

America's health-care rip-off

Technocrats v populists

The backlash against greenery

A two-day week: misery or bliss?

OCTOBER 14TH–20TH 2023

ISRAEL'S AGONY

and its retribution







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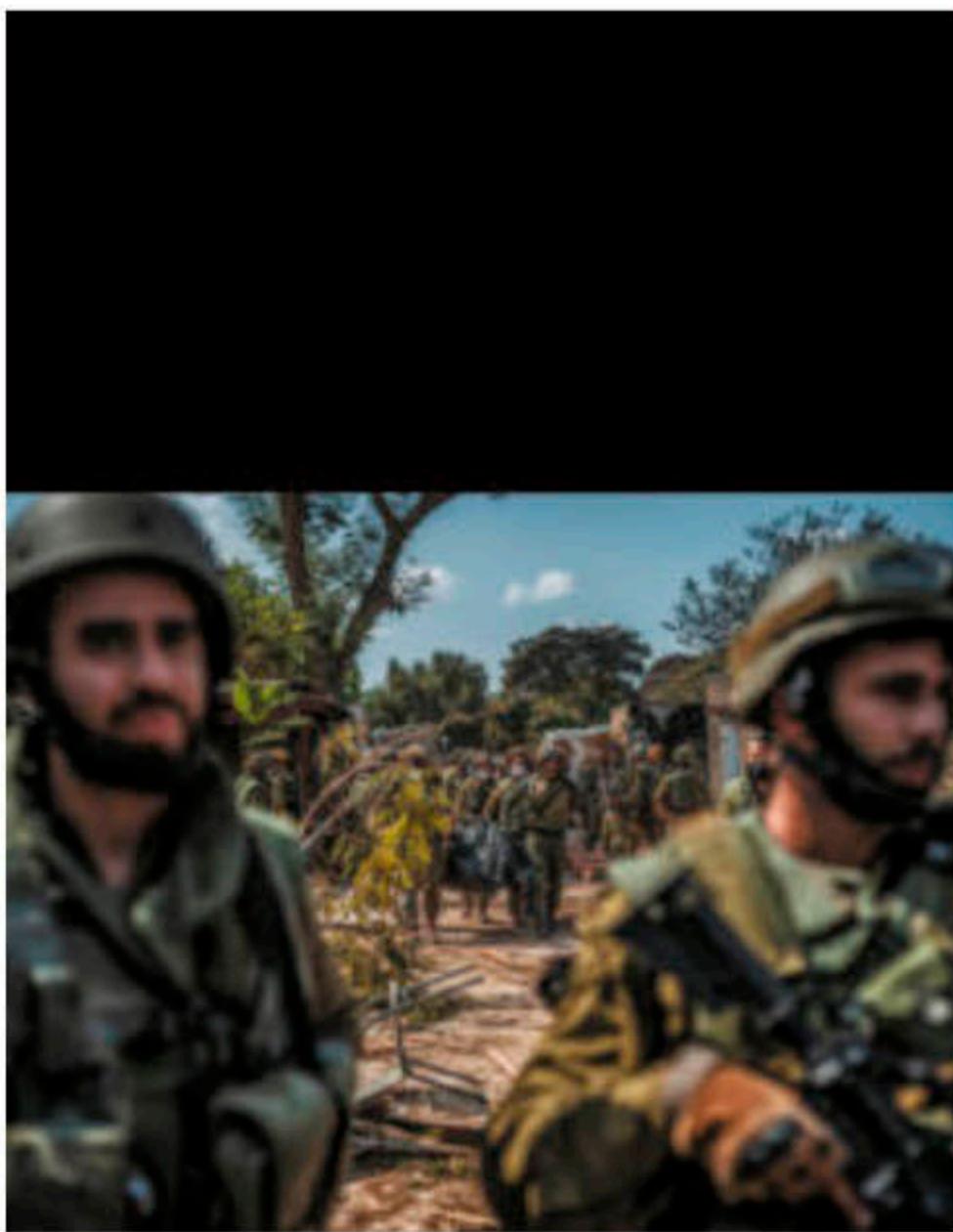
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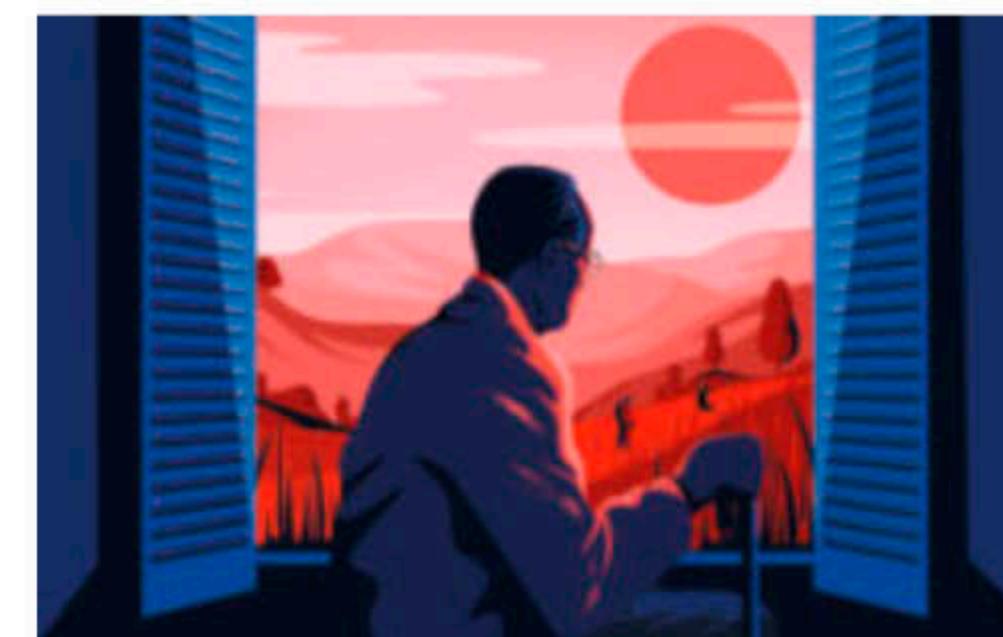
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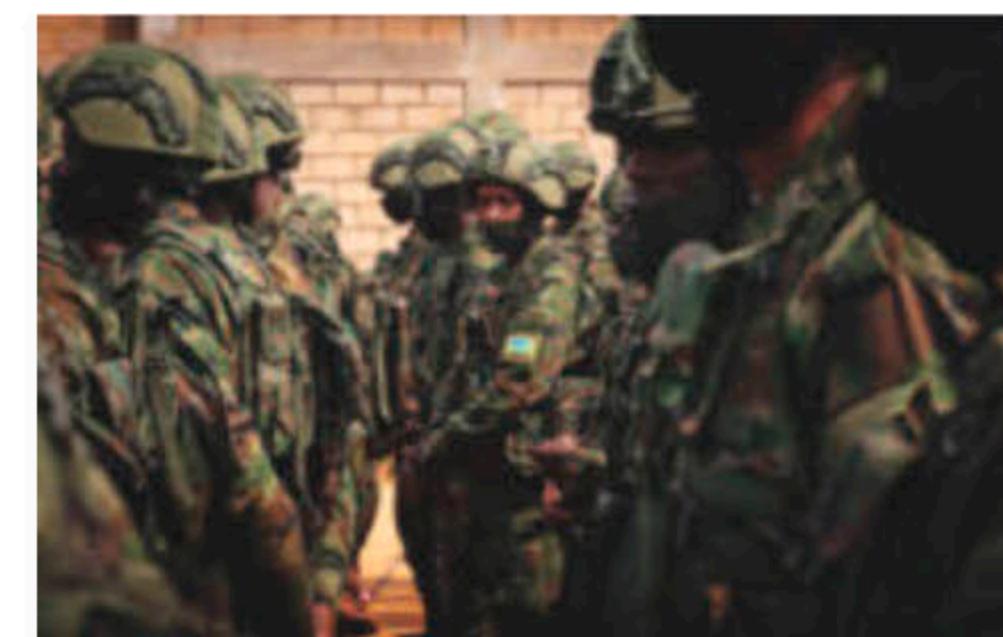


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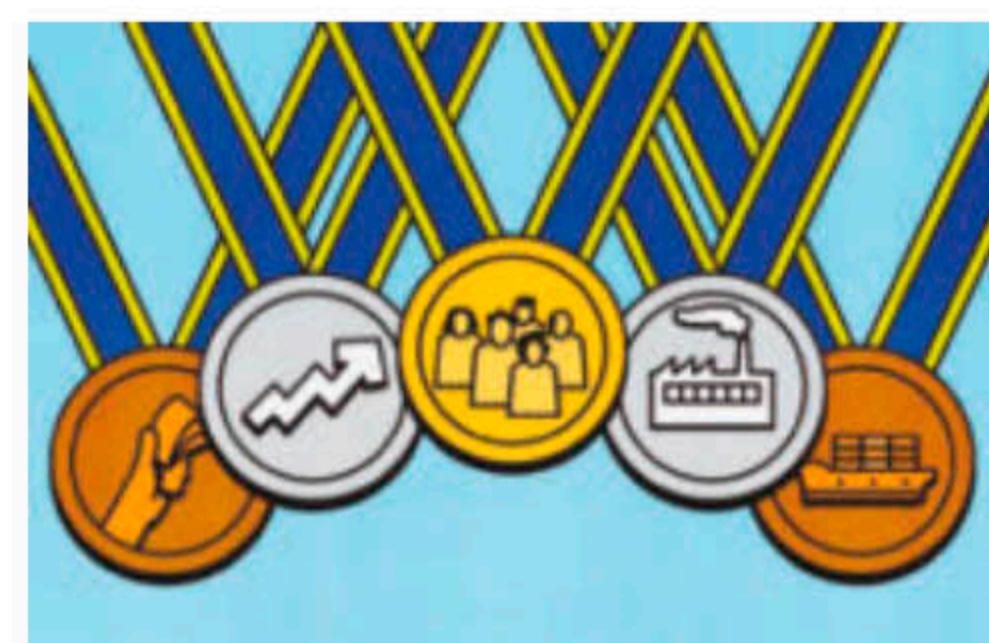
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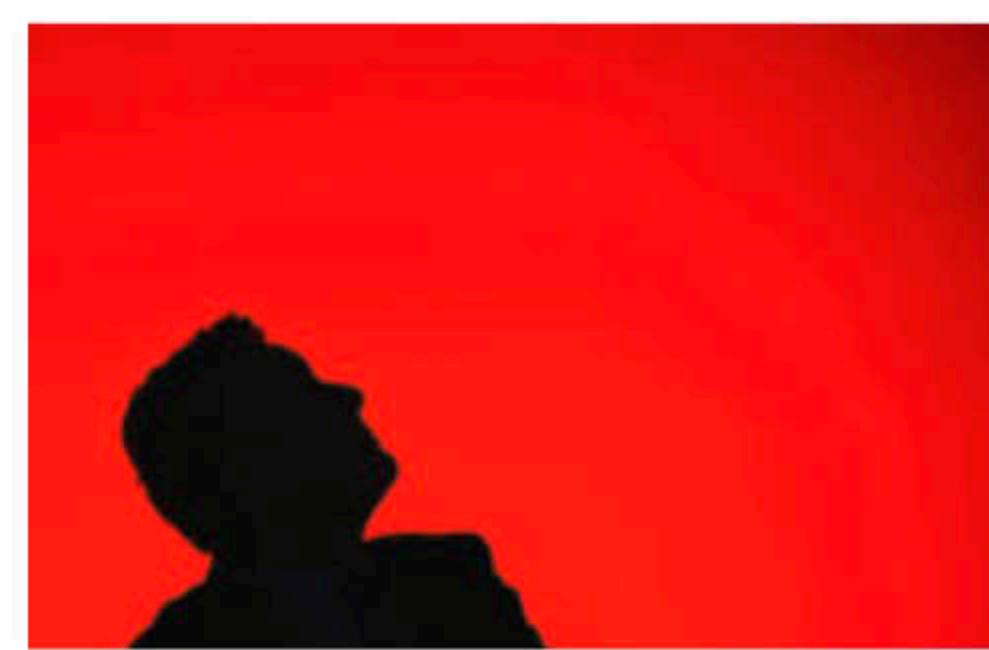


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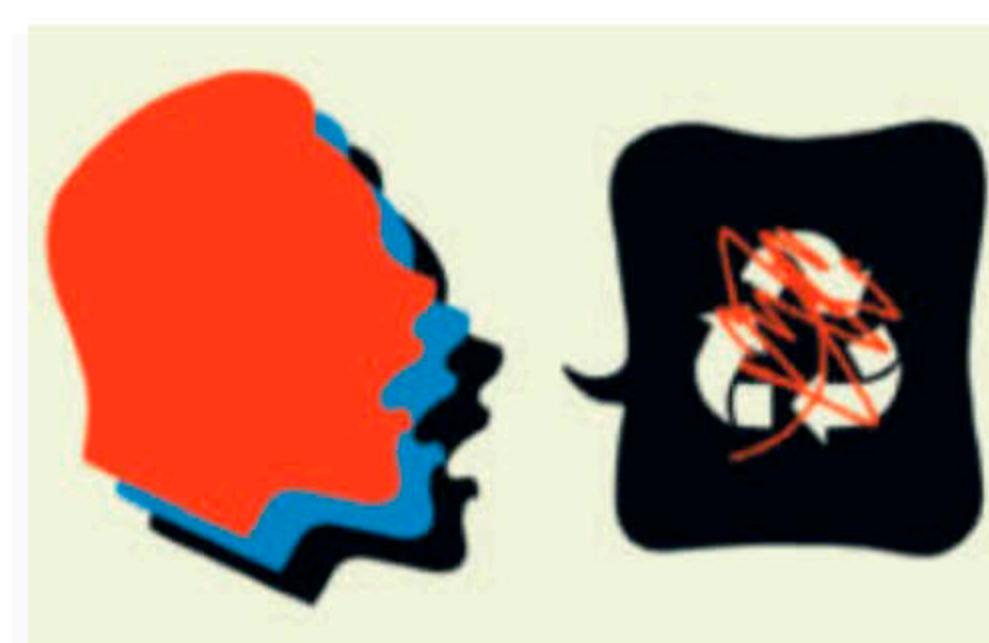
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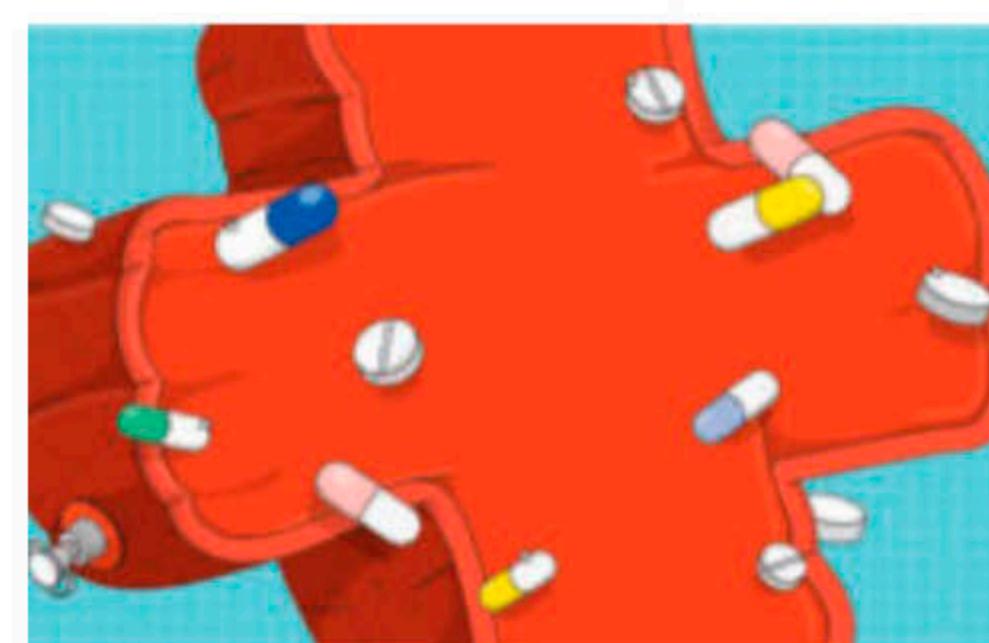
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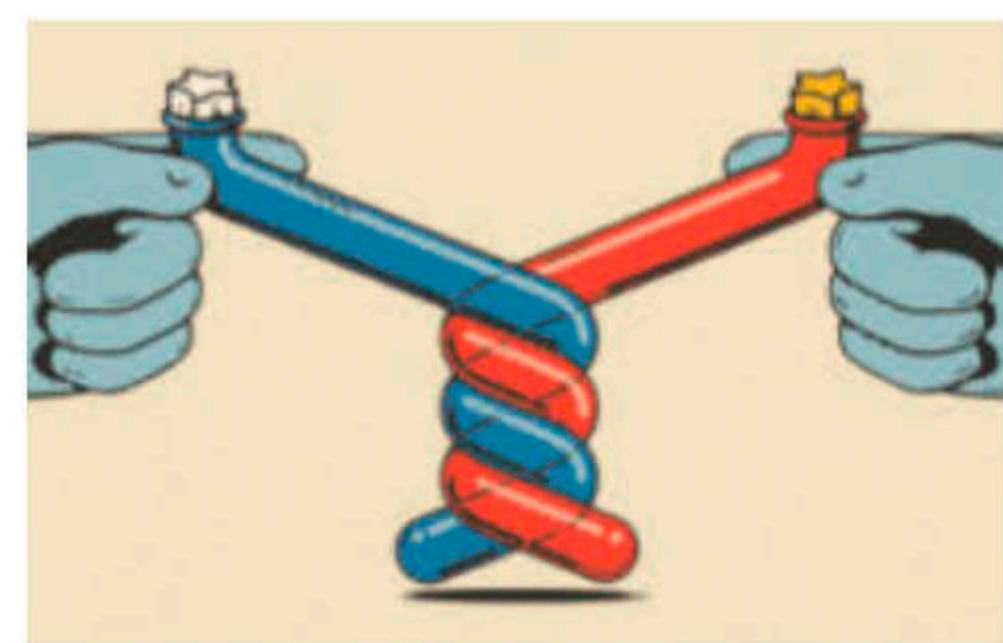
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Israel came under a sustained attack on its territory, when hordes of Hamas militants broke through the border from Gaza and went on a murderous rampage in the surrounding area. At least 1,200 people were slaughtered, including 260 at a music festival. Hamas massacred whole families in villages and kibbutzim, including babies. Survivors said women were raped before they were murdered. Scores of hostages, including children, were seized by Hamas. The scale of the assault shocked the world. The bodies of 1,500 Hamas terrorists were recovered by the Israeli army.

It took Israel three days to secure its border with **Gaza**, though Hamas still attacked Israel with rockets. As the Israeli army amassed forces for a massive ground assault the air force pounded the densely populated area. Over a thousand Gazans have already been killed; 340,000 have already fled their homes. Israel cut off energy and water supplies until its hostages are released. Violence also flared in the West Bank, killing dozens of Palestinians. Hizbullah, another Iranian-backed militia, attacked Israel's north by firing rockets from Lebanon.

Binyamin Netanyahu told Israelis to prepare for a long conflict. The prime minister and Benny Gantz, an opposition leader, formed an **emergency government** and a war-management cabinet, which will include Gadi Eisenkot. Mr Gantz and Mr Eisenkot are former heads of the Israel Defence Forces. Mr Netanyahu has been criticised for ignoring experienced military leaders while courting

far-right coalition partners. The new government promised to change the "strategic reality" of dealing with Hamas.

The leaders of America, Britain, France, Germany and Italy issued a **joint statement** expressing "our unequivocal condemnation of Hamas and its appalling acts of terrorism". Joe Biden called the attack "an act of sheer evil". America redirected an aircraft-carrier and other naval ships already in the Mediterranean to the eastern part of the sea, closer to Israel. The Pentagon is increasing its number of fighter jets in the region and will send more weapons to Israel.

The **European Union's** response was more muddled. The bloc issued a statement saying development aid to Palestinians would not be suspended, correcting a remark by a European commissioner that it would be.

The day after the attack on Israel an Egyptian policeman opened fire on a group of tourists in Alexandria, killing two Israelis and their Egyptian tour guide. Countries around the world stepped up **security for Jews**.

America formally declared that the ousting of **Niger's** elected government in July was a coup, which will trigger a halt to military assistance and aid programmes. Meanwhile France began withdrawing its troops from the west African country after they were told to leave by the junta.

Seven inmates, six of them Colombian, were killed in prison in **Ecuador**. They were being held on suspicion of murdering Fernando Villavicencio, a presidential candidate who ran on an anti-corruption platform, in August. A presidential run-off will be held on October 15th.

A series of earthquakes killed more than 2,000 people in **Afghanistan**. The quakes struck Herat province, flattening whole villages.

At least 29 people were killed when **Myanmar's** army carried out an artillery strike on a camp for displaced people in the state of Kachin, where separatists are waging an insurgency. Since seizing power in 2021 the military junta has been fighting multiple ethnic armed groups.

Glitter ball

The annual conference of **Britain's** opposition Labour Party outlined several policies, including commitments to reform planning rules and build more housing, and concluded with a well-received speech from Sir Keir Starmer, the party's leader. The conference capped a good week for Labour, which scored a big victory over the Scottish National Party in a by-election. Taking ground from the SNP in Scotland would significantly increase Labour's chances of winning Britain's next general election.



Volodymyr Zelensky paid his first visit to NATO's headquarters in Brussels since the start of Russia's war on **Ukraine** 20 months ago. The Ukrainian president is seeking more support, especially for air defence. His trip came six days after 52 people were killed by a Russian missile attack on Hroza, in north-east Ukraine.

An investigation got under way into a leak on an **underwater gas pipeline** between Finland and Estonia. Finland said the damage may have been deliberate. Speculation swirled that Russia may have sabotaged the conduit in revenge for Finland joining NATO. An attack on the Nord Stream 2 pipeline last year remains unexplained.

The hard-right Alternative for Germany (AfD) performed well in two state elections in **Germany**. The party came third in Bavaria and second in Hesse, breaking out of its traditional areas of support in poorer east Germany. The Greens and the Free Democrats, coalition partners to the Social Democrats, fared badly.

The Greens also lost ground in **Luxembourg's** general election, their support falling by seven percentage points, to 8.6%. The ruling left-of-centre coalition was severely weakened by the result, leaving the way open for the centre right to form a government.

An Australian journalist, Cheng Lei, returned to **Australia** after spending more than three years in custody in **China** on espionage charges. China had accused Ms Cheng, a reporter for China's English-language television station, CGTN, of leaking state secrets overseas. Another Australian, Yang Hengjun, remains imprisoned in China for alleged spying.

Steve Scalise, a congressman from the suburbs of New Orleans, was nominated by Republicans to be the next **speaker** of the House of Representatives following the defenestration of Kevin McCarthy. Several hard-right conservatives declined to back Mr Scalise in a floor vote before the whole House to confirm the appointment.

Tilting at windmills

Robert F. Kennedy junior ditched his maverick run against Joe Biden in the Democratic presidential primary to stand instead as an independent candidate in the election next year. Mr Kennedy says he defies left-right labels, and has railed against covid vaccinations, Wall Street and the military-industrial complex. If he stays the course he could pick up support from dissatisfied Democratic and Republican voters, of whom there are many.

ExxonMobil announced an agreement to take over **Pioneer Natural Resources**, the largest operator in the lucrative Permian Basin shale field, in a deal valued at \$59.5bn. The acquisition, Exxon's biggest since Mobil Oil in 1998, is sure to spur more consolidation. Chevron and ConocoPhillips are also reportedly searching the shale patch for firms they could buy, though the prospect of oil giants gobbling up small drillers may stir antitrust regulators into action.

BP told investors that it was still committed to cutting oil and gas production and transitioning towards renewables despite its recent leadership turmoil. Bernard Looney quit as chief executive in September after failing to disclose fully his past personal relationships with female employees. A few weeks later BP's most senior executive in America said he was leaving the company to pursue other career opportunities.

A rebound in the **world economy** is in danger of fading, according to the latest forecasts from the **IMF**. The fund said this was in part explained by households having to "contend with a still-elevated cost of living" as savings they had accumulated during the pandemic dwindle. America's economy is proving to be resilient, and will grow by 2.1% this year. But growth in the euro area is expected to be only 0.7%, dragged down by Germany's economy, which could shrink by 0.5%.

The IMF also said that expectations of **interest rates** remaining higher for longer are squeezing borrowers, leaving small and medium-sized firms with barely enough cash to pay their interest expenses. Meanwhile the **bond yields** on American government debt retreated from recent highs. They had surged after news that American employers created 336,000 **jobs** in September, almost double the number that markets had forecast. Investors think a

buoyant labour market makes it less likely that the Federal Reserve will cut interest rates.

A foot in the market



Birkenstock took a misstep in its IPO. The stock was down by almost 13% at the close of the first day of trading on the New York Stock Exchange, giving the German sandal-maker a lower valuation than it had hoped for when it priced the shares. Other big stockmarket listings this year have been successful on their debut, though the share prices of Arm, Instacart and Klaviyo have all since fallen back.

LVMH, the world's biggest luxury-goods company and a substantial investor in Birkenstock, reported a sharp slowdown in quarterly sales, a possible sign that the boom in luxury goods since the pandemic is over. It's "an end to

the roaring 20s", declared analysts at Berenberg, a privately owned bank.

General Motors reached a pay deal with its union in Canada, bringing a swift end to a strike that had only just begun. The agreement increases hourly wages by 20-25%. Meanwhile Ford, GM and Stellantis announced more lay-offs in the United States as a result of the ongoing strike by the United Auto Workers. The UAW escalated its dispute by walking out of Ford's biggest plant.

Nelson Peltz is gearing up for another proxy fight with **Disney** and has increased his stake in the company, according to reports. In February the activist investor's firm, Trian Partners, abandoned its push for a seat on the board after Disney laid out a restructuring plan that seeks to make its streaming service profitable. Since then Disney's earnings have continued to highlight the underlying weaknesses in its streaming business, causing its stock to fall by 25%.

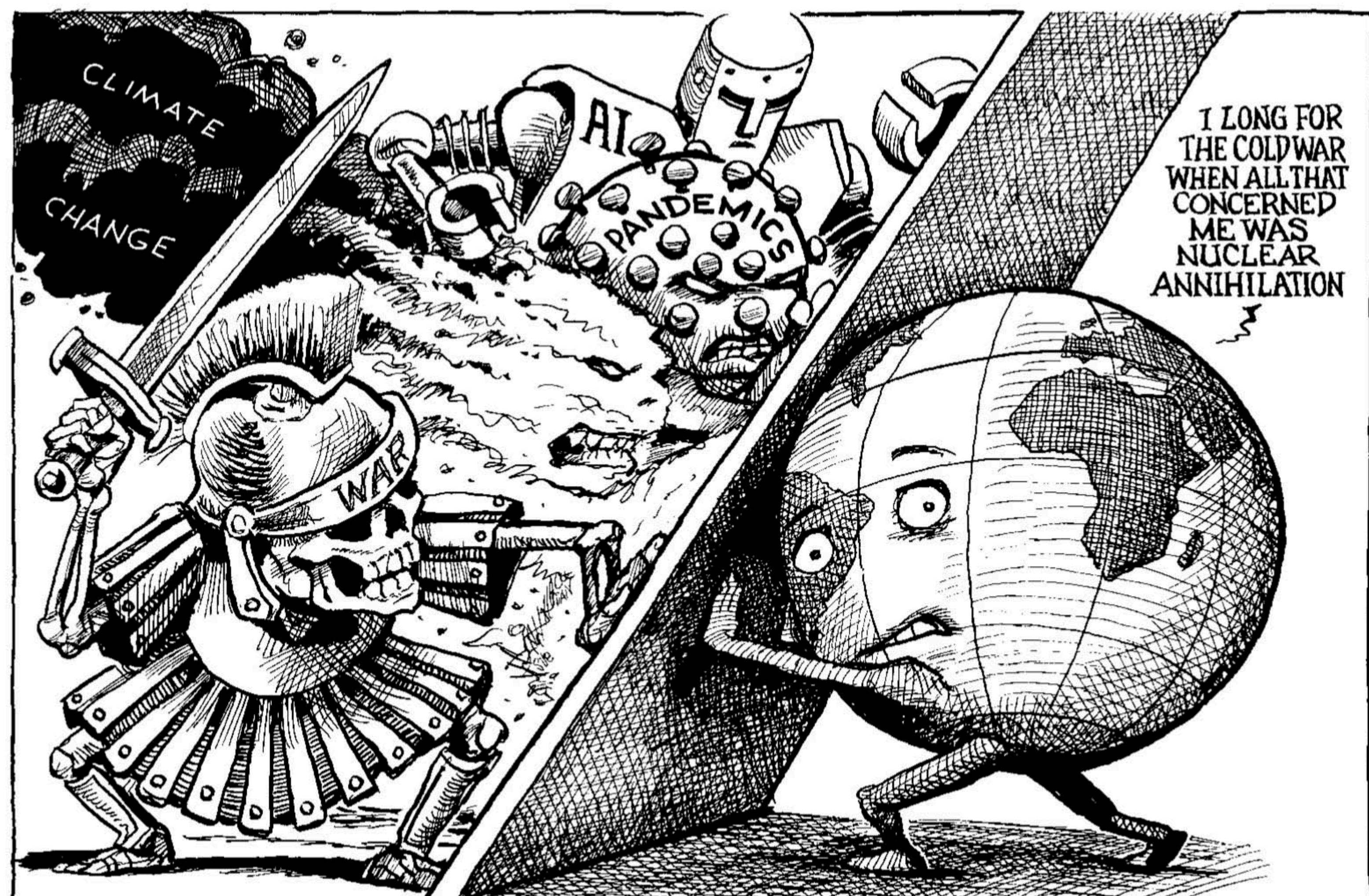
Country Garden issued another debt-default warning. The Chinese property developer has so far managed to weather the storm that has battered the industry. With sales slumping,

the company said its "liquidity position is expected to remain very tight".

The OECD published the text of a treaty that would make multinational companies, notably tech firms, pay tax in countries where they do business but do not have a physical presence. The alluringly titled Multilateral Convention to Implement Amount A of Pillar One would reallocate \$200bn-worth of **taxing rights**, which is expected to benefit poorer countries the most. Meanwhile, **Microsoft** said it had received a demand for \$28.9bn in back taxes from America's Internal Revenue Service.

Cheers!

JD Wetherspoon reported a pre-tax profit for the 12 months ending July 30th, its first annual profit since the pandemic. The British pub chain, derided by some for catering to the lower end of the beer-drinking market, likes to point out that it has 200 pubs listed in the ale-drinkers' bible, the "Good Beer Guide", more than any other company. Its pubs are also good for government revenues. Each hostelry generated an average £6.8m (\$9.3m) in tax (VAT, alcohol duty and so on) over the past ten years.



Israel's agony

And its retribution

IN A STATIC decades-long conflict that has rotted for the past 20 years, it can be hard to believe that real change is possible. Be in no doubt, however, that Hamas's murderous assault has blown up the status quo between Israel and the Palestinians. The coming weeks will determine whether war in Gaza sinks the Middle East deeper into chaos or whether, despite Hamas's atrocities, Israel can begin to create the foundations for regional stability—and, one day, peace.

Change is inevitable because of the gravity of Hamas's crimes (see Briefing). More than 1,200 Israelis, most of them civilians, many of those women and children, were murdered in their homes, on the street, in kibbutzim, at a music festival. Perhaps 150 more have been dragged to Gaza and shut in makeshift dungeons. Israel's belief that it could indefinitely manage Palestinian hostility with money and air strikes crumpled early on October 7th, as the first Hamas bulldozer breached the security fence. Hamas has chosen mass murder and there is no going back.

Gaza is now awaiting a huge Israeli ground offensive. Its extent and success will determine the legacy of Hamas's bloody assault. So will the fundamental choice that Israel's politicians face after the worst catastrophe in their country's history: do they unite or continue to exploit divisions for their own advantage? A third factor is the choices of Israel's Middle Eastern neighbours, including Iran.

In the weeks and months ahead Israel's leaders carry a heavy responsibility to temper their understandable desire for fire and retribution with a hard-headed calculation about their country's long-term interests and an unwavering respect for the rules of war. They left their people vulnerable by failing to foresee Hamas's looming attack. They must not compound their error by failing to see ahead clearly for a second time.

The need for vision begins with the imminent ground offensive. The Israel Defence Forces will rightly strike deep and hard at Hamas. But how deep and how hard? Israel will be tempted to unleash a spasm of briefly satisfying violence. Its defence minister has called Hamas fighters "human animals", and announced a blockade of food, water and energy. Israeli officials—and President Joe Biden—have taken to comparing Hamas to Islamic State, or ISIS, an Islamist group that America vowed to eradicate.

That comparison is dangerous because, although Hamas deserves to be eradicated, achieving that goal in an enclave of 2m impoverished people with nowhere to flee will be impossible. A better comparison than ISIS is the 9/11 attacks in 2001, not just because of Israel's agony, but also because America's invasions of Afghanistan and Iraq show how steeply the costs of invasion mount—which is precisely Hamas's calculation.

At such a moment, self-restraint matters more than ever. It is in Israel's interest, because street fighting is perilous and the hostages are defenceless. It makes the operation militarily sustainable and preserves international support. It avoids playing into the hands of foes who calculate that dead Palestinian women and children will further their cause. By clinging to its identity as a state that values human life, Israel becomes stronger.

Restraint in the ground offensive depends on the choices of Israel's politicians. Before the war they were tearing the country apart over a new law curbing the Supreme Court. For now grief and horror have brought people back together, but the left blames the far-right government of Binyamin Netanyahu, the prime minister, for poisoning relations with the army and security services over the court, and neglecting security in Gaza because of a fixation with helping Jewish settlers in the West Bank. The right counters that calls for civil disobedience by senior officials opposed to Mr Netanyahu were a green light for Hamas.

Mr Netanyahu must try to use his new war cabinet, announced this week, to unite Israel. Only by healing its own politics will the country be able to deal with Gaza. Mr Netanyahu will not want to help his most plausible rivals for office. Yet he was the man in charge when Hamas struck and his political career is ending. Having spent a lifetime seeking power at any price, he should finally put his country before himself.

A unified, centrist government would also be better placed to cope with the last set of challenges: the politics of the Middle East. Israel will be in grave peril if the war in Gaza spreads to its northern border with Lebanon, where tensions with Hezbollah, a formidably armed militia, are already growing ominously. The longer and bloodier the fighting in Gaza, the more Hezbollah will

feel it must be seen to support its brethren. There is also a possibility of war with Iran, which has replaced Arab governments as the sponsor of Palestinian violence. Even Iran hawks in the West should not wish for that.

A wider war would wreck the détente, built on the Abraham accords, between Israel and its Arab neighbours, including Bahrain, Morocco, the United Arab Emirates and potentially Saudi

Arabia. This grouping stands for a new Middle East that is pragmatic and focused on economic development rather than ideology. It is still inchoate, but it has the potential to become a force for moderation—and possibly even security.

Simply by surviving, the Abraham accords could emerge from this crisis stronger. However, Hamas has shown that the signatories' neglect of the Palestinians is a mistake. Israel and its Arab partners need a new, optimistic vision for Gaza and the West Bank, as an alternative to Iran's cult of violence and killing.

And that leads back to the fighting in Gaza. How does it end? Israel has no good options: occupation is unsustainable, a Hamas government is unacceptable; rule by its rival, Fatah, is untenable; an Arab peacekeeping force is unattainable; and a puppet government is unimaginable. If Israel destroys Hamas in Gaza and pulls out, who knows what destructive forces will fill the vacuum left behind?

Israeli strategists must therefore start thinking about how to create the conditions for life alongside the Palestinians, however remote that seems today. All those elements may have a part: a short period of martial law in Gaza, a search for Palestinian leaders acceptable to both sides, and the good offices of Arab intermediaries. The only way to eradicate Hamas is for Israel and its Arab allies to create stability—and, one day, peace. ■



Europe's economy

Don't copy Bidenomics

Europe needs a deeper, greener single market—not more state handouts

IT IS NOT hard to see why Europe feels the urge to copy President Joe Biden's economic policies. The loss of cheap Russian fossil fuels has made the clean-energy transition feel like a matter of national security. Germany, Europe's biggest economy, fears its automotive industry will lose market share to state-subsidised electric carmakers in China and America. And the euro zone's economy is increasingly falling behind America's. As we report (see Europe section), the worst-suffering European economies are grappling with inflation of over 10%, rapid ageing, high public and private debts and exposure to autocracies. This week the IMF said the euro-zone economy would grow by only 0.7% in 2023. It expects America to grow three times as fast.

Europeans increasingly see Biden-style industrial policy as the answer. The EU has loosened state-aid rules that restrict subsidised investment, and aims to set targets for the bloc's production of green goods. France and Germany are at loggerheads over how (not whether) to subsidise electricity for industrial users. Britain's Labour Party, which will probably form its next government in 2024, also aims to spend lavishly on industry (see Britain section).

Yet copying Bidenomics is a mistake. As in America, luring manufacturing with subsidies will waste money and, over time, encourage firms to compete for subsidies rather than customers. And though it is true that France, whose *dirigiste* economic philosophy is in the ascendant in Brussels, has had some successes with industrial policy, the web of institutions and norms that restrain the excesses of French interventionism are difficult to copy—just as Germany's economic model could not be transplanted elsewhere when it was held up as a paragon.

Europe's recent experiences are in fact a case study of the power of markets. After Russia invaded Ukraine, German indus-

try claimed that the loss of Russian gas would cause an economic catastrophe. Instead, industrial production held up as firms quickly adapted. Unlike America, the EU already has a uniform carbon-price mechanism in place. After a rocky start in the 2000s the emissions-trading scheme (ETS) has in recent years become the gold standard for carbon pricing, incentivising the private sector to find the most efficient ways to cut emissions.

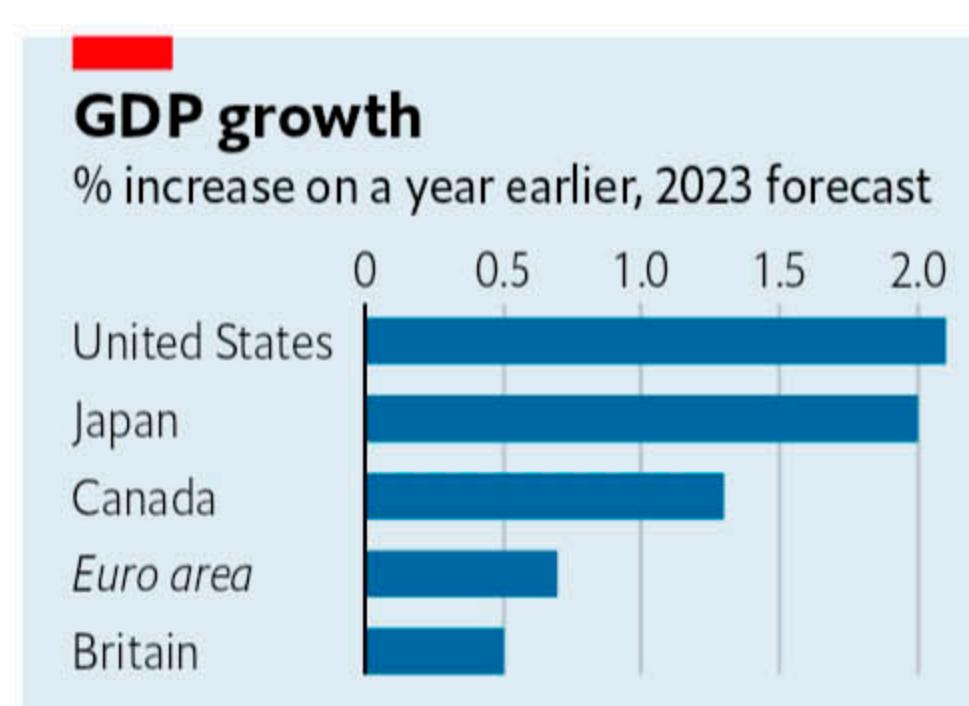
The best policies for Europe would build on its past market-friendly approach. The EU should foster a common and contested green single market—including services and capital—which means restraining state aid. It should let the carbon price for new sectors increase faster than planned, and get serious about

a climate dividend for citizens. And it should trade freely with allies so that the vast tasks of decarbonisation, de-risking sensitive supply chains and boosting defence can be undertaken at the lowest cost. The EU would be neither more secure nor richer if it had national champions producing 27 different types of tank.

To boost growth, new government spending should focus on infrastructure, not handouts.

Germany should fix a railway system that has rotted to the point of collapse. France should stop blocking interconnectors that could channel solar power from sunny Spain to the rest of Europe. And governments could write procurement rules that insist on greenery or security but which respect the single market and the principles of free trade.

It might be tempting for Europeans to think that if America is protectionist, everyone else must follow suit or be left in the dust. Actually, America's long-running economic advantage over the rest of the world stems from the fact that it has been more committed to markets, not less. That makes its recent turn towards statism an aberration rather than an example to follow. ■



Global warming

How to deal with the anti-climate backlash

Minimise the cost and hassle that green policies impose on households

THE SHIFT to electric cars is “a transition to hell” that will destroy “your beautiful way of life”, says Donald Trump. He is far from the only politician to oppose greenery. Rishi Sunak, Britain's prime minister, has kicked plans to phase out petrol cars years into the future, saying: “It cannot be right...to impose such significant costs on working people.” On October 8th voters in two big German states walloped the parties of the green-tinted ruling coalition. Even Sweden has cut fossil-fuel prices several times in the past year. A backlash against climate-friendly policies is under way in rich democracies.

It has many causes (see International section). Some voters deny that climate change is happening. Others accept that it is, but do not want to pay higher taxes or energy prices to tackle it.

Many object to the hassle of installing new equipment. Some, especially the old, resist any kind of change. Others ask why they should make sacrifices when other countries, especially ones they dislike, are doing less.

Under this cauldron of grievances, populist politicians have heaped lighted coals. Many exaggerate the costs of going green, embellish the details (Britain's opposition had no plans for a meat tax, whatever Mr Sunak says) and seek to turn climate into a culture-war battleground: the metropolitan elite will grab your car and make you eat tofu! Such tactics have proved potent. Although awareness of climate change has increased, a political divide has opened. Voters on the left in Australia, Canada, Germany and Sweden are 23-44 percentage points more likely than ►

► those on the right to see it as a “major threat”; in America the gap is a stunning 63 points, according to Pew, a pollster. Such polarisation means bigger flip-flops when power changes hands: imagine France under the wind-farm-loathing Marine Le Pen. Everywhere, making climate policy less predictable makes it harder for investors to plan for the long term, as they must.

What can be done? President Joe Biden’s approach has been to throw hundreds of billions of dollars at everything from batteries to smart grids, and to call it a programme to create jobs and face down China. Even voters who do not care about greenery like jobs and fear China, goes the calculation, and a future Republican president would shrink from scrapping subsidies that are popular with recipients in red and blue states alike. All true, but this approach has big drawbacks.

First, framing green energy as a matter of industrial policy and national security opens the door to protectionism, which raises the cost of green technology by shutting out some of the best suppliers. Second, a subsidy-based approach will be far more expensive than one that makes more use of carbon pricing, which encourages the reduction of emissions throughout the economy. The IMF estimates that in a typical rich country, trying to reach net zero using mostly subsidies would raise public debt by an unsustainable 45-50% of GDP by 2050. Using a well-designed mix of carbon taxes and other measures would raise debt by a more manageable 10-15% of GDP.

The downside of carbon taxes is that voters don’t like the sound of them, since they are, as the name implies, taxes. Governments have typically succeeded in putting a price on carbon only by stealth: using emissions-trading schemes that few



voters understand. Carbon prices now cover almost a quarter of global emissions, but that is not nearly enough.

To curb carbon fast enough without generating too much resistance, climate policies should be designed to inflict as little hassle and cost on households as is practical. To reduce hassle, governments should remember that voters’ time is valuable and many green chores are dull. So, for example, instead of placing the burden on householders to install heat pumps, governments could place it on the utilities that hook up homes to the grid. Such firms could work their way across a country, installing a big heat pump in each road and connecting all the nearby houses to it—a process a bit like the roll-out of broadband over the past two decades.

To curb costs, governments should create predictable incentives to reduce emissions efficiently, meaning far more use of carbon pricing. Workers in industries that will eventually be shut down, such as coal, should be offered help, including training for new jobs. Judicious regulation can also play a role. If car firms are given a deadline to stop selling new petrol cars, they will strain to bring down the price and extend the range of electric vehicles. If deadlines are realistic, cleaner tech may already be cheaper than the dirty sort before it is compulsory.

Plenty of clean technologies are cheaper in the long run but have stiff upfront costs. Many voters in rich countries will need help with these. So will developing countries, where the high cost of capital still makes many green projects unaffordable. Globally, politicians who care about the climate should take the backlash seriously. That means being honest with voters about the inevitable disruption, and striving to minimise the pain. ■

Demography

Prematurely grey

Large parts of Asia are getting old before they get rich. They must start planning now

A BULGE IN A country’s working-age population is a blessing. Lots of workers support relatively few children and retired people. So long as the labour market can absorb a surge of job-seekers, output per head will rise. That can boost savings and investment, leading to higher economic growth, more productivity gains and developmental lift-off. Yet for countries that fail to seize this opportunity, the results can be grim—as many developing countries may soon discover.

Consider Thailand. It is rapidly greying. In 2021 the share of Thais aged 65 or over hit 14%, a threshold that is often used to define an aged society. Soon Thailand will, like Japan, South Korea and most Western countries, see a dwindling supply of workers and, without extraordinary measures, flagging productivity and growth. Yet unlike Japan and the rest, Thailand, with a GDP per person of just \$7,000 in 2021, is not a developed country. It has got old before it has got rich. When Japan had a similar portion of oldies, it was roughly five times richer than Thailand is today.

This is a big obstacle to Thailand’s future development. To protect its ageing citizens, many of whom are poor, Thailand’s government will have to spend more on health care and pensions. This will make it harder to invest in productivity-boosting skills and infrastructure. And where Thailand goes, many devel-

oping countries will follow. In Asia, where the problem is most advanced, Indonesia and the Philippines are also likely to become aged societies at lower income levels than was the case in the rich world. Sri Lanka, where the average income is a third lower than Thailand’s, will become aged by 2028.

Countries that age before growing rich have failed to seize their demographic opportunity, or aged out of it too rapidly, or suffered both problems. Between 1960 and 1996 (just before the Asian financial crisis), Thailand’s economy grew at an average annual rate of 7.5%. That was impressive, but below Japan’s double-digit clip in its boom years. Meanwhile, thanks to improving life expectancy and other factors, Thailand has aged fast. The share of oldsters in its population doubled, from 7% to 14%, in two decades. It took Japan 24 years to undergo the same change, America 72, and much of western Europe over a century.

Rapid ageing and slower growth are widespread in the developing world. Vietnamese are about half as rich as Thais and ageing even faster. India’s economy has been one of the world’s fastest-growing, yet not as fast as Thailand’s during its boom. In the decade to 2020 India grew at an average annual rate of 6.6%.

One conclusion is that countries with a working-age bulge need to wring more growth out of it. India may never have a bet- ►

ter chance than the present. Under Narendra Modi it has a strong, pro-business government, which is likely to win re-election next year. There is a consensus on the measures, including privatisation and looser foreign-investment rules, that could raise its growth rate. Such reforms would help India take advantage of Western efforts to shift supply chains out of China. If India needs a cautionary tale to justify action, it need look no further than its own rapidly ageing southern states. In Kerala 17% of the population is 60 or older.

Another conclusion is that developing countries need to start planning for old age earlier. They should reform their pension systems, including by raising retirement ages. They should nurture financial markets, providing options for long-term saving and health insurance. They should create conditions for well-regulated private social care. And they should try harder to increase female participation in the labour force; in India it is a wretched 24%, half the global average. Getting more women into jobs would extend the demographic dividend and help deal with

the fact that women live longer than men, but tend to have more meagre savings and pensions, and so are vulnerable in old age.

Finally, developing countries should learn from the errors of rich ones by taking a pragmatic view of immigration. Hard as this can be politically, it is often the easiest way to extend the transition. Building sites in Bangkok already throng with illegal Burmese immigrants. By formalising them, Thai politicians could usher them into more productive roles.

Dividend booster

India provides a happier example of this. A continent-size country, its boom is fuelled by internal migration. Its last census, in 2011, counted 450m internal migrants. Many travel from the poor north to the more prosperous south and west, to seize new opportunities and, increasingly, to take up those being vacated by the south's ageing workers. It is an inspiring illustration of what relatively unfettered labour markets can do—and a lesson for Japan, Thailand and governments everywhere. ■

Scientific collaboration

The case to STAY

Why America and China should keep doing scientific research together

SINCE DENG XIAOPING and Jimmy Carter struck a deal in 1979, American and Chinese academics have co-operated on scientific research. Like so much else about relations between the two countries, that co-operation is now under threat. As we report this week (see Science & technology section) American and Chinese scientists are writing fewer papers together and the number of Chinese students and researchers entering America has fallen sharply. Now politicians are wavering about whether to renew the Deng-Carter deal, called the Science and Technology Agreement (STA). Republicans want to scrap the pact; Democrats want to renegotiate its terms.

It is easy to understand America's fears about boosting China's technological capability, and therefore its ability to wage war. The widespread fear that China has exploited a naive American belief in openness has also sapped the will to work together. China has a long record of ordering Western companies to hand over technologies as a condition of selling into its vast market, and is often accused of intellectual-property theft.

Yet quitting or watering down the STA would be a mistake. To begin with there are few, if any, examples of academic collaboration harming America's interests. Republicans' chosen example of research gone wrong is a project in 2018 to share data from jointly launched weather balloons, a tale that plays on fears of aerial spying but does not represent a real security failure. In any case, the STA covers academic research that, in America, ends up easily accessible in academic journals, whoever wrote it. True, Chinese scientists—and by extension China—gain expertise from being involved. But other laws, and a recent executive order by President Joe Biden, restrict the sharing of American expertise in sensitive areas.

In addition, it would be a mistake to think that the gains from collaboration are one-way. China's scholars match and even outdo America's in some fields, such as batteries, telecommunica-

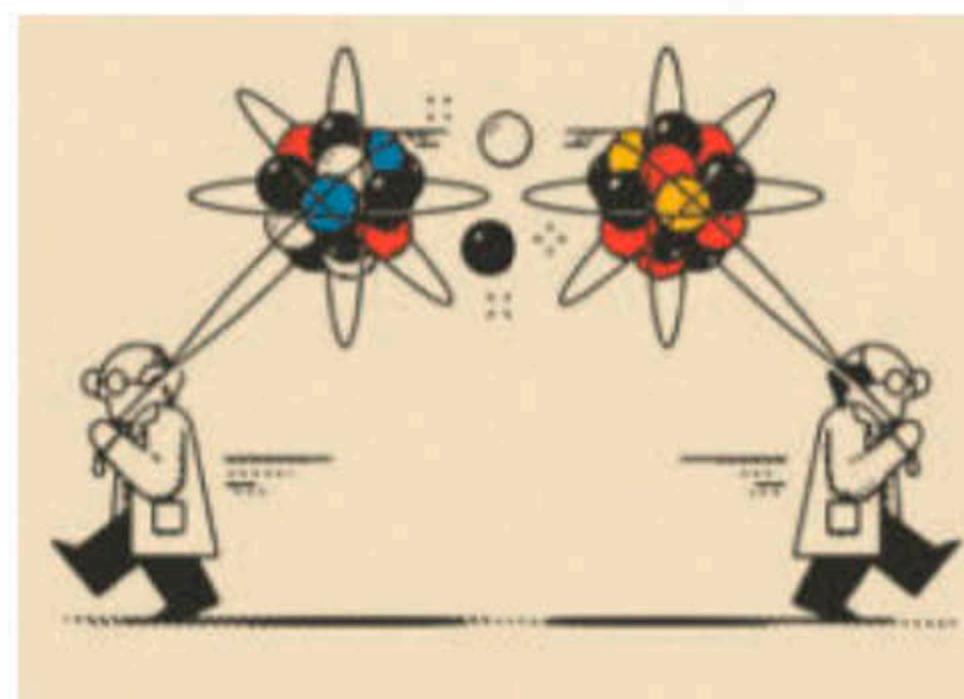
tions and nanoscience. And because China's research environment is far more opaque than America's, Uncle Sam may gain more from peering over the wall than China does.

Collaboration also offers opportunities to influence China's approach to ethically vexing research. Under sway from America, it has gradually adopted Institutional Review Boards, which oversee work that affects human subjects. Innovation in artificial intelligence and other areas in which China is closer to the frontier of knowledge will raise new ethical quandaries for researchers. American scientists can usefully steer China's approach there, too.

Last, at a time of tensions between China and America, the STA carries important symbolism. It was the first bilateral accord

signed after relations between the two countries were restored. Scrapping it without good reason would feed the idea that America views all Chinese researchers with suspicion. If that deterred more talented Chinese from working in America, opportunities for fruitful cross-fertilisation would go up in smoke. American science benefits from its ability to attract the world's brightest minds. That would be impeded if it created the impression that it is a closed shop.

Scientific co-operation among rival great powers has a powerful precedent. Joint research by American and Soviet scientists during the cold war led to the detection of gravitational waves, to advances in modelling non-linear dynamics now used to track climate change and to the manufacture of the vaccine that eradicated smallpox. Even as war raged in Vietnam, Soviet scientists were helping build a particle accelerator at Fermilab, 40 miles west of Chicago. The relationship was not symmetrical, but it did bring mutual gains and propel humanity's progress. Rather than adopting a new model of scientific isolationism, America's leaders should remember that collaboration in the lab tends to benefit everyone—including America. ■





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The closing time and date for the submission of applications for this call is 6 November 2023, 12.00 noon Brussels time.

Roll cameras

The timeline to produce blockbuster films is far longer than most people realise ("That's a wrap", September 30th). In addition to pre-production before shooting and the actual filming of the movie, blockbusters often spend 12-18 months in post-production before they are released. Many of next summer's blockbusters will be nearing the end of this long road to completion over the next six months. So the strikes in Hollywood have in some cases had an impact on films that have long since finished shooting but are still in post-production.

Much of the post-production time on the biggest films is spent on visual effects (or VFX). The tennis ball on a stick that an actor ran from on set may need to become a fire-breathing dragon. The creature will need to be designed, a digital model constructed, digitally painted and rigged (think strings on a digital marionette). Then, once the dragon is ready, it still must be animated, its fire simulated, and all these elements digitally composed for dozens or hundreds of individual shots in the film. This work is time consuming, highly skilled and costly. The workforce is global, though it tends to cluster where government incentives have brought together studios and highly skilled, well-paid jobs to a city or province.

ZACHARY MALLETT
VFX producer
Vancouver

He did it his way

Writing about how we mourn famous writers and musicians you readily dismissed intimacy as a cause of our grief (Back Story, September 9th). Great artists bare their souls through their art, revealing something deeply personal about themselves. I remember feeling grief at the death of Frank Sinatra, a result of having got to know something about the man through his music. His obituary in the *New York Times* reflected this,

observing that, as he matured, "Sinatra's interpretations grew more personal and idiosyncratic, so that each performance became a direct expression of his personality and his mood of the moment." Of his impact on popular music, the *Times* said, "Sinatra transformed popular singing by infusing lyrics with a personal, intimate point of view."

ERIC LANE
Rye, New York

Expanding PREP treatments

Too many people continue to become infected with HIV globally and in sub-Saharan Africa particularly, so I appreciate your leader highlighting the need to improve prevention efforts ("How to beat HIV" September 23rd). Pre-exposure prophylaxis (PREP), using drugs to reduce the risk of HIV infection, is a critical tool in efforts to end the epidemic. Oral PREP works for everyone, men and women, regardless of sexual orientation.

True, the impact of PREP among women in sub-Saharan Africa has been suboptimal because of challenges with adhering to daily pill-taking, limited access and stigmatisation. However, making oral PREP easily and widely accessible in communities has been shown to facilitate its uptake. Indeed, research such as the SEARCH study in Kenya and Uganda has found this approach to be associated with lower HIV infection risks among men and women.

New PREP options, including a long-lasting injection and the vaginal ring, are exciting and needed. People should have choices that suit their needs. Cabotegravir, an injectable PREP, has been found highly effective at preventing HIV. However, manufacturing injectable PREP is complicated and generic cabotegravir is years away. Access remains very limited. Moreover, most projects planning to offer injectable PREP do not focus on so-called key populations who are at particularly high risk of HIV, such as sex workers, transgender people and men

who have sex with men. Even in sub-Saharan Africa, where girls and young women face substantial HIV risk, about half of new infections are among key populations and their sexual partners. Punitive laws like those criminalising same-sex relations undermine HIV-prevention efforts. Removing these barriers is critical to ensuring health-care access for those who need it most, something no new pharmaceutical product will do.

DR ROBIN SCHAEFER
Forum for Collaborative Research
University of California, Berkeley

Treat your workers well

Bartleby's tour d'horizon of the most important person in a company (September 16th) makes stimulating reading for what it includes and for what it omits. Most of the people mentioned, including the chief executive, are employees. As companies migrate, or at least inch, towards some form of stakeholder capitalism, CEOs would do well to measure the value of employees not merely as productive assets or human capital but as sources of intelligence, reputation and resilience. At every level, employees who are esteemed and rewarded for everything they can offer to their company, as opposed to just being paid for work done, are much less likely to engage in quiet quitting and much more likely to display lasting loyalty to their organisation. Moreover, Bartleby conspicuously omitted shareholders. Here again, if shareholders are cultivated for their contribution beyond their investment and not just until the next quarterly results, they too can show loyalty as sources of intelligence, reputation and resilience.

NICHOLAS DUNGAN

Chief executive
CogitoPraxis
The Hague

Schumpeter amply plumbed the abysses to which customer service, particularly for tech firms, has sunk (September

30th). He wonders why customers are becoming increasingly uncivil. Anyone who has found themselves locked in voice-mail jail or in the clutches of an incompetent chatbot to resolve a problem that they know could be easily taken care of if they could just reach a human understands this. When things go awry, people need knowledgeable help quickly without being forced to go through a chain of time-consuming, fruitless connections with automated "intelligent agents".

I have found it extremely difficult to reach a human at two big telecoms and cable companies. The sorry track record of those and other corporate giants gives little confidence that they will make the kind of enlightened, sophisticated use of generative AI that Schumpeter thinks will help solve the problem.

STEWART WILLS
Silver Spring, Maryland

Are diamonds forever?

You describe diamonds as long-term investment driven by a fashion fad instigated by a slick marketing campaign and made profitable by the market power of a monopolist (Buttonwood, September 16th). What could possibly go wrong?

GRANT LEWIS
Canberra

Lady blue

Your article on the two women vying to be Mexico's next president didn't capture the true colour of Xóchitl Gálvez's slang ("Señora Presidenta", September 9th). Both *huevones* and *pendejos* best translate as "assholes". Using words like "loafers" and "idiots" barely begins to represent her style.

ANDREW WINTER
United States ambassador, retd
Quito, Ecuador



From shock to fury

KFAR AZZA

Hamas's atrocities and Israel's retaliation will change both sides for ever

THE FIRST hours were chaos. Residents of southern Israel, near the border with Gaza, woke to the sound of incoming rockets and mortars. They rushed to shelters—a grim routine in this part of the country, but a routine nonetheless. Then, a few minutes later, they heard gunfire drawing steadily closer and shouting in Arabic. That was not routine at all.

Nor were the unimaginable scenes outside their homes, snippets of which began to trickle out on social media: Palestinian militants on the bed of a pickup truck, driving through an Israeli town firing at passers-by; a pile of bodies at a bus stop, another at an army post. The morning dragged on, and no help arrived. Frantic Israelis called television-news shows from their safe rooms and asked, in hushed tones, where their army was.

Then, no less shocking, came the reports of abductions. A mother said her two sons, one of them just 12 years old, had been kidnapped and dragged across the border. A video showed an elderly woman,

her stiff smile belying her shock, paraded through the streets of Gaza on a golf cart, an armed man seated behind her.

The death toll went up and up and up. Almost a week later, authorities were still counting bodies. In Be'eri, a small kibbutz of around 1,000 people, militants went door-to-door and slaughtered some 10% of the population. An even greater number may have been killed in Kfar Azza, eight kilometres to the north.

For Israelis October 7th was a day without precedent. More than 1,300 people were killed, in a country of just 10m. The death toll exceeds the number of Israelis killed in all violence between Israelis and Palestinians over the prior 20 years (see next story). Another 3,300 people were wounded. Israelis had thought Hamas, the

Palestinian Islamist group that controls Gaza, was a manageable threat. Now it has carried out the deadliest terror attack in their country's history. The mightiest army in the Middle East lost control of its own towns, and needed days to regain it. Authorities have recovered the bodies of at least 1,500 Palestinian militants—more than a battalion's worth of gunmen who managed to flood across the supposedly well-defended boundary.

As shock gives way to anger, the immediate question is how Israel will respond. It has already begun a campaign of retaliatory air strikes, which has killed more than 1,200 Palestinians, many of them civilians, and displaced more than 300,000. Israel will not stop there, although its military options are unappealing. There is bound to be more suffering for both Israelis and Palestinians in the weeks ahead.

But the consequences of October 7th will be much more sweeping. The massacre could reshape not only Israel's approach to the Palestinians but also its own domestic politics. It threatens Hamas's grip on power in Gaza; it also risks a regional war (see later story).

The assault began with a barrage of rockets: 2,200 of them in a matter of hours. That would have been shocking enough: it took Hamas almost a month to fire that many during its war against Israel in 2014. But Israelis soon discovered that the launches were cover for a bigger operation. ►

→ Also in this section

18 Graphic detail: a grim record

19 Regional reverberations

► Bulldozers breached the border fence and hundreds of militants streamed across. Others flew over it in paragliders or sailed round it in dinghies. They fanned out to Israeli cities and towns and started killing.

It took Israel hours to organise a defence. Some units had to be rushed south from the northern border. Once they arrived, they languished in staging areas while commanders tried to work out a battle plan. Several retired generals took matters into their own hands, donning their old uniforms and driving to besieged villages to lead impromptu counter-attacks.

Even before it reclaimed its own territory, Israel started air strikes on Gaza. Benjamin Netanyahu, the prime minister, announced that Israel was at war, and his government began to prepare for a possible ground offensive. The army has mobilised 360,000 reservists and has spent days shifting tanks and other kit to the Gaza border. Yoav Gallant, the defence minister, promised a total siege of Gaza. "No electricity, no food, no water, no fuel, everything is closed." On October 11th its sole power plant ran out of fuel and shut down.

Erez, the sole border crossing between Israel and Gaza, is closed indefinitely. Israel told civilians in Gaza to flee via the Rafah crossing with Egypt, but has repeatedly bombed it. Egypt anyway severely restricts the numbers permitted to cross. It is hard for Palestinians to leave Gaza even in peacetime. Now it is impossible.

As it prepares to fight in Gaza, the Israeli army must keep an eye on its northern border. On October 8th Hezbollah, a Shia militant group and political party in Lebanon, shelled the Shebaa Farms, a disputed sliver of territory. By unspoken rules of engagement, what happens in Shebaa stays in Shebaa: Hezbollah could show support for the Palestinians but also show Israel it did not want a broader conflict.

A day later, though, the Israeli army killed a group of gunmen who crossed the border from Lebanon. Three Hezbollah militants were then killed in Israel's retaliatory bombardment, which led the group to fire rockets at an Israeli army post. Neither side may want a war, but escalation is not always guided by logic. Lebanese citizens have rushed to stockpile food and fuel. Israel has evacuated towns near the northern border. Hamas has called loudly for others to join its attack on Israel.

Israeli forces may take time to prepare, but a ground offensive against the Gaza Strip seems all but certain. Israeli troops occupied Gaza from 1967 to 2005, when they withdrew, forcing about 8,000 Jewish settlers to retreat with them. Since then, Israel has largely blockaded the territory by air, land and sea, while allowing some Palestinians to work in Israel and goods of a non-threatening nature to enter. (Egypt is almost as restrictive.)

Israel's most recent incursion into Gaza, in 2014, was to destroy tunnels Hamas had dug under the border fence to infiltrate Israel. Israeli forces did not penetrate very far into the territory, which is only about 10km wide and 40km long, but home to 2m people. Even so, the operation showed how ground assaults can go wrong. A Hamas unit attacked an Israeli patrol near Rafah and captured an officer, Hadar Goldin. Israel subsequently shelled Rafah for days, killing dozens of Palestinians. Goldin was later declared dead. Israelis dubbed the incident "Black Friday".

The impending attack will be much bigger. Israel is likely to deploy two armoured divisions and one lighter airborne division, each of which has five brigades. Some of these units are waiting for their tanks and other equipment to reach staging areas around Gaza. Others took losses over the past several days of combat.

Assuming Israel's leaders do order a large-scale invasion, one or two armoured brigades with tanks would probably try to cut the strip in two by pushing west at its narrowest point—6km—near Deir al-Balah. Two or three other brigade-sized units—a few thousand men each—would probably focus on the north, including around Gaza City, and one or two others on Khan Yunis or Rafah in the south.

Their aim would probably be to target both Hamas and Islamic Jihad, a separate militant group, focusing on leaders and infrastructure beyond the reach of air strikes. Hamas has claimed that it has several hundred kilometres of tunnels in Gaza. Locating their entrances and dropping in explosives will be a priority. The biggest challenge will be urban warfare, a notoriously difficult task. Gaza is more densely populated than London or Tokyo, giving militants lots of places to hide and civilians

few places to take refuge.

Hamas may be counting on a relatively cautious assault. The group assumes that Israel will not have the stomach for the high casualties a ground invasion would entail. "We know that they are cowards," says Moussa Abu Marzouk, a senior Hamas official based in Qatar. "We know that they can't fight on the ground." It also expects the presence of more than 100 Israeli and foreign hostages in Gaza will restrain the Israeli forces. Hamas hopes to exchange these prisoners for many, if not all, of the 5,200 Palestinians held in Israeli jails. It has also threatened to kill one each time Israel bombs civilian homes in Gaza "without advance warning".

The catastrophic death toll of recent days may change the Israeli calculus, however. "The Israeli willingness to bear—and exact—costs is much higher than in the past," says Natan Sachs of the Brookings Institution, a think-tank in Washington. As for the hostages, many Israelis still burying loved ones say they are in no mood to haggle with the group that killed them.

Ignore at your peril

Indeed, Israel is having to re-examine many long-held assumptions, most notably the belief that Gaza could safely be left to fester. After Hamas seized control of Gaza in 2007 from the Palestinian Authority (PA), the Palestinian government-in-waiting, Israel and Egypt drastically tightened border restrictions, asphyxiating Gaza's economy. Despite the repeated bouts of violence since then, Israeli officials had come to think that Hamas had become more pragmatic. "Above all, they want to keep control of Gaza," an army officer said last year. "To do that they need to improve the economy." If Israel allowed Arab governments to bankroll basic social services in Gaza, the thinking ran, and issued more permits for Gazans to work in Israel, the territory would remain quiescent.

Not only was that view completely wrong, but Israel's vaunted security services also failed to spot that an elaborate attack was in the works. Every phone call in Gaza is routed through Israeli networks, which simplifies eavesdropping. Drones frequently fly over the strip. Israel also has a vast network of informants in the territory—all to no avail.

Part of the problem, no doubt, was a conceptual failure: the belief that Hamas had lost interest in large-scale conflict. In fact, even some Hamas leaders seem surprised. Mr Abu Marzouk says he and other senior leaders in Qatar were not told about the attack in advance. Since 2017, when Yahya Sinwar became the leader of Hamas in Gaza, a small number of hardliners, mostly based in Gaza, have consolidated power.

A second error was the divide-and-rule policy towards the Palestinians of Binya-



Monuments to a massacre

► min Netanyahu, who has been Israel's prime minister for 12 of the past 14 years. He has long sought to undermine the PA, which still runs parts of the West Bank. He has refused to resume peace negotiations since half-hearted talks broke down in 2014. He has frozen transfers of the tax revenues Israel collects on the PA's behalf. At the same time, he has treated Hamas like a legitimate power in Gaza. In 2011, for instance, he approved a deal to swap 1,027 Palestinian prisoners for Gilad Shalit, an Israeli soldier the militants had captured in 2006. The exchange, naturally, raised Hamas's standing among Palestinians.

For Mr Netanyahu, the logic was clear. The PA is committed to negotiating a two-state solution with Israel, which is anathema to the prime minister's right-wing supporters. Undermining the PA and boosting its militant rival would help him to claim that Israel has no "partner for peace". But Palestinians drew a different, if predictable lesson: that the only way to extract concessions from Israel is through force.

Hamas may now have overreached, however. Some observers believe it did not expect its assault to be so successful and is not sure how to proceed. It may have hoped to frighten Israel into concessions, but has instead steeled it for war. The Israeli army told foreign defence attachés on October 10th that its aim was to "eliminate" the leadership of Hamas. "The military end-goal is to destroy Hamas's capability, no matter how long it takes," the army said, according to someone who attended. That is easier said than done, though, as America learned during its long war in Afghanistan, or Israel during its 18-year occupation of southern Lebanon.

Even if Israel could uproot Hamas, no one is sure what would replace it. The PA is too weak to assert authority in Gaza; it is

not even strong enough to control the West Bank, parts of which have fallen into anarchy. A plurality of Palestinians, and a majority of Gazans, want to dissolve it. Mahmoud Abbas, the 87-year-old president, has not set foot in Gaza in almost 20 years.

There has been some idle talk of sending Arab peacekeepers to secure Gaza, but few Arab regimes would want to do so. Egypt occupied Gaza from 1949 to 1967; both sides have bitter memories of that time. Gulf states such as Saudi Arabia and the United Arab Emirates have no desire to rule over 2m Palestinians. Nor do most Israelis wish to reoccupy the territory.

To invade and then leave, however, would not change the status quo. Hamas's leaders and a large proportion of its fighters are likely to emerge from their bunkers and restore control over the strip the minute the Israelis depart. That is an unpalatable outcome, but it is the most likely one.

Charting a clear path forward would be difficult for any Israeli government, but especially for the current one. This has been a year of deep political turmoil. Mr Netanyahu won a plurality of seats in a snap election in November, after more than a year in opposition. He presides over a government comprised entirely of right-wing and religious parties. His minister for national security, Itamar Ben-Gvir, was banned from serving in the Israeli army because of his extreme nationalist views.

Mr Netanyahu has since pursued a divisive agenda, which includes curtailing the Supreme Court's authority to overturn government policies and giving politicians more say in the appointment of judges. Critics dubbed this a judicial "coup" and have staged mass protests every Saturday this year—until October 7th, when they were suspended. Army reservists threatened to boycott their mandatory service

(that tactic, too, has been shelved).

Optimists hope this month's carnage will help shift Israeli politics back to the centre. "If there can be one conciliation after this darkest of days, it will be Israel returning to its senses, ending the political crisis and forming a unity government," wrote Shimrit Meir, an adviser to Naftali Bennett, who replaced Mr Netanyahu in 2021 for a brief stint as prime minister. In a prime-time address on October 9th Mr Netanyahu urged centrist parties to join his government "without preconditions".

On October 11th, after a couple of days of negotiation, Benny Gantz, a former army chief who leads the second-biggest centrist party, National Unity, agreed to join an "emergency government". But Yair Lapid, leader of the biggest opposition party, Yesh Atid, has so far declined to participate.

United in suspicion

The dilemma, for both parties, lies in joining a government that their supporters have spent the past year protesting against. Mr Netanyahu has promised not to pursue any legislation unrelated to the war, but has refused to jettison his most extreme coalition partners. That makes sense for a prime minister concerned, as ever, with his political survival. The unity government will only last as long as the fighting does. Mr Netanyahu does not want to alienate the parties he will then need to form another right-wing coalition. Mr Gantz has held his nose and joined anyway, lending military expertise to a government that lacks it.

Although that will steady the government for the time being, the events of recent days may yet put an end to Mr Netanyahu's long and comeback-filled career. He has spent a year fighting a needless political battle instead of focusing on real threats—and many years before that labouring to make Palestine a problem with no solution. Security is his watchword and he has overseen the Israeli armed forces and intelligence services for more than a decade, with only a brief interruption.

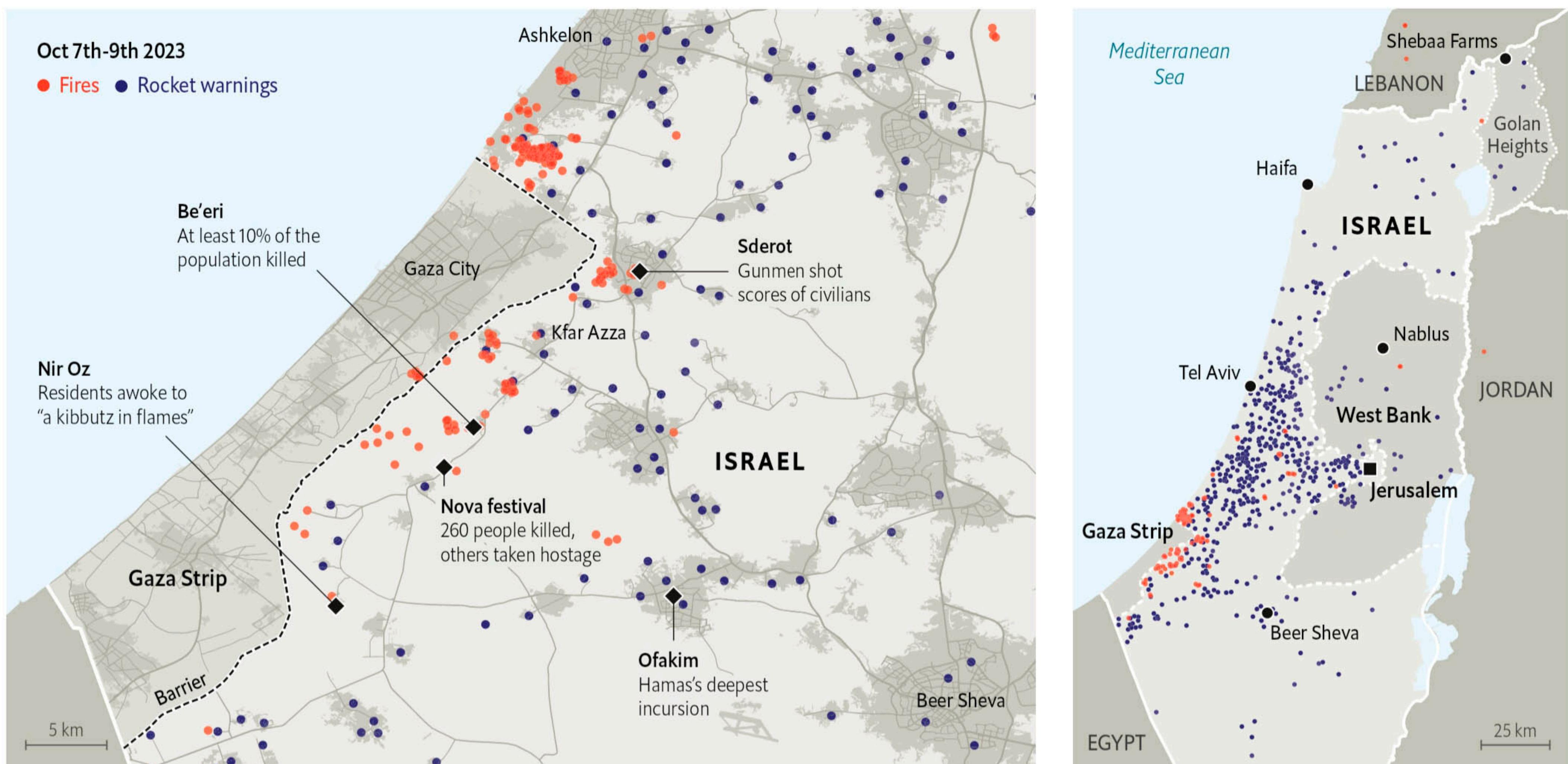
Hamas, for its part, has opted for murderous nihilism. To talk to its leaders is to slip into a fantasy world where Gaza is "liberated", even though its inhabitants are trapped in penury in a 365 square-kilometre cell. Victory over Israel is imminent and until then Gazans will gladly endure their lot. Since the massacre the group has made clear that, apart from the hope of sparking a broader attack on Israel, it has no plan beyond continued violence.

The unfolding cataclysm, in short, seems likely to lay bare the poverty of thinking on both sides. Alas, the appalling bloodshed of recent days, and the likelihood of further horrors to come, will also make adopting a more constructive approach to the conflict that much harder. ■

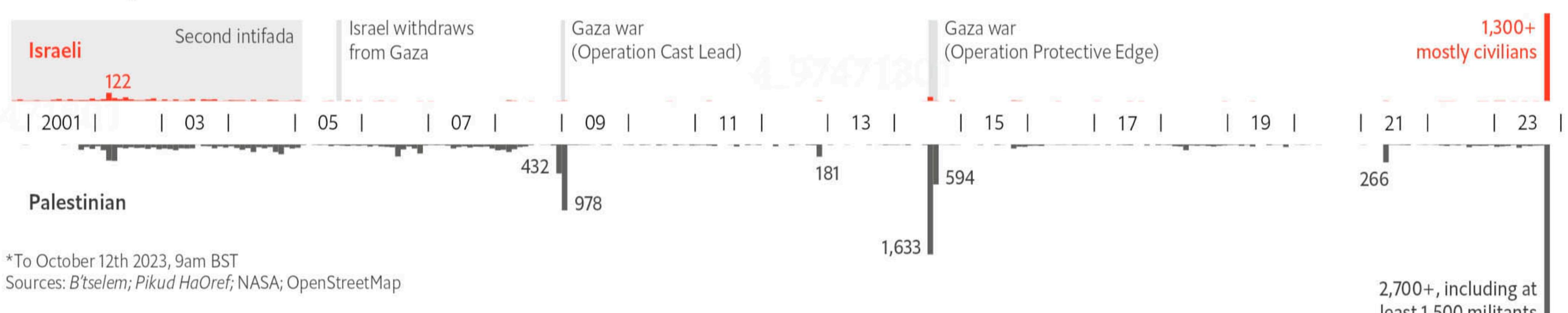


The next battle looms

→ Hamas launched thousands of rockets and mortars into Israel while gunmen mowed down civilians



Total monthly deaths, Israeli-Palestinian conflict*



Graphic detail

The darkest day

Hamas's attack was the bloodiest in Israel's history

ISRAELIS know they cannot take their physical safety for granted. But nothing in the country's 75-year history could have prepared them for the carnage of October 7th. As *The Economist* went to press estimates of the number of Israelis killed in Hamas's attack had reached 1,300, with a further 3,300 injured. Around 150 hostages are thought to have been taken to Gaza.

The failure of Israeli intelligence to anticipate the attack is comparable to the start of the Yom Kippur war of 1973, when Egypt and Syria launched simultaneous surprise offensives on Judaism's most important holiday. The number of civilian lives lost is, however, very different. In 1973 those invading armies sought to capture

territory, not slaughter non-combatants. The 2,656 Israelis who died during the three-week war were all soldiers. In contrast, only around 13% of Hamas's victims this week were active military personnel.

Most of the victims were shot by gunmen who streamed across the border and reached as far as Ofakim, a city some 25km (15 miles) inside Israel. By current estimates, the most deadly attack took place at a music festival in the desert near Reim, a kibbutz around 5km from the border, where at least 260 people were murdered.

At the same time Hamas fired an unprecedented barrage of mortars and rockets into the country, spreading fear over a wider area. Around 4,500 explosive projectiles were launched between October 7th and 9th—roughly as many as during an entire two-month war in 2014—causing blazes that were visible from space. The number of fires detected in Israel on October 7th by FIRMS, a NASA satellite system, was the second-highest of any day in the past decade, surpassed only by a spate of wildfires in 2020. Most were clustered around the border with Gaza, but some reached as

far as the southern suburbs of Tel Aviv.

The assault dwarfs all other mass murders of Israeli civilians. The bloodiest atrocity committed by Arabs during Israel's war of independence, a massacre at Kfar Etzion, an Israeli settlement, in May 1948, left 127 people dead. And the deadliest previous attack by Palestinian terrorists, a bomb detonated at a Passover seder at a hotel in the city of Netanya in 2002, killed 30. The death toll from October 7th has already surpassed the total number of Israelis killed during the second intifada, a Palestinian uprising that lasted from 2000 to 2005. As a share of Israel's population, it is equivalent to 12 September 11th attacks—a daily mortality rate exceeded only by full-scale wars, genocides or natural disasters.

The most searing historical comparison predates Israel's founding. Not all of Hamas's victims were Israeli, and not all of the Israeli dead were Jewish. But under reasonable assumptions about the ethnic make-up of those killed in this and previous attacks, the last time before October 7th that this many Jews were murdered on a single day was during the Holocaust. ■

The regional reverberations

Resisting the call, for now

BEIRUT

Hamas has failed to rally the Middle East to its cause

"OUR PEOPLE in all Arab and Islamic countries," intoned Muhammad Deif, the leader of Hamas's military wing, in a recorded statement released to coincide with the group's attack on southern Israel. "...The day has come when anyone who has a gun should take it out. Now is the time. If you do not have a gun, take up your cleaver, hatchet, axe, Molotov cocktail, truck, bulldozer or car."

A few have heeded his call. In Egypt's second city, Alexandria, a policeman shot dead two Israeli tourists and their guide. Across Israel's jittery border with Lebanon, there has been sporadic fighting. Supporters of Hamas have taken to the streets, from Bahrain to Morocco. In Damascus, the capital of Syria, the Palestinian flag lit up the opera house. In Lebanon's Palestinian refugee camps, visitors report a carnival atmosphere. In Qatar, home to Al Jazeera, a satellite television network popular across the Arab world which has been covering the atrocities with scarcely disguised admiration, exiled leaders of Hamas prostrated themselves on an office floor to give thanks.

But the Arab and Muslim legions that Hamas has called to its aid have not stirred, at least not yet. Some Arab governments have formally made peace with Israel, or are contemplating it. Most others are keen to limit hostility to a purely rhetorical level. Their secret policemen typically suppress any protest, fearing demonstrators might turn against their own government, too. The Arab "street", moreover, is still in a state of exhaustion after the heady protests of the Arab spring in 2011 gave way to chaos, fragmentation, violence and repression.

Nonetheless the danger of violence and war spreading to other fronts, especially Lebanon, is acute. The start of Israel's expected ground operations in Gaza may be a trigger. America, for one, is taking the threat seriously. It has deployed an aircraft-carrier and other warships to waters off Israel. Air-force squadrons in the Middle East are being reinforced. Emergency shipments of weapons are being delivered to Israel. The aim is both to show solidarity with Israel and to deter Iran and its proxies from getting involved. "To any country, any organisation, anyone thinking of taking advantage of this situation, I have one word," said President Joe Biden on October 10th. "Don't. Don't."

The members of the so-called "axis of

resistance" to Israel—comprising Iran, the arch-enemy, and its proxies in Iraq, Lebanon, Syria and Yemen—are cheering Hamas's "triumphant operation" and hinting that they might join the fighting. But none has done so yet. Hizballah, a Shia militia-cum-party in Lebanon, and arguably the most powerful foe on Israel's borders, knows that the war it initiated in 2006 in support of Hamas was hugely destructive to Lebanon. It has thus far refrained from joining in again. With its collapsing economy, Lebanon is in no shape to deal with another calamity. Even a state-within-a-state such as Hizballah may hesitate to precipitate further damage.

Iran is also keeping its powder dry. The 120,000-150,000 missiles and rockets it has supplied Hizballah may be intended mainly to deter Israel from bombing Iran's nuclear facilities. And for all its anti-Israeli rhetoric, Iran has never gone to war for the Palestinians. "We know we're a tool [of Iran]," says a Hamas official in Gaza, noting that Hamas and Iran lie on opposite sides of the sectarian divide between Sunni and Shia Muslims. "At the end of day we just have a *zawaj muta*, a temporary marriage."

Still, pressure on the axis to do more may increase as the fighting in Gaza intensifies. Four months ago Hizballah conducted a much-hyped military exercise in southern Lebanon in which it practised capturing Israeli towns. That Hamas has

now done so "puts them under pressure", says Hilal Khashan, a Lebanese security expert. For now cross-border strikes seem intended as warnings, rather than the start of a war. The day after Hamas launched its attack, Hizballah shelled Israeli positions in the Shebaa Farms, a contested parcel of borderland where fighting tends to be self-contained. More serious exchanges followed elsewhere, including missile and artillery fire. Hizballah reported that three of its fighters had been killed. The Israeli army says it has also killed at least two infiltrators. The question is whether these skirmishes will spiral into something bigger.

Abraham's restless children

Iran has already benefited from Hamas's butchery. Its big worry had been the rapprochement of its Gulf neighbours with Israel. Under the Abraham accords Israel has normalised relations with several Arab states in recent years, including Bahrain and the United Arab Emirates. Next in line was the prize, Saudi Arabia, the world's largest oil exporter and home to Islam's two holiest places. Last month the kingdom's crown prince and de facto ruler, Muhammad bin Salman, said a deal with Israel was nearing: "Every day we get closer." Israeli ministers had started to visit Saudi Arabia openly. Just days before Hamas's attack Iran's supreme leader, Ayatollah Ali Khamenei, warned that countries establishing relations with Israel were putting themselves "in harm's way".

A deal between Israel and Saudi Arabia was never going to be easy to secure, given popular hostility in Saudi Arabia and the prince's demands for, among other things, a formal defence treaty with America and the means to enrich uranium. Binyamin Netanyahu, Israel's prime minister, also risked losing his far-right coalition allies if ➤



Not the sort of support Hamas was hoping for

he made concession the Saudis wanted to the Palestinians. Still, wrecking the deal may have been one of Hamas's main goals in unleashing its attack.

If so, it has probably succeeded, at least for a time. Aaron David Miller of the Carnegie Endowment for International Peace, a think-tank in Washington, says America's ability to foster an Israel-Saudi deal "has been reduced to zero". Given the bloodshed, no Israeli leader will make concessions to Palestinians. Saudi Arabia will be similarly constrained and Prince Muhammad may in any case be reluctant to rush into a pact with American and Israeli leaders who could soon lose power. The Saudi foreign ministry has in effect blamed Israel for the violence, owing to "the continued occupation". On October 11th Prince Muhammad and Iran's president, Ebrahim Raisi, spoke on the phone—the first time they have ever done so. Iran said they discussed the "need to end war crimes against Palestine"; the Saudis said the prince was trying to "stop the ongoing escalation".

While Saudi Arabia is getting cold feet about establishing ties with Israel, the European Union has been tying itself in knots over its support for the Palestinian Authority, which governs the Palestinian-run bits of the West Bank and is led by Fatah, a rival Palestinian faction to Hamas. The EU's aid to the PA is under review amid claims that it may be funding extremism. On October 9th the European Union's enlargement commissioner, Oliver Varhelyi, said payments worth hundreds of millions of dollars had been suspended. He was promptly countermanded by the EU's top diplomat, Josep Borrell, who said that "punishing all the Palestinian people" would have damaged the EU.

Plan B for Biden and Bibi

As for America, Israel's vital ally, the carnage has brought a rapprochement between Mr Biden and Mr Netanyahu. Mr Biden, worried by Israel's turn to the nationalist right and by the large protests against moves to curb the judiciary, had previously tried to limit contact with Mr Netanyahu. Now he is giving the prime minister much leeway in mounting a military response. In a televised speech on October 10th he declared: "Let there be no doubt, the United States has Israel's back."

An immediate concern for Mr Biden is to establish how many Americans have been killed (22 deaths have been confirmed) or taken hostage (the number is unknown, though 17 are still unaccounted for). A second, broader one, is to control the possible shockwaves across the region.

Mr Biden's embrace of Israel may at some point become a form of gentle restraint. America has started to show a bit more concern for the plight of civilians in Gaza. Mr Biden urged Israel to operate



"within the laws of war", a veiled reproach to Israeli officials who have spoken of "total siege" and cutting off supplies of food, water and electricity to the territory. America is urging Israel and Egypt to open some sort of humanitarian corridor. The details are hazy, but reports suggest that it is advocating a safe way for American citizens and at least some Palestinians to leave Gaza. "Civilians did nothing wrong. We want to make sure they have a way out," said a White House spokesman. But Egypt does not want an exodus. Its president, Abdel-Fattah al-Sisi, says the Palestinian question should not be settled "at the expense of other parties". Admitting a big influx of Palestinian refugees would be destabilising for Egypt, and could be seen as paving the way for an especially destructive Israeli assault on Gaza.

Another effort at restraint amid the turmoil concerns Iran. Perhaps because they do not want to open another front, American and Israeli officials say there is no hard intelligence on Iran or Hizbullah being directly involved in planning or directing Hamas's assault. But Jake Sullivan, Mr Biden's national-security adviser, maintains that "Iran is complicit in this attack in a broad sense because they have provided the lion's share of the funding" to Hamas, not to mention years of training, weapons and other support. Some reports suggest Iran was surprised by the attack.

Mr Biden came to office hoping to revive an agreement to limit Iran's nuclear programme, which Barack Obama signed over the objections of Mr Netanyahu, and which Donald Trump tore up. There has been no deal, and Iran is now much closer to being able to make a nuclear bomb. Hamas's horror now risks making him look like a dupe for even trying to negotiate with a regime that chants "Death to Israel".

Indeed, Republicans are drawing a direct line between Mr Biden's Iran policy and Hamas's slaughter. They criticise him in general for easing Mr Trump's policy of "maximum pressure" on Iran. And they denounce him in particular for negotiating a deal to secure the release in September of

five imprisoned Americans. This involved the unfreezing of \$6bn in Iranian oil revenues in South Korea, now held in escrow in Qatar. The administration says the money has not yet been disbursed and will be used only to pay non-Iranian contractors for food and other humanitarian supplies. "Nobody in Iran will ever touch a single dinar or cent or rial from those funds," insists a senior official.

Never mind the facts. For Mr Trump, the likely Republican presidential nominee, "American taxpayer dollars helped fund these attacks." He later lamented, "We are perceived as being weak and ineffective, with a really weak leader."

That said, Republicans are not helping Israel much. Their divisions, and the approach of next year's elections, have made Congress more dysfunctional than usual (see United States section). The Senate has not confirmed Mr Biden's nominee for ambassador to Israel, nor hundreds of senior military appointments. The budget process—including new military aid for Ukraine and possibly for Israel—is at a standstill. A government shutdown looms again in November. And at a rally on October 11th, Mr Trump himself called Israel's defence minister a "jerk".

Both out of sincere belief and to defuse Republican attacks, Mr Biden will hug Israel close. "Like every nation in the world, Israel has the right to respond—indeed has a duty to respond—to these vicious attacks," he argued. What then? Nobody can tell what Gaza, or the Middle East, will be like after Israel's retribution. Mr Biden will need a new strategy for the region now that Hamas has upended much of his old one. Israel-Saudi normalisation is set back. The "two-state" solution to the Palestinian question has all but vanished. A less hostile relationship with Iran seems impossible. And the president's hopes of turning away from the Middle East to focus on the great-power contests with Russia and especially China have been dashed. As America knows all too well, from its experience of Afghanistan and Iraq after 9/11, overreaction to bloodthirsty terrorism without a viable long-term plan can lead to disaster.

Less than a fortnight ago, in a different era, Mr Sullivan had declared with satisfaction: "The Middle East region is quieter today than it has been in two decades." He recognised that "all that can change" but boasted that he had to spend less time than any of his predecessors since 9/11 dealing with crisis and conflict there. Now he has joined them, somehow trying to contain the Middle East's entropy and violent politics. Mr Sullivan had sought to "depressurise, de-escalate and ultimately integrate the Middle East region". But it all risks going into reverse: conflict, escalation and disarray could easily start feeding each other once again. ■

**Foreign policy**

And domestic dysfunction

WASHINGTON, DC

Wars in Ukraine and Israel, and the risk of one over Taiwan, test American staying power

ROBERT GATES, a former defence secretary who served Republican and Democratic presidents alike, recently issued a bleak warning. America faces an unholy alliance of China, Russia, Iran and North Korea, yet cannot muster a coherent response. “Dysfunction has made American power erratic and unreliable, practically inviting risk-prone autocrats to place dangerous bets—with potentially catastrophic consequences,” he wrote in *Foreign Affairs*.

The next day, Congress seemed to prove him right. Having danced on the brink of a government shutdown, on September 30th lawmakers adopted a stopgap budget to keep the federal government open for another 45 days. The reprieve came at the cost of halting further military and economic aid to Ukraine, at least temporarily. And despite worries about war over Taiwan, new Pentagon programmes are also on hold. Now Israel, too, is asking for American help to fight back against Hamas, after a terrorist onslaught on October 7th killed more than 1,200 people (see Briefing). At

least 22 Americans died, and an unknown number are held hostage.

Plane-loads of munitions have started arriving in Israel and weapons are still flowing to Ukraine. At some point, perhaps in a few weeks or months, both will need more money from Congress. But it is unlikely to act until a new speaker of the House of Representatives is chosen to replace Kevin McCarthy, who was defenestrated. The disarray is caused, in part, by the fact that Republicans in the House hold only a narrow majority and are bitterly divided, not least over support for Ukraine.

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Their paralysis raises questions about America’s global leadership—doubts that will be redoubled if Donald Trump, the previous president, wins back the White House. “When Congress returns, we’re going to ask them to take urgent action to fund the national-security requirements of our critical partners,” said President Joe Biden. “This is not about party or politics. It’s about the security of our world, the security of the United States of America.” His speech was intended to signal that America “has Israel’s back”, but Mr Biden is casting Israel’s need in broader terms.

The White House may well bundle aid to Israel and Ukraine in a single supplemental budget request. The hope is that sympathy for Israel will make Ukraine aid more palatable for at least some sceptics. Some in Congress suggest aid for Taiwan might also be added. And Republicans talk of including funds to extend America’s border wall with Mexico (see Lexington). On October 9th John Kirby, a White House spokesman, said there was no question of having to choose between helping Ukraine or Israel. “Both are important,” he insisted. “We are a large enough, big enough, economically viable and vibrant enough country to be able to support both.”

America has provided about \$70bn in economic and military aid to Ukraine since February 2022. The Pentagon has about \$5bn-worth of remaining authority to draw down weapons from its military ►►

stocks, but only another \$1.6bn to replenish the arsenal. Israel receives at least \$3.3bn a year. Some of the weapons it is receiving are from accelerated deliveries of equipment already on order. The Pentagon is looking at other ways to help. Separately, it announced a drawdown of arms for Taiwan worth \$345m earlier this year, with a plea that Congress should appropriate funds to replenish stocks.

The biggest portion of any new money will be for Ukraine. Support remains high among Democrats, but has eroded among Republicans. In September a majority of House Republicans—117 against 101—voted against a slice of Ukraine aid worth just \$300m. It passed because Democrats voted 210-0 in favour.

Rather than vote on short-term supplements, such as Mr Biden's request for \$24bn until the end of the year, Ukraine's supporters in Congress are pushing for a large package, lasting a year, to avoid having to vote again in election season. Some speak of something close to \$100bn, in effect multiplying Mr Biden's request for the quarter by four.

Military assistance for allies could be pushed onto another "continuing resolution" that will probably be needed to avert a shutdown in mid-November, or even be included in an all-encompassing omnibus budget in December. Much will depend on voting rules that House Republicans use and, more important, whether and when Steven Scalise, the Republicans' choice and a consistent supporter of Ukraine, can secure the gavel (see next story).

Precisely what weapons America has provided to whom, and what's left, is mostly secret. Broadly speaking, though, the arms most needed by Ukraine, Israel and Taiwan are different. Ukraine is hungriest for 155mm artillery shells and air-defence interceptors. Israel is seeking mainly precision-guided bombs for jets and interceptors for its Iron Dome air-defence system. Taiwan needs lots of anti-ship weapons.

But some demands overlap: Israel is using the same artillery shells as Ukraine does (American shells held in reserve in Israel have been sent to Ukraine); it may also need more air defences if war spreads beyond Gaza. Taiwan uses the same Stinger missiles (shoulder-held anti-aircraft weapons) that have been supplied to Ukraine. The Pentagon is worried about its ability to support allies and replenish American military stocks. Until Congress acts, officials will be scraping together what funds and kit can still be found.

Many in Congress have lost faith in a seemingly indefinite war in Europe. Yet that is precisely what Mr Biden is asking them to fund, to make clear to Russia that the West is serious about supporting Ukraine "for as long as it takes". The plan this year had been to help Ukraine recover suf-

ficient territory to force Russia to the negotiating table on favourable terms. That hope is being dashed by the slow progress of Ukraine's counter-offensive.

Few expect either Russia or Ukraine to be able to mount another big offensive for months. Vladimir Putin probably does not want to order another mobilisation before his re-election in March 2024, if at all. The West's push to increase weapons production may not bear much fruit before 2025.

With no military breakthrough in sight, Plan B is to give Ukraine long-term security commitments to persuade Mr Putin that "he cannot wait us out", as American officials put it. These were promised by Western countries in June, but have yet to materialise. The West would have two aims. First, build Ukraine's "army of the future", not least with the introduction of American-made F-16 fighter jets. Second, establish air-defence bubbles around big cities to allow economic activity to resume and some refugees to return.

But all this requires the Ukrainian army to be able to hold the front, and enough air defences to withstand the coming winter onslaught of missiles and drones against Ukraine's electricity-generation infrastructure. And it relies on having credible, long-term Western support. As for a "theory of victory", demanded by some Republicans, it is mostly the hope that time, military pressure and sanctions will eventually crack the regime of Mr Putin. Earlier this year, during the short-lived revolt of the Wagner mercenary group, that seemed plausible. Of late, though, it is America's Congress that has fractured most visibly.

Plan C, if American aid is severely curtailed, is anybody's guess. "Just imagine if the deliveries were discontinued tomorrow: they would have just one week to go until they used up all ammunition," Mr Putin gleefully said earlier this month. Some countries, such as Britain, insist they will help Ukraine regardless of what America does. Of late European countries have committed more aid to Ukraine than America has. But Europeans admit they could not replace American military support. And without American leadership, European support could crumble, too.

Some Western diplomats are hinting at the option of seeking a diplomatic deal. There are two drawbacks. First, Mr Putin seems uninterested in negotiations before the American elections. Second, if Ukraine cannot hold the front, any settlement will be on Russia's terms, not Ukraine's.

The bloodshed in Israel and Gaza could divert funds and attention from Ukraine. But if it spurs Congress into action it may in fact help Ukraine. Confronted by multiple crises, the danger is that America's foes will see it as a power in "irreversible decline", as Mr Gates put it. It is also possible to see how the opposite could be true. ■

Steve Scalise

Pelican swoop

WASHINGTON, DC

How the next House speaker may play his hand

IT IS HARD to predict precisely when the vacancy for the worst job in Washington will be filled. Yet Steve Scalise, a congressman from Louisiana, appeared likely to replace Kevin McCarthy as speaker of America's House of Representatives at the time this issue went to press. It also remained unclear how much humiliation he might have to endure to secure the job, which will be a difficult one, whoever holds the speaker's gavel next.

On October 11th Mr Scalise beat Jim Jordan, a Donald Trump-endorsed congressman from Ohio for the Republican nomination, 113-99. Mr Jordan then endorsed his rival, but enough spurned McCarthy allies and hard-right Republicans held out to prevent a speedy victory for Mr Scalise in the full House. His predecessor faced an embarrassing 15 rounds of voting, and no doubt Mr Scalise would like to avoid that. Should he become speaker, Mr Scalise certainly will have made concessions to various factions of his fractious party.

Mr Scalise, aged 58, is a survivor—politically and physically. He has spent the past decade climbing the greasy pole of the House Republican leadership. In 2017 a left-wing activist shot and nearly killed Mr Scalise as he practised baseball with other Republicans. Now he is receiving chemotherapy for multiple myeloma, a blood cancer, though he returned to the Capitol last month and has been working.

Mr Scalise remains generally well-liked ►



Scalise scales scrum

► in the Republican conference. He was the preferred choice of many moderates, and even Matt Gaetz, the Florida congressman who effected Mr McCarthy's defenestration on October 3rd, declared "long live speaker Scalise" after the intraparty vote. Perhaps Mr Scalise's greatest Republican foe was Mr McCarthy, who perceived a lack of support and loyalty when the former served underneath him as the second-ranked House Republican.

If he has the job, the beef with Mr McCarthy will matter little compared with the legislative battles to come. Shortly after winning the Republican conference contest, Mr Scalise, wearing a US-Israel flag pin, said the first vote he would call as speaker would be a resolution expressing support for Israel. Passing that legislation, which already has more than 400 co-sponsors in the 435-seat House, is not the same as funding the government.

"He's aware of the dynamics of legislating and the need for compromise. He is also a steadfast conservative," says Matthew Green, a politics professor at the Catholic University of America. "I would expect him to be pushing hard for conservative legislative outcomes, but at the same time open to compromise if it avoids things like a government shutdown."

Mr McCarthy lost his job after he had cut a deal with Democrats to temporarily fund the government through November 17th. Mr Scalise will now have to find a way to pass a budget that covers more than a few weeks and is acceptable to the White House and Democrat-controlled Senate. Mr McCarthy had enough baggage for an early polar expedition, but even as a light packer Mr Scalise could find trouble pushing through fiscal legislation deemed insufficiently conservative.

Perhaps the legislative process will become a bit less rocky with a new speaker. But Dan Lipinski, a former eight-term Democratic congressman, says underlying House dysfunction is driven by an "identity crisis" among Republicans that hasn't gone away. Many want to legislate and pursue incremental conservative gains while others simply prefer nothing happen in Congress. Mr Lipinski also believes his own party, seeking political advantage from Republican chaos, has missed opportunities to change the tone on Capitol Hill.

He noted that House Democrats joined forces with nihilist Republicans to oust Mr McCarthy after his dealmaking to avoid a shutdown. "They were punishing Kevin McCarthy for finally doing the right thing, for doing what they wanted him to do," Mr Lipinski says. "I think that is bad for the institution." If the next speaker works with Democrats to pass a responsible bill to fund the government and assist Ukraine, will they once again help dispose of the Republican leader? ■



New York

Trash talk

HAMILTON HEIGHTS, MANHATTAN

NYC discovers a revolutionary technology: the bin

AH NEW YORK, how it sparkles—from afar. Street level is a different experience. Smelly rubbish mounds create trash-fjords on city pavements, with buildings on one side and piles of black bin-bags on the other. New Yorkers know to lift their feet to avoid the garbage juice that leaks from the bags. Rats feed on the bags, startling even the hardiest citizens. For decades New York endured this, nay accepted it, but no more. A massive "containerisation programme" is under way. The piles of black bin-bags are being replaced by a technology new to the city: secure bins.

On October 11th Eric Adams, New York City's mayor, and Jessica Tisch, his sanitation commissioner, announced that from autumn of 2024 buildings with nine or fewer residential units will be required to place all trash in secure containers. That will cover 765,000 buildings, or 95% of the city's residential properties. It follows similar measures for commercial trash, which amounts to roughly 20m pounds (9m kg) a day, announced last month. Container rules for the city's 40,000 food-related businesses, including restaurants, grocers and bodegas, were implemented over the summer. Altogether 70% of the city's waste is heading into containers.

Containerisation is the norm for cities like Barcelona, Milan and Paris. Cities in South Korea and the Netherlands use submerged ones, something out of reach for New York, where the realm below the pavement is a crowded maze of sewage pipes,

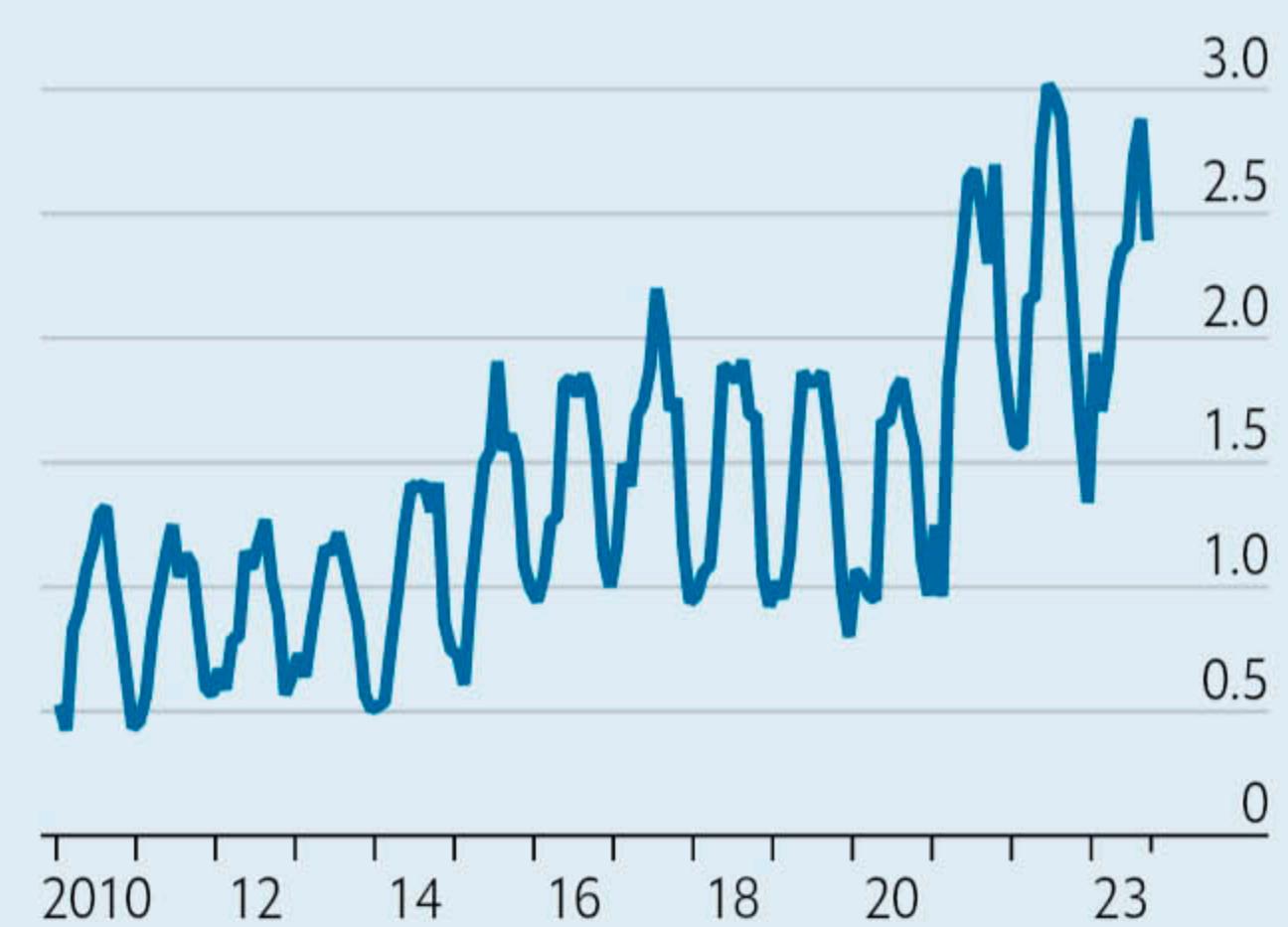
gas pipes, power cables, fibre optics and the subway. "We are playing a massive game of catch-up with the rest of the world," says Ms Tisch. "New York City is not going to be the first city to containerise trash; we're going to be one of the last."

Containerisation seems revolutionary. But it is also a return to old ways. Metal containers, like the one Oscar the Grouch, a character on Sesame Street, lives in, had been used since the 1930s to keep rats at bay and the city's streets clean. Their use faded after a 1968 strike saw piles of rubbish uncollected for nine days. The stench and mess became so bad the city distributed plastic bags for the overflow. They soon became a formal part of rubbish collection.

The bags also helped the growth of the ►

Top of the heap

New York City, monthly reported rat sightings '000



Source: City of New York

► rat population. Mr Adams, a former police captain who promised to fight both crime and rats, declared rats “Public Enemy No 1”. This is more than just rhetoric. The Sanitation Department draws inspiration from the Police Department. Three decades ago city crime began to fall when policing changed from responsive to preventive tactics and enforcement, relying on crime statistics to spot problem areas. This CompStat programme entails weekly crime-control strategy meetings among the NYPD’s commanders.

Ms Tisch, who worked in the Police Department for 12 years, launched TrashDash in May, inspired by CompStat. Every week sanitation leaders meet to create strategies to deal with upticks they see in rubbish data from 311 calls (a sort of municipal customer service). For example, if they see a spike in missed collections, they will dig into the complaints to see what they have in common. The department has also stepped up enforcement of current rules. At the same time it is cleaning highways, enforcing rules for street vendors and implementing citywide compost collection.

“We absolutely and emphatically reject the status quo,” says Ms Tisch. She has overhauled operations so that trash in high-density areas is collected earlier. The rats appear to be in retreat (though they could be regrouping). This summer brought a 20% decrease citywide in rat complaints to 311. “Rat-mitigation zones” saw a 45% decrease. A pilot containerisation programme was launched last month in Hamilton Heights, in Manhattan’s West Harlem, a neighbourhood with a large number of rat complaints. Rodent-resistant containers were put on the streets for residents. Rubbish collection increased to six days a week in August. Schools in the area are also using containers.

Most New Yorkers are on board but, this being New York, unanimity is elusive. Andrew Rigue of the New York Hospitality Alliance, which represents restaurants and bars, points out that they do not have space inside for bins, while leaving them outside reduces sidewalk eating space. Clare Miflin of the Centre for Zero Waste Design worries that people will turn against the containerisation if the pilot scheme is not done well, or if it ends up being too expensive.

Sanitation is one of the few things that is firmly under municipal control, unlike the MTA (which runs the subway). So the city has a lot of power, says Justin Wood of New York Lawyers for the Public Interest. Ms Tisch is well aware of her agency’s impact: “If we don’t do our job for one day, everyone notices. If we don’t do our job for two or three days, that’s a public-health crisis.” If she succeeds, New Yorkers will no longer have to sniff trash baking in the summer heat. And the all-night, all-you-can-eat rat buffet will be closed. ■

Pursuits

In fine feather

DETROIT AND BROOKLYN

How one bar in Detroit kept a Belgian sport alive

PEOPLE IN DETROIT take their sport seriously. Downtown, Comerica Park, the home of the Tigers, a baseball team, and the Little Caesars Arena, where the Red Wings play ice hockey and the Pistons basketball, draw enormous crowds. As revered arenas go however, far older than both is the Cadieux Cafe, on the eastern edge of the city. There, most nights, but especially on Tuesdays, Wednesdays and Thursdays, locals take part in a game called “feather bowling”.

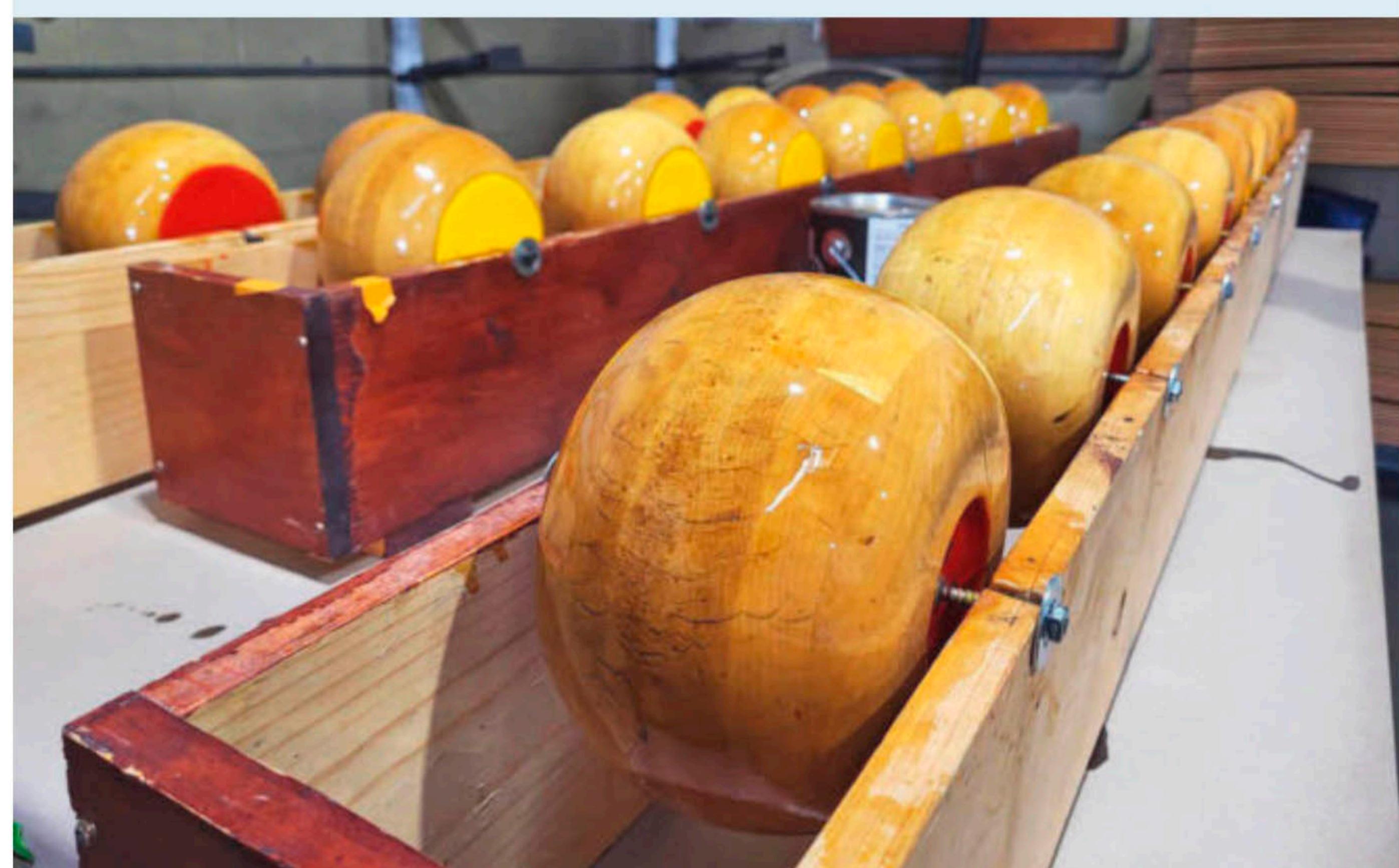
Derived from *krulbollen*, a game with origins in Flanders, the rules are a little like curling. Players roll a wooden wheel along a rough earth lane towards a pigeon feather planted at the other end. The idea is to get yours as close as possible—while blocking those of the opposing team or knocking them out of the way.

According to Tim Dinan, a lawyer who plays with a team called the “Hoppy Yeastheads”, “just about everyone in Grosse Pointe” (a suburb that starts a few blocks away) plays or has played feather bowling. The Thursday-night men’s league has been going since the 1930s. Portraits of champions line the wall of the Cadieux. The café was founded at around that time by Belgian immigrants, says John Rutherford, a musician who has co-owned the place since 2019. Many came to work in car factories, joining an earlier wave of migrants who farmed strips of land stretching down to the Detroit river. Little else Belgian now remains in the neighbourhood except

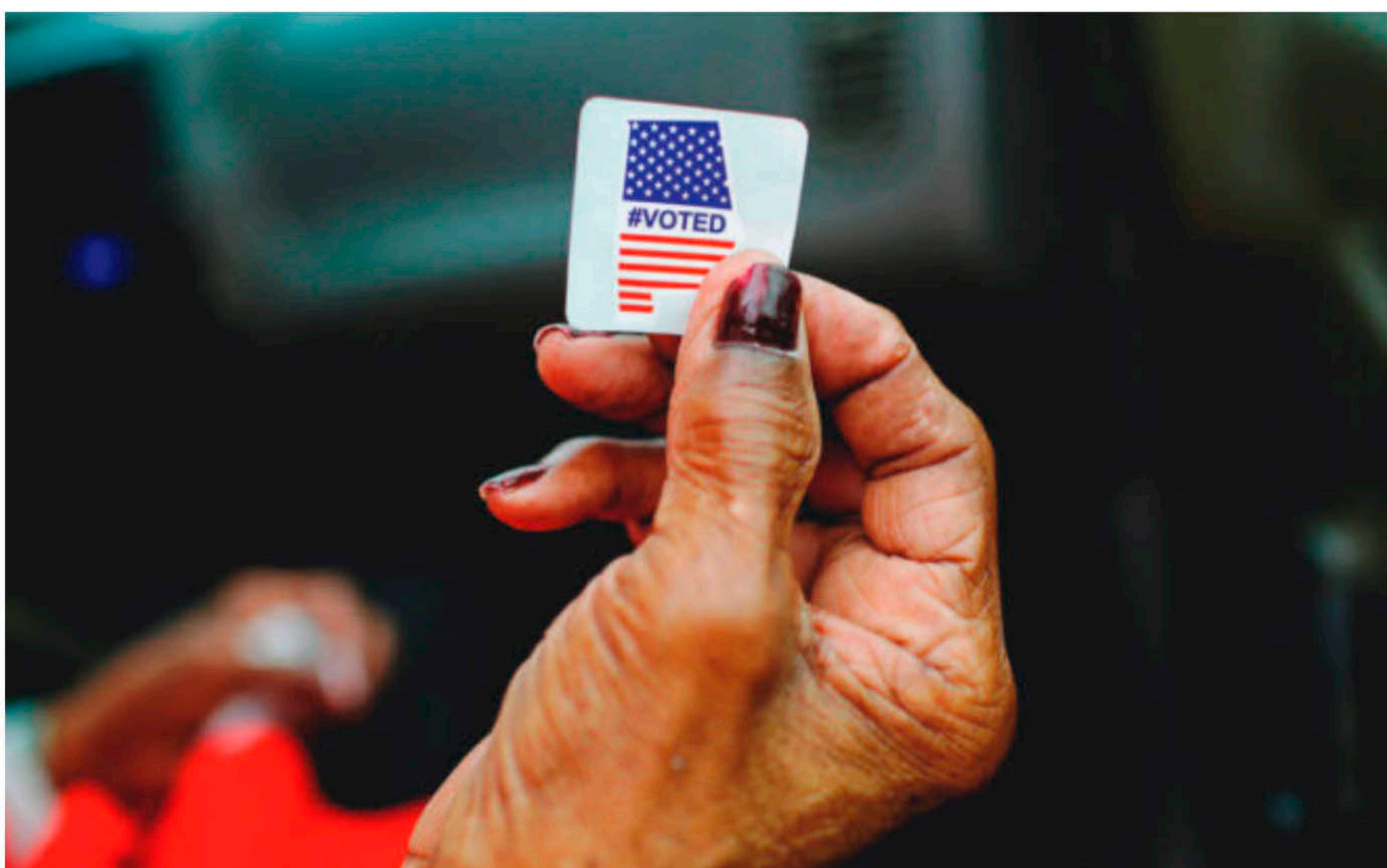
street names, but at the Cadieux, visitors can still get a decent *moules frites* with a sour ale 500 miles away from the ocean.

Having been preserved for the best part of a century, feather bowling is now spreading. A few other bars in Michigan have set up their own lanes. Last year, a bar with the game even opened up in Dumbo, a neighbourhood in New York City. Dave Plate, the co-owner of that bar, which is called Randolph Beer, says the inspiration came directly from Detroit. Having seen a video of people playing feather bowling at the Cadieux, he decided it was exactly the game to bring to a large space he had rented, and flew out to Michigan to learn it. The lanes are now booked up for weekends in advance. Most of the players are young hipsters, says Mr Plate, but a growing number of parents are bringing their children too.

Mr Rutherford welcomes the copycats. The Cadieux café, he says, could become to feather bowling what St Andrews in Scotland is to golf: somewhere true fans will always want to play, even if the game spreads all over. But he is critical of what competitors are offering—not least because they tend to have Astro-turf lanes. “The others are like putt-putt golf,” he says. For it to be truly feather bowling, “you need a real dirt course like ours.” Even worldwide, Detroit may now be the pre-eminent place to play the game. “In Belgium they probably don’t even know what this is any more,” jokes Mr Dinan. It’s a low-country blow.



Flemish flourish



Gerrymandering

Still at it

WASHINGTON, DC

Courts take up brazen redistricting cases from across the Bible belt

AFTER ALMOST two years and two trips to the Supreme Court, Alabama got a slap on the wrist. On October 5th a trio of federal judges barred the state from using the congressional map it drew ahead of the 2022 midterms in 2024, on the basis that it violates the Voting Rights Act of 1965 by suppressing black voters. The court insisted it instead adopt one that creates a second district (out of seven) favouring black constituents, who make up a quarter of the state's eligible voters (see map). The ruling nearly guarantees that a Republican seat in the House of Representatives will go to a Democrat next year—an array of left-leaning black politicos are pondering bids. Democrats need to flip just five seats nationally to clinch control of the chamber.

Though the case is not over—the map that Alabama was ordered to use is a temporary solution and a full trial is scheduled for 2025—the rulings that have come out of *Allen v Milligan* set a precedent. When the Supreme Court upheld the district court's veto of the state's map in June, it spurned the claim that the Voting Rights Act, the crown jewel of civil-rights law, was unconstitutional. In refusing to dilute its potency the high court reaffirmed its relevance.

That matters a great deal, as states have indulged in some flagrant gerrymandering. The partisan gyrations following the 2020 census in the Deep South are the direct result of a 2013 Supreme Court decision. *Shelby County v Holder* struck down the formula used to determine which juris-

dictions came under the pre-clearance regime of the Voting Rights Act, which forced places that historically had voter-literacy tests or low turnout to submit proposed election changes to the federal government for approval. For decades Alabama, Alaska, Arizona, Georgia, Louisiana, Mississippi, South Carolina, Texas and Virginia, could not tweak a map without federal consent. The verdict upended that. Though Congress has the authority to decide which places should now be covered, it has failed to do so in a decade. Without the feds' foot on the brake Republicans went for gold.

Arduous litigation followed. When it comes to voting rights "Alabama is the

poster child for defying federal law", says Deuel Ross, the plaintiffs' lawyer. But the feat of its civil-rights lawyers has emboldened a wave of redistricting challenges across the Bible belt. Louisiana legislators were reluctantly sketching new maps after courts nixed their old one until an appeals court gave them relief in late September. Litigators in Texas say recent non-white arrivals ought to be better represented; in Georgia they are arguing black Atlantans need more sway. (A win there, as in Alabama, could flip a Republican House seat.)

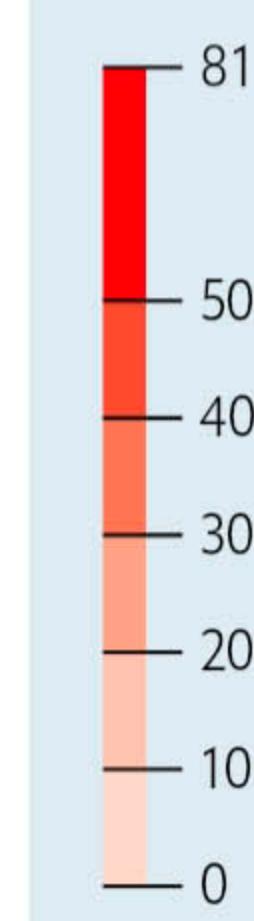
Perhaps the most high-profile case is one from South Carolina that came before the Supreme Court on October 11th. It differs from those in Alabama and Louisiana. The NAACP, a civil-rights organisation, argued that the state's new map, which shuffled 193,000 voters between districts but maintained the same share of black voters in each, breached the Equal Protection Clause of the constitution, which prohibits diluting votes by race.

Here the justices are not tasked with diagnosing whether black voters have sufficient influence, but whether the state Senate cartographer had skin colour on his mind when drawing maps. Though it sounds more like something drug lords do to process narcotics, the court ruled in 2018 that "cracking and packing"—the art of moving voters of a certain group into several districts to quell their power or stuffing them into one, making others less competitive—is perfectly legal as long as it is done with partisan, not racial, intent.

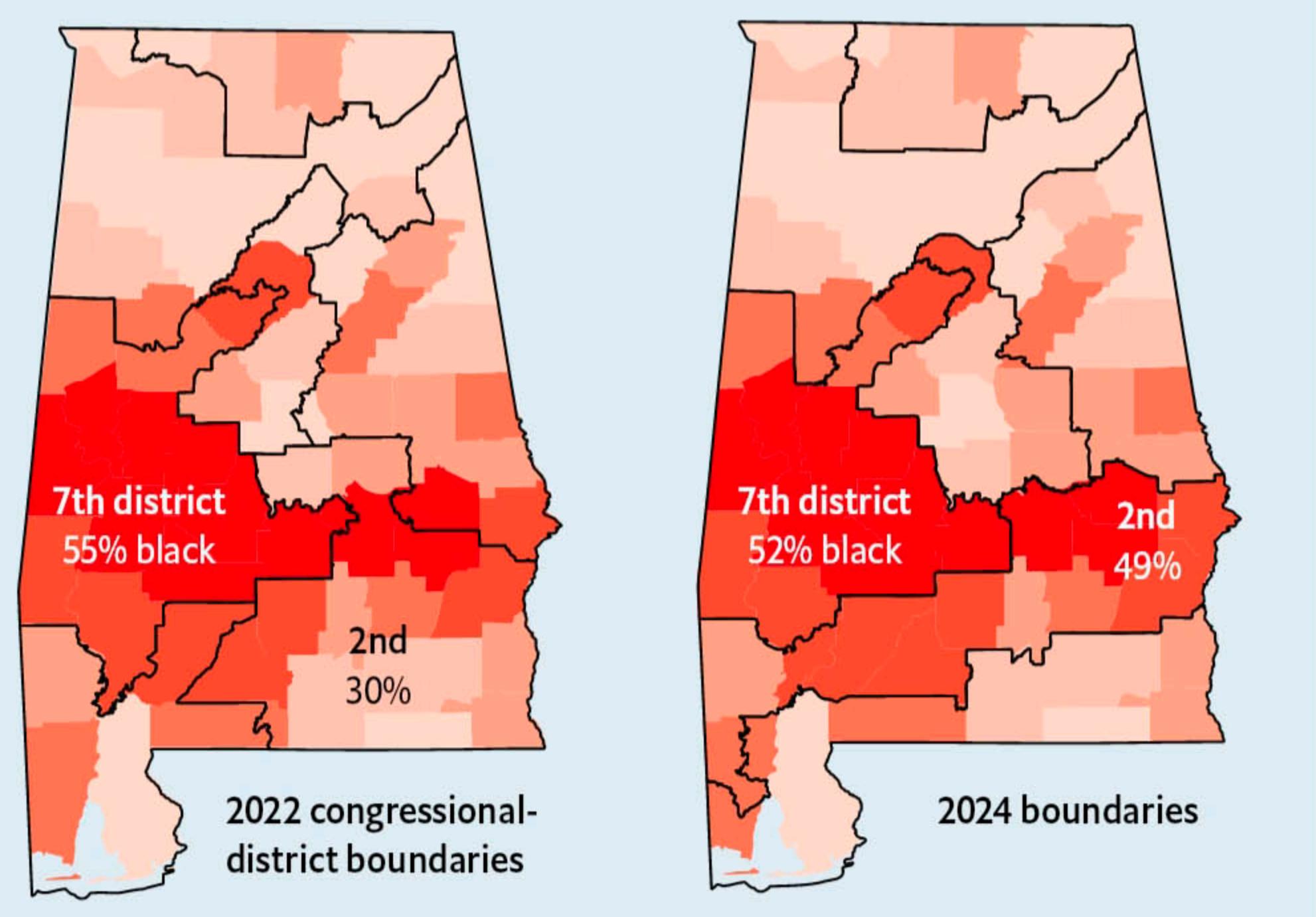
During oral arguments Justice Elena Kagan noted that this is the first racial gerrymandering case to come before the court since it licensed partisan redistricting. For observers in the gallery it seemed the justices had handed themselves a tall order. Disentangling demography from political affiliation is tricky nationwide. But "in some parts of the Deep South", reckons David Lublin, a redistricting researcher, "voting starts to resemble a racial census." ■

Packing, cracking

Alabama, black share of voting-age population, %
2017-21, by county

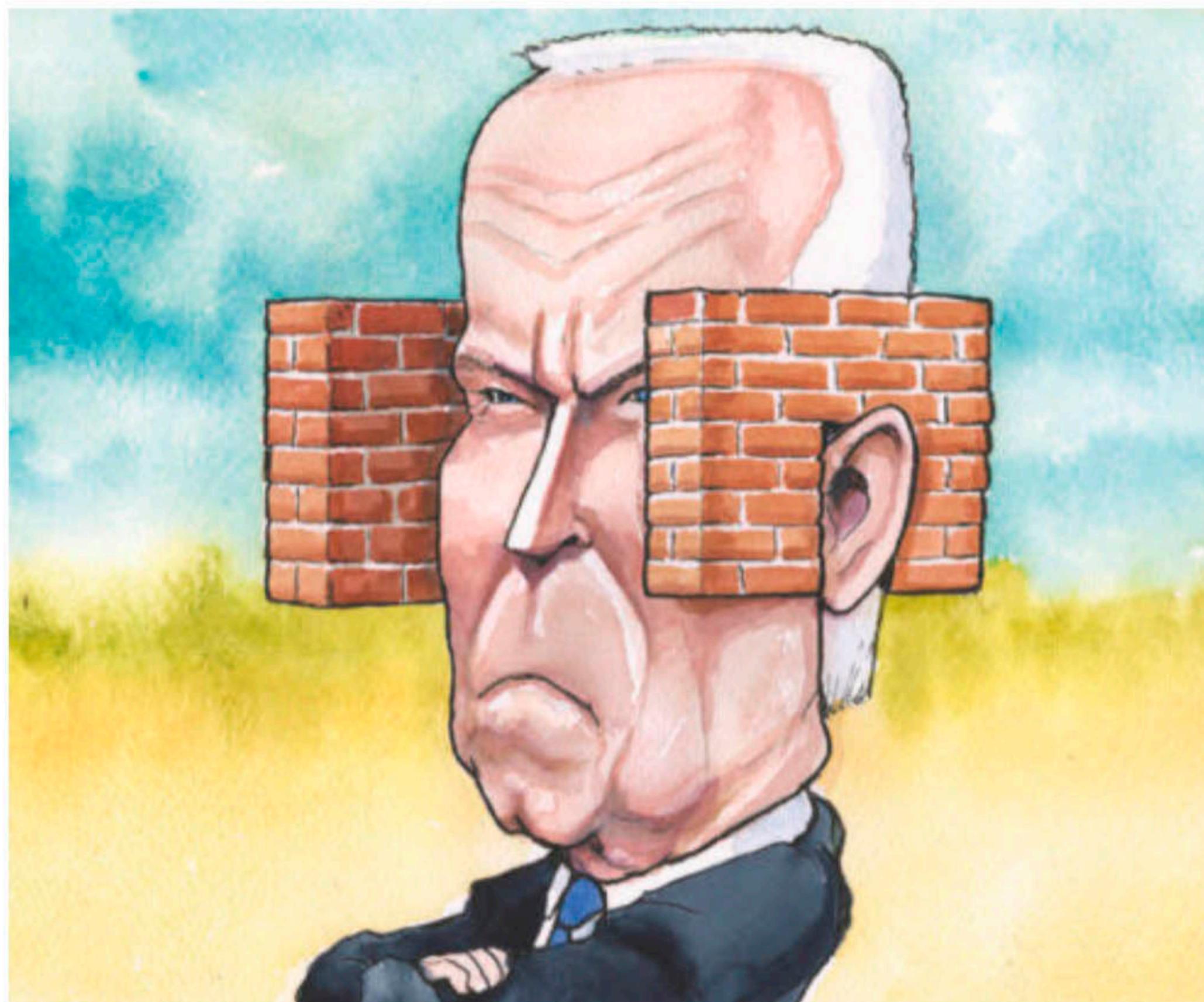


Sources: US Census Bureau;
National Redistricting Foundation



Lexington | Getting over the wall

Joe Biden needs to embrace border security to protect immigration



IF THERE WERE ever a good case for a centrist third party in American presidential elections—and right now there is not—the strongest reason would be the mass migration under way in the western hemisphere, which is prompting both major parties to take foolish and even inhumane positions. The surge in illegal crossings of the southern border is a complex problem. But having fed it through the polarisation machine, Democrats and Republicans have come up with simple, reciprocally stymying answers that defy not only compromise but common sense, too.

The latest demonstration came in early October, when the Department of Homeland Security (DHS) published plans to install 20 new miles of barriers along the Rio Grande in south-eastern Texas. As a candidate Joe Biden promised to build “not another foot” of wall, so reporters sensed the dangling shape of a favourite piñata, hypocrisy, and prepared to swing away.

But when they bearded the president in the Oval Office, he had an explanation: Congress made him do it. True enough. In 2019 Congress appropriated \$1.375bn for a “barrier system along the south-west border”. Having tried to persuade Congress to redirect what remains of that money, the Biden administration was at risk of breaking the law if it did not act. Asked if he believed a border wall “works”, Mr Biden replied, flatly, “No”. The problem turned out, in other words, to be worse than hypocrisy. It was inanity. Mr Biden could not give an answer that would strike any child as obviously true: walls do work, but only sometimes.

Mr Biden could have pointed to the case study surrounding him, in the form of the fence around the White House. Such efficacy in impeding ingress, he might have said, explained why as a senator he voted to build border barriers under a Democratic president, Bill Clinton, and a Republican one, George W. Bush. He might have added that it also explained why, when he was Barack Obama’s vice-president, that administration added more new miles of barrier than Donald Trump. (Although Mr Trump built 458 miles of wall, all but 87 replaced existing barriers; Mr Obama built 130 incremental miles.) Mr Biden might even have pointed out that the DHS’s 2023 budget states that barriers can work: “The border wall system impedes and denies illicit cross-border activity by allowing law enforcement an increased response time.”

But Mr Biden could permit himself no such nuance. Mr Trump has vowed to build a giant wall along the entire border, which stretches nearly 2,000 miles. This would be a boondoggle. A wall is unnecessary where natural barriers exist, and easily defeated in remote areas where patrols will not spot smugglers as they cut through, as they have done thousands of times. But despite Mr Biden’s past positions, to acknowledge now that barriers can play a part in securing the border would be to say Mr Trump is not entirely wrong. And that, Mr Biden’s advisers know, is anathema to the Democrats’ progressive base.

The new bits of wall are to run through Starr County, Texas, in the district of Representative Henry Cuellar, a Democrat. Mr Cuellar thinks the barriers will be ineffective there; he favours more border agents and surveillance equipment instead. He is frustrated by Democrats’ reluctance to secure the border. In early October he was carjacked at gunpoint in Washington. Unharmed and admirably unruffled—though annoyed to have his sushi stolen with his car—he seized the opportunity when Mr Biden called to express concern. “I said, ‘Mr President, we as Democrats can be strong on border security and still be respectful of immigrants’ rights’,” he recalls, adding, “We’ve got to find a balance.” He says Mr Biden understood and asked to follow up.

In fact, writes Franklin Foer in “The Last Politician”, a new book about Mr Biden, immigration was “where he was most out of step with his evolving party’s leftward trajectory”. As a candidate, Mr Biden worried that progressive politics “might cost Democrats the rustbelt”, but to win nomination he felt he had “to commit himself to a wholesale reversal of Trump immigration policy”.

Until recently, Mr Biden seemed content with that calculation, looking away as the border grew more chaotic. Mr Trump remained so noxious that suburban voters were unlikely to defect to him. Indeed, as though to remind them why they turned to Mr Biden in 2020—and why a centrist third-party is a terrible idea now, when it might elect Mr Trump—the former president recently said migrants were “poisoning the blood of our country”.

Blue state blues

But migrants by the tens of thousands are arriving in cities and states represented by Democrats. America’s immigration system was built to manage single men from Mexico looking for work, not families travelling from Venezuela or farther afield. Unlike past migrants, the newcomers tend not to have contacts in America; rather than melt into the country they remain in shelters, weighing on public budgets. America needs more agents, asylum officials and beds at the border, more flexibility to send migrants to other safe countries, and harsher consequences for those crossing illegally without legitimate claims. Mr Biden could do some of this on his own, but much of it requires Congress to act.

Andrew Selee of the Migration Policy Institute, a think-tank in Washington, says the approaching budget negotiations might lead to a compromise. A deal is not probable, he says, but “there is definitely more of a pathway forward now than there was a month ago”. He cites more “willingness from the administration to explore some tougher options” and more concern from Republicans about unfilled jobs. Enhanced border security might also prove to be the price of the Ukraine funding Mr Biden wants.

The president should see this as an opportunity. Illegal immigration is eroding support for legal immigration. And most Americans would respect a politician big enough to acknowledge when the other guy has a point, even if his name is Trump. ■



Mexican commodities

Back to the future

MEXICO CITY

Pemex is the world's most indebted oil company. Why is the Mexican government propping it up?

IT IS RARE for the CEO of a company to admit to being anxious. But when, on October 9th, Octavio Romero, head of Pemex, Mexico's national oil company, appeared before lawmakers, he came close to doing so. Mr Romero confirmed the substance of a letter leaked in September, in which Pemex informed Mexico's treasury that it was unable to pay over \$500m owed to three suppliers, one of which has started a dispute-resolution process. "We are busy, rather than worried," Mr Romero claimed, not entirely convincingly.

Pemex has been the world's most indebted oil company for several years. Its debt is over \$100bn, equivalent to 8% of Mexico's GDP. While Pemex's exploration and production arm is profitable, the company is facing losses elsewhere, particularly from its refining operations. In July Fitch, a credit-rating firm, downgraded Pemex. The company's debt is a risk to the country, too. Moody's, another ratings agency, mentioned it as a factor in its decision in 2022 to downgrade Mexico's rating.

The recent affair over the \$500m means Pemex will need more financial support from the government. For how much longer can the oil giant rely on bail-outs to stay afloat?

Some of Pemex's problems have a long history. In the 1970s after Cantarell, one of the world's largest oil fields, was discovered in the Gulf of Mexico, Pemex was the motor of the Mexican economy. But governments viewed it as a cash cow "and milked it to death", says Jorge Castañeda Morales, an analyst.

Successive governments also imposed exorbitantly high taxes on Pemex, limiting its ability to invest. They compelled the company to take decisions that were not always sound from a business perspective. As a result Pemex never properly ventured into gas exploration and has an underdeveloped petrochemicals operation. Carlos

Elizondo, a former member of Pemex's board, describes the relationship between the state and the oil giant as a "marriage full of problems".

Enrique Peña Nieto, Mexico's president between 2012 and 2018, tried to make Pemex more independent and profitable, as part of his shake-up of the energy sector. He removed oil subsidies and opened the sector up to private companies. This led to some successes, such as the discovery of new fields. However, during his administration, Pemex's debt ballooned, from \$61bn in 2012 to \$106bn in 2018. The company became riddled with corruption. Pemex was embroiled in the Odebrecht scandal, in which a Brazilian construction giant paid millions of dollars in bribes to secure contracts. Emilio Lozoya, a former head of Pemex, is in prison awaiting trial for corruption (he has pleaded not guilty).

Playing with fire

Since coming to power in 2018 President Andrés Manuel López Obrador has set out not only to rescue the company but to restore its former glory. He wants to slash the company's debt, make Mexico self-sufficient in petroleum and increase oil output by 45%. His government has injected over 1.3trn pesos (\$73bn) cumulatively into Pemex, with plans to hand it a further 4.6bn pesos in the 2024 budget. Pemex's tax rate has been reduced from 65% in 2018 to 40% today, and will fall to 35% in 2024.

→ [Also in this section](#)

► Mr López Obrador is concerned about energy security, as Mexico imports some 60% of its natural gas from the United States alone. But he also wants to turn back the clock and ensure that oil is powering the economy. As a result, the government is pouring money into the company without demanding it carry out substantial reforms. "The problem is Pemex is still Pemex," says an oil executive who has spent decades working with the company.

But it is not just Pemex's huge debt that makes it impossible for Mr López Obrador to resurrect the oil behemoth to its former state. Mexico is no longer an oil economy, and does not need to be, thanks to its successful manufacturing base, which accounts for around a third of GDP. In 2021 oil receipts accounted for just 16% of government revenues.

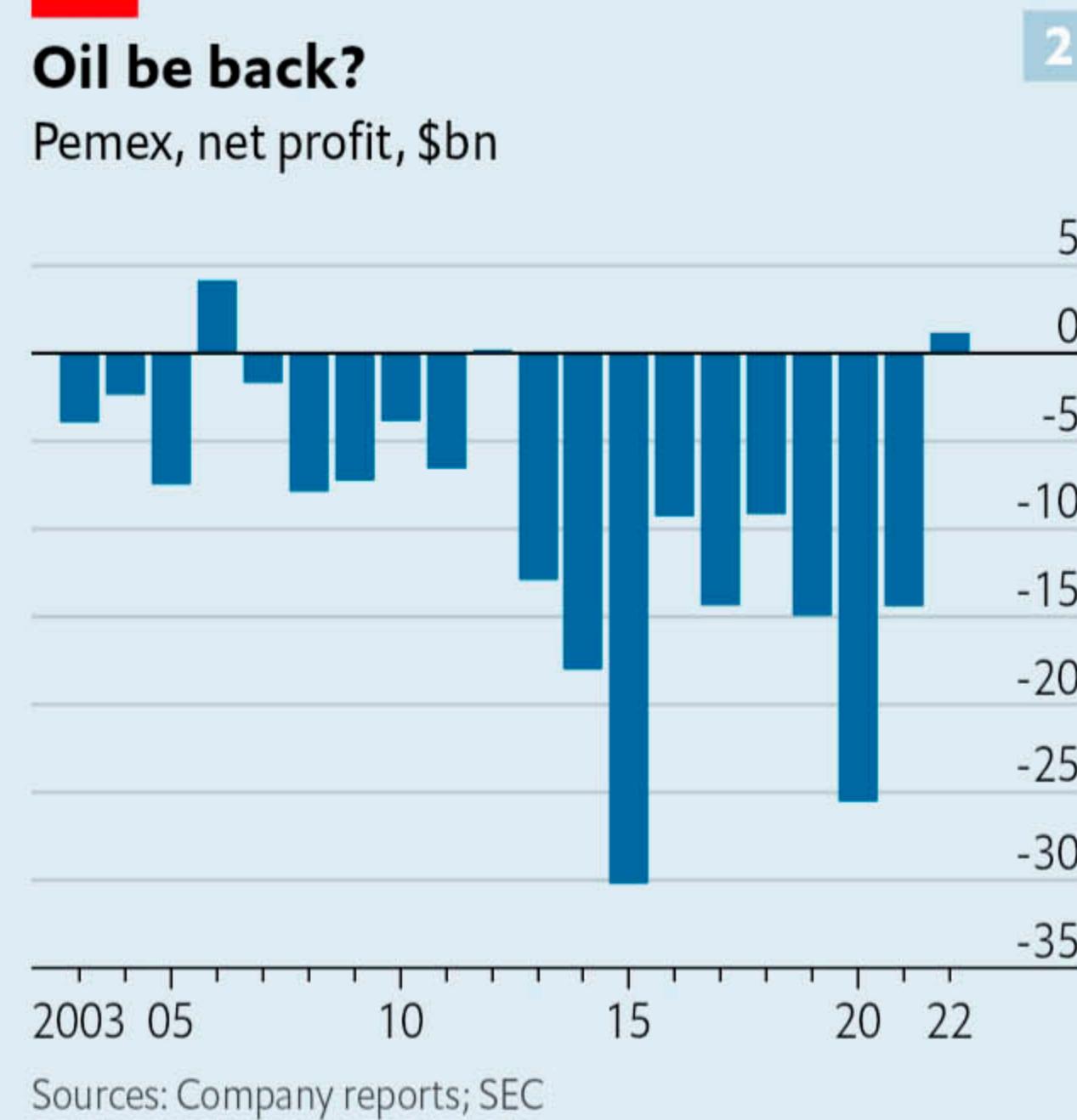
The country's ageing oil fields are in decline, including Cantarell. Mexico's total oil production peaked in 2004 and has fallen by roughly half since then, to just below 2m barrels per day in 2022 (see chart 1). Discovering significant new finds in shallow water is unlikely, but Pemex lacks the expertise to explore deep water.

Both the president and Mr Romero argue their strategy to boost Pemex's fortunes is proving successful. Pemex's debt has fallen from 2.25trn pesos in 2021 to 2.09trn pesos in 2022. In 2022 Pemex turned a profit for the first time in a decade (see chart 2). This was helped by the increasing oil price, which was \$100 a barrel on average in 2022, and is \$80 a barrel on average this year. But although the fall in oil production has been stemmed, it is far from the 45% increase in oil output that Mr López Obrador has long aimed for. Production of natural gas has fallen. The president has also drastically limited the number of private-sector competitors, who shared expertise and costs with Pemex.

In 2022 Mr López Obrador's administration bought Deer Park, a refinery in Texas. Previously Mexico paid it to process much of its crude. But rather than buying other refineries abroad or improving the capaci-

From great heights

Pemex, crude oil production, barrels per day, m



ty of ones at home, the president insisted on building a new one, too. Located in his home state of Tabasco, Dos Bocas has cost at least 18bn pesos since work started on it in 2019. That is more than double the original estimate. "All in all, government policy has been a failure," says Mr Elizondo.

Pemex is also to blame for its current bloated and indebted state. It has cost-cutting programmes, but in a bid to slim down it has got rid of many of its talented people. The cost of its pensions has soared. It continues to have accidents. In May its refineries operated at less than half their capacity. Meanwhile Pemex is not prepared for the global move to clean energy. Demand for oil during the transition will remain, but it will have to be extracted cheaply and relatively cleanly.

Fuel on the flames

Mr López Obrador's time in power is coming to an end next year. It will fall to the next president to sort out the mess. This will almost certainly be Claudia Sheinbaum, the candidate for Mr López Obrador's party. Ms Sheinbaum has not laid out a policy for Pemex. She is the president's protégée and has cheered his energy policy. But, with a doctorate in environmental engineering, she is more interested in renewable energy than her mentor. Her government will probably have to start by taking on some of Pemex's debt. The oil company cannot refinance it and the government transfers to Pemex are inefficient because the oil company's debt is more expensive than the government's.

Ms Sheinbaum will also need to work out what role Pemex should play in modern Mexico. Pemex has limited room to transform itself, unlike Brazil's Petrobras and Argentina's YPF, which have diversified into deep-water production and shale, respectively. The chances are that it does not have the geological luck, nous or government green light to do something similar. Pemex's proper place is likely to be more modest, involving far less refining and more private partners. ■

Canada

Pronoun politics

OTTAWA

The culture wars have come to Canada

ON OCTOBER 10TH Scott Moe, the conservative premier of Saskatchewan, Canada's breadbasket province, summoned lawmakers back to their legislature two weeks early to deal with an emergency. No withering blight had tainted the province's vital grain stores. There was no looming peril to its vital potash industry. The threat was more mundane: that pupils under 16 can choose their preferred name or pronoun at school, without having to get the consent of their parents.

According to Statistics Canada, just 0.19% of Canadians over the age of 15 identify as transgender. Even fewer, 0.14%, are non-binary. Yet pronouns are becoming a big issue for right-wingers across the country. Doug Ford, the conservative premier of Ontario, has claimed that school boards are indoctrinating children by letting them choose their pronouns without asking their parents. Similarly, earlier this summer Blaine Higgs, the conservative premier of New Brunswick, retroactively changed his province's education policy to ensure parental consent is mandatory before a student changes their pronoun.

Mr Moe is going much further. His provincial government introduced a new policy requiring parental consent in August. In September Michael Megaw, a judge, decided to delay the legislation as it could cause "irreparable harm". According to Mr Megaw, there was little evidence that the education ministry had discussed the policy with teachers, parents or students.

In response, Mr Moe has invoked Canada's "notwithstanding clause". This refers to Section 33 of the Canadian Charter of Rights and Freedoms, which allows the federal parliament or any provincial legislature to pre-emptively stop a law from being invalidated by a judge. Some of Canadians' fundamental rights, such as freedom of expression or religion, can be suspended using the clause. Until recently, it was rarely used, although populists such as Mr Ford have increasingly turned to it for different matters.

Mr Moe argues that the judicial injunction fails to consider the rights of parents. As *The Economist* went to press, the legislation was due to be passed by the provincial government. Further legal challenges may follow.

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**ECONOMIST
EDUCATION**



Ageing Asia

Old before their time

BANGKOK, SINGAPORE AND TIRUVANNAMALAI

Poor Asian countries are getting old before they get rich

IN “RAGNAROK ONLINE” gamers use characters from Norse mythology to wreak havoc. Septuagenarians are not its target audience, but that does not deter Sunanta Phongcharoen. The 72-year-old Thai woman has reached the game’s highest level. This has eased the burdens of old age, she gushes on Manoottangwai, a social-media site for the elderly. By showcasing such stories, its founders claim to be helping prepare Thailand for a demographic crisis.

To understand how bad the problem is, compare Thailand’s transformation with those of countries better known for their greying populations. Between 2002 and 2021 the share of Thailand’s population aged 65 and above increased from 7% to 14%—thresholds that are widely used to define when a society has started “ageing”, and when it has grown “aged”. The same transition took Japan 24 years, America 72 and France 115. And unlike those countries Thailand has grown old before getting rich. Its GDP per person in 2021 was \$7,000.

When Japan’s population was similarly aged, in 1994, its income level in constant dollars was nearly five times higher.

Thailand’s troubles underline a regional trend of enormous economic and social significance. The Vietnamese are about half as rich as Thais. Their society will probably take only about 17 years to move from “ageing” to “aged”. Even in countries where ageing is taking longer, such as Indonesia (26 years) and the Philippines (37 years), it will happen at much lower levels of income than has been the case for others. South-East Asia as a region will be “aged” by 2042. South Asia will hold out for

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almost another decade—but with big regional disparities. Sri Lanka, where average incomes were about a third below Thailand’s even before its current economic crisis, is projected to become an aged society by 2028. Parts of India, the world’s most populous country, are already old. In the southern state of Kerala, 17% of the population is 60 or older. Asia will account for 70% of the expected increase in senior citizens in poor countries by 2050.

The speed of Asia’s demographic transition is a product of its development. Industrialisation and changing social norms have reduced fertility rates even as better technology and health care have lengthened people’s lives. Yet compared with the East Asian tigers, which underwent this change in the 20th century, much of emerging Asia is doing so with slower growth. All this will compound the region’s economic problems. Countries that are growing old before they get rich are a threat to Asia’s rise, says Donghyun Park, an economic adviser at the Asian Development Bank (ADB).

The biggest drag is on labour markets. As countries grow older, workforces shrink. In Thailand the working-age population is expected to fall by a fifth by 2055. And ageing creates particular problems for developing countries because they have big sectors, such as agriculture, that are especially vulnerable to it. As growth draws ➤

► workers to cities, their parents are left tending fields. That is hard for old bodies. A study published in *Nature* in 2023 found ageing in rural China cut agricultural output by 5% in 2019.

There are social costs, too. The biggest involves pensioners falling into poverty—a challenge the rich world struggles with. In poorer countries, workers are often unable to save adequately or at all. Even if they can cobble together a retirement kitty, poor financial literacy and under-developed financial markets limit what they can do with it. State-pension coverage, though improving, is still patchy. In South and South-East Asia less than 40% of the elderly population gets a pension, according to the International Labour Organisation. In Cambodia and Pakistan, the share is less than 10%. And the pensions that are on offer are meagre. India's national pension for the poor provides a measly Rs200 (\$2.40) a month.

Health care is another worry. Developing-country health-care systems are already overburdened. Geriatric care tends to be rudimentary, as is provision for non-communicable diseases, such as hypertension and diabetes, that ail the elderly.

Families are the traditional source of elderly care. Elders are venerated in Asian cultures and joint-family households are common. Just 11% of Asians aged above 60 live on their own compared with 27% of Americans and Europeans, according to Pew Research Centre, an American pollster. Asian societies expect children to care for their parents. In some countries this filial responsibility is written into law: Bangladeshis and Indians can be imprisoned for neglecting their parents.

But the compact is weakening. Rapid migration to cities is separating parents and offspring. In many countries, increasing female participation in the workforce is depleting women's capacity to care for elderly relatives. This is a traumatic change. The elderly in poor countries who live alone are more likely to suffer from depression than their counterparts in America, new research suggests.

Old women are worst affected, in part because they outlive men. Average female life expectancy in Asian countries is 75 years, compared with 70 for men. Asian women are also less educated than men, earn less and save less. Data from Vietnam's last census showed elderly women were less financially independent and suffer more from diseases than old men. Similar inequities exist elsewhere.

Women are also more likely to live alone in old age. Hamsa, Meenakshi and Saraswathi are cases in point. The octogenarian women, who go by their first names, live together in the Bodhimaram home for the elderly run by a non-profit outfit in the town of Tiruvannamalai in

south India. All three have outlived their husbands and cannot live with their families. The home's owner says demand for such services is growing.

Things are made worse by poor governance. The Bodhimaram old-age home is a charity, and therefore eligible for state support. But its owner says securing this involves too much paperwork for too little reward. Instead she relies on donations. Elderly care, especially for richer Asians, is shifting to the private sector. In many Indian cities, retirement homes are booming.

Policymakers are failing to plan for their ageing societies, says Eduardo Klien of HelpAge, an NGO working on the problem across Asia. Sonalde Desai, a demographer at the University of Maryland, says Indian officials are too "delighted by the demographic dividend" they are getting

from a bulging working-age population to even consider the problem.

Countries further along the demographic transition are starting to act. Ahead of elections in Thailand earlier this year, every big party made some promise to the elderly. Vietnam passed a law on matters relating to the elderly way back in 2009. Yet none of the countries affected has grasped the scale of the problem—and the need to take much bolder steps.

Ushering women into higher-paying jobs (which is desirable in itself) would help. It should also be much easier to work past official retirement ages. Mr Park of the ADB reckons too many countries see the elderly as infirm and unproductive. That needs to change. Countries that are ageing before they get rich need all the help they can get. ■

Pacific island states

Waterworlds

SYDNEY

Is a country still a country if it sinks?

FOR OVER three decades the Pacific island country of Tuvalu has implored industrialised countries to cut their greenhouse-gas emissions. For over three decades global temperatures have ticked up. Tuvalu's government warns that its territory could slip underwater by the end of the century. "It's a matter of disappearing from the surface of this Earth," Kausea Natano, the prime minister, said in September. So Tuvalu is now asking a different question: how can it continue existing if that happens?

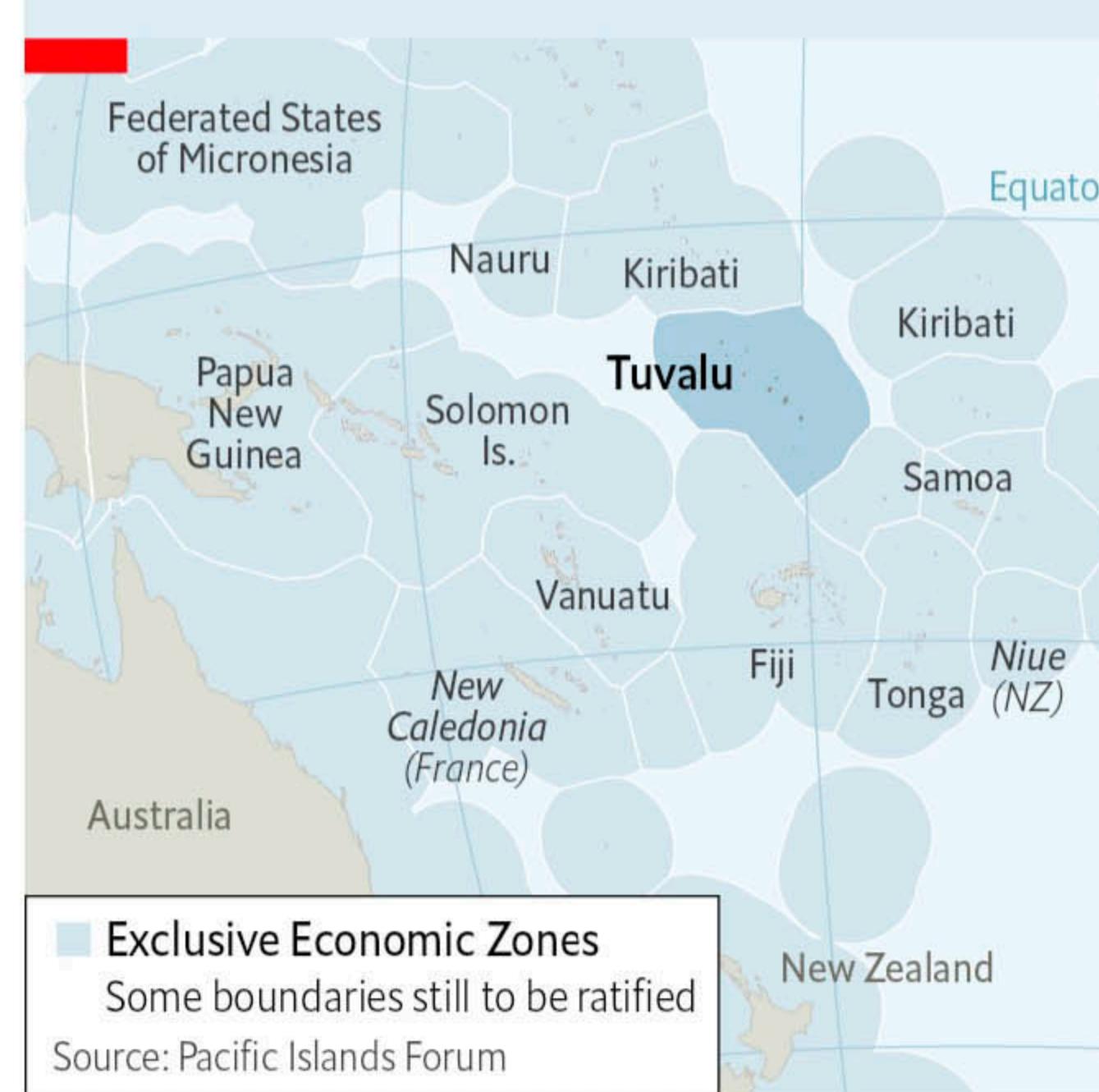
Mr Natano's government has amended the constitution to assert that the country will exist "in perpetuity" even if its landmass does not. The new wording, which came into effect on October 1st, will not on its own change very much. Under international law, a country must have a physical territory and permanent population. But no one has considered

what happens if climate change strips a state of those qualities, says Bal Kama, a lawyer who advised the government on its constitutional changes. Tuvalu hopes that if other vulnerable countries follow its lead, international law could change.

The government talks about turning Tuvalu into a "digital nation" that could provide services and preserve cultural traditions online even were its people dispersed to other countries. It speculates about creating a 3D version of its islands that web users could ramble around. All these plans raise more questions than answers.

The government is especially keen to make explicit that it would expect to retain its claim on the waters surrounding present-day Tuvalu. Combine the "exclusive economic zones" (EEZs) that stretch 200 nautical miles (370km) from their coasts, and Pacific island countries have rights to fish and mine an area of ocean bigger than Africa (see map). Leaders fear that they will lose those rights—and a tuna industry worth billions—if any or all of the islands that make up their territories disappear.

So Tuvalu's constitutional change states that its maritime boundaries would endure with its statehood. The government wants neighbours to accept that its EEZ will exist forever. Other Pacific governments have also mapped their maritime zones and passed laws asserting that rising sea levels will not affect their EEZs. It is not yet certain that Tuvalu will go under. But its government is readying the rafts.



Affirmative action in India

An explosive exercise

DELHI

A caste census carves open old wounds

ON GANDHI JAYANTI, a national holiday, Nitish Kumar caused a stir. The chief minister of Bihar, a big and poor north Indian state, chose a day that honours Mohandas Gandhi (who fought against caste discrimination) to announce the results of a caste census conducted in his state. The findings, released on October 2nd, have put caste back at the forefront of Indian politics, unleashing a debate that is proving tricky for Narendra Modi's ruling Bharatiya Janata Party (BJP). The result may be a rise in the use of caste-based quotas as tools for alleviating poverty—perhaps at the expense of more fruitful methods.

The census shows that Bihar is home to around 130m people. Some 63% belong to castes considered Other Backward Classes or Extremely Backward Classes. A further 20% are Dalits, formerly known as "untouchables", at the very bottom of the pyramid. Around 15% of Biharis belong to the better-off "forward" castes and 2% are *adivasis*, tribal groups who tend to live in remote areas. These numbers are explosive because they show that the share of "backward" castes in Bihar's population is higher than previous estimates.

Why does this matter? Alleged "backwardness" is the basis for India's elaborate system of reservations: quotas for education, government jobs and parliamentary seats set roughly in line with a group's share of the population. The original goal was to remedy centuries of discrimination against Dalits. But the system was expanded in the 1990s to benefit other castes. In 2019 Mr Modi's government created yet more reservations, this time for poorer members of the "forward" castes. It said they were doing worse than a "creamy layer" of people within the backward castes who had become well-off. Plenty of communities still lobby, sometimes violently, to be classified as "backward".

Bihar's census has prompted calls to create reservations on a scale larger than those now sanctioned by India's Supreme Court. Mr Kumar's party, Janata Dal (Unit-

ed), says Bihar should raise the share of public jobs reserved for "backward" groups from the current 30%. The opposition Congress party wants India's government to take a national caste census, then adjust the reservation system. It says it will commence censuses in the states of Rajasthan, Chattisgarh and Madhya Pradesh if it wins state polls taking place in November.

All this highlights fissures within Hindu society which the BJP has been trying to paper over, says Shyam Babu of the Centre for Policy Research, a think-tank in Delhi. The BJP has long looked rather nervous about calls for a national caste census. In the past Mr Modi has made much of the fact that he himself belongs to a "backward" caste. The opposition spies an opportunity. In a parliamentary debate in September on the government's plan to in-

troduce a 33% quota for women in parliament, Rahul Gandhi, the face of the Congress party, pointed out that only three out of 90 central-government secretaries came from a "backward" community.

The ruckus could cost the BJP votes. It cannot support demands to increase reservations without alienating upper-caste constituencies. Instead Mr Modi has flailed around, claiming the opposition "hates" backward castes and is seeking to divide the country.

Although it is true that "forward" castes still hog plum positions in India, caste identity says less about a person's wealth and connections than it once did. India's politicians would be better off pursuing policies that can benefit the poor of all castes—and not pandering to groups that shout the loudest. ■

Earthquakes in Afghanistan

Rubble of a country

ZINDA JAN

Over 2,000 have died in Afghanistan's latest calamity

AFGHANS MUST think their country cursed. In the past two years they have seen the Taliban return to power (see *Banyan*), a huge cutback in Western aid that has pitched most of the population into poverty—and a series of horrific natural disasters. In recent days powerful earthquakes have devastated over a dozen villages near the western city of Herat, close to the border with Iran. Over 2,000 people are reported to have been killed and many more injured or made destitute.

The epicentre of the earthquakes, which included two of magnitude 6.3 on

October 7th and another on the 11th, was the district of Zinda Jan, around 40km north of Herat. Thirteen villages in the district were largely obliterated, their mud-brick buildings turned to heaps of suffocating earth. In the village of Nayeb Rafi on October 9th a crowd of volunteers could be seen helping survivors dig out their living and dead relatives. It was a terrible scene.

Muhammad Amin, a 56-year-old shepherd lying on the rubble of his former house, said his six close relatives had all been killed inside it. He had been outside the village when the first earthquake ►



From bad to excruciatingly awful

We are hiring an Asia correspondent. The job will be Asia-based and involve a lot of travel. The successful candidate will be able to provide exceptionally ambitious, imaginative and original coverage of the region. A knowledge of geopolitics and economics is helpful. Applicants should send a cv, a cover letter and an unpublished article of 600 words suitable for publication in *The Economist* to asiawriter@economist.com

The deadline is November 20th.

struck. "I ran back but everything had been destroyed," he said. "Collapsed houses, dust in the air, people crying and shouting for their families."

A Taliban spokesman initially put the death toll at over 2,000. A spokesman for the regime's National Disaster Management Authority said around 4,000 people had been killed or injured. The government's disaster response was patchy. A village elder in Zinda Jan said the Taliban had sent bulldozers to his shattered village, but they had arrived late and were manned by inexperienced drivers, whom he accused

of killing some of the people they were trying to dig out.

The quakes, which followed severe recent floods, mudslides and an earthquake last year that killed over a thousand people, showed up the meagreness of the Taliban state. According to a recent study by the World Bank, 60% of government spending last year went on the ministries of defence, interior and the intelligence department. According to Michael Semple, an Afghanistan expert based at Queen's University Belfast, this was primarily to keep the Taliban's own members in line. "They're using

security expenditure to keep the movement together, by promising jobs to all and sundry in the armed forces."

Foreign aid agencies are struggling to make up the shortfall. The UN has raised only a third of the \$3.2bn it has targeted for Afghanistan this year. Perhaps the earthquakes will change that. The Taliban said that aid from Iran and Turkey had reached the devastated area, and that Australia, China, the EU, Japan and Pakistan had made additional pledges. Meanwhile, the disaster has made the existing suffering of the affected areas very much worse. ■

Banyan Afghans, go home

Expelling illegal migrants will not solve Pakistan's problems

IF PAKISTAN'S AUTHORITIES possess the will and the means, their declaration that all irregular foreign migrants and refugees must leave the country by November 1st or be expelled will force one of the biggest human movements in South Asia's troubled modern history. The great bulk of Pakistan's illegal settlers are Afghans: about 1.7m of the 4.4m Afghans in Pakistan are believed not to have the right papers. Driven out of Afghanistan by decades of war and chaos, they will return to a broken country. Earthquakes have just flattened swathes of the western province of Herat. Afghans who fled the Soviet invasion in 1979 have been away so long they lack connections. Others were born in Pakistan. Many of the 600,000 reckoned to have fled from Afghanistan after the Taliban seized power in August 2021 will have reason to fear for their lives.

How the decision to order the expulsions was made and how it will be executed remain as unclear as the general working of the country's administration. A caretaker civilian government sits in Islamabad, waiting for elections that may or may not take place soon. Meanwhile the army chief, General Asim Munir, and his cronies pull what strings they choose. The expulsion policy is being pursued first in Islamabad and in Karachi, Pakistan's commercial hub.

Amir Rana of the Pak Institute for Peace Studies, a think-tank in Islamabad, says the capital's police have long worried about rising crime linked to Afghans, especially smuggling. With the economy in a mess, the declaration is popular with ordinary Pakistanis, who curse Afghans for "stealing" jobs. In Karachi Pakistanis are buying property from distressed Afghan sellers, forced to leave in a hurry, at cruelly low prices.

General Munir has other motives for backing the expulsions. Chief among them is the resurgence of the Tehreek-e-Taliban Pakistan (TTP), also known as the Pakistani Taliban: an umbrella grouping of Islamists sworn to overthrow the state. They have ties to al-Qaeda and bear allegiance to the Afghan Taliban who, though they deny it, offer them havens. (Most members of both Talibans are from ethnic Pashtun clans.)

For almost a decade the TTP were in abeyance, crushed by army offensives. But the Taliban's return to power in Afghanistan has been accompanied, in Pakistan, by a dramatic increase in TTP violence, particularly in Khyber Pakhtunkhwa and Balochistan, provinces which border Afghanistan. Late last month suicide-bombers killed 60 people in two separate attacks on mosques that took place on the same day. The government says the TTP increasingly has Afghan members. It says Afghans carried out more than half of two dozen suicide-bombings this year.

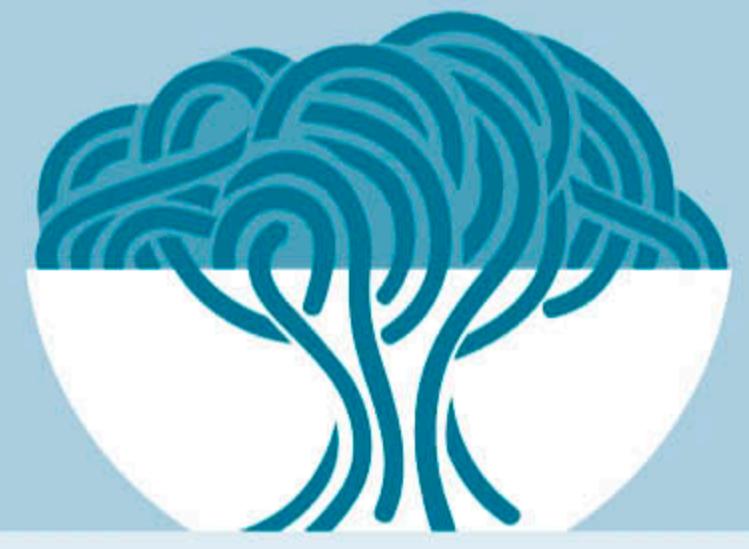
General Munir, who tends to see the world in black-and-white, may think that

casting Afghans out will remove the problem of Afghan recruitment to the TTP. He may also think that dealing with floods of people returning will bring the Taliban government in Kabul to its senses and make it more co-operative in its dealings with Pakistan.

If he does, it would mark only the latest strategic blunder by the army. The biggest to date has, over decades, been to nurture and finance the Taliban. The hope was that Taliban biddability would give Pakistan regional leverage over great powers, America above all, and also deny the arch-enemy, India, access to Afghanistan. Yet back in power the Taliban show no scintilla of gratitude or deference. In a consummate piece of trolling after recent protests in Pakistan in support of a popular ousted prime minister, Imran Khan, the Taliban's foreign ministry even called, po-faced, for political stability: that would be good for Pakistan as well as the region.

The Taliban, overseeing a threadbare state, are now furious with Pakistan for the extra burden of having to deal with vast numbers of expelled people. So the chances of the Taliban agreeing to work with Pakistan to restrain the TTP have shrunk to nearly zero. Yet the TTP challenge is now serious for the Pakistani army, which because of strained budgets is badly short of resources. Meanwhile, international dismay at the expulsions could complicate Pakistan's efforts to secure new funding from the IMF when its deal expires in April.

How many Afghans end up having to return remains unclear. The price they will pay will be high. But there will be a cost to Pakistan too, in terms of standing and effectiveness. The decision to attempt mass deportation speaks more to a fraying state than an assured one.





The property market

A pox on your houses

SHANGHAI

Anger is turning against the tycoons who profited from a house-building boom

LAMPOONING HUI KA YAN has become something of a national pastime in China. Once one of the country's richest men, the tycoon was detained in September for unspecified crimes. His company, Evergrande, the world's most indebted property developer, is on the cusp of death; a debt-restructuring plan for it has collapsed. No sooner did news of Mr Hui's detention spread than a flood of jokes at his expense surged through China's social media, pillorying his extravagance and pomposity. The humour was bitter: tens of thousands of homebuyers feel cheated by his firm.

One accusation levelled by netizens against Mr Hui is that Evergrande took billions of dollars in prepayments from average people but never built the promised homes. In one short video posted to social media, a gleeful image of Mr Hui is superimposed over pictures of failed and uncompleted housing projects. A speech bubble reads "I've received the money". Another satirical clip records a purported conversation between a bank officer and a man wanting a loan. The banker asks if the man has collateral. In a jab at Evergrande's un-

sold and unfinished homes, the customer replies, "Yes, I am Hui Ka Yan's little brother; I have lots of buildings."

Many such videos being shared online are sombre. One, for example, shows panoramic shots of what appears to be an abandoned Evergrande construction site, accompanied by the sobs of a woman who meekly asks, "How much of the blood and sweat of average people is in this?" The video has been forwarded more than 100,000 times on WeChat, a messaging app. Another shows a vast holiday resort, with castles and hotels, that has fallen into disrepair in the southern province of Guizhou. The narrator tells viewers that Evergrande invested 170bn yuan in the region, but has left projects such as this to crumble. At the end of the video he asks: "Is there any hope

of these projects restarting?"

The property market is the subject of endless discussion around dinner and boardroom tables. But tracking national sentiment on the sector is difficult. Direct criticism of state policies has been largely blocked from China's internet platforms. And yet a surge in scornful content directed at property moguls such as Mr Hui has been tolerated. So too have wide-ranging comments on the loss of family fortunes to real-estate mishaps. Homes remain the most important investment for most Chinese households. This means many homeowners are fearful of the possibility of falling prices (although their children may cheer: at last, that first house-purchase may become affordable).

The central government's failure to intervene more decisively to prop up the market has been fuelling despondency. Since 2021, developers such as Evergrande have struggled to build, and to pay their bills. Home sales have fallen or slowed in most major cities, and prices have come down. This was largely tolerated until late August, when officials in Beijing offered some salve by lowering mortgage rates and the size of downpayments on homes. Large cities have removed many of the restrictions on purchases that once helped control runaway speculative buying. Homes have become easier to resell in most places. Rules that favoured first-time homebuyers with no record of taking mortgages have been scrapped in order to enable people to buy second and third homes. Some ➤

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► cities have even given cash subsidies to homebuyers who have two or three children.

The measures sparked optimism after months of gloom. But the excitement is ebbing. China's National Day holiday, which this year ran from September 29th to October 6th, is often a prime time for buying flats. Not so this time. Holiday sales based on gross floor area fell by 79% and 57% year on year in Shanghai and Shenzhen respectively, according to CRIC, a research firm. These are two of China's strongest property markets. At least seven other large cities experienced decreases of more than 30% during the week. Wuhan, where the covid-19 crisis began, and the tech hub of Hangzhou both notched up unexplained increases (see chart).

Only veiled criticisms of state policy appear on the Chinese internet. In one sarcastic social-media post in August, the official account of NetEase, an internet portal, advised Chinese people to stop getting married, stop having children, spend less, not buy homes or cars, and stay home instead of travelling. The message, which caused the account to be suspended, was a poke at the ineffectiveness of central measures aimed at reviving the economy: consumers were doing the opposite of what the government wanted. But such voices are rare. Netizens are sometimes wary even of serious debate about the property market. One piece of analysis, published online on October 9th, compared China's housing policy with America's. The author, a former banker, says that when she tried posting the article on some social-media platforms it was blocked.

Another source of gloom is the chaos at China's largest property firms. Netizens have chuckled at the detention of Mr Hui. But his plight, and the rounding up and arrests of a handful of his colleagues, indicate that Evergrande's troubles will long continue. The company abruptly cancelled its debt restructuring in September after nearly two years of negotiations. On October 9th a creditor group owed some \$6bn by Evergrande said that the collapse of the restructuring had come as a "complete surprise". On the same day, Country Garden once China's largest home builder, said it had defaulted on a \$60m offshore debt and that it would probably fail to pay other dollar-denominated debts.

Such news will not encourage buyers. As more large developers fail to pay debts, they also stop paying the contractors and materials suppliers that build homes. This inevitably leads to homes going unfinished despite already being paid for by ordinary people. Fears that more developers will succumb to these pressures have probably deterred many Chinese citizens from buying new homes this year. Listed developers owe Chinese people about 7trn yuan (\$960bn) in unbuilt homes, according to

analysts at Gavekal, a research firm. These concerns are echoed across the Chinese internet. In one short video posted online in October, a vlogger airs a growing concern among homebuyers that Country Garden will become the next Evergrande. If the prediction proves right, the impact could be huge: Country Garden is estimated to be building about 1m flats.

The market for second-hand homes is looking much healthier than it is for new ones, notes Goldman Sachs, a bank, in part because people do not want to risk paying for a home that may not be completed. Those buying new flats are more reticent about paying up front for them, too. After prepayments hit a peak of 89% of all new home transactions in mid-2021, that figure fell to 76% in August.

The prospect of tumbling home prices continues to worry ordinary people. But although prices have gradually declined in many large cities, they have not collapsed. This has differentiated China's property crisis from those in America in 2008 and in Japan in 1992. One reason is that China keeps a firm grip on the sales prices of new homes. Many places have banned price cuts. Between May and December last year, about 20 cities introduced policies that limited how much developers could lower prices. In a southern city a desperate developer slashed prices by 50% in an effort to attract buyers. This fire sale, however, was halted by local authorities. During the National Day holiday, officials in some places reportedly stepped in to cancel special deals offered by builders.

They have good reason to do so. For one, price cuts can lead to protests when buyers discover they have paid more than those who bought later. They often demand government action and cash back from developers. More worrying is the prospect of price declines spiralling out of control. If property values were to drop by 30%, about 12% of China's total loan book, or 4.7trn yuan, would suffer from negative equity, according to an analysis by ANZ, a bank. A 50% price collapse would put half of the

national mortgage book underwater, leading to a full-blown crisis.

China's leaders face a predicament. Price drops are bad for anyone who has already purchased a home. But the unaffordability of Chinese cities is a separate crisis for the have-nots. An average home in Beijing, for instance, costs 34 times the average annual salary, making it one of the least affordable places in the world. Young Chinese people are vocal about the pressures of everyday life. From their perspective the current catastrophe playing out in the property market does not sound all that bad. After the recent uptick in Hangzhou, one young netizen pleaded in a social media post: "All I'm hoping for is that prices in Hangzhou don't start rising again". ■

Leaders' inspection tours

The Midas touch

Xi Jinping's visits to firms have a striking impact, briefly

IN IMPERIAL TIMES, to gather unfiltered information and tap into the public mood, emperors slipped into civilian clothing and travelled around incognito. China's Communist rulers are fond of inspection tours, too. But unlike the emperors' hugger-mugger trips, modern equivalents are highly publicised affairs, intended to show that the visitors are caring and down-to-earth. State media often show China's current leader, Xi Jinping, visiting schools, offices and factories, surrounded by onlookers beaming with adoration.

It might be expected that Mr Xi's inspections of firms would generate such a positive buzz that their business would benefit. But a paper by researchers in Japan, led by Ito Asei of the University of Tokyo, paints a more complex picture of the Xi effect. It is based on a study of leaders' visits to companies listed on the Shanghai and Shenzhen stock exchanges during the rule of Mr Xi and his predecessor, Hu Jintao, who was the party's chief from 2002 to 2012.

The researchers measured profits on investments in shares of the visited firms and compared them with returns that would have been expected had a visit not occurred ("cumulative abnormal returns", in stockmarket jargon). They focused on a 15-day period around each inspection. Between 2012 and 2022 Mr Xi visited 53 listed firms while his prime minister, Li Keqiang (who stepped down this year after holding the job for a decade), toured 43 of them.

The impact was clear. For Mr Xi, abnormal returns peaked on average at nearly 6% ►

A lacklustre holiday

China, weekly property sales volume*
October 6th 2023, % change on a year earlier



Sources: CRIC; CreditSights

► above the expected amount. For Mr Li, they were about 3.5% above. Both figures were much higher than the researchers calculated for Mr Hu (2.2%) and his prime minister, Wen Jiabao (1.3%). In Mr Xi's second five-year term as the party's leader, which began in 2017, the effect was even greater, reaching nearly 7%. Curiously, the influence of a visit by Mr Xi is often seen before the trip itself, suggesting that rumours of his plans may spread before he sets off.

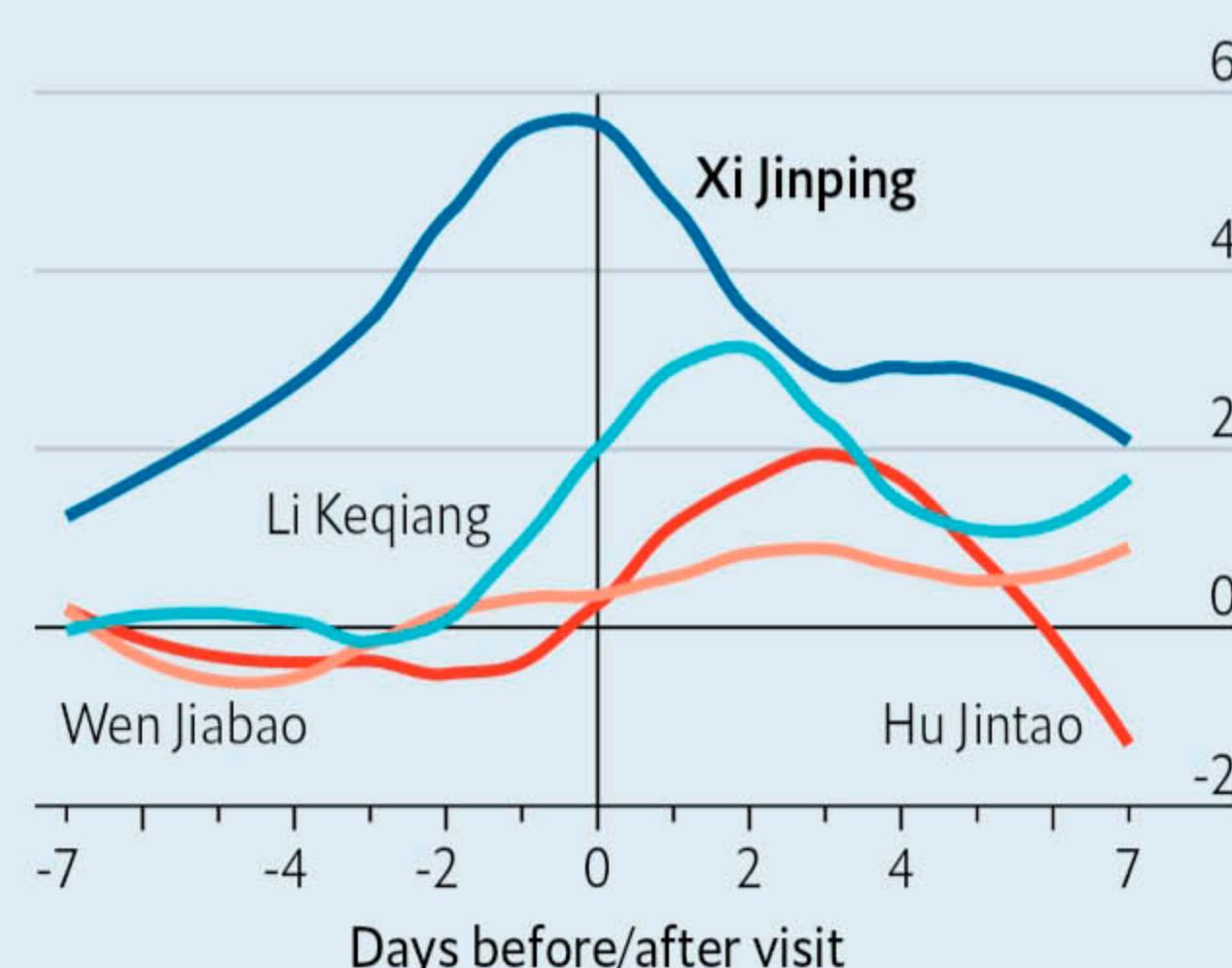
Mr Ito and his co-authors found that leaders were more likely to call on larger firms that are already doing well. Some speculators may reckon that the visits could portend government action that would give these companies an extra boost. But the researchers found that state firms, which are always politically favoured, do not reap any additional benefits from leaders' visits. It is non-state-owned companies, which rank lower in the party's esteem, that revel more in the afterglow: they find it easier to get bank loans and experience a spike in sales.

The leader effect on company value is not confined to China. In a study published in 2020, researchers led by Jeffrey Brown of the University of Illinois found that when bosses of American companies met White House officials, their firms' share prices also increased. But the abnormal returns, at about 0.4% on average, paled in comparison with those noticed in China.

The outsize impact of a Xi visit could be explained partly by his politics. Under his leadership the Chinese government has put much greater effort into directing investment towards what it considers to be strategically important industries. Mr Xi is a champion of this dirigiste approach. So when investors get wind that he will visit a firm, they may be all the more inclined to see the trip as a sign that he has picked a winner. Mr Xi would abhor the term state capitalism, but China's speculators feed on its abundant manifestations. ■

The Xi effect

China, impact of leaders' visits on companies' share price*, percentage points



*Difference between actual and expected returns had visit not occurred

Source: "Political visits and firm value: evidence from central leaders' local tours in China", by Ito et al., RIETI, 2023

Family life

Grumbling grannies

BEIJING

China's grandparents are getting sick of being used as baby-sitters

TRADITIONALLY, DOTING Chinese grandmothers look after their grandchildren free. So when a grandmother in the south-western province of Sichuan sued her daughter and son-in-law for unpaid child-care fees, it caused a stir on social media. The grandmother, who is surnamed Duan, had looked after her grandson for five years while his parents worked in another city. She wanted compensation. In September, a local judge found in her favour. The boy's parents were ordered to pay her 82,500 yuan (\$11,300).

Ms Duan is not the only Chinese grandmother to think they are getting a rough deal. In state media, reports of similar lawsuits have become more common in recent years. They suggest China's grandparents are growing sick of being treated as free childminders. In 2021 a grandfather in another part of Sichuan was given 100,000 yuan in child-care fees, with the judge scolding the child's mother and father for *kenlao*, or "gnawing on the elderly". The term is used to describe taking advantage of one's parents.

China's grandparents have always helped out with child care. But there used to be an easy alternative. Under Mao Zedong, state-owned nurseries were set up, providing cheap care for many of China's children, to encourage mothers to work in farms and factories. Many were shut down during economic reforms that began in 1978, two years after Mao's death. Those that remain are few, often expensive, and usually open only to children over the age of three. Nannies, meanwhile, are often distrusted, after scandals involving mistreatment of their charges.

These days most Chinese families rely on grandparents to look after young children. A study published in 2017 found that nearly 80% of households did so in the biggest cities. Migrant labourers from rural areas ask grandparents back in the countryside to care for their children while the parents work far from home. In many Chinese villages, only the elderly and the young are left. The one-child policy, which led to many children having four grandparents all to themselves, made the burden of care more manageable. So did early retirement. Many Chinese quit work in their 50s.

Nevertheless, grandparents sacrifice a lot. Many will leave their homes to move in with their children after a baby is born. Millions of such "elderly drifters", as they

are known, live in China's big cities. This cuts them off from friends and can lead to loneliness and depression. It can also make it harder for them to get medical care, as big cities often exclude out-of-towners from public services. The end of the one-child policy in 2016 has meant that some grandparents have to look after more children. White-collar workers often have to work long hours, making it difficult for parents with such jobs to pitch in.

Children may not be getting the best of upbringings under grandparental care. Parents worry about their children getting spoiled. Some research suggests that Chinese children raised by their grandparents are more likely to be obese. Research by Scott Rozelle of the University of Stanford found that in rural areas toddlers are often cognitively delayed, partly because their grandparents may not realise that it is important to talk to them.

An increasing number of China's grandparents are also resisting being used as carers. They want to have more fun in their retirement, such as by travelling. Some start looking for love again (a dating show for over 50s was a hit last year). Elderly social-media influencers urge viewers to live in the moment and spend more of their time and money on themselves.

On a warm autumn day at a park in east Beijing, plenty of grandparents are still pushing prams and chasing toddlers. Those your correspondent talked to seemed happy to be doing so, without payment. "We pressured his parents into having him," says Guo Zhenhai, a 67-year-old man who is standing next to a carousel, holding a toddler. "Chinese people live together and help each other. We don't have this idea of making it about money." Mr Guo's wife, though, seems less keen on the arrangement. "It's exhausting," she says. ■



Mulling how much to charge

Chaguan | Xi Jinping's charm offensive

China is making a bit of effort to improve ties with America, but its worldview is unchanged



IN NEW YORK politics, plain speaking is an asset. Fearless public candour is less useful when climbing to the top ranks of the Chinese Communist Party. Despite this daunting culture gap, Chuck Schumer—the acerbic, Brooklyn-born majority leader of America's Senate and co-chairman of the first congressional delegation to China since before the pandemic—held businesslike meetings with Xi Jinping and other party bosses on October 9th and 10th.

The encounters began with less-than-promising displays of party doublespeak. Earlier this year, Mr Xi accused America and allies of trying to contain and suppress his country on all fronts. Yet when the supreme leader welcomed the six senators to the Great Hall of the People, he dismissed bilateral tensions as mere “wind and rain”. Deplored the very notion of a great-power contest, Mr Xi declared that “competition and confrontation are not in line with the trend of the times.” For his part, the foreign minister, Wang Yi, suggested that ignorance explains Americans’ growing wariness of China. With luck, Mr Wang averred, the senators’ visit would give them a more “accurate” understanding of his country.

Mr Schumer was having none of it. It is “natural” that the world’s two greatest powers are competitors in trade, technology, diplomacy and more, he told his hosts, adding: “We welcome this competition. We do not seek conflict.” In his meeting with the foreign minister, the senator said he was “very disappointed” by China’s initial response to terror attacks by Hamas, which “showed no sympathy” for Israelis murdered in their hundreds. Mr Schumer was correct. As with Russia’s invasion of Ukraine, China’s diplomats claimed to be neutral after Hamas attacked Israel. They called on both sides to lay down their arms. China’s official media have played down mass killings and hostage-taking of civilians by Hamas, emphasised Israeli air strikes on Gaza and presented America as a warmonger fuelling the conflict for selfish ends. Mr Schumer asked for a clear condemnation of Hamas. Several senators asked China to use its influence and urge Iran to avoid escalating the war. For good measure Mr Schumer complained about unfair Chinese trade practices and China-based chemical factories that feed the deadly trade in fentanyl. He urged China not to support “Russia’s immoral war against Ukraine”.

His hosts were pragmatic, not cross, in response. The com-

merce minister, Wang Wentao, said that China does not seek to avoid competition, as long as it is based on world trade rules. During the Americans’ visit, the foreign ministry somewhat toughened its line on Hamas, condemning acts that harm civilians.

It is not a love of Brooklyn-style bluntness that explains China’s reaction. Party chiefs respect power, whether economic or political. China needs foreign investment and know-how, and wants to head off tighter, American-led controls on exports of semiconductors and other technologies. Leaders in Beijing notice that, at a time when members of Congress agree on very little, politicians in Washington can come together to pass tough-on-China bills and industrial subsidies for American firms. Congress demands stronger armed forces to counter the People’s Liberation Army.

Party leaders understand diplomatic clout, too. They have watched, appalled, as America harnesses fears of China to broker a rapprochement between Japan and South Korea, and to deepen defence ties with regional countries from Australia and India to the Philippines. Diplomats report that China has heard from many governments that it should lower tensions and talk to America—and that countries have sent the same message to President Joe Biden’s team. Mr Xi all but confirmed this in public, telling Mr Schumer’s delegation that the international community expects their two countries to co-operate on such global tasks as fighting climate change and securing a post-pandemic economic recovery. American officials sound confident that Mr Xi will attend an Asia-Pacific leaders’ summit next month in San Francisco, and hold a side meeting with Mr Biden. For the past three months China has eased off from dangerous mid-air and maritime encounters with surveillance aircraft and warships from America and allies, such as Australia and Canada, says an American defence official.

The party respects a united front

This modest lowering of tensions cannot be separated from the tough-on-China mood that unites America’s politicians. That bipartisan consensus is real, Chaguan heard on a recent trip to Washington. Both parties agree that China is “the pacing challenge of this century”, says Senator Chris Coons, a Democrat with close ties to Mr Biden. Still, divisions lurk. Not every member worries about the views of foreign allies and non-aligned countries. Most Republicans are far less fussed about competing with China for top jobs and influence at the UN, laments Mr Coons. Even as China expands its diplomatic footprint, the Senate has failed to confirm American ambassadors to vital countries.

Republicans complain that Mr Biden’s focus on climate change and what they call his “war on fossil fuels” will leave Americans dependent on Chinese-made electric cars. Isolationism, on the hard right and far left, is a growing force. Mike Gallagher, the Republican chairman of the House Select Committee on the Chinese Communist Party, is a Reagan-admiring internationalist. Like Mr Coons, he sees a link between America’s global credibility and the health of its democratic institutions at home. But even Mr Gallagher worries that the American public’s support for war over Taiwan might “evaporate” if the costs are too high. That makes him eager to see America pre-position enough arms on Taiwan and deterrent force in Asia to make taking the island impossible. Others worry that causing China to lose all hope would trigger a war.

In short, American politicians agree that they are in a great power contest with China, but not how to compete. Policymaking on China has not succumbed to partisan dysfunction or to Trumpish, America First nationalism. Candidly, though, it could. ■

**Security in Africa**

The new cop on the beat

Rwanda is exporting security, but also spreading fear

PAUL KAGAME may cut a slight figure, yet no one would ever accuse him of lacking stamina—or ambition. He has run Rwanda for almost 30 years since he led a rebel army that toppled its genocidal regime in 1994, but shows no sign of flagging. Last month he said he would run for a fourth presidential term in elections next year. He will almost certainly win because many opponents are too frightened to stand against him, some having been locked up before previous polls.

If Mr Kagame is going nowhere, his army is certainly on the hoof. Rwandan troops are fighting rebels in the Central African Republic and waging war against jihadists in Mozambique. Now they are thought to be preparing to deploy to Benin, some 3,000km from home, to fight insurgents on the fringes of the Sahel.

These far-flung troop deployments are at the heart of Mr Kagame's strategy of making Rwanda an exporter of security across Africa—the neighbourhood cop, if you will. He is filling a vacuum that has

emerged amid turmoil. Jihadists are terrorising millions across the Sahel. Western influence is being challenged by China and Russia and by newcomers such as Russia's Wagner mercenary group.

Yet the irony of Mr Kagame becoming Africa's policeman is that his own government is also one of the most thuggish on the block. A report released on October 10th by Human Rights Watch (HRW), an international advocacy group, documents Rwanda's extraterritorial campaign of intimidation, which includes more than a dozen murders, kidnappings or attempted kidnappings and violent attacks targeting Rwandans living abroad since 2017.

The government has previously been accused of killing high-profile exiles such as Patrick Karegeya, Mr Kagame's former

intelligence chief, who was found strangled to death in a hotel room in South Africa in 2014. That prompted a rebuke from America. (Mr Kagame has denied Rwanda's involvement, but with a nod and a wink, telling the *Wall Street Journal*: "I actually wish Rwanda did it.") The report by HRW suggests not just that the abuses are widespread and continuing, but that they may also be facilitated by Mr Kagame's troop deployments abroad. Rwanda's government said that "Human Rights Watch continues to present a distorted picture of Rwanda that only exists in their imagination" and added it had made progress in improving people's well-being.

At first glance, the idea of Rwanda exporting security seems rather odd. It has a population of just 13m, a GDP per person roughly half that of Haiti and only 33,000 regular soldiers. But its troops are tough and well trained and have inflicted crushing defeats on Congo, which is 100 times its size by area. Rwanda is the world's third-largest contributor to UN peacekeeping missions. The nearly 6,000 blue helmets it sends abroad bring in some \$8.5m a month. They have also won the gratitude of Western policymakers, helping Rwanda gain access to training and equipment from NATO members, says J. Peter Pham, a former American diplomat. Over the past few years Mr Kagame has been providing troops directly to embattled governments.

In 2020 he sent almost 1,000 soldiers to ➤

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▶ fight rebels threatening Faustin-Archange Touadéra, the president of the Central African Republic, where they fought alongside Wagner mercenaries. The following year Rwanda sent troops to Mozambique, where jihadists have halted a \$20bn gas project led by TotalEnergies, a French oil firm. Benin is the latest country to call on Mr Kagame for help, after incursions by jihadists from Burkina Faso and Niger.

These deployments appear to serve two broad aims: to make money and influence people. The European Union has contributed €20m (\$22m) to Rwanda's mission in Mozambique. But that does not buy much. The real payback appears to be through Rwandan firms getting rights to mine minerals. Mr Kagame acknowledged as much in an interview with the *Africa Report*, saying that since Mozambique and the Central African Republic had no money, they had agreed to "find another way" to compensate Rwanda. A number of Rwandan companies have piled into both countries, many of them linked to Crystal Ventures, a sprawling holding company that is the investment arm of Rwanda's ruling party. "Wherever the army goes, Crystal Ventures follows," says David Himbara, a former economic adviser to the president and now a vocal critic in exile.

More than 100 Rwandan companies are registered in the Central African Republic, according to the International Crisis Group (ICG), a think-tank, up from about 20 in 2019. A firm linked to the Rwandan government has reportedly been granted 25-year concessions over five mines. Rwandan companies linked to Crystal Ventures are doing deals in Mozambique, too.

The second pay-off is diplomatic. Some Western countries see Rwanda as a useful counterweight to Wagner. Last year American officials involved the country in secret talks with Mr Touadéra in an effort to displace the Russian mercenaries, according to the ICG. Meanwhile, many suspect Mr Kagame ended a three-decade-long bust-up with France by riding to the rescue of Mozambique, where TotalEnergies operates. In return France announced a €500m

aid package for Rwanda, to be disbursed over four years, having given less than €4m as recently as 2019.

Deploying troops to Benin would make Rwanda an even more valuable ally by helping the West "maintain its influence while decreasing its footprint", says Mvemba Dizolele, the Africa director at the Centre for Strategic and International Studies, a think-tank in Washington. Yet Rwanda's diplomatic efforts may well be

undermined by its human-rights abuses and other meddling in the region. UN investigators have accused Rwanda of backing the M23, a rebel group that is destabilising parts of eastern Congo. On September 15th America suspended military assistance to Rwanda over this issue. At the core of Rwanda's appeal for the West is its offer to improve security and stability in the region. That seems less of a bargain if it is also sowing chaos and fear. ■



Property rights

Custom redesigned

KENEMA

Land reform in Africa is challenging the power of chiefs

MANY AN INVESTOR has taken the road east from Freetown, the capital, into the heart of Sierra Leone seeking land for plantations or mines. Their journey invariably takes them to the door of a local chief. A system based on private land titles reaches no farther inland than the salty sea air.

So it goes in many parts of Africa, where roughly three-quarters of land is under customary ownership. In theory, that means it is managed by communities in line with tradition. But there is no consensus about how that should work in practice. Which community? Whose tradition? Should decisions be made by chiefs, families or individuals?

These questions are becoming more urgent as the demand for land rises. In 2007 a surge in food prices sparked a land rush. Foreign investors have since concluded large-scale deals for roughly 200,000 square kilometres of land in Africa, an area the size of mainland Britain, estimates Land Matrix, a data platform. That is one reason why many countries are rethinking

customary tenure, including Sierra Leone, which rewrote its land laws last year. These do not just change property rights, but also recast political authority.

Access to rural land is often mediated by chiefs, who present themselves as heirs to ancestral tradition. Yet this heritage is somewhat contrived. The British empire, in particular, often strengthened the hand of favoured chiefs over their people.

That often puts them at the heart of negotiations with investors. Some have staunchly defended their people. Others have struck deals with companies that want land for crops and minerals. "We saw chiefs riding roughshod on communities, insisting on investments even when communities didn't want it," says Sonkita Conteh, a lawyer at Namati, a civil-society group that has worked on hundreds of land cases in Sierra Leone.

Chiefs there are elected from historic ruling families by rural notables and serve for life. They often insist they are owners of the land, not mere custodians as the law ▶



implies. The new act, which Mr Conteh helped draft, subtly weakens chiefly power. It guarantees women the same land rights as men and for the first time lets descendants of freed slaves own land outside Freetown. Any investment on customary land now needs the consent of 60% of adults in the families who, in effect, own it.

The 14 paramount chiefs, who sit in parliament, complained that an initial draft of the law "effectively abolishes chieftaincy" (the final version was slightly softened). David Farley Keili-Coomber, an urbane engineer and paramount chief, argues that traditional leaders are more responsive to local needs. "Without paramount chiefs, the government in Freetown cannot run this country," he says.

In many countries governments take on chiefs at their peril. In a survey of 28 countries by Afrobarometer, a pollster, people said that traditional leaders were more trustworthy, less corrupt and better at their jobs than politicians. Half wanted chiefs' influence to increase.

In Zambia, for instance, traditional leaders walked out of a meeting to discuss the first national land policy, eventually approved in 2021. They have long disliked a law that allows customary land to be converted into leasehold, which in effect transfers authority from chiefs to the state. The growth of cities, national parks and commercial farm blocks have reduced their writ to about half of the country.

Traditional leaders are less popular among South Africans, who tend to say they look after personal interests above those of the people. In Xolobeni, in the Eastern Cape province, a chief supported a proposed titanium mine after he got a directorship and a company car. But a judge ruled in 2018 that the chieftaincy could not override the opposition of the people living there. In general, the power of chiefs to strike deals in the name of communities remains contested. "It's only the traditional leaders that are seen," says Wilmien Wimcomb, a lawyer who worked on the Xolobeni case. "Everyone under that leader is completely invisible."

One way to change that is to register ownership. Countries from Burkina Faso to Tanzania have set out on this path. Rwanda has gone furthest. This turns customary land into "something markets can recognise", says Admos Chimhowu of the University of Manchester, which could also increase land pressures.

Yet the contest for land need not be a zero-sum game. When an Italian-owned rubber company first came to Ngovokpahun village in Sierra Leone, it exaggerated the benefits it would bring. Now, the locals are negotiating a fairer agreement. At a village meeting they say the relationship with the company has improved. But only because they have learned how to also say no. ■

Corruption and debt

The reluctant litigant

MAPUTO

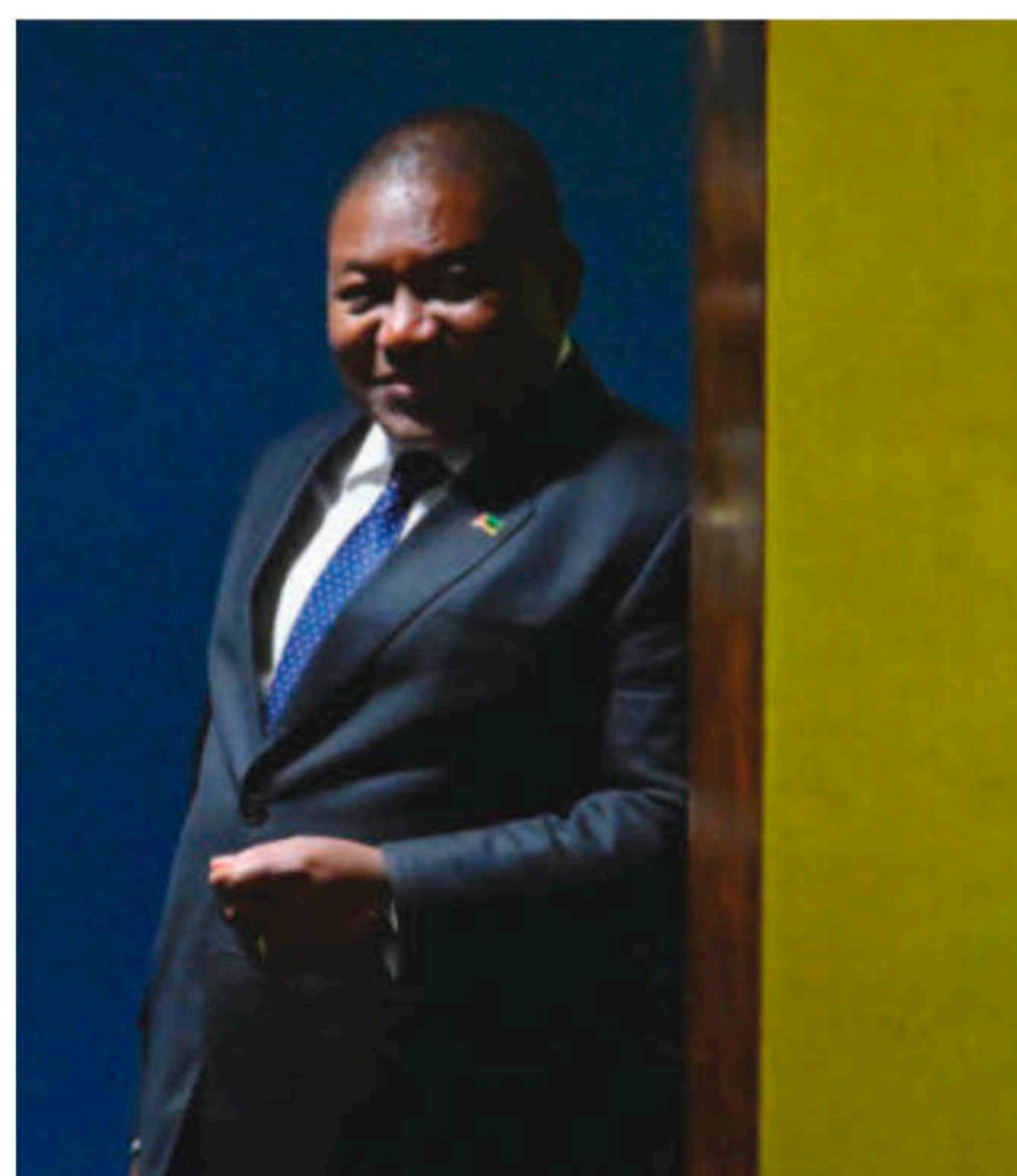
Mozambique will get its day in court. Why is it so half-hearted?

IT WAS THE biggest corruption scandal in Mozambique's history, involving more than \$2bn of borrowing by three state-backed firms, mostly done in secret, and greased by kickbacks. On October 16th, a decade after the first loan was agreed, the reverberations will reach the High Court in London. There the government of Mozambique is seeking more than \$2bn in damages from Privinvest, a group of firms based in Lebanon, and its boss.

Mozambique, however, seems to have mixed feelings about its case being heard. On October 1st it reached a last-minute settlement with Credit Suisse, the bank that helped arrange two of the deals. The terms are not public, but a person with knowledge of the matter says the bank forgave \$440m in debt, although it had already agreed to cancel much of that in a deal with British regulators in 2021. The government will pay less than \$50m to other creditors. It has not yet settled with VTB, a Russian bank that was also involved in the original transactions. UBS, which completed a takeover of Credit Suisse in June, and Mozambique declined to comment on the sum.

The agreement makes sense for UBS, which is trying to clean up the mess it inherited. And Mozambique may have been happy to reduce its debt while also staying out of court, possibly because of the role played by its own officials in the scandal.

The case now continues against Privinvest, which supplied equipment for maritime security and fishing boats. Mozambique says that Privinvest paid \$136m in



Immune as a sovereign

bribes and secret commissions to Credit Suisse bankers, Mozambican officials and others to procure state guarantees (the firm says that payments it made were lawful). But the government is in a tricky position. Frelimo, the party that presided over the scandal, is still in power. Preparations for the trial in London have been hampered by officials' reluctance to disclose relevant documents, citing state secrecy.

The knottiest issue is the role of Filipe Nyusi, the president (pictured), who was defence minister when the deals were made. Privinvest says it contributed \$1m to his campaign and \$10m to his party before elections in 2014. If other payments to Mozambican officials are deemed unlawful, its lawyers argue, then so should these. That would make the president liable for damages sought by his own government. Last month a British judge ruled that Mr Nyusi enjoys immunity as a serving head of state, although Privinvest can appeal. Mr Nyusi has denied any wrongdoing.

The court will no longer evaluate an \$830m claim relating to the economic fallout of the scandal, which caused the IMF and foreign donors to suspend support. After settling with Credit Suisse, the government dropped this part of its claim, saying it doubts the other defendants can pay. The tab has been picked up by the people of Mozambique, who are poorer today than they were when the debt deals were struck.

The settlement with Credit Suisse also means that fewer awkward details will be raked over in court. An "opportunity for transparency" has been missed, says Adriano Nuvunga, an anti-corruption campaigner. The settlement was made, he argues, "to protect those in power".

Although much of the truth has already been exposed, there may still be more to come. One person who could spill the beans is Manuel Chang, the former finance minister. He was arrested five years ago in South Africa and extradited in July to America, accused of taking \$18m in bribes (he has pleaded not guilty).

Other officials are already behind bars. Last year a court in Maputo sentenced 11 people to prison for their role in the scandal, including the son of Armando Guebuza, Mr Nyusi's predecessor as president, who comes from a rival faction of the party. That trial was broadcast on national television. By comparison the proceedings in London have barely registered with Mozambique's public. That may be just how the government wants to keep it. ■

We are hiring a correspondent to strengthen our Africa coverage. The job will be located in the region and involve lots of travel. A knowledge of geopolitics and economics is helpful. Applicants should send a cv, a cover letter and an unpublished article of 600 words suitable for publication in *The Economist* to africawriter@economist.com. The deadline is November 20th.



Winners and losers

Our European economic pentathlon

How EU countries rank on demand, debt, demography, decarbonisation and decoupling

THE EUROPEAN economies are in for a troubling few years. Germany is probably in recession. The European Commission is forecasting growth of just 0.8% for the EU as a whole in 2023, and little more in 2024. Inflation is coming down only slowly, prompting the European Central Bank (ECB) to raise rates yet again at its September meeting. Business confidence continues to worsen. The commission has asked the ECB's former boss, Mario Draghi, to come up with a plan to strengthen Europe's economy. It could make a book, working title: "Whatever it Takes (to Grow)".

Not all countries are equally affected, though. As our calculations show, they perform differently on the five major challenges that are facing all European economies. Demand will have to be lowered to fight inflation; and the resulting higher rates on debt-piles will weigh against spending. Ageing societies lose workers to retirement faster than youngsters enter the labour market. Meanwhile, the fight

against climate change requires industry to transform; and trading with autocracies is increasingly a risk in the new geopolitical age. Welcome to our European economic pentathlon, where we award each country a gold, silver or bronze medal in each of the five disciplines, according to our assessment of their performance. Full details and all the data are on www.economist.com/EUPentathlon.

We start with **demand**. The ECB is required to increase interest rates to bring down inflation. That is not always working according to plan. In Austria annual inflation is still at 5.8%, while it is down to 2.4%

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in Greece, close to the ECB target of 2%. The same interest rate could thus soon be too low for some, and too high for others. Additionally, the central banks of the seven EU countries that are not in the euro tend to try to ensure that their economies do not get too out of whack with the euro zone. Ideally, inflation in all EU countries should be close to the euro-zone average, even in those outside it. Those whose inflation rate deviates too much from the euro-zone average (currently 4.3%), whether below or above it, will have a costly period of adjustment ahead of them.

Next, **debt**. Higher interest rates will hit countries harder if they already have high public or private borrowing. To make a fair comparison of relative profligacy, we calculate the debt-servicing costs, as a share of GDP, on the total stock of firms', households' and governments' debt as if the rates charged currently on new loans or bonds applied to the whole stock. The reason why that is a fair comparison is that as older debt matures, it will need to be rolled over onto the new rates. Tax havens such as Ireland, Cyprus or Luxembourg have high corporate debt without it affecting the local economy much. But in Hungary, the Scandinavian countries and the Netherlands, private debt servicing is likely to be a drag on consumption, construction and investment. In the Netherlands, a drop in pension assets of households over recent years ►

► will add to the problem. In Italy and Greece, it is mostly governments that will soon have to set aside more funds for debt servicing.

Now to **demography**. The struggle with ageing is one of the long-distance disciplines in our pentathlon. Successful countries have in the past stabilised their birth rate, brought in immigrants to enrich their economies, encouraged workers to stay on the job well into their 60s and got men to do their share of care work at home so that women can tap their full economic potential in the labour market.

We measure what countries are now up against. We calculate the net shrinkage of the available labour force, without migration: the number of people aged 60-64, who are close to retirement, minus the youngsters aged 15-19, who are soon entering the labour market. At the bottom are central and eastern European countries, as well as the gerontocracies of the west, Germany and Italy. The number of native workers in Sweden, France or Denmark will remain similarly plentiful in the next few years. Among the EU's eastern members, Hungary, the Czech Republic and Romania are doing better on this measure than many western EU countries.

The other long-distance race in our economic pentathlon is the **decarbonisation** of the European economy. Greening transport and heating will require hefty investment and should actually boost growth in the short term, as households and governments incur debt to fund new kit. The investment in renewable-energy generation will have a similar effect. Decarbonising industry, however, will be harder, as companies face competition at home and abroad. Until green electricity becomes abundant and cheap, their costs will remain higher. That is even true in countries with nuclear power or lots of renewables: because Europe's power markets are

The Economist's assessment

Final medals table, awarded in five areas: demand, debt, demography, decarbonisation & decoupling



Source: *The Economist*

The EU's relationship with China in particular will need careful readjustment, to make the continent less vulnerable to economic blackmail. Should a political escalation lead to reduced trade and Chinese retaliation, it is mostly Germany and its big industrial firms, especially its carmakers, with large subsidiaries in China, that stand to lose. But importing from other autocracies also carries risks for supply chains. We calculate the total trade with those countries deemed autocracies by the Economist Intelligence Unit, and divide it by GDP. On this measure, some smaller EU countries do worst. Germany and the Netherlands run in this competition as a joint team, because the port of Rotterdam serves as the import route for many German customers, too, and Dutch trade figures tend to be overstated. They rank highest among larger countries, with France close to the lower end of the table.

Put it all together, and what do you get? Europe's economic pentathlon has a clear winner: Ireland with four golds and a silver, followed by two Mediterranean islands, another tax haven and Denmark. Being small clearly has its advantages, though Denmark is the only economic model that could be copied by others. Croatia's high position is clouded by its demographic problems. The best large economy is France, with two gold medals and three silvers. At the bottom of the table is Hungary, with Italy only a bit better; both with debt problems and a near-term struggle with demand. Germany is luckier: its one gold medal, on inflation, masks its three bronzes—on demography, decoupling and decarbonisation. Poland, a strong economic performer for years, received only bronze medals on inflation and demography, dragging it down our list. Just as in Germany's case, winning economic prizes in the past says little about who will be the winners in the next few years. ■

increasingly connected, prices tend to move in tandem. The overall consumption of gas and electricity by industry, our measure for this challenge, differs widely across Europe as a share of GDP. Within the group of rich countries, Finland and Belgium stand out as large industrial-energy consumers. Spain and Germany are also in the high-energy group, whereas in this discipline Poland and France are lower.

Finally, all countries will face pressure to **decouple** from the world's autocracies.

And the data behind it

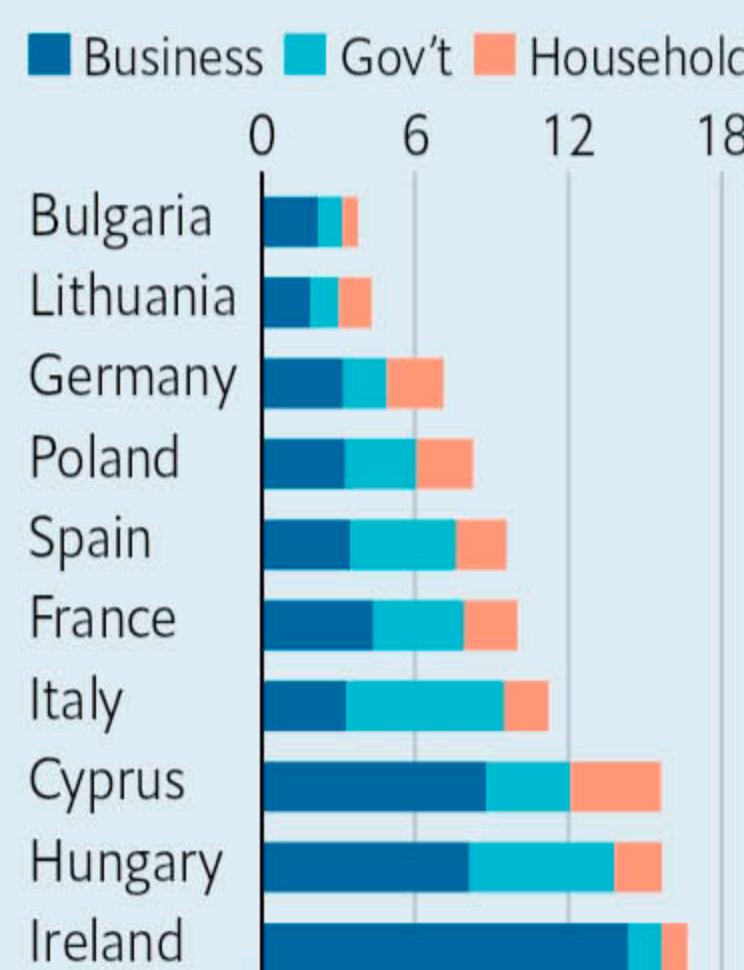
Selected EU countries

Core consumer prices*, cumulative deviation from euro-area weighted average



Debt-servicing costs at current interest rates†

Q1 2023 or latest, % of GDP



Net change‡ in labour force aged 15-64

2022, % points



Industrial electricity & gas consumption

2021, MWh per €1m GDP§



Goods trade with autocracies

2021, % of GDP



Migration and the EU

Out of sight, out of mind

MADRID AND ROME

The EU's endless search for a migration fix

WHEN BOUBACAR TOURÉ heard the crash of a tour bus near Venice, plunging 15 metres from a bridge, he ran towards the noise. He and a room-mate helped pull people from the bus as it burned. The accident killed 21; more might have died if not for his heroics. "When somebody needs help because they're dying, you don't just walk away." Mr Touré, a Gambian, was himself rescued from his crossing of the Mediterranean at the age of 17. "The Italians saved my life and now I've done something for them," he said.

Such stories tug at the conscience. That is why European countries would rather keep them far from their consciences in the first place. Migration is back in the headlines, with 2023 almost certain to become the biggest year for arrivals in Europe since 2016 (see chart). The European Union has just struck a deal to distribute the burden of migrant arrivals more evenly between countries, with those taking fewer people paying those who take more. This defused a row in which Italy had bitterly criticised Germany for funding NGOs that rescue migrants at sea. This, in Italy's view, incentivises more to come.

But as Europe took a step forward on its internal management, it took another step back on its foreign front. A deal with Tunisia, announced in July, was meant to reduce the number of migrants arriving via that country. But it is unravelling. The autocratic president, Kais Saied, suddenly said on October 2nd that he did not want Europe's money, and on October 9th Tunisia sent €60m (\$64m) back. He appears to have been expecting more cash than was sent to Tunisia recently, possibly owing to an internal wrangle within the EU. (The deal offers longer-term co-operation on issues like energy, but Tunisia is now particularly cash-strapped.) Nor has the deal had the desired effect. Since July, thousands have continued to come from Tunisia, especially to the Italian island of Lampedusa.

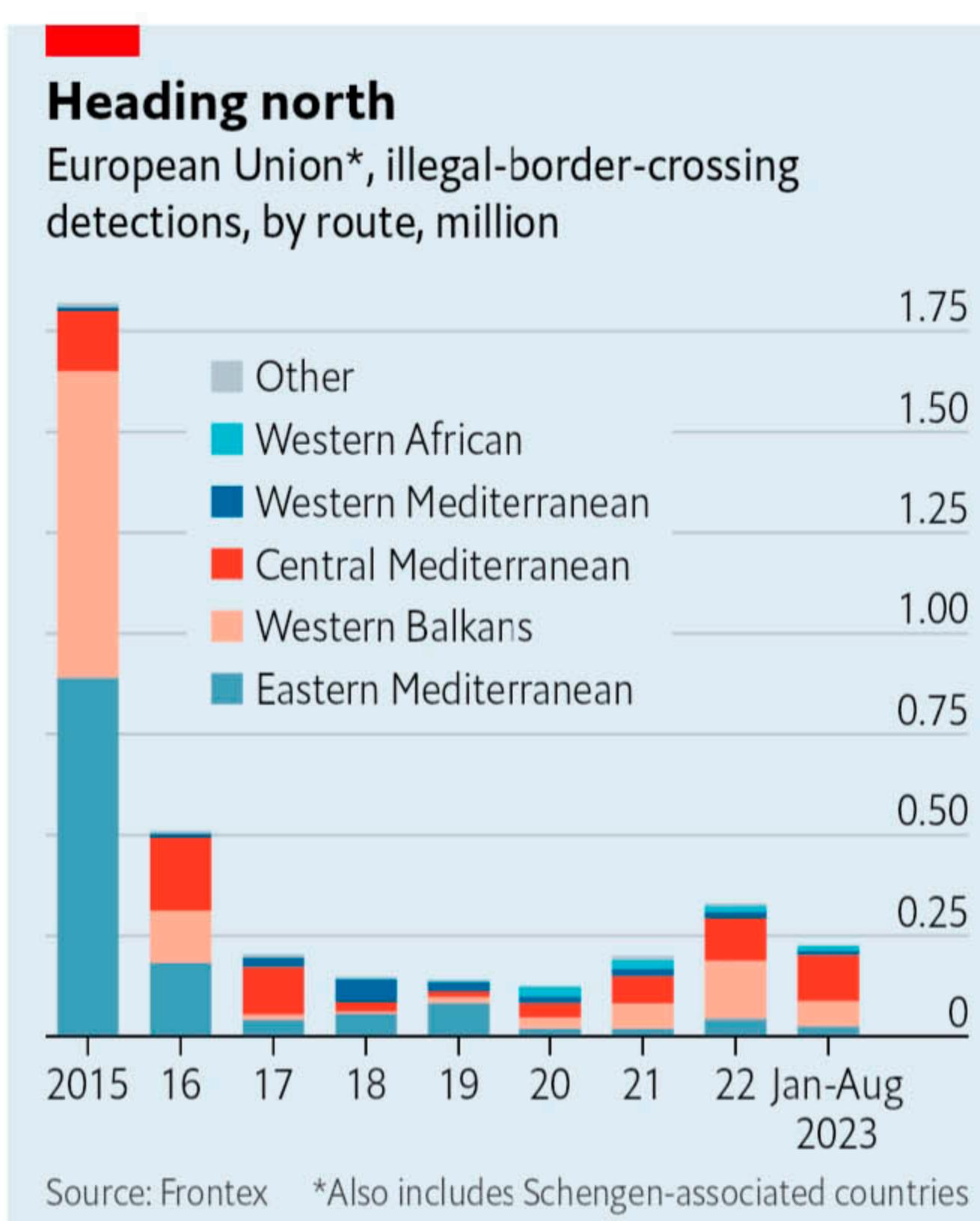
The bust-up with Tunisia highlights several problems with using neighbouring states as Europe's border force. A deal may be ineffective, or it may be too brutally effective. In either case those states, recognising their leverage, have a continuing incentive to renegotiate.

Migration has changed since 2015, when the wars in Syria, Iraq and Afghanistan gave Europeans something of a sense of responsibility. But much of the strain

ly tripled between 2019 and 2021, when around 32,000 people left for Europe. This led the EU to deal with the misnamed Libyan coast guard, a force run largely by militias in that war-battered country, giving them boats and equipment to return migrants to Libya. Human-rights groups and reporters have documented brutal conditions, including rape, torture and slavery in what amount to prisons there. Such reporting may have led to the closure of Al Mabani, a notorious camp, last year. But the Outlaw Ocean Project, an NGO, says that the Libyans have probably just moved the camps to places farther from scrutiny.

At the western end of the Mediterranean, things are quieter, and Spain's centre-left government touts its success in handling the migration route there. But critics say that this is because of a grubby deal with Morocco. In 2021 Moroccan authorities looked away while migrants streamed into Spain's North African enclave of Ceuta. When Pedro Sánchez's government abruptly announced a shift on policy towards Western Sahara—in effect blessing Morocco's position that it should remain under Moroccan sovereignty but with local autonomy—many sensed that the Moroccan use of the "migration weapon" had worked, winning a long-sought foreign-policy concession. In any case, Spain has less to crow about over the Atlantic route; in the week ending on October 8th over 2,000 migrants from west Africa arrived in El Hierro, one of Spain's smallest Canary Islands.

The flow of migration continually adapts to the deals with the transit states. The deal with Turkey mostly worked, so migrants then headed through Libya. A deal with Libya may have worked, at a brutal human cost, but now Tunisia is demanding a better offer. Europe has the look of a harried plumber watching new leaks spring as soon as one is fixed. Making deals with unsavoury partners and non-democracies is an ugly but necessary part of foreign policy. It is an entirely different matter when it does not even seem to work. ■



was relieved by a deal with Turkey in 2016, when a big aid package was largely successful at keeping migrants from crossing into the EU. It has not been perfect—Turkey has occasionally threatened to flounce out—but fewer migrants are using this eastern route into Europe.

Today, though the numbers are smaller, the issues are trickier. A greater percentage of the migrants come from sub-Saharan Africa and Asia, not all of them from coup-ridden or war-torn places. Many hail from poor countries and just seek a better life, which smugglers assure them is an easy offer in Europe. As the Turkish route gets harder, they choose the longer and more dangerous central Mediterranean one.

One point of departure has been Libya, where migrants heading for Europe rough-



Germany

A fillip for the right

MUNICH

Bavaria and Hesse re-elect Christian democrats

GERMANS MAY be renowned for obeying rules, but they seem to be resisting the Ampel, or traffic light. This cheery nickname for the left-of-centre coalition elected to run the central government two years ago refers to the colours of its three component parties: red for the Social Democrats (SPD), yellow for the Free Democrats (FDP) and, unsurprisingly, green for the Greens. But judging by the elections held in two important states on October 8th, the German public seems less interested in the Ampel's stop-and-go signals than in turning sharply to the right.

Together, the central state of Hesse and the southern state of Bavaria—Germany's biggest by area and its second-biggest by population—account for almost a quarter of the country's inhabitants. Not surprisingly, their simultaneous elections are being seen as harbingers of broader political trends. These do not look good for Olaf Scholz, the chancellor, or his coalition. In both states all three Ampel parties fared worse than they did five years ago. Indeed the smallest of the three, the liberal-leaning FDP, embarrassingly dropped below the 5% minimum needed to hold any seats in the Landtag, or state assembly, of Bavaria, and barely hung on in Hesse.

The Ampel's pain was the right wing's gain. In Hesse the incumbent government was headed by the centre-right Christian Democratic Union (CDU), long Germany's biggest party. In Bavaria it was headed by the CDU's regional sister party, the Christian Social Union (CSU), under its leader Markus Söder (pictured). The party has held power there without interruption since 1957. That strength looks undiminished. The CDU won 35% in Hesse and the CSU a solid 37% in Bavaria. The twin parties will undoubtedly lead the next governing coalitions in both states.

More surprising has been the surge of two farther-right parties. The Alternative for Germany (AfD), shunned by Germany's political mainstream for its immigrant-bashing rhetoric and extremist tendencies, emerged as the second-strongest party in Hesse, with 18% of the vote. Its tally rose four percentage points in Bavaria too, to 15%. These are unusually strong results, not only because the AfD's stronghold has been more in eastern than in southern states, but because Hesse and Bavaria are home to large—and relatively integrated—immigrant communities. The rival Free

**Solid southern Söder**

Voters party, a rurally based traditionalist group with little footprint beyond the south, also gained more than four points in Bavaria, reaching 16%.

This rightward lurch means that, taken together, the right now accounts for two-thirds of the votes in Bavaria and well over half in Hesse, a stark danger signal for the

Ampel almost halfway through its term. Ironically, however, this apparent peril makes it more probable that Mr Scholz's government will complete its term. With his junior partners, the liberal FDP and the Greens, getting pasted at the polls, neither they nor Mr Scholz's SPD have any interest in bringing the Ampel down.

And though the surge in support for the AfD worries many Germans, the party's stronger showing may prove hard to translate into greater power. All other parties still reject the idea of coalition deals with the hard right. Cooler analysts note that its gains have been made on specific hot-button issues, most importantly immigration and the Greens' climate agenda. The election debates were dominated by gleeful mud-throwing, often accompanied by outright untruths, such as charges that the Greens would ban cars and fireplaces.

Mr Scholz and his coalition have certainly heard the warnings. The Ampel's rhetoric on immigration has grown notably tougher lately, and the Green party has trimmed back some of its environmental ambitions. Perhaps, in another two years, their colourful lights can lure some of those voters back. ■

China and Italy

The persistence of memory

MACERATA

A corner of Italy that is forever China

ITALY MAY, like other Western countries, be hard at work "de-risking" its links to China; Giorgia Meloni's government is considering leaving the Belt and Road Initiative that promotes Chinese trade and investment by next year. But in the hilltop university city of Macerata in the Marche region, relations with China are as enthusiastically friendly as ever. And that is because of a Jesuit priest who lived more than 400 years ago.

Matteo Ricci, born in 1552, is Macerata's most notable son. A missionary and scholar, he was the first European invited to enter the Forbidden City in Beijing. Father Ricci co-wrote the earliest translations into Latin of the Confucian classics and left an enduring bond between China and his birthplace.

Though formally a city with its own cathedral and bishop, Macerata is a very small one, with barely 40,000 inhabitants. Yet its local authority keeps close relations with that of Shanghai, which has 26m. Macerata's Confucius Institute, which promotes Chinese culture, is ranked by the Chinese authorities as on a par with that of Rome. And up to 300 Chinese students can be found studying at Macerata's academy of fine arts.

"At Chinese New Year, the entire city becomes a Chinese town for the day," says the Confucius Institute's co-director, Giorgio Trentin. It is perhaps the only provincial Italian city where a visitor could find a group of locals practising *tai chi* in a side-street.

Macerata is also a key point of linkage between the Roman Catholic church and its members in China, split between an underground movement and the government-sanctioned Catholic Patriotic Association (CPA). Missionaries from Macerata followed in Father Ricci's footsteps for centuries.

Today the diocese produces Chinese translations of theological works, and many of the graduates of its seminary subsequently go to China to study or work in non-ecclesiastical roles while maintaining contact with the country's scattered Catholics. "I currently have a priest in Beijing and two more in Inner Mongolia," says the bishop, Nazzareno Marconi. His diocese also sponsors Chinese who come to study for the priesthood in Italy. But ask him whether they belong to the CPA or the underground church and he smiles and gives a polite "No comment".

Charlemagne | The un-football fans

How rugby became a darling of the chauvinist right



RAISE IS the European politician who does not profess a passion for football. Supporting the local club is a sure-fire way to being seen as an everyman; visiting players in the changing rooms after a match is as much a ritual of electioneering as smooching babies. One politician stands apart. Giorgia Meloni, Italy's hard right prime minister, is publicly unmoved by football, by far the most popular sport in Italy and Europe. Her game is rugby. There, burly men crash into each other for 80 minutes and whoever can most often limp, stagger or dive past the try line wins the game. Alas, Ms Meloni's support did not help her Azzurri progress past the group stages of the Rugby World Cup, which is currently taking place in France. But the tournament has rekindled the political class's interest in the sport there. Many, as it happens, are allies of Ms Meloni on the chauvinist fringes of the spectrum.

Rugby has historically been a pursuit of the prosperous middle class, a sport not so much of the streets as of the private school. That may once have limited its appeal among populists, keen to appeal to blue-collar types first. Not at all, according to *Valeurs Actuelles*, a magazine that doubles as a mouthpiece for the French hard right. It has lauded "La France rugby", an idyllic land where fans are polite, men are manly and players patriotic. That chimes with Ms Meloni, for whom rugby "represents true values, pride and commitment". In Britain, too, populists know how to rally around the oval ball. Nigel Farage, its Brexiteer-in-chief, wallowed in his party's "rugby club" image, and celebrated one national team win at a previous tournament with a pint of England's Glory.

Chauvinists are drawn to rugby because it is the un-football. In soccer, as Americans call it, players routinely feign injury and collectively howl at the referee when they are not awarded a penalty. In contrast, rugby players feign not to be injured and have to be hauled off the field by anxious medics. They politely address the ref as "sir", like children addressing an authority figure: just the thing for law-and-order fans. Between matches, footballers have feuds that fill the tabloids. Rugby matches end with a "third half" played in the pub, where opposing teams get blotto together. Football may be the sport of the masses, but its stars live in the stratosphere. Kylian Mbappé, a French prodigy, is said to earn €72m (\$76m) a year in salary alone. Rugby players used to be amateurs

until the 1990s, and still make a pittance in comparison. That makes for more down-to-earth role models.

Football rewards individual brilliance: TikTok is filled with clips of bicycle kicks and impossible dribbles. In rugby, as Ms Meloni rightly puts it, "there is no place for exaggerated individualism to the detriment of the collective"; a key feature requires a complex choreography of 16 blokes locked in a scrum. Usually the rugby player's name does not even appear on his team jersey. The adulation of the collective and not the individual has knock-ons. Stardom has given football players elevated ideas of their role in society, for example combating racism by taking the knee before matches. Europe's populists don't go for this kind of *wokisme*. Rugby players are subservient to their team and tend to make less fuss.

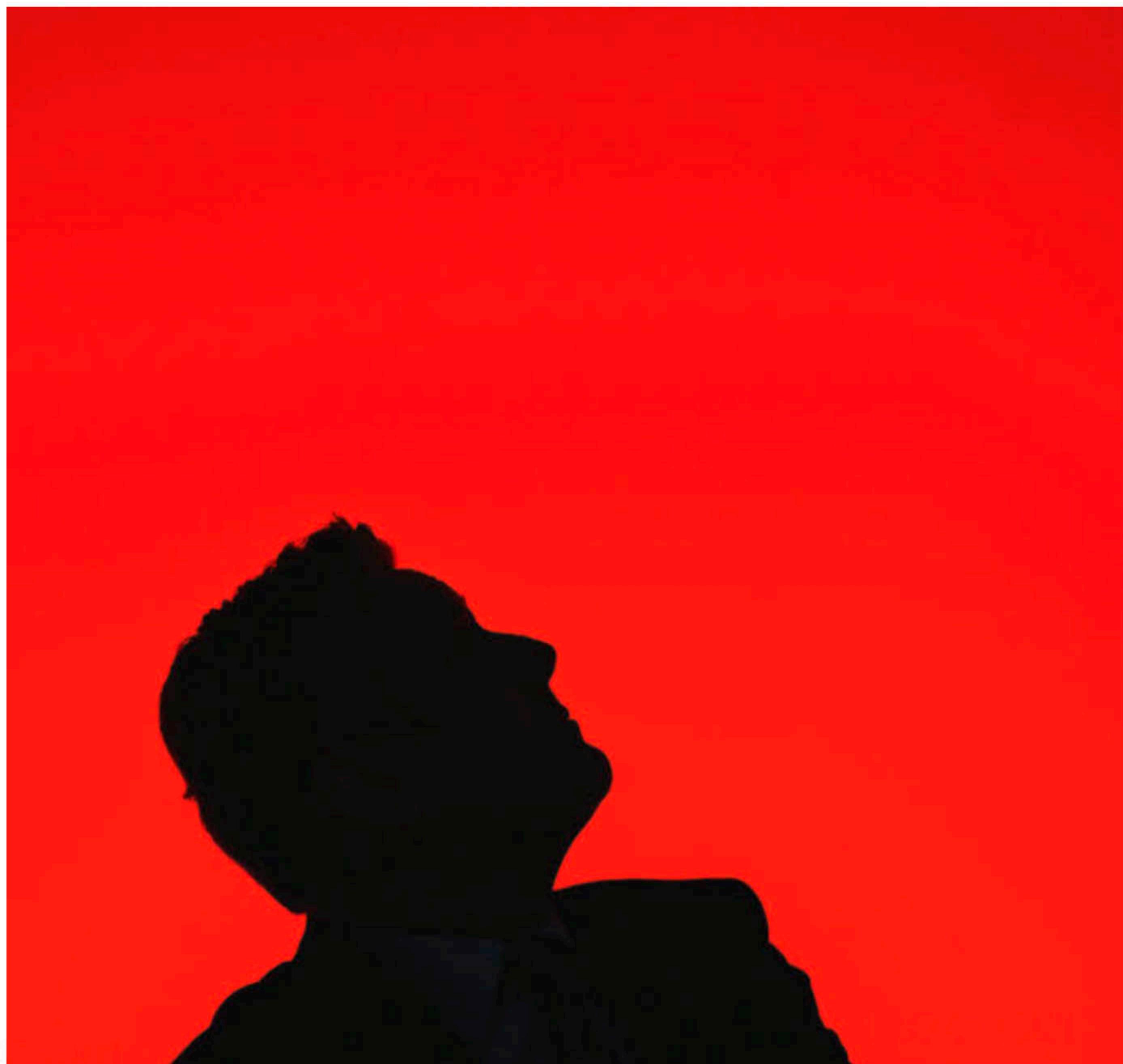
Another way in which rugby is not football is who plays it. For years politicians of the hard right in France grumbled about the national football team being, in their chauvinist eyes, not quite French. Many of its most dazzling stars hailed from the *banlieues*, sporting names like Zinedine and Karim. There are a lot more dark faces in the French rugby team than there once were. But it remains a sport that draws players from the leafy suburbs and *la France profonde*, especially in the provincial south-west, which are paler and less prone to riots. You cannot play a pickup game of rugby like you can one of football or basketball. Perhaps as a result, those from migrant backgrounds who do play are more showily integrated into their teams—and thus wider society. It is that sense of community, of belonging, that appeals to the chauvinists, who think it used to be the norm.

Such harking for yesteryear was on display in the opening ceremony of the World Cup on September 8th. Set in the 1950s—think berets and accordions—it dripped with reassuring clichés of *la France d'hier*. The intention was tongue-in-cheek, but it struck a chord. "This is the France we love, where young ladies didn't wear *abayas* [a full-length robe worn by some Muslim women], where you didn't have riots," gushed one commentator. Rugby has become a safe space for those who think things used to be better and fear the world is moving on only to leave them behind. That is a powerful sentiment in Europe these days, not least among the French, over eight in ten of whom think the country is in decline.

Kicked into touch

The great bulk of rugby fans surely want nothing to do with the populist right. And the idyll imagined by the chauvinists is not quite what it seems. The fans supposed by *Valeurs Actuelles* to be of the polite sort were not above jeering President Emmanuel Macron during the opening ceremony. Nor are all players models of civic values: one forward in the French team, Bastien Chalureau, was convicted of a racist assault in 2020 (he is appealing against his sentence). Antoine Dupont, France's captain, has in the past called for people not to vote for the hard right.

But for middle classes anxious about losing their place in the world, rugby is a haven, says Emmanuel Kujawski, a Green politico who plays on the wing for the European Parliament rugby team. Football can be played by anyone—a rich white kid, one from the *banlieues*, or one who shone on a dusty field in Africa and gets recruited to play in Europe's top leagues, where Gulf sheikhs and American tycoons vie for their teams to prevail. Rugby, at any rate in swathes of Europe, is a sport whose players and fans tend to honour a code of a supposedly more gentlemanly past. It is no surprise it has proved attractive to those politicians intent on pitting Us against Them. ■



The Labour Party

Supply-side social democracy

LIVERPOOL

Sir Keir Starmer's agenda for government starts with planning-reform

AT ITS GATHERING in Manchester this month, the Conservative Party put on a repertory-theatre production of Margaret Thatcher's most popular works. Liz Truss called for corporation-tax cuts. James Cleverly, the foreign secretary, announced he would visit the Falkland Islands.

This week a more subtle and intriguing tribute act to Thatcher was on show at the Labour Party's conference in Liverpool. It was not just that Rachel Reeves, the shadow chancellor who hankers to be Britain's first female finance minister, conceded a debt to its first woman prime minister. It was because Labour promises a supply-side revolution to ignite an ailing economy. Red tape will be cut; utilities shaken up; growth made the first priority.

Thatcherite, then—up to a point. Labour has embraced an idea in vogue among centre-left parties in the West. This idea goes by various names: "modern supply-side economics", "productivism" or, in Ms Reeves's coinage, "securonomics". It is an

effort to rehabilitate the state as a driver of growth, says George Dibb of the Institute for Public Policy Research, a think-tank.

This version of supply-side economics fuses tools and rhetoric conventionally associated with the free-market right—de-regulation and creative destruction—with the left's emphasis on industrial subsidies, labour rights and public services. It stresses an abundance of infrastructure, energy and housing, as well as stable government to drive investment. Old priorities, such as state ownership of industries and redistribution, are a secondary concern. "Every new era of growth must start with an expansion of the country's productive capabilities. That is an iron law," said Sir Keir Starmer, the party's leader.

It is also a political necessity. At the next election, due before the end of January 2025, the party will offer a few small hand-outs paid for by closing tax loopholes worth several billions of pounds. But if Labour wins, its electorate, activists and

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trade-union backers will want more—a rapid uptick in real incomes and a flood of cash into hospitals and schools. Since Ms Reeves is reluctant to raise the tax burden beyond its post-war high of 37% of national income, and unwilling to borrow for day-to-day spending (see next story), a leap in growth is the only way to spend more on public services without raising taxes.

Labour is therefore targeting the highest GDP growth in the G7. It also aims to lift persistently weak business investment by 1% of GDP. That will not be easy. The IMF currently predicts that growth in GDP per person will be tepid for the next five years. To make a real difference, says one shadow cabinet minister, Labour must win a landslide victory, hold power for a decade and move faster and harder than Sir Tony Blair did after his victory in 1997.

The first item on the agenda is Britain's sclerotic planning system. New rule books for the building of national infrastructure—railways, power plants and roads—will be drawn up. Applications for high-value private-sector projects such as battery factories and laboratories will get fast-track treatment. The party thinks it can streamline applications and cut down on litigation by devising off-the-peg processes for planning consultations, environmental mitigations and forms of compensation for locals affected by development. The state will decide, not haggle. ➤

The party claims it can fully decarbonise Britain's electricity supply by 2030. Doing so will require a vast and rapid expansion of the electricity grid. Around £200bn (\$250bn) of green energy projects are in limbo, says Labour, with some of them offered grid connections in 15 years' time. One problem is a lack of competition in construction. Ms Reeves plans to open the market to tendering, including by a new state-owned builder, and to standardise procurement of cabling and parts.

The party's ambitions in housing are a bit more modest. It promises to hit the existing government target of 300,000 new houses per year, using current laws to encourage councils to build more and redesignating low-quality land for development. That is a sensible short-term fix, says Anthony Breach of the Centre for Cities, a think-tank, but to turn housing from a drag on growth into a driver of it will require legislation and deeper reform.

Labour's appetite for deregulation has grown as the party's plans for subsidies to stimulate clean-energy manufacturing have been pared back. In 2021 Ms Reeves earmarked £28bn a year in green subsidies. That remains official policy, but the target date for reaching that level of spending has been postponed to 2027; all mention of the sum was struck from platform speeches in Liverpool. Instead Labour now emphasises a smaller "national wealth fund" of £8bn, earmarked for ports and factories, and designed to unlock private capital.

The supply-side agenda provides a new intellectual vehicle for some old Labour priorities. Better child care and health care are recast as supply-side interventions to increase workforce participation (though analysts disagree on how far NHS waiting lists contribute to economic inactivity). On labour markets Ms Reeves argues that there is a "mountain of economic evidence" that Labour's policies of banning zero-hours contracts and enhancing sick pay will increase productivity. Perhaps, but a party born of the trade-union movement would want to do it anyway.

Thatcher waited years before her reforms turned into tax cuts. Sir Keir also warned of a long slog to transform Britain, but he skirted a harder truth—that his supply-side agenda will not quickly raise wages or transform public services. Even if a stable government and deregulation unleash a wave of investment, an uptick in growth will take years to materialise. However much Labour would like to believe in the magic of the Reform Fairy, the party will face hard choices in the meantime over whether Britons are willing to pay more tax in return for better services.

Politically, however, supply-side social democracy may be a triumph. At a conference breakfast, Jonathan Reynolds, the shadow business secretary, mused that the

global centre-left appeared more cohesive than the right, which has turned to culture to mask deep economic splits. Right on cue the head of the Centre for Policy Studies, Thatcher's favourite think-tank, said it was a disgrace that the Tories had let Labour steal their clothes. The Adam Smith Institute, another free-markets disciple, called Sir Keir's speech "serious, innovation-focused, positive". Where there is discord, may he bring harmony. ■

Labour's fiscal policy

Base-jumping

The baseline theory explains a lot about British politics

IN HER SPEECH to the Labour Party conference in Liverpool on October 9th, Rachel Reeves, the shadow chancellor, pledged "iron discipline" on public spending. A few of the Labour Party's preferred villains—such as private schools, large tech firms and energy companies—would pay a bit more tax if Ms Reeves were to move into 11 Downing Street after the next election. But the overall shape of public spending and taxation, at least on day-to-day spending, would be very similar to that planned by the Tory chancellor, Jeremy Hunt.

Ms Reeves is bearing out a political theory associated with one of Labour's bêtes noires: George Osborne, the Tory chancellor between 2010 and 2016. Long before he was chancellor Mr Osborne had worked as a political strategist. One lesson he drew then from the Conservative defeats of 2001 and 2005 was the "baseline theory of politics". The medium-term fiscal plans set out in the government's budget are often notional—economic circumstances change. But the media and voters would still treat

these numbers as the starting-point for any discussion of fiscal policy. Any proposed deviation from that baseline, justified or not, would be heavily scrutinised.

As chancellor, Mr Osborne put his baseline theory into practice. In the 2015 election the Conservatives promised £40bn (then worth \$61.2bn), or 2% of GDP, of post-election spending reductions. When Labour failed to match this commitment, Mr Osborne argued that a Labour government would lead to more taxes and more borrowing. But soon after winning the election, the Tories put together another budget and softened their plans for public-spending cuts. The old baseline had served its purpose; a new one could be adopted.

The current government may be about to attempt something similar, due to a quirk of timing around how Britain plans its public spending. British budgets set out the total pot allocated for departmental spending, capital spending and the like for the current fiscal year and the four subsequent ones. The spending review, which divides up this total spending between actual departments, does not last as long. In the autumn statement next month, Mr Hunt will set out the government's fiscal plans until 2027-28. But the current spending review runs until only 2024-25.

This is the moment one former budgetary official calls "the danger period", when the current government can set the baseline ahead of an election without specifying where cuts will actually fall. If it wins, the government can change the numbers soon afterwards; if it loses it will be someone else's problem to solve. And in the meantime, it can paint any deviation by Labour from its plans as a fiscal black hole.

Ms Reeves would have limited room for manoeuvre anyway. Labour has to work harder than the Tories to persuade voters that it can be trusted with the economy. Money is genuinely tight. But her decision to follow a fiscal path set by the Tories is also because of the baseline theory. ■



Bagehot | The new nanny state

Protecting the state from the people rather than people from themselves



NOTHING ANNOYS a certain type of Briton more than the government standing between him and a painful death. The phrase “nanny state” first appeared with the introduction of a 70mph speed limit on England’s motorways in 1965. Iain Macleod, a former Conservative minister who invented the term, lampooned the transport minister responsible in the *Spectator*: “Why doesn’t he follow his own logic and...go back to where we started with a 5mph limit and the man with the red flag?”

Macleod would not have enjoyed this year’s party-conference season. Nanny has been busy. The Conservative government plans to make it illegal for anyone born after 2009 to buy tobacco, in a policy proposed on an apparent whim by Rishi Sunak, the increasingly presidential prime minister. There is no opposition. “It’s a good New Zealand Labour policy, which I was planning to steal,” says Wes Streeting, Labour’s shadow health secretary.

Nor did nanny stop there. Labour wants three- to five-year-olds to have tooth-brushing lessons. Under a Labour government, a crackdown on vaping is coming, with bans on some flavours and rules on advertising likely. Although a proposed junk-food advertising ban has been pushed back by the Tories, it will be enthusiastically approved by a future Labour government. Outside Westminster, people want to go further. Sir Tony Blair’s well-funded think-tank, which has the ear of Labour’s leaders, lobbies loud and hard for a tax on junk food itself. In a political pincer movement, so does George Osborne, a former Conservative chancellor.

What has changed since Macleod’s day is that politicians now see the nanny state as a necessity, rather than a nice-to-have. The old nanny state was paternalistic, protecting people from themselves. In the new nanny state, policy is aimed at protecting the state from the people.

Cigarettes are to be banned because smokers heap pressure on the NHS, says Mr Sunak. Toddler teeth must be brushed because tooth decay can land children in hospital, which costs taxpayers money, says Mr Streeting. “You can’t run a modern health-care system where people are going to live much longer unless they take some responsibility,” says Sir Tony. This is a mentality best exemplified by a sign spotted in Devon: “Cyclists. Exton Village. NOT Racetrack. For NHS sake. Slow down!”

For politicians, the new nanny state still retains all its old attractions. Governing is often hard. Railways come in late and over budget; pandemics and wars disrupt plans. In contrast, banning things is easy. A single piece of legislation can sweep a product from shelves or whack up the price of an unhealthy snack. It is also cheap. Neither party has much fiscal leeway. A policy with a low price tag is a valuable thing.

And whereas most politicians have to watch as successors unpick their hard work, bans are rarely undone. New Labour’s public smoking ban was controversial when it was introduced in 2007. Sir Tony fretted that working-class voters would desert the party (he waited until he was almost out of office to introduce it). Although some MPs worried, the majority of voters supported it from the off. Banning cigarettes means Mr Sunak will have at least one lasting policy from his (probably brief) tenure.

This intoxicating mix of ease, price and instant legacy means even libertine politicians become statist in power. For years Boris Johnson, a former editor of the *Spectator*, took aim at the fusspot nature of New Labour. It was the inalienable right of an Englishman to stuff his face with chocolate, crisps and cheese if he so chose. “Face it: it’s all your own fat fault”, ran one of his columns in 2004. But once in power, it was Mr Johnson who pushed an anti-obesity scheme that would ban daytime advertising of junk food. Outside a few columnists and the occasional Tory MP, there are few libertarians in British politics.

Intrusion in one area can lead to intrusion elsewhere. Despite the wishes of Sir Tony and many public-health academics, neither party will touch junk-food taxes while inflation remains high. Whether that will hold once inflation is tamed is another matter. Steep taxes on unhealthy food appear reasonable when compared with, say, straight prohibition of tobacco. And although few lobby for an outright ban on certain foods now, not many were pushing for a ban on cigarette sales until recently.

A spoonful of sugar? Help the waiting list go down!

Expectations of the state have increased dramatically since 2020. It is not enough for it to fend off invaders and protect personal property. Nor is the post-war welfare state, with health care and welfare on tap, sufficient. Both parties now pledge comprehensive free child care. Each promises to protect elderly voters from the cost of social care. Voters benefited from gigantic energy subsidies when gas prices shot up in 2022. Theresa May, a former prime minister, once complained that voters think their own rainy-day funds must not be touched, even on rainy days. Whatever the problem, she despaired, voters now expect the state to step in.

Politicians are quietly turning this expectation into a quid pro quo: if voters want more from the state, the state will want more from voters. People have to pay more for public services, for one thing. Taxes have risen, and will keep rising as long as people’s demands increase. The Conservatives have managed this stealthily, by letting inflation push people into higher tax brackets. This alone will bring in about £40bn (\$49bn; 2% of GDP) annually by the end of the decade—enough to build a leg of HS2 each year.

But it also means the state will intrude more into the lives of voters, in a bid to keep a lid on the cost of the services they demand. Compared with lockdowns, even sweeping measures seem small bore. Banning cigarettes seems less invasive than when the government briefly made it illegal to meet friends in your garden, all in the name of keeping the NHS running. That principle is now the norm. In the new nanny state, everyone is a public servant. ■



Green policymaking

The anti-climate backlash begins

AMSTERDAM, DELHI, MACKINAC ISLAND AND SÃO PAULO

Cost, convenience and conspiracy-mongering undercut support for greenery

“WE NEED TO be good stewards of our planet. But that doesn't mean I need to do away with my gas vehicle and drive an electric vehicle with a battery from China,” said Kristina Karamo, the chair of the Republican Party in Michigan, on September 22nd. America's Democrats, she warned, are trying to “convince us that if we don't centralise power in the government, the planet is gonna die. That seems like one of the biggest scams [since] Darwinian evolution.”

It would be tempting to dismiss Ms Karamo as an irrelevant crank, but she is not irrelevant. She represents an extreme wing of a movement that is gathering pace around the world: a backlash against pro-climate policies. One of its more familiar cheerleaders could be America's next president. On September 27th Donald Trump said: “You can be loyal to American labour or you can be loyal to the environmental lunatics but you can't really be loyal to both... Crooked Joe [Biden] is siding with the left-wing crazies who will destroy automobile manufacturing and will destroy our country itself.”

On September 20th Rishi Sunak, Britain's prime minister, announced a weakening of net-zero targets, including a five-year delay of a ban on the sale of new petrol cars. Two weeks earlier, Germany kicked a proposal for stringent green home-heating rules years into the future. France has seen huge protests against high fuel prices, and could one day elect as president Marine Le Pen, who deplores wind farms and thinks the energy transition should be “much slower”. In America climate change has become a culture-war battleground: at a recent debate for Republican presidential candidates, only one admitted that man-made climate change is real.

How serious an obstacle is all this to curbing global carbon emissions? Michael Jacobs of the University of Sheffield in Britain sees reasons for cautious optimism. The world's biggest emitter, China, understands the need to decarbonise and is investing massively in solar and wind. The second-biggest emitter, America, has taken a green turn under Mr Biden. Brazil has sacked a rainforest-slicing president; Australia has ditched a coal-coddling

prime minister. Nearly a quarter of emissions are now subject to carbon pricing. And the pace of innovation is impressive. Two years ago the International Energy Agency, a global body, estimated that nearly 50% of the emissions reductions needed to reach net zero by 2050 would come from technologies that were not yet commercially available. In September it said that number had fallen to 35%.

The political undercurrents are less reassuring. Voters are realising that remaking the entire global economy will be disruptive. Some—a minority—dispute that man-made climate change is under way. Others object to certain policies deployed to tackle it, because they impose costs on ordinary citizens, or add hassles to their overstretched daily lives. Some, particularly the elderly, do not like change at all, especially when it means fuss today in return for benefits they may not live to see. Even among those who accept that action is needed, views differ as to who should shoulder the burden. Many would prefer it to fall on someone else.

Awareness of the dangers of climate change seems to have risen over the past ➤

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wildfire-charred decade. In polls of 12 rich countries by Pew, an American think-tank, the share of respondents who said it was a “major threat” rose in every country except South Korea, where it was already high (see chart 1). Clear majorities everywhere bar Israel agreed with this description. Yet this does not mean they are willing to pay more taxes to help prevent climate change (see chart 2). In a survey of 29 countries by Ipsos, a pollster, only 30% of respondents said they would be willing to cough up.

Crowding out

Perhaps most alarmingly, a partisan gap has opened even on scientific questions. In all of the 14 rich countries surveyed by Pew in 2022, people on the political right were less likely to see climate change as a major threat than those on the left (see chart 3 on the next page). In Australia, Canada, Germany, the Netherlands and Sweden the gap was very large: between 22 and 44 percentage points. In America it was a gobsmacking 63 points. And a new poll by YouGov for *The Economist* found that whereas 87% of Biden voters believed that climate change was caused by human activity, only 21% of Trump voters agreed.

In democracies such divisions have consequences. (Public opinion matters in dictatorships, too, but that is beyond the scope of this article.) In rich democracies, especially, divisions over climate are aggravated by populist politicians, who take real problems (such as cost and disruption) and exaggerate them, while claiming that the elite who impose green policies don’t care about ordinary motorists because they cycle to work.

Populism tends to undermine effective climate policy in several ways. First, populists are often sceptical of experts. When people say “trust the experts”, suggests Ms Karamo, they really mean: “You are too stupid to make decisions about your life.”

Second, populists are suspicious of global institutions and foreigners. “Every sub-

sidy we award to an electric-vehicle manufacturer is really a subsidy to the [Chinese Communist Party], because we depend on them, like a noose around our neck, for the batteries,” says Vivek Ramaswamy, a Republican presidential candidate. Such attitudes are bad for climate mitigation, argues Dan Fiorino of the American University in Washington, DC, because “climate policy is as much a matter of foreign relations as it is of economic policy.”

Third, populists encourage people to believe that the elite are plotting against them, thus adding paranoia to public life and making compromise harder. Mr Trump frames policies to promote electric cars as a threat to the American way of life, and does so in ways that make his fans bristle with rage and laugh out loud.

“They say the happiest day when you buy an electric car is the first ten minutes you’re driving it, and then, after that, panic sets in because you’re worried. Where the hell am I gonna get a charge to keep this thing going? Panic!” he told workers in Michigan. “If you want to buy an electric car that’s absolutely fine...But we should not be forcing consumers to buy electric vehicles...There’s no such thing as a fair transition to the end of your way of life.”

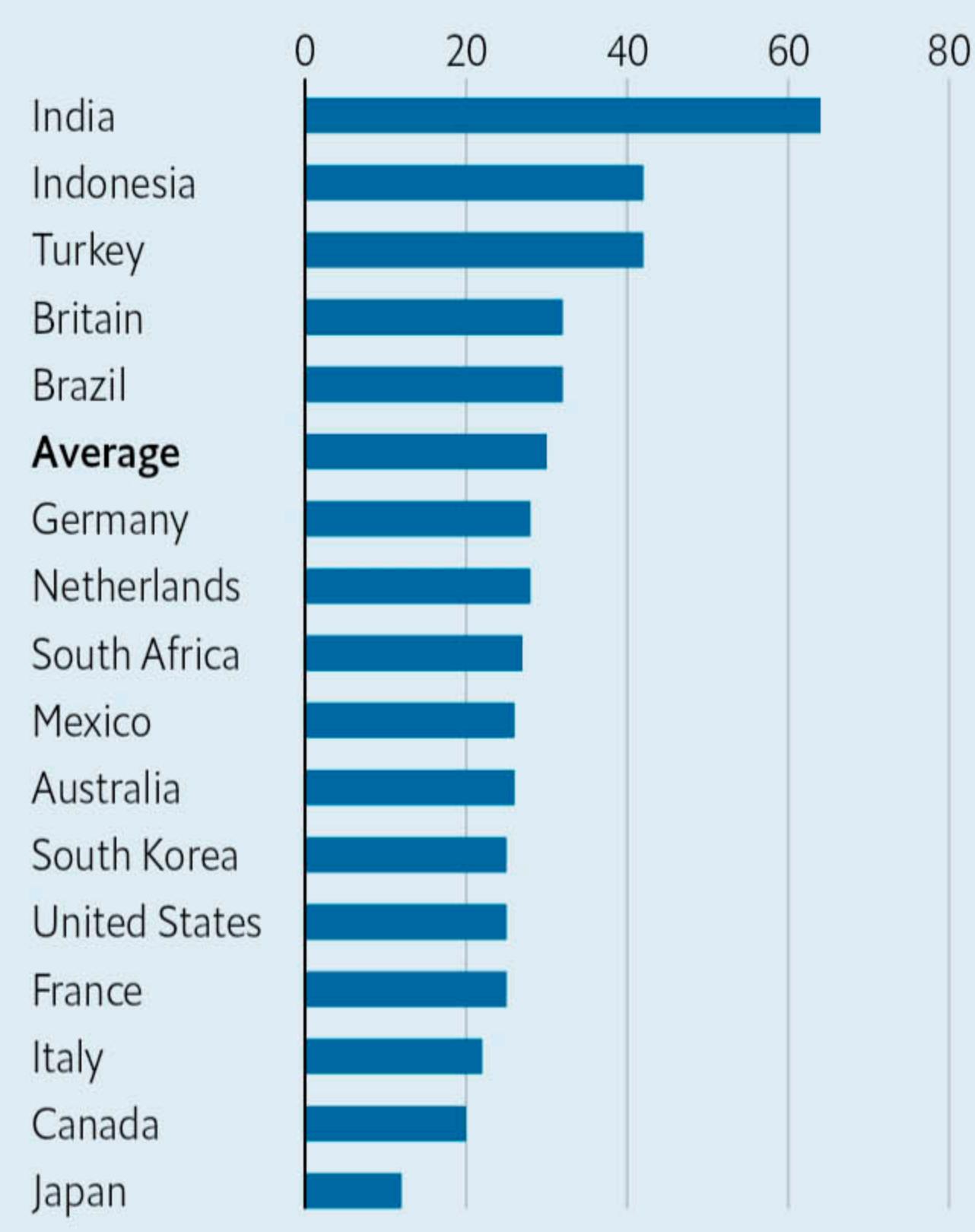
If Mr Trump is re-elected in 2024, he would once again pull out of the Paris Agreement on climate change. He would also roll back executive orders on such things as methane emissions. He would probably not be able to repeal Mr Biden’s big climate law (misleadingly called the Inflation Reduction Act), which involves huge subsidies that are popular with recipients in red states as well as blue ones. But he would appoint bureaucrats who could obstruct its implementation. At a minimum, America would cease to offer leadership on climate change at a crucial moment, says Mr Markey. “You cannot preach temperance from a barstool. You cannot tell other countries to do the right thing if you as a country are not.”

Similar arguments against greenery have taken root in Europe, too. Even where populist parties are not in government, they can influence it. In Sweden, where only 4% of people say climate change is “not a threat”, the centre-right ruling coalition has nonetheless cut taxes on fossil fuels several times in the past year. One reason is that it cannot pass a budget without support from the populist Swedish Democrats, who have 20% of parliamentary seats. The populists want cheaper fuel. So do lots of Swedish voters.

“Fuel Rebellion”, a Swedish Facebook group, boasts 600,000 members. Peder Blohm Bokenhielm, one of its leaders, says cars “have always been a big part” of his life. His father imported American Mustangs and Corvettes to Sweden. His first word as a child was “car”. And he has practi-

There's a hole in my budget

Share of people willing to pay more tax to help prevent climate change, 2023, %



cal reasons for objecting to high fuel taxes, too. In a small Swedish village “there are no shops, and just two buses a day,” he says. “If you want to buy groceries, you need a car.” Charging points are not yet everywhere, and a car’s range matters in a country where journeys are long and getting stranded in the snow is hazardous. And don’t get people started on the cost of home-heating. Politicians who keep high fuel prices in place are “making it harder for people to live where they want to live”, Mr Bokenhielm says.

The right way?

In Germany this year the hard-right Alternative for Germany (AfD) has risen in the polls—and did well in state elections on October 8th—by lambasting the energy policies of the ruling coalition, which includes the Green Party. It says they will “impoverish” the country. The AfD is ostracised by mainstream parties, but the centre-right borrows its talking-points.

The Greens hurt their own cause with a plan to make green home-heating almost mandatory before there were enough skilled installers to install heat pumps. Householders struggled to book tradesmen. The government backed down in September and extended the deadline—but the political damage had been done.

Now in Germany it is not just the hard right that bashes the Greens. Their rallies have been pelted with stones, eggs and insults. Martin Huber of the Christian Social Union (CSU), the main centre-right party in Bavaria, told *The Economist* that all the Greens do is make *Verbotsgesetze* (laws that forbid things). At a rally in Andechs, a pretty village 40km from Munich, the head of the CSU, Markus Söder, drew guffaws from

Heating up

Climate change is a “major threat” to the country, % agreeing



► a beered-up Oktoberfest crowd with a series of jabs. When the lights suddenly brightened he quipped: "So at least they are still sending us electricity from Berlin." An elderly supporter said: "I heat my house with wood. How can I afford to change this, and why should I in my old age?"

Not their cup of tea

In Britain, the Conservative prime minister has adopted the main populist themes. In a speech last month, Mr Sunak stressed that he favours curbing emissions, but decried the way Britain's climate goals had been set "without any meaningful democratic debate about how we get there". (His party has been in power since 2010.) He also lamented that green policies "will impose unacceptable costs". He named specific, frightening sums. "For a family living in a terraced house in Darlington, the up-front cost [of a heat pump] could be around £10,000 (\$12,200)."

He vowed to scrap plans that have never seriously been considered: "taxes on eating meat...compulsory car-sharing [and] a government diktat to sort your rubbish into seven different bins". And he played the nationalist card. "When our share of global emissions is less than 1%, how can it be right that British citizens are...told to sacrifice even more than others?" (Brits are less than 1% of the global population.)

"Rishi is playing with fire," says Michael Grubb of University College London. Businesses crave predictable policies in order to plan for the long term. "Making climate change part of a culture war will undermine investor confidence."

James Patterson of Utrecht University in the Netherlands argues that anti-green backlashes sometimes occur when environmentalists overreach; for example, by enacting policies so coercive that many people deem them illegitimate. This has happened in the Netherlands. A new populist party, the BoerBurgerBeweging (Farmer-Citizen Movement), shot to prominence when the government began to penalise farms emitting too much nitrogen.

Nitrogen is not a greenhouse gas; the problem is that big intensive Dutch farms produce enough of it (from fertiliser and cowpats) to threaten important nature reserves. The government wants to buy out farmers, leading to a reduction in the number of livestock of between a fifth and a half. Such bossiness has provoked rustic rage, with tractor protests and farms across the country flying the national flag upside down. The Farmer-Citizen Movement took 20% of the vote in provincial elections this year—in a country where only 2.2% of people farm. At a general election on November 22nd the more eco-friendly parties are expecting a thumping.

For the most part in developing countries, climate change is a less divisive topic

in domestic politics than it is in rich ones. The elite discuss it—governments want to be compensated for the industrialised world's past emissions and to attract investment for the energy transition. But during elections in India or Africa the topic is barely mentioned.

However, voters in developing countries are even more sensitive to rises in the cost of living than those in rich countries. So they often resist policies that they think will batter their budgets. Hence the difficulty of cutting fossil-fuel subsidies, which were a staggering \$1.3trn (1.3% of global GDP) in 2022, according to the IMF.

Such handouts are so popular that the harm they do to the environment is seldom motive enough for governments to get rid of them. Nigeria's new president, Bola Tinubu, scrapped a fuel subsidy this year not because it encouraged people to burn carbon, but because selling petrol at below-market prices was bankrupting the treasury. In 2022 it cost \$10bn, leaving the state oil firm with nothing left for the federal government, of which it is usually the biggest bankroller. Abolishing the subsidy frees up billions for public services, with the happy side-effect of reducing emissions. However, there is pressure to reinstate it. As oil prices rise, some fear a subsidy will be quietly reintroduced.

Several middle-income countries, such as Indonesia and India, are burning more fossil fuels even as they try to reinvent themselves as green powers. India's government plans to triple renewable-electricity-generation capacity by the end of the decade. It has also declared a moratorium on new coal plants and aims to become a big producer of green hydrogen. This is good news, but seems to be driven at least as much by worries about energy security as climate change: last year's green-hydrogen strategy mentions a plan to be "energy independent" by 2047 before the target to achieve "net zero" by 2070. And despite the moratorium on new coal plants, Indian

coal production grew by 14.8% last year.

National-security arguments can be a spur to green investment. Building wind farms can reduce dependence on energy imports, which is a point that many politicians emphasise. But if such arguments also spur governments to erect barriers to foreign inputs, it will make the energy transition more costly.

From a green perspective, the big middle-income country that has improved the most in the past year is probably Brazil. Yet it, too, is complicated. Under President Luiz Inácio Lula da Silva, who took office in January, deforestation in the Amazon in the first eight months of the year fell by a cumulative 48% compared with the same period in 2022, when his logger-loving predecessor, Jair Bolsonaro, was in charge. However, Lula also supports a push by Petrobras, the state oil firm, to increase output from 2.9m barrels a day to 5.2m by 2030. And his green plans have met resistance. In Congress 347 out of 594 lawmakers belong to the agri-business caucus, whose members fret that greens block development. Congress has curbed the powers of the environment ministry.

Sowing discontent

In most developing countries, net-zero targets are far in the future and voters have not yet been asked to make big sacrifices to reach them. For many, the harm wrought by climate change itself is a bigger worry. A massive 74% of Indians, for example, say they have experienced the effects of global warming, up from 50% in 2011, according to a survey by Yale University. "We've lost crops because of extreme heat and rains and it has got worse in the past few years," says Shiv Kumari, a farm labourer in Delhi whose fields were flooded this summer. Such trauma translates into greater support for green policies: 55% of Indians say India should reduce its emissions immediately without waiting for other countries to act, up from 36% in 2011.

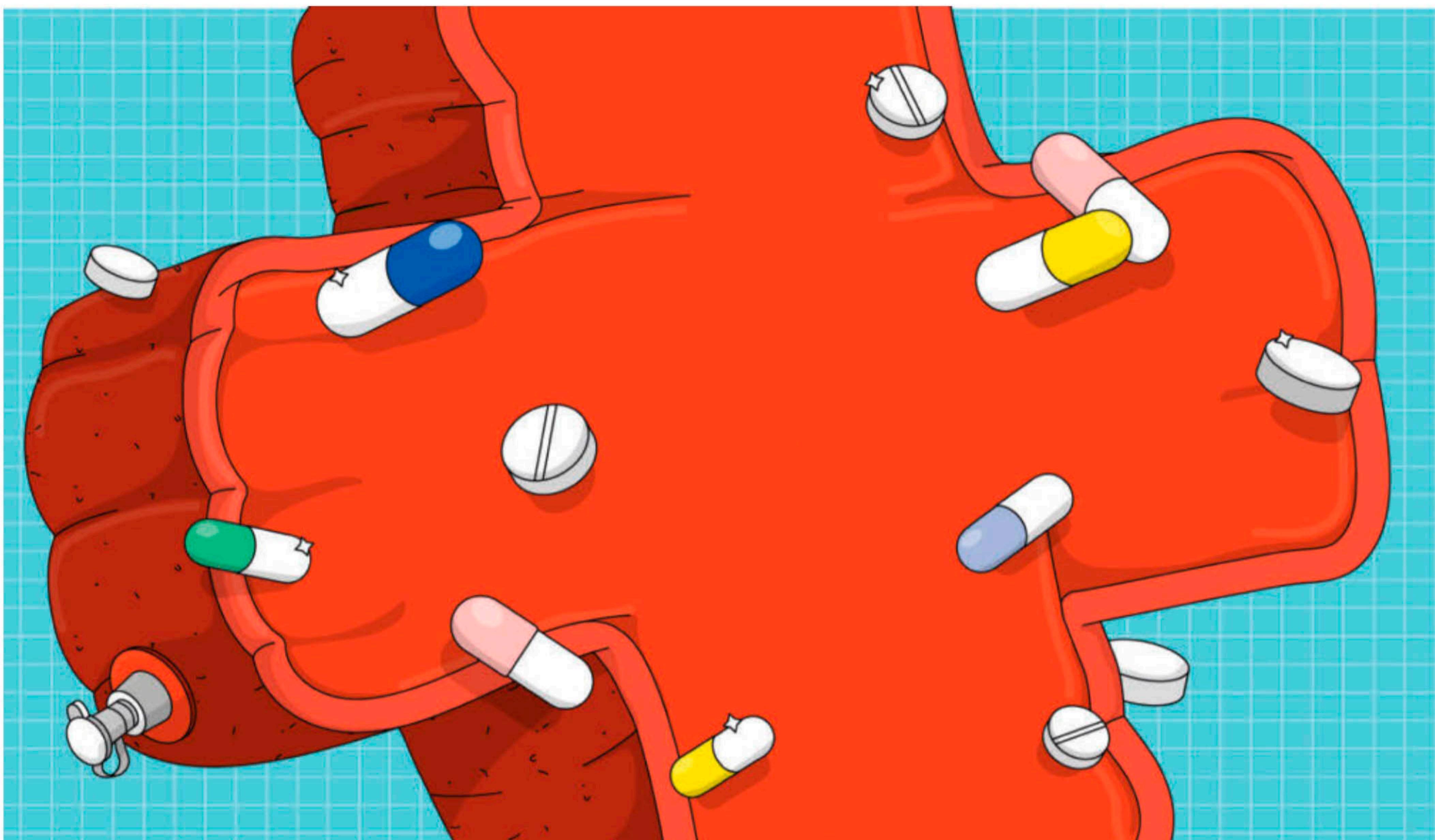
Globally, innovation will eventually ease the grumbles that drive so much of the anti-climate backlash. "The clean is already cheaper than the dirty in many parts of the economy, and those parts will just get bigger and bigger," says Nicholas Stern of the London School of Economics. But it matters immensely how fast this happens. Many green technologies require hefty up-front investment, which is harder when interest rates are high. This particularly affects the poor world. "Look at Africa. If you pay 15% interest, wind and solar are not cheaper than fossil fuels for generating electricity, though they are cheaper at 7% or 8%," says Professor Stern. He suggests supercharging multilateral lenders to crowd in other sources of finance. "The most unrealistic and dangerous thing of all would be to go slow," he says. ■

Different planets

Climate change is a "major threat" to the country, by political leaning, 2022, % agreeing



Source: Pew Research Centre

**Corporate concentration**

Really big health

Who profits most from America's baffling health-care system?

ON OCTOBER 4TH more than 75,000 employees of Kaiser Permanente, a large health-care chain, began a three-day strike. The walkout was the biggest in the history of America's health sector, and called attention to the staffing shortages plaguing the country's hospitals and clinics. In the same week ten drugmakers said they would negotiate medicine prices with Medicare, the public health-care system for the elderly, following legislation which all but forced them to. It will be the first time that companies have haggled over prices with the government.

These events are symptoms of deeper malaise in America's dysfunctional health-care system. The country spends about \$4.3trn a year on keeping citizens in good nick. That is equivalent to 17% of GDP, twice as much as the average in other rich economies. And yet American adults live shorter lives and American infants die more often than in similarly affluent places. Pharmaceutical firms and hospitals attract much of the public ire for the inflated costs. Much less attention is paid to a small

number of middlemen who extract far bigger rents from the system's complexity.

Over the past decade these firms have quietly increased their presence in America's vast health-care industry (see chart on next page). They do not make drugs and have not, until recently, treated patients. They are the intermediaries—insurers, chemists, drug distributors and pharmacy-benefit managers (PBMs)—sitting between patients and their treatments. In 2022 the combined revenue of the nine biggest mid-

dlemen—call them big health—equated to nearly 45% of America's health-care bill, up from 25% in 2013. Big health accounts for eight of the top 25 companies by revenue in the S&P 500 index of America's leading stocks, compared with four for big tech and none for big pharma.

Big health began as a constellation of oligopolies. Four private health insurers account for 50% of all enrolments. The biggest, UnitedHealth Group, made \$324bn in revenues last year, behind only Walmart, Amazon, Apple and ExxonMobil, and \$25bn in pre-tax profit. Its 151m customers represent nearly half of all Americans. Its market capitalisation has doubled in the past five years, to \$486bn, making it America's 12th-most-valuable company. Four pharmacy giants generate 60% of America's drug-dispensing revenues. The mightiest of them, CVS Health, alone made up a quarter of all pharmacy sales. Just three PBMs handled 80% of all prescription claims. And a whopping 92% of all drugs flow through three wholesalers.

With little room left to grow in their core businesses, and trustbusters blocking attempts to buy direct rivals, the oligopolists have been expanding into other bits of the health-care supply chain. Besides adding to the top line, such vertical integration is juicing margins. The Affordable Care Act of 2010 limited the profits of health insurers to between 15% and 20% of collected premiums, depending on the size of the health plan. But it imposed no restrictions ►

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► on what physicians or other intermediaries can earn. The law created an incentive for insurers to buy clinics, pharmacies and the like, and to steer customers to them rather than rival providers. The strategy channels revenue from the profit-capped insurance business to uncapped subsidiaries, which in theory could let insurers keep more of the premiums paid by patients.

According to Irving Levin Associates, a research firm, between 2013 and August 2023 the nine health-care giants spent around \$325bn on over 130 mergers and acquisitions. Some of these deals have pushed the firms deeper into each other's turf. In 2017 CVS offered \$78bn for Aetna, a large health insurer and a competitor to UnitedHealth. The following year Cigna, another big insurer, swallowed Express Scripts, a big PBM, for \$67bn. In 2022 UnitedHealth paid \$13bn for Change Health-care, a data-analytics firm which processes insurance claims for large parts of the industry, including UnitedHealth's rivals.

Both UnitedHealth and CVS have been buying up health-care providers, too. Optum Health, a subsidiary of UnitedHealth, has spent over \$23bn on such transactions in the past six years, and now treats more than 20m patients through a network of

2,200 clinics. It has more doctors on its books—70,000 employed or affiliated physicians—than the biggest hospital chains in the country. CVS runs 1,100 or so neighbourhood clinics and this year alone paid \$18bn for two companies focused on the lucrative elderly-care market.

Industry executives say that bringing all parts of patient care—primary-care clinics, pharmacy services, PBMs and insurance—under one roof is beneficial for all. In the old fee-for-service model, big health argues, doctors or hospitals are paid for each service they provide, encouraging them to perform as many as possible and charge as much as they can. If doctors and insurance companies are part of the same business, by contrast, incentives should be aligned and overall costs should be lower.

That, at least, is the theory. And there is some truth to it. Despite its recent labour troubles, Kaiser Permanente has historically been hailed as a role model for efficient and high-quality health care. Its business, with 39 hospitals and over 24,000 doctors, is highly integrated, with Kaiser's insurance plans covering members' treatment at its hospitals and clinics. This April Kaiser announced it would acquire Geisinger Health, a Pennsylvania-based health

system, to expand its model of integrated care to more states.

Yet vertical integration can have adverse side-effects. For example, many studies have found that after hospitals acquire physician practices, prices increase but quality of care does not. A health-care company that controls many aspects of patient care could raise prices for rivals wishing to access its network. Some also worry about physicians being nudged towards offering the cheapest treatment to patients, lowering the quality of care.

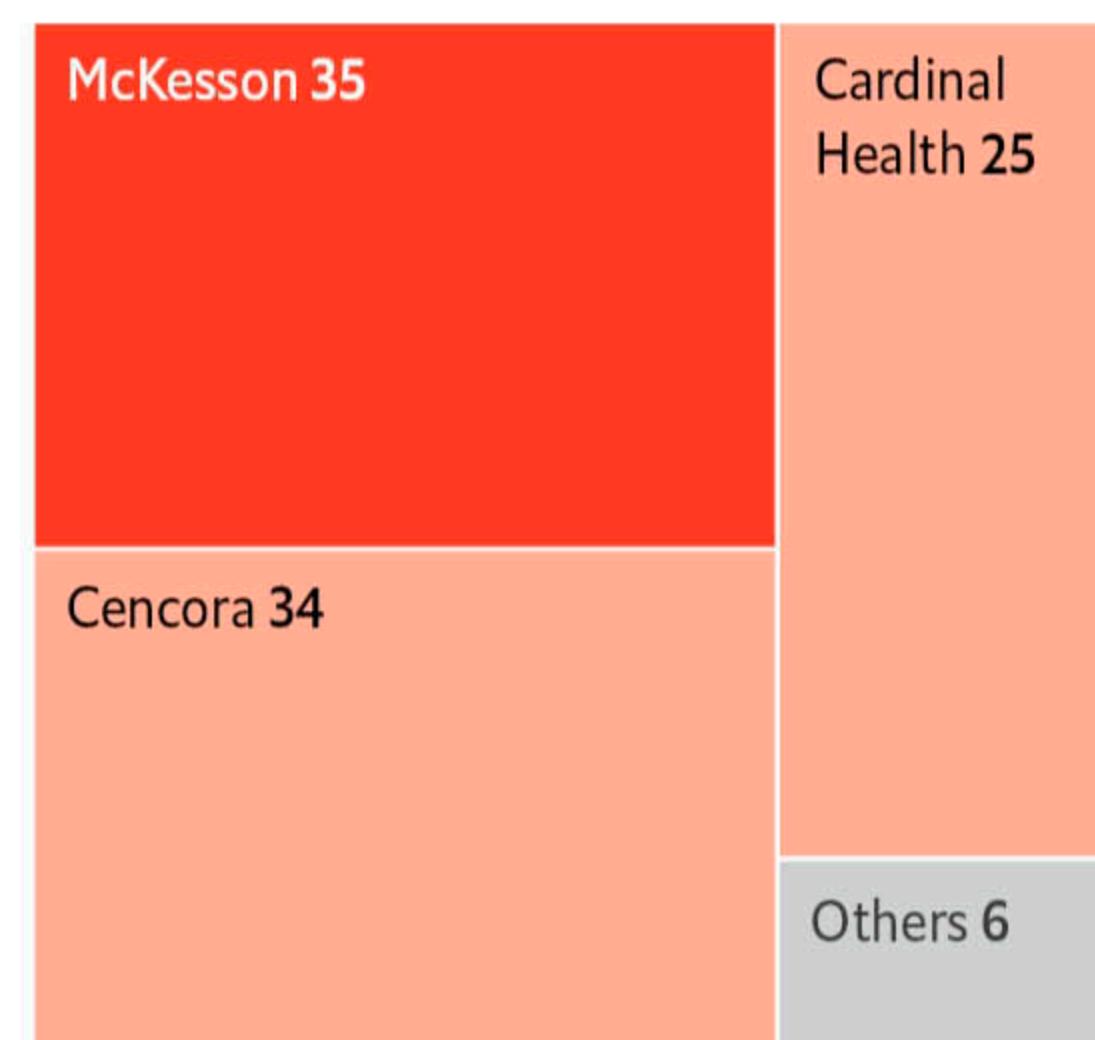
There is as yet no evidence of trouble with the model, argues Richard Frank of the Brookings Institution, a think-tank. But elsewhere in big health signs of oligopolistic behaviour can be seen. Consider PBMs. These middlemen are in the cross-hairs of lawmakers and regulators for their role in setting drug prices. At least four different bills that seek to regulate PBMs are making their way through Congress. For almost two decades, the Federal Trade Commission (FTC), America's main antitrust agency, pushed back against efforts to increase oversight of PBMs, arguing that such moves would harm consumers. In July 2022, however, the FTC changed tack and launched an investigation into the busi- ►

→ The middlemen in America's complex health-care system are expanding their reach

Market share for health-care intermediary services, %

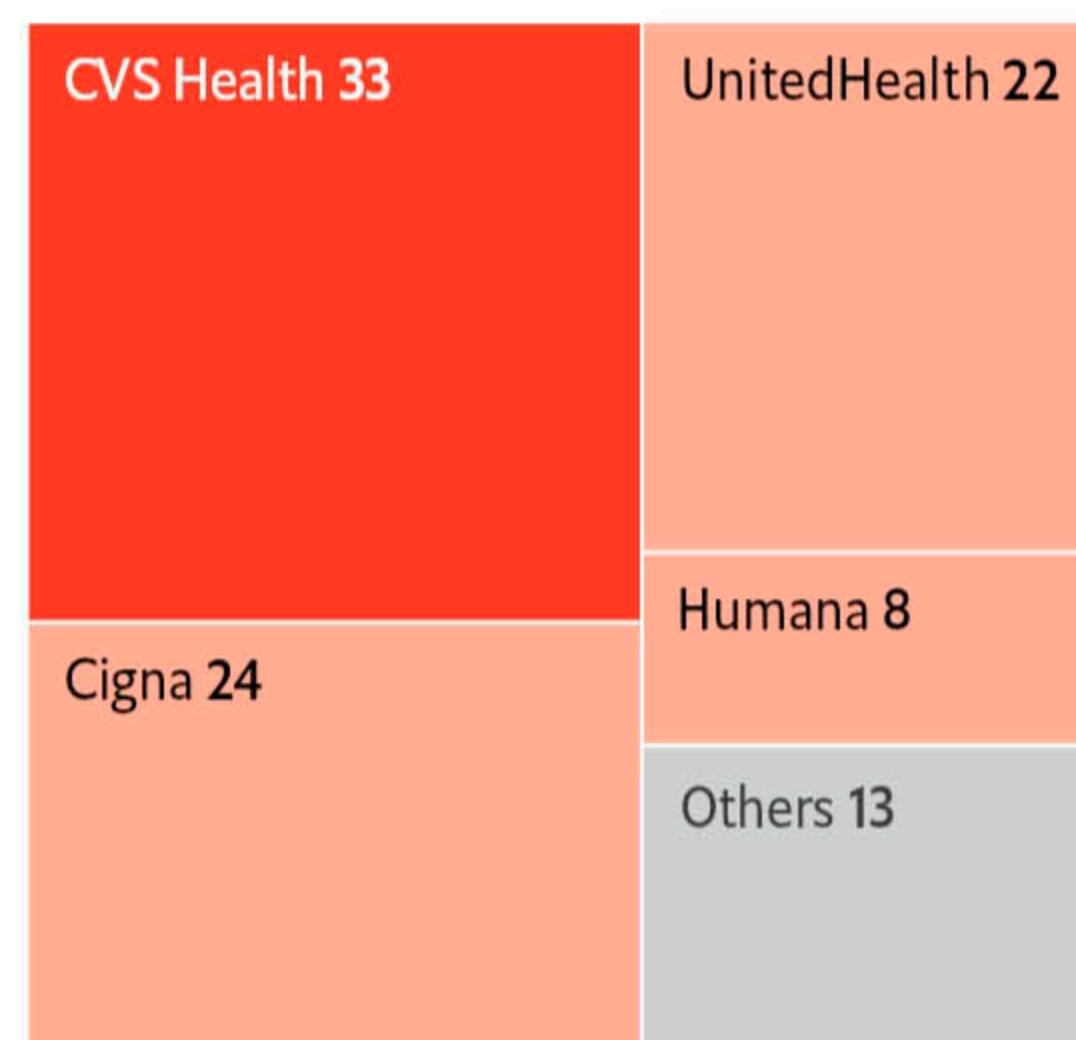
Drug distribution

Revenues, 2019



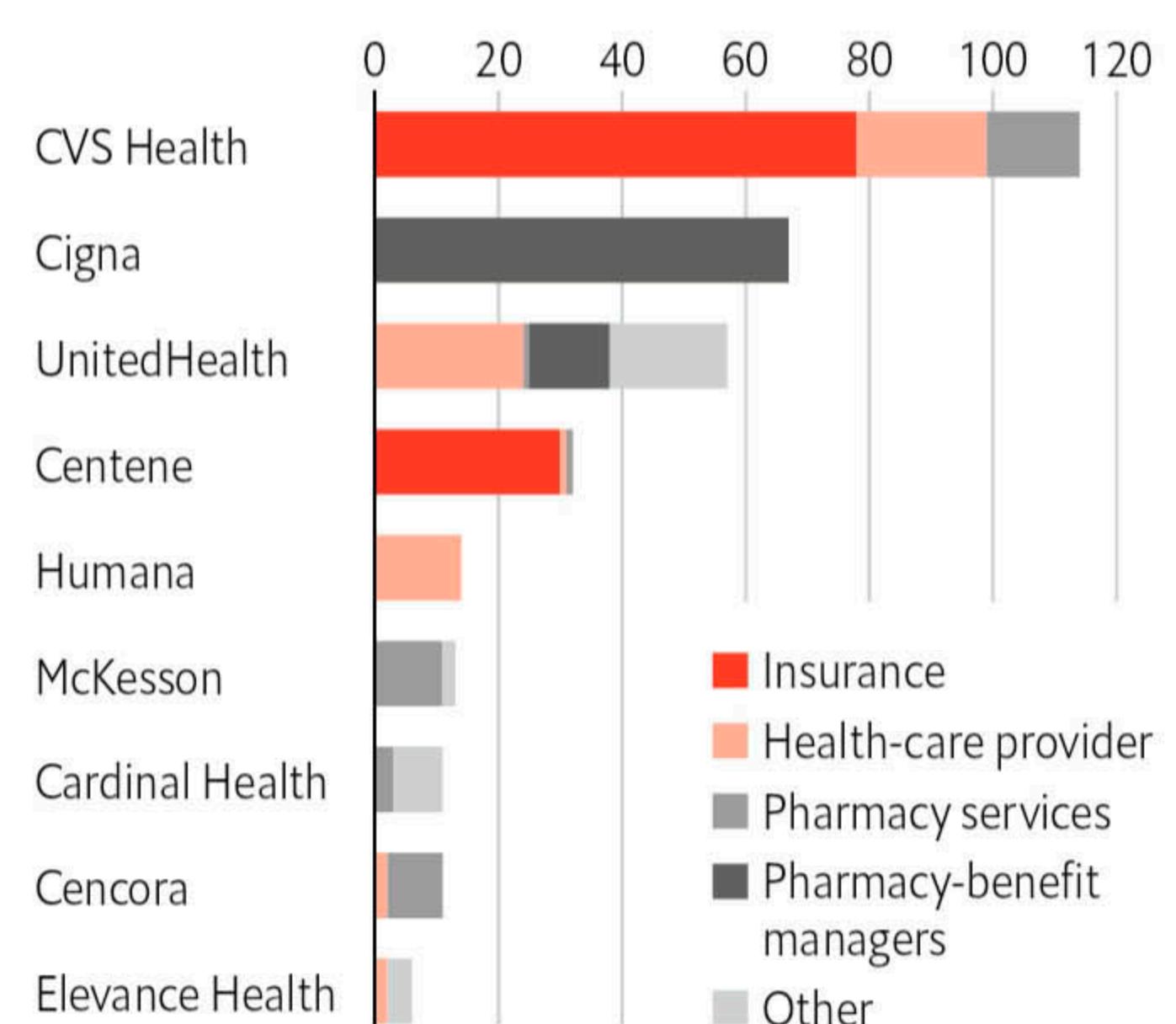
Pharmacy-benefit managers

Prescription claims, 2022



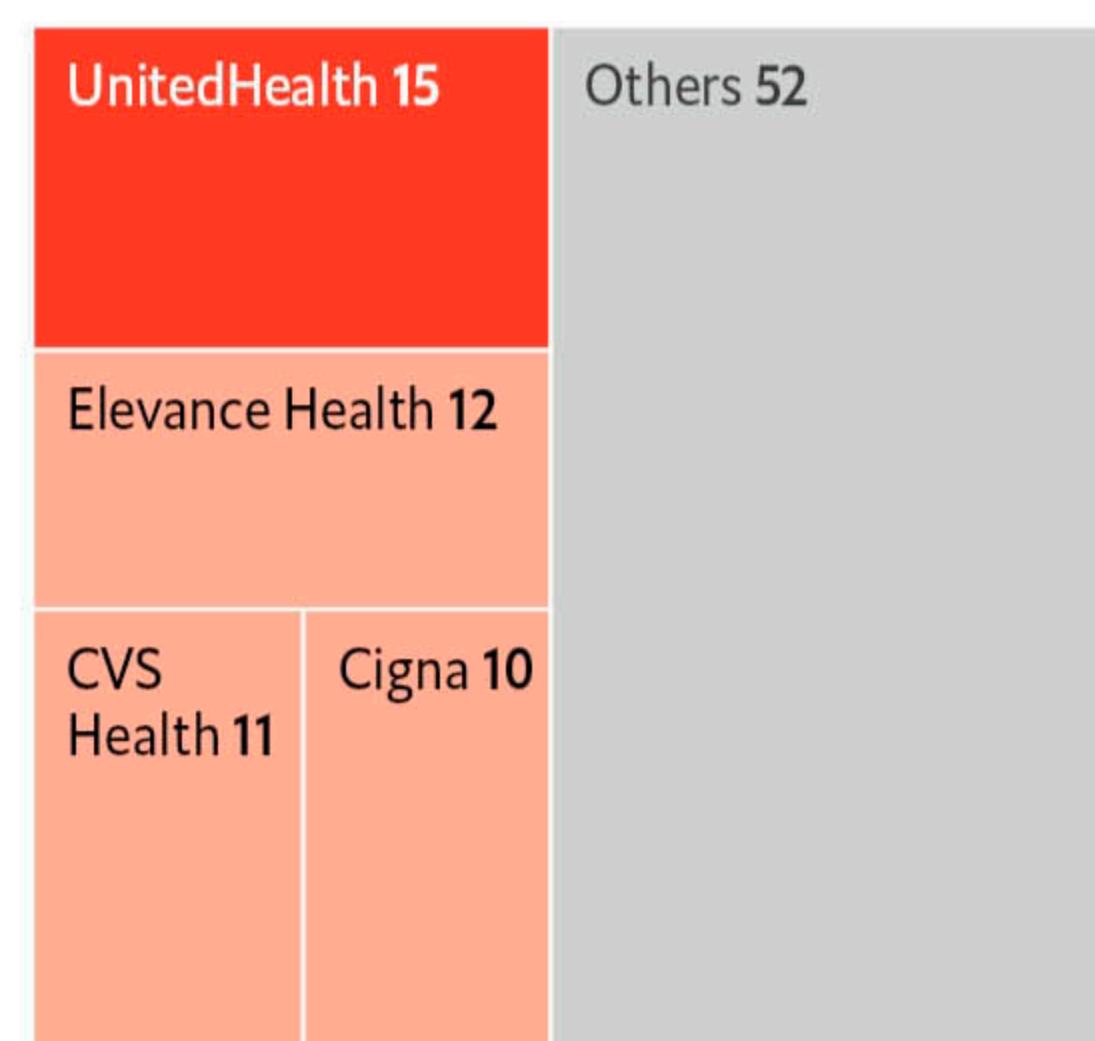
Merger and acquisition deals, by type of target

Big-nine health-care intermediaries, 2013-23*, \$bn



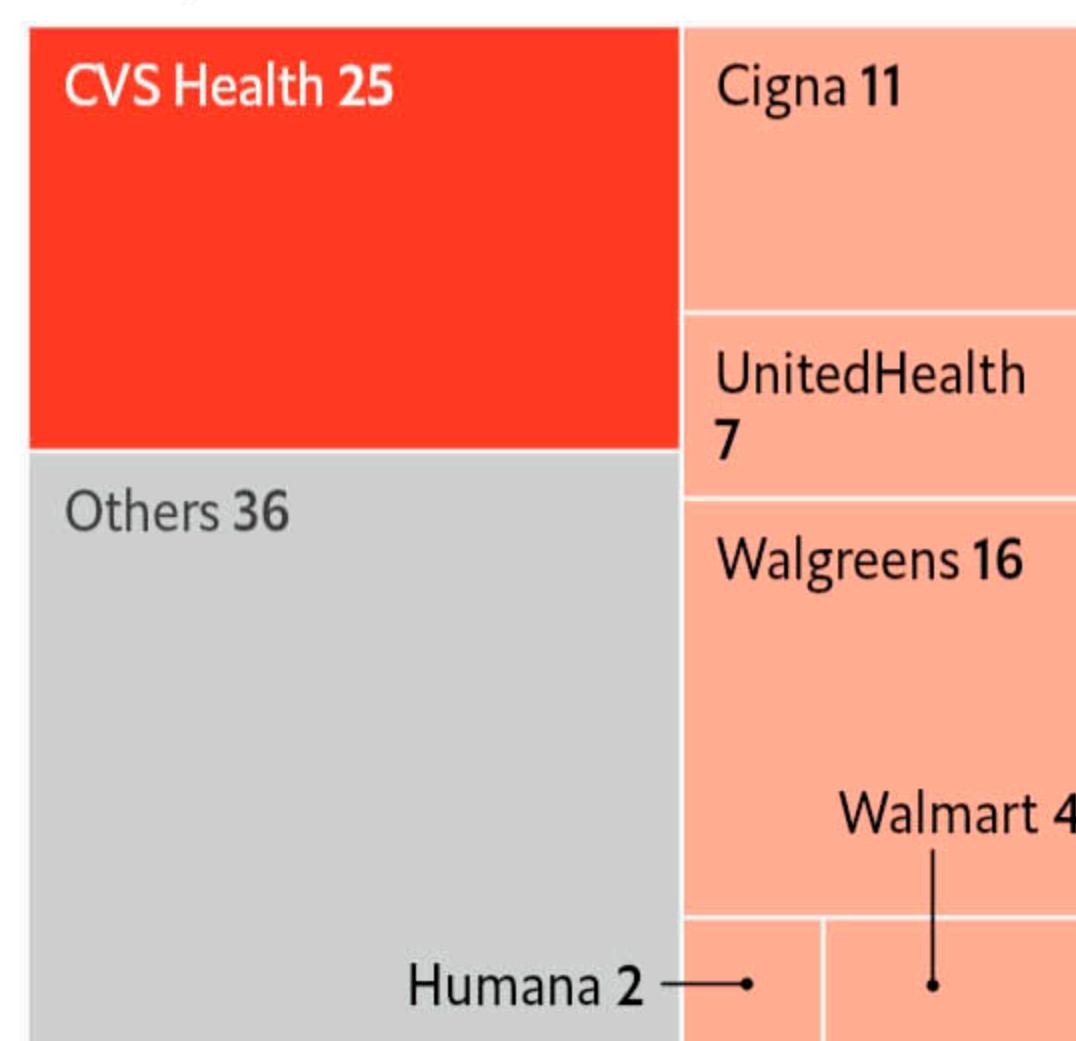
Insurance

Health-insurance enrolments, 2021



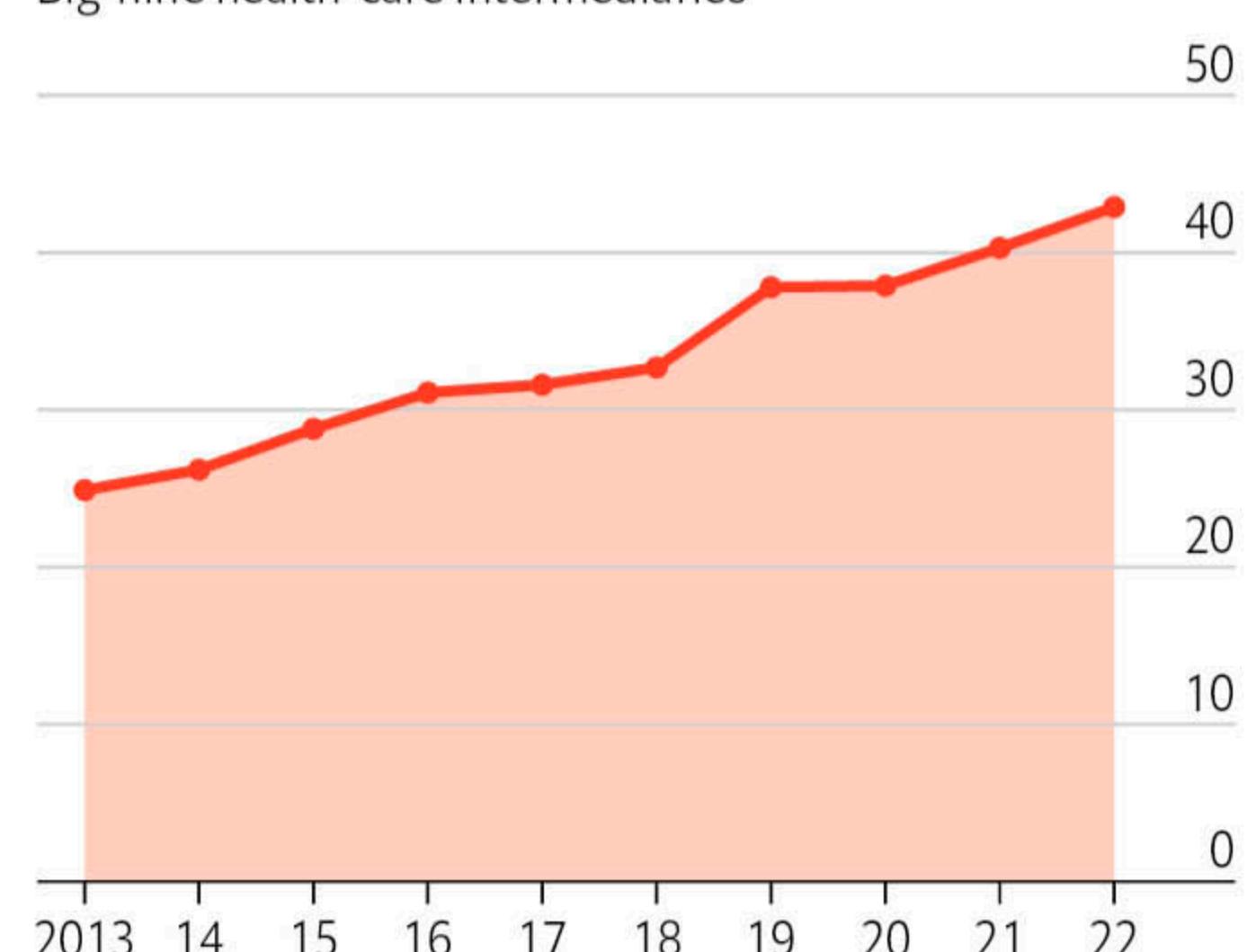
Pharmacy

Prescription revenues, 2022



Revenues as % of national health-services spending

Big-nine health-care intermediaries



ness practices of the largest PBMs.

At issue is PBMs' opaque pricing, which takes a drug's list price and shaves off discounts that the PBM wrangles from drugmakers. PBMs claim they are a counterweight to big pharma. But critics argue that large PBMs do not pass on the discounts to the health plans, instead keeping much of the difference for themselves, and limit access to treatments that are less profitable for them. In August Blue Shield of California, a regional health insurer, ditched CVS's PBM in favour of smaller firms to save on drug costs for its nearly 5m members.

America's health-care intermediaries are indeed unusually profitable. Research by Neeraj Sood of the University of Southern California and colleagues found that intermediaries in the health-care supply chain earned annualised excess returns—defined as the difference between their return on invested capital and their weighted-average cost of capital—of 5.9 percentage points between 2013 and 2018, compared with 3.6 for the S&P 500 as a whole.

Big health's giant pool of excess profits is at last attracting newcomers. Upstart health insurers like Bright Health Group and Oscar Health have positioned themselves as a transparent and consumer-friendly alternative to the old guard. Mark Cuban Cost Plus Drug Company, an online pharmacy started by the eponymous billionaire, bypasses the middlemen by buying cheaper generics directly from manufacturers and selling them to consumers at a fixed 15% mark-up.

Perhaps the biggest disruption to big health could come from Amazon. In 2021 its health-care ambitions suffered a setback owing to the closure of Haven HealthCare, a not-for-profit joint venture with JPMorgan Chase, the biggest bank in America, and Berkshire Hathaway, the biggest investment firm. Haven had aimed to cut health-care costs for the trio's own staff. But despite Haven's failure, Amazon is still expanding its health-care business. Last year it paid \$3.9bn for One Medical, a primary-care provider. It runs Amazon Clinic, an online service offering virtual consultations, and RxPass, which lets members of its Prime subscription service buy unlimited generic drugs for a small fee. John Love, who heads Amazon's pharmacy business, believes that the tech giant's focus on customer experience, combined with its vast logistics network, makes it well-suited to shake up the industry.

So far the newcomers' impact has been muted. Lisa Gill of JPMorgan Chase reckons that most of them underestimate the complexity of the business of health. The entrenched firms have built their networks of doctors, hospitals, insurers and drugmakers over decades. Replicating that takes time and institutional knowledge. Mr Cuban admits that it is difficult to get

drugmakers to list branded drugs on his pharmacy, as they are wary of upsetting the large PBMs. And without branded drugs and the support of large health insurers, his firm's reach remains small. The cap on insurers' profits makes life tough for upstarts in that business, which struggle to compete against the negotiating power of the integrated giants.

Even Haven, which covered its backers' 1.2m American employees and their families, didn't command enough market power to compel lower prices from health-care firms. Amazon's pharmacy business has yet to break into America's top 15 chemist chains. Big tech may be powerful. But for now even it bows before big health. ■

The energy industry

A pioneering deal

NEW YORK

ExxonMobil makes a \$60bn bet on American shale

AMERICA'S SHALE patch is a testament to a bottom-up capitalist enterprise. It was conquered by wildcat frackers, who came up with clever ways of horizontal drilling and releasing oil trapped in the rock formations. Independent shale specialists such as Devon Energy, EOG Resources and Pioneer Natural Resources became some of the country's biggest oil producers, helping to boost domestic output from 8m barrels per day in 2005 to 15m in 2015—and to turn America from a net importer of oil into an exporter. Oil giants such as ExxonMobil and Chevron trod more gingerly into shalelands such as the Permian basin, not least because the wildcatters' expansionary zeal earned fracking a reputation for torching billions of investors' money.

More recently, the supermajors' shale ambitions have grown. In June ExxonMobil's chief executive, Darren Woods,

stated his intent to double the company's shale-oil production over five years. It may not take that long. On October 11th ExxonMobil said it would acquire Pioneer for \$60bn in one of the biggest oil mergers ever. The deal would nearly double ExxonMobil's domestic oil output in an instant, putting it top of the ranking of American producers (see chart). It is also likely to prompt more consolidation in what remains a fragmented industry. And it could once again make American shalemen the world's swing producers.

Shale looks a much more profitable bet than it did a few years ago. A focus on costs has weeded out wasteful practices and improved operational efficiency. JPMorgan Chase, a bank, estimates that a dollar spent on exploration and production in America, a lot of it shale-based, produces twice as much oil today as it did in 2014. Rather than let methane, a potent greenhouse gas often produced alongside shale oil, escape into the air, big operators have begun—under pressure first from regulators and then, methane being a component of natural gas, from commercial logic—to recover the stuff and sell it. Nowadays, says Tom Ellacott of Wood Mackenzie, an energy-advisory firm, American shale is less carbon-intensive than conventional fields, as well as quicker and cheaper to develop.

The biggest frackers have also responded to pressure from Wall Street to increase returns rather than output. This newfound capital discipline withstood the surge in oil prices after Russia's invasion of Ukraine in February 2022. Later that year Pioneer's chief executive, Scott Sheffield, insisted that his firm would continue to exercise restraint "whether it's \$150 oil, \$200 oil or \$100 oil". Philip Verleger, a veteran energy economist, says that by refusing to drill, baby, drill, big shale firms have helped support oil prices for the past three years.

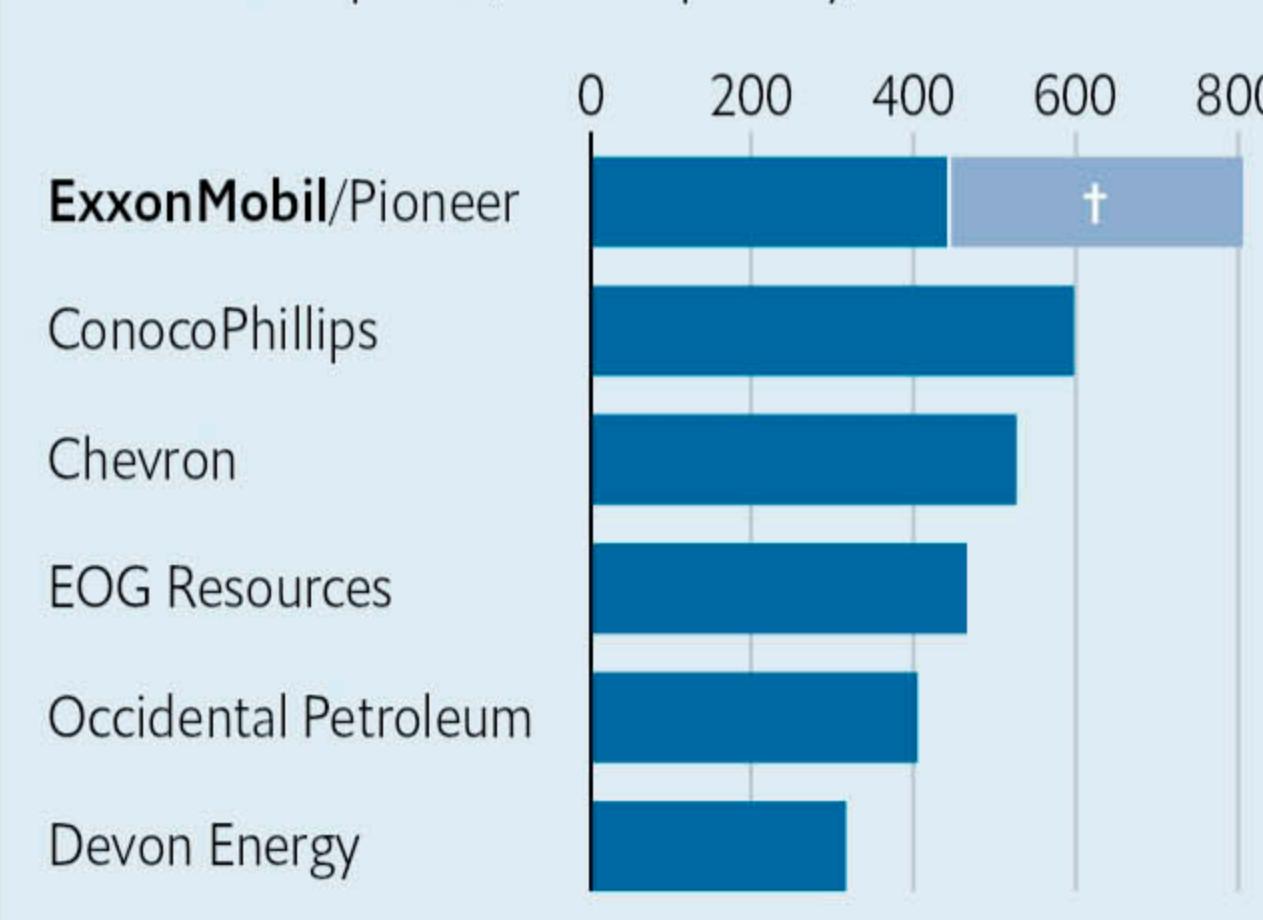
The Exxon-Pioneer deal may change that. As Mr Verleger points out, ExxonMobil has an explicit strategy of investing to raise production if the oil price and forecast profits are high enough. They may well be. Matthew Bernstein of Rystad, a firm of energy analysts, reckons that the region has "another 15-20 years of high-quality drilling". That, he thinks, may persuade ExxonMobil to ramp up output.

Environmentalists may wince at the prospect. Shale has long been their *bête noire*, partly because of those dirty methane emissions. As methane gets managed properly it may become one of the best—and cleanest—ways to meet stubbornly rising global oil demand. Even the International Energy Agency, an official forecaster committed to net-zero emissions by 2050, favours short-cycle investments like shale over long-term projects, into which producers get locked for decades. Shale will remain *noire*, but maybe less of a *bête*. ■

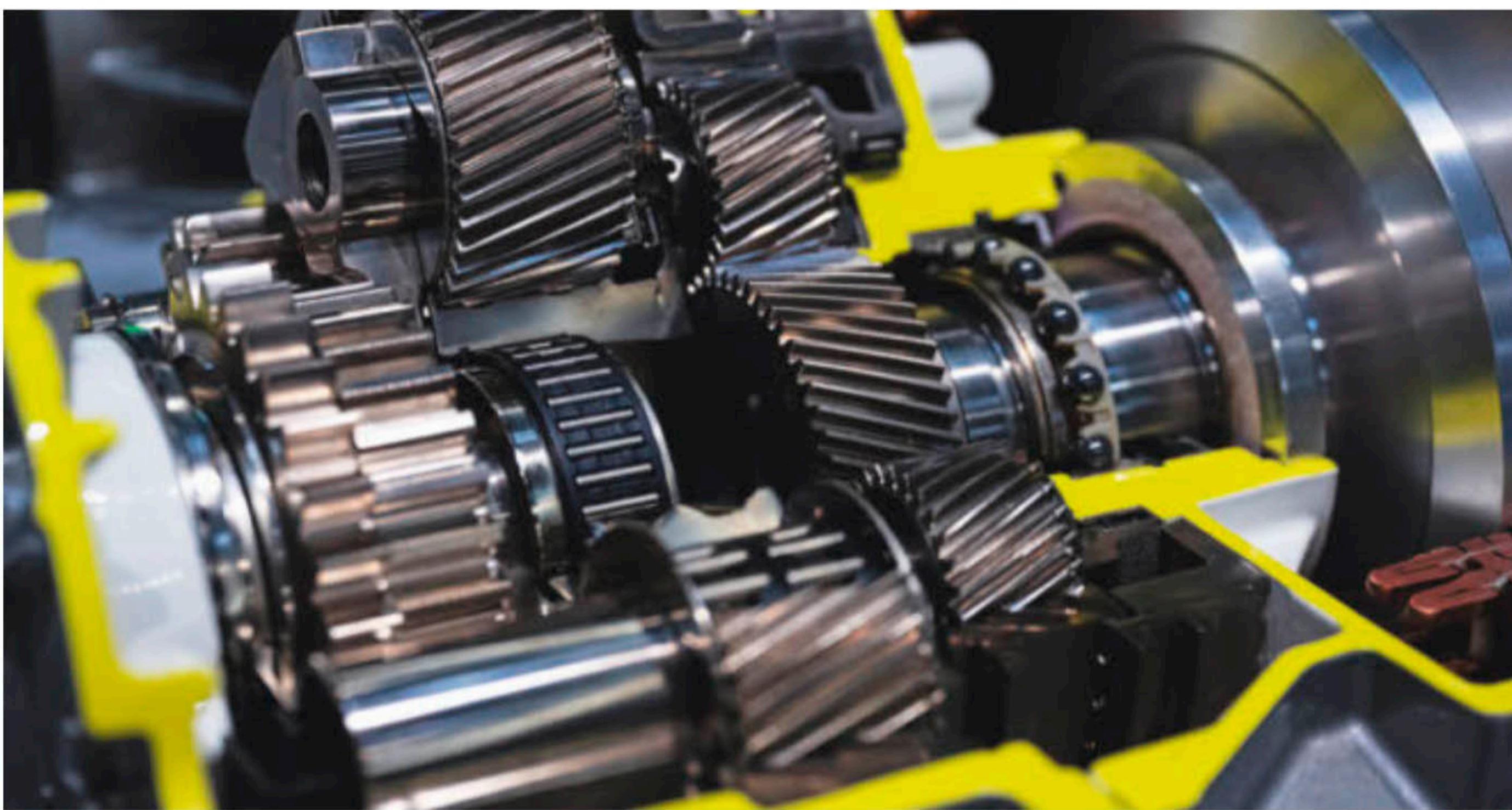
Wind in its shale

United States, oil production*, 2023 forecast

Selected companies, barrels per day, '000



Source: Wood Mackenzie



The car industry

Bought for parts

BERLIN

A merger points to the future of Germany's automotive suppliers

IT'S A GOOD deal," beams Klaus Rosenfeld, chief executive of Schaeffler, a maker of car parts based in Herzogenaurach, Bavaria. In the small hours of October 9th he called Andreas Wolf, his counterpart at Vitesco, a Bavarian rival, to offer to buy the 50.1% of the firm Schaeffler did not already own. The €3.6bn (\$3.8bn) transaction, says Mr Rosenfeld, will create a competitive German giant in an industry undergoing a huge shift to electric cars.

Schaeffler last attempted a big takeover in 2008, when it won a controlling stake in Continental, a rival then three times its size. That deal, financed entirely by debt, almost sank the family-owned business. This time the transaction is smaller—Vitesco, which was itself spun off from Continental in 2021, has annual sales of €9bn, compared with €16bn for Schaeffler. The merger also relies less on borrowed money. And Mr Rosenfeld, who became Schaeffler's boss in 2014 and took the company public a year later, is a banker by training and cautious by temperament.

The acquisition is expected to produce cost savings of around €500m a year. It will also simplify Schaeffler's shareholder structure, increase its transparency and make Schaeffler shares easier to trade. As part of the deal the Schaeffler family has agreed to give up its monopoly on voting shares (though it will remain firmly in control, with a 75% stake in the new firm). Most important, the transaction will create a global car-parts behemoth, with 120,000 staff worldwide.

In order to thrive in the era of electric vehicles (EVs), the car-parts industry needs

to consolidate. Electric cars require many fewer components than those equipped with internal-combustion engines (ICES), so economies of scale matter all the more. The deal will certainly shore up Schaeffler's position in the EV business, says Marc-René Tonn of Warburg, a German bank. Vitesco is a big supplier of electric motors and electronics for EVs. It received orders of more than €10bn for such EV parts in 2022, twice as much as Schaeffler, and expects a similar amount this year.

The merged company nevertheless faces challenges. Despite rising EV-linked orders, ICE-related parts such as powertrains and chassis account for roughly 40% of Schaeffler's annual sales and 80% of Vitesco's. Both companies rely heavily on China. Schaeffler has 13,000 staff and 13 factories in China. The vast Chinese market also accounts for 23% of its sales. Vitesco, which has around 6,500 people in four Chinese factories, derives 15% of revenue from the country.

Mr Rosenfeld thinks that, far from being a geopolitical liability at a time of rising Sino-Western tensions, the Chinese ties could be a commercial asset. The deal, he says, "will help us with our Chinese business". These involve more than just car parts; Schaeffler's Chinese factories also make bearing systems for aeroplanes and wind turbines. Moreover, good relations with Chinese carmakers are important for another reason. When China's ambitious manufacturers of electric cars set up factories in Europe, they will need local suppliers. Schaeffler looks well positioned to be one of them. ■

Chinese tycoons

A royal mess

SHANGHAI

The fall of a manganese magnate may hit global supply chains

ONE AFTER another, the empires of China's most powerful industrialists are collapsing. In January local media reported that Li Hejun, a solar-panel magnate and once the country's richest man, had been detained by the police. Liu Zhongtian, who created Asia's largest aluminium company, is said to have been chased by creditors this year as his company is restructured. Hui Ka Yan, another erstwhile rich-list-topper, was detained in September as his property-development group, Evergrande, foundered. On October 10th Bloomberg reported that He Jinbi, the boss of one of China's largest copper-trading houses, had also been apprehended by the authorities.

Against this backdrop, the troubles of Jia Tianjiang, a 61-year-old billionaire who built a global manganese empire, may seem unremarkable. On September 22nd a Chinese court put his company, Tianyuan Manganese Industry (TMI), into administration, after the huge debts Mr Jia accrued had gone unpaid. Yet his predicament may have consequences far beyond his business—and beyond China's borders. That is because manganese is used to make types of high-quality steel and in lithium-ion batteries, both of which are instrumental to supply chains President Xi Jinping views as strategic. And Mr Jia, widely known in China as "Manganese King", has been instrumental in the metal's production.

Mr Jia is the classic rags-to-riches story. One of 13 siblings from a poor town in China's north-west, he got his start by selling apples on the street. Later he sold the cardboard used to package the apples and eventually opened his own cardboard factory. In 2003 he bought a failed manganese mine just as China's homebuilding boom began. This eventually made him the richest man in Ningxia province, where his company is based.

In the 2010s Mr Jia began diversifying into finance and moving capital offshore. He bought large stakes in several Hong Kong-based investment groups with the help of a friend, Lai Xiaomin, the financier behind Huarong, a state-owned asset manager. In 2017 Mr Jia was, to many observers' surprise, allowed to buy a 20% stake in China Citic Bank International, the Hong Kong banking arm of one of China's mightiest state conglomerates.

The same year he used state-backed loans to purchase one of the world's largest manganese miners, Consolidated Miner-►

als, from a Ukrainian billionaire. Mr Jia then secured a \$450m loan from a Citic subsidiary using Consolidated Minerals, which at the time had a net asset value of just \$235m, as collateral.

Mr Jia's expansion plans began to unravel in 2018, when Lai was detained for financial crimes. Rumours of TMI's financial connections to Lai were enough to send the price of one type of refined manganese soaring. The value of many of Mr Jia's companies collapsed. He was ensnared in an investigation but subsequently released. (Lai was less lucky: he was executed in

2021.) At the time executives working for the company in Europe feared his troubles at home might spill into global markets.

Now they have. "This is like Rio Tinto going bust for the iron-ore industry," says one mining executive, referring to the Anglo-Australian mining giant. A bigger shock could affect the production of lithium-ion batteries. High-purity manganese sulphate is commonly used to make battery cathodes. Production of the material is part of China's plan to dominate the global battery industry. In 2022 the state-run China Energy Engineering Corporation

launched a project with a TMI subsidiary that planned eventually to produce 1m tonnes of high-purity manganese sulphate annually. That would have made TMI the biggest producer in the world.

This makes it unlikely that TMI will be allowed to buckle. Still, disruptions to domestic and global supply of the metal seem inevitable, making the state's target for high-purity manganese sulphate look optimistic. Mr Jia is not Lai. He is not accused of any crimes. But to the Chinese state the Manganese King must look like an unreliable strategic ally. ■

Bartleby The two-day workweek

The results of one firm's experiment with a bold new idea

WE HAVE COMPLETED our pilot of the two-day workweek, and present our findings below. We would like to thank the leadership team for being imaginative enough to allow this experiment. We are also very sorry.

Background: We are consistently looking for ways to stand out as an employer of choice. Recent trials of the four-day workweek at other companies suggest that there might be ways to improve work-life balance and satisfaction without hurting productivity. Our former head of HR, Joe King, pushed us to be bolder. If people were able to fit a whole week into four days, was it possible to go further still? The idea to trial a two-day workweek in our North American territory was born. And to reiterate the point above, you all agreed to this.

Outline of the trial: Employees began work at 9am on a Monday as usual. They did a 20-hour shift until early Tuesday morning, and then had an eight-hour break, before beginning a second 20-hour shift. The workweek ended at 9am on Wednesday morning, at which point employees took the next five days off and returned the following Monday.

To make things simple, all employees in the region were opted into this new arrangement. Regrettably, we quickly lost all colleagues who were single parents, and many other employees with young children. Some legal action is continuing as a result. But the initial response from those who remained was extremely positive.

Results of the trial: It immediately became clear that most people were unable to stay awake during either shift without needing some kind of stimulant. A few members of the marketing team remained extremely animated throughout their shifts; as you know, the early-

morning cleaners later reported that they had come across three of them snorting cocaine off the reception desk. In later weeks we invested in various options to keep staff peped up, including energy drinks, guarana powder and free M&M's. We also provided sleeping bags for people to grab power naps.

The extent of other problems became clearer as the pilot proceeded. Customers who tried to reach us outside our new working hours were told to contact us again at 9am on the following Monday. We saw enormous call waiting-times at the start of each week. In one case, a customer was told they would be on hold for an estimated 49 hours, putting them outside the window of that workweek, too. We attracted a lot of criticism for this on social media, though none of us noticed.

The rush to get everything done in two days caused other problems. Our suppliers were not always able to deliver while staff were on duty, leading to production bottlenecks. We made a lot more basic mistakes: the payroll snafu in August happened partly because our finance

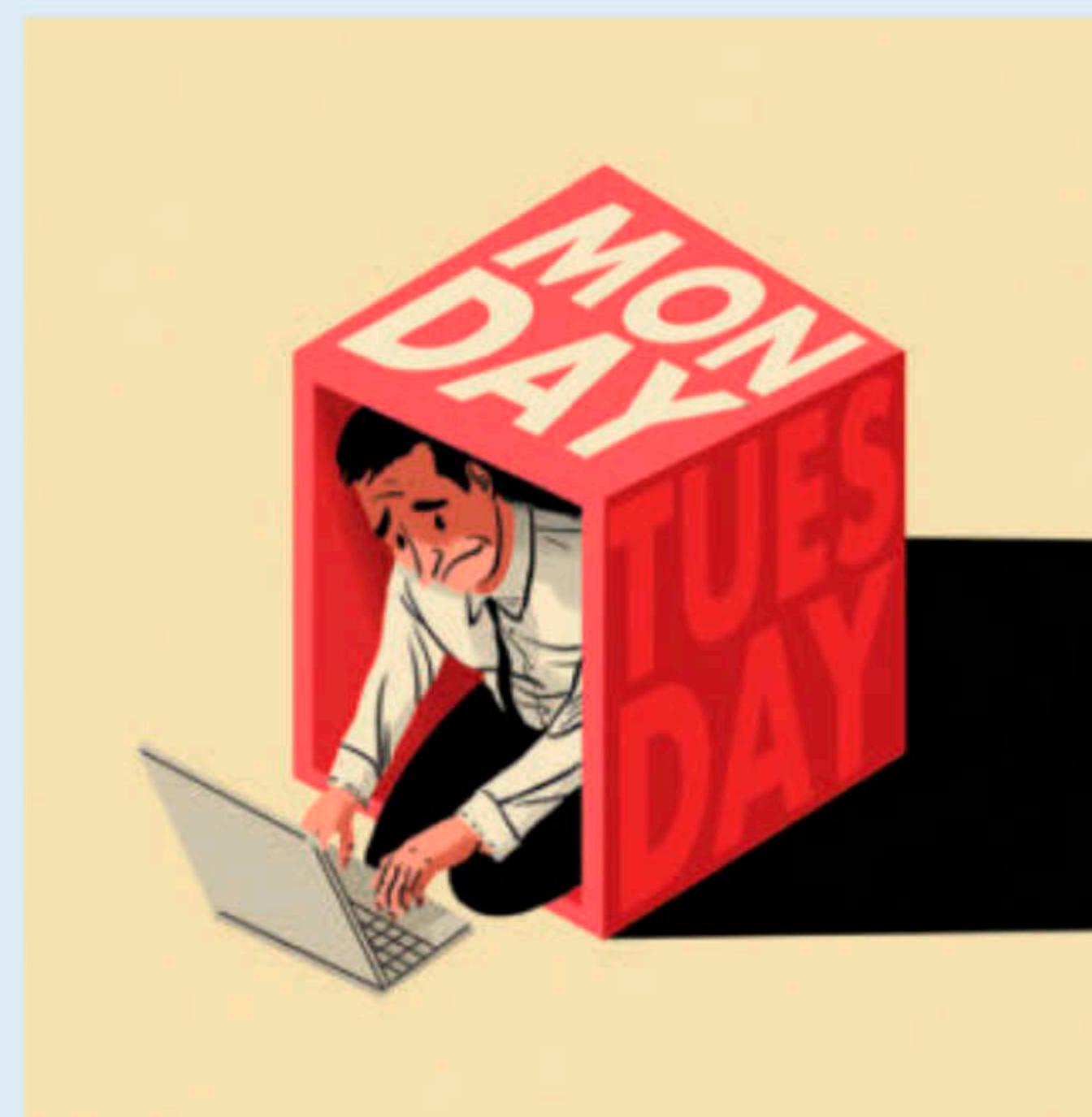
director's power nap turned into something closer to a hibernation. We struggled to get activities like recruitment done in the time available to us. Our sales team found that most clients were unwilling to meet after midnight. Shorter workweeks are known to pose co-ordination issues. Such problems are soluble in some conditions, but not these ones.

The benefits of a better work-life balance were also less great than we had hoped. The demands of shift work during those first two days meant that some team members took four or five days to recover from the workweek. Many employees completely lost track of time during their "workends" and failed to turn up on Monday mornings, making it even harder to manage the rush at the start of the week.

Cohesion suffered, particularly after a brawl broke out among the graphic designers one week for the last remaining energy drinks. Appetite for team-building activities also declined; in retrospect, holding end-of-the-week drinks at sunrise on Wednesdays was unwise. Our apologies again to the cleaners.

During the course of the trial we saw marked declines in almost all the metrics we tracked, from sales revenue and net promoter scores to productivity and employee satisfaction. There were some exceptions to this trend. We saw sharp rises in customer complaints, health-and-safety incidents, substance abuse and tooth decay.

Recommendations: We do not recommend a repeat of this experiment (this may be academic since the North American business is now closing down). If creativity is a willingness to take immensely stupid risks, we can all look back on this episode with pride. On any other definition, we cannot.



Shoemaking

Selling your sole

Birkenstock is a hit with young consumers. And investors?

IN THE BLOCKBUSTER “Barbie” film, the Birkenstock is more than a shoe. It is a symbol of the real world not run by girls. It is introduced as a deliberately drab antithesis of Barbie’s perfect stiletto. By the film’s end the titular blonde is wearing the cork sandal—with the hallmark double-strap in her signature pink—as she walks into her new life, no longer a doll but a woman ready to put her best foot forward.

Barbie is not the only one swapping heels for contoured soles. So are real-life youngsters. Birkenstock’s revenues have doubled in the past three years, to \$1.4bn. Almost half of last year’s sales came courtesy of buyers in their 20s and 30s. Some of that is down to clever product placement—social-media mentions of Birkenstocks reached a record high in July around the time of the “Barbie” premiere. A lot more has to do with a post-pandemic fashion for all things casual and comfortable, especially among Millennials and Gen-Zs, which has boosted sales of other ungainly casual-chic footwear, such as furry Ugg boots or Croc sandals.

What is cool with the kids proved hot with some investors. On October 10th Birkenstock raised \$1.5bn in an initial public offering (IPO) on the New York Stock Exchange, valuing the firm at around \$9bn.

Although Birkenstocks are far from beautiful—German children forced to wear them to school in the 1980s bemoaned their ugliness—their maker has managed to turn itself into an aspirational brand. It has collaborated with Dior, a high-fashion brand controlled by LVMH, a French luxury

behemoth, to make \$1,100 mules. It probably helped that L Catterton, a private-equity firm which bought a majority stake in 2021, is backed by LVMH. The family holding company of LVMH’s boss, Bernard Arnault, said it would buy up to \$325m-worth of Birkenstock shares in the IPO and nominate one of Mr Arnault’s sons to its board.

Perhaps owing to the influence of its luxury backers, Birkenstock has no plans to increase production capacity; ever since Johann Adam Birkenstock started making shoes in 1774, the company has insisted on maintaining almost all its production in Germany (only some of the cork soles are made in Portugal). Engineering scarcity by limiting output is a time-honoured strategy for high-end brands that peddle exclusivity. Their couture-pocketed customers tend to be insensitive to price rises.

Birkenstock has managed to push up prices a bit in the past few years, but revenue growth also came from increased shipments. It is unclear how much more expensive it can make its sandals without putting off its customers. Investors are already watching their step. Its share price slipped by 13% on its first day of trading. ■

Chipmaking

Shielding the shield

TAIPEI

Taiwan is shoring up its silicon supremacy

FROM the 1970s until a few years ago Taiwan’s semiconductor sector looked worthy but dull. Its chip-fabrication plants (fabs for short) kept the global electronics industry ticking, but it was the gadgets the chips went into that made headlines.

No longer. The world’s geopolitical heavyweights now regard microprocessors as powering not just all manner of machines but their economies as well. America is splurging \$50bn in subsidies to bring chipmaking back home. Europe has similar plans, not least to reduce its dependence on Taiwan, which next-door China claims as part of its territory. Rapidus, a joint venture of Japanese electronics firms, aims to be mass-producing cutting-edge chips by 2027, just two years after TSMC, the Taiwanese chip champion, will start manufacturing similar silicon. Samsung of South Korea, TSMC’s main rival, hopes to begin churning out such chips in 2025. China, for its part, wants to build an independent chip industry that does not have to rely on imports of technology, which America is choking off.

The stakes for Taiwan are high. So long as everyone relies on the island for semi-

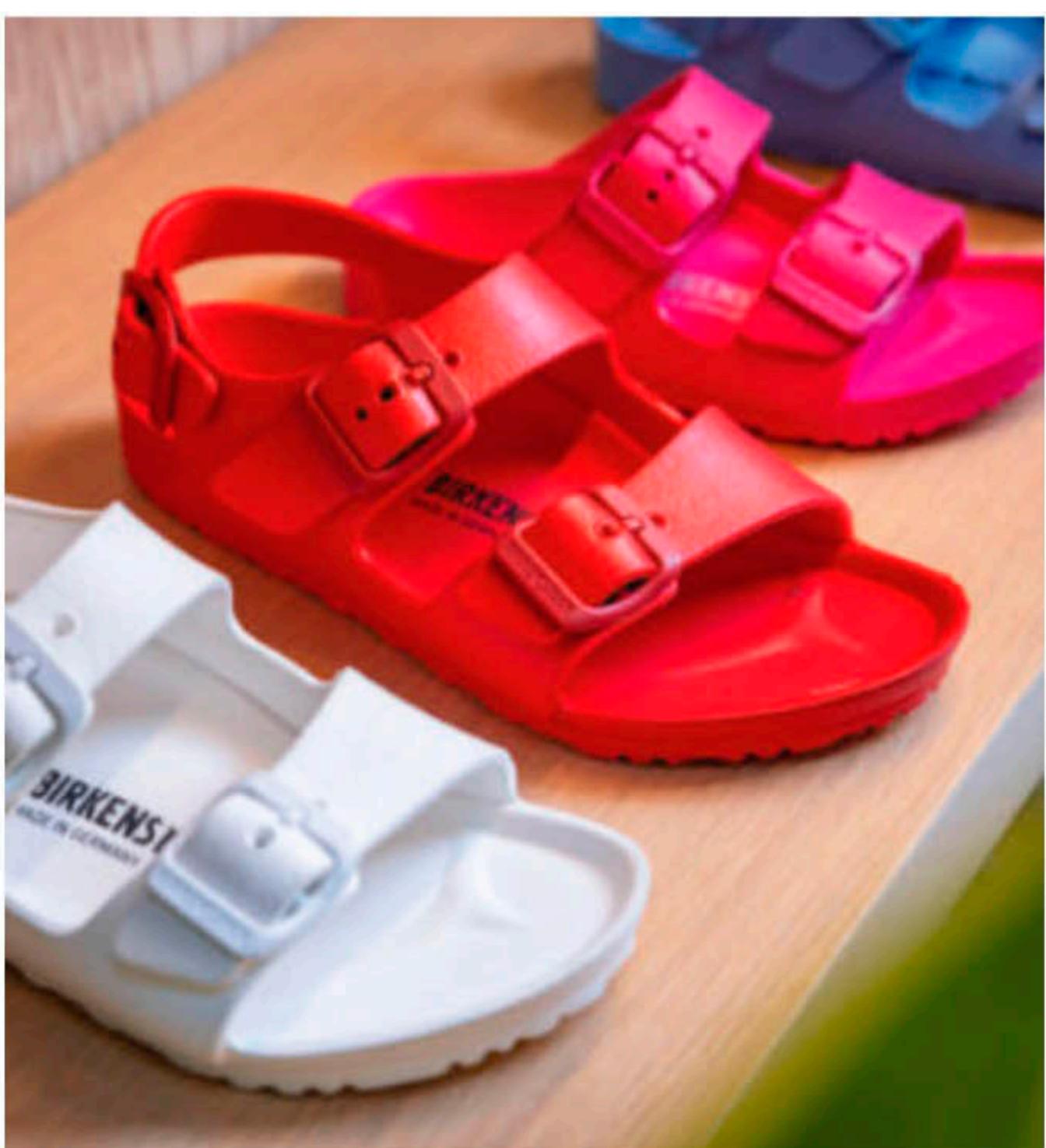
conductors, the thinking goes, not even China will up-end the geopolitical status quo. If chips are made elsewhere, this “silicon shield” turns brittle. More prosaically, the sector, with eight of the country’s ten best-paying companies, provides good jobs. Taiwanese chip firms also have reasons to keep production at home. Too much expansion abroad could weaken local research networks and make it easier for foreign firms to poach staff.

This explains why TSMC’s subsidised fabs in America will not be at the technological frontier by the time they are completed in 2025 and 2026. The cutting-edge will remain at home. Last year TSMC spent about \$5bn on research and development (R&D), 30% more than in 2021, and most of it in Taiwan. In July this year, the company opened a new R&D centre for 7,000 staff next to its headquarters in Hsinchu. As long as R&D is done at home, the chipmakers’ most advanced fabs will probably remain there, too.

Taiwanese firms in other bits of the supply chain are making similar calculations. ASE Holdings is the world’s largest chip packager. Putting processors in a casting used to be an unglamorous business. As it becomes harder to shrink transistors to less than the current few billionths of a metre across, firms like ASE can help boost processing power with clever packages that connect chips to one another. ASE’s annual R&D budget more than doubled between 2017 and 2022, to \$800m. As with TSMC, much of that will stay in Taiwan.

Taiwan’s government also remains intent on maintaining the country’s chip supremacy. It has long suppressed the value of the Taiwanese dollar, which supports exports, including of chips, and subsidised the prices of energy and water, both of which chipmakers guzzle. Morris Chang, TSMC’s retired co-founder, intimated last month that even Taiwan’s high-speed rail network may have been designed with chipmaking in mind, to let workers zip between production sites.

The government’s latest plan is to shore up Taiwanese chip design, part of the industry dominated by American companies like AMD and Nvidia. MediaTek, Taiwan’s biggest designer, ranks a lowly (by Taiwanese chip standards) fifth in the world in terms of blueprint sales. The firm would no doubt love to move up in the ranking, and the government seems eager to help it with an aim to raise Taiwan’s share of global chip-design revenues from 21% to 40%. Last month the Ministry of Economic Affairs announced a modest \$25m in subsidies to help small and middling semiconductor firms designing less advanced chips. More goodies will be included in the government’s next ten-year plan for the chip industry, due next year. Taiwan won’t give up its shield without a fight. ■



Blingenstocks

Schumpeter | Belt-tighteners

Weight-loss drugs are no match for the supersized food industry



TO GET A SENSE OF why periodic panics about the impact of weight-loss programmes on the food industry should be taken with a pinch of salt, sugar, butter and whatever else you fancy putting in your mixing bowl, go back 20 years to 2003. That was the year when Robert Atkins, the eponymous father of a popular diet, slipped on a sheet of ice in New York and died. The low-carb king was at the peak of his powers. One of his books, "Diet Revolution", briefly outsold even "Harry Potter". His message, not of abstinence but of indulgence in the finer things of life such as steak, bacon, eggs and cream, spread joy through the livestock pits of Chicago, and alarm through bakeries and confectioneries. Wheat prices fell. Unilever, an Anglo-Dutch food giant, blamed the Atkins diet for shrinking sales. Yet by late 2003 the craze had gone the way of its founder, snuffed out by a blend of boredom, bad breath and bad publicity. As one newspaper summed it up: "Atkins is toast."

Every decade brings something new to avoid. In the 1970s it was calories; in the 1980s, salt; in the 1990s, fat; in the 2000s, carbs; in the 2010s gluten and dairy. But this time is different, isn't it? The latest killjoys threatening the food, beverage and restaurant industries are not another dietary fad, but injectable medicines, such as Wegovy, approved in 2021 as an anti-obesity drug, and Ozempic and Mounjaro, anti-diabetes drugs used off-label for weight loss. Besides stimulating insulin production, the so-called GLP-1 medicines reproduce a feeling of fullness and suppress appetite in a way that has a similar effect in the food and drink aisles as dietary restraint, except people are less likely to cheat.

Investors in Novo Nordisk and Eli Lilly, which make the drugs, are delighted. Those in the soft-drinks and snacking businesses, less so. In recent weeks the share prices of Coca-Cola and PepsiCo, as well as of retailers like Walmart and Costco, have swooned. Pundits were swift to link a big sell-off on October 6th to comments by a Walmart executive in America who revealed that, according to anonymised data, those who bought weight-loss drugs also purchased less food. It sounded like an echo of the Unilever scare from two decades ago. In all likelihood, it is a red herring.

It is easy to see why people are inclined to get carried away by the impact of "skinny pen" injections. Besides being a curse upon whom it falls, the economic consequences of obesity, from higher

medical and insurance costs to lower workplace productivity, provide a compelling case for regulatory support for the drugs, as long as they are safe. Demand for GLP-1s is already exceeding supply; there are shortages of Wegovy and Ozempic, leading some pharmacists to make copycat versions.

The potential for disruption is huge. About 70% of Americans are obese or overweight, and by 2035 it is estimated that half the world will be; treatment could represent mountains of forgone calories. In some food categories, obesity is not just a consequence of unhealthy demand but almost a prerequisite; more than a third of what Americans call candy is eaten by mostly overweight people bingeing on many bars, bags and boxes each week. Theoretically, the sky could be the limit. According to Jefferies, a bank, even airlines would benefit from anti-obesity drugs if falling average passenger weights enabled them to burn less fuel.

Yet for now most of the projections are based on guesswork. More painstaking analysis has to include calculations not just of absolute obesity numbers, but of who is and is not eligible for insurance, people's willingness to submit to treatment, the impact if the drugs have side-effects, the drop-out rates and the risk of regaining weight once off the drugs. Alexia Howard of Bernstein, an investment firm, takes a stab at sifting through the fog of numbers to forecast that over the next five years, if one-tenth of American adults take the drug, overall calorie demand would fall by no more than 0.5% a year. As she says, that is hardly a "doomsday scenario"—though makers of processed foods and sweets may suffer worse than others.

The \$1trn-plus food industry, stalwarts of which have been around for generations, will not sit idly by and let someone else decide their fate. On October 10th Ramon Laguarta, PepsiCo's boss, was the latest to play down the impact, saying that anti-obesity drugs were on the firm's radar but were not expected to affect any of the long-term trends boosting its snacks business, such as urbanisation, busy lives and a growing middle class. The firm could, of course, "pivot" if necessary, he added. Other processed-food companies have noted that trends such as smaller pack sizes and healthier foods already align with GLP-1-style eating habits. And big food could use its influence to subtly raise concerns about the cost and safety of the new drugs. With such deeply entrenched incumbents, weaning the world off fattening foods is unlikely to be much easier than ending its addiction to fossil fuels.

Losing hearts and minds, not weight

So why the stockmarket swoon? The best answer is that current conditions may be worse than the food-and-beverage industry likes to admit. PepsiCo's third-quarter sales and profits beat analysts' expectations, but mostly thanks to higher prices. Volumes fell by 2.5% compared with a year ago. This change signals a worrying cyclical trend. Consumers, who tolerated high prices during and after the pandemic, have been hit hard by inflation. With a cooling labour market, many Americans may soon face growing hardship. Though the well-off continue to splash out on fancy foods and restaurants, surveys suggest that the rest are buying more staples, cooking from scratch at home, and using up their leftovers. Moreover, food companies are reluctant to recognise that they may have overexploited their pricing power.

This is not as eye-catching an explanation for weak share prices as a full-on assault on obesity. But for the next year at least, belt-tightening rather than girth may well be the biggest thing on consumers' minds. ■



Floating-rate borrowing

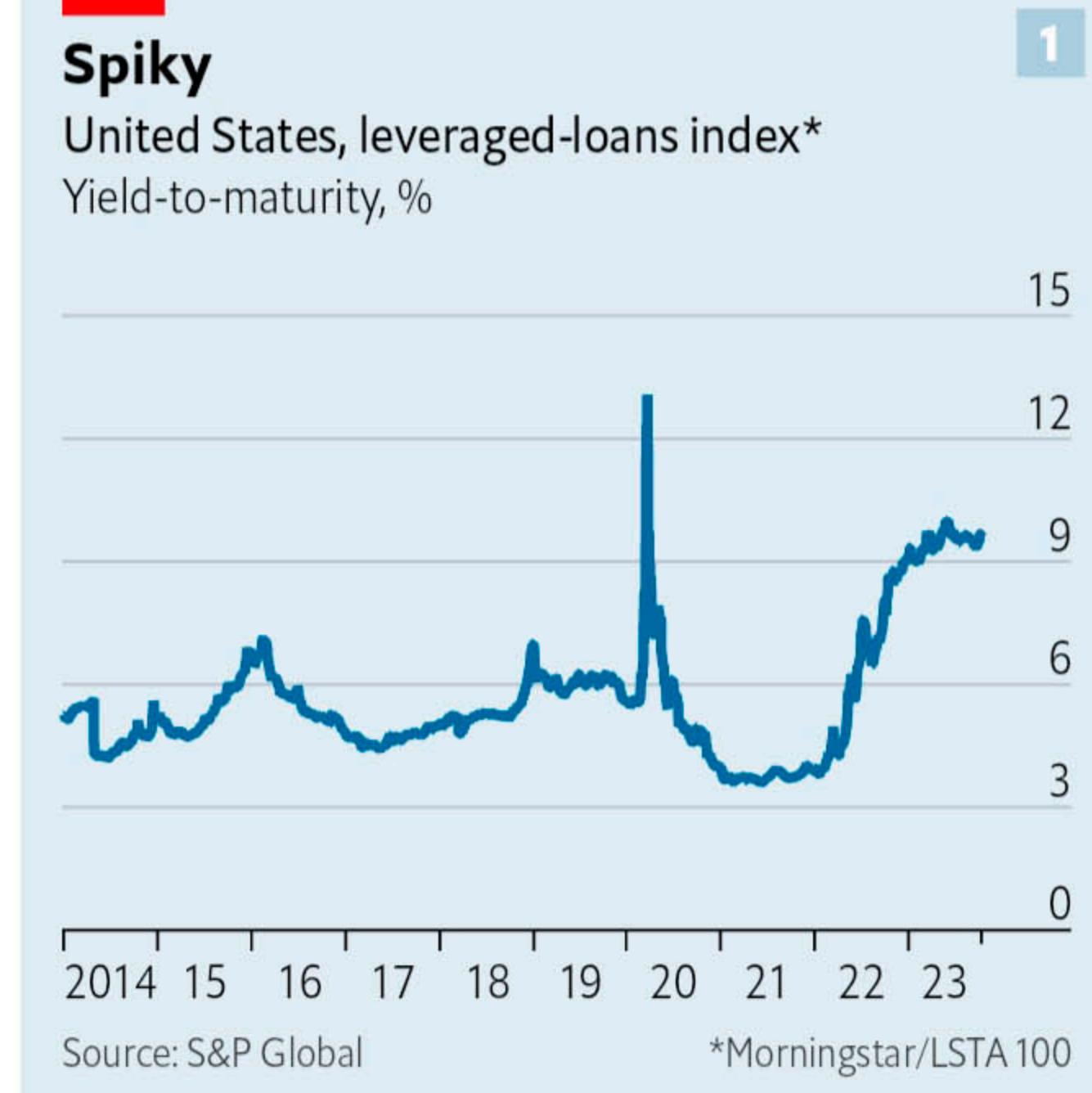
Painful for longer

Corporate America faces a trillion-dollar debt reckoning

BIG AMERICAN companies are living in a debt dreamland. Although cheap borrowing has fuelled the growth of corporate profits for decades, the biggest firms have been largely insulated from the effects of the Federal Reserve's recent bout of monetary tightening. That is because many of them borrowed plentifully at low, fixed interest rates during the covid-19 pandemic. The tab must be settled eventually by refinancing debt at a much higher rate of interest. For now, though, the so-called maturity wall of debt falling due looks scalable.

But not all companies are escaping the impact of the Fed's actions. Indeed, there is trillions of dollars of floating-rate debt, with interest payments that adjust along with the market, that has suddenly become much more expensive. This pile of debt consists of leveraged loans and borrowing from private debt markets. Companies seldom hedge interest-rate risks, meaning that they now find themselves paying through the nose—the yield-to-maturity of one index of leveraged loans has leapt to al-

most 10% (see chart 1). Meanwhile, since American economic growth remains resilient, the Fed's policymakers warn that interest rates will have to stay higher for longer. This will push more borrowers to breaking-point. A market that has grown vast is now asking two miserable ques-



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tions. How bad will things get? And who, exactly, will lose out?

Since the global financial crisis of 2007-09, companies have borrowed fast and loose. UBS, a bank, estimates the value of outstanding American leveraged loans at around \$1.4trn and the assets managed by private credit lenders at more than \$1.5trn. The two types of debt are more alike than they are different. Both have grown to service the private-equity buy-out boom of the past decade. Traditional leveraged loans are arranged by banks before being sold (or "syndicated") to dozens of investors, whereas private lending involves just a handful of funds, which usually hold smaller loans to maturity, creating a less liquid and more opaque market.

Increasing numbers of borrowers are now hitting the rocks. Since 2010 the average annual default rate in the leveraged-loan market has been less than 2%. According to Fitch, defaults rose to 3% in the 12 months to July, up from 1% a year earlier. The ratings agency reckons that they could shoot up to 4.5% in 2024. Restructurings and bankruptcies on this scale amount to spring cleaning rather than the deep distress felt during the financial crisis, when loan defaults exceeded 10%. But if rates stay higher for longer, as central bankers predict, the tally of troubled firms will grow. Although all companies with unhedged floating-rate debt balances are vulnerable, those loaded with debt in private-

► equity buy-outs at high valuations during the recent deal boom are especially at risk.

Slowing profit growth means that borrowers are finding it harder to afford their floating-rate debt. JPMorgan Chase, a bank, analysed 285 leveraged-loan borrowers at the end of June, before the Fed's most recent rate rise. Firms where borrowing consisted only of leveraged loans saw their annual interest expense soar by 51% year-on-year. Their fortunes are diverging sharply from those that instead tapped high-yield bond markets for fixed-rate funds. According to the study, the interest expenses of such businesses have increased by less than 3%. Coverage ratios, which compare a firm's profits with its interest costs, have begun an ominous decline (see chart 2).

In the private debt market, where default rates tend to be higher, borrowers are confronting similar woes. According to Bank of America, interest costs now consume half of profits at firms where loans are held by the largest business-development companies, a type of investment vehicle. A big rise in distress would not only make it harder to find institutions willing to plough money into private debt funds, with investors normally attracted by the promise of smooth returns, but also spill over to the leveraged-loan market.

Now that a reckoning looks imminent, attention is turning to which investors will be left holding the bag. Lenders today expect to recover less of their investment after a firm defaults than in earlier eras—and this year so-called recovery rates across junk-rated debt have been well below their long-run averages. According to Lotfi Karoui of Goldman Sachs, another bank, the rise of borrowers that rely solely on loans, rather than borrowing from bond markets too, could depress recoveries still further. This trend has concentrated the pain caused by rising interest rates. It is also likely to leave less value for leveraged-loan investors when they find themselves round a restructuring table or in a bankruptcy court, since there will be more claims secured against a firm's assets.

Sagging

United States, leveraged borrowing, EBITDA*-to-interest ratio[†]

■ Loans only ■ Loans and high-yield bonds



*Earnings before interest, taxes, depreciation and amortisation
†285 companies

Sources: JPMorgan; Capital IQ

Other long-term trends could exacerbate the leveraged-loan market's problems. Maintenance covenants, commitments that lenders can use as a "stick" to force a restructuring, have all but disappeared as the market has matured. In 2021 nearly 90% of new loans were "covenant-lite". This could mean that companies take longer to reach default, and are in worse health when they get there. Excessive "add backs", flattering adjustments to a company's profitability measures, might also mean that leveraged borrowers are in worse shape than the market believes.

The performance of private markets is also being closely scrutinised. Advocates for private debt have long argued that they are better suited to periods of higher defaults, since the co-ordination costs between a small group of lenders are lower,

making the correction of vexed balance-sheets easier. If private markets do indeed fare better than leveraged loans during the forthcoming turmoil, it would bolster their attempts to attract finance in future.

Problems in floating-rate debt markets are unlikely to cause a financial crisis, but the murkiness and growing size of private markets in particular mean that regulators have decided to take a closer look. In August America's Securities and Exchange Commission announced rules to increase transparency, including demanding quarterly financial statements. The following month, the International Organisation of Securities Commissions, a global regulatory body, warned about the risks of leverage and the opacity of private debt markets. Few investors, however, think they need help predicting a coming crunch. ■

Safe investments

Blow to the banks

Retail investors have a surprising new favourite: Treasury bills

WHEN TREASURY bonds (or t-bills) last yielded as much as they do today—5.5%—punters were relieved that the world had not been destroyed by the millennium bug, Destiny's Child were atop the charts and the dotcom bubble was going strong. The recent surge in yields has been remarkable (see chart).

Yet bank depositors are seeing just a fraction of these increases. The average American savings account yields just 0.45%. Investors, too, are missing out. For the first time in over two decades, at the end of last year the return offered by six-month Treasuries overtook the earnings yield of S&P 500 companies.

So retail investors are looking elsewhere. Trading platforms have made short-term Treasury products a big part of their offering. Advertisements for Public, one such platform, ask podcast listeners if they are aware of the meagre savings rate on their deposit accounts. Despite only having been available on the platform since March, Treasuries are now its most purchased asset. One in ten new users buy them as their first trade.

Demand for Treasuries reflects a broader move towards safe, high-yielding options. Money-market funds invest in low-risk, short-duration instruments, including Treasuries. More than \$880bn has been added to such funds this year, bringing their total value to an all-time high of \$5.7trn. As with retail short-dated Treasury accounts, money-market funds are attractive to savers because they are highly liquid, meaning that cash can be withdrawn quickly if required.

Bill, please

United States, %



Source: Refinitiv Datastream

The growing popularity of such alternatives is upsetting the logic of retail banking. Banks get away with providing interest rates well below the interest they receive from short-term government debt because—as Public's advertisements identify—many depositors pay little attention. By sucking deposits from the banking system, money-market funds are thought to have contributed to financial instability in the spring.

Retail-trading platforms' expansion has made it easier than ever for depositors to transfer funds into short-dated government debt. That may further erode the discount on savings rates that depositors will accept from banks, and make Treasuries a bigger feature in retail-investment portfolios. Savers will, then, be singing along to one of Destiny's Child's better tunes: "Bills, Bills, Bills".



Xi Jinping's rebalancing

STIK shift

HONG KONG

How economists have underestimated Chinese consumption

CONSUMPTION IS THE sole end and purpose of all production," Adam Smith pointed out. But his "perfectly self-evident" maxim has never held much sway in China. Earlier this year the country's statisticians revealed that household consumption accounted for only 37% of China's GDP in 2022, its lowest level since 2014.

Although removing covid-19 controls should have helped lift that figure a bit, tweaks to Chinese data could lift it rather more. China's headline statistics may understate household income and consumption. Look closer, and both appear higher than reported—and both have risen faster.

Rising dough

Household disposable income as % of gross national income, 2020



For almost two decades, Chinese policymakers have sought to "rebalance" the economy from exports and investment towards spending on more immediate gratifications. "We will work to restore and expand consumption...and increase personal income through multiple channels," the finance ministry declared in this year's budget, for example. Yet progress has been slow. In recent years, the IMF has graded China's efforts on a colour-coded "rebalancing scorecard". The latest card, published in February, was mostly red.

Advocates of rebalancing typically identify two problems. First, Chinese households save a lot of their income; second, their income is too small a slice of the national cake. The second problem features prominently in the arguments of Michael Pettis, an influential professor at Peking University. In the West, he has noted, household income typically represents 70-80% of GDP. In China, by contrast, it is only 55%. Rebalancing, he has argued, will necessarily involve shifting wealth and therefore power to ordinary people.

Indeed, some observers now wonder whether Xi Jinping, China's leader, has soured on the goal altogether. For him, the end and purpose of Chinese production is not limited to consumption—it also includes ambitions such as making China a resilient power, less dependent on "chokehold" technologies that are dominated by the West. As a young man, he was "repulsed by the all-encompassing commercialisation of Chinese society", according

to the leaked account of a professor who knew him in the 1970s and 1980s.

But although Mr Xi is no fervent champion of rebalancing, his scorecard may be better than commonly thought. Economists have long believed that China's figures understate household earning and spending. Surveys probably fail to capture the unreported "grey" income of the wealthy. And the national accounts probably still underestimate the implicit "rent" that homeowners pay themselves when they live in property they own.

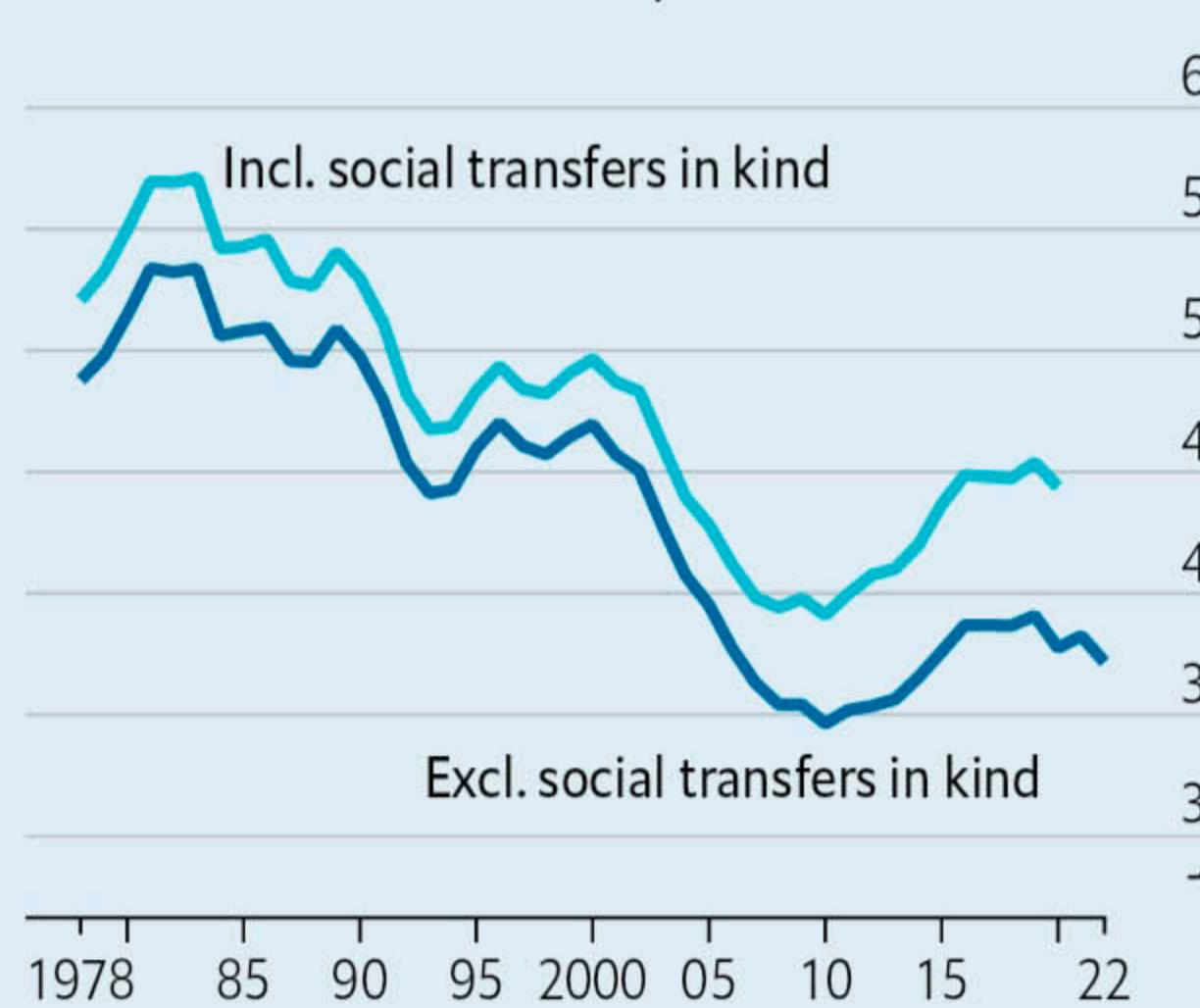
Less well known are the struggles of China's statisticians to account for goods and services that governments provide to individuals at little or no cost. These transfers include education and health care, not least reimbursements for medicines. They also encompass cultural amenities and subsidised food. Zhu Hongshen of the University of Virginia has highlighted community canteens, often housed in state-owned buildings but operated by private contractors, which provide tasty dishes, such as oyster mushroom or spicy cucumber, at heavily discounted prices.

According to international standards, these goodies should appear in the official statistics as "social transfers in kind" (sometimes abbreviated to STIK). They can then be added to household income and consumption to provide a fuller "adjusted" picture. "In principle, social transfers should be included in a complete definition of income," argued an international team of experts known as the Canberra Group in 2001, although they recognised it is not straightforward to do in practice.

China in particular has struggled. In the past, it has not reported them cleanly or separately, shovelling them into other parts of the national accounts, including government consumption. If these transfers are ignored, then the disposable income of China's households was only 62% of national income in 2020 (and as low as 56% in 2010). This seems strikingly low, as Mr Pettis has argued. But that is partly because of everything it leaves out. If social

Conspicuous

China, household consumption as % of GDP



▶ transfers in kind are also stripped out of the disposable income of other countries, their numbers look more like China's. The figure for the euro area would be less than 64% in 2020 (see chart 1). By this measure, a dozen European countries had a smaller income share than China.

Fortunately, China's statisticians can now do better. In the past few years, they have begun publishing figures for social transfers in kind in their annual statistical yearbooks, Mr Zhu has pointed out. These amounted to 6.8trn yuan (\$1trn, or almost 7% of national income) in 2020, larger, as a

share of GDP, than America's. That has enabled China's National Bureau of Statistics to publish an "adjusted" figure for disposable income that makes international comparisons with OECD countries easier.

Adding these social transfers in kind raises China's share of household income to 69% of national income, placing it near the bottom of the pack, but not at the very bottom. Moreover, since they have grown faster than the economy over the past decade, they make Mr Xi's rebalancing record more promising. Household consumption, including these transfers, increased

from 39% of GDP in 2010 to 45% in 2019 before the pandemic struck (see chart 2).

Such revisions do make government consumption look weaker. And China's social transfers in kind, as a share of national income, are still not high compared with the OECD average. There is thus scope to raise them. If Mr Xi objects to the commercialisation of Chinese society, the state could instead provide more of the things that he thinks his citizens should be consuming. That would be a way for Mr Xi to rebalance towards consumption without reconciling himself to consumerism. ■

Buttonwood Reading tea leaves

Why investors should treat analysis of bond yields with caution

IT WAS JAMES CARVILLE, an American political strategist, who said, in an oft-repeated turn of phrase, that if he was reincarnated he would like to return as the bond market, owing to its ability to intimidate everyone. Your columnist would be more specific: he would come back as the yield curve. If the bond market is a frightening force, the yield curve is the apex of the terror. Whichever way it shifts, it seems to cause disturbance.

When the yield curve inverted last October, with yields on long-term bonds falling below those on short-term ones, analysts agonised about the signal being sent. After all, inverted curves are often followed by recessions. But now the curve seems to be disinverting rapidly. The widely watched 10-2 spread, which measures the difference between ten- and two-year bond yields, has narrowed markedly. In July two-year yields were as much as 1.1 percentage points above their ten-year equivalents, the biggest gap in 40 years. They have since drawn much closer together, with only 0.3 of a point between the two yields.

Since the inversion of the yield curve was taken as such a terrible omen, an investor would be forgiven for thinking that its disinversion would be a positive sign. In fact, a "bear steepener", a period in which long-term bonds sell off more sharply than short-term bonds (as opposed to a "bull steepener", in which short-term bonds rally more sharply than long ones), is taken to be another portent of doom in market zoology.

Driving the latest scare is the rising term premium, which is often described as the additional yield investors require to hold longer-dated securities, given the extra uncertainty over such extended periods. According to estimates by the New York branch of the Federal Reserve,

the premium on ten-year bonds has risen by 1.2 percentage points from its lowest level this year, more than explaining the recent surge in long-term yields.

In truth, though, the term premium is a nebulous thing, and must be treated with caution. It cannot be measured directly. Instead, as with a surprising number of important economic phenomena, analysts have to tease it out by measuring more concrete parts of the financial system, and seeing what is left over. Estimating the premium for a ten-year bond requires forecasting predicted short-term interest rates for the next decade, and looking at how different they are from the ten-year yield. What remains—however large or small—is the term premium.

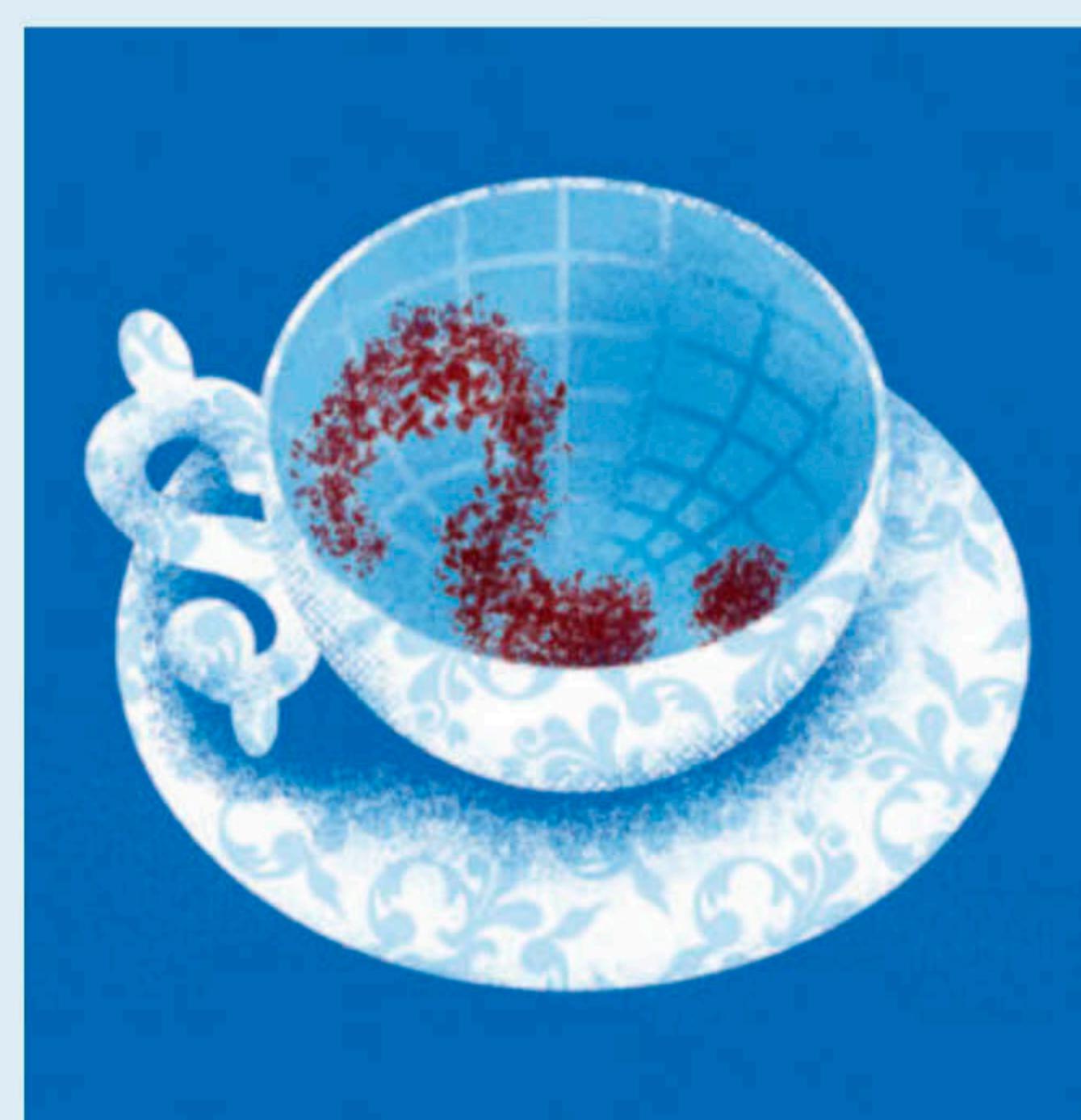
The difficulties do not stop there. John Cochrane of Stanford University's Hoover Institution points out that, although risk premiums might be more easily estimated at relatively short maturities, the calculations require more and more assumptions about the future of short-term interest rates as analysts move along the curve. When estimates of the term premium are

published, they are not typically accompanied by a margin of error. If they were, the margins would get progressively wider the longer into the future the forecast was conducted.

There is also surprisingly little history from which to draw when making assessments of changes in the yield curve or term premium. In the past 40 years, there have been perhaps eight meaningful periods of bear steepening, and only in three of them was the yield curve already inverted. The three instances—in 1990, 2000 and 2008—were followed by recessions, but with widely varying lags.

Movements in bond markets are therefore both easy and difficult to explain. They are easy to explain because any number of factors could be driving yields, including the Fed's quantitative-tightening programme, concerns about the sustainability of American debt and worries of institutional decay. Yet attributing bond yields to one factor in particular is fraught with difficulty. And without more clarity on the causes of a move, inferring the future from the shape of the yield curve becomes more like reading tea leaves than a scientific endeavour.

One thing is certain, however. Whatever their cause, and regardless of their composition, rising long-term bond yields are terrible news for American companies that wish to borrow at long time horizons, and borrowers who take out new mortgages that will be linked to 30-year interest rates. The effect on the most sensitive borrowers will become only more painful if yields with long maturities remain at such high levels. For anyone concerned about whether a shifting yield curve or a rising term premium signals a looming recession or a nightmare for markets, these simple realities are a better place to start.



Triumphant research

Golden Goldin

A Nobel for an economist who has overturned assumptions about gender equality

ON THE MORNING of October 9th the National Bureau of Economic Research circulated a working paper to economists around the world entitled "Why Women Won". In the paper, Claudia Goldin of Harvard University documents how women achieved equal rights in American workplaces and families. Rather fittingly, a few hours later, Ms Goldin was announced as the winner of this year's economics Nobel prize, for advancing "our understanding of women's labour-market outcomes".

Having been the first woman to be granted tenure at Harvard's economics department, Ms Goldin is now the third woman to have won the subject's Nobel prize. Taken together, her research provides a comprehensive history of gender labour-market inequality over the past 200 years. In telling this history, she has overturned assumptions about both historical gender relations and what is required to achieve greater equality in the present day.

Before Ms Goldin's work, economists had thought that economic growth led to a more level playing field. In fact, Ms Goldin showed, the Industrial Revolution drove married women out of the labour force, as production moved from home to factory. In research published in 1990 she demonstrated that it was only in the 20th century, when service-sector jobs proliferated and high-school education developed, that the more familiar pattern emerged. The relationship between the size of Western economies and female-labour-force participation is U-shaped—a classic Goldin result.

Ms Goldin's research has busted other myths, too. Lawrence Katz, her colleague and husband, marvels at her ability to trawl archives to fill gaps in the historical data on women's work. Simple statistics, such as the female employment rate, were mismeasured because when surveyed, women might respond "I'm a housewife", notes Ms Goldin, even if they managed the family business. Once corrected, the employment rate for white married women, for example, was 12.5% in 1890—five times greater than previously thought.

Her findings also showed that the gender wage gap narrowed in bursts. Women's wages rose relative to men's in 1820-50 and then again in 1890-1930, before shooting up in 1980-2005 (see chart). What drove these bursts? The initial two came well before the equal-pay movement and were caused by changes in the labour market: first, dur-



ing the Industrial Revolution; second, during a surge in white-collar employment for occupations like clerical work.

For the third and most substantial drop, in the late 20th century, Ms Goldin emphasises the role of expectations. If a young woman has more say over when and whether she will have a child, and more confidence that women can work in a wide range of jobs, she may invest more in the future, such as by staying in school for longer. In work published in 2002 Ms Goldin and Mr Katz detailed the example of the contraceptive pill, which was approved in 1960, and gave women more control over decisions about children. Between 1967



The woman who won

and 1979 the share of 20- and 21-year-old women who expected to be employed at 35 jumped from 35% to 80%.

Expectations also matter for employers. Although the pay gap narrowed in the early 1900s, the portion driven by discrimination, rather than job type, grew. An important factor, says Ms Goldin, was changes in how payment was decided. Wages used to be tied to output—how many clothes were knitted, for instance. But after industrialisation, workers were increasingly paid periodically, in part because measuring an individual's output became trickier. Therefore more ambiguous factors grew in importance, such as ideas about how long a worker would stay on the job. This penalised women, who were expected to quit when they had children.

Since around 2005 the wage gap has hardly budged. Here Ms Goldin's work questions popular narratives that continue to blame wage discrimination. Instead, in a book published in 2021, Ms Goldin blames "greedy" jobs, such as being a consultant or lawyer, which offer increasing returns to long (and uncertain) hours.

She explains how such work interacts with the so-called parenthood penalty. "Let's say there are two lawyers, equally brilliant," explains Ms Goldin. Once children arrive, "they realise that they both can't work these gruelling hours." Women spend more time raising children, which is why the gender pay gap tends to open up after a first child. Both partners could take on less demanding jobs, but then the couple would earn less as a unit, she explains.

Ms Goldin's research holds lessons for economists and policymakers. For the former group, it shows the importance of history. Ms Goldin's prize is the first economics Nobel awarded for work largely in economic history since Robert Fogel, her former adviser, triumphed in 1993. Before Ms Goldin's research, many academics considered questions about historical gender pay gaps to be unanswerable because of a paucity of data. Yet she has repeatedly demonstrated that digging through historical archives allows researchers to credibly answer big questions previously thought beyond their reach.

For policymakers, Ms Goldin's research demonstrates that fixes for gender inequality vary depending on time and place. In early 20th-century America, companies barred married women from obtaining or retaining employment. A policy response came with the Civil Rights Act of 1964, which banned such behaviour. Today, wage gaps persist because of greedy jobs and parental norms, rather than because of straightforward employer discrimination. In the past, Ms Goldin has suggested more flexibility in the workplace could be a solution to the problem. Perhaps working out how to achieve it will be her next act. ■

Free exchange | Populists v sensibles

To ward off dangerous politicians, moderate policymakers must up their game



POLITICOS, REJOICE. When it comes to elections, next year is a big one. In 2024 the Republicans and Democrats will battle it out in America, of course—but there will also be votes of one sort or another in Algeria, India, Mexico, Pakistan, Russia, South Africa, Taiwan, probably Britain, and many more countries besides. All told, as many as 3bn people, in countries producing around a third of global GDP, will have the chance to put an “X” in a box. And in many of these locations, populist politicians are polling well. What would their success mean for the global economy?

Economists have long suspected that populists do grave damage. Names such as Salvador Allende in Chile and Silvio Berlusconi in Italy are hardly synonymous with economic competence. By contrast, what you might call “sensible” leaders, including, say, Konrad Adenauer in Germany and Bill Clinton in America, are more often associated with strong growth. New research, forthcoming in the *American Economic Review*, perhaps the discipline’s most prestigious journal, puts hard numbers on the hunch.

The authors, Manuel Funke and Christoph Trebesch of the Kiel Institute for the World Economy and Moritz Schularick of the University of Bonn, look at over a century of data. They classify administrations as “populist” or “non-populist” (or what you might call sensible), based on whether the administration’s ideology has an “us-versus-them” flavour. This is inevitably an arbitrary exercise. People will disagree over whether this or that administration should really be classified as populist. Yet their methodology is transparent and backed up by other academic research.

Mr Funke and colleagues then look at how various outcomes, including GDP growth and inflation, differ between the two types of regime. The trick is to identify the counterfactual—how a country under a populist government would have done under a more sensible regime. To do this, the authors create “doppelganger” administrations, using an algorithm to build an economy that tracks that country’s performance pre-populist governance. During Berlusconi’s tenure as prime minister for much of 2001 to 2011, for instance, the authors compare Italy’s economy to a phantom Italy mostly comprised of Cyprus, Luxembourg and Peru. The three countries share characteristics with the world’s eighth-largest economy, including a heavy reliance on international trade.

Having identified 51 populist presidents and prime ministers from 1900 to 2020, the authors find striking results. For two to three years there is little difference in the path of real GDP between countries under populist and sensible leadership. For a time, it may seem as though it is possible to demonise your opponents and run roughshod over property rights without all that much consequence. Yet a gap eventually appears, perhaps as foreign investors start to look elsewhere. Fifteen years after a populist government has entered office, the authors find that GDP per person is a painful 10% lower than in the sensible counterfactual. Ratios of public debt to GDP are also higher, as is inflation. Populism, the authors firmly establish, is bad for the pocketbook.

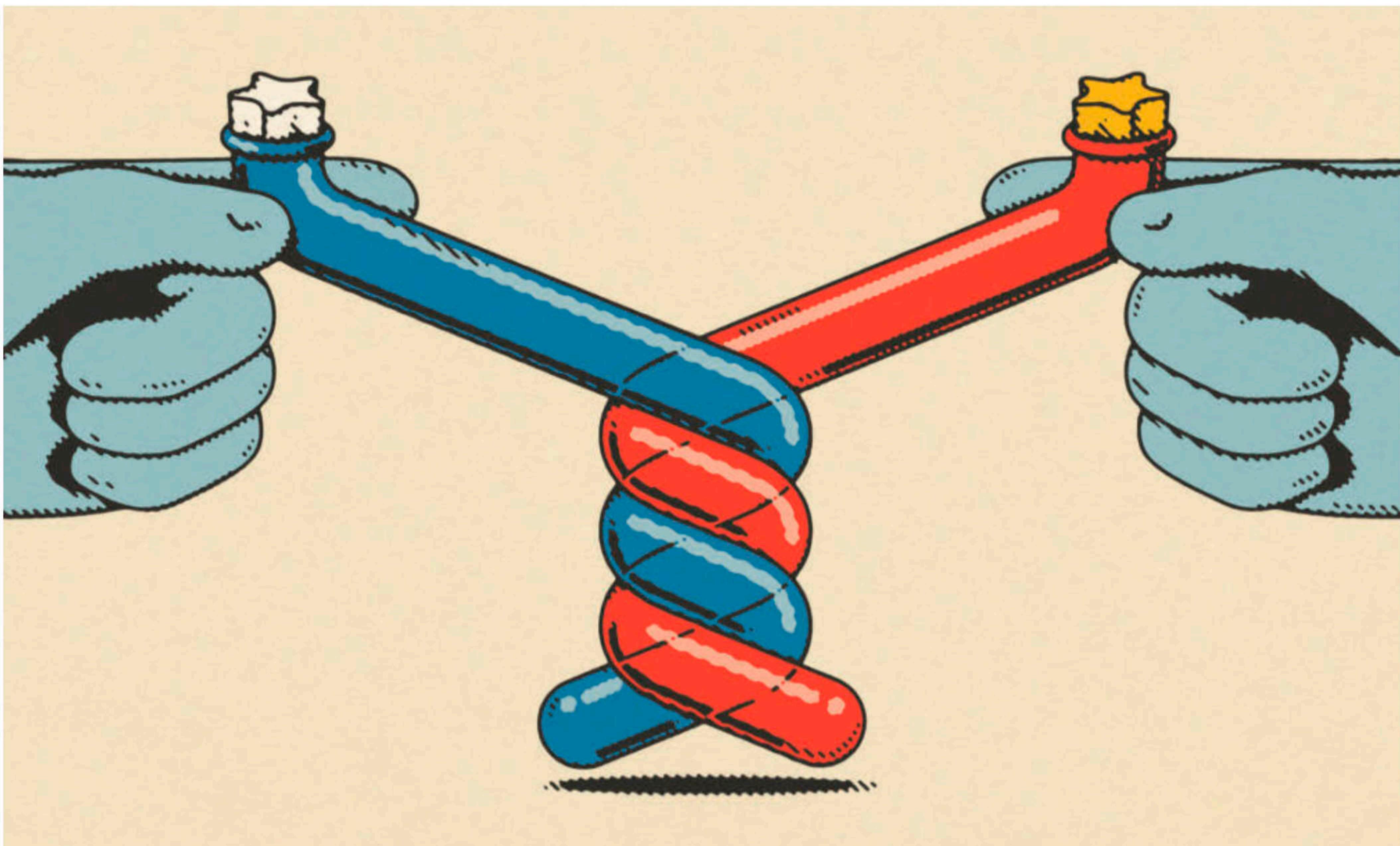
The results are comforting for those who believe in the importance of honourable politicians doing the right thing. But what if sensibles are not what they used to be? Although Mr Funke and his colleagues cannot judge the record of the most recent populist wave, some examples suggest the gap between sensibles and populists may not be as large as it was. Under President Donald Trump, the American economy largely beat expectations. Recep Tayyip Erdogan has stifled free speech in Turkey, but relative to comparable countries, real economic growth has been pretty strong. Under Narendra Modi, India’s economy is roaring ahead: this year its GDP is likely to grow by 6% or so, compared with global growth of around 3%. Under populist leadership, Hungary and Poland are not obviously doing worse than their peers.

Given Mr Trump’s tariffs and Mr Erdogan’s unusual monetary policy, it is unlikely that these countries’ relative success is down to smart policymaking. Instead, their relatively strong performance may reflect the fact that countries with sensible leadership are finding growth harder to attain. In the 1960s Western countries, rebuilding from the second world war and with young populations, could hope to hit annual growth rates of 5% or more. The opportunity cost of poor economic management was therefore high. Today, in part because of older populations, potential growth is lower. As a result, the gap in GDP growth between a competent and an incompetent administration may be smaller.

Yet sensible politicians are also dropping the ball. In the past they promised voters higher incomes, said how they would deliver them and then implemented the necessary policies. These days, politicians across the OECD club of mostly rich countries pledge half as many pro-growth policies as they did in the 1990s, according to your columnist’s analysis of data from the *Manifesto Project*, a research project. They also implement fewer: by the 2010s product- and labour-market reforms had practically ground to a halt. Meanwhile, politicians have put enormous blocks in the way of housing construction, helping raise costs and constraining productivity growth. Many focus their attention on pleasing elderly voters through generous pensions and funding for health care.

Shades of grey

Populists are themselves unlikely to solve any of these problems. But what are the sensibles offering as an alternative? Technocratic, moderate governments need to regain their growth advantage. After all, a belief that maverick politicians will damage the economy is one of the main things standing in the way of more people voting for them. If scepticism about the economic competence of sensible governments deepens, it may seem like less of a risk to vote for a headbanger. Although, over the long sweep of history, economists are right to mock the economic policies of populists, today the sensibles need to get their house in order, too. ■



Scientific co-operation

Decoupling comes to science

New rules and chilly politics are driving American and Chinese scientists apart

THERE ARE lots of ways to measure China's rise. It is the world's second-biggest economy, its biggest manufacturer and its biggest creditor. In 2021 it passed another milestone. That year, for the first time, Chinese scientists published more papers than their counterparts in America or the European Union (see chart 1 on next page). It is not just the quantity that is improving. The *Nature Index*, run by the publishers of the journal of the same name, tracks contributions to the world's best-regarded health and natural-sciences journals. Chinese researchers rank first in the natural sciences, and second overall.

Cause for celebration, no doubt, in Beijing. In Washington, though, the news may have been less welcome. America increasingly dismayed by China's rise—and especially its growing scientific and technological prowess. Under Donald Trump, the previous Republican president, and Joe Biden, the current Democratic one, it has imposed tariffs, rules and subsidies designed to hobble China's high-tech firms while

boosting its own. China has retaliated, moving against some big American tech companies. Twenty years ago, politicians endorsed globalisation and free trade. Now "decoupling", national security and "friend-shoring" are the hot topics.

Conscious uncoupling

Academia is not immune. New rules and chilly politics in both countries are making it harder for researchers to collaborate. In August America agreed on a temporary, six-month extension for a landmark scientific co-operation agreement signed in 1979. Several American politicians want the deal scrapped entirely, claiming in an open letter that, by collaborating with Chi-

nese researchers, America was "fuelling its own destruction."

The strains can be seen in the figures. In 2020 the number of papers jointly written by American and Chinese researchers fell for the first time. It fell again the following year, the most recent for which data are available, though it is still rising for some other countries, such as Britain. The number of visas America awards to Chinese students and academics is down as well, to around a third of its peak in 2015 (see chart 2 on next page). Scientifically as well as politically, the countries are drawing apart.

The Science and Technology Agreement, as the 1979 pact is called, was the first bilateral treaty signed between America and China after they re-established diplomatic relations. Several landmark studies have come under its umbrella. A long-running project following 285,000 Chinese women, begun in 1983, helped demonstrate that folic acid could prevent spina bifida, a rare birth defect. These days folic acid is added to flour, bread, cereal and other staple foods; pregnant women are encouraged to take more. Co-operation in influenza research helps anticipate which strains of flu are likely to be dominant each year, improving vaccines.

Even superpower rivals can agree that medical research is a good thing. But China's advances in other areas of science, such as computing, materials science and AI, have made American policymakers un-

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► easy. Critics argue that science in China has benefited from American academic transparency and know-how—but that China has not always returned the favour. Doubters also point to China's policy of “civil-military fusion”, in which the fruits of civilian research are scrutinised for any useful military applications.

China retorts that America's worries about national security have led to the unfair targeting of Chinese researchers at American universities. One frequent target of complaint is the Department of Justice's “China Initiative”, which ran between 2018 and 2022 and was designed to investigate alleged instances of Chinese technological espionage. But cases seem to have been thin on the ground. The initiative investigated at least 150 academics of Chinese origin, but managed to secure only a handful of convictions. Some were for less offences such as grant fraud.

Some of the investigations have become very public fiascos, as with the case of Gang Chen, a well regarded mechanical engineer of Chinese origin who is now at the Massachusetts Institute of Technology. Dr Chen was arrested in 2021. He spent a year on academic leave before all the charges against him were dropped. Other researchers have been sacked by their universities and found themselves on no-fly



lists. Academics say the initiative led to an atmosphere of suspicion and mistrust.

China, meanwhile, has national-security concerns of its own, which can likewise impede co-operation. Rules introduced in recent years all but prohibit the export of many different kinds of data. Officials have banned the collection of genomic data by non-Chinese entities, for instance. Foreign social-science researchers are rarely given access to economic and social surveys without a friend in the government. The rules are vague, leaving even researchers keen to work with colleagues overseas unsure what they are allowed to share.

A cooling of ties will make life harder for both sides. Chinese academics will find it harder to get experience in American universities, which still dominate the world rankings in almost every subject. And because China is now a scientific power in its own right, with cutting-edge researchers in several fields, American science will suffer, too.

The benefits of collaboration are “significant,” and benefit American institutions slightly more than Chinese ones, says Jonathan Adams, who tracks academic information at Clarivate, a data provider. A study published in 2020 by Jenny Lee and John Haupt at the University of Arizona, found that, when papers co-written with Chinese scientists were excluded, the number of American publications in science and engineering fell slightly between 2014 and 2018.

Give me your brainy masses

America's scientific pre-eminence has been built at least partly on its ability to attract the world's best. Before the pandemic around 16% of graduate students in science, technology, engineering and mathematics at American universities were Chinese. The grad students of today often become the professors of tomorrow. Like Dr Chen, many Chinese students choose to stay in America after completing their degrees. That is something America's leaders should be keen to encourage. ■

Flying cars

No licence necessary

PALO ALTO

A flying car that anyone can use will soon go on sale

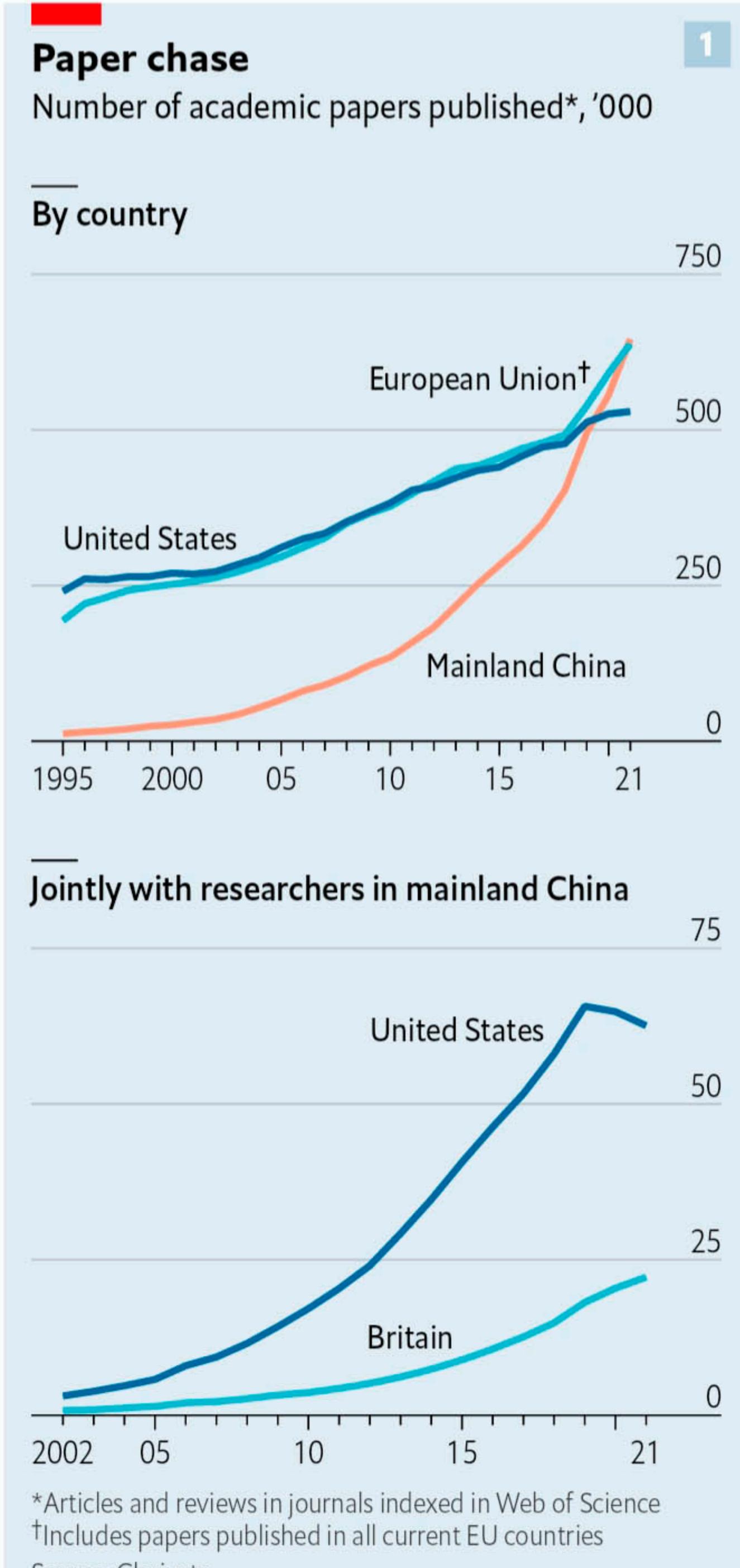
ELCTRICALLY POWERED vertical-take-off-and-landing (eVTOL) aircraft—flying cars, to most people—are an idea whose time has not quite yet come, but is fast approaching. Many firms are jostling with each other, offering designs that range from scaled-up multirotor drones, via things which resemble rigid spiders' webs, to fixed-wing/helicopter hybrids. None of these, however, will be family saloons with parents at the controls. Those flying them will require a pilot's licence. Most will probably be used, at least at first, as sky-going taxis.

One company has, by contrast, stuck to its guns and carried through its original project to create something which people can purchase and pilot themselves. The Helix, made by Pivotal, a firm based in Silicon Valley, is a single-seat vehicle, so “flying motorbike” might be more accurate. It has, however, been carefully crafted to be within America's rules for microlight aircraft. That means anyone, pilot's licence or not, can fly it over places that are not built-up. As a result, from next year those with \$190,000 stuffed down the back of the sofa will be able to order one for their personal use—though they will not be able to take delivery until June.

It has been a hairy ride. Pivotal, known as Opener until October 5th, the day Helix was announced, was founded by Marcus Leng, a Canadian. Mr Leng is a mechanical engineer. In 2011, having built up and sold a manufacturing company, he found himself at a loose end. He had, he says, always been interested in flight. Some back-of-the-envelope calculations he made suggested that electric lift-off of a human-carrying craft, using motors powered by the lithium-ion batteries that were then becoming fashionable, ought to work.

He thus built a prototype and flew it in the garden of his house in Warkworth, Ontario. He called it SkyKar Rebel. It was (and still is, for it is preserved in the company's museum) almost literally a thing of sealing-wax and string. The airframe consisted of carbon-fibre struts held together in at least one place by a chopstick. The propellers were wooden, and the motors that drove them built from a mix of commercial components and some that Mr Leng made himself. It rose into the air but once. That flight was, though, the first ever made by a human being in an eVTOL craft.

Twelve years later, after much tinker-

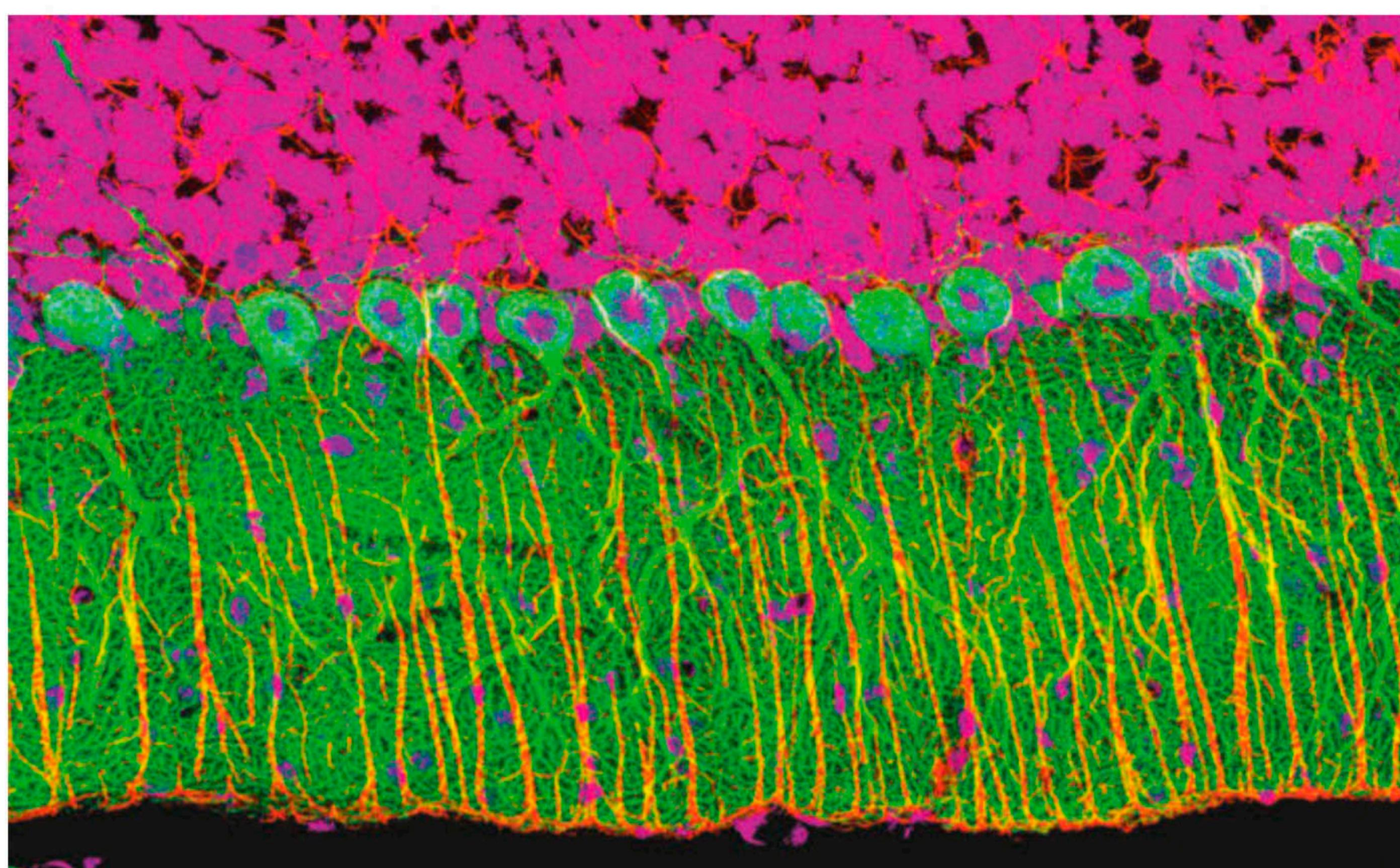


►ing, the firm thinks it has something marketable. On the way, besides changing its location, its name, and the name and livery of its putative product (Helix is largely white, with a red go-faster stripe), it has also changed boss. Mr Leng handed over the reins in 2022, to Ken Karklin, who had previously worked for AeroVironment, a maker of military drones.

The re-baptised aircraft has, nevertheless, changed little in its fundamentals over the years. The struts which held the original together have been replaced by a monocoque body. The chopstick is gone. But Helix still sports two pairs of wings, one fore and one aft, and eight propellers (two on each wing), meaning it vaguely resembles a squashed "H" when seen in the sky from below. And there is no undercarriage. Instead, its belly is curved in a way reminiscent of a humpback whale's, in a way designed to rock the craft to stability after landing.

Pilot's licence or not, buyers will still need to undertake at least some training to fly a Helix. Pivotal insists on this—not least because it worries that an early accident would be catastrophic for sales. For the same reason, the craft's software will stop the pilot doing anything that does not fit inside its aerodynamic-safety envelope. And if, despite this, something does go wrong, it is fitted with a parachute. Pull the appropriate knob hard and an explosive charge will blast this clear of the fuselage, allowing its canopy to open and carry the aircraft to terra firma.

The Helix's top speed is a respectable 100kph, but its range is only 30km. And refuelling it is a bit of a pain. Filling up from the mains takes 4½ hours, though a special high-power system similar to those employed for electric cars can bring that down to 75 minutes. Not yet quite the Jetsons, then. But a possible step on—or perhaps above—the road. ■



Brain science

More stamps for the album

A new catalogue of the brain contains thousands of different cell types

LOD RUTHERFORD, the discoverer of the atomic nucleus, divided science into physics and stamp collecting. (He was, after all, a physicist.) But he had a point. Other sciences, such as astronomy, chemistry, geology and, most notably, biology, rely a lot on collecting things (not literally, in the case of astronomy) and classifying them in various ways that would delight philatelists. Physics, by contrast, relies on analysing phenomena.

That said, the philatelist branches of science have been pretty successful, biology especially. And this week sees the addition of a new album to biology's collection, in the form of 21 papers about the brain and its cells. The work was done under the purview of the BRAIN Initiative Cell Census Network, which is organised by the National Institutes of Health, in America. The papers are published in various bits of the American Association for the Advancement of Science's empire of journals, *Science* and its spin-offs. They are intended to help answer three, related questions: what and where are a brain's cellular components; which cells are involved in neurological and psychiatric illnesses; and what makes the brains of *Homo sapiens* different from those of other animals?

Brains, particularly human ones, are the most complex objects in the known universe. That complexity is emphasised by the fact that, as these papers confirm, they are reckoned (depending on how you define such things) to contain about 3,000

different types of cell. For comparison, it was not so long ago that entire human bodies, brains included, were estimated to be built from just 300 cell types.

The estimate was confirmed by a team of researchers at the Karolinska Institute, in Stockholm, and the Allen Institute for Brain Science, in Seattle. They studied, post mortem, the brains of three men and a woman, taking 606 samples from nine regions of the organ and also one from the spinal cord. They then extracted the nuclei of individual cells and looked at the RNA molecules therein.

RNA is chemically similar to DNA, and comes in many varieties, each with a different job. One of the most important is to act as a messenger, carrying instructions for how to make particular proteins from the nucleus, where the genes that encode protein recipes are stored as DNA, to the cellular factories, called ribosomes, which churn those proteins out. Analysing those RNA messengers reveals which proteins are being made. And the proteins a cell produces determine what type of cell it is.

On that basis, the two institutes' researchers found 31 "superclusters" of cells with similar patterns of RNA expression. These, in turn, divided into 461 clusters and 3,313 subclusters—in effect, individual cell types. Superclusters tended to be concentrated in one or a few brain regions (for example, the cerebral cortex had 16, the hippocampus had 12 and the cerebellum six). But there was an exception. This was a

► supercluster the team called “splatter neurons”. These turned up all over the place.

Other groups dug into the details. Bing Ren of the University of California, San Diego and his colleagues, for example, attempted to characterise cells not directly by their messenger RNA but rather by differences in the way the DNA in their chromosomes was packaged. By allowing—or forbidding—access to the DNA, such packaging helps regulate which genes are transcribed into RNA messengers.

This yielded 107 recognisable patterns. Intriguingly, some of these patterns could be correlated with neurological traits and illnesses. The team compared the locations of pieces of DNA that control gene transcription, and which are known to have disease-associated variants, with the DNA-packaging patterns of different sorts of cells. They found correlations with 19 conditions, including schizophrenia, depression, bipolar disorder, Alzheimer's disease and various forms of addiction.

A third group, meanwhile, led by Rebecca Hodge and Trygve Bakken of the Allen Institute, compared the brains of humans with those of chimpanzees, gorillas, macaques (a group of old-world monkeys) and marmosets (a group of new-world monkeys), looking for clues to the elusive question of what makes human brains human. They found that part of the answer may lie not in the neurons themselves, but in the supporting cast of non-neuronal brain cells, called glial cells.

Clues to humanity's essence are likely to be found in parts of the genome called HARS and hCONDELS. HARS stands for “human accelerated regions”. These are bits of the genome that have remained unchanged in apes and monkeys, but which are altered in humans. hCONDELS—“human-conserved deletions”—are the opposite: places where DNA found in apes and monkeys is missing in people. The team found that genes in and around both areas are often particularly active or particularly inactive in glial cells.

Glial cells come in three varieties: astrocytes, which regulate the flow of information across junctions between neurons; microglia, which prune links between neurons to keep the network in order; and oligodendrocytes, which insulate nerve fibres and tweak signals running along them. That suggests part of what gives human brains their humanness lies in these microscopic details of their architecture.

A good start, then. But this work only scratches the surface of the brain's true complexity. To understand that properly requires not only listing and describing the various components, but also elucidating out how they are wired together into functional units. Collecting stamps is fine. But you need more than that to work out how a postal service operates. ■

Entomology

Camp followers

As with human armies, army ants trail crowds of hangers-on

LIKE HUMAN armies, army ants spell trouble for anything that finds itself in their path. The insects make a habit of killing organisms, often much larger than themselves, breaking them into pieces and dragging the morsels back to their bivouacs. But they do not eat everything. Rubbish piles full with discarded bits of prey are a feature of army ant bases.

Where there is carrion, there are usually scavengers. But little is known about which animals scavenge on army ant leavings. As recounted in a paper in *Ecology & Evolution*, Christoph von Beeren at the Technical University of Darmstadt and Daniel Kronauer at the Rockefeller University in New York, both entomologists, went to the rainforests of Costa Rica to find out. They found an entire ecosystem in miniature thriving among the leftovers.

Tracking scavengers such as vultures or hyenas on the savannah can be done with a folding chair and a pair of binoculars. Monitoring tiny insects in a rainforest is much trickier—one reason why ant scavengers had not been examined before. But the researchers hoped modern DNA analysis techniques might make the job manageable. Working with a team of colleagues, they followed ant trails back to their bivouacs, finding 34 sites in total.

The researchers used a handheld vacuum cleaner to suck up all the bugs at each refuse pile and brought the sucked up samples back to a field laboratory for sorting.

To keep the task manageable, the team confined themselves to examining only the beetles they had collected, leaving the other critters for later work. They identified the beetles they could and ran DNA analyses on those that they could not.

In total, they collected 8,364 adult beetles, 511 beetle larvae and 24 beetle eggs. Those were spread across 91 species, several of which were entirely new to science. Aside from that being far more than anyone had expected, the presence of the larvae and eggs indicates that the refuse piles are not so much convenient restaurants as full-on homes, where the beetles live out their entire lives.

Precisely how these species manage to avoid being eaten themselves by their army-ant hosts remains to be determined. Dr von Beeren speculates that a hygiene instinct that keeps the ants from eating material that has been taken to their refuse piles is at least partially responsible. And many species of beetles are able to produce compounds that smell repulsive to ants.

The research only scratches the surface of what is going on in the rubbish piles. Besides a bewildering variety of beetles, the middens were rife with mites, springtails (whose ability to jump long distance often sees them confused with fleas), as well as other varieties of scavenging insect that the team simply did not have time to include in their analysis. With so many different species present, the chances are high that among these insects are some predators too, seeking to feed on unsuspecting scavengers in turn.

Before mechanised transport and long supply lines, human armies were followed around by cooks, merchants, beer-sellers and prostitutes, all of whom made a living off the activities of the soldiers. It seems that army ants, with their own host of hangers-on, are not so different. ■



Catch of the day



Ian Fleming

The man with the golden pen

A new biography tries to make sense of the flawed creator of James Bond

Ian Fleming: The Complete Man.

By Nicholas Shakespeare. Harvill Secker; 864 pages; £30. To be published in America by Harper in March; \$35

IT WAS A chance invitation to a dinner party that changed Ian Fleming's life and legacy. In 1960 Fleming, the author of some modest-selling books about a spy called James Bond, was on a trip to Washington, as foreign manager of the *Sunday Times*. The dinner was with John F. Kennedy, who had just declared himself a presidential candidate and was a James Bond superfan. As the conversation turned to the problem of Fidel Castro's revolutionary Cuba, Kennedy asked Fleming, "What would James Bond do?" Fleming replied that Bond would make Castro look ridiculous, rather than important.

That Kennedy should have sought Fleming's (and Bond's) advice on how to bring down Castro was not as odd as it may seem. Fleming had a wartime career as an officer in British naval intelligence. In 1961, when Kennedy had become president, he told *Life* magazine that Fleming's "From

Russia, with Love", the fifth Bond novel, was one of his ten favourite books. The endorsement introduced a relatively unknown English author to American readers. Fleming's publisher scrambled to relaunch five Bond books ahead of the publication of "Thunderball".

As Fleming's literary agent in New York put it, "the gusher burst." In the remaining two years of his short life, Fleming became an international celebrity. James Bond made his first big-screen appearance in "Dr No" in 1962, launching what would become the longest-running—and one of the most valuable—film franchises of all time.

Well over 100m copies of Fleming's 14 James Bond books (12 novels and two short-story collections) have been sold. With 27 movies in the can, global box-office revenues are around \$20bn in today's prices. The search is currently on for the eighth actor to play 007. Whoever is chosen for the part may do it for a long time; Daniel Craig's tuxedo-clad tour of duty lasted 15 years.

"The Complete Man" is only the second biography authorised by Fleming's estate since the author's death in 1964. (The first,

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by John Pearson, a *Sunday Times* colleague, was published in 1966.) But Nicholas Shakespeare's is the most comprehensive picture yet of Bond's creator and offers insights into how his experience serving in the war shaped his fiction.

Fleming's childhood and early adulthood were privileged but defined by loss. His grandfather was a self-made Scottish financier, who disapproved of Eve, Ian's mother, who he thought was a social climber. Fleming's father, Valentine, the MP for Henley, was killed by German shelling in 1917. (Winston Churchill wrote his obituary in the *Times*.)

Valentine left the equivalent of about £15m (\$18.2m) in today's money to care for his widow and four children. With his war-hero father dead, mother in control of the purse-strings and brilliant older brother groomed as the male head of the family, "the mould was set...like Peter Pan, part of Ian remained frozen at the age of eight", Mr Shakespeare writes.

After a miserable time at prep school, Fleming left Eton early for Sandhurst, an army academy. (He hated it and dropped out after a year.) He contracted gonorrhoea, an early sign of the womaniser he was to become. Next came a spell in Switzerland, where Eve hoped learning languages would get him into the Foreign Office. While there he fell in love, but not with someone grand enough for Eve, who threatened to cut Fleming's allowance if he married her. He capitulated, a decision that would affect his relationships with women for the rest of his life.

► Failing to be accepted into the Foreign Office, Fleming worked as a journalist until his family pushed him into stockbroking. Fleming's City connections recommended him as an assistant to John Godfrey, the director of naval intelligence (who would become the inspiration for "M"), when the second world war broke out.

Fleming rose to the rank of lieutenant commander and proved to be an innovative administrator, using his ruthless charm to get results. He helped devise "Operation Mincemeat", a successful ruse to deceive the Nazis with a dead body bearing bogus intelligence, and set up a spying network in Spain. He was one of a trusted few tasked with drawing America into the war. Mr Shakespeare argues (controversially) that Fleming was "one of the three main spearheads" who contributed to the establishment of the Office of Strategic Services, which morphed into the CIA.

The commando unit known as 30 Assault Unit (30AU), formed to seize enemy documents from targeted enemy headquarters, was also Fleming's creation. One of 30AU's triumphs was to capture a German inventor, Dr Hellmuth Walter, at his rocket-motor works in Kiel before the Russians could get to him. A co-operating Walter revealed a trove of advanced weapons, including the forerunner of a ballistic-missile submarine. In "Moonraker", the third Bond book, the villain Sir Hugo Drax employs a "Dr Walter" to build a nuclear missile to destroy London.

After the war, Fleming missed the der-ring-do of the clandestine world. He set up a network of foreign correspondents for the *Sunday Times* (some were probably recruited as MI6 agents) and found refuge in Jamaica, building Goldeneye, a house with steps down to the sea where he could scuba-dive with sharks. It was there he finally mustered the self-confidence and found the time to write novels, starting with "Casino Royale" in 1952. All drew on Fleming's wartime experiences.

Soon after Fleming opened his typewriter to write the first Bond book, he married Ann Charteris, a socialite with whom he had conducted an affair both before and throughout her marriage to his close friend, Esmond Rothermere, the *Daily Mail*'s owner. Neither would remain faithful to the other. But Fleming was discreet in the many liaisons he carried on, which the author Roald Dahl, a friend, attributed to the fact that the women "were almost always married".

Towards the end of his life he was dogged by ill health. He suffered from a heart condition made worse by alcohol and the 70 cigarettes he smoked a day. He was also stressed by litigation related to accusations of plagiarism brought by an Irish director, who had worked with Fleming on a screenplay for "Thunderball" before the

novel was written. Fleming felt increasingly trapped by Bond and resentful of the pressure to produce new books. He died at the age of 56, a few days after he played a round of golf.

Though there have been at least seven other books written about Fleming, Mr Shakespeare's is likely to be remembered as definitive, though overlong. What he does not do is make Fleming likeable. Despite Fleming's patriotism and notable contributions to Britain's war effort, the picture Mr Shakespeare draws is of an enti-

tled, selfish misogynist.

Some think the same could be said of Bond as Fleming wrote him. Many people believe that the books, with what one contemporary critic decried as their "sex, snobbery and sadism", are skilfully crafted but feel very much of their time—and not in a good way. They consider the films, updated to reflect the tastes of their day, to be rather better, in one of those rare occasions where the films outshine the books they are based on. Fortunately for Fleming's fragile ego, he will never know. ■

The private life of John le Carré

State of affairs

John le Carré's philandering was key to his writing, a new book argues

The Secret Life of John le Carré.

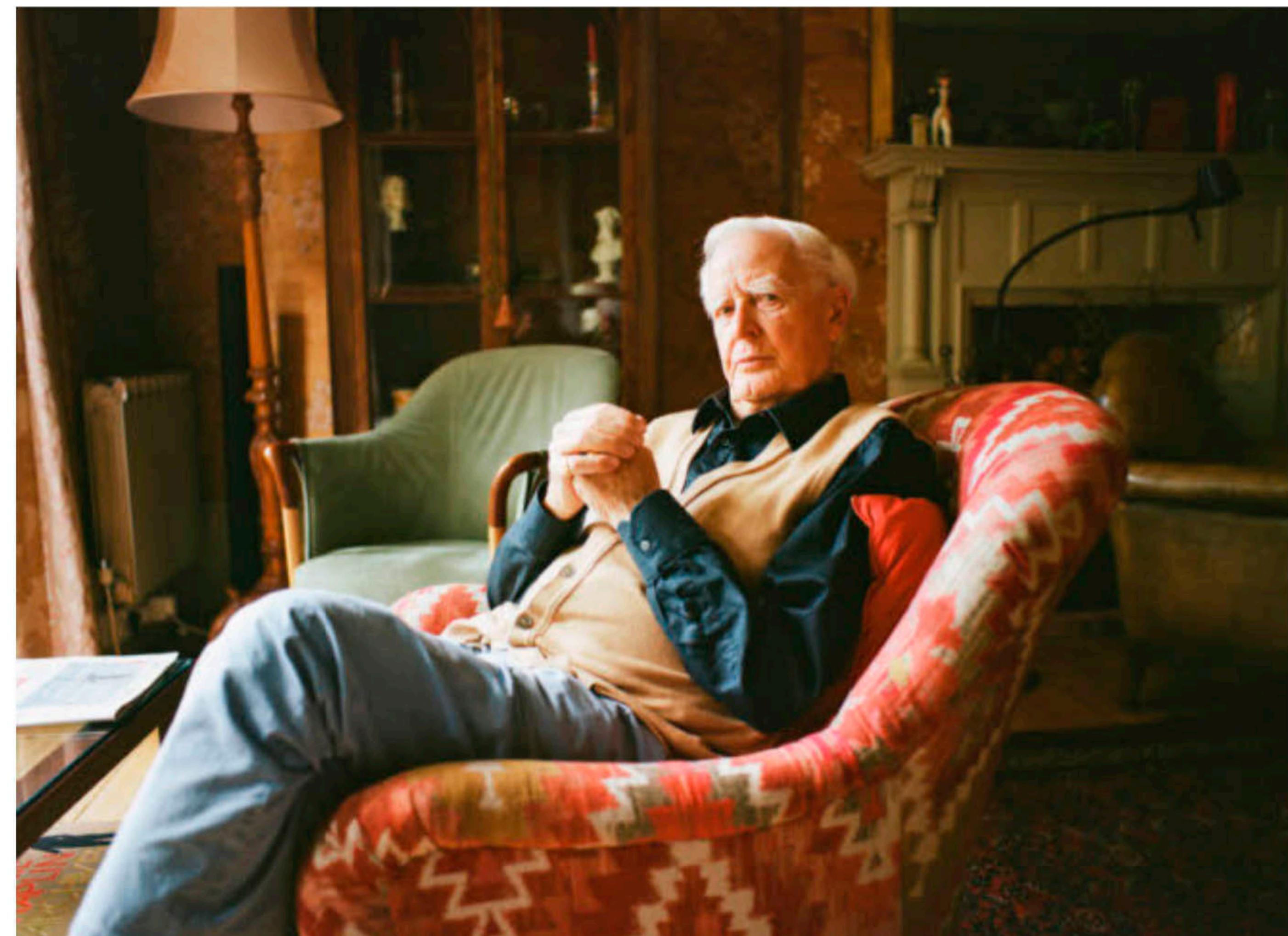
By Adam Sisman. Harper; 208 pages; \$27.99. Profile Books; £16.99

IN 2010 ADAM SISMAN wrote to John le Carré, proposing a biography of the novelist and former spy. Mr Sisman viewed le Carré—whose real name was David Cornwell—as "the definitive writer of the cold-war era", someone who had captured post-imperial Britain's disputed place on the global stage in books such as "The Spy Who Came in from the Cold" and "Tinker Tailor Soldier Spy". Cornwell agreed to lengthy interviews and encouraged Mr Sisman to

write "without restraints".

At least to begin with. Mr Sisman soon learned that writing a biography of a living subject is a tricky business. During his research, he learned of Cornwell's umpteen extramarital affairs. He felt that Cornwell's career as a relentless seducer of women was central to a full understanding of both the man and the writer of great spy novels. (After all, seducing and spying can both involve betrayal.) The novelist based characters on his lovers. He said the affairs were a "necessary drug for writing", not "separate from the 'high literary calling', so to speak, but alas, integral to it, and inseparable."

All the same, Cornwell implored Mr Sis-



Hot-blooded chronicler of the cold war

► man to leave out the details of his private life from the book. Only now, three years after the death of the novelist and his wife, Jane, and with the permission of Cornwell's eldest son, has Mr Sisman published this readable, if prurient, addendum to his biography of 2015.

Cornwell is the man of the hour. On October 20th Apple will release "The Pigeon Tunnel", a film in which he is interviewed by Errol Morris, a documentary film-maker. The enthralling film covers similar ground to Cornwell's memoir of the same name. He reflects on the psychological in-

jury inflicted on him by his charismatic conman father and his runaway mother and on his time as an officer in Britain's intelligence services. Unsurprisingly, Cornwell does not describe himself as a compulsive philanderer.

It may be tempting for admirers of Cornwell's work to see his sexual exploits as a desperate search for love by a man scarred in childhood by feckless parents. The more prosaic truth, which Cornwell himself recognised, is that he was addicted to the excitement of the chase and the exquisite planning required by assignations,

which resembled a spy's tradecraft.

Inevitably, comparisons will be made with Ian Fleming (see previous article): both damaged in childhood, both former spooks, both prolific womanisers. A more rounded and less appealing picture of Cornwell—complex, vain, emotionally manipulative—emerges from this uncomfortably voyeuristic book than before. But it does not diminish the literary and moral seriousness of le Carré's greatest novels about the secret world. Fleming, whose goal was to entertain and earn money, never aspired to such heights. ■

Johnson Drawldown

Young people in the South are sounding more like their fellow Americans

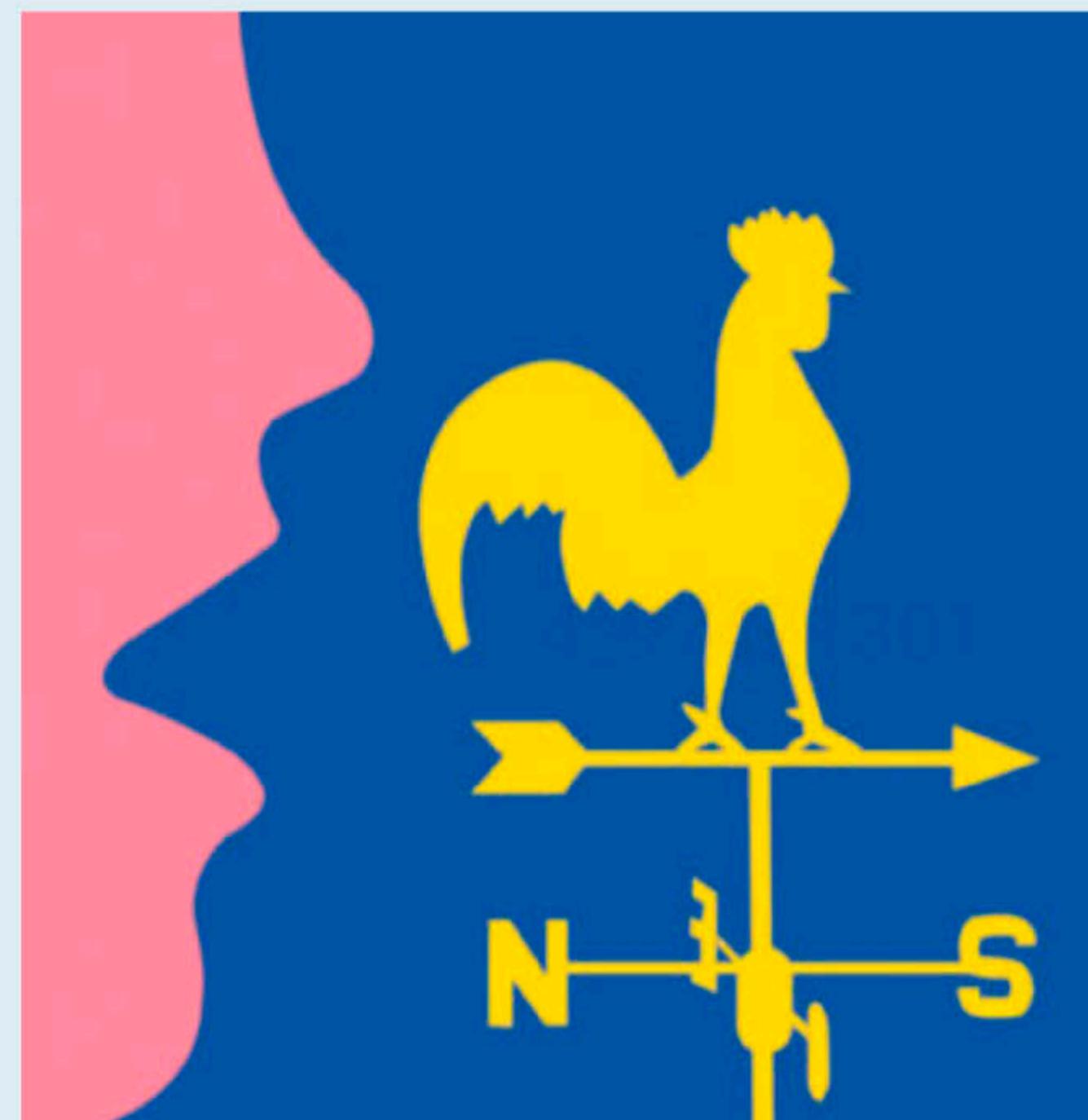
IS THE SOUTHERN accent in decline? A recent study by four researchers from three universities, widely covered in the press, indicates that a prized and unique part of America's linguistic culture may be under threat. As the *Washington Post* put it, "The Georgia drawl is fading, y'all."

Accent shifts often accompany demographic ones. Americans began moving south in larger numbers in the 1960s. Southern cities boomed as a result. Naturally, people took their children along (including a young Johnson, who moved from Nebraska to Atlanta with his Georgian father and Wisconsin-born mother).

The study found that the southern accent is most common among baby-boomers, born from the mid-1940s to the mid-1960s, before the influx of migrants to the South ramped up. Among Generation X—people born from the mid-1960s to the early 1980s—the prevalence of southern sounds declines, as Georgia-born children socialised with transplants from northern cities like Boston and Chicago. The youngest Georgians, millennials and Generation Z, sound the least southern of all.

There is not a single southern sound. Linguists broadly distinguish "inland" and "lowland" accents—inland speakers are more likely to say *raht* for *right*, for example—and note local particularities. These are the accents of southern whites, which the study focuses on, even though southern white and black English dialects share many features, from vocabulary ("y'all" for the second-person plural, most famously) to grammar (eg, double negation: "I ain't got none").

The famous drawl is largely a matter of the "southern vowel shift". Linguists classify vowels primarily by where the tongue is in the mouth when they are



pronounced: the tongue can be low or high, and forward or back. (The rounding of the lips changes the sound, too.) In the southern shift, the vowel in *kit*, elsewhere pronounced with the tongue slightly raised, becomes higher. It also becomes a "diphthong", or two vowels rapidly sliding one to the other: *kee-it*. And a vowel shift like the southern one tends to affect several vowels, because a change in one may risk confusion if another, similar vowel does not change too. So southern-shifted *dress* sounds a bit more like *driss*, and so on, with many vowels becoming "higher".

But the researchers found that younger Georgians' vowels are heading in the other direction, taking part in a wider vowel change occurring in America. Speakers who reflect this shift tend to pronounce *cot* and *caught* as homophones, and so another chain reaction takes place, and the vowels in *kit*, *dress* and *trap* are lowered (towards *ket*, *drass* and *trop*, though not all the way there).

The southern drawl is the most emblematic American voice: many people imitating a stereotypical American will

adopt a twangy southern accent, though it is far from America's most common. Nor is it ancient. The researchers found that speakers born around 1900 almost entirely lack the southern shift, which peaked two generations later. If you listen to a speaker born in 1894 (recorded for the Linguistic Atlas of the Gulf States and available online) you will hear a distinctive sound: certainly southern, but quite unlike the tones of a 70-year-old Georgian today.

In other words, the voice seen as totemic of the South—a region by reputation attached to its past—is newer than is assumed. There is no reason why it should be eternal. Yet the researchers do not suggest that the accent is on its deathbed: merely that fewer young southerners have it.

Paul Reed, a linguist at the University of Alabama, notes that other research finds the accent more robust in rural areas. Metro Atlanta is not all of Georgia (though its boom and sprawl continues, and sometimes seems to threaten to consume the whole state). If some features of "Georgianess" decline from the accent, he says, it is entirely possible others will arise to replace them.

If the southern accent was fixin' to disappear, that would be a pity. Fortunately that is not imminent. But a gentle shift of the southern accent could also be seen as a sign of how popular the South has become. Americans are once again flocking to the region. That is a happy phenomenon in a country bitterly divided by party, values and religion.

The South has long been unique in history and politics, as well as language. Its gradual integration with the rest of the country, as outsiders discover its charms and make a home there, can be a good thing, too.



The mysteries of slumber

Sleepy heads

Mapping the Darkness. By Kenneth Miller.
Hachette Books; 432 pages; \$32.50.
OneWorld Publications; £18.99

BIRDS DO IT. Bees do it. People do it, though often less than they would like to. Owls do it in the daytime. Even *Caenorhabditis elegans*, a primitive roundworm made up of a few thousand cells, does something that looks an awful lot like it. Sleep is an ancient, universal experience.

But partly because it is so commonplace, for a long time sleep was a subject that scientists had not woken up to. It is only in the past half-century or so that it has attracted the attention of dedicated researchers. A new book from Kenneth Miller, a science journalist, sets out to chronicle the field's short but fascinating history.

The book is organised around the life and hard work of four scientists. The patriarch of the field is Nathaniel Kleitman, whose presence looms largest. A Jewish man born in what is now Moldova, he emigrated to America in 1915, escaping Russian pogroms before setting up a pioneering sleep-research programme at the University of Chicago.

The early pages of the book, before there is much in the way of established science to describe, are the weakest. A good deal of time is spent on biographical details and pen portraits of the world through which Kleitman moved. But the story soon picks up. It roams from the discovery of rapid-eye-movement (REM) sleep and circadian rhythms—the biological clocks that govern humanity's days—to the effects of sleep deprivation (which can be fatal, at least in lab animals). It also probes the purpose, if any, of dreams.

Underlying it all is a sense of psychology's slow maturing as a science. New technologies such as electroencephalographs, which monitor electrical activity in the brain, have offered practitioners the ability to study brains directly, rather than trying to infer what they are doing from the behaviour of their owners.

Mr Miller has a good eye for a great scientific story. One of Kleitman's best-known experiments involved spending 32 days in a dark cave as he worked to shed light on the limits of the body's inbuilt circadian clock. The author is happy to show research as it is really done, indignities and all.

One section describes a more modern, quantitative sort of circadian-rhythm re-

search that took place in a purpose-built facility in a Bavarian village. The lab sported two apartments, with no window or clocks to clue their occupants into what was happening outside. Test subjects lived there for weeks, free to wake and doze whenever they liked—but never free from the rectal thermometers that were attached to wall sockets by long cables.

There is a serious side, too. Shift work interferes with the body's internal clocks and raises the risk of illness, including heart disease and diabetes. Mr Miller explains medicine's slow recognition of sleep apnea, a common affliction, and the damage it can inflict. It is caused by the airway repeatedly collapsing during sleep. Sufferers endure hundreds of episodes of oxygen deprivation every night (the characteristic gasping and snorting comes when a bodily reflex forces sleepers to take a desperate breath of air).

If left untreated, sleep apnea can lead to crippling exhaustion or worse. Mr Miller relates the case of a brother and sister who both suffered from the condition. The brother was eventually cured by having a small hole cut in his throat, but years of oxygen deprivation at night had caused irreversible brain damage in his sister.

Discoveries often lead to new questions in turn. That is why neat, tidy endings are hard to achieve in science books; this one is no different. Despite all the progress of the past 50 years, scientists are still unsure what sleep is for. The fact it is so widespread suggests it is vital. But why evolution would see fit to produce animals that must spend large amounts of their time insensate and unable to respond to threats is still a mystery researchers are trying to solve. For anyone curious about asking the right questions, however, Mr Miller's book is a good place to start. ■

Digital entertainment

The 2D turn

Metaverse be damned, games and movies are adopting a retro look

AFTER SETTING off to rescue Princess Peach in 1985, Super Mario spent the next decade running from the left to the right of players' screens. Only in 1996 did he gain the freedom to run and jump in three dimensions, when Nintendo released a powerful new 64-bit console. Most of Mario's outings since then have been in sprawling 3D worlds.

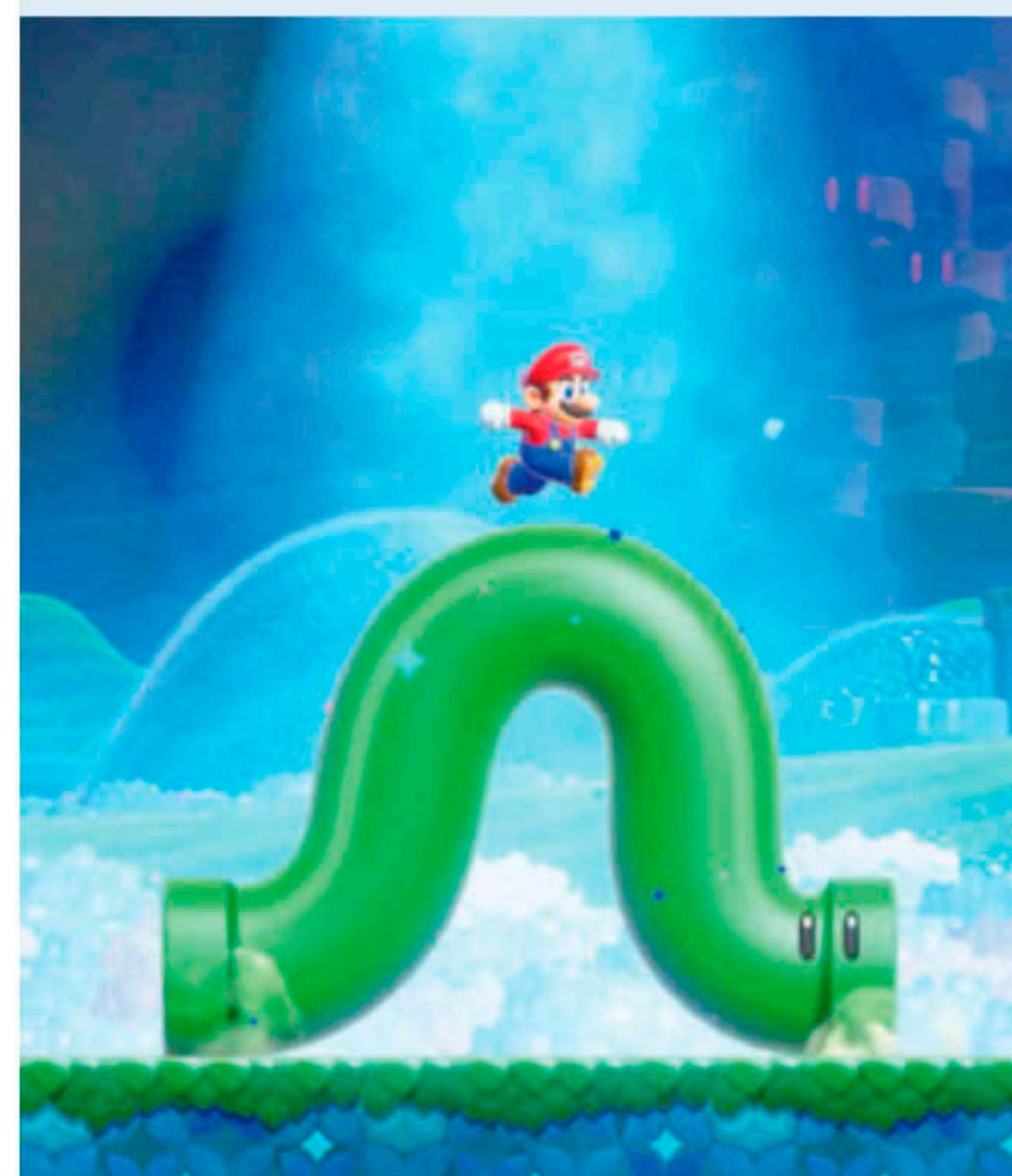
No longer. On October 20th he will return to his 2D roots with the release of "Super Mario Bros. Wonder", an old-school, side-scrolling adventure. Sonic the Hedgehog, who underwent his own 3D makeover, also features in a 2D side-scroller game called "Sonic Superstars",

released on October 17th.

The retro fashion goes beyond gaming. Hollywood has developed a taste for 2D, too. "Spider-Man: Across the Spider-Verse", an animated film released in June, threw out the 3D style, ubiquitous since Pixar's "Toy Story" (1995), and replaced it with a hand-drawn, hybrid look, dubbed "2.5D", which mimics classic Spider-Man comic books. "Teenage Mutant Ninja Turtles: Mutant Mayhem", released in May, adopted a similar sketchbook style, inspired by the animators' doodles from childhood. In a film about teenagers, they reasoned, the artwork should look teenage too.

Financial motives are a driver. Realistic 3D games can take years—and huge budgets—to create. The next "Grand Theft Auto" game, for example, will have been in development for about a decade by its release, probably next year. "Sonic Superstars", by contrast, was dreamed up by developers over Zoom drinks during lockdown and put together in a jiffy.

More 2D productions are in the works. "Wish", an animated feature from Disney due in November, has a flattened look inspired by the illustrated fables on which the film is based. Next January "Prince of Persia", a 34-year-old game franchise, will get a 2D reboot with "The Lost Crown". Sony is already making a follow-up to "Across the Spider-Verse", one of the highest-grossing movies of 2023 so far. For now, audiences are happy with one less dimension.



Ceci n'est pas une pipe



The Nobel prize in literature

Prestigious, lucrative and bonkers

Lifting the veil on how literature's most coveted award is judged reveals its arbitrariness

THE ANNOUNCEMENT of the winner of the Nobel prize in literature usually prompts one of three reactions. The first is “Who?”, the second is “Why?”, the third—by far the rarest—is “Hurrah!” This year, reactions were firmly in the first two camps. On October 5th Jon Fosse, a Norwegian, was awarded the world’s most prestigious writing prize. Many literary buffs had never heard of him. Mr Fosse writes mainly in Nynorsk, a form of Norwegian which is, even among the country’s writers, a minority pursuit. His best-known (but still little-known) work is a trilogy called “Septology”, which touts itself as a “radically other reading experience”.

In some ways awarding this prize is a simple process. As is customary, Mr Fosse was telephoned to hear a Scandinavian voice telling him he had won the coveted prize, which comes with SKr11m (around \$1m). Like many Nobel winners, he may then have opened the champagne. Or perhaps, as Doris Lessing did, he may have sighed and said: “Oh, Christ.”

In almost every other way the prize is a nightmare of complexity. Judging anything, even a 100-metre race, can be hard. Judging literature—a symphony, not a sprint—is much harder. Whatever the literary prize, from the Nobel (awarded for an author’s oeuvre) to the Booker (for their most recent book), there will be those who critique the judges’ decisions. Particularly when they do not win. “Posh bingo” is how Julian Barnes, an author, once described the Booker prize (which he won only on his fourth nomination).

Prize judges can seem less like they are making measured, critical decisions than picking names out of a hat. As Anders Olsson, the current chair of the committee, observes: “We always get criticism.” In its very first year, the Nobel committee caused outrage when it failed to give the accolade to Leo Tolstoy and offered it to Sully Prudhomme, a French poet, instead—a name as underwhelming then as it is now. Many fantastic writers were not even nominated: Anton Chekhov, James Joyce, Marcel Proust and Virginia Woolf among them.

The Nobel’s judging criteria are at best esoteric and at worst wholly opaque. Alfred Nobel—a man who was better at chemistry than writing—stated in his will that a prize in his name should be awarded to “the person who shall have produced in the field of literature the most outstanding work in an ideal direction”. Whatever that means.

The field of rivals for the literary prize is vast. Authors cannot nominate themselves. Instead judges choose from all living writers, writing in every language in the world (of which there are 7,000). It is, acknowledges Mr Olsson, “an immense” task. And, naturally, a nonsense one. The six members of the judging committee are not considering the oeuvre of every Irish author writing in Gaelic or every Papua New Guinean one writing in Hiri Motu.

Judges are, however, considering quite a lot of them. Each year, the committee sends around 4,000 invitations to literary organisations across the world requesting nominations by February. These nominations become a longlist of 200 authors who

are whittled down to a shortlist of 20 by April. By May, they have produced a yet shorter list of five candidates (which, like all the other lists, is embargoed for 50 years). Then the judging and the reading begin in earnest. It is as fair as it can be, which is to say, extremely unfair.

Choosing between books is “very, very hard”, says Neil MacGregor, a former director of the British Museum and the chair of the Booker prize committee in 2022. Judges must adjudicate between a book on the Sri Lankan civil war here and the inward musings of a middle-class American woman there. In other words, they are picking between literary “apples and oranges”. They must also agree. It is “a bit like a criminal jury”, says Mr MacGregor. The atmosphere on prizes can be as fun as that makes it sound. Judging the Booker prize led Joanna Lumley, a British actress, to conclude that the “so-called bitchy world of acting” was a “tea party compared with the piranha-infested waters of publishing”.

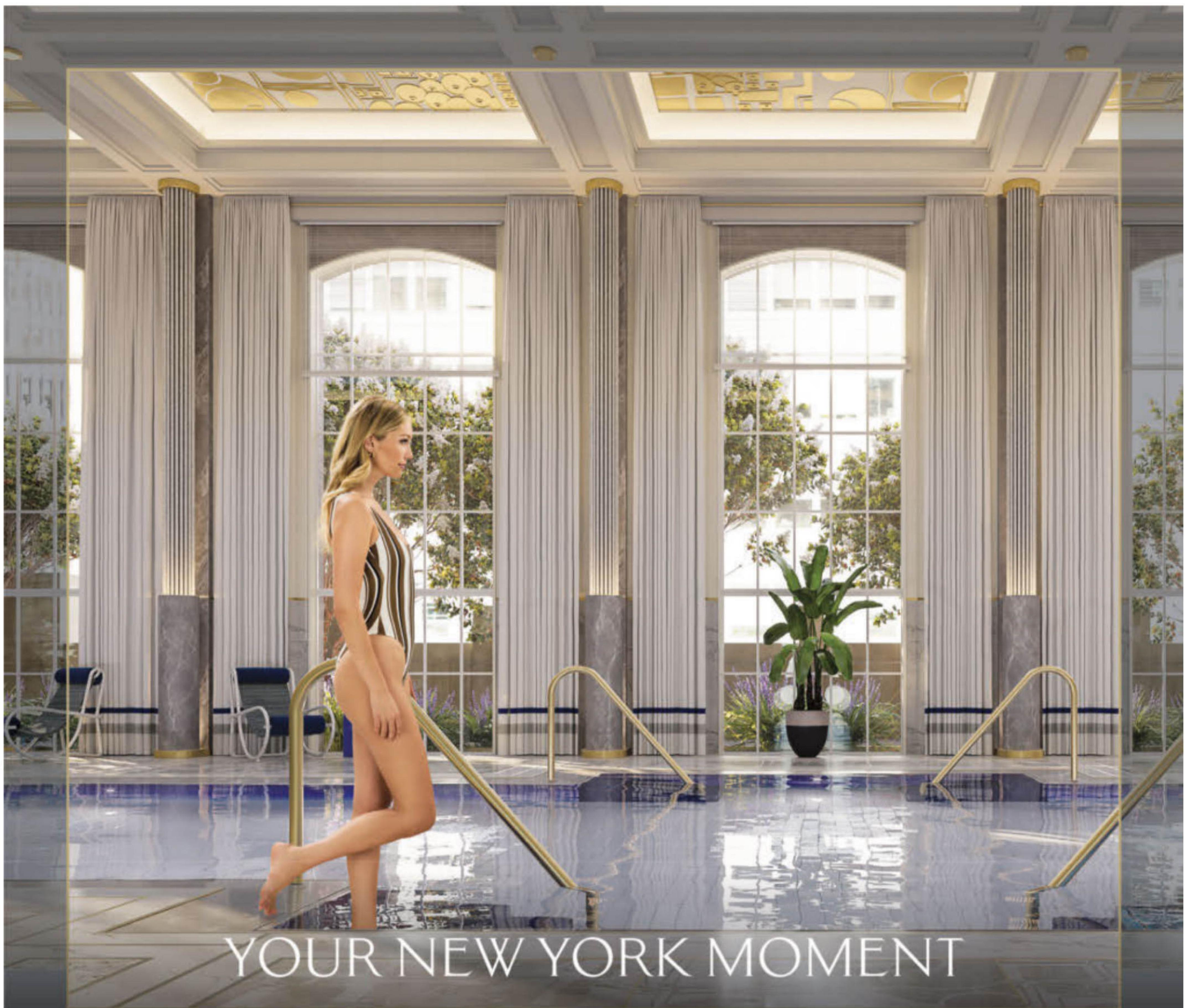
Judging books presents other difficulties, too. The longlists for modern prizes are just that: long. Booker judges must wade through around 170 books in seven months; Nobel judges through the output of 200 authors in just two. “I don’t believe they can,” says Michael Wood, who chaired a different contest, the Baillie Gifford prize for non-fiction.

Each judge has her own method; some read 30-40 pages of each. Others scan them to see if they are a contender. Happily for judges (if not readers), all too often the answer is a flat no. The author Malcolm Muggeridge withdrew from judging the Booker because he was “nauseated and appalled” by the entries. Mr MacGregor on several occasions found himself wondering, “How could anybody have thought this was worth publishing?”

Judging the Nobel has other challenges. It considers works in translation, but even “Je ne sais quoi” loses a certain *je ne sais quoi* when it is in English. The prize purports to be global but has tended to be Eurocentric: of the 120 winners to date, around 100 have come from Europe or America. This is a bias of which the Academy is acutely—and, you sense, uncomfortably—aware.

The difficulties with the prize were, in fact, clear to the Swedish Academy from the beginning. When offered the donation from Nobel, the Academy had “some hesitations” about accepting it, according to Mr Olsson. Given the criticism that the Academy has sometimes faced, perhaps it wishes it had not. Naturally, all Nobel prizes have had controversies—but few as ferocious as those raised by the literary one.

Not everyone is cross. As Mr Barnes mused, writers see prizes as a lottery—until, that is, they win. Then they realise that those cursed prize judges are, in fact, “the wisest heads in literary Christendom”. ■



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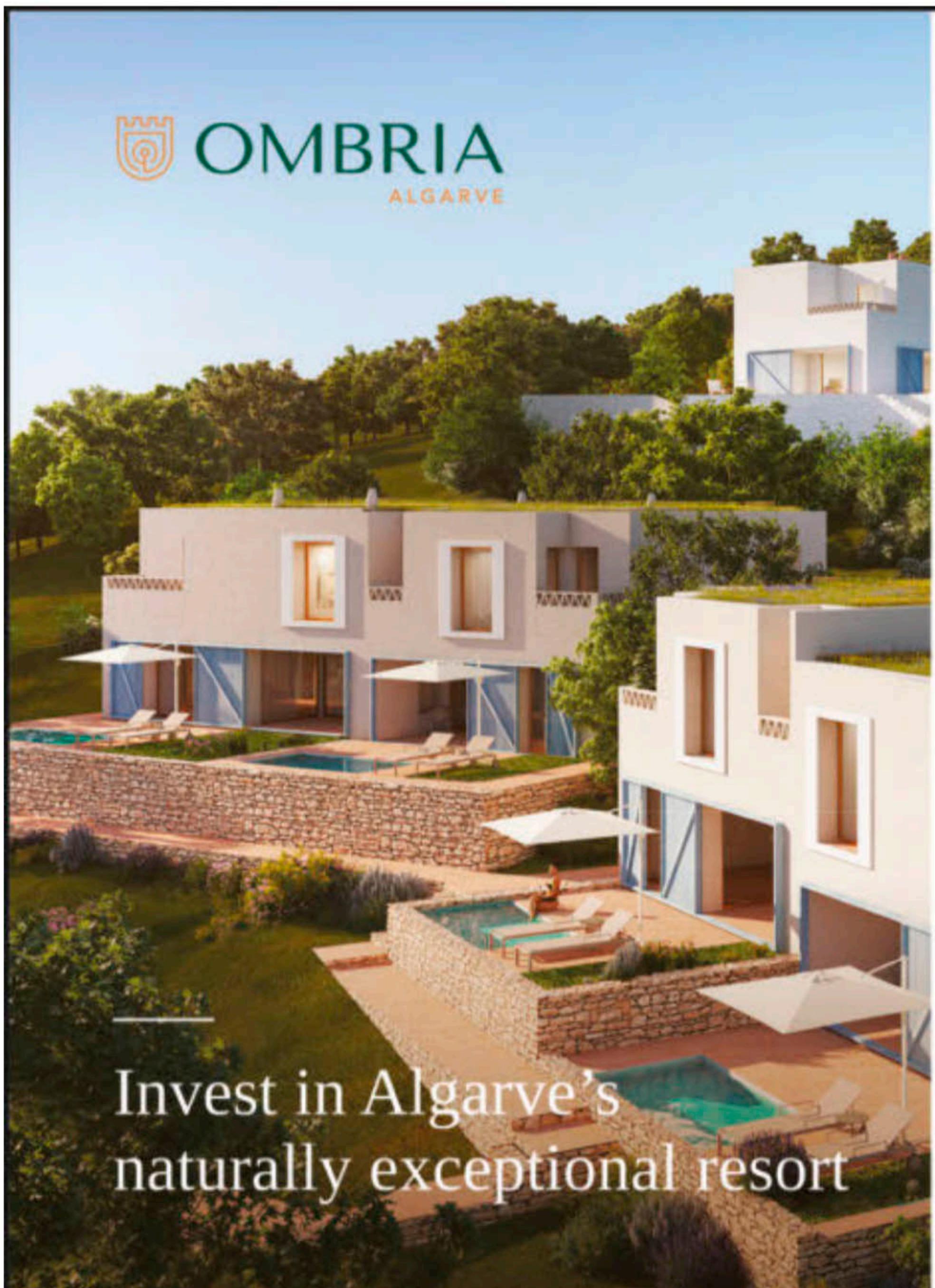
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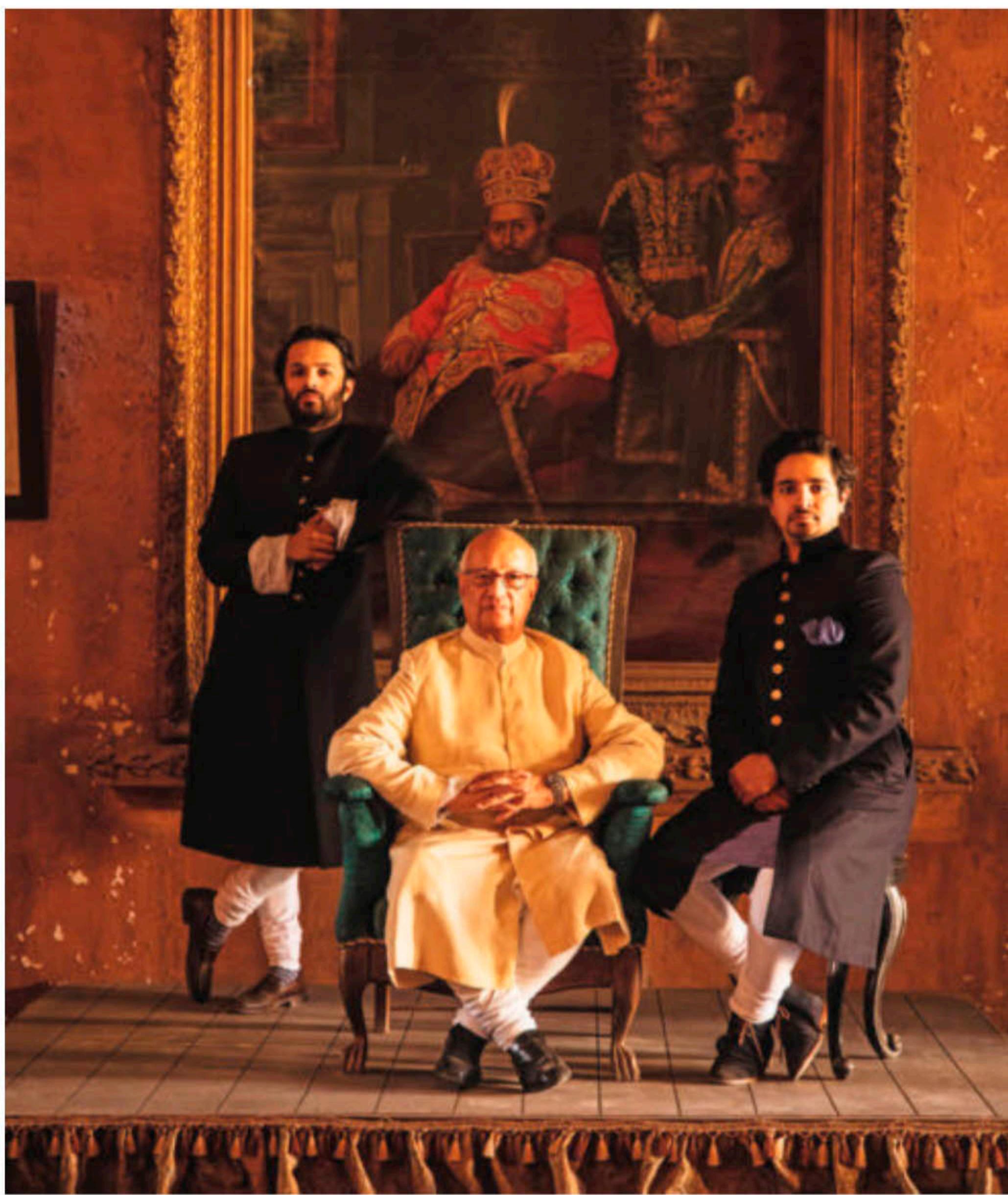
Economic data

	Gross domestic product			Consumer prices		Unemployment rate		Current-account balance		Budget balance		Interest rates		Currency units		
	% change on year ago latest	% change on year ago quarter*	2023†	% change on year ago latest	2023†	%		% of GDP, 2023†		% of GDP, 2023†		10-yr govt bonds latest, %	change on year ago, bp	per \$ Oct 11th	% change on year ago	
United States	2.4	Q2	2.1	2.0	3.7	Aug	4.1	3.8	Sep	-2.9	-5.7	4.6	65.0	-		
China	6.3	Q2	3.2	5.2	0.1	Aug	0.7	5.2	Aug‡§	1.8	-3.2	2.6	7.0	7.30	-1.6	
Japan	1.6	Q2	4.8	2.0	3.1	Aug	2.9	2.7	Aug	2.9	-5.2	0.8	52.0	149	-2.3	
Britain	0.6	Q2	0.8	0.4	6.7	Aug	6.8	4.3	Jun††	-2.5	-3.9	4.5	13.0	0.81	11.1	
Canada	1.1	Q2	-0.2	1.1	4.0	Aug	4.1	5.5	Sep	-0.4	-1.4	3.9	45.0	1.36	1.5	
Euro area	0.5	Q2	0.5	0.8	4.3	Sep	5.6	6.4	Aug	2.3	-3.3	2.7	41.0	0.94	9.6	
Austria	-1.3	Q2	-3.0‡	-0.2	5.8	Sep	7.9	5.3	Aug	2.4	-2.4	3.4	31.0	0.94	9.6	
Belgium	0.9	Q2	0.6	1.0	0.7	Sep	3.2	5.5	Aug	-1.9	-4.8	3.4	41.0	0.94	9.6	
France	1.0	Q2	2.1	0.8	5.6	Sep	5.7	7.3	Aug	-1.1	-5.0	3.4	56.0	0.94	9.6	
Germany	-0.1	Q2	0.1	-0.3	4.3	Sep	6.0	3.0	Aug	5.8	-2.2	2.7	41.0	0.94	9.6	
Greece	2.9	Q2	5.1	2.4	2.4	Sep	3.8	10.9	Aug	-5.9	-1.8	4.3	-67.0	0.94	9.6	
Italy	0.3	Q2	-1.5	1.0	5.7	Sep	6.3	7.3	Aug	0.9	-4.8	4.7	4.0	0.94	9.6	
Netherlands	-0.2	Q2	-0.9	0.2	-0.3	Sep	4.7	3.6	Aug	7.5	-2.3	3.1	42.0	0.94	9.6	
Spain	2.2	Q2	2.1	2.2	3.2	Sep	3.5	11.5	Aug	1.8	-4.1	3.9	57.0	0.94	9.6	
Czech Republic	-1.1	Q2	-0.1	0.3	6.9	Sep	10.5	2.6	Aug‡	-1.5	-4.4	4.5	-94.0	23.1	9.4	
Denmark	0.6	Q2	-1.4	2.0	0.9	Sep	4.0	2.9	Aug	10.5	1.5	3.0	20.0	7.02	9.1	
Norway	0.7	Q2	0.1	1.4	3.3	Sep	5.8	3.5	Jul‡‡	17.1	10.8	1.4	76.0	10.8	-0.8	
Poland	-0.6	Q2	-8.5	-0.1	8.2	Sep	11.9	5.0	Aug§	0.6	-4.8	5.8	-206	4.26	17.4	
Russia	4.9	Q2	na	-0.5	6.0	Sep	6.5	3.0	Aug§	1.8	-3.8	12.1	183	100	-35.5	
Sweden	-0.8	Q2	-3.3	-0.6	7.5	Aug	6.0	7.7	Aug§	4.1	-0.3	3.0	68.0	10.9	4.2	
Switzerland	0.5	Q2	0.1	0.8	1.7	Sep	2.2	2.1	Sep	6.8	-0.7	1.1	-44.0	0.90	11.1	
Turkey	3.8	Q2	14.6	3.1	61.5	Sep	53.1	9.2	Aug§	-4.4	-5.0	25.5	1,314	27.7	-33.0	
Australia	2.1	Q2	1.4	1.6	6.0	Q2	5.6	3.7	Aug	1.7	0.3	4.4	39.0	1.56	1.9	
Hong Kong	1.5	Q2	-5.2	2.9	1.7	Aug	1.9	2.8	Aug‡‡	8.4	-1.7	4.2	39.0	7.82	0.4	
India	7.8	Q2	11.0	6.5	6.8	Aug	5.7	8.1	Apr	-1.3	-5.9	7.3	-12.0	83.2	-1.0	
Indonesia	5.2	Q2	na	5.0	2.3	Sep	3.8	5.5	Q1§	0.7	-2.4	6.8	-62.0	15,692	-2.1	
Malaysia	2.9	Q2	na	4.0	2.0	Aug	2.7	3.4	Aug§	1.8	-5.0	4.1	-37.0	4.72	-1.1	
Pakistan	1.7	2023**	na	1.7	31.4	Sep	32.2	6.3	2021	-1.7	-7.7	16.1	†††	335	279	-22.1
Philippines	4.3	Q2	-3.6	4.1	6.1	Sep	5.7	4.8	Q3§	-4.6	-7.0	6.7	-34.0	56.8	3.7	
Singapore	0.5	Q2	0.3	1.0	4.0	Aug	4.7	1.9	Q2	18.9	-0.7	3.4	-18.0	1.36	5.9	
South Korea	0.9	Q2	2.5	1.3	3.7	Sep	3.3	2.0	Aug§	1.9	-2.7	4.2	-15.0	1,339	7.2	
Taiwan	1.4	Q2	5.6	0.8	2.9	Sep	2.2	3.4	Aug	12.5	-0.4	1.3	-47.0	32.1	-0.7	
Thailand	1.8	Q2	0.7	2.8	0.3	Sep	1.6	1.0	Aug§	1.1	-2.7	2.8	-34.0	36.4	4.8	
Argentina	-4.9	Q2	-10.9	-2.8	124	Aug	129.9	6.2	Q2§	-2.8	-4.2	na	na	350	-56.9	
Brazil	3.4	Q2	3.7	3.1	5.2	Sep	4.7	7.8	Aug‡‡	-1.8	-7.6	11.7	-14.0	5.05	3.4	
Chile	-1.1	Q2	-1.2	-0.2	5.1	Sep	7.5	9.0	Aug‡‡	-4.3	-3.0	6.5	-43.0	922	1.6	
Colombia	0.3	Q2	-4.1	1.6	11.0	Sep	11.5	9.3	Aug§	-4.0	-4.2	11.5	-180	4,227	9.4	
Mexico	3.6	Q2	3.4	2.4	4.5	Sep	5.3	2.7	Aug	-1.8	-3.4	9.7	-8.0	17.9	12.1	
Peru	-0.5	Q2	1.5	0.1	5.0	Sep	6.5	7.3	Aug§	-1.3	-2.9	7.4	-122	3.82	4.2	
Egypt	3.9	Q1	na	4.0	37.9	Sep	36.8	7.0	Q2§	-2.6	-6.7	na	na	30.9	-36.4	
Israel	3.4	Q2	3.1	3.1	4.1	Aug	4.4	3.1	Aug	4.5	-2.0	4.3	93.0	3.96	-9.6	
Saudi Arabia	8.7	2022	na	0.1	2.0	Aug	2.3	4.9	Q2	3.0	-0.8	na	na	3.75	0.3	
South Africa	1.6	Q2	2.4	0.5	4.8	Aug	5.7	32.6	Q2§	-1.8	-5.7	10.7	-1.0	18.8	-3.6	

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

Markets

In local currency	% change on:			index Oct 11th	% change on:			index Oct 11th	% change on:		
	one week	Dec 30th 2022			one week	Dec 30th 2022			one week	Dec 30th 2022	
United States S&P 500	4,377.0	2.7	14.0					Pakistan KSE	48,501.8	3.0	20.0
United States NAScomp	13,659.7	3.2	30.5					Singapore STI	3,192.9	1.4	-1.8
China Shanghai Comp	3,079.0	-1.0	-0.3					South Korea KOSPI	2,450.1	1.8	9.6
China Shenzhen Comp	1,906.9	-0.2	-3.5					Taiwan TWI	16,672.0	2.4	17.9
Japan Nikkei 225	31,936.5	4.6	22.4					Thailand SET	1,456.0	0.3	-12.7
Japan Topix	2										



A foe who never was

Muhammad Amir Muhammad Khan ("Suleiman"), Rajah of Mahmudabad, died on October 4th, aged 80

THE BAD NEWS came when Suleiman was 14. He was at La Martinière College in Lucknow in Uttar Pradesh, where the sons of the wealthy went and where he, being fond already of poetry and philosophy, spent his time discovering and memorising the plangent quotations he later loved to drop into conversations. It was the end of term. The news was that his father, the Rajah of Mahmudabad, had left for Pakistan and become a Pakistani citizen.

The year was 1957, ten years after Partition had sundered new-formed Pakistan from India. A million people had died; perhaps 10m had been displaced. The family lands were not divided, but his father, a devout Shia Muslim who hosted religious ceremonies at the family Qila, a 17th-century fort-shrine near Lucknow, found himself torn. Before Partition he had become friends with Muhammad Ali Jinnah, Pakistan's founder, who had spent his honeymoon in the family-owned and celebrity-crowded Hotel Metropole in Nainital. That friendship, and the rajah's sudden decision to change allegiance, was to cause his son (popularly known as Suleiman) trouble for the rest of his life.

His mother, though felled by a seizure at this calamity, had refused to follow her husband. She stayed at the family base in a wing of the Qaiserbagh Palace in Lucknow, a splendid Mughal pile with minarets, pediments, columns and lanterns, even though the British in 1857, the year of the Rebellion, had badly knocked it about. The wing was luxurious, with thick Persian carpets, gilded panelling and chandeliers, under which his mother held sparkling parties. Nearby stood the Butler Palace, a gem of Rajput architecture that housed the library of the Indian Council of Philosophical Research. The family also owned the Halwasiya Market, Luck-

now's teeming commercial hub, and most of Hazratganj, with its bazaars. In all they had 936 properties scattered across north India, a vast span. As for Suleiman, he sailed into a maths tripos at Cambridge and a doctorate on stellar oscillation.

He was still in Europe when a second piece of bad news reached him. It was worse than the first, but also its consequence. His father had died, and under the Enemy Property Act (EPA), passed in 1968, all the family's properties had been confiscated by the Indian government. Money was running out fast. Abandoning his telescopes, Suleiman rushed home.

The confiscation, he knew, was baseless. In the Indo-Pakistan war of 1965 the government had seized assets in India owned by Pakistanis. His father, of course, had become one—though, disillusioned, he quickly left Pakistan for London. But Suleiman had never ceased to be Indian. Nor had he ever gone to Pakistan. When Partition happened his father had taken him, aged four, to the holy city of Karbala in Iraq. When he returned, at nine, fluent in Arabic and Persian as well as Lucknow's Urdu, it was to resume his life in India. To call his father an "enemy" was outrageous enough, when Mahmudabad money had founded the University of Lucknow, King George's Medical College and several schools. To ignore his own right and title as an heir compounded the offence.

Being an aristocrat, his first thought was to go to the top. He spoke to several prime ministers and wrote to others, mostly getting nowhere. Moraji Desai rebuked him for studying astronomy rather than astrology. Frustrated, and knowing he was the largest property-owner affected, he then took his case against the EPA to the Supreme Court. In 2005 it decided categorically in his favour. "Can the property of an Indian citizen be termed as enemy property...?" the ruling read. "Answer is emphatic No."

Clear as that was, the government still resisted. Its own officials now sat in Mahmudabad properties, and rents from the family's farms and markets now came into its own coffers. It also claimed to be worried about unrest if all the merchants in Hazratganj, for example, were now evicted by Suleiman. In 2010 it simply overrode the Supreme Court's decision with an emergency decree that allowed it to retake control.

He was in despair. His properties were crumbling. In the five-year respite he had been given, restoration had not got far. It now got no further. In his rusting white Ambassador car he would be driven from one to the other, his usual smiles eclipsed by gloom. In the Qaiserbagh Palace the carpets, if any, were worn and moth-eaten, and ochre paint flaked from the walls. Sparse furniture was scattered here and there, and the books were heavy with dust. The Butler Palace was in a pitiful state: the marble ripped out, and the garden, where the family would gather for tea in the evening, waist-high in weeds and rubbish. The Qila, where he continued to manage the shrines and the ceremonies, was a part-locked shell in which his throne stood in an almost empty hall. The Hotel Metropole in Nainital had become a car park.

What hurt him far more, however, was the label "enemy". Anyone less like an enemy could hardly be imagined. He barely left India, except for short professorial stints in Europe. For a while he was a state MP. His heart was in Lucknow, once a city of poetry and elegance; his joy remained books. Yet for years his main, obsessive reading had been the Enemy Property Act, with amendments, of which his two sons too knew every clause and line.

Meanwhile, the government stayed one step ahead. In 2017 the EPA was amended yet again by Narendra Modi's government to include, retroactively, the legal heirs of Pakistani citizens; even if like him they were, and had always been, Indian. He was made an enemy twice over, and with that non-status he remained.

Latterly he left his case, as the Koran advised, in God's hands. But another thought also helped him. It was a patriotic one. In 2005 India had overturned the grave injustice done to him. Being India, a country he deeply loved and respected, it might well find the spirit to do so again. ■

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