact on health services on campus, and affirmative action, which influenced admissions, as appropriate times to speak up.

For those students brought up in a culture that still cancels people for views that run counter to left-wing orthodoxy, learning on a campus with a free-speech philosophy can be difficult. Combine that with a contentious war and a presidential election, and university presidents can expect plenty of hard days. "I expect there'll be protests on a number of issues this year," says Dr Stritikus, citing Occidental's history of civil disobedience. "I have no illusion that it won't be complicated." ■

From the river to the degree

LEXINGTON
Harrised

Kamala Harris makes Donald Trump look out of his depth

IT SHOULD HAVE been Donald Trump's moment to shine: 26 minutes into the former president's debate with Vice-President Kamala Harris, a moderator asked her why the administration of President Joe Biden waited until "six months before the election" to act against illegal immigration. Ms Harris never got round to answering that question. Instead she talked about fighting people-smuggling as a prosecutor, accused Mr Trump of sinking a bipartisan bill to strengthen the border and, addressing those watching at home, urged them to attend a Trump rally: they would hear him spew grievances and strange tales, she said, and they would watch as bored people got up and left. "The one thing you will not hear him talk about is *you*," she concluded.

Ms Harris knew which line would get her opponent's attention. "She said people start leaving," a glowering Mr Trump blurted when he had a chance to speak. "People don't go to her rallies. There's no reason to go. And the people that do go, she's busing them in and paying them." He stumbled towards what should have been safe ground, illegal immigration, but chose to invoke a debunked tale about illegal immigrants eating the pets of the good citizens of Springfield, Ohio. Then he went back to insisting that people love his rallies.

The vice-president baited hook after hook for Mr Trump over the course of 90 minutes and each time he lunged for it. Whether she was invoking his old business school, Wharton, in attacking his economic plans, or implying his business success was due to a gigantic inheritance, or claiming world leaders did not respect him, Ms Harris repeatedly provoked Mr Trump to defend his self-image and his own record in office, rather than mount a sustained attack on her. Call it catch-and-decrease: she made the former president look small and angry and out of his depth. For most of the debate, she made herself appear the challenger, while he became the beleaguered incumbent with a record to defend.

Ms Harris had weak moments of her own. She looked nervous and seemed shaky in her first answer, before an early question on abortion helped her find her stride. A performance that was clear evidence of careful preparation may have struck some viewers as rehearsed, even artificial. For all her powerful demonstrations of empathy for the pain and fear of some Americans, such as women denied abortions, she failed when asked about the deaths of 13 soldiers during the withdrawal from Afghanistan to express any sympathy for them or their families.

Yet even then her prosecutorial approach may have rescued her: she attacked Mr Trump as having negotiated "one of the weakest deals you can imagine" and coddling the Taliban. Mr Trump, his pride again pricked—this time over the artistry of his dealmaking, of all vanities—began talking again about his own record. He recounted conversations he had with a Taliban leader he called Abdul. He insisted he had put a great agreement in place but "they blew it". The agreement, he said, with characteristically foggy bluster, "said you have to do this this this this".

Mr Trump clearly longed for his former, less mischievous and less agile opponent, Joe Biden, who abdicated the nomination after his dismal debate against Mr Trump on June 27th. Rather than concentrate on Ms Harris, Mr Trump repeatedly criticised Mr Biden, as though trying to will him back onto the stage. "They don't respect Biden," Mr Trump fumed, while insisting world leaders respected himself. "Where is our president?" he went on. "They threw him out of a campaign like a dog."

Ms Harris responded smoothly with one of several lines that seemed practised: "It's important to remind the former president you're not running against Joe Biden. You're running against me." It was one of the very few times she referred to the president herself, as she repeatedly across the evening presented herself as the candidate of change, the one, as she put it in her closing statement, "focused on the future" rather than the past.

Supporters of Mr Trump criticised the moderators, two journalists from ABC, for challenging Mr Trump on some of his claims, though each time, as in the case of the pets of Springfield, Ohio, they had the facts on their side. They also followed up more often with Mr Trump when he evaded a question, as when he ducked answering whether he wanted Ukraine to win the war with Russia or whether he regretted anything he did on January 6th 2021, when his supporters attacked the Capitol ("I had nothing to do with that other than they asked me to make a speech," Mr Trump said). Pressed about whether he had developed the health-care plan that he has long promised to replace Obamacare, he limply replied, "I have concepts of a plan. I'm not president right now."

Meme machine

Ms Harris, running with a rapidly assembled agenda, cited at several points proposals for enhanced child tax credits and assistance for new homeowners as part of her vision for an "opportunity economy". It was thin stuff, but given the vagueness emanating from Mr Trump it may have passed for seriousness about policy.

Instant polls suggested viewers judged Ms Harris the victor. Her performance delighted Democrats, and she supplied far more of the punchy moments that tend to get highlighted in newscasts and shared online. *The Economist*'s forecast had the race in essence tied going into the debate, and its effect is impossible to predict. Ms Harris surely did not convert any supporters of Mr Trump—who could?—but she may have assured some of the few independent-minded voters left that she is up to the job. She projected strength from before the debate began, when she appeared to surprise Mr Trump by striding across to his side of the stage and sticking out her hand. "Kamala Harris," she said. "Let's have a good debate." Mr Trump told her to "have fun". She did. ■

The Americas

Nicolás Maduro's regime

Dark days

CARACAS

Venezuela's opposition is getting smashed. What could help it thrive?

IN THE END the pressure grew too great. On September 7th, six weeks after he won Venezuela's presidential election in a landslide, Edmundo González fled for exile in Spain. The regime of Nicolás Maduro (pictured) had accused the affable 75-year-old former diplomat of being a "war criminal" and issued a warrant for his arrest. But its real goal was to punish the opposition for releasing data proving that Mr Maduro had lost the vote in late July. Mr González's departure, four months before he should rightfully take office, is a crushing setback for those who are still hoping to spring Venezuela from dictatorship.

Mr González was a stand-in for María Corina Machado, a wildly popular former congresswoman whom the regime had banned from running for election. She had called on her supporters to vote for the former ambassador—and they did, in overwhelming numbers. Ms Machado fully expected Mr Maduro's creatures in the electoral council to lie about the result. So she organised the retrieval, on election day, of thousands of paper receipts from voting machines. These showed that more than 67% of votes had gone to the opposition.

The Maduro government has answered with repression and more lies. Since the election it has rounded up some 2,400 opponents, according to official numbers, most of them accused of terrorism. Many now moulder in maximum-security prisons. "There will be no forgiveness," Mr Maduro has said.

The regime continues to peddle wild tales to support the claim that it won 52% of the vote. It says election officials could not provide a full breakdown of results because of cyber-attacks. It insists electoral observers working for the Carter Centre, an American NGO, were part of a coup plot. Protesters, it claims, are mostly drug addicts. "The extent of this government's dishonesty has left me angry and speechless," says Rafa, who drives a motorbike taxi in Caracas, the capital.

Ms Machado has pledged that Mr González will "continue the struggle" from exile. But after arriving in Madrid he issued a statement that bore a whiff of resignation. "Only the politics of dialogue can bring us together as compatriots," he said on September 9th. The next day his daughter read supporters a punchier message from her father, in which he says, "I will not let you down." He has not yet made explicit whether he is still intending to assume the presidency in January.

Sources in Caracas speculate that he may be speaking carefully out of concern for relatives who remain in Venezuela. Now that Mr González is out of the country, Mr Maduro has begun to praise him. "I can understand the step you have taken, and I respect it," smiled the president, shamelessly.

This is hardly the first time the regime has driven challengers into exile. In 2020 ▸▸

→ ALSO IN THIS SECTION

27 Foreign cops in Haiti

28 Peru's blueberry boom

Leopoldo López, an opposition leader, left for Spain vowing to continue the struggle from a place of freedom. His star has faded: last month he was loudly booed when addressing a mostly anti-regime crowd in Madrid. Consider also Juan Guaidó, who in 2019 became leader of an "interim government" created by the opposition. He went into exile in 2023 and now lives in relative obscurity in Florida.

All this throws the spotlight back on Ms Machado, by far the opposition's most potent figure. She is the daughter of a wealthy industrialist whose factories were expropriated by Mr Maduro's predecessor, Hugo Chávez. She won opposition primaries last October with more than 93% support. The regime banned her from standing, but that did not stop her campaigning all across the country. She promised to reunite Venezuelans with loved ones who have fled from oppression and economic collapse.

Since Mr González's departure, she has told Venezuelans that she will continue fighting "here, alongside you". She declared on X that "the fight is UNTIL THE END and victory is ours". Unlike Mr González, she emerged to speak at protests in the weeks after the election, most recently on August 28th. On each occasion she quickly melted back into the crowds, wearing a hood.

For all her courage, the situation is desperate. The most recent protests have been smaller than demonstrations that broke out immediately after the election. The army has ignored her calls to defend the real result. The Supreme Court, dominated by the regime, has ruled in its favour.

On September 5th Ms Machado said she wants Venezuela to become a "world cause", like apartheid South Africa in the 1980s. Yet so far pressure from outsiders has been ineffective. Luiz Inácio Lula da Silva and Gustavo Petro, the leftist presidents of Brazil and Colombia, are thought to hold the most sway in Caracas. They say they cannot recognise Mr Maduro as president unless he can prove he won by publishing the voting machines' printed receipts. They have also tried to persuade the regime to talk to the opposition to find a compromise. Yet on all counts they are failing. It is said that Mr Maduro will not even pick up the phone.

The regime's next move could be against Ms Machado herself. She says she is in Venezuela, in hiding, but it seems improbable that the authorities have no clue at all about where she is. Her arrest would spark fresh protests and attract widespread condemnation abroad. Rick Scott, a Republican senator from Florida, has said there will be "hell to pay" if Mr Maduro "harms or arrests" her. That would doubtless include renewed calls for America to reimpose sweeping sanctions on Venezuela's oil industry, which were lifted in October in the hope of enticing the regime to hold a fair election and which have since been only partly reinstated.

Would any of this change Mr Maduro's ways? "When I hand over power, when it is time, I will hand it over to a *chavista* president," he said on September 2nd, referring to the leftist movement founded by his predecessor. His regime survived "maximum pressure" sanctions imposed by the United States under Donald Trump. On August 27th Mr Maduro made his vice-president, Delcy Rodríguez, the new oil minister; some see that as preparation for renewed sanctions. Her role could be "to do a better job of getting paid in the black market", says Francisco Monaldi at Rice University in Houston, Texas.

Venezuelans fear the worst. "On July 28th I went with my entire family and we all voted for Edmundo González," says a shop assistant in Caracas, who declines to give her name. "We all know who won. And now he has gone. God help us." ■

Haiti's crisis

No quick fix

PORT-AU-PRINCE

Foreign police are failing to cow Haiti's murderous gangs

ANTONY BLINKEN has spent much of his time in office managing the wars in Ukraine and Gaza, and the rivalry with China. On September 5th America's secretary of state turned to a crisis just a few hundred miles from home when he visited Haiti for the first time.

Mr Blinken spent only a few hours in the capital, Port-au-Prince, much of which is controlled by armed gangs. His armoured convoy snaked between fortified zones. Though brief, his visit aimed to show that normality is returning to a country that is tormented by natural disasters and human violence. "This is a moment of great challenge but also a moment of hope for Haiti," Mr Blinken declared as he greeted the country's interim leaders at the American residence, a colonial-era villa still deemed too insecure for diplomats to sleep in.

A frightening sight

Mr Blinken hopes to quicken a virtuous circle in which "success breeds success". In June and July, 400-odd police officers from Kenya arrived in Port-au-Prince as part of a UN-authorised effort to restore order. The idea is that this international force will eventually grow to around 2,500 officers; that they and Haitian forces will reclaim from the gangs more of the capital and the country's main roads; and that this will allow elections next year that will see a democratic government replace Haiti's transitional administration in 2026.

In reality, the Multinational Security Support Mission in Haiti (MSS) has made a slow start. It is short of money and staff. And uncertainty surrounds its mandate, which must be renewed before it expires in early October. Many Haitians think the foreign police are ineffective. "Did they come as tourists?" wonders Berthony Narcisse, a 47-year-old father of two.

There has been some progress—and not just in posher neighbourhoods such as Petionville, where happy hours are back with a bang. The airport and seaport, which reopened in May, before the MSS arrived, have not had to close again. The Haitian police are conducting patrols in areas of the capital that a few months ago they rarely set foot in, thanks to new American-supplied equipment such as hulking armoured vehicles that were designed for use in Iraq and Afghanistan.

But the MSS's arrival has not yet dealt a meaningful blow to the gangs. Some predicted they would retreat and shed members, particularly the many children in ▸▸

their ranks. Instead, gang leaders have adapted, with hit-and-run attacks and expansion into new areas of the country. Murders have crept upwards since the MSS arrived (see chart on previous page). They may rise further as the forces battle, warns Mercy Corps, an NGO.

In July one of Haiti's most powerful gangs, 400 Mawozo, attacked Ganthier, a town east of the capital, twice in a few days. The Haitian police, backed by the MSS, fought back. But the gangs returned when they left, setting fire to the police station and forcing the mayor to flee. Joseph Wilson, 400 Mawozo's leader—for whose capture the United States has offered $1m—taunted the government in a video. Garry Conille, Haiti's interim prime minister, says he has no way to prosecute or jail captured gang members. Gangs destroyed two prisons in February; thousands of inmates escaped. In August more broke out of a prison north of the capital.

The slow progress is unsurprising to Haiti-watchers. The violence is entrenched. From its very conception the MSS has moved at a snail's pace. The UN Security Council did not bless the intervention until October 2023, a year after Haiti's government first asked for an international security mission. It took another eight months for the first foreign police to show up. Jamaica is expected to send additional officers, and El Salvador a medevac team. The mission needs cash. William O'Neill, a rights expert at the UN, compares efforts to fund it to "a beggar running around with a cup". In August Kenyan police in Haiti said they had not had their full salaries for two months in a row.

Mr Blinken hopes to convene a special meeting this month in New York, when the UN General Assembly holds its annual summit, to drum up more support. But his ambition of turning the MSS mission into a full-fledged UN peacekeeping operation with more reliable funding seems unlikely to be realised. Russia and China would probably oppose it. And many others at the UN are reluctant to get drawn back in, given that the last peacekeeping mission to Haiti, in 2004-17, was blamed for bringing sexual abuse and a cholera epidemic.

At this rate few see how Haiti can be made safe enough to meet the objective of holding elections in November 2025. The country desperately needs a legitimate government: even before President Jovenel Moïse was killed in July 2021, triggering Haiti's current collapse, its parliament was short of members. In February 2024 gangs went on the rampage while the prime minister at the time, Ariel Henry, was out of the country. International backers, including the United States and Caribbean countries, forced Mr Henry to resign and make way for a stand-in government.

Haitians are not just sceptical of the MSS but of the transitional government, too. It has so far failed to deliver a promised "national dialogue" on the crisis, notes Jake Johnston of the Centre for Economic and Policy Research, a think-tank in Washington, DC. Three members of the transitional council have been accused of asking the director of a state-owned bank to pay $760,000 in order to keep his job. The United States has a history of backing politicians who turn out to be dodgy: witness sanctions it imposed this month on Haiti's former president, Michel Martelly, for drug-trafficking.

The humanitarian cost is rising. Five children are killed or injured every week, according to Save the Children, an NGO. The government has delayed the start of the academic year because schools are being used to shelter some of the 600,000 families who have been forced to leave their homes. If and when the MSS does take on the gangs face-to-face, things will get worse before they get better. ■

Peruvian agriculture

Blue gold

LIMA

The sweet story of Peru's blueberry boom

PERU'S BLUEBERRY harvest is just beginning, and Ivan Jauregui, an agronomist, looks excited. At a farm he oversees about 100km north of Lima, the capital, workers are gently twisting the fruit from their bushes. Staff in a newly built packing-plant load the best berries into refrigerated shipping containers, then pack them off to the port of Callao. Mr Jauregui says he once squeezed 35 tonnes of blueberries from a single hectare of land; he is always hoping to beat this record. "Every year we have to grow and improve," he says.

Peru caught blueberry fever a little over a decade ago. Farmers noticed that their counterparts in Chile were making a lot of money selling the fruit during the off-season in the United States, when prices are high. They sought to do the same—and things have worked out better than anyone dared hope. Back in 2013 Peruvians earned about $17m exporting blueberries; by last year receipts had soared to $1.7bn. In 2019 Peru became the world's single biggest exporter of fresh blueberries. Nowadays it sends more than twice as many berries abroad as its closest rivals (see chart).

The country owes much of its success to novel kinds of blueberry bush. Historically the fruit has grown well only in places with chilly winters. Peru's blue revolution relies on newfangled "low chill" varieties, developed in the United States, that thrive on Peru's coast. The International Blueberry Organisation, an industry group, says that in 2022 the yield of a typical Peruvian blueberry farm was nearly double the global average (which is nine tonnes per hectare). Julio Zavala of Fall Creek, an American breeder of blueberries, reckons it takes only about two years for a new farm in Peru to start turning a profit. In other places four years is more common.

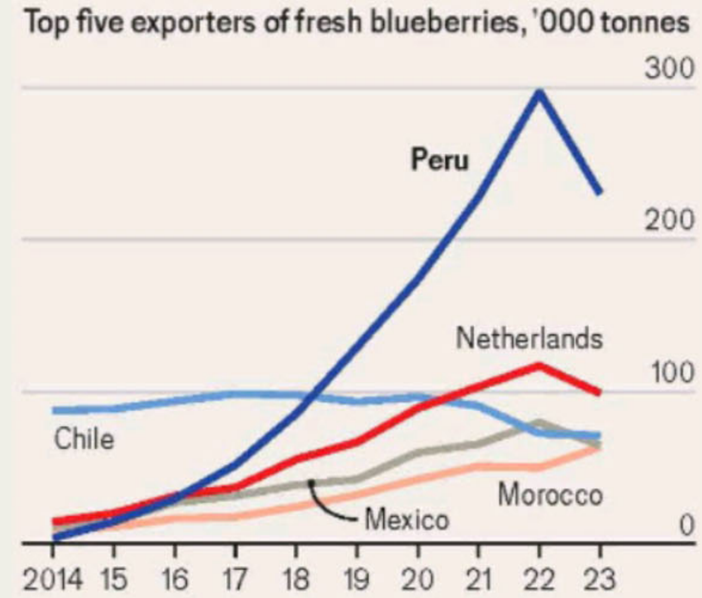
Blueberry farmers have also gained from trends that have boosted all manner of Peruvian produce. These include tax breaks and irrigation megaprojects that have opened up land along Peru's desert coastline. Between 2000 and 2023, total annual Peruvian farm exports grew 16-fold to $10.5bn. "It's mind-bending," said Rafael Zacnich of Comex, Peru's international trade association. Yet blueberries remain "by far" the most profitable crop, reckons Percy Muente of Agrícola Cerro Prieto, a big agricultural group that employs Mr Jauregui. If his firm still grows avocados and asparagus, that is in part because it does not want to place all its berries in one basket, he says.

Boosters promise more growth. The world's taste for blueberries is increasing. Peruvian exporters have their eye on China, which produces plenty of its own berries but which could eat a lot more. And there is additional land in Peru that could be used to grow the fruit, if politicians and investors bless the big infrastructure projects needed to water them.

Yet in future growers will also have to swerve a handful of risks. Last year extreme weather stole a big chunk of Peru's production (though its income from exports continued soaring, because global prices shot up). It was not the only country to suffer, but the sticky experience has accelerated efforts to identify and spread varieties that might cope better with climate change. And farmers in lots of other places fancy a slice of Peru's blueberry pie, notes Mr Jauregui. "Colombia, Morocco: everyone is growing blueberries now." ■

Juicy profits

Top five exporters of fresh blueberries, '000 tonnes



Source: Agronometrics Global Trade Data

Asia

Superpower tensions in Asia

The scary new map of the South China Sea

MANILA

Fresh fights over reefs and shoals test America's credibility

ON AUGUST 31ST a Chinese cutter rammed the largest patrol ship of the Philippine coastguard, punching a hole in its side. It was the latest attempt by China to force the *Teresa Magbanua* to leave Sabina Shoal, where it has been stationed since April. No one was injured. But the incident is part of an emerging new pattern of escalation and confrontation in the South China Sea, particularly around the Spratly Islands. According to one account, Wang Yi, China's top diplomat, warned Jake Sullivan, America's national security adviser, that China would not accept a Philippine presence at Sabina, during their meeting near Beijing in August. The evidence points to a novel phase in the struggle for the South China Sea. Whether China and America can safely contain the nerve-shredding contest is far from clear.

A major redrawing of the map of the South China Sea began when Xi Jinping came to power in 2012. In the subsequent three years China built seven new bases in the Spratly Islands, three of them with large airfields, on rocks and reefs otherwise claimed by Malaysia, the Philippines, Taiwan and Vietnam (see map). These bases now play host to a large, permanent presence of Chinese troops, ships and aircraft. Before, the most elaborate structures built by any country consisted of short airfields on some islands.

China has placed great rhetorical weight on its vague claim to that part of the South China Sea (ie, nearly all of it) which falls within its "nine-dash line". Sometimes the dashes move around on maps; occasionally a tenth dash is added next to Taiwan. Yet despite the vociferousness of China's claims, an uneasy status quo prevailed over the past half decade.

On any given day one or more Chinese coastguard ships and anywhere between a few and a few dozen "maritime militia" vessels (typically large fishing vessels) have been stationed at disputed rocks and reefs throughout the sea. Until recently their remit was limited. The vast bulk of commercial shipping activity, including container flows on some of the world's busiest sea-lanes, has been unaffected. China's coastguard has notionally been preoccupied with preventing energy exploration and fishing within the area.

Even then enforcement has been lacklustre: a ban by China on fishing in the South China Sea every summer (formally to help replenish stocks) has not been seriously applied. The American navy has maintained the practice of sailing past the islands on "freedom of navigation" operations, challenging China's claims to the area, having renewed such operations in 2015. Yet the number of such sailings has tailed off and China has issued mainly routine objections to them. For an epicentre of a superpower contest, the South China Sea was often surprisingly placid.

Compared with that, the squalls in this new phase of the confrontation threaten to become a storm. The Philippines, Vietnam and Malaysia have begun to rebuff China more forcefully. In order to grasp this dy- ▸▸

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namic, it is important to consider the relative tension levels across the area. Calmest of all are the Paracel Islands. China has occupied them completely since seizing them from Vietnam in 1974. On the largest of the 130 islands, China has an airfield and has deployed combat aircraft there.

More tense is Scarborough Shoal, a single isolated lagoon. Its proximity to Manila, the capital of the Philippines, arguably makes it the South China Sea's most strategically important feature. Before 2012 Philippine vessels plied the lagoon's rich fisheries, and the Philippine navy would expel Chinese vessels that tried to do the same. But that year Chinese coastguard vessels forced the Philippine ships out. Brazenly, China has controlled it since.

Most fraught of all are the Spratly Islands. The Chinese construction of large bases from 2013 to 2016 was on reclaimed land there. And as a result now the pushback is most vigorous there. Since 2022 Vietnam has been reclaiming land on features that it occupies: it has now built up about half as much land as China (see chart), and appears to be constructing a large airfield. The Chinese government has remained silent on this matter. Malaysia has sought cosy relations with China and tolerated its ships in its exclusive economic zone. It has also turned a blind eye to fleets carrying illegally exported Iranian oil for transfer to China-bound vessels. Even so, Malaysia depends on energy revenues and has resumed oil and gas exploration off the coast of Borneo, close to the Spratlys, in the face of Chinese objections.

The biggest pushback is coming from the Philippines. Ferdinand Marcos, the president, has directed his officials to shine a spotlight on Chinese activity in the Spratlys. Of particular note has been China's mission to prevent resupply of a Philippine navy vessel, the *Sierra Madre*, which was grounded in 1999 on Second Thomas Shoal. Last year the Philippines began using coastguard ships to escort construction materials to the *Sierra Madre*. China responded and by June 2024 had successfully blocked resupply of the ship for three months. The small platoon of Philippine marines guarding her began to run out of food and water. Finally, when the Philippine navy mounted an attempt on June 17th, Chinese coastguards armed with axes boarded the Philippine dinghies and disarmed the sailors by force. (The Philippine sailors followed orders not to fight back, but one lost a thumb.)

In July China and the Philippines stepped back from a bigger confrontation, chastened at least for now. Chinese diplomats accepted a long-standing invitation from the Philippines to fly to Manila for talks. In the negotiations that followed, they agreed to "provisional arrangements" which would allow regular resupply of the

Sierra Madre. Under the agreement, China will "inspect" the resupply missions from a distance of several hundred metres to ensure that they are not bringing in construction materials. But Philippine officials say that the *Sierra Madre* has been stabilised with concrete and now will not float away.

Elsewhere, however, tensions are growing, not least at Sabina Shoal, where Chinese ships rammed the *Teresa Magbanua*. Philippine officials say that they sent their ship to the shoal because they had seen signs that China was preparing to build something there. But they are playing a risky game. The Philippines had no continuous presence at the lagoon before April, so it is changing the status quo, which China abhors. America and the Philippines are treaty allies. America commits to "meet the common dangers" if a Philippine public vessel is attacked. But it is unclear if those guarantees apply at Sabina Shoal, as they almost certainly do at Second Thomas Shoal, where *Sierra Madre* sits. While that ship is fixed with cement, *Teresa Magbanua* is afloat and so might be removed.

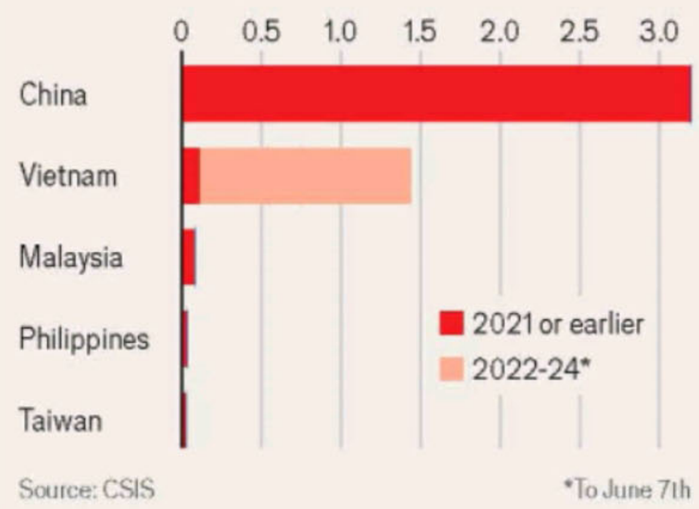
The narrow significance of the Sabina incident is that it could spark a military encounter at sea. China might make more aggressive attempts to bully the Philippines out of the shoal. The broader implications go far beyond a few rocks and ships, since such an encounter would test America's appetite to come to the aid of the Philippines: risking American lives and cash over an uninhabited shoal would be unpopular in Washington. Yet if the Philippines retreats it is unlikely to get the shoal back. That would trigger memories of its loss of Scarborough Shoal in 2012, and prompt questions in Manila about the reliability of its bigger treaty ally.

The past few months offer two starkly different visions of how the South China Sea will operate in the 2020s and beyond. One, based on the *Sierra Madre* episode, points to the sea being a contested zone where all parties are capable of de-escalating around flashpoints.

The other vision can be found at *Teresa Magbanua*: a constantly shifting set of mini-confrontations in which China seeks to enforce its will on the sea while South-East Asian countries push back. When the repelling is carried out by formal allies, it puts America in a horrible dilemma: does it back them up or urge them to back down? China will watch like a hawk what happens next. So will other American allies in Asia and beyond. ■

The reclamation race

South China Sea, reclaimed land, '000 acres



Source: CSIS *To June 7th

South Asian exports

Knitted and knotty

SINGAPORE

Can India's garments industry benefit from Bangladesh's turmoil?

ASIA'S RISE has been stitched together by the textile industry. Across the continent, the production of T-shirts and trousers for the global market has drawn millions from fields to factories. No country exemplifies the power of this process more than Bangladesh. Since building its first export-orientated apparel factory in 1978, a joint venture with a South Korean firm, Bangladesh has turned its economy into a clothes-exporting powerhouse. The sector employs some 4m people, mostly women, and contributes 10% of the country's GDP. Last year Bangladesh shipped $54bn-worth of garments, second only to China.

In recent months, though, the industry has been fraying at the seams. A months-long crackdown on student-led protests, which included a brutally imposed curfew, curtailed economic activity. Even after the demonstrations forced the resignation of Sheikh Hasina, the unpopular prime minister, unrest has not subsided. Empowered by the protests, several groups, including textile workers, have taken to the streets ▸▸

with fresh demands for the new government led by Muhammad Yunus, the interim leader. The country has also been beset by power failures. Gas shortages this year have forced factories to operate at lower capacity. Overall apparel exports will probably fall by 10-20% this year.

Other countries are hoping to take advantage of this. Despite being the world's second-biggest producer of cotton—which it exports to Bangladesh—India lags behind its neighbour in garment production, exporting a quarter as much by value in 2023. Recently a group of exporters based in Tiruppur, a textile hub in southern India, said it had earned fresh orders worth $54m because of the unrest in Bangladesh. Another group based outside Delhi said it had received 15% more orders in August from Zara, a Spanish fashion firm.

But seriously denting Bangladesh's dominance will be difficult. "The current unrest is short-term. Factories are already operating again and the situation is improving," says Mehdi Mahbub, an industry analyst based in Dhaka. Moreover, Bangladesh still enjoys big advantages over its competitors. Labour costs remain lower than elsewhere. Unlike India, the country also enjoys preferential access to European markets. Above all, its history of textile production means that it is well-equipped to handle large orders. The head of sourcing at Gap says the American fashion brand remains "cautiously optimistic" about Bangladesh's future.

And India does not have the capacity to compete with Bangladesh at this stage, according to one industry insider. Too much policy attention is directed towards boosting capital-intensive sectors, such as electronics, instead of labour-intensive textiles, he says. Between 2016 and 2023 the value of Indian apparel exports fell by 15%, whereas Bangladesh's increased by 63%. A recent World Bank report points to India's protectionist policies as the culprit. Average import tariffs on textiles and apparel, including on intermediate inputs used by local manufacturers, have increased by 13 percentage points since 2017, raising prices for producers.

For India, the bigger opportunity for growth might come from the decline of low-value garment production in China. But here too India will have to contend with competition, including from Bangladesh. According to the bank's research, the two biggest beneficiaries from China's shrinking share of low-skill manufacturing exports like garments are Bangladesh and Vietnam. Meanwhile, the quality of jobs matters too; to improve that, the textile industries need to move up the value chain. Both Bangladesh and India are aiming to become developed countries over the next two decades. That requires weaving a more diverse and complex economic fabric. ■

Fishy business

Bangla dish

The India-Bangladesh relationship is falling to pisces

ILISH, SAY Bengalis, is delish. A bony freshwater fish, it is to the people of Bangladesh (where it is the official national fish) and the Indian state of West Bengal (which designates it the state fish) what salmon is to Norwegians and fish and chips is to Brits: not just a staple of their diet but an integral part of their identity. It is also a good proxy for the state of India-Bangladesh relations.

Also known as Hilsa, most of it is hauled out of the Padma river, a distributary of the Ganges, in Bangladesh. Much of the rest comes from the Ganges proper in West Bengal. Bangladeshi ilish is considered the finest, prized for its size and hints of sweetness. It is particularly in demand during Durga Puja, a five-day festival in October that is the highlight of the Hindu Bengali calendar. Families host feasts, signalling their status with dishes of Padma ilish.

Bangladesh stopped exporting the fish to India between 2012 and 2022 over a water-sharing dispute. But it usually made an exception for important festivals. It has been useful for diplomacy, too. When Sheikh Hasina, then Bangladesh's prime minister, visited India in 2022, ilish was discussed on the first day of her trip. Cargoes arrived days later.

But with Sheikh Hasina out of power after an uprising in August, relations between the two countries are falling to pisces. India's stalwart support for Sheikh Hasina, combined with its willingness to offer her refuge after she fled, has frustrated many Bangladeshis. Some in Bangladesh also accuse India of causing floods last month by releasing water from an upstream dam, which India denies. And according to the *Financial Times*, Adani Power, part of a conglomerate led by Gautam Adani, a billionaire close to Narendra Modi, the prime minister, is seeking $500m in unpaid power-supply dues from Bangladesh.

The price for the back-and-forth will be paid by hungry Indian Bengalis. On September 3rd the *Dhaka Tribune*, a daily, reported that Farida Akhter, de facto minister of fisheries and livestock, had reinstated the export ban. "We will ensure that ilish is not exported to India this Durga Puja," she told journalists. Market prices for 1kg of Indian ilish in Kolkata, West Bengal's capital, are already approaching 2,500 rupees ($30), about 35% higher than normal. Without Bangladeshi supply, those prices are likely to rise as the festival nears.

Other domestic sources of ilish do exist, such as the neighbouring state of Odisha. Gujarat, at India's western end, is another, "but no self-respecting Bengali would eat that," sniffs one Kolkata resident. Bangladesh's ban may finally tip the scales.

Crime in Asia

Of scams and syndicates

BAMBAN

The downfall of a Philippine mayor may be linked to Chinese gangs

THE SMALL town of Bamban in the Philippines is fairly unremarkable. But it has become the place of feverish headlines this year ever since allegations emerged that Alice Guo, who was elected mayor of the town in 2022, abused her position to protect online casinos operating from there. Government officials have stated that these gambling hubs were a front for financial fraud, money-laundering, human trafficking, kidnapping, torture and murder. In July the 34-year-old Ms Guo went missing. On September 3rd she was arrested in Indonesia. Ms Guo denies having any links to criminal activity.

Alongside the scam-farm allegations, Ms Guo has also been accused of faking her identity and being a Chinese spy. Ms Guo says she was born and raised on a pig farm in Bamban to a Chinese father and Filipina mother. But in June politicians claimed her name was Guo Hua Ping, and that she was a Chinese national who arrived in the country in 2003 with her family. Ms Guo then allegedly procured a fake birth certificate showing she was born in the Philippines. This allowed her to qualify for a passport and run for mayor. The solicitor-general is now seeking to cancel this birth certificate. Ms Guo's lawyers vow to provide "substantial evidence" of her Philippine citizenship.

The claim that she is a Chinese spy is dubious. As hostilities increase between China and the Philippines, some Filipino politicians accuse Ms Guo of being a proxy of the Chinese government. Others have speculated that the Chinese Communist Party secretly supports criminals of Chinese origin in South-East Asia because they steal billions from Westerners through their online cons.

But there is no evidence of this, according to law-enforcement officials in the Philippines and elsewhere in Asia. Although the Communist Party has a record of working with organised crime, especially in Hong Kong, it has long been opposed to the gangs which have set up shop in South-East Asia. The Hong Kong triads sometimes help further the party's aims. The criminals in South-East Asia do not.

The reason these gangs are in South-East Asia is that the Communist Party forced them out of China. When Xi Jinping became leader of China in 2012, he launched a crackdown on corruption and organised crime, including in Macau, the world's largest gambling centre by revenue and once a common destination for wealthy Chinese to launder their money. The Philippines became popular because of its proximity to China and the ease of running online casinos, known locally as Philippines Offshore Gaming Operators, or POGOs. These mostly targeted punters in mainland China, where gambling is illegal. The groups then expanded into scams.

Indeed, China's government is infuriated that these criminals continue to target Chinese nationals. Billions of dollars have been stolen from ordinary Chinese at a time when the economy is stagnating and the party is trying to curtail capital outflows. The Supreme People's Court, China's highest judicial authority, prosecuted more than 300,000 people in 2023 for crimes related to online scams. Behind closed doors, China urged the Philippines to shut down its POGOs, according to government officials. When President Ferdinand Marcos finally banned POGOs in July, the Chinese embassy in the Philippines welcomed the decision, even as tensions between the two countries soared in the South China Sea (see previous article).

Ms Guo's links appear to stretch beyond China and the Philippines. In August last year Singaporean police arrested ten people in the country's largest-ever money-laundering bust. They seized $3bn in luxury properties, cars, gold bars and cash. Zhang Ruijin and Lin Baoying, two of Ms Guo's business partners at the scam compound in Bamban, were convicted in the money-laundering case in Singapore.

In Bamban the POGO complex, which is visible from the mayor's office, dwarfs the town. The enclosure of 36 buildings includes office towers, a shopping mall, dormitories and luxury villas reserved for the criminal ringleaders. Police rescued more than 800 people when they raided the site in March. When your correspondent visited after the raid, dusty BMWs and Mercedes were impounded beside a now-empty swimming pool.

The elusive Ms Guo

Questions remain. Sherwin Gatchalian, one of the senators leading the campaign against online swindles in the Philippines, argues that POGOs are run by the same shadowy group but have different enablers across the country. Ms Guo, he thinks, was one such collaborator: an adept politician who navigated the corruption that permeates the Philippines. Mr Gatchalian has urged Ms Guo, who was sent back to the Philippines on September 6th, to expose her co-conspirators and any officials who protected her. The net may yet widen. ■

Corporate dynasties

Too big to jail?

SEOUL

The billionaire founder of South Korea's super-app faces his first trial

KIM BEOM-SU sat expressionless as he faced the prosecutors in court. The 58-year-old founder and chairman of Kakao, a tech company, once reigned as the richest man in South Korea. His downfall began last year with a spat with HYBE, an entertainment giant that manages the boyband BTS, over a potential acquisition of SM Entertainment, another K-pop firm. In July, prosecutors accused Mr Kim and his executives of stock manipulation, claiming they had inflated SM Entertainment's stock price by purchasing 240bn won ($180m at the time) in shares over 553 transactions to block HYBE's takeover. On the first day of his trial on September 11th, Mr Kim's lawyer reiterated that the purchases were "legitimate". Kakao has said Mr Kim did not order or tolerate any illegal activity.

Kakao is one of the most recognisable names in Asia's fourth-largest economy. Since its founding in 2010, it has evolved into a conglomerate with over 120 affiliates. KakaoTalk, its messaging app, is used by the majority of South Koreans. As a super-app, its services range from music streaming to online banking and taxi-hailing. Yet in recent years, the company has come under fire. The arrest of its founder shows how Korea's tech titans are becoming indistinguishable from the *chaebol*, or family-owned conglomerates.

Mr Kim, also known as Brian, was born into poverty. His family of eight slept in one bedroom. His rags-to-riches story stood out in a country dominated by *chae-* ▸▸

bol heirs. As the leader of Kakao, Mr Kim pledged to donate half his wealth, estimated at $9bn in 2021, to charitable causes. To promote "horizontal" work culture, he asked all employees to use English nicknames. He also embraced remote working.

Even so, local media shared anecdotes from Kakao employees, revealing the company's surprisingly top-down culture. At Kakao's de facto holding company, Mr Kim at one point hired his wife, brother and two children as executives and employees. Critics accused him of appointing those close to him as CEOs, thereby strengthening control over his sprawling web of affiliates—a governance structure in which many find parallels with the *chaebol* way of ruling. "It's like a feudal system," says Kim Yong-jin of Sogang University in Seoul.

This is not the first scandal for Kakao. In 2021 executives of Kakao Pay, an affiliate, engaged in mass-selling of company stock just after it was listed, potentially amplifying losses for minority shareholders. Mr Kim was accused of failing to report properly on his shareholdings.

Many now wonder: will Kakao be treated like the *chaebol*? In 2022 Lee Jae-yong, of Samsung, was acquitted after being charged with stock manipulation (he denied any wrongdoing). Presidential pardons of convicted *chaebol* leaders are common, because of their contribution to the nation. Whether startups are treated similarly will become clear next month, when Mr Kim faces his next trial. ■

BANYAN

Kasumigaseki Blues

Japan's once-mighty civil service faces an exodus

"WE WORK FOR the nation, not for the cabinet minister," crows Kazagoshi Shingo, the hero of "The Summer of Bureaucrats", a Japanese novel. Kazagoshi, an official at the ministry of trade and industry, refuses to rise from his seat to greet his minister, a politician only nominally above him in the hierarchy. Published in 1975, the book captured the power of Japanese mandarins during the post-war boom, when graduates from elite universities clamoured for jobs in marquee ministries. Top bureaucrats had status and power akin to top bankers. They made the machinery of the Japanese state whir.

These days it is winter for Japan's once-mighty civil service. Talented cadres are fleeing harsh work conditions in search of greater opportunities and more flexibility. The number of elite "career-track" civil servants who quit within their first ten years on the job has hit record highs in the past two years. Applications for civil-servant positions fell by 30% between 2012 and 2023. The share of graduates from the University of Tokyo, Japan's top university, among those who passed the career-track exam declined from 32% in 2000 to less than 10% this year. Today's best and brightest prefer jobs at startups.

That may be welcome news for Japan Inc. But the exodus of talent from the public sector also has worrying implications. Even though their power has waned since Kazagoshi's era, bureaucrats still play an outsize part in Japan's policymaking process. Parliamentarians have skeleton staffs and often turn to mandarins for legislative support. In Japan civil servants "play a political role", notes Steven Vogel of the University of California, Berkeley. At a time when Japan faces complex challenges, from managing an ageing population to grappling with new technologies such as artificial intelligence, it can ill afford a hollowed-out civil service.

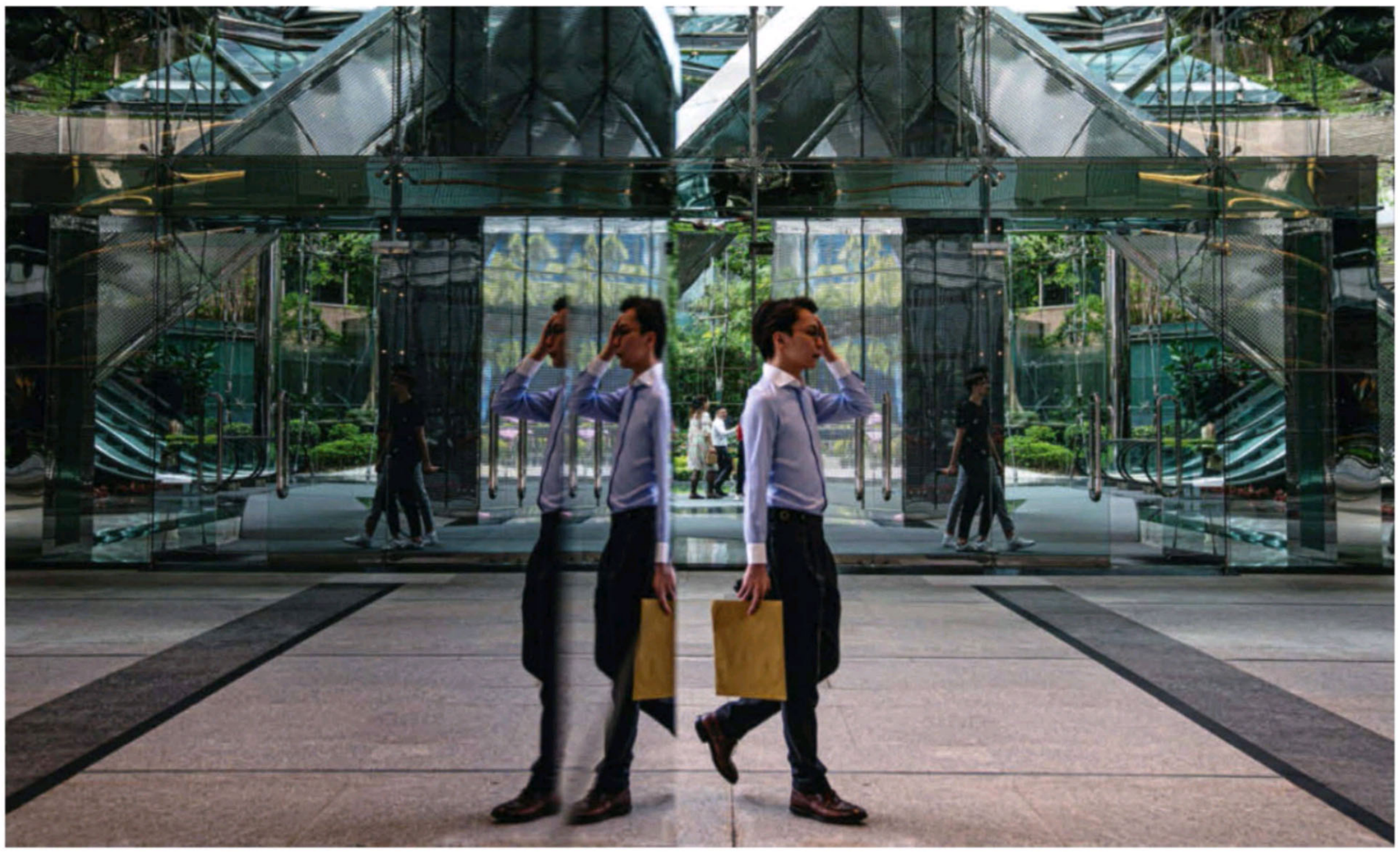
The future of the bureaucracy is a pressing issue as the ruling Liberal Democratic Party prepares to elect a new leader on September 27th to replace Kishida Fumio, the outgoing prime minister. Kono Taro, a leading candidate, has served thrice as minister for administrative reform (in addition to stints atop the digital, defence and foreign ministries, among other posts); he made a name for himself in part by waging war against outdated technologies still prevalent in the Japanese state, such as fax machines and floppy disks. Keizai Doyukai, a big business association, called overhauling the bureaucracy an "urgent" matter for upcoming reform.

You need only visit Kasumigaseki, Tokyo's central government district, late at night to grasp the problem. After the subways close, taxis mass around ministry buildings as if they were nightclubs. Often the cause of late nights is last-minute requests from lawmakers to prepare answers for hearings the next day. When responding to such queries, bureaucrats tend to finish work around 1am—leaving a few hours to sleep before attending parliament. One former foreign ministry official who quit to be a consultant recalls working 100 hours of overtime each month during his first two years.

The Japanese government is a microcosm of the worst of the country's office culture. Some now refer to Kasumigaseki as a "black" workplace—code for exploitative conditions and a harsh work culture. Archaic and analogue ways of doing business still reign. An insular, seniority-based promotion system constrains the career prospects of recruits. Bullying by politicians is all too common, and goes unpunished. "If you are sane, why would you do this work?" says one parliamentarian. "The smart ones are leaving—and we feel it."

The solution lies in part in less red tape for civil servants themselves. Kawamoto Yuko, the current head of the National Personnel Authority, spent years at McKinsey and has sought to modernise government workplaces. But deep changes are necessary, and will require greater political will. A previous set of civil-service reforms enacted in 2014 rightly put more power in elected politicians' hands, but failed to clarify new roles for the mandarins. Ministries remain too isolated—from each other and the private sector. More senior positions should be opened up to outside hires on the basis of expertise and performance. A nimbler, more modern civil service would set an example for the rest of Japan. And it would prove a better foundation for solving the problems of the coming decades. Time, in short, for the bureaucrats to have their spring.

China



The future of Hong Kong

Stability, now what?

HONG KONG

A fixation on security may cost Hong Kong in the long term

"FROM CHAOS to order, from stability to prosperity." That is Xi Jinping's goal for Hong Kong. Ever since pro-democracy protests swept the city in 2019, China's ruler has tried to reimpose control. In many ways he has succeeded. Today Hong Kong is less tumultuous than it was back then. The covid-19 pandemic, which saw the city close itself to the world, helped to calm things down. So have two draconian national-security laws, one imposed on the city by the central government in 2020 and another adopted by the local legislature this year. But the measures that have brought order, by striking fear into liberals, risk costing Hong Kong its prosperity by making it a less pleasant and predictable place to live and do business.

In the international firms that fill Hong Kong's high-rise office blocks, the mood is far from buoyant. When the American Chamber of Commerce in Hong Kong surveyed its members at the end of 2023, it found that 60% of respondents said they would be cautious about expanding their business in the city. Among the challenges cited were tensions between China and America and the slowing Chinese economy, but also overseas perceptions of Hong Kong. Nearly a third of respondents said they had been negatively affected by the older national-security law. Another survey, taken in June and July by the German Chamber of Commerce in Hong Kong, found that many of its members were expecting a worse political climate and more difficulty attracting foreign talent in the year ahead.

It is not all bad news. Most companies still report a positive business environment. In some ways the mood was worse in 2021 and 2022, when covid took a toll on the city. Optimists might note that the number of American companies operating there ticked up slightly last year to 1,273, after declining for four years in a row. But that number is down from a peak of 1,388 in 2012. And although foreign firms are not leaving Hong Kong en masse, many are shrinking their operations and moving their regional headquarters elsewhere.

Hong Kong's proximity to the mainland had long been its biggest selling point. But now foreign executives and officials talk of it becoming more like the mainland. The city's independent legal system, robust free press and civic freedoms are all being eroded by the central government. Three of the ten foreign justices on Hong Kong's highest court have quit this year. One, Jonathan Sumption, wrote in the *Financial Times*: "The rule of law is profoundly compromised in any area about which the government feels strongly." To which Hong Kong's chief executive, John Lee, responded, "The rule of law in Hong Kong is strong and will not change."

But a string of legal cases targeting liberal Hong Kongers has reinforced the concerns. The most recent involved Chung Pui-kuen and Patrick Lam Shiu-tung, former editors of *Stand News*. The online outlet (now closed) published articles in sup- ▸▸

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port of democracy. On August 29th a judge ruled that during the protests of 2019, *Stand News* "became a tool to smear and vilify" the authorities. The convictions of Messrs Chung and Lam are a "clear signal" to the business world "that Hong Kong no longer behaves as a common-law jurisdiction", said the Inter-Parliamentary Alliance on China, which brings together lawmakers from 33 countries.

On September 6th the American government chimed in, issuing an updated warning to firms about the potential dangers of operating in Hong Kong, mainly from the two security laws. "Businesses should be aware that the risks they face in [mainland China] are now increasingly present in Hong Kong," it said. Days later America's House of Representatives passed a bill that could close Hong Kong's diplomatic offices in the country. Lawmakers have questioned whether Hong Kong deserves representation separate from China's, given the city's waning autonomy.

All this has darkened Hong Kong's appeal relative to other entrepots in Asia, such as Singapore. At the same time, foreign firms that are hoping to operate in China see fewer benefits to setting up in Hong Kong, as opposed to Shanghai.

Hong Kong remains a business hub, but one increasingly made up of firms and workers from the mainland. In 2022 China overtook America as the country with the most regional headquarters in the city (see chart). One-fifth of the Americans living there moved out between 2021 and 2023. Along with them went droves of Hong Kongers. More than 150,000 of them have moved to Britain under a special immigration programme created by the British government after the first security law was introduced. Several thousand more have received permanent residence in Australia and Canada under similar schemes.

The population of Hong Kong fell from 7.5m in 2019 to 7.3m in 2022. But it rose back to 7.5m last year. The local government has introduced a new visa programme to attract overseas "top talent". Of the 70,000 visas approved under the scheme so far, 95% went to people from the mainland. Foreign companies seem unimpressed by these new arrivals. Nearly half of the respondents to the American Chamber of Commerce survey said the availability of qualified staff in Hong Kong had decreased in the past year. Another problem is that many mainlanders see Hong Kong as a transition point to the outside world, says John Hu, a migration consultant.

Hong Kong still stands apart from its peers—and certainly from the mainland—when it comes to capital markets and investment banking. Though the city has become more Chinese, its financial workings are more like that of a Western country and, as a result, it has access to financial systems in the West. Its currency is pegged to the greenback and it remains the dominant offshore dollar funding centre in Asia. Financial firms are not leaving in large numbers—and probably will not, so long as Hong Kong continues to be the main route to investing in China. But some of these firms have cut jobs in recent years, as the volume of initial public offerings in the city has declined. And bankers worry that the Sino-American rivalry or Chinese influence will disrupt Hong Kong's position as a global financial centre in the long term.

In the short term, the city's real economy faces difficulties. Hong Kong's GDP expanded in the second quarter by 3.3% year on year on the back of strong exports. But retail sales are down and bankruptcies are up. Hong Kong residents increasingly go to the nearby city of Shenzhen for shopping, reversing an old trend. Hong Kong's property market is suffering, too, with the value and volume of home sales plummeting in recent months. The city's tight global financial links have been a double-edged sword: its dollar peg has obliged it to maintain high interest rates despite the weak local economy.

At a town-hall meeting in August hosted by the city's leaders, including Mr Lee, dozens of residents and industry representatives expressed economic gloom. Mr Lee acknowledged that businesses were facing challenges. "We estimate the economy will perform better next year," he said, without specifying any future policies. Jasper Tsang, a founding member of Hong Kong's largest pro-Beijing party, complains that the city "lacks political leadership".

As the mood in Hong Kong dims, some legislators are proposing a novel solution. Promote a "panda economy", they say, highlighting the birth of two cubs in the city. This would involve panda-themed hotel packages and panda-inspired art. The city might even change its mascot from a dragon to a panda, suggests a tourism association. Hong Kong's problems are much bigger than all that. But perhaps a little distraction will help its residents bear up. ■

Going elsewhere

Hong Kong, number of regional headquarters by nationality of parent company

Source: Hong Kong Census and Statistics Department

Nuclear energy

Leading the way

BEIJING

China is building the next generation of nuclear reactors

LAST YEAR engineers at China's Shidaowan nuclear power plant turned off the pumps pushing coolant around the reactor core. Then they waited. At a typical power plant, this would have been dangerous. Nuclear reactions create lots of heat, which is normally transferred by a coolant and then converted into electricity. With the pumps off, the nuclear fuel might have continued to heat up until it liquefied and damaged the reactor. Such "meltdowns" can release radiation. That is what happened in 2011 at the Fukushima Dai-ichi nuclear plant in Japan after a tsunami damaged its cooling systems.

But no such disaster occurred at Shidaowan. At first the reactor did heat up. Then it cooled down before any damage was done, says a paper by the plant's engineers published in July. This was thanks to the plant's clever design. Conventional reactors are powered by long fuel rods containing uranium. At Shidaowan, though, the fuel is in the form of tiny particles of uranium coated with carbon and other chemicals, and embedded in tennis-ball-sized spheres. These are known as "pebbles". They can cope with extremely high temperatures without melting.

Shidaowan is an example of a "fourth generation" reactor. Scientists hope these models will be able to generate power more safely and efficiently than older ones. Many countries are trying to develop them. But only China has one operating at a commercial scale (Shidaowan was plugged into the grid in December). And with this test, its engineers have shown that a theoretical advantage of fourth-generation reactors works in practice. It is a demonstration that China is "exceptionally capable in nuclear", says Jacopo Buongiorno of the Massachusetts Institute of Technology.

China connected its first civilian reactor to the grid in 1991, some three decades after America had done the same. Now, though, China is ten to 15 years ahead of America in deploying fourth-generation nuclear technology, according to the Information Technology & Innovation Foundation, a think-tank in Washington. China is also building conventional reactors far more quickly. Of the 60 or so plants under construction globally, 45% are in China.

When it comes to fourth-generation reactors, there are half a dozen possible designs. Chinese engineers are trying to build plants based on all of them, but they ▸▸

did not invent any of them. Shidaowan, for example, is based on an experimental German model. China is adept at bringing such designs to life. Its "special sauce" is the ability "to prototype and test and modify until they've squeezed out every drop of efficiency", says David Fishman of Lantau Group, a consultancy. Generous state financing and good supply chains help, too.

China has several uses for these plants. It hopes to reduce its dependence on imported oil and gas by relying more on nuclear power. Such energy is also cleaner than that from fossil fuels. China is building lots of wind turbines and solar panels, but these depend on the co-operation of nature. Nuclear power is a more reliable way to meet baseload demand (the minimum level of power required to keep things running). So it is seen as a good replacement for some of the thousands of coal-fired power stations in the country. China aims to increase the proportion of its electricity produced by nuclear plants from around 5% today to 18% by 2060.

Fourth-generation reactors have other uses, too. Some models run at even higher temperatures than conventional nuclear power plants. The heat this creates can be used in sectors, such as chemical manufacturing, which require high temperatures for industrial processes (at the moment this heat is usually generated by burning fossil fuels). In August the government approved the construction of another fourth-generation model, which will provide heat for a chemical plant in the south-eastern province of Jiangsu.

China's nuclear power stations, like those elsewhere, use nuclear fission, which splits the nucleus of a heavy element. But Chinese scientists are chasing the dream of nuclear fusion, which aims to mimic the process that powers the sun. Fusion plants might produce a near limitless supply of energy, while creating much less radioactive waste than fission plants. And, unlike fission plants, they would not require uranium, which China has to import. But maintaining a fusion reaction that produces more energy than is put into it is tricky.

China spends about twice as much as America on fusion research, reckon officials in Washington. Chinese scientists are filing more fusion-related patents than those of any other country. Last year the government set up China Fusion Energy, a company that aims to commercialise the technology and link up nuclear firms and universities. Still, a dose of realism is in order: scientists have spent decades trying to make fusion work. For now, fourth-generation reactors will have to do. ■

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

International adoptions

We're keeping them

BEIJING

The government will no longer allow foreigners to adopt Chinese children

THE ANNOUNCEMENT came at a routine press briefing on September 5th. Mao Ning, a foreign-ministry spokesperson, said China was grateful for the "desire and love" of the foreign families who wanted to adopt Chinese children. But, she added, China would no longer allow the practice. Exceptions would be made for foreigners adopting stepchildren and children of blood relatives in China. For everyone else the new policy would take effect immediately, meaning even adoptions already in progress would be halted.

China had long been a top country of origin for international adoptions. More than 160,000 Chinese children have been placed in homes overseas since the early 1990s, when China first allowed the practice. (Just over half of those went to America.) For much of that time, Chinese orphanages were full as a result of the state's population-control measures. Under the one-child policy, in place from 1980 to 2016, most families were limited to a single baby. Parents preferred boys, who would carry on the family name. Girls and sick or disabled children were more likely to be given up.

International adoptions seemed a good way to relieve the stress on orphanages and spare children from having to grow up in a grim state-run facility. Those taken in by foreigners include three being raised by the prime minister of Sweden and two by the prime minister of the Netherlands.

But today China faces a different demographic challenge. With its population declining, the government has turned to pro-natalist policies. Meanwhile, living standards have risen dramatically, along with the quality of social services. As a result, fewer children are being given up. International adoptions peaked in the mid-2000s and the number of orphans has declined, from 549,000 in 2013 to 144,000 last year. China is now better able to support them.

The international-adoption programme had always rubbed nationalists the wrong way. That China had to rely on foreigners to raise its children was a source of humiliation. Conspiracy-minded commentators accused adoptive families of dark motives, such as a desire to conduct research on Chinese children or cultivate spies.

That is all nonsense. But experts have found that international adoption comes with real difficulties. Corruption and abuse taint some programmes. And life can be hard for those adopted, even if raised in good homes, as they wrestle with questions of ethnicity and identity.

China's ban, then, is not without justification. But for the families in the process of adopting children from China, the abrupt nature of the decision has caused heartbreak and confusion.

Made in China, staying in China

Middle East & Africa

Syria's collapse

Falling apart

ABU AL-ZENDAYN

Syria, fragmented and shattered by war, is looking ever more like Lebanon

AT FIRST IT seemed that the opening in August of the Abu al-Zendayn crossing between rebel- and regime-held territory within Syria might herald the reconnection of the fragments of the country. On a hill outside al-Bab, north of Aleppo, rebels, protected by Turkey, and regime forces, protected by Russia and Iran, pulled back the barbed wire. Syrians displaced in the north planned long-awaited visits home. They cheered the prospect of a reprieve from smugglers' exorbitant tariffs. Foreign governments wondered if refugees might venture back home. But a day later, shells were flying and the crossing was once again closed.

While the eyes of the world are on Gaza, Syria's war, in which over 400,000 have died and 14m have been displaced, grinds into its 14th year. The shattered country is looking more like Lebanon, its chaotic neighbour. It is increasingly divided along ethnic and religious lines. Warlords backed by foreign powers defend their turf, funding their militias like highwaymen and charging for passage across the lines of conflict. Outside powers have piled in, adopting local leaders and picking at ethnic and religious seams. And in a once fast-growing middle-income economy, over a quarter of the population live on less than $2.15 a day. Few did before 2011, when the civil war began.

The north, with roughly half of Syria's current population of 16m, broke free of the regime's control eight years ago. A Sunni fighter runs the north-west. The Kurds, backed by America, rule the north-east (see map on next page). Sandwiched between them are Turkey's armed forces inside Syria and their local proxy, the Syrian Interim Government (SIG).

The regime in Damascus has lost control of Syria's skies and its borders. Its foreign backers, Russia, Iran and its Shia Lebanese offshoot, Hizbullah, act as if the country were their own. Shia militias from Iraq and Lebanon dominate the borderlands. Hizbullah has used the country as a base to launch missiles against Israel.

Meanwhile, in the south-west, the Druze, once loyal to the Assad family, have been protesting against Bashar al-Assad, Syria's dictator, for over a year, demanding free elections and his removal. In the north, proceeds from smuggling and sales of oil and wheat have helped the Kurds and Idlib's erstwhile jihadists consolidate their rule. "He's not the master of his own home," says a UN official.

Holed up in the capital, Mr Assad still believes he can reunite Syria and restore it as a regional power. He talks oddly about "administrative decentralisation" as a way to bring the country together. A plan to end a much-loathed conscription policy is said to be on the cards. And he argues, not without reason, that if he can stay put, his foreign foes' fear of Iran and another exodus of refugees may yet push them to ▸▸

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abandon their demands for political transition and to restore ties. Last year, the Arab League readmitted him and began to send aid. In July eight EU member states proposed engaging with Mr Assad. Turkey's president, Recep Tayyip Erdogan, wants to re-establish relations and revive Syria's economy as a way to persuade Syrian refugees to return (see box).

Yet Mr Assad's army is too spent to recapture the north. Without external finance, he risks losing even the territory he still holds. Few countries will risk American sanctions to invest in his fire sale of many state holdings, such as Damascus airport, let alone fund the $200bn the World Bank estimates it will cost to rebuild Syria. Judged by the density of nighttime lighting viewed from space, the World Bank reckons Syria's economy has shrunk by over 80% since 2010. The Syrian pound has lost 99% of its value against the dollar since the start of the war, a collapse similar to that of the Lebanese pound. In the north, Syrians have ditched it for the Turkish lira. Last year Mr Assad cut most subsidies, hobbling more basic services. "I'm happy to volunteer but not to pay to volunteer," says a teacher whose salary no longer covers her bus ride to school.

While the state crumbles, Mr Assad shakes down smugglers and has a near-monopoly on the global production of captagon, an amphetamine. Drug exports are worth almost twice as much as all licit exports combined, says the World Bank. But the revenues accrue to Mr Assad. His base is narrowing, too. In a recent government reshuffle, almost all the appointees were Alawites, his own minority sect.

Others think they can save the country. In a gated mansion in al-Ray, near the Turkish border, ministers from the SIG, a body formed by a rebel coalition, consider themselves the future of a united post-Assad Syria. Within their territory, which extends 40km south from Turkey's border towards Aleppo, Syria's second city, people speak freely. Anti-government banners hang from official buildings. Policemen earn $100 a month, five times more than they would in the regime's domain. Electricity runs round the clock. And an industrial zone offers investors access to cheap labour and global markets tax-free via Turkey.

But Turkey, which has thousands of troops in northern Syria, wants the SIG to be its proxy rather the basis of a stable future government. Just 15% of the customs revenue Turkey collects at the international border crossings goes to the SIG, says an official. Most goes to local councils and the militias that make up the 45,000-strong Free Syrian Army. "Everything is in the hands of the Turks," admits the commander of a Turkish-backed Syrian militia. "Turkey doesn't want us to unite in case we say no to Turkey—that's why they fund so many militias." Many local representatives, including the SIG's prime minister, are ethnic Turks. Even the minarets on many restored mosques copy the Turkish design, with pincer-thin metal spears rather than Syria's traditional stone octagons. "It's northern Cyprus in the making," says another UN official, referring to the enclave Turkey has held for 50 years.

Over the past 2,000 years Syria has been fragmented more often than it has been united, the tool of foreign powers more than a sovereign country. That seems to be true once again. ■

Syrian refugees

Not wanted here

ISTANBUL

Turkey is trying to deport Syrian refugees back to a war zone

FOR THE past five years similar scenes have played out each day in Esenyurt, a district in Istanbul. Every few minutes police officers frogmarch a young man onto a bus. Esenyurt is home to one of the biggest communities of Syrians in Turkey. Across the country, the authorities are rounding up undocumented migrants. Over 34,600 Syrians have been caught this year; almost all will be deported back to the war zone.

Officially 3.1m Syrians live in Turkey. Add those there illegally and the true figure is much higher. Their lives, already desperate, are getting harder as the Turkish government restricts their rights.

In 2021, 66% of Turks said they wanted Syrians to return to their country. Attitudes have hardened. In the run-up to the 2023 elections, the opposition promised to deport them all. In July Syrian-owned houses, businesses and cars were attacked in anti-refugee riots.

The roots of the discontent are complex. Anti-Arabism in Turkey stretches back to the collapse of the Ottoman empire. Many Turks fear that the presence of Syrian refugees and their children (Turkey's interior minister says that more than 700,000 Syrian babies have been born in Turkey since 2011) will lead to a cultural and demographic shift that will pull Turkey away from the West.

Mr Erdogan may not mind that shift, but the refugees are a political headache for him now. He once styled himself as their protector and a champion of Syria's opposition. As Turks have turned against the refugees and more countries have re-established relations with Bashar al-Assad, Syria's dictator, Mr Erdogan has tried to realign himself. But Turkey is still deeply involved in Syria's war. And persuading millions of Syrians to return to a country that, for many, is as dangerous as when they left will be very hard.

Gaza quagmire

The Philadelphi story

JERUSALEM

Why a narrow corridor in Gaza has become an obstacle to a ceasefire

ON ISRAELI TACTICAL maps the narrow corridor along the border between the Gaza Strip and Egypt is code-named "Philadelphi". It is a rubble-strewn wasteland, just 14km long and around a kilometre wide. And yet it has become one of the main obstacles to a ceasefire agreement which could perhaps end the war in Gaza.

Binyamin Netanyahu, Israel's prime minister, claims the corridor is the main smuggling route through which Hamas's Iranian benefactors supplied the weapons that enabled the group to launch the attacks of October 7th 2023. He insists that if the Israel Defence Forces (IDF) withdrew from Philadelphi, Hamas would be able to secure the resources to carry out "another October 7th and another". On August 29th the Israeli cabinet passed a decision to keep troops in the corridor indefinitely.

The generals and spy chiefs within Israel's security establishment disagree with their prime minister. And it is puzzling that ▸▸

if holding the corridor is so central to Israel's security, Mr Netanyahu waited seven months after the war began before giving the order to occupy the territory.

The first time a physical border fence went up on the Philadelphi Corridor was as part of the peace agreement between Israel and Egypt. In 1982 Israel returned to Egypt the Sinai Peninsula, which it had captured in 1967. Egypt, however, had no interest in controlling the Gaza Strip. So Israel occupied Gaza until it unilaterally withdrew from the strip in 2005.

Mr Netanyahu claims that leaving the Philadelphi Corridor at that point was a fatal flaw in Israel's "disengagement" from Gaza. He ignores, conveniently, the fact that the network of tunnels under the border was excavated and the smuggling trade through them flourished from the 1980s, when Israel controlled the corridor.

Israeli security officials insist that major engineering and demolition operations carried out by the Egyptian army in recent years on its side of the border had destroyed most of the tunnels and put an end to the commercial smuggling. IDF officers say that most of the tunnels they have discovered since they began searching in May have not been used for years.

In a rare interview aired on September 6th, Nadav Argaman, the former chief of Shin Bet, Israel's internal-security agency, said what his colleagues still in service could not: "There was no connection between the weapons in the Gaza Strip and the Philadelphi Corridor."

Israel believes most of the weapons used on October 7th came overground through the Rafah crossing, which is in the southern part of the corridor. The crossing is managed by Egyptian officials who either turned a blind eye or were bribed—probably both. The rockets fired at Israel by Hamas and Islamic Jihad were made in underground factories within Gaza, using Iranian know-how and "dual-use" materials, some of which entered the strip legally through the border with Israel.

The best way to prevent smuggling in the future, say Israeli defence experts, is to force Egypt to tighten its border controls. If Hamas starts using the tunnels again, they concede, Israeli troops would have to return to Philadelphi. But Egypt will not discuss the Rafah crossing until Israel promises to withdraw from Gaza entirely.

Israel's security chiefs also say that keeping troops in Philadelphi is of dubious tactical advantage because it leaves the IDF vulnerable to attacks by Hamas and jeopardises the lives of the remaining hostages. Mr Netanyahu insists that he understands Israel's national-security interests better than the generals who failed Israel on October 7th. He denies that he has any other interest in pushing to keep Israeli troops in place. The timing of the prime minister's insistence suggests otherwise.

On April 27th Israel gave the American administration a proposal for a ceasefire in stages. In the second phase it included a full withdrawal of Israeli forces from Gaza. That plan, which did not mention Philadelphi, was approved by the war cabinet before Israel captured the corridor.

But Mr Netanyahu, as ever, is guided by his own political interests. His far-right allies say they will abandon his government if Israel agrees to a ceasefire. Philadelphi, where the IDF had not even begun operating when the original plan was laid out, is a new and convenient spanner for Mr Netanyahu to throw into the works.

Neither Hamas's nor Israel's hardliners seem capable of reaching a deal. On September 4th Mr Netanyahu was asked whether Philadelphi was the only obstacle. He laughed: "No, it's not." In fact, he continued, everything can still be an obstacle. Philadelphi is just the latest excuse. ■

Fuel in Nigeria

No petrol, no peace

LAGOS

A new refinery creates a chance to scrap ruinous petrol subsidies

SELDOM HAS one tycoon so tantalised a nation. On September 3rd Aliko Dangote, one of Africa's richest men, announced that his new $20bn refinery in Nigeria was starting, after many delays, to produce petrol. Nigerians are now frantically debating whether that will ease chronic fuel shortages and help pull the country of 230m people out of a destabilising economic crisis.

Once it reaches full capacity, the refinery will be able to supply all the petrol Nigeria needs. Yet how much that will help Nigerians depends on politics. To make a profit, Mr Dangote must be allowed to charge a fair price for fuel. Yet for decades the government has decreed that petrol must be sold at artificially low prices.

This policy is typical of a state which is both too big, in that it asserts control of countless things best left alone, and too small, in that it fails to supply basic services. If Mr Dangote is allowed to charge market prices for his petrol, that could remove government control over a thing best left alone while freeing up funds for services such as health care and education.

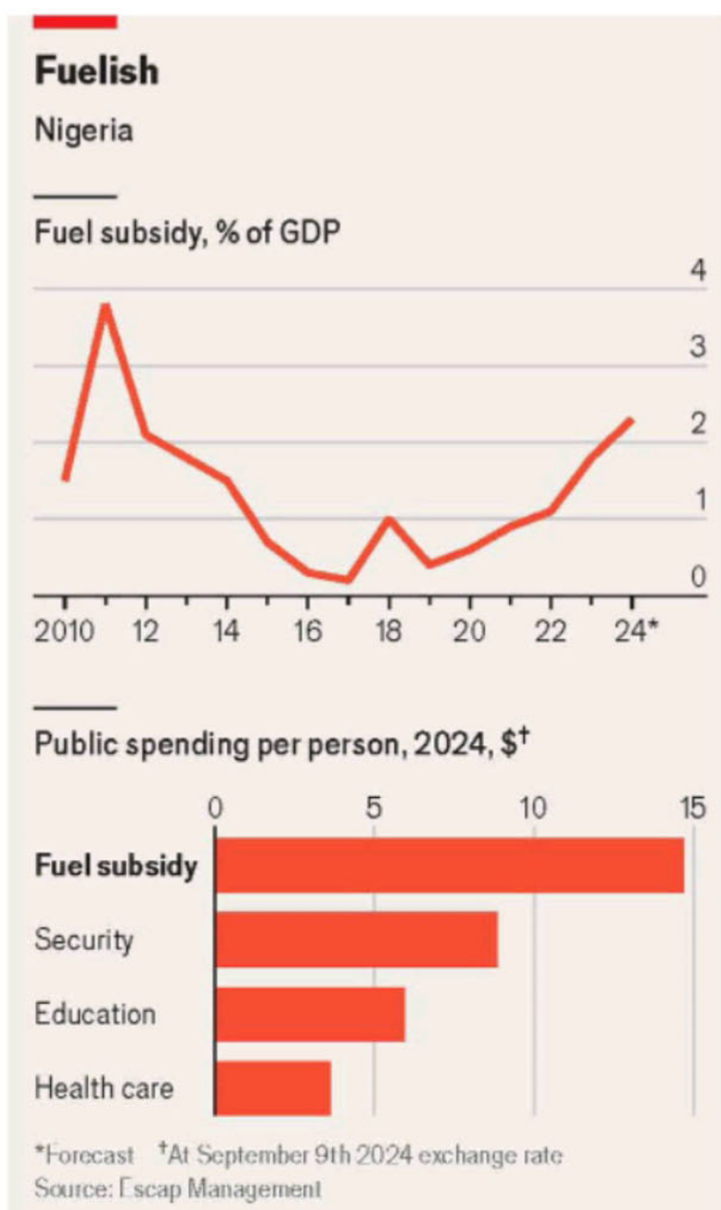
Cheap petrol is financed by a subsidy that squeezes all other public spending. The subsidy is not paid directly. Instead, the state-owned Nigerian National Petroleum Corporation (NNPC) swaps crude oil pumped in Nigeria for petrol refined abroad, then sells that petrol to the public at a big loss. That loss is deducted from the oil royalties the corporation is supposed to remit to the treasury. The system is corrupt and leaky: much of the cheap petrol is snaffled and smuggled abroad.

Last year Bola Tinubu, Nigeria's president, announced that he had scrapped the subsidy. Yet it has swiftly crept back. This year Escap, a consultancy, expects it to gobble up around 5.4trn naira ($3.3bn). That is 2.3% of GDP, four times the health budget and nearly half the oil revenues on which the state depends (see chart).

Other petrostates try to turn fossil-fuel revenues into human capital. Nigeria, not so much. Annual public spending per head on education is a derisory $6; on health it is $4, according to Escap. Primary-school enrolment is only 65%. In Sierra Leone, which is much poorer, it is 97%. The World Bank estimates that Nigerian children achieve barely a third of their potential. If they received proper health care and education, they would be 2.8 times more productive as adults.

Because the petrol subsidy is so costly, the government cannot afford it, and subsidised petrol often runs out. For days the streets of Lagos, the commercial capital, have been snarled, as huge queues of cars form outside petrol stations. "I've been waiting 16 hours," grumbled one motorist. Nearby, black-market traders with jerry cans and plastic tubes were offering to fill tanks for three times the official price.

The simplest way to solve the problem would be to charge a market price for petrol. On September 5th Bloomberg reported that the government was considering let- ▸▸



ting Mr Dangote do just that, which could release resources that could be used to fund essential public services.

Yet reform faces steep obstacles. The opacity of the current system makes it easier to loot, so insiders will strive to preserve it. Mr Dangote has said he will sell all the petrol he produces to the NNPC, meaning the government will remain in control. Confusingly, the NNPC denies this.

More important, Nigerians have long planned their lives around cheap fuel, so scrapping the subsidy would be both painful and unpopular. Many Nigerians see subsidised petrol as the only concrete benefit they receive from their government, rather than a big reason why they receive so few other benefits.

A price increase last week from 568 naira ($0.35) per litre to around 855 has sparked fury. But since it remains below the market rate of over 1,000 naira, the state is still losing money on every litre and cannot afford to supply enough to end the fuel queues. Nigerians complain that costlier petrol has made everything from food to home-generated electricity less affordable. Zeinab Usiabulu, a shopkeeper, laments that a 50kg bag of rice has gone from 81,000 naira to 86,000 in a week.

In August more than a dozen people died when security forces shot at protesters angry about rising living costs. Inflation in July was 33% year on year, with food inflation at 40%. At the University of Ibadan, one of Nigeria's best, charges to students for such things as rent doubled in July, provoking such big protests that students were sent home. Even so, the university's finances are "unsustainable", says Ganiyu Saliu, the registrar.

The government's weak mandate and fear of provoking riots may tempt it to keep at least part of the subsidy. Moreover, because so many politicians squander or steal public funds, they are unpersuasive messengers for painful changes. "It is difficult to tell people to be patient and to convince investors that Nigeria is prepared for reforms when the presidency is spending hundreds of millions of dollars on another jet," laments Esili Eigbe of Escap.

Yet there are reasons to hope for change. The government's finances are so parlous that it cannot keep on as before. Debt service was equivalent to 91% of government revenues last year, falling to a still-terrifying 68% this year. The ratio of total debt to government revenues is higher than in any other country save war-torn Sudan and Yemen, and hyper-corrupt Venezuela. The NNPC owes so much to foreign suppliers that it is struggling to import more refined fuel. The company has little alternative but to do business with Mr Dangote, who taps into the popular view that Nigeria, as a big oil producer, should be refining its own crude.

That means a deal of some kind will probably be struck, though it will take time for its effects to be felt. If the result is a permanent cut in subsidies, "we will need to strengthen the social safety-net," says Tony Elumelu, a banker-turned-entrepreneur.

Meanwhile, Nigerians are finding creative ways to cope. As people avoid long journeys to the bank, more small shops are offering customers cash through newly ubiquitous point-of-sale machines. Some shopkeepers are installing solar panels to save on generator fuel. "The sun is from God, and more reliable," says Biodun Badmos, who uses solar power to run a welding machine. And the middle classes send their drivers to sit in mile-long petrol queues for them. ■

Correction An article on China's relationship with Africa last week overstated the difference between estimates provided by AidData and Boston University of Chinese loans to African countries. We apologise for the error.

Sudan's war economy

Conflict as opportunity

PORT SUDAN

As famine bites, enterprising Sudanese are fending for themselves

VAST SWATHES of Sudan face famine on a scale the world has not seen in decades. In Port Sudan, where perhaps 250,000 people have fled from the country's civil war, essentials are scarce and prices are stratospheric. Yet Kinza, a sugary drink similar to Coca-Cola and manufactured in Saudi Arabia, is abundant.

Much of Sudan's formal economy is in ruins. The war, which pits the Sudanese Armed Forces (SAF) against a paramilitary group from the western region of Darfur known as the Rapid Support Forces (RSF), has devastated the country's industrial base. The central bank lost most of its reserves when the RSF attacked and looted it, according to Burai Sidig Ali, the bank's governor. The banking system has mostly ceased to function.

Yet war has also produced business opportunities, as Kinza shows. Locals say that an enterprising trader from Port Sudan struck a deal to import lots more of the drink soon after fighting broke out in Khartoum, the capital, in April 2023, destroying the Coca-Cola bottling factory in north Khartoum. Kinza filled the gap.

"Sudan's private sector has long been characterised by these strong local networks able to move things around," says Anette Hoffmann of the Clingendael Institute, a Dutch think-tank. Manufacturers have shifted production to Egypt, the Gulf or India to continue trading back home. Middlemen brave military checkpoints and frontlines. Flour from Egypt still reaches Nyala, a city in South Darfur which fell to the RSF last year. So do some medicines. "We can reach Darfur indirectly via people who are willing to take the risk, or who have a relationship with the RSF," says one pharmaceuticals manufacturer in Khartoum.

Some traders inside Sudan even continue to export abroad. Locals in Nyala say that each week lorries laden with skins and hides depart for Nigeria. Sudan's exports to Saudi Arabia, the vast majority of which are livestock, were 77% higher in 2023 than the previous year, according to the Saudi General Authority for Statistics. The South Sudan Chamber of Commerce also reports a sharp increase in cross-border trade.

Yet while some trade helps ordinary Sudanese, much is wartime profiteering. Sudan's armed factions, including the SAF, are, in effect, competing kleptocracies. Many have long been involved in smuggling. An oil mafia linked to the SAF is reported to be price-gouging consumers in army-controlled areas. The RSF stays afloat partly by smuggling gold to the UAE in exchange for arms. (The UAE denies this.) "It was difficult to control such things in times of peace, let alone in war," says Mr Ali of the central bank.

That is making a desperate situation worse. The UN says the price of the average food basket has risen by at least 138% since April 2023. More than half the population is on the cusp of starvation. Both the SAF and the RSF restrict the flow of aid into areas outside their control. Yet mobile banking is booming, and some Sudanese companies are using satellites to keep people online. Sending money directly to the needy could prop up Sudan's remaining fragile markets, says Ms Hoffmann. That could keep people alive. ■

Holding the breadline

Europe

Corruption in the EU

Dirty sponges

VILNIUS

The EU's promise to help countries fight corruption is going badly

"IT WAS RETRO style," laughs Ruta Kaziliunaite, the co-ordinator of Lithuania's Special Investigation Service (STT), the country's anti-corruption police. Last November the former leader of the Liberal Movement party was convicted of taking bribes from an executive at MG Baltic, a trading and real-estate conglomerate. It was not a matter of hidden transfers to shell companies, but of old-fashioned wads of cash: the STT found €242,000 ($269,000) stashed in the MP's house and car. (Both men are appealing.)

In fighting corruption, Lithuania is one of the European Union's star pupils. Corruption is hard to measure; it is by nature secret. But Transparency International, a Berlin-based watchdog, gauges how clean countries are perceived to be, and Lithuania went from 48th in the world in 2012 to 34th in 2023. The European Research Centre for Anti-corruption and State-building (ERCAS), an academic outfit that measures public integrity and transparency, rates Lithuania among the top 20 for both.

This is the sort of success story the EU likes to tell about itself. Europe is home to the world's least corrupt countries, and Eurocrats see their union as a force for reform. The EU generally requires countries to improve their governance before they can join; its regulations are meant to keep them honest once they are in.

Unfortunately, the data over the past decade tell a different story. Lithuania and its Baltic neighbours, Estonia and Latvia, have improved dramatically. But other formerly communist countries that joined the EU in the 2000s have not. Poland, a relatively clean country, got dirtier from 2015 to 2023 under a populist government. Romania jailed thousands of crooked officials, but others often took their places. In Bulgaria, the Czech Republic and Slovakia oligarchs have outlasted prosecutors. Under Viktor Orban's illiberal rule, Hungary has become as corrupt as some countries in Africa and the Middle East.

The ex-Soviet bloc is not the only region to worry about. Hopes that southern Europe would turn more Scandinavian have not been borne out. The graft that surfaced in Spain during the global financial crisis has led to little reform. Italy has improved, but only from the low bar of Silvio Berlusconi's scandal-plagued administrations. Greece's corruption is infamous, and the reforms which the EU and IMF imposed after the euro crisis did little to fix it. In 2019 a Greek prosecutor who went after Novartis, a drug firm, for bribing doctors was fired—and was then prosecuted herself, even though in America the company admitted guilt and paid $347m in fines. (She was acquitted last year.)

Worse, EU institutions have had big scandals of their own. In late 2022 Belgian police arrested several members of the ▸▸

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European Parliament and their aides for accepting bribes from Qatar (and seized nearly €1m in retro-style cash). A quarter of MEPs have been entangled in ethical trouble, according to Follow The Money, a Dutch investigative website.

In many countries—such as Armenia, Georgia, Moldova and Ukraine—anti-corruption advocates want to join the EU precisely in order to clean up government. If the EU is not doing well at fighting corruption, it suggests these hopes may be misplaced. What is going wrong?

One issue is that although the EU's reforms reduce corruption, the billions of euros it distributes can encourage it. Corruption tends to be high in countries rich in natural resources—the so-called resource curse. When EU aid goes to countries with weak institutions, "it functions like a resource curse", says Alina Mungiu-Pippidi, a corruption scholar who heads ERCAS.

Indeed, in many big corruption cases EU aid is part of the story. Hungary's EU-funded infrastructure projects consistently go to businessmen connected to Mr Orban. In the Czech Republic, Bulgaria and Romania many big recipients of EU farm subsidies are agri-businesses with dodgy links to politicians. Italy's EU-backed covid-relief fund was targeted by a €600m fraud scheme for which European prosecutors recently charged dozens of people.

Compared with America, the EU and its members are laggards at enforcement. In 1997 the OECD, a club of mostly rich countries, signed an anti-bribery convention. Since then, America has carried out nearly 80% of the successful prosecutions of companies under the treaty. Seizing profits from corruption is hard for European governments: most can do so only when they are tied to a specific criminal conviction. None has "unexplained wealth orders" (UWOs) like those in Britain, which let the government confiscate assets for which there is no plausible legal source.

That will change: in April the EU directed members to pass UWO legislation within 30 months. And the European Public Prosecutor's Office (EPPO), launched in 2021 to go after abuse of EU funds, has been making up the gap with America. EPPO prosecutors filed 139 indictments in 2023, up 50% from the year before, and won freezing orders worth €1.5bn—respectable even by American standards.

The stakes are not just economic. America and the EU see corruption as a security issue: Russia and other autocracies use cash and networks of cronies to hollow out democracies. Corruption creates "vulnerability throughout the economy and the political system", says Richard Nephew, the global anti-corruption co-ordinator at America's State Department.

A crucial battlefield is Ukraine, where both anti-corruption movements and corruption are strong. Ukrainian activists say the EU-accession process has driven reform, but it has not been smooth. In June anti-corruption advocates heading the infrastructure and reconstruction ministries were ousted. On August 14th the head of the government's anti-monopoly authority was arrested for allegedly nabbing $1.35m-worth of property. (He denies the charges.)

Of course, such arrests can be seen as proof that reforms are working. Ukraine has world-class online systems for procurement transparency, known as Prozorro and DREAM, that let anyone see how contracts were granted. The country's anti-corruption investigators are starting to do their jobs, says Tetiana Khutor, head of the Institute of Legislative Ideas, a Kyiv-based legal think-tank. Ukraine's ambition is to become the next Lithuania. Its fear is that, like Greece, it never manages to get clean—a discouraging failure for Europe's good-government dreams. ■

France's new prime minister

Barnier's burden

PARIS

The new prime minister tries to untangle messy politics

FOUND: A NEW prime minister. Wanted: a new government. President Emmanuel Macron's appointment of Michel Barnier as France's new prime minister on September 5th, after a two-month search that followed inconclusive parliamentary elections in July, ended one painful political quest. A veteran conservative from the Republicans party and the European Union's former Brexit negotiator, Mr Barnier is a pro-European Gaullist with old-school manners and a reputation for consensus-seeking. His selection has reassured investors; 52% of the French approve. But he now has his work cut out trying to forge a government with any chance of survival.

One-man band

Mr Barnier spent his first week on a recruitment drive, revealing little. The Republicans hold a mere 47 seats in the 577-seat National Assembly. He still depends on Mr Macron's centrists, who form the second-biggest bloc, with 166. Indeed many of them come from the centre-right. They include Bruno Le Maire, the finance minister, who is taking a break from politics, Gérald Darmanin, the interior minister, and Edouard Philippe, a former prime minister, who recently announced that he will run for the presidency in 2027.

Yet Mr Macron's party, Renaissance, as a whole insists that its support should not be taken for granted. Gabriel Attal, the 35-year-old former prime minister who handed over to the 73-year-old Mr Barnier, is now the centrists' parliamentary leader. He told his deputies last week that their attitude should be "neither an intention to obstruct nor unconditional support". Those on the centre-left of Renaissance are particularly sceptical. Roland Lescure, the outgoing industry minister and incoming deputy speaker of parliament, cautioned Mr Barnier against leaning too far to the right, notably on immigration. "He can't assume that we will be a walkover," he says.

Short of a formal coalition agreement, which is unlikely to be forthcoming, Mr Barnier will need to tread a delicate line between some continuity with the Macron project, to secure centrist backing, and a show of independence, to make clear that he is not the president's lackey. Until now, Mr Macron has kept a tight grip on all government policy. Now, say aides, this will end. "We're changing era," insists someone close to the president, arguing that the prime minister will be "free and independent" to devise policy: "The president will preside, the government will govern."

Even with the centrists, Mr Barnier will be running a minority government. It will be vulnerable at any moment to a motion of no-confidence that could be tabled by the opposition. This is where the equation gets really tricky. Mr Barnier was not Mr Macron's first pick; he got the job because he has fewer political enemies than the president's two preferred choices, Xavier Bertrand, the centre-right president of the Hauts-de-France region, and Bernard Cazeneuve, an ex-Socialist prime minister estranged from his former party.

Yet Mr Barnier will get no help from the left. The four-party left-wing alliance, dominated by Jean-Luc Mélenchon's hard-left Unsubmissive France, is fuming. It holds the biggest parliamentary bloc, with ▸▸

193 seats, and claims that Mr Macron has "stolen" the election. The alliance will vote against Mr Barnier at the first chance.

That means that, awkwardly, the survival of Mr Barnier's future government is now largely in the hands of none other than Marine Le Pen. Her hard-right friends form the third-biggest parliamentary bloc, with 142 seats, and her promise not to vote immediately against Mr Barnier helped him to clinch the job. Now she, in effect, has her finger on the ejector-seat button. Among her demands is the introduction of proportional representation for the legislative vote, which would benefit her own party. She could press that button at any time.

An Alpine skier and mountaineer from the Savoy region, Mr Barnier is on a tightrope. He is due to get a budget to parliament by October 1st. Mr Le Maire says the budget deficit could reach 5.6% of GDP this year, well above the 5.1% forecast, not to mention the EU's limit of 3%. The European Commission is monitoring the country closely. France, says Mr Le Maire, needs a further €16bn ($17.6bn) of savings this year. Nobody will thank Mr Barnier for enacting budget cuts in his first weeks in office. Yet he may have little choice. Indeed, such a thankless task is reason to think that, for once, Mr Macron may actually be ready to take a step back and leave the new government to take the flak. ■

Ukraine

The Russian push

KURAKHOVE

Danger in Donbas as Ukraine's front line falters

IF YOU IMAGINE that the front lines in Donbas are well-defined, think again. Oleksandr, an officer with Ukraine's 79th brigade, watches the battlefield near the front-line town of Kurakhove on control-room screens every day. The Russians are mostly in front of Ukrainian positions, he says, but sometimes cause havoc kilometres behind them. For the wretched pairs of soldiers in scattered positions at the edge of what he calls the kill zone, it is more often than not a one-way mission. As many as 18 Russian soldiers may die to dislodge two worn, hungry Ukrainians. But eventually, they will. "We are exchanging lives and territory for time and the opponent's resources."

For the past two months, Russia has poured most of those resources into attacking the logistical hub of Pokrovsk, just north-west of Kurakhove. They advanced at an alarming rate, and even accelerated after Ukraine launched an operation inside Russia that was ostensibly designed to reduce the pressure. A Ukrainian fightback in the past week has stabilised the westernmost lines. But soldiers report that the Russians are regrouping along a wider front, north and south of Kurakhove, in an apparent effort to encircle Ukrainian forces. The heart of the fighting has moved to the towns of Ukrainsk and Halytsynivka, about 15km north of Kurakhove.

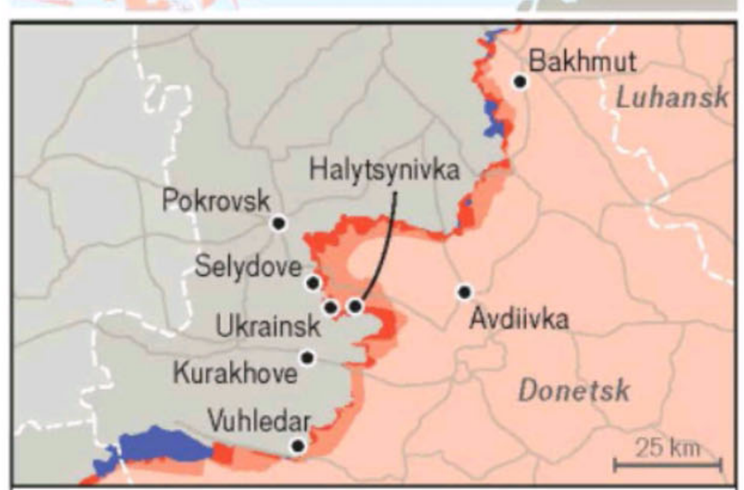
Yury, a soldier attached to the 59th brigade based near Ukrainsk, says Ukrainian losses have been serious. A reinforcement of raw infantrymen sent from Ukraine's 71st brigade was wiped out. "Over three days, 100 became zero. Some ran, some fell." It is not all one-way traffic. A Ukrainian counter-attack on September 6th, using tanks and infantry, pushed the Russians back somewhat. They are out of the southern districts of nearby Selydove. But the situation remains precarious. The Russians are still eager to control the roads leading to Pokrovsk. "We have been fighting with our last guard, and have thrown our logistics guys into the trenches."

For soldiers farther south the possibility of encirclement remains a worry, though so far there have only been hints of it. Roads that were passable no longer are. Shops and cafés have shut their doors. "Difficulties getting a cup of coffee might not seem our biggest problem," says a commander with the 21st brigade, "but it is an indication things are getting worse."

For those near Kurakhove, whose pre-war population of 21,000 is down to 5,000, the plainest change is in logistics. Petrol lorries, supply vehicles and headquarters have been pushed back from the tightening Russian noose. Resupply is no longer quick: getting mortars or Javelin anti-tank rockets takes half a day at best. Evacuating the wounded is trickier. Nearby field hospitals stabilise the worst-off. But with the main road to Pokrovsk cut, fewer can reach a fully fledged hospital in time.

Russian tactics have not changed substantially since the fall of Avdiivka in February. Then as now, they depend on glide bombs and an artillery superiority that still ranges from at least 3:1 up to 10:1 in some sections. The operations are generally led by groups of two or three infantry soldiers, usually dismounted, though recently some have been observed using Lada sedans with the doors removed for a quick exit, Mad Max-style. The groups prowl forward at any opportunity. Andriy, an officer with the 79th brigade, reckons 80% of the Russians do not make it. But the other 20% find ways to get in behind the Ukrainian positions, and are sometimes lost to Ukrainian eyes. "They know that we won't counter-attack because we don't have the men to do it, so they crawl wherever they can."

Recently the Russian pressure has grown more insistent and wider, spanning



September 11th 2024
Russian-controlled
Russian operations*
Claimed as Russian-controlled
Ukrainian advances†
*Russia operated in/attacked, but does not control †Since May 2023
Sources: Institute for the Study of War; AEI's Critical Threats Project

a front from Pokrovsk to Vuhledar in the south. This, Ukrainian soldiers believe, is evidence their enemy has been reinforced with new reserves. The wide front gives the Russians more options to attack, says Mike Temper, the nom-de-guerre of a mortar-battery commander with the 21st battalion of Ukraine's Separate Presidential Brigade. "They are using their numerical advantage to see gaps in our defence, and develop where they can."

The Russians are also pressing their advantages in drones and electronic warfare. This is especially evident in their search-and-strike system, which links advanced reconnaissance drones to strike drones, artillery and aviation. "Physicist", a tank commander with the 68th, says the Russian air force and artillery can react almost in real time; anything that moves and is not protected is destroyed.

Physicist, whose nom-de-guerre stems from a peacetime job as a science teacher in Kherson, says Ukraine's weakness comes from a simple equation: low manpower plus low ammunition. The two, he says, are linked in ways that may not seem obvious. When America's Congress held back supplies of weapons over six months from October 2023, Ukraine had to throw men at the problem. "When we had no shells we used more infantry on the front to stop a breakthrough, which meant losing many skilled soldiers." ■

Abortion in Poland

Failure to deliver

Donald Tusk has not kept his promises to liberalise abortion

A FLAT IN Warsaw will soon become Poland's first abortion clinic. The interior, designed like a teenage girl's bedroom, reflects the reality of abortions in a country where they are in effect illegal: most of them happen at home, the woman unassisted and alone. Abortion Dream Team, the charity behind the project, says that every day around 130 girls and women contact it for help in ending their pregnancies. The clinic, which will operate in a legal grey zone, will give them space to do so—with a comfy sofa and films to distract them while they take abortion pills.

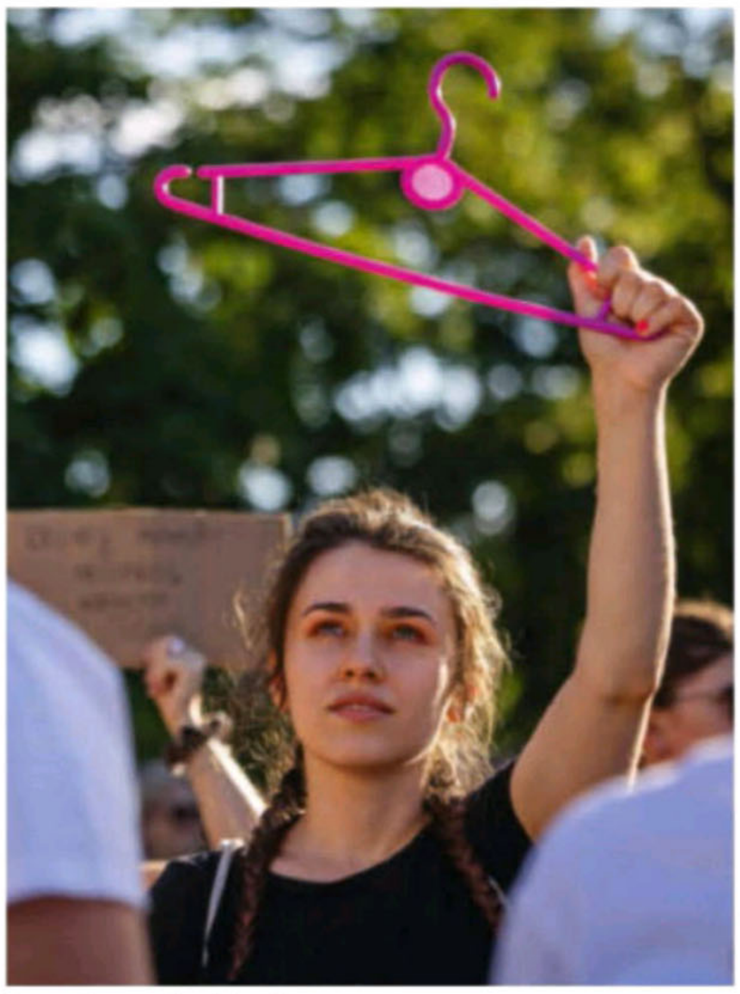
The clinic was born out of growing frustration with Poland's government failing to keep its electoral promise to improve women's rights. Last October record turnout by young voters helped sweep Donald Tusk, the centre-right prime minister, back to power. He had promised to put forward a bill on his first day in office to make abortion available on demand until the 12th week of pregnancy.

But nine months later, Mr Tusk has not delivered. Natalia Broniarczyk, a campaigner, blames a lack of will. She points to Mr Tusk's sweeping reforms in other areas—notably to state-owned media. "We know that what the prime minister wants, he does," says Ms Broniarczyk.

Since 2021 Poland has become the most restrictive country in the EU on abortion. It is legal only if the pregnancy threatens the mother's health or results from rape or incest. Penalties for doctors and charities who help women end pregnancies have sown fear. A recent UN report said Polish laws violated human rights and "may rise to the level of torture or cruel, inhuman or degrading treatment."

The battle over abortion has for many women become symbolic of how the state treats them. The hard-right president, Andrzej Duda, says he will block any attempts to soften laws. Mr Tusk's inability to negotiate promised improvements to women's rights—if not with the president, then at least within his coalition—has become a sign of his political ineffectiveness.

At the party's flagship event for young people on August 23rd, the prime minister admitted that he did not have a majority to legalise abortion in the present parliament. Mr Tusk's coalition is a broad church of almost a dozen smaller parties. When its left-wing contingent put forward a bill in July to decriminalise aiding abortions, the coalition's right-most group, the Polish People's Party (PSL), torpedoed it. PSL insists on a referendum on abortion; the left is infuriated by the suggestion of putting a human right to a vote.



Let down by Tusk

The dispute has raised questions about whether the coalition can hobble on for another three years. To placate his supporters, Mr Tusk's government recently introduced financial penalties for hospitals that refuse abortions where they are legal and justified. The coalition is expected soon to pick up work on a bill legalising same-sex unions, which it published in July.

But Mr Tusk needs to act fast: a presidential election is expected in May 2025. The campaign, which starts this autumn, will only deepen ideological divisions in his coalition. Mr Tusk's likely nominee for president, Rafal Trzaskowski, the left-leaning mayor of Warsaw, will clash with the centre-right's Szymon Holownia, who leads the second party in Mr Tusk's coalition. Reproductive rights will be a big campaign theme for leftist parties, who will probably nominate a woman.

Disappointed voters may refuse to rally to Mr Tusk's camp again. The race will probably be close. Passing a bill to legalise abortion would shift the onus to Mr Duda—and unite support for a liberal successor. Mr Tusk could also call an abortion referendum to coincide with the election. That would bring out voters. But his coalition would probably not be able to agree on how to phrase the question. ■

Italy

No ball

MILAN

A northern town's ban on cricket seems motivated by political xenophobia

CRICKET, YOU might think, is among the more benign legacies of British imperialism—a sport that unites blazer-wearing English toffs and players who first applied bat to ball in the slums of Kingston or Kolkata. But in Monfalcone, a town in north-eastern Italy, cricket has become a political football. (Sorry.)

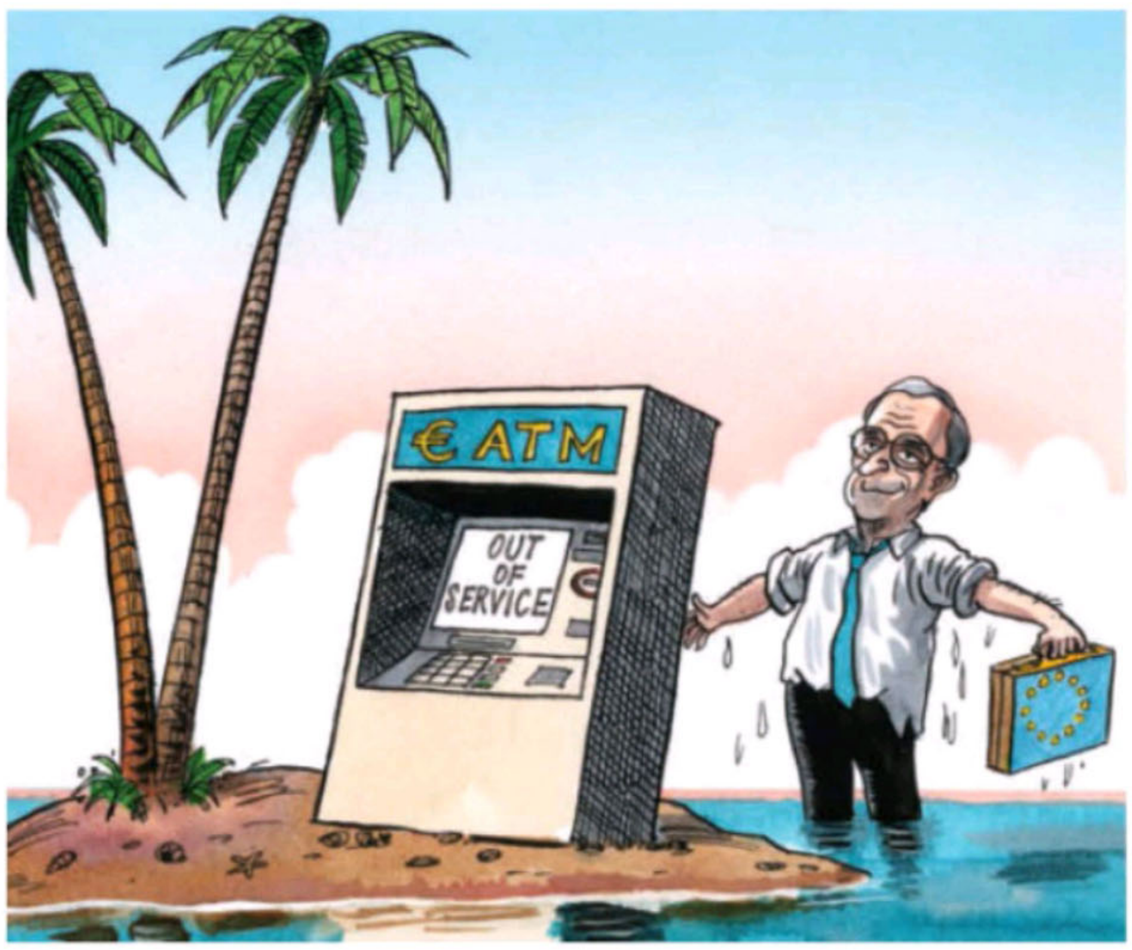
Almost a third of Monfalcone's more than 28,000 inhabitants are of Bangladeshi origin. Most of the men were drawn to the town by the opportunities for work in Monfalcone's giant shipyard. And, with rare exceptions, they are passionate about cricket.

But, says Sani Bhuiyan, a town councillor for the centre-left Democratic Party (PD), they cannot play it. "In practice, cricket is banned. A climate has been created in which, if you play, you get fined." Anna Maria Cisint of the hard-right League, who was mayor when the police started handing out fines, denies it is because cricket is un-Italian or because so many of its fans are immigrants. "It is simply that in certain public spaces, as happens everywhere, acts that are potentially capable of damaging property and injuring people are prohibited," she says. Cricket balls are indisputably hard and can be propelled at high speed by able batsmen. But a nearby local authority controlled by the PD had no difficulty finding a venue this summer for a tournament.

Ms Cisint has taken aim at the immigrants before. As mayor, she removed a number of public benches that were often used by the Bangladeshis, and she also ordered them not to pray in the town's Islamic centres. The Bangladeshis, who do not have a mosque, managed to get that ban overturned in the courts. Ms Cisint's policies have nevertheless brought her and the League success: in elections this year, she won a seat in the European parliament, and her party retains control of Monfalcone's town council, in which she still has a seat. Her fellow townspeople, she says, are fed up with "the presumptuousness of the Islamic community".

CHARLEMAGNE
Whatever it costs

Nice ideas, Mr Draghi—now who will pay for them?



AN OLD JOKE haunts economists. A chemist, a physicist and an economist are stranded on a desert island with a tin of beans but no implement to open it. The chemist suggests corroding the container with sea water, but concludes it would take years. The physicist proposes a method to prise the tin open that turns out to be equally impractical. The economist is delighted that only she has the right answer: "Assume a tin-opener."

Mario Draghi, himself an economist of some renown, this week unveiled a report on how to revive Europe's flagging economic prospects. His answer: "Assume €800bn" (close to $900bn). That is the annual investment the former boss of the bloc's central bank thinks is required to prevent the European Union's economy falling ever further behind America's. The problem is that money on that scale is as elusive in Europe as a tin-opener on a desert island. Establishing blueprints for spending money is the easy bit. But given EU countries are trillions of euros in debt beyond what the club's own rules are meant to allow, finding the cash is likely to prove as hard as coming up with a funny joke involving economists.

A tension afflicts the EU. On the one hand, as Mr Draghi has spelled out in a 400-page report for the European Commission, it needs to invest lots to face up to challenges facing the continent. The to-spend list is daunting. More needs to be shelled out on defence, obviously. A bob or ten are required to decarbonise the economy. Improving digital networks is as necessary as it is expensive. Ageing will send welfare bills ever soaring as fewer workers support more pensioners. There is an urgent need to invest in innovation and skills to boost productivity, the better to build the Apple-like corporate Goliaths that are so sorely lacking in Europe. And derisking trade, for example by stemming dependence on hostile foreign powers for vital commodities (Germany's recent reliance on Russian gas, for example), will prove expensive too. The Marshall Plan spent 1-2% of GDP per year after the second world war to rebuild rubble-strewn bits of Europe; Mr Draghi thinks annual investment by business and governments needs to jump by 5% of GDP compared with now.

Alas, the other hand, the one with the money, is empty. In a rose-tinted world, rewiring the economy could help lead to the private sector coming up with a goodly chunk of the €800bn extra investment needed year after year. Extending the EU single market that works well for goods to bank accounts and stockmarkets could make viable a slew of new investments, for example. But such a "capital markets union" was first proposed over a decade ago and has proved elusive. Achieving it would involve taking on many entrenched interests.

The obvious footers of Mr Draghi's proposed bill are the EU's 27 national governments, which do most of the taxing and spending in Europe. (The EU has a small budget, at just 1% of GDP, over a third of which is spent on farm subsidies.) But there has been too much spend and not enough tax of late. European fiscal rules adopted ahead of the creation of the euro stipulate that no EU country is meant to have a government-debt burden of over 60% of GDP, nor an annual deficit of over 3%. How quaint that seems these days. Over half the EU's 27 member states exceeded the debt figure at last count. France, Italy and Spain, ie, three of the EU's four biggest countries, all have debt-to-GDP ratios above 100%. That is the kind of level where investors get jittery about public finances drifting further out of balance (as Liz Truss, a British prime minister who resigned after markets balked at her announcement of tax cuts, found out in 2022). Taken together, the debt over and above the 60% threshold amounts to €4.8trn, equivalent to a third of the bloc's GDP. Sadly, it cannot simply be assumed away.

Whereas Mr Draghi sees the need to splurge, the very commission that asked for his report wants national governments to tighten their belts. EU debt and deficit rules suspended during covid-19 are being reinstated, with slight tweaks. Nobody thinks they will prevent the kind of profligacy that was tolerated in the past, but appearances must be maintained. France is heading for a deficit above 5%, and has said it will miss an upcoming EU deadline to submit its budget plans for 2025. Another six countries are in an "excessive deficit procedure" which will force them to trim spending. Germany, ever the virtuous fiscal pupil, has hacked spending to meet self-imposed rules far stricter than budgetary edicts from Brussels. A fight over every *pfennig* routinely threatens to blow up its governing coalition. €800bn a year, was it, Mr Draghi?

Money for nothing, Mario's tips for free

Reading between the lines, there is no doubt where the former Italian prime minister thinks much of the money ought to come from: the EU should borrow it, issuing its own debt over and above what national governments already owe. A precedent for this was set after covid, when EU countries agreed to a €750bn recovery plan underpinned by money borrowed jointly. It was meant to be a one-off, as skinflint Germans and Dutch, worried that their thriftiness ends up paying for southern profligacy, rarely fail to mention. Their respective finance ministers shot down the idea of more EU debt implicit in Mr Draghi's wish-list within hours of its release.

Perhaps the exalted economist's pleas will unclog the debate on joint debt: there is, for example, a good argument that some defence spending should be financed by EU bonds. But even if a deal on joint borrowing can be reached, it is unlikely to arrive before German elections next year, says Shahin Vallée of the German Council on Foreign Relations. By then all eyes will be on France and its presidential vote in 2027; then something else no doubt. Mr Draghi paints a sobering portrait of Europe's challenges. That there is no way to pay for a solution is the truly worrying bit. ■

Britain

Trade unions

Brotherly love

BRIGHTON

The Labour government and the unions agree on one big thing

SIR TONY BLAIR, a former Labour prime minister, had a joke about critics on the party's left flank. "An old colleague of mine said: 'Come on Tony, now we've won again, can't we drop all this New Labour and do what we believe in?' I said: 'It's worse than you think. I really do believe in it.'"

Sir Tony's gag is a good way to understand the relationship between today's Labour government under Sir Keir Starmer and Britain's trade-union movement. The unions are having an unusually fruitful period. On entering office Rachel Reeves, the chancellor, signed off a raft of pay increases for public-sector workers. Plans to shrink the Whitehall workforce have been ditched. The methodology by which minimum wages will be set is to give greater weight to the cost of living.

The big prize is the Employment Rights Bill, which will be brought before Parliament this autumn and which is intended to tighten up Britain's notably liberal labour market. It will create broad new individual rights, such as an entitlement to parental leave from the first day of employment. More significant for the unions are the collective rights—including a repeal of requirements to lay on minimum services during strikes, new rights to recruit members in workplaces and lower thresholds to industrial action.

For some, this is a story of weak Labour ministers dancing to the tune of a movement that bankrolls the party. But the party's dependence on union donors has weakened dramatically under Sir Keir's leadership; and union membership has fallen from 32.4% of the workforce in 1995 to 22.4% in 2023. The unions are in favour because of an unusual degree of convergence in their view and that of the government—that the labour market is a wellspring of Britain's economic woes.

This does not mean that the hard-left is back. Labour's commitment to fiscal discipline is real, as is its ambition to boost investment. Its plans for workers' rights have already been tempered to reflect businesses' concerns. The unions are not as militant as they once were. But to echo Sir Tony, it's worse than critics think. Labour really does believe in it.

Whereas Sir Tony's government was said to treat the unions like embarrassing relatives, now they are a "close family friend", says Paul Nowak, the general secretary of the Trades Union Congress (TUC), which met in Brighton this week. "We've got open lines—in the same way business organisations have—to Rachel and her team. Jeremy Hunt [a former Tory chancellor] just refused to meet us."

Biography explains a lot. This is an overtly class-conscious cabinet. One MP notes that many of its members grew up in industrial England during the Thatcher ▸▸

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revolution and came of age as opposition politicians during the years of austerity. Previous chancellors have rightly regarded a liberal labour market as a boon to inward investment. Ms Reeves argues that an overly flexible labour model has contributed to low capital investment, weak productivity and less time for family life. In her book on female economists, she writes approvingly of the work of Joan Robinson, who coined the term "monopsony", the power of a monopolistic employer to push down wages, against which unions "are a good and proper counterbalance helping workers get what they deserve".

This philosophy is seen elsewhere in government policy. In approving the pay settlements, Ms Reeves argued a case for public-sector pay that was often made by unions but less often by Conservative chancellors: that low pay had led to avoidable industrial action and poor staff retention. It is seen in immigration policy, too. The French government has for years told their British counterparts that weak labour-law enforcement (rather than poor border security) was to blame for encouraging illicit migration to Britain. This government agrees: it has made targeting nail bars and car washes the centrepiece of its efforts to end small-boat trafficking.

Such consensus is unusual. The Labour governments of the 1960s and 1970s were scarred by continual conflict with the unions as disorderly strikes stoked inflation. Sir Tony expanded individual workplace rights (introducing the minimum wage, for example) but he regarded union power as the wrong response to globalisation. "I don't see that divergence of interest today, because the unions and the government aren't in conflict about the need to regulate labour-market flexibility," says Alan Bogg of the University of Warwick.

Political incentives have changed, too. For New Labour's modernising electoral project, the cloth-cap world of the TUC was a liability. For Sir Keir, seeking to reconnect his metropolitan party with its working-class heartlands, it is an asset.

Even so, the potential for future tension is obvious. One front is the government's dash to decarbonise British industry, which alarms unions representing oil-and-gas industries and sectors such as steel. Another flashpoint is Sir Keir's promise of public-sector reform, which remains embryonic. The most obvious is public-sector pay and capital budgets. On September 10th Sir Keir, the first prime minister to address the TUC since 2009, warned delegates that future pay settlements would be subordinate to economic stability. Mr Nowak says there is an impatience. "Members will be saying, 'You've got a 174-seat majority, when are things going to change?'" It is all very fraternal now. But the mood can quickly sour. ■

Submarines

In deep trouble

Britain's subs are at sea for too long—or not at all

IN THE FINAL days of August one of Britain's four nuclear-armed Vanguard-class submarines—the government will not say which—limped back into the Scottish port of Faslane. Weary submariners, deprived of sunlight and fresh air for nearly six months, lay slumped against the conning tower. The hull was encrusted with marine growth. John Healey, Britain's defence secretary, watching on, hailed the sailors' "extraordinary sacrifices". Yet such long patrols are also emblematic of a crisis in Britain's submarine force.

Britain has two sorts of subs. Four Vanguard-class boats, known as SSBNs, carry Trident nuclear weapons; one is at sea at all times. Six Trafalgar or Astute-class attack subs, or SSNs, carry conventional missiles, track Russian submarines and gather intelligence, among other duties. That is the largest force in Europe—France has one fewer SSN—but it is stretched thin.

One manifestation of that is increasingly long patrols. In the 1970s nuclear-armed subs tended to patrol for up to 56 days, notes Rob Forsyth, a former submariner. *HMS Victorious* is thought to have spent 207 days—nearly seven months—at sea in 2021, smashing previous records. In September 2023 another sub was at sea for 195 days. These far outstrip comparable American patrols, which average 77 days and have never exceeded 140. The average amount of time at sea has almost doubled over the past three years, note William Freer and Emma Salisbury of the Council on Geostrategy, a think-tank.

Another sign of trouble is that boats are tied up on land. Data collected by @tbrit90, a naval watcher on X, a social-media platform, suggest that not one of Britain's SSNs has been at sea for 60 days. The whereabouts of attack subs are typically secret and the navy says it can neither confirm nor deny these claims. But what is not in doubt is that such gaps are increasingly common: last summer saw a similar window in which no SSNs were at sea.

SSNs are the only British vessels that carry land-attack missiles or can approach enemy shores to secretly gather intelligence or insert special forces; they may have been worked harder in recent years because of various crises. But their most important role is to sweep ahead of Vanguard-class subs to ensure that Russia cannot track British nuclear weapons. "Keeping tabs on Russian sub movements in the North Atlantic is a multiplayer game," says Tom Sharpe, a former navy commander. "Our own SSNs are...absent. The Royal Navy is, quite bluntly, not performing its assigned tasks."

The root cause of this crisis is threefold. One is a lack of boats. Britain's Vanguard-class subs began to reach the end of their planned life in 2018. They have been used for longer because of dithering by politicians over funding replacements. Older boats need more maintenance, forcing those at sea to remain out for longer.

The second is personnel. Sailors aboard SSBNs go without sunlight, fresh food and contact with friends and family. They receive just two 60-word "familygrams" a week to which they cannot reply. As patrol times stretch out, they are more likely to quit. Those that remain are pushed harder, compounding the problem.

The third is a familiar British disease: a crisis in infrastructure. The biggest problem has been a shortage of docks to conduct underwater maintenance, notes Pete Sandeman, the director of Navy Lookout, a website that tracks the issue. A steel hoist used to raise and lower submarines at Faslane failed certification; the manufacturer had gone out of business. The result was the loss of the lift for a year, with no alternative dry docks available.

That issue has now been fixed. And money is being poured into a new dock at Devonport in the south-west, says Mr Sandeman. But these problems may take years to solve. The navy is already committed to sending an aircraft-carrier strike group—including an Astute-class submarine—to Asia in 2025. From 2027 it is due to keep a permanent SSN presence in Perth in western Australia. On current trends, that is a tall order. ■

BAGEHOT

The loon axis

Policy is not the best way to understand the battle to lead the Tories

THE PHRASE "swivel-eyed loon" holds a special place in British politics. First uttered by an ally of David Cameron in 2013 to dismiss Conservative Party members unhappy with the unsound direction of his government, it swiftly entered Westminster's vernacular. What started out as an insult soon became a badge of honour. "I am a lifelong Tory, and would be happy to wear a badge 'Proud to be a Swivel-eyed Loon'," wrote one correspondent to the *Telegraph*. A compendium of such letters was titled appropriately: "The lunatics have taken over the asylum."

The loon remains a powerful beast on the right wing of British politics. The Conservative Party's members will choose the next Tory leader and potentially Britain's next prime minister. All the 121 Conservative MPs can do is give them a choice of two candidates. To appeal to this unusual electorate, candidates must still show off how right-wing they are (options include "quite" and "very"). They must also prove themselves to be ever so slightly mad.

Every Tory candidate places themselves on a spectrum that runs from "sensible" to "loon". To truly understand what it is to be a loon, consider Boris Johnson and Theresa May. Each promised a government dedicated to leaving the European Union, alongside big-state Conservatism and rebalancing the country's economy. The difference was style. Mrs May approached governance with the diligence of a vicar's daughter; Mr Johnson approached it with the fervour of a feral loon, proroguing Parliament, sacking MPs and lying through his teeth.

This "loon axis", as it has been dubbed by gonzo political scientists online, is the best way to understand the Tory leadership contest. In policy terms there is not much between them; the real battle is to speak for the loon.

Kemi Badenoch has styled herself as the defender of the loons. Not coincidentally, she is comfortably the most popular candidate among party members. Her rivals have produced campaign videos with typical tropes, giving speeches in the windswept countryside. Ms Badenoch kicked hers off by continuing a fight over LGBT rights with David Tennant, an actor best known for playing Doctor Who, a time-travelling alien. "You need someone like me who's not afraid of Doctor Who, or whoever, and who's going to take the fight to them," she exhorted. You need, in short, a loon.

Even the wettest candidates must have some loon appeal. Tom Tugendhat, a former security minister, has a reputation for being unsound on that most vital matter within loon circles: Europe. Maybe it is the French passport. Maybe it is having an uncle, Lord Tugendhat, who was an EU commissioner. Whatever the reason, Mr Tugendhat entered the contest with a pledge that, if needs be, he was happy to leave the European Convention on Human Rights (ECHR), a totemic loon goal. Cracking down on small boats bringing migrants across the English Channel is possible within the convention. But this is politics, not reality. A pledge to leave the ECHR is less a policy than a loon-ish affectation.

Others have to travel in the opposite direction. Being too much of a loon can put off even the looniest, particularly in the first rounds when more moderate MPs are the selectorate. In a rare moment of good judgment, Suella Braverman, a former home secretary, dropped out in August because her party thought she was, in her own words, "mad, bad and dangerous". Priti Patel, another former home secretary, came last in the first round of MP voting. Perhaps colleagues remembered the time she was sacked from cabinet for flying to Israel to conduct her own outré foreign policy.

James Cleverly, a former home secretary and foreign secretary, has positioned himself as a unifier. He has little truck with schemes to drag Britain out of the ECHR, arguing it was the country's own courts that put paid to Tory government plans to deport asylum-seekers to Rwanda. But Mr Cleverly can afford to appeal to moderate elements in the party since his loon credentials are not in doubt. Mr Cleverly was a Brexiteer and Mr Johnson's most loyal foot-soldier, before falling in behind Liz Truss. He may have the likeable manner of a soldier-cum-politician, but he has the heart and stomach of a loon.

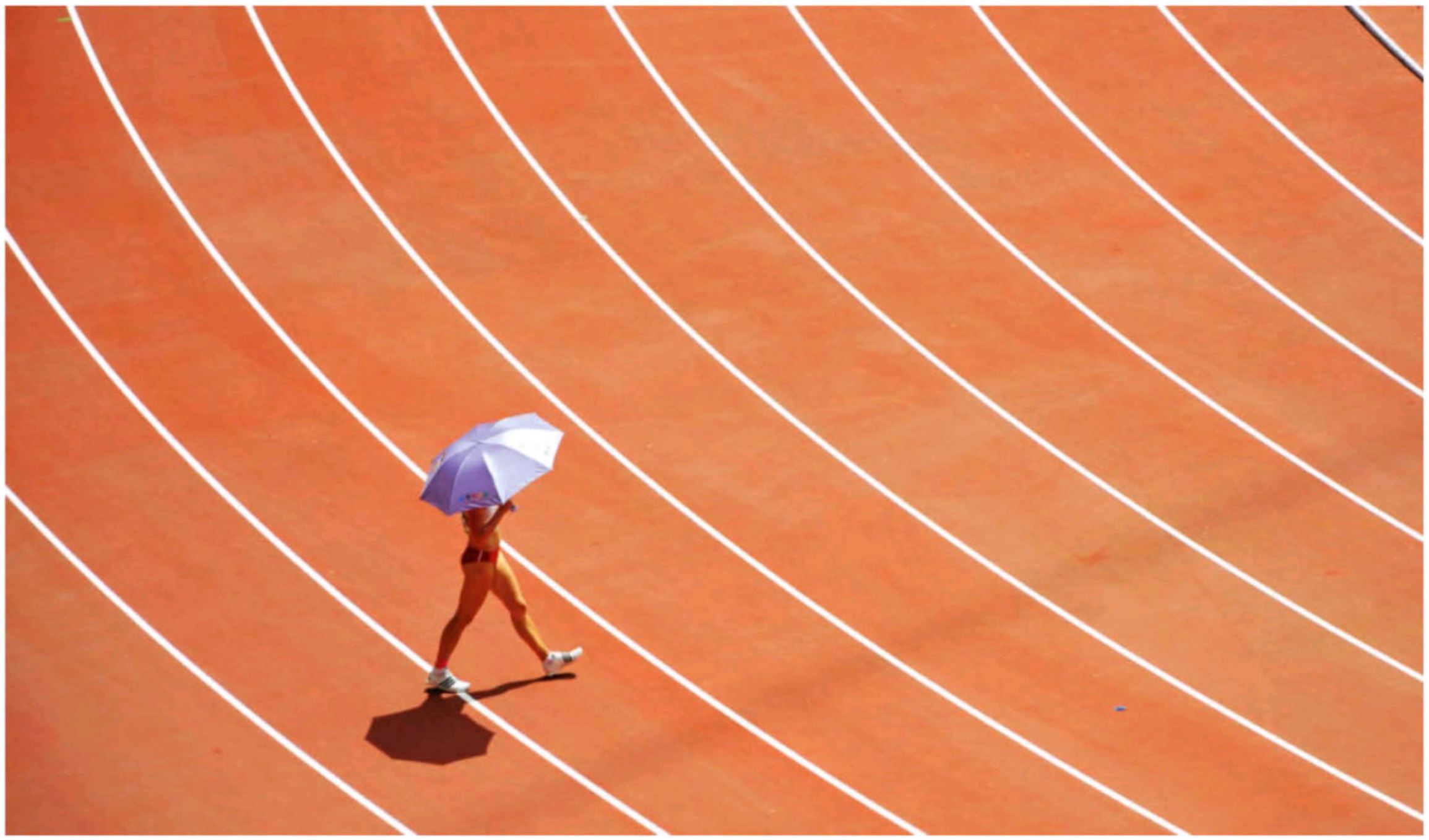
Robert Jenrick, the front-runner along with Ms Badenoch, has styled himself as a serious figure of the right. In his telling, it is possible to be bracingly right-wing without the excesses of loondom, such as picking fights with actors. It is not that Mr Jenrick disagrees with Ms Badenoch when it comes to battling Doctor Who; he simply thinks that voters have different concerns. Instead Mr Jenrick implores people to "be serious", before arguing that the Rwanda scheme did not go far enough.

Fly me to the loon

Even moderate elements of the Tory party are in hock to loonthought. An accelerationist strategy has emerged among some of the party's remaining wets: vote for the most bonkers candidate on the logic that since all parties go through a mid-life crisis after a heavy defeat, better to get it over and done with quickly. If Labour had turned sooner to Jeremy Corbyn, a leftie leader who in 2019 took the party to its worst result since 1935, it might have spent less time in the electoral bin. So vote loon!

Catering to loons will only delay the party's return to power. Being a loon is more suited to office than opposition. In power, weird ideas can become a reality. Rwanda was treated as if it were a policy option rather than a wacky scheme; leaving the EU went from crank opinion on the *Telegraph* letters page to government mission. In opposition, bizarre schemes just make you look bizarre. Why is each candidate wanging on about European human-rights law and fighting Doctor Who when the Tories lost the election because public services stopped working? In power, the loon can prevail. In opposition, the loon is nothing but a hindrance. ■

International



International sport

Hotter, harder, deadlier

As players vomit and boil, even John McEnroe reckons "It is not humane"

"ONE PLAYER gonna die," complained Daniil Medvedev in the middle of a match on the hottest day of the US Open in New York last year, as the temperature soared to 34°C. "It's been brutal...it ruins everything." Similar temperatures—combined with higher humidity—sometimes made conditions even more punishing at this year's tournament that ended on September 8th. Players struggled and vomited; in the breaks they packed bags of ice around their necks and heads, or stuck hoses blowing cold air down their shirts in an effort to cool down. Sweltering in the steeply sloping cheaper seats was the largest crowd ever: in all, some 1m spectators attended the competition, fulfilling a goal the organisers had set in 2019.

Since the turn of the 20th century, shortly after a version of the US Open first began, the average summer in New York has warmed by around 2°C. Annual average temperatures globally have risen by roughly half that. An even starker trend was evident at the Olympic games in Paris earlier this year. In the 100 years since the games had last been held there in 1924, the average temperature in the city in August has risen by 2.7°C.

Climate change means that places once deemed perfect for large sports events are starting to seem unsuitable. At the same time, the size and value of such events have grown, as has the demand to hold them in a wider range of locations. The collision of both trends has made international sports competitions more difficult and dangerous, and left hosts increasingly reliant on elaborate workarounds.

Many sports are sensitive to the environment in which they are played. Some obviously require specific conditions, such as snow for skiing and wind for sailing (or a lack of rain for cricket). Changing weather patterns, as well as higher temperatures, are limiting where those fixtures can be held, at least without technological intervention. The Winter Olympics in Beijing in 2022 were the first to be held on entirely artificial snow. They won't be the last: a study published in 2022 found that even if the rise in global temperatures is limited to 1.5°C above pre-industrial levels—which is now all but impossible—only 13 of the 21 places that previously hosted the Winter Olympics would be able to do so by 2050.

Beyond sweeping planetary changes, seemingly small variations in temperature make a huge difference to athletes' performance. The sapping effect of warm weather is well known, and is why they often try to acclimatise themselves before competitions in hot places. Even then, though, only so much adaptation is possible: higher temperatures hasten dehydration, cause glucose to be broken down more quickly and reduce the amount of oxygen sent to the muscles (the body has to prioritise sending blood to the skin in order to cool itself down).

The cumulative effect of too much heat is seen most clearly during endurance events—and it can be dramatic. A study of more than 100 athletes competing in long-distance races at the 2019 World Athletics championship—held in hot, muggy Qatar—found that virtually all did 3-20% worse than their personal best, with performance falling alongside rising wet-bulb globe temperatures (a measure of heat, humidity and solar radiation that best reflects the impacts on a human body). This was ▸▸

despite the organisers taking some extreme measures: all track and field events were held in a vast air-conditioned stadium, and the road races had to be run in the middle of the night.

Warmer weather can act as a drag in less obvious ways, too. Heat stress is known to harm decision-making and motor skills. A growing body of evidence suggests that it may make athletes across many sports more clumsy or quarrelsome.

Most professional sportsmen and women seem to be aware of such effects: three-quarters of respondents to a survey published by the World Athletics Association said that climate change had a direct negative impact on their health and performance. The physical consequences of competing in hot weather can range from cramp and dizziness to sudden death. Exertional heat stroke (EHS) occurs when a body overheats during strenuous activity and can lead to seizures and organ failure. The mortality rate for people hospitalised with EHS hovers around 15%; untreated it may be 80%. The condition is thought to be the third-leading cause of sudden death among young American athletes.

Playing it cool

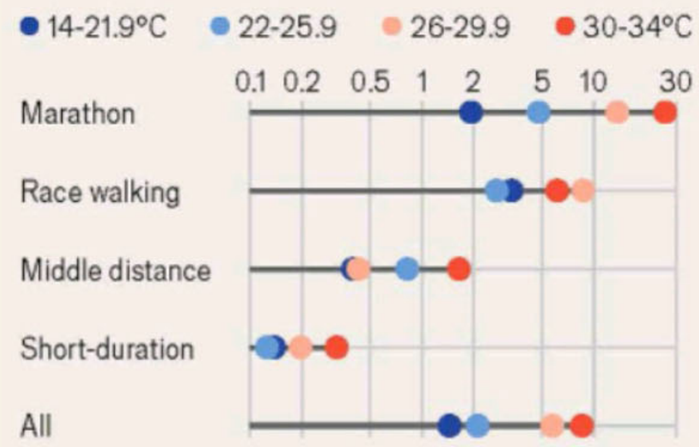
Global warming means that organisers of competitions must now work harder to keep athletes safe. The first step is understanding when conditions are simply too dangerous. In recent years international federations have begun introducing extreme-heat policies, which prescribe measures like additional breaks or postponements once temperature thresholds are crossed. Most policies, though, fail to factor in the physical stress experienced by athletes already pushing themselves to their limits. The United States Tennis Association, for example, suspends play or closes the sliding roof at the US Open only when the wet-bulb globe temperature reaches 32.5°C, even though the American College of Sports Medicine recommends that outdoor events be limited or cancelled when this measure goes above 28°C.

Once adequate safety measures are decided on, implementing them requires careful contingency planning, so that timings and locations can be reshuffled if necessary. To help with this, a new industry has sprung up to supply organisers with bespoke weather forecasts. For example, a private division of Météo France, the French national weather agency, has specialised in sports forecasts for the past two decades. At this year's Olympics in Paris, the modelling it provided was so detailed that it included how the perceived temperature in the Grand Palais—an exhibition hall used as the venue for fencing and taekwondo—would change according to the angle of the sun hitting the building's vaulted glass roof. Demand for such services has increased, says Alexis Decalonne, who leads the unit. Its clients include Formula One motor races across Europe and the Wimbledon tennis tournament.

Sweating it

Average daily incidence of heat-related illness in sports per 1,000 athletes

By temperature on day of event*, 2009-18, log scale



*Across seven international outdoor athletics championships

Source: "Apparent temperature and heat-related illnesses during international athletic championships", by K. Hollander et al., 2021

Organisers must also mitigate the risks that heat poses for spectators. Some protective measures can be put in place in advance, such as making sure that enough shade and water are available throughout the areas that crowds will move through. Ahead of the Paris Olympics, for example, some 300,000 trees were planted around the city. In addition, hundreds of new drinking fountains were installed and venues' security rules were altered to allow spectators to bring in reusable water bottles (a change so drastic that it required the French prime minister's approval).

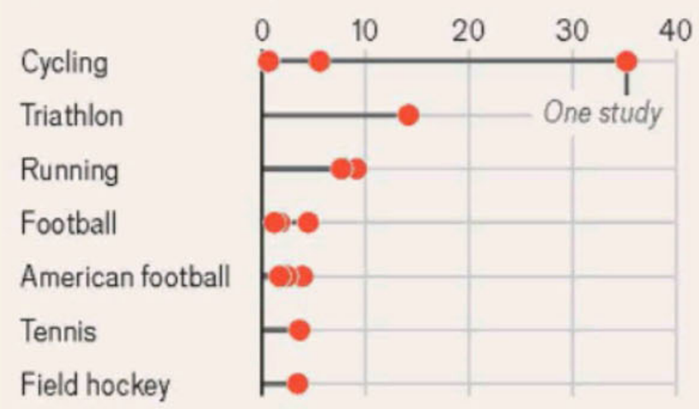
Yet, in some cases, improving safety conflicts with commercial needs, as the most popular sporting events grow in size and value. Gargantuan tournaments are already regular fixtures in all types of sports, from handball and gymnastics to motor racing—and they keep getting bigger.

Between 1964 and 2018 the collective size of the summer or winter Olympics and men's football World Cups—as indicated by the number of athletes, ticket revenue, sponsorship revenue, media coverage and the costs of hosting—rose roughly 60-fold, according to researchers at the University of Lausanne.

Running hot

Share of total injuries and medical encounters that are related to heat, %

By study, selected sports



Source: "Epidemiology of exertional heat illnesses in organised sports: a systematic review", by P. Gamage, L. Fortington and T. Finch, *Journal of Science and Medicine in Sport*, 2020

Most big events lose money, but potential hosts often seem to care more about bolstering their own image. A growing number of new countries are increasingly keen to host big events, even if their climates are not appropriate. To hold the FIFA football World Cup in Qatar in 2022, organisers shifted the tournament's timing from the summer to the winter, and installed air-conditioning throughout outdoor stadiums. Saudi Arabia won its bid to hold the 2029 Asian Winter games in the middle of the desert by promising to build 36km of artificial ski slopes in NEOM, a futuristic city that doesn't yet exist. India's bid for the 2036 Summer Olympics seems impossible without huge amounts of technological innovation or the host being allowed to schedule it later in the year.

Some of the extreme measures taken to hold events in places too hot for them exacerbate the sports industry's own environmental sins, which are already substantial. Organisers of the 2022 football World Cup claim it was responsible for the emission of about 3.6m tonnes of carbon dioxide, or roughly the same amount as in the 2016 Olympics in Rio de Janeiro. (Independent estimates of emissions from the Qatar World Cup were strikingly higher.)

Making the biggest sporting events greener is possible, if tricky. The organisers of the Paris Olympics, for example, promised to halve their emissions compared with their most recent rivals (ignoring the Tokyo games, which were held during a covid-19 lockdown). They seem to have succeeded, after serious effort. According to Georgina Grenon, the Olympics' sustainability director, the organisers had to rethink everything from which back-up generators broadcasters would use, to what proportion of food ingredients should come from France to reduce the amount flown in. Steps they took to reduce waste included renting rather than buying some of the 600,000 pieces of furniture that were needed.

Such efforts are not to be sniffed at. But organisers also had to rely heavily on carbon offsets, highlighting the difficulties in cleaning up a model built around pulling ever-larger numbers of fans and competitors from around the world.

The question, then, is whether that model can remain viable as the mercury keeps rising. "These poor guys...it is not humane," concluded John McEnroe, a tennis champion-turned-commentator after watching Mr Medvedev's quarter-final game against Andrey Rublev at the US Open last year. He went on to complain that the heat had turned the tournament into "a war of attrition". He could have been talking about many of sport's most famous fixtures. ■

Business

Dealmaking

Mergers and inquisitions

Nippon's acquisition of US Steel is not the only mega-deal falling apart

THE MOST important takeover battle in years is approaching a climax. While campaigning in Pittsburgh at the start of the month Kamala Harris, the Democratic presidential nominee, said that US Steel should be owned and run by Americans, echoing a sentiment expressed earlier in the year by both President Joe Biden and Donald Trump, her Republican rival. The speech provoked the steelmaker—which had agreed to a takeover by Nippon Steel, a Japanese rival, for $15bn—to shoot back. Not only were workers rallying in support of the deal, it said, but the firm would consider lay-offs and moving its headquarters from the city should the takeover fall apart. Mr Biden is expected to block the deal imminently, ending a pantomime that has busied lawyers, bankers and lobbyists all year. US Steel's share price has plunged (see chart 1 on next page).

It is not the only mega-merger to hit the rocks. In May BHP, a commodity giant, ended its pursuit of Anglo American after its plan to divest Anglo's South African operations caused a political storm. A hostile bid for Sabadell, a Spanish bank, by BBVA, a rival, has Europe's financiers humming with excitement but is mired in local politics. This week a court in Portland, Oregon, considered arguments from the Federal Trade Commission about why the merger of Albertsons and Kroger, two American grocers, would raise prices and should be blocked. A proposed takeover of the Japanese retailer Seven & i by a Canadian suitor hangs in the balance after an initial offer was rebuffed (see next article).

Companies have been tentatively returning to the negotiating table after a dealmaking drought that began when central banks raised interest rates in 2022. The value of mergers and acquisitions announced globally is still 17% below the ten-year average for this time of year, but that is an improvement from 29% below the equivalent average last year.

Many of the conditions for a mega-merger wave are now in place. Stockmarkets have boomed, and though that makes targets for acquisition pricier, such bullishness often presages a wave of big deals. Company balance-sheets are stocked with cash and the spread between the yields on corporate and Treasury bonds has narrowed, making borrowing to fund deals more attractive. At the same time, other uses for firms' profits are less appealing than they were a year ago: repurchasing overvalued shares destroys value for long-term investors, who are also unenthused by the idea of firms paying down debt. That is to say nothing of the buckets of capital committed to private-equity funds yet to ▸▸

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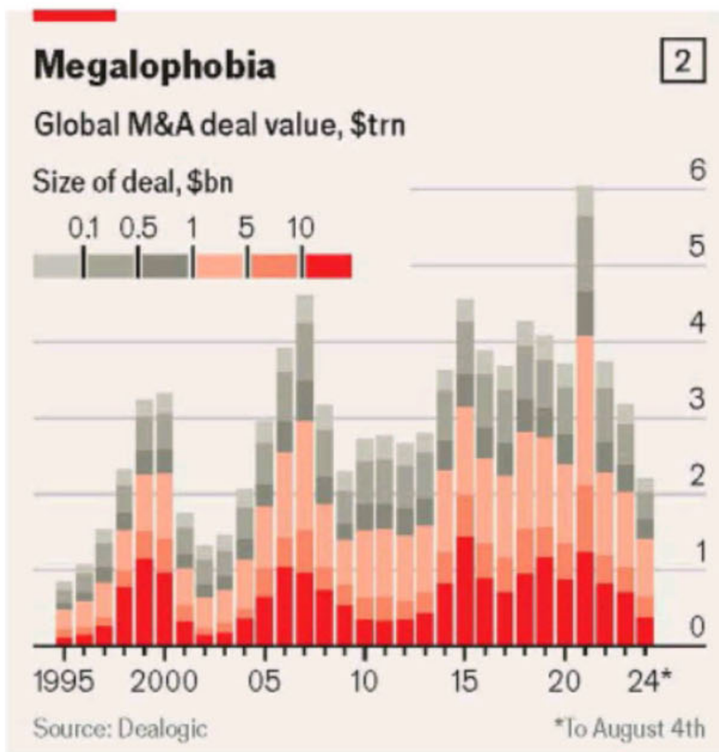
be deployed in buy-out deals.

Investment bankers, who had been hibernating in a state of "cautious optimism", now expect lots of big deals. Judging by the soaring share prices of investment banks such as PJT and Evercore, which often advise on the biggest transactions, it is a pitch that many investors believe. And in one sector the prophecy has come true. In October 2023 ExxonMobil agreed a $65bn deal to buy Pioneer, a fracking giant. Days later, Chevron agreed to purchase Hess, another independent producer, for $60bn. The wave of consolidation among American oil firms has since continued apace. Analysts wager that demand for "green" metals such as copper mean miners could soon be gripped by similarly frenzied spirits after years of balance-sheet discipline. Other oft-discussed targets include firms listed on Britain's ailing and undervalued stockmarket, and Japanese companies undergoing pro-market governance reforms.

The string of failed deals, however, is a better bellwether than what is happening in the oil sector. A slowing economy and election uncertainty in America threaten to drive a wedge between buyers and sellers. And taking a longer view reveals a deeper malaise. Although firms' profits and valuations have shot up over the past two decades, the number of big transactions has not. Since 2004, for instance, the number of listed American and European firms worth more than $10bn has more than doubled. But global transactions worth more than $10bn have barely budged as a share of the value of deals, at a fifth (see chart 2). Despite the breakneck growth of private markets in recent years, the largest ever buy-outs predate the global financial crisis of 2007-09.

What has killed the mega-deal? One theory is that bosses have learned from previous value-obliterating adventures. According to a literature review by Geoff and J. Gay Meeks of Cambridge University only a fifth of studies conclude that the average deal produces higher combined profits or increases the wealth of the acquirer's shareholders. The purchase in 2001 of Time Warner for $165bn by AOL, an internet firm pumped up by the dotcom bubble, is taught to business school students as an example of hubristic dealmaking par excellence. In 2007 TXU, an American utility firm, was gobbled up in the largest-ever leveraged buy-out, but filed for bankruptcy less than seven years later.



This explanation underestimates the financial rewards bosses reap from running giant firms, however, and overestimates how much time they spend studying the past. Some executives are destined to repeat the mistakes of their predecessors, or at least decide that the best way of correcting them is to strike even more deals. Warner Bros Discovery, an American media giant formed in April 2022 through the merger of Discovery and WarnerMedia, the heir to Time Warner, is already rumoured to be mulling a breakup. On September 5th Verizon, a telecoms giant which shares a common ancestry with AT&T, WarnerMedia's previous owner, said it would pay $20bn for Frontier, acquiring assets it sold only in 2016.

A better explanation is that would-be empire builders face more scepticism from investors than in the past. Sprawling global conglomerates are thoroughly unfashionable. General Electric, an industrial icon, completed a split into three separate companies earlier this year. Vodafone, which pulled off another of the largest takeovers in history when it bought Mannesmann in 2000, is now meekly selling off its operations. The tech firms that have replaced the financial, industrial and communications empires as the world's most valuable companies have not shown the same willingness to risk their business on big, adventurous tie-ups. Big tech's most important dealmaking moves today involve comparatively small investments in artificial-intelligence startups.

Another, even more potent, brake on mega-deals is politics. Suspicion of big companies across the political spectrum has led to more radical and less predictable thinking on antitrust. Even when firms do prevail in legal scuffles with regulators, as Microsoft did in its $69bn acquisition of Activision, they face lengthy periods of uncertainty between signing and completing transactions, making them less likely to pursue big deals. Microsoft's acquisition of the video-game developer took nearly 21 months. The tie-up between Kroger and Albertsons will soon commiserate its second birthday without completing.

The bar for cross-border deals has also gone up. National security is at least as potent a threat to such mergers as antitrust worries. The Committee on Foreign Investment in the United States (CFIUS), America's inbound investment watchdog, has grown bigger and tougher in recent years. Similar rules have proliferated globally, meaning dealmakers must navigate an expanding definition of national security and a patchwork of regulations.

Nippon's attempt to buy US Steel marks a watershed moment in this regard. The national-security rationale for blocking the acquisition of the steelmaker by a competitor from Japan is flimsy, and opposition to the deal has more to do with its presence in Pennsylvania, an important swing state. Bosses will have few reasons to think that future dealmaking will be treated more objectively. And so fewer of them will be rushing to get their cheque-books out. ■

Japanese business

Job half done

Japan's sleepy companies still need more governance reform

REACTING TO A takeover offer is a delicate moment for any company board. For the leadership of Seven & i, the Japanese owner of 7-Eleven, a convenience-store chain, the burden of responsibility is even greater. Its response to what could become the largest ever foreign acquisition of a Japanese firm represents a pivotal moment in the country's corporate-governance revolution.

On September 6th the board of Seven & i rejected a $38.5bn takeover offer from Alimentation Couche-Tard, a Canadian retail giant which owns the Circle K chain of convenience stores. Seven & i, which was worth around $31bn before the offer, said the bid undervalued the company and that the merger could face regulatory hurdles in America. The deal is not dead yet. On September 9th the Canadian buyer reiterated its interest and asked Seven & i to engage in discussions.

That a company such as Seven & i ▸▸

might even consider selling itself would have been unthinkable a little over a decade ago. Japan's listed firms have long been known for their hostility to takeovers and their lack of responsiveness to shareholders' demands. That has slowly changed. Reforms to corporate governance were a major component of Abe Shinzo's political platform when he became prime minister for a second time in 2012. His government published a new governance code in 2015, which has begun to yield results. According to rankings from the Asian Corporate Governance Association (ACGA), an advocacy group, Japan's corporate governance has risen from fifth place in the region in 2020 to second in 2023, behind only Australia's.

Japan's reforms mean that listed firms can no longer simply dismiss takeover attempts out of hand. That has fuelled a surge in dealmaking. Between 2013 and 2023 the number of mergers and acquisitions involving Japanese firms doubled, to around 4,000, according to Recof Data, a research firm (see chart).

Webs of cross-holdings among Japanese companies, once used as a means to fend off hostile takeovers and cement commercial relationships, are also being unwound as new rules have forced firms to explain the rationale for them. Last year 8.4% of the assets of Japan's 500 most valuable firms were in the shares of other companies, down from 13.5% eight years before, according to the ACGA. In June Toyota, a Japanese car giant, said that it had sold around $2bn in shares in other firms in its fiscal year ending in March.

Activist-investor campaigns, previously rare in Japan, have blossomed as well. There were 103 of them last year, up from just 14 in 2013, according to Diligent Market Intelligence, another research firm. Activists have been encouraged by a string of successes. In February last year Elliott Management, one feared activist, prodded Dai Nippon Printing, a Japanese industrial firm, to buy back a slab of its shares. A month later Oasis Management, a Hong Kong-based activist, hounded Fujitec into ousting its chairman; the liftmaker's share price is up by half since then.

Selling Eleven?

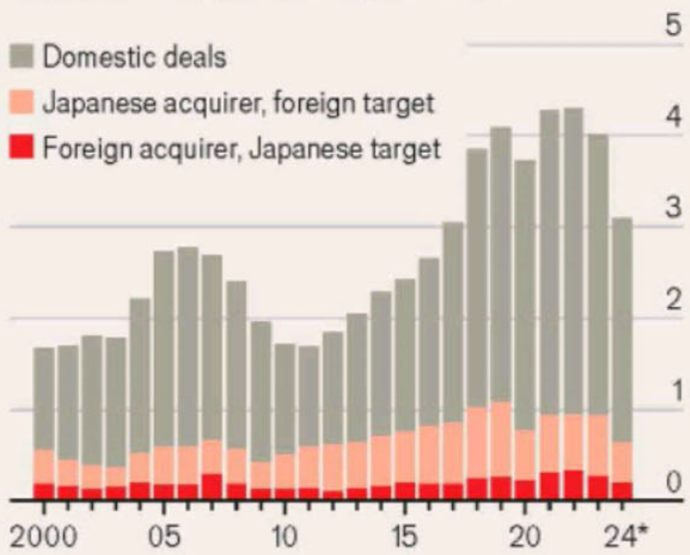
Yet Japan's corporate-governance crusade is far from complete. Deals may be up, but transactions are typically small and most of the action is among Japanese firms only; mega-deals, particularly involving foreign companies, remain uncommon. Cross-holdings are still a bugbear of investors. And returns on investment remain meagre. Last year listed Japanese firms generated a return on equity of 8%, compared with 10% for European firms and 14% for American ones.

All that helps explain why Japanese firms' valuations are so low. Their average price-to-book ratio, which measures a company's market capitalisation relative to the book value of its assets, is just 1.5, and has changed little over the past decade. The equivalent figure is 2.1 for European companies and five for American ones. What is more, about half of Japan's listed companies have a price-to-book ratio of below one, suggesting they would be worth more if they were broken up and sold for parts.

Such laggards are now in the sights of the Tokyo Stock Exchange, which has taken up the cause of reform as Japan's politicians have shifted their focus elsewhere. It now requires companies with a price-to-book ratio of less than one to list what actions they will take to improve their performance. Although four-fifths of firms in the prime market (made up of Japan's largest and most liquid stocks) had disclosed their plans by the end of July, only a third of those in its standard market (made up of smaller firms) had done so. Japan's corporate giants may be slowly heeding the call for reform, but it will take time for change to filter through. ■

Shall we dance?

Japanese mergers and acquisitions, '000



Source: Recof Data *To August 31st

Artificial intelligence

Not edgy enough

SAN FRANCISCO

Generative AI on phones and PCs is not yet ready for prime time

BLING IS IN the air. On September 9th Apple released its latest iPhone 16 series at an event called "It's Glowtime". The name referred to the sheen around Siri, its souped-up voice assistant. But it was just as appropriate for the new colour of its snazziest iPhone 16 Pro model: "desert titanium"—in other words, gold.

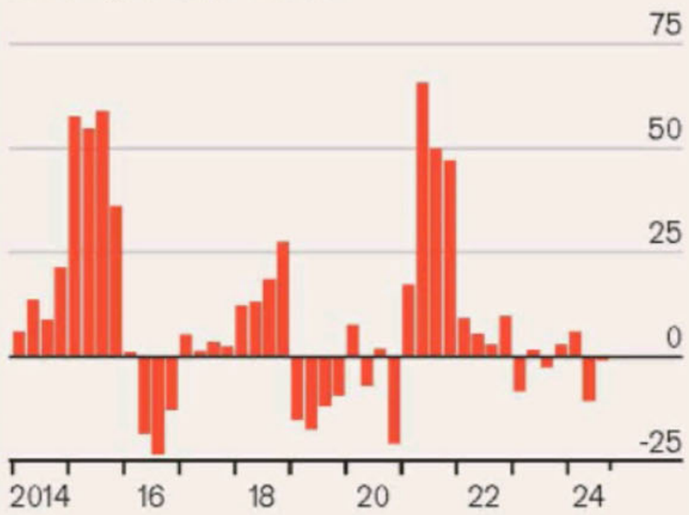
A bit lacking, though, was zing. Tim Cook, Apple's boss, played up the promise of the phones' generative artificial-intelligence (AI) features, which he trailed with much hoopla in June under the moniker "Apple Intelligence". Although the devices come with Apple's new superfast A18 chips to power AI, iPhone buyers will have to wait until at least October for the first features. The demos look ho-hum. If you point the camera at a restaurant, Apple Intelligence can tell you what's on the menu. You can type a request to Siri, as well as ask it questions. Investors hope that eventually more conversational and personalised AI features will reboot iPhone sales, which account for about half of Apple's revenues but have sagged lately (see chart). They could be waiting a while.

Apple is one of many firms that want to take generative AI beyond giant data centres, known as the cloud, and run it on smaller devices, known as the edge. Samsung, Apple's main smartphone rival, got a head start, launching its Galaxy S24 with some AI features earlier this year. So did Microsoft, which has launched Windows PCs designed for AI, called Copilot+. But by and large the market is still up for grabs. Cracking it will not be easy.

Most large language models (LLMs) are trained with graphics processing units ▸▸

Needing a glow-up

Apple iPhone quarterly revenues, % change on a year earlier



Sources: Bloomberg; company reports

(GPUs) that use so much energy it can take a nuclear-power plant to fuel them. They also need huge amounts of memory and unfathomable quantities of data. All that can cost hundreds of millions of dollars.

Even once they are trained, running these mega-models is expensive. According to one estimate, it costs OpenAI, the maker of ChatGPT, 36 cents every time someone asks the bot a question. Edge devices instead deploy smaller models, distilled from their cloud-based big brothers. These are cheaper, and also faster. The goal is to reach such low levels of latency that response times feel almost human. Edge AI can also learn about a user from their interactions with their device (Apple calls this "semantic indexing").

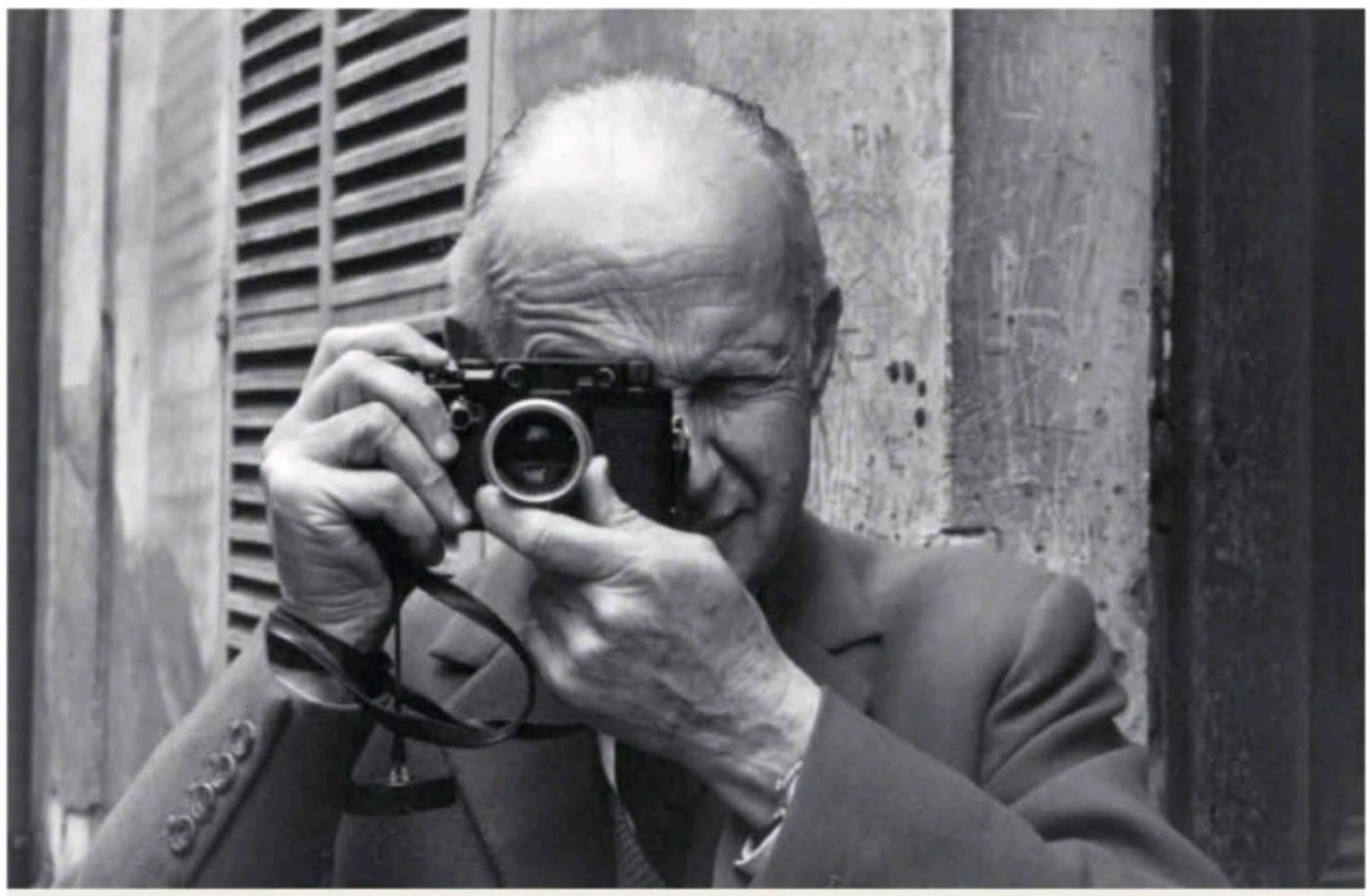
In practice, however, shifting AI to the edge is not straightforward. One problem is performance. Complex queries, such as using an AI bot to plan a holiday, will still require cleverer cloud-based LLMs. Another problem is computational power. Even smaller AI models require oodles of it to run, quickly draining a device's batteries.

Companies are experimenting with various solutions. Apple Intelligence will offer on-device AI as a first port of call, but send trickier queries to the firm's private cloud. The service will direct the most idiosyncratic requests to third-party LLMs such as ChatGPT. Apple promises to do so only with the user's permission, but the approach could still worry the privacy-conscious. Devices, especially smartphones, have access to vast amounts of users' personal data: whom they call, where they live, what they spend, what they look like. Some may prefer that if generative AI tools use such information, it remains on-device.

Tech firms are also making use of alternatives to GPUs that use less energy, such as neural processing units (NPUs), to run AI models on the edge. Qualcomm, which makes NPUs and various other chips for edge devices, talks about maximising "performance per watt". Compared with GPUs, whose costs can be stratospheric, NPUs are also cheaper. No one, after all, wants a phone that costs as much as a data centre.

Plenty of firms have an interest in shifting AI to devices. Cloud-based LLMs are heavily dependent on Nvidia, the leading maker of GPUs. But in edge AI "there's nobody that dominates," says Taner Ozcelik, who runs Mythic, a startup making energy-efficient chips for AI devices.

Although no single firm may gain as much from edge AI as Nvidia has from the cloud variety, there would still be big winners, says Neil Shah of Counterpoint, a research firm. Making the technology work could not only trigger a supercycle in device sales, but also create new opportunities for apps and digital advertising. For the moment, though, edge AI is barely ready for showtime, let alone Glowtime. ■



Photography

Snapped up

Demand for high-end cameras is soaring

BUYING A LEICA feels like buying a piece of art. Made in Germany, the cameras are sold in the swankiest neighbourhoods, sometimes in shops which double as galleries. The current models pack the latest imaging technology into sleek all-metal bodies. For decades they have been the chosen cameras of masters of photography such as Henri Cartier-Bresson (pictured) and Annie Leibovitz. Their price is extravagant. Leica's latest compact model, the Q3, costs around $6,000 (an accompanying thumb rest is available for an extra $245). Opt for a flagship M-series camera with a couple of lenses and the bill can easily run into five figures.

Today few see the need for a dedicated camera. High-quality pictures can be snapped, edited and uploaded onto social media all with your smartphone. When in 2011 an interviewer asked Ms Leibovitz to recommend a camera, she responded by taking out her iPhone 4S, calling it "the snapshot camera of today". The camera on Apple's flagship device has improved with each new version, including the one released this week. Since Ms Leibovitz's remarks, the share of photos taken on smartphones has grown from 25% to over 90%. Digital camera sales, meanwhile, have fallen by 93%. Entry-level models are steadily disappearing from the market.

Premium cameras, however, are bucking the trend. Waiting lists for Leica's Q3, released in 2023, were initially six-months long. Its success contributed to record sales at the 110-year-old firm last year. The latest version of the premium X100 camera made by Fujifilm has been sold out since its launch in February. The cameras are being flogged online for multiples of their original price of $1,600. Rivals such as Nikon have also begun to prioritise higher-end models. As a result, the average price of a camera has tripled in the past six years, according to the Camera and Imaging Products Association (CIPA), a trade group.

Professional photographers still rely on high-end cameras: few couples would be happy to see their wedding snaps being taken on an iPhone. Entry-level cameras were never a substitute for premium ones, and nor are smartphones.

Instead, smartphones have buoyed demand for high-end cameras, by giving more people a taste for amateur photography. It helps that premium cameras have become a status symbol among the hip. Videos featuring Fujifilm's X100 have racked up millions of views on TikTok, a trendy short-video app.

Growing interest in these high-end devices helps explain why the overall number of cameras sold this year is on track to increase for the first time since 2017. For the world's embattled camera-makers, it pays to refocus.

Pets

Raining cats and dogs

People are splurging like never before on their furry companions

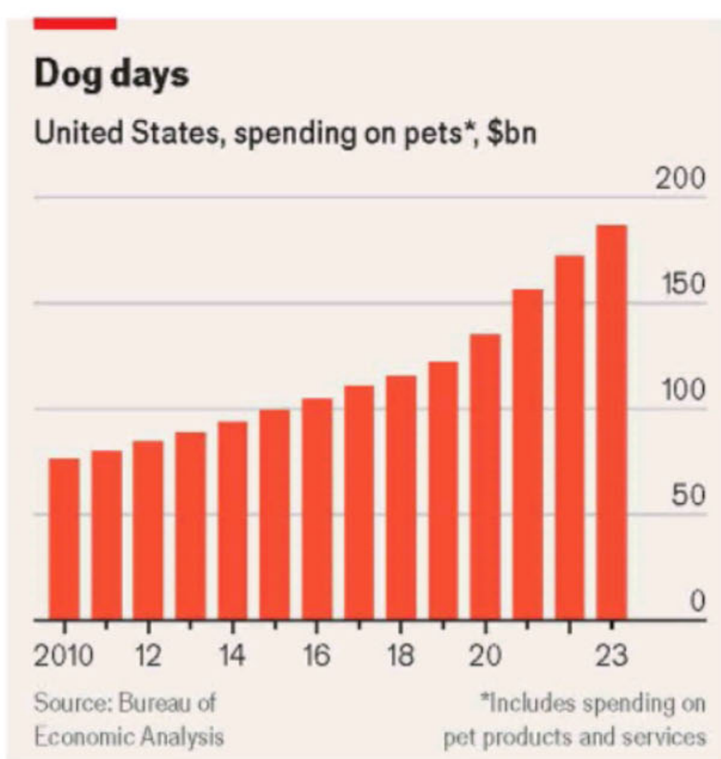
AMONG THE products of DOG by Dr Lisa, an Australian pet-care brand, you will find a cleanser for sensitive skin, a soothing balm and a cologne. All are free of genetically modified ingredients—and vegan, which dogs are not, at least by choice. Still, canines craving meat need not eat like animals: Butternut Box, a maker of fresh pet food taste-tested by humans, can offer your furry friend a low-fat chicken dish with peas, lentils and "a whiff of sage". It is the most popular meal it offers.

There is little, it seems, that people won't do for their pets. Americans spent $186bn on them last year, according to the Bureau of Economic Analysis, covering everything from food and vet visits to toys and grooming. That is more than they spent on childcare. Catering to pets has become big business. Mars, a company best known for its chocolate bars, made two-thirds of its revenue last year from pet-care. Besides owning the Royal Canin pet-food brand, the company also operates thousands of vet clinics. Nestlé and Colgate, two other consumer-products giants, also make around a fifth of their revenue from their pet divisions.

Spending on pets rocketed through the covid-19 pandemic, as lonely people adopted animals then splurged on them. Between 2019 and 2023 pet spending grew by a compound annual rate of 11%, in nominal terms, compared with 6% for consumer spending overall and 5% for pet spending over the preceding decade (see chart). Plenty more growth is yet to come.

Unlike virtual yoga classes or meal-kit subscriptions, animals weren't easy to drop once lockdowns ended. Consumers, grappling lately with higher prices and a cooling job market, have been reluctant to inflict austerity on their pets. Morgan Stanley, a bank, reckons pet spending in America will grow by 2.5% this year, well ahead of estimates for, say, clothes. The pet business proved similarly resilient during the global financial crisis of 2007-09.

And analysts reckon the pet business will soon have the zoomies again. Morgan Stanley forecasts that annual spending will rise to around $260bn by 2030, consistent with its pre-pandemic growth trend. Behind that is a shift in the relationship between pets and humans. Owners increasingly see themselves as parents, not masters. "Pets have gone from the backyard to the living room to the bedroom," says Loïc Moutault, head of the pet division at Mars.

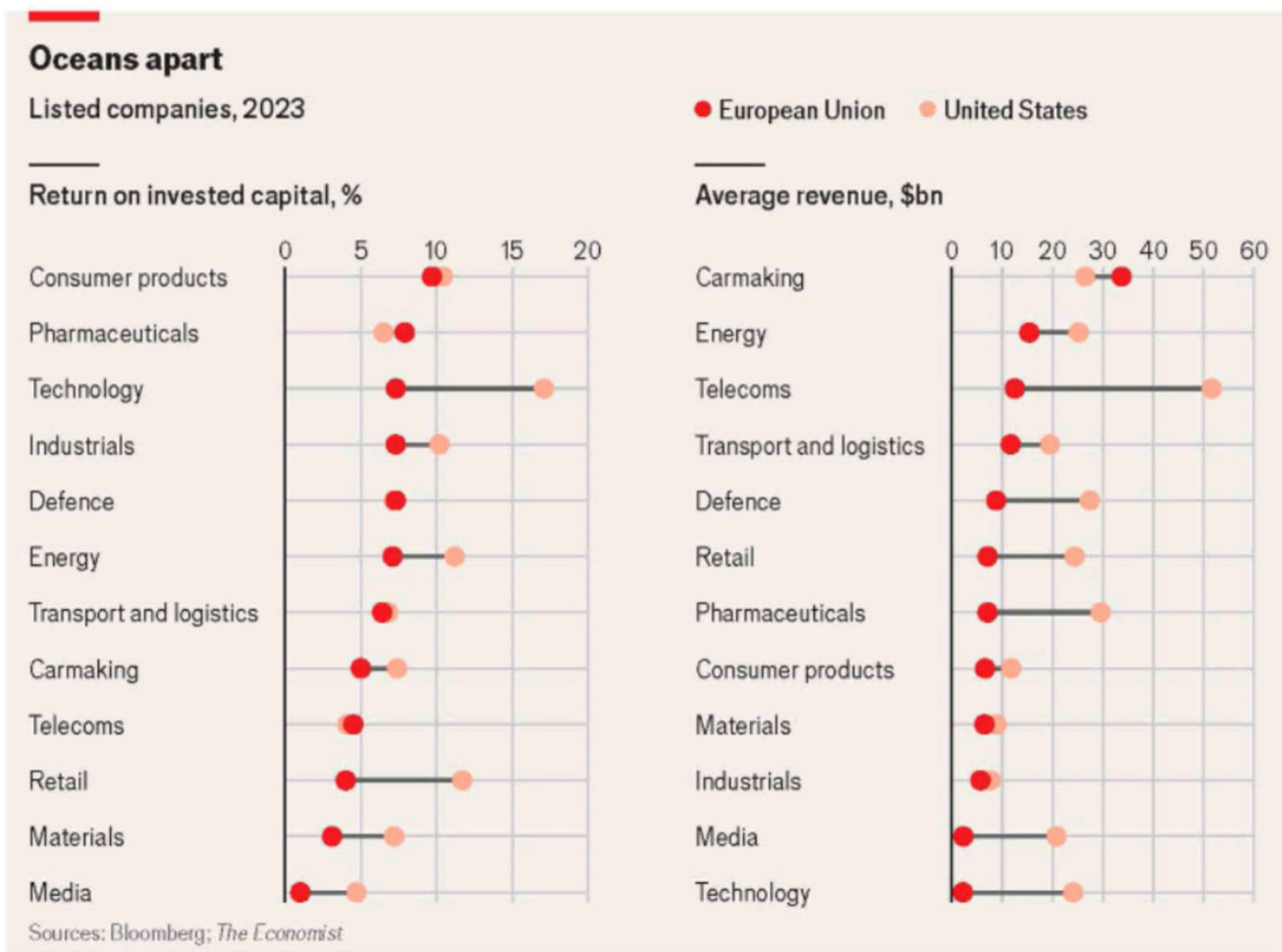


That change is playing out across generations. Millennials, many of whom have put off having children, have more fur babies per household than any other generation in America. Gen Z is proving to be equally pet-loving. "Millennials and Gen Z see their pets differently," says Kristin Peck, chief executive of Zoetis, a drugmaker for animals. "They really see them as part of their families."

Dogs, cats and other animals lucky enough to be welcomed into such families are in for a treat. Younger owners might take their pets to the vet more often, to the animals' dismay, but they make up for it by giving them more presents. Some 95% of Gen Z owners surveyed last year by the American Pet Products Association, an industry group, said they bought their dog a gift at least once a year, compared with 81% of boomers. The average cost of those gifts was a lavish $44 among Gen Z owners, compared with $17 among boomers.

Owners are also now giving their pets yummier food. At Freshpet, an American pet-food producer founded in 2006, sales are more than double what they were three years ago. It only uses natural ingredients. William Cyr, its boss, says the firm is gaining from the "humanisation" of pets. "Canned dog food was invented in 1922," Mr Cyr says. "And it smells like it."

All this is attracting plenty of newcomers to the pet industry. Private-equity firms have poured so much money into buying and consolidating vet clinics that they have caught the attention of antitrust regulators in America and Britain. Earlier this month Gilles Andrier, the boss of Givaudan, a Swiss company that is the world's largest manufacturer of flavours and fragrances, said his firm is eyeing the pet-food market. "People spend more money on pets than kids nowadays," he explained. Best, then, to have a dog in the fight. ■



Europe's corporate laggards

On September 9th Mario Draghi, a former prime minister of Italy and former president of the European Central Bank, published his long-awaited report on European competitiveness (see Finance & economics). The continent's productivity lags behind America's, and it lacks world-beating corporate giants. Rising geopolitical tensions have made this problem more acute for European policymakers. They are right to worry. Listed American firms are, on average, bigger and more profitable than European ones. The difference is particularly striking among tech firms, which are twice as profitable and more than ten times the size in America.

Indian business

The ties that bind

MUMBAI

The grip of family businesses is weakening in India—slowly

FOR MANY years the hottest event in Indian capitalism was the annual general meeting of Reliance Industries. Thousands of attendees, from rickshaw drivers to day labourers, would pile into the Cooperage Football Stadium in Mumbai for a glimpse of Dhirubhai Ambani, the company's charismatic founder.

Reliance's annual meeting last month was a decidedly duller affair. Gone were the thronging crowds; the event was held online. Reading from scripted remarks was Mukesh Ambani (pictured), who now leads the conglomerate after a bitter feud with his brother following their father's death in 2002. At 67, Mr Ambani is rumoured to have suffered a serious illness in the past three years (which the company denies). Those who do business with Reliance say that after him, the most important person there is Manoj Modi, a long-time employee who keeps a low profile (and is no relation of the prime minister's). When Mr Ambani eventually steps away, many expect that control of India's most valuable company will shift to a hired hand such as Mr Modi, with Mr Ambani's children accorded ceremonial roles. In India, such transitions are slowly becoming more common.

Big family companies play a strikingly large role in Indian commerce. Its ten most valuable family-business groups are worth nearly $900bn, according to Hurun India, a research firm (see table). The top 100 are worth $1.4trn. First-generation groups account for just a fifth of that. According to a study co-authored by Kavil Ramachandran of the Indian School of Business, nine-tenths of India's listed firms are family-controlled, far higher than in the West. Few corporate giants in America are controlled by families; there is no Gates at Microsoft, nor a Jobs at Apple. Rupert Murdoch, a media mogul, is under pressure from an activist investor to give up his family's control of News Corp.

In India the outsize role of families changes the character of commerce. Succession feuds such as the one between Mr Ambani and his brother are common, and often lead to conglomerates being split into multiple businesses. Corporate empires intermingle through marriages. Foreign companies such as Disney, a media giant, have realised that doing business in the country is easier with the help of a well-connected family.

Dominance of India's economy by a few families is an outcome its post-independence government overtly sought to avoid. Various laws passed between 1947 and 1969 sought to curtail the growth of large companies. Many firms were nationalised and various industries, such as mining and telecoms, were reserved for the state.

In practice, the vast regulatory burden of doing business in the country continued to benefit large family enterprises with strong connections—an advantage that persists today. In a country with weak institutions, these firms are better placed to attract capital, negotiate with workers and sway government policy in their favour. A focus on leaving a legacy may also encourage family-run businesses to invest more in their long-term success. It helps that, unlike many rich countries, India has not imposed an inheritance tax since 1985, making it easier to maintain family control across generations.

There are signs, however, that change is underway, and not just at Reliance. There are very few Tatas left at Tata, another conglomerate. The last member of the family to run it, Ratan Tata, stepped down in 2012 (albeit with a brief cameo in 2016). When Anand Mahindra retired in 2020 as head of the Mahindra Group, yet another Indian conglomerate, he handed the reins to an employee. So did Harsh Mariwala when in ▸▸

Family fortunes

India, top ten family-business groups*, March 2024

Family name	Flagship business	Total market value†, $bn	Current generation
Ambani	Reliance Industries	309	2nd
Adani	Adani Enterprises	186	1st
Bajaj	Bajaj Group	86	3rd
Birla	Aditya Birla Group	65	4th
Jindal	JSW Steel	57	2nd
Nadar	HCL Technologies	52	2nd
Mahindra	Mahindra & Mahindra	41	3rd
Premji	Wipro	31	3rd
Singh	DLF	25	3rd
Murugappa	Tube Investments of India	24	3rd

Top 100 family-business groups, market value — Total $1.4trn

Top ten $876bn | Other $530bn

Source: Hurun India *Excludes multi-family and unlisted groups †Excludes cross-holdings between family companies

2014 he stepped down as the boss of Marico, a family firm he had grown into a consumer-products giant.

For private-equity firms considering India, such transitions provide an opening. Nikhil Shah of Alvarez & Marsal, a consultancy, notes that helping them turn around former family companies is a growing business for his firm. Family-owned giants including Cipla, a pharmaceutical company owned by the Hamied family since 1935, and Haldiram's, a snack-food business controlled by the Agarwal family since 1937, are said to be up for sale.

In time, the growing dynamism of India's economy may further loosen the grip of corporate dynasties. New-business registrations have picked up as the process has become simpler. Despite a recent slump in venture-capital investment, India has a vibrant tech scene full of entrepreneurs eager to disrupt stodgy incumbents.

But change will be slow. Gautam Adani, India's second-richest man and patriarch of the Adani Group, has been explicit about his desire to create a dynasty. His children are heavily engaged in the business, and people who interact with the group say they routinely encounter family members. JSW, India's biggest steel company, is now preparing for its second round of succession. Bajaj, one more Indian conglomerate, has been through two rounds of succession already and seems likely to go on to a third. India's family empires, it seems, will not go anywhere fast. ■

BARTLEBY

Up close and personnel

The role of physical proximity in the workplace

SEEING PEOPLE in person matters. Information pours off them: not just what they say but how they say it and whether they listen. Relationships form more naturally. It's much harder to look a person straight in the pixels.

An array of studies have demonstrated how much proximity matters in the workplace. One paper published in 2020 by Diego Battiston of Stockholm University and his co-authors looked at how the police force in Manchester fields emergency calls. Their process involves two people. A handler takes the call and writes up the incident. An operator then allocates police officers.

Some operators happened to be in the same room as the handler who had taken down the call details. Because they could talk face-to-face, these operators were able to extract salient details and allocate police officers to cases more quickly than those who were left to scan descriptions for themselves. Proximity within rooms also mattered. Operators were more productive when their desks were closer to the relevant handlers. A subsequent reorganisation, permanently separating the two types of workers, resulted in an 8% increase in average response times to violent crimes.

In a working paper published in November Natalia Emanuel of the Federal Reserve Bank of New York and her co-authors demonstrated that proximity can be good for mentoring, too. They studied software programmers at an online retailer, and found that sitting closer to co-workers increased the amount of online feedback junior engineers received on their code from more senior colleagues. Teams who were all based in one building before the covid-19 pandemic and started the day with an in-person meeting received 22% more comments than teams spread across two buildings whose daily meetings were online. That gap disappeared when covid struck and both offices were closed.

This is not an argument for mandating that everyone comes into the office five days a week and sits in a single, jam-packed room. Proximity can exact costs as well as produce benefits, as both of these papers demonstrate. One trade-off relates to output. In the Manchester police force, handlers who spent more time talking to operators had less time free to take new incoming calls. In the case of the software engineers, too, online comments take time to give and to receive. Senior employees in particular wrote more code when they were not sitting near to junior colleagues, their beaks open for feedback.

Employees should be capable of negotiating such trade-offs for themselves. But managers can help or hinder. If handlers are being evaluated on how many calls they field, they have less reason to help operators; Mr Battiston and his colleagues duly found evidence suggesting that handlers helped less when they were coming up for their annual performance reviews. Similarly, Ms Emanuel and her co-authors found that junior workers in teams that shared a building were less likely to receive pay rises because their output was lower.

Although proximity can bring members of teams together, it can also come at the expense of interactions with outsiders. A study published by Maria Roche of Harvard Business School and her co-authors in 2022 looked at startups that were randomly assigned space in a co-working hub in America. The researchers examined how knowledge passes from one startup to another by looking at the likelihood that firms adopt a technology used by their peers in the building. Even small distances exerted enormous power. A startup located more than 20 metres apart from a peer might as well have been seated on a different floor.

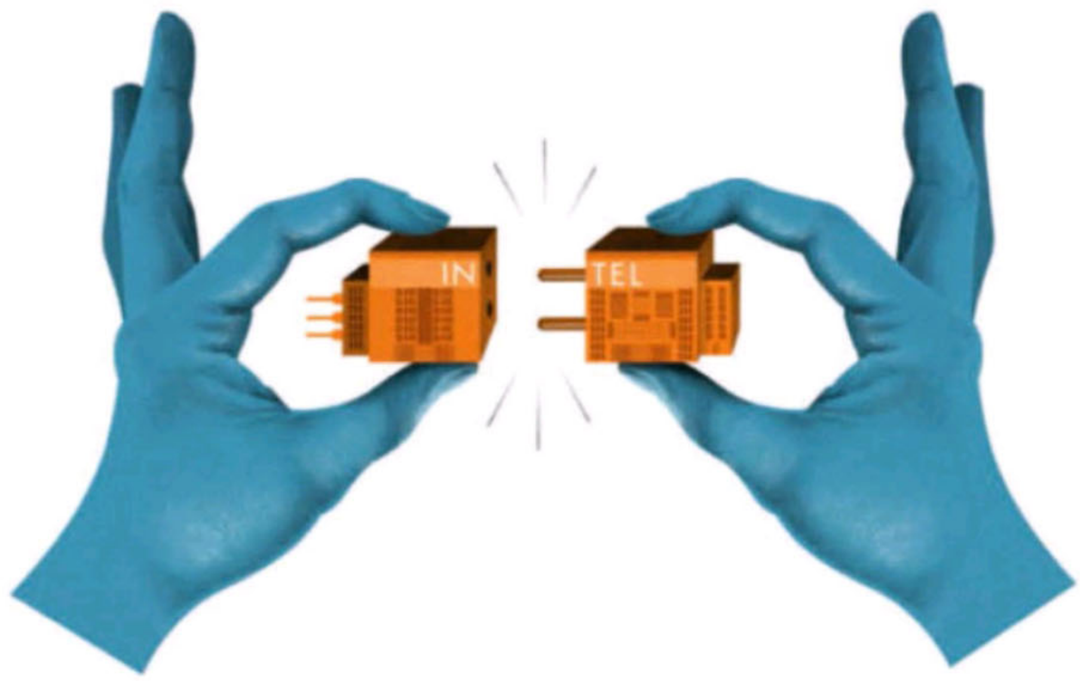
Office designers thus try to engineer proximity of a more fleeting kind—creating communal areas and enabling joint social events, for example, in an effort to bring together people who might not otherwise interact. But few people really want to mingle at drinks parties, and co-workers will often use these events to spend even more time with the people they already know.

One more paper, by Sharique Hasan of Duke University and Rembrand Koning of Harvard Business School, looked at a bootcamp for entrepreneurs in India, in which participants were randomly assigned to teams. They found that teams with members who already knew each other were much less likely to interact with neighbouring teams, compared with those whose members had few prior connections. Proximity is more useful as a glue than a solvent.

SCHUMPETER

The incredible shrinking company

Intel is on life support. Only drastic action can revive it



SINCE ITS founding in 1968 Intel has been synonymous with shrinkage. In its first four decades this was high praise. Every two years or so the American chip pioneer came out with new transistors half the size of earlier ones, a regularity that came to be known as Moore's law, after one of the company's founders. Twice as many chips thus fit onto roughly the same silicon wafer—and could be sold profitably for roughly the same price. That allowed Intel to corner the market for memory chips and then, when "memories" became commoditised in the 1980s, for the microprocessors which powered the subsequent PC revolution.

Nowadays when "Intel" and "shrinking" are uttered in the same breath it is no longer a compliment. After two sets of disastrous quarterly earnings the company's market value has shrivelled to $84bn, less than the value of its plants and equipment, from over $210bn in January. The artificial-intelligence (AI) boom's voracious appetite for silicon has propelled other chip firms, but Intel's shares have seldom been this cheap since the late 1990s. It may be about to be booted out of the Dow Jones Industrial Average, possibly in favour of Nvidia, the champion of AI chips.

In early August Pat Gelsinger, Intel's chief executive, announced that its 125,000-strong workforce would shrink, too, by more than 15,000. So will its annual capital spending, from over $25bn to just $20bn, and its yearly dividend, from $3bn to nothing. "Our costs are too high, our margins are too low," Mr Gelsinger wrote in a letter to employees. Its share price contracted by a third in the following days. Industrial-policy fans in the Biden administration, eager to revive domestic chipmaking, would be excused for worrying about their national champion.

Intel's future now hinges on a new turnaround plan, which Mr Gelsinger is reportedly due to present to the board in the coming days. Intel-watchers expect some combination of more lay-offs, the sale of one or two peripheral businesses and maybe the shelving of plans for a $32bn factory in Germany. That would be too cautious. To save Intel, more radical change is needed.

Mr Gelsinger, who was Intel's technology chief before later running a cloud-software firm, is not wholly to blame. He was brought back in 2021 to get the company on track after a string of beancounter-bosses failed to spot big changes reshaping the industry. In the late 2000s fat profits from the PC business blinded Intel to surging demand for mobile-phone chips. It stuck to making its own processors even as rivals went "fabless", outsourcing production to "foundries" such as TSMC of Taiwan. Repeated manufacturing slip-ups delayed the launch of new central processing units (CPUs) and let AMD, a fabless rival working with TSMC, steal market share. And lately Intel utterly missed the rise of specialist AI chips, which before a recent stockmarket wobble briefly turned Nvidia into a $3trn behemoth.

Mr Gelsinger's original turnaround idea centred on segmenting Intel into a fabless design studio and Intel Foundry Services (IFS). Unshackled from in-house production, the design unit could pick the best foundry for its purposes. Stripped of a captive client, IFS would win business on its own merits. All very sensible. Except that it took for granted Intel's ability to keep making money from CPUs and to reclaim stewardship of Moore's law, which it forfeited to TSMC owing to those production blunders. This has proved, in the words of one exasperated analyst, "delusional".

Intel's revenues sank from $79bn in 2021 to $55bn in the 12 months to June, as cyclical demand for CPUs cooled. At IFS, promising advances have not stopped customers from harbouring doubts about its manufacturing chops. Reuters recently reported that Broadcom, a $700bn chip-designer, has tested Intel's TSMC-beating process and concluded it is not yet ready for large-scale production. IFS's one big contract is with its sister unit—which, in a show of sibling cruelty, tasks TSMC with its high-end wares.

Mr Gelsinger insists the new production process will be ready by next year. Intel's high-end chips would then, he says, come home and outside clients would honour $15bn-worth of loose purchase commitments that IFS claims to have bagged. Those revenues, plus the cost savings, asset sales, $8.5bn in grants and up to $11bn in loans from America's government, would bring in the money for IFS to jump to the cutting edge and pull in orders. One day, when it can stand on its own, IFS may be spun out.

A less Pat response

This underplays Intel's dire state. Free cashflow (left over after any capital spending), once a healthy $10bn-plus a year, turned deeply negative in 2022 and has worsened since. Deals with a pair of private-asset managers to co-invest $10bn-15bn apiece in two chip factories helped, but only a bit. A more decisive leader might quit chasing AI chips, where Intel is hopelessly behind, and flog the entire design unit to a fabless rival like Broadcom or Qualcomm. This would recapitalise the foundry without the need to offload assets bit by bit or put German noses out of joint.

Fabless chipmakers have an interest in seeing Intel's foundry succeed. Without it, they would rely even more on TSMC for the most advanced chips. Letting Intel fail would be both commercially foolish and risky, given the possibility of China invading Taiwan. There is a precedent for chipping in. In 2012 ASML raised money from three big clients—Intel, TSMC and Samsung—for a new generation of its chipmaking tools. Intel paid $3.1bn for a 15% stake, most of which it sold by 2018. Today this would be worth around $50bn, equivalent to three-fifths of Intel. Potential backers, notably tech giants such as Amazon, Google and Microsoft, have deep pockets and want to design more of their own AI chips. Intel has expertise and talented engineers. Even if it does not offer an ASML-like return on investment, it may not be a bad bet. ■

Finance & economics

Mario Draghi's plan

Searching for a spark

BRUSSELS

Can anything bring Europe's economy back to life?

EUROPE HAS at last realised it has a problem with economic growth. Duh. Can it now find a solution? A report published on September 9th by Mario Draghi, a former president of the European Central Bank and prime minister of Italy, and the continent's unofficial chief technocrat, is an attempt to do just that. Over almost 400 pages, Mr Draghi outlines a plan to overhaul Europe's economy. Ursula von der Leyen, the recently re-elected head of the European Commission, is keen to act on his advice. Even Elon Musk, owner of Tesla and X, as well as a frequent opponent of the EU, has applauded his "critique".

The report follows another, published in April, by Enrico Letta, another former Italian prime minister, which looked at the single market. Both focus on how to make Europe more competitive. The authors want to boost innovation, lift funding for riskier ventures and exploit Europe's scale by bringing together fragmented markets. In short, they want to make Europe a bit more European, which in these areas at least is desirable. The questions are as follows: Will countries be willing to see integration in sensitive sectors such as defence? Will they be able to overcome the narcissism of small differences? And will they be willing to spend as required?

Although Europe has long been poorer than America, its citizens used not to mind too much. Americans had too many guns and they had *coq au vin*. But as Mr Draghi lays out with urgency, the world around Europe has changed, making the continent's lack of growth and innovation a threat to its way of life. "The EU has reached a point where, without action, it will have to compromise either its welfare, the environment or its freedom," he writes in a guest article for *The Economist*.

Mr Draghi's case is supported by a number of developments, including that the rest of the world is no longer playing by what the EU considers the rules. Led by America and China, countries are using protectionist policies to try to give their own firms an edge. Europe fears it will lose out economically if its companies cannot compete. It also risks becoming dependent on foreign supply-chains that China wishes to dominate, such as for rare earths, or to which a future American administration could one day restrict its access, perhaps in a crisis, such as for advanced tech.

Another is that Europe's decline is becoming more painful. In 1995 European productivity was 95% of America's; today it is less than 80%, which is a big enough gap for holidaymakers to notice. In frontier tech, such as artificial intelligence, Europe now looks set to fall further behind. And as this tech spreads to more and more sectors—think of self-driving cars—Europe's potential for innovation will further decline. Pricey energy will make it still harder to lure cutting-edge firms in the future.

On top of this, Europe's failure to exploit its scale is becoming more of a pro- ▸▸

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blem, as other countries make the most of their own size. "In the 1980s, when the single market was taking shape, Italy's economy was about as big as China's and India's combined," notes Mr Letta. It hardly seemed to matter if industries such as defence, energy, finance and telecommunications were national affairs. No longer.

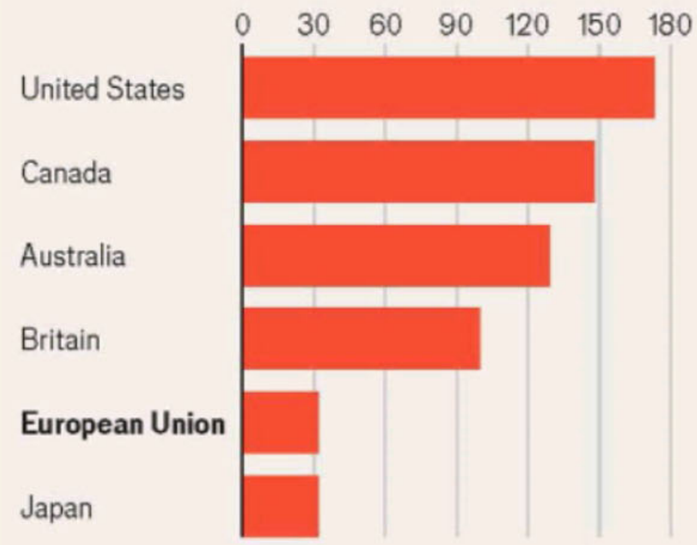
What can Europe do? Mr Draghi concentrates, most of all, on boosting innovation, arguing that it should become "a tool of first resort". For this to happen, he suggests that countries will have to pool research decision-making and funding, while agreeing to lift spending. He favours the creation of European Advanced Research Projects Agencies (ARPAs), based on the famed American agency of the same name, which played an important role in the creation of technologies including GPS and the internet. He also wants to spend big on "world-leading research institutions" via a competitive process.

Next comes support for risk-takers. Bank funding is readily available to established firms with assets to post as collateral and revenues to service debt. It is less suited to younger firms with neither, and with uncertain prospects. Yet in Europe three-quarters of corporate borrowing comes from banks, compared with just a quarter in America. Deeper and more liquid capital markets are thus essential for growth, agree the two ex-prime ministers, in a message being echoed increasingly widely both by national leaders and bosses. "The green deal won't work without capital-markets union," says Christian Sewing, chief executive of Deutsche Bank.

Creating such a union means overcoming fragmentation, such as 27 different approaches to insolvency. It also means moving from unfunded public pension systems to better-funded, market-based schemes. According to New Financial, a think-tank, pension assets come to just 32% of European GDP, against 173% in America. "We need a cultural change on how we fund businesses, given all the investment required. In this regard, we also need regulatory changes in Europe to allow growth to be financed," Mr Sewing argues. Mr Draghi suggests creating a European supervisor for capital markets, similar to America's Securities and Exchange Commission.

An old obstacle

Pension assets as % of GDP, 2020-22



Source: New Financial

On regulation more broadly, Mr Draghi is careful not to challenge the basic economic insight that competition is the surest spur to innovation. But he does point to changes in tech and markets, arguing that regulators should be better staffed, faster to move and willing to take impact on future innovation and supply-chain resilience into account. Perhaps, for instance, Alstom and Siemens, two European trainmakers, should have been allowed to merge in 2019, to better compete against Chinese firms. He also wants European state aid to be less fragmented and more focused on common continental interests.

Choo choo!

Mr Draghi's report has been well received by Europe's powerbrokers and thinkers, and will be popular until the time comes to implement it. Take something that ought to be uncontroversial: a competitive process for funding research institutes. Germany introduced a similar scheme in the 2000s. But after most of the money ended up in two prosperous southern states, the programme was adjusted to benefit every region. America's ARPA thrived in the absence of red tape. It is hard to imagine European governments overcoming their instincts in either case.

Many of Mr Draghi's plans—such as the creation of a single capital-markets supervisor—also require power to be transferred away from national governments, which like to have sway over their countries' most important companies. "Each head of government wants the CEOs of the national energy firms, banks or telecom companies on speed dial, in case of crises," says Mr Letta. On September 11th UniCredit, Italy's second-biggest bank, announced it had built up a 9% stake in Commerzbank, German's second-biggest, and that it would seek to build a larger stake. Whether Germany allows a merger, should one be attempted, is a test for whether European or national instincts prevail.

In his analysis of individual industries, Mr Draghi is keen to create cross-European markets where none yet exists. In telecoms, for instance, he wants to make mergers easier, to boost investment. Yet Margrethe Vestager, the commission's departing competition chief, is strongly opposed to this idea. "Telecoms is probably the worst example of the need for scale," says Zach Meyers of the Centre for European Reform, a think-tank. Fewer operators would mostly mean higher prices and lower quality, but not more investment.

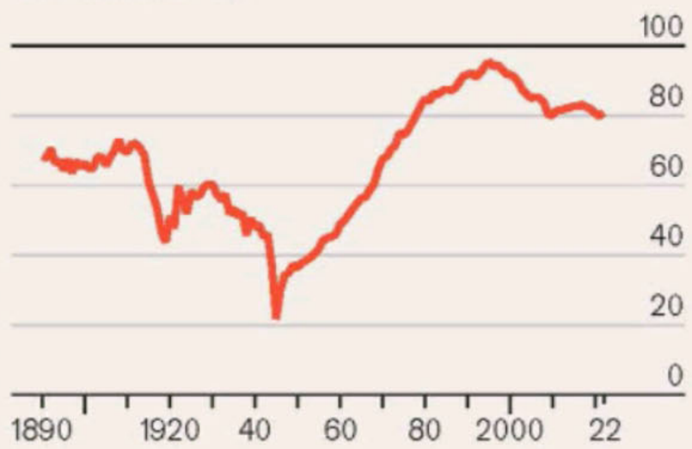
Similarly, plans to reform competition rules in the name of sovereignty or resilience may embolden the wrong people. Mr Draghi also spends too little time considering why more market-minded countries, such as the Netherlands and the Nordics, which are small even by European standards, are home to innovative tech firms. Or why Germany, after at last liberalising its planning regime, is seeing renewables take off without European help.

Then there is money. According to commission estimates, to meet Mr Draghi's plans €750bn-800bn a year extra in spending would be required, taking the share of investment in the continent's GDP from 22% to 27%—an unprecedented increase after decades of decline. If the past is any guide, four-fifths of this would have to come from the private sector, which is not going to happen even if the capital-markets union is a roaring success.

That leaves debt-funded EU spending, which Mr Draghi says would be useful, but stops short of seeking outright. He knows that northern European leaders have little to no appetite for another batch of debt. "Never in the past has the scale of our countries appeared so small and inadequate relative to the size of the challenges," Mr Draghi writes. And he is correct. Now he faces a far harder job than analysing those problems: he must persuade national governments to give up power. ■

Continental drift

Euro-area labour productivity relative to the US
United States=100



Source: "Productivity trends in advanced countries between 1890 and 2012", by A. Bergeaud, G. Cette and R. Lecat, *Review of Income and Wealth* (data updated)

By invitation: Mario Draghi

The former president of the European Central Bank has written about his proposals. Read the article at: **economist.com/draghi-plan**

Foreign-exchange markets

Nordic noir

The mystery of Norway's weak currency

NORWAY'S GDP per person is $94,600, some 11% higher than America's. The country's unemployment rate is 2%. Growth, though slowing, has been higher than the rest of Europe's in recent years. And the Norwegian sovereign-wealth fund, capitalised with oil revenues, is now worth over $300,000 per inhabitant.

What could be better? Answer: the currency. Norwegians are fretting about the krone, which since the end of 2020 has fallen by 8% against a trade-weighted basket of currencies and flirted with all-time lows against the dollar and the euro, following a decade of slower-paced weakening (see chart). In a country that imports almost all its consumer goods, this has added to inflationary pressure. Norges Bank, Norway's central bank, is confused as to how the country's economy can be doing so well and its currency so poorly. An official currency commission may follow.

One commonly cited explanation for the fall in value is a lower oil price. Although this may account for some weakness, it fails to explain why the krone did not rebound along with energy prices in 2021-22. Instead, it fell in 2022 even as oil prices surged. Something else is at play.

Analysts at Apollo Asset Management look to interest-rate differentials. As the Federal Reserve raised rates aggressively in 2022-23, the attractiveness of holding dollars rather than krone rose. Norges Bank, responding to the currency's weakness, seems set to hold rates at 4.5% for the rest of this year, even as the Fed cuts. But this does not tell the whole story either, since the krone has weakened against lots of currencies, including the euro, with which interest rates diverged much less.

Perhaps it is freak pricing. Low trading volumes mean that anomalies may persist, as big investors will be reluctant to enter the market, given that large interventions will interfere with prices. The Bank for International Settlements, a central-banking club, puts krone turnover at just $125bn a day, against $2.3trn for the euro.

A final possibility will be the most alarming to Norwegians. The krone could still be overvalued, with its long march down being a return to normality after the country became a safe haven from the economic turmoil that hit Europe a decade ago. *The Economist*'s Big Mac index notes that a burger was priced at NKr74 in Norway against $5.69 in America as of June, implying an exchange of NKr13 to the dollar compared with the market rate of NKr11. A further fall would be good news for tourists in Oslo, who would no longer be quite so shocked by the prices. It would be less welcome for Norwegian consumers. ■

Cruising down

Norwegian Krone, trade-weighted exchange rate
December 2020=100, inverted scale

Source: Norges Bank

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Monetary policy

As the Fed cuts

Strangely, America's companies will soon face higher interest rates

BETWEEN EARLY 2022 and mid-2023 the Federal Reserve tightened monetary policy at the fastest pace since the early 1980s, lifting America's policy interest rate from 0-0.25% to 5.25-5%. When the central bank's policymakers next meet on September 17th and 18th, they will almost certainly start cutting rates. Investors even wonder whether they will begin with a 0.5-percentage-point reduction, in response to cooler-than-expected economic data.

The immediate impact, though, may be muted. Central bankers have long thought that monetary policy does not have an instantaneous effect on the economy; Milton Friedman once described the lag between an adjustment and its impact as "long and variable". Yet in the most recent cycle the lag, for corporate borrowers at least, seems to have been even longer than usual. The strange outcome is that just as policymakers are about to cut, perhaps sharply, interest-rate conditions for parts of the economy will tighten.

During previous periods of monetary tightening, the relationship between policy rates and corporate interest payments was more familiar: as rates rose so did the expense of borrowing. For example, in the last Fed hiking cycle, between 2016 and 2019, companies' net interest expenses rose by 9%, according to IMF data, which is how tightening is supposed to work. By raising borrowing costs, the Fed reduces corporate investment and slows the pace of hiring. This may be painful for those affected, but the consequence is lower demand and reduced inflationary pressure.

Things have worked rather differently this time. Although interest rates have shot up, companies' net interest payments fell by almost 35%. If the relationship in previous cycles had held, they would have instead risen by 50%.

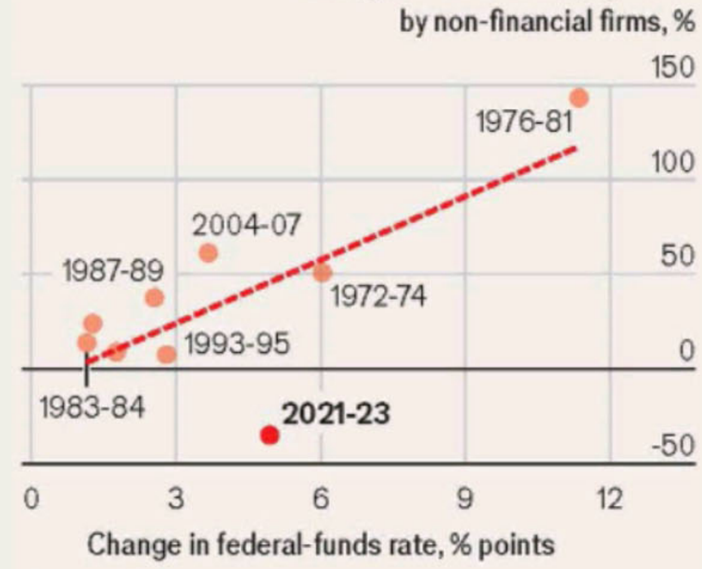
Why has this happened? The first explanation is that American firms entered the tightening cycle unusually cash-rich. Holdings rose in the decade before the covid-19 pandemic, and then spiked as the disease spread and investment plans were put on hold. Cash held on companies' balance-sheets rose from an average of $1.1trn in the decade to 2019 to a peak of $2.7trn in 2021. Higher interest rates therefore meant higher returns on their cash piles.

Another explanation concerns lenders. Even as policy rates rose, many were slow to pass higher costs on to borrowers. The spread charged on loans to the very safest borrowers, for example, fell by more than 1.5 percentage points between early 2022 and mid-2023. The Kansas City Fed has noted that this is unusual: spreads typically rise during a tightening cycle. Greater corporate cash reserves seem to have given institutions the confidence to lend more liberally. Costs rose for firms, but not by as much as might have been expected.

The most important explanation reflects the behaviour of finance directors. American companies borrowed heavily on longer-term deals in 2020 and 2021, after the Fed had cut rates and before the tightening cycle got under way. Low rates were ▸▸

Odd one out

United States, monetary-policy tightening cycles
1972-2023



Source: IMF

locked in and firms were relatively insulated from the subsequent tightening. Indeed, the unusually strong performance of the S&P 500 index of large American companies, which has risen by 24% since the Fed first raised interest rates, may in part be explained by this protection.

Now, however, locked-in arrangements are starting to expire. Fixed-rate deals typically last for three to five years. More than $2.5trn—an amount equivalent to 9% of American GDP—of fixed-term corporate loans are due to be refinanced before the end of 2027, with $700bn due in 2025 and more than $1trn in 2026. The sectors most exposed to refinancing risk are those that benefited the most from cheap fixed deals immiediately after the pandemic struck, notably manufacturers. The pain may be considerable. Bonds of the typical American, non-financial, BBB-rated firm due to expire in 2025 have a median interest rate of just 3.8%. On current trends they will probably attract a rate of closer to 6% when reissued. Interest costs will rise just as interest received falls.

Jerome Powell, the Fed's chair, has signalled that he now favours cheaper borrowing. Yet whatever the Fed does next, corporate America is likely to see interest expenses rise. The delayed reaction to tightening complicates the Fed's job. Although its policymakers are now ready to press the accelerator, many firms are still experiencing a delayed reaction from when they slammed on the brakes. ■

BUTTONWOOD

The last shall be first

Bonds have outperformed stocks of late. Can the winning streak last?

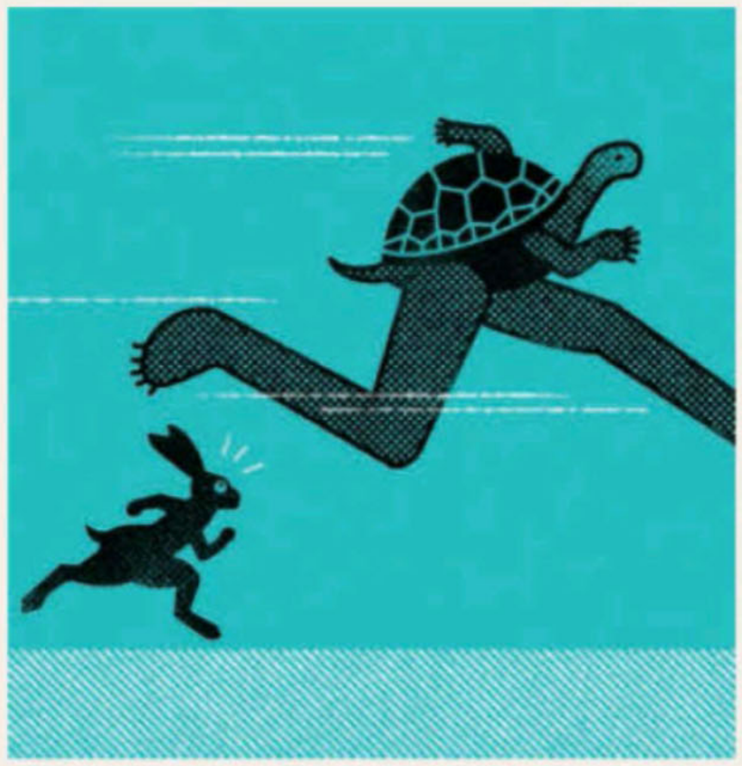
DIVERSIFICATION, GOES an adage attributed to the late Harry Markowitz, is the only free lunch in investing. The idea later helped him win a Nobel prize for economics. Markowitz's genius was to realise that a portfolio spread across lots of assets could have the same potential for returns as a more concentrated one, but with less scope for losses. In other words, diversification allows investors to take less risk without sacrificing reward—quite some freebie.

So much for theory. In practice, diversification is all too often a drag. Most investors know that, over the long run, stocks are their best shot at high returns. Reducing risk by diversifying sounds good, but doing so without giving up profits would require other assets with similarly stellar prospects. In fact, the main alternative to shares is bonds, which tend to yield much less. To a true Markowitzian, the hit to returns is worth it if it brings down risk by even more; for get-rich-or-die-trying types, such logic cuts no ice. Yet the latter group might be more receptive to the virtues of diversification just now. Over the past couple of months, even as stock prices have swung madly and retreated from all-time highs, bondholders have been racking up gains.

Suppose you started 2023 by investing equal amounts in two exchange-traded funds: "QQQ", the largest vehicle tracking America's tech-heavy NASDAQ 100 share index; and "TLT", its equivalent for Treasury bonds. After 18 months, your tech stocks would have been worth more than twice as much as your Treasuries. Compared with an all-stock portfolio, your bond position would have cost you half your potential returns.

Now, though, things have changed. Since the NASDAQ's peak in mid-July the index has declined by 7%, while the value of the TLT fund's Treasuries is up by 9%. Look at American shares more broadly (or, indeed, at their international peers), include corporate debt alongside the sovereign sort, and similar patterns hold. The question now is whether bonds can keep up their rare winning streak.

Should share prices start plunging once more, the answer will be "yes". During a crash, bonds are less vulnerable than stocks: in extremis, after all, it is a firm's creditors rather than its shareholders who have the first claim over assets. Rich countries' government debt, meanwhile, carries virtually no risk at all of default. Moreover, troubled times can be a boon for bonds. If stockmarkets are in trouble because investors fear slowing growth, as happened over the summer, then they are likely to mark up the probability that central banks will cut interest rates. That sends bond yields down and prices, which move inversely to yields, up. Amid a general panic over stocks' valuations—as, again, occurred in August—the safe-haven appeal of sovereign debt, and American Treasuries in particular, tends to rise.



However, investors should bear a couple of things in mind before stocking up on debt. One is the amount of good news that is already baked into prices. Following bonds' summer rally, the interest-rate market now expects the Federal Reserve to reduce its policy rate unusually quickly. Traders have priced in a full percentage point of cuts before the end of this year, followed by another 1.5 over the course of 2025. In the past, such rapid loosening has normally been associated with recessions or financial crises, neither of which most investors expect today. Should the Fed prove disappointingly hawkish, as it often has in recent years, there is plenty of scope for yields to rise and bond prices to fall.

The other thing that should give would-be lenders pause for thought is that borrowers have been rushing into the market. During the first week of September, for example, American investment-grade companies issued more than $80bn-worth of debt. That is more than in any other week since May 2020, just after activity resumed following the onset of the covid-19 pandemic, and when interest rates were close to zero. Emerging-market firms have been on a borrowing spree, too. The fact that borrowers are now in a hurry to sell their bonds suggests they think waiting to do so would result in them paying higher rates. If they are right, the lenders now buying the debt will soon regret it.

It goes without saying that none of this is an argument against diversification. Bonds belong in investors' portfolios not because they regularly post superior returns, but because they sometimes do well when stocks fare terribly. So bondholders should enjoy their spell in the sun—even if they should not expect it to last all that long.

Inequality

Xi, the generous

HONG KONG

How China redistributes more than other countries at its income level

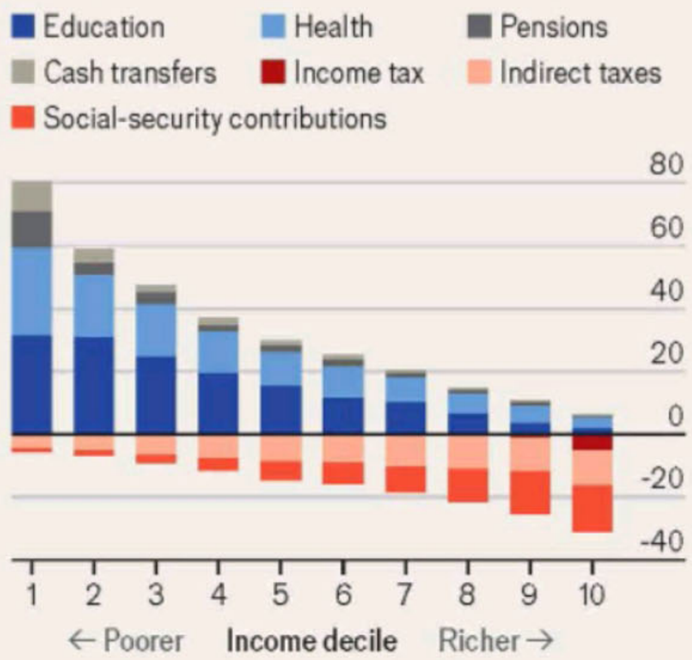
WHEN CHINA'S ruler, Xi Jinping, began calling for "common prosperity" in 2021, he made investors nervous. The stated goal was to reduce inequality. But the term became wrapped up with something edgier: a morale-destroying campaign to browbeat billionaires into displays of charity, tighten regulations on big tech firms and curb what Mr Xi called the "disorderly expansion of capital".

Although talk of common prosperity has receded, the need to reduce inequality has not. Indeed, it now has a new justification. China's economy is mired in deflation, a sign of weak demand. To boost consumer spending, many prominent economists want the government to divert more income to households. And to reduce China's high saving rate, they want money redistributed from the rich, who tend to save it, to the poor, who are more likely to spend it. The aim is not just social justice, but also macroeconomic efficiency. Higher spending would help China's output fulfil its potential. It would help close China's output gap by narrowing its income gaps.

The IMF's annual report on China, released last month, pointed out that a better social safety net and a more progressive tax system would strengthen demand. Similar prescriptions appeared in a recent issue of Red Flag Manuscript, published by *Qiushi*, the communist party's journal of ideas. An article called for improving the "income distribution system", including tax, social security and transfer payments.

From richer, for poorer 1

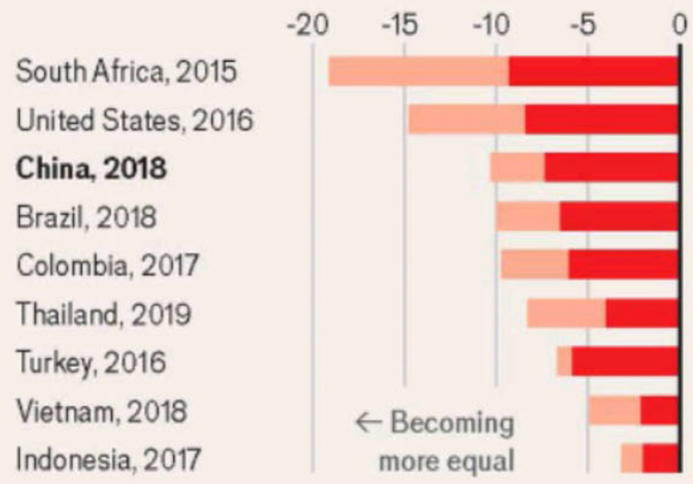
China, taxes and benefits as % of income, 2018



Source: "How redistributive is fiscal policy in China? New evidence on the distributional impacts of taxes and spending", by M. Lugo et al., World Bank working paper, 2024

Bottling the Gini 2

Change in Gini index as a result of fiscal policy, percentage points
Selected countries, reported year



Source: "How redistributive is fiscal policy in China? New evidence on the distributional impacts of taxes and spending", by M. Lugo et al., World Bank working paper, 2024

These recommendations raise a pertinent question: how effective is China's fiscal system at reducing inequality? On the face of it, the system does little. China, unlike, say, Brazil, skimps on cash transfers. Its income tax looks progressive: rates climb from 3% to a grabby 45%. Yet precious few earn enough to pay the top rate. In reality, many people pay no income tax at all, owing to a generous standard deduction. A big chunk of China's tax revenue comes from indirect taxes, including VAT, which do little to narrow inequality. After all, taxed goods cost the same, whether the buyer is rich or poor.

The combined effect on inequality is assessed in a new working paper by five economists: Maria Ana Lugo, Veronica Montalva and Sailesh Tiwari of the World Bank, as well as Nora Lustig and Yang Wang of Tulane University. Drawing on a survey of over 14,000 households in 2018, the authors find that China's taxes and transfers by themselves do little to narrow inequality. These measures reduce China's Gini index—a common measure of inequality—from about 54.5 to 51.6.

But redistributing cash is not the only way to help the poor. Governments can also provide things the poor would otherwise have to buy for themselves. China's public spending on education and health care is, for example, highly redistributive (see chart 1), according to Ms Lugo and her co-authors. It reduces inequality by another seven percentage points or so, lowering China's Gini coefficient from 51.6 to 44.2.

How does this redistributive effort compare with other countries? The Red Flag article cautions that China is still in the early stage of socialism. "The Party and the state cannot take on too much responsibility," it says. "We must avoid...excessive welfare" and act "within our capabilities".

The author need not have worried too much. China's fiscal system takes on less responsibility than its counterparts in most rich countries. In America the combination of taxes, transfers and in-kind benefits reduces the Gini index by almost 15 points (see chart 2). But China's redistribution is significant in comparison with other countries that are at a similar stage of development. Indeed, its fiscal system was a bit more redistributive in 2018 than you would expect given its GDP per person, according to our analysis of the numbers produced by Ms Lugo and her co-authors. China's social spending may also be more cost effective than that in some of its peers. Although Brazil and Colombia devoted more of their GDP to health and education, this spending got less bang for its buck in lowering the Gini index, which suggests China's social spending is better targeted towards the poor.

Can China redistribute its way out of deflation? That would require quite a bit more ambition than its leaders have shown thus far. Increased spending on education and especially health would certainly help. The Red Flag article argued that health is "an important symbol of socialist modernisation". And Mr Xi himself remarked in a speech last year that "a country will prosper if its education prospers". The speech is one of 47 of Mr Xi's sermons that are collected in a new book on education which went on sale this week. Perhaps the tome will prise open the wallets of some of China's reluctant shoppers. ■

Debt diplomacy

Long, hot summer

The IMF has a nasty protest problem

IT HAS BEEN a tumultuous few months for the International Monetary Fund's borrowers. In June protests brought thousands onto the streets in Kenya after William Ruto, the president, laid out the spending cuts required to convince the IMF to disburse the latest instalment of the country's $3bn bail-out. Two months later, Sheikh Hasina, prime minister of Bangladesh, which also has a programme with the fund, was ousted when reforms to the country's bureaucracy sparked riots.

On September 6th Pakistan's government banned gatherings in Islamabad, the capital, in an attempt to prevent protests. Two things have recently stoked tension: the imprisonment of Imran Khan, a former prime minister, and painful economic reforms conducted in concert with the IMF. Over the past year, protesters have also caused a ruckus in Ghana and Sri Lanka, ▸▸

while seeking to oppose debt restructurings designed by the IMF.

The fund's stipulations are familiar: shrink the state, stop printing cash and privatise crown-jewel companies. So is the unhappy reaction they produce from local policymakers. What is a lot less familiar, at least in recent years, is fury among broader populations. IMF officials now face a dilemma. Do they allow politicians to roll back unpopular policies, in line with their recent more conciliatory approach, or do they hold firm and demand reform?

There was a time when such protests were common. During the 1980s the fund was an evangelical institution, always willing to insist upon stern measures. In 1984 Middle Eastern governments junked ruinously expensive subsidies for bread and other essentials, which had drained foreign reserves. Food prices rocketed and violence broke out everywhere from Egypt to Tunisia. In 1988 demonstrations took place across the world as the fund held its annual meeting in West Berlin. Bureaucrats never wavered: structural reform was more important than being popular.

Now, however, the fund's priority for Bangladesh, Kenya and Pakistan is "inclusive growth", a catch-all term that places reducing inequality and providing public services alongside economic expansion and liberalisation. Today's bureaucrats consider public approval a yardstick for how well they are doing and go to great lengths to advertise how politicians seek their advice, which they label "country ownership". All of this makes the current outbreak of protests a particular headache.

The fund's officials seem unsure what to do. Economic reform is just as painful now as it was four decades ago, despite their change of mindset. Making spending cuts or currency reforms less severe lessens their impact. But if the IMF threatens to withhold loans, it becomes more likely that protesters will manage to depose politicians. The next government may be less reform-minded, and will retain a considerable amount of the fund's cash.

Sheikh Hasina's popularity had been plummeting since May when, on the fund's request, she relaxed the crawling peg on the taka, Bangladesh's currency, which then proceeded to fall. Annual inflation jumped from 9.7% in June to 11.7% in July, as the cost of food, fuel and other imported essentials rose. Eventually, the move will replenish Bangladesh's foreign reserves and curb the inflation that is produced by scarce imports. If the approach had been watered down the clear risk was that the economy would never get these benefits. Yet the pain for Sheikh Hasina was, it turned out, rather more immediate.

In Pakistan and Kenya protesters rail against tax rises and spending cuts. Both governments must shrink their deficits if they are to avoid default. Kenya spent 62% of its budget on servicing debt last year; Pakistan spent 57%. In Kenya Mr Ruto's finance bill promised short-term cuts to health and education, both popular spending areas. Without such cuts, Mr Ruto argued, spending would suffer years into the future. In the end, however, he caved to pressure and scrapped the bill.

The fund has other reasons to hesitate before responding to the wave of protests sweeping emerging markets. Doing so would inevitably involve releasing funds to politicians who have failed to meet targets for good economic management and remain deeply unpopular with their voters. Some, such as Mr Ruto, also face allegations of corruption. Although the IMF could ease protesters' anger, the toll would be to gamble its cash and compromise its ideals. The question is which is the steeper cost to shoulder. ■

Breakfast staples

Big squeeze

Orange juice has never been more expensive

MIMOSAS HAVE a simple recipe: one part champagne, one part orange juice. Soon, though, the tipple may be even less affordable—and not because sparkling wine is ever more expensive. Concentrate orange-juice futures in New York, which soft-drink producers use to hedge against price swings, have quadrupled since late 2021. They hit an intraday high of $5.80 a pound on September 9th, their fifth record in a week.

The problem is that the market for oranges to make concentrate is very concentrated. Growth of the fruit in Florida, once the world's second-biggest producer, has wilted by 92% in the past 20 years after being hit by pests, hurricanes and rising costs. Other growers, such as Mexico and Spain, largely supply the fresh-fruit market. That leaves Brazil, which accounts for 70% of the world's production and a similar share of exports. And now it, too, is in trouble.

At the start of the year the market already faced bitter prospects. After yet another cataclysmic harvest in Florida—the worst since before the second world war—global stocks looked bare. Then, in May, growers from São Paulo, Brazil's main orange-producing state, forecast that the year's crop would fall by 24% compared with the year before, after an ultra-hot flowering season. Farmers also faced a resurgence in citrus greening, an untreatable bacterial disease that turns oranges sour before killing the tree.

But now even that gloomy forecast looks optimistic, says Andrés Padilla of Rabobank, a Dutch lender. Brazil's drought is getting worse—parts of São Paulo have seen no rain for four months. Greening is out of control: in swathes of the state two-thirds of trees are infected. Bigger farmers can afford to protect groves by using nets or insecticides. For smaller ones the only fix is to root out potentially diseased trees. High prices mean many prefer to keep their groves in the ground, so infections persist.

In many fields damage has already been done, meaning this year's harvest is doomed. The next few could be just as bad. New trees take four years to bear fruit; they too could be exposed to greening. Droughts could sap yields again. Planting in other regions may help, but suitable areas lack water access and are too far away from juice plants, which means that progress is very slow. Some farmers may opt to plant less risky crops than oranges, such as sugar cane.

Despite high prices, global demand for juice remains strong, because consumers are affluent enough to pay more. This may lift producers' profits a little, but not by much, for they also face higher costs. Shortages may start to occur soon, probably outside America and Europe, which will be prioritised by retailers as the largest orange-juice markets. Barring a miracle, things look rotten for seekers of Vitamin C.

Zesty

United States, frozen-concentrate-orange-juice futures, cents per lb

Source: LSEG Workspace

FREE EXCHANGE

Presidential proposal

An American sovereign-wealth fund is a risky solution to a non-problem

NOT LONG ago America's main concern with sovereign-wealth funds was how to regulate these large pools of money controlled by foreign governments. Now, seemingly overnight, the hot new idea in Washington, DC, is that America should join the club. It is easy to understand the allure. A well-managed SWF can, in theory, let the government direct more cash towards its strategic aims, without—if returns are strong—the need to raise taxes. In practice, achieving this balance is difficult. In America a SWF looks like a risky solution to a problem that does not truly exist.

As is often the case these days, credit for the idea's popularity goes to Donald Trump. In a speech on September 5th Mr Trump said that he wants to create an American fund if he wins November's election. Characteristically, he promised it would be the greatest such fund in the world. Critics were just starting to mock the notion when it turned out that Democrats were thinking along the same lines. President Joe Biden's advisers have been working on a blueprint for a fund to promote America's national-security interests, including by investing in emerging technologies.

To understand SWFs—and why America does not need one—consider two issues: the source of their wealth and how they use it. Traditionally, funds have been the preserve of countries flush with either commodities (Norway and the United Arab Emirates) or foreign-exchange holdings (China and Singapore).

You might assume that the creation of a wealth fund is proof that these countries are rich. To some extent, that is true. But the funds also reflect scarcity: resources are finite, and good financial management is needed to ensure future generations benefit from the current bounty. (In the case of countries with bulging foreign-exchange holdings, their resources are proceeds from intervening in markets to restrain their currencies from appreciating.)

America has no such windfall to manage. Although the country is an energy superpower, just a tenth of its oil and gas drilling occurs on federal land. Royalties from this brought in $17bn of revenue for the government last year. After disbursements to states and tribes plus environmental costs, only $7bn went to the Treasury. The government could approve more drilling on federal land, which Mr Trump has promised, or charge higher royalties, which Mr Biden has done, but revenue increases would be incremental. Even if federal receipts from drilling were to double, they would still amount to less than 0.1% of GDP. By contrast, the Norwegian government's earnings from oil are about 10% of GDP.

There is another way in which America could secure more funding for its SWF: by earmarking a broader array of revenues for the fund via, say, special bond issues. Yet this only drives home the point that wealth funds ultimately sit on government balance-sheets, and that their funding, whether from oil royalties or bond sales, could just as easily go to something else. The decision would, in effect, be either to spend money capitalising the fund, rather than on schools or highways, or to issue more debt—and America is already borrowing plentifully thanks to an annual budget deficit of about 7% of GDP.

Once money is allocated to a SWF, the big question is how the fund's managers, acting on government instructions, put it to work. For countries trying to ensure that resource bonanzas survive for the benefit of future generations, the ambition is to secure a good return. Typically, that requires investing in a wide range of assets, from equities and bonds to property and private credit. Some wealth funds are also tasked with making strategic investments on behalf of their countries. Gulf states, for instance, are using their funds to build up their renewable-energy industries.

Messrs Trump's and Biden's advisers reason that America should likewise have a fund that generates extraordinary profits and can be directed at strategic initiatives. On closer scrutiny, however, their logic comes apart. Although getting good returns on public assets sounds laudable, it is necessary to consider the opportunity cost. Every dollar assigned to the fund could instead have been invested directly by the public had they been taxed less. Implicitly, the government would be saying that it is better at directing capital than citizens and businesses. If that were true, why stop with a small wealth fund? Increase tax rates so that the government has yet more resources to allocate centrally—an argument that no sane politician would ever make.

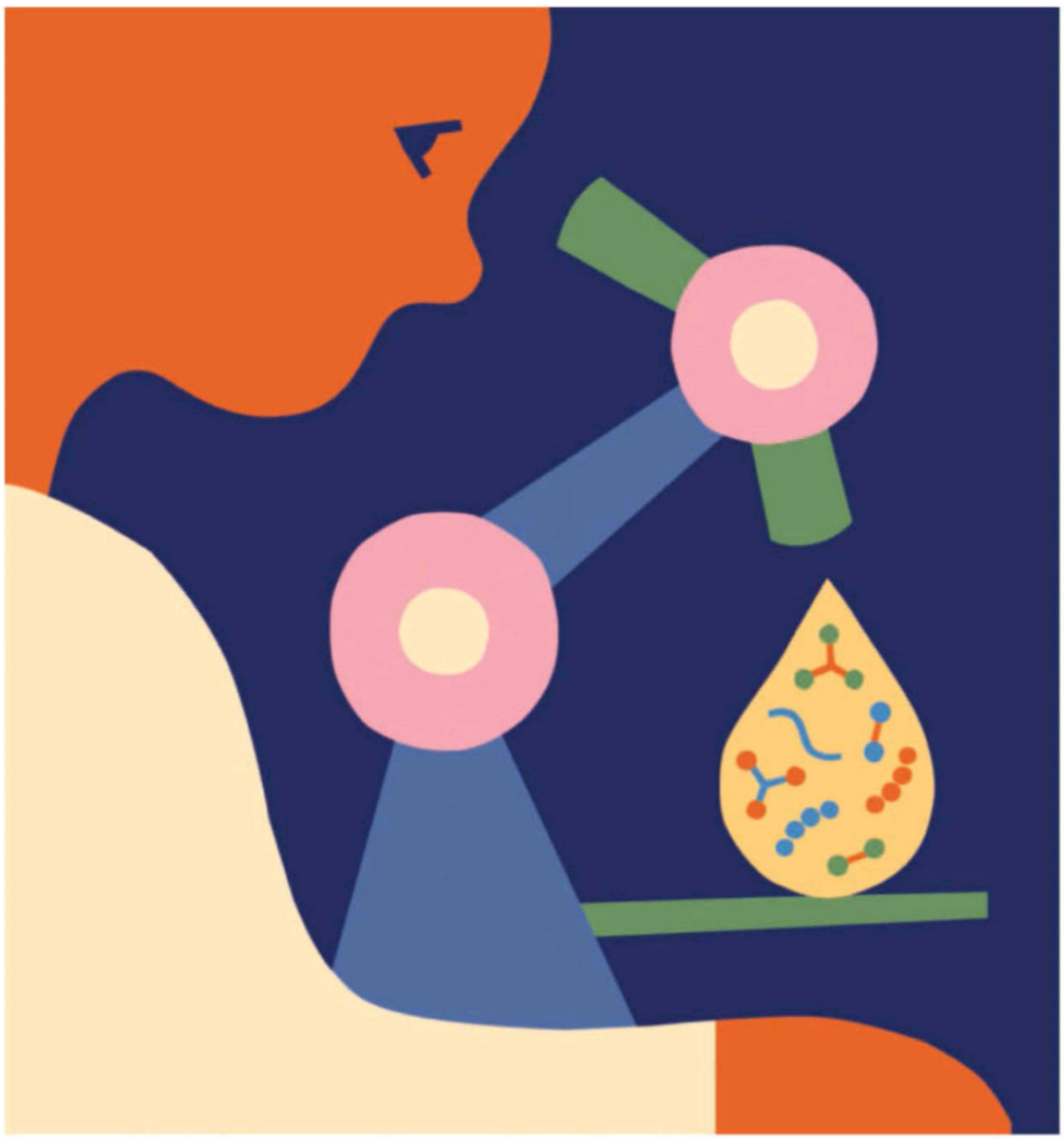
There is one specific, limited area where America could experiment with a SWF-like model: boosting returns on the assets that back its social-security system. Indeed, a bipartisan group of senators last year floated this idea. The social-security system is low on money, and the law restricts its managers to investing their reserves in government bonds. Giving managers a bit more flexibility might help, though it would expose them to more risk.

Return to sender

Creating a fund for strategic projects is another thing entirely. Such a fund would be redundant. Mr Trump wants one to build airports and highways, ignoring the fact that the government is in the midst of a $1trn-plus infrastructure splurge. Mr Biden's advisers, for their part, have ruminated about using a fund to promote technological pre-eminence and energy security. They may recall this is the exact purpose of the $1trn-plus industrial policy that is the centrepiece of their administration's economic agenda.

To be fair, a SWF would have one clear advantage over relying on existing budgetary mechanisms to pay for strategic initiatives. It is fiendishly hard to get serious legislation through Congress, and follow-up questions in committee hearings can be uncomfortable. A sovereign fund would, if big enough, provide a way round these pesky democratic procedures. Ultimately, though, that is not an attraction for anyone other than politicians. ■

Science & technology



Medicine

Liquid gold

Breast milk contains a dizzying array of ingredients. Some could treat cancer and other diseases

IN A TALK she gave in 2016, Katie Hinde, a biologist from Arizona State University, lamented how little scientific attention was commanded by breast milk. Up until that point, she said, both wine and tomatoes had been far more heavily studied. Eight years on, alas, that remains true.

What is also true—and this was the serious point of Dr Hinde's talk—is that scientists have been neglecting a goldmine. Unlike wine or tomatoes, breast milk's physiological properties have been honed by evolution to be healthy. In babies it can reduce inflammation, kill pathogens and improve the health of the immune system. As a result, some components of breast milk are now being studied as potential treatments for a host of adult conditions, including cancer, heart disease, arthritis and irritable bowel syndrome (IBS). Scientists may never look at breast milk in the same way again.

The exact composition of breast milk remains slightly mysterious. After water, its most abundant components are lactose; fatty compounds known as lipids; and sugar molecules called human milk oligosaccharides (HMOs). But it also contains a host of proteins, vitamins, minerals, enzymes, hormones and live cells from the mother's body. Its richness continues to surprise: in 2009, for example, more than 250 previously unknown proteins were identified within it; in 2015 it yielded up 300 new microRNA molecules, which regulate gene expression throughout the body. "There is lots of room for discovery", says Meghan Azad at the University of Manitoba, in Canada.

The motherlode

In a recent study of milk from 1,200 mothers on three continents, Dr Azad and her colleagues found roughly 50,000 small molecules, most of them unknown to science. By using artificial-intelligence (AI) models to analyse this list of ingredients, and link them to detailed health data on babies and their mothers, they hope to identify components beneficial for specific aspects of babies' development.

Such work would add much needed rigour to the field. At present, identifying which of these myriad components to study often occurs at random. In one case, doctors noticed that preterm babies who are fed breast milk, as opposed to formula, had dramatically lower incidence of necrotising enterocolitis (NEC), an often fatal disease in which intestinal tissue becomes inflamed and dies. That observation prompted research on whether any specific components in breast milk could be conferring this protection.

HMOs, which are known to have anti-inflammatory effects, may be partly responsible. That has led to the idea that HMOs could be used as therapeutics for diseases that involve inflammation. In a study in mice published in 2021, Lars Bode at the University of California, San Diego, and his colleagues reported that one HMO reduced the development of atherosclerosis, the blockage of arteries that leads to heart attack and stroke. Dr Bode says that in other experiments with mice, the results of which are yet to be published, HMOs have shown promise in treating arthritis and multiple sclerosis. Clinical trials with humans will be far more expensive.

Other discoveries have come about by happenstance. In 1995 scientists at Lund University, in Sweden, reported a discovery they had stumbled upon while studying breast milk's antimicrobial properties. They had added some of its constituents to a dish containing lung-cancer cells, hoping to see them fend off bacteria. Instead, remarkably, the cancer cells died off. The culprit was a molecule that they named HAMLET, formed when two ingredients in breast milk (alpha-lactalbumin, a protein, and oleic acid) combined. ▸▸

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Since then, the research team, led by Catharina Svanborg, has been assessing HAMLET's potential as a cancer treatment. The molecules work their magic by entering the nuclei of cancer cells and reprogramming their DNA, blocking essential functions. An added advantage of this method is that the cancer cells die in a way that spares the surrounding healthy tissue. In results of a small, early-stage study published on September 10th in *Cancer Medicine*, a journal, a drug developed from HAMLET reduced the size of 88% of tumours in bladder-cancer patients with no side-effects, other than discomfort at the injection site. Results in mice with brain and colon cancer are also promising.

It is not only the molecules in breast milk that could have health benefits. Until about 15 years ago, says Dr Azad, it was assumed that breast milk was largely sterile. But genetic-sequencing tools have revealed it contains a wide variety of bacteria. Some, such as *Bifidobacterium*, a particularly beneficial bacterium that feeds exclusively on HMOs, can survive the trip into the baby's gut, where it strengthens the gut barrier; regulates immune responses and inflammation; and prevents pathogenic bacteria from adhering to the lining of the gut. That makes it an ideal candidate for use in probiotics, live bacterial supplements used to remedy the gut's ecosystem.

The immune-boosting properties of *Bifidobacteria* are now being explored in patients of all ages with compromised immunity. Prolacta Bioscience, a biotech firm in California, is conducting a clinical trial of one sub-species called *B. infantis*, combined with HMOs, in adults undergoing bone-marrow transplants for blood cancer (a procedure that wipes out the immune system). There is some evidence to think this might work: in a small trial in 2019 at the Cincinnati's Children Hospital, breast milk given to children aged 0-5 years after a bone-marrow transplant reduced infections and other complications.

Because *Bifidobacteria* feed on HMOs, the sugar molecules could help beneficial bugs proliferate. That, in turn, can help patients with impaired gut microbiomes, such as those with IBS. Recent trials of HMOs as therapy for this condition—though either small-scale or lacking control groups—have suggested that they are safe, well-tolerated and can improve symptoms. More definitive trials are under way.

Other exciting results have emerged from studying breastfeeding itself. When babies breastfeed, some of the milk ends up in their nasal cavity. It is possible, say scientists, that it could then make its way into the brain. In a small study in 2019 doctors at the Children's Hospital in Cologne nasally administered maternal breast milk to 16 premature babies with brain injury. The babies subsequently had less brain damage, and required less surgery, than those who did not receive the treatment.

Similar results were reported in May by researchers at the Hospital for Sick Children in Toronto. In a small safety study, they administered intranasal breast milk as a preventive treatment for brain haemorrhage in premature babies; 18 months later, babies so treated had better motor and cognitive development, and fewer vision problems, than those fed only the usual way. Though bigger trials are needed to confirm these results, stem cells in the milk may be repairing some of the damage.

It is too early to tell whether any blockbuster drugs will result. But breast-milk scientists are starting to feel vindicated. For Bruce German from the University of California, the neglect of breast milk will rank "as one of the great embarrassments of scientific history." ■

Infant nutrition

Like mother used to make

New baby formulas contain some ingredients found in breast milk

FOR MORE than 100 years scientists and companies have tried to create an artificial version of breast milk. Success has been limited. Early efforts, full of sugar or cheap corn syrup, fell woefully short. Even 20th-century formulas meant to emulate breast milk's nutritional profile were a far cry from the real thing.

Breast milk is, scientists now know, made of unique human proteins, sugars and fats, capable of delivering not only nutrition but also a boost to a baby's immune system. Yet not all newborns have access to it. Only about a quarter of American babies are exclusively breastfed for their first six months, the standard recommendation from health officials. In Canada the figure is below 40%. The reasons are various. Some mothers find it prohibitively painful; others worry about being able to produce enough milk; and some children are born into families with no parents capable of breastfeeding. The need for infant formula, which today offers a safe and nutritious alternative, remains.

So, too, does the incentive for formula-makers to find a better recipe. Recently they seem to have made important headway. Some formulas now contain carbohydrates previously unique to human milk; human proteins and lipids may soon follow. If progress continues, bottle-fed children may eventually enjoy some of the advantages of breast milk that they have hitherto missed out on.

Among the most important constituents of breast milk are human milk oligosaccharides (HMOs), a group of around 200 indigestible carbohydrates unique to humans. Once in the gut, they protect against harmful microbes, which mistake them for sugars on gut cells and bind to them instead of infecting the body. They also nourish beneficial bacteria and encourage them to colonise the gut. Scientists have long known that babies fed breast milk have healthier microbiomes thanks to HMOs and, depending on the mix in their mother's milk, less diarrhoea.

Formula-makers launched their first HMO recipe in 2016, after years of struggling to make the sugars at scale. Instead of troublesome chemical synthesis, they turned to microbial cell factories, in which vats of genetically tweaked bacteria turn lactose, a common milk sugar, into HMOs. Studies on the first HMO formulas, which contained only one or two of these carbohydrates, reported few compelling benefits. But manufacturers now seem to have hit their stride: recent studies (mostly by manufacturers themselves) indicate that formulas with five HMOs shift infants' microbiome (and the frequency and consistency of their stool) closer to those of breastfed babies. Formulas with six HMOs are now becoming available to consumers in certain places, such as Hong Kong, and more are on the way.

Whatever their benefits, such formulas remain far simpler than the milk breastfed babies receive, which contains dozens of HMOs. Because microbial cell factories can make only the simplest sugars, says Birgitte Zeuner from the Technical University of Denmark, reaching similar numbers in formula milk will take new technology. She is working with DSM-Firmenich, a manufacturer, to find enzymes that can combine simple sugars into longer, complex struc- ▸▸

tures. Photosynthesis, a natural sugar-building process, also holds promise. In June scientists led by Patrick Shih at the University of California in Berkeley engineered a tobacco-like plant to produce at least a dozen HMOs in its leaves.

Human milk proteins may also be making their way into formula. A New York startup called Helaina uses gene-edited yeast to produce human lactoferrin. In breast milk this protein is thought to help babies absorb iron and protect against nefarious gut bacteria by stealing vital iron from them and poking holes in their cell membranes. Helaina aims to reproduce this effect. Adding lactoferrin from cow's milk to formula has so far shown mixed results, but the human version possesses a subtly different structure which the company expects will help. Laura Katz, Helaina's boss, says the company will start selling their lactoferrin this year, but initially for products for adults, who might also benefit from some of breast milk's constituents (see lead note).

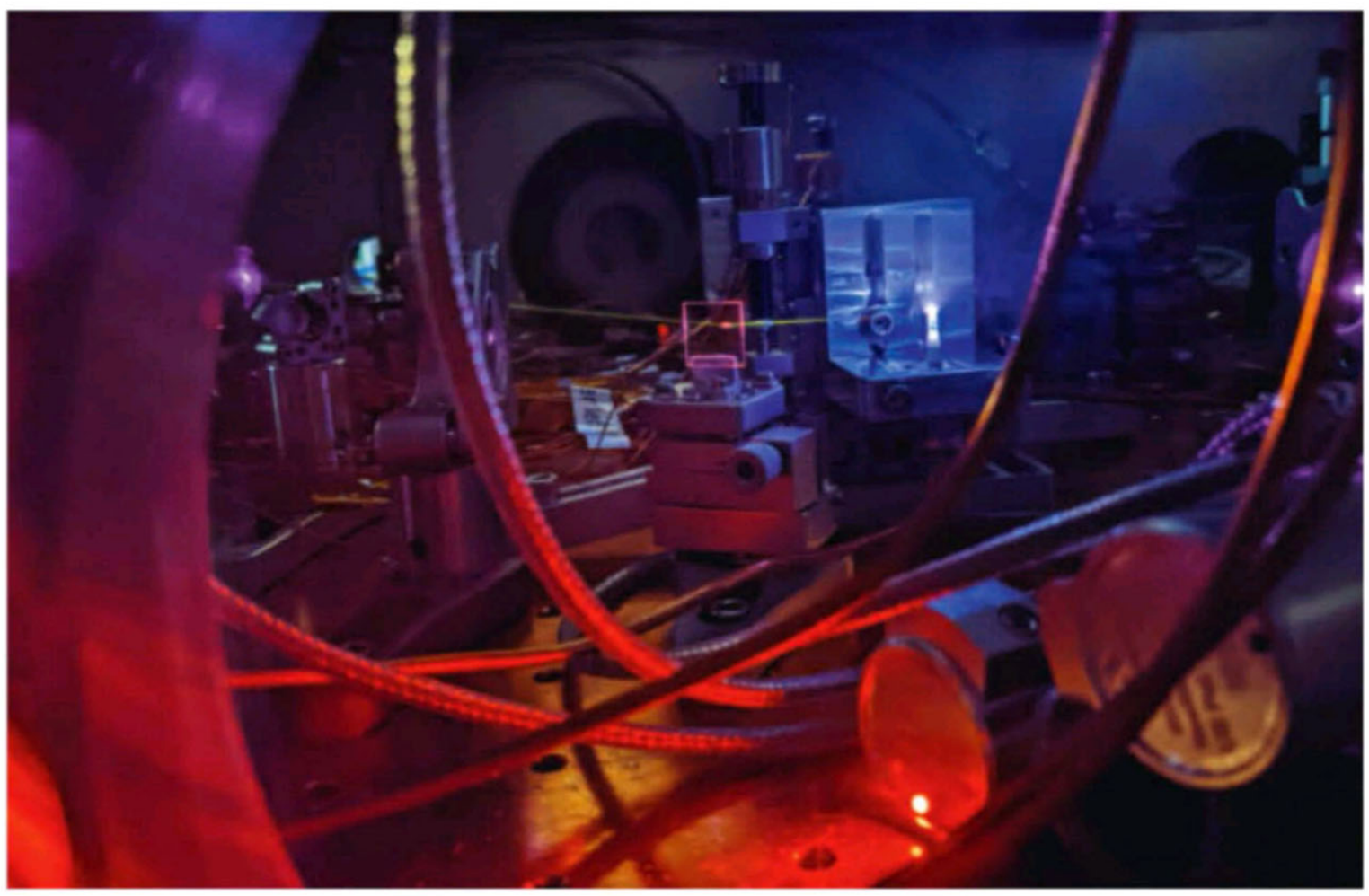
Another American startup called BIOMILQ is pursuing osteopontin, a milk protein involved in gut and immune development, through other means: human cells. When women breastfeed, they shed cells from the mammary gland into the milk. The scientists at BIOMILQ extract those cells from breast milk donations, then encourage them to proliferate indefinitely. These cells secrete a bunch of milk ingredients, including osteopontin.

Though the mammary-cell method does not produce whole breast milk, as the company originally hoped, others see potential. Wilk, an Israeli startup, is using it to go after human milk fats. The biggest challenge for both companies, besides bringing down cost, will be ramping up production. BIOMILQ is not yet sharing how much protein it makes; Wilk expects to produce about a kilogram of human milk fats a week—enough for several thousand bottles—in about a year. Pending regulatory approval, it hopes to bring its product to market once that rate quintuples.

The progress being made in all these areas means the future of baby formula looks more human than ever. But breast milk is more than simply the sum of its parts. Some ingredients may not survive formula's heat treatment or work as well as they do in the constantly evolving mix of breast milk, where each mother's version is specific to her body and her baby's needs. If scientists can build on the apparent success of HMOs, however, that would be cause for optimism. ■

Hear more

Listen to our Babbage episode on the benefits of breast milk at **economist.com/breastmilk**



Chronology

The test of time

A new kind of clock could probe the laws of physics

FOR THE discerning timekeeper, only an atomic clock will do. Whereas the best quartz timepieces will lose a millisecond every six weeks, an atomic clock might not lose a thousandth of one in a decade. Such devices underpin everything from GPS and the internet to stock-market trading. That may seem good enough for most. But in a paper recently published in *Nature*, researchers report being ready to build its successor: the nuclear clock. Ekkehard Peik, one of the field's pioneers, says such a clock could be a factor of 1,000 times better than today's standard atomic clocks.

In atomic clocks, the electrons around an atom's nucleus are jolted into a higher energy state by incoming radiation of a specific frequency. Each wave cycle of the radiation therefore corresponds to a "tick" measuring a small fraction of a second. Nuclear clocks would follow the same principles, but use the transitions of neutrons and protons inside the nucleus.

The most promising candidate nucleus is thorium-229, which, uniquely, has a nuclear transition that lasers should be able to trigger. The exact frequency at which this occurs, however, has long been unknown. The authors of the latest paper, led by Chuankun Zhang and Jun Ye from the University of Colorado in Boulder, circumvented the problem by using a custom-built laser capable of exposing thorium-229 to a range of similar frequencies. When they fired it at the target, one particular beam matched the nuclear transition frequency. The system needs further optimising, but "It's the first demonstration that all the components of a nuclear clock are here," says Mr Zhang.

Because atomic clocks are more than accurate enough for most practical uses, scientists are not seeking to replace them. They are more excited about having two independent ways of measuring time: atomic clocks, which depend solely on the electromagnetic force governing the electrons' movement; and nuclear clocks, which also obey the strong nuclear force. One use to which this could be put is testing Einstein's theories of relativity. These posit, among other things, that clocks will tick more slowly in stronger gravitational fields. Those relativistic effects should be the same regardless of the clock. If the nuclear clock responds differently, then the theories may need revising.

Another question concerns the physical constants on which the different forces rely, such as the fine-structure constant, which determines the strength of the electromagnetic force. These seem to have fixed values, an oddity in a constantly evolving universe. Measuring time in ways that depend on different forces would offer a sensitive way to test any drift. If an atomic clock fell out of sync with a nuclear clock, for example, some change in the underlying physics might be responsible. Only time will tell. ■

Safety in space

A gentle fall of electrons

Energetic particles that damage satellites can be flushed out of orbit

ELECTRONIC SYSTEMS do not respond well to highly charged particles. Accelerated to near the speed of light by Earth's magnetic field, such particles pack enough kinetic energy to cause damage. History offers ample evidence of the consequences: in 1859 a massive solar storm known as the Carrington event started fires at telegraph stations. A century later, a big American nuclear test called Starfish Prime released enough energetic particles to fry a third of all satellites then in orbit.

"Hot" or "killer" electrons, as such harmful particles are also known, tend to be dragged by Earth's magnetic field into one of two doughnut-shaped belts of radiation that circle the planet. For decades scientists have wondered if these belts could be emptied of their electrons on command, a process they call radiation-belt remediation (RBR). In recent years, work on RBR has accelerated, with encouraging progress. Much of the R&D is undertaken, in some cases discreetly, by America's departments of defence and energy.

Such work has acquired a new urgency. In early 2024 allegations emerged of Russian plans to park a nuclear weapon illegally in a crowded band of space. A detonation there could destroy a greater proportion of satellites than Starfish Prime did, as most of today's space kit is commercial and lacks military "hardening" against a nuclear detonation's particle storm. Dennis Papadopoulos, a professor emeritus at the University of Maryland, sees this as a catalyst for a new (and secretive) RBR initiative at the Naval Research Laboratory (NRL) for which he is to serve as adviser.

Such efforts are not as fanciful as they sound, says Allison Jaynes, a space physicist at the University of Iowa. Lightning bolts, for example, do a form of RBR all the time. This is because the radio waves they generate exert pressure on hot electrons, causing them to descend into the atmosphere, where they collide with air molecules and rapidly lose energy in a process known as precipitation. Dr Jaynes describes this effect as "a complete wipeout" of nearby radiation belts.

The wavelengths needed to precipitate energetic particles range from roughly 10km to 100km. Generating such great wavelengths, and therefore low frequencies, is hard, though not impossible. A few navies emit such "very low frequency" (VLF) radio waves for communication with submerged submarines, with the help of antennae hundreds of metres high. As it stands, though, says Craig Rodger, a physicist at the University of Otago in New Zealand, if America's navy switched its handful of transmitters from "talk-to-the-subs mode" to the best frequencies for RBR, they wouldn't be able to precipitate hot electrons fast enough to save satellites.

The problem is the ionosphere, which begins about 80km above Earth's surface. Here, incoming solar radiation strips electrons from atoms and molecules, creating a layer of electrons that interfere with radio waves. At night, the ionosphere weakens them by a factor of about 100, says Dr Rodger. By day, the attenuation is an order of magnitude greater.

Aiming higher

Some are searching for workarounds with experimental antennae. Using $750,000 of American air-force money, Morris Cohen and his team at Georgia Tech in Atlanta built a specialised 275m-long antenna, designed to hop between different frequencies, and laid it horizontally in a field in Oklahoma in the summer of 2023. The flexibility such frequency-hopping confers means particles with a range of energy levels can be targeted. What's more, Dr Cohen notes, as particles in different regions of space are susceptible to different frequencies, such a tool should make it easier to clear priority orbits. Though no breakthroughs have been achieved so far, Dr Cohen hopes a similar—but costlier—upright antenna may offer improvements.

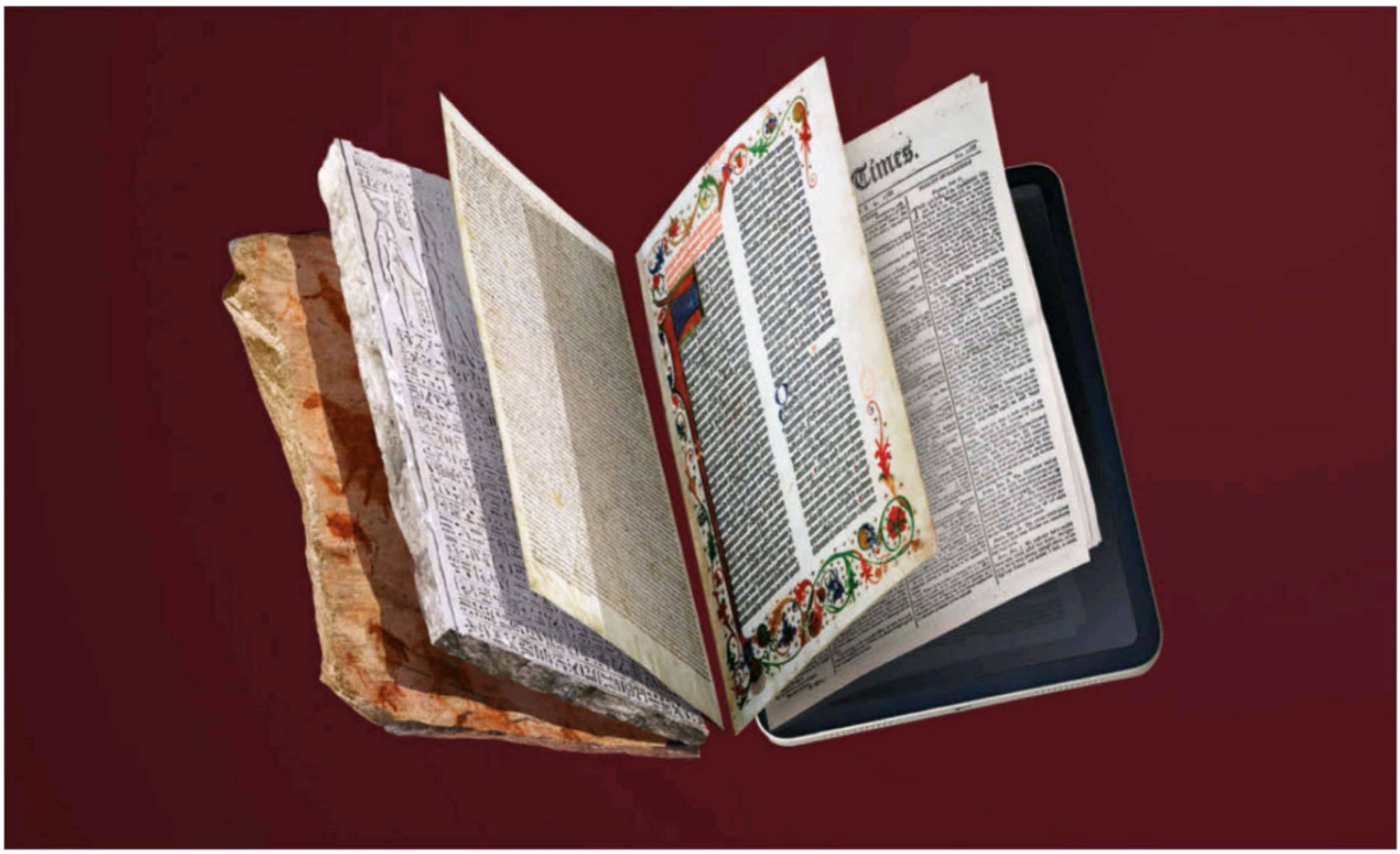
Others hope to bypass the ionosphere altogether. In 2019 America's Air Force Research Laboratory (AFRL) launched a unique satellite called DSX to a height of between 6,000 and 12,000km above Earth. In a feat of engineering, it deployed an 80-metre, 10,000-volt transmitting antenna (with the longest span of any uncrewed spacecraft). For nearly two years, the spacecraft generated VLF radio waves that knocked energetic particles down into Earth's atmosphere. Michael Starks, AFRL's head for RBR, says the mission showed that an orbiting craft could protect space assets from nuclear attack.

Wilder ideas are afoot. The Department of Energy's Los Alamos National Laboratory aims to use a space-based electron beam to, in essence, manufacture lightning. The NRL, for its part, seeks to launch a rocket that would release 1.5kg of barium, a metal, into the ionosphere, where sunlight strips off electrons. Earth's magnetic field would cause the resulting barium ions to spiral, generating an electric current that could, in turn, produce electron-precipitating radio waves.

Such approaches come with risks. By-products created by the precipitation of the highest-energy particles nibble away at stratospheric ozone, which shields Earth from ultraviolet solar radiation. Just how damaging a big RBR operation would be remains unknown, says the University of Iowa's Dr Jaynes. The hope, says Dr Starks of the AFRL, is that if America can demonstrate an effective countermeasure to a nuclear attack on satellites, no adversary would give it a shot. Solar storms, however, will not be so easily deterred. ■

Flashes of inspiration

Culture



The history of the future

Can you tell the truth?

Yuval Noah Harari is back with a timely new book about AI, fact and fiction

Nexus. By Yuval Noah Harari. *Random House; 528 pages; $35. Fern Press; £28*

"LET TRUTH and falsehood grapple," argued John Milton in "Areopagitica", a pamphlet published in 1644 defending the freedom of the press. Such freedom would, he admitted, allow incorrect or misleading works to be published, but bad ideas would spread anyway, even without printing—so better to allow everything to be published and let rival views compete on the battlefield of ideas. Good information, Milton confidently believed, would drive out bad: the "dust and cinders" of falsehood "may yet serve to polish and brighten the armory of truth".

Yuval Noah Harari, an Israeli historian, lambasts this position as the "naive view" of information in a timely new book. It is mistaken, he argues, to suggest that more information is always better and likely to lead to the truth; the internet did not end totalitarianism, and racism cannot be fact-checked away. But he also argues against a "populist view" that objective truth does not exist and that information should be wielded as a weapon. (It is ironic, he notes, that the notion of truth as illusory, which has been embraced by right-wing politicians, originated with left-wing thinkers such as Karl Marx and Michel Foucault.)

Few historians have achieved the global fame of Mr Harari, who has sold more than 45m copies of his megahistories, including "Sapiens". He counts Barack Obama and Mark Zuckerberg among his fans. A techno-futurist who contemplates doomsday scenarios, Mr Harari has warned about technology's ill effects in his books and speeches, yet he captivates Silicon Valley bosses, whose innovations he criticises.

In "Nexus", a sweeping narrative ranging from the Stone Age to the era of artificial intelligence (AI), Mr Harari sets out to provide "a better understanding of what information is, how it helps to build human networks, and how it relates to truth and power". Lessons from history can, he suggests, provide guidance in dealing with big information-related challenges in the present, chief among them the political impact of AI and the risks to democracy posed by disinformation.

In an impressive feat of temporal sharpshooting, a historian whose arguments operate on the scale of millennia has managed to capture the zeitgeist perfectly. With 70 nations, accounting for around half the world's population, heading to the polls this year, questions of truth and disinformation are top of mind for both voters—and readers.

Mr Harari's starting-point is a novel definition of information itself. Most information, he says, does not represent anything, and has no essential link to truth. ▸▸

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Information's defining feature is not representation but connection; it is not a way of capturing reality but a way of linking and organising ideas and, crucially, people. (It is a "social nexus", he writes.) Early information technologies, such as stories, clay tablets or religious texts, and later newspapers and radio, are ways of orchestrating social order.

Here Mr Harari is building on an argument from his previous books, such as "Sapiens" and "Homo Deus": that humans prevailed over other species because of their ability to co-operate flexibly in large numbers, and that shared stories and myths allowed such interactions to be scaled up, beyond direct person-to-person contact. Laws, gods, currencies and nationalities are all intangible things that are conjured into existence through shared narratives. These stories do not have to be entirely accurate; fiction has the advantage that it can be simplified and can ignore inconvenient or painful truths.

The opposite of myth, which is engaging but may not be accurate, is the list, which boringly tries to capture reality, and gives rise to bureaucracy. Societies need both mythology and bureaucracy to maintain order. He considers the creation and interpretation of holy texts and the emergence of the scientific method as contrasting approaches to the questions of trust and fallibility, and to maintaining order versus finding truth.

He also applies this framing to politics, treating democracy and totalitarianism as "contrasting types of information networks". Starting in the 19th century, mass media made democracy possible at a national level, but also "opened the door for large-scale totalitarian regimes". In a democracy, information flows are decentralised and rulers are assumed to be fallible; under totalitarianism, the opposite is true. Now digital media, in various forms, are having political effects of their own. New information technologies are catalysts for major historical shifts.

As in his previous works, Mr Harari's writing is confident, wide-ranging and spiced with humour. He draws upon history, religion, epidemiology, mythology, literature, evolutionary biology and his own family biography, often leaping across millennia and back again within a few paragraphs. Some readers will find this invigorating; others may experience whiplash.

And many may wonder why, for a book about information that promises new perspectives on AI, he spends so much time on religious history, and in particular the history of the Bible. The reason is that holy books and AI are both attempts, he argues, to create an "infallible superhuman authority". Just as decisions made in the fourth century AD about which books to include in the Bible turned out to have far-reaching consequences centuries later, the same, he worries, is true today about AI: the decisions made about it now will shape humanity's future.

Mr Harari posits that AI should really stand for "alien intelligence" and worries that AIs are potentially "new kinds of gods". Unlike stories, lists or newspapers, AIs can be active agents in information networks, like people. Existing computer-related perils such as algorithmic bias, online radicalisation, cyber-attacks and ubiquitous surveillance will all be made worse by AI, he fears. He predicts AIs could create dangerous new myths, cults, political movements and new financial products that crash the economy.

Some of his nightmare scenarios seem implausible. He imagines an autocrat becoming beholden to his AI surveillance system, and another who, distrusting his defence minister, hands control of his nuclear arsenal to an AI instead. Some of his concerns seem quixotic: he rails against TripAdvisor, a website where tourists rate restaurants and hotels, as a terrifying "peer-to-peer surveillance system". He has a habit of conflating all forms of computing with AI. And his definition of "information network" is so flexible that it encompasses everything from large language models like ChatGPT to witch-hunting groups in early modern Europe.

But Mr Harari's narrative is engaging, and his framing is strikingly original. He is, by his own admission, an outsider when it comes to writing about computing and AI, which grants him a refreshingly different perspective. Tech enthusiasts will find themselves reading about unexpected aspects of history, while history buffs will gain an understanding of the AI debate. Using storytelling to connect groups of people? That sounds familiar. Mr Harari's book is an embodiment of the very theory it expounds. ■

"Emily in Paris", encore!

An unlikely romance

How many French came to like a show they once derided

When Netflix released the first season of "Emily in Paris" in 2020, French critics ridiculed the American-made drama for its Instagrammable clichés and vacuous plot. The series was "a fantasised vision disconnected from reality", sniffed *Le Parisien*, a newspaper. "No cliché is spared," wrote *Première*, a film magazine, including that "the French are all mean and all lazy" and "incorrigible flirts". A critic for *Le Monde*, Parisians' highbrow bible, finished viewing the first season feeling queasy, "as if I had eaten all the macaroons in the box by myself". In America "Emily in Paris" was nominated for Emmy awards and Golden Globes; there were no such accolades in France.

"Say it again in French. They're loving it."

Four years on there has been a *volte-face*. After Netflix released five episodes of season four in August, "Emily in Paris" shot to the top of its most-watched list in France. It could happen again when the remaining episodes are released on September 12th. Many French seem to have put aside their disdain and are embracing the fluff. Season four offers "a nice dose of irony for a sparkling guilty pleasure", wrote *Le Point*, a magazine. *Le Parisien* also conceded that it "sparkles".

This shift is a surprise. Season four introduces little that is fresh besides an escapade in Rome and a new American work rival. It finds Emily (Lily Collins), a young social-media executive from Chicago, still mixed up in a love triangle with Gabriel (Lucas Bravo) and Camille (Camille Razat). Emily's life is still mostly confined to the cobbled streets of Paris's left bank and the parquet-floored salons of the *rive droite*. The brand placement remains brazen, the dialogue vapid and Emily's outfits eyebrow-raising. The show is the antithesis of ▸▸

the gritty realism and darkness that define many of today's best French TV series.

So what do the French now see in "Emily in Paris"? One answer may be greater use of the French language. Darren Star, the show's creator who is also behind "Sex and the City", has said that in season one the French characters spoke English even between themselves because he was "a little nervous" about how much foreign-language dialogue an American audience could handle. Now there are regular scenes in which Sylvie (Philippine Leroy-Beaulieu), the caustic founder and head of the PR agency where Emily works, speaks to her colleagues, husband and lover in French.

Another explanation, particularly for younger French viewers, may be that the fourth season introduces a #MeToo storyline. Sylvie decides to call out the sexual harassment she suffered in the past from the head of a big luxury firm. Though only a subplot, this helps to make the series feel a bit less ridiculous. France may have come late to the American-led movement. But a new generation of French women is increasingly intolerant of male behaviour that their mothers either accepted or celebrated as "sexy, French and free", says Agnès Poirier, a critic. Recent books and films have shed harsh light on sexual predation. To call out abuse, French women have devised their own MeToo hashtag, #BalanceTonPorc (denounce your pig).

Perhaps above all "Emily in Paris" serves as a reminder to the French of what makes the City of Light so alluring. Parisians tend to grumble about overcrowded metros, rats and roadworks. Foreigners stop to gaze at its bakeries, bridges and luxury stores. As the Olympic games did this summer, the Netflix series reveals Paris to the French afresh. Mr Star always said he meant it as a "love letter to Paris". Now the French seem to grasp this, and the benefits it brings. Among Americans who have watched the series, 86% have a good impression of the French, next to 67% of those who have not. Sales of French luxury brands featured in the show, such as Carel's woven scoubidou tote bag worn by Emily in season two, have soared.

This renewed enthusiasm for Paris is not without some annoyances for the French. Filming locations such as Place de l'Estrapade, where the fictional Emily lives, have been overrun by selfie-snapping tourists. Terra Nera, the left-bank restaurant that in the series is run by Gabriel, has turned from a cosy Italian into a destination eatery. Estate agents report a surge of interest in properties in neighbourhoods featured in the show (although overall prices in Paris remain stable). Yet such inconveniences may be worth it if the series, however silly, makes the French look differently at themselves. ■

Paul Gauguin

Off colour?

Wild Thing. By Sue Prideaux. *Faber; 416 pages; £30. To be published in America by W.W. Norton in May 2025; $39.99*

FOR AN AMBITIOUS, clear-eyed biographer, Paul Gauguin is an ideal subject. The French artist was prodigiously talented. He was bold and innovative in his use of colour, perspective and form; he incorporated styles from Japan and elsewhere.

At the same time, Gauguin is controversial. Today, for many, the facts of his life mar his art—particularly the time he spent in Tahiti, then a French colony, where he married a succession of girls. The last one, Vaeoho Marie-Rose, was just 14 when her family sold her to him in exchange for cotton fabric and a sewing machine.

He may be regarded as a genius in the history of art—his work is currently on display in top museums in America, China, France and beyond—but curators are still grappling with him. In 2019 the National Gallery in London asked in a show: "Is it time to stop looking at Gauguin altogether?" A new exhibition at the National Gallery of Australia declares that "In today's context, Gauguin's interactions in Polynesia in the later part of the 19th century would not be accepted."

Sue Prideaux (whose son works at *The Economist*) is not put off by difficult characters: her previous books have examined Edvard Munch and Friedrich Nietzsche. "Wild Thing" is the first major biography of Gauguin in three decades. Though she is not an apologist, she proves a broadly sympathetic biographer.

A portrait of an artist as a flawed man

Gauguin's life was peripatetic. In 1849, shortly after his first birthday, he and his parents set sail for Peru seeking a fortune that never materialised (his father died in transit). He returned to France at the age of seven. Whenever Gauguin was bullied, he would hiss: "I am a savage from Peru."

Later he joined the merchant marine before becoming a stockbroker. Only then did he turn to art. He was a quick study: he drew and painted obsessively, working *en plein air* like the Impressionists, such as his mentor, Camille Pissarro. After just four years Gauguin had a piece accepted by the salon of the Académie des Beaux-Arts, the most exalted accolade for painters.

But in 1882 the stockmarket crashed, leaving him destitute and unable to support his wife and four children. Even as his art became startlingly original, humiliations piled up.

Ms Prideaux devotes a chapter to the friendship of Gauguin and Vincent van Gogh, pointing out that many of van Gogh's best-loved paintings—including the sunflower series—were a response to his fellow artist. Gauguin's reputation has suffered because he has been blamed (unfairly, the author suggests) for van Gogh's death in 1890. The Dutchman's mental health collapsed after an argument.

In 1891 Gauguin set sail for Tahiti. It was here that his work developed the explosive power that shocked his contemporaries. In an act of transgression, he depicted exotic, eroticised Polynesian women as Venus and the Virgin Mary. When Gauguin died in 1903, a bishop described him as "a reputed artist but an enemy of God and everything that is decent".

Some nuance has since been added to that sketch. In 2000 Gauguin's home on Hiva Oa, Maison de Jouir (House of Pleasure), was excavated. This yielded a jar containing four of his teeth; analysis of them proved he was not, in fact, undergoing treatment for syphilis, a long-held belief among previous biographers.

Then, in 2020, the artist's memoir and sketchbook was discovered. A screed of reminiscences, score-settling, hopes and despairs, it is a valuable source, adding complexity to an already complicated man. He attacked exploitative colonialism in Tahiti and the Marquesas Islands, for example, despite his own predatory sexual relations with girls and descriptions of locals he painted as "savages".

Ms Prideaux says that her aim is "not to condemn, not to excuse, but simply to shed new light" on the artist and his influence. Those looking for a moralistic take will be disappointed by "Wild Thing". It portrays Gauguin as a complex, intractable man to the last. ■

Forgotten history

The CIA's Rip van Winkle

Prisoner of Lies. By Barry Werth.
Simon & Schuster; 448 pages; $30.99

DETAINEES ARE often prisoners of policy. The recent swap between Western countries and Russia, which led to the liberation of Evan Gershkovich, a journalist for the *Wall Street Journal*, and others, is just the latest example of how single lives can be subject to the disposition of dictators and the persuasiveness of presidents.

The story of Jack Downey is a case in point. In 1952 Downey, then a 22-year-old Yale graduate on his first assignment for the five-year-old CIA, was shot down over Manchuria, along with his fellow spook Richard Fecteau. Downey and Fecteau had been ordered at the last minute to help with the exfiltration of an asset in China. But the mission had probably been compromised before they even left, and Chairman Mao's soldiers were waiting.

As Barry Werth, a journalist, argues in an engaging new biography, Downey's imprisonment was a direct result of the young CIA's arrogance. Downey was woefully unprepared: he had little training and not a lick of Chinese. It took 16 days of nonstop interrogation for him to admit he was a secret agent, but he did not have many secrets to tell. He spun out his ensuing confession—first spoken, then written over 3,000 pages—for months, trying to bury his captors in irrelevant information. After two years he was sentenced to life in prison. Endless tedium followed: in the prison's courtyard, he jogged ten miles a day, with 58 laps to a mile. He patiently endured "re-education" in Marxist ideology.

Downey represented a unique problem for America and the young CIA. Even at the peak of the cold war, prisoners were released within months or years. But Downey was "diplomatically and politically radioactive" because America refused to admit he was a spy. In 1957 John Foster Dulles, a rabid anti-communist who was then secretary of state, rebuffed Chinese proposals to release Downey, absurdly accusing China of using an innocent American to blackmail Washington. "It boggles the mind to consider the possibility that I could have been free 16 years earlier," Downey later said.

It was not just American officials' stubbornness that kept Downey in prison; his fate was closely entwined with America's China policy. Soon after the Korean war ended, tensions rose over Formosa (Taiwan), with hawks in Washington even considering the use of nuclear weapons to punish China for any aggression. Presidents John Kennedy and Lyndon Johnson were burdened by the war in Vietnam and felt pressure to keep a hard line on China.

His release was made possible only by a shift in Sino-American relations during the Nixon administration, which opened diplomatic relations with China. During his visit in 1972 President Nixon brought up Downey's fate with Zhou Enlai, the Chinese premier; the next year he finally admitted that Downey had been working for the CIA. Downey was released in 1973. He had been in jail for more than 20 years.

Downey returned to America as a 42-year-old with the life experience of a 20-year-old, "a dinosaur of the pre-television, pre-scandal, pre-sexualised, pre-revolutionary age". Despite his lost decades, Downey went on to lead a surprisingly normal life as a judge in Connecticut and worked on a memoir (which was published in 2022, eight years after his death). In 2013 he was awarded the Distinguished Intelligence Cross, the CIA's highest honour. But more than a hero of American spycraft, Downey was its martyr. ■

Tabloids and news

It's an ink-stained world

The Newsmongers. By Terry Kirby.
Reaktion Books; 392 pages; $27.50 and £20

BEFORE ANY journalist thought to use the word, a drugs company trademarked it in 1884. "Tabloid", a portmanteau of "tablet" and "alkaloid", denoted drugs in tablet form but quickly assumed a broader meaning: "anything compressed or concentrated for easy assimilation". That also describes what has come to be known as tabloid journalism: brief sentences, punchy (and often incendiary) headlines, short articles, famous subjects.

Sophisticates' list of complaints is long: tabloids titillate and enrage more than they enlighten; they deepen and pander to readers' prejudices; they traffic in gossip and vapidity; they pry into people's private lives and exploit tragedy for sales. But looming above these worthy whines lurks a simple truth: tabloids attract a huge number of readers. In Britain the most-read news sources online, after the BBC, are all tabloids, including Reach (the group that owns the *Daily Mirror* and *Daily Express*), the *Sun* and the *Daily Mail*'s *MailOnline*.

Terry Kirby, a journalist and lecturer at Goldsmiths, University of London, brings serious analysis to these light publications, noting that the public has long had an appetite for lurid news. Printed accounts of horrific crimes were popular in Britain in the early 17th century. Circulars around that same time told of wheat raining for miles around Suffolk, a sorcerer burned in Edinburgh and a monster that appeared out of a tempest and "mortally wrung the necks of several worshippers".

Standing tall

Another was illustrated with an engraving of men in breeches and broad-brimmed hats merrily chopping up and disembowelling a man. Ben Jonson, an English playwright, lampooned people's appetite for gossip in a satirical play called "The Staple of News", first performed in 1625. A character tells a "gossip scout" to "get o' this News, to store your office,/ Who dines and sups i' the town? Where and with whom?"

In the 19th century American "penny papers" served an increasingly literate working class and changed newspapers' business models, allowing sales of individual copies on the day they were printed rather than requiring readers to subscribe in advance. The rotary press, invented in 1843, could print more papers, while the electric telegraph, created the next year, let reporters transmit information to the home office more quickly than letters or physical travel. Newspapers that seized technological advancements thrived: the *Daily Mirror* dominated the early 20th century thanks in part to its ability to print photographs quickly, just as the *MailOnline* has done with digital aggregation and headlines optimised for search engines.

Mr Kirby's history is heavily slanted towards Britain, for good reason. Tabloids began there rather than in America, and America's size worked against its having ▸▸

influential national tabloids, as Britain did. The *New York Post* is a first-rate tabloid, but, as the name suggests, focuses a lot on local concerns. The *National Enquirer*'s relentless focus on celebrity news and gossip meant it never attained the political influence of British tabloids, though it broke some big stories (Gary Hart's affair in 1987 and John Edwards's in 2007) and sat on others, such as Stormy Daniels's account of her affair with the paper's favourite politician, Donald Trump.

As Mr Kirby's story reaches the present, he grows increasingly shrill. Heaping scorn on Robert Maxwell, the eccentric and crooked owner of the *Daily Mirror* in the 1980s-90s, or tabloids' campaigns against migrants and the European Union is one thing. And he is right to bemoan tabloids' intrusiveness and unethical conduct concerning the lives of celebrities and the royal family. However, his scolding at length about "an endless scroll of content aggregated from everywhere around the world", or celebrity stories written in prose that "resembled something out of the lushly worded romantic fiction of writers like Barbara Cartland" or "the baser nationalistic and jingoistic prejudices" of tabloid readers quickly grows tiresome.

Still, "The Newsmongers" is a largely enjoyable and enlightening story—for journalists, of course, but also for anyone who wants to understand better the intricate relationship between newspapers and their rapt readers. ■

BACK STORY

Welcome to Moneyland

As "The Perfect Couple" shows, depictions of the rich reflect the times

FIRST, PICK an approachable avatar. In "The Perfect Couple", a glitzy new drama on Netflix, this role is played by Amelia (Eve Hewson), a zookeeper engaged to marry into the filthy-rich Winbury clan. In "Succession" it is Greg, doofus cousin of the plutocratic Roy family. In "The Great Gatsby" it is Nick, who tells how the opulent Buchanans "smashed up things and creatures and then retreated back into their money".

Such characters are ambassadors from the regular world to Moneyland. They board the yacht or private jet on your behalf, mapping this charmed, cursed kingdom with outsiderish eyes. Moneyland is a red-hot destination: "The Perfect Couple" is one of many recent films and TV shows set there. It is a place with no fixed co-ordinates but recurring topography, a land of striking change but bedrock continuity.

Moneyland is typically an island. Frequently the island is private, as in the movies "Blink Twice" and "Glass Onion", but other islands will do, provided they have plentiful lackeys and weather conducive to bikinis. "The White Lotus", another TV show, was set first in Maui, then in Sicily; "The Perfect Couple" plunks the Winburys' beach-front mansion on Nantucket. Natural metaphors for a rarefied elite, islands also thrust characters into inescapable proximity.

Often, they kill each other—for if Moneyland is an island, it is also a murder scene. Like "The White Lotus", "The Perfect Couple" opens with a tease. Someone has been drowned on the eve of Amelia's wedding to Benji (Billy Howle), the wet middle son of Tag Winbury (Liev Schreiber) and Greer (Nicole Kidman, Moneyland's icy matriarch of choice). But who? And out of the assembled sociopaths, whodunnit?

America's megarich are screen fixtures. But in Reagan-era shows like "Dallas" and "Dynasty" they evoked admiration more than contempt. Storytellers have often criticised them, but in general for how they get their money or what they do with it, not just the fact of having it. Think of "Wall Street" ("Greed is good") or "There Will Be Blood" ("I drink your milkshake"). The heroes of "Trading Places" beat the rich villains by becoming rich themselves.

Today's tales of Moneyland, by contrast, are uniformly scathing—and have little interest in where the moolah comes from. Some feature a lazily typecast tech baron; elsewhere the wealth is simply inherited. Apart from Greer, author of novels such as "Death in Dubai", the trustafarian Winburys spend their time boozing, taking drugs and having affairs. Lots of Americans enjoyed "Downton Abbey", with its archaic class hierarchy. "The Perfect Couple" is a country-house drama with better weather and NDAs.

What soured the mood in Moneyland? The financial crash, partly, plus the pandemic. People with country boltholes had very different lockdowns from those stuck in tiny flats; some tycoons made pharaonic profits amid the suffering. And as billionaires aspire to live for ever or on other planets, they seem not just different but alien and untouchable. As an underling puts it in "The Perfect Couple", the Winburys are "kill-someone-and-get-away-with-it rich".

If their money can't buy happiness, nor, alas, could Netflix's largesse buy a decent script. The problem is not just the clunky omens and caricatures (a Slavic maid puts vodka in her boss's smoothies, a French woman champions adultery). People say things like, "Look me in the eye and tell me you don't want this." The Winburys' vituperative eldest son, Tom (Jack Reynor), is a highlight, and even he is a cut-price Roman Roy, the scatological scion in "Succession".

Still, "The Perfect Couple", an instant hit, gives today's viewers the two treats they want on a trip to Moneyland. They see the rich suffer. At the same time, they indulge in the age-old pleasure of voyeurism, ogling the watercraft and monogrammed robes in lingering shots. The rich are faithless, venal and remote, yet even now, beneath the scorn, they retain their fascination and allure. Satirising them is a form of homage.

Another eternal truth of Moneyland is hidden in the home of a local cop, Dan Carter (Michael Beach), which the camera visits fleetingly. Carter is presented as a salt-of-the-earth counterpoint to the indolent, haughty Winburys. Actually, by most real-world standards, his pad is pretty plush, too. On TV, as in life, the super-rich are often alibis as well as adversaries: they allow the comfortably affluent to see their lifestyles as ordinary. The rich are always other people—and Moneyland always lies elsewhere.

Economic & financial indicators

	Gross domestic product, % change on year ago: latest		quarter*	2024†	Consumer prices, % change on year ago: latest		2024†	Unemployment rate, %		Current-account balance, % of GDP, 2024†	Budget balance, % of GDP, 2024†	Interest rates: 10-yr gov't bonds, latest, %		change on year ago, bp	Currency units: per $, Sep 11th	% change on year ago
United States	3.1	Q2	2.9	2.4	2.5	Aug	3.0	4.2	Aug	-3.3	-6.9	3.6		-64.0	-	
China	4.7	Q2	2.8	4.7	0.6	Aug	0.4	5.2	Jul†§	1.2	-4.4	1.7	§§	-77.0	7.11	2.5
Japan	-1.0	Q2	2.9	0.5	2.7	Jul	2.5	2.7	Jul	3.8	-4.7	0.9		17.0	141	3.5
Britain	0.9	Q2	2.3	1.1	2.2	Jul	2.9	4.1	Jun††	-3.0	-4.1	3.9		-58.0	0.77	3.9
Canada	0.9	Q2	2.1	1.3	2.5	Jul	2.5	6.6	Aug	-1.5	-1.5	2.9		-78.0	1.36	nil
Euro area	0.6	Q2	0.8	1.0	2.2	Aug	2.5	6.4	Jul	3.2	-3.1	2.1		-53.0	0.91	2.2
Austria	-0.6	Q2	-1.7‡	0.2	2.5	Aug	3.5	5.0	Jul	2.6	-2.4	2.6		-60.0	0.91	2.2
Belgium	1.1	Q2	0.8	1.2	4.5	Aug	3.8	5.4	Jul	-0.6	-4.7	2.7		-58.0	0.91	2.2
France	1.0	Q2	0.7	1.2	2.2	Aug	2.6	7.5	Jul	-0.4	-5.2	3.3		45.0	0.91	2.2
Germany	nil	Q2	-0.3	0.2	2.0	Aug	2.6	3.4	Jul	6.2	-1.6	2.1		-53.0	0.91	2.2
Greece	2.7	Q2	4.4	2.4	3.2	Aug	2.8	9.9	Jul	-5.8	-1.3	3.2		-83.0	0.91	2.2
Italy	0.9	Q2	0.6	0.9	1.3	Aug	1.2	6.5	Jul	1.5	-5.2	3.5		-93.0	0.91	2.2
Netherlands	0.8	Q2	4.1	0.6	3.3	Aug	3.5	3.6	Jul	8.7	-1.4	2.4		-57.0	0.91	2.2
Spain	2.9	Q2	3.3	2.7	2.4	Aug	3.0	11.5	Jul	2.5	-3.2	3.0		-64.0	0.91	2.2
Czech Republic	0.9	Q2	1.3	1.1	2.2	Aug	2.0	2.7	Jul†	0.2	-2.4	3.7		-83.0	22.8	0.1
Denmark	3.5	Q2	2.6	1.6	1.4	Aug	1.6	2.9	Jul	10.5	1.8	2.1		-82.0	6.78	2.4
Norway	4.2	Q2	5.7	1.0	2.6	Aug	3.3	4.0	Jun‡‡	15.9	12.0	3.3		-63.0	10.9	-2.3
Poland	3.2	Q2	6.1	2.9	4.3	Aug	3.8	5.0	Aug§	0.7	-5.4	5.2		-35.0	3.90	11.0
Russia	4.0	Q2	na	3.6	9.0	Aug	7.5	2.4	Jul§	2.9	-1.2	15.3		351	91.3	4.7
Sweden	0.6	Q2	-1.0	0.6	1.9	Aug	2.0	7.7	Jul§	6.0	-0.9	1.9		-94.0	10.4	6.5
Switzerland	1.8	Q2	2.8	1.1	1.1	Aug	1.2	2.5	Aug	6.7	0.6	0.4		-63.0	0.85	4.7
Turkey	2.5	Q2	0.3	3.1	52.0	Aug	57.7	9.3	Jul§	-2.7	-5.2	26.9		572	34.0	-21.0
Australia	1.0	Q2	0.9	1.3	3.8	Q2	3.5	4.2	Jul	-0.6	-1.5	4.0		-12.0	1.51	2.6
Hong Kong	3.3	Q2	1.4	3.0	2.5	Jul	1.5	3.0	Jul‡‡	11.9	-2.9	2.7		-134	7.80	0.4
India	6.7	Q2	4.5	6.9	3.5	Jul	4.7	8.5	Aug	-0.5	-4.9	6.8		-38.0	84.0	-1.1
Indonesia	5.0	Q2	na	5.1	2.1	Aug	2.6	4.8	Q1§	-0.1	-2.4	6.6		-2.0	15,400	-0.5
Malaysia	5.9	Q2	na	5.1	2.0	Jul	2.3	3.3	Jul§	2.6	-4.4	3.8		-12.0	4.33	7.8
Pakistan	2.8	2024**	na	2.8	9.6	Aug	15.5	6.3	2021	-1.7	-7.4	13.3	†††	-356	279	8.1
Philippines	6.3	Q2	2.0	5.4	3.3	Aug	3.3	4.7	Q3§	-2.8	-5.9	6.1		-36.0	56.0	1.3
Singapore	2.9	Q2	1.6	2.7	2.4	Jul	2.6	2.0	Q2	19.8	0.1	2.5		-76.0	1.30	4.6
South Korea	2.3	Q2	-0.9	2.5	2.0	Aug	2.5	1.9	Aug§	3.4	-1.8	3.0		-102	1,339	-0.6
Taiwan	5.1	Q2	1.2	4.2	2.4	Aug	2.0	3.3	Jul	14.0	0.2	1.5		27.0	32.1	-0.4
Thailand	2.3	Q2	3.1	2.5	0.4	Aug	0.9	1.1	Jul§	2.7	-3.7	2.8		-15.0	33.7	5.5
Argentina	-5.1	Q1	-9.9	-3.1	237	Aug	221.0	7.7	Q1§	0.3	-0.5	na		na	958	-63.5
Brazil	3.3	Q2	5.9	2.5	4.2	Aug	4.3	6.8	Jul§‡‡	-1.5	-7.6	11.8		54.0	5.66	-12.7
Chile	1.6	Q2	-2.5	2.2	4.6	Aug	3.9	8.7	Jul§‡‡	-2.9	-2.4	5.4		-41.0	945	-5.6
Colombia	1.8	Q2	0.4	1.4	6.1	Aug	6.7	9.9	Jul§	-2.6	-5.7	9.6		-122	4,293	-6.5
Mexico	2.1	Q2	0.6	1.6	5.0	Aug	4.9	2.7	Jul	-0.3	-5.0	9.4		-28.0	19.9	-12.3
Peru	3.6	Q2	9.8	2.8	2.0	Aug	2.5	6.4	Jul§	-0.3	-4.1	6.5		-50.0	3.80	-2.4
Egypt	2.2	Q1	na	2.4	26.2	Aug	27.7	6.5	Q2§	-4.4	-5.0	na		na	48.4	-36.1
Israel	-1.9	Q2	1.2	0.7	3.2	Jul	3.0	2.8	Jul	5.7	-7.3	4.8		91.0	3.78	0.8
Saudi Arabia	-0.8	2023	na	1.5	1.5	Jul	1.8	3.5	Q1	-0.5	-2.2	na		na	3.75	nil
South Africa	0.3	Q2	1.8	1.1	4.6	Jul	4.8	33.5	Q2§	-2.0	-5.2	9.0		-139	17.9	5.2

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 Sep 11th	% change on: one week	Dec 29th 2023
United States S&P 500	5,554.1	0.6	16.4
United States NAS Comp	17,395.5	1.8	15.9
China Shanghai Comp	2,721.8	-2.2	-8.5
China Shenzhen Comp	1,499.5	-1.5	-18.4
Japan Nikkei 225	35,619.8	-3.9	6.4
Japan Topix	2,530.7	-3.9	6.9
Britain FTSE 100	8,193.9	-0.9	6.0
Canada S&P TSX	23,211.2	0.7	10.7
Euro area EURO STOXX 50	4,763.6	-1.7	5.4
France CAC 40	7,396.8	-1.4	-1.9
Germany DAX*	18,330.3	-1.4	9.4
Italy FTSE/MIB	33,174.4	-1.5	9.3
Netherlands AEX	884.5	-1.4	12.4
Spain IBEX 35	11,278.9	0.6	11.6
Poland WIG	79,874.0	-5.5	1.8
Russia RTS, $ terms	1,137.5	nil	5.0
Switzerland SMI	11,922.9	-2.1	7.0
Turkey BIST	9,419.7	-5.7	26.1
Australia All Ord.	8,195.2	0.5	4.7
Hong Kong Hang Seng	17,108.7	-2.0	0.4
India BSE	81,523.2	-1.0	12.9
Indonesia IDX	7,761.0	1.1	6.7
Malaysia KLSE	1,639.8	-1.8	12.7

	Index Sep 11th	% change on: one week	Dec 29th 2023
Pakistan KSE	78,651.8	-0.2	25.9
Singapore STI	3,531.2	2.6	9.0
South Korea KOSPI	2,513.4	-2.6	-5.3
Taiwan TWI	21,031.0	-0.3	17.3
Thailand SET	1,415.4	3.7	nil
Argentina MERV	1,764,129.0	-1.8	89.8
Brazil BVSP*	134,676.8	-1.1	0.4
Mexico IPC	51,195.8	-1.2	-10.8
Egypt EGX 30	30,485.6	-1.7	22.5
Israel TA-125	2,033.3	-0.6	7.7
Saudi Arabia Tadawul	11,766.4	-3.0	-1.7
South Africa JSE AS	80,827.8	-1.3	5.1
World, dev'd MSCI	3,578.6	nil	12.9
Emerging markets MSCI	1,058.7	-1.4	3.4

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2023
Investment grade	117	154
High-yield	386	502

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

Commodities

The Economist commodity-price index, 2020=100	Sep 3rd	Sep 10th*	% change on: month	year
Dollar Index				
All Items	124.4	123.3	-0.7	-1.9
Food	134.3	134.8	0.9	1.0
Industrials				
All	120.8	116.2	-0.8	-2.3
Non-food agriculturals	127.4	126.6	-1.6	6.8
Metals	113.3	110.5	-2.3	-7.6
Sterling Index				
All items	122.1	121.4	-2.4	-6.4
Euro Index				
All items	128.7	127.9	-1.2	-4.6
Gold				
$ per oz	2,480.5	2,509.8	1.6	31.2
Brent				
$ per barrel	74.1	69.6	-13.9	-24.5

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

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

OBITUARY
Sérgio Mendes

The man who bathed the world in Brazilian samba-sunshine died on September 5th, aged 83

OVER MANY years he had grown accustomed to the things they liked to say. That his music was "lounge", lift, airport, cruise-liner, burbling across the aisles as shoppers debated what to buy. That it had no focus, structure or meaning, and was "easy listening" in a nutshell. Sérgio Mendes simply didn't care. He took "easy" as a compliment, meaning the melodies were strong, and would merely flash his sunny, slightly buck-tooth smile and hunch at his piano to give them more.

For himself he put no label on his music. It was just what came naturally to him. Bossa nova was the style they called him king of, but to him bossa nova, like bebop, was an era, not a style. This branch from the samba tree had its time and place, and for him its chief place was Bottles Alley in Copacabana, the rough end of Rio, and especially the Bottles Bar, where great musicians would go and hang around together. There he sat as a teenager at the feet of Antônio Carlos Jobim and João Gilberto, true kings of bossa nova, to learn the rhythms and arrangements that took him away from classical piano for good. Henceforth he blended his piano-playing with bass, guitar, percussion, drums and, from 1965, two female singers. Small forces: but the effect they had on popular music was huge. By his slowing-down days he had amassed more than 40 albums, many of them gold or platinum, three Grammys and an Oscar nomination, all for taking his blend of jazz, rock and samba up to the United States, even twice to the White House, and almost everywhere from there.

To him it was all serendipity, an English word he loved: all bits of luck and magical encounters. Serendipity brought him, at 13, to a friend's house where he heard Dave Brubeck's "Take Five" and fell in love with jazz: the freedom of it, the improvisation, the harmonies that moved beneath. It also brought Herbie Mann and Charlie Byrd, jazz superstars, to the Bottles Bar in 1961, with a return invitation that took him to New York. There serendipity helped him meet Cannonball Adderley, the jazz trombonist, who wanted to record with him. By chance again, in 1965 when his band was breaking up and the members were returning to Brazil, he heard a girl singing: softly, wonderfully, just the sound that would make his arrangements stand out. He went straight to her parents' house to persuade them to part with her, and Lani Hall became his lead singer. That fresh, sinuous music then fell on the ears of Jerry Morris and Herb Alpert, maestro of the Tijuana Brass; he signed with them, and in 1966 he and his band, Brasil '66, produced in Jorge Ben's "Mas Que Nada" the first world hit in Portuguese.

Magic serendipity, however, could not account for every twist. He was endlessly curious, his ears ever open to catch at anything new. They were fine-tuned already to the rhythms of *maracatu*, *frevo*, *repente*, *sertanejo*; even the taxis of Rio hooted to a beat. Where jazz seemed, to him, to move directly forward, Brazilian rhythms kept shifting. He was tuned, too, to the sound of the *berimbau* or bow-stick and the high-pitched *cuica* drum, as well as to the standard instruments he had met as a boy at the Niterói conservatoire. The moment he found himself saying "Wow! That's different!", he would confidently take the plunge. Many of his numbers were covers of songs that he "Brazilianised" by changing the beat, adding lilt and sparkle: the Beatles' "Day Tripper", Simon & Garfunkel's "Scarborough Fair", Dionne Warwick's "Never Gonna Let You Go". He leapt to arrange Paul McCartney's "The Fool on the Hill" not only because he loved the melody but because it was in three-time, when samba was in four or two, and that intrigued him. He rushed to hire Lani because, instead of a saxophone or trombone blowing away behind him, he could have her high voice soothing and swaying, both different and perfect.

His curiosity did not fade with age. In 2006 his album "Timeless" was produced by the rapper will.i.am and featured two numbers with Black Eyed Peas. For 40 years by then he had ridden the ups and downs of the bossa nova craze, touring widely, always exploring. Not only jazz, but also rap and hip-hop, were obvious partners for samba, since they shared an ancestry in Africa. Wherever Africans, mostly enslaved, had gone in the Americas, they had taken their rhythms with them. If the latest iteration was rap he would gladly play with that, too.

His jazz-and-Latin rhythms were so novel that listeners often focused on those. But no, it was the melody that made a great song. That was what rooted and stayed in the average person's mind. Rhythm came later, and lyrics last of all. Most people had no idea what "Mas Que Nada" meant, but it didn't matter. The Japanese still invited him there 30 times. That soaring opening, "O-o-oariá raió/obá, obá, obá", simply made people happy. So did "Bom Tempo", a Grammy-winning album of 2010 whose title anyone could translate: good times, good weather, good drumming. When he thought of Brazil he thought free celebration, like a little boy dancing with a drum in the street.

Other images pressed in, too. A song called "The Frog" was set firmly in the rainforest, complete with croaking in both frog and Portuguese. Fronds and creepers snaked across the album covers, and steamy black couples embraced in the jungle (where he himself wore black tie). If not there, his background could be the immense white beach of Copacabana with the ocean rolling in. Critics accused him of forgetting his Brazilian roots, since the violent coup in 1964 that had driven him to leave. But although he lived in Los Angeles for 60 years, he remained proudly Brazilian (half black, half Portuguese) and nothing else. His Grammy in 1993 was for "Brasileiro", a tribute to his country's music; his Oscar nod was for a song in a film that celebrated Rio. Onstage his fedora gave a clue to him, as well as his delighted smile. His mission, after all, was to Brazilianise the popular music of the world: something that was very like inviting the whole world to a party. ■

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