

# The Economist

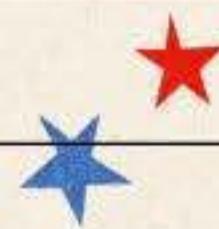
Xi Jinping's daunting 2025

Get tough with Russian sabotage

Plastic surgery a go-go

Oldies behaving badly

JANUARY 4TH-10TH 2025



## THE FIGHT OVER AMERICA'S ECONOMY





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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

Police shot dead a man who rammed a pickup truck into crowds of New Year's revellers on Bourbon Street in **New Orleans**, killing at least 15 people. The perpetrator was an American and former army worker who supported Islamic State. The police think he may have had accomplices. Potential explosive devices were found near the scene. The authorities are investigating any possible connection to the explosion of a Tesla Cybertruck outside the Trump hotel in Las Vegas, in which the vehicle's driver was killed.

Tributes were paid to **Jimmy Carter**, who died at the age of 100. Mr Carter's term as America's president from 1977 to 1981 was best known for an energy crisis, a botched attempt to rescue hostages from Iran and a historic peace deal between Egypt and Israel. After his defeat to Ronald Reagan in 1980, Mr Carter worked tirelessly on human rights, earning him the Nobel peace prize in 2002. He was also a champion for Habitat for Humanity, which deploys volunteers to build or improve homes.

The Iranian-backed **Houthis** continued to launch missiles at the heart of **Israel**, despite America and Israel bombing Houthi bases and infrastructure in Yemen. One Houthi missile recently hit Tel Aviv, injuring a dozen people. Meanwhile, American and French war planes struck Islamic State targets in Syria.

MPS in **South Korea** voted to impeach Han Duck-soo, who had been acting as interim president since the impeachment of Yoon Suk Yeol in December. Mr Han had refused to fill three vacancies on the Constitutional Court, which will hold Mr Yoon's impeachment trial. The opposition accused him of trying to delay the case. Meanwhile, a court issued an arrest warrant for Mr Yoon, who has ignored requests to be interviewed by anti-corruption officials.

A possible bird strike was thought to have caused the crash of a Jeju Air flight at South Korea's Muan airport, killing 179 people. It was the world's worst **aviation disaster** since 2018.

An **Azerbaijan Airlines** flight crashed in Kazakhstan, killing 38 people. The plane had been trying to land in the Russian republic of Chechnya, where it is thought to have been hit by Russian anti-aircraft fire aimed at repelling a Ukrainian drone attack. Vladimir Putin apologised and admitted that Russian defences were active in the area, without confirming they had hit the aircraft.

**Finnish** authorities seized a tanker carrying **Russian** oil that is suspected of sabotaging underwater cables. In previous such incidents in international waters, vessels were let go; the Finns directed the tanker to Finnish waters and boarded it. Authorities found drag marks for dozens of kilometres on the seafloor, suggesting the ship had trawled its anchor.

Appearing before a committee hearing in **Germany's** Bundestag, the country's interior minister said it was too early to

say what motivated the recent attack on a Christmas market in Magdeburg, though she said the suspect showed "signs of a pathological psyche". A Saudi refugee is in custody after ramming a car into the market, killing five people. The committee grilled security and intelligence officials about warnings from Saudi Arabia that the man was dangerous.

The inauguration of **Georgia's** new pro-Russian president, Mikheil Kvelashvili, was marked by protesters brandishing red cards (Mr Kvelashvili used to play football for Manchester City). He was selected for the position by the ruling Georgian Dream party, which forced the pro-European Salome Zourabichvili out of the job. Ms Zourabichvili contends that she is still Georgia's "only legitimate president".

Shortly before Christmas Joe Biden commuted the **death sentences** of 37 convicts on federal death row to life in prison, pre-empting Donald Trump, who has said he will end a moratorium on federal executions. Mr Trump's team said that commuting the sentences was "abhorrent". Mr Biden's order does not include

the three prisoners convicted in separate cases of attacking a synagogue, a black church and the Boston marathon.

Mr Trump asked the Supreme Court to postpone an impending ban on **TikTok** in America so that his new administration can "pursue a political resolution" of the issues at hand. The ban is due to be enforced on January 19th, the day before Mr Trump's inauguration.

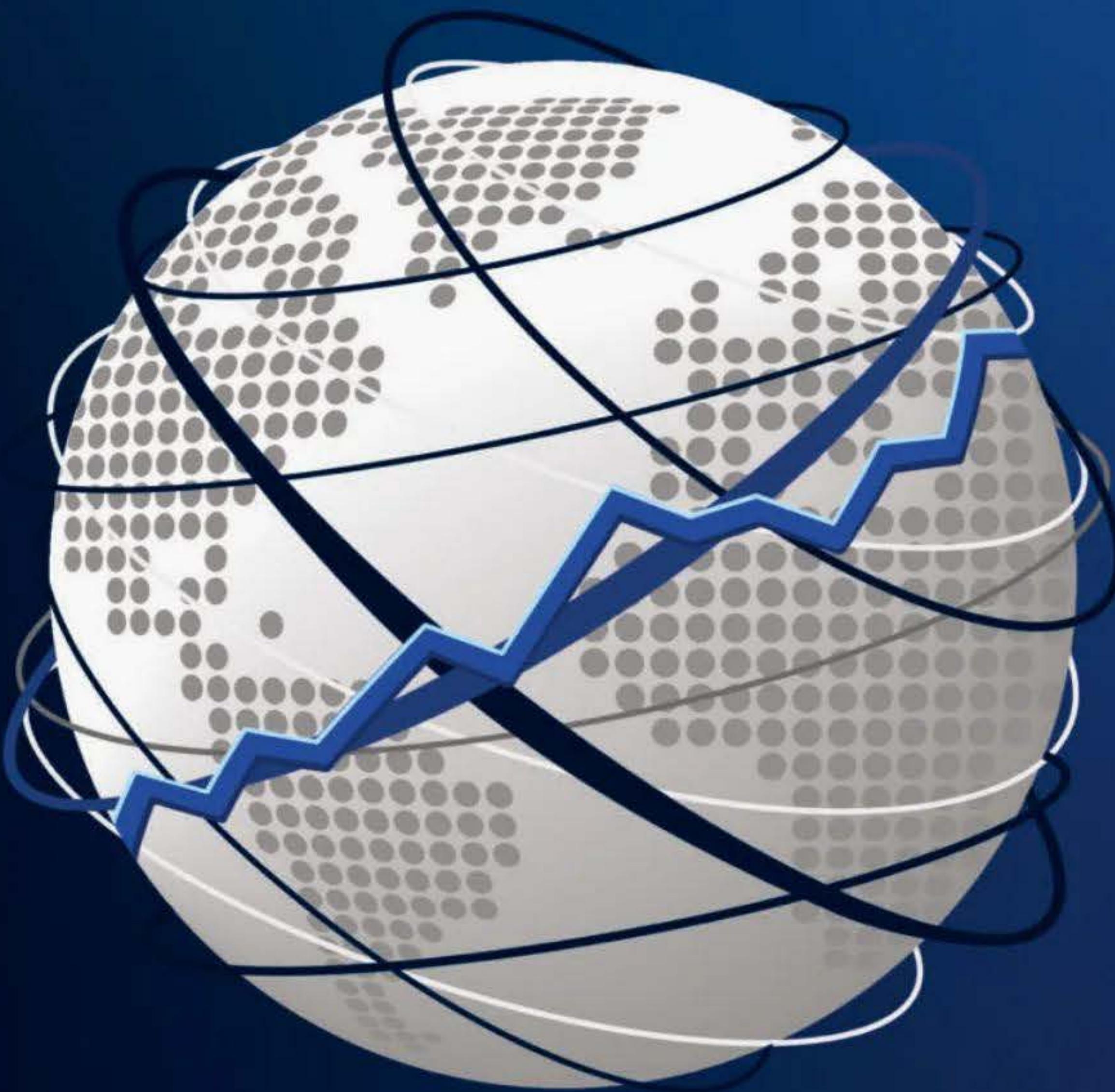
**Turkey's** central bank cut interest rates for the first time in nearly two years, lowering its main rate from 50% to 47.5%. The government recently increased the minimum wage by 30%, which it described as a mark of fiscal discipline. With annual inflation still running at more than 40%, unions were demanding a 70% increase.

**Stockmarkets** fell in December, but despite that the S&P 500 had another good year, rising by 23% in 2024. The tech-heavy NASDAQ was up by 30%. European markets did less well. The German DAX gained 19%, the EURO STOXX 50 over 8% and the FTSE 100 nearly 6%. The CAC 40, where French banks and luxury-goods companies are listed, fell by 2%.



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# The fight over America's economy

For the first time, tech is coming to government. Prepare for a clash of cultures

**A**LREADY THINGS have turned nasty. Donald Trump has not even got to the White House, and his raucous court of advisers have rounded on each other. In recent days Elon Musk and other tech tycoons have traded insults with the MAGA crowd over highly skilled migration. What seems like a petty spat over visas is in fact a sign of a much deeper rift. For the first time, tech is coming to Washington—and its worldview is strikingly at odds with the MAGA movement. The ways in which these tensions are resolved, and who gains the upper hand, will profoundly affect America's economy and its financial markets over the next four years.

As in his first term, Mr Trump has assembled an economic-policy team with disparate, sometimes contradictory goals (see Finance & economics section). The MAGA diehards, such as Stephen Miller, Mr Trump's choice for deputy chief of staff, are anti-trade, anti-immigration and anti-regulation, and are supported by an energetic base. The Republican mainstreamers, such as Scott Bessent, Mr Trump's pick for treasury secretary, and Kevin Hassett, the head of the National Economic Council, are primarily low-tax, small-government enthusiasts. This time, though, there is a new faction that makes the mix more volatile still: the tech bros from Silicon Valley.

David Sacks, a venture capitalist, has been appointed Mr Trump's crypto and artificial-intelligence tsar. He will hope to relax curbs on the crypto industry and, together with other arrivals from Silicon Valley, to loosen controls on AI to encourage faster progress. But the influence of the techies goes beyond tech policy. Mr Musk has been tasked with running the newly created Department of Government Efficiency (DOGE). Marc Andreessen, a renowned venture capitalist, says he has been spending about half his time at Mar-a-Lago as a "volunteer". Scott Kupor, who worked for Mr Andreessen, will take charge of the Office of Personnel Management, which oversees public-sector hiring. Former employees of Palantir, the Thiel Foundation and Uber have been appointed to roles in the state and health departments and to the Pentagon, respectively. Once the revolving door between Wall Street and the Treasury spun so fast that Goldman Sachs was nicknamed "Government Sachs". Mr Trump, by contrast, is trying to put the tech into technocracy.

This is new for American politics. For years Washington was a place for tech bosses to avoid, unless summoned by Congress for a scolding. Now tech sees government as something to influence and disrupt. In theory this could bring benefits for America. Like the rest of Mr Trump's team, the techies want to sharpen America's economic and technological edge by cutting red tape and boosting innovation. Bringing in experts to advise on AI is a good idea, given its likely economic and strategic importance. And everyone knows that government could be made more efficient.

Achieving all this in practice is another thing, though. One problem is that, when tech and MAGA say they are signed up to America First, they mean different things. Whereas the MAGA

movement hopes to restore a vision of the past, including an impossible return to a manufacturing heyday, tech looks forward. It wants to accelerate progress and disrupt society, leaving the world for which MAGA yearns ever farther in the dust.

These contrasting visions will translate into policy disputes. MAGA fears that immigrants take jobs that Americans should be doing; tech wants the best talent regardless of nationality. Tech has a libertarian bent that is suspicious of government; MAGA loathes corporate power. Both groups see China as a rival (apart from Mr Musk, for whom it is a place to make and sell cars). But whereas MAGA thinks that foreigners exploit trade to cheat America, tech has benefited from flows of talent, capital and custom. Even if tech is safe from a first round of tariffs on goods, an all-out trade war could ensnare the services it provides. Such contradictions and clashes will make it hard for the tech crew to achieve their goals.

Mr Trump will make the backdrop more muddled still. Rather than resolving the tensions between his team and setting a clear direction, he is likely to act as an agent of chaos. He craves conflict and intrigue and will relish the power he holds over the various factions at his court.

The tech contingent could also let itself down. It sees shrinking the state as an engineering problem. But the history of sensible reforms that died in Congress suggests it is more of a political problem—and one of which tech has little experience. Worse, having won the president's ear, the tech tycoons may be tempted to seek cronyist favours. That is what investors expect: the value of Mr Musk's firms has soared since the election, outperforming the market and making him at least \$150bn richer. A combination of infighting, botched implementation and self-dealing could provoke a backlash that hobbles Mr Trump's second term.

## Out of chaos

Yet that dismal scenario is not foreordained. Instead of fighting each other to a standstill, the factions on Mr Trump's team could moderate each other in some ways and reinforce each other in others, perhaps with benign results for America. For example, the mainstreamers and the tech bosses could limit MAGA's worst instincts on protectionism and immigration, while tech's clever ideas for reform could be implemented in a way that is politically astute. Everyone's agreement on America's need to deregulate and innovate, meanwhile, could lend the programme useful momentum.

That may sound far-fetched. However, the stockmarket could help steer the administration towards this compromise. Mr Trump is sensitive to share prices, and will not want to endanger the roaring rally that has followed his re-election. By providing a real-time gauge of whether investors think Trumponomics will help the economy, the stockmarket could sway his decisions. If so, the administration could feel its way towards policies that boost growth. Tech's arrival in Washington is high-risk. It could also—conceivably—be high-reward. ■



## Russian sabotage

# Flagship effort

Finland's seizure of a tanker shows how to fight Russian skulduggery

**G**REY-ZONE OPERATIONS, hybrid warfare, slicing the salami: there are many terms for Russia's use of covert attacks that leave opponents unsure how to respond. The latest theatre seems to be the Baltic Sea. Twice in the past two months, commercial ships with Russian links have been accused of damaging cables by dragging their anchors.

In November, after telecoms cables to Scandinavia were cut, the Danish navy detained the *Yi Peng 3*, a Chinese freighter coming from a Russian port, for a month. But China refused to co-operate, and the ship eventually sailed on. Then, on Christmas Day, an electric cable between Finland and Estonia was severed, allegedly by the *Eagle S*, a tanker shipping Russian oil under a Cook Islands flag. Finland took a stronger approach: coastguards boarded the ship and took it to a Finnish harbour. A vast array of Russian spy gear was found on board. Finnish prosecutors are preparing criminal charges (see Europe section).

Underwater infrastructure makes an attractive target for grey-zone attacks, partly because much of it sits, literally, in a legal grey zone. Under the UN Convention on the Law of the Sea (UNCLOS), countries have full jurisdiction only within 12 nautical miles (22km) of their coasts.

Many pipelines and cables lie in their exclusive economic zones, or EEZs (up to 200 nautical miles from the shore), where foreign ships engaged in "innocent navigation" have a right to free passage. Ships engaging in sabotage enjoy no such right, but proving that they are doing so usually means stopping the ship, a chicken-and-egg problem. Under the treaty, the country responsible outside territorial waters is the flag state, here the Cook Islands. That is a loophole, but UNCLOS's authors never imagined such problems. Indeed, damage to underwater



cables is regulated by a different treaty dating from 1884.

Underwater gear is also hard to protect. Cables in the Baltic can be hundreds of kilometres long. Many have underwater sensors to detect damage, but navies must be quick to find the perpetrator. NATO has ample naval resources in the area (every Baltic country save Russia is a member), but these have been deployed mainly against traditional military threats, not to protect civilian infrastructure. And Russia has a secret weapon: its "dark fleet" of tankers and freighters, developed to evade Western sanctions after it invaded Ukraine in 2022. These are often poorly maintained, badly insured and owned (officially) by front companies in Caribbean or Gulf countries.

Besides threatening cables, they also menace the environment with potential oil spills.

How to counter the threat? First, follow the Finns' lead. Their coastguard arrived so quickly that it seems to have caught the *Eagle S* red-handed, as the ship's crew hurriedly retracted its anchor chain. By impounding the tanker, the Finns have imposed significant costs on its owners. And bringing criminal charges under

Finnish law against the owners (a company in the United Arab Emirates) for deliberately damaging infrastructure, and investigating suspected crew members, creates a deterrent to further sabotage. Meanwhile, NATO has announced that it is beefing up its patrols in the Baltic.

Next, cast the net wider. European countries should press the likes of China and the UAE to ensure that ships under their flags do not engage in sabotage, if they want their companies to be considered for lucrative contracts on European maritime infrastructure. Coastguards should detain underinsured ships, to help hunt down Russia's dark fleet. A growing hybrid threat requires a robust hybrid response. ■

## Global business

# Northern lights

To see what European companies could become, look to the Nordics

**N**ORDIC COUNTRIES have long been considered exemplars of good public policy. Politicians around the world admire Denmark's social safety-net, Finland's hospitals, Sweden's system of parental leave and Norway's prisons. What gets less attention is that these countries also excel at nurturing world-beating businesses. They have only 0.3% of the world's population and generate about 1% of global GDP, but produce plenty of corporate giants, from IKEA, the world's biggest furniture-seller, to Lego, its largest toymaker, and Novo Nordisk, Europe's most valuable company.

The rest of Europe could learn from them. Politicians in Brussels are perpetually searching for ways to invigorate the economy and nurture more corporate giants. The Nordics of-

fer a tantalising glimpse of what European business could be.

Their corporate success is impressive. Our analysis (see Business section) shows that, when compared with international rivals in the same sector, big Nordic firms tend to be much more profitable while maintaining similar levels of revenue growth. They are also less indebted and invest more in research and development. Small wonder that over the past decade firms from all four big Nordic countries have generated, on average, higher shareholder returns than those from European companies as a whole.

One lesson from all this is to stay open. Nordic firms have thrived thanks to their international outlook. Company bosses in Denmark and Sweden proudly note how little of their total

► sales comes from their home markets. Among the ten most valuable Nordic companies, the figure is just 2%, compared with 12% for big firms in the rest of Europe and 46% for those in America. This is partly explained by small domestic markets. But it is also because of their openness to trade. Nordic companies tend to venture abroad when still young. International competition helps sharpen business models and perfect products. All the more reason for European politicians to make the case for ratifying an agreement struck in December with Mercosur, a big Latin American trade bloc.

Another lesson lies in finance. For decades the EU has been chasing a capital-markets union, in the hope that deeper pools of money can boost business. The aim is reasonable (even if, by itself, plentiful capital does not ensure well-run businesses). Yet the experience of Denmark and Sweden, which have some of the deepest capital markets in Europe, shows that there is much that countries can do by themselves.

Clever reforms in those countries have helped put household savings to work. Thanks to the pair's well-designed pension systems, they account for about a third of the EU's total pension assets, some of which are invested in local listed firms. In Sweden investment savings accounts (which are easy to use and lightly taxed) have produced a booming retail-investing scene. As a result, the country has become a hotspot for initial public offerings. In the past decade it enjoyed more listings than France, Germany, Spain and the Netherlands combined.

An openness to new technology matters, too. Nordic businesses routinely top rankings of tech adoption in Europe, whether it is for enterprise software, cloud computing or artificial intelligence. Public investment in basic infrastructure, such as 5G networks, helps. So does a focus on digital literacy in education. Nordic governments themselves are highly digitised, too, which cuts bureaucracy for businesses. For years Denmark has come first in the UN's e-government index. Obtaining a value-added-tax number there can take a day; in France it can take months.

### Nobody's perfect

The Nordic business landscape has its blemishes. Northvolt, a hyped Swedish battery-maker, went bust because it stretched itself too thin. Nokia was once the king of mobile, until it was usurped by the iPhone. And more companies may disappoint as life in Northern Europe starts to look less idyllic. Gang violence is a problem in Sweden; across the region, far-right politicians are gaining ground. What is more, the world-spanning model of Nordic companies will have to grapple with the dismal new economic reality of rising trade barriers.

Despite all this, the Nordics show that countries can balance a business-friendly environment with strong safety-nets. Many politicians in Europe are fixated on trying to replicate the wonders of corporate America. But in some ways they have a better model to emulate right on their doorstep. ■

#### Climate change

## How India can adapt faster

**It is the biggest test case for how hot, hard-up countries can cope**

**F**EW PLACES illustrate the challenges of adapting to climate change as clearly as the world's most populous country. India was hot even before people started to cook the planet, not to mention vulnerable to floods and droughts. Now all these ills are getting worse. Minimum temperatures last summer were the highest since 1901, giving heat-sapped Indians little respite even at night. During the monsoon in 2024, floods destroyed villages and brought towns to a standstill. In the dry season several big cities nearly ran out of water, including Bangalore, the thriving technology capital.

India is not yet rich, but is already shelling out a fortune to adapt to climate change: 5.6% of GDP in 2021, up from 3.7% in 2015. Vast though these sums may be, they barely match the scale of the problem. Humid heat makes outdoor labourers less productive, costing India the equivalent of 7% of GDP annually, by one estimate. Most Indian cities really will run out of water if they don't conserve it better, hydrologists predict. Yet in 2021 nearly half of big cities were doing nothing to recycle the life-giving liquid.

The keys to faster adaptation are information, incentives and effective government. Better information allows more rational decision-making. For example, in parts of Kerala where heavy rains cause deadly mudslides, researchers have developed a cheap early-warning system using microdata (see Asia section). Each farmer measures the rainfall on his land and



feeds the information into a local database far more granular than the national weather service can provide. From this, an NGO works out which villages are so sodden as to be perilously unstable, allowing precise and timely evacuation warnings.

Simple ideas, widely disseminated, can make a difference. In the crowded slums of Mumbai, which can be five degrees hotter than the fancier neighbourhoods nearby, NGOs have found that teaching people to plant shade-giving trees on wasteland can reduce heat stress and give children a cooler place to study. In the long run, better schooling would help, too. Research suggests that education fosters the cognitive skills and curiosity that help people adapt more deftly to the new situations that climate change inevitably throws up—so, even after controlling for income, the well-schooled cope better.

On incentives, India has great scope for improvement. It is the most water-stressed country in Asia, yet hardly anyone pays a sensible price for the stuff. As in many countries, farmers tap groundwater free—often using subsidised electricity to power their pumps. Urban households are charged little for water, and many fail to pay their bills. The result is reckless waste, as farmers switch too slowly to drip irrigation and cities fail to capture rainfall efficiently.

A hint of how sharper incentives would help can be gleaned from the behaviour of big private companies, which are typically charged much more than other customers for water. An

► entire ecosystem of firms has popped up to offer them smarter sensors, analytical tools to improve water efficiency, filters that can clean toxic wastewater, and so on. If water were properly priced for everyone, far more Indian ingenuity would be applied to conserving it.

India has lots of energetic green NGOs and innovative local fixes. Many cities have water kiosks to cool gasping passers-by; a nifty scheme in Bangalore channels urban wastewater to replenish rural aquifers, thus helping farmers feed the city. But only the government has the power to set broad incentives, and India's lacks urgency (as do others: see Americas section). Neither the ruling Bharatiya Janata Party nor its main rivals talk much about the climate, and no one wants to pick a fight with farmers over water. At the state and local level, authority is often confused. In Mumbai, for example, streams, storm drains and sewers are each overseen by a different department.

India needs a more joined-up approach: heat-resilient building codes to encourage shade, ventilation and better materials; proper planning for the millions whom climate change will push to migrate internally; better information-gathering; and a price for water that makes people use it with care.

The diabolical air in Delhi, though mostly unrelated to climate change, might encourage greener policies. So might geopolitics. On December 25th China confirmed plans to build the world's biggest dam, high up in the Tibetan Himalayas (see China section). Such a dam would let a giant, prickly neighbour, with which India has come to blows, constrict the flow of the mighty Brahmaputra river. The threat should not be overstated: most of the rain that feeds the Brahmaputra falls on the Indian side of the border. But if the shock jolts India's government into taking climate adaptation more seriously, it might yet prove to be a well-disguised blessing. ■

### Education in Britain

## Labour of fluff

### The Labour Party looks a poor guardian of England's improving schools

MANY PUBLIC services in Britain are in a wretched state. Yet England's schools are a clear exception. Pupils are increasingly numerate and literate, compared with peers abroad. In maths tests for the OECD, a club of rich countries, English teenagers bounded from 27th place in 2009 up to 11th by 2022. In reading, a recent test placed England's primary schools fourth in the world. Foreigners tour England's classrooms in search of tips. They include envious visitors from America, where trends in test scores are less encouraging.

In education as in so much else, the Labour government that took office in July talks a lot about the terrible problems the Conservatives left behind, such as decrepit classrooms and staff shortages. It is less willing to admit how far standards have risen in recent years—and how unfashionable Tory policies, such as stiffer curriculums and exams, helped bring that about. Instead of a vision for improving English education further, Labour promises to tinker. At best that is a wasted opportunity; at worst, it will do serious damage.

Labour's approach to education typifies the government's broader failings. It has a juvenile fixation with social class. Thus far Labour's big boast in education has been levying value-added tax at 20% on private-school fees from January 1st (see Britain section). Few believe the main aim is to raise money. Rather, it is to squeeze institutions that the party deems shameless purveyors of privilege. This unhelpful policy has stoked a furious row about places that educate only 6% of Britain's children. It reflects a misplaced priority: these days plenty of state schools outperform private ones, despite having poorer pupils and less cash.

Another tendency in education (as elsewhere) is deference to public-sector unions, whose members make up much of Labour's rank and file. The party is right to fret that teachers are getting harder to recruit and retain. The long-term answer is higher pay. But the government seems keener to offer other concessions that put standards at risk. It has ordered schools

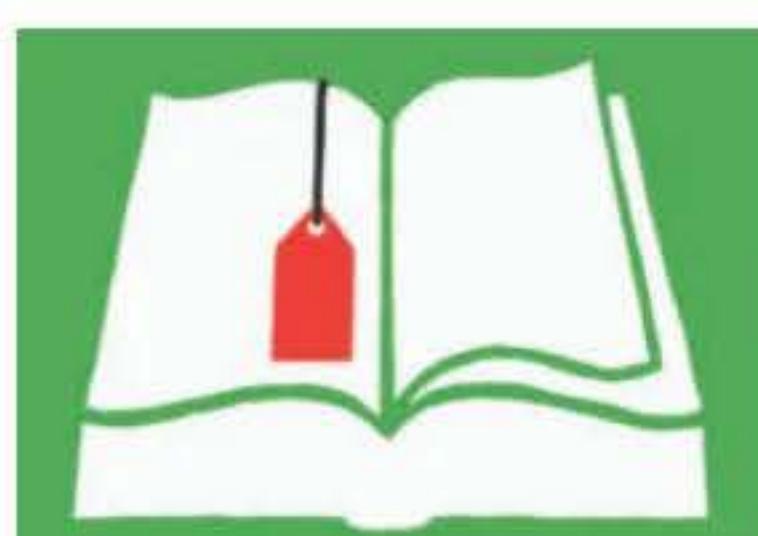
inspectors to issue vaguer, gentler (and thus less informative) reports. It says it will reduce schools' freedom to set curriculums and pay star teachers better. Some school leaders have used their autonomy poorly. But others have bred excellence.

Bridget Phillipson, the education secretary, has identified some serious problems in state education. One is absenteeism: about a quarter of secondary-schoolers are missing at least 10% of the time, twice as many as before the pandemic. The share who miss half their lessons is going up. Another is the buckling system for the one-fifth of pupils with special educational needs, who are not doing any better than they were five years ago, even though spending on it has soared. Yet in both these areas Labour has little by way of convincing plans.

Indeed the prime minister, Sir Keir Starmer, has been no more able to articulate a grand vision for the future of education than he has for the rest of his government. Despite being out of office for 14 years, Labour took power with an undercooked agenda and fuzzy, contradictory ideas about what Britain needs. Compare that with Sir Tony Blair, who arrived in 1997 with a lucid view of education's central role in making Britain fit for globalisation.

Lacking a big idea, the government may keep meddling hamfistedly. In a few months Ms Phillipson will hear back from a panel reviewing what children are taught and how they are assessed. Some hope that the government will shift the emphasis away from exams and towards nice-sounding "life skills", such as creativity and teamwork. Yet worsening grades in places that have pursued such a trendy path—including Scotland, which like Northern Ireland and Wales controls its own schools—suggest this is a dismal dead end.

Rather than unpicking Tory reforms that improved literacy and numeracy, Ms Phillipson would do better to entrench them and focus on absenteeism and special needs. As things stand, the government risks harming one of the few public services its predecessor left in good shape. ■



# Letters

## Excluding Taiwan

Your piece on “Which economy did best in 2024?” (December 14th) omitted Taiwan, presumably because it is excluded from most international statistics. According to the IMF, Taiwan grew almost a percentage point faster than Spain, which topped your list of the best economies. Taiwan’s stockmarket grew twice as fast as Spain’s index. Its inflation was slower, nearly spot-on its 2% target. The unemployment rate has held steady below 3.5%.

This omission from global statistics continues a long pattern. Yet Taiwan has ascended in less than a century from poverty to an economy marked by high incomes and from martial law to being among the freest in the world, according to the Bertelsmann Foundation. Perhaps it is time for believers in liberalism to ditch the conspiracy of silence orchestrated by a communist dictatorship against the developed country with the smallest and most efficient state in the world.

E. GLEN WEYL  
Arlington, Massachusetts

## Properly informed citizens

Bagehot (December 7th) was right to decry the lack of good data to support effective decision-making. Without good information any policy is likely to be at best an inspired guess, at worst a chimeric ectoplasm of the policymaker’s mind. But maybe policymakers would actually prefer their data to be less than perfect, so that they can make facts on the ground, rather than being driven by present-day reality.

You can argue with the specifics, but the distortions of arguments on both sides in the Brexit campaign, debates over the efficacy, or otherwise, of vaccines or lockdowns during covid-19, and government unwillingness to collect statistics on immigration all point to a similar conclusion. A political predilection towards “my truth” rather than “the truth”.

Britain has an Office for National Statistics and an

Office for Budget Responsibility. Both have a remit to produce objective assessments. If we are blind, as Bagehot argues, then we need these offices to be strengthened and their work to be expanded and better communicated to us all as active citizens. If politicians behave little better than solipsistic hobby-horse riders, then good data is as essential to the proper functioning of a democracy as the rule of law.

SIMON DIGGINS  
*Rickmansworth, Hertfordshire*

One doesn’t get the impression from Bagehot that “discovering an extra Slough” in official data is a happy discovery. This is only the latest slighting of the town. From the crematorium in “Brave New World” to an invitation for “friendly bombs” to fall on it and the post-industrial grey of “The Office”, Slough’s boosters must have quite the job going up against Aldous Huxley, John Betjeman and David Brent. Despite this it has done well to attract companies like DHL, Telefónica and Lego and provide the enterprise the government so badly needs to pay for its promises.

ALEXANDER MCPHERSON  
*Toronto*

## What is a processed food?

Everyone knows that greens are good for your health and red meat is not. But everyone would laugh if I were to propose that red foods are dangerous and green ones healthy. I could prove my thesis making use of a few additional rules, such as postulating that some shades of red, tomatoes and apples for instance, should not be counted as red.

The Nova classification system, which sorts foods into four categories depending on the degree of processing they undergo, uses similar logic (“Still processing”, November 30th). There is no scientific justification for the assumption that the number of processing steps is of any relevance for the health properties of foods. Making “ultra-processed” popcorn or chips is exceedingly

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simple. Making “minimally processed” natural yogurt requires some 20 processes.

Heating is the process that affects foods the most, but heating is afforded no attention in Nova. It does not neatly fit into the processed or unprocessed scheme. In some cases it is essential for public health, in others it may induce carcinogens. And in a blatant example of the arbitrariness of the Nova classification, putting a loaf of bread into a bag moves it from the minimally processed to the ultra-processed category.

The flawed, but intuitively easy to grasp, label of ultra-processed food is a handy justification for blaming food-related health problems on profit-hungry food companies. And it enables politicians to divert funding from serious research to meaningless eye-catching interventions.

PETR DEJMEK  
Emeritus professor of food engineering  
Lund University  
*Lund, Sweden*

## The real Iranian regime

The By Invitation (December 23rd) from M. Javad Zarif, Iran’s vice-president, was bothersome, in that he did not admit to any wrongdoing by Iran to destabilise the region. Mr Zarif talked about the “sublime values” of non-interventionism, sovereignty and territorial integrity. Iran has violated these principles in Lebanon with Hezbollah, Yemen with the Houthis and Iraq with various Iranian-aligned militias. All these groups are funded by Iran with the goal of harming Israel.

Mr Zarif also talked of promoting a “safe and stable country where minorities and women can thrive” in Syria. In Iran the presidential campaign in 2024 did pledge to improve women’s rights, but the country continues to take backward steps in this regard. Publicly admitting to some harmful decisions would be a good first step for the regime. But no matter what Mr Zarif believes,

Iran will continue to destabilise the region as long as people like Ali Khamenei are in power.

BEN JONES  
*North Las Vegas, Nevada*

Mr Zarif offered a compelling vision of regional collaboration under a new “dialogue association”. His column spoke of non-aggression pacts, economic integration, infrastructure projects and energy security. One might ask, why do we need security guarantees in the Strait of Hormuz? Only one government has ever talked of blockading it.

YASIN KAY  
*London*

## Scotland the brave

The picture of the Clan Fraser headstone at Culloden Moor in your article about heritage tourism in Scotland made me smile (“A clamour for clans”, December 14th). Although much of the Scottish diaspora who visit Scotland may be well-informed about Scottish history, there are many who are not. I frequently walk or run across Culloden Moor, and I have been stopped on numerous occasions and asked for directions to Jamie Fraser’s grave. I used to point out that Jamie Fraser is a fictitious character in “Outlander”, which involves time travel, and that consequently there is no grave. Tired of continually being politely informed that I was mistaken, I now simply tell people that it’s the one over there with all the flowers on it, and hope that they enjoy their time in Scotland.

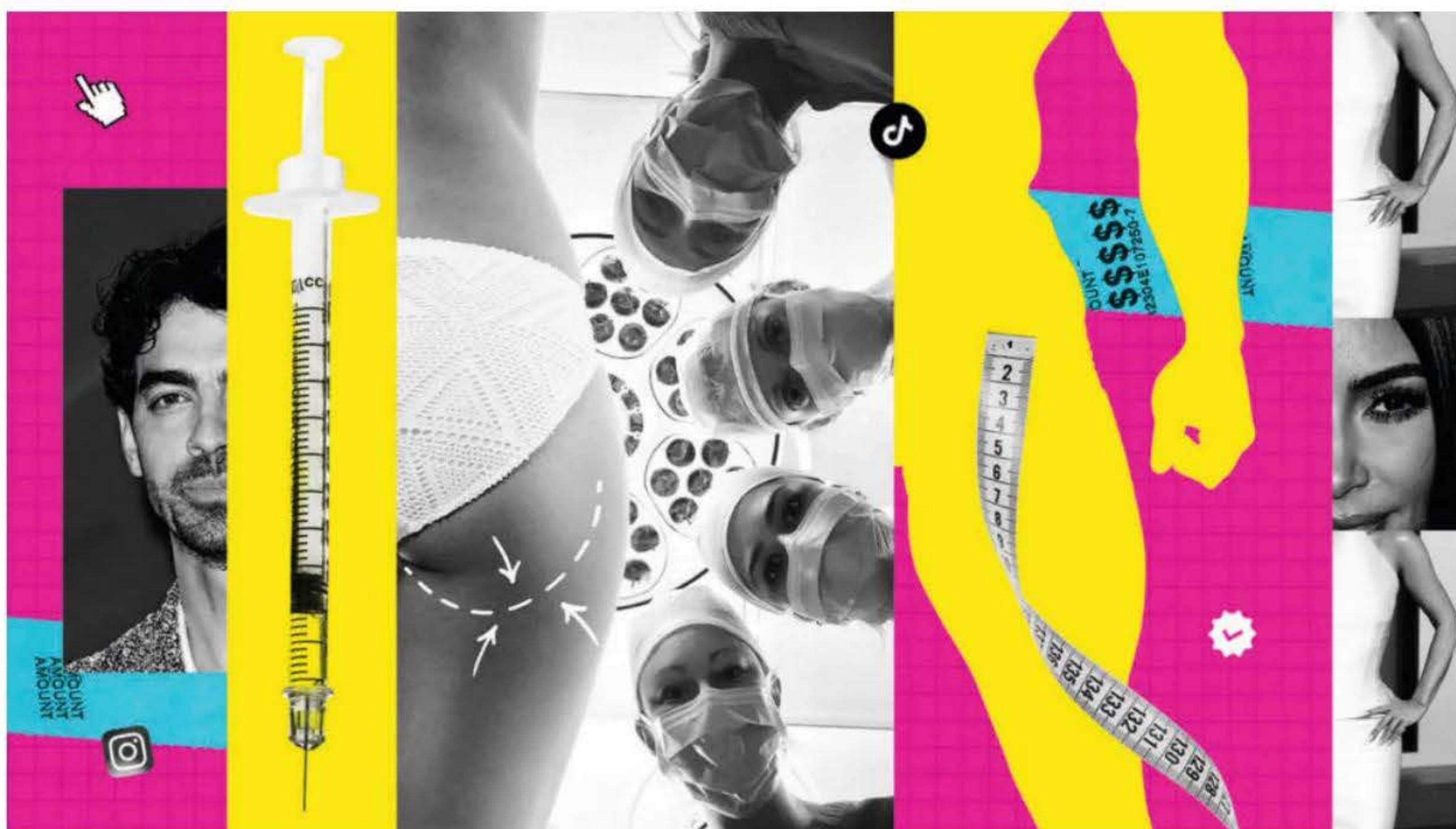
DAVID CADDICK  
*Inverness*

## Stockmarket prediction

Although I agree with Buttonwood that the valuation gap between American and non-American equities will correct itself (November 23rd) I am reminded of this apocryphal quote, often attributed to John Maynard Keynes: “The market can stay irrational longer than you can stay solvent.”

SUNNY MAHAJAN  
*Jackson, Tennessee*

## Briefing The plastic-surgery boom



### Nip, tuck, lift, plump

LOS ANGELES, SÃO PAULO AND SEOUL

#### Young customers in developing countries propel a boom in plastic surgery

LIKE MANY other members of the Lebanese community in the suburb of Boston where he grew up, Peter Makhlof goes to Beirut every summer to visit family. Recently the annual trip has acquired an extra purpose. "At some point [the women] all started to do cosmetic procedures," he says. They began with little tweaks, such as getting their lips plumped or teeth whitened. Then came cheekbone-lifts, nose jobs "and so on". The plastic pilgrimage has become so common that Mr Makhlof, who is 29, says he no longer knows "anyone who hasn't gotten plastic surgery".

He is not alone. Cosmetic procedures have been getting cheaper, less invasive and vastly more common in recent years, in middle-income countries as well as rich ones. Roughly a fifth of people in places like Brazil and China say they plan to purchase such treatments as anti-wrinkle injections in the next five years. The young are especially keen. The "medical aesthetics" business, already an \$82bn industry, will almost double in size over the next five years, to \$143bn, according to projections

by Grand View Research, an American market-research firm.

As cosmetic interventions go mainstream, getting injected, lasered or operated on may become "similar to getting an annual check-up", says Marcelo Araújo, a plastic surgeon in Brazil. Such touch-ups are already so common among the young that they have developed slang terms for them: "tweakments" and "upkeep". Tiffany Demers, the founder of an app called Upkeep, where young people can book cosmetic injections, says 18-year-olds "don't understand that this used to be stigmatised". Today, she says, "It's like, you know, buying lipstick or a make-up product."

#### **Pixelated self-loathing**

The boom in cosmetic treatments seems to have been spurred in part by the pandemic. Anyone who spent hours in video-conferences can attest to the distress of seeing one's face gazing sallowly from a computer screen. Like a mirror placed at an unflattering angle, Zoom calls highlighted sagging cheeks, creasing foreheads and drooping

necks. With money saved up from lockdowns and time to recover during waves of social distancing, many people decided to go under the knife. In America in 2021 four-fifths of facial plastic surgeons reported an increase in patients seeking procedures explicitly to improve their appearance on video calls. Business duly surged. According to the International Society of Aesthetic Plastic Surgery (ISAPS), an industry group, the number of cosmetic procedures carried out globally, including non-invasive treatments such as filler injections, leapt from 25m in 2019 to 35m in 2023.

The true numbers are in fact much higher, since ISAPS surveys only certified plastic surgeons. In Iran, where nose jobs are commonplace, there are only around 400 accredited plastic surgeons but some 2,000 doctors offering cosmetic procedures. In China, where the industry doubled in size between 2021 and 2025, and is expected to double again by 2030, there are over six times more unlicensed plastic surgery clinics than licensed ones, industry analysts estimate. A recent study by David

► Zargaran and others at University College London found that over two-thirds of people administering anti-wrinkle or filler injections in Britain are not medical doctors.

The “Zoom boom” may have revved up the industry, but it has been long in the making. When cosmetic surgery took off in the 1980s and 1990s, it was the preserve of television stars. Falling costs and technology have democratised it. “In the era of social media there’s an extent to which everyone—even me, you, our friends and our neighbours—is public-facing,” says Lara Devgan, a plastic surgeon in New York.

Patients often bring in photos of themselves altered through filters on Instagram or applications like Facetune, an image-editing tool, and ask doctors to transform them into their digitally enhanced selves. “You construct a much better version of yourself on social media: you post selfies taken at the right angle, with perfect make-up, with filters,” says Chang Chia-jung, a Taiwanese influencer. “You want to become the version of yourself that exists in the apps.” So-Young, a Chinese online marketplace for plastic surgery, offers an app that lets users upload photos of themselves and provides suggestions for what plastic surgeries they can undergo to achieve more symmetrical faces. It then shows users certified surgeons in their area.

Few women have done more to popularise plastic surgery than Kim Kardashian, a reality-television star. A decade ago Ms Kardashian’s curvaceous body defined beauty standards in the West. An era of unnaturally pouty lips and exaggerated behinds followed. Between 2015 and 2023 the procedures that grew the most in demand globally were buttock augmentations and lifts. Demand for the “Brazilian butt lift”, which involves sucking fat out of one part of the body and inserting it into the bottom, has skyrocketed even though it is a relatively dangerous operation.

But the era of tumescent bottoms may be flattening out. “Now we are in the era of Ozempic and the ‘clean-girl look’, where everything is supposed to look natural, but better,” says Vera Pizzo, a 22-year-old Brazilian who has had several procedures. Ozempic, a diabetes and weight-loss drug, has led to increasingly svelte figures on red carpets. Ms Kardashian herself has lost a conspicuous amount of weight in recent years. In 2023 demand for breast-implant removal in America grew nearly five times as much as for breast augmentation (although from a lower base). Some of those who have lost weight fast want smaller breasts to complement leaner physiques and tight sports bras. “People have been all anti-boobs for the last year or so,” says Lisa Cassileth, a plastic surgeon in Los Angeles. Demand for tummy-tucks is also up as patients on Ozempic trim saggy skin from rapid weight-loss.

That the pendulum is already swinging back to skinniness suggests that beauty standards are changing more rapidly than in the past. “It used to take a while to disperse new beauty standards through advertisements and magazines,” says Dr Araújo. But with social media, “As soon as a new standard emerges, it can spread around the globe instantly.” Ms Pizzo laments that it is becoming expensive to keep up with the Kardashians. “You spend huge amounts of money and every few years you have to change your look”, she sighs.

Faster-changing consumer preferences are stimulating innovation in the products on offer. For instance, new anti-wrinkle injections are threatening to unseat Botox, which has dominated the market for so long that it has become synonymous with it. Revance, the firm that makes Daxxify, a rival anti-wrinkle injection, claims its effects last nearly twice as long. Sales have rocketed since it was approved by America’s Food and Drug Administration in late 2022. Hyaluronic-acid fillers are losing ground to other dermal fillers and new treatments that use the body’s own tissue, cells and blood platelets—or in some cases, salmon sperm—to plump the skin. “Energy-based devices” that use radiofrequency and ultrasound to target fat and skin imperfections are also proliferating. These can, for example, freeze fat without the need for painful and pricey liposuction.

All this bodes well for aestheticians. Better yet, as far as practitioners are concerned, the industry is largely recession-proof. During the financial crisis of 2007-09, aesthetic injectables sales contracted by only 2% globally and the share-prices of firms in the industry fell by less than 20% on average, even as the S&P 500 contracted by half. Argentina and Iran have seen a surge in procedures despite dire economic conditions in both countries. Only 7% of American consumers of injectables say they would stop getting treatments during a recession. Most would simply switch to cheaper providers.

The pool of potential customers is also

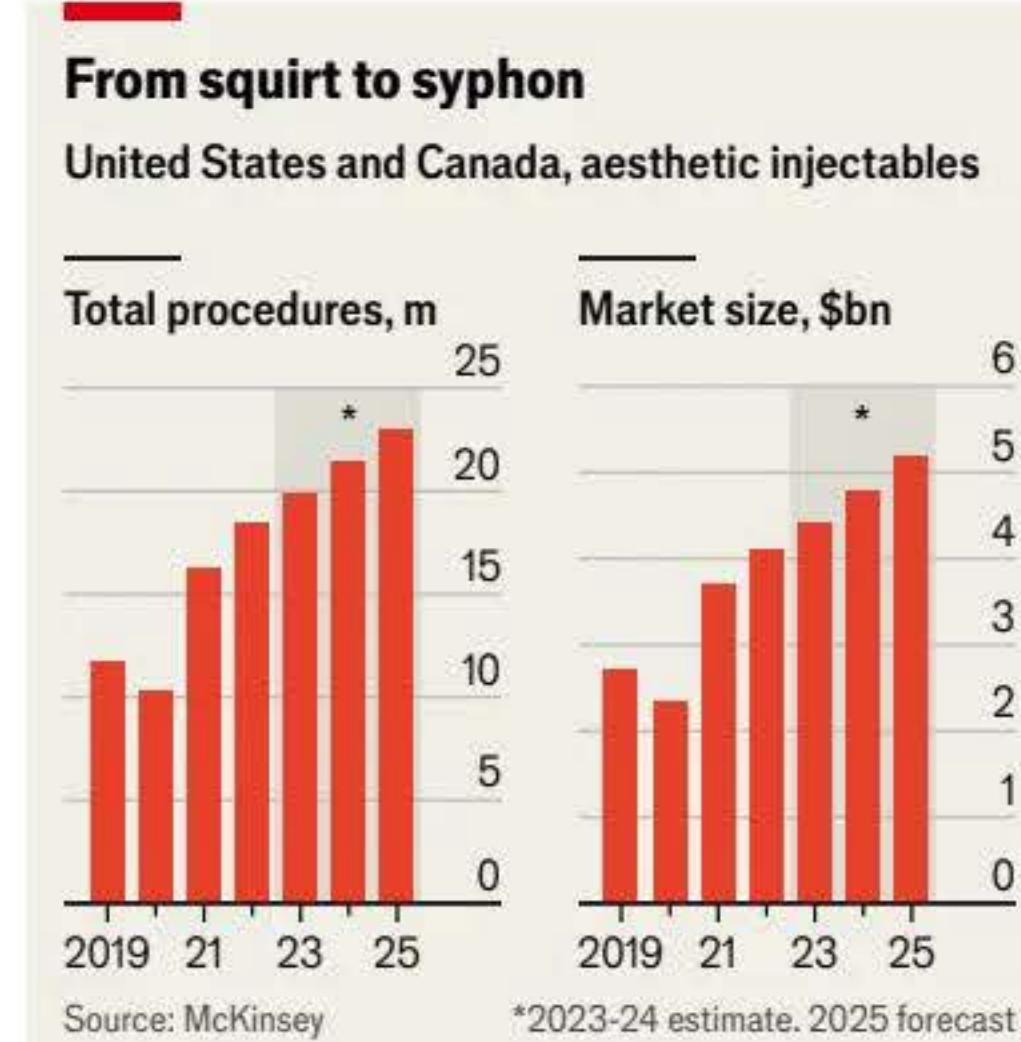
set to expand. In 2021 McKinsey, a consulting firm, surveyed 10,000 consumers in the world’s main aesthetics markets and found that 15-20% of respondents intended to use anti-wrinkle injections or dermal fillers within the next five years, which was double the share of users at the time of the survey. The ranks of these “fence-sitters” are composed chiefly of people aged between 20 and 50 who earn \$50,000 to \$100,000 a year. McKinsey reckons that around a third of them will indeed take the plunge, mostly in countries with enough competition to suppress prices.

### Sausage-lip factories

Lower prices come in part from new, lower-cost business models. Non-invasive treatments used to be administered by plastic surgeons or dermatologists in clinics. But private-equity groups and venture capitalists have been piling into the industry, investing in spas and beauty chains where armies of nurses provide injections to much higher numbers of customers. In America private-equity investments in medical aesthetics grew by 30% per year between 2019 and 2021. Chains of investor-backed “medispas” have also popped up in Brazil and China. These often partner with digital influencers and give them free treatments in exchange for a post that tags the clinic, says Sonya Esman, a digital influencer based in Los Angeles. Thanks in part to such innovations, the American Society of Plastic Surgeons (ASPS) reckons that average prices for hyaluronic-acid injections fell by \$79 in 2023 (to \$715) and for Botox by \$93 (to \$435). Sales have been growing rapidly (see chart).

Increasing numbers of people are also travelling abroad for touch-ups. The number of foreigners who visited Turkey for medical procedures, mostly plastic surgery, has ballooned like a bad implant, from 300,000 in 2013 to more than 1.5m last year. The country has become so popular for hair transplants, which involves grafting hair from the back of the head to the top or the front, that the national carrier is sometimes referred to as Turkish Hairlines. Price is the main draw. In Turkey a hair transplant costs \$2,500 on average, compared with between \$4,000 and \$12,000 in Britain. In Brazil a nose job will set you back by around \$2,000, compared with \$7,600 in America.

Cheaper procedures with less downtime are making cosmetic treatments accessible to a broader audience. Plástica para Todos (Plastic for All), a Brazilian chain of plastic-surgery clinics founded in 2017, targets low-income workers. Patients can pay for surgeries in 100 instalments. The company runs adverts on Instagram where it boasts that getting plastic surgery can be cheaper than buying an iPhone. In Argentina one of the largest health-insurance



- ▶ providers offers a plan that includes one plastic surgery a year.

Millennials, in particular, have embraced the new, cheaper tweaks. Some two-thirds of the 20m people who booked treatments in 2018 on So-Young, the Chinese app, were born after 1990. By the same token, 27% of American patients receiving Botox in 2022 were 34 or younger, compared with a fifth in 2015 (the idea is to prevent wrinkles before they form). In South Korea a Gallup poll found that a quarter of Korean women in their 20s had had plastic surgery in 2020, compared with 5% in 1994. That makes it the record-holder for plastic surgeries per person. Even men are increasingly dabbling: they accounted for only 10% of the global market for anti-wrinkle injections in 2018, but 15% in 2021.

An unfortunate sign of the industry's popularity is the number of charlatans it attracts. "People who are not trained are doing financial speculation on the human body," laments Juvenal Frizzo, a plastic surgeon in São Paulo. Dr Frizzo and other plastic surgeons interviewed by *The Economist* say that growing numbers of patients are seeking help with botched filler treatments. These can range from the disfiguring, including faces that look like puffer fish, to the dangerous: in extreme cases, filler can migrate into the eyes or veins, leading to blindness, sepsis or skin necrosis. Operations are even more risky. Since 2019 at least 29 British patients have died in Turkey in botched cosmetic surgery.

Among rich countries, Britain stands out for its lax regulation. Whereas in America only doctors, dentists or nurses can administer injections, in Britain there is no national law stipulating any particular qualifications. Many practitioners take only short courses in person or online before starting to treat clients, often in premises not licensed or equipped for medical procedures. In September a British woman died after receiving a non-surgical butt lift

(in which lots of filler is pumped into the buttocks) at a beautician's home.

Some procedures test boundaries in other ways. Chelsea (not her real name), a 37-year-old estate agent in New York, spends over \$30,000 a year on injectables. But much of it does not go on her face. "Everything that I do to my face, like Botox, filler or whatever, I also do to my vagina. But it hurts so badly that you have to, like, be on tranquil anaesthesia to do it." She is one of 130,000 followers on Instagram of a plastic surgeon she calls "the vagina whisperer". "By the way, there's another doctor who's doing designer assholes too, for guys," she adds.

Social media give practitioners a way to advertise their specialisations online. "When I went into practice, plastic surgeons could hardly advertise," says Gregory Mueller, who is based in Los Angeles and has been operating since 1998. Industry associations would discourage their members from advertising in newspapers or magazines or appearing on television, he says, for fear of undermining their professional credibility. Today some doctors have become celebrities in their own right, with millions of followers on TikTok and Instagram, where they show before-and-after photographs of patients to lure new clients. Some even live-stream operations.

Social media are also spurring a convergence in ideals of beauty around the world. Dr Devgan says that her patients increasingly have an “amalgamated beauty standard” which features “the fuller eyebrows of South Asia”, “the fuller lips of sub-Saharan [Africa]” and “a positive canthal tilt”, jargon for the upward-arching eyes typical of East Asians. Demand for procedures such as the “fox-eye”, in which threads are placed in the corners of the eyes to pull them upwards, have been touted in the West by models and celebrities. The popularity of the Brazilian butt lift is also part of this mishmash.

Gangnam, a posh district of Seoul, South Korea's capital, may vie with Beverly Hills for the accolade of the most plastic-surgery clinics per square kilometre. Some 400 of them are crammed into 37km<sup>2</sup>. Its emergence as a rival pole to Los Angeles reflects the globalisation of the beauty industry. In East Asia the most popular procedure, double-eyelid surgery, initially arose from a desire to look more Western, says Tanimoto Naho, a sociologist at Kan-sai University in Japan. Today Japanese and Chinese women look to South Korea for inspiration, thanks to the popularity of Korean films and pop music.

The look of K-pop stars is “girly, cute and pretty—being too mature is bad”, says Leem So-yeon of Dong-A University in Busan. It involves few curves, a v-shaped face, giant animé-style eyes and a tiny nose. When Inuma Motoko, a 33-year-old Japanese beauty blogger, arranged her first plastic surgery during the pandemic, she contacted a medical-tourism agency in South Korea and travelled to Seoul. She has since undergone bone-shaving surgery, in which the jawbone is trimmed to produce a sharper jawline, and had the corner of her eyes cut open to make them look wider.

### A crass audience

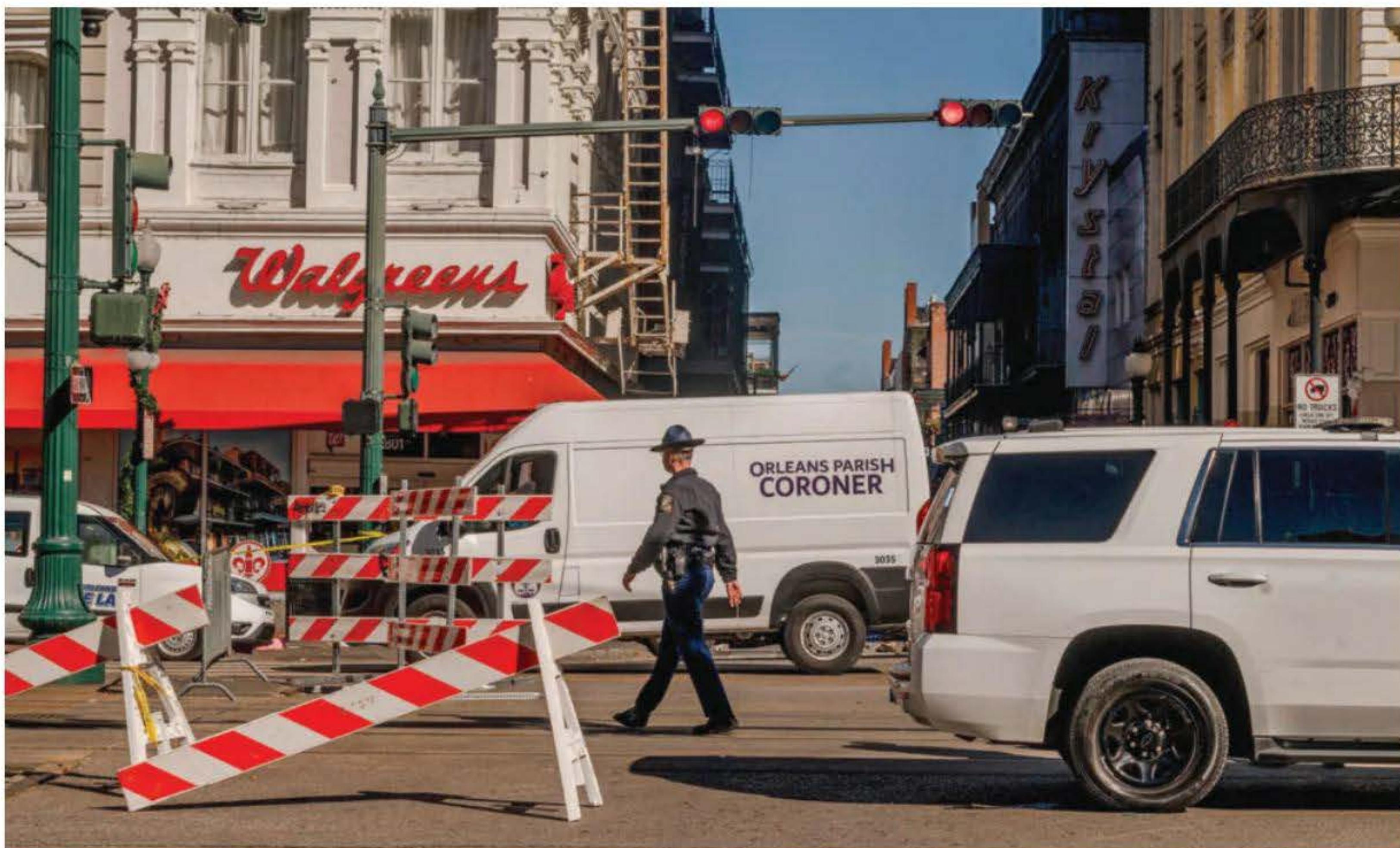
Many people undergo such grisly procedures because they believe that being perceived as attractive will lift their career and marriage prospects. Jin Hong-ryul, a plastic surgeon in Seoul, says the busiest time of year is after university entrance exams in November, when many parents reward their children for passing by buying them plastic surgery. Résumés in South Korea usually include headshots. Many parents believe that "to be successful, you should be attractive", says Mr Jin. For models and influencers, whose income depends on the number of likes they receive on posts, the pressure is even greater.

Even those whose jobs do not depend on their appearance may feel pressure to enhance it. In a paper from 1993, Daniel Hamermesh of the University of Texas and Jeff Biddle of Michigan State University, found that "plain" workers suffer an earnings penalty of 5-10% and "good-looking" ones earn a premium of similar magnitude. Pretty waitresses get higher tips and advertising firms with good-looking executives win more lucrative contracts. This may not speak simply to the shallowness of bosses and customers: people who are considered beautiful may also do better because they are more self-confident.

As long as the pretty privilege remains, so will the temptation to nip, tuck, lift and plump. Ms Chang, the Taiwanese beauty influencer, summarises the problem: "Plastic surgery is addictive—once you start, you keep going." That should keep the business forever young. ■



## United States



### Domestic terrorism

## IS and the Crescent City

ATLANTA

### Why some experts fear a resurrection of Islamic State

**S**HAMSUD-DIN JABBAR, a 42-year-old American citizen and military veteran from Texas, had worked as an IT specialist in the army and praised the discipline and planning that it taught him. He had also worked in real estate. He had a conviction for theft. And he had been married twice. Why he rammed a rented Ford pickup truck into a crowd of revellers on Bourbon Street in New Orleans in the early hours of January 1st, killing 15 and injuring 35, is mysterious and in a sense always will be.

But the FBI is investigating the attack as an act of terrorism: a black Islamic State (IS) flag flew from the bumper of the truck driven by Mr Jabbar. President Joe Biden said that security briefings he had received showed Mr Jabbar was inspired by IS and wanted to kill for its cause. The fact that he avoided detection suggests a fairly sophisticated conspiracy. "This is not a garden-variety attack," says Colin Clarke of the Soufan Center, a global-security research

group. After the crash police killed Mr Jabbar in a shoot-out.

Since the heyday of IS's so-called caliphate nearly a decade ago, the number of violent plots that Muslim-Americans planned or carried out for revolutionary groups has plummeted, from 94 in 2015 to just three in 2023, according to data collected by Charles Kurzman of the University of North Carolina at Chapel Hill (see chart). But if Mr Jabbar was indeed in-

spired by IS, the New Year's attack will have been the latest in a string of recent successes for the group—and perhaps its most lethal strike on American soil since the Pulse nightclub shooting in 2016.

Essentially, "2024 was IS's year of resurrection," says Bruce Hoffman, a counter-terrorism scholar at the Council on Foreign Relations, a think-tank. On January 3rd 2024 an IS terrorist killed 95 civilians at an Iranian ceremony to commemorate Qassem Soleimani, a top general assassinated by America. (IS counts both America and Iran's Shia theocratic regime as mortal enemies). The memorial bombing was followed by an attack on a Roman Catholic church in Istanbul later that month and another particularly bloody one at a concert in Moscow in March. Since last summer, American intelligence services have foiled two big plots: one planned for a Taylor Swift show in Austria and another for election day in Oklahoma City.

Why now? Extremist outfits organise in chaotic places and this year has provided a bevy of them. After the Assad regime in Syria collapsed last month the Biden administration said it was "clear-eyed about the fact that IS will try to take advantage of any vacuum to reestablish its capability". Grievances over attacks on Muslim civilians also help extremist groups recruit volunteers. The war in Gaza has "reinforced" ➤

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► the ideology that the West sees Muslim life as cheap and expendable," says David Schanzer, a professor at Duke University. Terrorism is asymmetric warfare amplified by media; flashy complex attacks are a way for a weakened IS to reassert its relevance.

Analysts who have been tracking terrorism for years see reasons to fret these days—and the New Orleans attack only confirms them. Since the end of the Obama administration the government's focus on counterterrorism has been eclipsed by great-power strategy and competition involving China and Russia, as well as persistent conflict with Iran. Mr Trump's promise to slash federal budgets could further hinder the government's ability to collect intelligence, carry out operations overseas and stop home-grown terrorist attacks, says Jason Blazakis, a professor at the Middlebury Institute. Mr Trump's MAGA cabinet's tendency towards isolationism could also give groups like IS and al-Qaeda room to grow abroad, especially if America withdraws Special Forces and local army trainers that have characterised counterterrorism strategy in recent years.

It is probably no coincidence that Mr Jabbar chose to carry out his attack on New Year's Eve, a night known for drinking and partying, indulgences that are anathema to puritanical Muslim extremists. Bourbon Street, the hub of New Orleans's tourist district, exemplifies that spirit more than most American places. As families searched for their loved ones at local hospitals, news of a second deadly attack surfaced: this one in Las Vegas. There, a Tesla Cybertruck exploded outside the Trump Hotel, killing the person inside the vehicle. The authorities are investigating this, too, as an act of terror. Like the car used in New Orleans, the Tesla Cybertruck was rented on Turo, a car-sharing service. If IS is involved in that one too, its ability to carry out two near-simultaneous attacks in distant American cities will reinforce the impression that a movement that seemed to have been defeated is once again a threat to take seriously. ■

#### State of decline

Muslim Americans caught plotting or carrying out attacks for revolutionary Islamic groups\*



Source: Charles Kurzman, University of North Carolina at Chapel Hill

#### Housing

## Out for the count

### LOS ANGELES

#### Homelessness rises to a record level

EVERY YEAR for a few frigid days in January volunteers fan out across cities, towns and rural areas to try to count every homeless person in America. The method is imperfect: cities do their counting in different ways, and many homeless people are transient or hide away in subterranean tunnels and under highway overpasses. Researchers think the result is an undercount. But this "point in time" survey offers the most complete picture of homelessness that exists in America today. The results for January 2024, released on December 27th, offer bleak news: the number of homeless people in the country had risen to the highest level on record.

Between 2023 and 2024 homelessness increased by 18%, to roughly 771,000 people. That is nearly as many people as live in North Dakota. The vast majority of the up-tick comes from people living in shelters—picture hotel rooms or rows of beds—rather than sleeping rough, as is common on the West Coast and in some southern states. The report's most shocking revelation is that the number of homeless people in families with children rose 39% year-on-year—a reversal of a slow but steady decline in the years preceding the covid-19 pandemic. Three big things contributed to the surge: a housing shortage that has driven up rents and home prices, an influx of asylum-seekers that overwhelmed some cities, and disasters that displaced people.

Estimates vary, but Moody's Analytics, a consultancy, reckons America is short about 2.9m affordable homes. It is no coincidence that many states with consistently high rates of homelessness (California and New York) or those that saw big increases this year (Hawaii and Massachusetts) have some of the priciest housing in the country. A third of people counted were chronically homeless, and may suffer from drug addiction or struggle with mental illness, which make it harder to stay housed. But most people fall in and out of homelessness depending on their finances. When pandemic-era programmes that offered rental assistance and prevented landlords from evicting tenants expired, more people may have been pushed onto the streets.

When migrants arrived by the thousands in cities far from the southern border they burdened already crowded shelter systems. Three places absorbed the most migrants: Chicago, Denver and New York City. In Chicago migrants camped inside

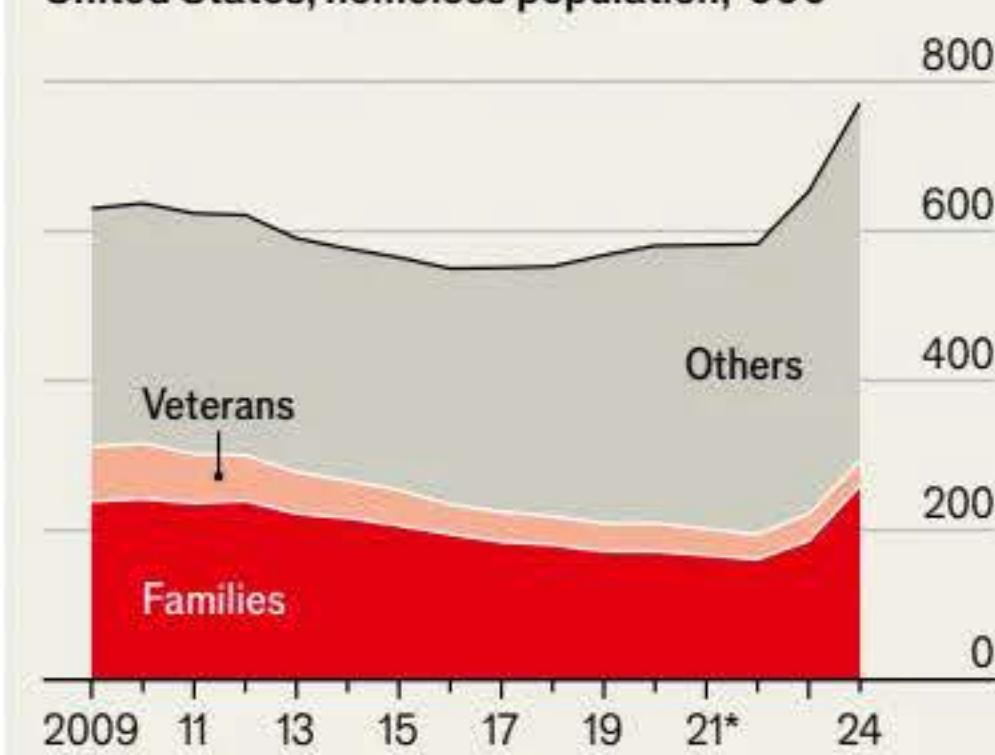
police stations. Denver created a bussing scheme of its own, sending people on to their final destinations rather than allowing them to camp on the streets. The states those cities belong to—Illinois, Colorado and New York—each saw corresponding rises in homelessness. New York City attributes almost 88% of its increase to asylum-seekers housed in the city's shelters.

For an example of the ways in which disasters can increase homelessness, look to Hawaii. In August 2023 a wildfire caused by broken power lines razed the town of Lahaina, killing at least 102 people. Houses were burned down to their foundations. Survivors lived out of shelters and hotel rooms across Maui for months, if not longer. The blaze worsened an already dire housing shortage on the islands, where the median listing price is nearly double the nation's. What happened on Maui has become a cruel pattern: homelessness also spiked in Chico, California after a fire engulfed the nearby town of Paradise in 2018.

There are two small reasons for hope. First, the count was carried out right after migrant encounters at the southern border peaked and cities were flailing. In the year since then, many newcomers have settled in; Denver has wound down its migrant shelter programme, for example. That may mean homelessness could decline in 2025. Second, the only bright spot amid about 100 pages of grim analysis in the report showed that the number of homeless veterans has declined by more than half since 2009 thanks to better co-operation between cities and the federal Department of Veteran Affairs. In the hunt for solutions, it makes sense to start there. ■

#### Down and out

United States, homeless population, '000



Source: Department of Housing and Urban Development



TikTok

## The last ByteDance

NEW YORK

America's Supreme Court is due to weigh the platform's fate on January 10th

**D**AYS AHEAD of the showdown in *TikTok v Garland*—and a fortnight before TikTok could vanish from Americans' smartphones—the legal debate over the wildly popular social-media site is coming into focus. On one side of this Supreme Court dispute are the Biden administration and lawmakers who warn that TikTok's links to the Chinese government threaten national security. On the other are ByteDance (TikTok's parent company), free-speech advocates, some of the estimated 170m Americans who regularly scroll the app and Donald Trump, the president-elect.

The case, slated for oral argument on January 10th, may give the justices a bout of cognitive dissonance. The Supreme Court tends to defer to Congress and the executive branch when concerns about national security arise. Yet the justices also aggressively police freedom of speech.

Lawyers found their Christmases ruined when the Supreme Court ordered initial briefs due on December 27th. Their new year's plans were complicated by a January 3rd deadline for final filings. The question: does the Protecting Americans from Foreign Adversary Controlled Applications Act, a law approved last April by 360-58 in the House and 79-18 in the Senate, and signed by President Joe Biden, violate the First Amendment?

Senator Mitch McConnell submitted a feisty amicus brief defending the law, which will remove TikTok from app stores

on January 19th unless it is sold to a non-Chinese company. "The right to free speech enshrined in the First Amendment", he writes, "does not apply to a corporate agent of the Chinese Communist Party." To hold otherwise means Nikita Khrushchev would have had a constitutional right "to buy CBS and replace The Bing Crosby Show with Alexander Nevsky" (he did not say whether this would have been a good exchange).

The Biden administration says that ByteDance permits China, a "foreign adversary", to "harvest sensitive data about tens of millions of Americans" and to acquire "a potent tool for covert influence operations". It says the law thwarts such influence without infringing on the First Amendment. Mandatory divestment "does not involve speech at all"—just a change of ownership. Lawyers for ByteDance and for individual TikTokers insist otherwise. "No arm of the Chinese government has an ownership stake—directly or indirectly—in TikTok Inc. or ByteDance," the company says. The ban will harm the 17% of adults who "regularly get news from TikTok" and cut off the flow of clips from American creators, who uploaded 5.5bn in 2023.

The American Civil Liberties Union, Electronic Frontier Foundation and Knight First Amendment Institute at Columbia University say the ban would close "a vast universe of expressive content, from musical performances and comedy to politics and current events". The Cato Institute

dusts off John Stuart Mill's "On Liberty" to argue that even "propaganda" deserves protection: the First Amendment "foreclose[s] public authority from assuming a guardianship of the public mind".

Mr Trump, whose previous scepticism about TikTok has softened as he has amassed 14.7m followers on the platform, tells the justices he "is uniquely situated" to "vindicate" the "free-speech rights of all Americans". As "one of the most powerful, prolific, and influential users of social media in history", and with his "consummate dealmaking expertise", Mr Trump should have the chance to broker a "negotiated resolution". He wants the Supreme Court to pause. But for all its boasting, Mr Trump's brief takes no position on the legal questions in the case. Without a legal justification, the court has no basis for delaying the reckoning. So if the app survives, its salvation will have little to do with the incoming president's intervention.

Many experts see TikTok's days ticking to a close. Raffi Melkonian, a Supreme Court litigator, thinks the Foreign Adversary Law should be struck down but suspects the justices will not do so. Genevieve Lakier, a First Amendment scholar at the University of Chicago law school, says the justices tend to view freedom of speech "very narrowly when claims of national security are invoked by the federal government". But she hopes the court does not "shut down such an enormously important speech platform". A TikToker known as "stephen rigatoni" agrees. "I feel like if I sat down and had one singular Coors Light with the Supreme Court", he said in a recent video, "we could figure it out." ■

### State politics

## Tocqueville updated

WASHINGTON, DC

American states are becoming more democratic, bar some notable outliers

**T**HE RESIDENTS of Bristol, Tennessee and Bristol, Virginia share a border, a downtown and even a NASCAR speedway. But thanks to the quirks of American federalism, the 27,800 Bristolians who live in the Volunteer State, as Tennessee calls itself, reside in what one ranking determines to be America's least democratic state, while their 16,800 neighbours to the north live in one of the most democratic.

This, at least, is the portrait drawn by the State Democracy Index, developed by Jake Grumbach, a political scientist at the University of California, Berkeley, who has been measuring the strength of electoral democracy within America's 50 states over ►

▶ the past 24 years. For the 12th year in a row Tennessee has come in dead last.

To score the condition of a state's democracy, Mr Grumbach focuses on four main components: which citizens are eligible to vote and how burdensome it is for them to do so, how responsive state policies are to public opinion, the fairness of electoral maps, and finally how secure the state's elections are.

It may come as a surprise that since Mr Grumbach last measured the health of America's states, up to the end of 2018, his model's assessment of state-level democracy has modestly improved. Both Democrat-led and Republican-led states have seen upticks on average. Much of this is thanks to a slight decrease in the prevalence of partisan gerrymandering. The expansion of postal and early voting in the midst of the covid-19 pandemic and afterwards also improved Mr Grumbach's scores. Yet a stark partisan divide remains: 19 of the 20 worst-performing states in the index voted to the right of the nation in the most recent election, and in all but two of them Republicans control the governorship and both chambers of the legislature.

Twenty states have seen their democracy scores decrease since 2018. And the variance among state scores has increased substantially. For example, Tennessee is now an underperforming outlier even among Republican states, which are on average two standard deviations more democratic than the Volunteer State. The explanation is straightforward, says Sekou Franklin, a political scientist at Middle Tennessee State University: "There's a non-democratic political culture that's taken hold of the state." Gerrymandering is one expression of this. For years the Republican supermajority in the state legislature has gone to battle with Democratic cities like Nashville, the state's capital, and Memphis, a familiar pattern in other states

#### Lab report

##### United States, index of electoral democracy



too. In 2022 state legislators split voters in Nashville across three redder congressional districts. Over the years, they have also passed a series of laws restricting local-government authority.

In Mr Grumbach's model one of the best things a state can do is to produce fairer legislative maps. In 2024 Republicans won just under two-thirds of the vote in Tennessee. Yet they won eight of the state's nine congressional districts on election day. All else being equal, were Tennessee gerrymandered less severely, Republicans today would probably have a slim one-seat majority in the US House of Representatives rather than a hefty five-seat advantage. The spread of early and alternative voting may have improved America's democracy, but rigged district maps undermine those gains. ■

#### Chronic disease

## The upside of MAHA

#### RFK junior is half right about what ails American health care

IT IS NOT hard to construct a scenario in which Donald Trump's plans to "Make America Healthy Again" (or MAHA) do the opposite of that. His proposed secretary of health, Robert F. Kennedy junior, is one of the country's more prominent vaccine sceptics. The man who would be in charge of the Centres for Medicare and Medicaid Services, which provides health coverage for two in five Americans, is Mehmet Oz, a TV doctor who has talked about the medical benefits of communicating with the dead and invited a Reiki healer to assist him during surgery. Dave Weldon, a former congressman and doctor, who has also cast doubt on the safety of vaccines, would lead the Centres for Disease Control and Prevention (CDC), which oversees the country's vaccine schedules. Unless the Nixon-to-China theory applies to public health, these are not the people America would want in charge in a pandemic—or even just a regular epidemic.

At the same time, a central part of the MAHA agenda is something most experts agree on: America's main health problem is chronic diseases, and far too little is being done to prevent them. Mr Kennedy has some sensible ideas about how to tackle that. So it is worth exploring what positive changes his tenure could bring about.

About 60% of American adults have a chronic illness, such as diabetes, heart disease or cancer; 40% have more than one. In 2016 these conditions cost America \$3.7tn (or 20% of GDP) in medical spending and

lost productivity. Yet the health-care system is focused on treating rather than preventing these conditions. Mr Kennedy wants to cut unhealthy foods from the American diet. He thinks the CDC should be doing more about chronic diseases. And he wants a bigger share of government-funded research to focus on them.

To achieve this ambitious agenda, Mr Kennedy, who does not have much experience running anything, would need to be clever about navigating the federal bureaucracy. He has talked about firing hundreds of staff, such as the entire nutrition department of the Food and Drug Administration (FDA), and about pausing research on infectious diseases at the National Institutes of Health (NIH) to focus fully on chronic disease. In reality, though, lots of government employees have civil-service job protection. And the existence of many departments is mandated by law. Congress also has a say on the distribution of funds within some of them.

The things that prevent chronic diseases are no secret, says Georges Benjamin from the American Public Health Association: healthy diets, less tobacco and alcohol, more sport at schools and better screening for precursors, such as high blood pressure, blood sugar or early signs of cancer (see chart). Of those, reforming America's food system is closest to Mr Kennedy's heart. He wants to purge the American diet of processed foods packed with additives such as artificial colours and other chemicals. But the federal food programmes with the biggest footprint are under the purview of the Agriculture Department. They include school meals (which 29m children benefit from) and the Supplemental Nutrition Assistance Programme (formerly known as food stamps), which covers 42m people. The national dietary guidelines, coming up for review in 2025, are a joint production by the Health

#### Years and years

##### United States, leading health risks, 2021

Disability-adjusted life-years\* per 100,000 people

Dietary and malnutrition	2,340
Drug use	2,245
High body-mass index	2,232
High fasting plasma glucose	1,930
Tobacco	1,859
High systolic blood pressure	1,437
High alcohol use	1,078
Kidney dysfunction	859

\*Years of life lost to ill health, disability and early death, age-standardised

Source: Global Burden of Disease study 2021

► and Agriculture Departments. Brooke Rolins, the nominee for agriculture secretary, may bow to the many Republicans in Congress who are from farm states that stand to lose if potato crisps or the myriad foods sweetened with corn syrup are blacklisted.

Mr Kennedy would have more control over improving food safety and nutritional labels on foods, which are regulated by the FDA—especially if he sticks to his promise to shield health-policy making from corporate influence. More stringent regulation of the chemicals used in processed foods would force food companies to use fewer of them. But hiring the many more people that the FDA would need for this is probably a non-starter in an administration bent on small government (to say nothing of Big Food's influence in Congress). Standards for nutrient information on food packages that are designed with industry participation, as is the case in America, typically result in puzzling information and baffled consumers.

But, as Mr Kennedy has acknowledged, changing what Americans eat is more complicated than telling them which foods are bad or restricting food-aid dollars to healthy foods. Fresh fruit and vegetables are rarely stocked by the corner shops where many poor Americans buy their food; shelves there are laden with tobacco, alcohol and cheap processed foods. Programmes that have been found to boost the availability of healthy food in such fresh-food deserts typically involve some form of subsidy to shop owners. This sort of intervention could pay off in the long term but would be hard to sell politically.

It is, though, the sort of intervention that Jay Bhattacharya, a Stanford University health economist picked by Mr Trump to lead the NIH, could prioritise for research on the best ways to make people eat more healthily. That would fit with Mr Kennedy's plans to shift NIH research towards chronic diseases and nutrition. Of the 11,000 research projects funded by the NIH in 2012-2017 only 8.5% focused on studying prevention of the risk factors that account for 70% of deaths in America. Poor nutrition is the leading risk factor for ill health, but nutrition research accounts for just 4% of NIH spending.

This matters. When the expert committee in charge of updating America's dietary guidelines convened in 2024 to discuss what to do with ultra-processed foods (UPFs), it concluded that the research on their effects was too thin to recommend anything specific. The world's most rigorous clinical trial on how UPFs affect health was done at the NIH in 2019. Resources for such trials were cut to the bone in 2022.

If he is confirmed by the Senate, Mr Kennedy will quickly realise that to have a meaningful impact on chronic disease he needs co-operation from public-health ser-

## Jimmy Carter

# Above the fruited plain

PLAINS

The 39th president reshaped his home town

**I**N HIS MEMOIR Jimmy Carter recalls trying to copy the habits of black boys. In his poor peanut-farming community his closest confidants did not share his skin colour, and he wanted to fit in. But Mr Carter lived in the big house; his friends in tenant shacks. In Plains, Georgia, it still seems a wonder that the white child who was always out of place in the Jim Crow South became America's 39th president. On December 29th he died, at 100, a mile from where he was born.

As Mr Carter rose in politics the people of Plains began to take pride in their quiet town. Locals started to "keep their yards clean", says Boze Godwin, the former mayor and Mr Carter's pharmacist. Before the 1976 Democratic primary, 98 Georgians went to New Hampshire to knock on doors for him. Town records claim it was the first time that so

many volunteers from a candidate's home state travelled the country to campaign. Mr Godwin remembers his parents taking the train north with the "Peanut Brigade".

Local lore says that once you get the red Georgia clay caked between your toes, you can't get it out. So when Mr Carter left Washington after one term as president he returned to his boyhood town. At Maranatha Baptist Church, where a dozen rows of pews are lined with raspberry-coloured velvet, he led Bible study. His lessons lured tourists who then ate and shopped downtown. It was his "Sunday school economy" that kept Plains viable while other country towns withered, says Philip Kurland, a businessman who talked politics with Mr Carter for decades.

Mr Carter shaped Plains in other ways, too. In fact, he made it as much of an anomaly in the Deep South as he was. By inviting black people home for supper and helping women become deacons at the church he "let people know that new things were acceptable", says one resident. But standing at the pulpit each week, year after year, the former president never talked politics, says Nelle Ariail, a friend who keeps a collection of his handwritten poems in a drawer.

This week a motorcade will take Mr Carter's coffin north to Atlanta, following the highway past the peanut fields that still nourish the region. Although the county just barely voted for Kamala Harris—Mr Carter's family says he hung on in hospice care to cast his ballot for her—locals say that Donald Trump carried the town. Today the road to the big city is dotted with placards for the incoming Republican president. To some people in Plains it is a sign of how much has changed; to others a reminder of how little.



Back to the beginning

vices, which fall under the CDC, and state health departments (to which the agency allocates 70% of its budget). They carry out campaigns to encourage people to eat healthy diets, stop smoking and drink less. They also run free clinics where people without health insurance are screened for cancer, diabetes and high blood pressure.

Mr Kennedy has toned down his trash-talking of vaccines, even denying that he is op-

posed to them—no doubt to improve his chances of Senate confirmation. But once he bags the job, he could well focus a lot of his energy on anti-vaccine strategies. That would not make America healthy at all. As Jerome Adams, who was surgeon-general in Mr Trump's first administration, wrote on X, "Chronic diseases are important—but you can't die from cancer when you're 50 if you die from polio when you're 5." ■

## The Americas



**Venezuela**

### King Nicolás

CARACAS

Relying on a fabricated election victory, Nicolás Maduro will be sworn in again as president

“THEY ARE preparing for the coronation,” says a bakery manager in Caracas, Venezuela’s capital, as teams of cleaners spruce up the streets outside. On January 10th Nicolás Maduro will be sworn in for his third term as president in the National Assembly’s building nearby. His inauguration will defy the popular will. In July a clear majority of Venezuelans voted against him, only for the electoral authority, which the regime controls, to declare that Mr Maduro had won the election with 52% of the vote.

It will not be the first time that he has donned the presidential sash amid controversy. The previous election, in 2018, was also a sham, with key opposition leaders barred from taking part. But this time the rigging went further. The opposition had collated and published tens of thousands of receipts from voting machines to prove

that its candidate had won. All in vain. “We have to accept that Venezuela is about to become a full-blown dictatorship,” says a Western diplomat in Caracas.

In protest, most European governments will send no representative to the ceremony. Even countries in the region that were once sympathetic, including Brazil, Colombia and Mexico, will not be represented at a high level. All are expected to send only their resident ambassadors. The United States, which has had no diplomatic relations with Venezuela’s government since 2019, will be absent.

Other regional autocrats, such as the

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**22 Climate change in Central America**

presidents of Cuba and Nicaragua, will almost certainly turn up. President Vladimir Putin will be represented by Vyacheslav Volodin, speaker of the Duma, Russia’s parliament. China, Iran and Turkey will probably send special envoys. Foreign leftist “solidarity” organisations have been invited to Caracas for an “anti-fascism conference” that will coincide with the inauguration. The regime will cite their presence as proof of international support.

The real winner of the election, Edmundo González, who is 75, is in exile in Spain. According to the opposition’s count, this previously little-known former ambassador won 67% of the vote to Mr Maduro’s 30%. He has pledged to return to his home country in time for what should have been his own inauguration. “I’ll be back to Venezuela by land, air or sea,” he promised on December 17th. Mr González was a stand-in for the hugely popular opposition leader, María Corina Machado, whom the regime banned from running, but she still rallied millions of anti-regime voters.

Ms Machado is in hiding in Venezuela. Throughout December she issued a series of recorded audio and video messages reminding Venezuelans of what they had achieved on election day. In one of them she directly addressed the army and police,

▶ calling on them to defect to her side. On January 1st she put out another message, hinting at mass demonstrations around inauguration day. "This is the most important task of our lives," she said.

All this is reminiscent of 2019, when the then head of the elected National Assembly, Juan Guaidó, called for mass protests on the streets. Mr Guaidó had been recognised as Venezuela's legitimate leader by the United States and around 60 other countries, on the basis that Mr Maduro had usurped power. Mr Guaidó even managed to convince Donald Trump's administration that Venezuela's army was ready to defect. A small uprising took place, but only a few dozen soldiers actually joined Mr Guaidó. The effort fell flat.

### The emperor has no clothes

Now the Maduro regime taunts the opposition, saying that Mr González will be just another Mr Guaidó. That does not wash. Unlike Mr Guaidó, Mr González can rightly claim to have been directly elected Venezuela's leader by popular vote. The July election has exposed Mr Maduro's deep unpopularity, and his regime's willingness to commit fraud. "They have been unmasked," says Luisa, a teacher in Caracas.

That does not mean the regime's fall is imminent. The army is still the ultimate arbiter of power in Venezuela. There has been no sign that its generals, who have long profited from Mr Maduro's crony capitalism, intend to drop their loyalty to him. So far the lower ranks, who are heavily spied on, seem to have had little opportunity to plot a takeover. At the end of December, 162 of the 1,794 political prisoners in Venezuela were from the armed forces, according to Foro Penal, a local human-rights group.

Large street protests seem unlikely. Hours after the government announced its victory in July, tens of thousands went out to demonstrate. The regime's response was swift. In the following days around 2,000 people, including more than 100 teenagers, were jailed. There have been no big public demonstrations since. In August Mr Maduro appointed the feared boss of the ruling Socialist Party, Diosdado Cabello, as interior minister, a move seen as giving a green light to more repression. A law to punish those who voice support for international sanctions against the country was approved in November, with penalties of up to 30 years in prison and confiscation of all property. Military checkpoints have been stepped up nationwide. All foreigners are questioned in detail at border entry points; several have been detained.

So it is probable that Mr Maduro will be reinaugurated without serious obstacles. But that will not end his problems. Ten days later Donald Trump will be inaugurated in Washington. His choices for his for-

ign-policy team point to a hard line against Mr Maduro.

Marco Rubio, nominated as secretary of state, is a Cuban-American and fierce opponent of the region's three current leftist dictatorships. Christopher Landau, the nominee for deputy secretary of state, knows Venezuela well—his father was ambassador there in the early 1980s—and is a vocal critic of the regime. Another hawk, Mauricio Claver-Carone, has been named as Mr Trump's special envoy to Latin America. He was an architect of the United States' recognition of Mr Guaidó as president and planned "maximum pressure" on Venezuela in the first Trump administration; sweeping sanctions were then imposed on the country's oil and finance sectors. Joe Biden's administration lifted some of them as part of negotiations in 2023 whereby the regime agreed that fairer elections would be held.

Some have speculated that Mr Trump's instinct this time round might be to do a deal, perhaps one in which the Maduro regime accepts Venezuelans deported from the United States in exchange for the continuation of looser oil sanctions. But if the maxim that "personnel is policy" holds water, that seems unlikely. Mr Trump's appointments suggest that his administration has already decided that the only viable solution for Venezuela is one where Mr Maduro is dethroned. What is not yet clear is how Mr Trump hopes to do it. ■

### Spanish investment

## Turning off the tap

### Why Spanish firms have cooled towards Latin America

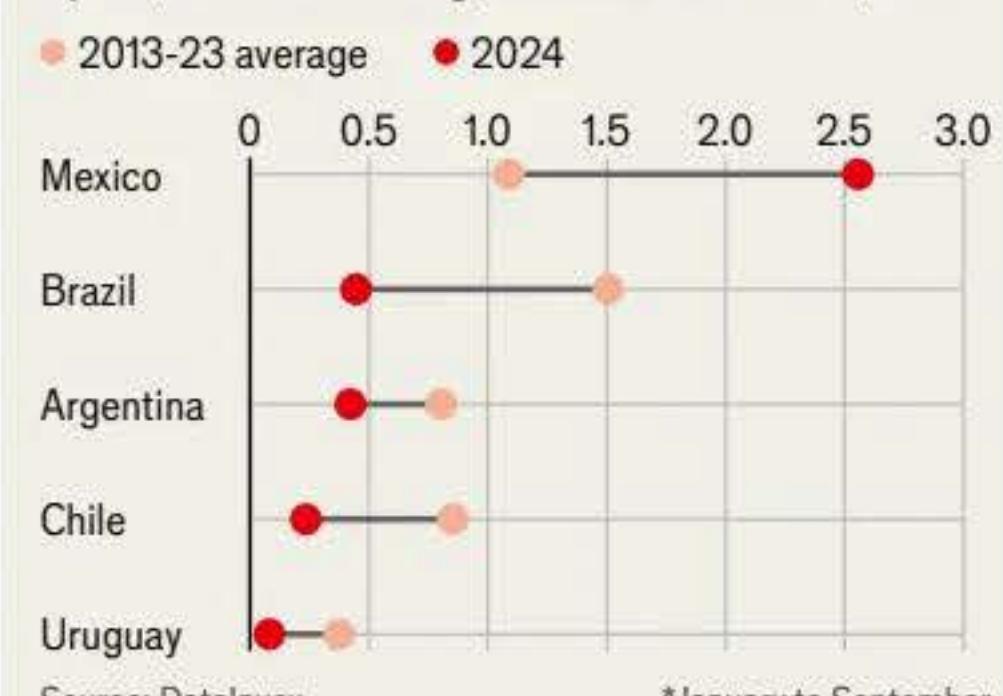
**F**EW ECONOMIES performed as well as Spain's in 2024. Latin America's investment-promotion agencies might have been expecting an influx of euros from the Iberian peninsula, with the rising profits of Spanish firms spilling into Latin America as investors expand in markets that are culturally and linguistically familiar.

No such luck. Spanish investment into almost every country in Latin America plummeted in 2024, according to Data-Invex, an arm of the Spanish trade ministry that tracks foreign direct investment (FDI). Some €2.2bn (\$2.3bn) poured into Brazil from Spain in 2023, but in the first nine months of 2024 a measly €446m arrived. Spanish investment in Chile, often measured in billions, was worth just €235m in the same period.

Other countries which usually get hefty Spanish investment saw a similar trend, in-

### Falls mainly on... Mexico

Spain, outbound foreign direct investment\*, €bn



Source: DataInvex

\*January to September

cluding Argentina, Chile and Uruguay. Mexico is the exception. Spanish investment broke €2.6bn in the first nine months of 2024, on track to double the 2023 total. Its potential as a non-Chinese manufacturing base from which to serve the market in the United States explains the surge.

Lourdes Casanova of Cornell University says Spain no longer views Latin America as a land of opportunity. The region's growth has been disappointing. High inflation has suppressed disposable incomes. As Spanish firms mainly operate in Latin America's service sectors, they are particularly sensitive to income trends. Depressed real wages, stubborn unemployment and persistent inequality do not inspire confidence in the region's market potential. And even when firms make profits, most Latin American currencies are weak; so this money has less of an impact when calculated in euro-denominated company accounts in Spain.

Messy politics has not helped. Ties between Spain and Argentina have been strained since May, when Argentina's president, Javier Milei, called the wife of Spain's prime minister, Pedro Sánchez, "corrupt". Spain withdrew its ambassador from Buenos Aires in response. The post was vacant for five months, before Spain grudgingly reinstated its ambassador in late October. Such spats do not necessarily curb investment, but they are not useful. In 2024, after 25 years of negotiations, a free-trade agreement between South America's Mercosur trading bloc and the EU was at last signed by all parties. But the EU must still ratify it, and that is not a certainty.

If money were pouring into Latin America from other places, Spanish reticence would be less troubling. China has been an important source of FDI in the region, but this is aggravating relations with the United States. Donald Trump, its president-elect, will probably toughen the country's stance towards Chinese investment in countries that then sell products on to the United States. Latin America risks getting caught in the crossfire. The new apathy of Spanish firms leaves the region particularly exposed. ■

## Climate change in Central America

# Washing away

LA CEIBA

Honduras and its neighbours are vulnerable to climate change, and are ill-prepared to deal with it

**“WE DON’T HAVE** anything left,” says Julio Balico García, a farmer from Río Viejo, a village in Honduras’s Atlántida department on the country’s Caribbean coast. When a tropical storm called Sara hit Central America in mid-November, his concrete house was washed away. Only one jagged wall remains.

The storm wreaked havoc nationwide, leaving six dead and displacing over 6,000 people across Honduras. It was far from the most damaging storm to have hit the country; Hurricane Mitch killed 7,000 Hondurans in 1998. But Sara highlights even more starkly the extent to which the governments of Honduras and the countries around it are unprepared for a warmer future, with more damaging storms smashing their way out of the Gulf of Mexico more often than before. Without better adaptation, storms like Sara and other extremes of weather could reduce Honduras’s GDP by 5.4% by 2050, according to the World Bank. Further climate change may push the costs even higher.

### Storm-shocked

Weeks after Sara made landfall, Honduras remains on an emergency footing. At least 11 bridges have been destroyed, cutting off 2,500 villages. “We should not still be in emergency mode,” says Edgardo Amaya, head of the Municipal Emergency Committee in La Ceiba, a port city that is Atlántida’s capital. Though tropical storms are common in the region—Honduras recorded 18 of them as well as 16 hurricanes this season—they continue to take the authorities by surprise, hitting ever harder and more widely. “No one is fully prepared,” says Darwin Cantarero from the Permanent Contingencies Commission in Colón, one of the worst-hit departments.

Honduras and its Central American neighbours are doing very little in terms of long-term planning for climate-risk mitigation and adaptation; and few risks loom larger than the increased intensity and frequency of storms as the world warms. Instead, held back by high levels of crime, political corruption, mass emigration and deep poverty—in the Western hemisphere only desolate Haiti is poorer—Honduras lurches from one emergency to the next.

When destroyed infrastructure is rebuilt, it is often done without ensuring that it can survive the next storm. In La Ceiba locals are stuck in traffic because Sara split

one of the city’s two main bridges in half; the same bridge had been destroyed by previous hurricanes, in 2020. “Had the project been designed with climate change in mind...the lifetime cost would have been much lower than the total cost with reconstruction,” says Eduardo González, a climate-change expert at the Central American Bank for Economic Integration.

Treating climate disasters on an event-by-event basis is economic nonsense. Politicians in the cash-strapped country may think they cannot afford to adapt to climate change, but what Honduras truly cannot afford are the recurrent setbacks as a result of failing to invest in resilient infrastructure. The World Bank has estimated that such resilience would cost 3% more upfront but would reap returns of \$4 for every \$1 spent. The need for adaptation will become clearer and more urgent as extreme-weather events become more powerful and frequent.

The effects of inadequate climate adaptation could reach beyond Honduras and Central America. A devastated agricultural sector might cause regional food prices to soar. Supply chains may be disrupted. And climate refugees will increase. Between 2000 and 2020 the rate of Hondurans emigrating doubled. The first wave was caused by Hurricane Mitch in 1998, which resulted in losses equivalent to 60-70% of annual GDP and led the United States to grant “tem-

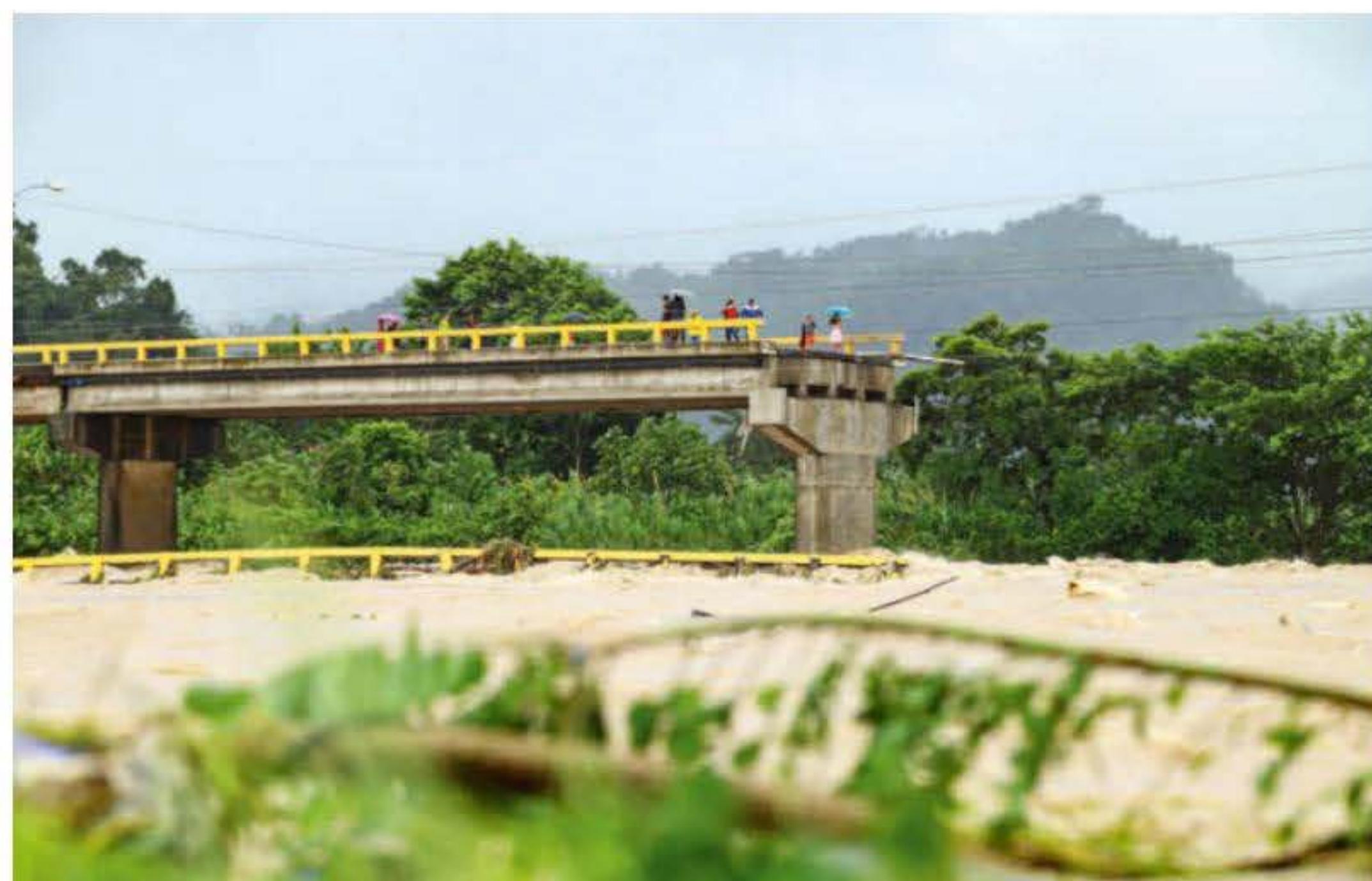
porary protected status” to fleeing Hondurans. One study suggests that hurricanes in Central America and the Caribbean already spur emigration to the United States that is about 6% higher on average than it would otherwise be.

Sara is part of a worrying pattern of intensifying climate events across the region. Storms bring more rainfall than they used to, and droughts are even more severe. Climate change makes oceans hotter, which in turn makes the storms that form over the water even fiercer, points out Diego Obando Bonilla, a climate professor at Zamorano University. According to the World Meteorological Organisation, a UN agency, 2023 was a record year for climate-related hazards in Latin America and the Caribbean, resulting in extreme heat, hurricanes and droughts.

### Wake up, dozy leaders

Honduras seems to be less prepared every time a climate disaster strikes. The impact compounds, leaving the country more vulnerable with each storm. Solutions are available but are rarely implemented. Honduras needs better territorial planning, particularly to avoid construction in high-risk areas. Commercial farmers should invest in new technologies and practices to improve water management. They should also use sustainable materials and conserve or plant trees that can act as shock-absorbers when extreme weather inevitably arrives.

The country’s political leaders have yet to learn these lessons. Foreign governments, development banks and NGOs are focusing more on climate adaptation, but they alone cannot make Honduras better prepared. Some of the country’s officials, meanwhile, simply cling to faith. “It’s in God’s hands,” says Colón’s governor. ■



A bridge abridged

## Asia



### Climate change in India

## Adapt or fry

BANGALORE, MUMBAI AND WAYANAD

**As heat, floods and drought get worse, Indians are getting creative**

THE FLOOD waters were rising and Sunanya Ashin realised she had to get out of her house. Her husband tried to open the back door, but it was blocked by shifting mud. So they wrapped their two-year-old in a blanket and waded through the front doorway, as their wardrobe floated off and the houses around them started to slip down the hill. They found safety. But 17 of their neighbours died in the flood.

Adapting to climate change in India will be tough. The country is poorer and hotter than the global average, and crams 1.4bn people onto a land mass slightly larger than Argentina. In the first nine months of 2024 it suffered at least one “extreme weather event”, such as a flood or a cyclone, on more than 90% of days. July to October saw the highest recorded minimum temperatures since 1901. India is the most water-stressed country in Asia, says the World Resources Institute (WRI), an NGO (see map on next page).

Regardless of future global emissions of greenhouse gases, all these problems will get worse for years to come. Estimated spending on adaptation rose from 3.7% of GDP in 2015 to 5.6% in 2021, a huge sum that the Indian Institute for Human Settlements (IIHS), a research body, nonetheless calls “grossly inadequate”. And the obstacles to adaptation are not merely financial. India also needs political will and the spread of know-how, old and new.

For Ms Ashin, adapting has meant moving. She lives in Wayanad, a mountainous district in Kerala. A landslide, caused by heavy rain, destroyed her village and her

family's eight-acre cardamom farm in 2019. Like all her surviving neighbours, she has upped sticks and started afresh. “People who used to own their own farms are now labouring on other people's,” she says. The World Bank predicts that climate change will force 10m-40m people in South Asia to migrate within their countries by 2050.

To avoid future tragedies, researchers in Wayanad are devising early-warning systems. Landslides are more common because extra heat causes more seawater to evaporate, making the monsoon more intense. Sometimes half a metre of rain is dumped on Wayanad's slopes in a single day. At some point, the soil “can't hold that much” and collapses downhill, says C.K. Vishnudas of the Hume Centre for Ecology and Wildlife Biology, another NGO. If a village is below, it can be smothered by a wall of mud and debris moving faster than the Indian speed limit. Another landslide in Wayanad in July 2024 killed hundreds.

The Hume Centre has been gathering microdata about rainfall. It has laid a grid over the map of Wayanad's landslide-prone areas and trained farmers in every square to operate rain gauges and upload measurements to a WhatsApp group. This lets boffins at Hume estimate how water-sodden and unstable each patch of mountainside has become, so that villagers can be told when to evacuate, and where to. ➤

#### → ALSO IN THIS SECTION

**25 A slowing Thai economy**

**25 India's meagre tourist industry**

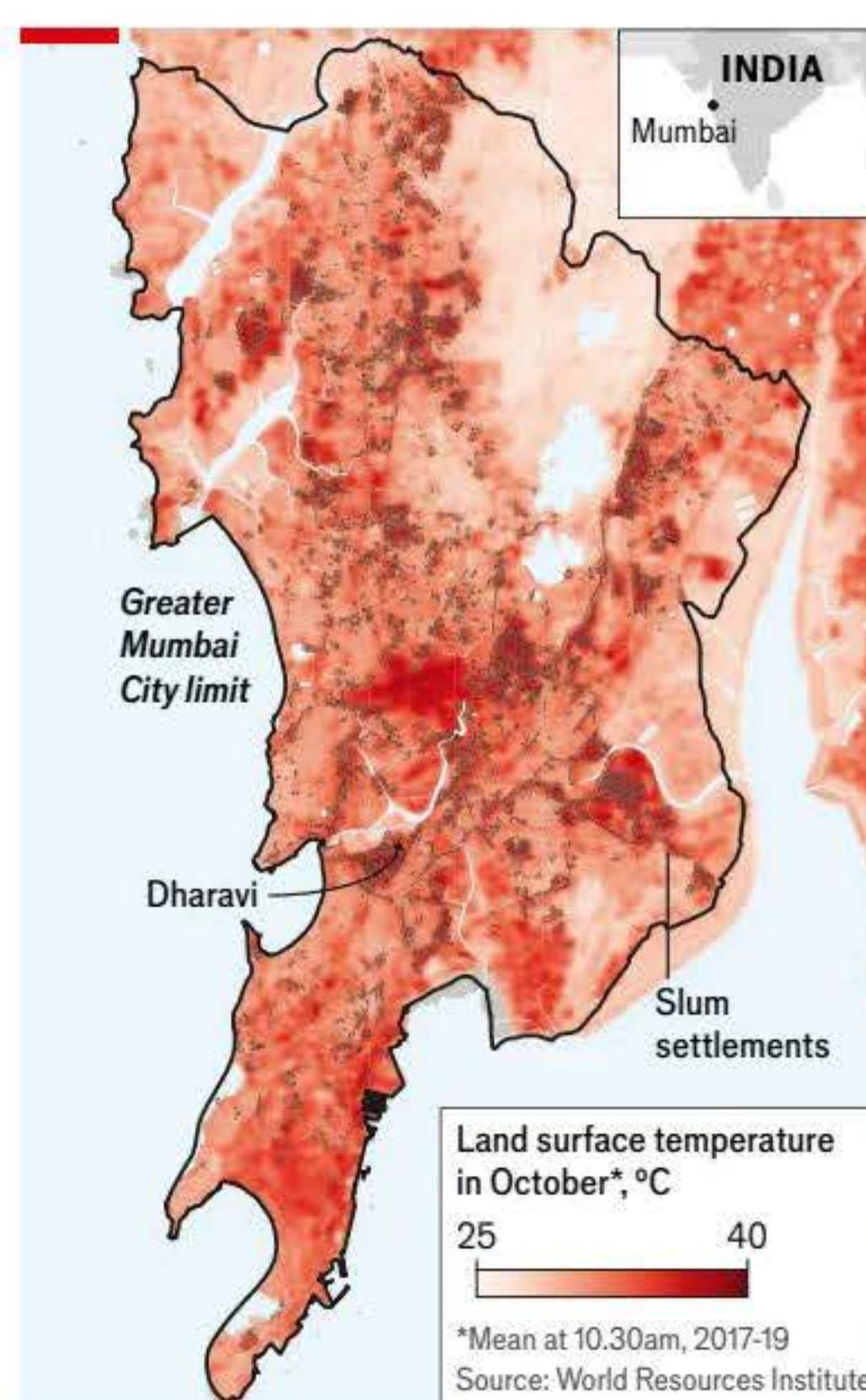
**26 Banyan: Friends and foes in the sky**

Information is a tool to fight heat, too. No one knows how many people perished in the heatwaves of 2024, but 33 poll workers died in one day in one state during the country's long election. The worst heatwaves in India will be three times as common if global warming is kept to  $1.5^{\circ}\text{C}$ , and five times if it hits  $2^{\circ}\text{C}$ , by one estimate.

The problem is most acute in cities, where the poor squeeze tightly under tin roofs. Many run micro-businesses from home, frying snacks for sale or operating machines that generate yet more heat. Slums are much hotter than richer areas, which have more shade and open space. Temperatures in October in Dharavi, a Mumbai slum that squashes 1m people into 2.4 square kilometres, are five degrees higher than in Matunga, a posher suburb next door (see map). The effect of humid heat on outdoor workers costs India the equivalent of 7% of GDP each year, estimates Luke Parsons of Duke University.

More than 100 Indian cities, districts and states have drawn up "heat action plans", which involve planting trees, opening water kiosks in public spaces, issuing warnings and so on. Chandni Singh of IIHS and her co-authors assessed ten such plans and found them promising but inadequate. More radical change is needed, she argues, starting with heat-resilient building codes. Others call for a shift from concrete and glass to more naturally ventilated buildings with courtyards and fans.

Of all the climate-aggravated threats to Indian livelihoods, water scarcity seems the most urgent. With 18% of the world's population, India has only 4% of the world's fresh water, and 17 of its 28 states suffer "high" or "extremely high" water stress, according to WRI. This is likely to grow worse around population centres such as Bangalore, India's tech capital. Almost all Indian cities rely on costly engineering to bring in fresh water from distant sources that "will completely run out" if conservation does not improve, accord-



ing to a new report from the Centre for Science and Environment (CSE), a think-tank in Delhi. In March 2024 Bangalore came close to running out of water: half its 14,000 boreholes ran dry. It avoided disaster by penalising wastage, promoting recycling and paying for extra water to be trucked into poor neighbourhoods. But the problem is far from solved.

Bangalore sits on a dry plateau 600m above and 100km away from the Cauvery river, its main water source. The liquid is pumped expensively uphill through leaky pipes to supply a population of 14m (up from 5.6m in 2000). In the rainy season ill-designed drains overflow, streets flood and water is wasted. During the dry season, the city's thirst for river water leaves the surrounding countryside parched.

By one estimate, only a third of the water Bangalore residents use is recycled. Ef-

forts are being made to increase this. Under one scheme, urban wastewater is cleaned up—not to a level fit to drink, but enough to irrigate crops—and used to replenish depleted rural groundwater.

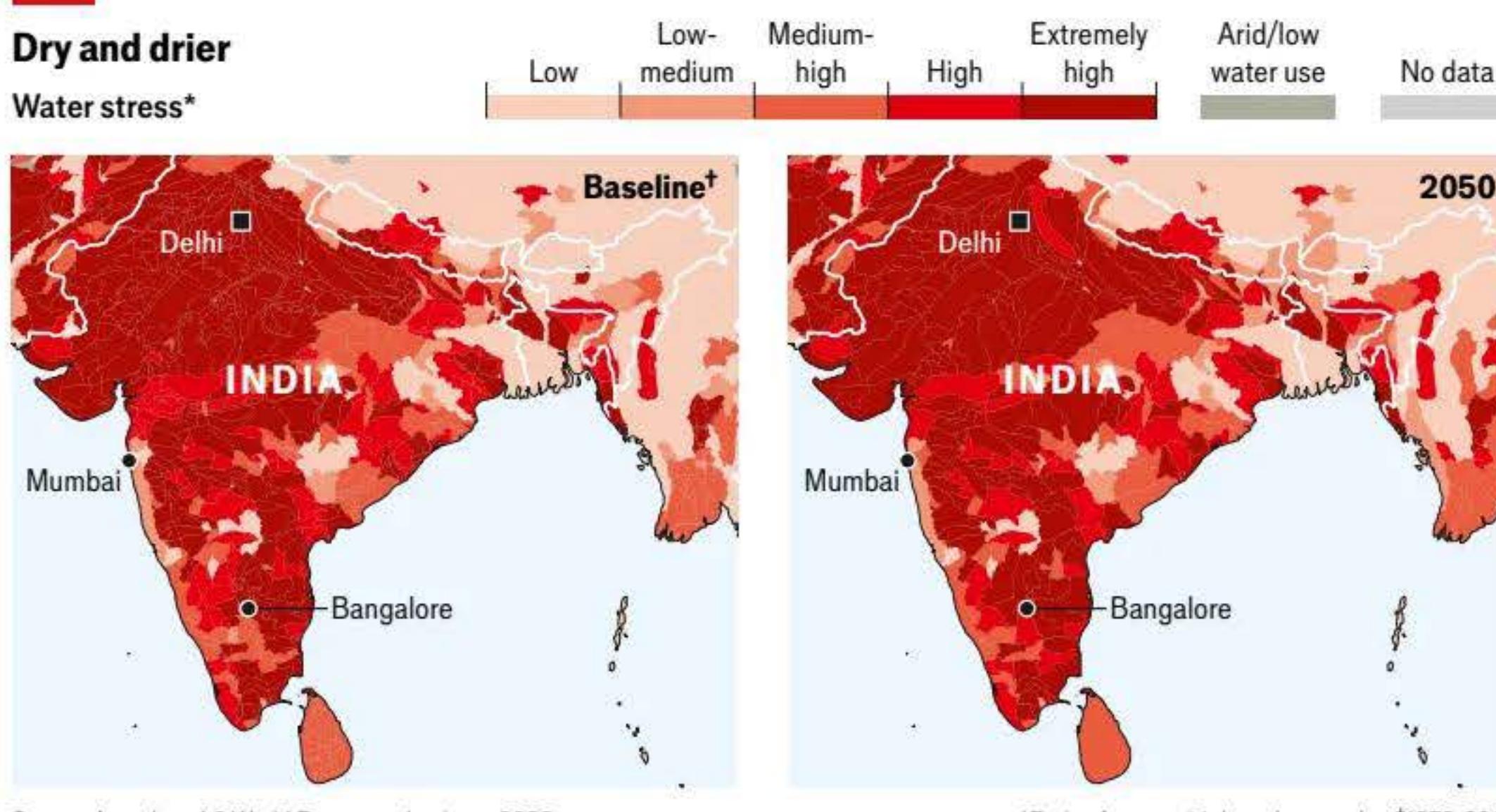
Naveen Kumar, a pomegranate farmer, says he previously had to drill down 200m to find water, but now has to drill only a third as deep. He is relieved. But he still worries that the water could run out one day, so he has switched to drip irrigation. If all farmers were as prudent, less water would be wasted, but incentives are skewed. Farmers pay nothing for water beyond the cost of pumping it, and even that is subsidised. So the landowners closest to canals often grow water-guzzling crops like rice and leave little for the (often lower-caste) farmers farther away.

Donors, from the World Bank to big Indian firms (which are required to give away 2% of their profits), are eager to fund water projects. Such schemes hook up more downstream farmers to irrigation ditches and persuade upstream farmers that they could make more money growing less thirsty crops, such as exotic vegetables. This requires testy negotiation, says Veena Srinivasan of Well Labs, another NGO. Farmers, in exchange for being connected to a water source, must sign contracts agreeing to plant less rice on their land. It also requires technology: Well Labs uses satellite mapping and AI to measure what works.

Urban households underpay for water, too, but companies in Bangalore are charged much more, and large buildings have to treat their own wastewater. This creates a demand for water-management services, which the city's busy cluster of tech firms is eager to satisfy.

India is so big and decentralised that it will be hard to keep track of how well it adapts to climate change. The rich, inevitably, will cope better, since they can afford air-conditioning and homes on higher ground. But they have to breathe the same air as everyone else, so the fact that air pollution in cities like Delhi has grown unbearable could spur greener policies.

The most sophisticated cities will probably adapt most quickly. In Bangalore people tend to pay their water bills, notes Aromar Revi of IIHS; in poorer places they often don't, making it hard to run a rational water system. Water management is improving in most Indian states, but an official survey in 2021 found that 22 out of 54 cities with more than 1m inhabitants were doing nothing at all to recycle the precious liquid. Caste prejudice does not help: some Indians recoil from using recycled water because human waste is associated with ritual pollution. Still, Sunita Narain of CSE offers a note of optimism. As climate change worsens and the need to adapt becomes obvious, innovation will speed up, she predicts. She had better be right. ■



## Thailand's economy

# Wheels of fortune

SINGAPORE

## Falling car production is a sign of a deeper malaise

**I**T IS NOT for nothing that Thailand is called the Detroit of South-East Asia. In its heyday the country built a car-export powerhouse by combining Japanese auto-making know-how with a competitive network of Thai car-parts suppliers. It is still South-East Asia's biggest carmaker. Yet the production lines are not thrumming as they once did. On November 25th the Federation of Thai Industries, a trade group, said the country's annual car output would probably sag to 1.5m units in 2024, 18% lower than in 2023 and 39% down from peak production a decade ago. Suzuki and Subaru, two Japanese carmakers, are closing down factories in Thailand.

Partly this stems from a tough market. EVs built by Chinese firms in Thailand have elbowed out Japanese competitors, which tend to rely more on Thai parts suppliers. But the bigger culprit is stifling household indebtedness, which has climbed ever higher since 2011, when the government launched a tax rebate for first-time car- and homebuyers. Thai households carry debt worth 92% of the country's GDP, a bit shy of the 99% ratio America reached in 2007.

It is not just the car market that is struggling. Silver linings in Thailand's economy are becoming increasingly hard to find. Growth is meagre. Thailand's working-age population began contracting in 2018, and the rate of shrinkage is accelerating. High household debt is hurting consumers by diverting income towards repayments: private consumption has stopped growing and consumer confidence is low.

The Bank of Thailand (BOT) will struggle to fix this. In October the central bank lowered interest rates to 2.25%, surprising economists; further cuts could reduce interest payments for households. But that would risk weakening the baht, which is already under pressure, given the gap between Thai rates and those set by America's Federal Reserve. The BOT is also reluctant to lower rates much further, lest it be left without monetary-policy ammo during a crisis, says Chitchanok Annonjarn at the Asian Development Bank.

Political instability has not helped. In August Srettha Thavisin, then the prime minister, was removed by Thailand's constitutional court. One veteran Asia private-equity investor (not usually the type to be scared) says Thailand offers the worst of both worlds: high political risk in a low-re-

ward economy. On top of all this the country's long-term competitive position is in doubt. Despite a recent bounce in exports, Thai export industries, which make up two-thirds of GDP, are dominated by old-school firms selling into shrinking markets. Thailand assembles the bulk of the world's hard-disk drives. Attempts to pivot to more innovative product lines, such as the manufacturing of semiconductors, are only now ramping up.

Since a military coup in 2014 halted its economic integration with the world, Thailand "has lost a lot of time", says Miguel Chanco of Pantheon Macroeconomics, a consultancy. Competitors like Vietnam spent the decade since then inking trade deals with South Korea and the EU. By contrast, talks on a Thailand-EU free-trade deal were revived only in 2021. ■

## Tourism

# Why you're not on holiday in India

MUMBAI

## A fabulous destination for foreign tourists does little to lure them

**S**EEING THE Taj Mahal was on Bram van der Meij's bucket list. His wife, however, could not stomach the idea of the long journey. So the 75-year-old Dutch-American made the trip on his own. He took in the "golden triangle" of Delhi (which boasts fine food and architecture), Agra (the Taj Mahal) and Rajasthan (palaces, forts, arts and crafts), before spending a few days in Kerala.

Before all that, though, Mr Van der Meij found himself making a detour to Nepal



Pack your trunks

because of complications with his Indian visa. When he did make it to India, the country's bureaucracy and heavy-handed airport security were off-putting, while the traffic and pollution were enough for him to decide against returning soon.

Mr Van der Meij is the sort of tourist most countries fight over: someone who is genuinely enthusiastic, visits for a long time, seeks to travel in comfort and is willing to splash out a bit. And India, with its 43 UNESCO World Heritage Sites, rich history, natural beauty and many delicious cuisines, should be a magnet for travellers. Yet the continent-sized country is an underachiever as a destination. Foreign tourist arrivals peaked in 2019 at 10.9m. That year Dubai (World Heritage Sites: zero) attracted 16.7m visitors. In the first half of 2024 Dubai's numbers grew by 11% compared with 2019. India's fell by 10%.

Overseas tourism is booming around the world, but India is being left behind. Most countries see tourism as a valuable export industry that generates foreign exchange, taxes and employment. It contributes about a tenth of global GDP and accounts for one in ten jobs. Many countries in Asia and the Middle East—including places such as Uzbekistan and Saudi Arabia, which until recently were closed to tourists—are falling over themselves to make it easier for tourists to visit. Several have abolished or eased their visa regimes.

India, on the other hand, closed its few remaining overseas tourist offices in 2023. The budget for tourism promotion abroad was slashed by two-thirds from 1bn rupees (\$12m) that year to just 330m in 2024. Though domestic travel is booming, tourism's contribution to GDP declined from 5.8% in 2002-03 to 5.2% in 2019-20, according to the government's figures. Rajiv Mehra, the president of the Indian Association of Tour Operators, an industry group, complains that the government "thinks that India is such a destination that people will come running on their own".

Indeed, the government is targeting 100m annual foreign tourist arrivals by 2047. That implies an average growth rate of 15% every year, well above the 8.5% between 2001 and 2019. By then, it is possible that India will have tackled some of the big, chronic problems identified by Mr Van der Meij and which affect all Indians, not just visitors. But there are plenty of things the government could do immediately.

The most important is marketing. India needs "to be in the consideration set of tourists when they are choosing a destination", says Pushan Sharma of CRISIL Market Intelligence and Analytics, a research outfit. This includes traditional efforts such as advertising and attending trade fairs, but also inviting social-media influencers, who wield enormous clout among youngsters, to visit the country. ■

► Next, having intrigued travellers, India must make it easier for them to visit. To its credit, the government replaced the onerous process of applying for visas in person with online e-visas. But that was a decade ago and the process remains unpredictable and fiddly; it requires using a website that looks like it was designed during the dot-com boom. Most countries in South-East Asia and the Middle East have slicker sites. Many offer either visas on arrival or visa-free entry.

Lastly, it is important to make life easier for tourists when they do arrive. India has made great leaps in digital infrastructure. Modern airports in big cities are equipped with biometric gates that make it easier to get through the multiple checkpoints. Electronic gates are speeding up passport control. But these things work only for Indians, infuriating foreign travellers.

Getting first-timers into the country is crucial. Most visitors, despite the hassles, have a good experience, says Neil Patil of

Veena World, a tour operator. Along with social media, recommendations from friends and family are the chief reason people decide to travel to a given destination. One happy tourist can net another five, reckons Mr Sharma. Even Mr Van der Meij, despite his sub-optimal experience, would like to return once India has fixed some of its problems. But “by then I will be 95 and I will be happy to know what day of the week it is,” he says. Next time, he’s going to Japan. ■

## BANYAN

### *Friends and foes*

*The spread of conflict in Asia threatens the safety of air travellers*

THE CRASH of Jeju Air flight 2216 in South Korea captured the world's imagination in the final days of 2024. The events leading to the loss of 179 souls—a bird strike followed by engine and perhaps landing-gear failure—seem terrifyingly random. “It could have been me” is a thought that doubtless passed through millions of minds. It will be months before the full story becomes clear, but such accidents usually end up being attributed to rare combinations of multiple factors. Investigations seek to unravel what happened; airlines and regulators then apply those lessons to make future flights safer. That approach has helped make flying the least dangerous mode of transport.

Yet there is one risk to air travellers that has grown in recent years. It is one that no amount of changes to aircraft design or pilot training or bird-noise machines can reduce. And it is becoming ever more urgent. It is the risk of passenger aircraft being shot out of the sky, and it disproportionately affects routes between Asia and Europe, Africa and the Middle East.

On December 25th Azerbaijan Airlines flight 8243 was on a regular service from Baku, in Azerbaijan, to Grozny in Russia's Chechnya region. It never made it. The aircraft instead plummeted to the ground on the shores of the Caspian in Kazakhstan, killing 38 people. At the time of the incident, says Russia, Grozny was under attack from Ukrainian drones. The evidence points to an accidental shootdown by Russian air defences. In another accident, on December 22nd an American warship shot down an American fighter jet over the Red Sea.

The frequency of such events is growing. Four commercial aircraft have been downed by missiles this century: Siberia

Airlines flight 1812 was shot down by Ukraine over the Black Sea in 2001. Thirteen years later Malaysia Airlines flight 17 was brought down by Russian-backed separatists over eastern Ukraine. Six years after that, Iran shot down Ukraine International Airlines flight 752 as it took off from Tehran. The Azeri plane came to grief just five years later.

A broad slice of the world is mired in conflict. Wars in the Middle East involve Israel, Iran, Lebanon and the Houthi rebels in Yemen. Their missile exchanges also affect airspace over Iraq, Jordan, Syria and the Arabian peninsula, rendering a wide swathe of the Middle East vulnerable. To the north, Ukraine's airspace is closed while Russia's is subject to regular incursions by Ukrainian missiles and drones. The skies above Sudan, too, are closed to commercial traffic and many airlines avoid flying over Libya. The Red Sea is bristling with warships. With Russian airspace off-limits to Western airlines, much of the air traffic between Asia and regions to the west of it is squeezing into fewer available routes.

In October a passenger on an Emirates flight from Amsterdam to Dubai filmed missile launches from her window when over Iran. In the early hours of December 31st Russia downed 68 “military-grade weaponised drones”, forcing the diversion of at least five flights, according to Matthew Borie of Osprey Flight Solutions, an aviation risk-management company. Another catastrophe is a matter of when and not if.

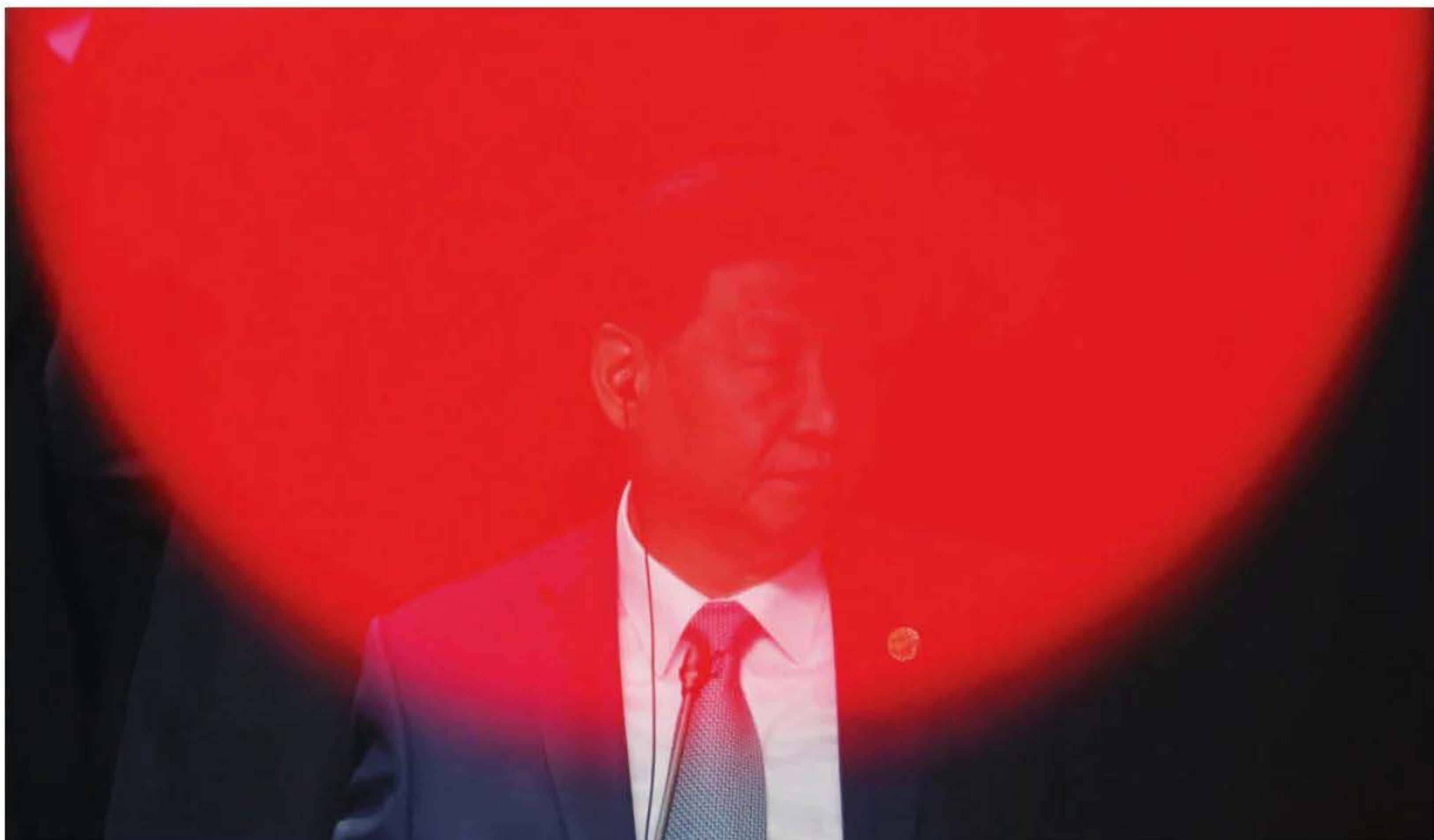
There are no easy fixes to the problem. The Convention on International Civil Aviation, to which every country on Earth, except Liechtenstein, is a signatory, already requires countries to “refrain from resorting to the use of weapons against civil aircraft in flight”, and to promptly communicate potential risks posed by conflict. Both civil and military aircraft have transponders that answer ground-based queries, revealing whether they are “friend or foe”.

But these systems are less effective in modern conflicts. Electronic warfare can mask such signals, leaving air-defence forces guessing about the identities of the planes above them. The use of drone swarms, along with cruise and ballistic missiles, fills the skies with dangerous objects. And the idea that Russia and Ukraine, or Israel and the Houthis, would issue airspace-closure warnings before launching missiles at each other is a non-starter.

What can be done? One answer is for Ukraine and Russia to make peace, Israel and its neighbours to get along, Sudan to wind down its bloody civil war and Libya to unfail. Another is for airlines to be braver about cancelling or rerouting flights based on real-time intelligence, even at the risk of annoying passengers and driving up fares. Neither answer offers much reassurance.



## China



**The year ahead**

## Much to worry about

A struggling economy, rising social tensions and the return of Donald Trump will test Xi Jinping

SOON AFTER he took power in 2012, Xi Jinping urged caution about China's prospects. "The further our cause advances," he told fellow leaders, "the more new situations and problems will arise, the more risks and challenges we will face and the more unforeseen events we will encounter." As China's economy flounders and social tensions increase—and with Donald Trump about to enter the White House—the coming year will be full of the kind of difficulties Mr Xi feared.

The possibility of Trump-induced tumult in the relationship between the world's two strongest powers is a big and immediate worry. Decisions made by America's next president and his mostly China-hawkish team will affect matters that Mr Xi regards as critically linked to the Communist Party's grip on power. First is the economy. Mr Trump has threatened to impose a 60% tariff on imports from China, on top of a rise of 10% if China fails to curb exports of fentanyl, a synthetic opioid

that kills tens of thousands of Americans a year. Some analysts say these increases could knock more than two percentage points off China's economic growth.

There is much uncertainty about how fast the tariffs will be raised and whether Mr Trump is really determined to push them so high. But if imposed as advertised, they could deal a hefty blow to China at a time when the country is struggling to revive the badly battered confidence of households and businesses amid a property-market slump and a scarcity of jobs.

Mr Xi would have no easy remedies. He may respond by beefing up the stimulus measures that he began unveiling in September, but the caution that has settled in among consumers and investors suggests

that he may struggle to achieve the desired effect. He could allow the yuan to devalue in order to keep Chinese exports competitive despite extra tariffs. But that could further sap the confidence of investors and prompt capital flight. It may also exacerbate tensions with major trade partners, many of whom already think China is flooding their markets with cheap goods.

Another year in the economic doldrums would turn citizens gloomier. In 2024 their stress became more evident. One sign was a rise in random acts of violence against members of the public, dubbed by China's state media "revenge on society" attacks. These have often involved knifings and the driving of cars into crowds. Such incidents are hardly unique to China, but the party is clearly worried. Officials have called for such cases to be dealt with "severely, strictly and swiftly": a phrase that often heralds brutal justice with hasty, pro-forma trials that result in long jail terms or executions.

In 2025 expect the term "social work" to feature prominently in party rhetoric. This is not so much about providing services for people in need, but about ensuring order by strengthening the party's grassroots control. Mr Xi set the tone in November at the first meeting of the Central Social Work Department. He said its functions were "vital to the party's long-term governance" and to "social harmony and stability". The department's work could entail ➤

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reinforcing efforts to ensure that party committees use their voices in the management of private firms, and that they keep the authorities informed of anything that could trigger unrest. With many firms cutting wages or laying people off, the party wants eyes and ears in every workplace.

State media occasionally admit that troubles are brewing. In December Xinhua, the official news service, referred to a “complicated and challenging environment of increasing external pressure and growing internal difficulties”. But at the annual session of China’s rubber-stamp parliament, the National People’s Congress (NPC), beginning on March 5th, delegates will be under pressure to sound upbeat. They will probably repeat the phrase used by Mr Xi in his New Year address on December 31st: “China’s economy has rebounded and is on an upward trajectory.”

Much attention will be focused on the target for economic growth in 2025, which will be announced at the meeting. To bolster confidence, the government may repeat the goal for 2024 of “around 5%”. Officials’ recent calls for “extraordinary” efforts to buoy the economy suggest they are preparing to aim high. One such measure could be an increase in the headline budget deficit from about 3% of GDP to 4%, according to Reuters, a news agency. This would mean extra government spending of about 1.3trn yuan (\$179.4bn), it reckons.

The NPC is likely to gloss over politics. Yet turmoil at the top of the armed forces will be on the minds of many of the nearly 3,000 delegates, about 280 of whom are military personnel. In November Admiral Miao Hua, who ranked fifth in the high command, was placed under investigation for “serious violations of discipline”—often a euphemism for corruption. Admiral Miao was thought to be close to Mr Xi. By targeting him, Mr Xi may be trying to show that no one enjoys protection from his war on graft. But it also raises questions about his control over the People’s Liberation Army.

Admiral Miao is the highest-ranking of more than a dozen senior officers who have been toppled in the past year and a half. Among them are a former deputy commander of the ground forces and a former naval chief of the military region that includes the South China Sea. The two men’s removal from the NPC was announced on December 25th. The purges may continue. The fate of the defence minister, Admiral Dong Jun, will be closely watched. China has dismissed reports that he is in trouble, but he is believed to be a protégé of Admiral Miao. Admiral Dong’s two predecessors were expelled from the

party in June for alleged corruption.

With so much bothering him at home, Mr Xi may be disinclined to take big risks abroad. He would probably prefer to stand back while Mr Trump tries to secure peace in Ukraine. The war complicates China’s relations with Europe (which resents China’s supply of tech to Russia’s arms factories), but it helps China by sapping Western resources. The question of how to handle Ukraine could cause tensions between European countries and a more isolationist America, the kind of feud that China likes. Mr Xi will keep trying to browbeat Taiwan as well as rival claimants to territory in the South China Sea, though he will probably seek to avoid a big conflict. Mr Trump boasts of being war-averse, but Mr Xi may not fully trust him to steer clear.

As Mr Xi sees it, risks at home and abroad can become entwined in dangerous ways. “If we do not take preventive measures or address them properly,” he told officials in 2016, “they will add up, escalate and evolve, from minor ones to major ones, from regional ones to systemic ones, and from international ones to domestic ones...eventually threatening the party’s governance and state security.” China’s biggest festival, the lunar new year, starts on January 29th. It will be the year of the snake. Mr Xi may want to tread warily. ■

## Hydropower

# Dam!

### China approves construction of the world’s largest hydroelectric project

IT IS SOMETIMES called the “Everest of rivers” owing to its extreme topography. One section of the Yarlung Tsangpo falls 2,000 metres over a stretch of 50km (31 miles). But what interests Chinese officials is the river’s hydropower potential. On December 25th Xinhua, the state-run news agency, reported that China had approved plans to build the world’s largest hydroelectric dam on the lower reaches of the Yarlung Tsangpo, which flows from Tibet into India and Bangladesh (see map).

The dam could generate 300bn kilowatt-hours of electricity annually, according to official estimates. That is enough to meet the needs of more than 300m people and more than triple the capacity of the Three Gorges dam, which is currently the world’s largest. The government hopes the new dam will help China eliminate net emissions of greenhouse gases (or become “carbon neutral”) by 2060. But the project faces many challenges.

According to reports, four to six 20km-



long tunnels will need to be drilled through the Namcha Barwa mountain to divert the flow of Yarlung Tsangpo. That will be hard enough, but the dam’s construction site also sits along a tectonic plate boundary, making it prone to earthquakes and landslides. The engineering task is one reason why the cost of the project is expected to be as much as 1trn yuan (\$137bn), which would make it the most expensive infrastructure project in the world.

In order to build the Three Gorges dam the Chinese government resettled over 1.3m people. It is not clear how many might be displaced by the new dam, which will be in Medog county in the Tibet Autonomous Region. Tibet is no stranger to dams. Dozens have been built there, often raising the ire of locals who feel the government is exploiting the region. In February 2024 the authorities arrested hundreds who had been protesting against another dam that threatened to leave villages and monasteries under water. Similar concerns, as well as fears of harm to the local ecosystem, surround the project in Medog.

Chinese officials play down these worries and say that downstream flows will not be substantially affected. That is unlikely to reassure India and Bangladesh, where the Yarlung Tsangpo is known as the Brahmaputra and is depended on by millions. The three countries have no water-sharing agreement. So the dam will probably add to concerns over China’s ability to control the Brahmaputra, especially in India, which is among the most water-stressed countries in the world (see Asia section).

At least one study (by Chinese researchers) suggests that a big dam on the Yarlung Tsangpo could benefit all the riparian states—if they co-operate—by enabling increased flows during the dry season. But sceptics point to China’s handling of dams on the Mekong river, which have harmed the environment and hurt fishers and farmers downstream. It will take at least a decade to complete the new dam. India and Bangladesh might want to use that time working out how to adapt. ■

## Espionage

# Amateur agents

NEW YORK

## How China turns members of its diaspora into spies

**A**MONG EXILED Chinese dissidents, Tang Yuanjun was well known. He had taken part in the Tiananmen Square protests of 1989 and landed in prison as a result. He later defected to Taiwan, swimming to one of its outlying islands from a fishing boat. America granted him asylum and he settled in New York, becoming the leader of Chinese pro-democracy groups. But in 2024 he was arrested by the FBI. He admits to having used his position to collect information for China and to report on his fellow activists. He did this so that officials in Beijing would allow him to return to China to see his ailing parents.

China's hacking of Western computer networks, such as its alleged breach of America's Treasury Department, has made headlines in recent years. So too have its efforts to steal military and trade secrets. But China has also been pursuing a more subtle campaign, one that involves bribery, blackmail and secret deals, and which uses members of the diaspora to gather information and further China's interests. Britain recently got a taste of this when the authorities there accused Yang Tengbo, a Chinese businessman, of cultivating ties with Prince Andrew, the king's brother, as part of an influence operation. (Mr Yang has said the suggestion he is a spy is untrue and has denied doing anything unlawful.)

America is China's most important target. These types of activities fall under the Foreign Agents Registration Act (FARA), an American law that requires those engaging in political projects on behalf of a foreign actor to register and disclose what

they are doing. In recent years the Justice Department has strengthened its enforcement of the act. The department conducted 25 FARA inspections in 2023, the most since 1985. In 2024 there were several high-profile cases involving China.

One involved Linda Sun, a former aide to the governor of New York who was arrested in September for working as an "undisclosed agent" of China and its Communist Party (CCP). Ms Sun allegedly blocked meetings between Taiwanese officials and state leaders, removed references to Taiwan from communications and hindered efforts to publicise China's persecution of ethnic minorities. In return, she is said to have received millions of dollars in kickbacks and gifts. She has pleaded not guilty.

### Home towns and home truths

The accusations against Ms Sun are straightforward. But many of China's influence operations occur in a grey area. Take the diaspora groups called *tongxianghui*, or home-town associations, which bring together immigrants from particular parts of China. They are ubiquitous in American cities—and under scrutiny by the Justice Department. Association leaders often mobilise voters before elections in America and have ties to local officials. Some organise political activities, such as rallies in support of Xi Jinping or protests against visits by Taiwanese officials.

This is all legal, so long as the organisers act independently. But the line between voluntary action and agent work is fuzzy. Many overseas Chinese support the

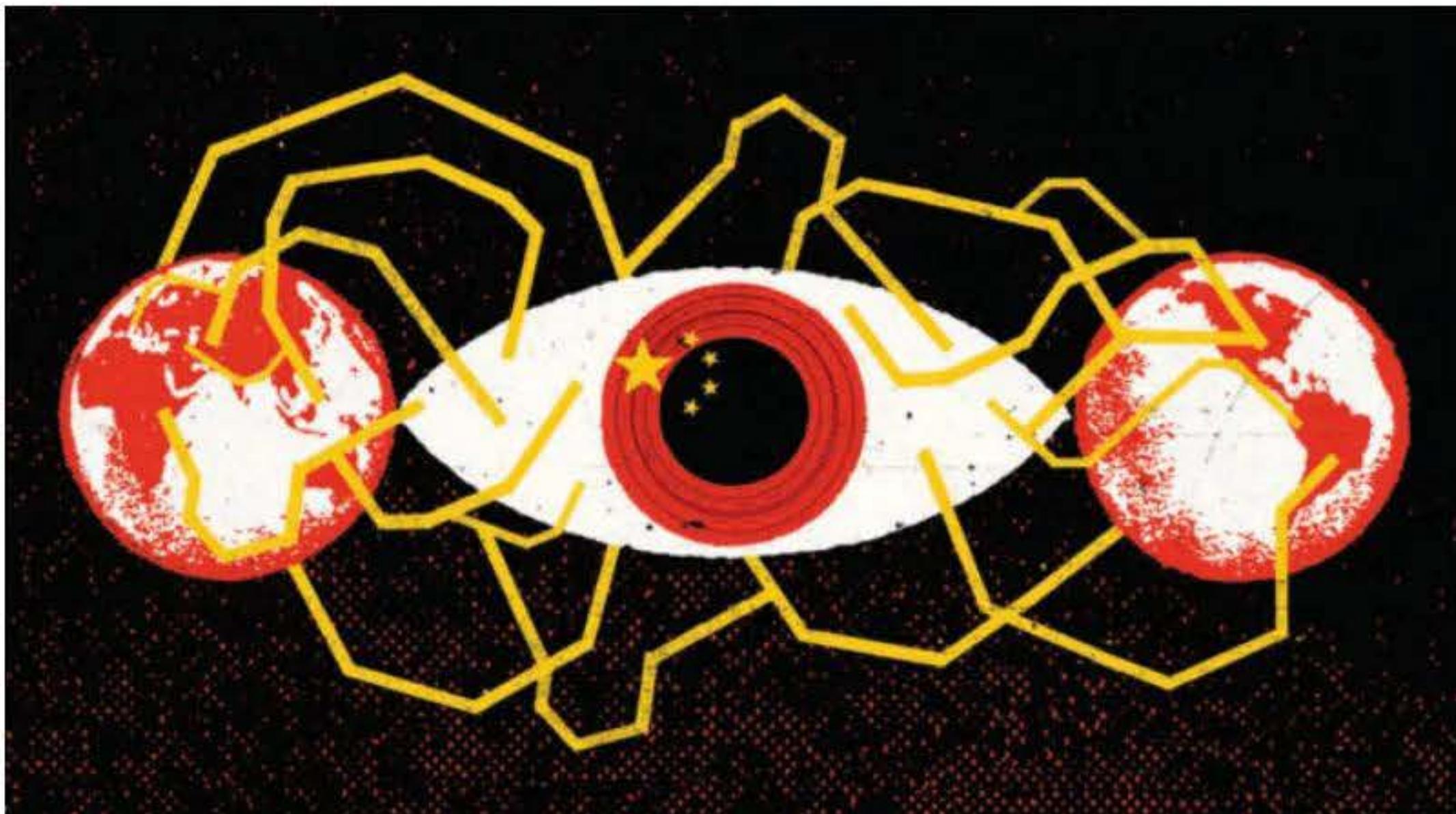
CCP or, at least, are willing to help it because they have businesses or family back home. Only when they receive covert funding, instructions or supervision from Chinese officials do they cross the line into being foreign agents. In 2022 the FBI arrested the head of a Shandong home-town association—not because of his frequent trips to China and friendliness with Chinese officials, but because they suspected him of working with Chinese police to forcibly repatriate another immigrant. Similarly, in 2023 two Chinese men were indicted for allegedly working with Chinese police to operate a "clandestine police station" in a Fujian home-town association in New York. One of them pleaded guilty in December.

American authorities have struggled to combat these efforts without alienating the Chinese diaspora. An anti-espionage programme launched in 2018, called the China Initiative, aimed to stop the country from using "non-traditional collectors", such as academics and scientists, to steal America's trade and technology secrets. Nearly 90% of the defendants charged under the initiative were of Chinese heritage, according to a database compiled by the *MIT Technology Review*. But many of the cases involved questions of "research integrity", with academics accused of failing to fully disclose their Chinese affiliations. Only a quarter of all the cases brought under the initiative ended in conviction.

America's counter-intelligence efforts are meant to make the Chinese diaspora feel safe, says a former official who worked on the China Initiative. "What you don't want to do is over-rotate to a situation where being Chinese equals being a spy." But the initiative left many academics feeling targeted because of their Chinese heritage, says Gang Chen of the Massachusetts Institute of Technology. In 2021 he was charged with failing to disclose connections to Chinese educational programmes when submitting a federal grant application. The indictment was widely criticised; the charges were later dropped.

Many members of the Chinese diaspora welcome efforts to stymie CCP influence. But Zhou Fengsuo of Human Rights in China, an activist group in New York, warns that the heavy-handedness of America's approach has led to distrust of the government. He complains that exiled dissidents receive little protection, making them easier targets for Chinese coercion.

In 2022 the Justice Department ended the China Initiative, saying it led to a "harmful perception" of racial profiling. But in September the House of Representatives passed a bill to revive it as the CCP Initiative. Such efforts may intensify under Donald Trump, who has nominated China hawks for important jobs. As America tries to counter the CCP, it may risk driving more of the diaspora into its hands. ■



## Middle East & Africa



**Security in Africa (1)**

### Out with a whimper

NAIROBI

The patchy record of peacekeepers in Africa is being replaced by something worse

THE NEW YEAR was supposed to herald a bright new era of multilateral co-operation. A slimmed-down peacekeeping force convened by the African Union (AU) but paid for primarily by the UN was to begin battling against jihadists in Somalia on January 1st, replacing a mission reluctantly funded by the European Union. The arrangement was meant to pave the way for similar operations elsewhere, with the African troops fighting local insurgencies henceforth guaranteed reliable international funding. The UN Security Council endorsed the new Somalia mission on December 27th. But it is unlikely to live up to its lofty aims. As 2024 drew to a close, diplomats had yet to establish who would pay for it or which countries would contribute peacekeeping troops.

The story highlights broader challenges facing multilateral peacekeeping in Africa. As geopolitical competition intensifies, it is becoming harder for the UN and the AU to arrange, let alone fund, robust peacekeeping missions. As African governments

turn to less savoury alternatives like mercenaries to deal with new security threats, peacekeeping is becoming yet another casualty of today's messy, multipolar world.

Why should anyone care? Peacekeepers have been accused of propping up weak and illegitimate regimes. Too often they have failed to stop atrocities, or to enforce the agreements they were deployed to monitor. Reports of corruption and sexual abuse abound. Yet Africa, which hosts more peacekeepers than any other region, will probably suffer if their importance continues to decline.

This has been some time in the making. Peacekeeping in Africa had some success in the 2000s, helping to prevent countries

such as Liberia and Sierra Leone relapsing into civil war and nudging them to move towards elections. Yet no new UN peacekeeping mission has been launched in Africa since 2014. In 2023 peacekeepers withdrew from Mali, after a decade fighting jihadists there in vain. Congo's government wants UN troops to leave. And though a UN report in September called for an independent force to protect civilians in war-torn Sudan, neither the Security Council nor the AU is close to authorising one.

One problem highlighted by the fraught Somalia peacekeeping task is money. The UN resolution authorising the mission postpones the question of funding until the middle of 2025. The UN's overall peacekeeping budget fell by more than \$2bn between 2016 and 2024, down from \$8bn to around \$6bn, even as peacekeepers had to handle increasingly complex threats. Nicholas Haysom, who heads the UN's mission in South Sudan, notes that his troops are expected simultaneously to grapple with "six mini civil wars", mediate local peace deals and help prepare the country for elections. "If you over-ask and under-resource, you won't get the results you want," he says.

That undermines the legitimacy of troops whose job, after all, is to keep the peace. "Civilians tend to judge missions by the security they offer, or fail to offer," says Comfort Ero, who runs the International Crisis Group, a Brussels-based think-tank. ►

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**31 Eastern Congo's endless war**

**32 Rebuilding Syria's economy**

**33 The fate of Syria's minorities**

► Many Congolese consider the UN, whose troops arrived 25 years ago, incapable of deterring the armed groups that still harass them (see next article).

Another problem is the changing character of conflict in Africa. Though the role of peacekeepers has expanded from a narrow focus on monitoring ceasefires to “peace-building” and preventing atrocities, the strict limits on letting them actually fight often make them look feeble. Conflict often straddles national borders. Many of the groups involved are jihadist extremists. Faced with such adversaries, many African governments are less interested in negotiation and consider peacekeepers ineffectual. “What is a peace mission if you are facing terrorism?” asks one frustrated AU diplomat.

Until recently, peacekeeping had at least stayed fairly free of geopolitical rancour. In the Security Council “peacekeeping was one of the last things which was consensus-based,” says Arthur Boutellis, a former peacekeeper and author of a new book on the subject. Yet in 2018 Russia and China began to abstain on UN resolutions concerning peace operations. The trend intensified after Russia invaded Ukraine in 2022. Russia has since helped orchestrate the closure of the UN mission in Mali after troops from Wagner, Russia’s mercenary outfit, arrived there. Wagner fighters are said to have threatened UN officials in the Central African Republic (CAR).

Many AU governments have become stridently nationalistic in voicing their disdain for multilateralism. The AU’s new Somalia mission is hampered by a dispute between Somalia and Ethiopia, which has thrown into doubt the participation of Ethiopian troops who were the backbone of the previous mission. A mooted civilian-protection mission in Sudan was scuppered in 2024 over objections from Sudan’s rulers. In 2004, by contrast, the AU had been able to override similar objections by Omar al-Bashir, Sudan’s dictator at the time. “With a clear, coherent political strategy, the region can convince a host government to accept a peacekeeping mission, or at least acquiesce,” argues Solomon Dersso of Amani Africa, a think-tank in Ethiopia. No such consensus exists on the continent today.

So the role of peacekeepers will probably continue to diminish. “I don’t think we are going to see a major, multidimensional UN peacekeeping mission again for a while,” says Mr Boutellis. Donald Trump is widely expected to slash America’s contribution to UN peacekeeping, which could reduce its shrunken budget by another third. The proposed funding mechanism for new AU missions may die on the vine.

Private military companies, such as Russia’s Africa Corps (a rebranded Wagner) and Turkey’s Sadat, are likely to bene-

fit. So are countries offering to hire out their own soldiers. Rwanda, which has intervened to help governments in Mozambique and CAR, hopes to hawk its troops to other countries. The United Arab Emirates, already a big supplier of arms to Africa, is thinking of setting up a foreign legion. Where multilateralism still exists, it will probably be through ad hoc coalitions that will have to offer more robust fighting mandates than conventional peacekeepers have. “Basically, what these governments want are forces which operate more like mercenaries,” says Mr Dersso.

This more fragmented security landscape will probably be worse for Africans. For all their faults, most peacekeeping missions at least had a mandate to protect civilians and pay attention to human rights. Private firms or national armies taking their place rarely have such qualms. ■

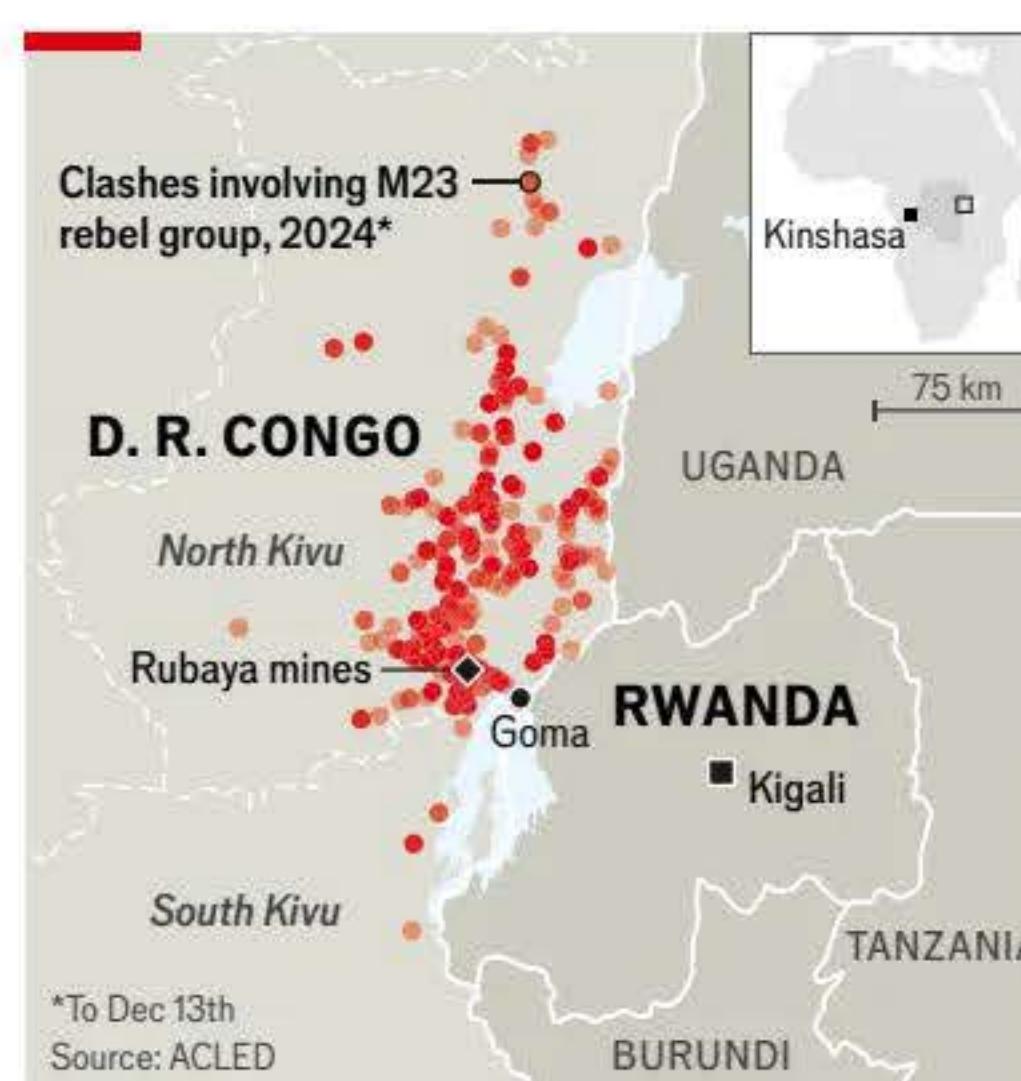
### Security in Africa (2)

## The everlasting war

KINSHASA

**As peace talks collapse again, militias continue to menace eastern Congo**

INTENSE NEGOTIATIONS in the past six months to end decades of chaos and bloodshed in eastern Congo collapsed in mid-December, when at the last minute Rwanda’s president, Paul Kagame, refused to endorse a new deal. He had been expected to shake hands on it with Congo’s president, Félix Tshisekedi, in Luanda, capital of Angola, whose president, João Lourenço, has been entrusted by the African Union (AU) with the task of mediation. The upshot is that a Rwandan-supported rebel group known as M23, as well as an array of lesser guerrilla outfits, will continue to immiserate eastern Congo’s people. At least a million of them in the North Kivu district have fled since a resurgence of



fighting in recent years (see map).

The M23 is a well-armed group named after the date of a long-abandoned peace deal signed on March 23rd 2009. It is led by Congolese Tutsi officers. Sharing the same ethnicity as Mr Kagame, they hark back to their families’ flight from the genocide of 1994 in Rwanda, when at least half a million people, most of them Tutsis, were murdered by the regime that then governed the country. The group gets arms from Rwanda and some help from Uganda. It is supported by 3,000-4,000 Rwandan troops, though Mr Kagame has never openly admitted this in the face of numerous reports, including those issued by the UN and America’s State Department.

Congo’s government began in earnest to pursue a dialogue a year ago, after repeatedly failing to defeat M23 by force of arms. The M23 rebels and their Rwandan allies continue to surround the city of Goma, the region’s hub, and have recently captured swathes of North Kivu. In April M23 conquered Rubaya, which hosts tantalum mines that are said to account for a good 15% of the world’s supply of a mineral used in smartphones; its sales fill the group’s coffers.

Congo’s regular army, which is riddled with corruption, has been no match for M23, though it is propped up by a ragtag bunch of local militias known as *Wazaleando*, a Swahili word meaning “patriots”.

In the past year international pressure to end the fighting has grown. In July 2024 America brokered a humanitarian truce which widened in August into a general ceasefire declared by Angola, the AU’s mediator. The ceasefire has been endlessly broken but Congo’s government has continued to argue that it must be upheld.

As clashes persisted, Congolese and Rwandan spy chiefs hammered out a plan to defuse the conflict. The government in Kinshasa, Congo’s capital, agreed to eradicate the Forces Démocratiques de Libération du Rwanda (FDLR), a militia active in eastern Congo whose original leaders included Rwandan army officers of the majority Hutu ethnicity responsible for the genocide of 1994. Rwanda considers the continued existence of the FDLR an existential threat. In return, Mr Kagame is said to have promised to withdraw from North Kivu the Rwandan troops who have been helping M23, despite his previous denials that they were there at all.

The issue that scuppered the deal was Mr Kagame’s last-minute insistence that Congo’s government should talk directly to M23 as part of an overall deal, a course that Mr Tshisekedi has consistently refused to follow. “Between peace and the M23, Rwanda has chosen the M23,” said Congo’s foreign minister, Thérèse Wagner, after the deal collapsed.

Rwanda’s government argues that it has ►

► always promoted the idea that Congo should negotiate directly with M23, though apparently this was never formalised in the draft agreement. It has also repeatedly complained about links between the Hutu-led FDLR and senior Congolese army officers. Independent observers reckon that Congo's notoriously incompetent and venal army would find it hard to curb the FDLR even if it tried to. Moreover, the observers say, the FDLR is a key part in the Congolese coalition preventing M23 from capturing Goma.

Daniel van Dalen, an analyst for Signal Risk, a South Africa-based consultancy, says Rwanda wants to drag out a diplomatic to-and-fro for as long as possible: "They knew dialogue with M23 was never going to be accepted [by Congo]," he says. "It's a stall tactic." That is little comfort to the people of eastern Congo. ■

#### The new Syria (1)

## The road from ruin

DUBAI

**Syria's new rulers have inherited an economic disaster**

THERE ARE few tougher jobs in Syria. On December 30th the country's interim government named Maysaa Sabrine to head the central bank. A former deputy governor of the bank and the first woman ever appointed to the job, her nomination sent two reassuring messages: that Syria's new rulers recognise the need for technocrats, even those who were part of Bashar al-Assad's regime; and they will not ostracise women from public life.

They need all the expertise they can find. The institution Ms Sabrine leads, like the Syrian economy, is a shambles. Foreign reserves are thought to have dwindled to as little as \$200m, less than a month's-worth of imports. The central bank is under Western sanctions. So is Syria's largest commercial bank. The Syrian pound has lost 99% of its value since the start of the civil war in 2011. At 13,000 pounds to the dollar (see chart 1), a quick trip to the market requires bags full of banknotes.

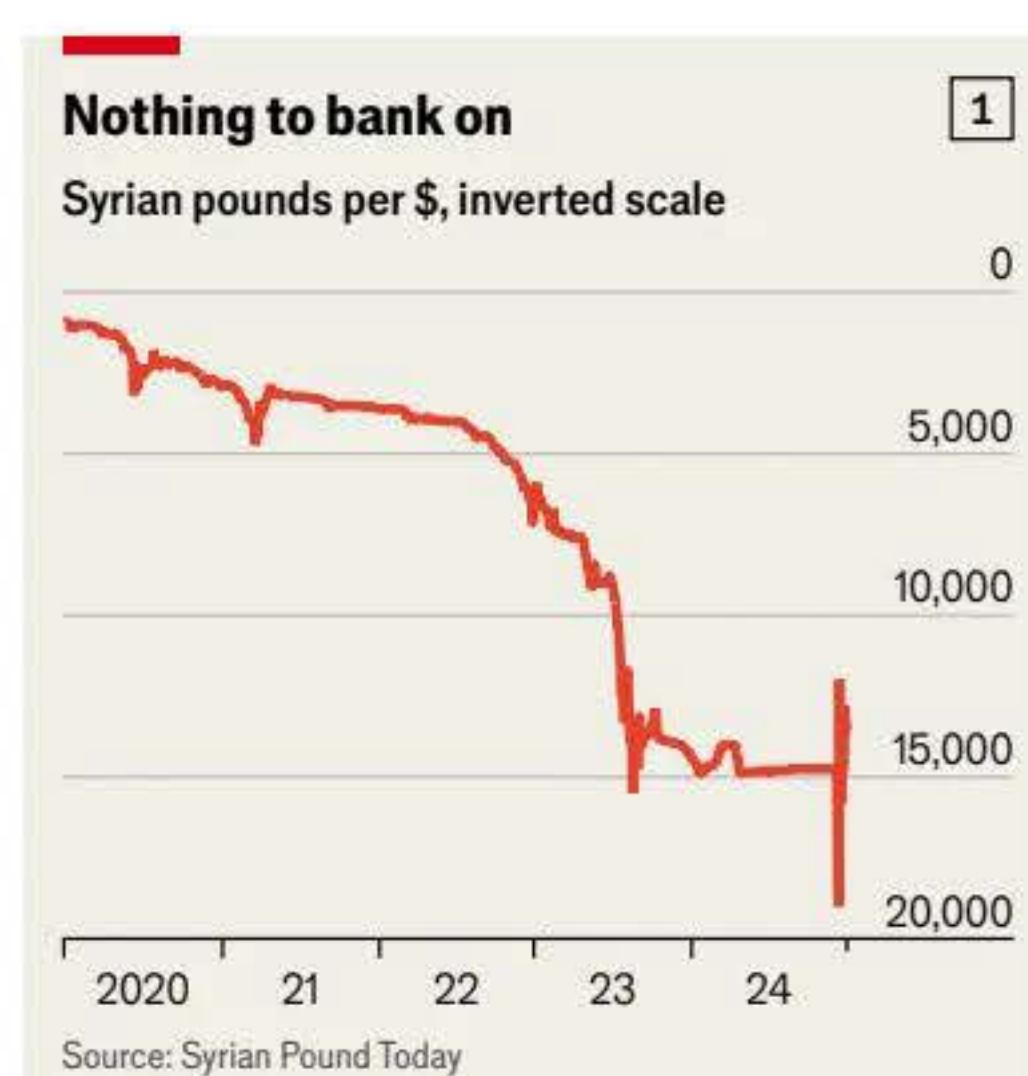
Economic mismanagement was a defining feature of the Assad regime, which ruled Syria for 53 years. Hafez al-Assad, the president from 1971 until 2000, wanted a Soviet-style planned economy. There were no private banks, tight controls on imports and inefficient public industries. His son Bashar flirted with the idea of a more open economy, but it was short-lived. Civil war pushed Syria even further into misery. GDP fell from \$60bn in 2010 to less than \$9bn today. The World Bank reckons that 69% of Syrians live on less than \$3.65 a day.

The immediate challenge for Syria's new leaders is to find hard currency. Oil illustrates the problem. Until 2011 Syria pumped around 400,000 barrels per day, exceeding domestic demand. The surplus, mostly shipped to Europe, accounted for 30-45% of Syria's \$12bn in annual goods exports. Since the war began, however, production has dropped below 100,000 barrels per day (see chart 2 on next page).

Agriculture has suffered, too. Syria was once a net exporter of wheat, though a long drought left farmers struggling even before the war. Harvests have shrunk by nearly half since 2010, and Syria will need to import an estimated 1.6m tonnes of wheat this year. Other sectors have disappeared altogether, particularly tourism, which brought in \$4bn annually.



Construction workers wanted



As the war dragged on, Mr Assad was increasingly desperate for dollars. His regime made it a crime to use currency other than the pound, punishable by up to a decade in prison. Firms that needed dollars to pay for imports had to source them from state-controlled exchanges, which took a big cut. The regime found creative ways to shake down citizens: it required Syrians visiting from abroad to exchange \$100 at unfavourable rates, and forced men to pay thousands of dollars to avoid conscription.

To its credit, the interim government has put a halt to such extortion. But it has few good alternatives. It will take time to boost production at oilfields that have been neglected for years (the largest are controlled by a Kurdish militia, beyond the writ of the interim government). The war did extensive damage to farming infrastructure. Tourists will not rush back.

In the short term the country will have to rely on aid and remittances from its large diaspora. Officials also hope to secure central-bank deposits from friendly Arab states. Asaad al-Shaibani, the interim foreign minister, plans to visit Saudi Arabia on his first trip abroad. Ahmed al-Sharaa, the country's de facto ruler, is trying to manage expectations. "Syria needs a year for citizens to feel drastic changes," he said in an interview last month with a Saudi television network, an assessment that is probably too optimistic.

The obvious way to get Syria's economy growing is to start post-war reconstruction. After 14 years of fighting, the scale of the damage is enormous. Take Aleppo, Syria's second city. A World Bank assessment in 2022 found that 137,000 of its 660,000 homes had been damaged, while 25% of its bridges are unusable and 35% of its hospitals damaged. Its power plant, the largest in Syria, is out of service.

Fixing all this will provide jobs for hundreds of thousands of Syrians. Expertise and raw materials may come from Turkey, which has good relations with Syria's new rulers and a big, politically connected construction industry. Investors there are opti-

mistic. Shares of Limak, a Turkish cement firm, are up by 17% since Mr Assad fled. But Turkey lacks the money to pay for reconstruction, which may cost between \$250bn and \$400bn.

That will probably have to come from wealthy Gulf states. It is hard to see Donald Trump's America stumping up much, nor a European Union (EU) stretched by its commitments to Ukraine. But some worry that Gulf states will funnel money to pet projects and favourite groups.

For now, it will be difficult for anyone to fund the government because it is covered by a thicket of sanctions. America has blacklisted roughly 700 people and firms in Syria. Other sanctions take aim at the country itself. In 2019 Congress passed the Caesar Act (named after a Syrian army defector who documented regime atrocities) that targeted energy and construction. Hayat Tahrir al-Sham, the Islamist outfit led by Mr Sharaa, is banned as a terrorist group by America, Britain and the EU.

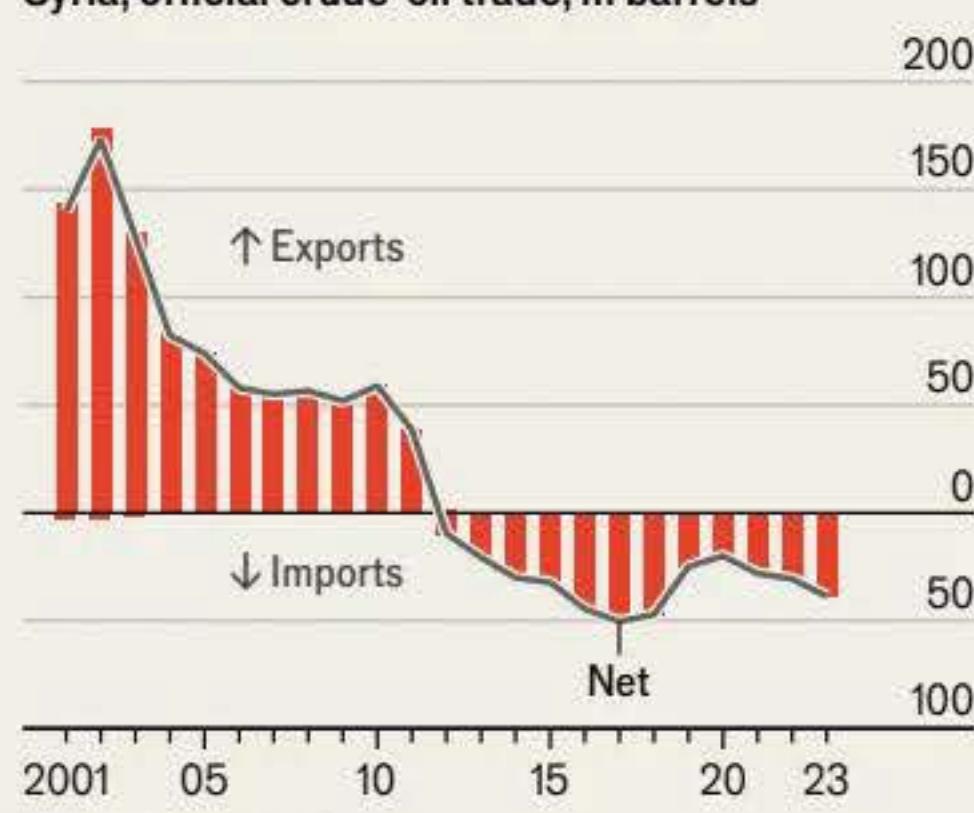
Some of these measures will need review. In 2011 America slapped sanctions on Syriatel, the main mobile-phone operator, because it was owned by Rami Makhlof, the regime's key financier (and Mr Assad's cousin). Two years later it blacklisted the country's biggest airline for smuggling Iranian weapons. Those measures made sense at the time. Today they may be a drag on needed investment.

America says it is willing to reconsider many of its sanctions, including its \$10m bounty on Mr Sharaa. European officials have promised to do the same. But Syrians complain they are not moving fast enough.

America's Caesar Act outlined conditions whereby Syria could escape from sanctions, calling for a halt to bombing of civilians and the release of political prisoners. Most of those demands have been met. But on December 23rd, two weeks after Mr Assad fled, Joe Biden signed a military-spending bill that extended the act until 2029. Sanctions are easy to impose but hard to remove—even when they target a regime that no longer exists. ■

### Pumped out

Syria, official crude-oil trade, m barrels



### The new Syria (2)

## All together now?

NUBL AND ZAHRAA

**Syrians question how long their new rulers' tolerance of other groups will last**

FOR YEARS Ahmed al-Sharaa, Syria's new de facto leader, and Hayat Tahrir al-Sham (HTS), the Sunni jihadist group he commands, besieged NUBL and Zahraa, two Shia towns in the Sunni heartland half an hour north of Aleppo, Syria's second city. Yet within days of HTS's toppling of Bashar al-Assad's regime in December, busloads of Shias flocked back there. The jihadists at the gates searched their luggage with rare politeness. In return, the Shias paid obeisance to their erstwhile foes by draping the town hall in the rebels' tricolour. "We were all Assad's oppressed," explains the local imam.

Such scenes are encouraging as observers ponder what kind of Syria Mr Sharaa and his men will forge. If Mr Sharaa revives Islam's historical role as the defender of the region's religious mosaic and oversees the return of millions of refugees, Syria could become a model of religious pluralism. But if he gives free rein to radical fighters high on their recent success, he could revive militant jihadism in a region where it has been on the wane, unleashing more instability and war.

Since the rebels' takeover of Damascus, violations such as the torching of a Christmas tree or the slaughter of Alawite judges who had served under Mr Assad have made headlines. But overall Mr Sharaa has been surprisingly keen to accommodate other faiths, including those previously close to his enemies. He has hosted Christian patriarchs and Walid Jumblatt, the leader of the Druze in Lebanon, in the old presidential palace. The Alawites on the coast, Mr Assad's home, retain their arms. Other Sunni militias in the north still run their own municipalities.

As in NUBL and Zahraa, minorities across the country have welcomed his outreach. Christians who took down their Christmas decorations as the rebels approached Damascus have decorated the capital's old city walls with lights and trees. "We respect all customs and traditions," says a masked jihadist outside a club filled with revellers drinking and dancing to ring in the new year. Punters in the city's bars have reworked the rebels' anthem, "Syrians, raise your heads". "Syrians, raise your glasses," they sing.

But will the peace last? Some hope that the men who flocked south from Idlib, Mr Sharaa's fief in the north, to celebrate the new year in Damascus will be seduced by

the cosmopolitanism of the world's oldest city. Others recall the return of Ruhollah Khomeini, the Iranian ayatollah, to Tehran in 1979. He lured Iran's leftist intellectuals into a false sense of security before imposing his puritanical Islamic Republic. Yet others draw comparisons with Mr Assad, who flirted with a political opening before unleashing his father's thugs on the emerging cultural salons. Many Syrians are keeping their bags packed in anticipation of a hurried departure. The first boatload of secular Alawites has already washed up in Cyprus, according to an observer there.

Mr Sharaa's record is hardly reassuring. As al-Qaeda's emir in Syria a decade ago he turfed thousands of Christians out of Idlib, removed the copper crosses from their church doors and grabbed their property. He also closed the city's bars.

Mr Sharaa now says that his rule in Idlib "is not suitable for all Syria". But the education ministry has ordered the curriculum be brought in line with conservative Islam. Some of the fighters parading around Damascus wear Islamic State patches on their fatigues. Mr Sharaa has yet to appoint any non-Sunnis to senior ranks in his government. His top military and security posts are all occupied by fellow Salafis, who follow a puritanical brand of Sunni Islam. The lower ranks, meanwhile, are drawn from the totalitarian state Mr Assad left behind.

A national dialogue Mr Sharaa is convening in January will be an early test. Several groups have said they will boycott it, as their leaders have not been invited. Dissolving Syria's myriad militias and folding them into a new army without sparking a new civil war will be another challenge. If he can broaden his base and establish a semblance of representative rule, Mr Sharaa may yet build a more inclusive Syria. But the road will be long and rocky. ■



Celebrating, for now

## Europe



**Undersea cables**

### Arresting spectacle

TALLINN

**Finland seizes a tanker, getting tough on hybrid warfare**

FINLAND'S SEIZURE on December 26th of the *Eagle S*, a Russian-linked sanctions-busting "dark fleet" tanker, could mark a turning-point in Europe's response to the Kremlin's hybrid-warfare campaign. The ship had been dragging its anchor along the seabed, trying to damage the 170km (106-mile) Estlink 2 power cable, which links Finland and Estonia. The shutdown of the cable led to a sudden drop in electricity supply to Estonia. Suspecting sabotage, the Finns sent coastguards to board the almost 20-year-old vessel, registered in the Cook Islands, and sailed it to Finnish waters for investigation.

A few days later Finland's Bureau of Investigation confirmed that the dragging track was "dozens of kilometres" in length. The anchor has not been found. The damage to Estlink 2 will take months to repair. It is the first time a government has impounded a commercial ship for underseacable damage. There have been at least

two similar incidents in recent months. Finland's move represents a growing shift towards a tougher approach.

In mid-November the *Yi Peng 3*, a Chinese-flagged bulk carrier, was suspected of severing two fibre-optic cables in Sweden's exclusive economic zone. The Danish navy detained the vessel and Swedish police boarded it, but were only allowed to observe a lacklustre investigation by Chinese officials. After sitting between Sweden and Denmark for a month the ship was allowed to continue its voyage. Germany's defence minister, Boris Pistorius, had no doubt it

was sabotage: "Nobody believes that these cables were accidentally severed." Another Chinese ship, the *Newnew Polar Bear*, damaged the Balticconnector gas pipeline in October. Chinese authorities claimed this too was an accident.

Besides the acute threat of damage to infrastructure from such ships, there is also evidence of espionage. *Eagle S* and *Swiftsea Rider*, another dark-fleet tanker used by Russia to evade sanctions, share the same ship managers and have a similarly opaque ownership structure. Both were kitted out as "spy ships", according to an investigation by Lloyd's List Intelligence, a shipping information service. They were crammed with high-tech intelligence-gathering equipment used to monitor NATO ships and aircraft. It is not clear who would have operated the equipment on the *Eagle S*, but it is unlikely to have been the Georgian and Indian seafarers who made up most of its crew.

On December 30th NATO held a hastily convened meeting at its Brussels headquarters to discuss ways of countering the threat in the Baltic. In a statement the alliance said it would enhance its military presence "to maintain vigilance, increase situational awareness, and deter future incidents". Other measures are under consideration too. In May NATO established a new Maritime Centre for Security of Crit-

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### rical Undersea Infrastructure.

The tough response of Finland and Estonia was welcomed by other Baltic allies and by NATO's new secretary-general, Mark Rutte, who are frustrated that not enough has been done until now to deter Russian sabotage. The Latvian prime minister, Evika Silina, told the BBC on December 29th that "we should stop them [dark-fleet tankers] going through the Baltic Sea...Our government has the power to seize those ships which do not obey international law." It was no coincidence, she added, that the *Eagle S* carried Russian spying equipment. In an interview with *The Economist* on December 16th the prime minister of Estonia, Kristen Michal, called Russian hybrid attacks "the first and utmost security threat in this region". The challenge, he said, is "to catch those carrying out attacks and then to call Russia out".

The seizure of the *Eagle S* sets an important precedent, says Charlie Edwards of the International Institute for Strategic Studies, a think-tank. "In the past we have been too cautious. NATO hasn't really had a strategy which has had any deterrent impact on the dark fleet." Some 70% of Russia's oil is shipped through the Baltic and Black Sea, he notes, and up to 12 dark-fleet tankers pass through the English Channel every day. NATO navies track them but do nothing to impede them. The *Eagle S* has also been accused of dropping "sensor-type devices" while transiting the Channel.

Mr Edwards believes that part of the excessive caution stems from an overgenerous interpretation of the protection to freedom of navigation provided by the UN Convention on the Law of the Sea (UNCLOS). However, that freedom is based on the concept of "innocent passage". If a ship threatens peace, good order and security, it forfeits that right. Dark-fleet ships that are likely to have inadequate insurance against environmental or other damage, which are believed to have conducted sabotage and which are packed with spying gear seem hardly innocent.

### Czech trains

## Ode to a dining car

PRAGUE

### The looming end of the Knödelexpress

**I**N RECENT YEARS the tardy and loss-making operations of Deutsche Bahn have become a symbol of the woes of the German economy. In contrast, Ceske Drahy (CD), the Czech Republic's profitable and (mostly) punctual national railway, is going from strength to strength. In 2023 it carried 164m passengers, 7m more than in 2022, and invested almost 11bn koruna (\$454m) in new trains.

One popular route runs every two hours from Prague to Dresden and Berlin via the glorious peaks, forests and medieval towns of the Elbe valley. In 2024 CD started replacing the route's EuroCity trains with faster "ComfortJet" models (maximum speed 230km per hour, or 143mph). The new trains boast wireless mobile-phone chargers in first class, better wheelchair access and haptic buttons for the blind. Sadly, they will scrap the old-world dining cars that led Germans to call the EuroCity trains the *Knödelexpress* (dumpling express).

The fare on the *Knödelexpress* includes typical Czech dishes such as *svíčková na smetaně* (sirloin roast in cream sauce) with *knedliky* (dumplings), *palacinky* (pancakes) and *jablečný závin* (apple strudel), prepared by a chef and served by a uniformed waiter. The dining carriage is furnished with white tablecloths, frosted-glass lamps and red faux-leather seats. The air is of an old-world *hospoda* (pub) in Prague where time stopped in the early 20th century.

For now the ComfortJets, made by Germany's Siemens and the Czech firm Skoda, are still using the old dining cars: the manufacturers have not finished the new bistro cars that will replace them.



Civilisation on wheels

These have 18 seats instead of 30, and employ "a modern kitchen with chilled food technology and a multi-modal convection oven". They will have none of the *Knödelexpress*'s charm.

On a recent trip from Prague to Berlin, every seat in the EuroCity's dining car was taken before the train left the station. Some tables discussed the *Knödelexpress*'s looming demise. Others traded tips on how to hold costs down by ordering your meal during the Czech leg. *Svíčková na smetaně* sets you back €9.10 (around \$9.50) if ordered on Czech territory; cross the German border and the price jumps to €13. Fortunately, Hungarian and Polish railways will still run old-world dining cars. The fare may be goulash and pierogi, but the feeling is similar: white tablecloths, and not a sandwich or instant coffee in sight.

Keir Giles, a Russia expert at Chatham House, another London-based think-tank, says it is vital that Russia's expanding hybrid war against Europe be exposed. The past year has seen mysterious fires at defence-industry facilities, packages exploding in warehouses and a plot to kill the boss of Germany's biggest arms firm, Rheinmetall. With attacks on undersea infrastructure, he says, it is only through seizure of a vessel that evidence can be gathered and culprits brought to court.

That appears to be the approach the Finns are taking. Finnish prosecutors are

preparing charges (of aggravated interference with telecommunications and aggravated vandalism) against the operators and owners of the *Eagle S*.

Until now, Russia has regarded such "grey zone" activities as relatively low-risk, given the difficulties of attribution. The Baltic was complacently described by some as a "NATO lake" after the recent admission to the alliance of Sweden and Finland. Russia sees it differently. Finland and Estonia have shown how Russia's strategic calculus could be challenged. Will others follow their example? ■

**German politics**

## Muskular intervention

BERLIN

### The X boss comes to praise the hard-right Alternative for Germany

**A**LICE WEIDEL could hardly have hoped for better publicity. With federal elections due on February 23rd, Ms Weidel is running for chancellor as co-head of the hard-right Alternative for Germany (AfD) party. In an op-ed on December 29th in the Sunday edition of *Welt*, a conservative paper, Elon Musk, the world's richest man and a confidant of Donald Trump, called the AfD "the last spark of hope" for Germany. The country, he claimed, is "teetering on the brink of economic and cultural collapse". He had a right to speak out about German politics, he said, because he has invested heaps of money in the country. (A multibillion-dollar plant in Brandenburg producing cars and batteries for Tesla, his electric carmaker, opened in 2022.)

The AfD is polling at 19%, putting it second behind the centre-right alliance of the Christian Democratic Union and Bavaria's Christian Social Union, at about 30%. It is not the first hard-right European party to attract Mr Musk's support: earlier in 2024 he praised Giorgia Meloni, the Italian prime minister. Mr Musk said she was "even more beautiful on the inside than she is on the outside". She in turn called him a "precious genius". He is said to be considering a donation to Britain's anti-immigrant Reform UK party.

Mr Musk's love-note to the AfD may have been counterproductive. It certainly incensed Germany's leaders, already anxious about Mr Trump's second term in office. "I can't remember a comparable case of interference in the election campaign of a friendly country in the history of the Western democracies," said Friedrich Merz, the CDU leader and chancellor candidate, on December 29th. Olaf Scholz, the current chancellor and candidate for the Social Democrats, noted in his New Year's Eve speech that Germany's fate is decided by its citizens, not "by the owners of social media". Mr Musk owns X, a social-media platform. His recent posts there have been childishly offensive: one called Frank-Walter Steinmeier, the German president, an "anti-democratic tyrant"; another called the chancellor "Oaf Schitz".

The op-ed editor of *Welt*, Eva Marie Kogel, quit in protest after Mr Musk's article was published. The piece had been accompanied by a rebuttal by Jan Philipp Burgard, the paper's incoming editor-in-chief, calling Mr Musk "fatally wrong". The rebuttal's headline calls the AfD "partly xe-

nophobic and antisemitic"; Mr Burgard also blasts its anti-Americanism and its endorsement of leaving the European Union. Yet like Ms Kogel, many Germans found it wrong to have run Mr Musk's piece at all.

Mr Musk's op-ed was poorly argued. Yet the furore around its publishing seems unexpectedly to have shaped the early phase of the campaign. In the long run this may not prove terribly important: social-media algorithms, misinformation and Russian influence campaigns could have far more impact, as Michael Hanfeld, a German pundit, argued in the *Frankfurter Allgemeine Zeitung*, a daily. But for the moment, the affair has had the odd effect of aligning the AfD with an American oligarch, making the Alternative for Germany seem slightly un-German. ■

**Western Balkans**

## Europe's missing pieces

BELGRADE

### Serbia and its neighbours are still far from joining the EU

**A**T A SUMMIT in Brussels of leaders from the European Union and the six western Balkan states on December 18th, Aleksandar Vucic (pictured), Serbia's president, was asked what he expected from the meeting. "Nothing!" he snorted. He was sorry, he added, that it meant he would miss a church festival the next day.

Mr Vucic has sounded miserable lately. Facing the latest in a series of mass protests, he may think Serbs are ungrateful. Serbia's GDP per head is almost 90% higher than when he came to power in 2014. In

**Checked ambitions**

2024 the leaders of France, Germany, China and the European Commission all visited and lavished him with praise. Since Russia's full-scale invasion of Ukraine, thousands of Russians have moved to Belgrade, bringing money, talent and business. Mr Vucic has satisfied anti-Western nationalists by not imposing sanctions on Russia, while placating the West by letting Serbian companies sell arms to Ukraine.

Western leaders have given Mr Vucic a pass for rigging elections, arresting activists and putting spyware on journalists' phones. They want him to restrain Milorad Dodik, the secessionist Bosnian Serb leader, and the restive Serbs of northern Kosovo. And they want their electric-vehicle battery-makers to have access to Serbia's huge lithium deposits. In 2022 the government shelved a proposed mine after huge protests. But last July it let plans go ahead just before signing a strategic partnership with the EU, and protests resumed. Many Serbs distrust the government on safety.

Another safety issue has set off more protests. In November a canopy collapsed at a railway station in the city of Novi Sad that had been refurbished by Chinese companies, killing 15 people. The problem is deeper than any one disaster, says Srdjan Cvijic of the Belgrade Centre for Security Policy, a think-tank: "We have a ruling elite that has completely captured the state."

Mr Vucic constantly criticises EU leaders, although their countries are Serbia's biggest investors and donors. He calls them "hypocrites" for supporting the territorial integrity of Ukraine but not, by his lights, that of Serbia (ie, by recognising Kosovo's independence in 2008). In June he sponsored a jingoistic conference of ethnic Serbs from throughout the region. Mr Vucic says he wants to preserve peace while also pursuing a nationalist agenda. Like many right-wing populists, he hopes Donald Trump will tilt American policy in his country's favour. Mr Trump might indeed abandon America's habitual efforts to restrain Balkan extremists, if only for lack of interest, allowing Serbian nationalists to wreak havoc in Bosnia and Kosovo.

All six western Balkan states are trying to join the EU. But many distrust EU pledges to move forward as they complete their alignment tasks. "We pretend the process is a meritocratic one," says Kristof Bender of the European Stability Initiative, a think-tank in Berlin, but geopolitics counts for more. Ukraine and Moldova abruptly won candidate status after Russia attacked Ukraine in 2022, whereas North Macedonia has been stymied since 2009—first by Greece, then by France, now by Bulgaria. Balkan people know the bloc has no real appetite for enlargement, says Mr Bender. Its reluctance "undermines pro-democracy and pro-EU forces and strengthens nationalists like Mr Vucic". ■

# CHARLEMAGNE

## *The EU's newest member, eh?*

*Europe needs space and resources, Canada needs people. Let's deal*



**A**S INTERNATIONAL CONFLICTS go, none did so little to disrupt the global order as the “whisky wars” that pitted Canada against Denmark for four decades. Flaring up in 1984, the unlikely spat involved a one-square-kilometre island in the middle of an icy Arctic channel marking the border between Greenland (now a self-ruling part of Denmark) and the Canadian territory of Nunavut. Both sides assumed the rock was theirs. What might have been considered a *casus belli* by lesser countries became, for the northern duo, an exercise in diplomatic civility. Canadian officials visiting the island marked their territory by leaving whisky and flags; Danes asserted sovereignty by snaffling the booze and leaving their own schnapps for Canadians to enjoy. In lieu of shots fired, polite letters were occasionally exchanged. When the quarrel grew tiresome a working group spent years agreeing to split the island down the middle, ending all hostilities in 2022.

With enemies like these, who needs friends? As it turns out, both Europe and Canada may be in the market for upgraded alliances. Donald Trump’s return to the White House on January 20th brings with it the prospect of tariffs and jingoistic bluster. Nerves are jangling on both sides of the north Atlantic. Places on the fringes of the European Union are rethinking their ties to the club. Switzerland has agreed to a closer alliance, and Iceland will hold a referendum in 2027 on joining. Greenland, which left the EU in 1985 after gaining autonomy from Denmark, might consider rejoining, given Mr Trump’s obsession with it. But Canada may have the most to fret about. Mr Trump is goading his neighbour by suggesting it is about to become America’s 51st state and referring to its prime minister as “Governor Justin Trudeau”. Officials from Ottawa and EU capitals have been trading notes on how to handle another bout of Mr Trump. Charlemagne, who enjoys both European and Canadian heritage, has a ready solution to both places’ woes: the EU should invite Canada to become its 28th member.

The (not entirely straightforward) case for CanadEU predates Mr Trump. It is, in short, that Canada is vast and blessed with natural resources but relatively few people, while the EU is small, cramped and mineral-poor. Sure, EU rules reserve membership to “European states”. Yet despite a residual attachment to the fron-

tier spirit, Canadians can be thought of as honorary Europeans. The country has endured three sets of colonists from the old continent, starting with a brief Viking incursion. Like Europeans, Canadians believe that markets work but must be tempered by welfare states. Their governments offer similar deals to citizens: high taxes, messy parliamentary politics (Canada may soon have a new “governor”, given Mr Trudeau’s unpopularity) and good living standards for nearly all. Both trade openly, fret about global warming and dislike guns, the death penalty and Russian aggression.

But Europe has more to gain from a tie-up with Canada than access to Quebec’s strategic maple-syrup reserve. Europeans can be sold on enlargement by the prospect of their union tripling its surface area while adding only 40m Canadians to a population of 440m. The EU would go from having a population density not far from China’s to that of America—assuming enough Greeks or Belgians volunteer to live in rather chilly conditions. Europe is short of energy, too; Canada has lots of oil, gas and hydro power. A rich new joiner would help the EU’s finances.

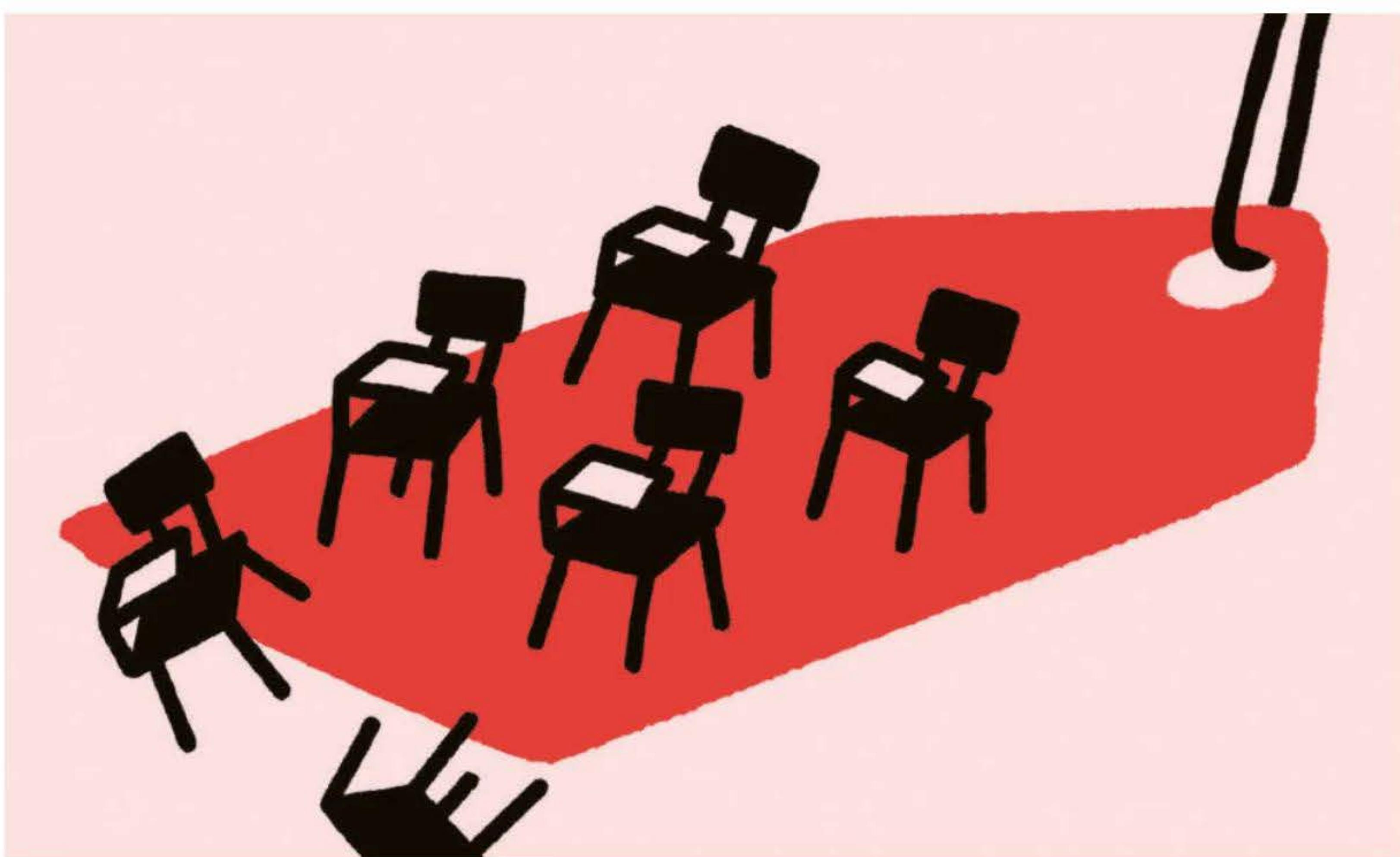
France, historically reticent to enlarge the EU, would jump at the chance of a new French-speaking member—though it might settle for letting in just francophone Quebec, which is again mumbbling about seceding. Welcoming King Charles III, the Canadian head of state, to EU confabs would please those who still mourn Brexit. Europeans could learn from Canada how to allow immigration in a fashion that the population embraces rather than tolerates, though a housing crunch has frayed that consensus of late. Canada’s inclusive treatment of its indigenous peoples, at least in recent decades, could be emulated by Europeans (though First Nations Canadians might fairly object to closer ties with ex-colonists). Canada’s ties to the Pacific, thanks in part to large migrant inflows from Asia, would round out Europe’s regional focus. The euro would look far more global if it were accepted in Vancouver.

Europe has a few lessons of its own for Canada, which might show off the benefit of EU membership to its own populace. The Brussels antitrust machinery has done a fine job keeping competition vibrant in areas such as banking, airlines and telecoms, giving Europeans a better deal than Canadians get. Canada talks about cutting carbon emissions but has yet to really do so, while Europe’s emissions are down over one-third from their peak. EU countries have figured out how to create a single market (flawed as it is) that makes it easier to trade between them than it often is for Canadian firms to trade across the 13 provinces and territories of their own nation. European members of NATO as a whole now spend over 2% of GDP on defence, meeting the target set by the alliance in 2014. Canada is at a meagre 1.4%.

### Maple syrup, meet Belgian waffle

Alas, Europe still insists the EU is for Europeans. Canada would be reticent to join a customs union that would jeopardise its vital trading ties with America. Oh well. If CanadEU remains but a geopolitical thought experiment, that does not preclude an ever-closer relationship. Canada already takes part in several European schemes, such as military mobility and space travel. More could be done: Canada’s gas cannot reach EU shores because of a lack of LNG shipping infrastructure. The Canada-EU trade deal, enacted in 2017, is the bloc’s most ambitious, but remains in “provisional” application; ten EU countries have yet to ratify its most far-reaching measures. Short of bringing Canada into the club, Europeans could start by getting that deal over the line. ■

## Britain



### Education

## Show your work

### Labour lacks good ideas for improving Britain's schools

**I**N MID-DECEMBER Tim Jonas's daughter said goodbye to friends and teachers at her private school in Wakefield, in Yorkshire. Mr Jonas, a web developer, says his family can no longer cover the nine-year-old's fees, now that Britain's Labour government is adding 20% in value-added tax (VAT). None of the 44 state primaries in Wakefield could guarantee her a place, so she is going to one a few miles out of town. Mr Jonas feels "fairly positive" about the move, now it is under way. But he regrets having to pull his daughter out of a school where she was happy and doing well.

After two years of bitter debate, VAT on school fees came into force on January 1st. For all the heat it has generated, the best bet is that the change will have less impact than diehards on both sides have made out. Yet that ought to worry Labour, which insists that making private education pricier was a good way to spend its first months in charge of schools. A party that once pri-

oritised "Education, education, education" seems to be strikingly short of good ideas.

Fees at most private schools are going up at once, though by varying amounts. Hoity-toity places such as Eton are passing parents the full 20%. Some others say they are making efforts to limit increases, but that they expect to phase in the lot over time. VAT-reclaim rules will permit some schools to make savings (when businesses start charging customers VAT they stop paying tax on some of their own expenses). But even then most schools will have to make spending cuts, or draw on savings, if they wish to keep fee increases below 15%.

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The effect on enrolment will take some years to become clear. Although some children are moving already, parents try to avoid withdrawing them in the middle of an academic year, or when they are working towards big exams. The government's best guess is that private schools' rolls will eventually fall by 6% or so, putting about 100 schools out of business (Britain has about 2,600, with around 600,000 pupils, 6% of school-age children). It expects both that children will be moved to state schools and that some parents will not choose private education in the first place.

For the moment these guesses seem reasonable. In private, headteachers say they are more worried about a diminishing inflow of new pupils than about an exodus of existing ones. The Independent Schools Council, an industry group, says that the number of 11-year-olds entering private secondary schools fell by about 5% last September, according to a survey of some 700 institutions. It thinks that worries about fees were the main reason.

Parents with children at the very poshest schools will have the least trouble finding extra cash. Smaller, humbler institutions are likeliest to shrink. The changes spell particular trouble for children with special educational needs, predicts Tony Perry of Education Not Taxation, a group that opposes the reform. Their parents ►

► sometimes stretch their finances to afford private education, having concluded that local state schools cannot give their children the help they need.

The most important question is whether the levy's benefits will outweigh its hassles. Labour is probably right that taxing fees is going to raise about £1.5bn (\$1.9bn) annually (even if lots of children flee to state schools, parents are likely to spend a chunk of what they save on stuff that is subject to VAT). But even if all that money goes to education, it would raise state-school budgets by a meagre 2%.

Labour's still-vague plans for improving state schools do not inspire optimism. It has talked a lot about hiring 6,500 more teachers; last summer it said this would be one of its "first steps" in office. But that is only one teacher for every four schools. And ministers have yet to explain how or when this will be fulfilled. England's schools are short-staffed not because politicians have refused to budget for more people, but because too few want teaching jobs for the pay on offer. Fixing that will probably require raising teachers' pay far further than Labour looks willing to do.

With inspections, the problem is not foot-dragging but acting too rashly. In September it ordered Ofsted, the schools inspectorate, to stop giving schools overall grades (such as "Excellent" and "Inadequate"). That delighted teachers, who hated the old system; their opposition had intensified since early 2023, when a headteacher whose school faced a downgrade committed suicide. Yet they may like the new-style inspections even less. Leaked proposals suggest that Ofsted may soon start handing schools scores in up to ten woolly subcategories. The idea seems to be to paint a "broader picture" of each institution's strengths and weaknesses. But it will mean only more criteria for teachers to worry about, more bumph for parents to sift through and more work for an inspectorate that has long looked short of cash.

Labour's latest announcements tinker with freedoms enjoyed by schools with "academy" status (some 80% of secondaries and more than 40% of primaries). The previous Conservative government handed these schools more autonomy, hoping this would push up results. But draft laws published on December 17th would give politicians more control over their lessons, and stop them from hiring staff without teaching qualifications (or who are not in training). Talk of requiring academies to respect centralised pay scales provoked particular confusion: Labour had to clarify that schools paying above average were not being asked to cut teachers' salaries. How any of this will benefit children has not yet been well explained.

"Everyone is scratching their heads," says Tom Richmond, a policy analyst who

has worked in the Department for Education. "We're seeing lots of announcements—but what we've not had yet is a plan." For good or ill, the Tories' reforms were driven by a strong "vision" of what high-performing classrooms look like, notes another analyst (who prefers to go unnamed for fear of making enemies in the new administration). "What is Labour's 'dream school'?...I don't actually know."

For people worried that Labour would rip up the reforms of the past 15 years, drift at the Department for Education is tolerable. England's schools have been rising up international league tables. Big changes would exhaust teachers at a time when hanging on to them is hard enough. Labour's base includes plenty of ideologues who would dismantle standards and water down discipline, given half a chance. To its credit, the government seems to have mostly resisted their worst ideas.

Yet threats to young brainpower are mounting. Around a quarter of secondary-school pupils are "persistently" absent, twice as many as before the pandemic; the share who are missing more than half the time is going up. Services for children with special educational needs are in crisis; the rising costs threaten to bankrupt local councils. The fight over private schools has distracted policymakers from more important matters. Time to get back to class. ■

### Rising prices

## Guess who's back?

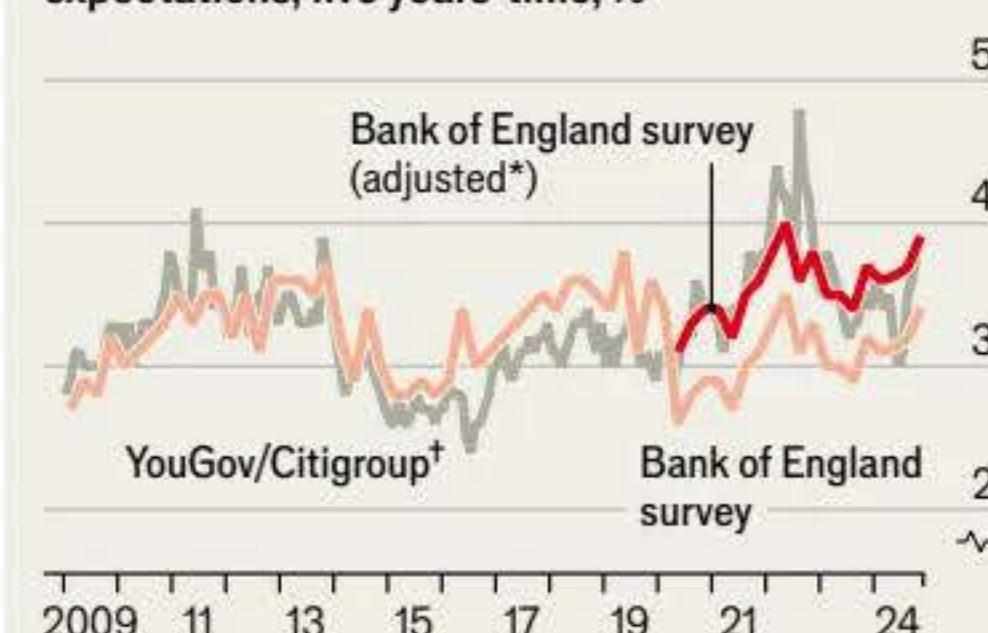
**Inflation looks irritatingly persistent, just as growth is sputtering**

**F**EW WOULD call 2024 a brilliant year for the British economy. But one pleasant surprise was that inflation fell further, and faster, than most forecasters had expected. In early 2023 it was in double digits, but by April 2024 it was down to 2.3%, just 0.3 percentage points above the Bank of England's target. On May 22nd, the day that figure was released, Rishi Sunak called a surprise summer election. The prime minister brazenly credited the drop to his government's steady hand. Most voters thought otherwise and sent him to a heavy defeat at the polls six weeks later.

Inflation fell as low as 1.7% by September. But heading into 2025, the old adversary is returning: the rate was back up to 2.6% by November (the latest month for which it has been published). That partly reflects swings in food and energy prices that have whipsawed headline measures. More troubling, a range of other closely watched gauges have started rising, or have

### Dragging anchor

**Britain, household inflation expectations, five years' time, %**



\*Pandemic methodology change    †Five to ten years  
Sources: Bank of England; Pantheon Macroeconomics; YouGov/Citigroup

stopped falling while still well above 2%.

Clearest is core inflation, which excludes volatile food and energy prices. Annual core inflation fell sharply in the first half of 2024, but has bounced around 3.5% or so since May. The core rate tends to be a better indicator than headline inflation of trends in the months ahead, since the prices of what it measures—haircuts, cars, rent—usually move more slowly than those of fuel or groceries.

Also worrying is that households and businesses no longer expect inflation to fall by much. Firms polled by the Bank of England say that they expect to raise prices by 3.8% over the next year, up from 3.3% when asked in August. Consumers' expectations for inflation over the next 12 months have also risen recently, according to surveys by the central bank, Citibank and GfK, a market-research company.

Worse, consumers also expect longer-run inflation to be higher (see chart 1). Adjusting a Bank of England survey for a shift in sampling around the pandemic, Pantheon Macroeconomics, a consultancy, reckons that five-year inflation expectations are close to their highest since the bank's survey began 15 years ago. A survey by Citigroup, a bank, and YouGov, a pollster, shows a similar rise. There is little central bankers fear more than rising long-run inflation expectations; unless households and firms believe that inflation is anchored near its target, short-term rises can easily spiral out of control. Reining in post-pandemic inflation would have been far more painful had Britons not seen the Bank of England's target as credible.

So why is inflation persisting, and might it get worse? To start, in some sectors inflation never dropped by much (see chart 2 on the next page). Rents are still rising at record rates. Inflation in services other than housing has been falling, but gradually and from a high level. Wages, which ultimately feed in to consumer prices, are also still rising much faster than before the pandemic. The jobs market may now be softening a bit, though how much

is hard to tell. (The official survey on which unemployment figures are based is widely distrusted after its response rate collapsed during the pandemic.) Rising unemployment would cool inflation, but painfully.

The decline in inflation that did take place was concentrated mainly in goods. Partly, that tracked worldwide moves in the prices of widely traded commodities and manufactures as stretched supply chains recovered from the pandemic. The peculiarities of lockdown also pushed the prices of some goods to unsustainable heights; people trapped indoors, often flush with savings and banned from bars, restaurants or going on holiday, compensated by buying more consumer goods. Some normalisation was bound to happen. But several years on, goods inflation has started to pick up again. A Donald-Trump-instigated global trade war could also easily snarl supply chains all over again.

Another inflationary jolt is also due in 2025, from the spending promised in Labour's first budget in October. So far, most attention has been paid to tax rises: in employers' national insurance (a payroll tax), on capital gains and on inherited farmland. But Rachel Reeves, the chancellor, revved up planned spending by nearly twice as much as taxes, with borrowing plugging the gap. That extra cash will start hitting the economy over the next year; the Office for Budget Responsibility, the fiscal watchdog, reckons this stimulus could raise inflation by 0.4 percentage points in 2025.

To make matters worse, just as inflation is proving stubborn growth has slowed, to zero in the third quarter of 2024 after a strong showing in the first half of the year. That raises the dread prospect of stagflation. After a decade of meagre growth, Ms Reeves's instinct to stimulate the economy is understandable. But another wrestle with inflation, although at a much reduced level, would destabilise the economy too. And a government that owes many of its seats to public anger over inflation should understand the perils of rising prices better than most. ■



## Floods

# Wet, wet, wet

A warming planet is making a soggy island soggier

THE BRITISH are fond of talking about the weather. What they really enjoy, though, is grumbling about the rain. Luckily, they have ample opportunity and a rich vocabulary, according to Alan Connor, author of a new book about rain in Britain. A heavy downpour can be "pissing, tipping, chucking or bucketing it down". In the Midlands you might call it a "plothering". In the West Country you still hear "izzle" (between mist and drizzle) and "letty" (just enough to make outdoor work trying).

The grumbling won't be letting up. Britain is getting wetter and, as a result, its inhabitants are being subjected to more frequent and devastating floods. After recent deluges, public agencies have warned Britons to get prepared and published data showing who is most at risk (see map).

On islands between an ocean and a continent, the weather is unusually hard to predict (one reason why it is so worthy of discussion). Nevertheless, the pattern is clear. The 18 months to February 2024 were the wettest since rainfall was first continuously measured in 1836. The past two summers have been pretty wet. Last winter was very wet. In September, which is usually wet, England got twice as much rain as normal. Ten counties had their wettest September on record. Gloucestershire took a dumping of 212mm, about what you'd expect in a monsoon month in India.

All that rain made for saturated ground when the next plothering arrived. The floods in November and December were not especially bad by recent standards. Still, several people died and hundreds of homes were ruined. Further bad weather caused the cancellation of New Year events in many places.

Britain is not alone. In many countries storms are becoming more frequent and intense, partly because the air can hold more water as the planet warms. Not all are being hit with more floods, though. To see why you need to view the landscape through the eyes of a raindrop.

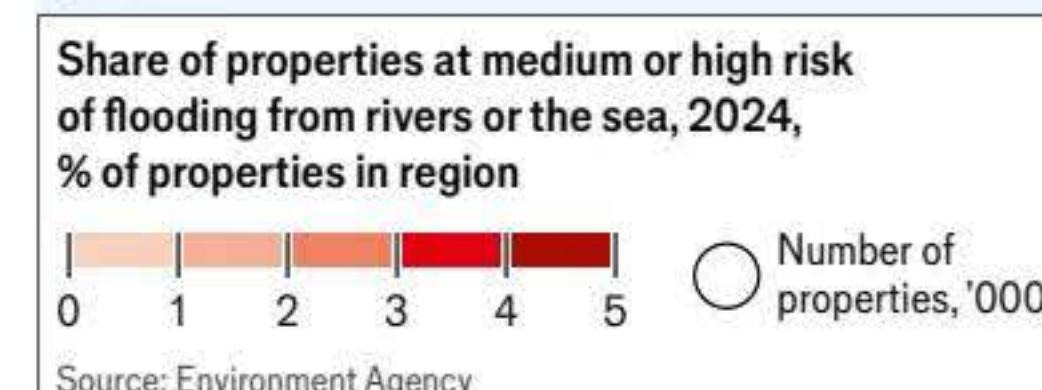
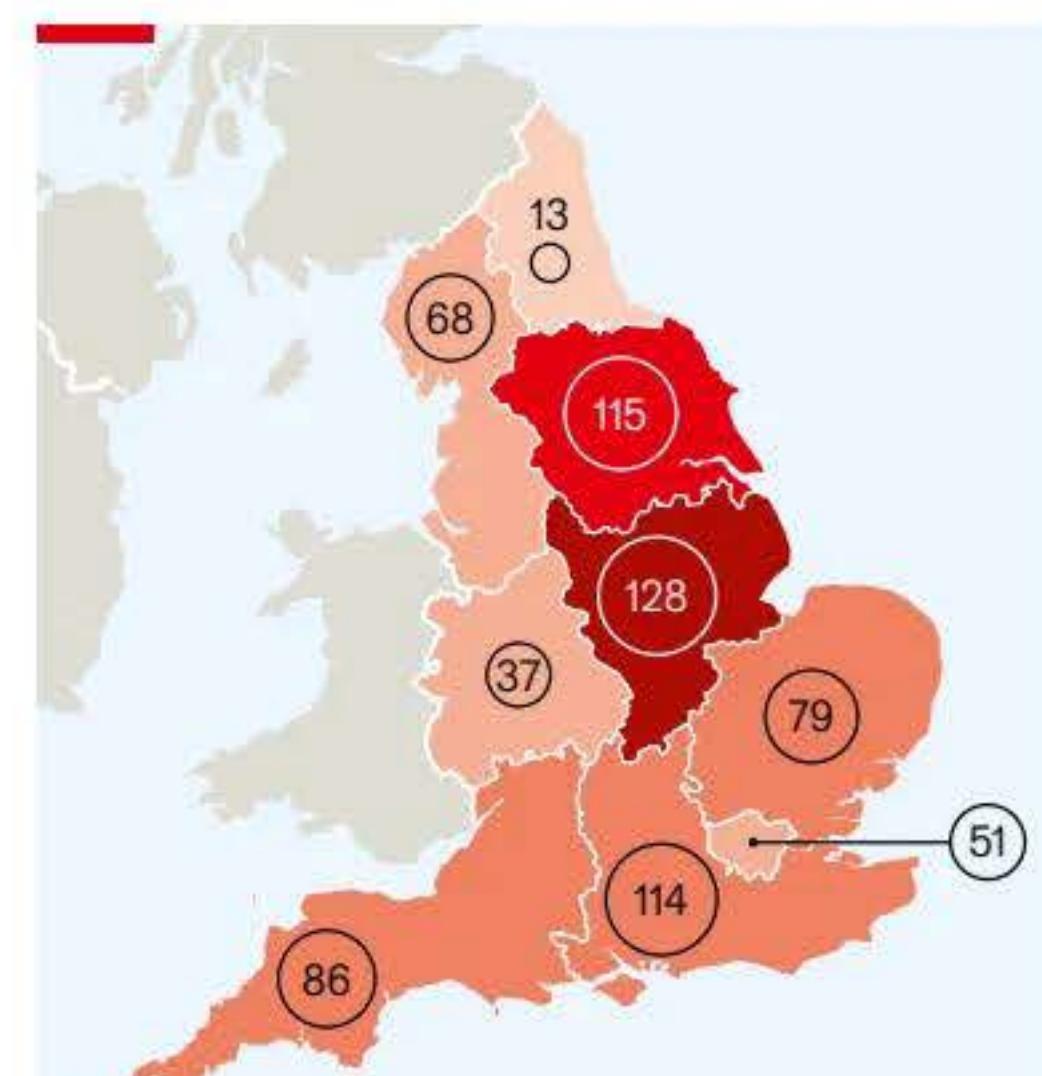
Each makes a journey. Some run quickly into streams, others seep slowly into aquifers. Rivers draw their water from a network of tributaries, like veins on a leaf. And it is in this that Britain suffers for its beauty. It is marked out by "unusually short and steep river catchments", says Olivia Shears of the Climate Change Committee, a watchdog. That makes its rivers rise terrifyingly fast. On December 7th the

Northumbrian Aln surged fiercely in the wee hours and swept away Tom Voyce, a former England rugby player, as he tried to escape from his car.

Not everything can be blamed on God. Many low-lying areas near rivers have been given over to housebuilding or intensive farming. That has not only put people at risk but severed the link between rivers and their natural flood plains, explains Trevor Hoey of Brunel University. Public agencies have sometimes been slow to issue warnings (although catastrophes in Spain and Germany show this is hardly a British problem alone). During a storm in December the Met Office, a weather and climate agency, showed off a new early-warning system: in near-unison some 3m phones across Wales and south-west England emitted a sustained siren-like burst.

Such innovations are hugely welcome. What is more striking, though, is the sense of what little politicians can do as the effects of climate change wash up on doorsteps. Britain spends £1bn (\$1.3bn) a year on flood defences. That is nowhere near enough to prevent more drastic floods, and it is unlikely to increase. Few experts think it is in any case worth persevering with ever-costlier engineering. Instead, the focus is shifting to natural techniques, like nurturing woodland or peatland alongside rivers to slow the flow of water.

And to softening the blow for the unlucky ones. Even those who have bought a house in the middle of a flood plain can get reasonably priced insurance thanks to a state-backed scheme. Yet many still don't, says Catherine Butler of Exeter University, probably because they haven't heard of it or don't grasp the risks. As the rain gets heavier one thing is certain: Britons are going to need their full lexicon. ■



## BAGEHOT

# *The four worst words in British politics*

*Saying “not a good look” is not a good look*



ANY TOURIST needs a few phrases to get by in a foreign land. Visitors to the Palace of Westminster are no exception. If someone says something ridiculous, reply that the idea is “for the birds”, an Americanism that is popular among inhabitants of SW1 and nowhere else in Britain. If someone has done something outrageous, suggest that perhaps they have “thrown a dead cat on the table”—a cunning ruse to distract from other matters. Most important, when asked about any controversial action by the government, simply reply: “It is not a good look.”

It is a fail-safe phrase that can be applied to practically anything. Cancelling Latin lessons in state schools was “not a good look”, said one commentator. Jailing people for inciting riots online was “not a good look”, according to Nigel Farage, a populist upstart. Rich farmers whining about inheritance tax was “not a great look”, declared a radio host (using a common variation). Scrapping the winter fuel allowance of up to £300 (\$375) for pensioners was, a lobby group insisted, “not a good look”. When Sir Keir Starmer, the prime minister, sacked Sue Gray, his chief of staff, after only a few months, that was “not a good look”. But when Ms Gray negotiated a pay package worth more than Sir Keir’s, that too was “not a good look”.

No phrase better encapsulates the miserable state of Britain’s political discourse, in which perception always trumps actual policy. Debating whether something is a “good look” drowns out whether something is a good idea. Before Christmas, the government confirmed it would not offer compensation to women who say they were not properly informed that in 2018 their state-pension age would increase to 65, the same as for men. Backbench MPs griped to journalists. “A relative texted me and said, ‘What have you got against pensioners?’” said one, before adding, naturally, that it was “not a good look”. The notion of giving pensioners billions for failing to check their retirement age was crackers, but that fact was almost entirely absent from the debate. It is much easier to call something a bad look than a bad idea.

The appeal of the phrase is obvious. MPs who rely on it can hide behind an imagined voter, rather than exercising their own judgment, reducing themselves to one-person parliamentary fo-

cus groups. For analysts, it offers a crutch of faux objectivity. Saying that a policy is wrong or immoral is banned for supposedly objective observers. So say it is a bad look to maintain your credentials as a shrewd political operative. Such an attitude breeds a cynical indifference to the consequences of politics. Whether things are actually important comes second to whether voters notice. If people found New Labour’s mantra in the 1990s that “What matters is what works” a dismal philosophy, then “What matters is what plays well” is even worse.

If looking shrewd is the intention, the effect is often the opposite. A focus on appearances leads to naive analysis. Elon Musk, an American technomogul, is mulling donating up to \$100m to Reform UK, the party Mr Farage leads. It would be a momentous sum for Britain’s poundshop politics, in which British politicians routinely debase themselves for a few thousand. Yet the debate shifted from an ethical question into the optical one of whether, if the government acted to block a donation, voters would see that as a stitch-up by the establishment trying to thwart a challenger. Britain is either happy to welcome money from the likes of Mr Musk or it is not. Refusing to ban it because it would appear unfair is the worst way to make a decision.

Questions about judgment become ones about looks. Sir Keir’s love of freebies, which erupted over the summer after it emerged the soon-to-be prime minister had accepted well over £100,000-worth of clothes and free tickets to football matches and Taylor Swift gigs, was framed as a problem of perception. Jess Phillips, a junior minister, conceded it was not a good look. But the problem was not the perception; it was the reality. It was possible to purchase a couple of hours in the next prime minister’s company for the price of a few tickets at an Arsenal away game.

If Labour is attacked for how it looks rather than how it governs, that is only fair. Sir Keir does have a clear political vision: one of a man folding his arms and tutting, for ever. While in opposition, Labour hammered Rishi Sunak, Sir Keir’s Conservative predecessor, for flying around the country in a helicopter. Perhaps the prime minister of a G7 country should be allowed to move from A to B quickly. No matter. A rich man in an expensive chopper? That’s a bad look, cried Labour.

### **“It was worse than a crime; it was not a good look!”**

A politics based on appearance has its limits, as Sir Keir has found in office. Praise for his incoming government focused on its manner, rather than on its plans for power. Sir Keir was “reassuring”. He had made the party “credible”. Its politicians were “grown-ups”. For many, the main sin of Boris Johnson was not that he was an incompetent prime minister who made bad decisions. It was that he made Britain look bad. Mr Johnson was “not a good look” in human form. By contrast Labour offered, in Sir Keir’s own words, a platform to “Make Britain Serious Again”. It promised, in short, a good look.

It was not a vision of politics that involved deep thinking about policy, which is why, after half a year in power, Labour still lacks a coherent programme of government. It has reduced itself to hiring a bunch of throwbacks from Sir Tony Blair’s government. Ironically, that government’s reputation as image-obsessed spin-mERCHANTS belied an obsessive focus on policy detail. By contrast, today Sir Keir oversees a government that knows it must look the part, but has little idea how to act it. Six months of stasis is the result. There is only one way to describe this: it is not a good look. ■

## International



**The last hurrah**

### Ageing disgracefully

HILTON HEAD, SOUTH CAROLINA

**People over the age of 55 are the new problem generation**

THE WORDS “retirement community” summon up images of easy chairs, overcooked food and endless daytime TV. Latitude Margaritaville, a community being built near Hilton Head Island in South Carolina, quickly dispels these. “There was a toga party this past weekend,” says Lynette, a resident. “There was a live band, and it was a riot.” Barbie, another of the community’s “ambassadors” (residents employed by the developers to help sell it to potential newcomers), compares living there to “starting college all over again”. There are, she says, “drinks on the driveway, cocktails on the concrete”.

If Margaritaville’s residents are representative of their age cohort, there will be a lot more to the toga parties than fancy dress. Whereas young people in rich countries these days are addicted to their phones, more anxious than previous generations and far less likely than them to use mind-altering substances or to party reck-

lessly, their grandparents belong to a generation that experimented with sex, drugs and rock’n’roll. As they reach older age, they are not giving up their old habits.

Among those for whom time’s winged chariot is hurrying a little nearer, drug and alcohol use—and abuse—have surged. And since many have also long since struck coyness from the statute books, sexually transmitted diseases are also spreading. The prevalence of gonorrhoea, to name but one, among Americans aged 55 and up has increased by more than six times since 2010. “Today, older adults are more likely to participate in the hookup culture of casual encounters and condomless sex, which might be further encour-

aged by the availability of drugs for sexual dysfunction, the commonality of living in retirement communities, and the increased use of dating apps for seniors,” noted Janie Steckenrider in a paper in the *Lancet*.

Similar increases are evident elsewhere. Though in the four years to 2023, the number of new syphilis infections among young adults in England fell slightly, cases in those over the age of 65 grew by 31%. That is despite it having already shot up in the previous five years. (Happily this trend does not apply to HIV, the number of new infections of which is falling globally.)

In the past, revolutionary and reckless youth worried politicians. These days the oldest strain public services, wreak havoc on national politics and account for a growing share of social problems. Elderly revellers are numerous: the number of people over 65 is growing across the rich world. In Britain they are more than a fifth of the population. And they want to have fun. In a way, those over the age of 55 but under the age of 75—roughly speaking, the baby-boomers and some of what is referred to as “Generation X”—are the new problem generation.

What makes them so reckless? For one thing, there’s the attitudes to drink, drugs and sex. In the two decades to 2023 the proportion of people aged 18 to 34 in America who “ever have occasion to use al-

→ ALSO IN THIS SECTION

44 Young people today

— The Telegram is away

► cohonic beverages" declined from 72% to 62%, according to Gallup, a pollster. Yet among those over 55 alcohol use increased to 59% from 49%.

Similar trends are visible almost anywhere you look across the rich world. "While younger Australians are drinking at less risky levels, there's been a significant increase in risky drinking by older Australians," reported the Alcohol and Drug Foundation, an Australian charity, in 2022. Such has been the shift that older Australians are now more likely to drink at dangerous levels than people in general. In France alcohol consumption has dipped among all groups in recent years. But it is the young who are forsaking it the most. "There is a loss of wine transmission within families," complained Bernard Farges, the head of France's wine-producers industry group, in an interview with *Les Echos*, a financial newspaper.

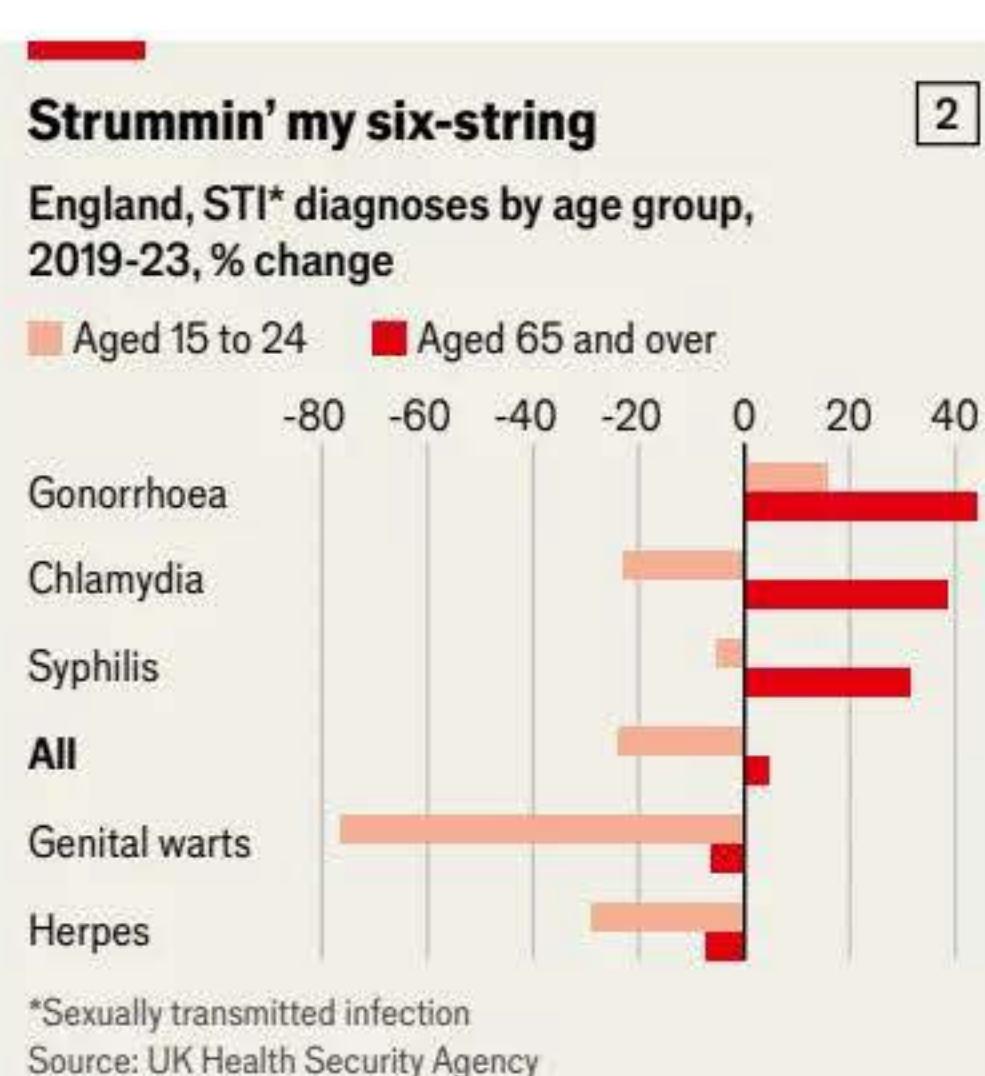
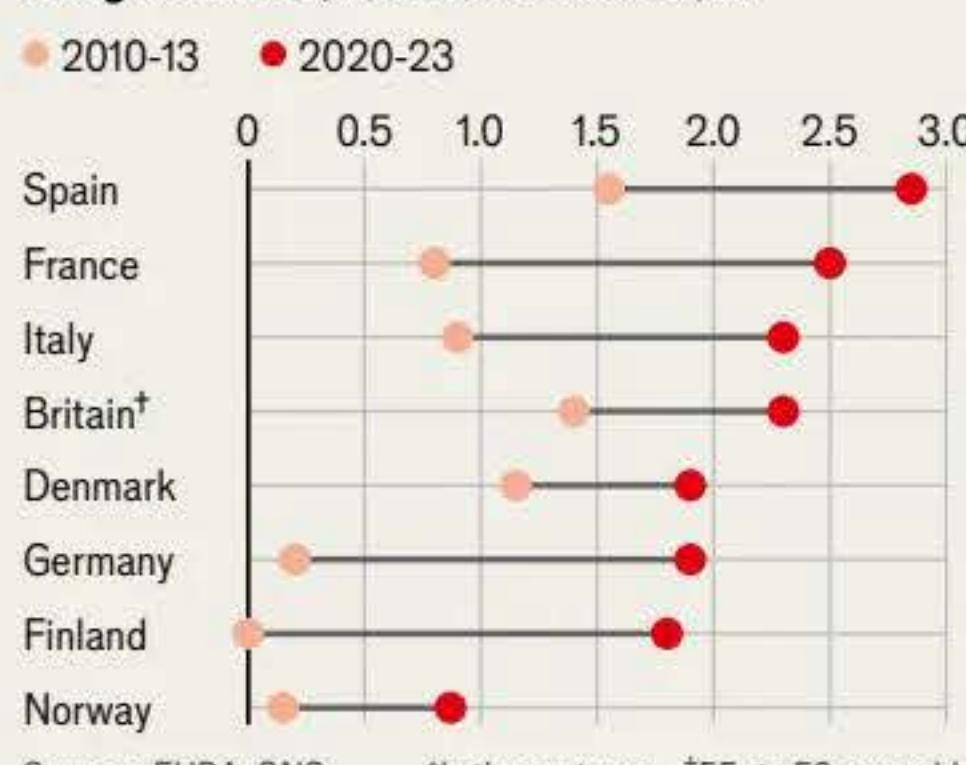
What applies to alcohol also applies to other mind-altering substances. In America cannabis use has risen sharply among older cohorts—perhaps unsurprisingly, given that it is now legal in a majority of states and the baby-boomer generation used cannabis the most when they were young. (Both Barack Obama, a member of a high-school "Choom Gang", and more recently, Kamala Harris, have admitted extensive youthful use.)

But the trend is almost as dramatic elsewhere. In Spain the share of people aged 55–64 who report having used cocaine in the past year has increased eight-fold in 15 years. In England people well into their 50s are "getting back on it like they used to" at festivals, says Fiona Measham, an academic at the University of Liverpool who studies drug and alcohol use.

Then there's sex. Divorce rates in the rich world are generally falling (in large part because far fewer people are getting married in the first place, and those who do tend to wait until they have found a good match). But they are rising among pensioners. In 2022 more Japanese couples divorced after at least 20 years of marriage

### Wastin' away again

Europe, share of 55- to 64-year-olds using cannabis\*, selected countries, %



than ever before, even though the rates have declined among younger groups. More than one in four Americans over the age of 60 lives alone. That does not, however, necessarily mean that they are having less sex. One study from the Netherlands found that the percentage of people over the age of 75 who report being sexually active leapt from 16% in 2014 to 27% less than a decade later.

### Sexy oldies

The behaviour of the boomers stands in striking contrast to that of their children, who are proving surprisingly tranquil. But this is a generation that has always been chaotic. On both sides of the Atlantic, the baby-boomers and then Generation X were born to parents who had rushed out of war and into prosperity in the 1950s and 1960s, marrying young, having children early and raising them with a bare minimum of attention. They grew up breathing the fumes of leaded petrol (long associated with impulsive behaviour) and watching social mores collapse. They had access to contraception, abortion and pop music.

More subtle trends may also be in play. For a start, those retiring today are far richer than in the past. In 1993 just over half of people over the age of 65 in Britain owned their homes outright. Now three-quarters do. Second, they now have fewer responsibilities. From the 1970s onwards, as female participation in the labour market increased, grandparents took on more child care. But in the past decade birth rates have plunged, meaning more older people have no children or grandchildren at all. And those who do may be expected to do less now than in the past. Paid-for child care has expanded and in some countries the government provides subsidised nursery places. In the Netherlands, for example, just 2% of grandparents report having to do "intensive" child care. That leaves more time for boozing.

What are the consequences of all this? When youthful excess is rising, it is often seen as a symbol of social decline. Fewer

people worry about their ageing parents being wreckheads than the other way round. Similarly, government surveys of drinking, gambling, smoking and the education campaigns intended to stop it focus on youth. America's Substance Abuse and Mental Health Services Administration, which surveys drug use in that country, splits its studies into two groups: under 25s and the rest. But in fact, as viewers of "Shameless", a TV show set in Chicago (though based on a British show) about a middle-aged drunk, can plainly see, the carefree life comes at a cost, for individuals and for society at large.

Newly single old people—perhaps those attending the toga parties at Margaritaville—may need to be reminded, or perhaps even told for the first time, how easily infections can spread. "Folks are connecting in loving relationships and, quite honestly, in hookups," says Imara Canady, of the AIDS Healthcare Foundation, a charity which recently launched an advertising campaign encouraging older people to get tested for HIV and other sexually transmitted diseases.

Middle-aged drug taking has consequences, too. In England and Wales deaths of people over 50 made up more than a third of all drug-misuse deaths in 2022, up from just 13% two decades before. Many of those dying come from a thinning cohort of ageing heroin addicts, who have been using for decades. But not all. Deaths caused by cocaine are now far more numerous among the old than among the young. No fewer than 38 people over the age of 50 died from overdosing on ecstasy—a drug usually associated with teenage rave culture—in the four years to 2022. Ms Measham from the University of Liverpool also runs a charity that provides testing kits for people to make sure their illegal drugs are not contaminated. She says older ravers are often less careful than the young. "Younger people are seeking information or advice," she says. "Older people clearly don't think they need to."

Infection and early death are only some ►

### My own damn fault

► of the more obvious problems. A minority of the reckless old are causing more direct mischief themselves: they make up a growing proportion of people arrested and convicted of crimes. It is well known that America's prisons are increasingly full of older inmates. What is less well understood is that this is not entirely due to inmates ageing inside. Older people make up a larger share of newly convicted criminals these days, too. From 1992 to 2022, among men arrested, the share over the age of 50 tripled, from 5% to 15%, according to data from the FBI. In absolute terms, the number increased by nearly 40%, even as arrests of other age groups tumbled. Similar trends are seen in other countries.

Older folk seem in some ways more prone to political violence, too. A generation ago, the idea of pensioners rampaging was laughable. But when anti-immigration riots broke out across England in August 2024, one of those arrested in Liverpool was William Nelson Morgan, a 69-year-old grandfather. At his court hearing, it was recounted that he shouted at officers arresting him: "I'm fucking 70." The police officer retorted: "Well, why are you at a fucking riot?" Similarly, of those arrested and charged after the riots in Washington, DC, on January 6th 2021, almost half were older than 40, and the oldest was 81. Of the women arrested (a smaller number) fully a third were in their 50s, far outnumbering any other age group.

Perhaps this is because baby-boomers tend to be an unhappy lot. Surveys suggest that they are more pessimistic about the future than the young almost everywhere. People have always grown more pessimistic as they age, yet there is reason to think this generation is especially—and weirdly—glum. A study by Pew, a think-tank, published a decade ago found that "When it comes to quality-of-life assessments, data suggest the boomers generally have been downbeat, compared with other age groups, for the past two decades." The more recent data do not seem to mark improvements. Moreover, some rather harder data suggest the baby-boomers (and Gen X) are in essence miserable generations. British figures show, for example, that in the decade to 2023, suicide rates rose sharply for those aged 45 to 65, while falling for those older and younger.

Clearly, not everyone is thriving in old age. Although baby-boomers are doing financially well in aggregate—they own half of the wealth in America, according to the Federal Reserve—many are feeling a pinch. People over 60 in America account for more than a quarter of foreclosures, up from just one in ten 20 years ago, and there has been a similar rise in bankruptcies, data from the New York Fed show. All of those divorces are expensive.

And the flip side of having to do less ba-

by-sitting of grandchildren is that there are fewer youngsters around to help keep grandma and grandpa company. "Isolated and lonely older adults have longer stays in hospitals as well as higher emergency hospitalisation and re-hospitalisation rates and are more likely to be admitted earlier into residential or nursing care," reported a study published by the European Centre for Social Welfare Policy and Research, a Vienna-based think-tank, in 2022.

### Toga and tonic

It is all enough to make one turn to drink. When Jimmy Buffett wrote "Margaritaville" in 1977, he was just 31. It seems fair to say he could not have realised what he was setting in motion. The song is a bitter-sweet lament for the life of a beach bum, helped along by alcohol. "But there's booze in the blender/And soon it will render/

That frozen concoction/That helps me hang on." Buffett died in 2023, at the age of 76. Today, though, Margaritaville is a real place. Or many of them. It is a chain of bars, a holiday resort and now, most pertinently, it is a group of three retirement communities: there are two in Florida, as well as the one in South Carolina. It is a place that perhaps best represents the ambitions of the baby-boomer generation in retirement.

For most of the post-war period crime, alcoholism, drugs and pregnancy were all rising among the young. And then at some point it stopped. The generations now ageing disgracefully were disgraceful in youth, and in middle age. If they're behaving badly now, there is really not much to be done about it. If they choose to frolic at toga parties, no one will stop them. Except, ultimately, time. ■

**Gen ZZZ**

## Straighter edge

### Youthful excess continues to decline

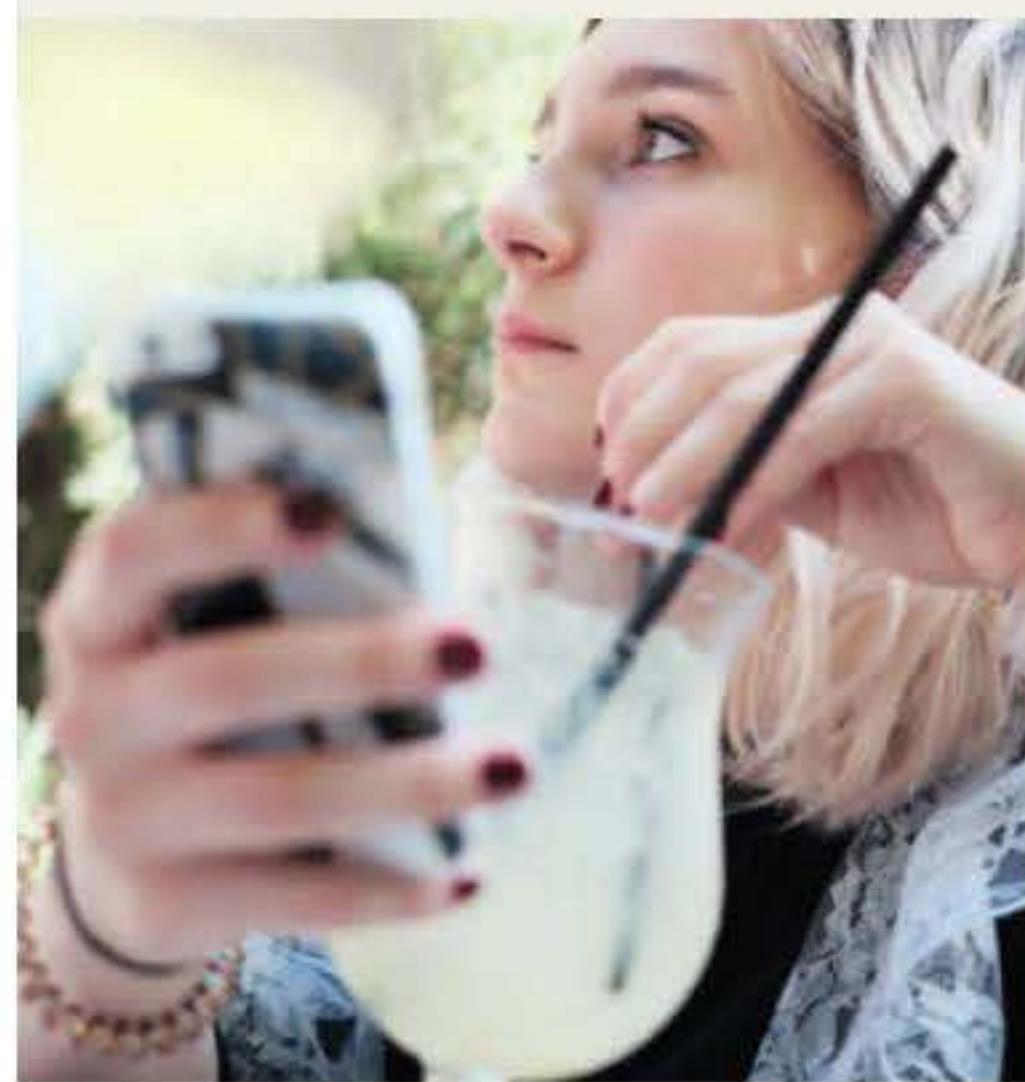
**I**N SEPTEMBER the Night Time Industries Association, a British trade group, issued a sobering press release. Since 2020, it revealed, 37% of Britain's nightclubs had closed. Many shut during the pandemic and never reopened, but closures continue. If clubs do not stop closing, the NTIA predicted, by the end of the decade there will be almost nowhere left for Britons to get drunk, belt out "Mr Brightside" and then vomit in a gutter on the walk home at 2am.

Higher labour costs, tighter planning laws and more noise complaints are probably all playing their roles. But a key explanation is that their chief audience,

the reckless young, are staying at home. Between 2011 and 2021, the proportion of British 16- to 24-year-olds who had not consumed one alcoholic drink in the past year doubled, from 19% to 38%. Another survey, of children aged between 11 and 15, found that, in 2021, 60% had never even tried a drink (two decades before, the figure was 39%). No wonder nightclubs are struggling.

The trend towards youthful sobriety holds true for much of the rich world. In 2024 illicit drug use among adolescents dropped to historical lows in America, according to a nationwide survey published on December 17th by the University of Michigan. Drinking fell, too. The researchers found that even cannabis use is now declining fast among the young, despite weed having been made legal in almost half of states over the past decade. European surveys show continuing drops in drug and alcohol use too.

Why is youthful excess dying out? There is no single explanation. Children are more closely watched than in the past, and a higher share of young adults are from more abstemious immigrant cultures. Age ID checks at bars are more common; Netflix and Fortnite are cheaper than cider; and dating apps are better than finding love on the sticky floors of a place called "Snobs". The trend is clear and seems likely to last. It's their parents who are the problem now.



**Sober thoughts**

## Business



### European business

## Way of the Viking

BILLUND AND COPENHAGEN

### Why a small corner of Europe produces so many corporate giants

**F**ROM THE dining room on the ground floor of “Carl’s Villa” in Copenhagen, guests are treated to views of a charming garden adorned with classical statues. The *art nouveau* house was built in 1892 by Carl Jacobsen, son of the founder of Carlsberg. Since then the brewer, which these days uses the house for meetings, has become one of the biggest in the world. Jacob Aarup-Andersen, Carlsberg’s current boss, admits that the company’s success is part of a bigger puzzle about Danish firms. Just last night at dinner, he says, someone asked him how a country so small could produce so many large companies.

What is true of Denmark is true of Finland, Norway and Sweden. The four largest Nordic countries account for about 1% of the world’s GDP and 0.3% of its population. Yet they have produced an impressive list of corporate giants. Lego is the planet’s biggest toymaker by revenue; IKEA is its biggest maker of furniture (and,

thanks to Swedish meatballs, its sixth-largest restaurant chain). The Nordics are home to leading manufacturers of everything from machinery (Atlas Copco) and telecoms equipment (Nokia and Ericsson) to seatbelts (Autoliv) and lifts (KONE). The region has also produced the world’s biggest music-streaming company (Spotify) and its largest buy-now-pay-later service (Klarna). Novo Nordisk, a Danish pioneer in weight-loss drugs, is Europe’s most

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valuable firm, even after its shares slumped in December in response to disappointing trial results for a new drug.

Nordic firms have outperformed those from the rest of Europe over the past decade. In all four countries, listed non-financial firms have generated greater shareholder returns than the European average over the past ten years (see chart on next page). Today Nordic firms make up about 13% of the MSCI Europe, an index of the continent’s most valuable companies, up from 10% five years ago. That is now about the same share as German firms.

Nordic companies also stack up well against their global peers in the same sectors. We compared the region’s 20 most valuable listed companies with their main overseas rivals on a number of measures. On average the Nordic firms generated operating margins that were seven percentage points higher than the median of their peer set in 2023, with returns on invested capital five percentage points higher. Debt relative to operating profits (before depreciation and amortisation) was lower for 14 of the 20 companies we examined when compared against their rivals. Annual sales growth was about on par with the competition.

Of course, not every Nordic business has been a success. Northvolt, a battery-maker, recently collapsed into bankruptcy. ►

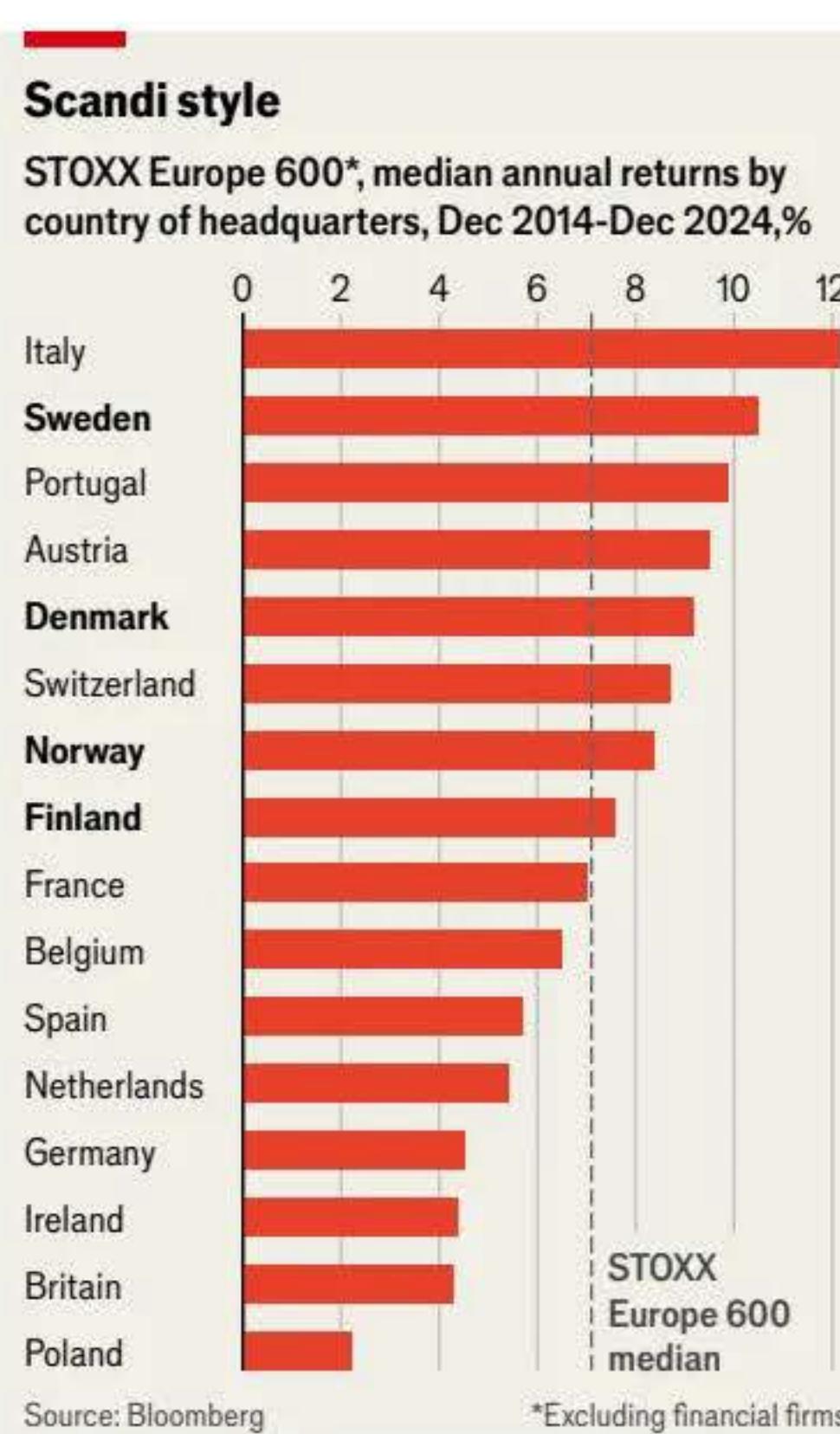
Nokia's handset business was crushed by the iPhone. There is also an element of luck to the Nordics' success. The region is blessed with access to vast natural resources, including timber, iron ore and—particularly in Norway—oil and gas. Even so, the outperformance of Nordic companies is striking. What explains it?

One factor is that Nordic businessmen, like their Viking ancestors, are foreign adventurers. "Our smallness is a blessing in the sense that it makes the international outlook obligatory," says Mr Aarup-Andersen. Among the Nordics' ten most valuable companies for which data are available, the median share of revenues generated at home is just 2%, compared with 12% for their counterparts in the rest of Europe and 46% for those in America. Anders Boyer, chief financial officer of Pandora, the world's largest jewellery-maker by volume, says that his firm went from a single store in Copenhagen to a global operation in seven or eight years. Today Denmark accounts for 1% of its sales.

A second factor is that Nordic firms have long been enthusiastic adopters of technology. Shortly after the second world war Lego's founder changed the toymaker's material of choice from wood after playing with a new-fangled plastic-moulding machine (it cost a year's worth of sales). Today that spirit persists. Data from Eurostat, a statistics agency, show that 45% of firms in the European Union that employ more than ten people pay for cloud-computing services. The average across the four Nordic countries, which top the ranking, is 73%.

The Nordic fervour for technology is also visible in the region's thriving startup scene. Among European cities, only London, Paris and Berlin attract more venture-capital funding than Stockholm, which has far fewer people. Helsinki is awash with games developers, including Rovio, maker of "Angry Birds", and Supercell, creator of "Clash of the Clans". Nordic entrepreneurs these days may find it less daunting to take risks knowing that, should they fail, they will have access to generous unemployment benefits and well-functioning public health-care and education systems.

Government policy more broadly is a third factor underpinning the success of Nordic firms. Although lofty personal-tax rates fund generous welfare systems across the Nordics, the rate on company profits is about the same as in America. Each year the Heritage Foundation, a conservative think-tank in Washington, compiles an index of the economic freedom of countries, which captures things like how open markets are, using measures such as tariff rates, and how freely businesses can operate, by assessing regulations. Denmark, Norway and Sweden all make the top ten. In Denmark in particular hiring and firing



workers is easier than elsewhere in Europe. The Danish government's embrace of digitisation has also made it easier to do business there. As Vincent Clerc, the boss of Maersk, a Danish shipping giant, points out, "You can get a VAT number within a day." In France that can take months.

A fourth factor in Nordic outperformance is patient shareholders. According to McKinsey, a consultancy, four-fifths of large Nordic companies have long-term ownership, compared with three-fifths in Europe and only a fifth in America. Business dynasties play a prominent role in the region. Maersk and Lego are still controlled, respectively, by the founding Moller and Kristiansen families, though both firms are run day-to-day by outsiders. In Sweden the Wallenbergs, whose fortune originated in banking, own large stakes in various companies, including Atlas Copco and Ericsson. Other big Nordic firms, including Carlsberg and Novo Nordisk, are controlled by non-profit foundations.

Such arrangements have prevented foreign firms from snapping up Nordic companies, giving them more time to grow. They have also made it easier for companies to invest in their long-term success. McKinsey reckons that four-fifths of listed Nordic companies spend more on research and development than their rivals do elsewhere in the West. Lars Fruergaard Jorgensen, Novo Nordisk's boss, has said that his main focus is how the company will look in ten to 20 years.

That is just as well, because the Nordic business model may come under strain in the years ahead. Given their reliance on operations abroad, Nordic firms are particularly exposed to choppier geopolitical

waters. Some have already been affected. In 2023 Carlsberg's business in Russia was seized by the country's government and placed under "temporary management". In December the brewer agreed to sell the operation to two local employees at a steep discount. Maersk has had boats and container terminals hit by Houthi missiles in the Red Sea, forcing its ships to avoid the Suez Canal, adding time and expense.

Doing business abroad is set to become harder still during Donald Trump's second term. On the campaign trail the president-elect vowed to slap a 10% tariff on imports from all countries. The threat may not materialise—since the election Mr Trump has focused his ire on Mexico, Canada and China—but a more sceptical view of trade is certain to permeate American policymaking in the years ahead. That could be a problem; a third of the sales of the ten most valuable Nordic companies are generated in America.

Handling all this will require one last characteristic of Nordic companies. Niels Christiansen, chief executive of Lego, invokes Charles Darwin in his assessment of why the region's firms do so well. "It's not necessarily the strongest that survives," but "the one that will adapt to changes." As global businesses prepare for Mr Trump to return to the White House, those words are wiser than ever. ■

## Netflix

# Playing offence

America's streaming giant is expanding its foray into live sport

THE HOLIDAY season is a time for family, food—and, at least for some people, American football. As in previous years, teams in the National Football League (NFL) played on Christmas day, watched live by millions. Unusually, though, the broadcaster this year was Netflix, which live-streamed two games (and a musical interlude by Beyoncé).

That it went off with only minor hitches was a gift for the company. Netflix's previous forays into live sport have at times been shambolic. A celebrity boxing match in November between Jake Paul and Mike Tyson was beset by technical problems. "We crashed the site," Mr Paul bragged after he beat his 58-year-old opponent. A live golfing event featured broken microphones and an animal-rights protester.

Netflix has big ambitions for live sport. American Football is set to stay in the streamer's Christmas line-up for at least the next two years. World Wrestling Enter-



Game time

► tainment (WWE) Raw, a hit show, will leave traditional TV for a weekly spot on the streaming site from January 6th. Netflix has also bagged the American rights for the next two women's football (soccer) World Cups.

Netflix used to insist it would stay on the sidelines when it came to screening live sport. Cost was one reason. Broadcasting rights are expensive: the NFL pocketed \$75m a game from Netflix for this year's Christmas screenings, and the decade-long WWE deal cost a knockout \$5bn. Then there were the technical challenges. Handling so many concurrent viewers is a headache for a streaming service designed for fragmented viewership.

But big sporting events attract prestige and, more important, subscribers. For all its mishaps, Jake Paul v Mike Tyson drew a record-breaking audience—and 1.4m new subscriptions, according to Antenna Data, a research firm. Live sport offers ample downtime before and during games, making it well-suited to ad breaks, a lucrative source of revenue. Even subscribers to Netflix's ad-free packages were shown commercials during the NFL broadcast.

Challenges remain. To the relief of Netflix's engineers, though perhaps not its bosses, viewing figures for its Christmas NFL games were good but not exceptional. The audience peaked at more than 27m, around half that drawn by Jake Paul v Mike Tyson. By comparison, the Super Bowl, the NFL's biggest annual event, attracts well over 100m viewers. Streaming to such multitudes could be technically fraught.

Still, Netflix has plenty of other options. Besides American football and the usual roster of classic Christmas films, the streamer had another hit programme on December 25th: a recording of a crackling log fire. ■

## Venture capital

# Follow the money

SAN FRANCISCO

## Meet Silicon Valley's best talent spotters

**W**HAT DO SAM ALTMAN and David Sacks have in common? Certainly not politics. Mr Altman, co-founder of OpenAI, is part of the transition team of Daniel Lurie, the Democratic mayor-elect of San Francisco. David Sacks, an entrepreneur and polemical right-wing podcast host, will on January 20th become Donald Trump's crypto and artificial-intelligence (AI) tsar. Yet both have the distinction of being among Silicon Valley's best spotters of entrepreneurial talent. According to data from TRAC, a venture-capital (VC) firm, few are as good at picking promising startups at the very earliest stage.

Messrs Altman and Sacks stand out because of the whopping number of successful startups they have backed right from the beginning, when most investment tends to come from a founder's friends and family. TRAC reckons that 28% of Mr Altman's 322 early-stage investments have made at least ten times the original stake, and 27 have become unicorns, with valuations over \$1bn. Mr Sacks' hit rate is just as good. Of his 92 bets monitored by TRAC, 27% have produced more than ten-fold returns, and 17 have become unicorns.

The two men are among the best of an elite group of 250 or so early-stage investors who, according to TRAC, generate supersized returns. The list features a number of other well-known names, including Elon Musk, boss of Tesla and SpaceX; Jeff Bezos, founder of Amazon; and Marc Andreessen of Andreessen Horowitz, a VC giant. Jessica Livingston, co-founder of Y Combinator, a venture firm, is one of the dozen or so female early-stage investors among the 250 (the small number reflects the underrepresentation of women in Silicon Valley generally). Though she has made only 13 early-stage investments, 31% of them have made a return of more than ten times.

TRAC's methodology is novel. Whereas most VC firms use gut instinct and inside knowledge to spot the most promising entrepreneurs, it uses a range of quantitative metrics to identify the most consistent talent scouts instead. That includes the multiple they return on their investments, assuming their stakes could be liquidated at current values, and the share of their portfolios that do follow-on fundraisings. If two or more of them back a startup in a field where they have a proven record, that is a strong predictor that the startup will be

worth backing, TRAC says. Its modus operandi is to invest alongside them if it can.

At first glance, some of the superstars on TRAC's list look like one-hit wonders. Sara Deshpande of Maven Ventures, a VC firm, has generated very high returns mostly from a single company, Embark Trucks, a self-driving outfit that later went bust. But TRAC's data suggest she has done well in steering many of her startups to the next funding round.

TRAC does not oversell itself. "I'm a nobody in VC," said Joe Aaron, its co-founder, when first contacted by your correspondent. The firm uses a variety of information sources, but the data are patchy, he admits. It's a small fund. One of its early investments, a fintech company called Human Interest, became a unicorn in 2021. But the fund sometimes struggles to make investments owing to competition with better-known firms that are able to write bigger cheques.

The surge of investment into AI may open up new opportunities. TRAC has already identified two names it believes are worth following, even if they do invest as a pair. They are Nat Friedman and Daniel Gross, two Silicon Valley investors known for their AI expertise. "I see them in almost every AI company I look up," says Mr Aaron. One day their names could be up there with Messrs Altman and Sacks. ■

## Cannabis

# Red not green

**D**onald Trump wants looser rules on weed. Why are investors not excited?

**N**O AMERICAN PRESIDENT has been as ostensibly pro-pot as Donald Trump. During the campaign he declared support for various cannabis-reform measures, and said he would vote in favour of recreational use in a November ballot in Florida. Yet despite his victory, weed stocks continue to perform poorly. What killed the buzz?

Expectations for a cannabis boom had been building to a high. In 2012 Washington and Colorado became the first states to allow pot to be sold for recreational use. Another 22 have followed since then. That created a sizeable market: in 2024 Americans spent about \$29bn on legal marijuana (some for medical use).

With President Joe Biden vowing during his 2020 campaign to decriminalise the herb, investors expected reform to sweep the country. The share prices of listed cannabis firms surged to record levels after his election. Money poured into startups. Towards the end of 2020 Casa Verde, a

▶ cannabis-investment firm co-founded by Snoop Dogg, a rapper, raised \$100m.

Mr Biden, though, never followed through on his promise of decriminalisation, and reform at the state level has slowed. Florida's ballot measure failed. So did efforts in South and North Dakota. Meanwhile, America's weed industry faces fierce competition from the illicit trade—which is thought to be more than twice as big and is not burdened by taxes and regulations—as well as from products made with intoxicating hemp, a less potent but legal cannabis variety. Wholesale prices for legal pot are at record lows.

The result has been a slump in America's weed industry. Total revenue growth was less than 1% in 2024. Profits have cratered. The American Cannabis Operator Index, which tracks the market value of firms in the industry, has fallen by more than 90% since February 2021.

Investors remain unconvinced that Mr Trump will prioritise wide-reaching cannabis reform. The withdrawal of Matt Gaetz, a vocal proponent of federal legalisation, as Mr Trump's nominee for attorney-general after allegations of sexual misconduct (which he denies) blunted what hopes the industry had.

Still, some relief may soon come in the shape of tax reform. Because marijuana is designated as a “schedule-1 substance”, companies selling it cannot deduct normal business expenses from their tax bill. In December the Drug Enforcement Administration held preliminary hearings on whether to change that; these are expected to conclude in March. Allowing tax deductions would go some way towards improving pot-sellers' profitability. That would give investors cause for cheer, even if Mr Trump's other pro-pot promises go up in smoke. ■



Burning cash

## Quantum computing

# Party-state entanglement

HEFEI

## China is catching up with America in quantum technology

**I**N A SMALL shop in the eastern Chinese city of Hefei, one of the rarest pieces of technology in the world is on display. The quantum computer in the showroom of Origin, a Chinese startup, looks ready to be plucked from the shelf and fired up. Only 20 such devices are produced globally each year. It is unclear what in the showroom is for sale, but none of it is supposed to be seen by foreigners. During your correspondent's visit, which was agreed on in advance, the company panicked at the sight of a foreigner, abruptly cancelled interviews and notified the police.

Few industries outside of arms-making are so sensitive. Quantum computers could one day perform calculations in minutes that would take the world's cleverest supercomputers billions of years or longer. Communications using quantum bits, or qubits, are ultra-secure. Although the commercial opportunities remain uncertain, spies and soldiers have taken a keen interest in quantum technology.

This is why China closely guards its industry. Little is known about how its supply chain for components works, and the Chinese government restricts exports of some related technologies. America, too, protects its quantum secrets. In October the Treasury Department imposed stringent restrictions on American investment in China's quantum industry.

Both countries have developed areas of strength. China is the undisputed leader in quantum communications. In quantum sensing, another sub-field focused on detecting faint changes in magnetic fields, the two are neck and neck. But in quantum computing—the sub-field with the biggest potential—America holds a wide lead. Quantum computers made by its companies have far higher qubit counts than Chinese ones, an important metric for gauging their power. In December Google made waves with a new quantum chip that can correct for many of the errors made by the computers.

China may be closing the gap, however. Although the country still relies on Western suppliers for many of the components needed to make quantum computers work, such as specialised lasers, that is changing. As Chinese companies get better at manufacturing the necessary equipment, Western producers are expecting to sell less of it there, says Jean-Francois Bobier of BCG, a consultancy.

One example of this is dilution refrigerators, which produce the ultra-low temperatures needed to operate quantum computers. During 2024 several Chinese companies and labs announced breakthroughs. In September, for example, a company called Zhileng Low Temperature Technology said it had created a refrigerator capable of hitting record-low temperatures that meets all the requirements for quantum computing.

Given all the secrecy, it is hard for outsiders to verify how well Chinese-built dilution refrigerators perform and whether they are good enough to run quantum computers. If the claims are true, however, they represent an important achievement for China. Dilution refrigerators are a fixture of the quantum supply chain. For many years BlueFors, a Finnish company, has supplied most of the refrigerators used in the world's quantum computers. In September America's government introduced export controls on high-performance cooling systems, along with other quantum components.

## Quantum interference

China and America's quantum rivalry pits two starkly different models of innovation against one another. In America large tech companies—including Google, IBM, Intel and Microsoft—are the driving force behind innovation in quantum computing, alongside startups backed by venture capital (VC). University research plays an important role, but government involvement is limited.

In China, by contrast, private-sector investment is modest but the state is omnipresent. Much of the research takes place in the labs of state-controlled universities; half of quantum publications are funded by the National Natural Science Foundation of China, a body tied to the central government. The most prominent quantum startups are all either controlled or supported by the state. The University of Science and Technology of China in Hefei invests in many of them, including Origin, and acts as a connector between labs, companies and policymakers. Meanwhile, Chinese tech giants including Alibaba and Baidu have given up their research in the field and handed their equipment over to the government.

China's approach could have advantages. A recent survey of experts conducted by

► the Information Technology and Innovation Foundation (ITIF), a think-tank based in Washington, suggests that reliable state investment might be more important than private-sector funding when it comes to developing quantum computing. Participants in the ITIF survey said that the fragmentation of funding sources in America leads to a lack of co-ordination and slows innovation.

Some American investors are anxious to start seeing returns from the money

they have poured into quantum computing. There is also talk of reluctance among Western manufacturers of components to scale up production owing to limited demand and uncertain future prospects for the industry, notes Edward Parker of the RAND Corporation, a research-and-consulting firm based in California. He notes that the best gear is still made in the West, but adds that China's top-down, government-led model may have benefits when it comes to developing a large-scale supply

chain for a technology with unclear time horizons and payoffs.

Perhaps. But China's model also carries risks. The system has fostered less competition, with firms having little incentive to outdo each other. What is more, state co-ordination means resources are focused on the specific approaches to quantum technology that the government thinks will succeed. This could pay off in a big way for China's rulers. But there is also a chance they are placing losing bets. ■

## BARTLEBY

### *The dangers of data*

*Human judgment is flawed. But numbers have risks, too*

MANAGERS ARE better equipped than ever to make good decisions. They are more aware that human judgment is fallible. They have oodles of data about their customers and products. They can use artificial intelligence (AI) to analyse, summarise and synthesise information with unprecedented speed. But as the pendulum swings inexorably away from gut instinct and towards data-based decisions, firms need to be alive to a different set of dangers.

In a recent paper Linda Chang of the Toyota Research Institute and her co-authors identify a cognitive bias that they call "quantification fixation". The risk of depending on data alone to make decisions is familiar: it is sometimes referred to as the McNamara fallacy, after the emphasis that an American secretary of defence put on misleading quantitative measures in assessing the Vietnam war. But Ms Chang and her co-authors help explain why people put disproportionate weight on numbers.

The reason seems to be that data are particularly suited to making comparisons. In one experiment, participants were asked to imagine choosing between two software engineers for a promotion. One engineer had been assessed as more likely to climb the ladder but less likely to stay at the firm; the other, by contrast, had a higher probability of retention but a lower chance of advancement. The researchers varied the way that this information was presented. They found that participants were more likely to choose on the basis of future promotion prospects when only that criterion was quantified, and to select on retention probability when that was the thing with a number attached.

One answer to this bias is to quantify everything. But, as the authors point out,

some things are mushier than others. A firm's culture is harder to express as a number for job-seekers than its salary levels. Data can tell an early-stage investor more about a startup's financials than a founder's resilience. Numbers allow for easy comparisons. The problem is that they do not always tell the whole story.

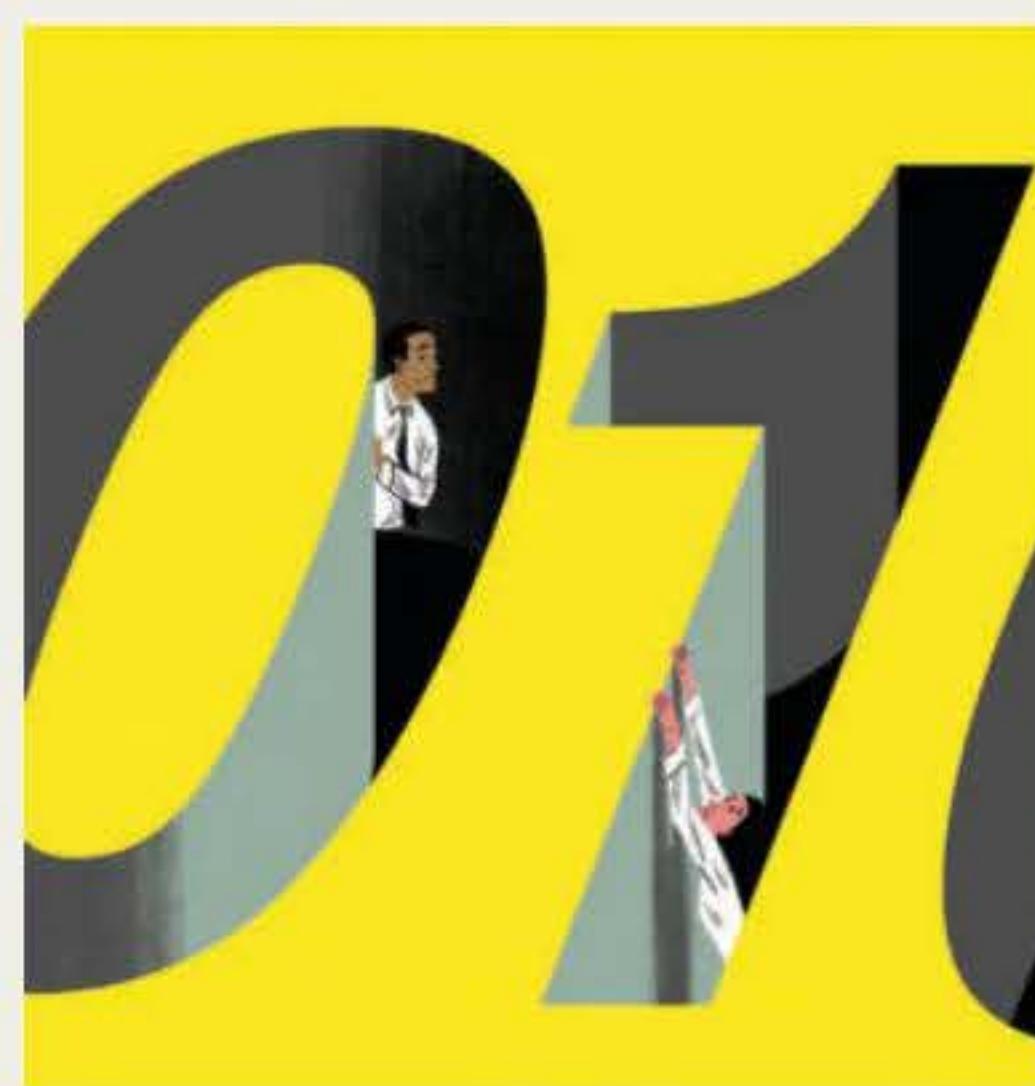
There are other risks, too. Humans bring the same cognitive biases to their analysis of numbers as they do to other decisions. Take confirmation bias, the propensity to interpret information as support for your point of view. In another experiment Itai Yanai of New York University and Martin Lercher of Heinrich Heine University asked computer-science undergraduates to say what general correlation they expected between wealth and happiness, before showing them a fictitious dataset of the relationship between these two variables for 1,000 individuals. Faced with an identical graph, students who expected a positive correlation were much more likely to see one in the data. Beliefs influenced interpretation.

Plenty of people struggle with basic

data literacy: consumers are less likely to participate in competitions with higher numbers of contestants, even when the odds of winning a prize are exactly the same. In a world giddy with excitement over AI models, relying on algorithms may seem like the sensible solution to this. In one more experiment, Hossein Nikpayam and Mirko Kremer of the Frankfurt School of Finance and Management and Francis de Véricourt of ESMT Berlin found that managers were unimpressed when other decision-makers ignored machine-led recommendations and exercised their own judgment. They blamed them if the outcome was bad, and did not reward them if it was good. People used to say that nobody ever got fired for buying IBM. It's not hard to imagine "nobody gets fired for following the algorithm" becoming the modern-day equivalent.

But there are times when humans have an advantage. Datasets reflect back the world as it is, for example, not the world as it might be. It's harder to evaluate radically new ideas by looking at existing patterns. In the early days of HBO, a pioneering TV channel, executives operated on a mixture of instinct and contrarianism to commission programmes that broke the mould: profane comedy specials, a prison drama that killed off a main character in the first episode. Other networks turned down the idea of a violent mobster in therapy; HBO did not. Relying on data might have led to more explicable decisions, but they would also have been safer.

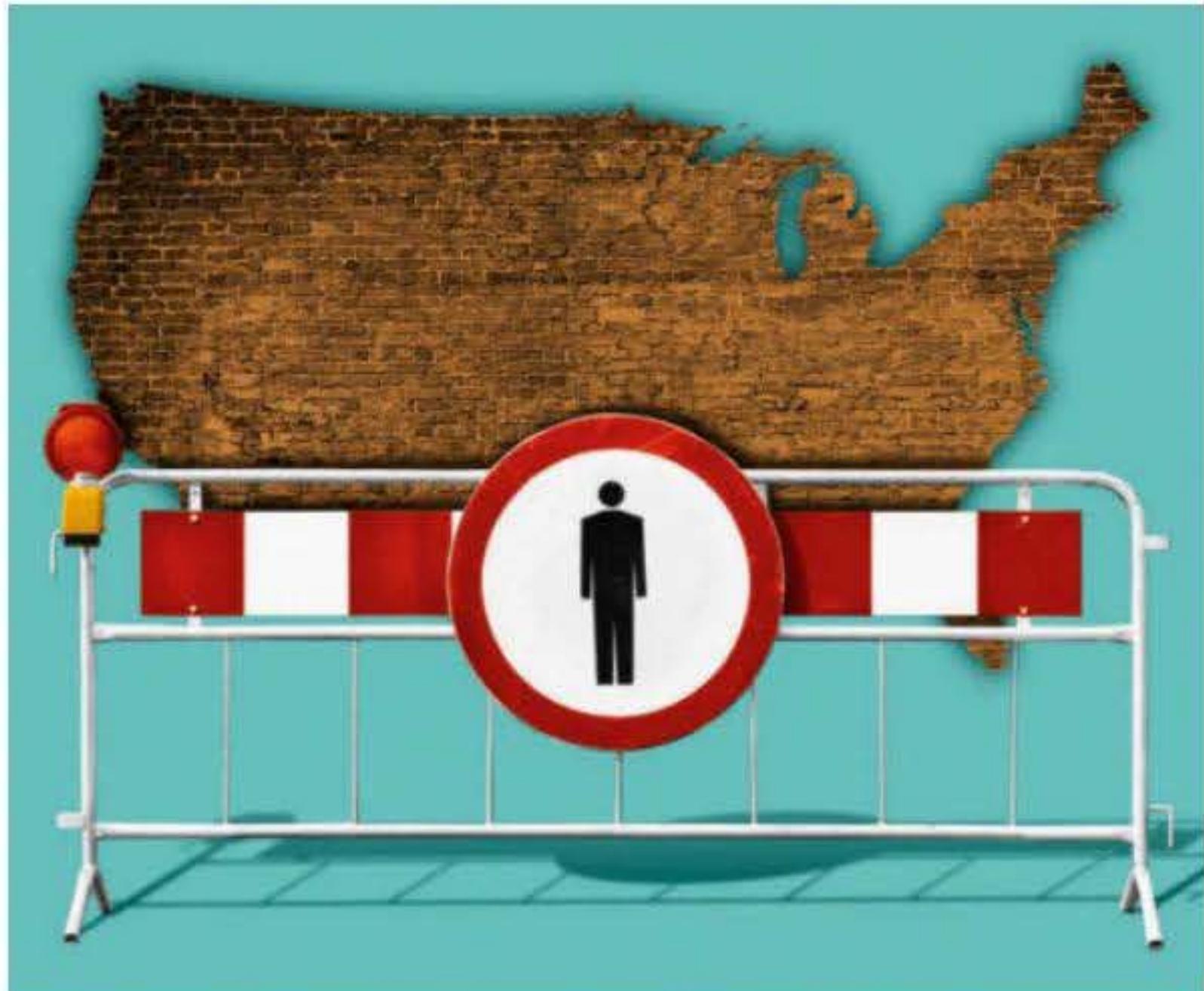
None of this is to say that instinct trumps data, or to claim that humans make better decisions than machines. Far from it. But it is a warning. Numbers promise rigour, certainty and objectivity. They have flaws, too.



## SCHUMPETER

### *MAGA's war on talent*

*American businesses thrive by tapping the world's brains and brawn. For how much longer?*



**F**OREIGNERS ARE taking good American jobs. Some of the very best, frankly. Five of America's eight trillion-dollar technology giants are run by people born in other countries. Jensen Huang of Nvidia hails from Taiwan; Hock Tan of Broadcom, another chip titan, comes from Malaysia. Microsoft and Alphabet, Google's corporate parent, are run by two Indians, Satya Nadella and Sundar Pichai. Elon Musk, boss of Tesla, is South African.

This is not just true of big tech. Of the 100 most valuable American companies, more than 30 have chief executives who are not sons and daughters of Uncle Sam (though some, including the tech quintet, are naturalised Americans). Many of the most American brands have been entrusted to non-native bosses: Citigroup's top banker is Scottish; Pepsi's pedlar-in-chief is a Spaniard; the main Marlboro man is a Pole.

American businesses have long been a magnet for the world's cleverest and its most industrious, be it in the corner office, at the lab bench or on the factory floor. Forget the dollar's status as the global reserve currency: America's enduring ability to attract human capital is its most exorbitant privilege. It is now imperilled by the nativist wing of Donald Trump's Republican Party.

Most parts of the Trumpian coalition view illegal immigrants as bad, with the possible exception of some pro-Trump farmers, builders, restaurateurs and hoteliers, who employ them by the millions. Many believe that they should be deported. Nativists accuse them of stealing American jobs. The techno-Trumpists led by Mr Musk, the president-elect's biggest donor and first buddy, worry that they are Democrats at heart who, if granted citizenship, would turn swing states a woke shade of blue. Either way, both groups arrive at the same conclusion. Give me your tired, your poor, your huddled masses? No, thank you.

Opinions begin to diverge when it comes to your trained, your pros, your hoodied maths aces. Yes, please, say Mr Musk and his Silicon Valley pals, who regard such clever clogs as the key to the innovation that keeps America First in perpetuity. Nuh-uh, retort the nativists, who would prefer to see this well-paying work go to real Americans, which is to say those who got there first. The dispute turned ugly just in time for Christmas, and also arcane. Ugly,

because one side took to bashing Indians, overrepresented among techies, while the other blamed American culture for venerating "mediocrity over excellence", in the comparatively mild words of Vivek Ramaswamy, a venture capitalist whom Mr Trump has tasked alongside Mr Musk with cutting government waste (and whose parents came from India). Arcane, for it touched on the fine print of immigration policy: "H-1B", a category of visa for skilled workers, trended on X, Mr Musk's social-media mouthpiece.

Lots of companies rely on H-1Bs to bring in brainiacs from abroad. If applications exceed the annual quota of 85,000 in the first days of the registration window, as happens most years, new visas are handed out by lottery. To load the dice, large firms often apply for more H-1Bs than they need. In the latest round Microsoft and Google lodged more than 1,000 applications apiece. Amazon filed nearly 4,000 through the e-empire's various affiliates.

Some of the heaviest users of H-1Bs are the American arms of Indian IT outsourcing firms. TCS, Infosys and Cognizant have between them filed nearly 280,000 petitions over the past 15 years (including renewals). The workers they bring in often stay briefly to meet clients and learn how their systems operate before being sent back abroad to do actual work, observes William Kerr of Harvard Business School. They are also paid less than other H-1B holders. In 2024 the median salary of an H-1B worker at TCS was \$82,000, compared with \$160,000 at Microsoft.

For fans of H-1Bs the answer to such gaming is to raise the cap or remove it altogether. This could be especially life-changing for startups, which cannot afford to spam the system in the same way. So big tech, little tech and non-tech tend to support loosening the rules. At the same time, MAGA immigration hardliners sniff a ruse by business to employ cut-price foreigners instead of Americans. Some would love to see the system scrapped.

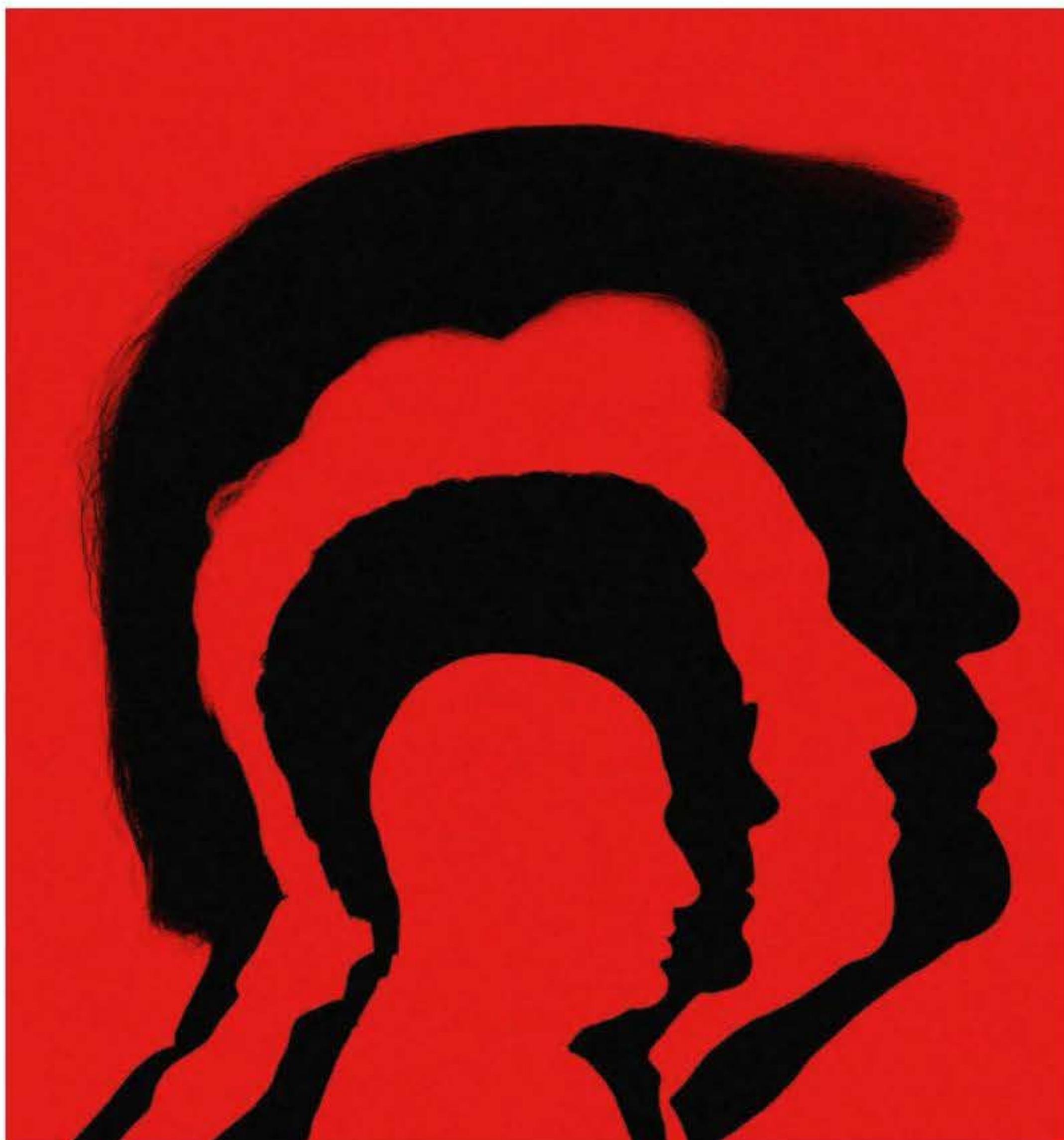
Mr Trump seems in two minds. On December 28th he told the *New York Post*, his favourite tabloid, "I've always liked the visas, I have always been in favour of the visas." Yet amid the covid-19 pandemic during his first term he suspended new work permits, including H-1Bs, to MAGA cheers and America Inc's dismay. Proponents of those curbs, including Stephen Miller, his mass-deportation-loving deputy-chief-of-staff-to-be, still have his ear.

#### Alien evasion

Any fresh curbs on immigration, skilled or not, would come at a time when MAGA ideas risk hurting firms' ability to secure human capital in other ways. A recent study by Britta Glennon of the Wharton School at the University of Pennsylvania found that after a temporary dotcom-era increase in the H-1B cap expired in 2004, creating a visa deficit, multinationals compensated by hiring 0.9 workers abroad for every visa rejection at home. In 2007 Microsoft opened a development centre in immigrant-friendly Canada. Within a year it employed over 300 people from 45 countries.

Though not as inimical to the nativists as firms that offshore factories, which Mr Trump's running mate has threatened with tax rises, such unAmerican behaviour may also invite retaliation. Meanwhile, buying human labour embodied in imported goods would be curtailed by Trumpian tariffs. The MAGA preference for hiring locally runs up against a real shortage of both skilled and unskilled labour. It could also be self-defeating, given that economists reckon skilled foreigners in particular create many more jobs than they take. No wonder even bosses appalled by Mr Musk's right-wing antics are cheering him on in the visa fight. ■

## Finance & economics



**The incoming administration**

### Swords at the ready

WASHINGTON, DC

**Conservative mainstreamers, America firsters and tech tycoons—Donald Trump has established an economic team of rare breadth. Who will come out on top?**

**T**O GET A full sense of the disruptive potential of Donald Trump's economic agenda, look beyond the limelight hogged by Elon Musk to the wider cast of characters in the president-elect's orbit. Russ Vought, a budget director, promises to "break the bureaucracy to the presidential will". Peter Navarro, a trade adviser, muses about cancelling America's trade deal with Canada and Mexico. Andrew Ferguson, an antitrust official, rails against big tech firms for suppressing dissident speech.

These are just a few of the voices in the universe of people who will shape Trumponomics. Presidents normally have an assortment of officials and advisers contributing to their economic team. In Mr Trump's case, though, the team is unusu-

ally large, stretching from business magnates to academic iconoclasts. How do they fit together? And how will they seek to reshape the American economy?

It is useful to divide Mr Trump's acolytes into three groups: conservative mainstreamers, America firsters and tech ty-

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— Buttonwood is away

coons. In many cases there is overlap. Most agree that America needs fewer regulations, smaller government, lower taxes, less immigration and a tougher stance on foreign opponents. Virtually all bring extensive experience, whether in government or the private sector, to the table. But their priorities and prescriptions vary widely. Supporters of Mr Trump believe that, when refracted through his Oval Office, these disagreements will make for better decisions. If managed poorly, they could just as easily lead to chaotic governance.

As in Mr Trump's first administration, conservative mainstreamers hold a clutch of prominent offices. They can be expected to counter the most extreme protectionist impulses that course through Trumponomics. Scott Bessent, a hedge-fund manager, is due to run Treasury. Kevin Hassett, a respected economist and senior adviser in Mr Trump's first term, will lead the National Economic Council (NEC). Howard Lutnick, chief executive of Cantor Fitzgerald, a broker and investment bank, has been nominated as commerce secretary. And Doug Burgum, former governor of North Dakota and a serial entrepreneur, will lead the interior department.

Investors and diplomats alike breathed a sigh of relief at these appointments, especially after Mr Trump's more controversial nominees for positions such as defence secretary and attorney general. "He has kept the clown car away from the economy," is how one diplomat in Washington, DC, puts it. There are echoes with the moderating roles played in the first Trump administration by Steven Mnuchin as Treasury Secretary and Gary Cohn in the NEC, both alumni of Goldman Sachs, a bank.

But the mainstreamers appear more willing to go along with Mr Trump's agenda this time around. Mr Hassett has said that 10% universal tariffs would deliver "pretty significant" benefits for America, helping to onshore global production. Mr Bessent, for his part, has talked about tariffs as a "negotiating position"—implying that he sees value in such levies, even if not as an end in themselves. Mr Lutnick, a man with brawler instincts, has gone even further. "You've got to tariff the rest of the world. Keep them the heck out. Bring the manufacturing back here," he said in an interview before the election. Even so, investors are still counting on the mainstreamers to sand down the roughest edges of Trumponomics. The challenge for Mr Bessent, in particular, will be to push back against tariffs without undermining his own standing. "He will need to channel the market, to make it look like the opposition is coming from the market, not from himself," says a former Trump adviser. ▶

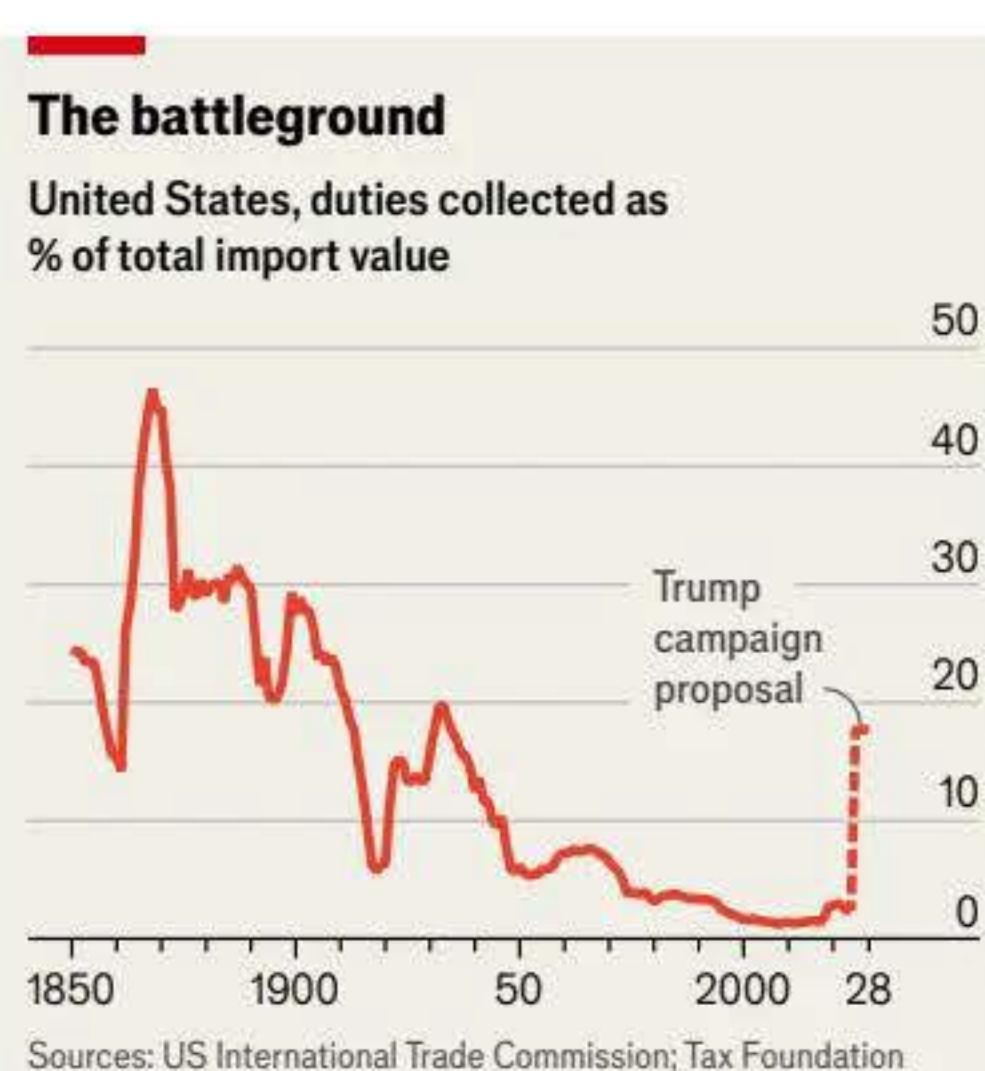
America firsters represent the backbone of Trumponomics. Their goal of maintaining American dominance of the global order has been Mr Trump's guiding principle since entering national politics a decade ago. And unlike during his first term, when there was a scramble to staff his administration, which brought in many officials who did not share Mr Trump's views, most this time have been vetted for ideological fealty. That makes the America firsters a more formidable group now, from the high priests leading the way to the wonks implementing their vision.

Their supremo is Stephen Miller, deputy chief of staff in the White House, where he will be responsible for policy. In Mr Trump's first term, Mr Miller was best known as a hardline adviser on immigration, helping to craft controversial rules that separated parents from children. Mr Miller will again spearhead a crackdown on immigration, which may end up having a greater impact on the economy than any other element of Trumponomics.

But he will also have a broader role. After leaving office, Mr Miller established the America First Legal Foundation to fight what many conservatives see as overreach of the administrative state. During the election campaign, he was a loud defender of tariffs, endorsing a strategy of using them as a tax on imports while cutting taxes on made-in-America production. And he has got into the weeds of legislative strategy. He has called for a phased approach, pushing for an immigration package within Mr Trump's first month in office before moving on to a tax bill. Some Republican representatives fear the two-step plan will drain momentum for tax cuts, but Mr Miller is in the driving seat. He will be able to rely on his ally, Vince Haley, to help push things forward as director of the Domestic Policy Council, a post that oversees all departments.

Absent from Mr Trump's administration, to the surprise of many, is Robert Lighthizer, architect of his first-term trade war with China. An adviser involved in the transition says that should not be read as a weakening of Mr Trump's desire to use tariffs against China and other countries. Jamieson Greer, a protégé of Mr Lighthizer, will be the country's trade representative. Before the election Mr Greer called on Congress to revoke China's status of permanent normal trading relations with America, a move that would cement higher tariffs and signal that decoupling from China is the new normal. "Trump likes Lighthizer, and I'm sure at some point he will be back in," says Stephen Moore, an economic adviser to the president-elect.

One America firster making a triumphant return to the White House is Peter Navarro, again in a role advising Mr Trump on trade and manufacturing. An ornery



former academic, Mr Navarro was often a one-man team in Mr Trump's White House, sidelined from major trade talks. But insiders say he remains deeply trusted by Mr Trump (not least because he spent time in prison for refusing to testify to Congress about the riot of January 6th, 2021). He remains one of the staunchest proponents of extensive tariffs.

For the actual delivery of Trumponomics, the pivotal actor may well be Russ Vought, who has been nominated as director of the Office of Management and Budget. In normal times the OMB has a claim to being the most powerful agency in Washington, since it co-ordinates the president's budget and helps direct other agencies. In Mr Vought's hands it will be even more potent. "Russ has been the guy for the last four years that has been developing the plan to take down the deep state," Mr Miller recently effused about him.

### 2025: as projected?

That is only slight hyperbole: having led the OMB in Mr Trump's first term, Mr Vought knows his way around the bureaucracy; and as one of the creators of the controversial "Project 2025" agenda, he has indeed spent the past four years thinking about how to change things. He wants to curtail the independence of federal organs such as the Department of Justice (DoJ), end employment protections for career civil servants and get the president-elect to hold back, or impound, Congress-approved spending to slash the budget. Mr Vought may also be deeply involved in trying to shred the Inflation Reduction Act, Joe Biden's clean-energy law that many Republicans loathe. Despite that sentiment, some Republicans in Congress will fight to maintain it because they have witnessed it catalyse big investments in their regions. "Repeal is something that the grassroots wants and that has been promised to them, and Russ is going to be extremely influential in advocating that view," says Michael Strain of the American Enterprise Institute, a think-tank.

The newest group in Mr Trump's economic firmament is the tech tycoons. The most visible are Mr Musk and Vivek Ramaswamy, a biotech billionaire and former Republican presidential candidate, who together will lead the Department of Government Efficiency. Despite its official-sounding name, DOGE will be an advisory commission that draws its power from Mr Musk's proximity to Mr Trump. The goal is to shrink the federal workforce, reduce regulation and slash spending. DOGE's arrival on the scene has stirred up excitement among a large subset of Republicans, who see almost revolutionary potential in Mr Musk's zeal, energy and clout. "In five years in Congress, I've been awaiting a fundamental change in the dynamic. It has arrived," Dan Bishop, a representative from North Carolina, recently exclaimed.

Beyond Mr Musk, there are several tech experts now connected to the administration. Some are purely informal. Marc Andreessen, co-founder of Andreessen Horowitz, a venture-capital giant, said in December that he had spent half his time since the election at Mr Trump's Mar-a-Lago compound, offering views on economic and tech policy, as well as helping hire officials. One of Mr Andreessen's ideas—that "big tech" firms (established companies such as Meta or Google) are too powerful, limiting space for "little tech" startups—has already helped shape Mr Trump's view of the industry. Still, once the administration is up and running, and the centre of gravity shifts to the White House, opportunities for informal consultation at Mar-a-Lago will probably diminish.

Other tech tycoons will have more permanent perches. David Sacks, part of the "PayPal mafia" that was involved with the payments firm in its early days, will be the White House tsar on artificial intelligence and crypto, a position that will give him access to Mr Trump without the hassle or scrutiny that comes with a normal confirmation process. Mr Sacks will, in turn, have a team of advisers rooted in Silicon Valley, including Sriram Krishnan, a tech whiz with Andreessen Horowitz. Some in the industry believe more power may lie with Michael Kratsios, named as director of the Office of Science and Technology, owing to his longer relationship with Mr Trump. A rough division of labour could have Messrs Kratsios and Krishnan advocating for looser regulation on AI companies, while Mr Sacks pushes for greater legal clarity for crypto firms.

Mr Trump has nominated Scott Kupor, a managing partner at Andreessen Horowitz, to serve as director of the Office of Personnel Management, which oversees government hiring and helps divvy up resources. That could make Mr Kupor one of the conduits for the efficiency drive that Messrs Musk and Ramaswamy want to un-

► leash. It also suggests that Andreessen Horowitz has replaced Goldman Sachs as the launchpad for business bigwigs who want to enter the administration. Deregulation is, generally speaking, good for their ventures—directly so for those with large crypto holdings. Some like Mr Musk are in line for hefty defence contracts. Many also share a techno-libertarian belief in smaller government as a good thing in its own right, and see Mr Trump as likely to roll back Joe Biden's statist policies.

### America first, second and third

It is possible to conjure a scenario in which the three groups pull in the same direction: the America firsters as the motor, propelling the administration forward; the mainstreamers as the shock absorbers, cushioning bumps along the way; and the tech tycoons providing tools for a speedier ride. For a glimpse of how this might work in practice, consider energy. As Secretary of the Interior, Mr Burgum will try to tie together both Mr Trump's "drill, baby, drill" mantra and the quest to retain America's tech supremacy. Much easier permitting rules, it is hoped, will boost oil-and-gas production, to the benefit of the AI industry. He will be supported by the deputy secretary of Treasury, Michael Faulkender, who served in Treasury in Mr Trump's first term and spent the past few years at the America First Policy Institute, a think-tank. He has helped craft blueprints, ready for day one, to encourage drilling.

A similar dynamic could emerge in regulation. Mr Trump has appointed a series of veterans who buy into the tough-on-big-tech, soft-on-little-tech stance. At the DoJ, Gail Slater will be the next leader of the antitrust division. Ms Slater was an economic adviser to J.D. Vance, the incoming vice-president who is known for his antipathy to Silicon Valley giants. Yet she also previously served as general counsel at the Internet Association, an industry group, where she argued that government interference stifled innovation. At the Federal Trade Commission (FTC), the main antimonopoly regulator, Mr Trump has elevated current commissioner Andrew Ferguson, whose dissenting opinions indicate a higher bar for challenging deals than his Biden-appointed predecessor, Lina Khan. Mr Trump has also added Mark Meador, an antitrust lawyer who joined the DoJ in Mr Trump's first term, to the FTC as a new commissioner, cementing its Republican majority. Mr Meador has been a pointed critic of big-tech firms and, as an adviser to Senator Mike Lee of Utah, drafted a bill that would have forced Google to break up its advertising business.

It is, however, just as easy to conjure an alternative scenario, where the various splits between advisers and officials slow things down. The most obvious division is

between America firsters and mainstreamers on tariffs. Although their disagreements are less pronounced than in Mr Trump's first term, the president-elect enters office with a much more radical plan. If he is serious about slapping punishingly high levies on countries, whether foes or allies, Messrs Bessent and Hassett will have their work cut out. "There is going to be a tug of war between the more traditional Reaganite free-marketeers and the voices that believe in big government driving the economy," says Mr Moore.

A dispute has already flared up about immigration. The tech tycoons know all too well how essential it is for America to attract skilled workers from around the world, whereas the most extreme of the America firsters see immigration of any sort as an affront to the native-born. After the appointment of Mr Krishnan as an AI adviser, some xenophobes on social media bridled at the apparent clout of the Indian-born entrepreneur, though he is an American citizen. That, in turn, triggered a debate about the H-1B visa programme, a big recruitment channel for tech firms in need of high-skill workers. Mr Musk and his friends want to expand issuance and speed up processing times; Mr Miller believes foreigners with H-1B visas displace Americans and so wants to restrict them.

Hawkishness towards China may also cause rifts. China is home to Tesla's busiest factory and is its second-biggest market. That does not automatically mean Mr Musk will take China's side. In other ventures, including SpaceX, his rocket business, Mr Musk's interests are firmly in the American camp. But it could still make him a voice for moderation. Similarly, Mr Lutnick's business is intertwined with China: his firm has helped Chinese companies sell stocks in America and has a joint venture with a Chinese state-owned enterprise.

Such ties stand in contrast to the deeply held views of Mr Navarro, co-author of "Death by China", a book about China's threat to America's economic dominance.

Even tax cuts—an axiom of Trumponomics—may cause problems. Steve Bannon, Mr Trump's chief strategist at the start of his first term, recently called for tax rises on corporations and the wealthy. Mr Bannon is not part of Mr Trump's administration, and the president-elect would like to do just the opposite. At the same time, Mr Bannon is beloved by many in the America-first camp. His views offer a preview of possible dissent to come.

The stresses of governance are certain to expose more fault lines. In the abstract any card-carrying Republican can get behind the idea of shrinking the government. In practice, questions about what to cut are vexing. Mr Trump has vowed not to lay a hand on Social Security. But Republican lawmakers who have met Messrs Musk and Ramaswamy say nothing will be sacrosanct. That Mr Trump has tapped Mr Miller's wife, Katie, to join DOGE suggests that the America-first camp wants to keep a close eye on the tech tycoons.

### Mr Musk goes to Washington

DOGE's supremos have already had a taste of how frustrating legislative battles can be. In December, when Congress ended up passing a budget without lifting the debt ceiling—against the wishes of Messrs Trump and Musk—the latter offered distinctly muted praise of Mike Johnson, the Republican speaker of the House of Representatives. He did "a good job here, given the circumstances", Mr Musk said. The problem is that the circumstances will not get any better. Politics is rough. Even if Mr Trump's new team is better-prepared and more cohesive than in his first term, it is about to face an almighty test. ■



## Trump and markets

## Place your bets

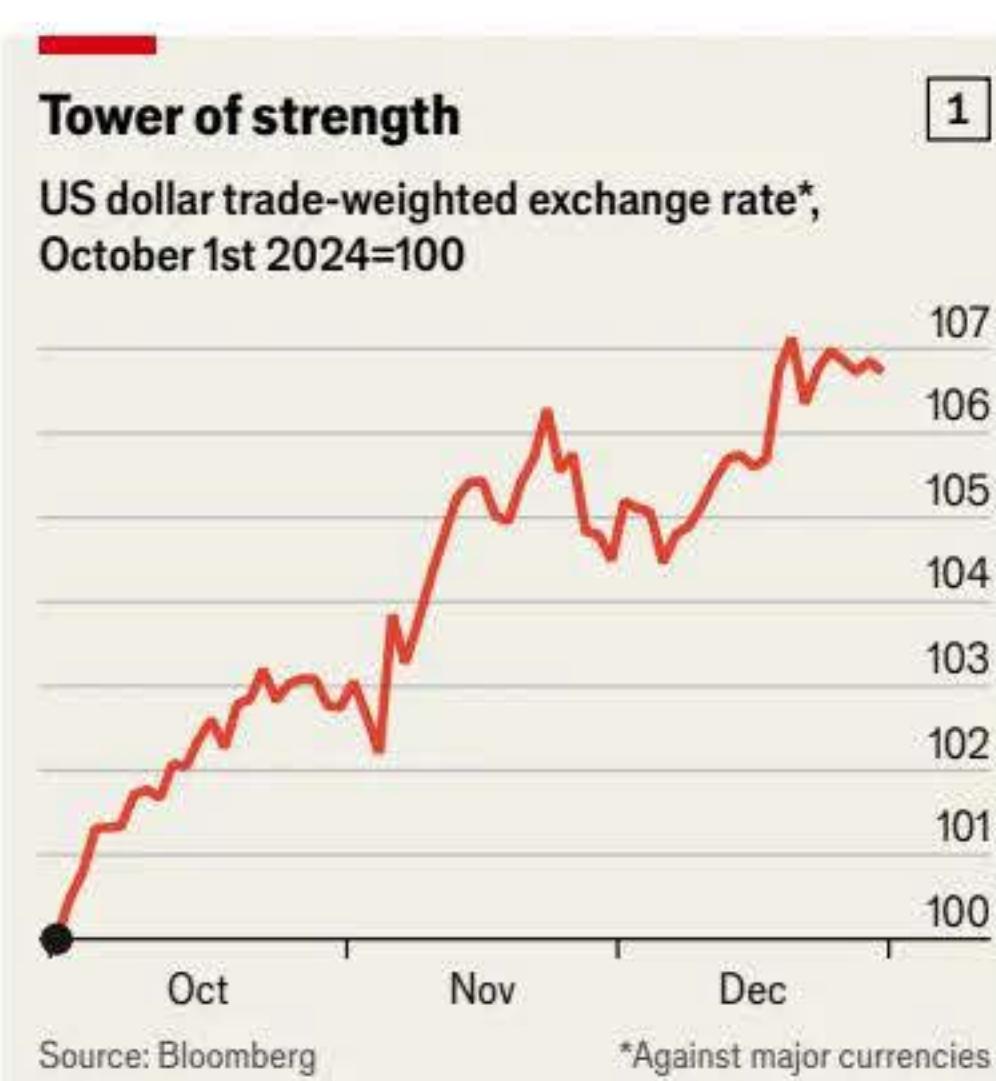
## What investors expect from Donald Trump's second term

FOR INVESTORS who bought on the rumour, it is nearly time to sell on the news. They have spent months gripped by uncertainty over what America's next president will do in office, as rumours have flown thick and fast. How high will tariffs rise, and how strongly will other countries retaliate? Will he really keep campaign-trail promises of mass deportations, sweeping deregulation or trillion-dollar tax cuts? What will it all mean for growth, inflation and asset prices? With Donald Trump's inauguration on January 20th, answers will at last start to arrive.

As to which rumours market participants have found most convincing, *The Economist's* conversations with analysts, bankers and fund managers have yielded a number of common themes. All of them expect at least some new tariffs; few have any idea where tit-for-tat retaliation might end. None think a wave of mass deportations, and consequent shock to America's labour market, is likely, though they worry that restrictions on future immigration might cause inflation to rise. They hope that fiscal hawks in Congress and on Mr Trump's economic team will keep America's deficit, which is already at 6.4% of GDP, from widening too much further. Yet confidence on this is low, and a big fear is that additional borrowing might cause turbulence in the market for Treasury bonds, also destabilising other asset prices.

To see how investors are parsing these and other uncertainties, look at how markets are priced ahead of Mr Trump's second term. The most straightforward judgments come from currency traders, who are betting the dollar will remain mighty. They have been bidding up its value relative to a basket of rich-world peers for months, but did so especially quickly after election night (see chart 1). Meanwhile, the currencies of Mexico and Canada, on whose goods exports Mr Trump has threatened 25% tariffs, have been hammered.

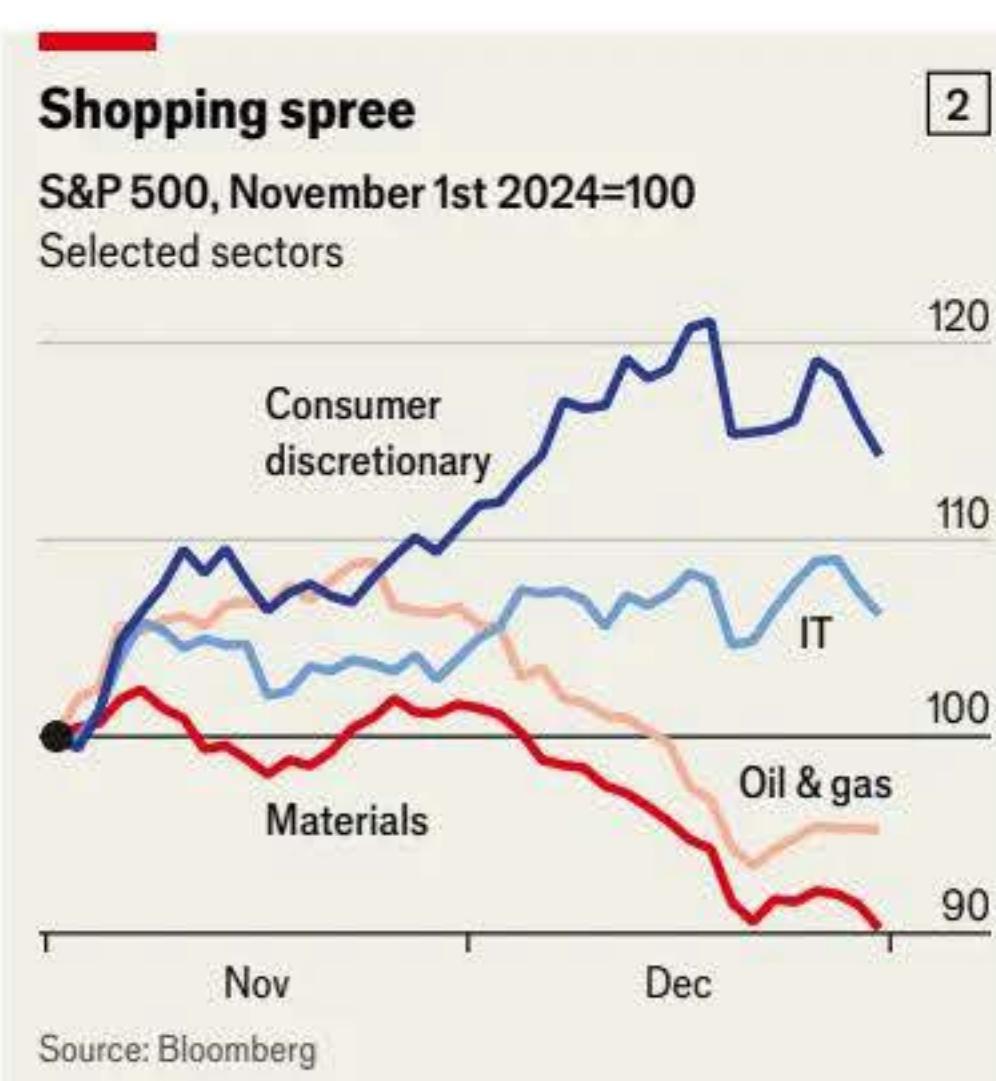
The foreign-exchange market, therefore, takes Mr Trump's tariff threats seriously. Traders expect exporters' currencies to face less demand, as new levies raise the dollar prices of their goods. They are also betting that the greenback will strengthen across the board—perhaps owing to its safe-haven appeal in a more volatile world, perhaps because blanket tariffs will induce Americans to send fewer dollars overseas. At least for now, few believe that Mr



Trump's long-professed desire for a weaker dollar, to boost American exports, has much chance of being realised.

Stockmarkets offer more wide-ranging predictions. The clearest is that American firms, in aggregate, are set to trounce those everywhere else, with share prices having risen by 3% since Mr Trump's election. Although they have fallen a little over the past fortnight, investors still value listed American companies at multiples of their underlying earnings that have rarely been exceeded. This is a bet on their continued ability to generate ever higher profits. Compare that with the valuation multiples assigned to other big stockmarkets in Europe, Japan and Canada. All are close to, or below, those assigned to American shares in late 2022, when the consensus view held that a recession was imminent.

America First, then—though investors have been discriminating about precisely



which industries will race ahead. Since Mr Trump's re-election share prices have diverged (see chart 2). The winners by some way have been "consumer discretionary" firms, including Amazon and Tesla, which do well when shoppers have spare income. Their success suggests shareholders are counting on Mr Trump to keep wallets bulging, perhaps by extending cuts to personal-income tax made in his first term. (Tesla's investors probably also owe much to the friendship of its boss, Elon Musk, with the president-elect.) Shares in IT and financial firms, likely to face lighter regulation, have also done well.

The losers include industries that Mr Trump has seemed to favour. His promise to "drill, baby, drill" has not buoyed oil and gas firms, whose production is constrained by low oil prices rather than a lack of permission to drill. Nor has his former career in real estate boosted that sector; it has been hit by higher borrowing costs from rising bond yields. Share prices for materials firms, which rely on imported commodities and machinery that may soon be subject to higher tariffs, have slumped.

With share prices still rising overall, none of that will much bother Mr Trump. Instead, if he is to face trouble from the markets, it is most likely to come from Treasury bonds. Their yields have already climbed, with the ten-year borrowing cost now 4.6%, up from 3.6% in September. One big fear is that the inflationary effects of policies Mr Trump has proposed, such as tariffs and reduced immigration, will force the Federal Reserve to keep interest rates high. Another is that fiscal laxity will lead to bumper Treasury issuance, forcing prices down and yields up.

One way of gauging these fears is to examine the "term premium" on government bonds. This is the component of borrowing costs that is not attributable to expected changes in the Fed's short-term interest rate. In other words, it is the extra yield investors demand above the risk-free rate as compensation for the chance that government-bond prices crash—in response to high inflation, say, or unsustainable borrowing. Roughly 80% of the recent increase in Treasury yields has come from a rising term premium.

None of this suggests that government-bond yields are about to soar, a prospect that even the most nervous market participants think unlikely. More plausibly, having spent so long trying to guess what the next four years will hold, investors will shortly have a shot at influencing the answer. A turbulent Treasury market would be sure to hit share prices, a measure of presidential success that Mr Trump famously holds in high regard. Whether or not bondholders have listened to the right rumours, if enough of them start selling on the news, expect the news to change. ■

## Capital outflows

# Footloose factories

KUALA LUMPUR

**China's firms are leaving the country, worrying its rulers**

FOR DECADES, China has put foreign capital to work. Officials pushed Western companies to trade technology for access to its vast market, helping build Chinese rivals that were often better and always cheaper. These upstarts began shipping goods westwards. The resulting “China shock” is often blamed for causing dislocation and despair in America’s heartlands. Now, though, it is China’s turn to worry. Its manufacturers are taking flight.

In the year to June, Chinese firms invested a record \$177bn in non-financial assets abroad. More than four-fifths is likely to have been ploughed into “greenfield” projects, in which assets are built rather than bought, mostly in emerging markets. The total flow is equivalent to 1% of China’s GDP, about as much as Japanese conglomerates spent offshoring their low-value manufacturing each year in the mid-1980s. That wave of outbound foreign direct investment (FDI) remade global manufacturing, helping South-East Asian countries climb the value chain.

Chinese FDI, by contrast, is causing anxiety abroad and at home. China’s firms have resisted hiring local workers, buying from local suppliers or sharing tech. Chinese officials, meanwhile, fret about domestic industry being “hollowed out”.

American and Chinese policies led to the investment spree. Tariffs introduced by Donald Trump in his first term as presi-

dent encouraged Chinese firms to shift their goods’ country of origin so as to skirt duties. At the same time, operating in China became harder. Labour costs soared. Weak consumer spending and huge, state-sponsored growth in loans to manufacturers dragged producers into price wars.

Hence why Chinese firms are pouring cash into factories in emerging markets, including some making higher-value-added goods such as electric vehicles (EVs) and chips. It is a shift from 2014-16, when another investment surge occurred after the state urged firms to “go out”. Investors bought trophy assets in the West, such as the Waldorf Astoria hotel, to store cash, notes Thilo Hanemann of Rhodium Group, a research firm. In 2016 rich countries received 80% of China’s outbound investment. By 2023 their share was 30%.

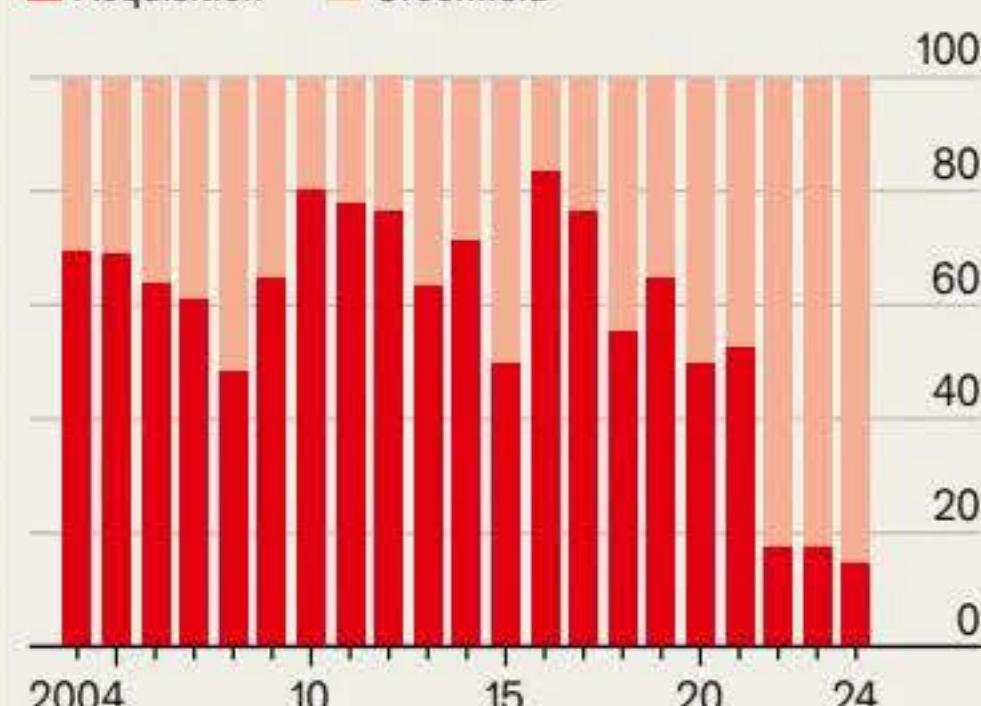
The beneficiaries this time have been countries that act as “connectors”, through which China can retain access to Western markets. Many are in South-East Asia. Vietnam receives investment for low-value-added-goods production; Indonesia gets cash for critical minerals. Malaysia and Thailand are home to EV projects. Considering that all these countries want to make advanced goods, such flows should be welcome. Capital for factories or data centres is less flighty than money that trades emerging-market debt. Shovels in the ground have larger multiplier effects than acquisitions of existing businesses. Foreign investment brings spillovers, as technology and skills are shared.

Yet China’s splurge brings few of these benefits. Chinese firms prefer to import their own workers. The country’s recruitment platforms posted more than 418,000 new vacancies for positions involving overseas travel between January and November. Even in Germany, where skilled labour

## Build v buy

Chinese outbound FDI transactions, %

■ Acquisition ■ Greenfield



Source: Rhodium Group China cross-border monitor

is readily available, a fifth of the workforce at CATL’s battery-making plant are Chinese. Locals “rarely make up more than half” of the workforce on Chinese-owned projects, says Ong Kian Ming, a former Malaysian deputy minister. A rule that projects should have an 80:20 split of local to foreign workers could never be enforced, a Malaysian official sheepishly admits.

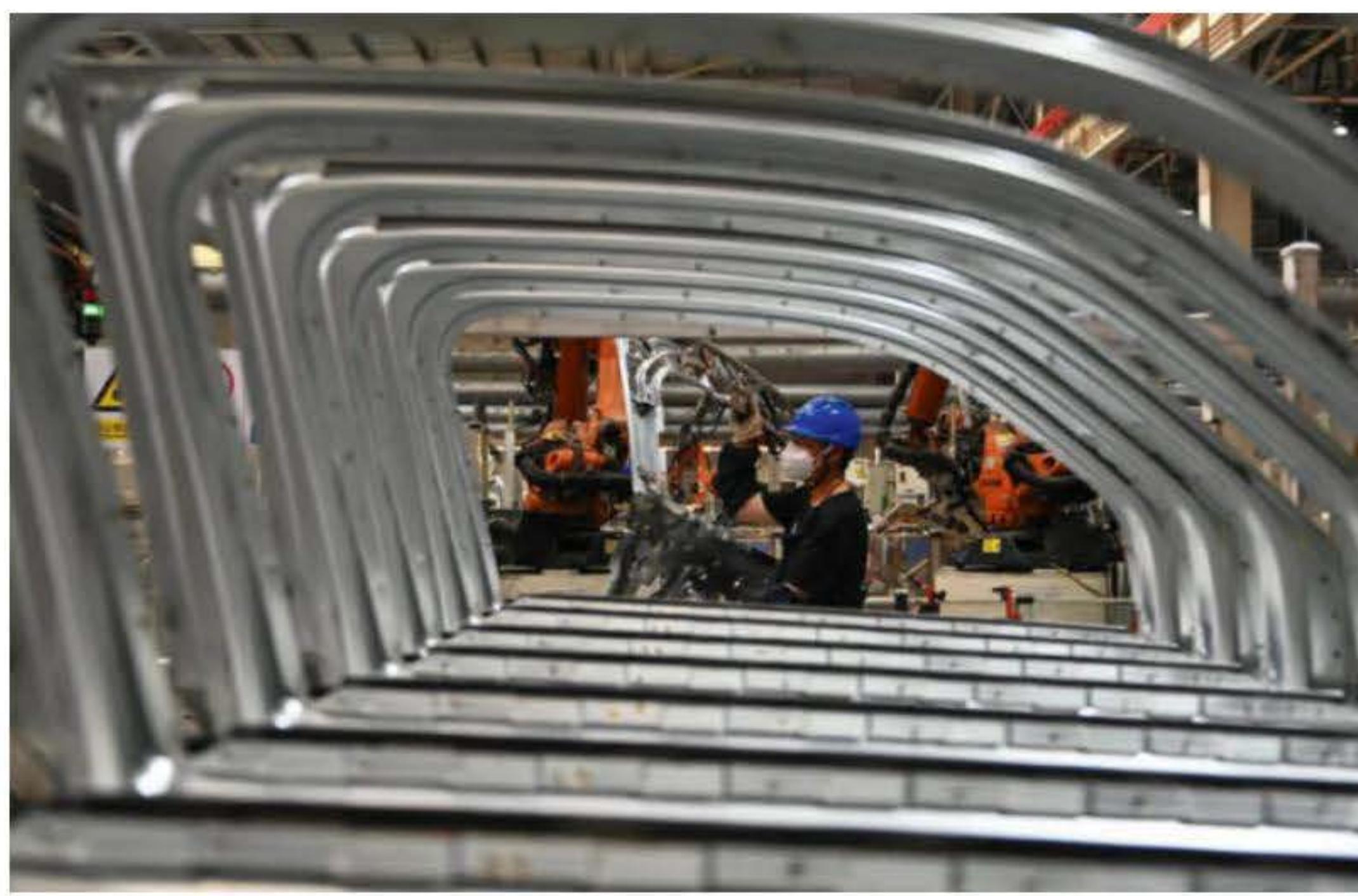
## Lock and key

China’s officials want to keep knowledge at home. The commerce ministry has told EV firms that core technology should not leave the country. In December the state began making firms obtain licences to export sensitive tech. Regulators want to limit foreign operations to “screwdriver” plants, in which workers assemble Chinese parts. Reliance on Chinese imports is reflected in trade imbalances. Members of the Association of South-East Asian Nations (ASEAN) ran a deficit of \$144bn with China in the first ten months of 2024, 38% higher than in the same period in 2023.

To make matters worse, Chinese firms are crushing rivals. With a factory comes market access. Chinese carmakers doubled their market share in Thailand, home to a new BYD plant, to 11% in 2023, squeezing not only competitors but also small firms that make parts. Suzuki, a Japanese carmaker, was among the 2,000 producers to shut factories in Thailand in the year to June, a 40% increase from 2022-23. A leading Thai auto-parts maker has warned upstream suppliers may be wiped out.

This is sowing dissatisfaction in countries that receive Chinese money. The country’s investors, says an official in Kuala Lumpur, “cannot just use our land without hiring our people or buying our products”. Malaysia will begin taxing firms based on how many foreigners they employ. ASEAN is also wrapping up a new trade agreement with China that is said to include commitments to share tech.

Faced with such pressures, Chinese investors might start to localise their operations. A representative at CATL’s plant in



Driven to distraction

► Thuringia, Germany, recently boasted its canteen now serves German food, alongside Chinese dishes. Asian officials are optimistic that entrants will establish new supply chains. But Chinese firms must also contend with politics at home. And the more localised overseas production becomes, the more Chinese policymakers see it as a threat to the domestic economy.

Although some Chinese economists argue that relocating low-value production will free China to focus on higher-value manufacturing, local governments want to hold on to even low-value exports. An official in Jinjiang, China's "zipper capital", told state media that migrating companies will fail to replicate the city's supply chains. Officials in Jiaxing, a steel town, have quizzed firms on their offshoring intentions, warning of risks to economic stability from "disorderly outbound investments". A state think-tank has urged officials to "keep the main part of leading enterprises in China as much as possible".

Chinese policymakers are in more of a bind than in 2016, when they last worried about hollowing out. Then they throttled outbound flows, notes David Lubin of Chatham House, a think-tank. The state introduced foreign-exchange caps and a traffic-light system to limit and prohibit overseas investment, reducing flows by 35% in a year. Now China benefits from skirting American tariffs, notes Mr Lubin.

Xi Jinping, China's leader, still wants supply chains to be "self-determined and self-controlled". He would prefer low-value industry to move to China's poor interior. The National Development and Reform Commission, China's economic planner, has praised Chongqing and Yunnan for attracting firms from richer areas. "Against the backdrop of the accelerated reconstruction of the global industrial chain," wrote the department, China should use the "economic depth of a big country and retain the roots of the manufacturing industry." Politics caused firms to take flight. It could yet summon them home. ■

### Come fly with me

China, job listings citing overseas work\*, '000



\*Vacancies listed on major online recruitment platforms in China citing an overseas job location, or keywords such as "going abroad" or "cross-border". Stock of monthly listings  
Source: BigOne Lab

### Obituary

## India's great reformer

Manmohan Singh died on December 26th. He fought for economic freedom

IT IS FITTING that Manmohan Singh, who unshackled Indian trade as the country's finance minister, was the son of an importer. His father's firm in Peshawar procured dry fruit and spices from Afghanistan. As a boy, Mr Singh would fill his pockets with raisins that classmates tried to steal. From an early age, he appreciated the fruits of international commerce.

Clever and studious, Mr Singh probably did well in the school-leaving exams he took in 1947. But he would never find out. In breaking free from colonial rule, India was also breaking violently in two. Peshawar would become part of Pakistan. To take his exams, Mr Singh had to cross a city scattered with corpses. Amid the chaos, the results were never announced.

He fled with his family to northern India, where he had little money but lots of aspirations, much like the new republic itself. India's investment needs were vast. Industrial equipment and other capital goods would have to be bought overseas, leaving little hard currency for anything else. State planners policed imports and protected homegrown alternatives.

Lacking textbooks, Mr Singh travelled alone to Delhi in 1948 to retake his exams. Decades later he described this period to his daughter, Daman. There was much he could not remember and plenty he might have liked to forget. But he recalled with precision his exam result: 694 out of 850.

Even better results would follow at Punjab University and then Cambridge and Oxford. Amid his success, he was quietly confident and confidently quiet. One don remembers his "excessive diffidence". In a letter, Mr Singh moaned that he had spent several pounds on crockery. That he occasionally had to entertain half-a-dozen people was worth writing home about.

Aloofness would normally have barred him from becoming a politician, let alone prime minister. Yet his modesty was in fact a prerequisite. A self-assertive man would never have been acceptable to Sonia Gandhi, the foreign-born leader of the Congress party, who wanted to hold power without holding office after her party's surprise success in the 2004 elections.

Besides, in his writing and decisions, this supposedly diffident man could be trenchant. Mr Singh's research took on the "export fatalism" that cursed India's economic strategy. Previous scholars had argued there was little room for growth in In-

dia's principal exports, such as jute and tea. Hard currency would stay scarce, according to this view, which in turn justified steering investment towards industries that replaced foreign goods, rather than those that served foreign markets.

Mr Singh did not accept this fatalism. Blame for India's stagnant exports lay not just with global forces outside India's control, but with "stumbling blocks" that Indian officials had left in exporters' way. "Official policy has been far too slow in recognising the necessity of a sustained export drive," he wrote in 1963. As finance minister almost 30 years later, he had a chance to put his ideas into action. In 1991 the country was on the brink of a financial crisis. To secure an international loan, the central bank had to air-lift gold to London.

It was clear that India needed to cut spending by reducing the budget deficit. Mr Singh also believed it could "switch" spending by devaluing the rupee. The cheaper currency attracted foreign demand for India's exports and discouraged spending on imports. These two measures might have been enough to solve the immediate crisis. But Mr Singh seized his chance to do more. The rupee devaluation gave him cover to cut import tariffs and remove export subsidies. He also gave firms freedom to grow without a licence. The reforms reinforced each other, as Montek Singh Ahluwalia, his ally, has pointed out. India, for example, found it easier to attract investment from Japan when it became possible for Japanese expats to import food items from their home country.

Mr Singh's legacy is vast. Lant Pritchett of the London School of Economics and co-authors have tried to add up all of the additional goods and services India produced from 1993 to 2002 that an unreformed economy would not have. Converted into today's dollars and appropriately discounted (as benefits were spread over years) the total could exceed \$1.5trn.

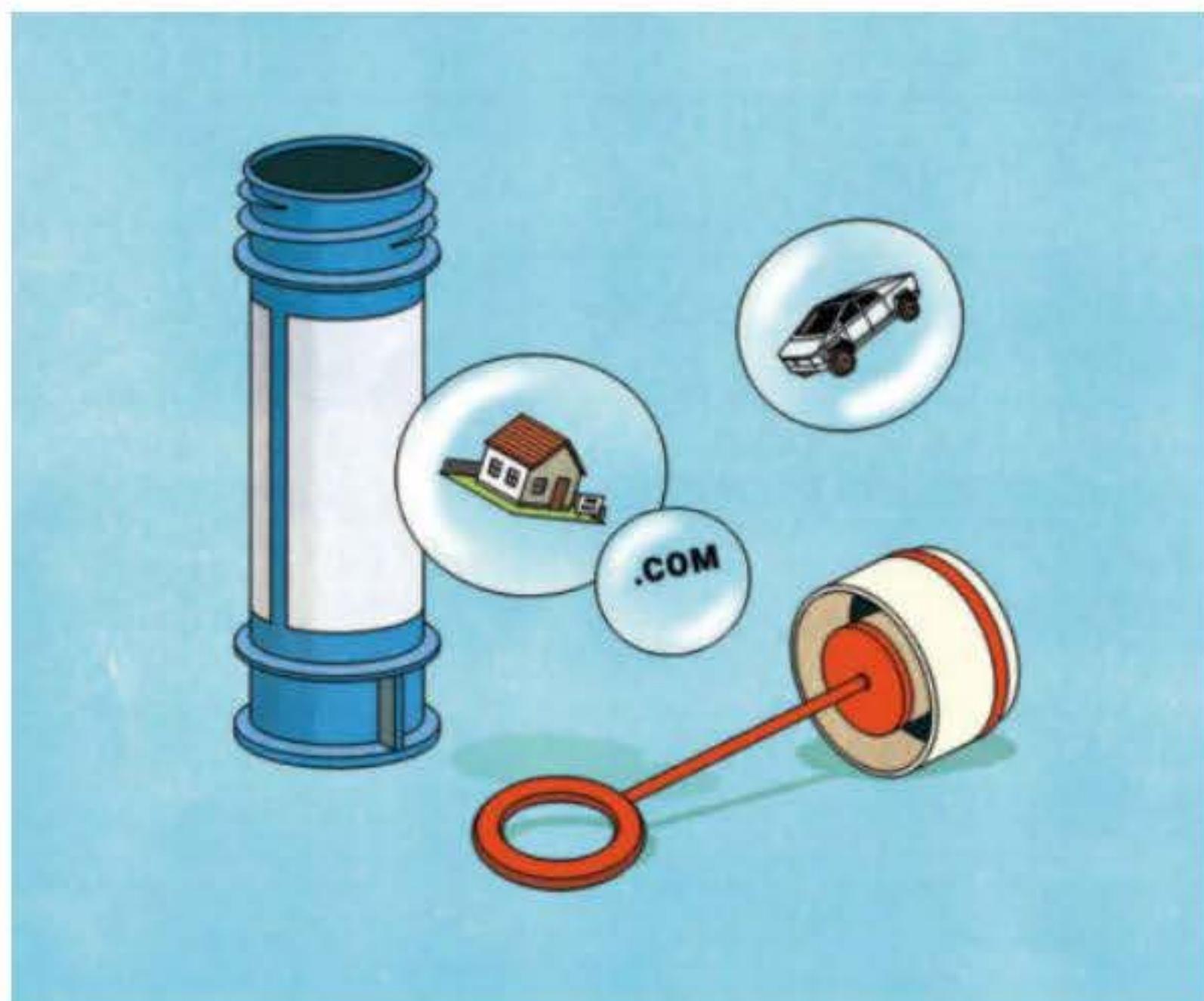
As prime minister from 2004 to 2014, Mr Singh reaped some of what he had sowed. The economy grew briskly until a spate of corruption scandals paralysed government decision-making. Foreign capital was often plentiful. Dollars poured in from exports of IT services, an industry the fatalists did not foresee. India's foreign-currency reserves, \$1bn in 1991, exceeded \$280bn by the end of his tenure.

Despite this change, India is still insecure about its position in the global division of labour. Its tariffs are higher than most of its Asian peers. It refused to join the Regional Comprehensive Economic Partnership, an Asian trade deal, because it feared Chinese competition. Some economists doubt India can ever emulate East Asia's industrial success, given its restrictive land and labour laws. Mr Singh has passed away. Export fatalism lives on. ■

## FREE EXCHANGE

### *The merits of mania*

*Would an artificial-intelligence bubble be so bad?*



A LITTLE OVER a decade ago Seth Klarman, a hedge-fund titan, worried that an asset-price bubble was emerging. He identified Tesla as one of the firms best exemplifying exuberance in the market. At the time, Elon Musk's electric-vehicle company was worth around \$30bn. Today its stockmarket value is \$1.3trn.

Identifying a speculative frenzy, and when it might end, is a difficult task for even the most talented investor. That does not stop lots of them—talented and untalented alike—from trying. America's tech-heavy NASDAQ index of share prices has quadrupled over the past decade. With valuations looking steep and excitement about artificial intelligence at extraordinary levels, investors are once again talking about a potential bubble.

But what if it is not just investors who get bubbles wrong? Economists usually malign financial manias for misallocating resources, with capital directed to inefficient corners of the economy. Now, though, a growing body of research suggests that bubbles may have advantages, even when many of the investors involved lose money. Byrne Hobart, a financial-newsletter author, and Tobias Huber, a tech investor, make the case in a recently published book, "Boom: Bubbles and the End of Stagnation". They argue that a culture of risk aversion, shaped by ageing populations, has led to economic stasis. Financial exuberance may help escape this trap, they suggest, by driving investment in technologies that offer potentially spectacular rewards for the world.

The economic definition of a bubble is surprisingly loose. One is said to occur when asset prices rise above any plausible underlying value, simply because investors expect to sell the assets at a higher price in the months or years to come. For Charles Kindleberger of the Massachusetts Institute of Technology another factor was crucial: a bubble had to pop. Booms are not typically thought to have wider benefits for society, and the subsequent crashes impose heavy costs on investors who bought into the rally. The worst implosions result in economic downturns.

In their book, Messrs Hobart and Huber take unusual turns, touching on René Girard, a French philosopher, and the similarity of financial bubbles to Christian teaching on the revelation. But their argument is grounded in history. Although investors made

losses, the railways laid during a British mania for trains in the 1840s ended up being useful, for instance, as did high-speed internet infrastructure built in the dotcom bubble of the late 1990s.

The authors are not alone in their view that the social benefit of some bubbles outweighs the costs to investors. Number-crunching by Randall Morck at the University of Alberta finds that corporate research-and-development spending provides much more of a boost to the broader economy than it does to investors' returns, which suggests that what looks like wasteful capital allocation from a financial perspective is rather more benign from an economic standpoint. Similarly, Bill Janeway, an economist and venture capitalist, has suggested that "productive bubbles" exist. These help explore uses for new technologies even if most of the ventures involved end up failing.

A bubble popping is never pleasant for investors who bought into the rally, but not all are equally dangerous for the economy. William Quinn and John Turner, both of Queen's University Belfast, divide instances of financial mania into categories based on their underlying cause, the source of the market enthusiasm and their size. Instances in which banks become heavily involved and those that are triggered by political shifts, such as changes to regulation or taxation, can leave deep economic scars, the worst of which remain visible for decades (think of America's housing bubble, which built in the mid-2000s, or Japan's land and stockmarket frenzy, which emerged in the late 1980s). By contrast, bubbles that suck in little leverage and have an obvious technological spark, such as the British bicycle mania of the 1890s, which led more than 100 initial public offerings by cyclemakers, tend to have much less wounding economic consequences, and sometimes even boost innovative activity. The arrival of speedier personal transport brought important economic benefits.

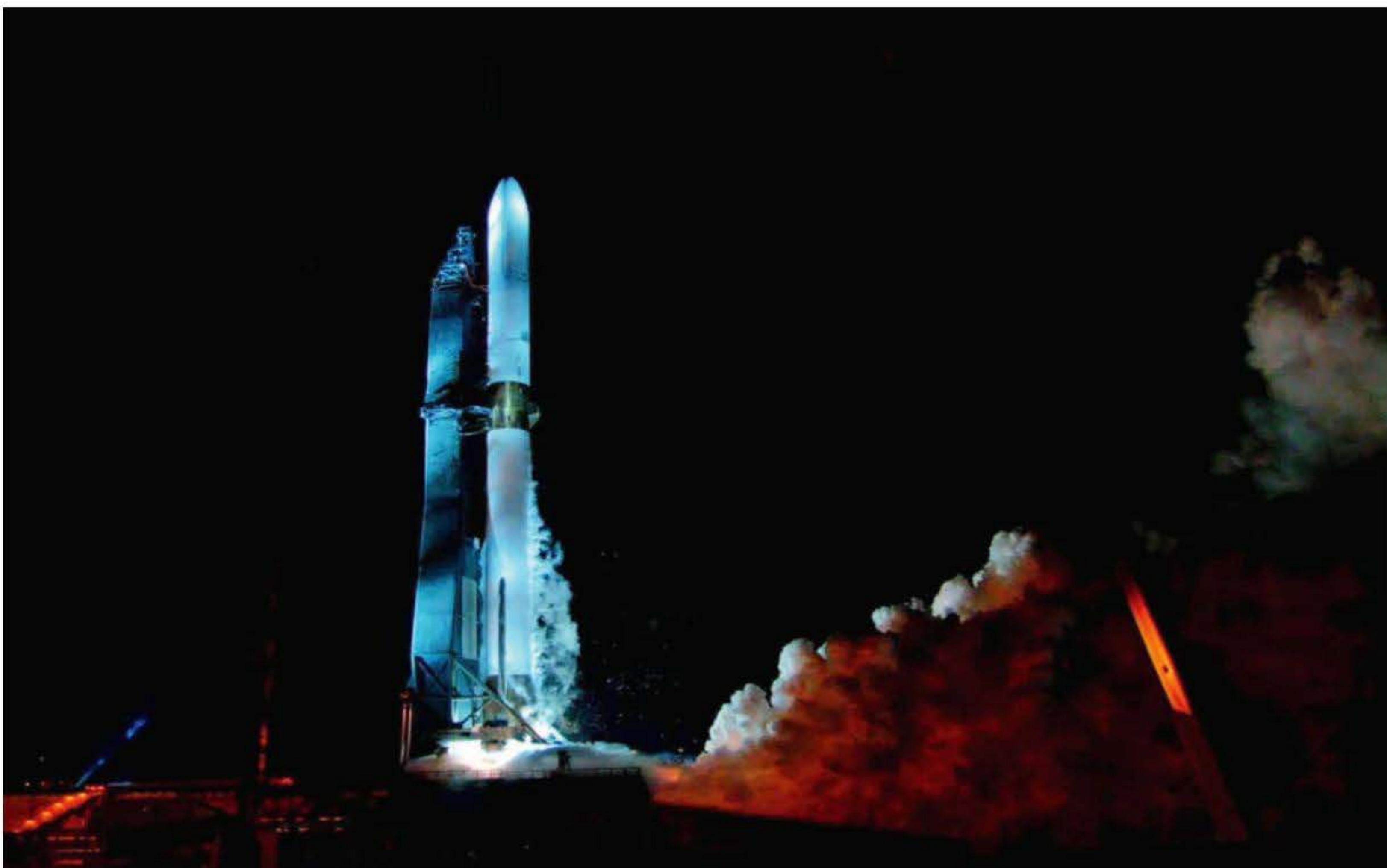
#### Shift up a gear

What does this mean for the current artificial-intelligence frenzy? The enthusiasm is very much a stockmarket, rather than a banking, phenomenon, as can be seen in the spectacular recent performance of companies including Broadcom, Microsoft and Nvidia. It is also pretty easy to identify spillovers that could benefit society more widely, whether in the consumer surplus generated by technological advancements or the physical infrastructure provided by associated investment in electrical grids.

But the challenge, even for Mr Janeway's productive bubbles, is that the boundaries of a frenzy are rarely tidy. Market exuberance tends to spread. Heightened growth expectations in one industry buoy those in others. Credit investors are already being enticed by the current excitement, for instance. They are rushing to finance the data centres and other commercial-property infrastructure required by fast-growing artificial-intelligence firms. The longer a frenzy lasts and the bigger a bubble grows, the more it will begin to have implications for other parts of the economy.

Indeed, a bubble of considerable duration and scale, where asset values are surging and sentiment is excited or even manic, will eventually draw in more staid and conservative investors. If enthusiasm about new tech means that investors everywhere become more excited about the potential for global economic growth, it will influence every facet of financial markets, including bank lending. Apologists for financial frenzies are right to point to the potential upsides of manic episodes. There is, nevertheless, a reason that people more often focus on the downsides. ■

## Science & technology



**Space travel**

### Bolt from the blue

**Jeff Bezos's space company is on course to send its first rocket into orbit**

IT HAS BEEN a long time coming. Assuming there are no last-minute delays, then in the next few days Blue Origin, a firm run by Jeff Bezos, Amazon's founder, will make the first launch of its New Glenn rocket from Cape Canaveral in Florida. If everything goes smoothly, then almost a quarter of a century after it was founded, Blue Origin will reach orbit for the first time—and the private space industry may have another contender.

That is quite a big "if". Getting all the way to orbit with a brand-new rocket is a rare feat. Blue Origin also hopes to recover the rocket's first stage by landing it on a drone ship in the Atlantic Ocean. Doing that on a maiden flight would be unprecedented: that kind of partial reusability was pioneered by SpaceX, Elon Musk's rocket firm, and it required several attempts before eventually sticking the landing in 2016. (In a nod to those long odds, Blue

Origin has named the booster *So You're Telling Me There's A Chance.*)

Admittedly, Blue Origin will not be starting entirely from scratch. Since 2021 the firm has been flying tourists (including Mr Bezos himself) above the Karman Line, the 100km boundary that marks the edge of space. The New Shepard rockets that power those missions are capable of landing for later re-use. But going into orbit is much harder than crossing the Karman Line. It requires not only flying much higher, but also accelerating sideways to around 28,000 kilometres per hour.

New Glenn is, therefore, far bigger and more capable than New Shepard (see dia-

gram on next page). At 98 metres tall it is just two metres shy of one commonly used definition of a skyscraper. Only three rockets currently flying—SpaceX's Starship and Falcon Heavy vehicles, and NASA's Space Launch System—produce more thrust. New Glenn is designed to carry 45 tonnes to orbit, roughly double the capacity of SpaceX's workhorse Falcon 9.

But amid all the excitement, many observers will be wondering what has taken Blue Origin so long. The firm's motto is *gradatim ferociter*, or "step by step, ferociously." In contrast to Mr Bezos's hard-charging management style at Amazon, at Blue Origin the *gradatim* has been much more visible than the *ferociter*. The firm was established in 2000. Contemporaries such as SpaceX (founded in 2002) or Rocket Lab (2006) have been flying to orbit for years—more than 400 times in SpaceX's case, which has established itself as the planet's most capable space organisation.

The problem is not lack of ambition on its owner's part. In 2019, two years before he stepped down as Amazon's CEO, Mr Bezos gave a presentation advocating the construction of giant space-going cities, of the sort proposed by Gerard O'Neill, an American physicist, in the 1970s. (Mr Bezos went to Princeton University, the institution where O'Neill taught.)

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**60 How to make a cancer vaccine**

Moving humans and their industry off Earth, said Mr Bezos, would allow the population to grow to a trillion people. That would mean “a thousand Mozarts and a thousand Einsteins”, he said in 2023, and allow Earth to be run mostly as a nature reserve. Blue Origin was founded to provide the cheap access to space necessary to make that idea a reality.

### The tortoise and the hare

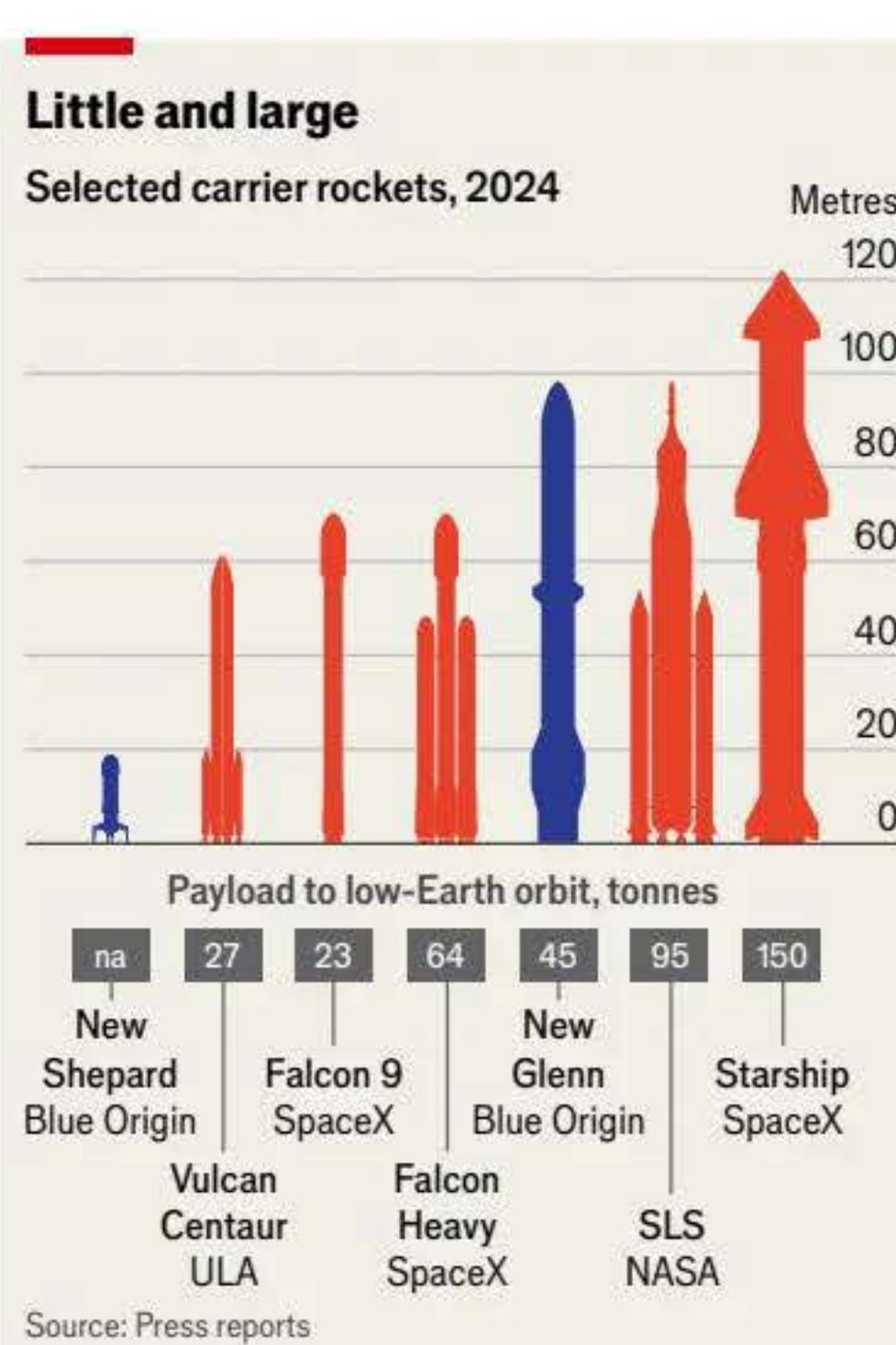
One reason for the subsequent slow progress might have been that Mr Bezos was too busy with his day job at Amazon to pay close attention to his rocket company. Many of the managers he hired to run Blue Origin were from the sleepy “Old Space” establishment. “Blue Origin’s approach was to say ‘We’ll hire the best in the business’,” says Simon Potter at BryceTech, a firm of analysts. SpaceX, he says, “started from the assumption that the whole [aerospace] business was broken anyway”, and so did things its own way.

Caleb Henry of Quilty Space, another firm of analysts, thinks Blue Origin might have been too well-funded for its own good. Mr Bezos was already a billionaire when he founded the firm, and has made regular donations over the years. By contrast Mr Musk had to run SpaceX on a comparative shoestring, at least at first, with the firm almost going bust in 2008. Even now, says Mr Henry, SpaceX retains a scrappy, high-pressure start-up culture. “I think the work-life balance at Blue Origin is attractive to many people,” he says. But it has perhaps meant less progress than the boss would have liked.

Mr Bezos himself has admitted that Blue Origin has been too slow, and has said he quit as Amazon’s chief executive partly to speed things up. In 2023 Bob Smith, Blue Origin’s CEO, was replaced by Dave Limp, an Amazon executive.

Mr Limp has been trying to inject some vim and urgency. A much-delayed contract for Blue Origin to supply engines for the Vulcan-Centaur rocket operated by United Launch Alliance (ULA), a joint venture between Boeing and Lockheed Martin, seems at last to be running smoothly. And, on paper at least, Blue Origin’s plans for New Glenn are now ferocious indeed. “They are talking about maybe ten launches [in 2025] and 24 the year after,” says Mr Henry. That kind of ramp-up for a new rocket is, he says, “simply unheard-of”.

Assuming New Glenn makes it into space, one question will be whether it can take some market share from SpaceX’s cheap and reliable Falcon 9, which dominates the commercial-launch business. Blue Origin has not disclosed pricing, but one industry-watcher talks of seeing a contract that put a launch at \$68m. That is roughly the same as a Falcon 9, despite New Glenn offering double the payload.



The firm already has a minimum of one customer. In 2022, alongside ULA and ArianeSpace, a European firm, Blue Origin won a slice of the biggest launch contract in history, awarded by Amazon to fly the more than 3,000 satellites needed by its Kuiper project, which plans to provide fast internet access anywhere on Earth. (Complaints from Amazon shareholders eventually led to SpaceX being awarded a few flights as well.)

### Catch-up on the high frontier

Blue Origin has other products in the pipeline, too. New Glenn’s test flight was supposed to carry a pair of probes to Mars, but delays to the rocket mean those will have to wait until spring 2025 to launch. The payload will instead be a “Blue Ring” spacecraft, a space-going tugboat designed to ferry satellites to their desired orbits, refuel them and even function as a sort of orbital computing platform, services for which Blue Origin hopes there will one day be a big market. The firm has plans for a private space station called the Orbital Reef, and has been asked by NASA to build a crewed landing craft for the agency’s Artemis Moon missions.

Blue Origin has not officially said when New Glenn will make its debut. Federal Aviation Administration notices suggest early on the morning of January 6th, British time, although bad weather or mechanical problems could see things slip. Meanwhile, the competition is not standing still. Rocket Lab’s diminutive Electron rocket is due to be joined by the mid-size Neutron at some point in 2025. SpaceX’s enormous Starship, presently being tested, is designed to undercut everything else on the market. Still, if Mr Bezos’s firm can at last bring some ferocity, then the space industry may get a big new competitor. ■

### Firefighting

## Smoke and sensors

### SARDINIA

New technology could sniff out wildfires long before they spread out of control

THE FIRES went on for three relentless days in the summer of 2021, scorching over 13,000 hectares of western Sardinia. Residents “saw their whole world go up in flames around them,” says Carlo Poddi, a forestry expert on the island. Although they began with a roadside car accident that was immediately reported to firefighters, the conditions—temperatures over 40°C; an ongoing drought; and strong, hot sirocco winds blowing from Africa—made the blaze difficult to stop.

Fires like those are bound to become more common and vicious in a warming world, says Mr Poddi, walking through the forest of Santu Lussurgiu, one of the areas hit that summer. So the island is preparing.

As part of those preparations, Mr Poddi’s team at MEDSEA, a Sardinia-based environmental non-profit organisation, has installed 20 fire-detection sensors in the Santu Lussurgiu forest. These are part of a pilot programme by Dryad Networks, a German forest-monitoring company, that began in 2022 and is sponsored by Vodafone, a telecoms firm.

The sensors, which hang from branches three to four metres off the ground like green Christmas-tree ornaments, collect information about everything from concentrations of carbon monoxide and hydrogen to temperature, humidity, and air pressure. These data are then sent off to be analysed by bespoke artificial-intelligence (AI) models trained on data collected from forests around the world. If any anomalies are spotted, a call for action is sent to the emergency services.

Until now, fire detection on Sardinia has been carried out the old-fashioned way: by sight. During fire-risk season, from June 1st to October 31st, observers in lookout towers work to spot telltale smoke plumes snaking out of the greenery. But in most of these cases, says Carsten Brinkschulte, Dryad’s chief executive, the fire is noticed only once it has started to spread. Dryad’s sensors work more like a sense of smell, identifying the airborne chemicals caused by smouldering before flames and smoke are visible. This allows firefighters to intervene before the blaze is too large to control, says Mr Brinkschulte, and to have a clearer sense of where to tackle it.

The company’s sensors cost \$100 per unit. They are designed to be installed at intervals of a few hundred metres in strategic locations where fires are most likely to

▶ occur. Since around 85% of wildfires are accidentally caused by humans, these high-risk positions include along power lines, hiking paths, roads and railways. This sort of strategic deployment can make sensors tens of times cheaper than alternative wildfire suppression methods, says Mr Brinkschulte. Once installed, the sensors can last for up to 15 years in the field and can have their firmware updated remotely.

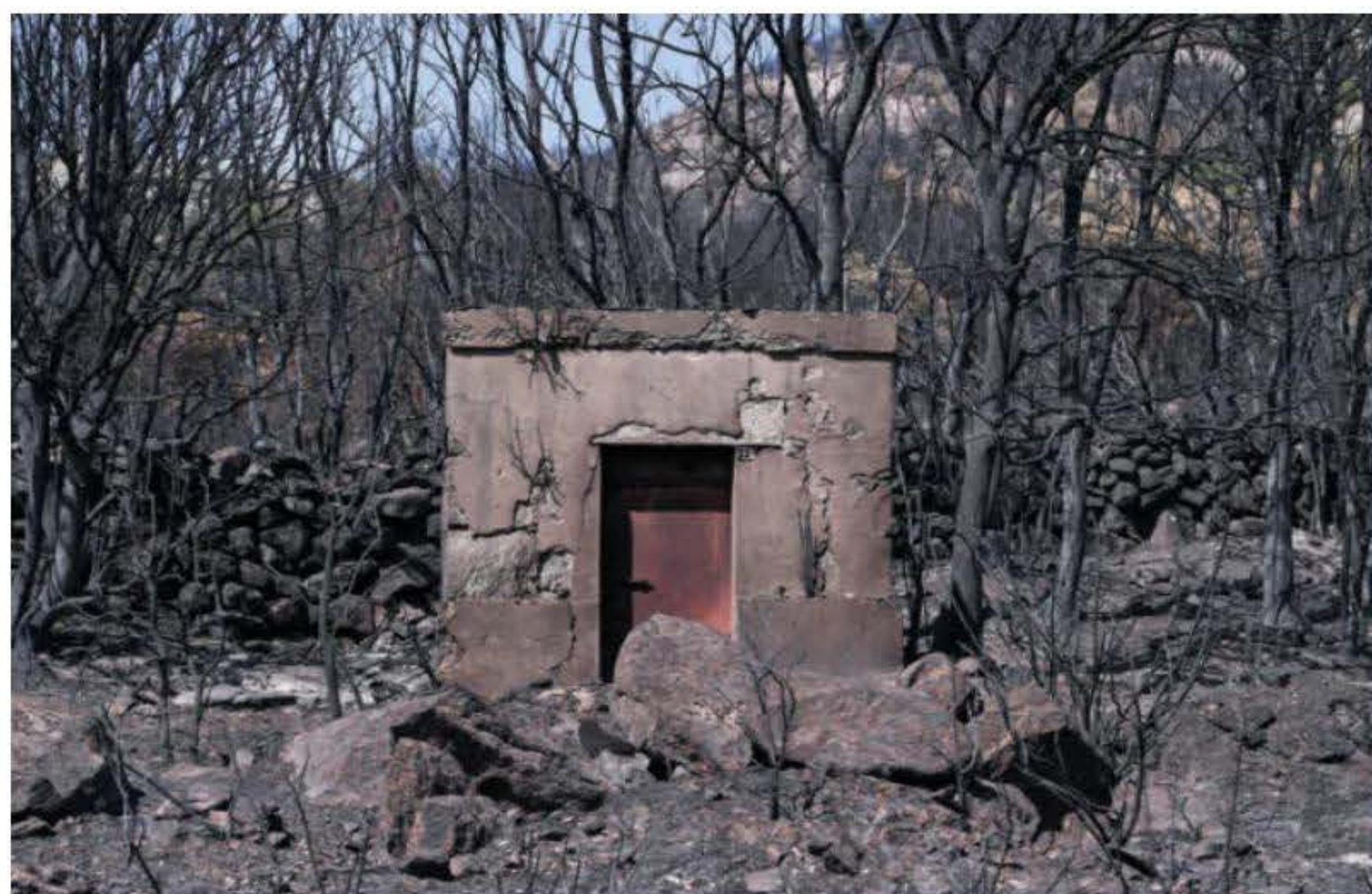
Since every environment is different, and what passes for an anomaly in one region may represent business as usual in another, the AI model has to be tailored to incorporate factors such as local variations in wind speed, humidity, and temperatures. A system designed for an Italian forest would not work equally well for one in Canada, says Bogdan Diaconu at the Constantin Brâncusi University in Romania, who is not involved with Dryad. Mr Poddi says the ultimate test for Sardinia will be if the sensor networks can be deployed with equal effectiveness along the coastal pine forests near the island's beaches. These environments—though equally susceptible to fires—are very different from those in Santu Lussurgiu.

Dryad has thus far run 50 pilot programmes to test its technology, from Spain to Indonesia, with positive preliminary results. In a pilot programme in Lebanon, for example, the sensors detected a small illegal fire caused by a farmer burning dry grapevines within 30 minutes of when it was started, whereas traditional sighting techniques would have taken several hours.

A handful of other companies around the world have had similar successes with analogous technology. Together with N5 Sensors, an American firm, Hamburg-based Breeze Technologies has installed sensors across forests in California. Their highly sensitive detectors are deployed at intervals of between two and five kilometres and can smell wildfires from within five to 15 minutes after the initial burn, says Robert Heinecke, the company's boss. These sensors also measure polluting particulate matter (PM<sub>2.5</sub> and PM<sub>10</sub>) in the air. Their results have been confirmed in projects throughout America, Canada, Germany and Peru.

To make a real difference in the effective early detection of fires, however, sensor networks like these will need to be installed in large numbers, says Mr Brinkschulte. Even so, the sensors will only be able to do so much on their own. Their real impact will depend on how well they are integrated with other existing firefighting measures, from mapping and data-analysis tools to the ability to promptly deploy firefighters. What's more, says Dr Diaconu, the risks of time-wasting false positives from such sensitive systems are very real.

Overcoming such challenges will yield substantial rewards. Ankita Mohapatra



**Too little, too late**

runs a research laboratory at California State University in Fullerton that has also filed a patent application for similar fire-detecting sensor networks. "All the various technologies can and should work together to build a robust solution," says Dr Mohapatra. Early fire detection will allow for quicker decision-making and communication with nearby towns that may need to be evacuated. This could save lives.

For now, Dryad has also received a European grant of €3.8m (\$4m) and invested an additional €1.2m of its own to build an autonomous system capable of deploying camera-carrying drones to the site of sensor-spotted smouldering. The drones will deliver live feeds from above so as to help firefighters decide how best to intervene. "Eventually", says Mr Brinkschulte, "we want to digitise the forest." ■

#### Oncology

## The long shots

#### Vaccines against cancer are finally making some progress

TOWARDS THE end of the 19th century William Coley, a surgeon in New York, made a surprising observation. One of his patients, close to death with a neck tumour, recovered after catching a serious bacterial skin infection. Intrigued, Coley tried to replicate the finding, injecting patients with a cocktail of killed bacteria to get their cancers to regress. He ended up treating over a thousand patients in this way, often successfully.

Coley's reasoning was that infection could trigger the immune system to fight cancer. That idea, controversial during his lifetime, would not become more widely accepted by scientists until the 1950s. Today it is driving efforts to create a new generation of therapies known as "cancer vaccines" that aim to train the immune system to recognise tumours and fight their spread. Trials are now under way against cancers found everywhere from the skin

and ovaries to the brain and lungs. After half a century of disappointing dead ends, promising results are starting to emerge.

Cancer can begin from almost any cell in the body. The immune system usually tries to prevent it from spreading by monitoring the body for abnormal cells. White blood cells known as T-cells, for example, attack tumours by recognising foreign proteins known as non-self antigens on their surfaces. So-called natural killer cells and macrophages can also identify and destroy cancerous cells by searching for the unfamiliar molecules they carry, or after they are tagged by antibodies.

If the cells in a cancer evolve to evade the immune system, however, they can then grow, replicate and spread around the body. This outflanking manoeuvre, however, is now offering oncologists new targets for their drugs. When scientists first began to sequence the DNA of tumours, in

In 2008, they found that cancer cells contained hundreds, if not thousands, of mutations that distinguished them from their healthy neighbours. Some of these mutations in cellular DNA cause cancer cells to produce abnormal proteins, known as neoantigens, which can set the immune system's alarm bells ringing.

The idea behind a cancer vaccine, then, is to introduce these neoantigens directly into the body, thereby training the immune system to see any cancer that carries them as a foreign body, ripe for elimination.

### Harder than it sounds

To make such a vaccine, scientists first need to take a sample of a tumour, sequence its genome and find all its genetic mutations. This information is analysed to predict which neoantigens are likely to elicit the strongest immune response from the body. A vaccine can then be created that will trigger the immune system to create antibodies against those specific abnormal proteins. This is done by introducing a short-lived sliver of genetic information, known as RNA, which, once injected, instructs the body's cells to manufacture the neoantigens. The resulting immune response will then hopefully target the original tumour.

The theory is solid, but creating such a bespoke vaccine quickly enough to be of use is a different matter. "Not many years ago," says Alan Melcher, a clinical scientist at the Institute of Cancer Research in London, "I would have said, hang on, that's never going to be technically possible."

The fact that this is now possible within as little as six weeks—albeit at a cost—is in no small part due to the accelerated development of mRNA vaccines (which carry a molecule of messenger RNA) during the covid-19 pandemic. The vaccines that were used against covid-19 caused the body to build one of the constituent proteins of SARS-CoV-2, which the immune system then used to create antibodies. Cancer vaccines would do something similar for the proteins that tumours produce.

Some promising early results have been published. A personalised mRNA cancer vaccine for melanoma (a type of skin cancer) developed by Moderna and Merck, two American pharma firms, known as mRNA-4157 (v940), recently completed phase 2 trials in patients who have had advanced tumours surgically removed. Three years after treatment, the risk of cancer recurrence or death had fallen by nearly half. This is a promising finding for a phase 2 trial, but a definitive answer on the vaccine's usefulness will have to wait until the results of later-stage trials are known.

Many think such vaccines could be most effective in combination with other immunotherapies—which work in a variety of ways to enhance or modulate the im-

mune system's response to cancer. "We are giving a lot of these cancer vaccines with immunotherapy to try and prime the immune system," explains Sarah Danson, a specialist in early-phase cancer research at Britain's National Institute for Health and Care Research. Indeed, mRNA-4157 (v940) was given alongside the current standard of care, which includes another form of immunotherapy, a drug known as Keytruda (pembrolizumab).

Moderna and Merck announced in June 2024 that they had initiated further studies of mRNA-4157 (v940) in patients with non-small cell lung cancer, renal cell carcinoma (a type of kidney cancer), urothelial carcinoma (a cancer of the urinary lining) and cutaneous squamous cell cancer (a type of skin cancer) in order to test its effectiveness against different tumours. The firms BioNTech and Genentech are also jointly evaluating personalised vaccines in a range of cancers. There is already a hint in the data that their vaccine, known as autogene cevumeran, may reduce the risk of pancreatic cancer after surgery.

Glioblastoma—the most common brain cancer, and one for which no useful treatments exist—is also being targeted. In work by academics at the University of Florida, an mRNA-based cancer vaccine tested on only four people produced evidence that the vaccine had triggered a strong immune response to the tumour. Tests on dogs with brain tumours have also been promising: they lived a median of 139 days after treatment, compared with the more typical 30-60 days expected without. These results on humans and dogs also suggest that a personalised vaccine can trigger an immune response in a "cold" tumour—one that the immune system typically does not recognise or fight.

The hope is that cancer vaccines will advance to the point where they reduce the

need for more invasive treatments such as chemotherapy or surgery. For Dr Danson, it is even possible that therapeutic cancer vaccines could one day be used for prevention—with vaccines against neoantigens common in different cancers given to those most at risk of developing them. In October 2024 scientists at the University of Oxford were given funding to create a preventative ovarian cancer vaccine which aims to recognise and attack the earliest stages of this cancer.

It will not all be plain sailing. Personalised cancer vaccines are complicated and expensive to make. Creating off-the-shelf cancer vaccines such as the ovarian-cancer vaccine could help. Another example—one that is further ahead—is BioNTech's mRNA vaccine candidate for non-small cell lung cancer. Again, this vaccine presents the immune system with common tumour markers found in various types of cancer. This work is still only in early safety trials.

Important scientific questions also remain unanswered. For one thing, says Elad Sharon, a clinical and translational director at the Dana-Farber Cancer Institute in Boston, it remains unclear why the immune system will overlook a neoantigen if it is produced by a tumour, but will leap into action when it is delivered by vaccine. Pharma firms also need to rigorously evaluate their neoantigen-picking techniques, to ensure the best candidates are chosen.

### Time to shine

More than a century after he carried out his experimental treatments, Coley's instincts have proved sound. But just how effective modern vaccine candidates will turn out to be remains unknown. A study published in 2009 assessed developments in the field and wondered whether that would be the year of the cancer vaccine. It was not. 2025, however, may be a different story. ■



## Culture



### Film and television

## Luces, cámara, acción!

**Local production companies are behind some of the world's most popular films and TV shows**

TWO OF THE biggest Latin American television shows of recent years have depicted Colombia. One, "Narcos" (2015-17), showed the country at its worst: Netflix's bilingual drama chronicled how Pablo Escobar became "the king of cocaine". Undeterred by subtitles, viewers in 52 countries watched as the drug baron made mountains of blow and blew up his enemies. Parrot Analytics, a data firm, says that "Narcos" is one of the top 60 most-streamed series of the past decade. It even sparked a "narco-tourism" boom in Escobar's home city of Medellín.

The other title, "One Hundred Years of Solitude" (2024), is rather different, based as it is on Colombia's most celebrated novel. Netflix says that its adaptation of Gabriel García Márquez's work is its priciest show in Latin America to date (though it has not revealed how much it cost). The magical-realist drama made its debut on

December 11th; subscribers spent more than 31m hours watching the programme in the week of its release.

Besides Colombia and Netflix, a third factor connects these two hit titles: a production company called Dynamo. Founded in Bogotá in 2006, the firm combines shrewd commissioning and budgeting with an emphasis on authenticity and regional talent. In the past four years Dynamo's titles have made more than \$20m for Amazon Prime Video and \$600m for Netflix, Parrot Analytics reckons. It is at the crest of a wave of local, independent production companies making entertainment for a global audience.

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To date Dynamo has made 49 feature films and 26 television series, shot in Colombia, Mexico and Spain. Even before "One Hundred Years of Solitude" was released, in 2024 three Dynamo titles ranked in the top 20% of Spanish-language shows made in Latin America: "Distrito Salvaje" ("Wild District", 2018-19), a corruption drama set in Bogotá; "Frontera Verde" ("Green Frontier", 2019), about a detective investigating murders in the Colombian Amazon; and "El Robo del Siglo" ("The Great Heist", 2020), which retells how thieves made off with \$33m from Colombia's central bank in 1994. "Pimpinero: Blood and Oil", about petrol smugglers on the Colombia-Venezuela border, was released on Amazon Prime Video in November. Dynamo says it is the most expensive film ever made in Colombia.

According to Ampere Analysis, a research firm, there are about 3,000 production companies worldwide. Streaming has increased the opportunities for small outfits, which are behind around 60% of new series each year. Stacy Perskie founded Redrum in Mexico in 2009 and has produced "Narcos: Mexico" and an adaptation of Mexico's national novel, "Pedro Páramo", which is even more confusing than Márquez's masterpiece, for Netflix. After "Squid Game", a thriller from South Korea,

shot to the top of Netflix's chart in 2021, Hwang Dong-hyuk, its creator, set up his own production firm. (The second season of the dystopian show was released on December 26th.)

Such companies have benefited from streamers' wish to commission work from a variety of countries—a strategy that Netflix has spearheaded. In 2011 the platform began looking for new subscribers in Latin America, and sought ideas from independent studios in the region. Production companies quickly learned to pitch and make shows in which "each episode was like a little film," says Mr Perskie.

Dynamo has an unusual financing model. (Its co-founders, Andrés Calderón and Diego Ramírez Schrempp, came from the world of business and finance, not entertainment.) Rather than chase money on a project-by-project basis, Mr Calderón set up a private-equity fund in 2006. The idea was to encourage investment in Colombia's emerging cinema industry.

Back then, he "didn't know anything about films". What he knew was how to raise money: he brought in several million from private investors, including pension funds. With that cash, Dynamo made its first dozen projects. It helped, too, that Colombia had passed a law to subsidise the film industry in 2003. Dynamo was able to produce content cheaply: each project had a budget of between \$500,000 and \$1m.

Dynamo courted Latin American talent. In 2009 it produced "Rabia" ("Rage"), a romantic thriller by Sebastián Cordero, an Ecuadorian director, and Eugenio Caballero, an Oscar-winning Mexican set designer. (Mr Caballero helped to bring Márquez's fictional town of Macondo to life in "One Hundred Years of Solitude".) Dynamo began to collaborate with studios farther afield by co-financing productions.

The company was instrumental in establishing Colombia as a film and TV hub. Mr Calderón persuaded the team behind "Narcos" that the drama should be shot on location. "My attitude was: 'Let's do it here, let's show the real Colombia,'" he says. Crew members and actors from Latin America were hired. To improve accuracy, Mr Calderón set up a meeting with César Gaviria, Colombia's former president, who was in office when Escobar was apprehended and later killed. (He also appears as a character in the series.)

Francisco Ramos, Netflix's vice-president for Latin America, says the show's success debunked the idea that only Americans and Britons could make prestige television. "Narcos" marked a "turnaround", says Silvia Echeverri, director of the Colombian Film Commission, as Hollywood consequently saw Colombia as a viable place to shoot. An uptick in productions followed, helped by a 40% tax rebate on foreign films. (Dynamo lobbied for the law,

which came into effect in 2012.)

Dynamo seeks entertaining yet nuanced stories about Latin America. The titles in its catalogue—which includes westerns, political comedy and true-crime capers—eschew predictable storylines. "Wild District", Netflix's first Colombian original, probes the challenges of reintegrating former guerrilla fighters into society. "Green Frontier" is a police thriller that touches on subjects such as the environment and indigenous people in the Amazon. (What could have been a tedious polemic is instead gripping.) Several shows have earned acclaim as well as viewers: "Falco", a police series, won an International Emmy in 2019.

In 2025 streamers are hoping to economise—which means they may focus on proven franchises and inexpensive formats

such as reality TV and avoid risky bets on dramas. Dynamo's total production budget peaked in 2022 at \$80m. (For comparison, A24, a leading American independent entertainment company, had an estimated film budget of \$115m that year.)

### Behind the scenes in Bogotá

Yet Dynamo is used to parsimony, and quality productions are cheaper to make in Bogotá than Burbank. The company has momentum: demand for Spanish-language content has more than doubled in the past four years. Beyond the second season of "One Hundred Years of Solitude", the firm is tight-lipped about its work. It hopes, however, to make television of the same scale and ambition as its American counterparts. Mr Calderón says Dynamo is "ready to do 'Game of Thrones'". ■

### "Paradise Lost" and politics

## Sympathy for the devil

**John Milton's epic poem has galvanised rabble-rousers for centuries**

**What in Me Is Dark.** By Orlando Reade. Astra House; 272 pages; \$28. Jonathan Cape; £22

IT IS HARD not to like Satan. He is Western culture's original rebel, the bad boy who dared to defy the authority of God. He also has the best lines. "Better to reign in Hell than serve in Heav'n," Satan declares in "Paradise Lost", an epic poem by John Milton. God, by contrast, says boring things about goodness. "Heav'n's awful monarch" is, in fact, a bit of a tyrant. Satan

and his band of rebels will not submit to "forced hallelujahs".

"Paradise Lost" (1667) retells the story of the fall of man; Milton sought to "justify the wayes of God to men" by probing themes of sin and innocence, moral obedience and free will. But as Orlando Reade, an academic, writes in a new book, Milton's poem has found other earthly meanings. From the French revolution to the Arab spring, readers have turned to "Paradise Lost" in times of political struggle.

The poem has inspired revolutionaries ►



Satan, coming in hot

▶ around the world partly because it was written in the wake of a failed revolution. During the English civil war, Milton championed the parliamentary cause against the absolute monarchy of Charles I. After the king's execution in 1649, he joined the new republican government and wrote treatises in defence of deposing the king. Royalists attacked him as a monster.

When the monarchy was restored in 1660, Milton's political career came to an immediate end. He was imprisoned and fined and subsequently devoted himself to his work. By this time, he had gone blind. He composed "Paradise Lost" by dictating it to his secretaries.

A century later the poem was picked up by agitators in America. Thomas Paine quoted the poem in "Common Sense", a pamphlet calling for the colonies to throw off the British yoke: "Never can true reconciliation grow where wounds of deadly hate have pierced so deep." Thomas Jefferson, too, copied quotations from the poem into his commonplace book. He especially liked Satan's rousing speeches, which influenced his lines lambasting the tyranny of George III in the Declaration of Independence. "Did Jefferson intuit that Satan's enemy, the distant tyrant, bore some resemblance to the King of Britain?" wonders Mr Reade. "Or did he simply admire Satan's deathless commitment?"

Paine and Jefferson were hardly alone in sympathising with Milton's devil. In France the Jacobins hailed Milton as a "friend of liberty"; in Britain the Romantic poets saw Satan as the poem's hero. "The reason Milton wrote in fetters when he wrote of Angels & God, and at liberty when of Devils & Hell, is because he was a true Poet and of the Devil's party without knowing it," wrote William Blake, suggesting that Milton, though devoutly religious, secretly preferred Satan, too.

Later the poem fired up campaigners for equality. Mary Wollstonecraft, a feminist writer, criticised Milton's sexist depiction of Eve. (Is Eve's disobedience, like Satan's, a rejection of tyrannical rule?) Jean Louis Vastey, a Haitian essayist, argued that it was not the rebellious Haitians but their former colonial masters who were "like the infernal spirits". Abolitionists likened slavery to Milton's hell. Malcolm X, a black activist, read the poem in prison and felt it chimed with the teachings of the Nation of Islam, to which he then belonged. Satan was symbolic of the evil white man: "Milton and Mr Elijah Muhammad were actually saying the same thing."

For a 17th-century religious work that goes on for 10,565—admittedly spectacular—lines of unrhymed iambic pentameter, its legacy is remarkable. It is fascinating to read the different, often contradictory, interpretations. And the text remains relevant in the 21st century. Jordan Peterson, a

Canadian psychologist beloved by right-leaning "bros", has said "Milton's great poem was a prophecy." He sees Satan as a resentful figure—similar, he feels, to today's aggrieved leftists.

The poem's final book ends with Adam and Eve banished from Eden, and an assertion that "to obey" God "is best". Tyrants, fancying themselves godlike figures, rather like that message. So when an Arabic translation of "Paradise Lost" was pub-

lished in Syria in 2011, a state newspaper argued that the poem shows the inevitable failure of revolutions. Do not resist, for you might end up like Satan and Beelzebub, his second-in-command, floating in hell's burning lake like "two lizards in a jacuzzi" (as Mr Reade puts it). Bashar al-Assad's subjects seem to have preferred a different interpretation, and overthrew him in December. Their "stubborn patience", unlike Satan's, was ultimately rewarded. ■

#### Haruki Murakami's fiction

## Strange and familiar places

### **The City and Its Uncertain Walls.**

By Haruki Murakami. Translated by Philip Gabriel. Knopf; 464 pages; \$35. Harvill Secker; £25

PHILIP ROTH never really left New Jersey. Saul Bellow could not keep his characters out of Chicago. And Haruki Murakami's narrators—unmarried, often middle-aged men with solitary habits—continually slip into eerie netherworlds.

The alternative realm in the Japanese writer's latest novel is the same one in which the narrator was marooned at the end of "Hard-Boiled Wonderland and the End of the World" (1985). It is a town surrounded by an impregnable wall and governed by an inscrutable, imposing Gatekeeper. In "Hard-Boiled Wonderland" this locale—where the nameless narrator reads "old dreams" from unicorn skulls in a library—was part of the narrator's subconscious. It was a place

he had created in his own mind.

In "The City and Its Uncertain Walls" characters find their way into that world. As a teenager, this narrator falls in love with a girl whose "real self" is in the alternative world; she vanishes; he matures, and one day he falls into a hole and wakes up in the other place. For the rest of the book the narrator flits between the two realms.

Mr Murakami links the novels throughout. (Both Raymond Chandler's detective fiction and Jorge Luis Borges's fantastical prose experiments seem to be influences.) In an afterword he writes that the tales stem from the same novella, "The City, and Its Uncertain Walls" (1980), and that the two novels are complementary. What distinguishes them is tone. "Hard-Boiled Wonderland" is a propulsive page-turner. "The City and Its Uncertain Walls" is more meditative: the work of an older author confident that he has earned readers' attention over his long career.

The novelist is 75; this is his first new novel in six years (and it is not entirely new). If this is Mr Murakami's last work, how will he be remembered? He is best known for his mordant surrealism. But the flights of fancy work only because they are grounded in a detailed reality.

The archetypal Murakami protagonist is an observer. Stories happen to them: they rarely instigate conflict or set out looking for adventure without being prodded. Failure and unrequited longing define their romantic lives. The writer's principal concern has always been the pain and necessity of learning to be alone, and the worthwhile difficulty of establishing real connections. Those concerns are universal. Mr Murakami's compassionate rendering of them is why millions seek solitude to read his books.



Murakami, a singular writer

## Economic & financial indicators

	Gross domestic product			Consumer prices		Unemployment rate		Current-account balance	Budget balance	Interest rates	Currency units		
	% change on year ago latest	quarter*	2024†	% change on year ago latest	2024†	%		% of GDP, 2024†	% of GDP, 2024†	10-yr gov't bonds latest, %	change on year ago, bp	per \$ Jan 1st	% change on year ago
United States	2.7	Q3	3.1	2.7	2.7	Nov	2.8	4.2	Nov	-3.4	-7.1	4.6	70.0
China	4.6	Q3	3.6	4.9	0.2	Nov	0.3	5.0	Nov <sup>‡</sup>	2.1	-4.4	1.4	7.30
Japan	0.5	Q3	1.2	-0.2	2.9	Nov	2.6	2.5	Nov	4.2	-4.7	1.1	157
Britain	0.9	Q3	0.1	0.9	2.6	Nov	2.9	4.3	Sep <sup>††</sup>	-2.9	-4.0	4.6	107
Canada	1.5	Q3	1.0	1.3	1.9	Nov	2.4	6.8	Nov	-1.0	-1.2	3.2	13.0
Euro area	0.9	Q3	1.7	0.8	2.2	Nov	2.4	6.3	Oct	3.4	-3.2	2.4	35.0
Austria	-0.6	Q3	-0.5 <sup>‡</sup>	-0.9	1.9	Nov	2.9	5.6	Oct	2.2	-2.3	2.8	0.97
Belgium	1.2	Q3	1.3	1.1	4.4	Dec	4.3	5.8	Oct	-0.5	-4.6	3.0	39.0
France	1.2	Q3	1.6	1.1	1.7	Nov	2.3	7.6	Oct	-0.4	-6.2	3.3	25.0
Germany	-0.3	Q3	0.4	-0.1	2.4	Nov	2.4	3.4	Oct	6.3	-1.6	2.4	35.0
Greece	2.5	Q3	1.1	2.2	3.0	Nov	3.0	9.8	Oct	-6.5	-0.7	3.2	16.0
Italy	0.4	Q3	nil	0.5	1.5	Nov	1.1	5.8	Oct	1.5	-4.3	3.5	-18.0
Netherlands	1.7	Q3	3.3	0.9	3.8	Nov	3.4	3.7	Nov	9.9	-2.0	2.6	28.0
Spain	3.3	Q3	3.2	3.0	2.8	Dec	2.9	11.2	Oct	3.4	-3.2	3.0	13.0
Czech Republic	2.0	Q3	1.7	1.0	2.8	Nov	2.4	2.7	Oct <sup>‡</sup>	1.1	-2.4	4.2	24.3
Denmark	2.9	Q3	3.6	1.8	1.6	Nov	1.3	2.9	Oct	10.8	2.1	-18.0	7.20
Norway	3.5	Q3	-7.1	1.7	2.4	Nov	2.2	3.9	Oct <sup>††</sup>	17.3	12.5	3.9	61.0
Poland	2.7	Q3	-0.4	2.3	4.7	Nov	3.8	5.0	Nov <sup>§</sup>	0.4	-5.7	5.9	67.0
Russia	3.1	Q3	2.7	3.5	8.9	Nov	8.5	2.3	Nov <sup>§</sup>	3.3	-1.7	15.2	336
Sweden	0.6	Q3	1.1	0.7	1.6	Nov	1.8	7.4	Nov <sup>§</sup>	6.5	-0.9	2.4	37.0
Switzerland	2.0	Q3	1.7	1.2	0.7	Nov	1.2	2.6	Nov	7.4	-0.9	0.3	-34.0
Turkey	2.1	Q3	-0.8	2.9	47.1	Nov	57.7	8.5	Oct <sup>§</sup>	-0.9	-4.1	27.1	350
Australia	0.8	Q3	1.3	1.1	2.8	Q3	3.1	3.9	Nov	-0.6	-1.0	4.4	43.0
Hong Kong	1.8	Q3	-4.2	2.5	1.4	Nov	1.9	3.1	Nov <sup>††</sup>	12.2	-3.2	3.8	54.0
India	5.4	Q3	3.0	6.6	5.5	Nov	4.8	8.0	Nov	-0.5	-4.9	6.8	-42.0
Indonesia	4.9	Q3	3.8	5.0	1.6	Dec	2.3	4.9	Aug <sup>§</sup>	-0.2	-2.5	7.0	54.0
Malaysia	5.3	Q3	6.3	5.1	1.8	Nov	1.9	3.2	Oct <sup>§</sup>	1.4	-4.5	3.8	8.0
Pakistan	3.2	2024**	na	3.2	4.9	Nov	13.3	6.3	2021	-0.2	-6.9	12.2	-293
Philippines	5.2	Q3	7.0	5.5	2.5	Nov	3.3	3.9	Q4 <sup>§</sup>	na	-6.1	6.2	15.0
Singapore	4.3	Q4	0.4	3.5	1.6	Nov	2.4	1.9	Q3	19.3	0.2	2.9	15.0
South Korea	1.6	Q3	0.4	2.2	1.9	Dec	2.3	2.2	Nov <sup>§</sup>	4.1	-1.8	2.9	-31.0
Taiwan	4.2	Q3	0.9	5.0	2.1	Nov	2.1	3.4	Nov	13.5	0.5	1.7	44.0
Thailand	3.0	Q3	4.9	2.6	0.9	Nov	0.4	0.9	Nov <sup>§</sup>	2.2	-3.7	2.3	-42.0
Argentina	-2.1	Q3	16.4	-2.6	166	Nov	219.9	6.9	Q3 <sup>§</sup>	0.4	0.3	na	1,031
Brazil	4.0	Q3	3.7	3.4	4.9	Nov	4.4	6.1	Nov <sup>§††</sup>	-2.1	-7.5	15.1	480
Chile	2.3	Q3	2.7	2.2	4.2	Nov	4.0	8.2	Nov <sup>§††</sup>	-2.4	-2.2	6.0	69.0
Colombia	2.0	Q3	0.8	1.6	5.2	Nov	6.6	8.2	Nov <sup>§</sup>	-2.8	-5.7	11.6	169
Mexico	1.6	Q3	4.4	1.5	4.5	Nov	4.7	2.5	Oct	-1.0	-4.9	10.5	147
Peru	3.8	Q3	2.8	3.1	2.0	Dec	2.4	6.2	Nov <sup>§</sup>	1.7	-3.9	6.7	nil
Egypt	3.5	Q3	38.0	2.4	25.5	Nov	28.7	6.7	Q3 <sup>§</sup>	-5.2	-3.7	na	50.8
Israel	-1.0	Q3	3.8	0.1	3.4	Nov	3.2	2.7	Nov	4.6	-7.2	4.5	55.0
Saudi Arabia	-0.8	2023	na	1.3	2.0	Nov	1.7	3.7	Q3	0.4	-2.4	na	3.76
South Africa	0.3	Q3	-1.4	0.8	2.8	Nov	4.4	32.1	Q3 <sup>§</sup>	-1.9	-5.2	9.1	-72.0

\*% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. \*\*Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield.

††Dollar-denominated bonds. Source: Haver Analytics Note: Euro area consumer prices are harmonised.

### Markets

	Index	% change on:		
	Jan 1st	one week	Dec 29th	2023
In local currency				
United States S&P 500	5,881.6	-2.6	23.3	
United States NAS Comp	19,310.8	-3.6	28.6	
China Shanghai Comp	3,351.8	-1.2	12.7	
China Shenzhen Comp	1,957.4	-1.8	6.5	
Japan Nikkei 225	39,894.5	2.0	19.2	
Japan Topix	2,784.9	1.9	17.7	
Britain FTSE 100	8,173.0	0.4	5.7	
Canada S&P TSX	24,727.9	-0.5	18.0	
Euro area EURO STOXX 50	4,896.0	0.8	8.3	
France CAC 40	7,380.7	1.3	-2.2	
Germany DAX*	19,909.1	0.3	18.8	
Italy FTSE/MIB	34,186.2	1.3	12.6	
Netherlands AEX	878.6	0.3	11.7	
Spain IBEX 35	11,595.0	1.1	14.8	
Poland WIG	79,577.3	-0.1	1.4	
Russia RTS, \$ terms	893.2	3.4	-17.6	
Switzerland SMI	11,600.9	1.0	4.2	
Turkey BIST	9,830.6	-0.9	31.6	
Australia All Ord.	8,420.5	-0.6	7.5	
Hong Kong Hang Seng	20,060.0	-0.2	17.7	
India BSE	78,507.4	nil	8.7	
Indonesia IDX	7,079.9	0.2	-2.7	
Malaysia KLSE	1,642.3	2.5	12.9	

### Commodities

The Economist commodity-price index
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## OBITUARY

# Jimmy Carter

*The peanut-farmer who became America's 39th president died on December 29th, aged 100*



**T**O THEIR CONFUSION, and often to their regret, Americans seemed faced with two Jimmy Carters. One was the man whose presidency, won by a squeak and relinquished amid the humiliation of the Tehran hostage crisis, seemed an essay in naivety. This was the chief executive who once addressed the nation in a grey cardigan, sitting by a guttering fire; who, at the peak of the energy crisis in 1979, as Americans queued miserably for petrol, wanly criticised their malaise; who, at the peak of the cold war, attempted to effect a thaw by writing a personal letter to the exiled nuclear physicist Andrei Sakharov; and whose bid to rescue the hostages ended with a helicopter crash in the desert. This was also the man who, out fishing, was said to have been assailed by a "killer rabbit"; and who admitted to *Playboy* magazine that he had often committed "adultery in my heart", inciting a wave of mockery from sophisticates on both coasts.

Like Bill Clinton after him, he was southern through and through, brought up in the woods and swamps around Plains, Georgia. Unlike Mr Clinton, he was unintellectual, a peanut-farmer and one-term governor of Georgia whose formation had been in the navy, not university. In a crowded Democratic primary field in 1976 his country freshness, like his drawl and his grin, marked him out, as did his surprising ambition; but Cartermania barely survived the novelty of his inauguration walk to the White House.

To his supporters he represented the confident, booming New South, at last emerging from segregation; to the doubters he was a hick with straw in his hair, soon floundering in the quagmires of Washington and the world. The "Georgia mafia" who came with him were also an amateurish bunch, typified by his tubby, venal budget director, Bert Lance; his good ol' boy chief of staff, Hamilton Jordan; and his younger brother Billy, who traded on his high connection to promote a brand of beer and, from his service station in Plains, dispensed the sort of mischievous platitudes that presidents can do without.

Yet scarcely had Mr Carter left the job than he seemed completely different: both effective and impressive. He threw himself into Habitat for Humanity, a charity that builds houses for the poor, raising the roof-beams himself with hammer and nails.

Through his Carter Centre, set up in 1982, he became a tireless advocate for peace and democracy, travelling the world to monitor elections, end wars and promote human rights. In short order, he became America's conscience and its moral ambassador. When he disagreed with his successors—as with George W. Bush over Iraq—he said so loudly. In 2002 he won the Nobel peace prize, gaining a stature he had never had in his brief troubled spell at 1600 Pennsylvania Avenue.

Yet these were the same man. There was no side to Mr Carter, and no dissembling. The landmarks of his foreign policy—the Camp David accords between Egypt and Israel in 1978, the Salt II disarmament treaty with the Soviet Union and the return of the Panama Canal to Panama, all criticised by many as giveaways at the time—were typical of a man intent on peace for its own sake. Almost his first act as president, after all, had been to pardon all those who had evaded the Vietnam draft, an attempt to heal one of the deepest fissures in America. He believed, with equal conviction, in the union of all men as brothers. In the Jim Crow years he had not hesitated to play with the black farm boys who lived on the same dirt road; as governor of Georgia he had made a point of choosing black candidates as judges and putting black portraits in the state Capitol. Now, prickly foreign leaders were invited to sit with him on the Truman Balcony in rocking chairs and talk about their grandchildren.

Working with Congress seemed harder. He did not understand the arts of schmoozing and doing favours, and offended Capitol Hill with attacks on pork-barrel spending. As a result, although he managed to set up the Department of Energy in 1977 to deal with the energy crisis, he struggled to get either an energy reform bill or petrol rationing passed. On the economy, in years dogged by stagflation and unemployment as well as soaring oil prices, he seemed torn between charity and frugality, and neither worked. As inflation shot up into double digits, he imposed price controls; later he brought in credit controls and austerity, which drove America into recession. As someone who had experienced poverty and failed harvests, his uncomplicated aim was to help those in need; but he never found a consistent way to do so while in office.

Surrounded by the high life of Washington, he kept his lifelong predilection for woodworking and quiet fishing, for introspection and making things from scratch. In the same way, amid a maelstrom of clashing policy advice, simple Christianity was his guide: to walk humbly, love his neighbour and do right by him.

America was not used to this. Religious as the country was (and is), presidents usually came in the safe, muted colours of Episcopalianism or Presbyterianism. God could be turned on or off, to suit the times. A Southern Baptist who had preached and taught Sunday school, whose Bible was kept to hand and whose God was permanently present, was a curiosity and an embarrassment to more secular types. Mr Carter did not proselytise as president, but behaved as he believed: his autobiography was called "Keeping Faith". Nor was he doctrinaire, severing his ties with the Southern Baptist Convention because it would not grant equality to women. His last act in the Oval Office was to pray for the freedom of his people; his last visitor there reminded him that no citizen had been killed in war during his administration. That was, for him, sufficient consolation.

In Russia, he might have been called a holy fool. In America, his career raised the disturbing thought that it might be impossible for a really effective president to also be a really good man. ■

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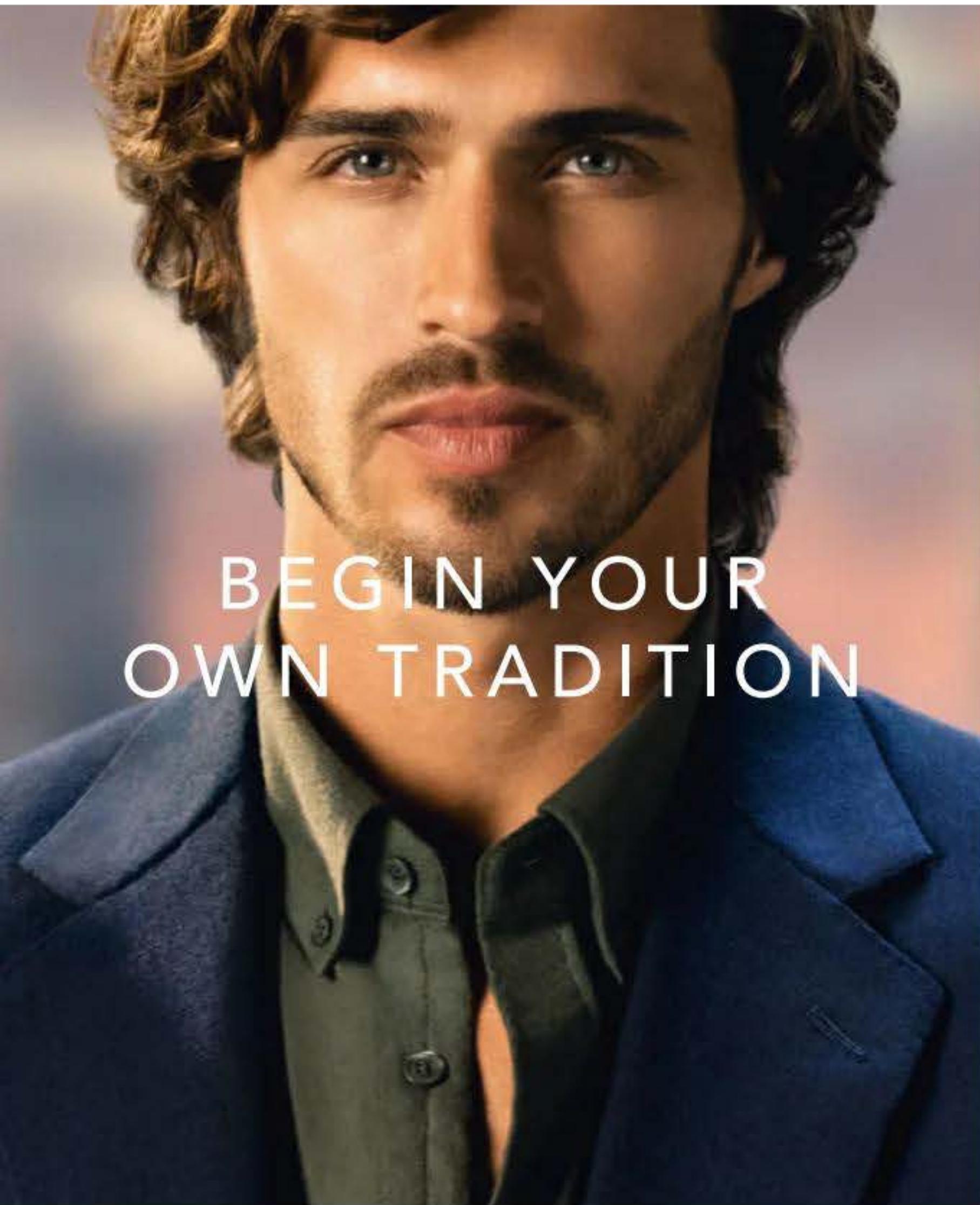


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