The Economist

Uncle Sam's fiscal profligacy

Emmanuel Macron on Europe in peril

Don't prop up the yen

Feeling horny: dragons meet erotic fiction

MAY 4TH–10TH 2024

TRUTH AND

The new science of disinformation

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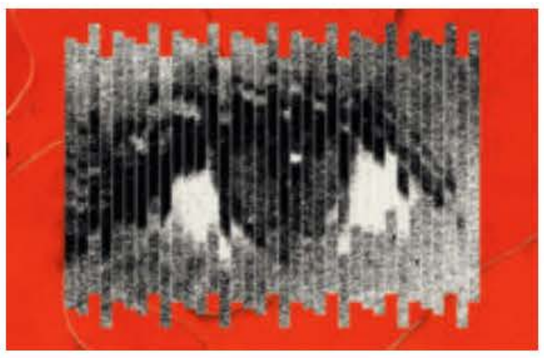

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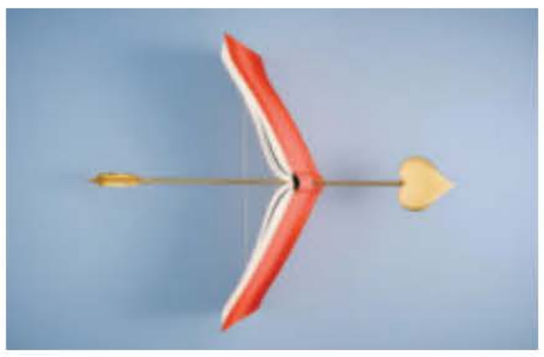

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to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

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The world this week Politics

More American colleges were swept up in pro-Palestinian **student demonstrations**. Pro- and anti-Israel students clashed violently at the University of California, Los Angeles; Jewish students said earlier that they had been turned away from the campus by protesters. Hundreds of arrests were made across the country, including at the University of Texas in Austin and at Columbia, where students had occupied a building. The University of Florida said agitators who disrupted college life would be banished. Many students have tried to set up tent encampments. At the Sorbonne in Paris police moved swiftly to stop a copycat camp from being set up.

Donald Trump was fined $9,000 for breaking the terms of a "gag order" by making public statements on social media about the witnesses and jury at his hush-money trial. The judge threatened to jail Mr Trump if he persisted in attacking the trial's participants.

Arizona's legislature repealed a law from 1864 that banned **abortion**, thus nullifying a decision by the state's Supreme Court to outlaw the procedure based on the law. Two Republican senators joined Democrats in overturning the ban.

Following Congress's approval of a $61bn military-aid package for **Ukraine**, the Pentagon announced that it would provide the country with $6bn so that it can buy weapons directly from American defence companies. Around $1bn has also been dispensed to buy anti-aircraft missiles and other hardware.

Meanwhile, Volodymyr Zelensky urged Ukraine's allies to speed up their delivery of military aid. The Ukrainian president warned that Russia was using the delay in **replenishing arms** to press its advantage. Oleksandr Syrsky, Ukraine's commander-in-chief, said his troops had been pushed back by Russian forces on the eastern front, and that the situation had "worsened".

Georgian nightmare

Police in **Georgia** fired water cannon and tear-gas at protesters who were demonstrating against a new law that requires NGOs and media groups that obtain at least 20% of their funding from abroad to register as foreign agents. The legislation, which is making its way through parliament, has been dubbed "the Russia law" by its critics. Bidzina Ivanishvili, the influential founder of the ruling Georgian Dream party, lashed out at the West, claiming foreigners were trying to influence domestic politics.

Pedro Sánchez, the Socialist prime minister of **Spain**, decided not to resign. He had raised the possibility of quitting his job amid allegations of corruption against his wife, but Madrid's public prosecutor has said there is no evidence to back the claims.

The American State Department said that five units in the **Israel Defence Forces** had committed gross violations of human rights. All the incidents are believed to have taken place in the West Bank and Jerusalem and occurred before the current war in Gaza. Israel had taken action in four units; it said it would supply additional information on the fifth. America will continue to supply the units with military assistance.

The International Court of Justice ruled against issuing emergency orders to stop Germany **selling arms to Israel** in a case brought by Nicaragua. A final ruling may take years.

A law was passed in **Iraq** that criminalises same-sex relationships, carrying a penalty of 10-15 years in jail. Iraqi politicians have been highly critical of gay rights in recent years.

Concerns increased over the risk of large-scale massacres among the roughly 2m people in el-Fasher, the capital of **Sudan's** North Darfur region. The city is under attack by the Rapid Support Forces, a rebel paramilitary force that emerged from the genocidal Janjaweed militia. Meanwhile aid agencies warned of the risk of famine in Sudan.

Burkina Faso banned several foreign media outlets after they reported allegations made by Human Rights Watch, an international NGO, that the country's army massacred 223 people. Separately, more than 120 people have been killed in floods in **Kenya**, including 40 who died when a dam burst. The region has been buffeted by unusually heavy rains.

It's a tough job, but...

In **Haiti** the new transitional council named Edgard Leblanc Fils, a former president of the Senate, as its leader. The council now runs the country following the formal resignation of Ariel Henry as prime minister. Fritz Bélizaire, a former youth minister, now holds that job. The council's priority is to restore security in Haiti after months of de facto control by criminal gangs.

A state of emergency was declared in five provinces in **Ecuador** amid a spate of violence that the government blames on drug gangs. A nationwide state of emergency had only just ended.

Markets rallied in **Argentina**, after the lower house of Congress approved a package of reforms put forward by the president, Javier Milei. The bill has been watered down from Mr Milei's original proposals, but would still allow the government to privatise public bodies and cut red tape. It now goes to the Senate, where it faces stiffer opposition.

The security forces in **India** killed ten Maoists in a gun battle in the central state of Chhattisgarh. It was the second clash within two weeks and comes as voting continues in the country's general election. The earlier skirmish saw 29 rebels killed.

After an election in the **Solomon Islands** that produced no clear winner, Manasseh Sogavare decided to stand down as prime minister. Mr Sogavare forged closer ties with China, which included the arrival of Chinese police in the Pacific-islands country in 2022. Jeremiah Manele, who is also pro-China, was selected by parliament to replace him.

Tensions rose between Britain and Ireland over **illegal migrants**, amid a surge of crossings from Northern Ireland to the Irish republic, a member of the EU. Irish politicians are debating an emergency law to send the migrants back to the UK, but Rishi Sunak, the British prime minister, says his government won't take them, because the EU doesn't accept migrant returns from Britain to France.

Humza Yousaf resigned as first minister of **Scotland**, after a backlash to his decision to end his Scottish National Party's coalition with the Green Party. John Swinney, a former party leader, was the first to throw his hat into the ring to succeed Mr Yousaf. The SNP is expected to lose ground to Labour at the forthcoming general election.

The world this week Business

The **Federal Reserve** made it official and declared there had been a "lack of further progress" in getting inflation down to its 2% target, suggesting that it won't start cutting interest rates until much later this year at the earliest. In January investors were pricing in about six quarter-of-a-percentage-point cuts in 2024. They have pared their bets since.

The **yen** rebounded sharply, fuelling speculation that the authorities had intervened to prop up the currency for the first time since 2022. The currency had hit a 34-year low of 160 to the dollar, after the Bank of Japan left its benchmark interest rate on hold at between zero and 0.1%, having raised it from minus 0.1% in March. The central bank gave little clue as to when it would raise rates again, and also did not produce a plan to sharply curtail its bond-buying.

Farewell to the mighty Quinn

In a surprise announcement, Noel Quinn said he would step down as chief executive of **HSBC**, five years after taking up the role. Mr Quinn continued the bank's pivot to Asia, where it makes most of its profit, and saw off a spirited challenge from shareholders that wanted the Asian business to be spun off into a separate entity. He says he is now due some "rest and relaxation".

BBVA and **Banco Sabadell**, Spain's second- and fourth-largest banks, are contemplating a merger that would give the combined entity a market value close to that of Santander, and be the biggest banking deal in Europe in years.

Changpeng Zhao, the founder and former chief executive of Binance, was sentenced to four months in prison in Seattle for neglecting to oversee controls on money-laundering at the cryptocurrency exchange, which resulted in the transfer of funds to Hamas, al-Qaeda and other terrorist organisations. Mr Zhao pleaded guilty to the charges. Prosecutors had sought a three-year sentence.

CVC Capital Partners' long-awaited IPO in Amsterdam drew huge investor interest. The share price of one of Europe's biggest private-equity companies closed up nearly 20% on the first day of trading, raising €2bn ($2.1bn). In New York the IPO of **Viking**, a cruise line that targets the over-55s and bans children, was also a big success, raising $1.5bn.

Speculation swirled that other mining companies might make a takeover bid for **Anglo American**, after it rejected a £31bn ($39bn) proposal from BHP, which could still submit a higher offer. Rivals may try to buy specific bits of Anglo. Its primary assets are in copper, iron ore and platinum, and the De Beers diamond business.

The demand for artificial-intelligence applications led to a big jump in **Amazon's** cloud-computing business, with the division's operating income surging in the first three months of 2024. Amazon's overall net profit came in at $10.4bn, up from $3.2bn in the same quarter last year. **Microsoft** and **Alphabet** have also reported strong growth in AI-based services. Alphabet announced its first-ever shareholder dividend and a $70bn share buy-back plan.

The **euro zone's** annual inflation rate was unchanged in April at 2.4%. The core rate, excluding food and energy prices, slowed to 2.7%. The figures suggest the European Central Bank is on track to cut interest rates at its meeting on June 6th. Another factor for the ECB is that the euro-zone's economy grew by just 0.3% in the first three months of the year, quarter on quarter; new data showed it fell into recession in the last half of 2023.

Elon Musk unexpectedly sacked the entire team at **Tesla** working in its Supercharger division, around 500 people, as well as the division's head and the head of new products. Tesla's is one of the world's largest charging networks for electric vehicles; Ford and General Motors had only just begun plugging their cars into the system. The lay-offs come on top of a 10% reduction in headcount announced recently. Mr Musk said he hoped by now that senior executives were getting the message about slashing costs.

Tesla's boss had just returned from a trip to **China**, where he met the prime minister, Li Qiang, and reached a deal with Baidu, one of China's tech giants, to provide mapping software for Tesla's cars, bringing it closer to gaining approval for its driver-assistance technology in the country. Mr Musk has talked before about "going balls to the wall on autonomy".

Hollywood drama

Paramount Global said Bob Bakish was stepping down as chief executive, to be replaced by three senior executives. Mr Bakish was not keen on a proposed buy-out of the entertainment company by Skydance Media. That deal is supported by its controlling shareholder, Shari Redstone, and opposed by almost every other investor.

The Economist

Truth or lies?

How the nasty business of disinformation works—and how to counter it

DID YOU know that the wildfires which ravaged Hawaii last summer were started by a secret "weather weapon" being tested by America's armed forces, and that American NGOs were spreading dengue fever in Africa? That Olena Zelenska, Ukraine's first lady, went on a $1.1m shopping spree on Manhattan's Fifth Avenue? Or that Narendra Modi, India's prime minister, has been endorsed in a new song by Mahendra Kapoor, an Indian singer who died in 2008?

These stories are, of course, all bogus. They are examples of disinformation: falsehoods that are intended to deceive. Such tall tales are being spread around the world by increasingly sophisticated campaigns. Whizzy artificial-intelligence (AI) tools and intricate networks of social-media accounts are being used to make and share eerily convincing photos, video and audio, confusing fact with fiction. In a year when half the world is holding elections, this is fuelling fears that technology will make disinformation impossible to fight, fatally undermining democracy. How worried should you be?

Disinformation has existed for as long as there have been two sides to an argument. Rameses II did not win the battle of Kadesh in 1274BC. It was, at best, a draw; but you would never guess that from the monuments the pharaoh built in honour of his triumph. Julius Caesar's account of the Gallic wars is as much political propaganda as historical narrative. The age of print was no better. During the English civil war of the 1640s, press controls collapsed, prompting much concern about "scurrilous and fictitious pamphlets".

The internet has made the problem much worse. False information can be distributed at low cost on social media; AI also makes it cheap to produce. Much about disinformation is murky. But in a special Science & technology section, we trace the complex ways in which it is seeded and spread via networks of social-media accounts and websites. Russia's campaign against Ms Zelenska, for instance, began as a video on YouTube, before passing through African fake-news websites and being boosted by other sites and social-media accounts. The result is a deceptive veneer of plausibility.

Spreader accounts build a following by posting about football or the British royal family, gaining trust before mixing in disinformation. Much of the research on disinformation tends to focus on a specific topic on a particular platform in a single language. But it turns out that most campaigns work in similar ways. The techniques used by Chinese disinformation operations to bad-mouth South Korean firms in the Middle East, for instance, look remarkably like those used in Russian-led efforts to spread untruths around Europe.

The goal of many operations is not necessarily to make you support one political party over another. Sometimes the aim is simply to pollute the public sphere, or sow distrust in media, governments, and the very idea that truth is knowable. Hence the Chinese fables about weather weapons in Hawaii, or Russia's bid to conceal its role in shooting down a Malaysian airliner by promoting several competing narratives.

All this prompts concerns that technology, by making disinformation unbeatable, will threaten democracy itself. But there are ways to minimise and manage the problem.

Encouragingly, technology is as much a force for good as it is for evil. Although AI makes the production of disinformation much cheaper, it can also help with tracking and detection. Even as campaigns become more sophisticated, with each spreader account varying its language just enough to be plausible, AI models can detect narratives that seem similar. Other tools can spot dodgy videos by identifying faked audio, or by looking for signs of real heartbeats, as revealed by subtle variations in the skin colour of people's foreheads.

Better co-ordination can help, too. In some ways the situation is analogous to climate science in the 1980s, when meteorologists, oceanographers and earth scientists could tell something was happening, but could each see only part of the picture. Only when they were brought together did the full extent of climate change become clear. Similarly, academic researchers, NGOs, tech firms, media outlets and government agencies cannot tackle the problem of disinformation on their own. With co-ordination, they can share information and spot patterns, enabling tech firms to label, muzzle or remove deceptive content. For instance, Facebook's parent, Meta, shut down a disinformation operation in Ukraine in late 2023 after receiving a tip-off from Google.

But deeper understanding also requires better access to data. In today's world of algorithmic feeds, only tech companies can tell who is reading what. Under American law these firms are not obliged to share data with researchers. But Europe's new Digital Services Act mandates data-sharing, and could be a template for other countries. Companies worried about sharing secret information could let researchers send in programs to be run, rather than sending out data for analysis.

Such co-ordination will be easier to pull off in some places than others. Taiwan, for instance, is considered the gold standard for dealing with disinformation campaigns. It helps that the country is small, trust in the government is high and the threat from a hostile foreign power is clear. Other countries have fewer resources and weaker trust in institutions. In America, alas, polarised politics means that co-ordinated attempts to combat disinformation have been depicted as evidence of a vast left-wing conspiracy to silence right-wing voices online.

One person's fact...

The dangers of disinformation need to be taken seriously and studied closely. But bear in mind that they are still uncertain. So far there is little evidence that disinformation alone can sway the outcome of an election. For centuries there have been people who have peddled false information, and people who have wanted to believe them. Yet societies have usually found ways to cope. Disinformation may be taking on a new, more sophisticated shape today. But it has not yet revealed itself as an unprecedented and unassailable threat. ■

Security

Europe in mortal danger

France's president issues a dark and prophetic warning

IN 1940, AFTER France had been defeated by the Nazi blitzkrieg, the historian Marc Bloch condemned his country's inter-war elites for having failed to face up to the threat that lay ahead. Today Emmanuel Macron cites Bloch as a warning that Europe's elites are gripped by the same fatal complacency.

France's president set out his apocalyptic vision in an interview with *The Economist* in the Elysée Palace (see Europe section). It came days after his delivery of a big speech about the future of Europe—an unruly, two-hour, Castro-scale marathon, ranging from nuclear annihilation to an alliance of European libraries. Mr Macron's critics called it a mix of electioneering, the usual French self-interest and the intellectual vanity of a Jupiterian president thinking about his legacy.

We wish they were right. In fact, Mr Macron's message is as compelling as it is alarming. In our interview, he warned that Europe faces imminent danger, declaring that "things can fall apart very quickly". He also spoke of the mountain of work ahead to make Europe safe. But he is bedevilled by unpopularity at home and poor relations with Germany. Like other gloomy visionaries, he faces the risk that his message is ignored.

The driving force behind Mr Macron's warning is the invasion of Ukraine. War has changed Russia. Flouting international law, issuing nuclear threats, investing heavily in arms and hybrid tactics, it has embraced "aggression in all known domains of conflict". Now Russia knows no limits, he argues. Moldova, Lithuania, Poland, Romania or any neighbouring country could all be its targets. If it wins in Ukraine, European security will lie in ruins.

Europe must wake up to this new danger. Mr Macron refuses to back down from his declaration in February that Europe should not rule out putting troops in Ukraine. This elicited horror and fury from some of his allies, but he insists their wariness will only encourage Russia to press on: "We have undoubtedly been too hesitant by defining the limits of our action to someone who no longer has any and who is the aggressor."

Mr Macron is adamant that, whoever is in the White House in 2025, Europe must shake off its decades-long military dependence on America and with it the head-in-the-sand reluctance to take hard power seriously. "My responsibility," he says, "is never to put [America] in a strategic dilemma that would mean choosing between Europeans and [its] own interests in the face of China." He calls for an "existential" debate to take place within months. Bringing in non-EU countries like Britain and Norway, this would create a new framework for European defence that puts less of a burden on America. He is willing to discuss extending the protection afforded by France's nuclear weapons, which would dramatically break from Gaullist orthodoxy and transform France's relations with the rest of Europe.

Mr Macron's second theme is that an alarming industrial gap has opened up as Europe has fallen behind America and China. For Mr Macron, this is part of a broader dependence in energy and technology, especially in renewables and artificial intelligence. Europe must respond now, or it may never catch up. He says the Americans "have stopped trying to get the Chinese to conform to the rules of international trade". Calling the Inflation Reduction Act "a conceptual revolution", he accuses America of being like China by subsidising its critical industries. "You can't carry on as if this isn't happening," he says.

Mr Macron's solution is more radical than simply asking for Europe to match American and Chinese subsidies and protection. He also wants a profound change to the way Europe works. He would double research spending, deregulate industry, free up capital markets and sharpen Europeans' appetite for risk. He is scathing about the dishing-out of subsidies and contracts so that each country gets back more or less what it puts in. Europe needs specialisation and scale, even if some countries lose out, he says.

Voters sense that European security and competitiveness are vulnerable. And that leads to Mr Macron's third theme, which is the frailty of Europe's politics. France's president reserves special contempt for populist nationalists. Though he did not name her, one of those is Marine Le Pen, who has ambitions to replace him in 2027. In a cut-throat world their empty promises to strengthen their own countries will instead result in division, decline, insecurity and, ultimately, conflict.

Mr Macron's ideas have real power, and he has proved prescient in the past. But his solutions pose problems. One danger is that they might in fact undermine Europe's security. His plans could distance America, but fail to fill the gap with a credible European alternative. That would leave Europe more vulnerable to Russia's predations. It would also suit China, which has long sought to deal with Europe and America separately, not as an alliance (see Chaguan).

His plans could also fall victim to the unwieldy structure of the EU itself. They require 27 power-hungry governments to cede sovereign control of taxation and foreign policy and to give more influence to the European Commission, which seems unlikely. If Mr Macron's industrial policy ends up bringing more subsidy and protection, but not deregulation, liberalisation and competition, it would weigh on the very dynamism he is trying to enhance.

And the last problem is that Mr Macron may well fail in his politics—partly because he is unpopular at home. He preaches the need to think Europe-wide and leave behind petty nationalism, but France has for years blocked the construction of power connections with Spain. He warns of the looming threat of Ms Le Pen, but has so far failed to nurture a successor who can see her off. He cannot tackle an agenda that would have taxed the two great post-war leaders, Charles de Gaulle and Konrad Adenauer, without the help of Germany's chancellor, Olaf Scholz. Yet their relationship is dreadful.

Mr Macron is clearer about the perils Europe is facing than the leader of any other large country. When leadership is in short supply, he has the courage to look history in the eye. The tragedy for Europe is that the words of France's Cassandra may well fall on deaf ears. ■

Campus protests

All talk

Should American universities call the cops on protesting students?

FLASHBANGS TO CLEAR occupied buildings, helmet-wearing police officers and handcuffed students: the scenes at Columbia and other American universities seem like a throwback to a rougher age. More than 1,500 students have been arrested around the country so far, and the number will probably rise in the coming weeks. For college presidents this is nightmarish. Members of Congress are trying to get them fired for indulging antisemitism; donors threaten to withdraw funding; they are supposed to be guardians of free speech and are also expected to create an environment that fosters learning and inquiry. Some outside agitators are showing up, hoping for a fight. The students, both pro-Palestinian protesters and those offended by the protests, are paying customers. And members of the faculty all think they could do a better job than the hapless administrators.

As a practical question, dealing with these protests is hard. As an intellectual question, the sort debated on college campuses, it really is not. And yet clever people are tying themselves in knots over the rights and wrongs of what is going on. To the right are politicians who have spent years denouncing elite universities for being full of snowflakes who cannot bear exposure to different opinions, and are now trying to stretch the definition of antisemitism to silence views they disagree with, preferably with the help of the National Guard. To the left are students, faculty and administrators who have embraced the idea that objectionable speech is the same as violence, and are now arguing that it is fine for people to wave banners that call for actual violence (for example, "Globalise the intifada!").

Given that, it is helpful to stand back and think about the principles at stake. The first is the need to protect free speech. The First Amendment is a good starting-point. Though the legal obligations of public and private universities differ, all colleges should adopt a broad definition of speech and police it neutrally. They should protect the rights of students to raise their hands in class and call Israel an apartheid state, or even to express support for Hamas, because airing bad ideas is an important part of free inquiry.

But the First Amendment is not an instruction manual for creating a culture of learning. Letting protesters yell about globalising the intifada, intimidating Jewish students trying to get to class, is not consistent with that aim. Nor is there a free-speech right to occupy parts of a university. Freedom of assembly is also part of the First Amendment, but that does not mean protesters have a right to assemble anywhere, if doing so prevents other people from using public spaces. And damaging property is as much of a crime on campus as it is off it.

Protests should, wherever possible, be resolved through negotiation. Yet that requires a set of clear demands on the part of students. Some of their demands about divestment are impractical (see Buttonwood); others, such as the creation of a Palestinian state, may be consistent with government policy but are hardly within the gift of a college president; some are nonsensical. If negotiation doesn't work, and laws and rules are broken, calling in the police is a last resort and may backfire. But universities are within their rights to do so. What those who decry the deployment of cops at Columbia and elsewhere miss is that the point of civil disobedience is sometimes to get arrested, in the hope that an unreasonable use of force draws attention to the cause and wins sympathy.

Thankfully, students have so far not attacked the police, and the officers have been relatively restrained. This is not 1968, when police shot 28 students and killed three at Orangeburg, South Carolina. The protests will fizzle in a few weeks, after graduation. But it will not be the end: protesters and the police may meet for a second round at the Democratic convention in Chicago in August. That could get a lot nastier. ■

Government debt

Uncle Sam's fiscal folly

America's reckless borrowing is a danger to its economy—and the world's

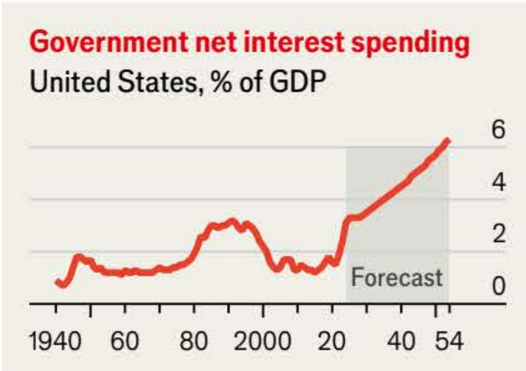
IF PRUDENCE IS a virtue then America's budget is an exercise in vice. Over the past 12 months the federal government has spent $2trn, or 7.2% of GDP, more than it has raised in taxes, after stripping out temporary factors. Usually such a vast deficit would be the result of a recession and accompanying stimulus. Today the lavish borrowing comes despite America's longest stretch of sub-4% unemployment in half a century. The deficit has not been below 3% of GDP, an old measure of sound fiscal management, since 2015, and next year Uncle Sam's net debts will probably cross 100% of GDP, up by about two-fifths in a decade. Whereas near-zero interest rates once made large debts affordable, today rates are higher and the government is spending more servicing the debt than on national defence.

How has it come to this? The costs of wars, a global financial crisis and pandemic, unfunded tax cuts and stimulus programmes have all piled up. Both Republicans and Democrats pay lip service to fiscal responsibility. But the record of each side in office is of throwing caution to the wind as they indulge in extra spending or tax cuts. The biggest economic decision facing the next president is how generously to renew Donald Trump's tax cuts of 2017, a step that will only worsen America's dire fiscal trajectory (see Briefing).

This profligacy cannot go on for ever—at some point, interest costs will rise to intolerable levels. The binge must therefore come to an end in some combination of three ways.

The least painful is that good fortune comes to the rescue. Until recently, falling global real interest rates contained the cost of servicing debts even as these grew in size. Today Japan just about manages with net debts about half as big again as America's, relative to GDP, thanks to near-zero rates. If inflation is defeated and real interest rates fall back from their present highs, America could be off the hook, too. Another source of relief could be productivity growth. If it surges, say because of artificial intelligence, America could outgrow its debts.

Yet good luck cannot be assumed. The most responsible way for politicians to end the budget binge would be to correct course as the interest bill rises. The IMF estimates that America will need to cut spending, excluding debt interest, or raise taxes by 4% of GDP to stabilise its debts by 2029. It has managed a similar adjustment before, between 1989 and 2000, when "bond vigilantes" were said to have cowed Washington into submission.



The trouble is that the circumstances were then well-suited to belt-tightening. The end of the cold war yielded a peace dividend: falling defence spending accounted for fully 60% of the fiscal adjustment. As a share of the population the labour force climbed to an all-time high. A real-wage boom made the pain of higher taxes more bearable. But today war and rising global tensions are pushing defence spending up and baby-boomers are retiring in droves.

That leaves the third and most worrying option: making creditors pay. America would never be forced by the markets to default, because the Federal Reserve can act as a buyer of last resort. Fiscal laxity could cause inflation, though, which would mean bondholders and savers taking a big real-terms hit.

One way this could happen is if a populist like Mr Trump were to take control of the Fed. His advisers have floated ideas for influencing monetary policy that include appointing a pliant chairman and giving Congress oversight of interest rates. Mr Trump likes low rates; if they were combined with a growing deficit, inflation would surge.

Even if the Fed kept its independence, it could become impotent if Congress allowed debt to rise without limit. When the government's response to rising interest rates is to borrow still more to service its debts, then tight money can stoke inflation rather than containing it—a feedback loop with which Latin America is all too familiar and which mavericks say is already under way in America. Their doomsaying is premature, but higher rates can feed into the budget very quickly. After accounting for the Fed's balance-sheet, the median dollar of debt is on a fixed interest rate only until June 2025.

A less stable America would cause pain at home because of higher interest rates, more uncertainty and an arbitrary redistribution from creditors to debtors. But the costs would also be felt globally. The dollar is the world's reserve currency. Through it America provides a unique service: a supply of plentiful assets backed by a vast economy, the rule of law, deep capital markets and an open capital account. No other asset can perform this role today. Even if the dollar attracted a risk premium to compensate for the danger of inflation, the world would probably have to keep using it.

A world whose reserve currency was being debased, however, would be a poorer one. Capital would be more expensive everywhere; the global financial system would be less efficient; and investors would be on a constant search for a viable alternative to the greenback, with the threat of a chaotic transition if one ever emerged. America's fiscal mess is home-made. But make no mistake: it is the whole world's problem. ■

South Africa

The disillusionment of the Rainbow nation

After three decades of democracy, South Africans are fed up. But they are blaming the wrong cause

ALMOST 30 YEARS ago, on May 10th 1994, Nelson Mandela was inaugurated as South Africa's first black president. A fortnight earlier he and millions of other black South Africans had voted for the first time in their lives. Internationally, the joyous scenes were seen as further proof, following the fall of the Soviet Union, that the world was moving in a democratic direction after a dark 20th century.

As South Africa prepares for its seventh multiracial general election on May 29th, it can be proud. That vote will be free and fair. The liberal institutions established under Mandela are bulwarks against abuses of power. Millions of black South Africans have marched from apartheid into the middle class.

Yet after three decades of freedom, most South Africans say they are dissatisfied with democracy and would ditch elected governments if an autocrat could do a better job (see Middle East & Africa section). There is more socialising across racial boundaries, but the share of South Africans saying race relations have improved since 1994 has fallen sharply since 2010.

The reason is simple. After steady progress in the first 15 years, most South Africans—and therefore, since they are 81% of the population, most black citizens—no longer see their lives getting better. On average, incomes have stagnated since 2008, unemployment has risen from around 20% to more than 30%, and power and water cuts have become more frequent. Corruption has seeped into every layer of the state. Only 15% of 257 municipalities get clean audits from the relevant watchdog. It is hard to be thankful for democratic freedoms when you are jobless and living in your grandmother's house.

Understanding why South Africa's dream has clouded is crucial if Africa's largest economy is to find its way. Alas, a fatalistic explanation has taken root among academics, commentators and left-wing politicians. This view holds that the deal struck in the early 1990s to end apartheid was a sham: it won black people political rights, but not economic freedom. Mandela, in other words, was a sell-out who ushered in a "new apartheid" in which a black elite was co-opted by whites. ▸▸

There are many reasons why this is wrong. First, it gives too little credit to Mandela's courage and canniness. He was a skilful politician who stuck to his red lines, winning majority rule while avoiding civil war. Anyone who spends 27 years in prison for his cause is an unusual sort of sell-out.

It also ignores the good the African National Congress (ANC) did with its newly won power. Under Trevor Manuel, the finance minister from 1996 to 2009, sensible macroeconomic policies underpinned steady annual GDP growth averaging 3.3%, more than double the rate of the next 14 years. Using the proceeds, ANC-led governments replaced millions of shacks and mud huts with decent homes that have water and electric lights. Welfare benefits made poverty less grinding.

Another reason is that fatalism allows the ANC to shirk responsibility for its worst decisions. Corruption, glossed over by Mandela and Thabo Mbeki, his successor, exploded under Jacob Zuma, president from 2009 to 2018. Cadre deployment, whereby civil servants are appointed on the basis of fealty to the ANC, not merit, has eviscerated bureaucratic capacity. In another case of ideological folly, the ANC has increasingly pursued policies that focus on the redistribution of wealth in ways that actually hinder its creation. These include so-called "black economic empowerment" policies and boosting the bargaining power of unions. The ANC's own policies are the reason why South Africa is still a society where perhaps a quarter of people live well and the rest are desperately poor.

The danger over the next 30 years is that politics becomes ever more zero-sum. Populist parties are race-baiting and exploiting poverty. But there is also a resilience to South African politics, forged in the fight for liberty. Apartheid left a wariness of racially or tribally charged politics. The transition helped entrench consensus and pragmatism. Elections have brought some accountability: the ANC now has a majority in only two of the eight largest urban areas. Democracy may have been a disappointment so far. But, in 2024 as in 1994, it offers the potential for renewal. That is Mandela's enduring gift. ■

Currency markets

Let the yen fall

Japan's attempt to prop up its currency is expensive and futile

IT IS EASY for investors to lose a fortune in the financial markets—and even easier for governments. In 2022 Japan spent more than $60bn of its foreign-exchange reserves defending the yen, its first intervention to strengthen the currency since 1998, after the exchange rate fell to nearly ¥146 to the dollar. And for what? Today the yen is weaker still. Yet instead of learning that fighting the market is futile, policymakers are repeating the mistake. After falling to ¥160 to the dollar on April 29th, its lowest in 34 years, the currency twice moved sharply upwards in the subsequent days. It seems the government is buying again, to the tune of tens of billions of dollars.

The yen has been falling primarily because of simple economic logic. The gap in interest rates between Japan and America is yawning. Although the Bank of Japan raised rates in March, it did so by only a smidgen: they increased from between minus 0.1% and zero to between zero and 0.1%. Rates in booming America, by contrast, are more than five percentage points higher. Investors expect the gap to shrink a little over time, but not by much. As a result a ten-year Japanese government bond yields just 0.9%, compared with 4.6% for an American Treasury of the same maturity.

The gulf exists because of differences in the outlook for inflation. It is still unclear just how emphatically Japan has broken out of the low-inflation—and at times deflationary—trap in which it has been stuck since asset prices collapsed in the 1990s. Although headline annual inflation has been above the central bank's 2% target for nearly two years, there are signs that price rises have been slowing. Rightly, rate-setters at the Bank of Japan seem more concerned with hitting their inflation target than with using monetary policy to support the yen. All told, therefore, the country's interest-rate outlook is diverging from America's, where there are growing worries that inflation is not falling as it should and that the Federal Reserve will, as a result, not cut interest rates any time soon.

Given that Japan has an open capital account, an inevitable side-effect of its low relative interest rates is a weak currency. Higher rates abroad make profitable a "carry trade", whereby investors borrow in yen and invest in dollars; that weakens the yen and strengthens the greenback. In theory, the yen must depreciate until its cheapness—and hence the higher likelihood of a rebound in future—means this trade is no longer expected to yield profits. Currencies can overshoot the fundamentals, but it is difficult to tell when they have, and harder still to calibrate an appropriate response. The thresholds at which the Japanese government has chosen to intervene are arbitrary. It says that volatility in the currency has been excessive, but its opaque criteria for selling reserves may well have made that problem worse.

After the last intervention, economic logic was temporarily obscured by good luck. Towards the end of 2022 America's bond yields fell, allowing the yen to strengthen in the months that followed the intervention, before its slide resumed the next year. There is no guarantee that this pattern will be repeated. Instead, resisting the adjustment is likely to create opportunities for speculators, who will gladly treat the government as dumb money. After the apparent interventions, the exchange rate quickly began drifting back towards its previous level.

The Japanese government's urge to intervene is driven by a combination of political calculation and national pride. A cheaper yen makes imports, most notably of energy, more expensive, which is painful for voters. There is no doubting Japan's firepower: at last count it had almost $1.3trn of foreign-exchange reserves to run down. But it is a waste to spend them doing battle with currency traders who—thanks to the choices of Japan's own policymakers not to follow the Fed—have good reasons to be selling yen and buying dollars. ■

DIRECTOR,
United Nations University International Institute for Global Health (UNU-IIGH)
Kuala Lumpur, Malaysia

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An emotive issue

Arguments to justify assisted dying take "individual freedom" one step too far ("Assisted dying", April 13th). Suicide is a serious matter with an impact far beyond the person whose life is ended. Friends and caregivers experience remorse and guilt. Once legalised, assisted dying rapidly extends to those unable to defend themselves.

Regardless of how many restrictions are put in place, permission rapidly extends to non-terminal patients, because once a "right" to suicide is conceded, how can such a right be denied to others? In Canada more than 60,000 individuals have ended their life by assisted dying since legalisation in 2016. The rates are increasing, and are expected to account for 5% of all deaths by 2025. In some urban areas of the Netherlands 12-14% of deaths occur by that means. In Belgium annual rates continue to increase by 10-15% a year. At highest risk are people unable to afford or obtain necessary care as well as those with a mental illness. In Canada in 2022 alone, 2,264 individuals terminated their lives because of loneliness; 323 persons died unable to obtain palliative care and 196 disabled persons died with inadequate support.

We understand that those supporting assisted dying are motivated by sincere compassion, but it is misguided. Every terminally ill, suffering patient should invoke compassion, but suicide is not the answer. Rather, we must strive to improve end-of-life care and work to obtain the resources to relieve each individual person's pain.

DR EVE SLATER
Professor of clinical medicine
Vagelos College of Physicians and Surgeons
Columbia University
New York

Given your premise that the case for assisted dying involves a basic human right, any restrictions on this right are random and arbitrary. Assisted dying should be available to anyone who chooses, no matter what their life circumstances or the reasons for their choice. Unless you are prepared to accept the dystopian conclusion of your own premise then the argument for assisted dying, if any, must begin at a different starting point.

ERIK WILSON
Beverley, East Yorkshire

Our father went through the Medical Assistance in Dying process in June 2022, three weeks after he was diagnosed with terminal cancer. It gave our father agency over his own death and allowed him to die with dignity and without fear of extreme discomfort and pain in his last days and weeks. It also gave him peace of mind. He died well and the last thing he heard was how much my sister and I loved him.

IAN BIRD
Vienna

Protecting fishermen

Your article about China's fishing fleet causing havoc off Africa's coasts chimes with the stark reality that we have come across at Stella Maris, an international maritime charity ("Slavery at sea", April 13th). Many of the exploited fishermen in situations such as those you mentioned are sole breadwinners, simply trying to earn a living for themselves and to support their families. The financial strain and psychological trauma they suffer can be devastating and long-lasting.

We have intervened in many cases, including in Kenya and South Africa, where fishing crews have been mistreated. A large percentage of our crisis casework involves vessels registered in either China or Taiwan. Achieving satisfactory resolutions, if we can, for these crews can often take months or even years, navigating complex legal issues.

In Mombasa, Stella Maris stepped in to provide emergency support to 16 desperate fishermen who had been left in a perilous situation when their fishing vessel was abandoned by unscrupulous owners. Similarly in Cape Town, a group of fishermen had been physically abused, denied medical care, forced to wear torn protective clothing, deprived of sufficient food and water and not paid their wages. Our team stepped in to provide medicines and food. Thankfully, the outcomes in these two cases were positive. There remain many that are not.

TIM HILL
Chief executive officer
Stella Maris UK
London

Military service

With 425,000 troops, Turkey's armed forces are the second-largest contingent in NATO and the conscription system in Turkey could set an example to other countries that have a problem recruiting soldiers ("Raining on their parade", April 20th). Turkish males between the ages of 20 and 41 have to undertake six to 12 months of compulsory service in the armed forces. Two factors make this manageable.

First, non-commissioned officers and privates doing military service are not deployed to counter-terrorism operations or conflict zones unless "gravely required". Second, after a month of service, conscripts have the option to pay 182,000 lira ($5,600) to opt out of the rest of their stint. This is known as "paid military service."

GOKERCAN GOKER
Washington, DC

Isolating our children

"Time for a digital detox?" (April 20th) is the latest in a long line of articles on children who overuse smartphones and social media. What surprises me is that none of these commentators join the dots between young people's attachment to their devices and the annihilation of their recreational activities.

There used to be free music lessons, youth clubs, art classes, football and cricket pitches. Where are they now? Abandoned, abolished, cut because of austerity. When recreational amenities are taken away what do children do? Go on their screens. In Camden, a London borough, it now costs £99 an hour ($123) to knock a ball about on a "public" pitch. Nobody, young, old or adolescent, finds it easy to strike up a conversation with a stranger in a bare room. But sitting next to each other in a life-drawing class, mixing tracks together in a studio, changing after a sports game, that's where conversations begin. Where these facilities are offered and free, they are seized on.

Isn't it time to consider something radical, like asking big tech companies to pay some tax that might then be deployed to bring back joy, leisure and friendship to a miserable and anxious generation?

SHEILA HAYMAN
Advisory board
Minderoo Centre for Technology and Democracy
Cambridge, Cambridgeshire

A ranked outsider

No article on Robert F. Kennedy junior (*1843*, April 10th) is complete without mentioning that if ranked-choice voting were to be used in American presidential elections it would put an end to any concern that RFK might hand the election to Donald Trump. Mr Kennedy's voters could mark a second choice of Joe Biden or Mr Trump, and then RFK would have no effect whatsoever on the election outcome.

JESSE STONE
Boulder Creek, California

For we of the mushy middle, it is hard not to be enthralled by your masterful exposé of RFK junior, who "doesn't care if he condemns America to Trump". What's not to like about a candidate who is neither a malevolent gangster nor a neoprene sock puppet? The man is colourful, unfiltered, authentic, weird and engaging. A man of the 1970s, like me? A wave of nausea invades my soul at either alternative. RFK, I'm listening, man!

DAVID ABRAHAMSON
Warrenton, Virginia

Briefing America's alarming finances

Budgetary blindness

WASHINGTON, DC

America's fiscal outlook is disastrous, yet all but forgotten on the campaign trail

IT WAS NOT so long ago that the hottest topic in American politics was the ballooning national debt. In 1992 Ross Perot had the best showing for a third-party candidate in a presidential election since 1912 on a platform of fiscal probity. Two years later the Republicans seized control of Congress for the first time in 40 years, with the first item in their "Contract with America" being a pledge to balance the budget. Bill Clinton easily won re-election two years after that, in part by negotiating spending cuts with Republicans that led to America's first surpluses in a generation.

At the start of this fiscal hullabaloo, in 1992, America's net debt amounted to 46% of GDP. Today it has reached 96% of GDP. For the past five years, under first Donald Trump and then Joe Biden, the federal deficit has averaged 9% of GDP a year. The International Monetary Fund says that America's borrowing is so vast it is endangering global financial stability. S&P and Fitch, two credit-rating agencies, have already downgraded America's debt; a third, Moody's, is threatening to.

Misgivings mislaid

Yet concern about deficits and debt has all but vanished from American politics. Voters seem relaxed about the subject, which barely registers in pollsters' tallies of the biggest problems facing the country. Although Messrs Biden and Trump both tut-tut about the dire fiscal outlook from time to time, neither has made improving it a centrepiece of his campaign. On the contrary, both would in all likelihood add to America's debts, by spending more in Mr Biden's case and by taxing less in Mr Trump's. Neither candidate dares breathe a word about trimming spending on health care and pensions for the elderly, which account for the biggest share of the federal budget and are set to grow still bigger as the population ages. Yet a fiscal reckoning is coming, whether the candidates admit it or not—and given the politicians' denial, it may take an unexpected form.

In theory, the two parties could again co-operate to shrink the deficit, as they did in the 1990s. But in those days public opinion was driving politicians to focus on fiscal matters. The deficit regularly ranked among voters' biggest concerns in opinion polls—the opposite of today.

What is more, circumstance made fiscal discipline easier in the 1990s. Productivity was rising, thanks to the spread of computers and the advent of the internet. Higher growth, in turn, lifted federal revenues. At the same time the government reaped a peace dividend from the end of the Cold War, allowing it to slash defence spending, a relatively painless form of belt-tightening. Nowadays, in contrast, increasing competition with China and Russia may necessitate higher defence spending, not lower. Cutting greenhouse-gas emissions and catering to an ageing population will also strain the budget.

Perhaps worst of all, both parties have concluded that fiscal rectitude does not pay. Mr Clinton's predecessor, George H.W. Bush, initiated the deficit-cutting of the 1990s by raising taxes, only to be excoriated by the Republican base and lose his re-election bid. Democrats reluctantly accepted the spending cuts of the 1990s, only to see Mr Clinton's successor and Mr Bush's son, George W. Bush, fritter away the resulting surplus with a big tax cut.

Since then both parties have embraced profligacy. The younger Mr Bush's tax cuts were largely extended by his successor, Barack Obama, and taken further by Mr Trump. At about 33% of GDP, government revenue is much lower in America than in almost every other rich country. At the same time expenditures have soared, owing both to demographic change and to economic disruptions (the federal government spent lavishly to mitigate the effects of the global financial crisis of 2007-09 and the covid-19 pandemic). "We used to have a healthy fear of debt, and we've lost that," says Keith Hall, a former head of the Congressional Budget Office (CBO), a non-partisan fiscal scorekeeper.

As inhibitions have melted away, America's fiscal laxity has grown ever more extreme. The 9% average deficit of the past five years is four times bigger than the annual average since the second world war (see chart 1). It is also nearly twice the average for other advanced economies. This extravagance has undoubtedly contributed to the economy's relative strength today. Democrats are unapologetic about this, especially in the wake of the covid downturn. "We learned from previous recessions that there's a major cost to the American people in going too small. This time we didn't do that," says Bobby Kogan, who worked on the budget in the Biden administration.

The frenetic expansion of America's debts is now being reinforced by rising interest rates. In the two decades before covid, interest payments accounted for about a third of the federal deficit every year. Over the next two decades, the CBO reckons, interest will make up two-thirds of the deficit every year. "Every bit of higher interest rates matters a lot more when debt is about 100% of GDP. So this is a much larger risk now than it used to be," says Doug Elmendorf, another former director of the CBO.

Putting all this together, the CBO forecasts that America's debt-to-GDP ratio will rise from the current 96% to about 166% over the next 30 years (see chart 2). As alarming as that sounds, it is hard to judge when a crisis will strike. Japan's net debt is about 155% of GDP, yet it has no trouble issuing new bonds. America may have extra latitude given the dollar's role as the preeminent global currency, which ensures a healthy foreign appetite for its debt.

Yet Japan has only stayed on top of its obligations thanks to extremely low interest rates. As a share of GDP America's public interest costs are already roughly double Japan's. By the end of the decade the only European country with a higher debt-to-GDP ratio is likely to be Italy. And America's public finances are fraying quickly: to stabilise its debt-to-GDP ratio by 2029, the IMF reckons that it needs to trim its primary deficit (ie, before interest payments) by about 4% of GDP—more than any other big wealthy economy. Bond markets have started to get skittish. Yields surged last autumn when the Treasury announced bigger-than-expected borrowing plans, an event that may become more frequent given rising deficit projections.

Mark Dowding of BlueBay, an asset manager, describes it as a faultline under the American economy. The risks are evident but it is impossible to predict when the problem will strike. "Sooner or later, a big earthquake is going to become overdue," he says. Mr Hall recalls the difficulty of conveying this point to congressional leaders when he led the CBO. "They would ask, 'Well, if it is unsustainable, when will it blow up?' And of course the answer is, we don't know," he says. "But we are counting on investors being willing to continually buy government debt. We're just waiting until the crisis comes."

$3trn question

The campaigning may hinge on Mr Trump's character and Mr Biden's stamina, but the presidential election will also mark a fiscal watershed. At the end of 2025 many of the personal income-tax cuts that Mr Trump initiated in 2017 are set to expire. Leaving them all in place would cost about $3trn over the next decade. Even by the spendthrift standards of Washington, that is a huge amount—about double federal spending on transport.

In contrast, simply letting the tax cuts expire would shave about a percentage point off the annual deficit, a big improvement to America's fiscal trajectory. But a sudden increase in taxes would be wildly unpopular and would presumably cause the economy to slow. No president would want to preside over such a shock, for fear of a popular backlash. So the question is not so much whether the next administration will extend the tax cuts but rather, will it preserve them in their entirety and what else will it do on the fiscal front?

Mr Trump, unsurprisingly, has vowed to make all of his tax cuts permanent. He would also like to go further: he is reportedly weighing more cuts to corporate taxes. Mr Biden has described Mr Trump's original tax cuts as reckless but his plan would nonetheless maintain them for people making less than $400,000 a year, at two-thirds of the original cost.

Both candidates pay lip-service to fiscal rectitude. Mr Trump talks of paying down the debt by bringing in more revenue from oil drilling—a preposterous idea, given that the federal government only derives a minuscule portion of its revenue from oil. He also wants to raise one sort of tax: tariffs on trade. Mr Trump's proposal of a 10% universal tariff would bring in about $300bn a year, or 1% of GDP (largely paid for by American consumers, who would see the price of imported goods rise). But these receipts would be eaten up by the extension of the 2017 tax cuts, plus any new cuts. The net effect would be a slightly higher deficit, according to Goldman Sachs, a bank.

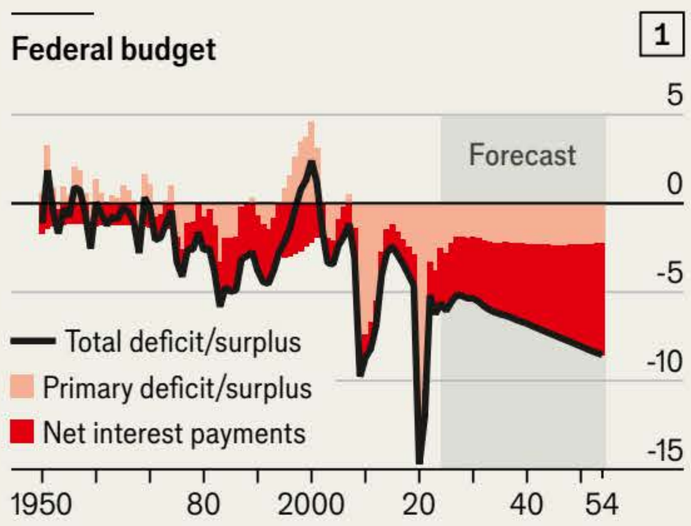
Mr Biden's fiscal ideas are more credible. As well as lowering drug costs and giving the Internal Revenue Service more funding to chase tax cheats, he has proposed a bevy of taxes on the rich and powerful, including higher corporate taxes. But even if Democrats managed an improbable sweep of Congress and so could impose new taxes, it is unlikely that Mr Biden would use all the resulting income to trim the deficit. "There will be lots of pressure on him to use new revenues for new spending programmes," says Maya MacGuineas of the Committee for a Responsible Federal Budget, a non-profit group. Mr Biden has promised, among other things, to restore a generous tax credit for families with young children, to fund child care and to forgive student debt.

In all likelihood America will end up with divided government. At one time that might have been a recipe for fiscal restraint, with Democrats' spending plans scaled back and Republicans' tax cuts thwarted. But restraint is relative these days: after all, the past two years of divided government have brought gaping deficits. Neither party is willing to cut Social Security (the state pension) and Medicare (government-funded health care for the elderly), which together will hoover up some 60% of all federal spending excluding interest payments by the end of the decade. "Politicians have pledged not to touch them because that's good politics in an election year. And it will still be good politics in 2025 and 2026," says Mr Elmendorf.

The biggest unknown is Mr Trump. It is his broader agenda, rather than his fiscal policies, that is most concerning. If his tariffs drive up the cost of imports, they will fuel inflation. A crackdown on immigration would impede the growth in the labour force that has been boosting the ▸▸

Borrow in haste, service at leisure

United States, % of GDP



Sources: Congressional Budget Office; Office of Management and Budget; Federal Reserve

economy of late. "If you went into a lab and wanted to construct a policy backdrop to increase the probability of higher structural inflation, it would be exactly what Trump is proposing," says Michael Medeiros of Wellington, an asset manager.

Then there are the ideas bandied about by Mr Trump's advisers. Robert Lighthizer, seen as a candidate for a big economic post in a Trump administration, has flirted with devaluing the dollar as a lever for reducing America's trade deficits. Mr Trump's allies have also drawn up proposals—reported by the *Wall Street Journal*—to curtail the Federal Reserve's independence, perhaps requiring the central bank to consult with the president before making decisions about interest rates.

Whether Mr Trump supports these ideas is unknown; he may not have made up his mind. Any efforts to engineer a weak dollar or to check the Fed's hard-earned independence would raise alarm bells in global markets, making America look like a banana republic. That could set off a vicious cycle: investors may start to demand higher returns on American bonds, which would drive up the government's interest bill and, in turn, aggravate its debt woes.

Even without such spurs, America may have already embarked on a milder version of this cycle. The IMF reckons that loose fiscal policy has become a bigger contributor to its stubbornly high inflation than other factors affecting demand and supply. And inflation is, of course, the reason why the Fed has maintained elevated interest rates, thereby raising the government's financing costs. Back in January markets expected about 1.5 percentage points in rate cuts this year. If those were to materialise, the Treasury would end up paying about $1.2trn in interest during 2024, according to analysts at the Bank of America. If, however, the Fed holds rates at their current level, as many investors now anticipate, the Treasury's interest payments will instead reach $1.6trn. The difference—$400bn—adds more than a percentage point to the federal deficit.

Continuing down this path would land America in an uncomfortable new environment. With real interest rates settling at a higher level than in the pre-covid decade, companies and individuals would face higher financing costs, dragging down investment and, eventually, productivity. The government would devote most of its budget to paying interest and supporting retirees, squeezing the funds available for roads, schools, scientific research and more. Amid disappointing growth, the country's debt dynamics would worsen. This would not be an imminent crisis, but it would chip away at the economy's momentum. Having outpaced all other big wealthy countries for decades, America might instead lag.

How might it all end? A sovereign default is impossible because all America's debts are denominated in dollars, and the government can always create money to pay them off. Still, there are other extreme scenarios. One is "fiscal dominance", when a central bank is forced to print money to finance a deficit, driving inflation so high it erodes the value of ordinary people's savings. This would be a disguised form of taxation, in effect. Mercifully, it remains an unlikely prospect in America. After all, the Fed has jacked up rates, despite the grim fiscal picture.

Another possibility is "financial repression", when people are forced to lend to the government to hold down its borrowing costs. Again, that sounds far-fetched in a country like America. But Sonal Desai of Franklin Templeton, an asset manager, reckons that some current arrangements are a step in this direction. Notably, to meet liquidity rules, banks must hold lots of Treasuries. The intention is to safeguard banks against runs, but a side-effect is to create a large, captive pool of buyers for American government debt. "The bottom line is that there is an element of financial repression," she says.

A more optimistic scenario is that America reins in its debt before it is too late. Perhaps, as in the 1990s, it may benefit from higher growth brought on by rising productivity, this time owing to the spread of artificial intelligence. Regrettably, it seems more likely that a crisis will be needed to bring the country to its fiscal senses. This could come in many forms. One is the ticking clock of Social Security and Medicare. The trust funds that provide a big chunk of their funding will run out of cash in the early 2030s. This, in theory, would force the government to slash benefits to retirees, an outcome so terrifying to politicians that they may at last try to find better ways to make the two schemes affordable.

Rolling, rolling, rolling

Another crunch could stem from America's gargantuan borrowing needs. In 2024 alone it must roll over about a third of its existing debt and also finance its growing deficit. To do so, the government needs to find buyers for about $10trn of bonds this year, according to Torsten Slok of Apollo, a fund manager. The scale of borrowing will increase with each passing year.

As the scale of Treasury auctions grows ever more daunting, the chance of turbulence rises. As happened last autumn, demand may fall short unless the government offers higher yields. That would send tremors through markets. Paul Winfree, a budget adviser in Mr Trump's White House, thinks it might take such a disturbance to shake Washington out of its slumber. "The Treasury would come to Congress and say, 'You need to send out a credible signal to markets that you are committed to doing something on the deficit,'" says Mr Winfree. "And then they would act."

Matt Eagan of Loomis Sayles, an investment manager, thinks of it as the return of what political types used to call "bond vigilantes": twitchy markets that force fiscal prudence on politicians. "Five years ago, I would have said there is a low probability. Today, you have to say that there is a possibility," he says. If the vigilantes do strike, the damage will depend on the economic context. The government has put America in a dangerous spot by running such a high deficit over the past couple of years, even though employment has been strong. Were a bond auction to stumble as the economy is slowing, it might have to do the reverse: impose austerity even though the job market is weakening. "Where you would normally use easier fiscal policy, you may actually be forced in the other direction," says Mr Dowding.

There is no way of knowing if or when any of this will come to pass. But the likelihood of such harrowing scenarios is growing. For the past decade America's politicians have got away with ignoring budgetary constraints and would like to continue. But fiscal arithmetic and jittery investors will eventually put a halt to the party. ■

Asia

Asian demography (1)

Young and conservative

PATNA

Even disillusioned young Indian voters favour Narendra Modi

INDIA IS A young country: around two-fifths of its 1.4bn people are under the age of 25. That makes them an important constituency in the general election, which will end on June 4th. Getting their vote is not straightforward. Just before the election, data released by the election commission showed that less than 40% of eligible first-time voters were registered to vote. Some youngsters are disappointed with what they perceive to be a lack of economic progress since the last general election, in 2019. "I am voting for NOTA," shrugs Jitender Kumar, a 24-year-old from Katihar, a small city in the eastern state of Bihar. NOTA stands for "none of the above".

Mr Kumar's complaints are echoed by other young Indians elsewhere. Unemployment and the rising cost of living were the main concerns voters cited in a survey conducted by the Centre for the Study of Developing Societies (CSDS), a think-tank in Delhi, in the run-up to the election. "We are told we can all be entrepreneurs...but actually there are no routes to success," says Isha, a 26-year-old radio producer in Patna, Bihar's capital. In the CSDS survey, 62% of respondents said it had become harder to get a job over the past five years.

A survey of people between 18 and 35 published in February by the Centre for Policy Research (CPR), a think-tank, and *Mint*, a financial newspaper, found that 57% of respondents did not believe that employment prospects would improve over the next five years. Although the unemployment rate has improved slightly in recent years, it is still strikingly high for educated young Indians: 41% of graduates under the age of 25 are unemployed, compared with 8% of those who had primary or lower-secondary education (see chart on next page). This partly reflects the fact that better-educated youngsters are more likely to have family support that allows them to keep looking for jobs. But it also suggests that there are not enough jobs that match their qualifications.

Despite this, few young Indians appear to blame many of their problems on Narendra Modi, the prime minister, and his Bharatiya Janata Party (BJP). Mr Modi has governed India for the past decade and is expected to continue to do so for another five years. Youngsters are only slightly less likely than older people to approve of Mr Modi's government: fully 44% of the youngest respondents (born after 1996) identified with the BJP in the CPR survey, compared with 48% of those born after 1980 and 52% of those born before 1980.

Why is Mr Modi so popular among the seemingly disillusioned young? In part, their preference for the BJP reflects the party's general success. It has used its deep pockets and organisation to ensure that people around the country associate improvements in living standards with Mr Modi's time in charge. It presents any government programme, whether the distribution of free grain, which 800m people benefit from, or the building of new roads and the installation of electricity and water connections, as a gift dispensed by the prime minister himself (see Banyan). Adverts for government handouts carry his picture; the party's manifesto comes in the ▸▸

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form of 24 "Modi's guarantees". "We are struggling, but all the good things my family has—cooking gas, bank accounts, electricity—we owe to Mr Modi," says Siyaram, a 23-year-old who runs a food cart in Patna.

The BJP is also good at social media, where most young people consume news, says Prateek Waghre of the Internet Freedom Foundation, an advocacy group in Delhi. Mr Modi directly communicates with nearly 100m followers on X (formerly Twitter). The prime minister has almost 90m followers on Instagram, which has between 360m and 500m active users in India, most of them younger than 35. He sweet-talks Indians on his monthly radio show, short clips of which make it onto WhatsApp and Instagram. The BJP was also early to build relationships with influencers on Instagram and YouTube. By contrast, Congress, the main opposition party, has only belatedly started targeting young people through social media.

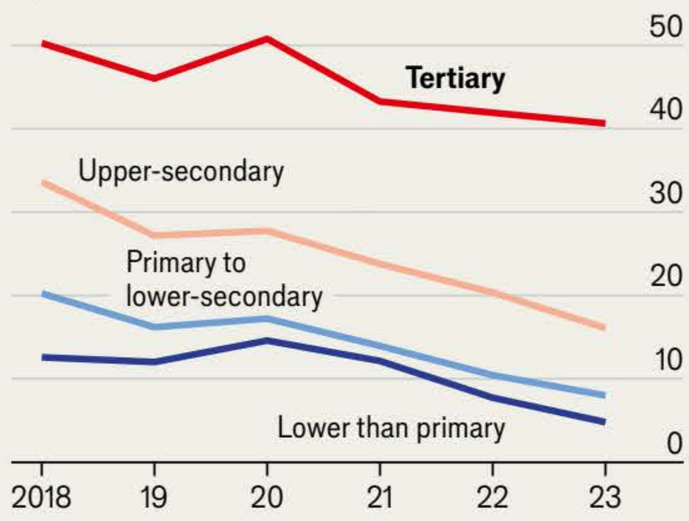
Many young people also think Mr Modi's government has raised the profile of the country. A study published earlier this year by the Observer Research Foundation, a think-tank in Delhi, found that 83% of urban Indians between 18 and 35 approved of the country's foreign policy. As many again saw the country's G20 presidency, a rotational position touted by the government as Mr Modi's personal achievement, as an effective way of tackling India's interests abroad. Certain development policies also find near-universal approval. Though some young people may not think that the government has improved their own circumstances, they still appear to think Mr Modi has done some good for the country.

Some of their problems also predate the BJP. Job growth has been poor: despite economic growth averaging 6.4% each year over the past 30 years, the number of jobs grew by only 1.6% a year between 2000 and 2012 and not at all between 2012 and 2019. Young people are particularly affected. They have become better educated over the past two decades, yet their employment situation has deteriorated over the same period. Labour-force participation has fallen and unemployment has risen among people under the age of 30. The BJP's manifesto vows to create more jobs by investing in infrastructure and by promoting manufacturing and entrepreneurship. But the plans are thin on detail.

This lack of progress may eventually come back to bite Mr Modi. So far, protests against the dire employment situation have been sporadic, most notably in response to an army reform that reduced benefits for new recruits. Yet turnout in the first two phases of the election has been lower than in 2019, perhaps suggesting waning enthusiasm for Mr Modi. For now, young people seem willing to give his government the benefit of the doubt. Unless he delivers on jobs this time around, they may not do so again. ■

Where are all the jobs?

India, youth unemployment rate*, %
By education level



Source: ILO *15- to 24-year-olds

Rice in Asia

No to GMO

SINGAPORE

The Philippines bans some genetically modified foods

GREENPEACE DESCRIBED it as a "monumental win". Lauro Diego, a rice-farmer in the Philippines, sees it as a "triumph" against "genetic erosion". But advocates of genetically modified (GM) foods say the decision could be disastrous for poor Filipinos. In April environmentalists convinced a court in the Philippines to ban golden rice, a GM food that had been approved for cultivation in 2021. Green groups claimed it could contaminate other crops. Their success could scupper a golden opportunity to feed the Philippines—and possibly Asia.

Most Asians eat white rice, which is not very nutritious. Partly as a result, around a sixth of Filipino children do not get enough vitamin A. This deficiency can contribute to blindness or premature death. One solution is to engineer the rice to include beta-carotene, a chemical precursor of vitamin A that turns kernels gold.

No serious scientific evidence suggests that golden rice, or any GM foodstuff, harms human health. America, Australia and New Zealand have ruled it safe. The golden-rice project is not run by greedy corporations—a common fear of anti-GM activists. It is managed by the Philippine government and the International Rice Research Institute (IRRI), an organisation based in the country. Some farmers were meant to receive free seeds. The first harvests, in 2022, produced more than 100 tonnes of rice, which mostly went to children at risk of vitamin-A deficiency. (This is still a tiny share of the 20m tonnes of rice cultivated in the country that year.)

Across Asia, GM crops for human consumption are not commonly grown. The Philippine ban, which also blocks cultivation of a GM aubergine, could set a precedent. Bangladesh, where a fifth of children are vitamin-A deficient, has been mulling whether to approve golden rice. Arif Hossain, a Bangladeshi biotech advocate, fears it will now be blocked. (Since 2013 farmers there have cultivated the aubergine banned in the Philippines. It is engineered to repel insects, and has improved yields while cutting insecticide use.)

Elsewhere in Asia governments are hesitant to upset farmers, often a powerful voting bloc. Indian farmers rail against GM foods; only GM cotton is grown in the country. Mr Diego says "farmers are not always included" in decisions on crops. He is part of MASIPAG, a group in the Philippines that promotes "food sovereignty" and agriculture "led by farmers". It argues that Filipinos can get more vitamin A by eating other foods, such as squash, than golden rice. Greenpeace says advocates have yet to show concrete evidence that GM crops would be in the best interests of Filipinos.

The Philippine government says the golden-rice ban will have "significant" implications for food security. For every year that golden-rice cultivation is delayed, thousands in Asia will die, says Matin Qaim, a researcher from the University of Bonn who sits on the Golden Rice Humanitarian Board, a pro-GM group.

Some 60% of the world's people live in Asia. Food demand is rising as populations grow. Climate change is damaging harvests. GM crops, which in principle better resist droughts, heat and floods brought on by a warming planet, may save lives. ■

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Asian demography (2)

Pensions and penury

SEOUL AND TOKYO

Japan and South Korea are struggling with old-age poverty

AT A SOUP kitchen in Dongdaemun, a district of Seoul synonymous with the capital's fashionistas, Kim Mi-kyung is busy preparing for the lunch rush. Ms Kim explains that the kitchen serves around 500 people a day, most of them elderly. "They can't work, they can't ask for money from their children and they can't eat," she says. "So they come here."

South Korea has the second-highest rate of income poverty among the elderly in the OECD, a club of mostly rich countries (the highest is tiny Estonia). Nearly 40% of South Koreans over 65 live below the OECD's poverty line, set at half the national median income. In Japan that rate is 20%. The OECD average is 14%. South Korea's and Japan's abundance of old people and lack of young ones, combined with changing labour markets and inflexible pension systems, mean the problem is likely to worsen. Other rich countries will soon face similar issues. East Asia provides an example of what works—and what doesn't.

A South Korean on the OECD's poverty line earns almost $22,000. That is still more than an average salary in Mexico. And this does not take into account asset wealth such as property. Still, in South Korea 63% of income-poor seniors have few assets. And Japan's and South Korea's pension systems are flawed.

Japan's system dates from 1961 and has long offered wide coverage. South Korea's was introduced in 1988, and only reached nearly universal coverage in 1999. Japan has a two-tiered pension system. The first is a basic tier, available to all, with flat-rate payments and a final payout proportional to years of contribution. The second is for those in full-time employment. Workers' contributions, based on their earnings, are matched by their employer. The South Korean system is similar, with all but the top-earning 30% entitled to the basic old-age pension. In 2022 it amounted to 307,500 won ($220) per month. Workers in good jobs often have private pensions, too.

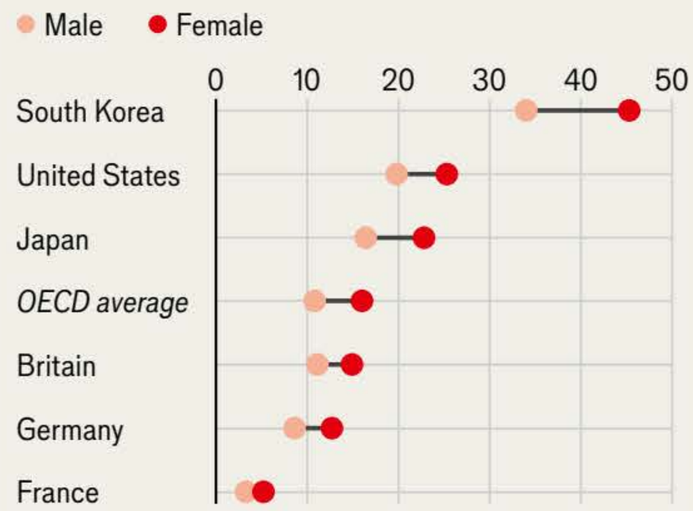
Those who enjoyed a long career of regular work retire with a relatively decent pay packet. But basic pensions on their own are rather stingy. In Japan a full 40 years' worth of contributions garners a pension of around 65,000 yen per month ($410). And freelancers are less likely to make consistent contributions to their pension, or even to be enrolled. One estimate suggests that the top 10% of South Korean earners born in 1970 will retire with almost 34 years' worth of contributions, while the bottom 10% will have only 19.

A second problem is that both counties do terribly on gender equality. Women earn less and are more likely to be in precarious employment. This means that older women are especially likely to be poor (see chart). Japan's pension system was designed for a traditional family model headed by a salaryman and a stay-at-home mother. So-called dependent spouses are exempted from making contributions if they earn less than 1.3m yen. Even so, they receive the basic pension, so married couples receive a larger pension than an individual worker. Divorcees are hit hard.

Rising life-expectancies have led to longer working lives. Some 49% of South Koreans aged 65 to 69 are still working, second only in the OECD to Japan's 50%. Working life for older people in Japan is not perfect, but much thought has gone into making their jobs useful and rewarding. Nearly 40% of Japanese companies keep employees on beyond 70, and each municipality runs a "Silver Work" centre where older people can find jobs. Miyata Toyotsugu, a 77-year-old widower, has worked at a bicycle park in the east of Tokyo for 12 years. "Without my job," he says, "I will lose all my ties."

The gender penalty

Old-age population living in poverty*, 2020†, %



*Aged over 65 living on less than 50% of median national income †Or latest available

Source: OECD

Silver surfers

South Korea's approach is more haphazard, and old people often find themselves in low-paid, unappealing work. This is worsened by a culture of putting pressure on people to retire from their main career early, so that companies can save on pension contributions and benefits by paying a one-off lump sum. Only 25% of South Korean workers aged between 55 and 59 in 2020 had the same employer as they had five years earlier, compared with 52% on average in the OECD. The *pyejijupnun halmeoni*, or cardboard-collecting grandmas, are a ubiquitous symbol of this precarity, dragging carts overloaded with used boxes to sell for a pittance. Lee Young-ja, now 78 years old, has been at it for ten years. Rent and hospital bills eat through her meagre earnings and what she gets from the state.

Old-age poverty will only get worse. Japan is the world's oldest society; 30% of the population is over the age of 65. South Korea has half that share. But it is rapidly catching up. In 1960 South Korea's fertility rate was six births per woman. Now it has fallen to 0.78, the world's lowest. Japan is more fecund, at 1.3, but still far below the replacement rate, at which the population ▸▸

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This worsening ratio of workers to pensioners is putting strain on systems. South Korea's pension fund grew to be the world's third largest, worth over 1,000trn won ($730bn), because few qualified for a full pension until now. As the baby-boomers retire with a full working life's worth of contributions, and too few workers pay in, that nest-egg will quickly vanish. The government estimates that the fund will stop growing by 2040. By 2055, it will be empty.

Some simple tweaks would help. South Korea is raising its retirement age from 62 to 65, and Japanese companies are now encouraged to keep workers employed until 70. South Koreans pay only 4.5% of their income into their pensions, which is matched by their employers. The OECD average is more than double that. And both countries could eliminate regressive features of their systems. Japan's pension scheme increasingly relies on consumption taxes rather than income tax, which would raise more from higher earners. Tackling low fertility rates would also help. But mass immigration, a simple solution to the shortage of young people, remains taboo in both countries.

Politicians must figure out how to convince people that working life is not a race to retirement but an invigorating climb followed by a gentle descent. Japan and South Korea, both famed for their love of hiking, have already begun that transition, with mixed success. ■

BANYAN

Change the subject

Meet the maharajas of the world's biggest democracy

WALK INTO the office of a senior government official anywhere in India and you will find the same scene. Behind a large desk sits the man (or, occasionally, the woman) in charge. Arrayed in front of him are neat rows of chairs. And on those chairs sit supplicants patiently awaiting their turn to petition for justice, relief or favours. Many more clamour outside. Periodically the official rings a bell, signalling to a peon to usher in the next hopeful.

From the offices of district magistrates in remote backwaters to those of the bureaucratic elite in the national capital, and from provincial municipal commissioners to senior tax inspectors, the physical manifestation of the Indian state can often remind visitors of a plastic-chair-cluttered reconstruction of a noble court. That is because Indians are not governed. They are ruled.

Indian officials, laments a senior bureaucrat from behind his desk as Banyan perches on one of 16 chairs, still possess a "feudal mindset" inherited from Mughal administrators and British officers. The bureaucracy is not unique in this. Imperiousness pervades every branch of officialdom. The army retains the old British custom of assigning soldiers to work as *sahayaks*, or personal assistants, of senior officers. Young men who enlisted to serve their country instead find themselves serving drinks to colonels and their friends—as well as cooking, ironing, washing cars and walking dogs. Senior officers are granted official cars and palatial bungalows. So are top judges, police commissioners, and bosses of public-sector firms.

Even less exalted souls receive special entitlements. Some 25 types of officials are exempt from paying road tolls, including every member of parliament. Airports display a 32-point list of categories that can skip security screening, not forgetting the boss of one specific government think-tank. Private airport lounges are obliged to offer free access to hundreds of people, down to public-university vice-chancellors and members of obscure government bodies.

The results can be seen not just in the high-handed behaviour of officials towards citizens (try asserting your rights to an Indian policeman) but, worse still, in the delivery of public services and formulation of policy. One planner complains that public-transport decisions are made by people who have fancy cars and taxpayer-funded chauffeurs to drive them around. "Things will look very different if they start to experience life the way all the other people experience life," he says.

Narendra Modi, the prime minister, has tried to make the state more effective by curbing the discretion of bureaucrats. The delivery of welfare through cash transfers and the use of biometric IDs have helped. "In many ways the system today is more empowering of citizens than it was earlier," says Suyash Rai of Carnegie India, a think-tank in Delhi.

Yet the reforms have also allowed politicians to claim personal credit as benevolent monarchs. Mr Modi has spent the past decade rebranding welfare entitlements as coming directly from him, printing his face on everything from vaccination certificates to sacks of grain doled out to the poor. This proved so effective that chief ministers of many states have followed suit.

But hundreds of millions of Indians receive no welfare. For their benefit, infrastructure development too has recently been recast as munificence. In January, when Mr Modi inaugurated a temple in the northern town of Ayodhya, he came with the "gift" of a new airport and railway station. The same month the government boasted that "Mumbai gets [the] gift of India's longest bridge". In March Mr Modi presented to Jharkhand, a poor state, the "gift of development projects" worth $4.3m. Regional bosses are catching on. The chief minister of one eastern state, had a "new year gift for Odisha: a metro".

Mr Modi says that India has for too long been burdened by colonial baggage. Only under him is it finally achieving true independence "from the slavery mindset". In 2022 his government renamed Rajpath (Ruler's Way), a broad Delhi avenue lined with ministries, to Kartavyapath, or Way of Duty. Early in the prime minister's first term Race Course Road, which houses his official residence, was renamed Lok Kalyan Marg, or Public Welfare Road.

These are good signals. But much more than language needs to change before the state stops treating Indians as subjects and starts respecting their rights as citizens.

China

Government revenues

In need of a lift

HONG KONG

Will China's leaders use the "third plenum" to figure out how to collect more money?

CHAIRMAN MAO ZEDONG was a fan of meetings. "Whenever problems arise, call a meeting," he wrote in 1949. "Place problems on the table." Otherwise, he warned, they can drag on for years. A tableful of problems now beset China's economy, including deflation, debt distress and demographic decline. A property slump has eroded confidence and hurt the land sales that help finance local governments. China also faces growing opposition from trading partners, who are limiting what they sell and buy from a country they now count as a geopolitical rival.

In response, China's rulers have finally called a big meeting. On April 30th they announced that the party's central committee will hold its third plenary session in July, gathering together over 370 committee members and their understudies. The third plenum, one of seven full meetings held over a typical five-year term, is traditionally devoted to reform and the economy. The session in 1978 enshrined China's turn towards the market, making it one of the most consequential meetings in history. The most recent gathering in 2018 was also significant, for better or worse, paving the way for Xi Jinping, China's ruler, to serve indefinitely as president.

The meeting in July will be more than six months later than usual. The long delay stirred some speculation that China's rulers were divided about the country's direction. But the procrastination might also have indicated the opposite: that China's economic strategy is largely settled, leaving no urgent need for a plenum to resolve debates. Gabriel Wildau of Teneo, a consultancy, guesses the third plenum will be a "nothingburger", reiterating Mr Xi's ambition to refocus the economy on high-tech manufacturing.

But although the government's economic aims appear largely settled, what remains unclear is how it will pay for them. Even as the state has become more intrusive in recent years, government revenues have retreated (see chart 1 on next page). In yuan terms, revenue declined by 2.3% in the first quarter, compared with a year earlier, the third quarterly fall in a row. That is the longest spell of falling revenues in data going back to 1990. At another big economic meeting in December, the party said it should plan a new round of fiscal and tax reforms. A third plenum could give those reforms more momentum.

New sources of revenue are sorely needed. During China's property boom, its local governments relied on land sales to supplement their budgets. But sales fell in value by over 13% last year and may never revive. The problem is not confined to property. The money flowing into China's ▸▸

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Collecting less, borrowing more

*Including social-security contributions †Four-quarter moving total ‡Including government-guided funds and local-government financing vehicles
Sources: Ministry of Finance; National Bureau of Statistics; IMF; Gavekal Dragonomics; Wind

"general" budget (which excludes land sales and social-security contributions) exceeded 22% of GDP in 2015 but fell below 17% in the last four quarters. The erosion of China's revenue base was one reason why the outlook for its credit rating was cut by Fitch, a ratings agency, last month.

What explains this erosion? One answer is slowing growth and the government's efforts to revive it. China's previous prime minister, Li Keqiang, who served from 2013 to 2023, was something of a "small-government Keynesian" in his response to weak demand. Most Keynesians believe that economic downturns can be offset by bigger budget deficits. The rarer breed of small-government Keynesian prefers to increase the deficit by cutting taxes rather than raising spending. "China has led the way in slashing taxes and fees," Mr Li boasted in his annual speech to parliament in 2018. He made similar boasts in his next five speeches, too.

For now China can fill the gap between its spending ambitions and its diminished revenues by borrowing. Yields on its existing bonds are low. And in March it said it would issue new "ultra" long-term bonds in each of the next several years. By 2028, when another third plenum will fall due, China's broad government debt could exceed 140% of GDP, according to IMF projections (see chart 2). That would exceed the figure for America, a country China often chides for fiscal irresponsibility.

Over the long term, China's government will need other ways to mobilise resources. The third plenum in 2013 highlighted plans for a new property tax (a recurring levy on the value of people's homes). Political momentum for such a tax seemed to be building in 2021. But it dropped off the legislative agenda last year amid fears that it would worsen the property downturn. "The idea is now pretty clearly dead," argues Andrew Batson of Gavekal Dragonomics, a research firm.

The other obvious source of revenue is the income tax. In the G7 group of rich countries these taxes are a mainstay, contributing over 37% of tax revenues on average. In China they contribute only 8.5%. Most people pay nothing at all. According to Sebastian Beer and Daniel Garcia-Macia of the IMF, the bottom 70% of China's population escape any obligation thanks to a generous basic deduction. For higher earners, the rate rises steeply. But only a tiny fraction pay the top rate of 45%.

Instead of progressive income taxes, China relies on a regressive alternative. It requires employees and their employers to make hefty contributions to various social-insurance funds, including pensions. In many parts of the country, the combined contribution rate is even higher than the G7 average. But because contributions are capped, they fall less heavily on the highest paid. As a consequence, China's tax schedule looks less like a staircase, rising step by step with higher incomes, and more like the undulating Great Wall (see chart 3).

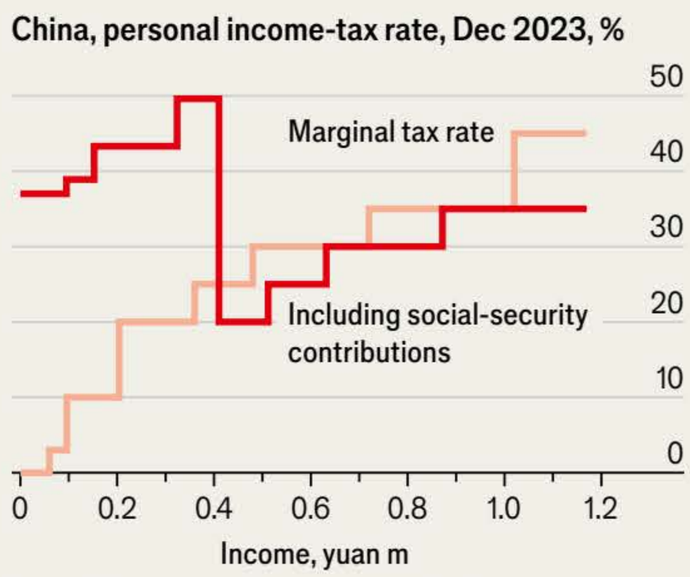
China's peculiar pattern of revenue-raising is not an accident. It reveals something about the character and limits of China's authoritarian regime. Modern states are defined by their power to tax. Their fiscal apparatus noses into every corner of the economy. But as states penetrate society, society tends to penetrate states, as Changdong Zhang of Peking University has put it. Taxpayers demand accountability and a say in how their money is used.

To avoid these social entanglements, China has remained a "half-tax state", according to some scholars. It relies not on taking money directly from people's pay cheques, but on land sales, contributions from companies and indirect taxation, such as value-added taxes. In this way it can disguise the fiscal burden it imposes. A smart king makes sure his "gifts are visible and his extractions are invisible", according to the "Guanzi", a Chinese philosophical text. The modern party has followed that ancient advice.

To extract more revenue, the IMF economists suggest that China gradually introduce a property tax and widen the reach of its carbon-emissions trading scheme. China could also increase the cap on social-security contributions, even as it lowers the contribution rate. More radically, the country could lower the basic deduction for income taxes from 60,000 yuan ($8,300) to 15,000. At that threshold, 80% of the population would pay something.

If China adopted these recommendations, it would move closer to becoming a full-tax state and making its extractions more visible. Such a transition would be fiscally prudent but politically risky. From the perspective of China's ageing, authoritarian regime, the challenge is to figure out how to take more money from people without giving them more voice in return. ■

A weird way to raise revenue



Source: "A revenue mobilisation strategy for China", by S. Beer and D. Garcia-Macia, IMF, February 2024

Militias

Stability starts in the workplace

BEIJING

Why Chinese companies are recruiting their own militias

EMPLOYEES OF THE Industrial and Commercial Bank of China (ICBC), a giant state-owned lender, typically wear suits. But some are now slipping into combat fatigues. On April 19th an ICBC branch in the western province of Qinghai said it had organised some of its staff into a part-time militia. As well as uniforms, they have training facilities, a "command centre" and a warehouse for storing military equipment. ICBC wants to "contribute its strength towards national defence", the manager of the branch told local media.

China has long used militias, known as People's Armed Forces Departments, to supplement the People's Liberation Army. During the rule of Mao Zedong, local governments recruited militiamen across China and gave them basic training and weapons. They were expected to help resist an invasion. But after Mao died in 1976, China started to worry less about such threats. The size of its militia forces shrunk from over 30m members to 8m in 2011, the last year for which there are official data.

Last year, though, China started promoting militias again. Army officers have ▸▸

been conducting surprise inspections of old militias retained by local governments to check that they are up to scratch. Officials have been encouraging companies to recruit new militias as well. Dozens of firms across China, both state-owned and private, have already done so. As well as banks, they include property developers, dairy producers and utility companies.

At first "companies were not very enthusiastic about forming militias", an official in Jiangxi province told local media. "They feared it would delay production and hurt revenues." So, he explained, the local government sweetened the deal by offering companies cheaper loans or better access to state investment funds. Now companies view militias as a "win-win" for both them and the government, he said.

Militiamen have a range of official duties. According to regulations, they should "serve in times of peace" by helping recruit for the regular army, aiding relief efforts after natural disasters and raising the public's awareness of national security. Some helped to impose China's covid-19 controls, according to local media reports. Others visit university campuses and give students a taste of military training. Militiamen are also supposed to be able to "fight in times of war". But with only limited training they would not be much help in a battle, says Neil Thomas of the Asia Society, a think-tank in America.

Internal threats, not external ones, are really driving the push to add militias, argues Mr Thomas. More trained men give the authorities "more capacity to manage social instability in an era of slowing growth", he says. China's economy is going through a rough patch. A property crisis has sapped the savings of millions of Chinese. Many young people are unemployed and disillusioned. China Labour Bulletin, an NGO in Hong Kong, counted nearly 1,800 protests by workers last year, more than double the number in 2022.

Militias can also help the government deal with disgruntled veterans by giving them something to do, says James Char, of the S. Rajaratnam School of International Studies in Singapore. Demobilised soldiers in China often feel that the government has let them down. Their protests tend to be well organised and attract public sympathy. So companies are being asked to "absorb" unemployed veterans by paying them to train their militiamen.

For many ordinary Chinese people, the government's renewed focus on militias is puzzling. "It's weird, is Xining unstable?" asked one online commentator, referring to ICBC's new militia and the city it is based in. "Aren't the police forces and private security companies enough?" asked another. Apparently not for the Communist Party, which has long believed that "stability is paramount". ■

Covid-19

Controlling science

SHANGHAI

The man who sequenced the covid genome is locked out of his lab

SINCE COVID-19 emerged over four years ago in the central city of Wuhan, the Communist Party has made life miserable for those seeking to study the disease and share their findings with the world. Take Zhang Yongzhen, a Chinese virologist whose team sequenced the genome of the virus that causes covid in early 2020. Days later he granted permission for a British scientist to publish the groundbreaking work. This allowed the world to design covid tests and begin developing vaccines. But to party officials, hell-bent on deflecting blame for their missteps in managing the outbreak, it was a betrayal. Dr Zhang's lab was investigated for wrongdoing.

Today China remains ill-prepared for a covid-like outbreak—and the party continues to torment scientists whose work might expose its shortcomings. In late April Dr Zhang was informed that his lab in Shanghai, which was examining the origins of covid, would be shut down. In a post on Weibo, a Chinese social-media platform, he said he had been barred by guards from entering the facility. So on April 28th he and some colleagues began a sit-in protest at the lab's doors. "I won't leave or quit," he wrote. "I am pursuing science and the truth!" Photos circulating online appear to show Dr Zhang sitting defiantly in a wicker chair or sleeping on the ground outside the lab, as guards watch over him in the background (pictured).

Dr Zhang is one of many Chinese scientists who have put their careers on the line by searching for answers about the nature of covid and its spread. After sequencing the genome, he warned Chinese officials about the severity of the disease. His lab was quickly ordered to close temporarily for "rectification". But it would be two weeks before the government confirmed that human-to-human transmission was taking place.

China's leaders have worked tirelessly to avoid blame for the pandemic. They have detained and punished whistleblowers, promoted a conspiracy theory that America was the source of the virus and blocked global efforts to study where it came from. At the same time, they claim to have delivered a timely warning to the world about the dangers of covid, while presenting China as a model of infectious-disease control.

The case of Dr Zhang belies such boasts. Shanghai's health authorities claim that his lab is being renovated and that his team has been offered another space. His original social-media post has been deleted. One on May 1st stated that he had reached an agreement to continue his work and that staff could freely, but temporarily, get access to the lab. His determination is admirable. But it seems unlikely that he or any other scientist operating in China will be allowed to discover and share new truths about the origins of covid.

CHAGUAN

China blames America for a world on fire

A global contest is under way to recruit like-minded countries as supporters

MOST COUNTRIES have no desire to choose between China and America. But it is becoming clear that they might have to. The contest between the two powers is going global. This is an age of political turmoil, economic angst and rising barriers to trade. In Beijing and Washington leaders see opportunities to blame rivals in the other capital for making the chaos worse.

For now, this contest often sounds surprisingly high-minded. Because so many countries fear a conflict between China and America, the two giants have cause to play the responsible, constructive great power. China's leader, Xi Jinping, duly adopted a gracious tone when he hosted America's secretary of state, Antony Blinken, in Beijing on April 26th. Earlier China's top diplomat, Wang Yi, had accused the Biden administration of trying to contain his country with "endless measures to suppress China's economy, trade, as well as science and technology". But Mr Xi wished to talk about the "bigger picture", namely that "the world today is undergoing transformation not seen in a century", and that "we live in an interdependent world and rise and fall together." He suggested that China and America should help one another and avoid "vicious competition". Amid the warm words, Mr Xi offered a rebuke, noting that China opposes alliances and American-led "small blocs". That is code that China uses when accusing America of endangering peace by maintaining defence alliances with Atlantic partners in NATO, and with its Indo-Pacific partners, Japan, the Philippines and South Korea.

Warm words should fool nobody. China's hostility to American-led alliances and blocs is an argument about power. It is also a challenge to the legitimacy of America's presence as a security guarantor in Europe and Asia. On May 5th Mr Xi will leave for a five-day visit to three European countries, France, Hungary and Serbia. His itinerary is no accident. Each of those countries is praised by Chinese diplomats for its commitment to "strategic autonomy" and an independent foreign policy, meaning a willingness to defy America.

Previewing Mr Xi's visit, Lu Shaye, China's ambassador to France, reminded Chinese reporters in Paris of the moment, 60 years ago, when France's then president, Charles de Gaulle, had the courage to withstand "heavy pressure from the Western camp" (ie, America) to establish diplomatic relations with China.

In Beijing the embassies of other European Union countries grumble that efforts to reach a consensus on China policies are routinely blocked by one member—Hungary. That diplomatic stance is directed from the top by Viktor Orban, the Hungarian prime minister and an avowedly pro-Chinese, pro-Russian champion of "illiberal nationalism".

Mr Xi's stop in Serbia is timed to coincide, to the day, with the 25th anniversary of NATO's bombing of the Chinese embassy in the Serbian capital, Belgrade. Three Chinese journalists died in that bombing and China has never accepted America's insistence that the attack was an error. When Russia invaded Ukraine in 2022, Chinese officials blamed NATO for provoking Russia by expanding to take in former Soviet-bloc countries. Nearer to home, China pushes the same line that America is an unwelcome, troublemaking presence when it sails warships through the South China Sea, in international waters that China claims for its own.

Still, as this contest for influence gathers pace, America has its own arguments to make about China isolating itself. In his meetings in Beijing Mr Blinken suggested that China is imperilling its own interests in three ways. The first involves Chinese harassment of coastguard ships and fishing boats belonging to the Philippines, an American treaty ally, as China asserts claims to almost the entire South China Sea, in defiance of international law. Mr Blinken pointed to a dramatic strengthening by the Philippines of its ties with America, and to unprecedented displays of support from such regional allies as Japan, South Korea and Australia.

Second, Mr Blinken told his Chinese hosts that European security has for many decades been a "core interest" for America—a deliberate use of a phrase often uttered by Chinese diplomats. Europe's security is threatened by Chinese companies selling large quantities of microelectronics, machine tools and other dual-use components that Russia needs to make weapons for its war against Ukraine, Mr Blinken told his hosts. China needs to choose between propping up Russia and its desire for close relations with Europe, the secretary of state argued, citing views expressed to him by multiple European leaders.

As Nicholas Burns, the American ambassador to China, puts it: "The government in Beijing needs to understand that Putin's aggression on Ukraine is an existential threat to Europe. That is why the Europeans have been so angry with Chinese companies selling dual-use items to the Russian defence industry."

Even superpowers need friends

Finally, Mr Blinken said that many countries share American concerns about Chinese industrial overcapacity leading to goods being exported at artificially low prices. He cited EU investigations into solar panels and electric vehicles from China, and Mexican and Brazilian probes into alleged dumping by Chinese firms.

China is not ready to give ground on these points. Its diplomats blame America for instigating tensions in the South China Sea. They insist—against all evidence—that China is a neutral observer of the Ukraine conflict. As for surging Chinese exports, its embassy in Paris recently declared in a statement that talk of Chinese overcapacity actually shows that Western industries have lost their competitive edge. That scornful tone is unwise. China and America are in a long-term contest for global influence and leadership. Both rivals need all the friends they can get. ■

United States

The administrative state

It's raining rules

LOS ANGELES AND WASHINGTON, DC

An obscure law is pushing the Biden administration to issue regulations at an astonishing pace

THE BUREAUCRATS have been busier than usual lately. Consider the three days between April 23rd and April 25th. The Federal Trade Commission (FTC) issued a sweeping rule banning non-compete clauses in the contracts of almost all American employees. The Department of Labour is expanding the set of workers who must receive mandatory overtime pay (to those who make less than $58,656 a year). The Environmental Protection Agency issued strict guidelines on coal-fired power stations that will probably spell their demise by 2039.

More regulations, big and small, are expected soon. The Federal Energy Regulatory Commission is planning to rewrite the rules governing interstate electricity transmission, which is critical to President Joe Biden's decarbonisation plans. A different agency, the Department of Energy, is debuting new efficiency standards for dishwashers and water heaters. The Department of Justice is expected soon to propose classifying marijuana, which at the moment is lumped in the same class of substances as heroin and LSD, as a less dangerous drug.

Why the sudden spate? A previously obscure law, the Congressional Review Act (CRA) of 1996, helps explain the rush. It allows Congress, for a limited period, to pass resolutions of disapproval against finalised administrative regulations with which it disagrees. If both chambers of Congress pass such a resolution, and the president signs it, the rule is cancelled, short-circuiting the usual drawn-out process of litigation or a subsequent administration beginning a whole new rule-making effort. So once a regulation is properly created the clock starts ticking: the cancellation procedure is allowed for up to 60 days that the Senate is in session—including the last 60 days of an administration that loses a presidential election.

The CRA means that rules the Biden administration attempts to rush through in its waning days could be torn out before the glue has time to dry. Donald Trump is the undisputed champion of such manoeuvres. When he took office in 2017, Republicans, blessed with unified control of government, used the CRA to cancel 16 rules that Barack Obama's administration had put in place. Before that, the law had been successfully used only once, in November 2001, to cancel a rule setting out ergonomics guidelines for businesses.

Since then it has become a worry for policymakers—and a strategy for opponents of regulations. Mr Biden himself used it three times to cancel Mr Trump's administrative actions. Bank lobbyists are praying that stringent new rules that the Federal Reserve and Federal Deposit Insurance Corporation are working on, like the so-called Basel III endgame which would raise capital requirements by an estimated 21% for the biggest banks, are issued late enough that a future Republican Congress can cancel them.

"Any time there's a presidential transi- ▸▸

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tion potentially looming, the pace of regulatory activity picks up," says Steven Balla, a professor at George Washington University who helps run its Regulatory Studies Centre. The threat of the CRA means that rather than having until Inauguration Day in January, bureaucrats need to finish their work sooner, probably by July at the latest, in order for their rules to be CRA-proof.

As delightful as these arcana of administrative law are in their own right, they will also determine whether much of Mr Biden's policy agenda succeeds or fails. With his pro-union legislation thwarted in Congress and unlikely to pass through the Republican-controlled House of Representatives, the president's pro-labour economic agenda is now being advanced by agencies like the FTC. That agency is also pondering a rule that would attempt to ban "junk fees", the nuisance surcharges that American consumers must deal with (see Lexington). On its traditional remit, antitrust enforcement, the FTC issued new merger-review guidelines in December 2023 that promise to scrutinise deals for monopolistic power over workers and suppliers instead of just consumers.

Climate climax

The ticking clock is especially important for climate policy. The Inflation Reduction Act, a misnamed climate bill, is expected by independent modellers to double the rate of carbon-emissions decline, from 2% a year to 4%. Its success depends on reams of rules that will need to be consistently enforced if businesses are to be convinced to plan around clean-energy subsidies.

Decarbonisation will also depend on other rules that Mr Biden's environmental brain trust has spent years crafting: restricting the amount of mercury that coal-fired power stations can belch into the air, or the carbon emissions that new gas-fired power stations may produce. The Bureau of Land Management, which administers the vast amount of land owned by the federal government and the energy-exploration projects allowed on them, has prioritised conservation of public lands and fast permitting of geothermal-energy projects. The White House Council on Environmental Quality has finalised a rule that is intended to expedite the permitting and environmental-review processes required for new infrastructure projects—the technocratic snags that could thwart Mr Biden's entire environmental plan.

All of this could of course still be overturned by the usual, slower measures of litigation or an incoming Trump administration embarking on deregulation. But it is no wonder that the Biden bureaucrats are bustling about. The Federal Register, the grand repository of all rules, may reach 100,000 pages this year—the largest number ever recorded. ■

State symbols

Shaka backer

LOS ANGELES

Hawaii may soon have America's first official state gesture

ON MAY 1ST Hawaiian legislators voted to send a bill to Governor Josh Green that would make the shaka—the "hang loose" gesture—a state symbol. Hawaiians and surfers use the hand signal (made by folding three fingers down while extending the thumb and little finger, and sometimes twisting the wrist) in many ways: to say aloha, for instance, or let someone pass while driving. "I would describe it as a symbol of happiness," said Glenn Wakai, the state senator who introduced the bill. It sailed through the legislative process. If the governor signs it into law, it will be America's first official state gesture.

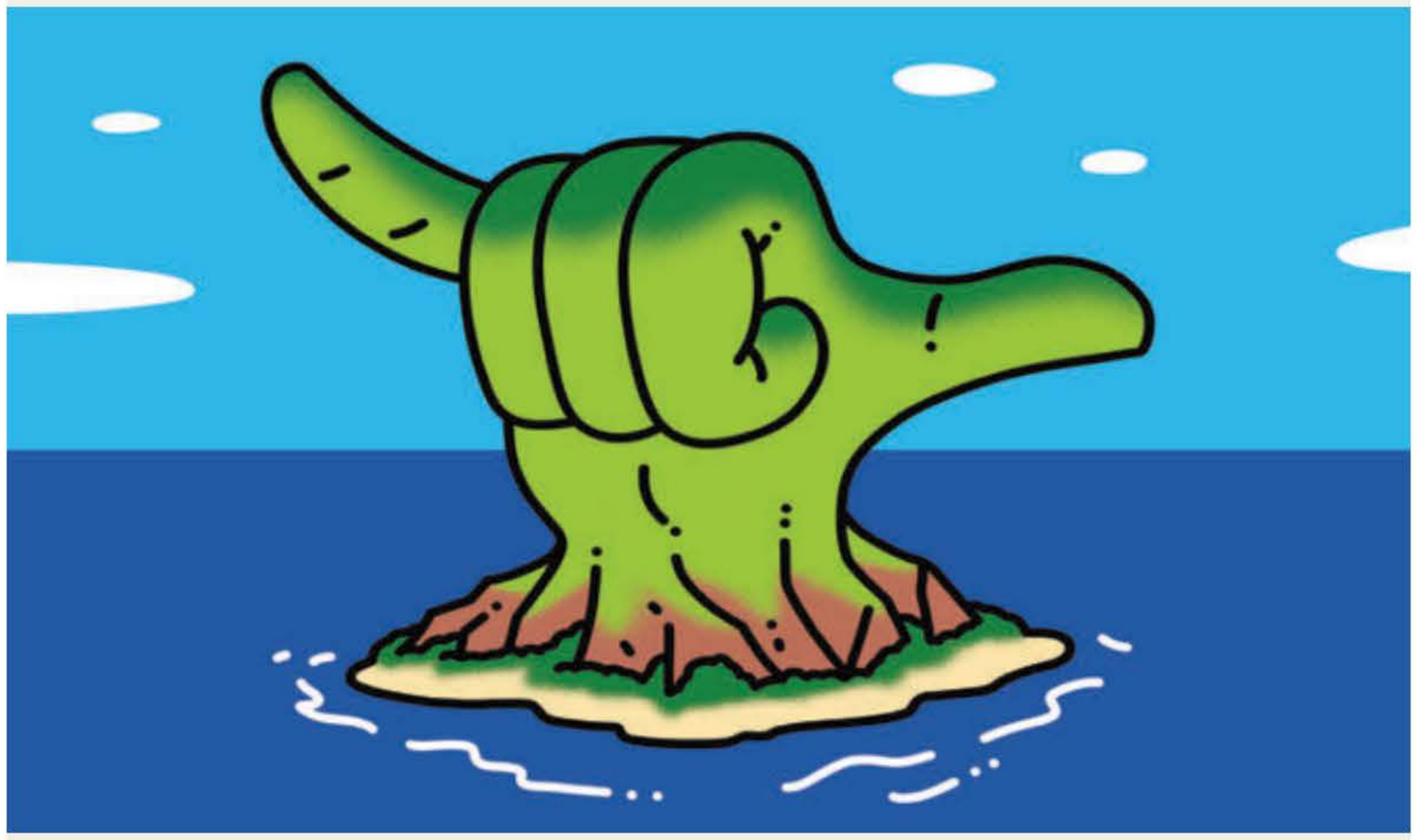
It would join a rich and varied list of symbols across the country—more than 1,670 in all, a cornucopia of flora, fauna and cultural exotica. Maine has a state treat, the whoopie pie. South Carolina has a style of dance, the shag. State reptiles abound, from the horned toad (Wyoming) to the collared lizard (Oklahoma). New Mexico even has an official state aroma, the smell of "green chile roasting in the fall".

State symbols have a long history. Ryan Prager, who manages the website State Symbols USA, traces it back to the 1893 World's Fair in Chicago when each state was represented by a flower in a garland. The practice blossomed. Symbols can project a state's identity and protect its cultural heritage. Mr Wakai said he wanted to make sure Hawaii got the shaka first: he is still miffed that California (like Hawaii) made surfing a state sport. "Hawaii is the birthplace of surfing. How in the world did California claim it?"

In 2022 Washington state nabbed the fast-growing pastime of pickleball as a state sport (pointing to its origins in Bainbridge Island in 1965). But not all symbols pander to popularity. Two states, New Hampshire and South Carolina, have official spiders. And for well over a decade Jo Handelsman, at the University of Wisconsin-Madison, has been championing a state microbe.

Among other things, *Lactococcus lactis* is used to make cheese, a big local industry. Professor Handelsman said the idea to make it a state symbol started off as a joke in a meeting of the bacteriology department. Colleagues were considering how to educate people about the benefits of microbes, but then they decided: "That's actually a great idea." The first attempt to pass it, in 2009, failed, but it is back on the agenda.

For politicians, state symbols can seem an easy win, as the ideas often draw bipartisan support and don't necessarily cost anything. But they are not without risk. Lawmakers can face ridicule if they are seen to focus on symbols at the expense of substance. Legislative history is littered with failed proposals for symbols—from the slinky to saltwater taffy and waltzes.



Campus protests

The crackdown cranks up

LOS ANGELES AND NEW YORK

Universities struggle with how to regulate free speech and other rules

PRO-PALESTINIAN protests and police crackdowns are escalating at American universities. A phalanx of New York police with battering-rams entered Columbia University on the night of April 30th, joined by an armoured vehicle with an elevated ramp known as a BearCat, a cross between a tank and a fire engine. They breached a building occupied by demonstrators, arrested more than 100 students and other protesters and led their zip-tied detainees onto police buses.

Hours later at the University of California, Los Angeles (UCLA) counter-protesters tried to dismantle a pro-Palestinian encampment and hurled debris and fireworks inside. Police eventually broke up the fighting. Campus police at the University of Arizona used "chemical irritants" to subdue demonstrators. The total number of campus arrests nationwide is now over 1,500. Yet tented encampments—the signature motif of pro-Palestinian campus demonstrators—continue to bloom like spring flowers from coast to coast.

The blame game is also intensifying. University leaders are again in the firing line, accused by both Democratic and Republican politicians of having brought the chaos on themselves by coddling student trespassers and allowing antisemitic speech to go unpunished. Yet teachers at Columbia and elsewhere are castigating their administrators for turning to the police. Student protests, they argue, should be handled as a teachable moment via negotiations and campus discourse.

The Gaza protests have exposed three fault lines in the governance of American universities. First, they have destroyed an already tenuous compact governing free speech on campus. Second, they have made plain that the tools that universities possess to enforce regulations are limited and often counter-productive when, predictably, students make a mockery of the rules. Finally, the protests have also revealed university leaders to be no better than C-plus students when challenged by a nuanced case study familiar from political-theory syllabuses: when does collective security trump individual rights?

The most important problem is speech regulation. Rules at private universities are not as permissive as the First Amendment, for good reason. In America, constitutionally protected speech can be hateful, false, outrageous or all of these—just about anything goes, short of targeted incitement to violence. Such a free-for-all cannot be permitted in a classroom, just as it is not tolerated in workplaces. Yet for pedagogical and ideological reasons, private universities prioritise free speech much more liberally than a typical workplace would.

Through trial-and-error university leaders in recent years have forged workable "time, place and manner" rules to regulate robust demonstrations and lectures by unpopular speakers. Yet they have struggled with the problem of hate speech aimed at individuals or small groups and they were plainly unprepared for what the polarising war in Gaza has provoked. A chant like "Globalise the intifada!" might be protected by the First Amendment but is understandably unacceptable to the thousands of Jewish students enrolled at Columbia.

Badgered by politicians for not doing enough, and cautioned by faculty against intervening ham-handedly, college heads have often fallen back on bland formulations. Brown University, wrote Christine Paxson, its president, in a letter sent this week to student protesters, "has a long-established history of recognising protest as a powerful form of expression. But protest cannot violate university policies that are intended to ensure the safety and security of members of the Brown community."

Dr Paxson has succeeded with a salutary approach, however: she negotiated a deal with protesters. They have pledged to voluntarily dismantle their encampment in exchange for a commitment to talk further about the students' demands for divestment of university endowment funds from companies that support Israel or make armaments. Northwestern University, outside Chicago, and Johns Hopkins University in Baltimore announced similar deals with demonstrators this week.

Columbia was unable to find such a compromise. On April 18th, just a day after pro-Palestinian protesters set up tents on campus, Minouche Shafik, the university's president, asked the police to clear the encampment, resulting in the arrests of more than 100 students. New tents immediately popped up nearby. Dr Shafik, facing a backlash for having so quickly summoned the police, then opened talks with student demonstrators. When those negotiations foundered, she set a deadline of 2pm on April 29th for encamped students to disperse. The university announced that it would suspend those who stayed put, potentially depriving them of university housing and the prospect of a degree. The protesters responded by seizing a well-known building, Hamilton Hall.

A new matter for debate

Would negotiations from the start have produced a different result? The question will join those about Columbia's storied 1968 student occupations and mass arrests as fodder for classroom debate at a university that is uniquely positioned to teach about the complexities of protest and public order by examining its own repetitive crises. Dr Shafik said she summoned the police on April 30th "with the utmost regret" because the protesters presented "serious safety concerns." The police will remain on campus through graduation ceremonies in mid-May, she added, to "maintain order and ensure encampments are not reestablished". Columbia and New York's mayor, Eric Adams, blamed outsiders for "hijacking" student dissent.

At UCLA a policy to allow demonstra- ▸▸

tors to speak out, even provocatively, may have fuelled the anger that led to physical confrontations. Messages such as "Divest" and "free Palestine" but also "fuck Israel" and "fuck Zionism" adorn the plywood walls of the main pro-Palestinian encampment on campus. Across the lawn pro-Israel demonstrators have been screening graphic video of dead victims of the October 7th attacks, above the caption, "This is Hamas". The installation was erected by the Israeli American Council, a non-profit organisation not affiliated with UCLA.

"It's important for both sides to be able to express their opinion," said Stephano Lopez, a 21-year-old undergraduate studying political science, as he observed the scene. "Granted, there's rowdiness...The hooligans come out at night." ■

Preservation v development

The Big Grapple

NEW YORK

"Seaport Tower" epitomises New York's fight between housing and heritage

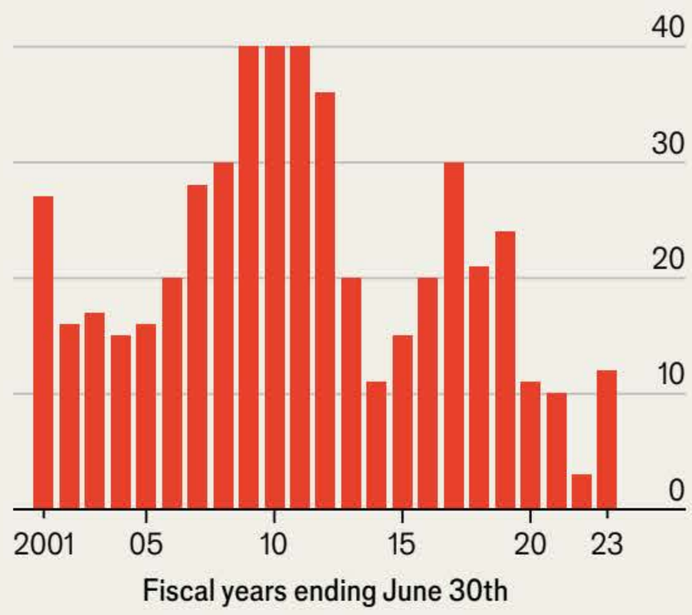
THERE IS NOTHING beautiful about 250 Water Street, a derelict car park in Lower Manhattan. But it is in the historic low-rise district of Seaport, an old fishing quarter, which was designated a landmarked area in 1977. The site is the focus of a legal row over a project dubbed the "Seaport Tower", which has pitted preservationists against developers.

The context is New York's dire lack of housing. In February the city's triennial housing survey revealed a rental vacancy rate (the proportion of available housing unoccupied) at a historic low of 1.4%. The Seaport Tower, which would soar to 324 feet, higher than the Flatiron Building, would bring 270 new housing units in a convenient part of town. But at what cost?

An unbearable one, say preservationists. The area's protected status was designated by the Landmarks Preservation Commission (LPC), an 11-person panel appointed by the mayor. Once the LPC has landmarked a place, any plans for construction, demolition or alteration need its approval. The LPC was set up in 1965, emerging out of the rubble of the demolished Penn Station (pictured) and after Jane Jacobs, an urban theorist, saved much of Greenwich Village from being flattened into a highway. Its report on Seaport depicted the area as a trove of some of Manhattan's oldest buildings, with cobbled streets, merchants' counting houses and dockworkers' tenements. It noted the "dramatic contrast" between the "small-scale brick buildings" and the "soaring skyscrapers nearby". Some fear the proposed tower would permanently change that.

On the other side of the debate, housing advocates and economists such as Edward Glaeser, a Harvard academic, argue that by blocking construction, excessive preservation in New York has pushed up prices, creating "exclusive enclaves of the well-to-do". But other factors are equally, if not more, to blame for the shortage of affordable homes. Nearly a fifth of the city is zoned for detached single-family homes, and this has choked out construction in large swathes of Queens and Brooklyn.

The LPC's approval of the new tower on Water Street is the subject of a lawsuit. In the 1980s the commission repeatedly rejected proposals for a high-rise building on the site, since it would be "disruptive of the district's homogeneous quality". It raised eyebrows in 2021 by waving through a tower proposed by the Howard Hughes Corporation. Last January the state's Supreme Court took the rare step of overturning the LPC's decision. In June an appellate judge in turn reversed that, allowing the tower to go ahead and excavations to begin. The South Street Seaport Coalition, a local lobby group, quickly filed a motion with the state's Court of Appeal, which is waiting to be heard.



"A laissez-faire approach to development" would end up wiping out neighbourhoods "for the quickest buck", argues Andrew Berman, head of Village Preservation, a lobby group. He reckons the approval of the Seaport Tower is emblematic of a "permissive" attitude at the LPC, which has made fewer landmark designations in recent years (see chart). It looks at some 30 applications a month, so is hardly sitting on its hands. At a recent session, streamed live on YouTube—albeit to an audience of just 17—it voted to push the potential landmarking of the Brooklyn Edison Building, an elegant 1920s Renaissance-Revival structure, to a public hearing. But its work to protect the city's historic buildings is facing more pressure than ever.

In July 2022 the Jacob Dangler house, an unusual 19th-century specimen in Brooklyn which was being considered for landmarking, was torn down overnight. The LPC told enraged locals that, due to an administrative error, it was too late to step in. Last year the historic Hotel Pennsylvania, famous from Glenn Miller's "6-5000" song, was razed to the ground despite widespread objections. And in December the commission approved a development next to the Merchant's House in the East Village, which dates from 1832. Preservationists fret that the construction work will cause irreparable structural damage.

The city needs more housing. On April 22nd Kathy Hochul, the state's governor, unveiled a plan to build more homes with tax breaks, zoning reform and incentives to convert unused office space. But as the fight over Water Street shows, finding a happy balance between development and conservation will be hard. ■

A pity about Penn

Demography

Going back to Cali

LOS ANGELES

California's population is growing again

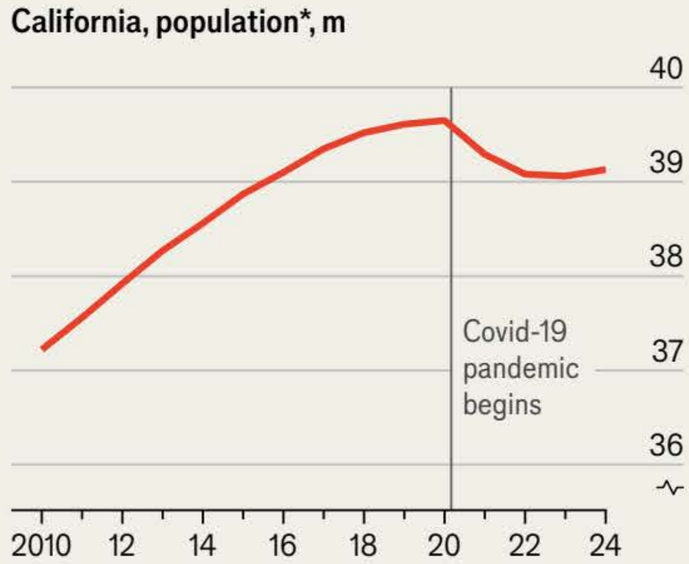
IT WAS THE end of an era. In 2020 California's population shrank for the first time since it joined the union in 1850. People had flocked to the state for its farmland, beaches and IT industries. When falling birth rates, lower immigration, outmigration to cheaper states and the covid-19 pandemic reversed that trend, California had a bit of an identity crisis. But figures released on April 30th by California's Department of Finance should lessen the hand-wringing. In 2023 California's population grew by nearly 0.2%, or about 67,000 residents (see chart).

That may not seem much: it is a few thousand more than the number it takes to fill Dodger Stadium in Los Angeles. But the withering of America's most-populous state has become a hot topic in the culture wars. Conservative politicians such as Florida's governor, Ron DeSantis, used California's shrinkage to argue that Americans were voting with their feet and rejecting its progressive politics. California's paltry population growth cannot compare with that of Florida or Texas. Still, it is harder to argue that the place is flailing when people still want to move there.

Why the rebound? First, legal immigration to America has overtaken pre-pandemic levels, and nearly a quarter of America's foreign-born population now lives in California. Second, the number of annual deaths has returned to normal. Finally, net migration out of the state in 2023 was a quarter of the rate it was in 2021. Small increases in population in Los Angeles and San Francisco suggest that remote working has lost some of its appeal. The Golden State, it seems, is still golden. ■

Up state

California, population*, m



Source: California Department of Finance

*At January 1st of each year

Quiltmaking

Joined by a thread

PADUCAH, KENTUCKY

The surprising prevalence of Asian entries in American quilt shows

AS AMERICAN AS baseball and apple pie. That is the perception many people have of the craft of quiltmaking—not without reason. In "The Little House on the Prairie", an iconic book series depicting the life of settlers in the Midwest in the 1870s, Laura and Mary learn patchworking skills as children. American quilts from the 19th and 20th centuries often have a patriotic flair, some even adorned with portraits of presidents. Scores of handmade quilts are catalogued in the Library of Congress.

A grand part of the tradition of quilting in America are its annual quilt shows. These evolved from county fairs but are now huge stand-alone events. Alongside the meticulously stitched quilts, submitted for prizes, are everything hobbyists might need for their efforts. That includes not just thread and yards of colourful fabric, bundled up into "jelly rolls", "fat quarters" and "layer cakes" (all of which can help a quilter produce distinctive works), but also $12,000 movable long-arm quilting machines, the size of dining tables, which enable the user to quilt designs as easily as they might paint a canvas.

One of the biggest—the "mecca" of quilt shows, according to one attendee—is the show hosted in late April in Paducah, Kentucky, nestled on the southern bank of the Ohio river. Nicknamed "Quilt City", Paducah boasts the world's largest quilting museum. Some 30,000 people attend the annual show, roughly doubling the city's population.

Any idea that America's grandest quilt show might be an all-American affair, however, is quickly dispelled once inside it. For hanging among the many American entries were submissions from Australia, South Korea and dozens from Japan. Of the 31 prizes awarded to quilts in Paducah, 11 went to Japanese entries. (One winner was Australian, the rest were American.)

Quilts submitted to shows are divided into all kinds of categories. There are different ones for different sizes (from miniature to large); for the type of workmanship carried out on each quilt (from hand-sewn to "stationary" machined and movable long-arm machined); and yet more for the style of the design, such as "modern" or "pictorial".

The Japanese entries tend to dominate the handwork categories. First, second and third in the hand-quilting category, plus the honourable mention, all went to Japanese submissions, as did the overall prize for best hand-workmanship. Japan has a long tradition of hand-embroidering clothing with patches and decorative stitching, often to reinforce or mend a garment, a practice known as *sashiko*.

The three-layer quilts that are entered in modern quilt shows (made up of a decorative top layer, a fluffy wadding layer and a backing material) are a more recent Japanese pastime. They were introduced to Japan after the second world war by women returning from America. They gained popularity when the television adaptation of "Little House on the Prairie" was broadcast in Japan in the 1970s. Japanese quiltmakers began to win acclaim for their quilts in the 1980s and 1990s. Japan now hosts several quilt shows of its own.

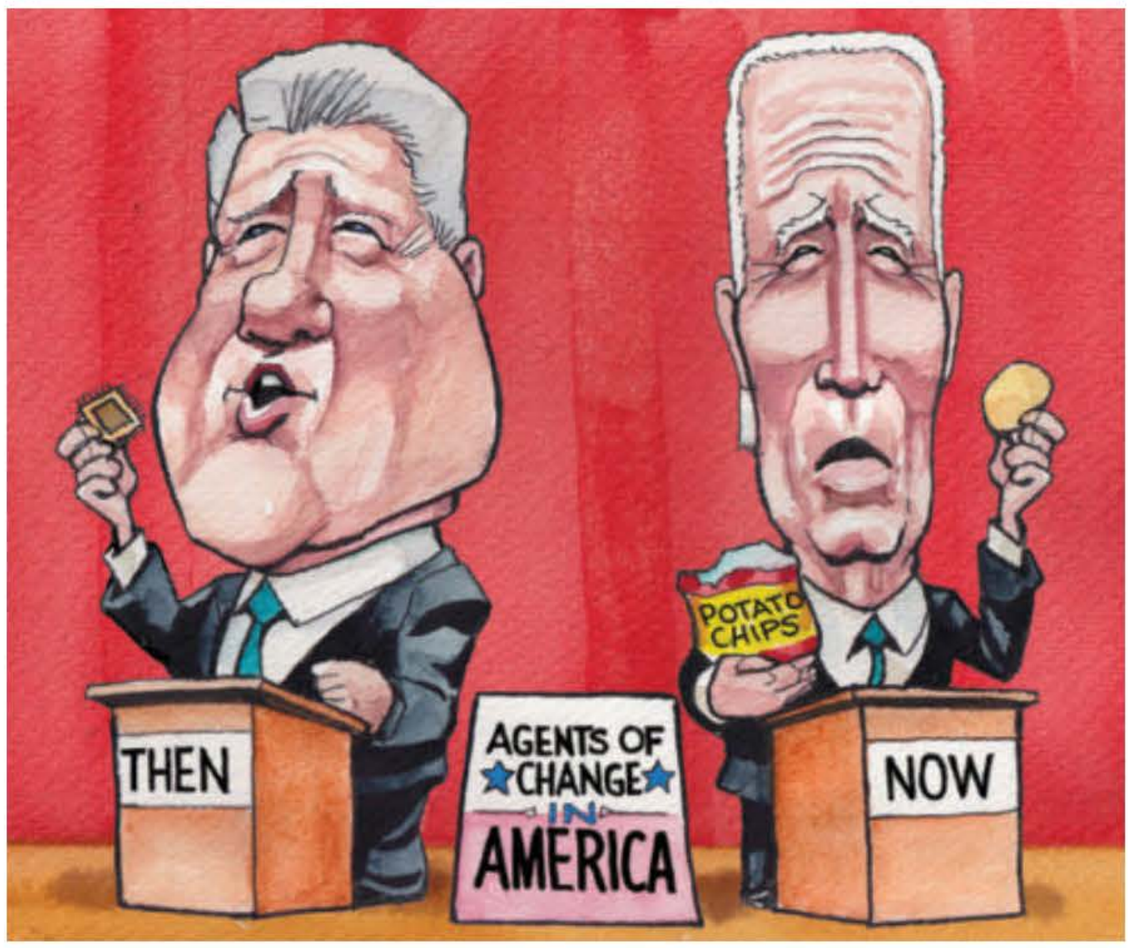
For world-class quilters, however, the most competitive shows remain the American ones. Although foreign quilt shows do award cash prizes, these pale in comparison with the sums won at American ones. The top prize, for the best-in-show quilt in Paducah, which is awarded if the maker agrees to surrender their quilt to the Paducah museum for its collection, is $20,000.

Paducah's—and Japan's—finest

LEXINGTON

Joe Biden's Clintonism

He is cracking down on "junk fees" but needs to do more to woo swing voters



PRESIDENT JOE BIDEN says he is in a battle for the soul of America. He is out to save democracy at home from Donald Trump and abroad from Vladimir Putin of Russia and Xi Jinping of China. Mr Biden also wants to restore America's manufacturing, rebuild its infrastructure, bring peace to the Middle East and confront climate change. And yet none of that seems to mean quite as much to most Americans as when he starts railing about finding fewer potato chips in a bag than he used to.

Mr Biden and his aides are putting new emphasis on his efforts to fight what he calls junk fees and shrinkflation—the underhanded means, in his view, by which businesses surprise consumers with higher prices or less stuff, such as potato chips, than they expect. Unlike almost anything else Mr Biden says or does, combating such costs draws overwhelming bipartisan support.

And so, among other measures not obviously destined to save the soul, Mr Biden has proposed regulations to force universities to refund unused meal-plan payments; to force airlines to disclose fees for checking baggage; to cap fees for late credit-card payments; to ban fees for stopping cable-television service early; and to eliminate charges for such bogus services as oil changes on electric cars. In total, the White House says, such measures would save Americans $20bn each year.

Mr Biden has seized on some of his most high-profile appearances to complain about the size of candy bars or sports-drink bottles. "What makes me the most angry", he declared in a video the White House released on the day of the Super Bowl, "is that ice-cream cartons have actually *shrunk in size* but not in price." Some members of Congress laughed in March when Mr Biden brought up the potato-chip gap in his state-of-the union address, right between a pledge to protect Social Security and a summons to tighten border security. But in a recent survey commissioned by Blueprint, an initiative to back Democrats, that tested 40 issues that could affect the 2024 election, banning businesses from charging misleading fees ranked first, with net support of 76%. Mr Biden has endorsed legislation to empower the Federal Trade Commission and state attorneys-general to take action against companies that shrink product sizes without cutting prices.

Mr Biden's micro interventions hearken back to another era for the Democratic Party, when it was less sweeping in its ambitions for systemic change and also more attentive to the daily travails of most Americans. Bill Clinton got some big things done as president, but he also practised a kind of assiduous concierge politics that flipped John F. Kennedy's message in order to inquire, obsequiously: what can your country do for you? The help he offered included more-efficient emergency telephone numbers, a computer chip to let parents censor their children's television-watching and a campaign to reduce truancy.

The man who did the inquiring for Mr Clinton was Mark Penn, a pollster who joined Mr Clinton's re-election campaign as it was flailing in 1995. Mr Penn imported to politics lessons he learned pushing products and building brand loyalty for the likes of AT&T. Critics who denigrated his work as corporatist and small-bore overlooked the respectfulness embedded in his approach: Mr Penn believed voters were smart and sophisticated about their own interests, that they cared about issues and the nuances of policy more than about personality or vision. In fact, issues could define personality by communicating to voters that a leader cared about them and was on their side. By welding issues to values, such as by protecting children from scary or sexual television programmes, the right policies would create powerful political levers.

Mr Penn's approach worked. In 1996 President Clinton counted on the polarising Republican speaker of the House, Newt Gingrich, to motivate the Democratic base, and he relied on the sorts of policy ideas generated by Mr Penn to reach swing voters. A similar combination sustained Mr Clinton through the sex scandal of his second term, enabling him not merely to weather impeachment but to leave office with an approval rating of 66%, higher than any president since Harry Truman, when Gallup began tracking this number, and higher than any president since.

Clintonian pragmatism, with its swing-voter sensitivities, is out of favour in today's more ideological Democratic Party. But Mr Biden has found a loophole: pointillist policies attacking junk fees also appeal to leftist voters because, in Mr Biden's telling, the villains are big businesses. Complaining about such charges lets Mr Biden shift responsibility for inflation and sound more populist without annoying any core Democratic constituency.

Bill Clinton v Donald Trump

But Mr Biden is not offering the range of services that Mr Clinton did. It is hard to imagine Mr Clinton paying as little attention to such parental anxieties as learning-loss from covid and absenteeism. Mr Biden has instead focused on issues of particular concern to his college-educated base, such as forgiving student debt. This has resulted in questionable policy and politics: the Harvard Youth Poll recently showed that even Americans between 18 and 29 care far less about student debt than they do about inflation, immigration and crime. Now Mr Biden is under pressure from left-wing staff and supporters not to take executive action on illegal immigration and to declare a climate emergency.

When it comes to assuring swing voters that he is on their side, Mr Biden is not the agile communicator Mr Clinton was. And while, as Mr Clinton did, Mr Biden can count on a Republican opponent to motivate his own base voters, Mr Trump also presents a novel challenge to Mr Penn's theory of politics: he is a blustering, protean, attention-sucking affront to the conviction that issues really do matter more, in the end, than personality. ■

The Americas

Mexico's election

Play it again, Claudia

MEXICO CITY

Mexico's next president must tackle migration, security and a weak economy. The outgoing one casts a long shadow

THE SCOURGE of the blockbuster remake has come for the world's seventh-largest democracy. Mexico's second presidential debate took place (appropriately) at Churubusco film studios in Mexico City, the capital, on April 28th. The main question was whether Mexicans want a sequel to the six-year feature that President Andrés Manuel López Obrador has scripted, directed and starred in.

Claudia Sheinbaum, the candidate for the ruling Morena Party, said Mexicans face a choice between "advancing with the transformation" started by her mentor, Mr López Obrador, or returning to a "past of corruption and privileges" with Xóchitl Gálvez, who leads a coalition of opposition parties. Ms Gálvez presents herself as the candidate to rescue Mexico from Mr López Obrador's incompetence and his attacks on democracy. Voters will decide on June 2nd. They will also choose representatives for tens of thousands of local posts, nine governors and all 628 seats in Congress.

The task confronting the contest's victor—who looks almost certain to be the 61-year-old Ms Sheinbaum—is immense. The country of 128m has a large economy that has long grown sluggishly at an average of 2-3% per year; it is failing to attract sufficient investment despite interest from firms like carmakers and medical-device manufacturers who want to relocate production from China.

Poverty has fallen under Mr López Obrador, but a third of Mexicans remain poor, according to a domestic measure that accounts for access to services; almost 40% lack health care. The incidence of extreme poverty has not budged. Mexico's annual homicide rate is 23 murders per 100,000, three times higher than in the United States. Corruption is rife. The record number of people of all nationalities trying to cross Mexico's northern border is creating tension with the United States.

That these issues are not at the forefront of the campaign demonstrates the power of Mr López Obrador, who cannot run again. Ms Sheinbaum's 20-point lead over Ms Gálvez owes as much to her closeness to him as to her record as mayor of Mexico City's 9m people. The current president has many Mexicans in thrall. They believe, whatever the evidence against, that he has transformed their country into a safer, more prosperous and less corrupt place, a view enhanced by his generous cash transfers to the poor.

Ms Sheinbaum promises to follow in his footsteps: increasing cash transfers and raising the minimum wage by more than inflation. All three candidates for the presidency pledge to keep these benefits, even though the cash transfers are becoming unaffordable, but Ms Sheinbaum claims that she alone can guarantee them. The 25m cash-transfer recipients seem to believe her. Fully 64% of them plan to vote for her, compared with 36% of non-recipients.

The opposition is struggling to make a mark. Ms Gálvez suffers from the fact that her coalition includes the Institutional Revolutionary Party (PRI), which ruled Mexico as a dictatorship for seven decades until 2000. Jorge Álvarez Máynez, the third candidate from the Citizens' Movement, a small leftist party, is polling below 10%. Even voters who abhor Mr López Obrador ▸▸

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think Ms Sheinbaum is better prepared for the job than Ms Gálvez. Ms Sheinbaum's advisers, who are drawing up detailed policy proposals on everything from health care and education to energy, are well qualified. She has sound plans for tackling corruption, including appointing dedicated special prosecutors. But other parts of her platform are vague, in part to avoid the appearance of any break with her mentor.

That is clearest in energy. Ms Sheinbaum, a scientist who was part of a team that won a Nobel Prize in 2007 for its work on climate change, says she will invest $13.6bn (almost 1% of GDP) in clean-energy generation. But she also pledges support for Pemex, the state-owned oil company that has debts of $106bn. Just 3.8% of electricity in sunny Mexico came from solar panels in 2022, down from 4.2% in 2021. In Chile that figure is 17.4% and rising. Mr López Obrador spent millions propping up Pemex, thereby making Mexico's energy dirtier. This has deterred foreign investors. Ms Gálvez has tried to exploit this gap between president and protégée by claiming that she is better placed to promote greenery and attract investment.

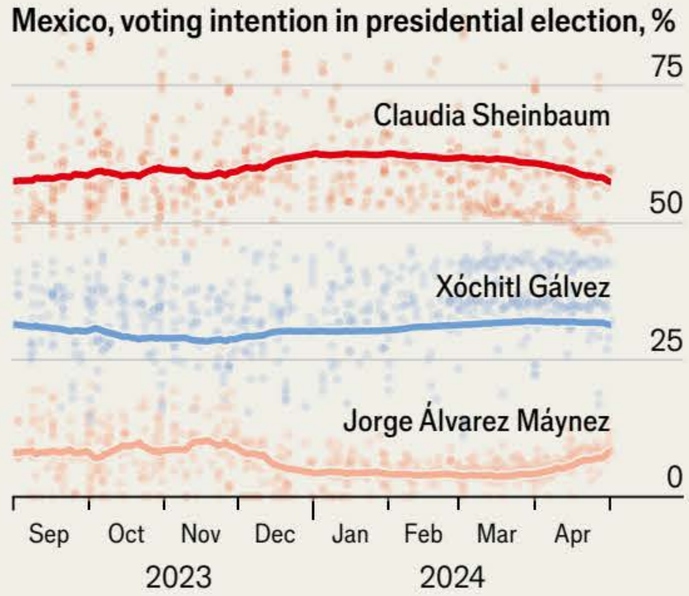
Ms Gálvez may also have been weakened by choosing security as the focus of her campaign. Although Mexicans tell pollsters it is the most critical issue for the next government, few believe any candidate can improve it. The elections have already been tarnished by gangs killing some 60 people—candidates they didn't like and those connected to them. Ms Sheinbaum points to her record as mayor, brandishing data (albeit disputed) which show that homicides in the capital fell by 50% during her administration. She also says she will beef up Mexico's intelligence and investigative capabilities.

Although they look set to support her as president, voters are likely to limit Morena's seats in Congress (in midterms in 2021 Morena's coalition lost its two-thirds majority needed for constitutional changes). A split Congress would be good not only for Mexico's democracy but also for Ms Sheinbaum—if she does wish to move away from her mentor's path. Mr López Obrador has repeatedly tried to weaken checks and balances. On February 5th he introduced a package of 20 reforms, including one that would see judges elected by popular vote (the appointed Supreme Court has often stood in his way). This looked like an attempt to lay out a road map for his successor. Ms Sheinbaum has backed the reforms, but with reservations.

Mariel Ibarra, the political editor of *Expansión*, a news magazine, says Mexico's women are not excited about the country getting its first female president precisely because it is not clear whether she will be able to forge her own path. Come inauguration day on October 1st, Mr López Obrador will almost certainly have ceded Mexico's lead role to a woman. But she may well have to stick to his script. ■

Steady as she goes

Mexico, voting intention in presidential election, %



Source: Expansión Política

Cocoa farming

Choc-a-bloc

Latin America's farmers want to cash in on high prices by upping their output

THE LATEST El Niño weather cycle has ended. Latin America's farmers are assessing the damage. It is mostly bad news. Many places flooded, while others suffered extreme heat and drought. Harvests of most staples have been meagre. Falling prices have added insult to injury, eroding farmers' profits.

But cocoa, the core ingredient in chocolate, is bucking the trend. Output has risen in Ecuador and Brazil, the region's two largest growers, as well as in countries like Peru, Colombia and the Dominican Republic, which produce less. That is mostly down to luck. The areas where cocoa is grown, such as the coastal provinces in Ecuador and north-eastern Brazil, escaped the worst of the weather.

And the price of cocoa has surged over the past six months too, thanks largely to the collapse of production in west Africa, where most of it is grown. The value of exports from Latin America has shot up. Ecuador earned 32% more selling cocoa to overseas buyers in 2023 than it did in 2022. Exports then tripled in value from the beginning of the year, compared with the same period in 2023. Cocoa has become one of the region's most valuable exports.

In west Africa growers are paid a fixed price set by their governments. Latin American producers sell at the global market price. Their counterparts in Ivory Coast and Ghana get $2,460 for every tonne of cocoa, even as the global price oscillates around $10,000 (see chart).

Tempting though it may be to bank the windfall cash, many farmers spy an opportunity to invest in order to produce more. Many are buying high-yielding seedlings, expanding their growing areas and planting cocoa instead of less profitable crops.

National agricultural associations are backing the investment. To increase efficiency they are boosting availability of fertiliser, providing advice about effective pruning, managing pests and spotting disease. Latin America's cocoa farmers collect well under a tonne of crop per hectare. Most cocoa-growing countries in the region are trying to double that.

The hope is to return Latin America's cocoa industry to its former glory. Brazil was the world's largest grower until its crop was clobbered by fungal disease in the late 1980s and early 1990s. In 2023 its agriculture ministry unveiled a plan to produce 400,000 tonnes by 2030, up from 290,000 in 2023. Ecuador's government is even more ambitious, aiming for 800,000 tonnes in 2030, up from 420,000 last year.

The industry will need to harness technology in order to lift output if it is to meet these targets. That is beginning to happen. Some tasks that have traditionally been done by hand are now being mechanised. But most Latin cocoa farmers are smallholders with a handful of hectares apiece. Smart irrigation systems and harvest-automating machinery don't pay off when used on such small patches.

World cocoa prices may of course fall. Farmers who invest in increasing output risk being saddled with unsold stock, or having to offload it cheaply. But even if better weather in west Africa prompts cocoa production to bounce back next year, the long-term outlook there is gloomy. Most of its farmers are old and poor. Their national cocoa authorities are inefficiently run and in some cases are almost bankrupt. Tough European Union regulations on deforestation are due to come into force next year. These will hurt African producers more than Latin American ones, as they ▸▸

A bittersweet surge

Cocoa price, $'000 per tonne

Source: Bloomberg

export more to the EU.

Sluggish African production will probably mean global cocoa prices stay high because so few other countries can grow the crop. The plant is finicky. Where banana yields some 25 tonnes per hectare, cocoa yields about 500kg on average. It needs high levels of humidity and warm overnight temperatures to thrive, with regular rainfall and sunshine (though not too much). So it likes low elevations, close to the equator. Not many places offer this. In the long run climate change is likely to limit production, with the best growing areas being disrupted. This will prop up prices. Demand is strong and growing, partly because Asians are eating more chocolate. That should reassure Latin America's cocoa farmers. Their challenge will be finding ways to pay for new technologies in order to produce more. ■

Panama's elections

The mine and the canal

PANAMA CITY

After decades of quiet politics, Panamanians are fed up

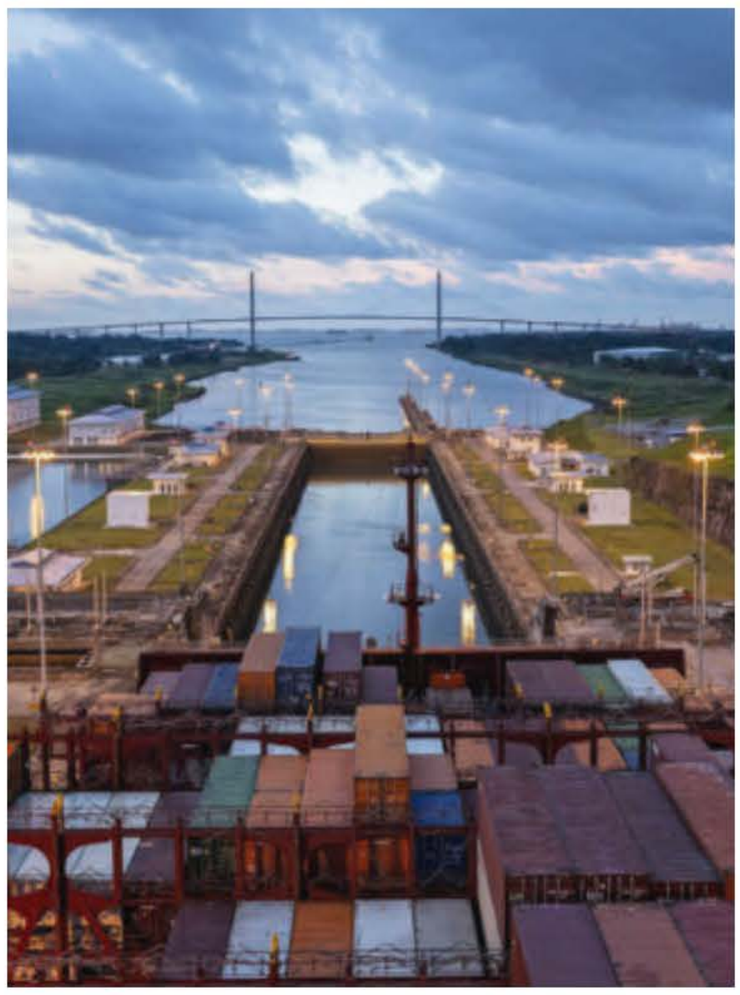
PANAMA'S ELECTIONS are unusual. Turnout averages 75%. More than half of the country's voters are affiliated with a political party, most of which are centre-right and pro-business. Strong economic growth, which averaged 5.9% over the 20 years after the country took ownership of the Panama canal at the turn of the century, led to calm politics. With few ideological snags, politicians could choose the party which suited them best. "Panama's political parties are like baseball teams," says R.M. Koster, a journalist and novelist from the United States who has lived in Panama since the 1950s. "They play the same game and the star players switch between them."

But now Panamanians are fed up. The canal's water levels are dwindling, threatening flows of trade and government revenue. Billions of dollars must be spent on dams or underground pipes to keep it full. A giant copper mine on the north coast has been forced to close, costing 30,000 jobs; the mine accounts for 5% of GDP once its indirect effects are included, according to Fitch Ratings. Years of fiscal mismanagement and corruption mean two-thirds of Panamanians now desire "radical change", according to a local poll published in 2023. Some 83% say they are dissatisfied with their democracy. They go to the polls to elect a new president on May 5th.

For the past five years Panama has been run by Laurentino Cortizo, the leader of the Democratic Revolutionary Party (PRD). During the pandemic he enacted one of the world's strictest lockdowns, plunging Panama into its first recession of the 21st century. With no ability to stimulate the economy through printing money (Panama uses the dollar), Mr Cortizo turned to the markets, expanding the national debt from $28bn to $44bn (half of GDP) between 2019 and 2023. Much of this money was spent on what is proportionally one of Latin America's largest public-sector payrolls. "It was necessary to raise funds to escape the effects of the pandemic," says Dulcidio de La Guardia, a former finance minister. "But that debt should have gone towards infrastructure projects, rather than filling bureaucrats' pockets."

The closure of the Minera-Cobre copper mine compounded the public-finance woes. Half of the government's annual share of profit from the mine was earmarked for Panama's underfunded pension scheme. Panamanians took to the streets in great numbers in October 2023, protesting over the mine's environmental impact. The Supreme Court then declared the mine's contract unconstitutional and ordered it to be closed. On March 28th Fitch Ratings removed Panama's investment grade, stating that the closure had "aggravated" existing fiscal challenges.

There are seven candidates for the presidency. The PRD's vote is likely to be split between its official candidate, José Gabriel Carrizo, and Martín Torrijos, who served as president from 2004 to 2009 and is the son of Omar Torrijos, Panama's former dictator and founder of the PRD. Rómulo Roux, who finished second in the presidential elections of 2019, has allied his Democratic Change movement to the nationalist Panameñista Party. In recent months Mr Roux and Mr Torrijos, together with Ricardo Lombana, a candidate with Another Way Movement, have been vying for second place in the opinion polls.



Troubled, depleted waters

The candidates all promise to spend billions to replenish the waters of the Panama canal. The easiest option is to dam the Río Indio to the west of Panama City, though the resulting reservoir would displace locals. A longer-term fix would be to build 100km (60 miles) of tunnels and pumping stations from Bayano lake to the east of the city, but the estimated $3bn price tag is triple the Rio Indio dam's. Authorities have understood the threat of water shortages since the canal's expansion was first proposed in 2006. But consecutive governments have been unwilling to risk their political and economic capital to take action. The new president will have no choice but to embark on one or both of these projects, says Felipe Chapman of Indesa, a consultancy in Panama City.

Smaller parties have noticed recent election victories in Central America, where outsider candidates running on anti-corruption platforms have defeated the traditional parties. One example is Guatemala's Bernardo Arévalo, but the name of Nayib Bukele, the authoritarian president of El Salvador, comes up more frequently.

"In the past seven years travelling around Panama, the number one thing Panamanians tell me is 'Be like Bukele'," says Mr Lombana. He says he will launch a campaign against drug money in Panamanian politics. He also proposes to reform the constitution, to make Panamanian politics cleaner, and in particular to introduce a presidential run-off. Recent Panamanian presidents have been elected with diminishing shares of the vote. Mr Cortizo was elected on just one-third of the ballots.

For now, the single-round vote is playing into the hands of Ricardo Martinelli, a 72-year-old billionaire and former president who posts shirtless selfies from a bench-press machine in the Nicaraguan embassy. He was leading the polls in February when he sought refuge at the embassy after the courts upheld his ten-year prison sentence for money-laundering, and banned him from running for office. His loyal-but-dull running mate, José Raúl Mulino, took over the candidacy (on April 30th the Supreme Court opened a review into the legality of his candidacy). Mr Martinelli had the good fortune to rule while the canal was in its pomp, so many Panamanians associate him with more prosperous times. Opinion polls show Mr Mulino running 15 points ahead of his rivals. Popularity has allowed him to avoid the televised debates, where candidates have had to answer tough questions about jobs, the canal and the mine. His two most catchy proposals are to build a railway of dubious economic value from Panama City to David near the border with Costa Rica—and a hospital for pets. They look like a winning formula. ■

Middle East & Africa

Mandelaland

The dividends of democracy

QUNU

How South Africa has changed after 30 years of freedom

NELSON MANDELA voted for the first time in his life on April 27th 1994 in Inanda, a poor area on the hills above the city of Durban. The choice of location showed that South Africa's president-in-waiting had lost none of his knack for symbolism after his 27 years as the world's most famous political prisoner. After casting his ballot Mandela walked to the nearby grave of John Dube, the first president of his party, the African National Congress (ANC). "I have come to report, Mr President," he said in his resonant timbre, "that South Africa is now free."

Thirty years later South Africa is undeniably a free country. The hidebound evil of apartheid is gone. A liberal constitution helps ensure South Africans can say what they want, move where they like and marry whom they love. A basic welfare state has raised millions out of indigence. South Africans socialise more with people of other races. More than three-quarters say that there is more that unites them than divides them, according to the South African Reconciliation Barometer Survey (SARBS), a biennial poll. Elections on May 29th will be free and fair.

Such progress was not guaranteed. Some feared that South Africa would descend into civil war or autocracy. Neighbouring Zimbabwe became a hyperinflationary dictatorship some 27 years after the end of white rule.

Yet as South Africans prepare to cast their ballot they are doing so in a despondent mood. Just 29% say their life will get better over the next five years. Two decades ago more than twice as many South Africans were satisfied with democracy than were dissatisfied—today those shares have flipped (see chart 1 on next page). No less than 79% of respondents say political leaders cannot be trusted, up from 21% just a decade ago. Since roughly 2010 steadily fewer South Africans have said that they think race relations are better now than they were in 1994 (see chart 2).

These attitudes are the product of South Africans' material circumstances. Democracy has been a game of two halves: the first 15 years saw widespread improvements in people's lives, but the latest 15 have been grim. Unemployment has risen from 20% in 2008 to 32% today. GDP per person is lower than in 2008 after adjusting for inflation. The murder rate is at its highest in 20 years. Last year saw record power cuts. Researchers behind the South African Social Attitudes Survey (SASAS) note that last year's polling found the highest-ever levels of ambivalence about whether democracy was preferable to autocracy. Some 72% say they would give up voting if an unelected government could ensure they had jobs, security and housing, notes Afrobarometer, a pan-African pollster.

All these frustrations explain why the ANC will struggle to retain its parliamentary majority for the first time since 1994. Many in South Africa are focused narrowly ▸▸

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on which parties will join a coalition (almost certainly led by the ANC) to form the next government. But the 30th anniversary raises a more profound question: how long can Mandela's vision of South Africa survive when so many people have not enjoyed the benefits of democracy?

To answer that, *The Economist* took a Mandela-themed journey, visiting places of importance in his life. The first stop was Qunu, where Mandela spent his childhood. The poor village, scattered across verdant hills and valleys, offers a lesson in how different generations see democracy.

Elderly residents meet in a ramshackle house to share their views on life since apartheid. Florence Matikinca recalls hiding from police whenever she travelled without the pass that controlled blacks' movement. "There are now no borders within South Africa," says Ncwali Xozwa. Qunu was part of the Transkei, one of ten ethnic "homelands" meant to limit the number of black people living in white-run South Africa. "We can raise our voices and we can protest without fear," she adds.

Granny grants

Those in their dotage praise the expansion of welfare benefits known as grants. (Eligible pensioners get about 2,200 rand or $118 a month.) Spending on grants has risen from about 2% of GDP in 1994 to almost 4%. By that measure South Africa's social safety-net is one of the most generous globally. Today 47% of the population receives a grant, up from about 6% in 1994.

But the generation "born free" after 1994 have less to celebrate—and a different frame of reference. According to the latest census the share of households without access to piped water fell from 20% in 1996 to 9% in 2022. Those living in formal housing and with electricity rose respectively from 65% to 89% and 58% to 95%. But the progress was not linear: most of the gains came in the 1990s and 2000s. And in many local municipalities infrastructure is deteriorating as a result of corruption, crime and mismanagement. Residents of Qunu have not had running water for four years.

Unemployment intensified as born-frees came of age. Since 2008 the number of employed has grown by 2.3m, while the number of working-age South Africans has risen by 9.5m. The unemployment rate for those aged 15-34 is 44%.

David Everett of the University of Witwatersrand recently published an updated version of a "youth marginalisation" index that he first produced in 1992. The index combines objective data on measures like joblessness with subjective surveys of well-being. Tragically he found that "fewer young people are doing as well as their counterparts from 30 years ago."

Grants are a sign of failure as well as success. The World Bank reckons that for every recipient another South African also depends on that grant. In Qunu, Nontsikelelo Jozana supports four grandchildren with her stipend. "They are all sitting around," she sighs. Some pensioners hide their money in case it is stolen for drugs.

Poor schooling does not help. More than 75% of ten-year-olds cannot read "for meaning", according to a standard international test. In almost half of all primary schools, not a single pupil can do so.

Qunu's primary school is where a teacher bestowed the name of "Nelson" on a pupil, Rolihlahla Mandela. Yet the school's "Mandela library" is closed because the building collapsed. The average class size is more than 60. Teachers note that last year Cyril Ramaphosa, South Africa's president, opened a state-funded Mandela museum up the road. Meanwhile their school does not have running water and children go hungry because the provincial government has stopped paying for meals. "People think because this is Mandela's town we get special treatment, but we don't," says one resident.

Based on how turnout has declined among under-30s in recent elections, perhaps just one in four "born-frees" will vote in May. Under-35s are more likely to consider ditching unelected governments for hypothetical autocrats who can deliver jobs. "You only vote if you believe in something," says Mbongeni Mkwanazi. "This democracy thing is not working," adds Funeka Shuping. "It can feel like the system is designed to suppress the black man." What about the rights in the constitution? "Rights? I have a right to shelter in the constitution," he says, "but I'm stuck in my grandmother's house."

The next stop is Johannesburg, South Africa's commercial capital, where Mandela fled after his rural guardian tried to force him into an arranged marriage. In Soweto, the township where Mandela lived, it is clear that the black middle class has expanded since 1994. Last year saw the opening of Soweto's first "lifestyle estate", the sort of development associated with rich whites. There are private clinics and private schools serving the local market.

A rigorous study of class published in 2019, by Rocco Zizzamia of Oxford University and colleagues, used national income data to divvy up South Africans into five categories based on whether they were chronically poor, transiently poor (ie, moving in and out of poverty), vulnerable (just above the poverty line), middle-class or elite. Blacks, who are 81% of the population, make up a disproportionate share of the first three categories. Nevertheless blacks today make up about two-thirds of the middle class and more than a fifth of the elite. Whites, some 7% of the population, make up more than a fifth of the middle class and about two-thirds of the elite.

Socialites or socialists?

The growth of a black bourgeoisie has led to a partial integration across apartheid's barriers. The share of black people saying they socialise with other races rose fivefold from 2003 (6%) to 2023 (30%), according to SARBS. Those saying that they regularly interact with people of other races rose from 15% to 37%. Other polls suggest that most South Africans do not report experiencing racism in everyday life.

Sandre Esemang, a financial adviser whose Mini weaves in and out of Soweto's potholes, says it was hard to be a black woman in a white-dominated firm in the 1990s. But for her daughter, a recent graduate, "things are much easier". Ziyanda Ntombela says that her parents scrimped to send her to a mostly white school in the 1990s but were reluctant to have her friends over. ("They were like, 'Who the fuck is Felicity? We wanted you to learn with white kids, not be friends with them'.") With her own daughters diverse sleepovers are the norm.

But the water-cooler and pyjama parties can do only so much. Most blacks remain poor. And what narrowing there has been in the ratio of average white to black incomes since the 1990s has been largely because of gains among black earners in the ▸▸

Tetchy neighbours 2

South Africa, "race relations have improved since 1994", % agreeing

Source: Human Sciences Research Council

Can't get no satisfaction 1

South Africa, "are you satisfied or dissatisfied with the way democracy is working?", % replying

Source: Human Sciences Research Council

top 10% of the distribution, according to a paper co-authored by Amory Ghetin of the Paris School of Economics. Among blacks, "poverty and inequality" are cited as the main hindrance to reconciliation. "The rich among us get richer while the poor stay poor," says Vusi Mlambo, a plumber. "We are politically free but not economically free," argues Khensani Nkonde, who runs a charity.

Joleen Kotze, the chief researcher at SASAS, argues that South Africans' attitudes to democracy and race relations are strongly associated with their opinions about their own welfare and government performance. That helps explain the paradox of more integration among those with a bit of money, while views on whether race relations have improved since 1994 have soured overall.

Running twice as hard

It does not help that middle-class black South Africans often think that whites struggle to empathise with their difficulties. "There is a difference between first-generation wealth and 20th-generation wealth," says Andrew Mgaga, a self-employed Sowetan. Ms Esemang raises the role of the "black tax", the custom of sharing pay with relatives. "We are always playing catch-up as black people."

Notably whites now say that racism—not poverty and inequality—is the biggest barrier to reconciliation. And they do not mean their own. Ms Kotze says their views reflect a common opinion that policies around affirmative action ("Employment Equity") and the redistribution of wealth ("Black Economic Empowerment") are unfair in favouring non-white groups. She argues that "the greatest irony is that white South Africans and black South Africans are having the same conversation from different perspectives—and that's a conversation about economic exclusion".

If there were more jobs to go around, there would be less tension across class and racial divides. But in a low-growth, low-trust country, politics can quickly become zero-sum. And that makes reconciliation difficult.

Zero-sum politics also creates opportunities for populists to weaponise poverty and identity. Return to Inanda, in KwaZulu-Natal (KZN), a province dominated by Zulus, the country's largest ethnic group. Jacob Zuma, South Africa's former president—and very much a Zulu—founded uMkhonto we Sizwe (MK) last September. The new party may well win the most votes in KZN and finish fourth nationally, according to recent polls.

MK mixes anti-white populism with Zulu tribalism. Like the Economic Freedom Fighters (EFF), South Africa's third-largest party, it blames whites and their supposed black collaborators, like Mr Ramaphosa, for South Africa's ills. MK says South Africa is "dominated culturally, artistically, spiritually and economically by a minority group with an alien culture". Both parties want to expropriate land without compensation. MK even suggests it wants to ditch the liberal constitution.

Mr Zuma is also adept at whipping up Zulu chauvinism. On the campaign trail for MK he has suggested that if the country were governed by "African law", then gay marriage would be banned. In an unsubtle dog whistle, he has questioned why there would be speakers of Tswana (another official language) in KZN.

"How come Mandela voted here and they don't take care of this thing?" says Nathi Khuzwayo, who wakes at 4am to pump the toilets in his restaurant, because the sewage system has failed. A judge-led inquiry concluded in 2022 that Mr Zuma was central to "state capture" that saw the looting of publicly owned enterprises. But that is of little importance to Mr Khuzwayo and other MK supporters. MK, in his view, would do a better job because it is a party of Zulus for Zulus. He compares it to how the Democratic Alliance (DA), the country's second-largest party, looks after its own tribe, which in his view are South Africa's whites. "Let it be tribal," he says. "It's a different game now."

Yet MK is playing with fire. Pluralities of South Africans say that their strongest group association is with those who speak the same language. It should be a warning that vigilantes have attacked black foreigners, often Zimbabweans, in townships in increasing numbers in the past 15 years.

South Africa's democracy has some inherent resilience to ugly populism. The compromises of 1994 helped normalise democratic rule, peaceful transfers of power and consensus-building across racial and tribal divisions. The way the apartheid regime tried to undermine a common black—and non-racial South African—identity has not been forgotten. Most South Africans have dual identities, as South Africans and as Zulus, Xhosas, Vendas, Afrikaners, and so on.

There is still something of a centre-ground in South African politics. Polls suggest that a plurality of South African voters—as well as a plurality of ANC voters—would want the DA as the ANC's coalition partner. There is desperation for better leadership and "a charismatic autocrat would do well here, but so too would a charismatic and compelling liberal democrat," argues Frans Cronje, a political analyst. He likens South Africa's democracy to an immune system that should repel harmful elements.

The danger if hope dies

The danger is if—to extend the metaphor—the body politic becomes so weak that it loses its powers of defence. The larger the chasm between the expectations raised by 1994 and the reality of 2024, the larger the opportunity for those who do not believe in a non-racial, liberal society to fill the gap. Despondency about democracy could metastasise into something much more ugly.

Near the museum in Inanda is Sandile Maphumulo, a 32-year-old who was born in Inanda but studies in Germany. He is back for the elections. Near the spot where Mandela voted he looks down towards the ocean, contrasting his township with the villas by the beach.

Though he values greater social cohesion, "the real struggle is not for black people to be friends with white people," says Mr Maphumulo. "The real struggle is for black people to have a better life." ■

Born free

The Gulf states

Après nous, le déluge

DUBAI AND RIYADH

Gulf states are changing, but how they talk to their subjects is not

IT WAS A very Dubai apocalypse. As your correspondent tried to reach the city's main motorway on April 16th, a chauffeured BMW was inching along the same on-ramp, by then more river than road. It looked to be ferrying a business-class passenger to the airport. But there would be no free-flowing Moët et Chandon in the lounge that day: the car was soon submerged in floodwaters and came to a stop.

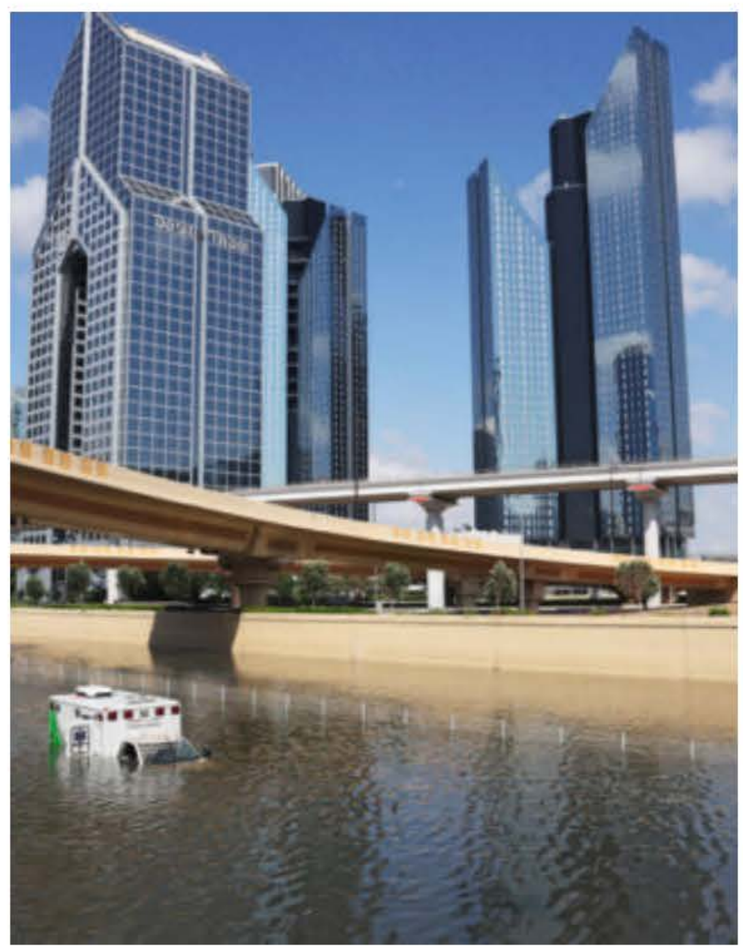
Last month's deluge dumped 142mm (5.6 inches) of rain on Dubai, one and a half times the city's average annual rainfall. The airport tarmac was engulfed, leaving thousands of passengers trapped at the world's busiest international hub. Stranded motorists abandoned cars for days on flooded roads across the United Arab Emirates (UAE), the seven-member federation of which Dubai is a part. Unable to get home, workers and shoppers slept on the floors of shopping malls.

That Dubai struggled with a once-in-a-century storm was no surprise. Most cities would. It handled the clean-up well, clearing roads and offering aid to people left homeless. What happened after the floods, though, spoke to a growing dilemma for the six monarchies in the Gulf Co-operation Council (GCC).

Like its neighbours, the UAE urges its subjects not to sweat the details. The media are tightly controlled, criticism of the government discouraged and official statements unfailingly positive. For the most part, citizens and expats alike are happy with this model. The UAE scores well on global rankings of infrastructure, health care and e-government. It handled the covid pandemic far better than most countries. Crime is so rare that many residents routinely leave their front doors unlocked and bags unwatched.

The UAE has an extensive cloud-seeding programme that uses chemicals and electric shocks, delivered by planes and drones, to coax rain from clouds. Though the evidence on whether this actually works is sketchy, the country is happy to tout the scheme: mastery over Mother Nature is very on-brand. Many residents have come to believe that a bureaucrat in Abu Dhabi, the UAE's capital, decides whether or not it will rain each day.

Then the rain flooded their homes and businesses. The UAE said it did not run any cloud-seeding missions on the day of the storm (though it may have on prior days).



What lies beneath?

Scientists doubt that cloud-seeding could have produced such a big downpour: if there was a man-made cause, most say, it was climate change. But the lack of transparency around the programme nonetheless left some residents to wonder if the government had indeed caused the floods.

A few days later, messages zipped across WhatsApp that warned of diseases spreading through contaminated water. Again, officials tried to reassure: the Dubai health authority said on April 24th that the situation was "stable" and there were no reports of illness. On the same day, though, several local newspapers—not normally known for their muckraking—quoted doctors and pharmacists who spoke of a big spike in waterborne disease.

No one bothers to think much about governance when governance is good. But it is harder for opaque governments to maintain their subjects' trust when things go wrong—or when they are changing. Saudi Arabia is trying to open up a conservative society and diversify an oily economy, the centrepiece of which is Neom, a futuristic complex planned in the country's remote north-west. Its flagship project, The Line, is meant to be a linear city, a mirrored structure 170km long and just 200 metres wide that will cut a swathe across the desert. Some 1.5m people are supposed to move into its confines by 2030.

In public, officials insist that the project is moving forward as planned. But well-connected Saudis have whispered for years that perhaps only a few kilometres of The Line will be built by 2030, with the rest not to be finished for decades—if ever. In the coming months Neom is expected to offer its debut bond sale, hoping to raise more than $1bn. Investors will have to decide whether to put their money into a project whose main attraction may be orders of magnitude smaller than advertised.

Uncertainty abounds elsewhere. In 2021 Muhammad bin Salman, the crown prince, promised that Riyadh would grow from 7.5m people to 15m, and perhaps even 20m, by the end of the decade. Last month, though, Saudi officials made it known that they were lowering their target to just 10m: bad news for citizens who bought investment properties in Riyadh based on a promise that housing demand would double.

Many Saudis have fretted in recent months that the kingdom, dry since 1952, is preparing to legalise alcohol. Perhaps to quell those fears, Ahmed al-Khateeb, the tourism minister, hinted in April that there was no need for booze. But if they reassured Saudis, his comments unnerved restaurateurs whose fancy new eateries are struggling to turn a profit from bread alone. Whatever the government decides, someone will be upset. But no one knows when or what it will decide—let alone has any say in the matter.

Gulf states are changing fast. Some of the changes are of their own making: they are trying to attract talented expats and grow their economies. Others, like the risk of more big storms brought on by climate change, are not. What is not changing, however, is a paternalistic attitude whereby residents do not need to know anything beyond breezy government statements. Many officials in the GCC are rightly proud of the trust they have built through decades of good governance. To keep it, they may need to be more transparent. ■

Israel and the International Criminal Court

Under a legal gun

JERUSALEM

Binyamin Netanyahu does not know which way to jump

NOT SO LONG ago, Binyamin Netanyahu was eager to compare himself to Vladimir Putin. In an election campaign in 2019, his party, Likud, proudly paraded the Israeli prime minister in posters alongside Russia's president and other strongmen. Now Mr Netanyahu is terrified he may join another club alongside Mr Putin: world leaders against whom the International Criminal Court (ICC) in The Hague has issued arrest warrants for war crimes.

So worried was Israel's leader that on April 30th he posted a video online to say that issuing such warrants against senior Israelis would be an "outrage of historic proportions" that would "pour jet fuel on the fires of antisemitism".

The ICC has not confirmed that its prosecutor, Karim Khan, is preparing such warrants. But Israeli diplomats say they ▸▸

have had indications that the prime minister, Yoav Gallant, the defence minister, and senior generals in the Israel Defence Forces (IDF) are in his sights. They say the war crimes under investigation relate mainly to Israel's obstructing food supplies to civilians in Gaza during the war with Hamas, the Islamist group responsible for October 7th. "We don't know for certain if arrest warrants are imminent," says one Israeli official. "What is certain is that Netanyahu thinks they are—and he's in a panic."

The prime minister has apparently been consumed for several weeks by the risk from the ICC. In that period he has reversed Israeli policies on supplying aid to Gaza, delayed a planned attack on the southern city of Rafah and become more amenable to a truce with Hamas. Some in the security establishment think Israel should attack Rafah sooner to put more pressure on Hamas; others counsel caution until a deal has been reached to secure the release of the hostages. The prime minister looks as if he has less and less control over events in and relating to Gaza. Instead he is being guided by the threats and urgings of both his allies and his enemies.

Israel has been threatening to send troops into Rafah, Hamas's last major stronghold, for months. Over 1m Gazans displaced from elsewhere in the enclave are sheltering there; they would have to be evacuated first. Israeli officials have confirmed that the IDF intended to begin that process. Leaflets telling civilians to move had been printed, ready for air-dropping, only for the cabinet to tell the generals to stand down at least twice.

Two main reasons explain the delay. One is intense pressure on Israel from America. Both the president, Joe Biden, and Antony Blinken, his secretary of state, have urged Mr Netanyahu to wait. The administration has thoroughly scrutinised Israel's plans for Rafah and said they do not provide enough protection for civilians. Israeli generals are grumbling that their political bosses have in effect given the Americans a veto over the operation.

The other cause is the prospect of a deal between Israel and Hamas that would result in the release of a big batch of Israeli hostages in return for a pause in the fighting of at least a month and the release of Palestinian prisoners. Hamas's demand that Israel pull all of its troops out of Gaza has been a sticking-point. Mr Netanyahu has now agreed, in principle, to a compromise presented by Egypt, which would involve Israel's withdrawal from urban areas within Gaza and letting Israeli troops remain in only a few locations.

Hamas's response has been cool. Some of its leaders seem amenable but the final decision lies with Yahya Sinwar, the hardline chief in Gaza, who remains in hiding. He may insist on a permanent truce. That would kibosh the Egyptian proposal, which envisages talks on a long-term ceasefire taking place only after the first 33 Israeli hostages are released.

Mr Netanyahu may backslide, too. His coalition is deeply split over the hostage deal. His partners on the far right have ruled out any agreement that includes a long truce and another delay of the Rafah invasion. Bezalel Smotrich, the finance minister and leader of the ultranationalist Religious Zionism party, has said that a government which accepts such a deal "has no right to exist".

But the more pragmatic wing of Mr Netanyahu's government, led by Benny Gantz, a member of the war cabinet and former defence minister, is threatening to withdraw its support if Israel does not accept the deal. Mr Netanyahu worries more about his far-right flank; the loss of its support would bring down his government. But acceding to its demands would worsen his situation regarding The Hague.

Israel has not signed the Rome statute that established the ICC. But the court has in the past ruled that actions carried out in Gaza and the West Bank fall under its jurisdiction. America has not signed the statute either. But the Biden administration has co-operated closely with the court, especially over the arrest warrant issued in 2023 against Mr Putin for his involvement in the deportation of children from Ukraine to Russia. Mr Netanyahu apparently thinks the administration has sway over the ICC and hopes Mr Khan's mind can be changed, perhaps under American pressure. But Israel's prime minister worries that his allies are happy to let him sweat. ■

Campus protests

Quick study

BEIRUT

Arab students are looking to America for inspiration

COMPARED WITH the demonstrations about the war in Gaza that have rocked the campuses of American universities, those at Arab institutions have been more limited. That could be changing. "We see our comrades from Columbia to Chicago", says Tom, a Lebanese student at the American University of Beirut (AUB), who did not want to give his full name. He was one of over 100 students at a demonstration on the AUB campus on April 30th "inspired", he says, by their American counterparts. Students in Egypt, Jordan, Kuwait and Tunisia are also raising their voices.

Born in the USA

The demonstrations in Beirut were orderly and restrained. The students strode along a designated route through AUB with Palestinian flags held aloft. They were accompanied by university security guards. They chatted to journalists and then went back to their classes.

The restraint reflects Arab governments' antipathy to mass protests. They have sometimes staged demonstrations in support of the Palestinians, hoping to allow their subjects to let off steam and divert attention from their own misrule. But most remain wary of public displays of discontent. In April the Egyptian authorities arrested ten people protesting in solidarity with the Palestinians.

The relative calm can also be explained by political differences. Chants that spark outrage in America, such as calls for the "end of the Zionist entity", sound innocuous in Lebanon, which does not recognise Israel. AUB did not denounce the demonstrations nor would counter-protests be at all likely.

Arab activists have struggled to find targets for their outrage about the war in Gaza. The students protesting in Beirut want AUB to stop using Hewlett-Packard computers because the firm is named by the campaign for boycotts, divestments and sanctions against Israel. They may prove easier to satisfy than their counterparts in America.

Europe

An interview with Emmanuel Macron

How to rescue Europe

PARIS

The French president on grave risks to the continent, and what to do about them

SEVEN YEARS ago, when Emmanuel Macron was first elected president of France, it was with a campaign infused with optimism about Europe. The leader who sat down with *The Economist* on April 29th is an altogether graver figure. He has lost none of his combative energy. But his analysis of the threats encircling Europe is resolutely bleak. At stake is the survival of Europe as a safe place, a guarantor of prosperity and the liberal democratic order. "A civilisation can die," Mr Macron warns, and the end can be "brutal". "Things can happen much more quickly than we think."

Mr Macron is speaking just days after giving a speech at the Sorbonne in which he first said that "our Europe can die". In our interview, conducted in the first-floor *salon doré* of the Elysée Palace, the French windows thrown open to the broad lawns below, the president stresses far more starkly the urgency and gravity of the moment. His worry concerns not just the European Union, or even the defence of European territory. It is about the durability of a set of rules and values, underpinned by economic wealth and physical security, which bind all Europeans.

Mr Macron identifies a triple shock of interconnected threats which create a particularly dangerous moment in the continent's history. The first is geopolitical: Europe's struggle to stand up to Vladimir Putin's Russia, even as America's future commitment to Europe has gone wobbly.

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Having once worried out loud about not "humiliating" Moscow, Mr Macron has turned into one of Europe's most outspoken hawks. Listing the record of Russian belligerence, from its threat to use nuclear weapons to its relentless use of hybrid warfare and disinformation, regional troublemaking, and aggression in space and at sea, the president has no doubt about what is at stake. "If Russia wins in Ukraine there will be no security in Europe," he says. "Who can pretend that Russia will stop there?" What security would there be, he asks, for neighbouring countries: Moldova, Romania, Poland, Lithuania and others?

To stand up to Russia in the short run, Mr Macron recalls, European and NATO leaders who met in Paris on February 26th agreed on new steps, including the reinforcement of Moldova's borders. France now co-runs with America a coalition to source artillery for Ukraine; Mr Macron says he will make fresh deliveries before the summer. France has signed a ten-year bilateral security deal with Ukraine, worth €3bn ($3.2bn) in 2024.

Mr Macron also stands by his refusal to rule out putting boots on the ground in Ukraine. His comments prompted disbelief and anger in Germany, and a blistering riposte from Olaf Scholz, the chancellor. Yet the French president argues that, faced with an expansionist Russia, Europe's abil- ▸▸

ity to deter further aggression rests on not defining red lines. He calls this "the basic condition" of its security and credibility. These were not empty words, he insists. "If the Russians were to break through the front lines, if there were a Ukrainian request, which is not the case today," he says, "we would legitimately have to ask ourselves this question." France, he notes, sent its troops to help African countries in the Sahel when their leaders asked.

To shore up Europe in the longer run, Mr Macron is hatching ideas for a new binding European security "framework". This instantly raises the hackles of many European Atlanticists, who distrust France's motives, suspecting it is out to undermine NATO and use grand visions to prop up its own defence firms. In an interview in 2019 with *The Economist,* Mr Macron spoke of the "brain death" of NATO. Today, though, he insists "there is no question of brushing NATO aside".

In his telling, America simply will not always have Europe's back. The continent has no choice: "We have to get ready to protect ourselves." He wants to make a start at a summit in July at Britain's Blenheim Palace. This gathering of the European Political Community, a Macron brainchild, brings together EU and non-EU members. The president wants attendees to identify the security risks facing Europe, the military capabilities it needs, and how to make more kit on European soil. Mr Macron will put on the table a full discussion of how France's nuclear deterrent (which, unlike Britain's, is wholly home-built and not "assigned" to NATO) could contribute further to European security. He wants to finalise this discussion "in the coming months". Mr Macron also wants to reinforce bilateral defence co-operation with the hosts, post-Brexit Britain, building on the Lancaster House treaties.

All of this is arresting not least because it reflects a decidedly un-French willingness to think outside the EU box about how Europeans might forge agreements based on "multiple geography". Europe's future security is an "existential debate", Mr Macron declares, which "is not reduced to the European Union...The framework isn't institutional, it's geographical." Previous French leaders conceived of European defence as an EU project, which used to spook the British. Charles de Gaulle jealously guarded France's sovereignty, and first developed its autonomous nuclear deterrent. Indeed the inheritors of the Gaullist right today, the Republicans party, accuse Mr Macron of jeopardising this with his nuclear offer—although, as the president stresses, he is not offering to surrender operational control.

The second risk to Europe comes from the twin economic shock of accelerating technology and China. Mr Macron, a former investment banker, worries that Europe is about to fall behind in crucial high-tech sectors, from clean tech to quantum computing, if it does not grasp the scale and urgency of what needs to be done now. Part of his solution would involve a large injection of public money, in good old *dirigiste* fashion. Part of it would also be about deregulation, to encourage risk and disruptive innovation.

China's president, Xi Jinping, will visit France from May 6th-7th, stopping by in the Pyrenees, where Mr Macron spent childhood holidays with his grandmother. The French president hopes to keep China engaged in the fight against climate change, as well as to urge Mr Xi to exert pressure on Russia. But Mr Macron will also give his guest a tough message about the need to protect both Europe's producers (notably from an influx of Chinese electric vehicles) and its strategic security.

Underpinning this analysis is the observation that nobody else plays by the rules any more. The old order has been broken. Nothing has yet replaced it. America, in Mr Macron's account, thought it would discipline Chinese behaviour with international trade rules. Instead America has ended up massively subsidising its own industry, just like the Chinese. Europe, he insists, is not being protectionist but realist when it seeks to do the same. Moreover, if Europeans are to build the industrial scale needed to stay competitive, he warns, they have to accept that specialisation cannot mean a "fair" share of subsidies for all countries or industries.

The final threat to Europe is democratic: a resurgent nationalism, turbocharged by disinformation and echo-chamber news. The best way to understand the risk today, Mr Macron suggests, is to re-read Marc Bloch, a French historian executed by the Gestapo. In "Strange Defeat", Bloch argued that the elites facilitated the fall of France to the Nazis in 1940 through short-sightedness and complacency. "What kills me, in France as in Europe, is the spirit of defeat," declares the president. "The spirit of defeat means two things: you get used to it and you stop fighting." This is the danger: elites are starting to assume that opinion polls make an outcome inevitable, and then to resign themselves to it. "Politics isn't about reading polls," he says; "it's a fight, it's about ideas, it's about convictions."

As always with Mr Macron there is something in all of this to dazzle and to dismay. Germany will close its ears to his appeals for a bigger EU budget. Europeans wedded to the American security umbrella dislike anything that looks as if it might hasten its demise. The EU's institutional leaders will resist any threat to their own power structures. Even if there were agreement on objectives, turning such a sweeping set of ideas into reality stretches the limits of ambition. Mr Macron has managed to shift the conversation in Europe on some matters, such as the issuing of common debt or the promise to enlarge the EU to Ukraine and Moldova. But his weakness has often been the building of alliances, above all at a time when the Franco-German tie is so strained.

Difficulty or risk, however, has seldom deterred the 46-year-old Mr Macron. As he has often said, had he listened to those who counselled caution, he would not be where he is today. Despite the darkness of the president's analysis, his spirit seems, remarkably, to have survived the turbulence of office. Mr Macron cannot run for a third consecutive term in 2027. This leaves him three years to shore up his legacy. His latest wake-up call may be an attempt to stir both fellow Europeans, and those seeking to fend off nationalists and succeed him in the broad centre at home. ■

Germany's far right

Chinese whisperers

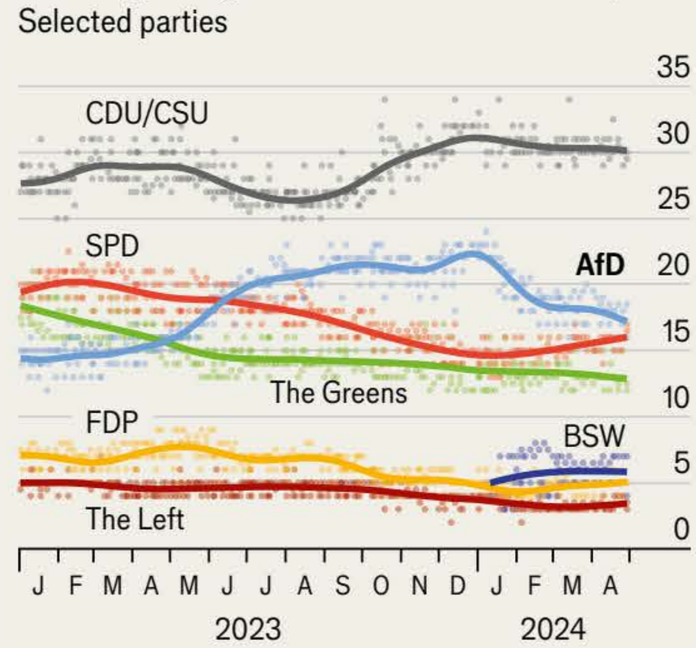
BERLIN

A spy scandal spoils Alternative for Germany's European election plans

ON APRIL 27TH Alice Weidel and Tino Chrupalla, the co-leaders of the hard-right Alternative for Germany (AfD) party, held a rally in the southern town of Donaueschingen to launch their campaign for the European Parliament's elections in June. Their *Spitzenkandidat* (lead candidate) was not invited to speak. Maximilian Krah, a member of the European parliament, is in the doghouse. Last week Germany's prosecutor-general arrested his aide Jian Guo, a German of Chinese origin, on charges of spying for China; he remains ▸▸

Alternatives to the Alternative

Germany, voting intention in federal election, %
Selected parties



Source: Wahlrecht.de

in custody. Mr Krah was known among fellow MEPs for his refusal to back resolutions critical of the Asian power. One fellow MEP called him "China's loudest vassal".

Like other hard-right parties, the AfD once expected huge gains in the European elections. But a series of scandals has made that look unlikely. In January the German press reported that, at a meeting with a notorious Austrian far-right activist, party members had discussed encouraging "remigration" of foreign-born Germans. That touched off weeks of protests which drew hundreds of thousands of people. In early April press reports alleged that Petr Bystron, an AfD MP, was paid €20,000 ($21,300) by a Russian disinformation network. Mr Bystron denies the allegations.

Mr Krah says he was unaware of the actions of Mr Guo, whom he sacked after the arrest. He will remain *Spitzenkandidat:* it is legally impossible to strike a candidate from the ballot once the list is submitted. "Ms Weidel and Mr Chrupalla are pursuing a course of strategic ambiguity," says Johannes Hilje, an expert on far-right parties. They are trying to placate the extremist wing of the AfD without alienating voters outside its core constituency.

How much do the scandals hurt the AfD? A poll by Forsa on April 30th put the party's support at just 16%, down from 23% in December. (The poll asked about German national elections, not European ones.) That was far behind the centre-right alliance of the Christian Democrats and Christian Social Union (CDU/CSU) at 30%. Even the beleaguered Social Democrats (SPD) drew 17%.

Yet the AfD has suffered less than the CDU/CSU or SPD would if one of their politicians were caught in a similar scandal, says Christian Stecker of the Technical University of Darmstadt. Its voters have far more tolerance for their candidates' dicey behaviour, especially their dealings with authoritarian regimes. Mr Stecker compares it to the indulgence of Donald Trump's supporters towards his legal difficulties. Hence the party's leaders have distanced themselves only modestly from Mr Krah. He remains popular in his home state of Saxony. On May 1st he appeared with Mr Chrupalla at a rally in Dresden, the Saxon capital.

The scandals are unlikely to hurt the AfD much among its core voters, estimated to make up 12-14% of the electorate. But some voters are happy with populism of either the right- or left-wing sort, and have been flirting with BSW, a new party set up by Sahra Wagenknecht, a hard-left MP. After the AfD's troubles, they may be inclined to try the other populists. According to leaked internal messages, the AfD itself has reduced expectations for the European elections: it is bracing for a mediocre 13-15% of the vote. ■

Conscription in Ukraine

Odessa's vanishing lads

ODESSA

Ever more Ukrainians are dodging the draft

THE IDEA was madness, opening a bar in the throes of war. Russian warships dominated Odessa's horizon and the streets were barricaded with tank traps. But for a group of former philosophy students, it was the moment dreams were made. By early summer 2022 they had refashioned a beauty salon into a new cultural hotspot, selling erotic photography and moonshine vodka.

No one remembers when the party stopped. It was a shock when the first man from the group left the country. But then a second departed. Customers began vanishing. In late 2023 the bar's owner escaped across the border. Ultimately only "Sasha", the barman, remained.

Vladyslav, who is 24, began the war as a committed patriot. He watched the reports of Russian atrocities and felt a strong urge to fight. Then the males in his life started to go to the front line. Friends, relatives, his father and stepfather all became soldiers. Many of his friends died. A colleague was killed just three days after being sent to Bakhmut. Another was assumed dead only to be later returned in a prisoner exchange, saying he had been tortured. Vladyslav's family now urge him to stay clear of the conscription officers who prowl Odessa's streets. "It's not that I'm scared to fight, but I'm scared because I know what's happening out there."

For a generation of young men in Odessa, life has been postponed. Of those not already fighting, more and more are hiding from conscription officers. Men in green uniforms conduct regular sweeps of the city's buses, gyms and train stations, often dragging their targets off by force.

The recent lowering of the minimum mobilisation age from 27 to 25 is a further challenge. Parliament took months to pass the law. It was an urgent necessity for the army, which is struggling to hold the front lines. Perhaps its most significant provision requires that all draft-eligible men must register in a new online database.

Sasha, the barman, feels stuck in the middle, not wanting to leave his home but fearful the draft officers might knock on his door next. "You can leave, but it's a one-way ticket. You can go to the front lines, but that may be a one-way ticket too." One estimate late last year suggested 650,000 men of fighting age had left Ukraine, the majority by illegal means. Getting papers to leave was once a matter of paying a few thousand dollars to a corrupt officer. Now it is nearly impossible.

Vladyslav has witnessed several raids. He describes the draft officers as "fishermen" who "catch" their victims. "The officers lurk near bus stops and stop the buses as they depart...Everyone says victory is near, but it feels quite far away if you're a 25-year-old in Odessa."

Conscription officers are reluctant to talk. *The Economist* sent two requests for comment, only to be told to send a third. Ruslan Horbenko, an MP, says draft officers have an unenviable task. Most of the forcible detentions concern deserters. In some brigades as many as 10% of the soldiers are believed to have fled. Odessa is one of their prime destinations, he says. Soldiers who have stayed on the front lines feel "abandoned", and recruitment officers take it out on the deserters.

Those still in Odessa are mostly hiding. A trip to the philosophers' bar on a recent Thursday found only one man present. Female patrons gossiped about mobilisation. The rumours were flying: Volodymyr Zelensky was about to lower the draft age to 20. Russia was supposedly preparing a new operation to take Odessa. One woman said her boyfriend refuses to move around town except by taxi. A barwoman admitted business had gone downhill. The bar will soon close, she said.

Vladyslav faces financial struggles, too. Before Russia's full-scale invasion he sold plumbing equipment. Since then he has been unemployed. Without military papers he cannot look for a job. His girlfriend is expecting their first child. He dreams of a life as a new father in a peaceful Ukraine. For Sasha, the last of Odessa's philosopher dreamers, hope dies last: "Hope that we will wake up in the morning alive." ■

Turkish politics

Erdogan's Islamist rivals

ISTANBUL

Ultraconservatives steal the president's thunder over Gaza

THE CLAIM that Turkey's president, Recep Tayyip Erdogan, has been too soft on Israel would surprise most observers. He is an outspoken defender of the Palestinians, and specifically of Hamas. Since the war in Gaza began seven months ago he has repeatedly accused Israel of genocide and called Binyamin Netanyahu, the country's prime minister, a "butcher" and a war criminal. Some of Hamas's leaders have found a haven in Turkey.

But for many religious hardliners, this is not enough. For months New Welfare, an increasingly popular Islamist party, has been giving Mr Erdogan grief. The party wants Mr Erdogan to freeze trade with Israel, close down a NATO radar station and deny American troops access to another NATO base in central Turkey.

Turkey's strongman recently decided to meet the radicals halfway. On April 9th his government announced that it would suspend the sale of dozens of products to Israel, especially those used for construction and military purposes. Two weeks later in Istanbul Mr Erdogan rolled out the red carpet for a visit by Ismail Haniyeh, Hamas's political leader.

This came too late to prevent Mr Erdogan's Justice and Development (AK) party from losing at least a million votes to New Welfare in local elections on March 31st. That election produced two main winners. One was the opposition Republican People's Party (CHP), which beat AK in the country's big cities and, even more unexpectedly, in the nationwide vote. The other was New Welfare, which earned 6.2% of the vote, behind only CHP and AK.

For two decades Mr Erdogan and AK have enjoyed a near-monopoly over Turkey's Islamist vote. New Welfare's success has ended that. The party, headed by Fatih Erbakan, the son of Mr Erdogan's late mentor, had joined the president's governing coalition in 2023, but went its own way in the local elections after accusing AK of ignoring its demands. These include lowering interest rates, outlawing adultery and scrapping rules on gender equality.

The war in Gaza was another reason for the split, and for New Welfare's strong showing. "People expected more from a government and a president who had done so much for Palestine," says Mehmet Fatih Oztek, a member of New Welfare's executive committee. "And this had serious costs for AK at the polls."

Tempted as he might be to get even tougher on Israel, Mr Erdogan can go only so far without sabotaging Turkey's improving relations with America. The relationship is hardly thriving, but it has been getting better. Earlier this year Mr Erdogan approved Sweden's accession to NATO after months of stonewalling, opening the way for America to sell F-16 fighters and upgrade kits to Turkey. In February the Pentagon announced a partnership with a Turkish defence company to produce 155mm shells, presumably destined for Ukraine, out of a plant in Texas.

But there are signs Mr Erdogan may be willing to pay that price. In late April, officials in Ankara revealed that Turkey's president had postponed a trip to the White House scheduled for May 9th, which would have been his first since Joe Biden took office. Mr Erdogan may have decided that a bit of friction with America is what he needs to placate Islamists at home. ■

Polish infrastructure

Grand schemes

PODORYSZEW

Donald Tusk is working out which of the previous government's plans to axe

ELZBIETA ZIMMERMANN fears her barn will collapse. She has put off repairs since 2017, when she heard that the government would build a mega-airport on the site of her farm in Podoryszew, 50km west of Warsaw. The project has been put on ice since Poland's populist Law and Justice (PiS) party, which championed it, was voted out in late 2023. PiS's centre-right successors have promised more fiscal responsibility. But scrapping mega-projects means sunk costs and dashed hopes.

The liberal government that took over in December inherited a mixed bag of investments. Some are too far along to cancel, such as a shipping channel in an out-of-the-way lagoon that cost over 2bn zloty ($495m) to build. Despite its dubious value, Donald Tusk, the prime minister, said he would finish the final 900 metres. Other projects can still be reconsidered. An effort to produce a Polish electric car (a partnership with Geely, a Chinese firm) has cost the state some 500m zlotys since 2016. Land for a factory has been bought, but construction keeps getting put off. In April the government said it needed to rethink the investment's "formula".

The main question is what to do about the Central Communication Port (CPK), an air-rail hub. The previous government envisaged an airport initially handling 34m passengers a year and 100m later (comparable to London's Heathrow), connected to some 2,000km of new high-speed railways. It aimed to make Poland the transport centre of eastern Europe. But detractors argue that the country cannot afford to spend over 155bn zloty on a bet that may not pay off. The project's new boss, Maciej Lasek, says the plan he inherited was driven by national pride rather than good economic sense. A six-month audit will decide whether the money would be better spent on regional airports and rail.

The government now thinks CPK could open in 2032 at the earliest. In the meantime, on April 30th it announced it would expand Warsaw's current airport as a "bridging measure". That airport carried 24m passengers last year, near its capacity. The 2.4bn zloty expansion would boost it to 30m in 2029. Predictably, PiS attacked the decision. But so did some business figures. Maciej Wilk, a former executive at LOT, Poland's national carrier, called it an "infrastructural coup d'état". The Council of Polish Global Entrepreneurs (RPPG), a lobby group, urged Mr Tusk to take a more "farsighted approach" to CPK.

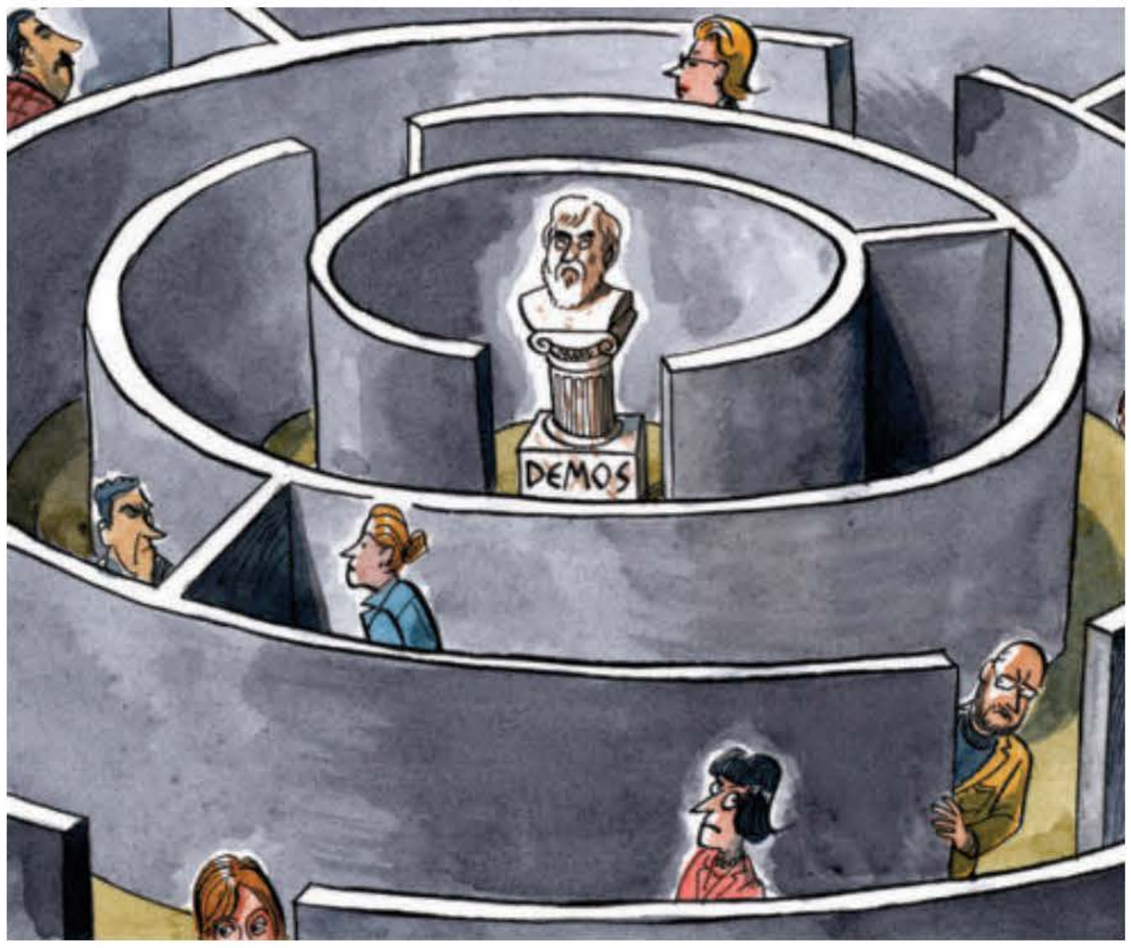
Dropping CPK would be painful. The treasury has spent billions of zloty to design the hub and buy land. There is a social cost too. Like Ms Zimmerman, thousands of residents in the area have had their lives uprooted. In Nowy Oryszew, a village in its centre, a third of the 60 houses have been voluntarily vacated, according to Miroslaw Tondera, the mayor.

CPK is widely seen as the brainchild of PiS, but it is also popular. In a poll in February, 58% supported the idea. "Poles feel they are a nation that does not get what it deserves," says Jacek Nizinkiewicz, political editor of *Rzeczpospolita*, a daily. "The project addressed those unfulfilled ambitions." And though risky, long-term bets can pay off. The LNG terminal in Swinoujscie, approved in 2006 under PiS and completed in 2015 by Civic Platform, Mr Tusk's erstwhile party, has helped wean Poland off Russian gas. Now both parties squabble over bragging rights. ■

CHARLEMAGNE

In search of the European demos

Europeans lack visceral attachment to the EU. Does it matter?



IN ANCIENT GREECE poetry was regulated so as to prevent excessive passions from corrupting the social order. Rhyming couplets have long since lost their ability to sway politics. And yet. On April 29th a small crowd in Aachen, a German town near the Belgian border, turned out for *ein Poetry Slam* in which amateur bards were asked to riff on, of all things, the European Union. A few dozen mostly grey-haired types, including Charlemagne (your columnist, not the medieval emperor who once ruled from the city), listened tactfully as a trio of youngsters rhymed one elongated compound word with another. Some light rapping was attempted. A local "TikTok political influencer"—not a profession Plato would have recognised—served as host and ensured the social order was indeed not corrupted (the risk seemed slim in retrospect). The lyrical battle having been settled amicably, the audience was treated to another Greek civic art. Streamed from down the road in Maastricht, eight politicians from Denmark, Luxembourg and beyond engaged in an old-fashioned contest of rhetoric ahead of the upcoming European elections on June 6th-9th.

To latter-day Aristotles, this half-filled theatre on a Monday night was a sign of another phenomenon with Greek roots: the emergence of a European *demos*, or common political culture. For centuries in Germany and beyond, civic life has been the stuff of municipalities, provinces or nation-states. Yet in Europe power is increasingly wielded by EU institutions in Brussels. Whether this centralising arrangement can be anything more than a souped-up intergovernmental body, a sort of regional UN on steroids, depends in part on whether citizens of countries across the EU viscerally feel they belong to the same polity. From such a unified *demos* might emerge a unified European democracy.

Euro-federalists have craved such a pan-continental social contract since the days when the EU was a coal-and-steel club. They still do. France's Emmanuel Macron, in a rambling speech on April 25th, called for "more vigour to be given to a European *demos*". Better yet, some see early signs of one. Some 448m Europeans have been through a slew of crises in recent years, and have come to fear the same things: Russian aggression, an isolationist America, rapacious Big Tech, climate change. Responses to these crises are largely devised in Brussels, which crafts most of the laws that affect EU citizens. Even if people do not realise they *should* care, the argument goes, they one day realise they *must*. Those who give up their Monday night to watch EU debates (the first of a series) are but the vanguard of an inevitable broader movement.

The *demos*, if it exists, should be most visible in the run-up to the bloc's elections, which have directly seated MEPs since 1979. Instead it is notably absent. European elections have far lower turnouts than national ones. The balloting takes place simultaneously across the bloc, but it is best thought of as 27 concurrent national affairs. French voters will want to serve Mr Macron some humble pie, Polish ones will give their newish government a first report card, and so on. If EU policies are discussed, it will be almost incidental.

The debate in Maastricht showed how thin the veneer of a pan-European polity really is. On stage were the lead candidates of the political groups in parliament, who aspire to replace Ursula von der Leyen as president of the European Commission, the bloc's powerful executive arm. Yet in practice, who wins the election is only slightly related to who gets the job. Mrs von der Leyen's centre-right faction is far ahead in the opinion polls anyway (see our election tracker at **economist.com/EU-elections**). Whereas all Europeans can recognise their country's president or prime minister, few would have any idea who this cadre of aspiring commission leaders were, with the possible exception of the incumbent. To dismiss some of the debaters as second-tier would be an insult to actual second-tier politicos. Most were little known within the Brussels bubble, let alone outside it. Tellingly, the debate was viewable only via internet, not on television.

What of the case that a *demos* is either emerging or inevitable? "Europeans these days know about each other much more because of crises," says Ivan Krastev, a Bulgarian intellectual. From Athens to Dublin, most will have felt the same shock on opening their heating bills in 2022; they worry that their children may face conscription or a boiling planet. When covid-19 infected the bloc, they waited for vaccines whose purchase was handled for all Europeans in Brussels. From such joint tribulations might emerge the "imagined community" that underpins national polities, as Benedict Anderson, a political theorist, once put it.

Putting the demo in democracy

But even those who think Europeans are destined to do more together need not conclude that this requires a powerful, union-wide tier of direct democracy. At the moment few citizens seem to care about it. The direction of travel in the past decade or so has been towards deeper EU integration, but one largely guided by national governments working together, often through the auspices of the commission (and some oversight from the relatively weak parliament). The EU in its current not-very-centralised guise is popular: recent polling suggests citizens in all 27 member states think of it positively, and want their country to remain in the club.

Federalists should be careful not of too little *demos*, but of too much. When common political themes emerge across the EU, they tend not to flatter Brussels. Migration, Ukraine and environmental protection are all areas in which the EU has been deeply involved—and which most voters say they are dissatisfied with. If a unified European civic culture were to emerge, it might conclude that it would rather the union adapts its institutions to its people, and not its people to its institutions. ■

Britain

Scottish politics

Uphill task

Labour is the big beneficiary of turmoil in the SNP

"INDEPENDENCE FEELS frustratingly close," said Humza Yousaf, the outgoing leader of the Scottish National Party (SNP) and first minister of Scotland, as he announced his resignation on April 29th. The comment captured Mr Yousaf's personal limitations: secession is, in fact, as distant a prospect now as it has been at any time since Scots voted against it in a referendum in 2014. As such, it is a reminder of the SNP's need to find fresh purpose.

Mr Yousaf's departure had been precipitated, days earlier, by his ditching of the Bute House Agreement, a power-sharing deal signed by the SNP and the Scottish Greens in 2021. That deal gave the SNP a slim pro-independence majority in Holyrood, the Scottish Parliament. But it also tied the party to a progressive agenda, covering matters from climate change to gender identity, that had begun to fray. By dumping the Greens, Mr Yousaf hoped to shore up his authority. Instead he revealed he didn't have any. When it became clear he was not wanted to lead any government, minority or otherwise, he resigned.

The search for a new leader of the SNP has now begun. Two front-runners have emerged: John Swinney, a trusted SNP stalwart who was briefly party leader two decades ago, and Kate Forbes, who came a close second to Mr Yousaf in the SNP's last leadership contest a little over a year ago. Mr Swinney will stand; at the time of writing, Ms Forbes had yet to declare her hand. If there is a contest between candidates, a new leader will be chosen in a ballot of members in the coming weeks. Mr Yousaf will stay on until his successor is in place.

Whoever succeeds him faces a gigantic task. The party's fortunes began to nosedive in June last year, when Nicola Sturgeon, its former leader and a charismatic champion of Scottish independence, was arrested as part of a police investigation into the SNP's finances (she denies any wrongdoing). In April Peter Murrell, her husband and a former chief executive of the party, was charged in connection with the embezzlement of funds.

Mr Yousaf was an unimpressive successor. But the SNP's real trouble is less one of leadership than the loss of its *raison d'être*. Although support for independence remains steady, at about 46% of voters, it has become less salient as an election issue. A ruling in 2022 by the Supreme Court, that a second independence referendum cannot be held unless Westminster agrees to it, dealt the SNP a heavy blow. The blocking of the obvious path to independence has had two consequences.

The first is that the record of the SNP in other areas has come under the spotlight. ▸▸

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The party has ruled Scotland since 2007, and does not have a lot to shout about. Voters give low ratings to Scotland's schools, which do not perform as well as England's, and to its health service, which also has long waiting lists. On April 18th the government said it was scrapping unachievable climate targets that were part of the Bute House agreement. (This enraged the Greens who threatened to tear up the deal; Mr Yousaf got there first.)

A set of progressive policies designed to make the SNP look more enlightened than other parties has instead made it seem divorced from voters' everyday concerns. A policy of accommodating trans women (biological men) in women's prisons caused outrage after a rapist was housed with female prisoners. A new law on hate crimes has attracted widespread criticism for its potentially chilling effect on free speech. NHS Scotland's adoption of a recommendation last month by Hilary Cass, a respected paediatrician, that doctors stop prescribing harmful puberty blockers to children exposed rifts between progressives and conservatives within the SNP's governing coalition.

The second, related consequence is the effect on the Labour Party, which once held sway north of the border. As recently as 2010 the party won 41 of Scotland's 59 seats in Westminster. But after the referendum in 2014 it lost a lot of ground to the SNP. In the general election in 2019 it took one solitary seat. Its prospects have since brightened considerably. An average of recent Scottish polls suggests that the SNP is now neck-and-neck with Labour (with 34% and 33% of the projected vote respectively). Sir John Curtice, a polling guru and professor of politics at Strathclyde University, says that if this were the case in an actual Westminster election, it would mean Labour winning 28 seats in Scotland and the SNP 18. That would greatly ease the path to Downing Street for Sir Keir Starmer, the Labour leader.

How can the SNP reverse its slide—if not before the general election, due by the end of January 2025, than at least in time for the next Holyrood elections in 2026? Neither of the front-runners is a straightforwardly good choice. Mr Swinney, 60, who is competent but uninspiring, is often described as a "continuity candidate". That reflects his decades of experience in the senior echelons of party as well as his endorsement of the SNP's progressive social policies, including on gender. Given the SNP's levels of dysfunction, continuity doesn't sound much like a compliment.

Ms Forbes, who is just over half Mr Swinney's age and a lot more charismatic, offers a vision of sensible government designed to raise Scots' living standards. But her conservative Christian views (on things like abortion) are unacceptable to many in the SNP and would widen fissures with the Greens, whose support still matters to a minority government. Lefties worry that her fiscal conservatism and drive for economic growth could come at the cost of things like workers' rights.

Politicians on both the left and the right of the party agree that it will not rebound without first demonstrating an ability to run Scotland more effectively. But that is easier said than done. The new first minister will have to win support for SNP policies in a fractured Parliament. They will have to hold together a broad coalition of both politicians and voters—who range from stolidly conservative to a faction called the SNP Socialists—when there is no prospect of another independence referendum to galvanise support. Mr Yousaf may not have been much cop as leader. But this is a task that would stretch much more talented politicians than him. ■

Paddleboarding

'SUP!

How Britons have taken to, and adapted, a Hawaiian watersport

VISIT ANY body of water in Britain this summer and you will spot them, wielding their paddles like modern-day Argonauts. In the past three years stand-up paddleboarding (or SUPing) has gone from obscurity to popularity. Some 4.5m Britons have dabbled; over 1m own a board, according to one survey.

Paddleboards were invented in Hawaii in the 1940s. Originally marketed to surfers as a backup for days of flat water, early adopters used them for racing and exploring coastlines. But SUPs struggled to take off. Thrill-seekers thought they combined all the work (paddling) with none of the excitement (surfing).

SUPs caught their big break as a result of two events. The first came in 2008 when John Hibbard, an entrepreneur in Totnes, a town in Devon, invented the inflatable SUP. Over time the price of a board plunged, opening up a mass market. You can now pick up a SUP in Tesco, a supermarket chain, for around £150 ($190). Mr Hibbard's company, Red Paddle Co, is a leading supplier, with sales of £20m a year.

Stand-up comedy

The second event was the covid-19 pandemic, which closed gyms and forced people to exercise near to home but away from other people. Most Britons live near a river, canal, lake or beach. Paddleboarding was a perfect "naturally socially distanced activity", says Andrew Tee, chairman of the British Stand Up Paddleboarding Association, a trade body. By 2021, it was Britain's most popular watersport.

What is the appeal? Unlike the Hawaiian pioneers, Brits prefer to SUP inland on flat water. To the uninitiated it can look odd, perhaps even rather dull. But paddleboarding taps into two ubiquitous modern trends. An hour of SUPing is a "secret workout", says Mr Tee, in which you can burn 400 calories and tone your body "without breaking sweat". His club in Oxford has hundreds of members; most are over 40.

SUPers also preach wellness benefits. "Paddle more, worry less," is how Madeleine Howell, a writer and enthusiast, puts it. SUP clubs offer such wholesome activities as river cleaning and paddleboard yoga. Ms Howell thinks the sport attracts "adventurously spirited people". It helps that it's easy. In contrast with other watersports, says Mr Hibbard, there is a "very small learning curve".

Things can go wrong, particularly when novices head to the coast. In 2022 the Royal National Lifeboat Institution was called out almost 1,500 times to rescue SUPers who had got into trouble. As summer looms, the charity is warning would-be adventurers to check the winds and tides. A wave of enthusiasm is one thing. Actual waves, quite another.

BAGEHOT

St Jeremy, patron of the Great British bore

In speaking for every type of bore, Jeremy Clarkson speaks for Britain

HURTLING WEST along the M40 in a Porsche Taycan, an electric battery on wheels that seemingly teleports between zero and 60mph, Bagehot thought: this *does* feel like a horse that had just had a mustard-covered hot dog shoved up its backside. His destination was Diddly Squat, a farm on the edge of the Cotswolds owned by Jeremy Clarkson, television presenter, near-national treasure and coiner of that evocative equine analogy.

In barely a decade Mr Clarkson has gone from disgraced "Top Gear" presenter, a man who punched an underling for failing to provide a hot dinner, to strangely beloved guardian of the British countryside and YIMBY (Yes In My Back Yard) icon. This unlikely transformation is due to the success of "Clarkson's Farm", a hit Amazon Prime show that begins its third series on May 3rd. In the programme Mr Clarkson struggles to breed pigs, break even and defeat NIMBYs on the local council.

The show appeals to a much-misunderstood figure in British society: the Great British bore. On a damp Saturday afternoon in April at Diddly Squat shop, dozens of people queued for half an hour to pay £7.20 ($9) for a jar of pesto and £32 for 12 bottles of Hawkstone Lager, Mr Clarkson's own brand. Is it fair to label people enjoying an underwhelming afternoon in the countryside "bores", your columnist briefly wondered, at which point a man left the queue to inspect the guttering of the farm shop with a little tap. "Plastic," he nodded. Yes, it is fair!

Bores come in many forms. Some are farmers. Some are petrolheads. Some supported leaving the EU. Some are casual in their bigotry. Some are climate-sceptic. Some are vociferous NIMBYs. These are the traditional bores. But other bores exist. Some are furious that Britain has left the EU, and will never cease to let you know how angry they are. Some are eco-warriors, putting biodiversity before people. Some bores believe building solves every problem. Somehow, Mr Clarkson manages to speak for all of them.

Mr Clarkson's appeal to the traditional bore is more obvious. For years he has revelled in the persona of a particular type of bore. On "Top Gear", the car show that was the archetype of bore-friendly television, Mr Clarkson was a bigot in boot-cut jeans, picking fights with cyclists, the Mexican ambassador and, in that unfortunate moment, his own staff. In his columns for the *Sunday Times*, he tore into local councils, health-and-safety rules and the Welsh. The connecting principle was a distrust of authority, which lurked at the heart of many a Leave vote.

When it comes to climate, Mr Clarkson's views speak to sceptical bores and blasé bores. His opinions on Greta Thunberg are negative and more than a little disturbing ("what she needs is a smacked bottom"). He is a man who winces at the thought of driving an electric sports car ("it still sounds like a milk float"), however fast it goes. Farming bores appreciate him, too. Usually, hobbyist farmers are held in low regard. But British farmers have arguably the least political clout of all their European peers. In an inversion of most countries' priorities, the industry is among the first to be stuffed when it comes to trade negotiations. Such is the clout of "Clarkson's Farm", in contrast, that Downing Street welcomed the cast to lobby on behalf of British farmers.

Other bores have had to learn to love him. Mr Clarkson is now an unlikely pin-up for young liberal bores who insist that planning law is the cause of, and solution to, all of Britain's problems. Mr Clarkson's incessant struggle with West Oxfordshire District Council to open a restaurant on his land, and to keep the shop open, provides the narrative arc for much of "Clarkson's Farm". It also shows the capriciousness of Britain's planning system, with decisions made on a whim by councillors elected on a turnout of 30%. For these bores, a Britain that builds is the route to salvation. St Jeremy's struggle makes him the perfect martyr.

Some bores are surprised to find Mr Clarkson on their side. Rejoining the EU is at the heart of the *nouvelle* bore movement. Bores are fundamentally reactionary, raging against the status quo. Now that Britain has left the bloc, the Brexit bores are sated; the puce fury of Remainer bores has just begun. It took Nigel Farage and a cabal of right-wing Conservative MPs, uber-bores all, three decades to drag Britain out of the EU. If their Remainer bore rivals have a plan to take Britain back in, Mr Clarkson would be the perfect mascot. Nearly three in five Britons think Mr Clarkson voted Leave, according to polling from Focaldata, a research outfit. In reality, he voted Remain. In fact, he once argued for a United States of Europe. If there is a path to rejoining the EU, it runs along the A361 next to Diddly Squat farm.

From gammon to jambon

Mr Clarkson offers something for every bore in Britain. He is a YIMBY who sees it as his God-given right to open a restaurant on his land, West Oxfordshire District Council be damned; but he also understands the merits of wildflower meadows and wants to leave rolling countryside mainly untouched. He is a conservationist who fears for the future of British farming in the face of climate change, but who also has ten V8s in the garage. He is a European federalist who enjoyed well-paid berths at the *Sun* and the *Sunday Times*, both Leave-supporting newspapers.

Which is why, on a Saturday afternoon, bores join a slow-moving queue outside a small shed on the edge of the Cotswolds. Like medieval pilgrims, bores young and old come in their gas-guzzling Golfs, shiny Teslas and fancy Porsches to enjoy half a day in the countryside, pay homage to their hero and buy a relic. In lieu of Christ's foreskin, why not try "Jeremy's Sausage" (£4.50 for four)? In a country where politicians still seek the centre ground, a good place to start looking is the incoherence of Mr Clarkson. After all, he who speaks for the bore speaks for Britain. ■

International

Killing at all costs

Beware, global jihadists are back

PARIS AND WASHINGTON, DC

They are using the war in Gaza to radicalise a new generation of extremists

WHEN JIHADIST gunmen shot their way through Crocus City Hall in Moscow on March 22nd, killing more than 140 concert-goers and setting the venue alight, intelligence agencies across the West were aghast. It was the clearest warning that Islamic State (IS), seemingly smashed five years ago, is returning to spectacular acts of international terrorism. Western countries fear becoming targets.

The dread is deepest in France and Germany, which are hosting two of the world's biggest sporting events this summer: the Olympic games and the Euro 2024 football championship. The floating ceremony along the Seine to open the Paris Olympics has been curtailed to limit the risk; a "Plan B" is in the works, too. "If you can do Moscow, you can do Paris," explains Gilles Kepel, an expert on jihadism. "Moscow could be a training run for the Olympics."

Terrorism is a grisly theatre of violence, for which mega-events offer a tempting stage. Black September, a Palestinian group, gripped the world's attention when it took nine Israeli athletes hostage at the Munich Olympics in 1972. IS likes to strike at big, crowded venues: the Bataclan theatre in Paris in 2015, the Manchester Arena in 2017 and now Crocus City Hall.

These days the West has largely turned away from the long "war on terror", having expended much blood and treasure to destroy the main jihadist groups. But extremists are on the march again. They have re-emerged in havens old and new, and are also thriving online. Furthermore, Israel's war in Gaza is all but certain to radicalise a new generation.

The history of global jihadism is one of reinvention under pressure from the West. After September 11th 2001, America and its allies overthrew the Taliban in Afghanistan and evicted al-Qaeda. American forces killed its leader, Osama bin Laden, in Pakistan in 2011. Then his successor, Ayman al-Zawahiri, was eliminated by a drone strike in Kabul in 2022. Al-Qaeda has yet to name a new leader. Meanwhile IS, al-Qaeda's even more wanton progeny, caused a sensation by carving out a "caliphate" across swathes of Iraq and Syria in 2014, drawing volunteers from Europe and elsewhere. Its last redoubt was destroyed in 2019 and IS has lost four leaders since that year began.

Even so, jihadists fight on. They still revile the West and feed insurgencies from Mali to the Philippines. Of the two brands, IS is the more dynamic. "In the war of ideas Islamic State has defeated al-Qaeda, especially among young people," says Aaron Zelin of the Washington Institute, an American think-tank. "IS created the caliphate, even if it was destroyed. Al-Qaeda only talked about it."

All this, says Mr Kepel, has produced three overlapping phases of violence: attacks directed by al-Qaeda in the 2000s; strikes enabled or assisted by looser networks linked to IS in the 2010s; and what he calls "ambient jihad", the leaderless, self-started violence predominant in recent years. The greater the degree of organisation, the greater the carnage jihadists can generally inflict. Without a guiding hand, lone-wolf attacks are typically less deadly, but they are harder to detect and can be horrifying nonetheless. In France a schoolteacher was beheaded in 2020 and another ▸▸

stabbed to death last year. And many fret about the growing number of minors drawn to militancy.

The jihadist movement is dispersed and fluid. Some factions focus on fighting the "near enemy", ie, local governments, and seizing control of territories. Others are again turning towards the "far enemy", the West. Today, as before 9/11, Afghanistan is exporting terrorism. President Joe Biden's chaotic withdrawal in 2021, seeking to end America's "endless wars", led to the Taliban's return to power. The killing of Zawahiri was evidence that the Taliban are once again sheltering al-Qaeda figures, who are lying low.

The big headache is Islamic State's franchise in Afghanistan, "Khorasan Province" (ISKP). It burst to prominence during America's retreat from Kabul, when a suicide-bomber killed more than 180 people, among them 13 American soldiers. Unlike al-Qaeda, ISKP is suppressed by the Taliban, though not entirely. It has exploited networks in neighbouring countries. By Mr Zelin's count, ISKP conducted or attempted one attack abroad in 2021, four in 2022, 12 last year and 15 so far this year.

Among its recent targets, it bombed a commemoration in Iran for Qassem Suleimani, an Iranian general slain by America, killing more than 90 in January. It was also behind the Moscow attack, signalling its desire and capacity to cause harm ever farther afield, say Western officials. "ISKP strikes where it sees an opportunity," says Hugo Micheron of Sciences Po university in Paris. "If it has not attacked in Europe it is because it has been thwarted so far."

The situation is all the graver given other geopolitical complexities. American forces in Iraq and Syria are thinly spread and may be drawn down further, not least because they have been repeatedly attacked by Iran's allies. America is renegotiating the status of its forces in Iraq. And an American withdrawal from Syria—advocated by Mr Trump and seemingly discussed by Mr Biden—could gravely weaken Kurdish allies and result in the break-out of thousands of jihadist fighters held in their prison camps.

In the Sahel, meanwhile, coups have forced French forces to leave Mali, Burkina Faso and Niger. UN peacekeepers have also withdrawn from Mali; American troops are likely to leave Niger and perhaps Chad, too. In their place Russia's Wagner mercenary outfit is protecting the putschists. Whether it can beat back jihadists is doubtful. A recent UN report warns that regional branches of al-Qaeda are gaining ground, threatening west African coastal states, and may establish a "terrorist sanctuary". Spooks fret that, in both regions, jihadists could turn to attacking the West. A similar worry applies to al-Qaeda's powerful ally in Somalia, al-Shabab, and to al-Qaeda in the Arabian Peninsula (AQAP), its branch in Yemen, which have histories of cross-border terrorism.

The battle is under way in the digital realm, too. The physical caliphate may have gone, but the virtual one is potent. Jihadist tracts and videos are distributed in many languages. With the war in Gaza, the torrent has turned into a flood, as al-Qaeda and IS try to exploit fury over the suffering of Palestinians.

The ferment is likely to radicalise a new generation of Muslims. On April 25th a Moroccan asylum-seeker was convicted of killing a British pensioner "because Israel was killing children". New terrorist groups "are probably forming as we speak", says Christine Abizaid, director of America's National Counter-Terrorism Centre, the main intelligence hub on jihadists. For all the horror Hamas inflicted on Israel on October 7th, she added, Palestinian groups don't seem inclined to attack the West.

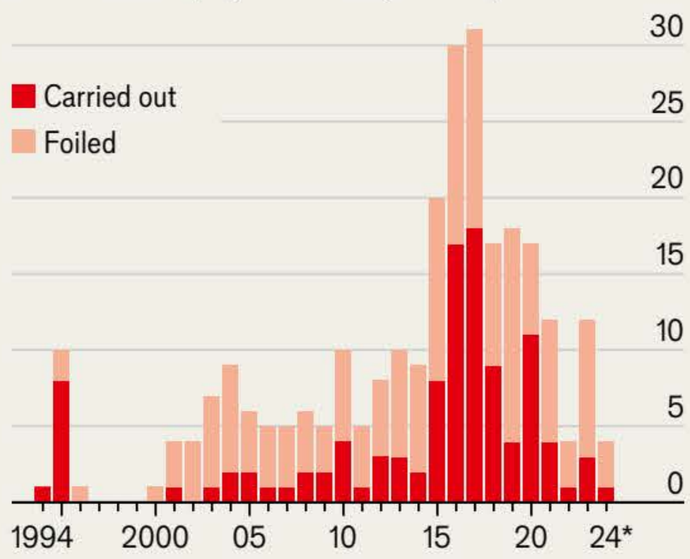
Upstaged by Hamas, which it disdains, yet unable to land a blow on Israel, ISKP is inciting its followers to strike wherever they can. "Lions of Islam: Chase your preys whether Jewish, Christian or their allies," urged ISKP in January.

So what next? Jihadist plots in Europe, successful and failed, abated with the waning of the caliphate, according to Petter Nesser of the Norwegian Defence Research Establishment (see chart). As jihadists regroup, however, the more organised sort of attack may return to the fore. In Europe France is most vulnerable, in part because of the clash between French state secularism and Muslim public religiosity. Britain and, increasingly, Germany, may be next on the hit-list. Sweden and Denmark have drawn ire because of their Koran-burning protests. Russia is prominent, adds Mr Nesser, given its intervention in Syria in 2015 and its alliance with Iran.

Suspected jihadists have been arrested across Europe, often with ISKP links. The group operates in part through a diaspora of Muslims from ex-Soviet lands in Central Asia and the Caucasus, a change from earlier cycles of terrorism that often involved extremists of north African and Pakistani extraction. Some ISKP figures in Turkey form what the UN calls "a logistical hub for [ISKP] operations in Europe", not least by moving funds through cryptocurrencies.

Striking back

Western Europe, number of jihadist plots



Source: Jihadi Plots in Europe Dataset, FFI *To April 12th

Military experience, whether in training camps or actual jihadist battles, increases the zeal and deadliness of attackers. Fortunately the flow of Western volunteers to war zones has slowed to "a dribble", say security sources. But militants jailed for terrorism offences during earlier periods of violence can inspire and organise others once released from prison.

Some jihadists may be lurking among the mass of migrants moving to Europe and America. Nine people of Central Asian extraction, arrested in Germany and the Netherlands last July for allegedly plotting attacks on behalf of IS, had come from Ukraine. In America, hundreds of people with possible links to terrorism have been found crossing the Mexican and Canadian borders since 2022. But Ms Abizaid says there is no evidence of known "operatives" trying to slip across land borders.

If jihadists do attack, officials fear they might import technologies from foreign battlefields, such as drones that drop munitions and bombs without metal parts. Encrypted communications—in messaging apps and video games—make it easier for militants to organise. Artificial intelligence, perhaps including deepfakes, facilitates the production and translation of jihadist propaganda.

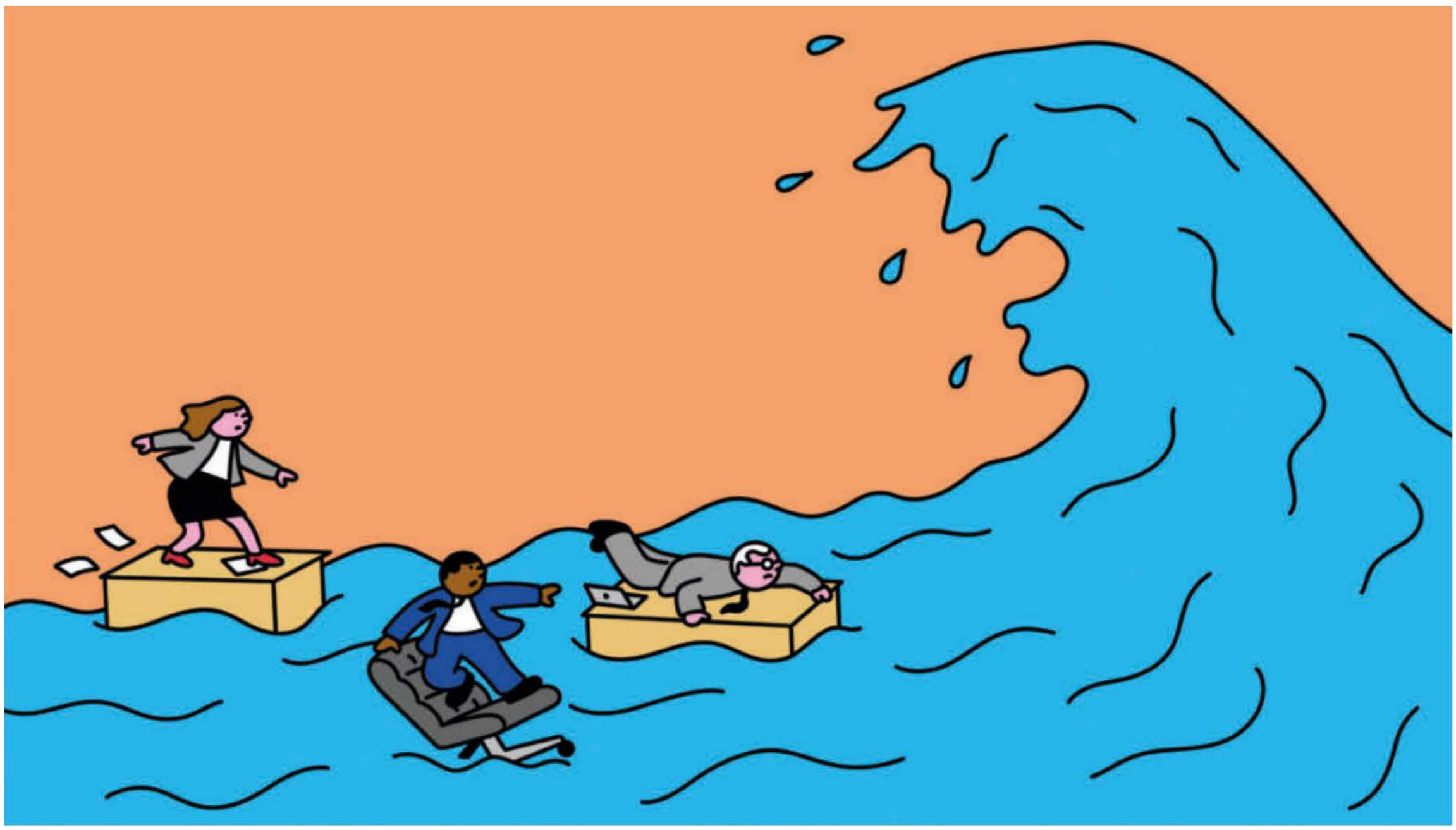
Always alert

Western intelligence agencies thus have a daunting task, tracking a mosaic of jihadists abroad while trying to spot self-starting ones at home. They must also watch far-right terrorists, usually self-radicalised, who both hate Muslims and often learn from jihadist manuals. And they must monitor an older threat: terrorism sponsored by radical states such as Iran.

Ultimately jihadism reflects the profound problems of the greater Middle East. The West lacks the power to fix them, and has often made them worse. Part of the answer lies in close intelligence co-operation. America warned Russia of the looming attack in Moscow, a sign of its central role in global counter-terrorism. The strike on Zawahiri, moreover, showed America's ability to hit terrorists "over the horizon". But funds and personnel have been shifted to other priorities, such as confronting the threats from Russia and China. The West may have hoped to end the war on terrorism. But the terrorists are still fighting. ■

Correction: Our article on conscription in the April 13th edition misidentified a recruit in the Netherlands' Dienjaar programme. The recruit's name is Janine Verhoeven. *The Economist* regrets the error.

Business



Global business

Polls and profits

How to handle populists: a CEO's survival guide

THIS YEAR Western bosses must work their way through a lengthy list of obsequious phone calls. Around 80 countries, home to some 4bn people, are holding elections in 2024. Some chief executives may already have drafted their compliments for Narendra Modi, who is near-certain to keep his job as prime minister of India, where citizens are now casting ballots in a weeks-long poll. After Mexico's election in June corporate leaders expect to be congratulating Claudia Sheinbaum, the anointed successor of the incumbent, Andrés Manuel López Obrador.

Western firms working to reduce their reliance on China have turned to India and Mexico. But neither electoral prospect fills them with unadulterated delight. Mr Modi has made his country an easier place to do business, by simplifying its tax system and investing in infrastructure, among other things. But he has also raised tariffs on goods like cars and increased domestic firms' tax advantage over foreign ones. Mr López Obrador has been nationalising the assets of Western firms in industries from construction materials to energy and let criminal gangs run rampant. Indonesia, another market that has caught the eye of Western bosses, elected a populist of its own, Prabowo Subianto, in February.

The CEOs find little comfort closer to home. Few relish the prospect of Donald Trump, a self-described "Tariff Man", triumphing in November, even with his talk of slashing red tape. They also feel ambivalent about President Joe Biden, who talks of raising corporate taxes and blames greedy businesses for stubborn inflation. In Britain, the ruling Conservatives scorn companies' pleas to keep trade with the EU flowing. Yet many corporate grandees are sceptical that Labour will champion their interests if, as expected, the left-of-centre party sails into government later this year. Nationalist parties dubious of free trade are predicted to expand their foothold in the European Parliament after elections in June. One such outfit is on track to win Austria's upcoming national poll.

The long-term trend is clear. *The Economist*, using data from the Manifesto Project, a research group, examined the ratio of favourable to unfavourable discussions of free enterprise in the manifestos of political parties in 35 Western countries from 1975 to 2021, the most recent year available (see chart 1 on next page). We used a five-year-moving average and excluded parties that won less than 5% of the vote. In the 1990s deregulation, privatisation, unfettered trade and other policies that bring joy to the hearts of businessmen were praised almost twice as often as they were criticised. Now politicians are more likely to trash these ideas than celebrate them.

Any residual business-friendliness no longer stems from a belief that what is good for business is good for citizens—and so, by extension, for their elected representatives' prospects. Instead, governments are asking not what they can do for business but what business can do for them. The West's corporate titans are thus learn- ▸▸

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ing to adapt to a world in which their success can turn on a government's whim. The outlines of a playbook are taking shape.

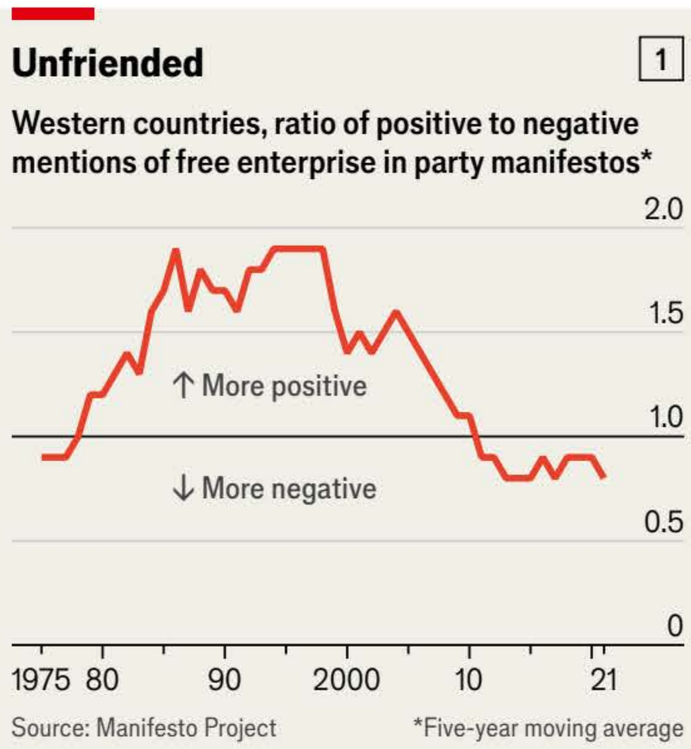
Knowledge is the starting point. Bosses are turning to specialist consultancies like Dentons Global Advisors (DGA), McLarty Associates and Macro Advisory Partners (MAP) that promise to demystify politics at home and abroad. Consulting giants like McKinsey and investment banks like Lazard and Rothschild & Co offer similar counsel. These consiglieri, often former government insiders, help companies understand the political calculations and constraints that shape government policy.

That allows bosses to know which political curveballs to worry about most. Consider what may come of America's coin-toss presidential election. Corporate chiefs can be confident that hostility towards China will persist regardless of who wins in November. Mr Biden, fearful of appearing soft on America's economic rival, has turned steadily more hawkish. In April he called for tariffs on Chinese steel and aluminium to be tripled, from 7.5%, and announced an investigation into subsidised Chinese shipbuilders. On April 24th he signed a bill that, among other things, will ban TikTok in America unless its Chinese owner sells the hit video app to non-Chinese interests. Although Mr Trump may seek to decouple the American and Chinese economies more quickly than Mr Biden, the direction of travel looks similar.

A victory for Mr Trump may be more consequential for transatlantic business, thinks Kate Kalutkiewicz of McLarty Associates. If he follows through on his threat to slap a 10% tariff on all goods imports, regardless of origin, retaliation from Europe is likely, thinks Sir Mark Sedwill, a former boss of Britain's civil service now at Rothschild & Co. Last year listed American firms generated around an eighth of their revenues in Europe, three times what they made from China, according to estimates from Morgan Stanley, a bank (see chart 2). Their European counterparts, which make around a fifth of their revenues from America, would be even harder hit.

Trump-shaped uncertainty hangs over businesses that have come to rely on producing in Mexico for export to America. Mr Trump, who thinks trade deficits are for losers, may take aim at America's with Mexico, which reached a record high last year. The trade agreement he negotiated with Mexico and Canada in 2018 is up for review in 2026. If Mr Trump shuts the border to fulfil his pledge to crack down on illegal immigration, trade would suffer, too.

Mapping out such scenarios helps businesses balance risks with rewards when making investments, argues Ed Reilly, boss of DGA. Firms can hold fire on big commitments whose pay-offs hinge on close elections, notes Nader Mousavizadeh, who



runs MAP, or otherwise hedge their bets. Some companies, however, are not content with mere political spectating. As one consulting boss puts it, meddling politicians create uncertainty, but can also bring benefits to those that win their favour.

This need not be as flagrant as turning up for dinner at Mar-a-Lago. Consider Intel, an American chipmaker that in March nabbed an $8.5bn grant from the federal government. Pat Gelsinger, its boss since 2021, has diligently courted Mr Biden's administration, presenting Intel as the answer to America's efforts to reduce dependence on semiconductors manufactured in potentially perilous spots like Taiwan. Besides wrapping itself rhetorically in the flag, the company has more than doubled its spending on lobbying on Mr Gelsinger's watch, to $7m last year, according to figures from OpenSecrets, a non-profit. The charm offensive seems to have paid off. Gina Raimondo, America's commerce secretary, now calls Intel "our champion".

Other firms, and not just American ones, have been busy on Capitol Hill. Volkswagen, which last year became the first foreign carmaker to gain eligibility for the federal government's tax rebates for electric vehicles (EVs), has almost tripled its lobbying budget since Mr Biden came to power. One jaded corporate emissary in Washington muses how he spent much of Mr Trump's term helping clients sneak

exemptions from tariffs, and much of Mr Biden's helping them weasel handouts. Between 2020 and 2023 the number of lobbyists fanning out of K Street increased from 11,500 to almost 13,000.

The situation is not unique to America. A business envoy in Brussels says he has been run off his feet by clients angling to benefit from the EU's efforts to decarbonise. Western firms have also been busy trying to prove their value to Mr Modi and his inner circle, says Teddy Bunzel of Lazard. "Never before has alignment with government policy been more important for success in India," explains Mr Mousavizadeh. After meeting Mr Modi last year, Tim Cook, CEO of Apple, tweeted that he shared his "vision of the positive impact technology can make on India's future".

Some Western firms, including Mr Cook's, are courting favour by opening factories in India, which comes with the added bonus of subsidies. Others are opting to hitch themselves to India's national champions. In February Disney, an American media giant, announced it would merge its Indian business with Viacom18, the media arm of Reliance Industries, an Indian conglomerate with a well-connected boss. TotalEnergies, a French energy giant, has buddied up with the Adani Group, an industrial titan in Mr Modi's good books.

Pol positions

Not all politicians are equally open to overtures. Forging ties with Mr López Obrador, who is hostile even to Mexican bosses, has been tricky, says Mr Bunzel. But not impossible. Last year the president declared he would bar Tesla, an American EV-maker, from building a factory in Mexico's arid north. He reversed course after a phone call from Elon Musk, Tesla's boss, who promised to use recycled water. Many CEOs believe that Ms Sheinbaum will be more pragmatic than her predecessor in her dealings with business.

Cosying up to governments is no guarantee of success. Intel's share price slumped by 9% on April 26th after it projected soggy growth in sales and profits. Mr Biden's handouts will not do much to help it regain the technological lead it has ceded to competitors of late. What is more, as politics grows more polarised, companies viewed as belonging to an incumbent political camp could find their fortunes reversed if power changes hands.

Still, with politicians everywhere bending markets to their will, many CEOs will be unable to resist the allure of power. Whatever qualms British ones have about Labour, they snapped up all available tickets to the "business day" at the party's upcoming conference in less than 24 hours when these went on sale on April 23rd. As Grégoire Poisson of DGA notes, "If you're not at the table, you're on the menu." ■

BHP and Anglo American

A copper-bottomed deal

DUBAI

Another mining mega-merger is in the offing

TALK OF TAKEOVER has long swirled around 107-year-old Anglo American, once among the biggest mining companies in the world. On April 25th speculation turned to specifics when BHP, the $140bn behemoth that is today top of the pile by market value, offered to buy its diminished rival (minus Anglo's South African business) for $39bn. It then emerged that Elliott Management, an activist hedge-fund known for picking apart lumbering giants to unearth buried value, had amassed $1bn-worth of Anglo shares, giving it a 2.5% stake. In the following days it raised this slightly, perhaps counting on other suitors to come in and bid up the price.

This clash of big dirt and high finance suggests that Anglo harbours something worth fighting over. Its big mines indeed tick all the right boxes: high quality and low cost, with the potential to expand. They are also extracting the right stuff at the right time. One of Anglo's main products is copper, which is in high demand, particularly as tonnes of it will be needed for the electrification of transport and power in the green-energy transition; the red metal's price has risen by 15% this year. Another is high-grade iron ore, which is in demand for its use in forging green steel.

Best of all, from BHP's vantage point, Anglo looks like a bargain. Investors who put $1 into Anglo in 2000 now have $2.50. A dollar invested in Rio Tinto and BHP has returned $4.40 and $5.70, respectively. Boss after boss has vowed to turn Anglo round, often stressing its broad portfolio, which extends to exotic commodities like manganese and precious ones like platinum and diamonds. "Simplification for simplification's sake doesn't do anything for us in terms of delivering returns," Mark Cutifani, a former chief executive, declared confidently in 2021.

Duncan Wanblad, who succeeded Mr Cutifani in April 2022, has not changed course. Investors are unimpressed. The day before BHP's offer, the company's share price was down by 47% on Mr Wanblad's watch (see chart). Earlier this year Citigroup, a bank, reckoned that Anglo would be worth twice its market value if broken up into its constituent businesses. In 2016, following an industry-wide bust brought on by overcapacity and slowing demand from China, it shed a few smaller businesses, such as niobium and phosphate. In the past few years it has sold off thermal-coal assets in South Africa and Colombia.

But unlike BHP and Rio Tinto, which used the mining slump of the mid-2010s to refocus their operations on a few strategic bets, Anglo has remained distracted. Although some of its businesses, such as precious metals and diamonds, buoy cashflows when times are good, they can be a drain on capital. The ageing platinum operations consumed a quarter of Anglo's capital expenditure in 2023, up from a fifth five years ago. Anglo was also late to the iron-ore boom caused by insatiable demand from Chinese steel mills, which fuelled the rise of BHP and Rio Tinto in the 2000s. To catch up, in 2008, it bought a greenfield iron-ore project in Brazil for $14bn—the most ever paid for a such an asset—only to write down its value in 2013 and again in 2015.

The structural inefficiencies are compounded by operational ones. Anglo's precious-metals and diamond business in South Africa has suffered from rolling blackouts and creaky transport infrastructure. A $3.5bn upgrade of an underground section of its Los Bronces copper mine in Chile finally secured the necessary permits in 2023, four years after it was announced. But climbing costs forced Anglo to shut down a nearby processing plant.

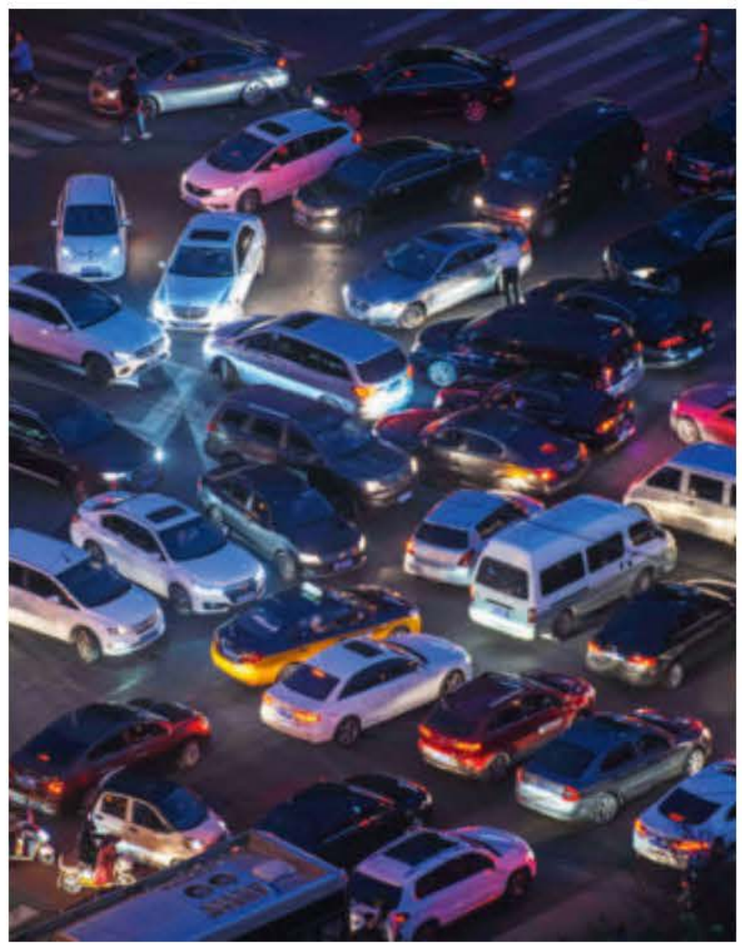
To contain overall expenses, in December Anglo announced plans to cut production of copper and iron ore until the end of 2025. It did so even as demand for the metals was rising and rivals were expanding projects. The same month Antofagasta, a Chilean miner, said it would invest another $4.4bn in its giant Centinela copper mine. Antamina of Peru and Barrick Gold of Canada have also recently doubled down on the commodity.

Emboldened by all the attention, Anglo has rejected BHP's initial bid. Markets expect a more generous offer: Anglo's market capitalisation has jumped to nearly $45bn, from $35bn on April 23rd. Given a string of recent mining mega-deals as the industry reimagines itself for a greener world, they are probably right. ■

Mine, oh mine

Market capitalisation, January 3rd 2000=100

Source: LSEG Workspace



Carmaking

Jam-packed

BEIJING

Chinese firms steal the show at Beijing's auto jamboree

TO GIRD YOURSELF for Auto China 2024, a nine-day motor show which ends on May 4th in Beijing, get there by car. On the opening day, navigating the human traffic eager to glimpse the mechanical marvels on display required the same tenacity as negotiating the Chinese capital's gridlocked roads. Helpfully, the ride to the venue is also useful preparation for understanding the intense competition gripping China's car industry—which the jamboree itself further underscores.

Both on Beijing streets and at exhibition booths, most of the vehicles are electric. And Chinese marques, some more familiar to overseas visitors than others, and local technology champions such as Huawei and Xiaomi, better known for gizmos you carry than those that carry you, are edging out the foreign manufacturers that once dominated the domestic market.

China's carmakers are launching new models more quickly, and much more cheaply, than rivals abroad. Bernstein, a broker, reckons Chinese EVs can cost half as much to buy as European ones, while boasting better tech. In Beijing, Ji Yue, a three-year-old joint venture that combines the carmaking skills of Geely, China's second-biggest carmaker, and the tech chops of Baidu, the country's biggest search engine, showed off a stylish saloon that can be entirely controlled by voice commands and a touchscreen. It plans to sell the cars in China and abroad for $30,000 apiece. Prices for Xiaomi's SU7, another handsome ▸▸

model brimming with clever technology, start at roughly the same level. The smartphone-maker has received more than 75,000 orders for it in one month, half its planned production for the year.

Western firms that rely on China for a big slug of revenues and profits are desperate to catch up. On the eve of the show Volkswagen, whose mass-market VW brand was last year surpassed as China's most popular by BYD, a local rival, unveiled a new China strategy. The German giant wants to bring new EVs to market 30% more quickly and 40% more cheaply. But its plan relies on working with local partners such as Xpeng, an all-electric startup. On April 28th Elon Musk, boss of Tesla, turned up in Beijing to sign a deal with Baidu to acquire its mapping data. The deal is meant to allow the American EV pioneer to make its self-driving system available in China, and lure back tech-obsessed Chinese buyers who are shunning Teslas in favour of cleverer, cheaper local alternatives.

One thing that could slow the Chinese car industry's breakneck expansion is a brutal price war. Steep price cuts in China contributed to Tesla's falling sales and profits in the first quarter. On April 29th BYD, which has also been offering deep discounts, reported rising sales compared with a year ago, but a big miss on revenues. If this leads to a shakeout in the industry, fewer companies will jostle for space at Auto China 2025, to be held in Shanghai. Just don't expect smaller crowds. ■

BARTLEBY

Mistakes on a plane

Hours without interruption and work to do. What could go wrong?

YOU ARE not important enough to turn left on a plane. But you are important enough for the company to want you to have completed a project-risk update by the time you land. You have six solid hours in the air, and the work should take no more than three hours. You are not in a middle seat, and no one can email you. What could possibly go wrong?

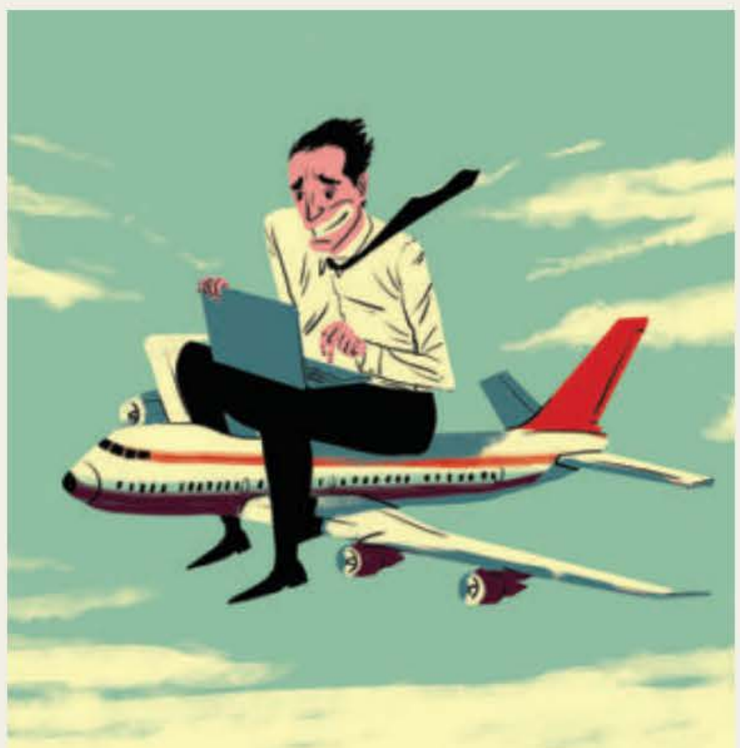
You find your seat, which is on the aisle. You take out your laptop and a book, and try to put them into the seat pocket in front of you. It is made for someone who has absolutely no interests but you manage, with some effort, to shove both of them in. As the plane fills up, your hopes of space around you go down. You scan the people heading down the aisle. So does everyone else already in a seat. In this moment each passenger is being silently judged on only two criteria: girth and proximity to a baby. Eventually you get up to make way for a couple to sit beside you. Could have been worse.

You waste the first hour of the flight just faffing about. There is a surprising amount to do. You go through every film in the on-board menu three times, surprised anew by how so much choice can yield so little enthusiasm. You stir pepper into a tomato juice while wondering what is supposed to be happening as a result; the grains remain on the surface, unmoved by your efforts. You eat a tiny bag of pretzels as slowly as you can. You fall dramatically and briefly asleep.

Eventually, it's time. You attempt to remove the laptop and find it is completely wedged into the seat pocket. You tug at it, without success. You pull harder: nothing. And more violently still, until your grip suddenly loosens and your elbow flies back into the hand of the passenger next to you. The hand holding a glass. Also of tomato juice. You apologise wildly. They are both nice about it, but a palpable air of disgrace now hangs over seat 42H. You carefully pull back the seat pocket with your left hand as far as you can, and manage to lever the laptop out. To your right, a lot of murmuring and the dabbing of napkins.

You place the laptop on the tray table, turn the computer on and remember just how little room there is on a plane, especially now that you are determined to cause no more inconvenience to your neighbours. You tuck your elbows in, and your hands dangle in front of you. You look like a *T. rex* about to take dictation. Your neighbour immediately asks if she can get past. You retrace your movements, closing the laptop, folding the table, putting things away. In the galley you can see the crew readying the trolleys for lunch. Give it another hour, you think.

The meal passes without incident. You drink wine from a can and for some reason think this is a treat. You start to watch a film about a gorilla and a monster. You have no interest in this kind of thing normally, but it turns out to be truly excellent. The gorilla wins, or the monster does, or perhaps they both do. You have three hours to go.



The laptop comes out again, but by now the person in front of you has put their seat back. With your own seat reclining and the tray table pulled right out, you can have the screen open at an acute angle of around 60 degrees. You know that it's important that strangers cannot read company documents over your shoulder. But reading it for yourself would be nice. All you can really do is insert your hands into the small space above the keyboard and hope for the best. You type a sentence, pick up the laptop and angle the screen away from you, to read: "rag stusys: three redm seven amsber, two groin."

You spend the next two hours typing blindly. Occasionally you pick the laptop up again to check on what you are writing. You know what everything means but others would struggle to understand: it reads as though you are heroically drunk. You will have to go through everything again at the hotel. Suddenly a noise. You peer at the screen and see that your laptop has announced that its battery levels are critical. Before you can think to yourself, "Did I save it?", it starts shutting itself down. The screen goes dark. You stare at it in disbelief. You press the on/off button. Nothing.

One hour to go, and the crew is coming round again, with something they call "a light snack". As you chew on a sub-zero-temperature scone, you start to brighten up. You have got no work done. Your neighbours hate you. But you did drink canned wine while watching a film about a monkey and a monster. Not a bad flight, all in all.

Biotechnology

The fountain of youth

Smaller drugmakers are enjoying a renaissance

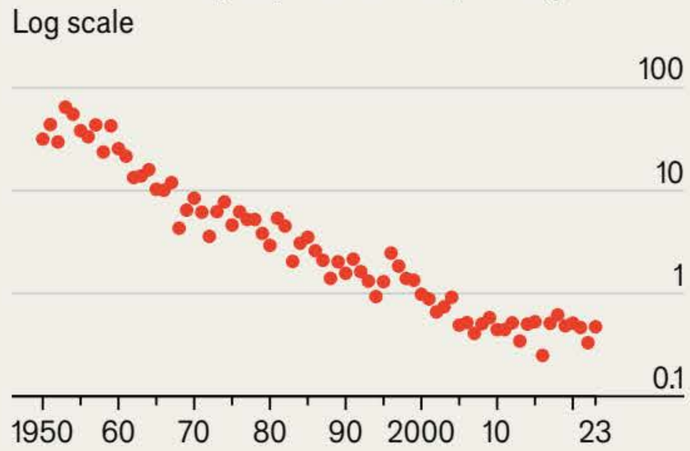
BETWEEN 2021 and 2023 two parts of the drugmaking business were in contrasting states of health. An index of American big pharma rose by a third, outperforming the broader stockmarket thanks to robust sales of blockbuster drugs. One made up of smaller biotechnology companies sank by roughly as much, weighed down by rising interest rates and dissipating pandemic-era euphoria for all things medical. Unlisted biotech startups have, like most young firms, struggled to attract capital. Last year they drew just $17bn in investments, down from $37bn two years earlier. Fewer went public and more went bust.

This year the giants are still going strong. On April 30th Eli Lilly, maker of a popular weight-loss treatment, delivered another dose of strong quarterly results. On May 2nd Novo Nordisk, a Danish rival with its own hit anti-obesity drug, did the same. Together the two are worth $1.2trn, up from $350bn three years ago. But biotech's vitals, too, are improving. That is good news for investors, patients and the pharmaceutical industry as a whole.

In the first three months of 2024 investors injected $5.1bn into biotech startups, the most in seven quarters. Eight companies have launched initial public offerings (IPOs) since January, raising a combined $1.5bn, compared with $2.5bn for all those that listed in 2023. Another nine have sold themselves to larger drugmakers for $1bn or more—the busiest start to a year in a decade. In February Novartis, a Swiss pharmaceutical titan, said it intended to buy MorphoSys, a German cancer specialist, for $2.9bn. The following month AstraZeneca, a British-Swedish giant, acquired two biotech firms for over $3bn. IQVIA, a research firm, expects $180bn-200bn in biotech and pharma deals this year, up from $85bn in 2022.

Doctor, what are my odds? 2

US, new drugs* approved by the Food and Drug Administration per $1bn of R&D spending†



*Molecule entities and biologics †2008 prices
Source: "Diagnosing the decline in pharmaceutical R&D efficiency", by J.W. Scannell et al., *Nature*, 2012 (data updated April 2024)

One reason for the revival is the painful triage of the past two years. Many firms with bleak prospects were eliminated; the number of biotech bankruptcies in 2023 was the highest in a decade. Those that remain are sturdier on average. Their more down-to-earth valuations also make them more appealing takeover targets for cash-rich big pharma. Fifteen of the world's largest drugmakers have a collective $800bn at their disposal for mergers and acquisitions, IQVIA calculates.

They are eager to put this money to use, especially as many of their lucrative patents are about to expire. In 2028 branded drugs with combined annual sales of $100bn will lose intellectual-property protection, reckons Evaluate, a data-provider, putting this at risk from cheap generic alternatives (see chart 1). The equivalent figure averaged $33bn over the past decade. At the same time, finding new cures is getting harder. Jack Scannell, boss of Etheros Pharmaceuticals, a biotech firm, has analysed large drugmakers' research-and-development (R&D) budgets and regulatory approvals. He finds that in the 1960s $1bn in R&D (at 2008 prices) resulted in ten or so new drug approvals. Today the same $1bn doesn't get you even one (see chart 2).

Big pharma's response has been to stick to marketing and distribution, and outsource much of the innovating to the biotechnology sector. In 2023, 57% of all new drugs approved in America originated at small companies, up from 40% eight years earlier. The upstarts are responsible for more than three in four new clinical trials in the early stages and two in three late-stage ones (see chart 3). Kasim Kutay, chief executive of Novo Holdings, which owns a controlling stake in Novo Nordisk and interests in other health-care firms of all sizes, believes that nimbler biotech firms' singular focus on a particular disease area may give them better odds of success in drug development compared with sprawling big pharma.

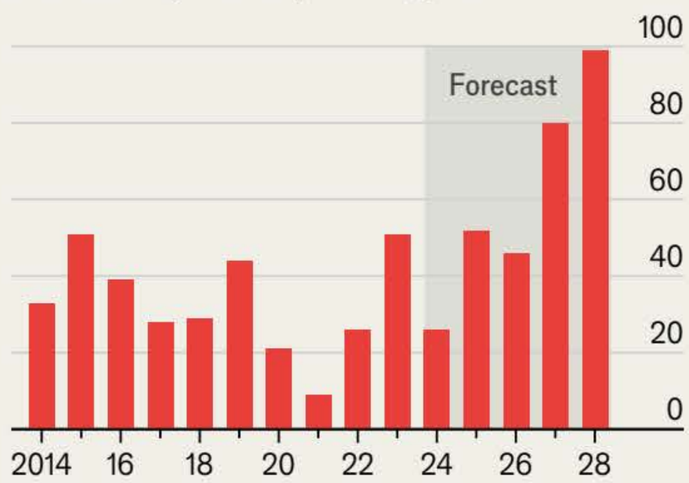
Those odds could improve still further thanks to artificial intelligence (AI). Drugmakers have toyed with machine learning for years. BCG, a consultancy, has identified about 200 firms founded in the past decade that use algorithms to find promising molecules. Many have little to show for it. BenevolentAI and Exscientia, two buzzy startups from Britain, recently reported disappointing results from clinical trials for their AI-discovered drugs (to treat eczema and cancer, respectively).

However, recent rapid advances in AI raise hopes that it can make R&D more productive, for real this time. Christoph Meier of BCG predicts a wave of AI-derived drugs. In January Isomorphic Labs, a start-up spun off from Google's AI lab, signed deals with Eli Lilly and Novartis worth nearly $3bn to use its platform to discover small-molecule therapies. In April Xaira, an AI-drug-discovery startup, raised $1bn, one of the largest funding rounds in biotech history. Insilico, another hot AI-based startup, says that its software identified a new drug target and designed a molecule fit for human trials in only 18 months and at a cost of $2.7m.

That is a pittance compared with the billions big pharma spends these days on a portfolio of drugs, only one in ten of which tends to get approved. If AI can reduce the failure rate even by a couple of percentage points, it could have a huge financial impact, says Pratap Khedkar, the boss of ZS, a health-technology consultancy. That would be salutary for the biotech firms, big pharma—and plenty of patients, too. ■

Patently dangerous 1

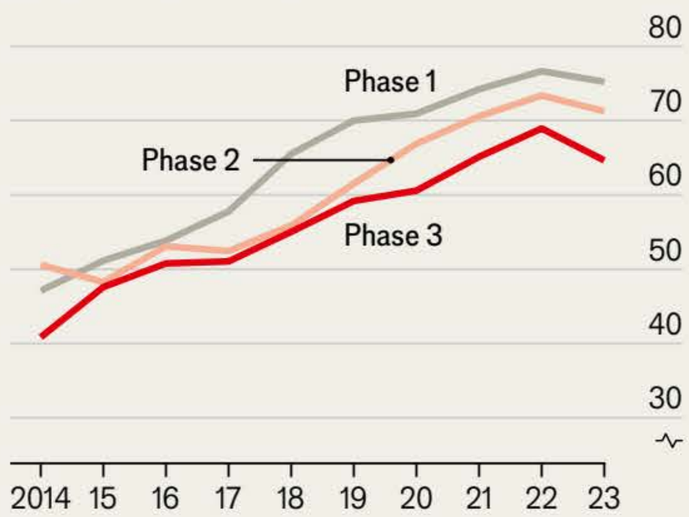
World, prescription drugs, revenue at risk from patent expiration*, $bn



Source: Evaluate *Based on revenue in year before loss of exclusivity

Licence to cure 3

World, small biopharma companies*, % of clinical-trial starts

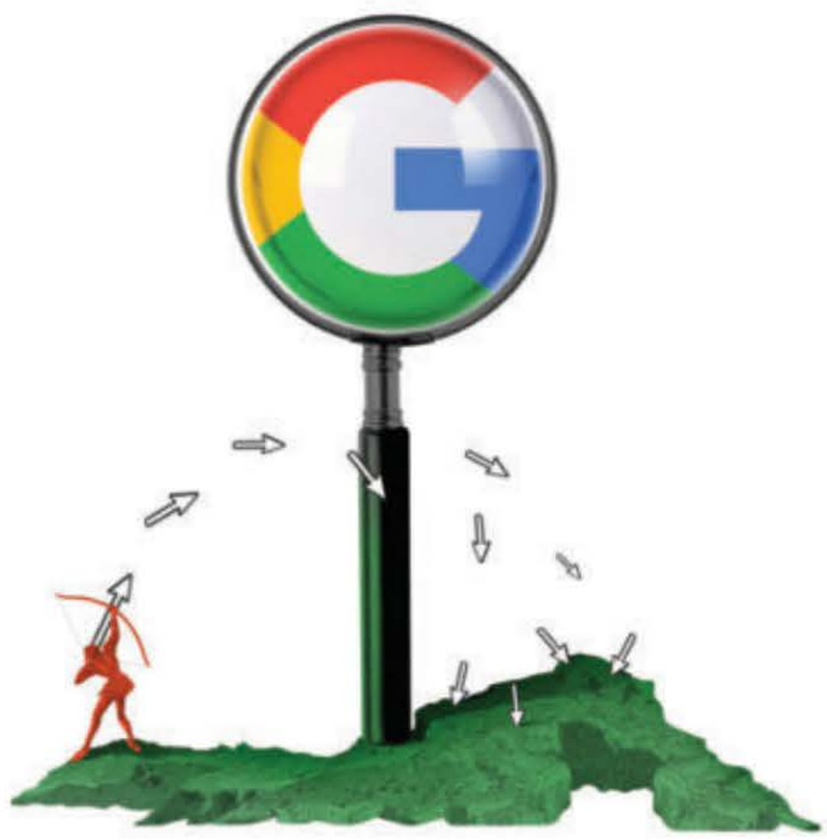


Source: IQVIA *Revenues of up to $5bn per year

SCHUMPETER

Taking aim at the world's best business model

Could Perplexity's "answer engine" threaten Google search?



WHEN ARAVIND SRINIVAS was accepted at the University of California, Berkeley, to do a PhD, his mother was disappointed. Like many Indian parents, she wanted him to go to the Massachusetts Institute of Technology. But things worked out after all; on the west coast he interned at OpenAI and Google's DeepMind, both of which became leaders in generative artificial intelligence (AI). With that experience, he co-founded Perplexity, a generative-AI startup recently valued at $1bn that provides fast, Wikipedia-like responses to search queries. He is an unassuming interviewee, but an ambitious one. His "answer engine" is aimed at competing with Google search, one of the best business models of all time. Think Martin Luther taking on the Catholic church.

Mr Srinivas is a student of disruption. When a podcaster asked him recently to compare the cultures of OpenAI and DeepMind, he explained how the engineer-led, free-wheeling approach of the former disrupted what he called the research-obsessed "very British" hierarchy of the latter (which was founded in London). He resorts to disruption theory when discussing Alphabet, Google's parent company. Rather than explaining how Perplexity's business model will enable it to attack the search giant, he uses a celebrated concept outlined in "The Innovator's Dilemma", a management bestseller from 1997 by Clayton Christensen, to identify what he sees as Alphabet's Achilles heel. He is not alone. The innovator's dilemma has been invoked to explain why Google is threatened by OpenAI's ChatGPT and by other generative-AI sites such as You.com. The argument is seductive. But it is off the mark.

The dilemma, as presented by Christensen, explains why new technologies cause great companies to fail. If they compete with upstarts, they jeopardise their own standards and brand. If they don't, they risk falling victim to the next wave of innovation. In a nutshell, the theory states that an incumbent is so good at pleasing its best customers that it would never dream of going downmarket. That gives insurgents an opportunity. They target a niche of the market with initially subpar products. Through relentless improvement, eventually they hit the big time. You can use it to understand how digital photography killed Kodak, and why Apple's iPhone disrupted not mobile phones, but laptops.

Mr Srinivas brings up the theory to explain why Google's search business could turn from a blessing to a curse. It costs Google almost nothing when users click on its links. But advertisers bid on the cost per click, providing Alphabet with whopping profit margins. Generative AI shifts the model. First, the results cost more, because AI-related Q&A uses more computing power than search queries. Second, they provide answers, not links, hence less granularity for advertisers. In short, if Alphabet were to abandon search for a Perplexity-like product, Mr Srinivas argues, costs would rise, revenues would plummet, margins would suffer and investors would head for the hills. That is where Perplexity, with no profits to jeopardise, sees something to aim at.

This is plausible in theory, but it is not an application of the innovator's dilemma. In Christensen's formulation, the incumbents overlook the insurgents because these start by nibbling at the fringes of a market, not by going head to head. Yet Mr Srinivas has openly thrown down the gauntlet to Google. Upstarts are supposed to win over underserved customers with cheap, scrappy technology. Yet Perplexity, with a subscription model that may eventually include ads, can be more expensive than Google and its answers tend to be far more polished (if not always accurate).

Rather than being a disrupter, Perplexity looks more like an example of what Christensen called "sustaining" innovation—making good products better. There is nothing wrong with that. But it is a game that Alphabet can play, too. It has the researchers and deep pockets to keep improving generative-AI search. It is experimenting with an AI tool called "search generative experience", and says the computing costs of such queries have fallen by 80% since they were first introduced. It is confident it will be able to use AI to better monetise ads. Meanwhile its search revenues continue to boom; they rose by 14% year on year in the first quarter. Not exactly the start of the Reformation.

In short, Google does not appear to face a dilemma at present. It can compete or not, depending on where its interests lie. Mr Srinivas does a better job explaining Perplexity's strengths. By gleaning answers from a variety of large language models, both closed and open-source, his product can take advantage of each model's analytical strengths, as well as their varying pricing structures, to improve performance and lower costs. It is likely to become increasingly conversational. It is not hard to imagine it pairing up with a killer device—think of the earpiece in the movie "Her", an AI love story.

The winner's curse

What such a device could be, Mr Srinivas says, is the trillion-dollar question. But he reckons there is a huge hurdle in the shape of Apple's iPhone. "This is the moat," he says, picking up your columnist's device. That is because of the interplay between the hardware and Apple's operating system, app store and payments platform, which he thinks makes it almost invincible.

Again he may be wrong. Apple may be more exposed to the innovator's dilemma than Alphabet. It is one of the world's most reputable companies. It is laser-focused on its best customers (those, say, who can afford a $3,499 augmented-reality headset). It would never risk its brand by offering a cheap, shoddy product. Makers of AI gizmos, from pendants to whatever the Rabbit R1 thinks it is, one day hope to vanquish the mighty iPhone but remain far too flawed for Apple to bother responding to. Sounds like a recipe for disruption. ■

Finance & economics

New arrivals

Thousands are flying

Immigration is surging, with big economic consequences

THE RICH world is in the midst of an unprecedented migration boom. Last year 3.3m more people moved to America than left, almost four times typical levels in the 2010s. Canada took in 1.9m immigrants. Britain welcomed 1.2m people and Australia 740,000. In each country the number was greater than ever before. For Australia and Canada net migration is more than double pre-covid levels. In Britain the intake is 3.5 times that of 2019.

Big movements of people have big economic consequences. According to the IMF, the foreign-born labour force in America is 9% higher than at the start of 2019. In Britain, Canada and the euro zone it is around a fifth higher. America's immigration surge means that its economy will be 2% larger over the next decade than had been forecast. The influx of workers also helps explain the country's strong economic growth. But immigration's impact goes well beyond an arithmetical effect on GDP—it extends to inflation, living standards and government budgets. And recent arrivals differ from previous ones in an important way: more are low-skilled.

Many policymakers have recently argued that migration is helping contain price rises by relieving labour shortages. The list of people to have mentioned or hinted at this association includes Gita Gopinath of the IMF, Jerome Powell of the Federal Reserve and Michele Bullock of the Reserve Bank of Australia. Yet the evidence is weak and may, in fact, point in the opposite direction. Across the G10 there is little correlation between immigration and slower wage growth. Moreover, there is no doubt that immigrants need things as soon as they arrive, boosting demand.

Nowhere is this clearer than in the case of rental housing, which is in short supply across the anglosphere. Research by Goldman Sachs, a bank, suggests that in Australia each 100,000 increase in annual net overseas migration boosts rents by about 1%. A paper by the Bank of Canada in December noted that: "The initial rise in immigration that Canada has experienced is more likely inflationary in the near term."

What about immigration's impact on economic growth? Although new arrivals are clearly boosting GDP, they appear to be dragging down GDP per person—the yardstick by which economists usually assess living standards. GDP per person has fallen or failed to grow for four consecutive quarters in Australia and seven in Britain. In Canada, where the drop in the measure is most pronounced, output per person fell by 2% in 2023. The picture is similar in Germany, Iceland and New Zealand.

This reflects a shift in the type of immigration. For instance, whereas before the covid-19 pandemic immigrants to America were as likely to have a bachelor's degree as their local-born peers, today's newcom- ▸▸

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ers are more likely to have trekked from poor parts of Latin America and lack the legal right to work. About 2.4m people entered America last year by illegally crossing the country's southern border.

Other rich countries have fewer illegal entrants, but they, too, have seen immigration rise most sharply among the low-skilled and low-paid. The proportion of migrants who moved to Australia last year on a skilled-worker visa was a fifth lower than in 2019; many more working backpackers and students received permits. In Canada 800,000 temporary foreign workers and students accounted for the bulk of last year's population increase of 3.2%—a growth rate faster than that of almost all countries in sub-Saharan Africa.

Britain left the EU partly on the promise of a smaller and more higher-skilled immigration system, but even there fewer than one in five arrivals last year was a skilled worker. The share of permits tied to jobs requiring less than graduate-level training has surged from 11% in 2021 to 62% last year. Student visas to Britain are up by 70% since 2019, with new ones handed out mostly for master's degrees at lower-cost, less selective universities. Like many other countries in Europe, Britain has also taken in lots of Ukrainian refugees.

Fielding complaints

Industries that are most vocal about a lack of workers and are hiring lots of migrants, such as agriculture and hospitality, tend to require no qualifications or experience, and offer poor pay and conditions. Meanwhile, higher-paying sectors that do require qualifications or experience tend not to be benefiting much from the migration surge. Take Canada's construction industry, which requires skilled tradespeople. Just 5% of employed non-permanent residents work in the sector, below its 8% share of total employment.

Hence the concern that low-skilled migrants are reducing incomes. Yet measures of GDP per person do not tell the whole story. When a low-skilled immigrant arrives and works for a below-average income, GDP per person falls even if their presence boosts every individual's income, points out Giovanni Peri of the University of California, Davis. Research by Mr Peri and co-authors shows that local workers are left better off by migration because they take up higher-wage, more productive jobs while leaving physical and poorly paid labour to immigrants. In effect, immigration creates a more diverse workforce, allowing for more specialisation. People most likely to see their wages fall as a result of migration are those most similar to the migrants, which is typically previous generations of foreign workers.

Some also worry that cheap labour discourages companies from making productivity-boosting investments, although this is wide of the mark for similar reasons. It may be true that high immigration allows, say, a car wash to hire more workers rather than buy a new machine. Indeed, a study by Ethan Lewis of Dartmouth College found that high immigration to America in the 1980s-90s led plants to adopt less machinery. And in Australia and Canada the capital-to-worker ratio is now falling. But if neither new arrivals nor natives are poorer as a result, what is the problem?

There is one context in which averages matter: the provision of public services. If GDP per person falls, their quality might deteriorate. For this reason, Milton Friedman once remarked that "you cannot simultaneously have free immigration and a welfare state". The state is under pressure in much of the rich world. Roads are congested and in countries with public health care, hospital waiting lists are long. "Those are not externalities, those are direct effects of new market participants affecting supply and demand," says Mikal Skuterud of the University of Waterloo.

The crucial question is whether new arrivals on net contribute to or drain from the public coffers. High-skilled types make enormous net fiscal contributions. But for low-skilled workers the question is harder to answer. In immigrants' favour is the fact that, because they typically arrive as adults, they do not require public schooling, which is expensive. And they may even prop up public services directly. The largest increase in British work-visa issuance last year, of 157%, was for desperately needed health and care workers.

Potential trouble comes later. Immigrants age and retire. Social-security systems are often progressive, redistributing from rich to poor. Thus a low-earning migrant who claims a government pension—not to mention uses government-provided health care—could end up as a fiscal drag overall. They are most likely to have a positive lifetime effect on the public purse if they leave before they get old.

Quite how this shakes out depends on the country and immigrants in question. A review by America's National Academies of Sciences, Engineering and Medicine in 2016 estimated that the 75-year fiscal impact of an immigrant with less than a high-school education, at all levels of government and excluding public goods like national defence, was a negative $115,000 in 2012 dollars. By contrast, a study by Oxford Economics in 2018 found that in Britain about one-third of migrants had left the country ten years after arrival, although it did not distinguish them by skill level.

If the fiscal impact is positive, it will not be felt unless the government invests accordingly. A windfall is no good if public services are allowed to deteriorate anyway, as in Britain, where the government is cutting taxes ahead of an election. Similarly, if regulations stop infrastructure from expanding to accommodate arrivals, migration risks provoking a backlash. Nowhere is this more obvious than in the case of housing, where supply is strictly curtailed by excessive regulation in many of the same places now experiencing a migration surge. Migrants, like natives, need places to live, which increases the imperative to build. Welcoming new arrivals means a lot more than just letting them in. ■

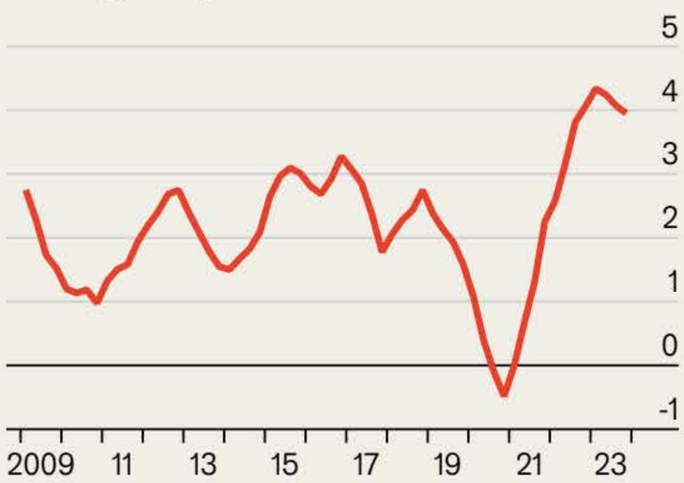
Packed to the rafters

Selected countries*, average ratio of growth in housing starts to growth in working-age population†

*Australia, Britain, Canada, New Zealand and United States
†Four-quarter moving average
Sources: National Bank of Canada; OECD; national statistics; *The Economist*

Their spirits free

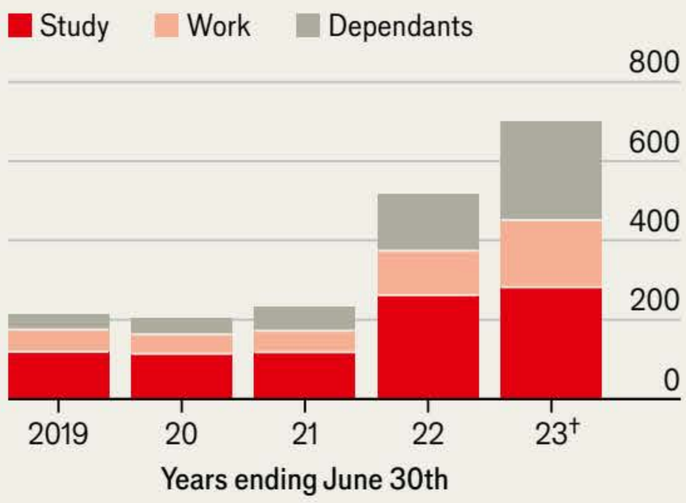
Selected countries*, foreign-born population, % change on a year earlier



*Average of Australia, Britain, Canada, EU and United States
Source: National statistics

Working well?

Britain, long-term international immigration*, study- and work-related visas, '000



Source: ONS *Non-EU nationals †Estimate

Energy

Down the pipe

Why Russia's gas business will never recover from the war in Ukraine

When Russia's leaders stopped most of the country's gas deliveries to the EU in 2022, they thought themselves smart. Prices instantly shot up, enabling Russia to earn more despite lower export volumes. Meanwhile, Europe, which bought 40% of its gas from Russia in 2021, braced itself for inflation and blackouts. Yet two years later, owing to mild winters and enormous imports of liquefied natural gas (LNG) from America, Europe's gas tanks are fuller than ever. And Gazprom, Russia's state-owned gas giant, is unable to make any profits.

Russia was always going to struggle to redirect the 180bn cubic metres (bcm) of gas, worth 80% of its total exports of the fuel in 2021, that it once sold to Europe. The country has no equivalent to Nord Stream, a conduit to Germany, that allows it to pipe gas to customers elsewhere. It also lacks plants to chill fuel to -160°C and the specialised tankers required to ship LNG. Until recently, this was only a minor annoyance. Between 2018 and 2023 just 20% of the total contribution of hydrocarbon exports to the Russian budget came from gas, and despite sanctions Russia continues to sell lots of oil at a good price.

But as the conflict grinds on, the Kremlin needs cash to keep its war machine going. High oil prices will not last for ever, either. The world's production capacity surpasses global demand; only output cuts by Gulf producers and allies, including Russia, are keeping markets tight. A shortage of funds and equipment is hampering Russia's efforts to explore new fields. Global demand could ebb further still in years to come. The International Energy Agency, an official forecaster, expects it to peak this decade, as the green transition gears up. In contrast, most forecasters predict demand for gas, a cleaner fuel, to continue climbing.

For Russia, all this makes reviving gas sales important. Unfortunately, exports to Europe, which still accounted for half the 140bcm the country exported last year, will shrink again this year. In theory, Russia now has two options: building pipelines to other places or turbocharging LNG exports.

Siberian express

Russia is already making more use of Power of Siberia, a pipeline that links eastern gasfields, which never served Europe, to China. By 2025 deliveries may reach 38bcm, up from 10bcm in 2020; an extension could carry another 10bcm a year by 2029. But the game-changer would be Power of Siberia 2, a proposed line from Russia's west to China that would carry 50bcm a year by 2029. By then, China's demand is projected to hit 600bcm, up from 390bcm last year. Russia hopes to supply a sixth of that.

The problem is that China is not sure it really wants Power of Siberia 2. Obsessed about energy security, its leaders have long sought to limit reliance on any single fuel exporter. Negotiations with Russia over the project have stalled, with disagreements remaining over crucial contract terms, from financing to the price of gas.

Even if completed, the project might offer Russia a poor deal. China will retain other sources of gas, starting with Central Asia. Gazprom, on the other hand, will be dependent on one buyer. Sergey Vakulenko, a former oil executive at the firm, says China could simply wait until 2025-26, when vast new LNG supply from America and Qatar will enter the market, before imposing terrible terms. Russia's economy ministry already predicts that the price of its gas exports to China will average $257 per cubic metre in 2027, compared with $320 for flows to its remaining European clients.

The project would also entail other risks. To recoup its investment, Gazprom would have to run the pipe at full tilt for at least 20 years. In principle, that is achievable. As it decarbonises, China has room to cut consumption of coal, the cheapest and dirtiest fuel, while still using gas. But an economic rebound could prompt it to ramp up its renewables capacity further still, in which case it may wean itself off gas sooner. Or its economy could do worse than expected, prompting it to switch back to coal.

Supersizing LNG production—Russia's second option—looks a somewhat safer bet. Once on a ship, fuel can be sent anywhere. And Russia's LNG may outcompete that from elsewhere. The gas Russia feeds its main liquefaction terminals is cheaper than any exporter bar Qatar, and liquefaction works well in the cold. Russia aims to boost its LNG exports to 100m tonnes by 2030, equivalent to 138bcm of gas, and up from 31m last year. It projects its market share will reach 20% by 2030, up from 8% now.

Yet that may be ambitious. New LNG plants and transport facilities require Western goods that sanctions have made elusive. Japanese investors in Arctic LNG 2, Russia's flagship LNG project, have withdrawn; Chinese ones have asked America for sanction waivers that are unlikely to be granted. To plug the gap, Russia is lavishing Novatek, its biggest LNG firm, with hand-outs and developing homegrown tech.

An autarkic gas industry will take time to emerge. Arctic LNG 2, originally slated to start deliveries by the first quarter of 2024, suspended production last month. Rystad Energy, a consultancy, expects Russia's LNG production to reach only 40m tonnes by 2035—some 100m short of the Kremlin's ambitions. Finding buyers will be tough. Anne-Sophie Corbeau of Columbia University thinks Russia will have to sell to poorer countries, offering generous contracts.

This litany of difficulties means Russia will not be able to claw back much of the revenue it once earned from Europe. As the green transition rolls on, forecasters reckon the golden age of gas will last for a couple of decades at best. Western sanctions and Russian blunders are not preventing war in Ukraine. But they are dealing a blow to Russia's future as a leading energy supplier. ■

Futile interventions

A slip of the yen

Japan will struggle to rescue its currency

THE YEN is on a wild ride. As Asian markets opened on April 29th, the currency plunged to a 34-year low of 160 to the dollar, adding to a hefty fall over the past three years. A sudden reversal to more like 155 to the dollar prompted rumours of intervention by the Bank of Japan (BOJ).

Confirmation will come with a delay, but preliminary data, based on the balances financial institutions hold at the central bank, suggest the BOJ may have spent over $30bn to strengthen the exchange rate. After subsequently weakening, the yen surged again on May 1st, raising more eyebrows among currency traders.

There is little long-term relief in sight. With inflation in America still above 2%, interest-rate cuts there are no longer expected soon, which has caused the dollar to strengthen. Although the BOJ in effect ended its policy of yield-curve control and raised its benchmark rate from between minus 0.1% and zero to between zero and 0.1% in March, the shift is small in an international context. Benchmark interest rates in America, Britain and the euro zone have risen by at least 4.5 percentage points since 2022. Investing in assets outside Japan simply provides higher returns.

Other factors reinforce the yen's weakness. Japan is the world's largest creditor, with huge investments overseas generated by thrifty corporations and households. Returns from investments abroad surged to ¥57trn ($400bn) in the year to February—more than double the amount a decade ago. Yet the firms involved do not seem to repatriate much foreign profit. Instead, as Karakama Daisuke of Mizuho Bank has noted, they reinvest overseas in assets that produce better returns, reducing demand for the yen. Mr Karakama even suggests that Japan's current account may not actually have been in surplus, as official statistics indicate, in 2022 and 2023.

What does a weaker yen mean for Japan's economy? The price of imported goods has climbed by an eye-watering 64% since 2020. Japan imports almost all its fuel, so businesses and households face much higher energy costs. And the impact on exporters is less positive than it once would have been. A falling yen may make goods produced at home cheaper, but today Japanese companies have sizeable operations in Europe, North America and South-East Asia. The greatest upside may now be for the tourist industry, as the slumping yen makes holidaying in the country cheaper. In February 2.8m travellers arrived, up by 89% from the same month last year and 7% from the same month in 2019, before covid-19.

A weak yen is unpopular with Japanese consumers, who suffer higher prices, and thus with politicians, too. The country's central bankers also fret when the currency moves rapidly, and are loth to give speculators influence over monetary policy. Yet they lack good options. Neither the gap between Japanese interest rates and those in the rest of the world nor the behaviour of Japanese companies is set to change soon. BOJ officials have stressed the interest-rate rise in March is not intended to be the first of many. As a result, the future is one of further yen weakness, or of enormous and probably futile spending to prevent it. ■

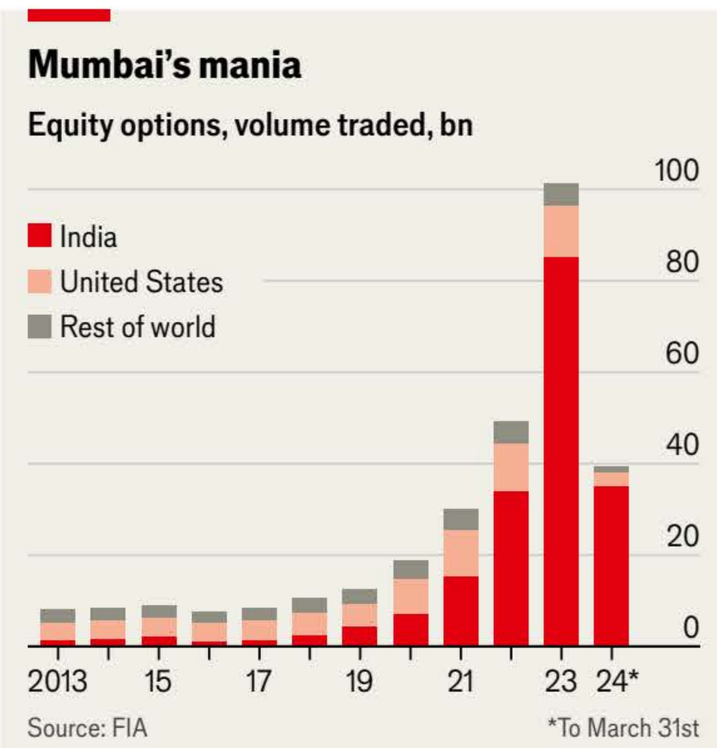
Exuberant investors

Get rich quick

Hedge funds make billions as India's options market goes ballistic

HEDGE FUNDS take great pains to hide their inner workings. So a recent court case in which Jane Street sued two former employees and Millennium Management, another fund to which they had jumped ship, was immensely pleasing to the firm's rivals, since it offered a rare view into one of the industry's giants. Among the revelations: Jane Street's "most profitable strategy" did not play out on Wall Street, but in the unglamorous Indian options business, where the firm last year earned $1bn.

This news has drawn attention to India's options market, which is staggeringly large. According to the Futures Industry Association (FIA), a trade body, the country accounted for 84% of all equity option contracts traded globally last year, up from 15% a decade ago. The volume of contracts last year touched 85bn and has more than doubled every year since 2020 (see chart). Most of the frenzy is focused on the National Stock Exchange (NSE), which handles more than 93% of the transactions.



The options boom is propelled by the rapid growth of India's stockmarket. In January it overtook Hong Kong's to become the fourth-largest in the world. The Nifty 50, NSE's benchmark index, is hovering near an all-time high. In 2019 the NSE had 30m registered retail investors. By March that number had trebled.

Most trades involve equity-index options—a security that gives the holder the right to buy an index at a given price, called the "strike price", when the contract expires at a future date. These are often used to place bets on the direction of an index for a small fee. If the strike price for a bullish option is far above the current index level, the cost of the option, called "the premium", is a tiny fraction of the value of the index. If the index climbs above the strike by expiration, the bet pays off. Otherwise investors lose the premium. Most Indian equity-index options are risky short-dated contracts of a week.

The swift rise of India's options market has parallels with America's meme-stock craze. Covid-19 spawned a generation of Indian investors who turned to day-trading in order to escape boredom. This coincided with the rising popularity of apps, such as Groww and Zerodha, which made trading cheap and easy for small investors. For those with an appetite for speculative trades, choices are limited. Short-selling stocks—a way to bet on a falling share price—is not easy in Indian markets. High taxes and government scrutiny have deflated interest in cryptocurrency trading. That leaves equity options as the only outlet for those seeking quick profits.

So-called finfluencers, social-media figures who promote options trading as an easy way to get rich, are pouring fuel on the fire. Many sell courses that teach trading strategies. They flaunt luxury cars and extravagant houses in order to demonstrate their success and attract customers. And the lure of an outsized pay-off can be hard to resist, especially for newbies.

The Securities and Exchange Board of India, a regulator, estimates that nine in ten retail investors lose 125,000 rupees ($1,500) a year on average—equivalent to six months' salary for a typical urban Indian. It has warned about the risks and is considering rules to clamp down on unregistered financial advisers. In October it barred Mohammad Nasiruddin Ansari, a ▸▸

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popular influencer on social media, from securities trading and ordered him to refund $2.1m in customer fees. Although trading platforms have also tried to alert users to the risks by displaying warnings and offering tools that simulate market movements, Nithin Kamath, head of Zerodha, admits the message "does not really stick" until a user loses money.

More sophisticated institutions stand to benefit from the boom. Jane Street's profits suggest that hedge funds and high-speed trading firms are doing well in India's low-value, high-volume market. Besides Jane Street, other trading houses, such as Citadel Securities, IMC and Tower Research, have been expanding in India. The frenzy has also enticed local funds that are competing with global firms.

A veteran Indian broker points out that exchanges, trading firms and the government, which pockets taxes on option trades, benefit from the boom. The average retail investor, on the other hand, is gambling "for a chance to become Ambani", he notes, referring to India's richest man, Mukesh Ambani. The real Mr Ambani is eyeing a different route to stockmarket wealth. On April 15th Jio Financial Services, a spin-off from Reliance Industries, his conglomerate, announced a venture with BlackRock, an American private-equity giant. The pair will establish a wealth-management and brokerage outfit. At least one Ambani is set to profit from India's thriving equity market. ■

BUTTONWOOD
Activist investing

What campus protesters get wrong about divestment

ONE-THIRD OF Ivy League graduates end up working in finance or consulting. So perhaps it is unsurprising that campus protesters are providing investment advice: they want university endowments to get rid of assets linked to Israel. At Columbia University, for instance, a coalition of more than 100 student organisations is demanding that administrators divest from companies that "publicly or privately fund or invest in the perpetuation of Israeli apartheid and war crimes". Another longer-running campaign by green types hopes to push fossil fuels out of portfolios.

Divesting from something has obvious symbolic value. But many protesters hope to have a real-world impact, too. Divestment campaigns may exert influence by starving their targets of capital. Scare enough investors from an industry or country and, so the argument goes, companies will find it harder to raise or borrow money, which will force them to change their behaviour. If enough Israeli firms begin to suffer, perhaps Binyamin Netanyahu will rethink his campaign in Gaza. How likely is this to work?

The choice of target makes a difference. Take the campaign against coal power in America. People agree on the industry's harms, its economic importance is waning and firms involved have historically relied on a handful of banks for financing. Accordingly, when these banks pulled back from new projects, the sector struggled. A study by Daniel Green and Boris Vallée of Harvard Business School estimates that bank exits from coal between 2015 and 2021 cut carbon-dioxide emissions by a gigatonne, an amount equal to the lifetime emissions of 20m Volkswagen Passats.

Unfortunately for protesters, things are less straightforward in other industries. Even when they succeed in encouraging some financial institutions to withdraw, there tend to be other less socially motivated sources of capital willing to step in. American university endowments hold only a sliver of global financial assets; together they are perhaps the same size as the world's seventh-largest sovereign wealth fund. When pension funds, which are much larger, sold oil stocks at the height of the environmental, social and governance craze a few years ago, hedge funds were happy to scoop them up. Things would really have to snowball for divestment from Israeli assets to influence Mr Netanyahu's calculations.

This is made less likely by the perplexing demands of protesters. They have run into a problem: university endowments hold vanishingly few shares in Israeli firms. So the focus has shifted to companies doing business in Israel. Campaigners at the University of Michigan are demanding divestment from firms including Google, McDonald's and Toyota, and the severance of ties with financial giants such as Andreessen Horowitz and Blackstone.

Cull all these from a portfolio and there will not be much left. And what next? Would an endowment be allowed to hold Treasuries given the American government's aid to Israel? Judging by the expanding ambition of those manning the barricades, it seems unlikely.

Meanwhile, divestment carries a cost for the institution withdrawing its money. Many of the industries targeted in campaigns are handy when building a resilient portfolio. Commodities and energy stocks, for instance, are good inflation hedges; shares in defence firms provide some insurance against geopolitical risk. At a time when universities are leaning on endowments to meet day-to-day running costs, avoiding big crashes becomes especially important. Brigitte Roth Tran, an economist at the Federal Reserve, has even suggested that they may want to over-allocate to fossil-fuel firms. If the green transition slows, they would benefit, which would provide extra funding for clean-energy research.

Fees would probably be another drag for the divesting institution, as indicated by those paid by retail investors. BlackRock's exchange-traded fund (ETF) tracking the S&P 500 index of big American firms charges just 0.03% in fees. If you add a basic screen to exclude companies in industries such as oil, tobacco and weapons, the fee jumps to 0.08%. For an ETF that selects the most virtuous American companies, the fee hits 0.25%. Similarly, if divestment campaigns succeed, endowments' needs will become more bespoke, and thus more expensive.

These are not the sorts of issues that trouble activists. But resisting magical thinking about how financial markets work would help them better direct their efforts today. And it might even help a few of them in their careers tomorrow.

FREE EXCHANGE
America v Europe

Are longer working hours so bad if you spend them on the beach?

When it comes to economic growth, America comfortably beats Europe. Many factors have fed America's outperformance, from tech innovation to vast oil reserves. But there is one explanation that seems almost too simplistic: that "Americans just work harder", as the head of Norway's oil fund put it in an interview with the *Financial Times* on April 24th.

The numbers do in fact bear out this assertion—a rare case of national stereotypes being empirically provable. On average Americans work 1,811 hours per year, according to data from the OECD, a club of mostly rich countries. That is 15% more than in the EU, where the average is 1,571 hours. And it is not just that Europeans spend a few extra weeks on the beach. The typical working day in Britain, France and Germany is half an hour shorter than in America, according to the International Labour Organisation.

Observing these differences, it is natural to ask which is the better way of living—with more money or more free time? The reality is that it is difficult for people to choose. Those in America work according to American schedules; those in Europe conform to European norms. Analytically, the more fruitful question is why Americans put in longer hours. The answer leads to a curious new observation: that remote work is making America's office drones a little more European, albeit with a puritanical twist.

A first guess suggests that culture might account for the variation in work hours. Maybe Europeans enjoy their leisure more. They are spoilt for choice about how to spend time off, with beautiful cities, culinary delights, rugged mountains and much else besides just a short train ride or discount flight away. America might simply have less to offer travellers, and what it does have is spread over a much bigger area, which goes some way to explain why Europe draws about 150m tourists from abroad a year, twice as many as America. As for Americans, surveys indicate that they view hard work as intrinsically worthwhile. "Rugged individualism" is, after all, what built the country.

But the difficulty with chalking up the difference to culture is that until the early 1970s many Europeans worked more. American working hours are basically the same now as back then. The big change is that Europeans now toil less. Hours are down a whopping 30% in Germany over the past half-century. Something beyond culture—a slow-moving, ill-defined variable—is at play.

Edward Prescott, an American economist, came to a provocative conclusion, arguing that the key was taxation. Until the early 1970s tax levels were similar in America and Europe, and so were hours worked. By the early 1990s Europe's taxes had become more burdensome and, in Prescott's view, its employees less motivated. A substantial gap persists today: American tax revenue is 28% of GDP, compared with 40% or so in Europe.

But the effect of taxation on work is far from straightforward. Some workers may respond to lower taxes by putting in longer hours, knowing that they can take more money home. Others, by contrast, may decide that the additional post-tax earnings allow them to work less and still enjoy their desired lifestyles. A recent study by Jósef Sigurdsson of Stockholm University examined how Icelandic workers responded to a one-year income-tax holiday in 1987, when the country overhauled its tax system. Although people with more flexibility—especially younger ones in part-time jobs—did indeed put in more hours, the overall increase in work was modest relative to that implied by Prescott's model.

Regulation seems to matter more. European rules give workers power, from generous parental-leave policies to stricter laws on firing staff. Many European countries try to put caps on working time, such as France's famous 35-hour work-week. These caps have been somewhat misguided, failing to boost employment as their proponents wished. They also have plenty of loopholes. Yet most research agrees that they have reduced work hours.

Another important relationship is that, as people get richer, they typically want to work less. A recent paper by the IMF shows a remarkably strong link between GDP per person and hours worked in Europe. People in richer countries, such as the Netherlands, generally work less than those in poorer countries, such as Bulgaria. That, however, only reframes the question. Americans are wealthier than most Europeans, so why do they still work more?

Perhaps leisure is a collective-action problem. Americans may want to ask their bosses for longer holidays but are worried about being seen as slackers. A paper in 2005 by Alberto Alesina of Harvard University and colleagues argued that Europe's stronger unions had in effect solved this collective-action problem by fighting for paid vacations, which ended up enshrined in law. America, with weaker unions, is one of the few countries with no mandatory paid vacations. Europe's well-regulated leisure time may then be-get more leisure because it is more socially acceptable, and the market responds by supplying more good ways not to work. It is a virtuous cycle of lovely cafés.

Just another day out the office

One fascinating new development is a discrepancy in the rise of remote work. In 2023 the Global Survey of Working Arrangements found that full-time employees in America work from home 1.4 days a week, while those in Europe do so for 0.8 days. Applying this home-office split to the working-hours data compiled by the OECD yields a striking result: Europeans and Americans now spend almost exactly the same amount of time in the office, with 1,320 hours a year for the former and 1,304 for the latter.

In other words, the extra 15% of work done by Americans annually is now from the comfort of their own homes—or occasionally on the beach, perhaps even one in Europe. Americans do still work harder, but rather more enjoyably than in the past. ■

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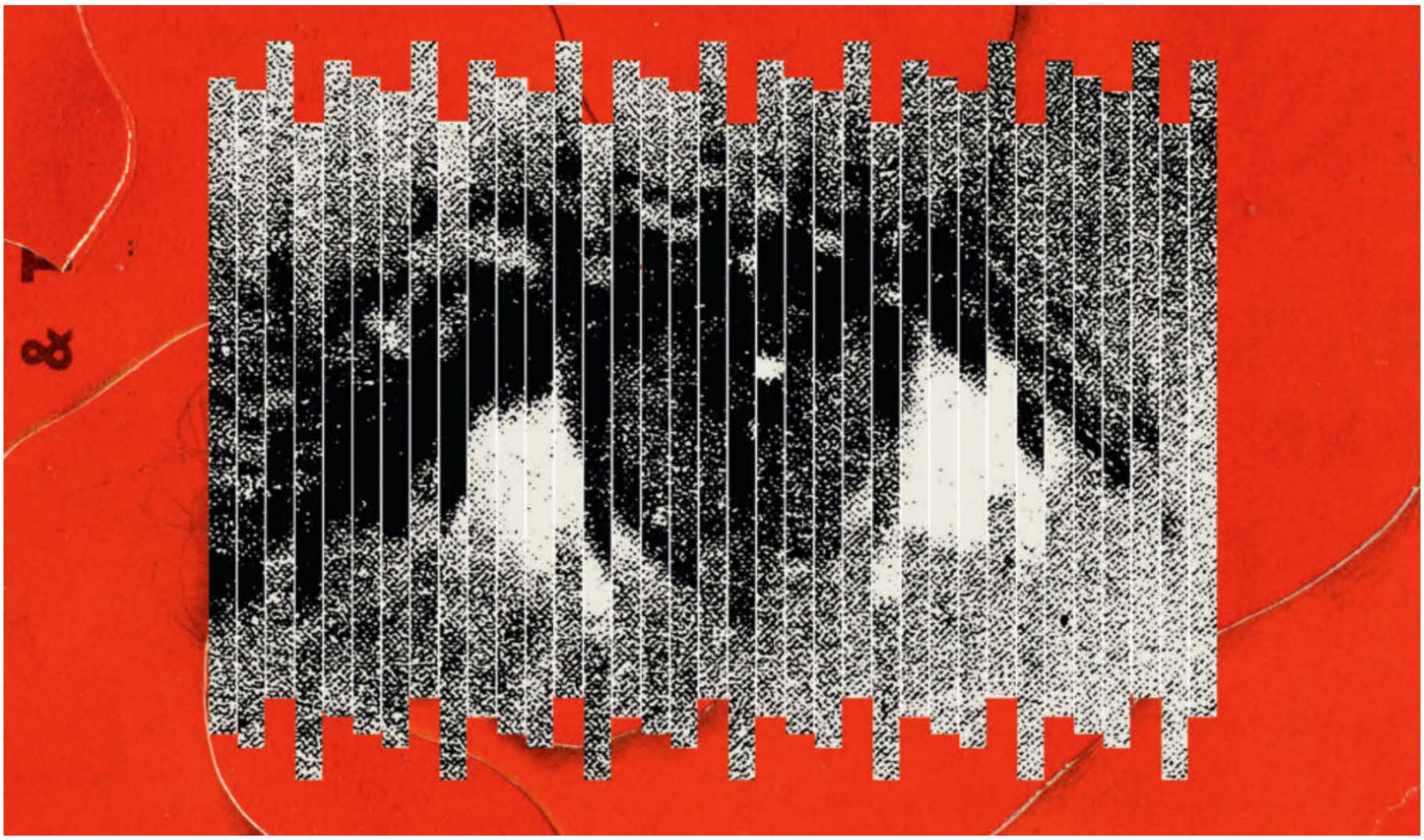

Disinformation (1)

Bad news

Deceptive information operations are on the rise around the world. In this special section, we consider how disinformation works and how it can be mitigated

IN JANUARY 2024, in the run-up to elections in Taiwan, hundreds of video posts appeared on YouTube, Instagram, X and other social platforms entitled "The Secret History of Tsai Ing-wen". News anchors, speaking English and Chinese, made a series of false claims about Ms Tsai, the outgoing president, and her ruling party. On election day itself, January 13th, an audio clip began to circulate in which Terry Gou, a candidate who had dropped out of the race in November, seemed to endorse the candidate of the China-friendly KMT party (in fact, Mr Gou made no endorsement).

Both the video clips and audio were probably created using artificial intelligence (AI) and posted by a Chinese state-backed propaganda group known variously as Spamouflage, Dragonbridge and Storm-1376. In a report released on April 5th, the Threat Intelligence team at Microsoft, a tech firm, said this was the first time it had seen a nation-state use AI-generated material to sway a foreign election.

The news anchors in the videos were made using CapCut, an app made by ByteDance, the Chinese parent company of TikTok. At their peak, the videos were being shared 100 times a minute, but were swiftly identified and taken down. Overall, few people probably saw them. But China is likely to be using Taiwan as a testbed for ideas it plans to deploy elsewhere, a Taiwanese official told the *Taipei Times*. Taiwan's election is a sign of things to come, as AI supercharges the production of disinformation (that is, information that is intended to deceive). The country's social media are flooded with one of the world's highest levels of disinformation coming from foreign governments (see chart on next page). American social media are not far behind on the same measure.

In a year when half the world is holding elections and new technology is making it easier than ever to make and spread disinformation, the need for governments, companies and individuals around the world to grapple with the problem has never been more urgent. Security experts are raising the alarm too—more than 1,400 of them recently told the World Economic Forum that disinformation and misinformation (incorrect information that is shared unwittingly) were the biggest global risks in the next two years, even more dangerous than war, extreme weather or inflation.

The fog of information war

Much is still murky, including how much disinformation there is and exactly how (and how much) it shapes opinions and behaviour. Nevertheless, researchers are beginning to understand how disinformation networks operate and are developing ways to identify and monitor them in the wild. Some countries—from Taiwan and Sweden to Brazil—have implemented policies to fight the problem, which could provide useful lessons for others.

This special section will first explain how disinformation campaigns work. It will consider the role of AI—both negative (creating disinformation) and positive (de- ▸▸

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68 The anatomy of a deceptive campaign
70 Curbing disinformation is hard

tecting and mitigating it). And it will assess the emerging tools and policies aiming to fight back against the problem.

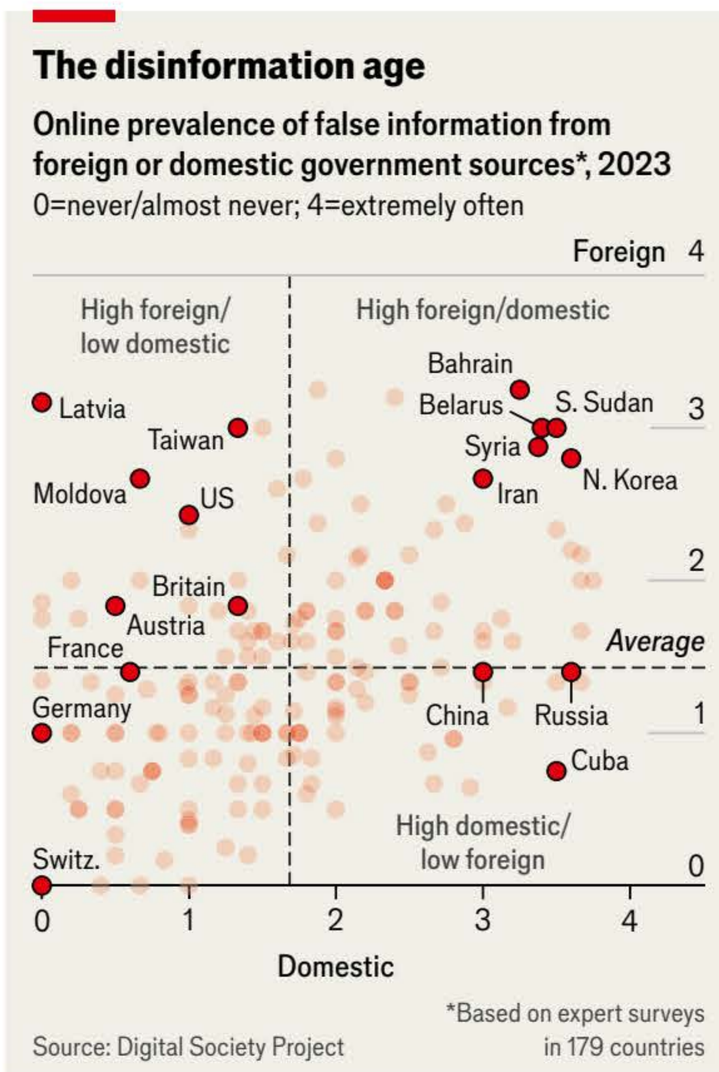
Bad information can take many forms and affect many fields. For many years the standard way of doing things, says Amil Khan, a former journalist who now studies disinformation, was to use hundreds or thousands of social-media accounts, controlled by a single piece of software, to pump out the same message or link, or to "like" or reshare particular posts. On a large scale, this "co-ordinated inauthentic behaviour" (CIB) can fool the curation algorithms on a social network such as Facebook or X into thinking there is a groundswell of interest in, or support for, a particular viewpoint. The algorithm then promotes those posts to real users, who may then share them with their own followers.

One example of CIB analysed by Mr Khan's firm, Valent Projects, targeted Daewoo, a South Korean company. After Daewoo won a construction contract worth $2.6bn from the Iraqi government, it was attacked by Chinese disinformation networks, which spread false stories about the company in an effort to get its contract cancelled and awarded to a Chinese company instead. Daewoo was said to be a front for a Western plan to exploit Iraq's resources; made-up comments attributed to American officials were cited as evidence that America was trying to undermine Chinese-Iraqi relations. Such claims were debunked by fact-checking outfits based in Iraq and Qatar, but that did little to hamper their spread.

CIB operations are fairly easy to spot. Meta, the tech firm behind Facebook, now finds and shuts down such networks quite quickly, says Mr Khan (though X is slower off the mark, he adds). In its most recent report on CIB shutdowns, released in February, Meta describes three such operations, in China, Myanmar and Ukraine. The report notes that early CIB networks targeting Ukraine were simple and could be traced to Russian intelligence services.

Since 2022, however, disinformation campaigns have taken on a new form. Run by "deniable entities" such as marketing companies or troll farms without direct state links, they post on a range of social networks and blogging platforms and create entire fake websites. Since May 2023 the number of AI-generated news outlets peddling misleading information has risen from 49 to 802, according to NewsGuard, an American organisation that monitors disinformation. These sites mostly feature innocuous articles, generated by AI, but with disinformation mixed in.

An example is *DC Weekly*, an apparently American website that was central to furthering the Russian-led disinformation campaign alleging that Olena Zelenska, Ukraine's first lady, had spent $1.1m on a shopping spree on New York's swanky Fifth Avenue (see panel on the next page). That story, which was tracked by researchers at Clemson University, began with a video on YouTube, passed through several African news websites and an AI-generated site before being planted on social media and boosted by Russian propaganda outfits. It was shared 20,000 times on X and viewed by millions more people still.



Mr Khan calls the accounts and sites that plant the story "seeders". Rather than using hundreds of fake accounts to promote these sites' material, distribution instead relies on a few "spreaders"—social-media accounts with large numbers of followers. Spreader accounts typically build a following by posting about football, or featuring scantily clad women. "And then they'll flip," says Mr Khan: they start mixing in disinformation by linking to or reposting seeders' content. Meta's threat report from November 2023 noted that it had seen the Chinese outfit Spamouflage/Storm-1376 operating on more than 50 platforms, "and it primarily seeded content on blogging platforms and forums like Medium, Reddit and Quora before sharing links to that content on [our platforms]".

In poor countries with few opportunities for young, tech-savvy men, there is a cottage industry of building up spreader accounts and then selling them to malicious actors once they reach 100,000 followers, says Mr Khan. The challenge with identifying spreaders is that their behaviour is genuine, at least to begin with, and they are not the originators of disinformation, but merely distributors of it. Spreader accounts may continue to post about other things, with disinformation mixed in every ▸▸

Disinformation and AI

Generation confusion

Producing disinformation has become easier

When it comes to disinformation, "social media took the cost of distribution to zero, and generative AI takes the cost of generation to zero," says Renée DiResta of the Stanford Internet Observatory. Large language models such as GPT-4 make it easy to produce misleading news articles or social-media posts in huge quantities.

And AI can produce more than text. Cloning a voice using AI used to require minutes, or even hours, of sample audio. Last year, however, researchers at Microsoft unveiled VALL-E, an AI model that is able to clone a person's voice from just a three-second clip of them speaking, and make it say any given text.

OpenAI, the American company behind GPT-4, has developed a similar tool, Voice Engine, which can convincingly clone any voice from a 15-second clip. It has not yet released it, recognising "serious risks, which are especially top of mind in an election year".

Similarly, Sora, from OpenAI, can produce surprisingly realistic synthetic videos, in response to text prompts, of up to a minute in length. OpenAI has yet to release Sora to the public, partly on the ground that it could be used to create disinformation. As well as providing new ways to discredit or misrepresent politicians, AI tools also raise the spectre of personalised disinformation, generated to appeal to small groups (think soccer moms in a specific town). It may even be possible to "microtarget" individuals with disinformation, based on knowledge of their preferences, biases and concerns.

Though all of this is worrying, it is worth remembering that not all aspects of the technology are negative. AI, it turns out, can be used for fighting disinformation as well as producing it (see main article).

so often, to avoid detection.

Valent has seen this more sophisticated approach being used to spread disinformation from Russia in European countries, and to promote hard-right material in Britain. In the latter case, the spreader accounts used gossipy posts about the British royal family to attract followers, before flipping to political propaganda about how "low-traffic neighbourhoods" (areas where through-traffic is discouraged) are a globalist plot. Similarly, Microsoft has detailed Storm-1376's use of this newer distribution model to spread disinformation about wildfires in Hawaii (supposedly started by an American "weather weapon"), to amplify criticism of the Japanese government in South Korea, and to stoke conspiracy theories about a train derailment in Kentucky in November 2023.

When many accounts are using exactly the same wording, spotting CIB is relatively simple. It is not unusual for narratives to suddenly "trend" on social media, but a spike in mentions of a particular topic in an array of different languages, or posted by accounts seemingly scattered around the world, might be a hint that foul play is involved. Similarly, disinformation hunters can examine clusters of accounts that push a similar message. Dodgy accounts may all have the same date of creation, the same number of followers or the same ratio of followers to following (because they have bought fake followers in bulk in a bid to look authentic).

But spotting seeders and spreaders under the newer distribution model is more difficult. They are propagating a particular narrative, but the seeder articles and posts, and the spreader posts that promote them, may all use different wording. Valent is trying to solve this problem using AI: its system, called Ariadne, takes in feeds from social platforms and looks for common underlying narratives and sentiments to spot unusual, co-ordinated action. Unlike previous approaches based on keywords, "the latest models let us do work on sentiment that we couldn't do before", says Mr Khan.

Another way to identify spreader accounts is described in a recent working paper from Brookings, a think-tank based in Washington, DC. Maryam Saeedi, an economist at Carnegie Mellon University, and her colleagues analysed 62m posts from X written in Farsi, relating to the wave of anti-government protests in Iran that began in September 2022. The analysis focused on spreader accounts (the researchers call them "imposters") that started off by pretending to be on the side of the protesters, but then flipped to posting disinformation discrediting the protests.

The researchers began by identifying several hundred imposter accounts by hand. They then trained a classifier algorithm to identify more imposters with similar characteristics, including their posting activity, the pattern of their followers, their use of particular hashtags, how recently the account was created, and so on. The researchers were then able to replicate the identification of these imposter accounts with 94% accuracy, through network-analysis alone—ie, by scrutinising only their relationship to other accounts, rather than the content of their posts.

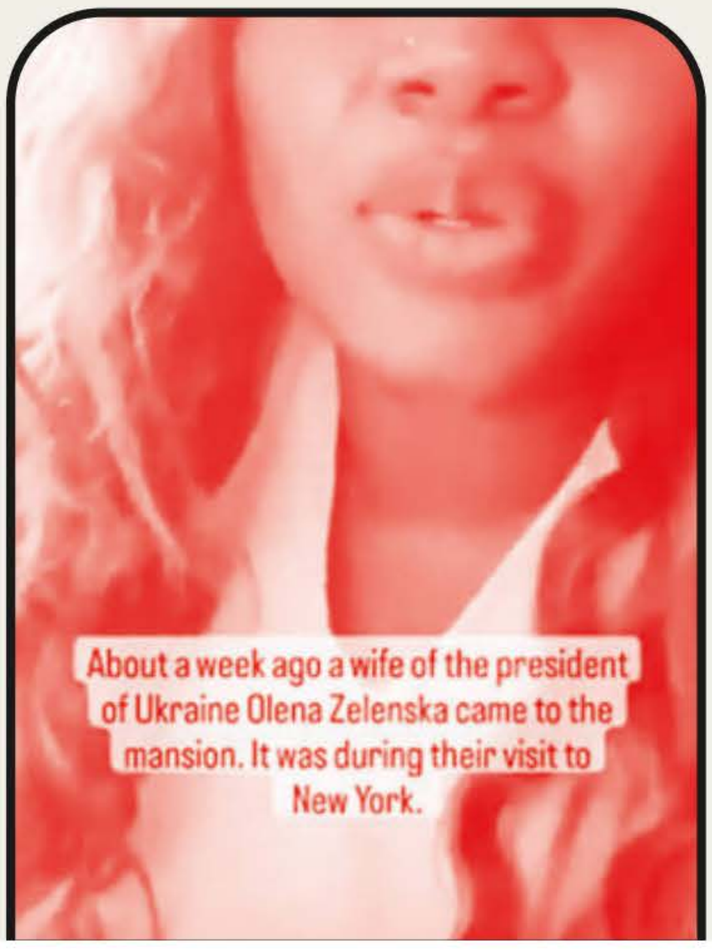
This suggests, the researchers say, that it is possible to identify "accounts with a high propensity to engage in disinformation campaigns, even before they do so". They suggest that social-media platforms could use these kinds of network-analysis methods to calculate a "propaganda score" for each account, made visible to users, to indicate whether it is likely to be a source of disinformation. The imposter-detection algorithm could be further improved, the researchers suggest, using more advanced forms of AI such as natural-language processing and deep learning.

Technology firms and intelligence agencies are no doubt already doing this kind of analysis, though they are understandably reluctant to share details about their methods. Meta says only that it has used AI in its "integrity systems" for many years to protect users and enforce its rules.

Anatomy of a disinformation campaign

Did Olena Zelenska spend $1.1m of Ukrainian aid on jewellery?

1. On September 30th 2023, a video was uploaded to YouTube of a self-styled former Cartier intern describing her run-in with Olena Zelenska. The Ukrainian first lady allegedly spent $1.1m in the New York "mansion" store—a receipt was flashed on screen—and got the employee fired.



2. The claims were not true. Ms Zelenska was in Canada on the day of the supposed splurge. And a later investigation revealed that the "intern" was probably a beautician from St Petersburg. But just a few days later the story appeared on several West-African news sites, sometimes as "sponsored content".

3. On October 3rd a website called *DC Weekly* published the claims. At first glance, the site has all the trappings of a trusted news organisation, but most of its articles are either copied from other outlets or AI-generated. Its few original stories are apocryphal claims of Ukrainian corruption.

But both academics and civil-society groups say that no single method can be used to automatically detect all disinformation—the tactics used are often bespoke to specific campaigns and rely on human analysts to check the results and provide interpretation and nuance.

AI can, however, help in a different way: by spotting deceptive content directly, through analysis of individual posts, articles, sound clips or videos. DARPA, the special-projects research arm of America's Department of Defence, has been funding research into "detecting, attributing and characterising manipulated and synthesised media" as part of its "semantic forensics" programme, to create a toolbox of defences. In March it published an open-source repository of several of the projects it has funded, with links to downloadable source code, and announced a series of "spot the deepfake" challenges. Its aim is to encourage academic and commercial users to combine, improve and ultimately deploy these tools, all of which rely on AI in some form, says Wil Corvey of DARPA, who manages the programme.

Although a single analytic tool may not always be reliable, he says, combining several of them can greatly improve accuracy. Consider, for example, the problem of working out whether a video of a politician is genuine or not. Using authentic data of the person in question, it is possible to train an AI model that learns their characteristics, such as patterns of head tilt or facial movements while speaking. This can then be used to analyse a suspected deepfake for authenticity. Better still, explains Dr Corvey, it can be combined with other techniques, such as heartbeat detection from video, which is difficult to fake. (Heartbeats can be spotted by looking for tiny variations in skin colour, particularly on the forehead.) Other tools in DARPA's catalogue are capable of spotting AI-generated text, synthesised or edited images, and deepfake audio and video. The results for fake-audio detection are "particularly robust", Dr Corvey says. And a fake-audio track can, of course, indicate that the accompanying video is also fake.

DARPA's is not the only effort of this kind. Oren Etzioni, a computer scientist and former head of the Allen Institute for Artificial Intelligence, a research outfit, founded TrueMedia.org, a non-profit group, in January to expand access to detection tools. On April 2nd the group unveiled a website which brings together open-source and commercially available tools, through a free web interface, to provide a one-stop-shop for detection of synthetic or manipulated images, video and audio using multiple tools simultaneously.

When it comes to bad content, AI is both a sword and shield, notes Nick Clegg, head of global affairs at Meta. For his part, Dr Corvey says he is optimistic that defensive AI-powered detection tools can stay ahead of offensive generation tools. Phil Howard, an expert in democracy and technology at Oxford University, agrees—at least for now. This is a "lucky moment" in which technology firms can spot fake videos pretty reliably, he says, "though I don't know that this is going to last for ever."

Renée DiResta, who studies information flows at the Stanford Internet Observatory, is less convinced. Today's detection tools may work well in a controlled environment when there is plenty of time to make an assessment, she says. But when it comes to making snap judgments, "I don't think the defender is necessarily favoured." Besides, she observes, there is a much deeper problem. Even if deceptive media can be detected with perfect accuracy, not everyone will believe that a fake video is fake. She cites the example of fake audio clips that went viral just before an election in Slovakia in September 2023, in which a politician was apparently heard discussing election-rigging with a journalist. He later lost the election. "People are highly resistant to fact-checks if they don't like the fact checker," she says. That means the mitigation of disinformation will require much more than just technology. ■

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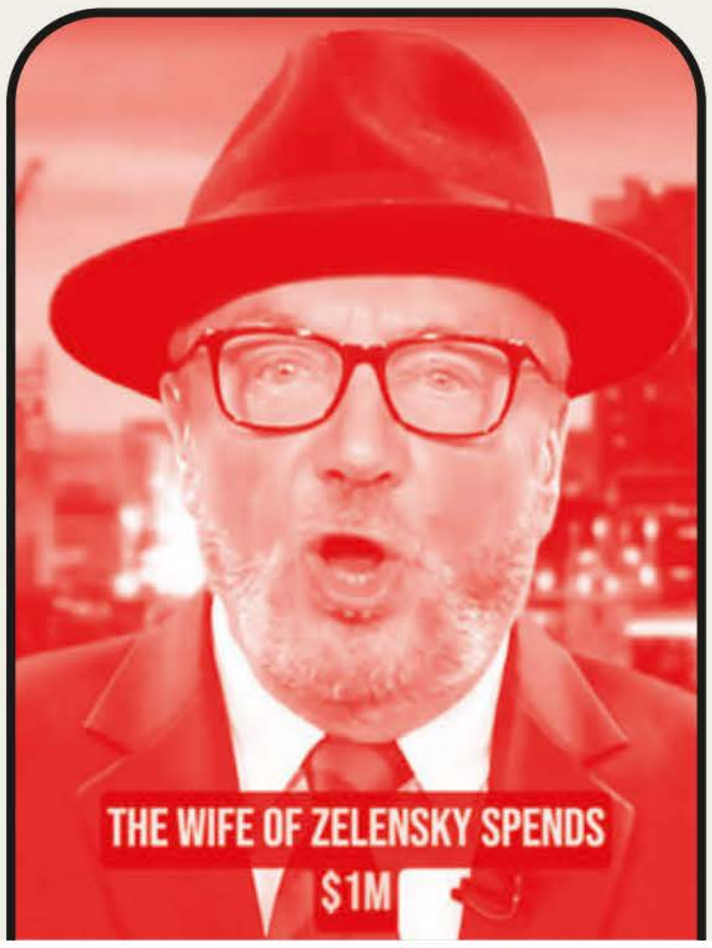
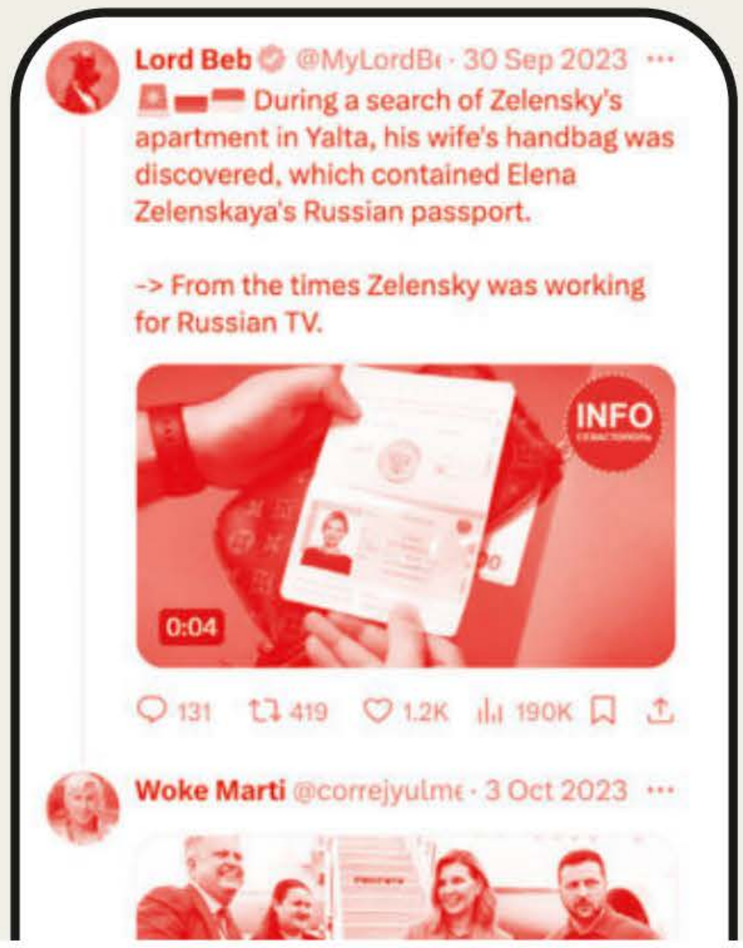
4. The claim eventually featured on Russian news sites, like *Lenta.ru* and *RT*, and Western talk shows. This process of "layering" the story—building up from the original source to more credible publications—is a common disinformation technique. The final step is dissemination via social media.



5. The story was first posted to X (formerly Twitter) by "Woke Martin"—a "seeder" account—who began spamming right-leaning influencers. It was then re-posted by pro-Russia commentators—"spreader" accounts—and even the Russian embassy in the UK. It was shared more than 20,000 times.



6. Despite many articles debunking it, the claim soon went viral. The story didn't need to be watertight—it was designed to appeal to people already sceptical of Ukraine's handling of aid money. It is just one of many tall tales of the Zelenskys' extravagance, most probably planted by Russia.

Disinformation (2)

A steep, steep hill

The job of fighting disinformation is becoming more difficult

IN FEBRUARY 2024 America's State Department revealed that it had uncovered a Russian operation designed to discredit Western-run health programmes in Africa. The operation included spreading rumours that dengue fever, a mosquito-borne illness, was created by an American NGO, and that Africans who received treatment were being used as test subjects by American military researchers. The campaign, based around a Russian-funded news site, was intended to sow division and harm America's reputation. Discouraging Africans from seeking health care was collateral damage along the way.

The campaign was brought to light through the work of the Global Engagement Centre, an agency in the US State Department. Once a false story is detected, the agency works with local partners, including academics, journalists and civil-society groups to spread the word about the source—a technique known as "psychological inoculation" or "pre-bunking". The idea is that if people are made aware that a particular false narrative is in circulation, they are more likely to view it sceptically if they encounter it in social-media posts, news articles or in person.

Pre-bunking is just one of many countermeasures that have been proposed and deployed against deceptive information. But how effective are they? In a study published last year, the International Panel on the Information Environment (IPIE), a non-profit group, drew up a list of 11 categories of proposed countermeasures, based on a meta-analysis of 588 peer-reviewed studies, and evaluated the evidence for their effectiveness. The measures include: blocking or labelling specific users or posts on digital platforms; providing media-literacy education (such as pre-bunking) to enable people to identify misinformation and disinformation; tightening verification requirements on digital platforms; supporting fact-checking organisations and other publishers of corrective information; and so on.

The IPIE analysis found that only four of the 11 countermeasures were widely endorsed in the research literature: content labelling (such as adding tags to accounts or items of content to flag that they are disputed); corrective information (ie, fact-checking and debunking); content moderation (downranking or removing content, and suspending or blocking accounts); and media literacy (educating people to identify deceptive content, for example through pre-bunking). Of these various approaches, the evidence was strongest for content labelling and corrective information.

Such countermeasures are of course already being implemented in different ways around the world. On social platforms, users can report posts for containing "false information" on Facebook and Instagram, and "misinformation" on TikTok, so that warning labels can be applied. X does not have such a category, but allows "Community notes" to be added to problematic posts to provide corrections or context.

Lies, damned lies and social media

In many countries academics, civil-society groups, governments and intelligence agencies flag offending posts to tech platforms, which also have their own in-house efforts. Meta, for example, co-operates with about 100 independent fact-checking outfits in more than 60 languages, all of which are members of the International Fact-Checking Network, established by the Poynter Institute, an American non-profit group. Various organisations and governments work to improve media literacy; Finland is famed for its national training initiative, launched in 2014 in response to Russian disinformation. Media literacy can also be taught through gaming: Tilt Studio, from the Netherlands, has worked with the British government, the European Commission and NATO to create games that help identify misleading content.

To be able to fight disinformation, academics, platforms and governments must understand it. But research on disinformation is limited in several key respects—studies tend to look only at campaigns in a single language, or on a single subject, for instance. And most glaringly of all, there is still no consensus on the real-life impact of exposure to deceptive content. Some studies find little evidence linking disinformation to the outcomes of elections and referendums. But others find that Kremlin talking points are repeated by right-wing politicians in America and Europe. Opinion polls also find that enough European citizens tend to agree with Russian lines of disinformation to suggest that Russia's campaign to sow doubt about the truth might be working.

A big obstacle for researchers is the lack of access to data. The best data is not in public hands, but is "sitting in private networks in Silicon Valley," says Phil Howard of Oxford University, who is also co-founder of the IPIE. Collecting relevant data is becoming more difficult—after Elon Musk bought Twitter (now X) in 2022 the company shut down the free system that let anyone download information on posts and accounts, and began charging thousands of dollars a month for such data access. Meta said in March that it would be retiring CrowdTangle, its platform-monitoring tool that lets scientists, journalists and civil-society groups access data, though the company says academics can still apply for access to certain datasets.

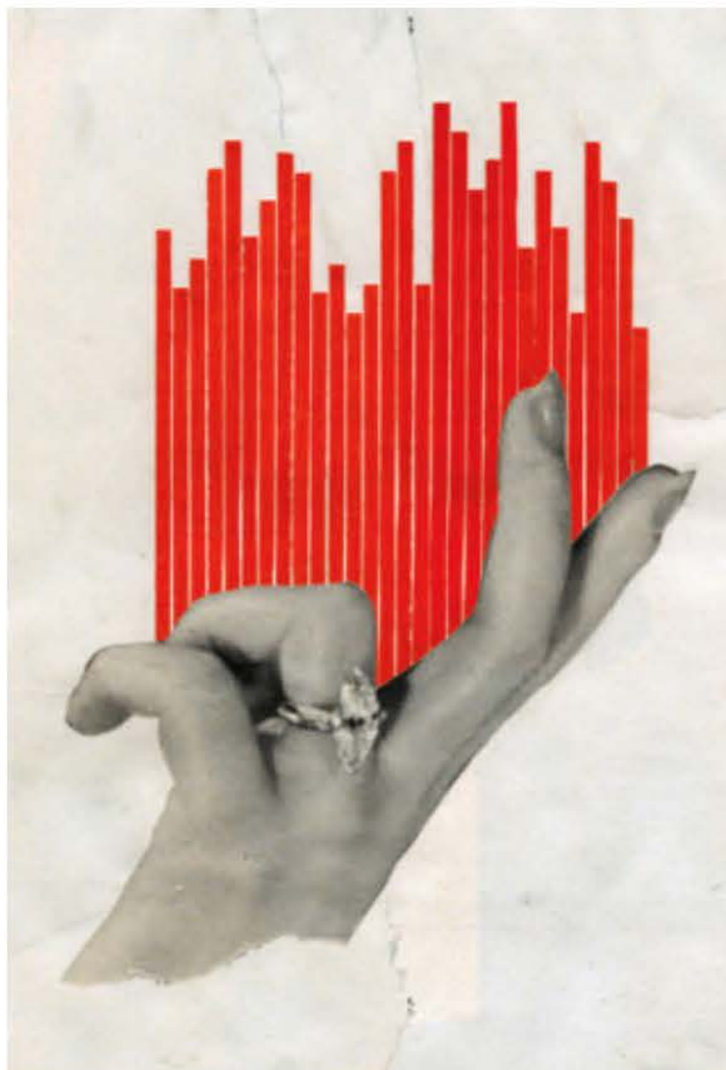
Such changes have seriously hampered researchers' ability both to detect disinfor- ▸▸

mation and to understand how it spreads. "Most of our foundational understanding of disinformation has come from having access to huge amounts of Twitter data," says Rachel Moran of the University of Washington. With this source cut off, researchers worry that they will lose track of how new campaigns are operating, which has wider implications. "The academic community is very, very important in this space," says an American official.

Regulators are stepping in to try to plug the gap—at least in Europe. The EU's Digital Services Act (DSA), which came into force in February, requires platforms to make data available to researchers who are working on countering "systemic risk" to society (Britain's equivalent, the Online Safety Act, has no such provision). Under the new EU rules, researchers can submit proposals to the platforms for review. But so far, few have been successful. Jakob Ohme, a researcher at the Weizenbaum Institute for Networked Society, has been collecting information from colleagues on the outcomes of their requests. Of roughly 21 researchers he knows of who have submitted proposals, only four have received data. According to a European Commission spokesperson, platforms have been asked to supply information to show that they are complying with the act. Both X and TikTok are currently under investigation over whether they have failed to supply data to researchers without undue delay. (Both companies say they comply, or are committed to complying, with the DSA. X withdrew from the EU's voluntary code to fight disinformation last year.)

In America, however, efforts to fight disinformation have become caught up in the country's dysfunctional politics. Researchers believe that fighting disinformation requires a co-ordinated effort by tech platforms, academics, government agencies, civil-society groups and media organisations. But in America any co-ordination of this kind has come to be seen, particularly by those on the right, as evidence of a conspiracy between all those groups to suppress particular voices and viewpoints. When false information about elections and covid-19, posted by Donald Trump and Marjorie Taylor Greene, was removed from some tech platforms, they and other Republican politicians complained of censorship. A group of large companies that refused to advertise on right-leaning platforms where disinformation abounds were threatened with antitrust investigations.

Researchers studying disinformation have been subjected to lawsuits, attacks from political groups and even death threats. Funding has also diminished. Faced with these challenges, some researchers say they have stopped alerting platforms about suspected suspicious accounts or posts. An ongoing lawsuit, *Murthy v Missouri*, has led American federal agencies to suspend their sharing of suspected misinformation with tech platforms—although the FBI has reportedly resumed sending social-media companies briefings in the past few weeks.



All this has had a chilling effect on the field, just as concern is mounting about the potential for disinformation to influence elections around the world. "It is difficult to avoid the realisation that one side of politics—mainly in the US but also elsewhere—appears more threatened by research into misinformation than by the risks to democracy arising from misinformation itself," wrote researchers recently in *Current Opinion in Psychology*.

The tide may be turning, however. In the past few weeks, during oral arguments about the *Murthy v Missouri* case, most of the justices on America's Supreme Court expressed support for the efforts of governments, researchers and social-media platforms to work together to combat disinformation. America has also announced an international collaboration with intelligence agencies in Canada and Britain to curb foreign influence on social media by "going beyond 'monitor-and-report' approaches", although the details of any new strategies have not been disclosed. And if the EU's DSA regulations can open the way for tech companies to share data with researchers in Europe, researchers elsewhere may benefit too.

If America has lately provided an illustration of how not to deal with disinformation in the run-up to an election, another country, Taiwan, offers a more inspiring example. "Taiwan is the gold standard," says Renée DiResta, who studies information flows at the Stanford Internet Observatory. Its model involves close collaboration between civil-society groups, tech platforms, government and the media. When disinformation is spotted by fact-checking organisations, they inform the tech platforms—and where appropriate government ministries also issue rapid rebuttals or corrections. The government also promotes media literacy, for example by including it in the school curriculum. But while this approach may be effective in a small country where there is a high degree of trust in the government and an obvious adversary (Finland and Sweden would be other examples), it may be difficult to make it work elsewhere.

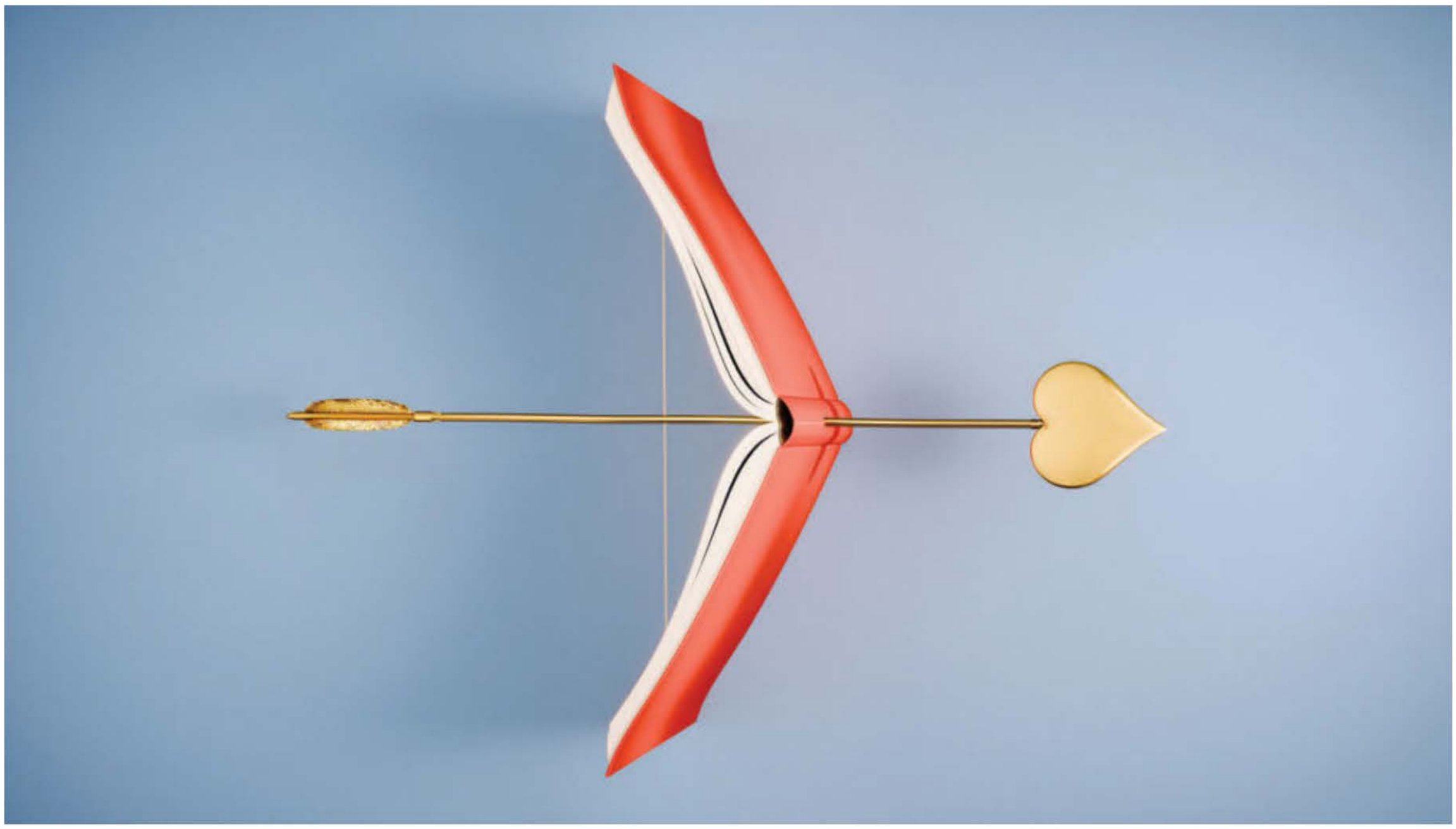
Other countries have taken different approaches. Brazil won plaudits from some observers for its muscular handling of disinformation in the run-up to its elections in October 2022, which involved co-operation between civil-society groups and tech platforms—and the oversight of a Supreme Court judge who ordered the suspension of social-media accounts of politicians and influencers whose posts, in his view, threatened the process. But critics, within Brazil and outside it, felt the judge was too heavy-handed (he is now involved in a legal dispute with Elon Musk, who owns X). Sweden, for its part, created a government agency in 2022 responsible for "psychological defence".

Global warning

Disinformation is a sprawling problem, requiring co-ordinated action from many sectors of society. Unfortunately, the analysis of it tends to be siloed and there is a lack of agreement on things like terminology. This makes it hard to join the dots and find lessons that apply more broadly. Dr Howard of the IPIE likens the situation to the early days of climate science: lots of people are trying to tackle the same problem from different perspectives, but it is difficult to see the whole picture. It took decades, he observes, to bring together atmospheric scientists, geologists and oceanographers to form a consensus on what was happening. And there continues to be strong political opposition from those who have an interest in maintaining the status quo. But the UN's Intergovernmental Panel on Climate Change now provides governments with solid data on which to base policy decisions. The IPIE aims to do the same for the global information environment, says Dr Howard.

The current lack of a joined-up response to disinformation is a problem, but it is also an opportunity: co-ordinating research and action should lead to better detection and mitigation of deceptive content, because modern disinformation campaigns all work in similar ways. Still, as with climate change, cleaning up the world's information environment presents a daunting, long-term challenge. ■

Culture



Romantasy

Feeling horny

Romantasy brings dragons and erotic fiction together. At last

PERHAPS IT IS Frodo's hairy feet. Perhaps it is because orcs are not that erotic. Perhaps it is because too many characters sing songs containing words like "merry-o" and "deedle-dum-diddle". Whatever the reason, one thing is clear: J.R.R. Tolkien's "The Lord of the Rings" is rarely considered an erotic romp.

Fantasy books generally are not. Harry Potter is a child; Aslan is an animal. And though books by writers such as Ursula Le Guin, of the "Earthsea" series, do contain sex, they also contain phrases in the vein of "the hormonal secretion is further stimulated", which rarely set pulses racing. One exception is "A Game of Thrones", which does contain lashings of sex. But since it also contains actual lashings, not to mention phrases such as "beat her bloody", it is not usually considered romantic.

Fantasy is changing, because "romantasy"—the literary love-child of fantasy and romance—has arrived. Romantasy offers precisely what its portmanteau suggests: fornicating fairies and dragons that smoulder in more ways than one.

Romantasy can be a mildly alarming read. Feminism, it turns out, is not a forte in fairyland. Male fairies can be domineering and violent, and have hands "like shackles", which they use to pin women down. Perhaps even more troubling, in romantasy the word "fairy" is frequently spelt "faerie". Which is faerlie irritating.

That hardly matters, because romantasy is so successful. One of its most popular authors, Sarah J. Maas, has sold over 38m books worldwide. In bookshops romantasies are starting to be moved from the shamefaced shelves at the back to the open tables at the front.

Bookshops are slow off the mark. Romantasy, whose popularity has been fuelled by TikTok, a social-media app, has been sitting at the top of bestseller lists for months. Television has started to take notice, too. Amazon has bought the rights to work by Rebecca Yarros, a popular author; there has been talk that Ms Maas's books could be made into a series by Hulu.

In one sense the success of this genre should not feel surprising. The 20th century may have unsexed the supernatural, but the genre was not always so chaste. Fantasy has its roots "in traditional fairy tales", says Stuart Lee, a specialist in fantasy literature at Oxford. These were often about "a princess being rescued by a prince and living happily ever after". Very happily, in some cases: in the original not-so-Grimm telling of "Rapunzel" the prince does not merely drop by the tower to say hello but has sex with Rapunzel while she is locked in there. They have a ball, living in "joy and pleasure for a long time".

Earlier influences are odder yet. In Arthurian legend King Arthur commits incest with his half-sister. To add romance to fantasy is "a perfectly acceptable way of taking the genre", says Mr Lee.

The chastity seen in much 20th-century fantasy was partly an accident of the age. When Tolkien was writing, British obscenity laws could be restrictive: the last of the ▸▸

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"Lord of the Rings" trilogy was published in 1955; five years later marked the start of the Chatterley trial (in which Penguin Books was prosecuted for obscenity after publishing D.H. Lawrence's novel "Lady Chatterley's Lover"). Even if Tolkien had wished to make the "Middle-earth" move, he would have been unable to do so.

Lust and fairy dust

More recently, it has been the age of the readers themselves that has restrained things. Ever since Harry Potter, many best-selling fantasy books have been aimed at children and young adults. And as Cressida Cowell, author of the "How to Train Your Dragon" series puts it, when you are writing for "middle grade you absolutely cannot go there".

But romantasy does go there, and there—and, yes, *there*. Because outside of Narnia, children grow up. The generation that grew up reading "Harry Potter" and other young-adult fantasy books are now adults, who are still interested in one kind of fantasy—but also in another. These books (mainly written and read by women) give them both.

One popular series is set in a military-training college for dragon riders: picture Hogwarts but with older, hotter students. Muscles ripple; sexual preferences are fluid; everyone is having a lot of sex and talking about it in the sort of terms that would prompt Professor McGonagall to put them in detention. Two characters have sex so good that it seems to result in actual thunderbolts. The adult world is like that.

While in one way these books inhabit an adult world, in another they are in full flight from it. Characters spend a lot of time defeating evil, very little time filling in tax returns or taking the bins out. At other times fantasy's enthusiasm for exposition makes the characters seem less adult than aged. Like visitors in an old people's home, they often take to reminding each other about important details of their own lives. "You fought at Strythmore," one character tells another, helpfully, as one might to an elderly relative. "They gave you the Order of the Talon for taking out that battery behind enemy lines."

If the fantasy element of these books is more or less what you would expect, the romance is arguably not. These books are being read by a generation that came of age after #MeToo; a generation in which the women at least equal and often beat their male peers in their educational achievements; a generation that is encouraged to commence consensual seduction by the use of such phrases as "I'd like to have sex tonight, would you?" and "What do you want to do or try tonight?" and "May I...?" This sounds less like someone offering a night of passion than offering to open a door.

Suffice it to say faeries do not waste much time saying "May I?" On perturbed online forums, romantasy readers debate the problematic nature of non-consensual sex in faerieland, offering trigger warnings as they do so. But if romantasy should come with an elf-warning, so too should much other romantic literature. Early books from Mills & Boon, Britain's top romance publisher, demanded that characters should come together with what the editor Alan Boon called the "punishing kiss". The books, which were almost entirely written and read by women, contained marital rape, as well as lines like: he "pinioned her with one strong arm".

But inequality has long been an essential part of romance. The girl usually finds the handsome prince, not the handsome gardener. It is possible to search the Mills & Boon website by keyword: type in "boss" and you are offered 439 titles; "brooding" gives you 74. "Millionaire" offers you a wealth of 310 titles; "equal" returns a paltry 10. "Subordinate" and "cheerful" each return zero. The "Twilight" series offered romantasy before the word was widely known; it spawned the fan fiction "Fifty Shades of Grey", which contains about 500 shades of sadomasochism. Whatever the problems with romantasy are, they go deeper than this genre.

That barely matters. Faerie sex might, for some, seem objectionable. But it is also very profitable. Publishing houses, much like the heroines of their books, are not immune to the charms of a good income—and the income generated by romantasy could, over time, eclipse the profits of pure romance titles. (How's that for a fairy-tale ending?) Whatever its problems, romantasy will continue to seduce. ■

Sex scenes on screen

Frisky business

Data show sex on screen has sharply declined since 2000

FIFTY YEARS ago the Supreme Court dabbled in film criticism. A cinema manager in Georgia had been prosecuted for "distributing obscene material" in the form of "Carnal Knowledge" (1971), a film about two men's sexual pathologies starring Jack Nicholson and Art Garfunkel. It was rated R, denoting adult content, but it was hardly explicit. In one scene you can hear moans of pleasure, but all you see is an empty living room. The court ruled that the film was not obscene.

Scriptwriters, directors and distributors in the West no longer fear censors' wrath. But the subject of sex is being judged again—this time in Hollywood circles. Recently film-makers, critics and viewers have been debating the lack of sex on screen. Some feel that Hollywood has entered a puritanical age and place blame at the feet of the #MeToo movement and the ubiquitousness of celibate superhero films, as well as the need to appeal to buttoned-up markets abroad. Others disagree; they point to examples of highly explicit scenes in recent films, including "Fair Play" and "Poor Things", which involve sex in public toilets and brothels.

Who is right? Stephen Follows, a film-data analyst, has examined the 250 highest-grossing movies in America every year since 2000. By parsing data from film-rating bodies as well as information from movie databases—in which a title's "sex and nudity" is ranked on a scale from "none" to "severe"—he has found that the level of sexual content in films has fallen by almost 40%. Abstinence, in other words, is in vogue. In 2000 less than 20% of the highest-grossing movies had no sexual content at all. Today almost half lack it (see chart).

There may be fewer sex scenes, but those that make the cut are more graphic than ever before. In 1992 a flash of genitals in "Basic Instinct" sent audiences and critics into a tailspin; in 2023 full-frontal female nudity featured in the films "Joy Ride" and "No Hard Feelings" without prompting a furore. Both "Fair Play" and "Saltburn", also released last year, even had characters performing oral sex on their ▸▸

lovers while they were menstruating.

Erect penises—once strictly verboten, now filmed using a prosthesis—have popped up in films such as "May December". "Mary & George", a historical drama series about King James I of England, strives for naked realism: in one scene George, the king's favourite, licks his hand to lubricate his penis. D.C. Moore, the screenwriter, says that it is a story about a monarch "whose desire pulls him apart. So you need to see his desire." Some viewers may desire not to have seen it.

Intimacy co-ordinators play an important role. On set, they liaise with the director and actors to choreograph scenes with sex (and sexual violence). Ita O'Brien is a leading intimacy co-ordinator who has worked on shows including "Normal People" (about lustful adolescents) and films such as "Magic Mike's Last Dance" (about male strippers). She likens her job to that of a stunt co-ordinator who wants to keep actors safe while choreographing the most exciting fight they possibly can. Sex can still be explicit, she says, but "it's in service of the character and storytelling".

As a result, intimacy co-ordinators will often ask film-makers to consider why the moment is important in the narrative. (After all, viewers who want to watch sex without a credible story have easy access to pornography on the internet.) Ms O'Brien says that sometimes those conversations result in changes to the script or the sex scene being deleted.

BACK STORY

The art of the rematch

From "Rocky" to "Star Wars", what great fictional rematches say about Biden v Trump II

PICTURE A PAIR of adversaries—let's call them Joe and Donald. In a story of rivalry, vanquishment and triumph, Joe beats Donald in a race or a fight. Now imagine they face off again. This drama is richer; it has the old ingredients plus stubbornness, grudges and the dream or delusion of a second chance.

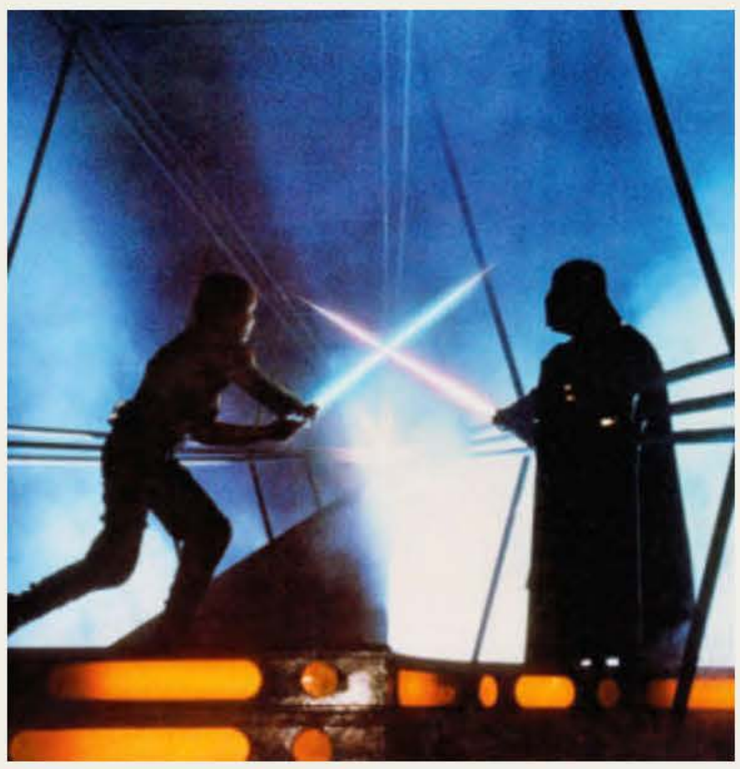
It is six months until the titanic rematch between Joe Biden and Donald Trump on November 5th—the first in a presidential contest since Dwight Eisenhower defeated Adlai Stevenson again in 1956. Once more common, electoral rematches have grown rarer as national politics has become an unforgiving, one-strike-and-you're-out game. (Characteristically, Mr Trump is an exception.) On screen and in literature, however, the rematch is a staple of storytelling. Art can illuminate the stakes and motives when past combatants clash anew.

Rematch narratives broadly divide into two categories. In one, the outcome is unchanged. Whoever was stronger or cleverer in the original skirmish remains so. Take the most ill-advised rematch in literature: between Ahab and Moby Dick, who in their first encounter tore off Ahab's leg. "Ain't one limb enough?" asks a seafarer who lost an arm to the white whale. "He's best let alone; don't you think so, Captain?" No, Ahab doesn't think so. All his pain and yearnings are embodied in the whale. Their second meeting costs him his life, his ship and almost its whole crew.

Know when you're beaten, runs the moral of such tales. Trying to get even can take others down with you. This rematch genre stretches back to the "Iliad". In Homer's epic, the god Apollo whisks Hector away from a duel with Achilles in a cloud of mist. Everyone begs the Trojan prince to steer clear of the Greek warrior, but Hector won't listen. Achilles drives a spear through his neck and drags the corpse behind his chariot.

In the other category of rematches, the losers lick their wounds, learn something important—often about themselves—and get their revenge. In the Bible, Joshua and the Israelites are defeated by a tribe in Canaan. After expunging a sinner from their ranks, they return to rout their foe. When they first cross lightsabers in the "Star Wars" trilogy, Darth Vader cuts off Luke Skywalker's hand; worse, he raspily reveals he is Luke's dad. "I will not fight you, father," Luke says when they meet again. But he does—and wins.

What may be modern cinema's best-known rematch wasn't supposed to happen. After Apollo Creed, a boxing champ, scrapes a victory in a slugfest with Rocky Balboa, they agree not to repeat it. Then "Rocky" made a fortune and they reconsidered. In "Rocky II" it is Creed who instigates the do-over. "I won," he reasons, "but I didn't beat him." Pushing his luck, as some incumbents do, he winds up on the canvas as Rocky staggers to glory.



Not all rematches involve violence: some are tussles of love. When Mr Darcy first asks Elizabeth Bennet to marry him in "Pride and Prejudice", he makes rookie errors, disparaging her family and haughtily saying he loves her against his better judgment. When he proposes again, he has mastered his "abominable pride" (and Elizabeth has had a mind-focusing glimpse of his country pile).

Another way to think about rematches, beyond the win-lose binary, is as yardsticks of change and markers of time. No one, after all, can step into the same boxing ring, whaling boat or voting booth twice. With creakier joints, wrinklier brows and perhaps shrewder minds, will the heroes emulate, outdo or fall short of their past selves? Will they turn back time or be undone by it?

Alas, the parallels between these archetypes and the election are inexact. Biden v Trump II is not quite as eagerly anticipated as Rocky's second bout with Creed. Mr Biden is no invincible Achilles; Mr Trump seems to have skipped his Darcy-style moral education. Generation-wise, neither is a Skywalker. In any case, an election is less a one-on-one stand-off than an agglomeration of microdramas, in which tens of millions of ordinary Americans will decide whether to stick or twist.

It isn't just polling day: everyday life is mostly a rematch, a series of run-ins with the same colleagues or relatives and, above all, the same you, with your too-familiar foibles and neuroses. These quotidian repetitions may ultimately be why rematches are an enduring theme of art. In a world of habits and routines, of recurring frustrations and gnawing grievances, they offer a hope that things might turn out differently—or the wisdom to accept that they probably won't.

Instances where that has happened are ammunition for those who feel that Hollywood has been underperforming in the bedroom. Some actors, including Jennifer Aniston and Sean Bean, have said that intimacy co-ordinators are unnecessary, or that they stifle the spontaneity of sex scenes. That they have become almost ubiquitous on film sets in the wake of #MeToo, detractors argue, suggests that they are a symptom of a more censorious age.

Yet other actors have praised intimacy co-ordinators and say their efforts help them to focus on the job. Kristen Stewart, the star of "Love Lies Bleeding", a racy new film, has said that choreographing amorous moments, rather than being "thrown into" them, prevents actors from "being self-conscious face-smushers".

The fate of the sex scene rests with the next generation. That does not bode well: Generation Z is notoriously chaste. Not only are youngsters having less sex than their elders did, but they also want to see less of it on screen, according to a poll conducted last year by the Centre for Scholars and Storytellers at University of California, Los Angeles.

Asked to rank 19 topics they enjoyed watching in TV shows and movies, adolescents put "romance and/or sex" 13th; seventh was "content that doesn't include sex or romance". The future, it seems, may be PG-13. ■

Graphic novels

Iran, drawn

Woman, Life, Freedom. By Marjane Satrapi. Translated by Una Dimitrijevic. *Seven Stories Press; 280 pages; $35.95 and £30*

COVERING THE mêlée of missiles exchanged between Iran and Israel in April, many newspapers, including this one, used a similar photograph. It was of a woman wearing a hijab and walking past a mural depicting Iranian rockets. The choice summed up the things for which Iran's thuggish theocracy is best known: sabre-rattling and controlling women.

These are also the two things that most enrage ordinary Iranians, who think that the money spent on rockets would be better used to shore up the country's crumbling economy. In 2022 women and men took to the streets after Mahsa Amini, a student who was picked up by religious police for wearing an ill-fitting *hijab,* was beaten until she fell into a coma and died. The widespread protests in response to her brutal treatment came to be called the "Woman, Life, Freedom" movement, a phrase that was chanted by protesters. (The Kurdish *jin, jiyan, azadî* was used by women in Turkey decades earlier.)

Never waving the white flag

This is also the name of a new graphic novel, conceived by Marjane Satrapi, best known for "Persepolis" (2000), a memoir in graphic-novel form that illustrated the oppression of Iran's regime. Nearly two dozen writers, academics and artists contributed; the 25 short chapters in the collection document the protests and the context around them. The broader aim is to introduce outsiders to the human side of Iran and to change perceptions of the country and its people. But the book is also designed to assure Iranians that "they are not alone"; a version in Persian has been put online and made available free.

"Woman, Life, Freedom" offers an engrossing portrait of a population held back by restrictive leaders. There are iron-willed protesters who take to the streets despite the threat of arrest and beatings. But there are also everyday acts of resistance, from sharing a post on Instagram to going for a run or owning a dog (which some conservative lawmakers call "morally depraved").

Overt defiance is not the only story. One chapter revolves around a young woman grappling with whether to sign a forced confession to enable her release from prison. The government's economic mismanagement, pampered princelings and censorship are also criticised. One panel depicts an official demanding the deletion of a "downright immoral" scene on TV of a woman eating a cucumber. Ridicule remains a potent weapon against oppression. The illustration would be comical were it not so disheartening.

The subject of women's treatment feels especially timely, given recent crackdowns by the morality police. The last chapter, which features a conversation between a few contributors, serves as a warning, both to outsiders and to the government. "The only thing that could strengthen the regime today would be if another country were to attack Iran," says Farid Vahid, an Iranian political scientist. "But this regime will fail," replies Ms Satrapi. "Some things can't be held back." So she hopes. ■

Money and music

Can't get you out of my head

Maurice Ravel's "Boléro" is a song—and saga—that do not end

MAURICE RAVEL'S "Boléro" is a strange piece of music, consisting of two melodies repeated nine times each. Originally the score to a ballet, it is catchy and keeps running in the listener's head long after it ends. "Boléro", a new French biopic about Ravel's struggle to compose the work in 1928, also employs repetition. Anne Fontaine, the director and co-writer, returns to Ravel's tortured sexuality, fascination with mechanical noise and slow mental deterioration. He died in 1937 of a brain disease; neurologists think it may have been frontotemporal dementia, which is associated with obsessive repetition.

"Boléro" is among the most famous tunes in classical music. The royalties it has generated from live performances, recordings and film soundtracks are estimated at more than $100m. The question of who got all that money is complicated. Ravel had no descendants. On his death ▸▸

the copyright passed to Ravel's brother, who married his caretaker after a car accident. She then left the rights to her first husband, who married his manicurist. Ultimately the copyright wound up belonging to that manicurist's daughter from a previous marriage, Evelyne Pen de Castel.

Under French law the piece entered the public domain in 2016. But much like the music, the copyright battle over "Boléro" just keeps going. In 2018 the heirs of Alexandre Benois, the original ballet's set designer, sued SACEM, France's copyright agency; Ms Pen de Castel also got behind the lawsuit. They argue that the ballet was a collaborative work, and that because Bronislava Nijinska, the choreographer, did not die until 1972, they are entitled to receive royalties until 2051. In June a French court will decide whether they are right.

Ms Fontaine's film is not about money; it is about the man and his music. In 1928 Ida Rubinstein, a Russian dancer in Paris, commissioned Ravel to write a ballet. But he puts it off, obsessed by an unconsummated emotional affair. He flees to the seaside, attends parties and visits brothels (where instead of sex, he asks a girl to put on gloves so he can listen to the sound). In flashbacks viewers learn of his struggle to be accepted by France's stuffy musical academy and of his rivalry with Claude Debussy, another French composer.

With Rubinstein's deadline approaching, Ravel plinks hopelessly at the piano. A vaguely Spanish pop song his housekeeper sings feeds in to his melody. Some films might have treated this as a eureka moment, but Ms Fontaine suggests various sources of inspiration. In another scene Ravel takes Rubinstein to a factory to listen to the machines: the ballet, he says, should be an ode to mechanical modernity.

The success of "Boléro" was immediate and enduring. Leonard Bernstein, the celebrated American conductor and composer, loved it. The credits of Ms Fontaine's film claim it is played by an orchestra somewhere in the world every 15 minutes. It is hardly surprising that Ms Pen de Castel wishes those performances were still earning her money. Benois designed the ballet's sets and costumes but never claimed to have had a hand in the music, says David El Sayegh, the deputy chief executive of SACEM, which deems the lawsuit nonsense. Though unlikely, if this lawsuit by long-distant heirs were to be successful, it could embolden others to sue over expiring copyrights.

Ravel was ambivalent about "Boléro", according to a protégé. He considered it his masterpiece but also said that "unfortunately there is no music in it." Yet Ravel might find it fitting that its story goes on and on. In the film, he asks a friend: "Don't you think there is something terribly insistent about this melody?" ■

Categorising nature

Class acts

Every Living Thing. By Jason Roberts. *Random House; 432 pages; $35. Riverrun; £25*

HOMO SAPIENS. *Tyrannosaurus rex. Boa constrictor*. Even the layest of laymen knows that the scientific names of species have two parts. Some may recall that this convention was invented by Carl Linnaeus, a Swede. Classifying nature was a preoccupation of natural historians in the 18th century, and Linnaeus's way won out.

"Every Living Thing" chronicles the race to account for all life on Earth. "At stake was not just scholarly immortality but the very nature of our relationship to nature—the concepts and principles we use to comprehend the living world," writes Jason Roberts.

This contest, and the book, hinge on a rivalry between two men, who were both born in 1707. There was Linnaeus, a scruffy chancer who was the son of a village parson. He spent his youth grifting around Europe in pursuit of an education that would let him call himself a doctor, and thus qualify for a professorial chair. He ultimately obtained one at Uppsala University and anonymously published rave reviews of his own work.

His rival was his polar opposite, a Frenchman named Georges-Louis de Buffon. Rich and comfortable in salons, he was a noted mathematician, cosmologist and natural historian who was named director of the king's medicinal herb garden, now known as the *Jardins des Plantes*, by Louis XV. The two men never met. But by the middle of the 18th century both were famous—and at loggerheads.

Looking good in old age

Linnaeus and Buffon saw the world differently: "To Linnaeus's mind, nature was a noun. All species remained as created during Genesis...To Buffon, nature was a verb, a swirl of constant change."

"Systema Naturae" by Linnaeus, which went through multiple editions between 1735 and 1768, created a nested arrangement of kingdom, class, order, genus and species into which every living thing could be assigned. This was practical biology, useful in the proto-laboratories of 18th-century science. It was also a celebration of the orderliness of God's creation.

Buffon's "Histoire Naturelle", begun in 1749 and still unfinished when he died in 1788 (for his individual descriptions of species were often pages long), was more radical. It proposed a history of Earth that barely acknowledged the Biblical version. It also criticised Linnaean taxonomy. Species were not fixed, Buffon said; nor were people. He suggested, for example, that a pale population transported to the equator might, over generations, develop dark skin.

This was contentious stuff. Indeed, the theological committee of the Sorbonne, a university in Paris, forced him to recant some of it. But "Histoire Naturelle" was a bestseller; Buffon became the most popular non-fiction author in French history. Some 20,000 people attended his funeral.

Why, then, was Buffon eclipsed? Mr Roberts lays much of the blame at the doors of the self-described rationalists of the French revolution, which began the year after Buffon's death. They preferred Linnaeus as much for his low birth as for his ideas. Equally important, though, was the utility of the Linnaean system. In particular, its cut-and-dried methodology proved able to digest the plethora of new species then being brought to the attention of European science by travellers to other parts of the world. Buffon's more descriptive approach could not cope.

Linnaeus's triumph delayed the acceptance of evolution, by defining species on the basis of characteristics asserted to be essential. Worse, by dividing humanity into races (Europeans, Americans, Asians and Africans) based on the visible characteristic of skin colour, his ideas laid the foundations for "scientific" racism that has poisoned politics and anthropology, sometimes with genocidal results.

Buffon started making a comeback in the 1860s, when Charles Darwin described the Frenchman's theories as "laughably like mine". For its surprisingly gripping twists and turns and rehabilitation of Buffon, a hero of his day now mostly forgotten, "Every Living Thing" is an unnaturally good read. ■

Economic & financial indicators

	Gross domestic product, % change on year ago: latest		quarter*	2024†	Consumer prices, % change on year ago: latest		2024†	Unemployment rate, %		Current-account balance, % of GDP, 2024†	Budget balance, % of GDP, 2024†	Interest rates: 10-yr gov't bonds, latest,%		change on year ago, bp	Currency units: per $ May 1st	% change on year ago
United States	3.0	Q1	1.6	2.0	3.5	Mar	2.7	3.8	Mar	-2.8	-6.1	4.7		125	-	
China	5.3	Q1	6.6	4.7	0.1	Mar	1.0	5.2	Mar‡§	1.4	-4.6	2.2	§§	-44.0	7.24	-4.3
Japan	1.2	Q4	0.4	1.3	2.7	Mar	2.3	2.6	Mar	2.7	-4.7	0.9		48.0	158	-12.9
Britain	-0.2	Q4	-1.2	0.4	3.2	Mar	2.6	4.2	Jan††	-2.8	-4.2	4.3		56.0	0.80	nil
Canada	0.9	Q4	1.0	1.9	2.9	Mar	2.5	6.1	Mar	-0.4	-0.6	3.8		98.0	1.38	-2.2
Euro area	0.4	Q1	1.3	0.8	2.4	Apr	2.4	6.5	Feb	2.7	-3.1	2.6		26.0	0.94	-3.2
Austria	-1.7	Q4	0.2‡	0.5	3.5	Apr	3.5	4.7	Feb	2.4	-2.4	3.1		9.0	0.94	-3.2
Belgium	1.3	Q1	1.2	1.1	4.9	Apr	3.0	5.5	Feb	-0.1	-4.4	3.0		1.0	0.94	-3.2
France	1.1	Q1	0.9	0.9	2.4	Apr	2.7	7.4	Feb	-0.7	-4.9	3.0		14.0	0.94	-3.2
Germany	-0.2	Q1	0.9	0.1	2.4	Apr	2.1	3.2	Feb	6.2	-1.5	2.6		26.0	0.94	-3.2
Greece	1.1	Q4	0.6	2.8	3.4	Mar	3.2	11.0	Feb	-5.5	-1.4	3.5		-65.0	0.94	-3.2
Italy	0.6	Q1	1.2	0.6	1.0	Apr	1.7	7.5	Feb	0.9	-5.3	3.9		-29.0	0.94	-3.2
Netherlands	-0.4	Q4	1.4	1.0	2.6	Apr	2.8	3.6	Mar	8.9	-2.4	2.9		20.0	0.94	-3.2
Spain	2.4	Q1	2.9	1.7	3.4	Apr	2.9	11.5	Feb	1.8	-3.5	3.4		1.0	0.94	-3.2
Czech Republic	0.2	Q4	2.0	1.2	2.0	Mar	2.1	2.7	Feb‡	-0.5	-2.5	4.4		-19.0	23.5	-8.6
Denmark	3.5	Q4	10.8	1.3	0.9	Mar	1.8	2.9	Mar	9.4	1.2	2.6		2.0	6.98	-2.7
Norway	0.5	Q4	6.2	1.0	3.9	Mar	2.6	3.9	Feb‡‡	14.4	12.0	3.8		65.0	11.1	-3.1
Poland	1.0	Q4	nil	2.9	2.4	Apr	3.8	5.3	Mar§	0.2	-5.2	5.7		-19.0	4.05	3.5
Russia	4.9	Q4	na	1.9	7.7	Mar	6.4	2.7	Mar§	2.2	-1.8	13.6		266	94.0	-15.7
Sweden	-0.9	Q1	-0.4	0.3	4.1	Mar	2.4	9.2	Mar§	5.6	-0.9	2.5		19.0	11.0	-6.0
Switzerland	0.6	Q4	1.2	1.0	1.0	Mar	1.4	2.3	Mar	6.3	-0.3	0.7		-39.0	0.92	-2.2
Turkey	4.0	Q4	3.9	3.1	68.5	Mar	52.4	9.2	Feb§	-3.0	-4.6	26.5		1,400	32.5	-40.1
Australia	1.5	Q4	1.0	2.0	3.6	Q1	2.7	3.8	Mar	1.1	-1.0	4.4		95.0	1.54	-2.6
Hong Kong	4.3	Q4	1.8	3.2	2.0	Mar	2.2	3.0	Mar‡‡	6.3	-1.4	4.0		89.0	7.82	0.4
India	8.4	Q4	8.0	6.6	4.9	Mar	4.9	8.1	Apr	-1.1	-5.3	7.2		8.0	83.4	-1.9
Indonesia	5.0	Q4	na	5.1	3.0	Mar	3.2	5.3	Q3§	-0.2	-2.4	7.2		74.0	16,260	-9.8
Malaysia	3.9	Q1	na	4.4	1.8	Mar	2.5	3.3	Feb§	1.9	-4.4	4.0		14.0	4.77	-6.5
Pakistan	nil	2023**	na	1.0	20.7	Mar	21.0	6.3	2021	-2.9	-7.2	14.2	†††	-93.0	278	1.9
Philippines	5.5	Q4	8.7	5.7	3.7	Mar	2.9	4.5	Q1§	-1.3	-6.1	7.0		86.0	57.8	-4.1
Singapore	2.7	Q1	0.2	2.4	2.7	Mar	3.1	2.1	Q1	18.5	0.1	3.5		69.0	1.36	-1.5
South Korea	3.2	Q1	5.2	2.3	3.1	Mar	2.5	3.0	Mar§	1.9	-1.3	3.6		28.0	1,382	-3.2
Taiwan	6.5	Q1	1.1	3.3	2.1	Mar	2.0	3.4	Mar	14.4	0.1	1.7		44.0	32.6	-5.6
Thailand	1.7	Q4	-2.3	3.2	-0.5	Mar	1.2	1.0	Mar§	3.0	-3.5	2.8		19.0	37.1	-7.8
Argentina	-1.4	Q4	-7.3	-3.5	288	Mar	258.3	5.7	Q4§	0.2	-1.1	na		na	876	-74.6
Brazil	2.1	Q4	-0.1	2.1	3.9	Mar	4.0	7.9	Mar§‡‡	-1.7	-7.3	11.8		-69.0	5.19	-3.9
Chile	0.4	Q4	0.4	2.8	3.2	Mar	3.5	8.7	Mar§‡‡	-3.5	-2.5	6.1		57.0	960	-16.0
Colombia	0.3	Q4	0.1	1.2	7.4	Mar	5.8	11.3	Mar§	-3.1	-5.1	10.5		-133	3,892	20.7
Mexico	1.6	Q1	0.8	2.3	4.4	Mar	4.2	2.7	Mar	-0.6	-4.7	10.0		114	17.0	5.2
Peru	-0.4	Q4	0.9	2.4	2.4	Apr	2.8	7.0	Mar§	-0.5	-3.0	7.4		-5.0	3.77	-1.6
Egypt	2.3	Q4	na	2.6	33.4	Mar	31.8	6.9	Q4§	-3.4	-11.0	na		na	47.9	-35.1
Israel	-4.7	Q4	-21.0	1.9	2.7	Mar	2.8	3.3	Mar	4.9	-6.3	4.8		90.0	3.76	-3.7
Saudi Arabia	-0.8	2023	na	2.0	1.6	Mar	2.1	4.4	Q4	0.9	-1.3	na		na	3.75	nil
South Africa	1.2	Q4	0.2	1.6	5.3	Mar	4.8	32.1	Q4§	-2.0	-5.2	10.7		50.0	18.6	-1.6

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

Markets

In local currency	Index May 1st	% change on: one week	Dec 29th 2023
United States S&P 500	5,018.4	-1.0	5.2
United States NAScomp	15,605.5	-0.7	4.0
China Shanghai Comp	3,104.8	2.0	4.4
China Shenzhen Comp	1,756.1	3.6	-4.4
Japan Nikkei 225	38,274.1	-0.5	14.4
Japan Topix	2,729.4	0.7	15.3
Britain FTSE 100	8,121.2	1.0	5.0
Canada S&P TSX	21,728.6	-0.7	3.7
Euro area EURO STOXX 50	4,921.2	-1.4	8.8
France CAC 40	7,984.9	-1.3	5.9
Germany DAX*	17,932.2	-0.9	7.0
Italy FTSE/MIB	33,746.7	-1.5	11.2
Netherlands AEX	878.8	0.6	11.7
Spain IBEX 35	10,854.4	-1.6	7.4
Poland WIG	84,569.6	0.4	7.8
Russia RTS, $ terms	1,174.7	0.3	8.4
Switzerland SMI	11,260.9	-1.0	1.1
Turkey BIST	10,045.7	3.3	34.5
Australia All Ord.	7,831.9	-1.3	nil
Hong Kong Hang Seng	17,763.0	3.3	4.2
India BSE	74,482.8	0.9	3.1
Indonesia IDX	7,234.2	0.8	-0.5
Malaysia KLSE	1,576.0	0.3	8.3

	Index May 1st	% change on: one week	Dec 29th 2023
Pakistan KSE	71,102.6	-1.3	13.9
Singapore STI	3,292.7	nil	1.6
South Korea KOSPI	2,692.1	0.6	1.4
Taiwan TWI	20,396.6	1.3	13.8
Thailand SET	1,368.0	0.5	-3.4
Argentina MERV	1,323,586.0	10.1	42.4
Brazil BVSP*	125,924.2	0.9	-6.2
Mexico IPC	56,728.0	0.5	-1.1
Egypt EGX 30	25,270.6	-2.5	1.5
Israel TA-125	1,955.4	-0.3	3.6
Saudi Arabia Tadawul	12,345.7	-0.1	3.2
South Africa JSE AS	76,076.2	2.1	-1.1
World, dev'd MSCI	3,305.3	-0.5	4.3
Emerging markets MSCI	1,045.9	1.1	2.2

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2023
Investment grade	102	154
High-yield	348	502

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

Commodities

***The Economist* commodity-price index** 2020=100	Apr 23rd	Apr 30th*	% change on month	year
Dollar Index				
All Items	136.6	136.4	4.2	7.1
Food	147.3	144.5	-0.2	2.7
Industrials				
All	127.7	129.7	8.6	11.6
Non-food agriculturals	134.7	133.7	-3.5	17.0
Metals	125.8	128.7	12.3	10.2
Sterling Index				
All items	141.1	140.0	4.5	6.6
Euro Index				
All items	145.9	145.8	4.9	10.0
Gold				
$ per oz	2,319.2	2,296.5	1.7	14.1
Brent				
$ per barrel	87.8	87.9	-1.1	16.7

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

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

OBITUARY
Eleanor Coppola

The chronicler of the making of "Apocalypse Now" died on April 12th, aged 87

THE DOWNDRAUGHT of the helicopter's rotor blades, as it landed, blew her and her tripod sheer off the ground. Smoke from earth-shaking explosions shut down her view entirely. A trek through a rice paddy ended with the camera almost being sucked under. The firing of four thatched huts by the special-effects department destroyed the prop store where she kept her gear; her camera cases lay in the doorway, melted. Yet Eleanor Coppola took it all in her stride. She was so elated to be usefully working, recording the disaster-every-minute making of her husband Francis's "Apocalypse Now", that this was a small price to pay.

It was his film of course, one he had mortgaged their house to pay for. But it was also hers. He, with hundreds of extras, tons of explosives and military hardware loaned, then snatched back, by the Philippines government, was shooting the story of Captain Ben Willard, sent during the Vietnam war to close down an operation run from Cambodia by Colonel Kurtz, a rogue Green Beret. She, with her simple single-lens camera, filmed behind the scenes to show the logistical emergencies, winds and floods, personality clashes and script rehashes that went on day by day. His film, released in 1979, was nominated for eight Oscars and won two. Hers, when it appeared 12 years later (part-edited by her, with her narration and the title "Hearts of Darkness") won six nominations and an Emmy. It was the best piece of art she ever made.

And it was high time, for her previous attempts had come to nothing. She still had the equipment in her cupboards somewhere. A machine saw for carving plastic statues. A sewing machine for her fabric-collage phase. An airbrush for a series of drawings. She had a fine eye for detail, noticing the way light eased through fronds and textiles, or the delicate lines of fish traps in a river, or the inner geometry of flowers. Patterns of beauty caught her attention everywhere, and she longed to make something of them.

But at the same time she felt keenly that her focus belonged elsewhere: on Francis and her three children, Gian-Carlo (Gio to her), Roman and Sofia. Francis came from generations of Italian men who expected as much. She and he were opposites in all kinds of ways, he theatrical, she calm, he typing up scripts in a storm of papers, tapes and frustration while she, in her octagonal room in a turret of their house in Napa Valley, laid out a little altar of precious objects and tied up her prayers in scrolls. But on the fundamental duty of a wife, she agreed with him.

Her upbringing, on the coast of Orange County, had trained her to be traditional. Her mother was a hopeless housekeeper, so she took over, making perfect lemon-meringue pies and sewing all night. When Francis went on location, she and the children followed him and she would set up home again from scratch. While he was creating masterpieces, she would hunt down the nearest general store and buy, again, mops and mats and pans. She kept everything going, including Easter-egg hunts, trick-or-treating and the tooth fairy. The fact that she had not produced a body of notable work depressed her, but she stowed the thought away. Then, in 1976-77, came the shooting of "Apocalypse Now".

They needed a promotional film, and Francis asked her. The children were still small, but she did not think twice. The job suited her perfectly, melding the artist with the wife. Besides, she was by nature an observer. People expected Francis's wife to be a young, sexy model, but she was older than him, a low-key wearer of plain skirts and sweaters and comfortable shoes. She was not surprised to be ignored; she just recorded what she saw. Diary notes could fill in the gaps, and later made a book. Both on paper and film she pinned down dire encounters between her husband and his barely controllable cast. Marlon Brando, playing Kurtz, had neither read the Conrad novel on which the film was based, nor lost weight to play the part; his fee was $2m for a month's work, and a week of that was spent arguing with Francis in his trailer. Dennis Hopper, playing a paparazzo, was so stoned that he simply made up his lines. Martin Sheen as Willard was sweetly cooperative, but was floored by a heart attack.

Most of all she focused on Francis, bare-chested and sweating in the disabling heat. She was both fascinated and frightened by the creative process and his violent descents into despair. During casting he had thrown his five previous Oscars out of a window, breaking four of them. The shoot overran by 11 months, and the budget tripled. Left alone with her he repeatedly cried that he couldn't go on, but couldn't quit either, because he was too far in. His film was no good and going nowhere, because he couldn't clarify what the themes were. For almost a year he agonised over the script. At times he turned on her, furiously, for not supporting him. She let him vent as she always did, simply listening, remembering the Zen teaching to let his dark words drain out of her. Like Willard, he had to find himself through this quest. She defied him only when she thought he was turning into Kurtz, exhilarated nearly to madness by danger and power.

Nonetheless, she loved him. "Apocalypse Now" drove them to the point of divorce, but they stayed together, largely happily. Roman and Sofia became film-makers in turn, and she made behind-the-scenes documentaries of Sofia's movies, too. They fared better than her own attempts at directing in old age, in "Paris Can Wait" and "Love is Love is Love". Her most successful piece of creativity after "Hearts of Darkness" was an installation, "Circle of Memory", dedicated to Gio, who had been killed at 22 in a speedboat accident. It was a passage-tomb made of 1,200 straw bales, with a circular room at the centre where visitors could reflect and tuck notes in the straw. On the vast wine-growing estate where she and Francis lived she had built a prototype, a retreat known as "Ellie's Barn". Straw bales were humble and, in general, not much noticed. But she could still leave searing notes in the cracks. ■

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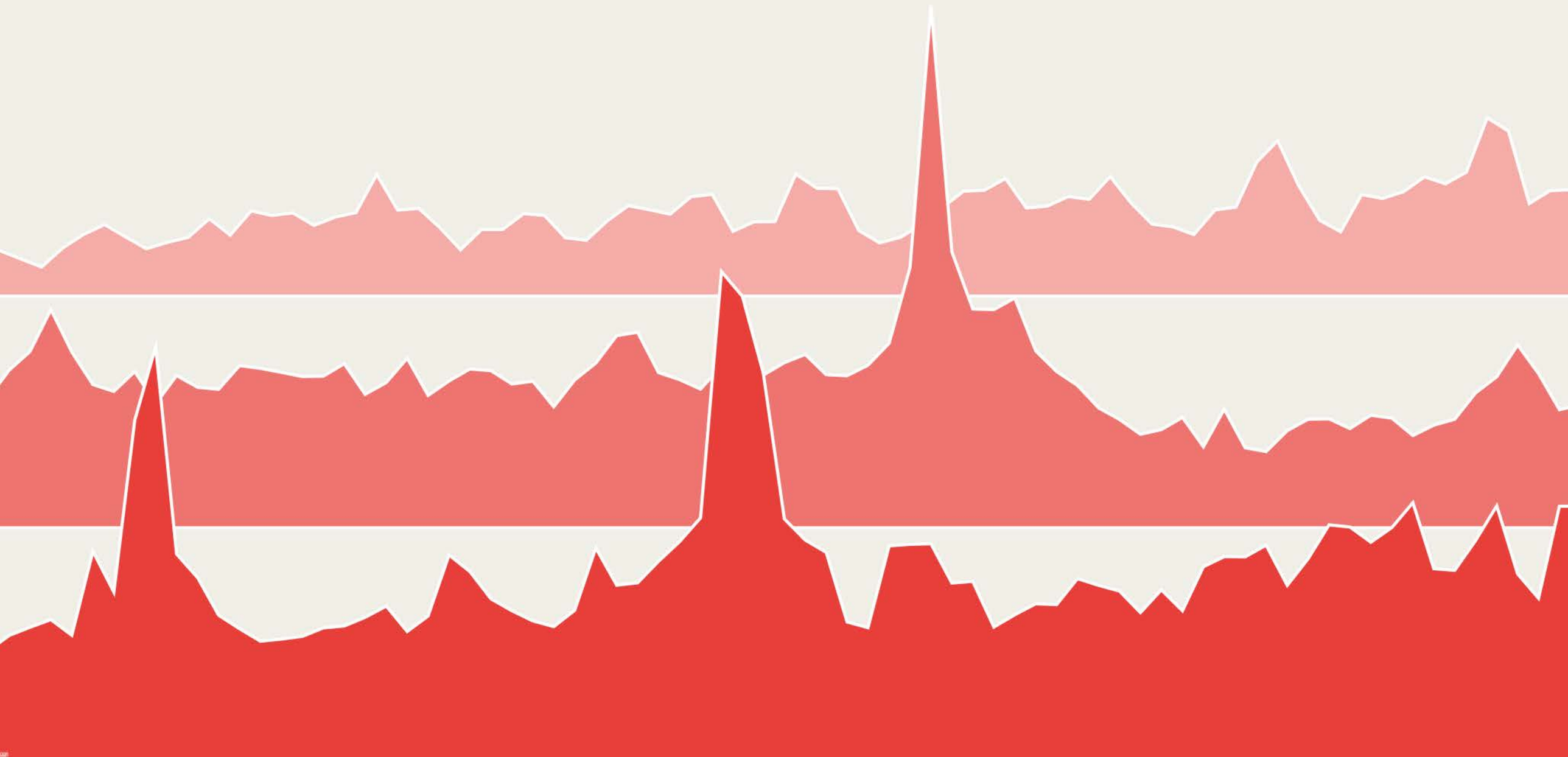

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