The Economist

NOVEMBER 2ND–8TH 2024

WHAT COULD POSSIBLY GO WRONG?

"Creation"
Wildlife Photographer
of the Year 2021
Grand Title winner
© Laurent Ballesta

A Fifty Fathoms is for eternity.

Launched in 1953, the Fifty Fathoms is the first modern diver's watch. Created by a diver and chosen by pioneers, it played a vital role in the development of scuba diving. It is the catalyst of our commitment to ocean conservation.

RAISE AWARENESS,
TRANSMIT OUR PASSION,
HELP PROTECT THE OCEAN

www.blancpain-ocean-commitment.com

THERE IS ETERNITY IN EVERY BLANCPAIN

The spirit to preserve.

Fifty Fathoms
Collection

JB 1735
BLANCPAIN
MANUFACTURE DE HAUTE HORLOGERIE

Reimagining health:

from 'sick care' to investing in keeping people well

Infectious diseases not only put our physical health at risk, but also our ability to connect with family and friends, participate in the workforce and contribute to the socioeconomic prosperity of our communities. Although vaccines are available to protect against 25 infectious diseases, adult immunisation rates remain low worldwide.

"Given our ageing population, a greater number of people may require hospitalisation or need to see their GP for serious vaccine-preventable health complications," says Lotte Steuten, deputy chief executive of the Office of Health Economics (OHE). "This puts serious strain on our healthcare systems, which are already overstretched, and translates into loss of productivity not only for the person who is sick, but also for their caregivers."

Earlier this year, the OHE published a report on the socioeconomic value of adult vaccination. It found that adult immunisation programmes can yield a 19-fold return on investment through benefits to individuals, healthcare systems and wider society. "It's critical that we consider all expenditures on prevention not as a cost, but as an investment that comes with returns in multiple areas down the line," explains Maarten Postma, chair of global health economics at the University of Groningen, the Netherlands.

Ensuring equitable vaccine access and uptake

Geography, socioeconomic status, health services access and ethnicity are all factors that can make at-risk individuals more vulnerable to preventable disease, and the resulting infections may exacerbate existing inequities. However, targeted messaging and culturally sensitive resources can help to bridge disparities. One foundation recently launched a bilingual campaign to educate Hispanic and Latino communities about respiratory virus vaccination, addressing healthcare barriers faced by these groups in the US.

Although low uptake remains a global concern, understanding community-level data enables policymakers to implement locally relevant solutions aimed at ensuring adequate funding, improved access and belief in adult vaccination.

Adopting a "prevention-first" mindset

Prevention is crucial for safeguarding communities and promoting healthy lives and economies. Yet it remains undervalued and often inaccessible. The United Nations and World Health Organization's *Decade of Healthy Ageing* initiative emphasises preventative care, urging decision-makers to prioritise it in primary health services for older adults.

Health industries are heeding this call. For instance, GSK, a global biopharma company focused on getting ahead of disease, has built one of the broadest vaccine portfolios in the world, including vaccines for older adults. These efforts to invest in prevention include global and local collaborations with industry, advocacy and policy partners. One such initiative is Project Prevent with the Milken Institute, which is bringing together experts across health, finance, technology and government sectors to create a blueprint for scaling preventative health systems.

> **"It's critical that we consider all expenditures on prevention not as a cost, but as an investment that comes with returns in multiple areas down the line."**
>
> Maarten Postma, chair of global health economics at the University of Groningen, the Netherlands

Learn more at

gsk.com

GSK

Produced by EI Studios for GSK

Contents

On the cover

A second Trump term comes with unacceptable risks: leader, *page 9*, and briefing, *page 14*. Fear and loathing of the other side is doing democracies increasing damage. In a seven-page essay we parse the partisan data, *page 17*. A sunny view of America's democratic vitality: Lexington, *page 29*. America's economy is thriving. And voters are at last starting to notice, *page 63*

The machinations inside Iran The Islamic Republic is seeking a new national-security strategy, *page 41*

Does China need more stimulus? The Communist Party may be hoarding fiscal firepower to offset a possible trade war, *page 38*

Focusing on ADHD Stop treating it as a disorder. Adapt schools and workplaces instead: leader, *page 12*. Researchers are starting to question the nature of ADHD, *page 70*

The Telegram: a new column on world affairs The cold war looks simple compared with today, says our geopolitics columnist, *page 55*

→ The digital element of your subscription means that you can search our archive, read all of our daily journalism and listen to audio versions of our stories. Visit **economist.com**

The world this week

7 A summary of political and business news

Leaders

9 **America's election** What could possibly go wrong?

10 **Britain's budget** Large numbers, narrow vision

11 **Anarchy in Antarctica** A scramble for minerals

11 **Asset management** Capital control

12 **Neurodiversity** Think outside the box

Letters

13 On the OECD and climate, violence against women, the NHS, AI and nuclear power, Britishisms

Briefing

14 **What if Trump wins?** A sting in the tail risks

Schumpeter Nvidia's suppliers want more profits from AI chips for themselves, *page 62*

Essay

17 The anti-politics eating the West

United States

24 What to watch for on election night

25 The bro vote

26 Polling errors

27 Nebraska and the Senate

28 The fight for the House

29 **Lexington** American democracy

The Americas

30 Mexico v Trump

31 Solar power in...Canada

32 Uruguay's anti-populism

Asia

33 Nastier North Korea

34 Faith as big business

35 Sino-Aussie relations

35 Judges in Pakistan

36 Japanese politics

37 **Banyan** Prabowo Subianto's boot camp

China

38 Stimulus expectations

39 Ties with North Korea

40 Halloween scares

40 Bookshops abroad

Middle East & Africa

41 Iran's security strategy

43 Where Israel hit Iran

43 Ethiopia's new conflicts

▸▸ Contents continues overleaf

Contents

Europe

45 Georgia's election
46 Ukraine fights to survive
47 Spain's floods
47 Turkey and the Kurds
48 Agricultural migration
49 **Charlemagne** Charm offensives

Britain

50 Labour's first budget
52 **Bagehot** Nasty Labour

International

53 Scramble for Antarctica
55 **The Telegram** Our new column on world affairs

Business

56 Cloud feuds
57 The influencer glut
58 German business in crisis
59 Japanese toilets go global
60 China's mining binge
61 **Bartleby** Beating jet lag
62 **Schumpeter** Micro-monopolies

Finance & economics

63 America's glorious economy
64 Men back at work
65 Trump and Asia
66 Unsold homes in China
66 Ireland's taxing windfall
67 Sin taxes struggle
68 **Buttonwood** American bond vigilantes
69 **Free exchange** A resource rush in Greenland

Science & technology

70 Rethinking ADHD
71 Fibre optics in molluscs
72 Why space is bad for you
73 Cargo-carrying airships

Culture

74 Media's Mexican wave
75 Hello Kitty turns 50
76 Dawkins on reading genes
77 The return of goth culture
77 Podcasts and politics
78 Elections on screen

Economic & financial indicators

81 Statistics on 42 economies

Obituary

82 Lily Ebert, Holocaust survivor and memoirist

Volume 453 Number 9421
Published since September 1843
to take part in *"a severe contest between intelligence, which presses forward, and an unworthy, timid ignorance obstructing our progress."*

Editorial offices in London and also:
Amsterdam, Beijing, Berlin, Brussels, Cape Town, Chicago, Dubai, Lagos, Madrid, Mexico City, Montevideo, Mumbai, Nairobi, New Delhi, New York, Paris, San Francisco, São Paulo, Shanghai, Singapore, Taipei, Tokyo, Washington DC

Subscription service
For our full range of subscription offers, including digital only or print and digital bundled, visit:
Economist.com/offers

If you are experiencing problems when trying to subscribe, please visit our Help pages at:
www.economist.com/help
for troubleshooting advice.

To manage your account online, please visit my.economist.com where you can also access our live chat service which is available 24/7. To call us, contact our dedicated service centre on:

North America: +1 888 815 0215
Latin America & Mexico: +1 646 248 5983

PEFC certified
This copy of *The Economist* is printed on paper sourced from sustainably managed forests certified by PEFC
www.pefc.org

© 2024 The Economist Newspaper Limited. All rights reserved. Neither this publication nor any part of it may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior permission of The Economist Newspaper Limited. *The Economist* (ISSN 0013-0613) is published weekly except combined issues in July and December, by The Economist Newspaper Limited, 900 3rd Avenue, 16th Floor, New York, NY 10022-5088. *The Economist* is a registered trademark of The Economist Newspaper Limited. Periodicals postage paid at New York, NY and additional mailing offices. POSTMASTER: Send changes to *The Economist* Customer Service, 900 Third Avenue 16th Floor New York, NY 10022, USA. Canada Post publications mail (Canadian distribution) sales agreement no. 40012331. Printed by Fry Communications, Inc. Mechanicsburg, PA 17055

The world this week Politics

Rachel Reeves, **Britain's** chancellor of the exchequer, presented an expansive tax-and-spend budget. Taxes will rise by £40bn ($52bn; the biggest revenue raiser was an increase in employers' national-insurance contributions. Ms Reeves changed her fiscal rules to enable lots more borrowing for capital investment and unveiled more spending on education, housing and green energy. The biggest winner was health care, which enjoyed the largest real-terms increase in spending since 2010, outside the pandemic.

Israeli warplanes targeted **Iran's** air-defence systems and missile factories in retaliation for Iran's missile attack against Israel on October 1st. Israel confirmed it had struck Iran, the first time it has officially acknowledged a direct strike on its foe. Iran played down the damage. America said there would be "consequences" for Iran if it attacked Israel again. Oil prices fell sharply amid relief that Israel had not hit Iranian energy facilities.

The Israeli parliament voted to ban **UNRWA**, the UN agency for Palestinians, from operating within Israel. Nine UNRWA staff were sacked in August for their alleged involvement in Hamas's terrorist attack on Israel in October last year. America's State Department and a host of NGOs urged Israel to reconsider the ban, as UNRWA plays a critical role in delivering aid to Gaza.

At least 93 people were killed in an Israeli strike on a building in north **Gaza**, according to the Hamas-run authorities. An Israeli operation in **Lebanon's** Bekaa valley, a Hizbullah stronghold, killed 60 people, according to the local governor. Breakdowns of civilian and combatant casualties were not provided in either case.

Hizbullah chose Naim Qassem as its new leader following Israel's assassination of Hassan Nasrallah and elimination of other senior leaders in the Iranian-backed militia. Yoav Gallant, Israel's defence minister, said Mr Qassem wouldn't be leader for long.

A neglected conflict

A UN report found that the Rapid Support Forces, one of the two main parties in **Sudan's** civil war, was responsible for widespread sexual violence amounting to war crimes and crimes against humanity. The RSF recently stepped up its attacks around Khartoum, the capital, killing hundreds of people, mostly civilians. Since it began in April 2023, the war in Sudan has displaced more than 14m people, or about 30% of the population. Parts of the country are afflicted by famine.

Botswana held an election. The Botswana Democratic Party, which has ruled since 1966, was expected to win. Mokgweetsi Masisi, the president, is likely to stay on for a second term. The opposition alliance, which is fractured but popular with young people struggling to find work, has alleged there was vote-rigging.

Flooding caused by exceptionally heavy rains killed at least 95 people in **Spain's** Valencia region in the country's worst flood-related disaster in decades. A year's worth of rain was recorded falling in one day.

Official results in **Georgia's** parliamentary election suggested the pro-Russian Georgian Dream party had been returned to power with 54% of the vote. The pro-European opposition coalition refused to accept the result, as allegations of ballot-tampering emerged. The country's electoral commission began a recount of votes in randomly selected polling stations. Georgia's election follows allegations of Russian meddling in Moldova's recent poll.

NATO confirmed that **North Korean troops** have been deployed to **Russia** to to help President Vladimir Putin wage war on **Ukraine**. The Pentagon estimates that 10,000 North Koreans are in Russia, some of them located close to the Ukrainian border, and that they could start fighting against Ukrainian troops within a few weeks.

North Korea test-fired its first intercontinental ballistic missile of the year. The missile flew for 87 minutes, the longest flight yet for the regime's ICBM programme. Some analysts think the country may be getting technical help from Russia in in exchange for help with Mr Putin's invasion of Ukraine.

In a shock result, **Japan's** Liberal Democratic Party lost its majority in a parliamentary election. It was a big blow to Ishiba Shigeru, the prime minister, who called the snap poll when he was elected as the LDP's leader a month ago. The LDP and its partner, Komeito, took 215 seats in the lower house, short of the 233 needed for a majority and leaving it scrambling to find other parties to support the coalition. A record 73 women were elected to the 465-member chamber.

Canada's deputy foreign-affairs minister told a parliamentary committee that **India's** minister of home affairs, Amit Shah, was behind a campaign of violence and intimidation targeting Sikh activists in Canada. No evidence was provided for the claim against Mr Shah, the closest ally of Narendra Modi, India's prime minister. Relations between Canada and India have soured after the murder last year of a Sikh separatist in Vancouver.

Eight of **Mexico's** 11 supreme court justices handed in their resignations, to signal they will not stand in elections in June 2025. Under a controversial new judicial reform, judges at all levels in Mexico will be elected rather than appointed. The reform stipulates that their pensions would be at risk if they did not step down, and then lost the election. Three justices close to Morena, the ruling party, are staying on.

The government of **Bolivia** denied that it had attempted to assassinate Evo Morales, the country's former president. Mr Morales says his car was shot at as he travelled through the centre of the country. The interior minister said Mr Morales's convoy had fired shots at the police and ran over an officer. Mr Morales and Luis Arce, the current president, are feuding over who will lead their party, the Movement for Socialism, into an election in 2025.

The conservative president of **Argentina**, Javier Milei, sacked his minister for foreign affairs, Diana Mondino, after she voted at the UN to end America's embargo against Cuba. Since Mr Milei took office last December Argentina had always voted in line with American policy at the UN.

It ain't over 'til it's over

America's **presidential candidates** made their closing arguments ahead of the election on November 5th. Kamala Harris labelled Donald Trump a fascist. Mr Trump called Ms Harris a "radical left Marxist". The opinion polls remained neck and neck.

The world this week Business

Alphabet's latest earnings pleased investors. Revenue from Google Cloud rose by 35%, year on year, and operating profit in the division surged from $266m to $1.9bn, allaying worries about small returns from the huge amount of money that Alphabet is spending on artificial intelligence. Overall net profit increased by 34%, to $26.3bn. **Microsoft** also reported big increases in revenue and profit on the back of its cloud-computing business. AI services accounted for 12 percentage points of quarterly growth at its data centres.

The tech-heavy **NASDAQ Composite** hit a new closing record, having rebounded from a slump earlier in the year.

Cut-throat competition

With both companies trying to establish their dominance in the cloud, Microsoft accused Google of using an "astroturf" lobby group to "discredit" it "with competition authorities and policymakers and mislead the public". **Astroturfing** is the practice of promoting a message or organisation while disguising its real backers. Microsoft claimed Google used "shadowy campaigns" against it in the past, and was funding "various industry commentators and academics to attack" it. Google retorted that it belonged "to a number of different trade groups that advocate for issues important to us and our customers".

Meta also said its investment in AI was delivering "strong momentum", as its earnings beat expectations, but added that such spending would rise significantly next year.

Reddit reported its first-ever quarterly profit, sending its share price up by 40%. The social-media platform made its stockmarket debut in March. It had 97m daily active users in the third quarter, up by 47% compared with the same period last year.

Volkswagen reiterated the importance of its turnaround strategy, as it reported a 64% drop in third-quarter net profit, year on year. Vehicle sales fell by 8% in the quarter. VW wants to close three factories in Germany, its home country, according to the carmaker's staff representative, slash tens of thousands of jobs and reduce pay by 10%. Industrial action looms.

The European Union's new tariffs on imported Chinese-made **electric vehicles** came into force. The new duties, which come on top of an existing 10% levy, range from 7.8% for Tesla's imports to 35.3% for SAIC's cars. The EU says China's carmakers benefit from state aid that undercuts European rivals. A furious China has retaliated by imposing an anti-dumping measure on European brandy and is considering other punitive policies.

Quarterly revenue at **BYD** overtook that of Tesla for the first time. The Chinese maker of electric cars chalked up $28bn in sales for the third quarter, ahead of Tesla's $25bn. BYD is facing an additional 17% tariff in the EU, a market that is driving its global growth ambitions. Elon Musk has pledged to increase Tesla's sales by 20-30% next year, a goal that many investors doubt he will be able to achieve.

Holding pattern

Boeing raised $16bn from selling equity, one of the biggest share sales ever, and another $5bn from other securities. The cash injection staves off the likelihood of a downgrade of its credit rating to junk status. The aerospace company is reportedly in the early stages of considering a sale of its space business, which includes the troubled Starliner project. Meanwhile, fresh talks took place with unions to try to end the six-week strike at Boeing's west-coast factories.

The **Bank of Japan** left its main interest rate on hold at 0.25%. Ueda Kazuo, the bank's governor, gave little away about when the next rate rise might be. Some analysts think the political uncertainty caused by October's surprising general-election result may mean the central bank delays any increase until next year.

America's economy expanded by 2.7% in the third quarter, year on year (or by 2.8% at an annualised rate). The **euro area's** GDP grew by 0.9% in the third quarter, the best year-on-year performance since the first quarter of 2023. Spain's economy was 3.4% bigger on that basis, while Germany's shrank by 0.2%.

UBS made a net profit of $1.4bn in the third quarter, well above market forecasts. Like others in the industry the Swiss bank benefited from surging revenues at its investment bank.

Zhang Yiming, the founder of ByteDance, TikTok's parent company, is now **China's richest man**, according to an annual report compiled by Hurun, a private research group. Mr Zhang's wealth is estimated to be $49bn. The number of Chinese billionaires plunged to 753 in 2023, down by a third from a peak in 2021. "China's economy and stockmarkets had a difficult year," said the report's understated author.

The Economist

What could possibly go wrong?

A second Trump term comes with unacceptable risks

NEXT WEEK tens of millions of Americans will vote for Donald Trump. Some will do so out of grievance, because they think Kamala Harris is a radical Marxist who will destroy their country. Some are fired up by national pride, because Mr Trump inspires in them the belief that, with him in the White House, America will stand tall. Yet some will coolly opt to vote Trump as a calculated risk.

This last group of voters, which includes many readers of *The Economist*, may not see Mr Trump as a person they would want to do business with, or any kind of role model for their children. But they probably think that when he was president he did more good than bad. They may also believe the case against him is wildly overblown. Central to this calculation is the idea that Mr Trump's worst instincts would be constrained: by his staff, the bureaucracy, Congress and the courts.

This newspaper sees that argument as recklessly complacent. America may well breeze through four more years of Mr Trump, as it has the presidencies of other flawed men from both parties. The country may even thrive. But voters claiming to be hard-headed are overlooking the tail risk of a Trump presidency (see Briefing). By making Mr Trump leader of the free world, Americans would be gambling with the economy, the rule of law and international peace. We cannot quantify the chance that something will go badly wrong: nobody can. But we believe voters who minimise it are deluding themselves.

Some will dismiss this as alarmism. It is true that our worst fears about Mr Trump's first term did not come to pass. At home, he cut taxes and deregulated the economy, which has grown faster than any of its rich-world counterparts. His administration deserves credit for funding vaccines for covid-19, even if he refused to urge Americans to get vaccinated. Abroad, he projected strength, shifting the consensus towards a confrontational posture on China. He helped broker the Abraham accords, which formalised relations between Israel and some of its neighbours—a peace that has so far survived a regional war. He prodded some of America's allies to increase their defence spending. Even when Mr Trump behaved abominably by fomenting an attack on the Capitol to try to stop the transfer of power on January 6th 2021, America's institutions held firm.

If *The Economist* failed to foresee so much in 2016, why heed our warning now? The answer is that today the risks are larger. And that is because Mr Trump's policies are worse, the world is more perilous and many of the sober, responsible people who reined in his worst instincts during his first term have been replaced by true believers, toadies and chancers.

Make America grate again

The case against Mr Trump begins with his policies. In 2016 the Republican platform was still caught between the Mitt Romney party and the Trump party. Today's version is more extreme. Mr Trump favours a 20% tariff on all imports and has talked of charging over 200% or even 500% on cars from Mexico. He proposes to deport millions of irregular immigrants, many with jobs and American children. He would extend tax cuts even though the budget deficit is at a level usually seen only during war or recession, suggesting a blithe indifference to sound fiscal management.

These policies would be inflationary, potentially setting up a conflict with the Federal Reserve. They would risk igniting a trade war that would ultimately impoverish America. The combination of inflation, out-of-control deficits and institutional decay would bring forward the day when foreigners worry about lending the US Treasury unlimited money.

America's economy is the envy of the world, but that rests on it being an open market which embraces creative destruction, innovation and competition. Sometimes it seems as if Mr Trump wants to return to the 19th century, using tariffs and tax breaks to reward his friends and punish his enemies, as well as to finance the state and minimise trade deficits. Politics could yet wreck the foundations of America's prosperity.

Another reason to fear a second Trump term is that the world has changed. In 2017-21 it was largely at peace. Mr Trump's supporters chalk that up to his unpredictability and willingness to take strong and unconventional action, a combination that can indeed keep awkward countries in line. When the foreign-policy elite warned of dire consequences after the assassination of Qassem Suleimani, one of Iran's main generals, Mr Trump was vindicated. But as the next president takes office, two wars will be endangering America's security. In Ukraine Russia has the upper hand, putting Vladimir Putin in a position to threaten further aggression in Europe. In the Middle East a regional war creeping towards Iran could yet suck in the United States.

These conflagrations would test Mr Trump in a way that his first term did not. His glib promises to bring peace to Ukraine in a day, and his open-ended encouragement of Israel's offensives, are not reassuring. Even worse is his contempt for alliances. Although these are America's greatest geopolitical strength, Mr Trump sees them as scams that let weak countries scrounge off its military power. Bluster and threats may see Mr Trump through, but they could equally destroy NATO. China will be watching as it weighs up how aggressive to be against Taiwan. Asian allies may calculate they can no longer trust America's nuclear guarantee.

The risks for domestic and foreign policy are amplified by the last big difference between Mr Trump's first term and a possible second one: he would be less constrained. The president who mused about firing missiles at drug labs in Mexico was held back by the people and institutions around him. Since then the Republican Party has organised itself around fealty to Mr Trump. Friendly think-tanks have vetted lists of loyal people to serve in the next administration. The Supreme Court has weakened the checks on presidents by ruling that they cannot be prosecuted for official acts.

If external constraints are looser, much more will depend ▸▸

on Mr Trump's character. Given his unrepentant contempt for the constitution after losing the election in 2020, it is hard to be optimistic. Half his former cabinet members have refused to endorse him. The most senior Republican senator describes him as a "despicable human being". Both his former chief-of-staff and former head of the joint chiefs call him a fascist. If you were interviewing a job applicant, you would not brush off such character references.

Good presidents unite the country. Mr Trump's political genius is for turning people against each other. After the death of George Floyd, he suggested the army shoot protesters in the leg. America's prosperity depends on the idea that people are treated fairly, regardless of their politics; Mr Trump has threatened to turn the Justice Department on his political enemies.

Next to Mr Trump, Kamala Harris stands for stability. True, she is an underwhelming machine politician. She has struggled to tell voters what she wants to do with power. She seems indecisive and unsure. However, she has abandoned the Democrats' most left-wing ideas and is campaigning near the centre, flanked by Liz Cheney and other Republican exiles.

She has ordinary shortcomings, none of them disqualifying. Some of her policies are worse than her opponent's, for example her taste for regulation and for further taxing wealth-creation. Some are merely less bad, on trade and the deficit, say. But some, on climate and abortion, are unambiguously better. It is hard to imagine Ms Harris being a stellar president, though people can surprise you. But you cannot imagine her bringing about a catastrophe.

Presidents do not have to be saints and we hope that a second Trump presidency would avoid disaster. But Mr Trump poses an unacceptable risk to America and the world. If *The Economist* had a vote, we would cast it for Ms Harris. ■

Britain's economy

Large numbers, narrow vision

Labour's budget means a bigger state but not a better one

RACHEL REEVES, Britain's chancellor of the exchequer, will never have a better moment to make bold changes than the budget she presented on October 30th. She had a mandate to fix public services, a huge parliamentary majority and four months to work out how to raise taxes and encourage growth. In the end, she offered an odd mix of eye-popping numbers and small-bore thinking. She has taken steps to fix Britain's crumbling public services, chronic underinvestment and fairy-tale fiscal forecasts. But she has lost her best chance at reform.

The figures in the budget were certainly audacious. Ms Reeves announced an increase in the level of taxation worth £40bn ($52bn; just over 1% of GDP), mostly by raising employers' national-insurance contributions as well as by making some smaller increases in taxes on inheritance and wealth. That, along with an increase in borrowing of roughly £30bn, will fund a £70bn rise in government spending. The state will swell to a size not seen outside an emergency or war.

Tax rises to fix the state and stabilise the public finances were always going to be necessary. And the chancellor did usefully break with the past on government investment. Britain has one of the lowest rates of public and private capital spending in the G7. About a third of the increase in government expenditure will go towards new infrastructure. Although some of this money may be wasted, that is a worthwhile gamble. Any route out of stagnation will require Britain to do something about its terrible investment record (see Britain section).

Much else about the budget was disappointing. An old quip says that Britain tries to combine low American taxes with a high-cost European welfare state. Labour has decided to have European levels of taxation and welfare spending but to keep the foibles and inefficiencies of the British tax system.

This incentivises self-employment over employment and penalises small businesses that grow. Ms Reeves has exacerbated these distortions, by raising the level of employers' national-insurance contributions and exempting more small businesses from paying them. The claim that this meets Labour's manifesto pledge not to raise taxes on "working people" is sophistry. The Office for Budget Responsibility (OBR), a fiscal watchdog, says that workers will end up paying anyway, through higher prices and lower wage growth. Raising income tax would have been more honest and more efficient.

Other than national insurance, the budget concentrated on the highest earners. Loopholes in inheritance tax for small businesses and owners of farmland were narrowed. The "carried interest" tax break for private equity was reduced. Some of these changes are defensible. But cumulatively they risk sending the wrong message to the footloose wealthy in return for only trifling extra revenue. European-size welfare states need to be funded with broad-based taxes.

Choices on spending, too, were lopsided in a British way. The National Health Service (NHS) received a two-year £22.6bn increase in its day-to-day funding; education, transport and defence saw smaller increases. But beyond these departments, funding will remain tight. The danger is that an unreformed NHS absorbs the extra money without doing much better, while the rest of Britain's dreary public realm, from its failing prisons to its creaking social-care system, imposes a heavier burden by dragging people down (see Bagehot).

Those who wish the government well in its mission to boost growth and repair the British state, this newspaper among them, must hope that the budget was a down payment on public-sector reform. But Ms Reeves did not inspire confidence. Whether failing to raise a levy on petrol or weaseling her way out of commitments not to raise taxes on working people, the chancellor ducked hard choices. Reforming the state is not for the timid: it requires taking on the unions and interest groups. The OBR does not think the budget will create the growth needed to pay for public services. And the government will not be able to impose further huge tax rises. What else is left? ■

A very cold war

How to avoid anarchy in Antarctica

All that stands between the status quo and a chaotic resource-grab is a fragile treaty

ANTARCTICA IS THE only continent unbloodied by war. For over six decades peace on the frozen land mass has been kept by the Antarctic Treaty, an agreement signed in 1959 at the height of the cold war that established it as a demilitarised scientific preserve. But much like its ice sheet, the system governing Antarctica is in trouble as global warming opens up the possibility of mining virgin resources.

Seven countries, including Britain, Argentina, Australia and Norway, have territorial claims over the Antarctic. The carve-up of the continent reflects the world of the early 1900s: Britain, the naval hegemon at the time, and its former colonies grabbed almost 60%. Norway, whose explorers were first to the South Pole, took a bit less than 20%.

These claims do not reflect today's geopolitical balance and are rejected by other powers such as China, which feels that it was squeezed out of the original scramble for Antarctica. Nor are they recognised by America and Russia, which both reserve the right to make future claims. The only thing standing between a free-for-all land grab, or even conflict, is the treaty. When it came into force in 1961 it froze all territorial claims and prohibited countries from making new ones. Yet this status quo is now being threatened by a new scramble for the Antarctic (see International section).

A growing number of powers are racing to establish or expand their presence on the continent. This year Russia opened its tenth base and China its fifth, India is building a third and Turkey is planning its first. Iran has not signed the treaty but has said it wants an Antarctic base to claim its "property rights". Were this recent enthusiasm for polar exploration in the spirit of the treaty, which called for peaceful scientific investigation "in the interest of all mankind" and for a ban on any military activity, there would be much to celebrate. Alas, in reality the treaty is in danger of disintegrating under the pressure of countries' Antarctic ambitions.

One reason is that some countries are exploiting a loophole which allows "military personnel or equipment for scientific research" in order to militarise bases covertly. America's Department of Defence alleged in 2022 that China was deploying dual-use technologies and facilities in Antarctica to improve the capabilities of the People's Liberation Army.

A second reason to worry is that countries may be eyeing Antarctica's potential vast deposits of oil, gas, copper and other minerals. Russia and China appear to be positioning themselves for future exploitation by building bases in resource-rich areas and conducting geological surveys under the pretext of research. The treaty bans mining in a way that cannot easily be amended before 2048. By that date some mineral extraction there may be desirable, were it to provide resources needed for the green transition. But unless this takes place under an enforceable pact, a mining boom could cause ecological damage and conflict as countries seek to enforce their claims.

The best solution would be to modernise the treaty so as to create a new global agreement for managing Antarctica. However, all such amendments require unanimous support, which Russia and China would not provide. The practical alternative is for America and its allies to keep trying to enforce the existing treaty but at the same time to draft and sign an improved set of rules on things like environmental protection and tourism that could provide a better model for the governance of the Antarctic. These would then be ready for all countries to adopt, should polar geopolitics ever thaw. ■

Asset managers and banks

Capital control

If index funds want to continue being treated as passive shareholders, they should act like them

FEW LEVERS of economic power are as mighty as the ability to determine which firms, industries and individuals have access to capital. Authoritarians wield control of banks to tighten their political grip. John Pierpont Morgan used his influence to dominate the rail and steel industries. Might asset managers such as BlackRock and Vanguard join this formidable club by gaining dangerous levels of control over America's banks? That is the worry of the Federal Deposit Insurance Corporation (FDIC), a banking regulator.

Asset managers have acquired large stakes in many American banks through index funds, exchange-traded funds and other mass-market investment vehicles. The FDIC has proposed new rules on what they must do when these stakes become very large. BlackRock complains that the rules would undermine asset managers' ability to operate index funds. Both sides have a point. As fund managers grow, it is reasonable for regulators to scrutinise their influence. But the FDIC's actions needlessly put at risk the operation of one of the investment industry's most important innovations.

Rules already exist that require investors to tell regulators 60 days before they intend to buy a stake of 10% or more in a bank, giving time to block the purchase if that is deemed necessary. But large asset managers such as BlackRock and Vanguard have "passivity agreements" with regulators, which exempt them from much of this monitoring and disclosure so long as they agree to behave like passive investors—by, for ▸▸

instance, not pursuing board seats.

The FDIC feels these rules are insufficient. In part its stance reflects the griping of the left. BlackRock, Vanguard and State Street oversee some $25trn in assets and their rapid growth has fuelled antitrust concerns. But it also reflects concerns on the right, not least over the past missives of Larry Fink, BlackRock's boss, championing environmental, social and governance (ESG) investing. The shareholder's most powerful tool is unavailable to index-fund managers, because they cannot threaten to sell their stakes. But they do vote their shares.

The FDIC's solution is misguided. It wants to force index-fund managers to join other investors in having to disclose—and secure approval for—any potential purchase that raises their stake to 10% in a bank regulated by the FDIC. This will be required well ahead of the transaction, and reportedly be required again if a stake falls below the 10% threshold and may potentially rise back above it, even though this may happen a lot as index funds rebalance. This is not a theoretical case: big asset managers own roughly 10% or more of dozens of banks.

The plan is a recipe for chaos. As money flowed in, index funds would need approval to buy the bank shares required to replicate an index. That would hamper index-tracking and diversification. Index funds are popular for a reason: they offer a cheap, diversified way to invest in stocks. Millions of Americans would suffer if they functioned less well. And if funds decided it was not worth the hassle to keep banks in their indices, lenders' cost of capital would rise, increasing the cost of credit.

Passive aggression

The FDIC's proposal implies that it no longer thinks passive investors can be passive at all. If so, there are less harmful ways to regulate them. If voting power seems excessive, regulators can restrict index funds' ability to use it. For roughly half its indexed assets under management, BlackRock has made it possible for the ultimate customer to vote the shares the fund holds for them; asset managers could be required to extend this option to more of their clients. If the concern is that index managers too often meet chief executives, contact could be restricted. Rather than assuming that asset managers cannot be passive, regulators should make them so. ■

Neurodiversity

Think outside the box

Stop treating ADHD as a disorder. Adapt schools and workplaces for it

NOT LONG ago, attention-deficit hyperactivity disorder (ADHD) was thought to affect only school-aged boys—the naughty ones who could not sit still in class and were always getting into trouble. Today the number of ADHD diagnoses is rising fast in all age groups, with some of the biggest increases in young and middle-aged women.

The figures are staggering. Some 2m people in England, 4% of the population, are thought to have ADHD, says the Nuffield Trust, a think-tank. Its symptoms often overlap with those of autism, dyslexia and other conditions that, like ADHD, are thought to be caused by how the brain develops. All told, 10-15% of children have patterns of attention and information-processing that belong to these categories.

At the moment, ADHD is treated as something you either have or you don't. This binary approach to diagnosis has two consequences. The first is that treating everyone as if they are ill fills up health-care systems. Waiting lists for ADHD assessments in England are up to ten years long; the special-needs education system is straining at the seams. The second consequence occurs when ADHD is treated as a dysfunction that needs fixing. This leads to a terrible waste of human potential. Forcing yourself to fit in with the "normal" is draining and can cause anxiety and depression.

The binary view of ADHD is no longer supported by science (see Science & technology section). Researchers have realised that there is no such thing as the "ADHD brain". The characteristics around which the ADHD diagnostic box is drawn—attention problems, impulsivity, difficulty organising daily life—span a wide spectrum of severity, much like ordinary human traits. For those at the severe end, medication and therapy can be crucial for finishing school or holding on to a job, and even life-saving, by suppressing symptoms that lead to accidents.

But for most people with ADHD, the symptoms are mild enough to disappear when their environment plays to their strengths. Rather than trying to make people "normal", it is more sensible—and cheaper—to adjust classrooms and workplaces to suit neurodiversity.

In Portsmouth, in the south of England, teachers have been trained to assess a child's neurodiversity profile on characteristics that include speech, energy levels, attention and adaptability. The goal is to find where children need support (being easily distracted) and where they have strengths (being a visual learner), without diagnosing them with anything in particular. Organising lessons to mix sitting, standing and working in groups is one way to make things easier for pupils with ADHD-type traits. Greater freedom to choose when to arrive at school or work can help those who are worn down by sensory overload during the morning rush. Bullet-point summaries of lessons or work memos, noise-cancelling headphones and quiet corners can help, too.

Such things should be universally available at school and at work. Greater understanding of neurodiversity would reduce bullying in schools and help managers grasp that neurodivergent people are often specialists, rather than generalists. They may be bad in large meetings or noisy classrooms, but exceptional at things like multitasking and visual or repetitive activities that require attention to detail. Using their talents wisely means delegating what they cannot do well to others. A culture that tolerates differences and takes an enlightened view of the rules will help people achieve more and get more out of life. That, rather than more medical appointments, is the best way to help the growing numbers lining up for ADHD diagnoses. ■

Letters

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

Assessing climate policies

You called attention to the lack of evidence on which climate policies actually deliver ("So much hot air", October 5th). The article noted that international institutions such as the OECD have generally not analysed the impact of specific policy interventions. We are working on filling this evidence gap with the Inclusive Forum on Carbon Mitigation Approaches (IFCMA).

Launched last year, the IFCMA brings countries together to share data, analysis and experiences with different climate policies and their impact on emissions. One part of this work will present in early 2025 a systematic review of empirical evidence on policy effectiveness of the kind supported by Dr Alan Dangour and Dr Jan Minx in your piece. Advanced modelling will complement this work by assessing the impact of domestic policies on emissions.

We are also constructing a detailed, standardised database of mitigation strategies across a broad set of countries, also for release next year. The database will facilitate empirical analysis like that in the *Science* paper you cited and will integrate and build on existing OECD data. Our ultimate objective is to help policymakers around the world intervene with greater impact on climate by strengthening the link between evidence and policies and identifying strategies that actually work.

MATHIAS CORMANN
Secretary-general
OECD
Paris

Men must respect women

Thank you for highlighting violence against women in Latin America ("Stubborn brutality", October 12th). Two of my great-grandmothers (one a victim of femicide), my maternal grandmother and my mother were all victims of gender-based abuse. This terrible affliction affects so many women, not only in my Latin American community but around the world.

A recent UNICEF report found that over 370m girls and women alive today experienced rape or sexual assault before the age of 18. I agree with your assessment about the need for better-trained prosecutors and education to reduce machismo. However, what's really needed is for men everywhere to "man up" and end the vicious circle of degrading women and treating them as if they were of lesser value. We, men, need to do better.

EDWARD ORTIZ
Lieutenant-colonel
US Army retired
Colona, Illinois

Take care of NHS staff

"Scalpel please" (October 12th) described productivity in Britain's National Health Service as a "pressing problem". William Baumol's analysis of the "cost disease" in labour-intensive industries helps explain this problem, as does the impact of the covid-19 pandemic on staff health and well-being. High levels of sickness and burnout among NHS workers create a challenging context. Damaging industrial disputes have stalled progress in dealing with care backlogs caused by the pandemic and health ministers have often criticised staff rather than valued them.

Creating a working environment that enables NHS employees to perform to the best of their abilities and supports them in improving care is essential if the productivity problem is to be solved.

SIR CHRIS HAM
Emeritus professor of health policy and management
University of Birmingham

Starting out as a consultant urological surgeon in Oxford in 1998, there were just four of us. Now we number 18, but productivity has not quadrupled. There are explanations for that. Some surgeons combine NHS duties with academic work, which is vital for researching treatments of the future. Others work for several hospital trusts. Others are sub-specialists, no longer carrying out the routine work that still needs to be done. Increasing sub-specialisation brings many advantages, but at a cost of the reduced flexibility that the multi-tasking generalist brings. In this respect agency staff—the locum consultant usually employed as a generalist—may bring efficiencies that offset their seemingly higher costs relative to the sub-specialist consultant.

Regarding the negative impact of poor staff morale on productivity, capital investment in software systems that work will mitigate against the frustration that health workers experience from using clunky systems that are not fit for purpose. One such system is speech-to-text software that requires the user to spend substantial amounts of time proof-reading for machine errors. Improving staff morale also requires effective leadership. It is not that there are too few NHS managers; rather the challenge is to make the NHS an attractive workplace for high-quality managers.

JOHN REYNARD
Consultant urological surgeon
JANE EDMONDSON
Retired management consultant
Oxford

Financing AI's nuclear power

You were right to note that artificial intelligence needs clean and reliable energy sources ("Power couple", October 12th). The interest in AI is clearly fuelling big tech's concomitant appetite for nuclear power. This is great news for the nuclear industry: having such a deep-pocketed investor and client base will spur investment.

Just as important, it will drive vital innovation in the financing of nuclear plants. Financing entire fleets of the new nuclear projects that will be needed to meet the energy demands of AI will require a reworking of the old financing models to allow for the novel risks attached to new reactor designs. These risks will be spread across the production run, similar to how the development costs of a new aeroplane design are not entirely borne by the first customer.

VINCENT ZABIELSKI
Partner
Pillsbury Winthrop Shaw Pittman
London

What's the problem?

I enjoyed your review of Ben Yagoda's "Gobsmacked! The British Invasion of American English" ("What's your cup of tea?", October 12th). But Americanisms still creep into British English. Take for example "issue" replacing the word "problem". I'm sure this began when tech companies had to alert us to their software not working. They didn't want us to see this as a "problem", so they called it an "issue".

An issue may become a problem but it is not necessarily a problem. An issue is something we need to be aware of and discuss. Some issues may evolve into problems but are not yet a problem. This particular issue has now become a problem because so many people haven't thought about the difference between the words, and use "issue" wrongly.

FRANCIS CUBITT
Newbury, Berkshire

As an American who has been reading *The Economist* for years, I have assembled a growing list of unfamiliar British expressions that leave me scrambling for the dictionary. For instance, I have learned that the term "kit" means "equipment". That's nice and succinct. But "stitch-up"? Oh dear. I have to keep checking my list to remind myself it means "a set-up, a trick". Here are some other doozies that make your American readers scratch their heads: cosh, bolshie, stroppy, damp squib (that expression really takes the cake), wet, take a punt, on the back foot, chuffed, naff, stonking, scunnered, panjandrum.

DOROTHY CORNER AMSDEN
Los Alamos, New Mexico

A sting in the tail risks

WASHINGTON, DC

How bad could a second Trump presidency get?

ON THE STUMP, Donald Trump makes lots of eye-widening pledges. He will deport illegal immigrants by their millions; he will launch missiles at Mexico's drug cartels; he will use the army to crack down on the "far-left lunatics" who run the Democratic Party. Yet Mr Trump's tenure as president, whatever its merits or failings, was not the cataclysm that many Democrats had predicted. The economy hummed along, until the pandemic struck. There were no big foreign-policy crises. And although Mr Trump tried to steal the presidential election of 2020, he failed.

So what would a second Trump term be like? Many voters will dismiss Mr Trump's overheated rhetoric as just that. They may see the election as a finely balanced decision about which candidate would manage the economy better, or as a choice between divergent stances on such issues as abortion and immigration. But Mr Trump not only seems intent on following through on some of his wilder pronouncements if elected, but would also be in a better position to do so than last time. That suggests another way of looking at America's choice: how badly wrong could things go?

Kamala Harris, the sitting vice-president, is running as the candidate of the status quo. Her unofficial slogan is "We are not going back." Mr Trump, in contrast, implies that radical change is needed, and that he will provide it. In all likelihood, if he returns to the White House, he will have trouble implementing many of his most extreme ideas, just as in his first term. He may be stymied by Congress, the courts and the bureaucracy or distracted by events or dissuaded by aides or foiled by his own incompetence. But there is a chance—and not a negligible one—that he might succeed in doing some of the things he talks about, with disastrous consequences for America's economy, its institutions and the world. Fears that he may permanently damage American democracy and the rule of law are not far-fetched.

Battle-hardened

After eight years of institutionalisation, Trumpism is much more organised than when it crashed into the Oval Office in 2017. Mr Trump's agenda was slowed then by inexperienced acolytes who did not know enough about administrative law and the workings of the civil service to make things happen. What is more, Mr Trump, wanting to make his administration appear distinguished, appointed grandees to senior jobs even though they often disagreed with his ideas. The leaders of a second Trump administration, by contrast, would be loyal veterans. Many of them would arrive in office with plans already in mind. The architects of Project 2025—a 900-page policy agenda for the next Trump administration drawn up by the Heritage Foundation, a Trumpist think-tank—fell out with Mr Trump after Democrats began using it to attack him. But Mr Trump nonetheless embraces the underlying idea that he should return to office with pre-vetted personnel and detailed plans. The Supreme Court's recent decision setting out extremely wide immunity for presidents also seems likely to embolden him.

Mr Trump's economic plans are certainly bold—but not in a good way. The first iteration of Trumponomics was lucky enough to be implemented during a period of high growth and low inflation. Its next incarnation would not only be adopted in less benign circumstances, but would also itself be of a much more disruptive nature. His campaign is proposing a second, much bigger hike in tariffs, lavish tax cuts, a labour-supply shock in the form of mass deportations and attacks on the independence of the Federal Reserve.

These are all terrible ideas. "Normally, if you're cutting off migrant labour, you try to get goods from outside. And if you're cutting off goods from outside, you try to get migrant labour. If you cut off both, you almost certainly get inflation, if not stagflation," says Adam Posen of the Peterson ▸▸

Institute for International Economics, a think-tank. JPMorgan Chase, a bank, has estimated that a tariff hike half the size of the one Mr Trump is advocating would knock a third to half a percentage point off GDP growth in its first year and increase inflation by 1.5-2 percentage points.

Whether Mr Trump would be able to put all his plans into practice is doubtful. The president has the authority to raise tariffs on national-security grounds or as retaliation for unfair trade practices. Mr Trump's pledge of an across-the-board tariff of 20% on all imports, and 60% on imports from China, does not really seem to fit under these headings. But while the courts debated this question, businesses would suffer ruinous disruption, presumably made worse by retaliatory tariffs imposed by other countries. Some advisers think Mr Trump would raise tariffs gradually, as a means to extract concessions from trading partners. That might only draw out the agony, however, and would not reduce the risks of a trade war.

The personal-tax cuts Mr Trump signed into law in 2017 are due to expire next year and he would have to negotiate with Congress to extend them. He wants to renew them all, as well as end taxation on tips, overtime and Social Security payments. If Mr Trump wins the presidency, our election model gives the Democrats a 34% chance of controlling the House of Representatives. They have different, less profligate plans. Moreover, were Mr Trump to steer America onto an even more irresponsible fiscal course than its current one, the bond markets might eventually rebel, prompting a reassessment.

Mass deportations of the magnitude that Mr Trump has proposed are also unlikely to happen. The federal government simply would not have the capacity to hunt down and deport millions of people unless Mr Trump were to enlist the armed forces or deputise state and local law enforcement. There would be public uproar, resistance from Democratic-led states and cities, and endless legal challenges. "I don't think that there's any world, even in Donald Trump's fantasy, that you're actually going to try to send...ICE agents door to door, to round up 12m residents of this country and deport them," says Mike Johnston, the Democratic mayor of Denver. "There's just no infrastructure capacity for that and Denver would never participate in it." Shortages in industries that rely on immigrant labour such as agriculture, construction and slaughterhouses would also be inflationary.

Unreserved

If the Federal Reserve tightened monetary policy to counteract the inflationary pressures of higher tariffs, a shrinking workforce or lavish spending, Mr Trump would be minded to attack it. Already, some in his orbit are suggesting that a Trump administration undermine Jerome Powell, the chair of the Federal Reserve whose time in that job (but not as a member of its board) expires in 2026, by appointing a "shadow" chair to make less hawkish recommendations about interest rates. Yet an attack on the Fed would be almost certain to horrify the markets. "The stockmarket is a very effective and instantaneous feedback mechanism for economic policy which provides a constraint on crazy tariffs, a constraint on crazy Fed stuff, but probably not much constraint on unsustainable fiscal policy," says Jason Furman, a former Democratic policymaker who is now a professor of economics at Harvard University.

Even assuming Mr Trump would eventually relent and water down or abandon some of these policies, he could still cause huge damage in the process. Many optimistic scenarios rely on markets tanking, inflation jumping or growth slumping to curb his enthusiasm. Moreover, there is no amount of deportations, tariff increases or Fed-bashing that is good for the economy; the only question is how much damage Mr Trump would inflict. Were he really to stick to his guns, inflation, higher interest rates and recession beckon.

Foreign policy also presents alarming risks. Although Mr Trump's advisers may try to sketch out clear doctrines in rough alignment with America First rhetoric, their boss thinks that foreign policy succeeds or fails owing to force of personality, not policies. His stochastic style is inconsistent and unpredictable. "If former president Trump is re-elected, we are going to pay an enormous chaos premium" as allies scramble to work out what his policies will be, says Kori Schake of the American Enterprise Institute, another think-tank. Whereas, during his first term, the world was relatively calm, Mr Trump would return this time as America grappled with wars in the Middle East and in Ukraine.

Mr Trump says his commanding presence would be enough to settle the war in Ukraine within 24 hours of his election—before he was even inaugurated. What this means, if anything, is hard to gauge. The leading candidates for top national-security jobs in a second Trump administration have a wide range of views on Ukraine. Mike Pompeo, a former secretary of state and potential future defence secretary, argues for giving Ukraine a massive $600bn in weaponry to force Russia to the negotiating table. J.D. Vance, who would be vice-president, seems to think any dollar spent on Ukraine is a dollar wasted. Who Mr Trump ultimately listens to is maddeningly unpredictable—often his view is decided by the last person to speak to him.

No matter who is elected president, it seems increasingly likely that Ukraine will have to abandon or at least shelve its ambition to reclaim much of the territory Russia has stolen. Given Republicans' hostility to the military aid for Ukraine proposed by Mr Biden's administration, it seems unlikely that a Republican-led House of Representatives would approve another big dollop—and it is hard to imagine Mr Trump protesting very stridently. But an abrupt and haphazard American abandonment of Ukraine would embolden Vladimir Putin, Russia's dictator, and increase the risk he poses to his neighbours.

There are many other nightmare scenarios. Might Mr Trump, in effect, void the collective-security guarantee at the heart of the NATO alliance by refusing to counter further Russian aggression? Would he decline to send American forces to help Taiwan in the event of a Chinese blockade or invasion? Would Israel be given a completely free hand to do as it wishes in the Middle East, including striking Iranian oil-production and nuclear-weapons facilities? All of these are possible. Mr Trump has a deep aversion to war, but also a strong urge to avoid looking weak.

Some vague but worrying trends can be

guessed at. "You would assume that the US reaction function is more escalatory because their doctrine is peace through strength," says Jon Lieber of the Eurasia Group, a geopolitical consultancy. Both Mr Trump and his party are disinclined to sign up to any meaningful international initiatives on climate change. But most important are the possibilities that cannot be ruled out: of a forced capitulation of Ukraine, of the collapse of NATO, of an expanding war in the Middle East and so on.

Perhaps most serious of all are the threats Mr Trump poses to American democracy and the rule of law. There is no doubt about his autocratic instincts. To stay in power after his election loss in 2020, Mr Trump tried to suborn electoral officials and fomented a mob, ultimately leading to the ransacking of the Capitol by his supporters on January 6th 2021. He has not recanted since. He still insists the election was stolen; he calls those convicted of crimes on January 6th "political prisoners" and has pledged to pardon them; he has mused about cancelling the licences of critical broadcasters; he calls his political opponents "the enemy within" that may need to be dealt with using military force. An astonishing number of those who work closely with Mr Trump come away appalled. John Kelly, a former chief of staff, became the latest in recent days to declare him a "fascist".

The real question, instead, is whether America's institutions would be able to constrain him. America's courts and constitution would be the best check on Mr Trump's autocratic whims. Mr Trump's many lawsuits seeking to overturn the election result in 2020 got nowhere, after all. Mr Trump would not be able to get Congress to adopt constitutional changes, allowing him a third term, for instance. Nor would he have much sway over state governments led by Democrats. Although he has consolidated his control over the Republican Party, making it almost impossible that he would be impeached, there would still be some Republicans in Congress who would resist his worst instincts.

For these reasons, some political scientists think that American institutions will comfortably absorb the shock of a second Trump presidency. Of the 40 populist governments around the world between 1985 and 2020 identified by Kurt Weyland of the University of Texas, only seven devolved into authoritarianism. And those unfortunate countries had weak institutions and suffered precipitating crises. "I would not think that Trump would be able to do more damage in a second government than in the first," says Mr Weyland. The Democrats may control the House of Representatives, ensuring divided government from the start. But even if Republicans began a second Trump term in control of both chambers of Congress, Democrats would be likely to do well in the midterm elections in 2026, constraining Mr Trump for the remainder of his presidency.

Even if the risk of a catastrophic breakdown in American democracy is low, a second Trump term would still corrode democratic institutions. Benjamin Wittes, the editor-in-chief of Lawfare, a national-security publication, warns that Mr Trump would be a worse danger to the rule of law for three reasons: first, "the grown-ups will not be in the room", unlike in his first term; second, "he does at least rhetorically seem very fixated on revenge" after enduring four separate criminal proceedings; and third, he will be emboldened by his triumph "partly legally and partly electorally over the forces that tried to restrain him".

Mr Trump is all but certain to dismiss the federal charges against himself. He is also likely to pardon the January 6th rioters. He has promised to end the independence of the Department of Justice, a norm since the Watergate scandal. That would allow him to initiate investigations of his political enemies, which seem likelier than not. "There's a whole set of second-order considerations that flow from this. Once you know those sorts of selective prosecutions are on the table, you will calibrate your behaviour very differently," says Brendan Nyhan of Dartmouth College.

Intimidating

The notion that Mr Trump might use the institutions of state to cow potential critics was raised this week when Jeff Bezos, the billionaire owner of the *Washington Post*, stopped it from publishing an endorsement of Ms Harris. Mr Bezos said he was trying to bolster the paper's reputation for independence, not curry favour with Mr Trump, but roughly a tenth of the *Post*'s subscribers have reached the opposite conclusion and cancelled their subscriptions. There is also the risk that violent extremists, such as the Proud Boys militia, may feel emboldened to harry Mr Trump's political opponents.

Mr Trump is also likely to try to put his stamp on the federal bureaucracy. He might invoke an authority known as Schedule F, which would allow him to dismiss many low-level civil servants. He has also talked about sacking America's top generals, whom he considers too "woke". There is a chance that he tries to hound Mr Powell into resigning or claims the (legally untested) authority to fire him. All this would politicise parts of the government that have been relatively free from such meddling until now.

These scenarios may sound mundane compared with a stolen election or the institution of a dictatorship, but they would have grave consequences. Selective, politically motivated law enforcement would not only be an injustice in itself, it would also be a threat to America's economic might, frightening businesses and deterring investment. What is more, such abuses would be unlikely to stop when Mr Trump left office. Given the political polarisation of recent decades (see Essay), once one of America's parties has broken a norm, the other is likely to follow suit, if only to remain competitive. Confidence in the rule of law would be difficult to restore.

Many Americans find Democratic ranting about the risks of another Trump term hypocritical. They think that Democrats have weaponised the justice system against Mr Trump, not the other way round. They see Mr Biden's tenure as a litany of foreign-policy failures far worse than anything that occurred on Mr Trump's watch. The surge in inflation under Mr Biden is proof in their eyes that Mr Trump is a better economic manager. There is some merit to all these contentions—and a second Trump term might prove no more catastrophic than the first. But voting for Mr Trump on that assumption would be risky in the extreme to America and the world. ■

ESSAY *Negative partisanship*

THE ANTI-POLITICS EATING THE WEST

Fear and loathing of the other side is serving politicians increasingly well and doing democracies increasing damage. A study of the data shows where and why this negative partisanship is on the rise, and how much it matters

NOTHING IS MORE nakedly partisan than an American political convention. So it was all the more striking that, at the Democrats' jamboree in Chicago in August, Barack Obama chose to put party aside for a moment and address the whole country: "Our politics have become so polarised these days", the former president said, "that all of us across the political spectrum seem so quick to assume the worst in others unless they agree with us on every single issue." As delegates waved their banners, he launched an impassioned appeal for Americans from both sides to stop the rot. "The vast majority of us do not want to live in a country that's bitter and divided," he said. "We want something better. We want to be better."

"Negative partisanship" is the dry academic term for the fraught, emotional and damaging phenomenon that Mr Obama describes afflicting American politics. It is the inclination of people to vote not for a party in which they believe, but against another one that they fear or despise. This way of doing politics has seen a marked rise in democracies around the world since the end of the cold war, a rise that has accelerated noticeably over the past decade. It is a bad thing.

The politics of being anti is a tactic. It is not focused on a set of issues, nor does it draw on a political philosophy. It is available to the right and left alike: although the right may be more susceptible to it, it can frequently be used to the benefit of the left. Mainstream voters feel hostility to the extreme right more often than to the extreme left.

Campaign managers of all stripes are more than happy to make use of anti-politics when they think it will give them an edge. If you are a lukewarm Republican but you hate Democrats for the threat they pose to the republic; if you were a Remainer so incensed by stupid Brexiteers that you could not accept their referendum victory; or if you hold Donald Tusk in contempt for sucking up to Germany instead of standing up for Poland, the chances are you have been on the receiving end of a successful negative campaign.

The electoral benefits of encouraging the "anti-" more than the "pro-" are obvious. Anger stirs people and gets them involved. It is often easier to gin up contempt than enthusiasm. If that riles supporters of the ▸▸

other party, so be it. Motivating your own voters to turn out is easier than persuading the other lot to switch sides. Hatred also creates useful elbow room for policy. Because it makes voters care about party-political outcomes more than anything else, they are sometimes willing to support plans that cut against their interests merely for the satisfaction of seeing their enemies suffer.

But a magic potion for elections can be a poison for democracy—and America is a good example of a place that is suffering its ill effects. Before this year's election campaign, Americans were asked by the Pew Research Centre, a polling organisation, for a word that describes their country's politics; 79% of them used terms like "divided" or "corrupt". Only 2% had something good to say. Roughly 90% of them were exhausted and angry; less than half were hopeful. It is hard to see how the contest between Kamala Harris and Donald Trump has done anything to cheer them up. Speaking to Pew this month, four-fifths of respondents said it had not made them proud of America.

Polities cannot sustain such cynicism without suffering grave harm. According to polling last year, almost two-thirds of Americans have little or no confidence in their political system. A bit less than a third have no confidence in either party. If politics is not working, then angry people are more likely to resort to violence, as they did against police officers after the murder of George Floyd in 2020 and against elected politicians in the storming of the Capitol six months later. A survey by the University of Chicago in January found that 12% of Democrats, 15% of independents and 19% of Republicans agree that the "use of force is justified to ensure members of Congress and other government officials do the right thing."

WORKING AMICABLY WITH YOUR OPPONENTS IS FOR SUCKERS

Given its baleful fruits, why then has negative partisanship spread? "Because it works" is too simple an answer. Politicians have been denigrating their opponents ever since Cleon slandered Pericles in ancient Athens. So long as candidates can exploit atavistic fear and suspicion to trigger hostility towards the other side, they always will. For partisan animosity to be growing today, something must be making the benefits higher or the costs lower.

The grievance culture has many explanations, including the professionalism of today's political campaigning and the fragmentation and consequent partisanship of the media market. But something deeper has changed, too. This essay is about what that something might be, and what politicians can do about it.

THE NOES HAVE IT *Sentiment towards political parties*

Sources: Garzia and Ferreira da Silva, 2024; Will Horne, 2024; UN

MOST ACADEMIC studies of negative partisanship look only at the United States. But, although America has caught a pernicious case of anti-politics, it is far from unique. Focusing on America alone conflates what is fundamental across democracies with what is particular—for instance, the effect of American states and counties sorting into monocultural Republican and Democratic strongholds. Besides, in the heat of the contest between Ms Harris and Mr Trump, it is hard to stand far enough back to get a dispassionate view of how campaign managers use anti-politics to manipulate voters' emotions—because everyone is already so wrapped up in their own.

To understand the deeper reasons for the worsening politics of antipathy—and perhaps, thereby, to see ways to make things better—*The Economist* has taken a broader view. We have put together what we believe is the biggest-ever dataset of voters' feelings about the parties they support and oppose by tracking 274 elections in 50 democracies, ranging from West Germany in 1961 to the Netherlands in 2021.

Collected with the help of Diego Garzia and Frederico Ferreira da Silva, from the University of Lausanne in Switzerland, the data come from surveys in which voters say how warmly they feel towards their own party and towards other parties on a scale of zero to ten. When there is more than one other party, we have taken the average. Our analysis ends in 2021 because some countries keep election-survey results under wraps for several years and we did not want the most recent data to be based on a different underlying sample. In any case, 60 years of data should be enough to uncover what is going on[†].

The chart on this page shows the warmth of voters' feelings towards their own party at the top and towards other parties in the middle. Over the first 20 ▸▸

[†]Our data and code for this project can be found at github.com/TheEconomist/anti-politics

years people felt warmer about both the party they voted for and the other lot. Around 1980 they started to cool on both groups. The affection for the party they voted for fell slowly, but for other parties it collapsed.

The red line at the bottom shows the gap between voters' feelings about the party they voted for and the others they could have voted for; it plots changes country by country with respect to each country's long-term average, then produces an average for the whole set. This is the line which tracks the growth of negative partisanship. Within its rise there are three distinct periods: after 1990, after 2008 and after 2016.

Our charts are weighted by population, so the growth of anti-politics in the United States accounts for a significant amount of this extra ill-feeling, especially recently. But the trend is broader than that. The increase in negative partisanship can be seen even if America, or for that matter the entire "Anglosphere", is excluded from the analysis. It is seen in two-party, first-past-the-post systems and in those where representation is meted out proportionally across a plethora of parties. The chart on this page shows how negative partisanship has worsened in countries of all sorts. You might say that democratic politics is infected not by animosity so much as by panimosity.

We looked into these trends by collecting data on factors that academics and others have suggested might be causes of negative partisanship. We could show only correlations, not causation. But absent correlations can cast serious doubt on stories about causation, and a lot of correlations people might have expected did not turn up.

You might, for example, expect people in countries where ideological differences are growing to become steadily angrier with the other side, but if anything the reverse was true. Influxes of refugees do not seem to spread animosity; a culture of respect for political opponents and their arguments does not appear to moderate it; booming economies were no less divided than stagnating ones.

What of the correlations we did find? One is with the perceived threat of war. The idea that unity frays without an external aggressor has a long pedigree. Sallust, a Roman politician and historian of the first century BC, traced the internecine turmoil that eventually led to Julius Caesar crossing the Rubicon to the fall of Carthage almost a century earlier. Depriving Rome of its main rival, he argued, robbed it of the common purpose it needed to remain a republic.

ANTI-POLITICS COLLAPSES EVERYTHING INTO A ONE-DIMENSIONAL, ZERO-SUM SPECTRUM

Our measures of external threat included military spending, the frequency of deadly military clashes and armed stand-offs, and survey data on the fear of wars. In each case, voters' feelings about other parties were less negative when they were more anxious about war. We also found that more military spending in a country was correlated with less partisan animosity. The exception is military spending by America, which since the turn of the century has spent a lot of time and money fighting abroad in the absence of any existential threat to those at home.

The other broad correlation (see chart on next page) is with a set of beliefs about politics itself. When voters believe that politics creates economic and social gains in which everyone can share, regardless of their party, they feel more warmly towards the other side. By contrast, when they see politics as a fight over a limited set of resources, they are susceptible to campaigns that set them against each other.

When people think their government is effective they tend to feel better about politicians. Likewise, if they expect to thrive in the coming years and if they feel good about their lives then they tend to look on political parties more sympathetically. In all these cases, the improvement in voters' sentiment is greater towards rival parties than their own.

Another indication of whether people see a future in a country is whether they stay there. Many factors affect migration, but the correlation with negative partisanship is nevertheless striking, whether you are comparing one country with another or looking at a single country over time.

All this helps explain why negative partisanship often seems to begin with the right's ill feelings towards the left. By and large, the right is inherently more sceptical about the good works of government. It is also more likely to see society in terms of competing groups. If the right is quicker to attack this way, though, the left is inclined to respond by disqualifying its critics' views as bigoted, immoral and fundamentally illegitimate. Thus tit begets tat.

Our analysis may also explain those three steep declines in affection for other parties, after 1990, 2008 and 2016. The first coincides with the end of the cold war. If not quite the end of history, it was for many the collapse of a hostile ideological rival to capitalism and, in several countries, an end to the menace of a Soviet attack. Because our data end in 2021, we cannot tell whether Russia's invasion of Ukraine in 2022 saw that effect reversed in neighbouring countries, with factions putting aside their differences to work together to protect the state they all depend on.

The second decline is suggestively close to the economic shocks that followed the global financial crisis of 2007-08. In its aftermath government could be portrayed as too incompetent for politics to be a great source of prosperity. In newly austere times, money was short and politics became a fight over who would get how much. In bank bail-outs, whatever their theoretical merits, the elites seemed to be grabbing vast sums for themselves at everyone else's expense. The crisis shunted politics onto a new trajectory. Working amicably with your opponents was for suckers; it ▸▸

DIFFERENT DIVERGENCES *How countries have polarised*

Sources: Garzia and Ferreira da Silva, 2024; Will Horne, 2024

*In dataset. Not always the most recent election held

made more sense to elbow them out of the way.

What about the third decline, after 2016? Here we can find no obvious trigger. But that absence raises an alarming possibility. In a series of votes around that time, including the contest between Mr Trump and Hillary Clinton, the tactic of negative partisanship was taken to new extremes. Those contests saw the harnessing of widespread anti-elite feeling by means of a new populism on the right. In some places the left responded in polarising kind. The electoral tactic of being anti- became the defining strategy of politics—and government.

NEGATIVE PARTISANSHIP is not simply unseemly; it can drive politics into a downward spiral. In a healthy system everybody has something to gain from working together. Government presents a whole landscape of possibilities, some of which can appeal to factions in rival parties. The anti-politics of negative partisanship collapses this into a one-dimensional, zero-sum spectrum between us and them.

When the pursuit of power dominates the use of power, it sabotages the mechanisms which produce efficient government. Government requires compromise. However, legislators struggle to work across the aisle, because only a sell-out would give ground to the wicked people on the other side. Compromise requires debate. Yet, the media, whose business thrives on conflict, rumour, caricatures and conspiracies, gleefully orchestrates a shouting-match. Debate requires facts. But politicians seeking to demonise their opponents strain and break the bounds of truth, denouncing the other side's corruption, extremism or treachery. Facing the facts requires leadership. But bad candidates thrive because voters riled up by the supposed monsters on the other side are more willing to overlook their own champion's flaws.

When government becomes dysfunctional, partisans prosper. As our data show, that is because the country more closely resembles a one-dimensional, zero-sum place that rewards negative partisanship as an electoral tactic.

TUSK AND KACZYNSKI HAVE PUT THE POLE INTO POLARISATION

To see this destructive feedback-loop in action, consider three examples. In Britain politicians inflamed by the bitterness and contempt which characterised the Brexit referendum campaign were unable to agree on a policy for leaving the EU. In Poland hatred between the two main parties created a pretext for the government to capture the institutions that sustain the impartial rule of law. In America the presidential campaign of 2004 saw a ruthless initiative to invert the facts about a candidate's war record rewarded at the ballot box, setting a dire precedent.

The Brexit referendum in June 2016 was marked by contempt on both sides—one lot sneered at the cosmopolitan elite, the other looked down at nationalist bigots. However, Brexit was unusual because it produced an outcome that required activists to stop their negative campaigning and come up with practical policies. In this it was like the American Supreme Court's judgment overturning the right to abortion established by *Roe v Wade*. Euroscepticism and pro-life politics were great motivators. But when the dogs caught the cars, people who knew with searing conviction what they were against suddenly had to say what they were for. And they were flummoxed.

Leavers were wholly unprepared for a highly technical debate on how to negotiate Britain's departure. Should Brexit be hard or soft? Should Britain aim to become like Norway or Switzerland, which are close to the EU in some ways, but not others? Or should it quit the EU without any deal at all? Chaos ensued. Because leavers could not agree on what they wanted, Britain had no coherent position in talks with the EU. Parliament was deadlocked as Conservative MPs, giddy with resistance, rebelled against their own government.

In a healthy polity, British politicians would have come together to work out which Brexit would best meet the many interests in play. For some Brexiteers, though, the "hardness" of the deal became a purity test instead of a question of practical politics. Remainers, including *The Economist*, filled the vacuum with passionate calls for a confirmatory referendum, fuelling a betrayal narrative according to which true Brexit was

THE THINGS THAT MATTER *Factors which correlate with negative partisanship*

Data from 50 countries 1960-2021, bubble size=population
Sources: Garzia and Ferreira da Silva, 2024; Will Horne, 2024; World Bank; SIPRI; UN

*Gap between sentiment towards own party and other parties

being sabotaged by deep-state Remainers. Brexit and its aftermath did grave damage to Britons' faith in their politicians' competence.

Brexit stretched and twisted Britain's poorly codified constitution. Traditions, norms and institutions are normally accepted as good ways to rein in the passions. However, if politicians can convince their supporters that the character of their opponents imperils the nation, they can frame the breaking of norms and stretching of rules not as constitutional vandalism, but as courage and strong leadership.

The most dramatic recent example of this was Mr Trump's attempt to thwart the peaceful transfer of power after the election of 2020. A more gradual erosion took place in Warsaw where, over the course of the past two decades, a pair of gifted post-communist politicians firmly put the Pole into polarisation.

Donald Tusk, who dominates Civic Platform, and Jaroslaw Kaczynski, who dominates Law and Justice (PiS), started their political lives fighting side by side against communism. In 2005 the two parties almost went into coalition government together. Ever since, each has demonised the other, particularly after Mr Kaczynski's twin brother, Lech, was killed when an aeroplane carrying him crashed on April 10th 2010. That disaster gave rise to conspiracy theories about Mr Tusk collaborating with the Russian government to suppress the details of what really happened on that foggy morning outside Smolensk.

Most political scientists think that polarisation in Poland began as a way for two similar post-communist parties to differentiate themselves. To appeal to voters outside the big cities, who felt that they did badly after the collapse of the Warsaw Pact, PiS said that Civic Platform was godless, globalist and selling Poland out to cosmopolitan elites. For its part, Civic Platform looked down on PiS voters as reactionary and unsophisticated. The tactics hardened into competing identities, and those identities fuelled a bitter struggle for power that began to wreck Poland's vulnerable young institutions.

One former minister describes the business model this way: you need fear to motivate your base—"give Tusk horns; make him out to be the devil or Satan or a Nazi". That wins you an election. But it is not in itself a firm base for long-term power. Unlike policies that can be built on, fear is a wasting asset that needs to be replenished, which is hard work. The best guarantee for staying in power is to use any time you get in office to capture the country's institutions.

Under Mr Kacynski, PiS increasingly ran state-owned companies and the media as if they were extensions of the party. It also entered into a drawn-out conflict with the EU about the replacement of senior Polish judges. PiS insisted that, because the judges appointed their own successors, the judiciary had never been properly purged of its communist past. Its opponents accused PiS of another partisan takeover. They say that if, having won elections in 2015 and 2019, the party had won a third term in 2023, it would have established such a grip on Poland's institutions that it would have been hard to eject from office—much like Fidesz, Viktor Orban's party, in Hungary.

A third way in which anti-politics feeds on itself is by eroding truth. In Poland the idea that Mr Tusk connived in the Smolensk air crash did not have to be true for it to plant the suspicion that he was not a true patriot. With Brexit, the Leavers' claim that EU membership would lead to huge numbers of Turks moving to Britain was nonsense, and they knew it. But it helped them by turning the spotlight onto immigration. You might have thought that liars would be punished for stretching the truth. But when politics is consumed by hatred and contempt, lying is part of the thrill.

IN POLITICS CONSUMED BY HATRED, LYING IS PART OF THE THRILL

Social media are a vehicle for all this lying, but they did not create it. An early, and particularly consequential, example came in the presidential campaign of 2004, when John Kerry ran against George W. Bush. Mr Kerry made a lot of his status as a war hero. "His three Purple Hearts could quiet those who labelled him a 'flip-flopper'," wrote Mitch Reyes, of Lewis & Clark College in Oregon, in an analysis published a couple of years later. "His Silver Star could quell criticism of his national-security record."

The Swift Boat Veterans for Truth had other ideas. They were a group of around 200 who had been in Vietnam, a few of whom said they had fought alongside Mr Kerry. Shortly after the Democratic convention (at which Mr Kerry had saluted the crowds, saying that he was "reporting for duty"), they claimed that he had not won his medals fairly, disputed his version of the past and accused him of being dishonourable and untrustworthy. The Swiftvets followed with an advert and a book, pouring scorn on Mr Kerry's "stolen valour". Within weeks, his lead over Mr Bush had evaporated. He went on to lose the election.

The Swiftvets' claims were untrue. Many of them had not fought alongside Mr Kerry. His campaign produced convincing evidence that some of the vets had praised his character before he was the Democratic nominee, and of soldiers who backed his version of what had happened in Vietnam. A naval investigator confirmed in early September, two months before the election, that his medals had been awarded correctly.

None of that repaired the damage. What an anonymous Bush adviser witheringly called "the reality-based community" did not have an adequate rebuttal to the allegations. In its absence, the official's claim to the *New York Times* that "We create our own reality" was borne out. The created reality was that Mr Kerry's experience in Vietnam did not qualify him to be America's commander-in-chief. One of the architects of the Swiftvets' messages was Chris LaCivita, who is now joint manager of Mr Trump's campaign.

DOES THIS anti-ratchet doom democracy? Not necessarily. Our data show that in some places anti-politics has ebbed. It fell away in South Korea from 2004 to the election in 2016 (we have no data beyond that); in Chile from the late 1990s to around 2020; in the Czech Republic from 1996 to 2013 and in Switzerland from the early 2000s to the election in 2015. In other places, including Taiwan, Iceland, Japan, Norway and West Germany, partisan animosity has been consistently low.

Britain has been lucky in that the hard camps which formed around Brexit did not translate into fixed party loyalties. Indeed, British voters have become increasingly willing to switch their allegiance between parties in recent years. In doing so they demonstrated a key weakness in anti-politics: at some level, competence matters. The disastrous mini-budget Liz Truss's administration brought forth in the autumn of 2022 caused a run on the pound and ended her premiership. No matter how strenuously she argued that she was sabotaged by the deep state, British voters re-

alised that she had made them all poorer—in other words, that politics is not in fact a zero-sum contest.

A policy's parlous results are not the only way that reality impinges on politicians' ability to conjure up animosity out of thin air. A team of American political scientists found that the sharp partisan divide over how to deal with covid-19 was attenuated in people whose lives had been directly affected by the virus. For as long as refusing to mask up seemed like a badge of political allegiance, partisans would not wear them. If they discovered first-hand that this posed a danger to them or their family, they changed their ways.

In Poland Mr Tusk managed to convince voters that PiS's institutional capture threatened Polish democracy. In elections last year he banded with other parties to win power. Since taking office, he has sometimes used strong-arm tactics to replace PiS appointees, including at the state-run news agency and television and radio stations.

But reversing negative partisanship is not easy. Naturally, PiS has turned the accusation of abusing power back on Mr Tusk. Norms and institutions fall victim to partisan manoeuvring with distressing speed but, as Poland is likely to show, the work involved in restoring them is long and arduous.

The story in Israel is even more sobering. The country is a parable of how anti-politics can proliferate when the circumstances favour it. And its experience suggests that the process displays a lot of hysteresis. The baleful results persist even when the conditions which created them have shattered.

Before the murderous attacks launched by Hamas on October 7th 2023, Israel had been fertile ground for anti-politics. The sense of external threat had never been lower as Israel had made peace with one Arab country after another. Policy split the country's citizens into groups. Many Israelis resented how the ultra-Orthodox did not have to serve in the armed forces. Despite being formally equal, Arab-Israelis were in effect second-class citizens. And the prime minister, Binyamin Netanyahu, was standing trial for corruption. Vehemently denying wrongdoing, he had spread conspiracy theories about how "elements in the police and the prosecution joined forces with the leftist media" to manufacture baseless cases against him.

Divisions reached a critical stage in the summer of 2023. The most right-wing government in Israel's history had set about changing the institutions in its own favour, by curbing the power of the Supreme Court. Its opponents were staging the country's biggest-ever demonstrations. Reservists threatened not to turn up for duty with the Israeli army. Marking the 75th anniversary of his country's independence, in a column in *The Economist*, Yair Lapid, an opposition leader and former prime minister, had fretted over whether Israel could remain a vibrant democracy.

The attacks on October 7th ought to have changed all that. The costs of division have been brutally cast in a new light. A sense of threat has been awakened, not only because 1,200 people were murdered that morning, but also because the country is now fighting Hamas in Gaza, Hizbullah in Lebanon and the Houthis in Yemen and has mounted air strikes on Iran. Despite this, though, Israel was united in grief and shock for only a few weeks. Quantitative data are still unavailable, but to Omer Yair of Reichman University in Israel, who studies polarisation, the country looks as split as it ever was. The right blames the left for weakening its defences before the attack; some of the left blames the right. Mr Netanyahu remains divisive despite Israel's recent killing of the leaders of Hamas and Hizbullah. Israel shows that when anti-politics gets a firm enough grip, it can be hard to reverse.

NOWHERE DEVOTES as much money, study and talent to politics as America does. Nowhere is politics so shaped by sophisticated data about how voters behave. There is nothing wrong with this. But nor is it any protection against dysfunction. To some extent it seems the reverse.

Too much of the effort goes into what the Russians call "political technology": the hackery of winning elections by exploiting voters' deep-rooted and universal instinct to stand together in the face of a threat. As the energy put into negative campaigning has swollen, so governing in America has atrophied. As governing has atrophied, so Americans have come to see Washington as a one-dimensional, zero-sum place where partisans fight over the spoils, but do nothing to make the whole country more prosperous. Casting normal politicians as extreme has exhausted the language of castigation, leaving no fresh words to use when real extremists bid for power.

The chart on the following page shows how trust in government has collapsed over the past 60 years. The first thing to note is that it has fallen so low it is a wonder that anything can get done at all. The second is to note the pattern of the fall. In the 1960s and 1970s Republicans and Democrats were remarkably similar in their response to the unwinnable Vietnam war and the Watergate conspiracy under presidents Lyndon Johnson and Richard Nixon. Under Ronald Reagan Republicans gained some faith; under Bill Clinton Democrats did; the 9/11 attacks under Mr Bush reminded Americans of all stripes that government matters. But only briefly. Today voters' attitudes are upended the moment a president from the other party enters the White House, for no obvious reason other than they detest him and all his works.

IF VOTERS BELIEVE THAT POLITICS CAN BE FAIR, THEY WILL BE LESS ANGRY

As Lilliana Mason, a political scientist, notes, being a Democrat or a Republican has become a "mega-identity" that defines much else about how people choose to lead their lives. The consistency of that split is mysterious, but one reason may be that when voters are motivated by fear and mistrust they are unnerved

by any single party gaining a consistent lead. Every election becomes a change election.

The vote on November 5th is a chance to begin to put this right. So far the signs are not good. Mr Trump has embraced an even more negative platform than before. He has condemned Ms Harris as a "shit vice-president" and said that "she's a Marxist, she's a fascist" in the same breath. He has talked of retribution against those he sees as having persecuted him, and given warning of vermin and the enemy within. And has declared in apocalyptic terms that "this world is going down," to cheers from his supporters. He left truth-telling behind long ago; claims of a life-and-death political struggle between good and evil which started off as hyperbole have created the political space for bogeymen to become flesh.

Joe Biden campaigned on the idea that Mr Trump was a tyrant in the making—and that voting for him was therefore morally bankrupt. For much of her campaign Ms Harris has tried to strike a more optimistic note. When she was catapulted into the nomination after Mr Biden withdrew in July, she sought to present herself as the candidate of change. Part of that was to look to the future, declaring in her convention speech that the election was "a precious, fleeting opportunity to move past the bitterness, cynicism and divisive battles of the past, a chance to chart a new way forward. Not as members of any one party or faction, but as Americans." However, as she has failed to pull ahead in the polls, her rhetoric has become more negative. On October 23rd she seized on accusations by Mr Trump's former chief of staff to label her opponent "a fascist".

HYPERBOLE HAS CREATED THE SPACE FOR BOGEYMEN TO TAKE FLESH

IF MR TRUMP wins the election will America plunge still further into the dark anti-politics of animosity? Or, in contrast to Israel, will the external threat from China and its partners in Russia, Iran and North Korea help bring the country together? If Ms Harris wins and—in contrast to 2020—Mr Trump fails to persuade his party that the vote was stolen, will consultants take it as a sign that catastrophism has become a losing tactic? Could the next generation of leaders conclude that the country needs more of Ms Harris's optimism?

If so, a number of measures could help restore politics to health by showing that efficient government can benefit everybody, whatever party they belong to. Giving reasoned justifications for policies seems to work, presumably because voters can more easily understand how the government can serve the common good. Because perceptions of unfairness, and especially vote-buying, are linked to marked animosity against your own side and even more against the others, America's obsession with cheating in elections is especially harmful. Lawrence Lessig of Harvard University argues that citizens' assemblies are a way to jump-start a constructive phase of political engagement. An example is Ireland, which voted overwhelmingly to legalise same-sex marriage and abortion after 18-month assemblies overcame a seemingly unmovable legislative logjam.

Across the world's democracies, the task is to restore faith in politics. If voters believe that politics can be fair and for the common good, they will be less angry. If they think about policies instead of heroes and villains, they are more likely to treat both parties as legitimate. People need to believe that politics is not just about deciding who gets what, but making life better or worse for everyone, and that the outcome depends on their own choices.

It surely counts for something that, whatever the merchants of grievance pretend, voters' choices do in fact make a difference. Politics is often denigrated as cynical and dirty, but as Mr Obama argued in Chicago, it doesn't have to be like that. Bernard Crick, a political theorist, celebrated politics as a sublime human achievement. It enables complex societies to settle their differences and allocate scarce resources for the common good without resorting to violence. Compromise in politics creates the stability for people to be uncompromising in chasing their dreams.

The idea that the vote in America on November 5th could determine the path of history is the sort of grandiose claim you would expect from partisans trying to stir up their base. This time it might just be true. ■

THE DYING FALL *America's oscillating loss of trust*

Source: Pew Research Centre

United States

How to follow the results

Take this into a count

The first clues that could point to the next president

THE RESULT of the 2020 presidential election was the slowest to be called since 2000. Covid-19 restrictions, a mass switch to early voting, high turnout and tight margins in swing states led to four anxious days of vote-counting, nail-biting and Twitter-refreshing before Joe Biden was declared president-elect.

This year, given heavy early voting, many expect the counting will be slow again. Officials insist that ballot tallying will be faster. And although the contest is close—with six days to go, *The Economist*'s forecast model had it as a dead heat—there is a good chance of a decisive victory for either Donald Trump or Kamala Harris, due to a normal polling error. The results could be known just a few hours after polls close—as they were for seven of the past ten elections (see chart on next page).

The first states to conclude voting will be on the east coast. Six states, including the key battleground of Georgia, will finish voting statewide at 7pm eastern time (midnight in London). By 8pm, 19 more states will have joined them and a flurry of data will be published. Readers should exercise caution: little of substance will be revealed at this stage of the night, unless the election is a landslide.

Exit polls will be published in states that have completed counting. Unlike such polls in many countries, the data will not include estimates of candidates' share of the vote. Instead, these polls include information on the composition of the electorate, their policy views and top issues—none of which will reveal who has won.

In some states, where one candidate is heavily favoured, the election result will be called almost immediately. Unless there is a major upset or a striking trend, these calls may not say much about the election overall. One of the first states to be called in 2020 was Vermont, which Ms Harris is overwhelmingly likely to win. The absence of a call may be more informative: if Virginia is not called soon after polls close, it may indicate that Mr Trump is having a good night. The reverse is true for Ohio.

The first sets of counted votes are unlikely to reveal much, either. In many states, where large urban counties that lean Democratic are slow to count, the vote will appear more Republican than the final tally. In 2020 this effect was compounded in some states by mail-in ballots (which skewed Democratic) being slowest to count. Hence the "blue shift" phenomenon: Republican vote leads wiped out by late-counted Democratic ballots, fuelling false claims of electoral fraud.

So what will be the first solid pointers on election night? One metric to watch is the change between county-level results in 2020 and 2024 (this will appear on each state's results page on economist.com). By comparing counties which have completed their tallies, we can measure the change in support for each party's candidate.

For example, in a key state such as Pennsylvania—with 67 counties—the early results might come from a selection of counties that Mr Biden won by ten per- ▸▸

→ ALSO IN THIS SECTION

25 The bro vote
26 Campaign calculus: Polling errors
27 Nebraska and the Senate
28 The fight for the House
29 Lexington: American democracy

centage points in 2020. Suppose those counties show Ms Harris winning by five points. If that shift were replicated across the state, Mr Trump would be on track to win Pennsylvania as a whole by four points (Mr Biden won it by one point in 2020).

When the first states conclude counting, we will get more clues as to how the election has panned out. Florida finished counting before midnight eastern time in 2020. Although the state is not likely to be competitive (our forecast gives Ms Harris a five-in-100 chance of an upset), it could still indicate who has the upper hand. Using simulations from our forecast, we can see how the result in Florida relates to Ms Harris's chances of winning overall. If she loses Florida by seven percentage points, she has a one-in-two chance of winning the presidency. If she loses the state by more than 11 points, her chances of winning the election sink below one in five.

Both of these measures are imperfect. The first counties and states to tally their votes may be unrepresentative. In 2020 Florida moved two points towards Mr Trump whereas the country as a whole moved two points towards Mr Biden.

The final result will probably come down to seven key states. In our forecast, Ms Harris has a 93% chance of becoming president if she wins Pennsylvania, for example, and Mr Trump has a 95% chance if he wins Michigan. Of the seven states, Georgia and Michigan may be the fastest to count. Georgia has mandated that results from early voting (around 70% of Georgia's total vote) must be announced by 8pm eastern time. Michigan has changed the law to allow the processing of early votes before election day, speeding up the tally compared with 2020. North Carolina is also traditionally quick to count but may experience disruption due to Hurricane Helene.

Others could well be slower. Pennsylvania, the most likely pivotal state according to our forecast, will not start processing millions of postal ballots until the morning of election day. Arizona and Nevada, in the west, finish voting later that day and take longer to count their mail-in ballots, which are popular in both states. Nevada accepts and counts ballots which arrive after election day, too (although these are unlikely to flip the state).

Calling time

US presidential elections, time winner is called
Hours from 18:00 Eastern time on election day

Source: CBS News

The timing of the final call will depend on how close the election is. In 2000, when the presidency was decided by just over 500 votes in Florida, it took weeks to determine the result. In 1984, when Ronald Reagan won by a landslide, the result was called at 8pm eastern time, while voters on the west coast were still casting ballots. A decisive victory for either candidate would reduce the opportunities for spurious litigation and election denialism—a pastime of Mr Trump's which may slow the announcement of the final result.

Eyes on the prize

The median scenario from our forecast has Ms Harris winning her pivotal 270th electoral-college vote by less than half a percentage point. But there is also a substantial chance of a polling miss (see Campaign calculus) of a scale that would give one or other of the candidates a comfortable win. In one in six scenarios from our forecast, the winning margin in the pivotal state is greater than five points—matching Barack Obama's re-election in 2012. If that were to happen, we would probably have a clear indication early in the night (the 2012 election was called before midnight eastern time). In three out of four forecast scenarios, the margin of victory in the pivotal state is larger than Mr Biden's in 2020.

The tail risk of election-night becoming election-week or election-month is still significant. If the presidency comes down to a few thousand votes in Wisconsin or Pennsylvania—the central estimate of our forecast—it could take weeks to resolve. Election interference could extend the wait even further. But there is also a fair chance that the result is known sooner than many expect. Election-watchers, adjust your sleep schedule accordingly. ■

Election-night coverage

Head to economist.com or your Economist app for updates from our data journalists and correspondents in swing states to help you make sense of the results as they come in.

Bros who vote

Will young MAGA men turn out?

MADISON, WISCONSIN

Donald Trump is making a risky bet that occasional voters will answer his call

HOME TO A university, Madison is a left-leaning city in a swing state. But if you happened to find yourself at the Kollege Klub on a recent Saturday night, where Sean Paul's "Get Busy" instructed patrons to shake that thing, you would not know it. A man lobbed MAGA hats into a crowd of rapt frat bros. Presiding were the Nelk Boys, a group of supremely popular YouTubers who film inane pranks. They are fans of Donald Trump and have had him on their podcast three times. This was a party to gin up the vote. Yet voting felt like a concept of a plan compared with downing vodka Red Bulls and shimmying to Swedish House Mafia.

To increase his vote, Mr Trump has two options. He can moderate his message to win over traditional Republicans, the sort of voters who supported Nikki Haley in the Republican primary. He is not doing that—witness the denigration of Puerto Ricans at his rally at Madison Square Garden. Rather it is Kamala Harris who has tacked to the centre and campaigned with a former Republican congresswoman, Liz Cheney, a stalwart conservative.

Instead Mr Trump is courting people who don't reliably vote, but who will vote for him if they can be persuaded to vote at all: he is wooing the bro. He has called the Nelk Boys "the hottest guys around". He has skipped debates with Ms Harris but made time for podcast chats with Logan Paul, a wrestler; Theo Von, a mulleted comedian; and, last week, Joe Rogan, the gorilla of the genre with 15m listeners (see Culture section). The centre of gravity in this macho galaxy is the United Fighting Championship, a mixed-martial-arts outfit that counts Mr Trump a fan. Its boss, Dana White, speaks (or shouts) at MAGA rallies.

Mr Trump has also appeared alongside rappers and reggaeton singers with names like Icewear Vezzo, Sleepy Hallow and Anuel AA. None has the star wattage of Beyoncé or Bad Bunny, who is Puerto Rican and endorsed Ms Harris after the Garden rally. But they have devoted followings and create a permission structure for black and Latino fans to make an against-the-grain choice. Mr Trump's forays here can sometimes feel discordant. At a rally in Las Vegas he introduced Nicky Jam, a reggaeton star, like this: "Do you know Nicky? She's hot!" Nicky is a "he", who rescinded his support after the Garden event.

Bros like Mr Trump's schtick. They rate ▸▸

him better on the economy and find him funny: less villain, more anti-hero, says John Della Volpe of the Harvard Kennedy School. An 18-year-old today would have been nine when Mr Trump announced his first candidacy; there is little memory of or nostalgia for prelapsarian politics. Brandon Maly, the 24-year-old chairman of the Republican Party in Dane County, which encompasses Madison, says his cohort feels alienated by social movements. "Hypocrisies like 'queers for Palestine'? That doesn't resonate so much with the guys."

In 2020 Mr Trump won 41% of men aged between 18 and 29 (compared with 32% of women). This year his vote share could rise by several percentage points. Just over 12m men in that age cohort participated last time, so even a small improvement could deliver Mr Trump hundreds of thousands of votes. He is also doing better with black and Hispanic men. Yet overall, this strategy is risky. Offsetting losses among college-educated suburbanites who reliably vote requires gains among people who do so inconsistently and at lower rates. Only half of eligible young men voted in 2020.

The challenge is convincing people with less trust or interest in politics—those who are least likely to consider voting impactful—that it is worth the energy. In Mr Della Volpe's surveys, 55% of young men who support Ms Harris say they will "definitely" vote, compared with 38% of their pro-Trump counterparts. Young women, meanwhile, skew heavily Democratic and are trending more that way.

Mr Trump managed this feat in 2016 by appealing to another disengaged group: white working-class men. Then, too, his ground game was thin. This year in Wisconsin he has outsourced the job of door-knocking and phone-banking to groups run by Elon Musk and Charlie Kirk, a millennial activist. This effort appears disorganised. Ben Wikler, the Democratic state chairman, claims his party is "running circles" around Republicans when it comes to get-out-the-vote operations.

Less informed voters care most about the cost of living and tend to pick candidates whom they think they know and relate to. A recent study in the *American Political Science Review* found that, in 2016, viewers of "The Apprentice" were more likely to choose Mr Trump in the primary. Entertaining, seemingly apolitical media present a "unique route into the public consciousness", the authors concluded. That applies equally to Mr Trump's podcasting and posting to TikTok (where he has twice as many followers as Ms Harris).

Many Americans revile Mr Trump. Yet plenty share the view of the frat brother in Madison who told your correspondent that America, "in its simplest form, is a business" and that Mr Trump is the boss. ■

Campaign calculus

Miss calculation

How wrong could America's pollsters be?

DESPITE POLLS being in essence tied, gamblers betting on the outcome of America's presidential election are increasingly confident that Donald Trump, the Republican nominee, will win. Polymarket, a prediction market that has seen over $2.6bn traded on the election, gives him a two-in-three chance. Gamblers are in effect betting that polls are underestimating him for the third time in a row.

Such an error is certainly possible. Polling averages show Kamala Harris or Mr Trump leading in each of the seven swing states by a smaller margin than a normal polling error. Democrats fear there will be a repeat of the hefty polling misses of 2016 and 2020, when Mr Trump did better than expected. But there is no guarantee that the error will be in the same direction this year: pollsters have gone to great lengths to account for previous mistakes.

Opinion polling works by surveying a representative sample of voters. Errors can arise in a number of ways. There is normal statistical variation, which affects all polls, especially those with a small sample size. There is the risk of last-minute swings or unexpected turnout patterns. And there is the biggest headache for pollsters: ensuring their sample is representative. Researchers work hard to do this: finding new ways of reaching voters from certain demographic groups and using weighting samples to increase the relative importance of under-represented ones.

Oops

US presidential-election results, percentage-point difference from final polls

Source: FiveThirtyEight

FiveThirtyEight, a data-journalism outfit, has calculated polling averages for presidential elections going back to 1976 (see chart). On average, the size of the gap between the polls' findings and the actual margin of victory is 2.7 percentage points nationwide and 4.2 points in individual states. Now, FiveThirtyEight estimates that the largest lead for either candidate in the seven swing states is just 1.5 points, for Mr Trump in Arizona.

Polls in 2016 and 2020 systematically underestimated Mr Trump's vote, especially in battleground states. After the 2016 election, the post-mortem conducted by AAPOR, a professional organisation of pollsters, pointed to a late swing towards the Republican nominee and over-representation of graduates in poll samples. Most firms began to weight their samples to do a better job of reflecting the education profile of voters.

In 2020 the underestimate of Mr Trump was repeated, but for different reasons. This time AAPOR identified non-response bias—Republican voters were less likely to respond to pollsters. One theory is that they were less likely than Biden voters to be at home during the covid-19 pandemic (twiddling their thumbs and responding to surveys). Another is that Republican voters distrust pollsters, which discourages them from answering surveys.

Since 2020 pollsters have been at pains to reach a representative sample. They have experimented with recruitment that appeals to certain sections of society (postcards plastered with patriotic imagery, for example) and new modes, such as text messages. It is anyone's guess whether this will be enough to account for the Democratic bias in response rates or whether supporters of Mr Trump are still reluctant to answer polls. If the errors seen in 2020 or 2016 are repeated even to a small degree that would be disastrous for Ms Harris.

There are also plenty of plausible scenarios in which polls underestimate support for Ms Harris. For example, the errors in 2020 could have been pandemic-specific. Pollsters may have since overcorrected for them. Polls can frustrate, but without them we would not be able to say with such confidence that the outcome of the election is a toss-up.

Control of the Senate

Osborn again

OMAHA

How an Independent made a safe Republican Senate seat competitive

AT MOST POLITICAL events in America, the arrival of the candidate is a big deal. A crowd builds, underlings prepare, and eventually the chosen one sweeps in, the centre of attention. That was not what happened when Dan Osborn, an independent candidate for the Senate in Nebraska, arrived at his event in Omaha on October 22nd to discuss Social Security. Instead, he arrived early, then milled around at the back, looking like another member of the crowd. Yet Mr Osborn has ambitions to achieve one of the biggest upsets of this election: unseating a Republican incumbent, Deb Fischer, in what ought to be one of the safest seats in America.

According to a poll conducted for *The Economist* by YouGov, Mr Osborn is eight points behind Ms Fischer among those supporting either candidate (see chart). That suggests his chance of winning is slim. It cannot, though, be entirely ruled out. Another poll conducted around the same time for the *New York Times* put Mr Osborn just two points behind. If that poll is correct, and ours is not, then Mr Osborn could determine which party has a majority in the Senate. Even if Ms Fischer sneaks to victory, Mr Osborn's run could be consequential. He proves that in the least competitive of states, a complacent incumbent in the Senate can still be challenged.

Mr Osborn's candidacy had a curious origin. He entered the race last year after Mike Helmink, a union leader who had planned to run himself, dropped out after being refused time off by his employer, and drafted Mr Osborn instead. Initially he courted the Nebraska Democratic Party, which chose not to put up a candidate, but after the deadline to declare for a primary passed, he changed his mind and said he would run as an independent. That meant forsaking the organisational and fundraising help of the Democratic Party—but allowed him to run his own campaign with his own platform.

It seems to be working. Unusually, both Nebraskan Senate seats are up this year.

The Osborn identity

Nebraska full-term Senate election 2024, voting intention*, %

Osborn two-party vote share, %
Among voters who think Osborn will vote...

*Of likely voters expressing a preference in both races, among a sample of 1,220 registered voters polled from Oct 21st-28th
Source: YouGov/*The Economist*

The other Republican incumbent is Pete Ricketts, a member of the billionaire family which owns the Chicago Cubs baseball team. According to our poll, Mr Ricketts is leading his Democratic opponent by 18 points. That gives a sense of how many Republicans Mr Osborn is winning over.

Why is he doing well? It must help that he comes across as a very ordinary Nebraskan. His only previous political experience is as a union leader who led a strike at the Kellogg factory in Omaha, where he worked as a mechanic for 22 years. Before that, he served in the Navy and in the Nebraska national guard. And he is running a smart campaign, attacking Ms Fischer for backing business interests in the state over ordinary Nebraskans. A union-linked super PAC supporting him has bought inexpensive advertising in rural newspapers and on radio stations targeting voters in Ms Fischer's heartland with surprisingly detailed critiques of her voting.

His key appeal, however, seems to be his independence. Ideologically, Mr Osborn is eclectic. Like any union Democrat, he denounces billionaires and millionaires and special interests, and wants taxes to rise on high-income workers to save Social Security. But he is also highly critical of illegal immigration (which he sees mostly engineered by the boss class to keep wages down). Though he is pro-choice, he stresses he is a Catholic who personally opposes abortion. At times he compares himself to Joe Manchin, the Democratic-turned-independent senator from West Virginia. His advertisements go further: one of his latest features Osborn voters accusing Ms Fischer of stabbing Mr Trump in the back.

Our poll finds that most Nebraskans expect him to vote with Democrats if he wins. Of those who say this, a large majority are supporting Ms Fischer. But 17% expect him to be a genuine bipartisan. These voters are overwhelmingly backing Mr Osborn, by 88% to 12% of those supporting either candidate. That explains the approach Ms Fischer has taken in response. A super PAC that supports Republicans in the Senate has poured money into the state to pay for adverts suggesting Mr Osborn has links to Bernie Sanders (the socialist senator from Vermont supported the strike at Kellogg). In an interview, Ms Fischer says that "he is not honest". Her spokesman says he is a "liberal Democrat in disguise".

That message, and voters' partisan reflexes, should save her. But Mr Osborn has shown that Republicans can be vulnerable even in the reddest of states. His success hints at how Democrats are struggling with a perception that they "have lost touch with the working class and look at working-class areas in a condescending way", says Robin Johnson, of Monmouth College. Perhaps the party should consider standing aside in a few more red states. ■

Congress

Bringing down the House

SPRING VALLEY, NEW YORK

The fight to win the most unruly institution in Washington

MIKE LAWLER, a Republican congressman representing New York's 17th congressional district, considers himself a moderate. Mondaire Jones, a former congressman challenging Mr Lawler, also considers himself a moderate. Neither candidate in this swing race agrees with the other's self-description. "At the end of the day, if it talks like a socialist, votes like a socialist—folks, it's socialist," Mr Lawler said in a recent debate. Mr Jones hit back, "If it talks like a fascist and supports a fascist for president of the United States for the third consecutive presidential election, then it's a mini-fascist."

That hyperbole probably won't sway the contest's outcome, which is driven more by national trends, but this mostly suburban district north of New York City will help influence which party will control the House of Representatives. Though Senate races get most of the attention, the country's lower chamber also can make or break the next president's agenda.

By this point in the election cycle, everyone knows that the presidential election will be decided in six or seven swing states, and that the electoral college gives states in the upper Midwest an outsize say over the future of the free world. The electorate that will determine what the next president will be able to do—the voters who will pick the House majority—are different. During the 2022 midterm elections Republican wins in California and New York, two states used to being ignored in presidential elections, gave the party its majority. Both sides agree that those states could make the difference again. *The Economist*'s forecast shows that seven of the 20 closest House races are in either New York or California, and are now held by Republicans like Mr Lawler.

Unlike the electoral college, which gives the Republican candidate an advantage worth about two points of the national vote share in this election, the House map is fair. Democrats used to complain about being at a disadvantage due to gerrymandering (the practice of politicians drawing district maps to their advantage). Now we estimate Democrats need only win by one point to have a 50:50 chance of controlling the House.

The tightness in national elections means that control of the House changes often. Between 1955 and 1995 Democrats had the majority. Since 1995 control has switched five times. But the House hasn't flipped in the opposite direction to a presidential race since the 19th century, and both parties agree that it's unlikely to happen this year. They also concur that whoever wins a majority will have a narrow one. That means that if Donald Trump wins, Republicans are quite likely to have a House and Senate majority (Republicans are favourites to win the Senate regardless of who takes the White House).

"We've expanded the map of competitive districts, which gives us more paths," says a House Democratic operative, referring to how Joe Biden's departure from the presidential race boosted down-ballot candidates. Even so, the Democrat believes that only around three dozen races are truly competitive, a view shared by Republican strategists: "I think this really comes down ultimately to a Republican or Democratic plus-five majority."

Dial five for shutdown

The difference between a five- and ten-seat majority could have tremendous implications for public policy, particularly if Republicans win the House. Their current narrow majority made governing nearly impossible for the past two years, as the party's nihilists had disproportionate clout. The latest fiscal year was nearly halfway over, for example, by the time Congress approved a permanent government-funding bill. Given that the next president's ability to govern rides on the shape of Congress, it is perhaps surprising how little money is spent on House campaigns compared with Senate races (let alone the presidential contest).

Congressional Leadership Fund, the most important Republican super PAC for winning the House, raised $81.4m from July to September. House Majority PAC, the equivalent Democratic group, pulled in about $99m. In the Texas Senate race alone the two candidates have raised a total of $166m. The presidential candidates have mustered $1.4bn (campaign groups have gathered an additional $1.3bn). This reflects the fact that House races have been eaten by national politics. If either Kamala Harris or Mr Trump somehow does end up controlling the White House but not the House, it will be because of candidates who managed to defy political gravity in their small corner of the country.

New York's 17th district is an example. There are almost 90,000 more Democrats than Republicans in Mr Lawler's seat, which Mr Biden won by double digits in 2020. The candidate will have to buck national trends if he is to remain in Congress. On a recent Sunday, he visited New Life Pentecostal Church in New York's Hudson Valley. Its pastor, Denochy Cowan, does not endorse candidates, but welcomes any to speak to his congregation, made up of immigrants from Antigua, Haiti, Ghana, Guyana, Jamaica and Kenya. Mr Lawler acknowledged that he may not have much in common with those in the pews, but said it's OK because that's what democracy is all about. Paraphrasing Ed Koch, a former New York City mayor, he joked, "If you agree with me on nine out of 12 things, vote for me. If you agree with me on 12 out of 12 things, have your head examined." ■

Jones and Lawler, moderately extreme

LEXINGTON
American exception

Despite its lousy reputation, this campaign is demonstrating America's democratic vitality

MASIH ALINEJAD, an Iranian-American journalist and human-rights activist, likes to tell a story about walking through New York after appearing on various cable-TV networks to crusade against Iran's oppression of women. Ms Alinejad, who has a nimbus of spiralling curls that makes her easy to recognise, describes being stopped by people who wanted to voice their support. But on one block a person pleaded with her not to appear again on Fox News ("They are miserable") while on the next a person urged her to stop going on CNN ("They are using you").

"I was like, 'Wow, wow—guys, having Fox News and CNN is the beauty of America,'" Ms Alinejad said, speaking at the Global Free Speech Summit at Vanderbilt University in Nashville, Tennessee, on October 18th, just days before prosecutors in Manhattan would charge four men, including a senior official in the Islamic Revolutionary Guard Corps of Iran, with plotting to kill her in 2022. Americans who wanted to cancel either network and watch only one, Ms Alinejad continued, might consider life in North Korea or Iran, where "You only see people repeating the narrative of the government, and you only see your family members and your heroes doing false confession in order to survive."

That is a low bar. However, it is a fair point, and a chastening one as the climax approaches of an election campaign that has members of both parties despairing about their democracy. American news organisations may not always make the best use of their freedom, yet their very freedom to misuse their freedom is a measure of what keeps America great. In Ms Alinejad's spirit, it seems worth considering other ways in which this much maligned campaign is revealing the vitality of America's democracy—along with the pernicious effects of negative partisanship explored in our Essay this week.

Start with what can be a basic vital sign: participation. A generation ago, when about half of eligible voters might turn up at the polls, America's mandarins were sounding warnings about voter apathy and assembling commissions to overcome it. But two-thirds of eligible voters cast ballots in 2020, the highest proportion since 1900, and voting in the midterms of 2018 and 2022 reached levels not seen in decades. This autumn some states with early voting are setting records for participation. (A related sign of vitality is that, contrary to worries that threats and scorn directed at election officials would scare off poll workers, state offices are reporting ample levels of volunteers and paid staff.)

Along with surging registration of new voters, higher turnout is changing the composition of the electorate in unpredictable ways. This shift appears to be settling dumb debates within both parties in recent years over whether turning out partisans matters far more than persuading independent-minded voters to support your candidate. In a changing yet evenly divided electorate, both turnout and persuasion are essential, and the campaigns have been putting this rather obvious insight into practice. More competition for more voters can only benefit the country.

Indeed, one cause or effect, or both, of these efforts at persuasion is that America is becoming less polarised by race. Both parties have discarded facile assumptions that black or Latino voters are monolithic on matters such as illegal immigration or policing. The left's conviction that Donald Trump was succeeding solely by catering to white people began to fray after the 2020 election, when he made gains among Latino, Asian and black voters. He is courting them more vigorously in this campaign. That outreach has clashed at times with his core emphasis, reaching disaffected young men, as when a comedian popular with that group managed the rare feat of upstaging Mr Trump by telling racist jokes before he spoke at Madison Square Garden on October 27th.

Kamala Harris has been trying to reverse Democratic erosion among young non-white Americans while also trying to reach beyond her party's base of voters with college degrees. Rather than repeating Joe Biden's promises to erase college-loan debt, she is emphasising that she will create jobs that do not require a college education. "We understand a college degree is not the only measure of whether a worker has skills and experience to get the job done," she declared at a rally in Flint, Michigan, in early October.

Ms Harris has also been bidding to win back rural voters Democrats have all but ignored in recent campaigns, while Mr Trump has been campaigning in big cities—and both of them appear to be having some success. Ms Harris has campaigned in solidly red Texas while Mr Trump has campaigned in such Democratic strongholds as California and New York. Both have campaigned with members of the opposing party, though Mr Trump's few Democrats, such as Robert Kennedy junior, are party misfits of longer standing than Ms Harris's Republicans, some of whom once worked for Mr Trump.

Use it or lose it

The imperative to attract less partisan voters has also compelled both candidates to moderate some of their more extreme views. Ms Harris has backed off leftist positions she espoused in 2019. Mr Trump, who has moved his party towards the centre on matters such as entitlements and gay rights, has been clumsily trying to moderate his stance on reproductive freedoms after a backlash he clearly did not expect to the Supreme Court's decision in 2022 to eliminate the constitutional right to abortion.

Far more than other protest movements this century, the grassroots movement to restore abortion rights is proving durable and effective. It has won in all six states that have had plebiscites on abortion rights so far, including such conservative ones as Kansas and Kentucky. Americans, it seems, have not forgotten how to put their democracy to use in defence of their liberty. ■

The Americas

Trump and Mexico

Round two

MEXICO CITY

If elected, Donald Trump will attack Mexico on trade, migration and security

DONALD TRUMP'S time as president of the United States was difficult for Mexico. He threatened tariffs to force it to keep migrants on its side of the border while their asylum claims in the United States were processed, a policy known as Remain in Mexico. He tore up the North American Free Trade Agreement (NAFTA), which was crucial to Mexican prosperity.

But Mr Trump also dealt in bluster. He applied tariffs only to Mexican steel and aluminium, and just for a year. He did not make Mexico pay for a border wall. NAFTA was replaced by the United States-Mexico-Canada Agreement (USMCA), a new trade deal widely viewed as an improvement. The trade war with China made Mexico relatively more attractive to global capital. And by giving Mexico control over border-crossing numbers, Remain in Mexico gave it leverage with the United States.

If voters put Mr Trump back in the White House on November 5th, he will be much harder to manage. His remarks about Mexico on the campaign trail have been numerous, vague and changeable, but it is clear that he and his political allies see the country as "a problem rather than a solution", says Pamela Starr of the University of Southern California. On the most important issues—trade, migration and security—Mr Trump's position has hardened since he left office in 2021.

Start with trade. Mr Trump does not like trade deficits and says "tariff" is the "most beautiful word". So it worries many in Mexico that the United States' deficit in goods trade with their country increased by $22bn to $152bn in 2023 (see chart 1 on next page). Only with China does it have a larger deficit. Exports across the northern border are worth about a third of Mexican GDP. Mr Trump's stated plan to impose a tariff of 10% on all imports would not just break USMCA, it would also shave at least 1.5% off Mexico's GDP, according to Capital Economics, a research outfit in London.

Both Republicans and Democrats worry that Chinese firms are expanding manufacturing in Mexico as a way of retaining tariff-free access to the large market in the United States, particularly for electric cars. In an interview on October 15th with *Bloomberg* Mr Trump mentioned this several times: "Mexico is a tremendous challenge for us right now, tremendous. China is building massive auto plants in Mexico." China has yet to start building a single one, but in Mr Trump's world such details matter little. He has threatened all Mexican vehicle manufacturing with a 200% tariff.

Mr Trump wants to turn a review of USMCA in 2026, which had been considered a formality, into a renegotiation. Ending or undermining the deal would put a vast dent in North American economic integration. Many question whether Mr Trump would dismantle a deal which he himself struck—and described as "very good". But he has always said he would ▸▸

→ ALSO IN THIS SECTION

31 Solar power in...Canada

32 Uruguay's anti-populism

prefer no trade deal at all.

Migration is no less fraught. Mexico already deals with a large number of migrants; Mr Trump's policies would increase that burden. He is likely to demand that Mexico declare itself a "safe third country". Non-Mexican migrants heading for the United States would then be legally required to seek asylum in Mexico instead. Mexico will refuse, leading Mr Trump to unilaterally reimpose his Remain in Mexico policy, which will also increase the number of migrants in Mexico.

Mr Trump says he will close many legal immigration pathways. Much more dramatic is his proposal to deport millions of the estimated 11m-plus people in the United States who entered illegally. About half are Mexican. Absorbing a large number of deportees (and losing the billions of dollars they send in remittances) would be a huge challenge for Mexico.

Even that is mild compared with Mr Trump's musings on the security issues emerging from Mexico, specifically the production of fentanyl, a synthetic opioid which killed around 75,000 people in the United States last year (see chart 2). During his first term Mr Trump floated the idea of bombing drug gangs and their laboratories in Mexico. He and other Republicans still regularly refer to the possibility.

"I think the bombing stuff is campaign rhetoric," says Jorge Castañeda, a former Mexican foreign minister. "But not the 'if you can't do it, we will' sentiment, because Mexico clearly can't handle this alone." Even if the Drug Enforcement Administration merely became more aggressive, it could threaten security co-operation, already weakened after the presidency of Andrés Manuel López Obrador. Claudia Sheinbaum, who took over on October 1st, is likely to be more amenable, but says co-operation must benefit both countries.

Mexican officials say they have been parsing Mr Trump's campaign statements, working out their red lines and areas where negotiation might be possible. A unilateral strike inside Mexican territory, for instance, would "detonate the bilateral security relationship", says one Mexican official. Putting tariffs on vehicles that meet the USCMA rules of origin or attempting to force Mexico to become a "safe third country" are both unacceptable.

Responses are being prepared in other areas. Some are new domestic policies that can be presented as mutually beneficial, such as Ms Sheinbaum's plan to tackle drug gangs. On trade, Mexico has already started working with the United States to ensure that it does not become a conduit through which Chinese aluminium and steel can bypass tariffs.

Yet Mexico is not as worried as it should be about Mr Trump, says another Mexican official. Some feel they know how to handle him, and suggest Kamala Harris could be as much trouble on trade. (She voted against USMCA and has protectionist tendencies, but is not in Mr Trump's league.) Optimists say the countries' interdependence will curb stupidity, such as scrapping USMCA. That would be the "nuclear option assuring mutual economic destruction", says another official.

But the damage done to Mexico would be far greater than to its northern neighbour. Its economy is sluggish thanks to high public spending and self-imposed barriers to foreign investment. The Mexican economy relies on consumers in the United States far more than the United States economy relies on production or anything else in Mexico.

Unleashed

One Mexican official warns that his country could be used as a *piñata* if Mr Trump needs a quick win. Moderating forces that restrained the president the first time—officials like Mike Pence and Mike Pompeo—may be replaced by MAGA diehards. Mr Trump, who likes right-wing men, may struggle to work with Ms Sheinbaum, a left-wing woman. Set free from previous constraints, Mr Trump's capricious nature combined with the United States' relative strength would place Mexico in peril. ■

Problematic imports

Sources: US Census Bureau; CDC; INEGI

*Q3 to August 31st †12-month moving total

Energy in Canada

Dark solar

TADOULE LAKE

Why Canada's government is installing solar panels in the cold, dark north

THE SAYISI DENE First Nation seems like a bad spot for a solar farm. It gets about half as many hours of sunshine as a place like Arizona. Any solar panels installed there will produce less than half as much electricity. And yet the Canadian government has committed C$300m ($215m) to pointing panels at grey, sub-Arctic skies, not just in Manitoba, but across the country's dark north.

The idea is to reduce the amount of diesel that is burned for heating and electricity. The fuel must either be flown in, delivered by sea, or trucked over frozen lakes and rivers during winter. As a result, electricity can cost ten times more than it does in southern cities. In 2019 Justin Trudeau, the prime minister, promised to end the use of diesel by 2030.

Reducing emissions is one goal. But Mr Trudeau's solar panels are also part of a reconciliation with indigenous people who have been mistreated by Canadian governments for many decades. Northern communities are supposed to get new, high-paying jobs, energy independence and air that is clear of nasty diesel fumes. "We must turn the guilt we carry into action. Action on reconciliation," the government said in 2021. "Action on climate change."

And so since 2016 the federal government has been paying to train indigenous entrepreneurs to run renewable-energy projects, hoping they might bridge the gap between the government and hesitant communities. Darrell Brown, of Cree heritage himself, started Kisik Clean Energy after being one of the first people to receive training. His first project went well. He and his team installed solar panels in Gull Bay First Nation in northern Ontario, cutting annual diesel use by a quarter (about 110,000 litres).

Others have followed in Mr Brown's footsteps. The number of renewable-energy projects in northern, off-grid communities doubled from 2015 to 2020. But reliance on diesel remained high. Some 682m litres were burned in 2020, according to the Pembina Institute, a think-tank.

Mr Brown's second project is not going so smoothly. The Sayisi Dene's current chief has been reluctant to support it. That is in part because Mr Brown is funded by the same federal department that brutally relocated the Sayisi Dene in 1956, leading to the death of one-third of its members. Access to the community is tricky and spo- ▸▸

radic, often suspended while the leadership is dealing with drug overdoses.

Originally the Sayisi Dene project included wind turbines, an energy technology better suited to dark places. But the turbines were rejected for fear they might scare the caribou. A microgrid that relies on batteries and solar panels alone will reduce Sayisi's Dene's burning of diesel for electricity by some 20-25%, but at an estimated cost of C$20m. A financial case is hard to make. Mr Brown soldiers on.

The levels of poverty that exist across Canada's north make the energy transition Mr Trudeau wishes to enact there a political challenge. The government is spending money to supply clean energy to people who cannot afford food, notes Ranjan Datta of Mount Royal University in Alberta, or who are battling substance addictions without sufficient mental-health support. The cost of living, not its associated emissions, is the primary concern for most.

Like many of Mr Trudeau's climate policies, this one looked better on paper than in practice. Less diesel is being burned than would have been otherwise. But eliminating combustion from northern energy systems remains out of reach. In the meantime, Mr Trudeau's guilt seems to have been transferred onto the shoulders of entrepreneurs like Mr Brown, who have been left to install solar panels in the darkness, largely on their own. ■

Mr Mujica aces the marshmallow test

Temperance in Uruguay

Jam tomorrow

MONTEVIDEO

In a populist region, Uruguayans reject an unaffordable splurge

WOULD YOU like to retire five years earlier than planned with a fatter pension? Governments do not normally put such tempting questions to voters directly, for fear that they will merrily opt for jam today and disregard the disastrous fiscal consequences for tomorrow.

Yet when Uruguayans went to the polls on October 27th they were asked a version of this question, thanks to a union-led campaign. It was one of two referendums which ran alongside congressional and presidential elections. The presidency is going to a run-off on November 24th between Yamandú Orsi of the left-wing Broad Front and Álvaro Delgado of the centre-right coalition. Congress ended up evenly split. But a large majority, displaying unusual powers of restraint, rejected the offer of more generous pensions.

Latin America is not known for fiscal probity. In Argentina Peronist governments have spent recklessly for years to buy popularity, causing the inflationary mess that Javier Milei, the president, is trying to clean up. Halfway through his third term, Luiz Inácio Lula da Silva, Brazil's president, is failing to hit his own fiscal targets and worrying investors. Markets had feared Uruguayans would take the money and damn fiscal virtue; investors sold government bonds as the referendum loomed. How and why did Uruguayans resist?

For one thing, they understand fiscal chaos. It is on display just across the Rio de la Plata in Argentina every day. They have first-hand experience of the damage it can do, too. In 2002 Uruguay, then economically fragile and heavily reliant on Argentina, suffered a devastating banking crisis prompted largely by its neighbour's economic collapse. Today it relies less on its erratic neighbour, but Argentina's fiscal follies still cause headaches. A recession across the river, for example, means swathes of sun-seeking Argentines eschew holidays on Uruguay's sweeping beaches.

But the principal reason for the referendum's failure was probably the fact that the main presidential candidates all publicly opposed it. The outgoing centre-right president, Luis Lacalle Pou, called it "dangerous and harmful". Even José Mujica (pictured above), a popular left-winger and former president, who was once a Marxist guerrilla, said it would bring "chaos".

This sort of level-headed unity is hard to imagine elsewhere in Latin America (and near impossible in Argentina). It was constructed atop a strong consensus among economists of almost all stripes in favour of prudence and macroeconomic stability, says Gabriel Oddone, who will be the finance minister should Mr Orsi win the run-off. "All the people who have been in charge of economic policy in the last 20 to 25 years, and who are likely to be [in the future], share a training, a worldview and an understanding of the limitations of our discipline," he says.

That is so unusual as to be bizarre at a time when the region—and the world—is gripped by populism and distrust of experts and elites. In 13 of the past 16 presidential elections in Latin America, the winning party was one founded less than ten years earlier, points out Andrés Malamud of the University of Lisbon. Establishment opinions are often ignored. But Uruguay is different. Political parties are strong, with deep historical roots. They enjoy higher levels of trust than anywhere else in the region. This was reflected in the congressional result. Despite a proportional voting system that opens the door to insurgents, the three main parties scooped up 87% of the vote—a greater share than in the previous election.

But even with Uruguayan levels of immunity to anti-establishment anger, infection is not impossible. Gustavo Salle's Sovereign Identity party, a hotbed of conspiracy theories, got 2.7% of the vote. Its 66-year-old leader rages against the "kleptocorporatocracy" and the "perverse, paedophile elite". On election day he declared Congress to be a "cave of traitors". Worryingly, the vote between the two big blocs was so evenly split that his party appears to hold the balance of legislative power.

Still, optimists hope that Uruguay's sensible side will shine through here as well. The run-off will be hard-fought, but once the new president is elected, aversion to Mr Salle's conspiratorial rage could well prompt real negotiations between the left- and right-wing coalitions. That could help with fixing the country's enduring problems: persistently high crime and a decade of sluggish growth. ■

Asia

The Korean peninsula

Something has changed in the north

SEOUL AND YEONPYEONG

Troops to Russia, its longest-ever missile test and death sentences for K-pop

THE KAESONG Industrial Complex in North Korea has long symbolised hopes for peace and unity on the Korean peninsula. Opened in 2004, it housed South Korean factories that employed North Korean workers. Joint production trudged along until 2016, when South Korea turned off the lights in response to advances in North Korea's nuclear programme; subsequent attempts to restart the project faltered. This month Kim Jong Un, North Korea's dictator, made clear that it has no future by blowing up the roads that connect Kaesong to the south.

The destruction of roads is just one sign of rising tensions on the peninsula. North Korea has strengthened its ties with Russia, dispatching an estimated 11,000 troops to help Vladimir Putin wage war against Ukraine; South Korea fears that Mr Putin will provide sensitive missile or nuclear technology in return. On October 31st North Korea tested an intercontinental ballistic missile for the first time in almost a year, which recorded the longest flight time yet, of 87 minutes (an earlier test is pictured). It may also conduct a nuclear test around America's elections next week. Less visibly, but no less ominously, over the past year Mr Kim has reversed decades of official doctrine by declaring that the two Koreas are not a single divided people but rather separate, hostile states.

Yoon Suk Yeol, South Korea's president, has laid out a hard-edged policy toward the North, too. Channels of communication have gone cold. Lower-level provocations have proliferated. South Korea resumed broadcasts of anti-communist propaganda targeted at North Korean soldiers along the border, while North Korea has sent balloons filled with domestic rubbish into the South. All this suggests that the stand-off on the peninsula has entered a dangerous new phase.

The Korean war pitted neighbours against each other. Ryu Jae-sik, who hails from Gangwon, the southern half of a province split when the peninsula was divided, recalls capturing a soldier from the northern half of his home province: "I saw myself in him." The fighting came to a halt in 1953, with the signing of an armistice and the creation of a demilitarised zone. Mr Ryu, like many at the time, imagined that the unresolved state of affairs would not last. The division endured far longer and the two societies diverged far further than expected. Yet throughout cycles of hostility and detente in recent decades, both governments' stated aim was to peacefully reunify their divided lands and people, however unrealistic that seemed.

Mr Kim, in effect, has "come out and said the king is naked", says Andrei Lankov of Kookmin University in Seoul. Breaking with the doctrines of his grandfather and father, Mr Kim declared peaceful reunification "impossible" and removed a monument to reunification that stood over a road to Pyongyang. He has ordered his armed forces to be prepared to "subjugate" the South (now a "belligerent state") and called on his officials to "eliminate" bodies ▸▸

→ ALSO IN THIS SECTION

34 Faith as big business in India

35 Australia v China in PNG

35 Pakistan's weakened judiciary

36 A historic rebuke in Japan

37 Banyan: Prabowo's boot camp

that work on inter-Korean relations. He no longer wants his people to see themselves in South Koreans: references to a shared Korean ethnicity have been stripped from propaganda songs and textbooks.

One objective of Mr Kim's new policy may be to help justify a crackdown on South Korean television shows and music. K-culture has spread widely in the North, and threatens to puncture the regime's propaganda bubble. In recent years Mr Kim has passed ever-tougher laws criminalising the consumption of K-culture. Recent escapees recount cases of teenagers being given lengthy prison sentences for watching K-dramas; rights groups have documented numerous executions for distributing such cultural dope. If the illegal material is the handiwork of the same single Korean people, such brutality is hard to justify, even for Mr Kim. The new policy resolves that contradiction. Similarly, under the old doctrine a nuclear attack on South Korea amounted to friendly fire; now it would be a blow against the enemy.

External events have also contributed to Mr Kim's hardening stance. Failed talks with Donald Trump in 2019 left him embittered and he soured on the idea of negotiating sanctions relief with America. (Though if Mr Trump returns to the White House, he may change his mind.) The pandemic in 2020 gave Mr Kim cover to isolate his country even further. Russia's full-scale invasion of Ukraine in 2022 led Mr Putin to turn to Pyongyang for help. For North Korea, Russia emerged as "a great saviour" in a time of need, says Tae Yong Ho, a former North Korean diplomat, now a South Korean politician. Russia has provided Mr Kim with fuel, food, currency and, perhaps, advanced technology. South Korean officials think it has emboldened Mr Kim.

North Korea's recent steps have prompted the South to reassess its own posture. Ever fewer South Koreans see themselves in North Koreans: with each passing generation, support for reunification fades (see chart). In a speech this August, Mr Yoon laid out a new policy of his own. While nominally still calling for unification, it makes explicit that it can happen only if the South absorbs the North. Even some South Korean progressives have downgraded their expectations. Lee Jong-seok, who served as minister of unification during the early years of the Kaesong complex's work, sighs at the prospects of a unified peninsula. "Perhaps my descendants will see it," he says. "The most important thing for now is not having war."

Launching an all-out attack would be suicidal for Mr Kim. But he could escalate much further than destroying roads or testing missiles. On Yeonpyeong, a flashpoint island near the maritime border that North Korea shelled in 2010, one resident says they fear a repetition of the day "everything was ablaze". Since that incident, the North's military capabilities have grown. "Backed by a growing nuclear arsenal and support of Russia, Kim may feel more comfortable in taking chances," writes Sydney Seiler, formerly America's most senior intelligence officer for North Korea. Mr Yoon's insistence that South Korea will respond to any provocations with force also increases the risk of tit-for-tat moves spiralling out of control. Imagining such a war is all too easy. Imagining lasting peace, by contrast, is becoming harder. ■

Divided and divisive

South Korea, opinion on reunification with North Korea, by year of birth, 2014-24, % responding

Source: Korea Institute for National Unification

Religion in India

Prayer and profit

CHENNAI

Faith-based businesses are booming

THE TRADITIONAL start to Diwali, the Hindu festival of lights that falls on October 31st this year, is a *puja* (ceremony of worship) either at home or at a temple. Technology has ushered in a third way: through the phone. The Sri Mandir app offers the devotee sitting anywhere in India or outside it a virtual *puja* at an auspicious temple for 891 rupees ($11). On VAMA, another such service, 101 rupees allows them to light a lamp remotely in the holy city of Ayodhya. In addition to receiving divine goodwill, customers get a video to enable repeated viewing and, of course, sharing.

These apps are part of a wave of startups seeking to bring Hinduism closer to 1bn believers in India (and around 100m outside). According to Tracxn, a data provider, there are nearly 1,000 faith-based Indian startups. Collectively, they have raised $51m so far this year, up from $5m in 2023. They offer more than remote access to religious services. Customers can also conduct *pujas* on their phones. At a click, an on-screen deity is showered with flowers to the score of devotional music. Astrological services, such as personal horoscopes, are also popular.

Holy moly

India, faith-based startups, funds raised, $m

Source: Tracxn *To October 21st

The emergence of such services is a result of the rapid proliferation of smartphones in India. The potential for growth is enormous, says Manu Jain, the co-founder of VAMA. He points to super-apps, such as YouVersion Bible and Muslim Pro, that serve hundreds of millions of Christians and Muslims around the world. Hindu startups have a long way to go to reach that scale. But unlike those monotheistic faiths, Hinduism's pantheon of gods allows businesses to roll out more services, says Mr Jain. Offerings can vary by temple but also by god.

Underpinning the business model is India's deep and evolving religiosity. In 2023 around 80% of Indians said they consider religion to be an important part of their daily life, according to a survey by Gallup, a pollster. The global figure is 63%. Such faith has always been a defining feature of Indian society, but in recent years it has also become a more conspicuous one. That is partly because of economic growth, which has given Indians more spending power. Where Indians would once purchase pictures for their household shrines, today they splurge on idols and jewellery, says Aniruddha Singhai, the co-founder of Divine Hindu, an e-commerce startup.

Another reason is cultural. Public displays of Hinduism are more common, whether by young men donning a *tilak* (sacred mark) on their foreheads or on car windows emblazoned with images of gods. The trend has been fuelled by India's elite, including cricketers, movie stars and business honchos, now flaunting their Hinduness more openly. Driving this cultural change is India's political leadership. The ruling Bharatiya Janata Party (BJP), from Narendra Modi, the prime minister, down to the field-level cadres, routinely extols the virtues of prayer.

The government is also supporting the business of religion directly. Shortly after winning power in 2014, the BJP launched ▸▸

the Pilgrimage Rejuvenation And Spiritual Augmentation Drive. Through that scheme and other initiatives, it has spent more than $120m on building religious infrastructure. Most notably, this year Mr Modi consecrated the Ram Mandir, a grand temple in the northern city of Ayodhya. The controversial temple, which was built on the site of a razed mosque, is expected to attract 50m visitors annually. Meanwhile, religious tourism is booming: in 2023 pilgrimages accounted for 60% of India's domestic tourism. Spending on religious travel is expected to quadruple over the next decade.

The ultimate goal for firms like VAMA is to capture some of this market. For true believers, a visit to a real temple is still preferable. And the financial opportunity from the bricks-and-mortar temple economy far exceeds the app-based equivalent. Devotees visiting Tirupati, a historic temple in southern India, drop roughly 16bn rupees every year into its donation boxes. Thanks to such spending, India's religious market is estimated to be worth $60bn annually (the equivalent of 1.7% of GDP), according to IMARC, a market-research firm. That figure is expected to more than double by 2032. Today's startups may see their faith richly rewarded. ■

Sporting diplomacy

Hard ball

SYDNEY

Australia is trying to keep China out of Papua New Guinea. Is rugby the answer?

EVER SINCE Wang Yi, China's foreign minister, visited Papua New Guinea (PNG) in April, Australia has been trying to fend off a security pact between the two countries. Mr Wang signed trade and technology agreements with James Marape, PNG's prime minister, and reportedly pushed for a deal about policing. China has alarmed America and its allies by striking security agreements elsewhere in the Pacific, starting with the Solomon Islands in 2022. Mr Marape put PNG's deal on hold after Australia, an American ally, objected.

Australia is now considering a novel way of keeping Chinese forces out of PNG for good. It involves beefy men bashing into each other. The two countries share a passion for rugby, and PNG has long wanted its own team in Australia's National Rugby League. Negotiations are under way. Australia's centre-left Labor government has committed up to A$600m ($403m) over a decade to set up a team in PNG. In return it may demand assurances that PNG will not sign an agreement that

A diplomatic scrum

would allow Chinese police or military to be based there, according to the Australian Broadcasting Corporation.

In 2017 Australia also kicked up a fuss when Huawei, a Chinese telecoms firm, said that it would provide PNG and the Solomon Islands with high-speed internet via an undersea cable connected to Sydney. Citing fears about its network's security, Australia funded the A$137m construction itself. In 2020 it started upgrading the Lombrum naval base on Manus Island, an important launchpad in the second world war. Security agreements have followed. Australia and America both signed one with PNG last year. America's military deal in May guaranteed "unimpeded access" to six strategic air and sea ports, including Lombrum. In all, Australia now sends its neighbour over A$630m in annual aid, far more than it gives to anyone else.

Some in PNG worry about becoming a rugby ball between America and China. Students protested against America's security deal last year. Opposition politicians challenged it, unsuccessfully, in the Supreme Court, complaining about a loss of sovereignty. Yet that was driven more by efforts to challenge Mr Marape, says Oliver Nobetau, a fellow at the Lowy Institute, a think-tank in Sydney.

PNG's bilateral policy is to be "friends to all and enemies to none". Australia still retains some advantages over China. Cooperation between its police and its army and those in PNG is already deep. And it has softer means of influence, of which sporting clout is just one. Yet some in Australia worry about tying sports aid to security. "Australia has to be careful not to be seen as a neocolonial bully," says Wesley Morgan, at the University of New South Wales. That is one of China's allegations about Australia. Fuelling it further could mean points to the other side. ■

Pakistan

Cut down to size

ISLAMABAD

The government pre-emptively seizes control of the courts

VOTING IN PAKISTAN'S lower house of parliament began at 3.30am on October 21st. A two-thirds majority to amend the constitution was secured at 5am. At 6.30am a bleary-eyed Asif Ali Zardari, the president, signed into law the 26th amendment to the constitution. In a race against time, Pakistan's parliament had won. The rules governing the judiciary had been radically altered, days before the election of the next head of the Supreme Court.

Yahya Afridi, the new chief justice, was sworn in on October 26th. He is the first to be appointed by a special parliamentary committee controlled by the government of Shehbaz Sharif, the prime minister; the first to have a fixed three-year term; and the first in 30 years to be plucked from lower down the seniority list (the government skipped over two out-of-favour judges).

The powers of Mr Afridi's office have also been weakened. Constitutional cases and matters of "public importance" involving fundamental rights are to be transferred to "constitutional benches" of the Supreme Court. These will be populated by judges nominated by the government.

"It's an attempt by the government to ensure the pliability of the judiciary," says Salahuddin Ahmed, a former president of the Karachi Bar Association. Volker Türk, the UN High Commissioner for Human Rights, warned that it will "seriously undermine" the independence of judges.

Control of the courts is an old battle in Pakistan. More than half of the amendments to the 51-year-old constitution are related to the judiciary. Power-drunk, headline-hogging judges have contributed to the mess. Supreme Court judges have solicited funds to build a dam, dabbled in sugar pricing, taken on population control and cancelled a mining contract, triggering $11bn in fines for the government. The court has also sacked two prime ministers.

The straitjacketing of the Supreme Court points to the government's unspoken fears: first, that sympathetic judges could have tried to release Imran Khan, a former prime minister, from prison, where he has been languishing for over a year. And second, that they could have invalidated the general election, which installed Mr Sharif in office in February but is widely discredited as rigged. Challenges to the new law are piling up. But in a meeting on October 28th the Supreme Court judges focused on a case backlog, instead. ■

Japanese politics

Rebuffed

TOKYO

Voters deliver a historic rebuke to Japan's ruling coalition

JAPAN'S RULING coalition failed in lower-house elections on October 27th to secure a majority in parliament for the first time since 2009. This stunning rebuke of the long-dominant Liberal Democratic Party (LDP) reflects voters' frustrations over recent political scandals and the rising cost of living. The results are a "severe judgment" of the LDP, said Ishiba Shigeru, who took over as party leader and prime minister this month. "We must reflect from the bottom of our hearts and transform."

The election plunges Japanese politics into deep uncertainty, after more than a decade of relative stability. Voters proved keen to punish the ruling parties, but not to hand power decisively to the opposition. "I would like the LDP to lose a bit, but I'm not quite ready to see a change of government," says Takahashi Sachio, a pensioner who voted in eastern Tokyo. The LDP and Komeito, its governing partner, went from holding 279 seats to just 215, well below the 233 needed for a majority.

Yet unlike in 2009, when the main opposition party won a large majority of its own, this time the top opposition force, the Constitutional Democratic Party (CDP), secured only 148 seats. The rest of the vote was split between seven smaller parties, ranging from the far left to the far right. The LDP maintained a plurality, with 191 seats, and will probably hang on to power by bringing another party into its coalition or by forging alliances on specific issues with individual lawmakers.

The LDP's troubles began to mount in the summer of 2022, after the assassination of Abe Shinzo, the prime minister from 2012 to 2020. His killer sought revenge against the Unification Church, a religious sect that some call a cult (his mother was a devout follower). Abe's grandfather had helped the church put down roots in Japan; voters recoiled as the party's murky ties to the church spilled into public view.

A separate scandal concerning tax evasion on political funds broke in late 2023 and led to the indictments of ten parliamentarians and party officials. The LDP's approval ratings dropped from over 50% in late 2021 to under 30% this year, according to *Nikkei*, a business daily. The LDP hoped that bringing in Mr Ishiba, a party gadfly popular with the public, would help to reset its image.

Yet Mr Ishiba stumbled out of the gate. His cabinet showed little sign of the freshness voters desired, skewing old and male. He failed to smooth over relations with the party's right wing, whose standard bearer he defeated, ensuring a contentious internal atmosphere. At the same time he backtracked on his more unorthodox campaign promises and began parroting the rhetoric of predecessors he had previously criticised, undercutting his reputation with voters as a maverick. His initial approval ratings were the lowest of any new prime minister in two decades.

Down, but not yet out

He called a snap election, hoping to capitalise on his limited popularity while it lasted. Nonetheless, the LDP bungled the campaign. The party said it would not support the re-election of a dozen lawmakers who had been implicated in the funds scandal. But days before the vote muckraking journalists discovered that it had been surreptitiously funnelling extra funds to party offices in the districts where those candidates were running. "That made me think the LDP is not really trying to change, or reflecting on its mistakes," says Kojima Tadao, a 73-year-old from western Tokyo who usually supports the ruling party but switched his vote to the CDP.

Goodbye to the gadfly?

Mr Ishiba has indicated his intention to stay on as prime minister, despite failing to clear the majority threshold that he himself set as the bar for victory. To do so, he will need to win re-election at a special session of parliament, likely to be held on November 11th. The LDP and Komeito could seek the support of independents and try poaching individual lawmakers from opposition parties.

But it will be difficult to make up their 18-seat shortfall. Another option is to bring a third party into the grouping. The most logical bedfellows would be the Japan Innovation Party, an anti-establishment Osaka-based right-wing outfit with 38 seats, or the Democratic Party for the People (DPP), which quadrupled its bloc in parliament to 28 by promising household-friendly economic policies, such as reducing the consumption tax. So far the leaders of both parties have ruled out joining a coalition with the LDP, but have left open the possibility of co-operation on specific issues.

The CDP will also try to cobble together a coalition of its own. The party outperformed expectations after bringing back as its leader, Noda Yoshihiko, the last of three prime ministers during the previous period of non-LDP government, from 2009 to 2012. "The LDP has reached its limit," declared Ozawa Ichiro, a long-serving parliamentarian. Mr Ozawa led a rebellion from the LDP in 1993 that knocked the party out of office for the first time since it originally came to power in 1955. He also helped forge the alliance that unseated the LDP for the second time in 2009 and championed Mr Noda's return this year.

Yet bringing down the LDP for a third time may prove a stretch. Many voters have unpleasant memories of the previous episode of non-LDP rule. The opposition parties "aren't up to handling the chaotic situation in the world today", says Iimori Hitoshi, a doctor in eastern Tokyo who supported the LDP. The pathway to a CDP-led government would look more like 1993, when eight diverse parties came together under the banner of electoral reform, only ▸▸

to fall apart less than a year later. This time, however, the opposition parties lack an overarching policy goal and would have to bridge a vast ideological gulf.

Whichever government emerges from the post-election chaos, it will be weaker and less capable than its immediate predecessors. The next administration may seek to mollify voters by stuffing a planned upcoming supplementary budget with additional handouts for households. It will be unlikely to take on growth-oriented structural reforms that require difficult compromises, such as revising labour-market policies, or tackling unpopular but urgent issues, such as raising taxes to pay for Japan's big defence build-up. Even if he hangs on as prime minister, Mr Ishiba's days are probably numbered. Upper-house elections loom next summer; the less powerful second chamber is traditionally a more challenging battlefield for the LDP.

Instability at home will also have big implications for Japan's role in the world. Foreign investors have been bullish on Japan in recent years in part because of its reputation for political and policy continuity. But the election result means saying *sayonara* to the idea of "Japan, bastion of political stability", writes Jesper Koll of Monex Group, a Japanese brokerage. The period in which the country showed a degree of global leadership, which began with Abe's return to office in 2012, may be over too. The next phase of Japanese politics looks likely to be a turbulent one. ■

BANYAN

Boot camp

A bizarre initiation ritual for the cabinet bodes badly for Indonesia

INDONESIA'S MILITARY academy is set among the misty foothills of Java's towering volcanoes. On October 25th over a hundred members of the cabinet of the newly sworn-in president, Prabowo Subianto, lined up in formation on its parade ground, having flown in on jump seats aboard a C-130 cargo plane. The ministers donned green army fatigues, patrol caps and combat boots as the president set out their agenda. Even Sri Mulyani Indrawati, the urbane finance minister—and one of only five women in the cabinet—stood to attention.

For Mr Prabowo, the retreat was a return to his alma mater. The new president graduated from the academy in 1974 before going on to rise through the army to command Indonesia's special forces. The former general last held public office in 1998 under the dictator Suharto, to whose daughter he was married. But in his run for the top job earlier this year, he swapped his army garb for casual clothes. A mellower Mr Prabowo had embraced democracy, his supporters said, and would govern by consensus.

The boot camp was the first sign that Mr Prabowo has not, in fact, changed. The second came on October 29th, when prosecutors arrested a high-profile opponent, Thomas Lembong.

A wonkish banker and former trade minister from 2015 to 2016, Mr Lembong made a name for himself among business and the press as a straight-talking advocate for freer trade in a protectionist country. Although he was not on the ballot in February's presidential election, he became a social media sensation as campaign manager for one of Mr Prabowo's opponents. He has also been a trenchant critic of Mr Prabowo's economic policies. In recent weeks, Mr Lembong set out to create a new grassroots movement opposing Mr Prabowo.

Prosecutors denied any political motives behind the arrest. They say that while trade minister in 2015, Mr Lembong approved the import of raw sugar to stabilise prices without securing the proper approvals from other ministries. They also say that he assigned the import licence to a private company, even though only state-owned enterprises are permitted to import sugar in Indonesia. But the arrest of one of Mr Prabowo's most prominent opponents on old (and rather arcane) charges fewer than ten days after he took office smells rotten. "The criminalisation of opposition has begun," says one analyst, who requested anonymity.

The truth is that Mr Prabowo has never fully embraced the democracy that followed the fall of his father-in-law. He has often suggested that democracy was a Western import ill-suited to Indonesia. In his inaugural address, he told the national assembly that he wanted a "polite democracy, where dissenting opinions must be free of hostility". He also called for the opposition to unite behind him. That invitation now seems like a threat.

The specific allegations against Mr Lembong highlight another of the president's outdated ideas. For years, Mr Prabowo has talked about achieving self-sufficiency in agriculture in the hope that this might curb hunger. As defence minister for the past five years, he revitalised a programme first begun under Suharto, in which soldiers are sent into the fields to encourage farmers to increase their productivity. It has not helped. And import restrictions, such as those that Mr Prabowo has championed and that Mr Lembong is accused of violating, only enrich import cartels with ties to political parties and make food more expensive.

Mr Prabowo's authoritarianism and protectionism might be on the minds of officials in America, where he is due to travel later this month. Uncle Sam knows the new president well. In his army days, American officials talent-spotted him and recruited him to attend its leadership schools. A CIA analysis from 1985 reckoned he might become president some day. But in the twilight of Suharto's rule, he ordered the kidnapping of activists, around a dozen of whom remain missing. In response, America banned him from its shores for two decades.

Now American officials are keen to win their former protégé back to their side, and willing to overlook his vices. But if any of them were still inclined to lecture Mr Prabowo, his itinerary should give them some pause. He is due first to make a state visit to China, which is expected to pitch a big arms package, notwithstanding recent differences between the two over resources in the South China Sea. For all his skulduggery and bad ideas, Mr Prabowo remains a savvy tactician.

China

The economy

Why China may be saving its bazooka

HONG KONG

Is the Communist Party hoarding fiscal firepower to offset a possible trade war?

OF ALL THE people anxiously watching America's presidential election, spare a thought for Chinese investors. Their economy is already contending with a property slump that began more than three years ago and persistent deflation that began over 18 months ago. Now they must contemplate a possible return of Donald Trump to the White House, bringing the threat of steep tariffs in his wake.

After the election, especially if Mr Trump wins, attention in China will focus on a gathering of officials in Beijing three days later on November 8th. The standing committee of the country's legislature will approve a much anticipated package of fiscal measures which may recapitalise banks, refinance local-government debt and, perhaps, resuscitate consumption. The fiscal figures released will reveal much about the mindset of China's leaders. Do they at last recognise the severity of the country's economic problems? And how much are they willing to spend to fix them?

Hopes of bold action rose in late September after a flurry of unusual statements and signals. The central bank eased monetary policy and introduced new tools to boost the stockmarket, kicking off a rally in Chinese shares (see chart on next page). The powerful Politburo of the ruling Communist Party also promised a more forceful response to the country's economic plight. Investors thought they heard the sound of a bazooka being loaded.

Media reports suggested the government was prepared to borrow an extra 3trn yuan ($420bn), which would be split evenly between bank capital, help for local governments and consumer stimulus, including handouts for families with two or more children. Some mainland economists, only one step removed from the state, talked of even higher numbers. Liu Shijin, who used to work for a think-tank attached to the cabinet, urged the government to raise 10trn yuan over a year or two, which could be spent on improving the lot of migrant workers and poorer households. China's central government, which has the fiscal firepower to revive the country's economy, seemed to be overcoming its aversion to handouts and swallowing its qualms about rescuing indebted local authorities.

That may still prove to be the case. According to Reuters, a news agency, the government will use the meeting in November to allow local authorities to sell an extra 4trn yuan-worth of special bonds over five years to help buy unused land and unsold properties from developers. (That adds up to about 0.5% of GDP over that period.) Ting Lu of Nomura, a bank, thinks there is a 50% chance that the standing committee will announce an increase in this year's budget-deficit target, much as it did last year. That would help cash-strapped local governments pay salaries and suppliers, and meet spending targets in health care and education, as well as science and technology, which China's leader, Xi Jinping, considers a priority.

Mr Lu also believes the government will offer help to households. It could increase payouts to 165m poor pensioners and help the rural elderly meet the cost of medical insurance. It could also offer cash subsi- ▸▸

→ ALSO IN THIS SECTION

39 Ties with North Korea

40 Scary Halloween costumes

40 Chinese bookshops abroad

dies for childbirth. It may take time to implement such giveaways. But "given the very high expectation in the market and given the need for boosting confidence," says Mr Lu, "I think they will announce as much as possible at the November meeting."

Other investors still fear that the government lacks urgency and ambition. The stockmarket has stalled after several underwhelming press conferences by China's ministries in October. Hopes for stimulus have also weakened because the economy has strengthened a little. Surveys of purchasing managers revealed a pickup in manufacturing output and even prices in October. Weak home-building was offset by an acceleration of civil-engineering projects, evidence of an infrastructure revival. Sales of cars and household appliances also improved in September, thanks in part to an existing government scheme, introduced in March and expanded in July, that encourages people to trade in their old goods for newer ones. A survey of over 1,000 consumers in October by Bank of America found that nearly half of them took advantage of the scheme.

Thanks to this improved momentum, China's economy is within reach of the official growth target for this year of "around 5%". Local governments also have substantial scope for further spending in the coming months by drawing on the unspent proceeds of existing special bonds, which are traditionally used for revenue-generating infrastructure projects.

Many economists, accordingly, have modest expectations for the package to be announced on November 8th. The government might spell out its plans for recapitalising banks, which could cost 1trn yuan, and refinancing local-government debt, which could require 6trn yuan-worth of bonds spread over three years. But observers doubt it will do much more than that.

Such measures would ward off the danger of a local-government default. But they would not be enough to end deflation and help China fulfil its growth potential. Their aim would be to put a floor under the economy, not to help it reach its ceiling. "I don't think they have made up their mind to do a major stimulus to reflate the economy," says Larry Hu of Macquarie, a bank. If that is going to happen, he says, it will probably be when exports, a source of strength for much of this year, lose momentum.

Global markets could turn quickly if Mr Trump were to regain the presidency. If he follows through on his threat to impose tariffs of 60% on China, the levies could cut 2.5 percentage points from China's growth over the subsequent year, according to UBS, a bank. In response, China's leaders would have to enact a bolder stimulus. Whenever the polls move in Mr Trump's favour, investors see a higher chance of China reaching for its bazooka. What China's policymakers approve on November 8th may depend on what American voters decide on November 5th. ■

Stocks up, stocks down

China, CSI 300 index, July 1st 2024=100

Sources: Shanghai Stock Exchange; Wind

China and North Korea

When lips part

North Korea's military aid to Russia raises tricky questions in China

OFFICIALS FROM China have avoided direct comment on North Korea's despatch of thousands of troops to Russia, where they might help in a conflict that all three countries see as a contest against overweening American might. China itself is a crucial if undeclared backer of Russia's war effort in Ukraine, providing technological support for Russia's defence industries. But behind closed doors, Chinese officials may question North Korea's move.

To celebrate their forging of diplomatic relations 75 years ago, China and North Korea describe 2024 as a "year of friendship". China insists that their ties are "as close as lips and teeth". But on Chinese social media—which are normally heavily censored to skew opinion in favour of authoritarian countries—some netizens with large followings have been wondering whether North Korea may have harmed China's interests.

On October 24th, a day after America said there was evidence that North Korean troops were in Russia, a Chinese foreign-ministry spokesman said "China does not have information on that." On Weibo, a microblogging site, a reporter for state media, Zhao Lingmin, told her more than 1m followers that this indicated China had not been informed in advance of North Korea's action, "which is clearly a sign of disrespect". Qiu Zhenhai, a well-known political commentator with nearly 2m followers on Weibo, went further. "So, who is the biggest direct victim in this situation? It's China," he said. He fretted about the possibility of Russia returning the favour by helping North Korea in a war on the Korean peninsula that could result in nuclear conflict on China's doorstep.

Many analysts agree that China is peeved by North Korea's apparent tilt towards Russia. Since last year the two countries' leaders, Kim Jong Un and Vladimir Putin, have exchanged chummy visits. These have resulted not only in the deployment of North Korean troops (on October 28th NATO's new chief, Mark Rutte, said they had been sent to the Kursk region of Russia, which Ukraine has invaded), but also massive shipments to Russia of North Korean shells and missiles. In return, Russia is providing North Korea with economic and military aid, Western officials believe. "The Chinese always like to say that they have no influence over North Korea, but they guard their influence," says Victor Cha of the Centre for Strategic and International Studies, a think-tank in Washington. He says China has "lost control" there.

Chinese officials may fear that Mr Kim will become less reliant on their country, which has long been North Korea's largest trading partner. Emboldened by Russia's support, he may also become more provocative in his dealings with South Korea (see Asia section). China has more at stake than Russia in preserving stability on the Korean peninsula. A conflict there could have a big impact on Chinese cities close to the border. China, which has a defence treaty with North Korea, may even get dragged in. If things kicked off, China would want to keep American power at bay, as it did during the Korean war of 1950-53.

Kim Jong Un-interested

North Korea-watchers note signs that Mr Kim is cooling towards China. Andrei Lankov of Kookmin University in Seoul says that North Korean media now publish far more articles about Russia than about China. In July North Korea did not send a senior official to a celebration by the Chinese embassy in Pyongyang of the anniversary of the China-North Korea treaty. Messages exchanged between the two countries to congratulate each other on 75 years of diplomatic ties have been shorter than in the past, some analysts observe.

Despite China's concerns about Russia's relationship with North Korea, it is pleased to see the West distracted, divided and fatigued by the war in Ukraine. China may even sense an opportunity. It may try to exploit Western hopes that it could help rein in North Korean support for Russia, says Seong-Hyon Lee of the Harvard University Asia Centre. "China will demand a price for that," he says. But even if it is willing to try, China may find it hard to bend Mr Kim to its will. ■

Halloween in China

Spooked

SHANGHAI

Young people in fancy dress frighten the government

HALLOWEEN IS A time of scares—not least for the Communist Party. With few opportunities to express their frustrations with the government, Chinese revellers have been known to speak through their costumes. Last Halloween, the first since pandemic controls were lifted, young adults in Shanghai dressed up as surveillance cameras and covid-19 testers. One brave soul emerged as Winnie-the-Pooh, a podgy cartoon bear whom China's ruler, Xi Jinping, supposedly resembles. The government dislikes this comparison. And it is increasingly clear that it detests Halloween.

This year the authorities in Shanghai were ready. There was no formal announcement that celebrations were banned, but bars were quietly told to cancel costume parties. Over the weekend of October 26th and 27th throngs of police were sent to downtown areas where revellers tend to congregate. Videos posted on social media showed officers detaining Batman, Donald Trump, the Buddha and a poop emoji. It wasn't clear if the police were targeting specific costumes (a weird mix, if so). Few seemed controversial.

In China's big cities—and certainly in Shanghai, its most international one—Halloween and other Western festivals are growing more popular. One sees children trick-or-treating, often to the confusion of their elderly neighbours. Kids dress up as ghosts and ghouls, as well as creatures from Chinese folktales, such as a mischievous nine-tailed fox or a *jiangshi* (a hopping vampire in the attire of an imperial bureaucrat).

Officials in the party, which is avowedly atheist, dislike Halloween's focus on superstition. They also distrust cultural imports. State-run newspapers criticise people who celebrate Western festivals for "worshipping" foreigners. They tell young people to take pride instead in China's own traditions. In 2014 officials in Beijing banned Halloween costumes on the subway, saying they could "create trouble". In 2021, after the release of a patriotic film about the Korean war, nationalists urged people to shun Christmas and commemorate the sacrifice of Chinese soldiers during that conflict.

This year's crackdown on Halloween has extended beyond Shanghai. Some events in Beijing have been cancelled. A comedy club in the city recently published a notice on social media asking audience members not to dress up or paint their faces. Such actions have been met with approval by some. "The invasion of Western culture should have been dealt with long ago," wrote a commenter on Weibo, a social-media platform. But others think that Chinese officials are ruining the fun. As one netizen put it: "Those people are much scarier than ghosts."

Bone-chilling costume

Bookshops abroad

Readers in exile

WASHINGTON, DC

A new intellectual hub for Chinese émigrés in America's capital

THE BOOKSTORE in the metro station beneath Shanghai's city library seemed increasingly out of place in Xi Jinping's China. Founded in 1997 by Yan Bofei, who researched philosophy, Jifeng Books was known for holding lectures on topics such as democracy and labour rights. Its selection of works on the humanities and social sciences was far from the Communist Party's recommended fare. The shop was purchased in 2012 by Yu Miao, who hoped to maintain it as a liberal forum. But in 2018 the government refused to renew its lease. Officials made clear that they did not like the ideas that Jifeng was spreading.

Now the shop has re-emerged—7,500 miles (12,000km) from its original location. JF Books, as it is called today, occupies a narrow storefront in the Dupont Circle area of Washington, DC. One of the only Chinese-language bookstores in the city, it attracts a crowd that includes newly arrived students and older dissidents. Since its opening in September, the shop has hosted talks by prominent Chinese-Americans such as Minxin Pei, a political scientist, and Ha Jin, a poet and novelist.

For Mr Yu, this new chapter began when he and his family moved to America in 2019. The Chinese government, it seems, kept tabs on him. When his wife, Xie Fang, travelled back to China in 2022, she was banned from leaving. According to Mr Yu, the police demanded that he return to answer questions. They suspected him of writing anonymous online critiques of the party. He did not budge and Ms Xie was allowed to depart nine months later. Knowing that he could not return to China, Mr Yu decided to reopen his shop in America.

Most of China's liberal intellectuals have either been silenced by the government or pushed into exile. Those who live abroad are often isolated and lonely. They need to meet in person, to share ideas and rebuild a sense of belonging, says Mr Yu. JF Books is one of several intellectual hubs created in recent years by Chinese émigrés in places such as Japan, Taiwan and Thailand. The party is trying to destroy free expression inside China, says Mr Yu, but it cannot snuff out the desire of people to speak and think for themselves. ■

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

Middle East & Africa

Iran after Israel's strike (1)

Death of a doctrine

DUBAI

The Islamic Republic needs a new national-security strategy

IT WAS TYPICAL Ali Khamenei: the man who makes the final decisions in Iran did not want to make one. On October 27th the supreme leader gave a speech about Israel's air strikes on Iranian military facilities the previous day. It was a weighty moment: never before had the Jewish state overtly bombed the Islamic Republic, despite their decades-long shadow conflict. Yet Mr Khamenei's words were muted. The Israelis, he vowed, would be made to understand the power of Iran. What that meant was up to others to decide: "Our officials should be the ones to assess and precisely apprehend what needs to be done," he said. It was not a call for calm, but nor was it a declaration of war.

Such indecisiveness is no longer sustainable. The Israeli air strikes on October 26th, retaliation for an Iranian ballistic-missile barrage on October 1st, had significance far beyond their military impact. They signalled the failure of Iran's national-security doctrine. The strategy that Mr Khamenei pursued for decades has fallen apart—and Iran's 85-year-old leader seems incapable of charting a new course.

The old course involved avoiding the choice between ideology and pragmatism that all ideological regimes tend sooner or later to face. Though Iran was not at peace with its neighbours, until recently it was not quite at war with them either. It spurned the West—"Death to America" was a core tenet of its ideology—even as it pursued the West, desperate for relief from economic sanctions. It could not decide whether its rogue nuclear programme was a path to a bomb or a bargaining chip.

A revolutionary who was jailed and tortured by the shah's secret police, Mr Khamenei was, and still is, a zealous ideologue. He sees the West as decadent and insists that Iran should try to become self-sufficient. But the Iran that he came to lead in 1989 had just emerged from a brutal eight-year war with Iraq. The state was bankrupt. Mr Khamenei himself was a controversial choice for supreme leader: he was not yet an ayatollah, and the constitution had to be amended before he could take the job. He had plenty of enemies within Iran.

Thus he tempered his ideology with pragmatism. The economy needed to be rebuilt, so he allowed Akbar Hashemi Rafsanjani, who served as president from 1989 to 1997, to pursue better relations with Arab states and the West. But such overtures were never permanent. For Mr Khamenei, compromise was a tactical move: the destination remained the same, even if the path zigged and zagged.

Hostility towards America and Israel has remained a constant. Mr Khamenei sees the former as an implacable foe, and he believes not only that the latter must be destroyed but that it will be; he claims Israel will not survive past 2040. Under his leadership, Iran spent decades arming Arab militias, such as Hizbullah in Leba- ▸▸

→ ALSO IN THIS SECTION

43 Where Israel hit Iran

43 Ethiopia's not-quite-peace deal

non. They were to serve both as Iran's forward defence—to keep conflicts away from its borders—and the vanguard of a future battle with Israel. But Mr Khamenei realised that battle lay in the future: he spoke of "strategic patience", a multi-generational struggle to achieve his goals.

Then came a series of events that seemed to bring those goals much closer. After the fall of Saddam Hussein, Iran built formidable militias in Iraq. It did the same in Syria after the Arab spring of 2011, and also deepened its ties with Hizbullah and the Houthis, a Shia rebel group in Yemen. Officers in the Islamic Revolutionary Guard Corps (IRGC), the regime's praetorian guard, began talking of a land bridge linking Tehran to the Mediterranean.

Charting a new path

Much of this coincided with Binyamin Netanyahu's long tenure as Israeli prime minister. Though it is hard to remember now, he was once seen as cautious about the use of military force. He tried to avoid conflict with both Hamas in Gaza and Hizbullah in Lebanon, remaining largely aloof while Iran built up the militias' arsenals.

Meanwhile, Barack Obama was eager to negotiate a nuclear deal with Iran. After a decade of ill-fated wars in the Middle East, so were many Americans. Even Donald Trump, for all his hostility towards Iran, largely held his fire.

For Mr Khamenei, this may have seemed like validation. He wanted to pursue his ideological goals without embroiling Iran in a war. Regional chaos and hesitant foes allowed him to do that: Iran built a formidable proxy force and walked right up to the nuclear threshold without being attacked. It negotiated with America even as its militias struck America and its allies. The supreme leader's balancing act worked—until October 7th.

When Hamas militants crossed into Israel and massacred almost 1,200 people, they demonstrated the flaw in using proxies: foreign groups can have divergent interests. No doubt Mr Khamenei supported the idea of a decisive war against Israel. Not the timing, though. But the late Yahya Sinwar, then the leader of Hamas in Gaza, had no time for "strategic patience".

A strategy that was built over decades collapsed within a year. Hizbullah had looked formidable when it fought in Syria and skirmished on the border with a reluctant Israeli army. But it buckled in the face of a full Israeli assault. The brutality of Hamas's attack on October 7th convinced Mr Netanyahu to drop his former caution, and Joe Biden, the American president, did surprisingly little to restrain him. Instead of a shield, Iran's proxies became a liability.

Now Iran needs a new security doctrine. The immediate question is how it might regain some measure of deterrence. One option would be to try to rebuild its militias. But that would mean doubling down on a failed strategy. Israel will probably never again be so tolerant of Iranian-backed militias on its borders, and those armed groups may struggle to regain their former support. Gazans are furious with Hamas for dragging them into a war, and many Lebanese feel the same about Hizbullah. Even if they could be rebuilt, it would take many years.

A second option would be for Iran to boost its own capabilities. It could try to strengthen a regular army hollowed out by decades of sanctions and under-investment. In recent years it has sought to acquire both SU-35 fighter jets and S-400 air-defence systems from Russia. That would give it some ability to protect its airspace against Israeli incursions.

But there are several obstacles to a military build-up. One is supply: Russia's war in Ukraine means it does not have many spare jets or air-defence batteries lying around. Another is money: Iran has run large deficits for years. Israel has demonstrated that it can fly dozens of planes up to 2,000km from home and strike at precise targets. Iran cannot quickly match that capability.

Instead of the air force, Iran could build up its missile units, which have struck at Israel twice this year. Israel would struggle to defend against sustained barrages, because it has a limited number of the Arrow interceptors used to shoot down ballistic missiles (America sent its own air-defence system as back-up). But what Iran builds, Israel can destroy: among its targets in October were machines used to make motors and solid-fuel propellant for ballistic missiles (see next story). They will be expensive and time-consuming to replace.

That leaves a third option, which is fast gaining support in Iran: a nuclear deterrent. Iran needs just days to enrich enough uranium for a bomb (though it would need much longer to build a warhead and fit it onto a missile). But a race for a bomb would invite further attacks by Israel and, perhaps, America—and with several of its S-300 air-defence batteries damaged by Israel's strikes in October, Iran is in no position to defend against them.

Time for some blue-sky thinking

All of these options assume that Iran will need to deter America and Israel because it will continue to be hostile towards them. But it does have another choice: to pursue a less ideological foreign policy.

That would be a dizzying about-face. But Iran has made those before. Mr Khamenei has described Saudi Arabia's rulers as an American-Israeli plot to drive a splinter into the heart of the Muslim world and promised that "divine vengeance" would befall the monarchy. They cut diplomatic ties in 2016 after rioters sacked the Saudi embassy in Tehran; three years later came an Iranian-backed attack that briefly knocked out half of Saudi oil production.

An end to the fighting?

Yet last year Mr Khamenei allowed Iran's arch-conservative president, Ebrahim Raisi, to restore normal relations with the kingdom. The hope was that ties with the Saudis, and their Gulf neighbours, might bring more investment to Iran. It would also reduce the criticism on Saudi-funded satellite channels, a major annoyance for the regime. The relationship is hardly a warm one. Still, a day before Israel attacked Iran, the Saudi navy conducted a joint exercise with its Iranian counterpart. The Saudis were also among the first to condemn Israel's air strikes.

A more pragmatic foreign policy would not upset Iranians, who are broadly dissatisfied with Mr Khamenei's approach. For years, a popular protest slogan in Iran has been "not Gaza, not Lebanon, my life for Iran". One recent poll found that 78% think Iran's foreign policy is a cause of its economic problems, while 43% think it contributes to tensions in the region (just 18% think it eases them). Two-thirds of Iranians want to normalise ties with America.

There is far less support for recognising Israel, with just 25% in favour and 67% against (though, in a police state, people may not feel comfortable answering this question truthfully over the phone). But Iran would not have to establish ties with the Jewish state, merely stop fighting it, as most Arab states did decades ago.

It is hard to imagine Mr Khamenei talking about detente, a repudiation of his life's work. His successor will decide whether to continue a war of choice that has impoverished Iran for decades and now brought it under attack by an enemy state for the first time since the 1980s. That decision has never been more urgent. ■

Iran after Israel's strike (2)

Diminished defences

The destruction of many military sites leaves Iran vulnerable to future attacks

WHEN IRAN fired 181 ballistic missiles at Israel on October 1st, Binyamin Netanyahu, Israel's prime minister, and at least some of his generals, spied an opportunity to do what the country's air force had practised for decades—bomb Iran's nuclear sites. The armada of more than 100 Israeli planes that flew east on October 26th instead hit only military facilities. But in doing so they may have disarmed Iran and paved the way for deeper and more ambitious attacks in the future.

Iran has long operated four batteries of the Russian-made S-300 air-defence system. In April, after another Iranian missile barrage, Israel neutralised one by destroying its target-engagement radar. Israeli sources suggest that the three remaining systems were taken out on October 26th. Satellite images seen by *The Economist* and analysed by Chris Biggers, an imagery expert who used to work for America's National Geospatial-Intelligence Agency, show evidence of a destroyed radar at Eslamshahr to the south-west of Tehran. Israel also hit a variant of the long-range Iranian-made "Ghadir" radar at Ilam on the country's western border, says Mr Biggers.

The strike on October 26th used some stealthy F-35 jets to penetrate Iranian airspace. A larger number of non-stealthy F-15 and F-16 jets fired long-range ballistic missiles from Iraqi airspace. A strike on Iran's deeply buried nuclear sites would require much more ordnance dropped from closer to the target.

That is now easier to achieve. Iran does have other air-defence systems. But these are less capable and have shorter ranges: an indigenous "Talaash" battery was present at an oil refinery in Abadan; the refinery was hit anyway. Russia, which faces a growing barrage of Ukrainian drones and missiles, is unlikely to be in a position to supply new radars.

As well as mauling Iranian air defences, Israel also inflicted serious damage on Iranian drone and missile production sites. Fabian Hinz of the International Institute for Strategic Studies, a think-tank in London, points to the TIECO factory in Shamsabad, which made mixing equipment used to produce rocket propellant, and a propellant plant in Parchin. Also hit was the Sharud missile complex, which made missile boosters and which Mr Hinz says was "pivotal" to the development of Iran's long-range missiles.

Confirmed Israeli strikes, Oct 26th 2024, by province

Sources: Institute for the Study of War; AEI's Critical Threats Project

All that will make it harder for Iran to replenish the 300-odd ballistic missiles expended in April and October. It will also complicate resupplying allies like Hizbullah, whose missile arsenal has been largely destroyed over the past two months, and Russia, which has sought Iranian missiles for use in Ukraine.

The strike at Parchin was notable for another reason. Israel promised the Biden administration—which supplied a THAAD air-defence system to protect Israel from any Iranian reprisals—that it would not mount a major attack against Iran's nuclear facilities, an act that could trigger a full-scale war days before America's presidential election. But Israel could not resist making a small symbolic flourish.

Israeli missiles appear to have struck a building known as Taleghan 2, according to the Institute for Science and International Security, another think-tank. It is thought to have housed an explosives-compression chamber that, a little over two decades ago, was used in Iran's then active nuclear-weapons programme. The site had been dormant for eight years, says Decker Eveleth of CNA, another think-tank. That Israel bombed it regardless is hard to interpret as anything other than a threat against other nuclear sites. The fact that many of Israel's strikes could be seen from Tehran drove home the message to Iranians.

Israel would probably need America's assistance in a full-fledged assault on Iranian nuclear sites, not least given the number of munitions involved, which would tax even Israel's large and capable air force. It may yet get it. America's Central Command worked exceptionally closely with Israel in planning the latest strikes, according to Israeli security officials. On October 4th Donald Trump encouraged Israel to go after nuclear facilities: "That's the thing you want to hit, right?" Should Mr Trump be re-elected on November 5th, Mr Netanyahu might decide that the moment is ripe for such an attack. Iran would now find it much harder to parry it. ■

Ethiopia

The not-quite-peace deal

FATSI AND FOGOTA

An agreement between Ethiopia's government and Tigray's ruling party two years ago halted one bloody conflict but sowed the seeds of new ones

THE SOLDIER squints through his binoculars. "They can see us," he warns, pointing to a silhouette of two figures on a hill in the distance. The men in his line of sight are soldiers from Eritrea. But the hill is in Tigray, a semi-autonomous region in northern Ethiopia. Eritrean troops control a significant chunk of Ethiopian territory on the border, in places reaching as far as 10km inside it. At night they creep even farther south, spying on military positions and kidnapping civilians. "Let them not start a war and we shall not go to war," says Tsadkan Gebretensae, the interim vice-president of Tigray and a veteran military commander. "But we are very much aware that things could get out of control."

The tense situation around the hill, near the town of Fatsi, is a hangover from a war that has technically been over for two years. In late 2020 Abiy Ahmed, Ethiopia's prime minister, launched what he promised would be a swift, clean military operation to oust Tigray's ruling party, the Tigrayan People's Liberation Front (TPLF). What followed instead was one of this century's most horrific conflicts. To bring the recalcitrant region to heel, Mr Abiy enlisted tens of thousands of fighters from Amhara, a region next door. He also invited troops from Eritrea, which had been part of Ethiopia until seceding in 1993. Hundreds of thousands of people were killed, by bombs, bullets or government-induced famine and disease. Many of the dead were civilians. More than 100,000 women are thought to have been raped.

A peace agreement signed by Ethiopia's government and the TPLF on November 2nd 2022 stopped the fighting in Tigray. But it did not settle the conflicts between Tigray and the war's two other main parties, Eritrea and the militias from Amhara. Two years on, that omission helps explain why Mr Abiy faces fresh insurgencies at home and a potential war with Eritrea. ▸▸

Waiting to go home

These new pressures threaten to further destabilise the Horn of Africa, which is riven by tensions between several states or would-be states and is facing fallout from a catastrophic civil war next door in Sudan.

The most dramatic consequence of the deal has been a quarrel between Mr Abiy and his erstwhile allies from Amhara, militias known as the Fano. During the course of the Tigray conflict the Amhara militias seized—and ethnically cleansed—large parts of western and southern Tigray. According to the peace deal, the status of these "contested areas" was to be resolved "in accordance with the constitution". In reality "the can was simply kicked down the road," admits an American diplomat involved in the negotiations. In 2023 the federal government moved to disarm the Fano, which raised fears among their supporters that they would lose control of the disputed territories they occupied.

Those fears sparked an open revolt, to which Mr Abiy's government responded with indiscriminate brutality. Once again the Ethiopian army has murdered civilians, shelled hospitals and raped women. In Fogota, an Amhara town currently controlled by the Fano, a young man reports that federal forces arrived in his village in mid-October. When six of his neighbours tried to flee, the soldiers gunned them down. A teacher in the same town says that so many classrooms have been hit by government drone strikes that parents are afraid to send their children to school.

Much of the countryside in Amhara is now under the control of local Fano groups. "We believe we are months away from removing [the national government] from power," says Asres Mare Damte, a Fano leader in Amhara's Gojam district. Most analysts consider that improbable: Fano forces are decentralised, and so far have proved unable to capture and hold a single major city. But they can easily make Amhara ungovernable. Extortion, kidnapping and theft are already rampant.

Perhaps more worrying for the wider Horn of Africa is the breakdown in relations between Ethiopia and Eritrea. Soon after coming to power in 2018 Mr Abiy engineered a Nobel-prize-winning rapprochement with Isaias Afwerki, Eritrea's ageing dictator, who fought a bloody war with Ethiopia in the late 1990s. Much of the fighting back then had been along Tigray's border, leading to enmity between Eritreans and the TPLF. When war broke out again in Tigray in 2020, Mr Abiy and Mr Isaias joined forces to crush their common foe. Eritrean forces proceeded to commit some of the conflict's worst atrocities.

But the formerly close allies are now bitter enemies. Mr Isaias, like the Fano, considered Mr Abiy's 2022 agreement a terrible betrayal. He refused to withdraw his troops from Tigray. This month he struck a defence pact with Egypt and Somalia, Ethiopia's most hostile adversaries.

Mr Abiy, for his part, has ratcheted up the tension with bellicose pronouncements about Ethiopia's "natural right" to a port on the Red Sea. Eritrea has two of those, Assab and Massawa, to which Ethiopia lost access with the start of the border war in 1998. Many fear that Mr Abiy plans to take them back by force, despite the controversial agreement he recently struck for Ethiopia to establish a harbour on the coast of Somaliland (an unrecognised state that broke away from Somalia). Assuming both leaders remain in power, "they will definitely fight", eventually, reckons a Tigrayan intelligence officer.

A war between Ethiopia and Eritrea would almost certainly involve Tigray, which is sandwiched between them. According to an adviser to the regional government, Mr Abiy has recently made overtures to the Tigrayans, his former enemies, about a possible military alliance against Eritrea. Tigrayan officials say they have no interest in yet another conflict on their soil. "We will not be involved in any military adventure, except to defend ourselves," the adviser insists.

But the Tigrayan leadership is divided, and although some of its members want to maintain ties with Ethiopia's federal government, others are said to have approached Eritrea about joining forces to overthrow Mr Abiy. "In this region there is never resolution of conflict," says Daniel Berhane, a prominent Tigrayan intellectual. "There are only realignments of forces."

One flashpoint might be the disputed territories in western Tigray. For nearly four years hundreds of thousands of Tigrayans who were forced from their homes there have been stuck in limbo in other parts of the region. Many still live in makeshift camps where hunger and disease are rife. Mr Tsadkan, Tigray's vice-president, says the displaced must return home, and that his government can brook "no compromise" on the matter. But there would be enormous resistance in Amhara if they tried to return.

Tigrayan officials claim to have the backing of the Ethiopian government in forcing a solution. But in western Tigray, which shares a border with Eritrea (as well as war-torn Sudan), the Fano are well entrenched and are understood to have received weapons and training from Eritrea. The area has lucrative sesame fields, which mean that elites on all sides are especially loth to give it up.

The peace deal two years ago was supposed to ensure that Ethiopia's warring parties could mend such rifts through further negotiations rather than violence. But no such talks have materialised. The agreement has failed to evolve into a proper peace deal, says the American diplomat. For now, it is no more than a ceasefire—and one that could easily collapse. ■

Europe

Georgia

The death of a European dream

TBILISI

Russia celebrates as the ruling party scores a big, and hotly disputed, win

THE ELECTION in Georgia on October 26th was a crucial moment for a country once hailed by the West for its democratic reforms. Its pro-European opposition saw it as perhaps the last chance to repair the damage done by the current anti-Western government and put the country back on track towards membership of the EU. That chance seems to be slipping away: official results showed a decisive victory for the ruling Georgian Dream party, with 54% of the vote. An alliance of four opposition parties took just 38%.

The opposition has refused to accept the results. They were a "total falsification", said President Salome Zourabichvili, who is these days firmly aligned with the opposition. "No one has a right to take this European future away from us."

A Georgian election-monitoring group, My Vote, says it identified a "scheme of large-scale election fraud". It allegedly entailed a complex set of procedures to bypass the verification process, allowing an organised "carousel" of multiple voting to take place. Statisticians studying the results have found anomalies that indicate "widespread tampering in favour of the government". Georgian elections have never been totally clean, but this would, if proven, amount to a new level of cheating. Still, there is no smoking gun yet, and with every day that passes opposition supporters are increasingly resigning themselves to another Georgian Dream term.

Since Russia's full-scale invasion of Ukraine in 2022, Georgian Dream has taken Georgia, once a loyal Western ally, into uncharted waters. The government adopted a neutral stance on the Ukraine war, angering its pro-Western citizens. It has veered towards authoritarianism, showing a new willingness to beat up and intimidate protesters and opponents. Although it applied for candidate status in the EU (and received it last December), it quickly set about sabotaging that accomplishment, in part by constantly criticising the West. Accession talks are now suspended.

The opposition parties consider all of this an embrace of the Kremlin. Their mantra was that the election was a choice between Europe and Russia. Georgian Dream's campaign narrative also centred around the fear of Russia, in a rather different way. It promulgated an elaborate conspiracy theory, that a "Global War Party" from the West was trying to install the Georgian opposition in power in order to drag the country into war against Russia. In the closing days of the campaign the party launched a grisly ad campaign juxtaposing images of war-torn Ukraine with those of prosperous Georgia. "No War, Choose Peace", read the ads.

The "choose peace" message may have resonated with voters. "We want Europe," said Levan Kobaladze, a 60-something doctor, as he left a polling station on Tbilisi's central avenue. "But Western countries, America, they just want to make you ▸▸

→ ALSO IN THIS SECTION

46 Ukraine fights to survive
47 Spain's floods
47 Turkey and the Kurds
48 Agricultural migration
49 Charlemagne: Charm offensives

do what they want." In the five-day war Georgia fought with Russia in 2008, he complained, Georgia's Western allies did nothing to help. "Only promises, and because of these promises we already had war with Russia." Now, he thinks, it is happening again. If Russia attacks, "in three days we will be absolutely destroyed. All Georgia will be in ruins."

Russia has expressed satisfaction with the results, while America and the EU have registered objections over the reports of fraud and have demanded that the authorities investigate. But the Western response, which has not gone so far as to call the outcome illegitimate, has been too tepid for many opposition supporters. At a demonstration two nights after the election, one man held a sign, in English: "International society don't leave us alone."

The result in Georgia followed a referendum a week earlier in Moldova over whether it should formally aspire to join the EU. There a pro-EU amendment to the constitution eked out only a wafer-thin victory. It had been expected to pass comfortably. Maia Sandu, Moldova's president, blamed a massive vote-buying scheme led by Russia. She herself performed worse than expected in the first round of a two-round presidential race, which concludes with a run-off on November 3rd.

What will happen next in Georgia? The scale of Georgian Dream's victory has taken the wind out of the opposition's sails. It has also blunted the international response to the fraud allegations; many assume that, even without the cheating, Georgian Dream would have won anyway. There are no more protests planned.

The pro-Western forces will need to regroup. Their message of choosing Europe over Russia did not assuage voters' real fears of what might come from the north, says Kornely Kakachia, the head of the Georgian Institute of Politics, a Tbilisi think-tank. "They [Georgian voters] want Europe but they know that the threat is coming from Russia. How are you going to deal with this? And there was no answer."

But Georgian Dream also appears to have come out of the election weakened by the appearance of fraud, says Mr Kakachia. Compared with its last win, in 2020, the party's celebrations have been subdued. "Their legitimacy is contested internally as well as internationally. That's a huge problem for them...because any major crisis can bring them down."

After such a geopolitically fraught campaign, all eyes will be on Georgian Dream's next foreign-policy moves. The first foreign leader to visit Tbilisi post-election was Hungary's prime minister, Viktor Orban. This was suggestive of the direction Georgia may take: still formally tied to the West, but nevertheless trying to play all sides. Europe will have its hands full. ■

Ukraine

Survival mode

Ukraine is now struggling to cling on to what it holds, not to win

"AFTER 970 days of war," said Lloyd Austin, America's defence secretary, visiting Kyiv on October 21st, "Putin has not achieved one single strategic objective." And Mr Austin offered confidence: "Moscow will never prevail in Ukraine." In private, however, his colleagues in the Pentagon, Western officials and many Ukrainian commanders are increasingly worried about the direction of the war and Ukraine's ability to hold back Russian advances over the next six months.

Ukrainian forces have managed to hold on to Pokrovsk, an embattled town in the eastern Donbas region—an embarrassment for Mr Putin. But elsewhere along the front, Russia is slicing its way through Ukrainian defences. In Kupiansk in the north, its troops have cut Ukrainian formations in two at the Oskil river. In Chasiv Yar in the east, they have crossed the main Siverskyi Donets canal, after six months of trying. Farther south, Russian troops have taken high ground in and around Vuhledar, and they are moving in on Kurakhove from two directions. In Kursk, inside Russia, Ukraine has lost around half the territory it seized earlier this year.

The problem is not so much the loss of territory, which is limited and has come at enormous cost to Russia—600,000 dead and wounded since the start of the war, on American estimates, and 57,000 dead this year to October alone, according to Ukrainian intelligence. It is the steady erosion in the size and quality of Ukraine's forces. Ukrainian units are under-strength and overstretched, worn thin by heavy casualties. Despite a new mobilisation law that took effect in May, the army, outside a handful of brigades, has struggled to recruit enough replacements, with young men reluctant to sign up to tours of duty that are at best indefinite and, at worst, one-way missions. Western partners are privately urging Ukraine's leaders to lower the mobilisation age floor from 25 to increase the potential pool of recruits. But political sensitivities and fears over an already alarming demographic crisis stand in the way of any change.

In a recent essay, Jack Watling of the Royal United Services Institute, a think-tank in London, identifies several reasons for Ukraine's declining fortunes. One is a shortfall in its air-defence interceptors, allowing Russian reconnaissance drones to establish what he calls "continuous and dense surveillance". These in turn cue up ballistic-missile and drone strikes against Ukrainian artillery in the rear and glide bombs against troops at the front, allowing Russia to make slow but steady advances in small units, often using motorcycles because tanks are too easy to spot. Ukraine's limited stock of shells—Russia currently has a two-to-one advantage in shellfire, according to Ivan Havrilyuk, Ukraine's deputy defence minister—as well as tanks and armoured vehicles compounds that problem. The less firepower and armour are available, the greater the reliance on infantry and the greater the casualties.

Russia is not without its own serious problems. Next year it will spend a third of its national budget on defence, starving the civilian economy in the process. Inflation is perhaps double the official annual rate of more than 8%. In 2025 ordinary Russian families will begin to feel the economic pain for the first time, says a European intelligence official, adding that there are ▸▸

early signs of war fatigue among those closely connected to the conflict, such as mothers and other family members.

On the battlefield, Russia still relies on crude tactics that result in massive casualties. The decision to borrow thousands of North Korean troops, who are thought to be bound for the Kursk front, shows that Russian units are also stretched. Russia's general staff and defence ministry have put "heavy pressure" on the Kremlin to mobilise more men, says the European official. "Russia now doesn't have sufficient forces to mass," says a senior NATO official. "If they achieved a breakthrough they could not exploit it." There is little short-term risk of Russian troops streaming west to Dnipro or Odessa.

But the crisis in Russia's war economy is likely to play out over a longer period. Russia's defence industry depends in part on the refurbishment of Soviet-era stocks, which are getting low in critical areas such as armoured vehicles. It is nonetheless far outperforming Western production lines. The EU claims to be making more than 1m shells per year; Russia is making three times as many, and is also boosted by supplies from North Korea and Iran. "I just don't know we can produce enough, give enough," says a person familiar with the flow of American aid, though a recent $800m commitment to boost Ukraine's indigenous drone production is welcome. "We have no more to give them without taking serious risks in other places." On manpower, too, Russia remains solvent. Its army is recruiting around 30,000 men per month, says the NATO official. That is less than government targets, but is still enough to cover even the gargantuan losses of recent months.

Russia cannot fight for ever. But the worry among American, European and Ukrainian officials is that Ukraine's breaking point will come first. "Moscow seems to be wagering that it can achieve its objectives in the Donbas next year," writes Mr Watling, "and impose a rate of casualties and material degradation on the Ukrainian military high enough that it will no longer be capable of preventing further advances." That, he warns, would give Russia leverage in any negotiations that follow.

The gloomy mood is evident in a shift in America's language. Senior officials like Mr Austin still strike a confident note, promising that Ukraine will win. Those involved in the guts of planning in the Pentagon say that, in practice, the ambitions of early 2023—a Ukrainian force that could take back its territory or shock Russia into talks through a well-crafted armoured punch—have given way to a narrow focus on preventing defeat. "At this point we are thinking more and more about how Ukraine can survive," says a person involved in that planning. ■

Spain's floods

Flash flooding ravaged parts of southern Spain, killing at least 95 people, as the equivalent of months of rainfall fell within a matter of hours. The area around Valencia was the worst affected, accounting for at least 92 deaths. There have been widespread accusations that the country's disaster-relief authorities were too slow to issue warnings that might have enabled people to get off roads or seek higher ground. Spain's prime minister, Pedro Sánchez, declared three days of national mourning. The extreme downpour is being blamed on a seasonal *gota fría* or "cold drop", when cold air meets warmer air from the Mediterranean and leads to storms. But global warming has caused the clouds to carry more moisture.

Turkey and the Kurds

The long road to peace

ISTANBUL

Turkey may be on the verge of a deal with its Kurdish rebels

DEVLET BAHCELI, the leader of Turkey's biggest nationalist party, has made a career out of opposing concessions to the country's 15m-strong Kurdish minority. The only solution to Turkey's conflict with armed Kurdish separatists, he has long argued, is to pound them into the ground. Since 2016, when Mr Bahceli and his Nationalist Movement Party (MHP) threw their weight behind Turkey's president, Recep Tayyip Erdogan, he has been able to put his convictions to work. On his watch, the government unleashed armed offensives against the outlawed Kurdistan Workers' Party (PKK) at home and abroad. Thousands of Kurdish politicians and activists ended up behind bars.

But on October 22nd, to the astonishment of most Turks, it was the same Mr Bahceli who raised hopes of a settlement with the PKK, by calling on the group's imprisoned leader, Abdullah Ocalan, to address parliament and renounce violence. Were the Kurdish leader to disband the PKK, he could have a chance to walk free, said Mr Bahceli. A day later Mr Ocalan, who has spent a quarter of a century on a remote prison island, said he could "move the process from violence to politics".

A reminder of just how hard this might be came the same day, when two PKK militants killed five people and wounded over a dozen others at the headquarters of a leading Turkish defence company in Ankara, the capital, before they were killed. Turkey responded with air strikes against the group's strongholds in Syria and Iraq. The PKK later claimed the attack was not related to Mr Bahceli's overtures.

The violence could have derailed any peace process before it began—but it did not. On October 30th Mr Erdogan backed his coalition partner's proposal, but ruled out talks with PKK commanders other than Mr Ocalan. Success is hardly assured. Earlier talks collapsed in 2015 amid mutual recriminations, triggering a cycle of violence that reduced parts of Turkey's south-east to rubble before spreading to northern Syria. Kurdish politicians accused Mr Erdogan of pursuing power rather than peace, and of backing Islamic State against the Kurdish insurgents. Turkish officials say the PKK used the talks to buy time and rearm.

PKK attacks, scorched-earth tactics by Turkey's army and assassinations, by Turkish death squads and insurgents alike, have claimed over 40,000 lives since the conflict ▸▸

began four decades ago. Turkey now has a much stronger hand. The PKK has been wiped out as a fighting force in the south-east. Mass arrests have pushed Turkey's main Kurdish party, the Peoples' Equality and Democracy Party (DEM), to the fringes of politics.

That has many watchers wondering why Turkey's government chose this moment to rekindle the peace process. The probable explanation has to do with the damage Iran and its proxies have suffered at Israel's hands in the past year. Iran's waning influence in Syria and Iraq risks emboldening the region's Kurds to pursue more autonomy, says Mesut Yegen, a Turkish academic. "That's the scenario Turkey wants to prevent."

Mr Bahceli's sudden conversion, from being one of the biggest obstacles to talks with the PKK to a go-between, is equally noteworthy. The MHP's leader is known to have many allies in Turkey's vast bureaucracy, and especially the security forces. "Bahceli's role suggests this is a serious Turkish state project," says Cengiz Candar, a DEM lawmaker, "and that we are either on the eve of very important developments, or already in the implementation phase." ■

Migration

The immigrants Europe wants

AMSTERDAM, ROME AND WARSAW

Right-wing governments are quietly letting in migrant farm workers

LOOK OUT of a train window in Dutch farm country, and much of what you see is glass: row after row of greenhouses. At René Simons's farm 60km south-east of Rotterdam, the raspberry bushes ramble across acres of trellises. The workers who pick them are mostly from eastern Europe—Poles and Bulgarians in peak season or Ukrainians, who often stay longer. "We have a few ladies from near Lviv now," says Mr Simons. "We tell them, if it gets tough there, you can always stay here."

Farmers like Mr Simons are at the centre of a European dilemma. Governments are vowing to reduce immigration, but European agriculture depends on migrant workers. About 2m Europeans cross borders to work on farms every year, according to EU estimates, plus another 400,000 from outside the union—perhaps a third of the bloc's agricultural workforce of 7m-9m. Europe's farmers have enormous clout, and tend to be part of the base of the hard-right parties that want to keep out foreigners. That has forced such parties to compromise on their anti-immigration slogans.

Italy is a good example. In April 2023, six months after the hard-right government led by Giorgia Meloni took office, her agriculture minister, Francesco Lollobrigida, chided Italians to have more babies or face being "replaced" by foreigners. Yet in practice Mr Lollobrigida has pushed for more visas for agricultural workers. Ms Meloni, while trying to ship off many asylum-seekers for processing in Albania, is welcoming more labour immigration, so long as it is controlled.

The reason is pure necessity. Italy's agriculture industry has a shortfall of some 200,000 workers each year, says Massimiliano Giansanti, president of Confagricoltura, a farmers' association. The legal workforce in agriculture, including seasonal workers, numbers around a million. A third are foreigners. Among those aged 18-35 nearly all are, says Mr Giansanti; young Italians think of agriculture as "back-breaking work under the sun". In addition, some 230,000 people work in the sector's shadow economy, many of them undocumented migrants from Asia and Africa.

Countries such as Germany, France and the Netherlands, meanwhile, get most of their migrant farm workers from the east European countries that joined the EU in the 2000s. The biggest source country was initially Poland. As Polish labourers left Poland seeking higher wages, Polish farmers hired Ukrainians to replace them.

The pandemic border closures in 2020 upended that system, and two years later, after Russia invaded, Ukraine barred men of military age from leaving the country. Many of those already in Poland headed for Germany after the EU granted Ukrainians work permits. So Polish farmers began recruiting Ukrainian women. "We tend to focus on middle-aged women. We don't want young pretty girls with long fingernails," says Tomas Ostergard, whose berry farm hires 600 harvest workers every October, 90% of them Ukrainian.

The fruits of free movement

The hard-right Law and Justice party that governed Poland in 2015-23 railed against non-European immigration. But in practice it quintupled the number of work permits issued to Asians and Latin Americans, to 275,000 in 2023. Many involved bribes. The new government has cut visa issuance while it cleans up the mess, but is considering fresh deals with South Asian countries. On October 16th it unveiled a migration policy that would restrict asylum-seeking but protect labour migration. "We want the new regulations not to limit the number of foreigners ready to take up work in agriculture," says Czeslaw Siekierski, the agriculture minister.

The Netherlands epitomises the tension between farmers and anti-immigrant groups. The biggest party in the hard-right government that took office in July is the anti-immigrant Party for Freedom. But it also includes the Farmer Citizen Movement, which resists any restrictions that might interfere with getting the berries plucked. Housing shortages exacerbate the anti-immigrant mood: migrants are often packed five or more to a room in apartments bought by employment agencies.

Such agencies play an unusually large role in Dutch labour migration. They let employers offload responsibility for paying social benefits. A government report in 2020 found they were often exploitative. "They use their power against people," says Bozena, who was recruited with her husband to come from Poland for what they were told were jobs at a laundry. Instead the agency tried to force them to work at a slaughterhouse. Bozena turned for help to FNV, the country's biggest trade union.

The government plans to get tougher on agencies; a stricter law comes into force in 2026. But it also wants to discourage employers from using low-wage migrant workers. A proposal in August by Thierry Aartsen, an MP from the Liberals (another coalition partner), would subsidise farms that use robots. "The revenue model depends too much on cheap labour," says Eddy van Hijum, the minister of social affairs. "I'm not against labour migration, but it shouldn't happen at society's expense."

Migrant agricultural workers are abused all over the continent. (In "Limits of Europe", a new documentary, Sasa Uhlova, a Czech journalist, goes undercover on a German farm that uses two timesheets for its Polish workers: one for fictitious ten-hour days and one for the actual 14-hour days.) Yet even labour-rights advocates acknowledge that workers usually take such jobs not because they are deceived, but because the options back home are worse. Letting people travel to seek higher wages is part of the logic of the EU's freedom of movement. Western Europe's farms profit from such migration. Many would not profit at all without it. ■

CHARLEMAGNE

French affairs of heart and state

The perils of charm-offensive diplomacy

WHEN THE insipid joint declarations of day-to-day diplomacy have long since been consigned to dusty shelves, it is photos and videos of the hugs and handshakes, the pomp and marching bands that endure. So it will doubtless be after this week, when the French president, Emmanuel Macron, took three days off from domestic woes to enjoy a state visit to Morocco, hosted by its king, Mohammed VI. Greeted by a 21-gun salute, Mr Macron rode alongside the monarch in an open-top car past applauding crowds. The French president returned the compliment, confirming his country's fresh support for Morocco's claim to sovereignty over Western Sahara, a contested slice of land, and proclaiming a reinforced partnership "of exception" between the two countries.

Mr Macron's love-bombing of Morocco makes sense for his country. France sends more investment and tourists to its former protectorate than does any other country. French *lycées* there enrol the second-highest number of pupils outside France. French firms build cars and high-speed rail lines in the kingdom, and sell it trains, wind turbines, weapons and cereals; Mr Macron landed in a plane filled with eager French business bosses. Under pressure from hard-right politics at home, France also needs Morocco's help taking back illegal migrants expelled under judicial orders.

The Franco-Moroccan love-in, though, is arresting for another reason. It marks a French pivot to the kingdom after a spell of *désamour*. Recently Mr Macron has instead conducted a courtship with neighbouring Algeria, Morocco's arch-adversary and backer of the resistance group in Western Sahara. Algeria offered France gas. France opened its military archives on the Algerian war for independence, a wound that has yet to heal. In Algiers in 2022 Mr Macron hailed a "new irreversible dynamic" in their friendship. This, gushed Abdelmadjid Tebboune, Algeria's president, "would not have been possible without the personality of Mr Macron".

Two things seem to be going on. Policy slalom is as much a part of the French president's repertoire as his disruptive nature. He built his political project on the back of being "neither on the right nor the left". In diplomacy Mr Macron famously swung from talking to Russia's Vladimir Putin to calling him the greatest threat to Europe's security. As with Russia, France's shift to Morocco is partly a pragmatic response to the shifting geopolitics of the Euro-Mediterranean. No other European country has such close or historical ties to the countries of the Maghreb, home to some 100m people and where, except in Libya, many speak the French language. Recently kicked out of three neighbouring countries in the Sahel, which scorned France for Russia and others, Paris wants to reinforce its regional influence. Other Europeans are, for good reason, focused only on the eastern flank (Ukraine) and the eastern Mediterranean (Gaza). French outreach to Algeria was stuck. Moroccan links are simpler. Switching made sense.

A second element is more distinctly French, or rather Macronian: the intense and unapologetic use of personal diplomacy to conduct international relations. In this, Mr Macron lays it on with a trowel. In his effort to flatter, cajole or impress his counterparts, no symbol goes unconsidered, no personal touch unexploited. To mark her platinum jubilee, the French president sent the late British queen, an equestrian, a seven-year-old gelding. Earlier this year Mr Macron took China's Xi Jinping up to a snow-swept mountain pass in the Pyrenees where he had spent his childhood summers, plying him with local wines and cheeses.

On occasion this approach yields diplomatic benefit. When Mr Macron went last year to the Slovakian capital, Bratislava, to confess that France had "sometimes missed opportunities to listen" to central and eastern Europe, it warmed the hearts of those aggrieved by his earlier courtship of Mr Putin. The moment marked his overdue shift to Ukraine hawk. Other objects of the president's attentions, by contrast, seem immune. On a visit last year to Hamburg the German chancellor, Olaf Scholz, offered Mr Macron a fish sandwich, wrapped in brown paper.

Of Trump and trumpets

The real difficulty with charm-offensive diplomacy, though, is that it reinforces a tendency to solitary decision-making and unilateral pronouncements. Mr Macron, who consults widely but decides alone, is particularly prone to this failing. He has in recent weeks upset some of his own diplomats with poorly timed public digs at Israel, even as he continues to speak regularly to Binyamin Netanyahu by phone. "I've always thought that his analyses are remarkably smart," says Gérard Araud, a former ambassador to America and Israel. "But he's never understood that foreign policy is nothing without diplomacy." Leverage comes from dull diplomatic spade work, meetings with allies in over-lit under-ventilated conference rooms and the drafting of insipid communiqués.

A crucial test could be round the corner, if Americans put Donald Trump back in the White House. The French president, and the Spanish prime minister, are the only leaders of big EU countries who have worked with Mr Trump. Mr Macron's early white-knuckle handshake with him was a studied bid to engage in a muscular *rapport de force*. He then treated him to a military parade and dinner up the Eiffel Tower, later offsetting the flattery with periodic jibes at American nationalism and protectionism.

Ultimately, the effort did not work out well. And, should the pair share time in office again, Mr Trump would be dealing with an enfeebled French president and a leaderless Europe. France retains impressive convening power, and useful independent-mindedness. It has a well-oiled diplomatic machine. Deftly deployed, fine attention to symbolic detail can be smart. But the theatre of personalised politics needs to work together with the hard graft if diplomacy is to secure real achievements. ■

Britain

Labour's first budget

Spend now, reform eventually

Rachel Reeves has raised both borrowing and taxes by historic amounts

NO ONE COULD argue the numbers in Britain's budget were too small. On October 30th Rachel Reeves, the chancellor, laid out over £40bn ($52bn) in tax rises, more than any budget has raised in at least half a century. Borrowing went up, too. Ms Reeves loosened the rules constraining borrowing to invest, and then ran close to the limit of her newly generous yardstick.

The result was a package of fiscal easing worth nearly 1% of GDP, an amount without much recent precedent outside recessions and pandemics (see charts on next page). The Office for Budget Responsibility (OBR), a fiscal watchdog, reckons that stimulus could push inflation up by 0.4 percentage points at peak and only durably boost growth after almost a decade; gilts sold off sharply as financial markets absorbed the news.

This is a big contrast with the steady-as-she-goes approach Ms Reeves took before the election. Labour's manifesto contained only a few tax tweaks and spending bumps. Instead of raising taxes, the campaign patter ran, Labour would pull the "growth lever". But although this was a big budget, it was not an ambitious one. Dialling up taxes and borrowing to inject money into the National Health Service (NHS) is familiar for the Labour Party, even if the cash was sorely needed. Unfortunately, Ms Reeves ducked the chance to make Britain's tax code more growth-friendly, and in places even worsened it. She also mostly ignored the thorniest questions for Labour, such as how to ensure that an island full of ever-older, ever-sicker people does not force up taxes indefinitely.

→ ALSO IN THIS SECTION

52 Bagehot: Not-so-nice Labour

→ Read more at: Economist.com/Britain

— The far right after the riots

— Baby bust, baby boom

— Canal boats

The centrepiece of the budget was an increase to employers' national insurance that the OBR expects to raise £26bn (falling to £16bn after it flows through to lower wages). Ms Reeves, insists, unconvincingly, that the move does not run afoul of Labour's pre-election promises not to raise national insurance or taxes on "working people". In practice, employers will gradually pass on the bulk of the tax rise to workers in the form of slower pay rises. Sermons from leading Tories on the economics of tax incidence are now all but inevitable.

Setting aside the scholastic wrangling over broken promises, Ms Reeves was at least right to achieve the bulk of her tax rises through a single, broad-based tax. But it would have been cleaner to have reversed cuts to national insurance made by her predecessor, Jeremy Hunt. Using employers' national insurance raises the tax penalty on employment versus self-employment, a long-standing drag on productivity.

Taxes on the wealthy, an area where Labour had made a lot of noise, will raise another few billion. Some changes ended up being gentler than expected—raising capital-gains tax from 20% to 24%, shaving exemptions on inheritance tax and making the taxation of private-equity performance fees a little less generous. But others were tougher, most notably the treatment of non-domiciled taxpayers. Months of grisly pre-budget speculation about plans to soak the rich may already have hurt Brit- ▸▸

ain's reputation as a haven for footloose international capital.

Most revealing were the steps that Labour did not take. On tax after tax, Ms Reeves opted for easy fudges over ambitious reforms. On capital-gains tax, she could have raised the same amount less painfully by shifting the tax base to affect gains only above a risk-free rate of return (but doing so at a higher rate) and by limiting exemptions. She went a little further on inheritance tax but, again, not far enough. One especially loud sigh of relief came in the AIM market, a tax-advantaged index of small-cap stocks which soared by over 4% after Ms Reeves indicated that its inheritance-tax exemptions would be watered down but not entirely eliminated.

Fresh from a big election win, this would have been an ideal chance for Ms Reeves to make big-ticket improvements. One natural place to look would have been stamp duty, a property-transaction tax that is probably the single biggest growth-blocker in Britain's tax system. Instead of cutting it, she raised it for second homes. Nor did Ms Reeves touch taxes on gambling, which could have raised a few hundred million while deterring some unwise financial decisions. Now would have been a perfect time to revisit road taxes. Electric vehicles are spreading quickly and are not covered by fuel duties. Far easier to start taxing them now, before a vocal lobby of EV owners is in place to complain. But Ms Reeves did nothing there and, worse yet, continued her Tory predecessors' cowardly habit of freezing fuel duty.

What of her spending choices? The biggest single beneficiary of all that extra tax revenue will be health care, which is set for a 3.4% real-terms rise in its day-to-day budget over this fiscal year and the next. (Education will also do well, getting a real-terms increase of 3.5%.) But the increase is at once too small and too large. It is unlikely to properly put the NHS back on an even keel: a 3-4% real-terms increase is roughly in line with the historical norm (though

The one with Rachel at the dispatch box

above what was on offer in the years before the pandemic). But with GDP growth well below 2%, having a health-care system that grows at twice the rate of the broader economy is also unsustainable. The critical question, then, is whether the government can work out how to stretch that money further. Beyond a few platitudes about finding efficiencies and harnessing technology, Ms Reeves had little to say on that.

Borrowing time

The budget's plans for borrowing are almost as hefty as the tax hikes: around £30bn more annually, enabled by a loosening of Britain's fiscal rules, something Ms Reeves had committed before the election not to do. Instead of targeting a measure of government debt, her new rule targets "public-sector net financial liabilities", which offset government debt against some liquid assets like the student-loan book. She has made other fiscal-rule changes, too, which are broadly sensible. Shifting over time to target a three-year forecast rather than a five-year one reduces the scope for governments to pencil in dodgy long-term plans in the knowledge that they may not be in office when they bite; by ensuring that day-to-day spending is met without borrowing, Ms Reeves has ruled out the prospect of Liz-Truss-style unfunded tax cuts.

Overall, there is a solid case for more borrowing—Britain's record on public investment has been feeble for decades. But, as the market's reaction to the budget has shown, borrowed money is not free. Interest payments on government debt cost Britain 4.5% of GDP in 2023, more than double the defence budget. A front-loaded investment spree risks overheating the economy unless the spending is directed at the biggest supply-side constraints on Britain's growth, including transport and power infrastructure. The OBR sees a short-term inflation boost from the budget. A big round of public investment also cannot substitute for private investment—indeed, it risks crowding it out.

So Labour needs to supply investment that is well-directed, efficiently spent and does not overheat the economy in the short term. The government is setting up a new body called the Office for Value for Money to oversee the spree; a ten-year infrastructure strategy is coming in the spring. But the British state's recent spending record on that count is hardly impressive. A splurge must also be accompanied by changes to the planning rules and the judicial-review system, both of which get in the way of building.

Across taxes, borrowing and spending, the government is betting big: that tens of billions in extra NHS spending will make a difference, that Britain's workers and firms can bear ever-higher taxes, that markets will support a big fiscal expansion. Those bets will come good only alongside equally ambitious reforms to the tax system, to public-service provision, to the planning system and more. On that, this heavyweight budget was alarmingly light. ■

Big spenders

Britain

Sources: OBR; ONS; *The Economist*

*Five-years forward, historical or forecast

BAGEHOT
Brighten up

Labour has forgotten how to be nice

IN 1956 ANTHONY CROSLAND, a Labour Party thinker, called for "a brighter, more colourful country". It was not enough, he wrote, for a Labour government merely to increase exports or old-age pensions. Britain must have "more open-air cafés, brighter and gayer streets at night...more riverside cafés...more murals and pictures in public places...statues in the centre of new housing-estates, better-designed street-lamps and telephone kiosks, and so on ad infinitum".

Rachel Reeves, the chancellor, would do well to heed that call. In her budget on October 30th, Ms Reeves announced gargantuan tax rises of £40bn ($52bn) that will leave Britain with a government that gobbles up 45% of GDP by 2029. "We promised there would be no return to austerity," said Ms Reeves. "Today we deliver on that promise." Under Labour the direction of travel is clear: the state will be bigger and taxes will be higher. But another question was ignored: will it make Britain any brighter?

Anger at austerity is often just anger at the state of the public realm: the roads on which people drive, the parks in which they lounge, the museums they visit and the high streets through which they stroll (while gawping at Amazon on their phones). The public realm is, after all, the only universal experience of the state. Most people are not on a National Health Service (NHS) waiting list. Few people go to prison. Most voters do not have children in school, never mind in one of those that are at risk of collapsing.

The last Conservative government did think about the public realm. Its strategy of "levelling up" was one not just of economic but also of civic regeneration for Britain's deprived areas. Jobs and infrastructure would come eventually, promised Boris Johnson, a former Tory prime minister; in the meantime, have some hanging baskets on your streets. The problem was not the strategy, it was the execution: the hanging baskets never came.

Ms Reeves has bigger things to worry about than flower arrangements. The NHS is on its uppers; schools are, often literally, falling down. But the result is that spending is focused on where it is at best incremental rather than transformational. In the NHS, which is receiving an extra £22.6bn over the next two years for day-to-day spending, big numbers have only small effects. It is a mighty sum that few will notice. If the same amount had been invested in local government, it would have replaced the bulk of the funding lost during austerity.

Elsewhere, in contrast, small numbers can have big effects. Away from the PR blitz of a big-spending budget, departments have mooted a series of prosaic cuts. A £15m slug of funding to do up the National Railway Museum in York is to be nixed. That was to be the centrepiece of a wider scheme to turn an area of by-hand car washes and £10-for-the-day car parks into a sprawling complex of offices and homes. No more.

That Ms Reeves is a local MP has not spared Leeds from losing £10m-worth of funding for a northern campus of the British Library. Its home was to have been in Temple Works, a surreal part-Egyptian, part-Victorian building, in a deprived part of the city. (A mooted National Poetry Centre is also for the chop.) Another £10m-worth of funding for renovations to Liverpool's museum on slavery is also to be cut. For a party whose hold on Merseyside is weaker than it looks (and for a government often grilled about Britain's role in the trade), it is a peculiar decision.

These sums may be slight but their consequences will reverberate locally. The regeneration of Liverpool's docks into a thriving museum quarter—a project kicked off under Margaret Thatcher, of all people—will be hamstrung. Museums and cultural venues are what Andy Haldane, a former Bank of England economist, calls "social infrastructure". For a government determined to invest in expensive transport infrastructure, it makes no sense to skimp on the sort that costs less and can be done by the next election (when the HS2 station at Euston will still be a hole in the ground). If Thatcher could see the need for it, so can Labour.

Councils do not have the capacity to improve the public realm. Whatever cash they have available is hoovered up by a small number of people—the elderly and infirm, or the young and troubled—for whom councils must care. Hampshire spends approximately 83% of its £1.1bn budget on social care for adults and children. That leaves little money for hanging baskets, never mind museums. Only the government can change that.

Nice things are nicer than nasty ones

In British politics, each main party is expected to play a role. If the Conservatives are expected to keep taxes low and the state small, Labour is designed to increase taxes and public spending. If the Conservatives are, as Theresa May, another former prime minister, once put it, the "nasty party", then Labour is the "nice party".

On taxes and spending, Ms Reeves fulfilled expectations. But Labour seems to have forgotten how to be nice. In the 1950s Crosland took aim at his prudish and bureaucratic peers. "We do not want to enter the age of abundance, only to find that we have lost the values which might teach us how to enjoy it," he wrote. Put it another way: if Labour is happy to stretch the government to 45% of GDP yet still refuses to bankroll museums, what is the point?

Instead, a more miserabilist vision prevails, overseen by politicians afraid of being painted as wet metropolitan types who are out of touch with the concerns of a proverbial white-van-driving, beer-drinking gambler, a figure who exists predominantly in their heads. The future Crosland outlined, of riverside cafés and murals, may seem frivolous but it is in fact fundamental. Even if Labour manages to fix the country's public services by the next election, voters will still ask if the country is any brighter. Far better to tart it up now than wait until then. ■

International

The Antarctic

Diplomacy on ice

If you thought the Antarctic's freezing icescapes would escape geopolitics, think again

IMAGINE A LAND untouched by war, unspoilt by humans, where all nationalities are welcome—a veritable Shangri-La. Such a place exists in Antarctica, the Earth's southernmost region. Home to 40m penguins and a mere 1,000 people, the continent is owned by no one.

Since 1961 it has been governed by the members of the Antarctic Treaty, which says it should be used for peaceful purposes only. For decades the treaty was widely regarded as a model of effective global co-operation. During the cold war it removed the southern pole from the geopolitical struggle waged between the capitalist West and the Soviet Union.

But now this model is falling apart. On October 25th an international conference tasked with preserving marine life in the Antarctic ended in acrimony as Russia and China vetoed every proposal. "Russia's interest in constructive global co-operation is zero," said Cem Özdemir, Germany's agriculture minister. And earlier this year America imposed sanctions on Russia's Antarctic flagship, the research vessel *Akademik Alexander Karpinsky*, which has been surveying for oil and gas—pushing the boundaries of an international ban on exploiting the region's resources.

Behind these tensions is a new scramble for the Antarctic, intensified by the re-emergence of geopolitical rivalry between great powers, climate change and a race to exploit its resources. Start with the rush by both new and existing Antarctic players to build and expand bases on the continent. China's activities are growing the fastest. Although it had a late start, only signing the treaty in 1983, it has doubled the number of research bases it operates over the past decade; earlier this year it opened its fifth station, which is equipped with dual-use civil-military satellite monitoring facilities (see map on next page).

Other countries have also become more assertive. Russia has ramped up its investment. In November India will assess designs for a third research station. Saudi Arabia joined the treaty club in May. Iran says it plans to open its first base, claiming "property rights", even though it is not a party to the treaty. Treaty members may legally build bases. But some of what is happening at them may breach the pact's prohibitions against military activity and resource extraction.

Although no countries are openly flouting the treaty's prohibition of "any measures of a military nature, such as the establishment of military bases and fortifications", several appear to be exploiting a loophole that allows countries to use members of their armed forces and their equipment for research and "any other peaceful purpose". This gives countries enough wriggle room to swing a seal. China's strategy has been to employ dual-use technologies and facilities in order to improve the capabilities of the People's Liberation Army, according to America's defence department. One example is building ground stations for its Beidou satellite-navigation system, which can help make weather ▸▸

→ ALSO IN THIS SECTION

55 The Telegram: A dangerous world

mapping, as well as missiles, more accurate. Yet America can hardly complain, since it first set up Antarctic stations for its own GPS navigation system in the 1990s.

Some are concerned that China's newest base could collect signals-intelligence and telemetry from rockets launched in Australia and New Zealand. Expanded arrays at another of its bases may be able to monitor Western and Indian naval activity in the Indian ocean, according to the Centre for Strategic and International Studies, a think-tank in Washington. Telescopes at Antarctic bases can be used to gain military advantage by detecting satellites, drones and missiles during war, the Australian government's Civil-Military Centre has warned. Cheating may be getting still more widespread, as indicated by an influx of bases "with no apparent sound scientific basis", according to the RAND Corporation, a think-tank with close ties to America's armed forces.

The treaty insists that countries report on their activities and allow inspections to ensure these are all peaceful. But Anne-Marie Brady, the author of a book titled "China as a Polar Great Power", says that countries often fail to report their military activities. As of 2023, only ten had consistently submitted the required documentation for the past decade. In any case, says Alan Hemmings, a polar expert at the University of Canterbury in New Zealand, inspection guidelines are outdated: they fail to specify what should be scrutinised.

A second motive behind the new scramble for the Antarctic is economic. For years the idea of mining the Antarctic seemed fanciful: it is cold, dangerous and far away. But global warming is making its waters more accessible and new technologies could make mining possible. Climate change is also giving fleets greater access to stocks of krill, the world's most underexploited fishery. Xi Jinping, China's president, has explicitly said his country should exploit Antarctica's resources.

The continent is believed to hold vast deposits of oil, gas, copper and other valuable minerals, though quite how much is uncertain. The Protocol on Environmental Protection, an addition to the treaty signed in Madrid in 1991, imposed a complete ban on mining. "But this has not stopped China from positioning itself strategically," says Ms Brady. When China opened a new base near the Ross Sea, in an area claimed by New Zealand, a Chinese polar glaciologist said that it was notably close to regions of "resource potential".

Russia is equally transparent about its resource ambitions, says Klaus Dodds, a professor of geopolitics at Royal Holloway, a part of the University of London. In recent years it has done seismic surveys of the Antarctic seas with the *Karpinsky*. RosGeo, Russia's state geological company

which operates the vessel, reckons that the Antarctic seas contain roughly 511bn barrels of oil, ten times the amount produced in the North Sea in the past 50 years. Russia has made its intentions quite clear. RosGeo has openly said its survey work will substantially clarify "our expectations of the oil-and-gas bearing prospects of the Antarctic shelf seas". Yet the Madrid Protocol does not differentiate between legitimate scientific exploration and mineral prospecting, opening a loophole that lets countries like Russia carry out resource assessments under the guise of research.

Mineral discoveries could encourage countries to challenge the mining ban in 2048, when amendments to the "Madrid Protocol" can be passed by a three-quarters majority rather than the consensus required until then. But as countries scramble to secure minerals critical for the green transition amid intensifying rivalry between the great powers, resource extraction could begin much earlier. One possibility, argues Mr Dodds, is that a country

may begin mining unilaterally—and set off a free-for-all. But the more likely outcome, he says, is a continued slow erosion of the rules through persistent breaches of the treaty that eventually leaves it unenforceable. Russia, for instance, has frustrated efforts by other countries to inspect its bases. In 2018 it blocked a runway near one of its bases to keep away Norwegian inspectors, who noted "considerable activity" at it as they circled in the air.

Russia also appears to be flouting the rules by increasingly fishing illegally in protected areas, says Elizabeth Buchanan of the Australian National University. In 2020 New Zealand authorities caught a Russian boat that was pretending to be outside a marine reserve by broadcasting false information on a vessel-monitoring system. Yet attempts to punish the fishing boat by withdrawing its licence were thwarted when Russia threatened to veto any penalties.

Such disregard for the rules has become more common as relations between Russia and the West have iced over. The wars in the Middle East and Ukraine have amplified mistrust among treaty members, making co-operation more awkward, says Claire Christian, the executive director of the Antarctic and Southern Ocean Coalition, the only non-profit organisation that is allowed to attend treaty meetings. With votes often split along geopolitical lines, "it has become nearly impossible to agree on even minor issues," she says.

Even the penguins are baffled

Geopolitical tensions are also thwarting efforts to protect Antarctica's fragile ecosystem. Though countries promised to create a network of marine protected areas in 2002, only two have been established since then, because Russia and China have repeatedly vetoed them. The two autocracies have even blocked efforts to designate Emperor penguins a protected species.

The danger is that repeated breaches of the treaty and a logjam on reforming it could make it irrelevant. If that were to happen, then unresolved territorial disputes would come to the fore. When the treaty was signed, seven countries—Britain and its former colonies, Argentina, Chile, France and Norway—had already grabbed almost all of the continent (see map). Since America and Russia did not recognise their claims and reserved the right to make their own ones, the treaty froze the status quo: it neither recognised nor disputed existing claims but prohibited countries from making new ones. "Who owns what", says Mr Dodds, "is the issue that haunts the Antarctic treaty."

For all its flaws, the treaty has kept the peace for over 60 years. But it is achingly fragile and being sorely tested. Its collapse could lead to chaos in the polar south. ■

THE TELEGRAM

Introducing our new geopolitics column

Today's world makes the cold war look simple

IN FEBRUARY 1946, in the depths of a Moscow winter, an American diplomat sent a remarkable cable to Washington. On paper, George Kennan's "Long Telegram" was a reply to a query about the Soviet worldview. In reality, Kennan was proposing a strategy for managing superpower competition—an approach that he later called "containment". The Soviet Union had no interest in friendship, but did not seek a third world war, Kennan explained. Communist rulers were impervious to the "logic of reason", but understood the "logic of force" and knew their regime to be weaker than a united West. If Soviet expansionism were countered around the world, then a "general military conflict" could be avoided, until one day the USSR either mellowed or crumbled.

Washington policymakers were struggling to respond to Soviet hostility. Kennan illuminated their choices with unrivalled clarity. The eventual cold war was more militarised than his vision of containment, but he cannily predicted its shape and its ending.

It says a lot that in 2024 it is not hard to meet foreign-policy types nostalgic for the original cold war. True, that four-decade confrontation involved horrors, as both East and West waged proxy wars and propped up loyal tyrants. But there was a simplicity to the contest. One camp promised capitalist plenty, consumer technology and expanding personal freedoms. The other offered a grimmer, greyer socialist utopia of central planning, autarky and jackbooted order. The world offers no such neat choices now.

This article marks the launch of "The Telegram", *The Economist*'s new weekly column on geopolitics. This first column draws on interviews with political leaders, ambassadors, business bosses and scholars from Beijing to London, New York and Washington. This is an unsettling, vertiginous moment, as fundamental principles and rules of war are tested to breaking point from Ukraine to Gaza and Sudan. Popular consent for pillars of the post-1945 international order is crumbling. Take the Geneva Convention on Refugees signed in 1951, with its guarantees of asylum for those fleeing conflict or persecution. It could never be agreed today.

This is hardly the first time that countries have turned inward. Writing in 1947, Kennan described two tasks for American foreign policy. First, his country had to check and contain Soviet aggression on every continent. As importantly, it needed to avoid crippling social and political divisions at home, and to show other countries that America was coping with "the responsibilities of a world power". Arguably, though, strategists of Kennan's generation had it easy. The USSR was a potent ideological and military rival, but a commercial irrelevance. No Western democracy asked the Soviet Union to build its telephone exchanges. Drivers in capitalist countries did not covet Soviet cars. No multinational corporations depended on Soviet supply chains. As Kennan bluntly wrote from Moscow: "We have here no investments to guard, no actual trade to lose." Today the stakes are far higher.

A world of barriers

These words are being typed in China, on an American laptop packed with Chinese-made components. Chinese companies are building 5G networks and smart grids around the world. Governments worldwide are vying for Chinese firms to open factories making electric cars and batteries. In Beijing, Chinese officials point to American export controls on semiconductors and European tariffs on Chinese electric cars, and accuse a declining, selfish West of a new policy of containment. In reality, no country can afford to contain China.

It is an exaggeration to claim that globalisation is dying. Chinese exports have set new records this year. But the global economy is fragmenting. Business bosses and investors describe new curbs on trade, technology, capital and data. Such barriers are rising in the name of national security and protecting domestic workers from unfair competition. Whoever wins America's presidential election on November 5th, its closest trade partners will be asked to further limit dealings with China in key sectors.

Other powers are determined not to choose sides. "Our values are with the US," says a Latin American diplomat. But his country's trade with China is booming, and the technology offered by Chinese firms is "better and cheaper". Nor is the global south in a mood for lectures. Its governments remember when envoys from Western capitals or from bodies such as the IMF told them to open their markets. Yet now that competition from Chinese firms threatens Western corporations, they see America and other advanced economies resorting to tariffs and industrial policies.

This writer will try to make sense of this unhappy, chaotic moment, drawing on successive postings as *The Economist*'s columnist in Brussels, London, Washington and Beijing. The column will look for patterns and trends. It will report from leaders' summits and street markets, and explore how global problems are changing local politics and everyday life.

Faced with angry populations, political leaders of all stripes are pledging to put the national interest first. Kennan might have approved. An advocate for realpolitik in its most pitiless form, he scorned democracy, and saw no vital American interest in defending human rights far from home. After recent disasters involving regime change and democracy promotion, it is not puzzling that realism is in vogue. Still, after a quarter-century as a foreign correspondent, this columnist suspects the pendulum is swinging too far. Rich-world politicians are missing the diplomatic costs of overt selfishness, and discounting the value of magnanimity and respect for individual freedoms and rights.

This column is not named "Kennan", then. But a telegram—a concise, timely dispatch, informed by facts on the ground—is a worthy model. The world needs explaining. To work. ■

Business

Cloud computing

The Medicis and Michelangelo

SAN FRANCISCO AND SEATTLE

What if Microsoft let OpenAI go free?

CALL IT A spectacular modern-day version of Renaissance patronage. Since 2019 Microsoft has provided more than $13bn in cash and computing capacity to OpenAI, a once-penniless startup that is now at the forefront of generative artificial intelligence (AI) and, as of its most recent fundraising round, worth $157bn. In exchange, Microsoft has gained the exclusive right to run OpenAI's models on Azure, its cloud-computing business.

So far it has been a wildly successful partnership. Funding from Microsoft has helped OpenAI build bigger and better large language models (LLMs). That technology, in turn, has been incorporated into Microsoft's various software products. The ties between the two have allowed Azure to chip away at the lead of AWS, Amazon's cloud-computing division, notes Brent Thill of Jefferies, an investment bank (see chart on next page). Azure's revenue grew 33%, year on year, in the quarter from July to September, exceeding expectations (though it projected growth would slow in the current quarter). Analysts reckon that AWS's revenues grew by 19% for the same period (Amazon was due to report after *The Economist* went to press).

Yet like Michelangelo with the Medicis, OpenAI sometimes chafes at the ties to its wealthy benefactor. Some of its board members and other investors have told *The Economist* they believe that Microsoft should loosen its grip. They have their eyes on the half of the cloud-computing market still controlled by AWS. Gaining access to that would increase OpenAI's already dominant position in the provision of LLMs, lifting revenues that are expected to be upwards of $3.5bn this year.

Microsoft declines to discuss details of its contract with OpenAI. Given Azure's long-standing rivalry with AWS, it is a fair bet the Redmond-based company is loth to lend its Seattle-based neighbour a helping hand. For Microsoft, however, ending its exclusive patronage of OpenAI may not be as crazy as it sounds.

Those championing more commercial freedom for OpenAI argue that although Microsoft might resent sharing models with AWS, in the long run its equity stake in OpenAI would mean it would benefit from the model-maker gaining broader market access. Antitrust concerns also bolster the case for giving OpenAI greater independence. America's Federal Trade Commission and Britain's Competition and Markets Authority have opened inquiries into the relationship between Microsoft and OpenAI. Mr Thill of Jefferies says more openness would be in Microsoft's long-term interest. "It's like a kid going to coll- ▸▸

→ ALSO IN THIS SECTION

57 The influencer glut
58 German business in crisis
59 Japanese toilets go global
60 China's mining binge
61 Bartleby: How to beat jet lag
62 Schumpeter: Micro-monopolies

ege," he says. "It's painful. But the right thing is to let [OpenAI] out into the world."

Microsoft has already begun reducing its dependence on OpenAI. Satya Nadella, the tech giant's boss, was reportedly shocked when Sam Altman, his counterpart at OpenAI, was briefly ousted last November, before being quickly reinstated. Since then Microsoft has been hedging its bets, including by adding LLMs from Mistral, a French AI firm, and others to its line-up and hiring nearly all the staff of Inflection, an OpenAI rival, including its boss, Mustafa Suleyman (who sits on the board of *The Economist*'s parent company). On October 29th Microsoft's GitHub, which supports software developers, said it would offer more choice to its clients, allowing them to use other models.

Microsoft and OpenAI are in the process of renegotiating the terms of their relationship as the model-maker changes its corporate structure from a non-profit to a profit-making entity. There may also be a looming sunset clause. OpenAI is believed to have the right to dissolve its commercial ties with Microsoft if its models reach a level of superhuman capability called artificial general intelligence. What that means in practice is subjective, but some AI enthusiasts argue it could be only a few years away.

Amazon, for its part, would be delighted to gain access to OpenAI's models. "I would love for OpenAI to run on AWS," says Matt Garman, AWS's newish boss. Pradeep Sanyal, an AI consultant and former AWS executive, says that even though Amazon's cloud business is still the biggest, it is "third in mindshare" when it comes to generative AI, behind Azure and Google Cloud Platform (whose revenues grew by 35%, year on year, in the latest quarter). Amazon has neither a big software business where it can demonstrate its AI capabilities nor an LLM whizzy enough to compete with those of OpenAI or Google.

AWS offers customers a wide variety of models, ranging from those of Anthropic (in which Amazon is a big investor) to Meta's Llama family of open models (which Mr Garman says are very popular among AI startups). Adding those of OpenAI would no doubt attract more customers. But Mr Garman does not believe any model will dominate completely; OpenAI, Anthropic and others are currently "leap-frogging each other", he notes. On October 22nd Anthropic launched an experimental version of its Claude 3.5 Sonnet model that can use a computer the way a human does, including virtually operating the keyboard and mouse.

Amazon's more open approach may yet prevail. Eric Sheridan of Goldman Sachs, a bank, thinks it will take years, not months, to determine which of the different cloud-service providers emerges as the definitive winner in generative AI. He points out, though, that the long-running trend in cloud computing is away from exclusivity towards more open relationships. Like the Medicis, Microsoft may well go down in history for having spotted creative genius early on. But its hold over OpenAI may not last forever. ■

Hey, you, come onto my cloud

Big three cloud providers, market share, %

Source: Jefferies

Marketing

Oversubscribed

Too many people want to be social-media influencers

ASK A YOUNG person what they would like to do with their life and increasingly often the answer will be to find fame and fortune online. Fully 57% of Gen Zs in America would like to be a social-media influencer, according to Morning Consult, a pollster; 53% describe it as a "reputable career choice". Those dreams may be understandable: examples abound of social-media superstars, from fashionistas and comedians to gamers, making tens of thousands of dollars for a post promoting the wares of some brand. As consumers spend more of their lives on social media, the amount of money companies are paying influencers is rocketing.

Yet as the industry has grown, it has also changed. Spoiled for choice, companies have shifted their attention towards influencers creating content for narrower audiences, such as fashion tips for the over 60s or gardening advice for inner-city dwellers, to better target those consumers. Cultivating a small fan base in a niche area may earn hobbyists some extra cash, but it will rarely be enough for them to quit their day job. Those who fantasise about making a living as a social-media star may thus be heading for disappointment.

Companies have been increasing the share of their marketing budgets they hand over to influencers. Over the past five years, American firms have roughly tripled their spending on influencer marketing, to $7bn, according to eMarketer, a research firm. In a survey by the Influencer Marketing Hub, another research group, 86% of brands globally said they plan to spend on influencer marketing this year, up from 37% in 2017, when the survey was first conducted. Nearly a quarter intend to spend over 40% of their marketing budget on influencer campaigns.

Companies realise that influencers—or ▸▸

"creators", as many prefer to be called—have become integral to how consumers shop. According to research by Northwestern University and LTK, a platform that connects influencers with brands, nearly three-quarters of Gen Zs in America have relied on influencers to help them choose products to buy. More surprisingly, so have a third of consumers who are boomers or older (see left-hand chart).

Influencers are part of every big campaign nowadays, says Mark Read, the boss of WPP, which owns advertising agencies such as Ogilvy and Mindshare. Walmart, a giant American retailer, has worked with TikTok stars Charli and Dixie D'Amelio. BOSS, a fancy clothing brand, has collaborated with Khaby Lame, a comedian with more followers than anyone else on TikTok. Louis Vuitton, a luxury stalwart, has run campaigns with Emma Chamberlain, a YouTuber. For the past few years influencers have even starred in Super Bowl ads alongside Hollywood royalty and chart-topping pop stars. The biggest influencers now hire legions of staff to help them create eye-catching posts, while agencies and other middlemen help them land and manage brand deals.

Such stories have lured a growing number of people to try their hand at being an influencer. Goldman Sachs, a bank, estimates that as of last year there were more than 50m influencers globally, and reckons their ranks are swelling by between 10% and 20% annually.

The surging supply of influencers has been a boon for companies that use them to sell their products. Celebrity influencers may be helpful for building awareness of a brand or altering how it is perceived by shoppers, but when it comes to persuading people to buy something, marketers look to the long tail of creators with small but engaged groups of followers.

Since 2021 the share of spending on influencer marketing in America taken by creators with more than 1m followers has fallen from 15% to 8%; the share taken by those with fewer than 20,000 followers has surged from 20% to 45% (see right-hand chart). Marketing agencies help companies manage contracts with many such influencers, sometimes using artificial intelligence (AI) to scout out those whose audiences best match their needs.

For those hoping to make a career out of their social-media presence, however, the proliferation of social-media influencers should be a cause for concern. Only 4% of creators earn $100,000 a year or more from the work, according to Goldman Sachs. AI could worsen the situation, as "virtual influencers" begin to crowd social-media feeds: Aitana López, a gamer and fitness guru with pink hair and a face so symmetrical it could only have been generated by a computer, has 330,000 followers on Instagram.

The glut of influencers is also making online fame yet more fickle. Even if a post goes viral, that doesn't mean an influencer's career is set, says Joe Gagliese, co-founder of Viral Nation, a marketing agency. "If they're not careful to make the most of that, there is another creator right behind them," he says. "This industry is extremely volatile," points out Vanessa Chen, a fashion influencer better known by her Instagram name Vivacious Honey. To diversify her income, she recently launched her own clothing line. Many others have done something similar.

There is another problem with the flood of influencers online: consumers are growing weary of all those ads dressed up as entertainment. In a survey last year McKinsey, a consultancy, found that 68% of fashion consumers globally were unhappy with the amount of sponsored content on social media.

Influencers first took off because consumers thought of them as "people they could trust", says Anita Balchandani of McKinsey. To remain influential they need to strike a balance between getting paid and convincing followers they are still "authentic", one of the industry's favourite buzzwords. Being popular, it seems, is harder than ever. ■

Under the influence

Sources: LTK; Northwestern University; eMarketer

German business

From shuddering to shuttering

BERLIN

Volkswagen's woes are the most worrying sign yet of broader trouble

THE SPECTRE of deindustrialisation has long haunted Germany. Russia's full-scale invasion of Ukraine in 2022 caused energy prices to spiral. The economy of Germany's biggest trading partner, China, has slowed. And as competitors, Chinese carmakers are proving more than a handful for Europe's biggest, Volkswagen (VW). Now the apparition looks worryingly solid. "The signs of deindustrialisation are becoming clearer," warned Martin Wansleben, head of the German chamber of trade and industry (DIHK), on October 29th.

The most alarming sign so far came the previous day, when Daniela Cavallo, the main official representing VW's workers, said that the company would close at least three factories in Germany, cut tens of thousands of jobs (30,000, rumours say) and slash pay by 10% (18% for some). VW's bosses, who have been talking to labour representatives for weeks, have not yet confirmed this. But if the factory closures do go ahead, they will be the 87-year-old carmaker's first in its home country. On October 30th VW reported a slump in net profit of 64%, year on year, in the third quarter, attributable mainly to weak sales of its cars in China.

This follows months of similarly spine-chilling news. In February Miele, a maker of household appliances, said it would move some production to Poland, which will affect 700 jobs in Gütersloh in North Rhine-Westphalia, the headquarters of the 125-year-old family business. Continental, ▸▸

an automotive supplier, is cutting 7,000 jobs and closing sites. Michelin, a French tyremaker, is slashing 1,500 jobs in Germany and closing factories. And in July ZF Friedrichshafen, another German auto supplier, said that by 2028 it would shed 14,000 jobs.

A new survey by Mr Wansleben's DIHK is full of frightening figures. It finds that one-third of all companies and two-fifths of industrial firms surveyed are planning to reduce investment in Germany. A mere 19% of industrial firms rate their current situation as "good", while 35% call it "bad". Such pessimism reminds Mr Wansleben of the severe crisis in 2002-03. The government of the day responded with Agenda 2010, a package of successful liberalising reforms.

Earlier this year Moritz Schularick, head of the Kiel Institute for the World Economy, a research body, predicted that only a crisis at a big carmaker would be enough to convince today's governing coalition that Germany cannot continue with its old manufacturing-based economic model. "Perhaps VW's problems are at last the call that we have waited for," says Mr Schularick now.

Perhaps, perhaps not. On October 29th Olaf Scholz, the chancellor, held a "summit" to discuss ways of alleviating industry's troubles with senior business figures, including Oliver Blume, the boss of VW, and the heads of Siemens and BASF, giants of engineering and chemicals, as well as union leaders.

Little is known about what was discussed, besides help with the high price of electricity and a plan to cut red tape by scrapping a law obliging big firms to monitor whether their suppliers around the world meet human-rights and environmental standards. More could be done, for instance to promote decarbonisation and digitisation. Yet the governing coalition of Mr Scholz's Social Democrats, the Greens and the liberal Free Democrats is so dysfunctional that it is doubtful whether it will, or can, do anything much.

Mr Scholz had convened his summit without telling either Christian Lindner, his liberal finance minister, or Robert Habeck, his Green economy minister. Mr Lindner then held his own summit on the same day; Mr Habeck proclaimed that he was "climbing summits every day" and floated the idea of a debt-financed investment fund to aid business that he had not discussed with the chancellor.

The chancellor's select group is due to convene again on November 15th, the day after the deadline for agreement on next year's budget. But negotiations between the governing parties have been so acrimonious that they could break the coalition. Against that backdrop, the chances of anything as effective as Agenda 2010 are remote indeed. ■

Japan's techno-toilet titan

Flush fund

Toto's hopes to expand abroad show the problems facing many Japanese firms

THE PAST century has been one of relentless innovation. But in the West the humble toilet is a curious exception. By the early 20th century, free-standing flush toilets with U-bend plumbing were being installed in homes on both sides of the Atlantic. Americans and Europeans seem to think that the model is still more or less good enough.

Not the Japanese. Electronic toilets are standard in homes and hotels—and a marvel to visiting Westerners. Toto, by its own estimation the world's largest maker of bathroom fixtures, has led the technological vanguard. Its "washlet", first sold in 1980, features directed jets of water and air (pick your temperature), heated seats and deodorisers. The firm is listed in Tokyo, valued at ¥779bn ($5bn).

Toto, which still makes about two-thirds of its sales at home, is keen to bring foreign toilets up to date (or at least into the Japan of 40 years ago). But like other Japanese firms, it is encountering two big difficulties.

The first is Japan's "Galapagos syndrome": many goods developed and sold there go no further. The world's fourth-largest economy is big enough to support all sorts of indigenous products, from phones to toilets. But stagnating incomes and a declining population make it an unreliable market. On October 28th Toto's third-quarter results undershot investors' expectations. The company cut its sales forecast for this fiscal year from ¥750bn to ¥730bn. Its share price fell by 13% the next day.

The second difficulty relates to China, which at the end of 2022 yielded 17% of Toto's sales, but provides just 10% today. It now looks like a busted flush. The freefall in Chinese property investment, down 10% so far this year, after similar declines in 2022 and 2023, means fewer new buildings and bathrooms. Domestic rivals have also appeared.

There is light at the end of the U-bend. Sales are up in South-East Asia and India. And revenue from the Americas soared by 34%, year on year, in the six months to September, accounting for a tenth of the company's total.

Toto's toilets face some blockages in America, though. The most acute, notes James Lin, founder of BidetKing.com, an online marketplace, is electricity for the seat. Most American bathrooms have a power source near the sink, but not near the cistern. Even new homes are not always suitably equipped.

Still, the flow is in the right direction. During the pandemic fears of toilet-paper shortages, worries about hygiene and the growth of DIY gave the market a jump-start. Returning tourists may also help. Americans made more than 2m trips to Japan in 2023, up from 1.7m in 2019. Another record is likely this year—adding to the convenience-converted.

Looking for plumb deals

Minerals

Dig, baby, dig

China is tightening its grip on the world's minerals

To decarbonise the global economy and build the data centres needed for ever smarter artificial-intelligence models, the world will need lots of minerals. China wants first dibs. Last year its companies ploughed roughly $16bn into mines overseas, not including minority investments.

That is the highest figure in a decade, up from less than $5bn the year before (see left-hand chart). On October 8th a Chinese state-owned enterprise disclosed plans to invest more than $5bn in a copper mine in Afghanistan. The next day Zijin Mining, China's most valuable listed miner, said it would spend $1bn on a gold mine in Ghana. On October 14th a group of Chinese firms committed $5bn to Zambian mining over the next five years. Chinalco, another Chinese state-owned company, reportedly wants a stake in the Philippines' biggest copper mine.

Chinese miners control a large and growing share of the world's minerals, including about half of nickel and mined lithium, more than two-fifths of cobalt and a fifth of copper. Most of that is dug up abroad (see right-hand chart). In the past few years that has led to plenty of hand-wringing but not much meaningful action on the part of Western policymakers. There are signs, though, that is changing.

The latest spending spree by Chinese miners has tightened their grip on global minerals. Their focus has been to expand their share of copper, a critical element for electrification. In 2023 the metal accounted for around three-fifths of their overseas investment. Last year MMG, a subsidiary of China Minmetals, a state-owned company, said it would buy a copper mine in Botswana for nearly $2bn and invest $800m to more than double its output. At the same time, Chinese miners have kept investing in the minerals needed for electric-vehicle (EV) batteries. In May Ganfeng Lithium, which owns mines from Argentina to Australia, bought out its partner in one of the world's biggest lithium mines in Mali.

All that investment has lifted a number of China's miners into the big leagues. Zijin, which has assets from Serbia to Suriname, last year produced about three-fifths as much copper as BHP, the world's most valuable miner, and has ambitions to become a top lithium producer, too. Its market value has soared by 500% over the past five years, to more than $60bn, surpassing Vale, a Brazilian mining giant. CMOC, a Chinese state-backed miner that has been acquiring large cobalt projects in the Democratic Republic of Congo, is now the world's biggest producer of the metal.

Some of what China's mining giants dig up abroad stays there, and even finds its way to Western buyers. CMOC, through its metals-trading arm in Geneva, sells cobalt to companies like Electra Battery Materials Corporation, a Canadian firm that is building a refining facility in Ontario.

A growing share of China's overseas mining output, though, is woven into the country's expanding foreign supply chain for products such as batteries, EVs and solar panels. And much of the ore is shipped back home. In the first nine months of this year China imported 12% more copper, 21% more cobalt and 20% more bauxite than it did in the same period last year.

All this ore feeds China's vast production base for industrial metals, which far surpasses any other country's. When it comes to refined minerals, China accounts for around 60% of the global supply of battery-grade lithium, 65% of nickel, 70% of cobalt and 90% of rare-earth elements such as neodymium. Some Chinese miners have stretched further down the supply chain; Zijin now produces copper foil. These metals are then fed into Chinese factories, which manufacture around half the world's EVs and four-fifths of its lithium-ion batteries and solar panels.

Muddling through

As China's hold on global mining strengthens, the West—and America in particular—is becoming ever more anxious about its deepening reliance on its strategic rival. America imports more than half the minerals it needs, and China is among its most important suppliers. Politicians eager to boost American manufacturing at home realise that their ambitions may be hampered by a lack of access to the metals all ▸▸

Mine field

*Chinese-controlled foreign supply calculated based on the ownership of assets
Sources: China Belt and Road Initiative Investment Report 2023, Griffith Asia Institute; Benchmark Mineral Intelligence

those new factories will require. On the campaign trail Kamala Harris has called for a stockpile of minerals to ensure America's "economic and national security", an idea that has won bipartisan support.

A stockpile will not do much to relieve America's reliance on Chinese minerals. Somewhat more usefully, America and a group of its allies, through the Mineral Security Partnership, are trying to co-ordinate their support for critical-minerals projects around the world. Speeding up the construction of new mines at home would be even better. On October 24th America's federal government approved a big lithium mine in Nevada—only the fourth new site for critical minerals in America since 2002. That same day it approved tax credits for some mining firms to encourage them to boost the production of critical minerals.

That is a start, but more will be needed if America wants to shake its reliance on Chinese minerals. The Society for Mining, Metallurgy and Exploration, an industry association, has called for a new federal agency to co-ordinate the various minerals programmes scattered across government departments, replacing the Bureau of Mines, which Congress abolished in 1996. That decision, it says, is one reason for America's "unsustainable dependency on foreign countries" for the minerals it needs. As Chinese miners dig faster and farther afield, their grip will only get harder to loosen. ■

BARTLEBY

Jet set

How to beat a common side-effect of air travel

"YOU WANT to know the secret to surviving air travel?" the man sitting next to Bruce Willis on the plane asks in "Die Hard", a film from 1988. "After you get to where you're going, take off your shoes and your socks, then you walk around on the rug barefoot and make fists with your toes."

Anyone who has flown across longitudes will be familiar with the havoc air travel plays on your circadian rhythms, causing you to jolt awake at four in the morning and tape your eyes open at four in the afternoon to keep from nodding off. Those in jobs that require them regularly to traverse the globe may find their brains muddled for days after every trip, leaving them tired, disoriented and at elevated risk of irate outbursts.

Less clear is what can be done about it. Dubious advice abounds, from eating chocolate for breakfast and taping plant seeds behind your ears to swallowing Viagra (though a study in 2007 did show that the "little blue pill" helped rodents to overcome jet leg faster). Does anything really help?

There are, unfortunately, no miracle cures for jet lag, despite an obvious market for one. Nevertheless, your guest Bartleby has a few tips you might find useful. If you can, be under the age of 25, though that trick may not work indefinitely. When heading from west to east, take a melatonin tablet and go to bed early for a few nights before you travel (you will almost certainly ignore this advice, as your columnist usually does); when travelling the other way, go to bed a few hours later (much more fun).

When you arrive, coffee or an equally caffeinated beverage will be essential. Remember, though, that there are limits: you may want to stop when your eye begins to twitch, for example. Drink plenty of water, too, as you will be desiccated from your flight. If it is daytime when you land, go for a stroll and soak up some sunlight to get those melatonin levels down. The fresh air will also help clear your head. If there is a pool or the sea nearby, head there for a swim. If you are travelling for business, all this is best done on company time.

The most important question, though, is what to do on the plane journeys to and from your destination. When you board, it is recommended that you turn left, head straight for a business- or first-class seat, wrap yourself in its superior blanket and raise your privacy screen. If you do not have a ticket to sit with the high-flyers it may still be worth a shot. Confidence is of the essence.

If, however, you are escorted back to your allotted position with the common folk, you will need a plan to put yourself to sleep at the right time to reset your body clock. Try another of those melatonin tablets or maybe some CBD oil. If you need something stronger, an antihistamine or prescription hypnotic should do the trick (and may come in handy in the days following your journey). Although such remedies should not be taken on a regular basis, they are to be embraced by those travelling long distances. And don't forget your eye mask, earplugs and neck pillow.

Nobody wants jet lag to ruin their business trip or the days after they return. Neither, though, should you suffer excessively through your flight. Some suggest that fasting on a plane trip can lessen the effects of jet lag. That sounds to your columnist like a unique form of torture, no matter how dubious the quality of the food on offer may be (there are, after all, plenty of snacks to be had).

Better instead to try to enjoy your time on the plane and release a few endorphins. Flying has its hassles, but it also has its perks, not least of which is the chance to disconnect from the outside world and enjoy a few hours of respite from your responsibilities. A Bloody Mary before lunch followed by an episode or three of "The White Lotus" can turn a tiresome trip into a rare indulgence in a busy schedule. Ignore the in-flight Wi-Fi.

Ultimately, jet lag can be mitigated, but only to a degree. It is an inconvenient consequence of the very convenient fact that modern travellers can fly across multiple time zones in a matter of hours. Explorers who once crossed great distances by foot, boat or camel did not have to deal with jet lag, yet it is doubtful they would have chosen their mode of transport over an Airbus A380.

And after a few days even the most severe case of jet lag will ease and be forgotten. So do your best to relish the journey, despite its side-effects. And feel free to ignore any advice the passenger next to you might want to impart.

SCHUMPETER

Feeling chippy

Nvidia's suppliers want more of the AI profit pool for themselves

ADAM SMITH would be baffled by microelectronics. When the great economist died in 1790 James Watt's two-cylinder steam engine passed for the height of technological sophistication. If he recognised the prefix "nano"—a fair bet for a precocious classicist proficient in dead languages by 14—it would be as a derivation of the Greek word for "dwarf", not as a reference to the billionths of a metre in which modern semiconductors are measured. The word "billion" had entered the English language by Smith's time but the number it denotes would have seemed unfathomable. Some 200bn transistors etched onto a few halfpennies in Nvidia's latest Blackwell artificial-intelligence (AI) chip? Black magic, even for an enlightened Scottish rationalist.

The man who observed that "the division of labour is limited by the extent of the market" would, though, be on familiar ground seeing the global chip industry. Stripped of modern jargon, the semiconductor supply chain is Smith's insight in action. As the market's extent has swelled, from sales of $45bn in 1979 (in today's money) to perhaps $600bn in 2024 and, forecasters reckon, over $1trn by the early 2030s, labour has been divvied up accordingly.

Gone are the integrated chip giants of the 1970s that, like America's Intel back in the day, did everything themselves. This is the era of hyperspecialisation. Nvidia and other designers prepare the blueprints. "Foundries" like TSMC of Taiwan turn these into physical products by feeding silicon from one set of firms into machines assembled by another. These in turn contain gubbins from even more specialised providers, and so on.

What has not been split as finely is the AI windfall. Since mid-2022 the world's 100 biggest semiconductor companies by market capitalisation have added $5.4trn in shareholder value. The 48 foundries and equipment-makers among them got just $1trn. The 32 "fabless" chipmakers, which design but do not manufacture their own processors, nabbed $4.2trn. Nvidia, whose chips are favoured by AI model-makers, captured three-quarters of that figure. (The 20 firms that continue to both design and manufacture chips, like Intel and Samsung, made barely any gains.)

Nvidia's good fortune can be explained by its dizzying financial results. Its revenues nearly quadrupled between the first half of 2022 and the same period this year. It is on course to make $71bn in net profit in 2024, up from $8.4bn two years ago. Still, the foundries and toolmakers may be forgiven for feeling nettled. Nvidia's 31 fabless peers are worth nearly as much as the foundries and equipment firms, despite bringing in half as much revenue and only two-fifths as much net profit. They also spend less than half as much on fixed assets and research and development (R&D). Moreover, the equipment-makers (though not the asset-heavy foundries) boast higher operating margins and a better return on capital than the fabless chipmakers.

The disparity is all the more curious in light of Smithian hyperspecialisation's side-effect in the chip industry: its hyperconcentration everywhere except the busy fabless end. As product niches have narrowed, the chip supply chain has come to resemble a string of micro-monopolies and duopolies. TSMC and Samsung (which makes chips for clients as well as for itself) tower over the foundry business. ASML of the Netherlands is the sole purveyor of advanced lithography gear. DISCO, a Japanese company, sells 85% of the precision tools to grind and dice silicon wafers into shape. Cadence and Synopsys, two American firms, share the market for chip-design software. Advantest, from Japan, and Teradyne, from America, control post-production chip testing.

The niches may be small but barriers to entry are sky-high. Relative to market size, downstream firms spend huge sums on capital investments and R&D. For DISCO the annual figure is equivalent to 10% of its total addressable market; for ASML and TSMC it exceeds 20%. State-controlled Chinese challengers willing to stomach the necessary investments are being shut out of foreign markets on national-security grounds. To top it off, the incumbents can tap $150bn in handouts from Western and Japanese governments desperate to rebuild domestic chip industries.

If all this looks like a rent-seeker's paradise, it doesn't feel like one, sighs a big toolmaker's finance chief. For some micro-oligopolists that is because they sell directly to similarly domineering firms one link up the value chain. Having only a handful of buyers tempers a seller's market power. Other companies benefit from a more diverse customer base but have preferred not to squeeze big purchasers such as TSMC, notes Chris Miller, a scholar of semiconductor history at Tufts University.

Poolside manner

Quiescence is harder to sustain when demand for AI chips from deep-pocketed buyers such as Microsoft and Google lets Nvidia charge a fortune for each new model. Its gross margin is now 75%, up from 60% in 2022. Blackwells may go for $40,000 apiece, and tech giants are mulling purchases of a million or more. TSMC, the profit pool's second-biggest bather, is expected to raise prices for cutting-edge manufacturing by up to 15%. Other firms that help turn blueprints into reality feel entitled to some of the bonanza, especially when the flow of income from China is slowing as America restricts high-tech exports to its geopolitical adversary.

The fabless and their suppliers could improve their profitability in tandem if all raised prices. But this might crush demand for the end product. Investors' readiness to punish any hint of such softness, like ho-hum sales forecasts from AMD, a fabless rival of Nvidia's, on October 29th, constrains the chipmakers' pricing power. That may prove less of a deterrent downstream. Don't be surprised if the reluctant oligopolists become a bit less bashful about flexing their rent-seeking muscles by the poolside. ■

Finance & economics

Kamala Harris's chances

In a new light

WASHINGTON, DC

America's economy is thriving. And voters are at last starting to notice

AMERICA WAS supposed to be in recession. When the Federal Reserve began to raise interest rates at the fastest pace since the early 1980s, few economists expected the economy to be heading into a presidential election in this state. Indeed, even a few months ago few thought things would be this good. Inflation-adjusted quarterly growth in annualised terms has averaged 2.9% since the start of 2023, above its long-term trend. On October 30th America published its GDP figure for this year's third quarter. The economy expanded at an annualised pace of 2.8%, a full percentage point above the median forecast in July, at the start of the quarter.

And it gets better for Kamala Harris. Not only is growth holding up; a deceleration in inflation means the benefits are becoming more tangible for ordinary Americans, showing up as real (inflation-adjusted) increases in spending power. That may be why consumers, long disgruntled about the state of the economy, are at last beginning to cheer up. By itself this will not be decisive: voters still think a Trump presidency would be better for them financially. Yet the strong economy will provide a welcome tailwind for Ms Harris in the final days of her presidential campaign.

Although GDP is, by definition, an extremely broad measure, and one that may be too abstract for voters, it relates to more concrete factors with which they are intimately familiar, from wages to prices. In building a model to forecast the election, *The Economist* has identified some economic indicators that may contribute to the outcome. Five in particular bear close examination as America heads for its vote on November 5th: real income, real consumption, unemployment, inflation and consumer sentiment. Their recent readings are all positive for Ms Harris.

Start with personal income. In real terms, after-tax income per person has risen at a year-on-year pace of 2.6% in recent months. That is basically the same as the pre-pandemic average, with one difference: even faster growth last year means that incomes are higher than they would have been if their pre-pandemic trend had continued. Just before covid-19 arrived, estimates by the Congressional Budget Office, a non-partisan scorekeeper, suggested that real income per person would, in 2017 prices, be about $51,000 now. Instead, it has reached a little more than $52,000.

Rising incomes have encouraged a rebound in consumption. In 2022 and 2023, as Americans grappled with the effects of high inflation, their spending in shops, restaurants and entertainment venues slowed in real terms. As inflation has ebbed, their spending has picked up again. In the past ▸▸

→ ALSO IN THIS SECTION

64 American men get back to work
65 Asia prepares for Donald Trump
66 China's empty-home woes
66 Ireland's overflowing coffers
67 Sin taxes face a sinner shortage
68 Buttonwood: Bond vigilantes
69 Free exchange: Resource curses

six months real consumption has increased by 2.8% compared with the same period a year earlier, the fastest increase in more than two years—a sign of confidence in the health of the economy.

For some time analysts were concerned that this meant Americans were living beyond their means and racking up uncomfortable credit-card debts. But a sizeable revision to income figures last month revealed that the personal savings rate is now about 5%, more than twice as high as in early 2022. The implication is that robust consumer spending is more sustainable than previously thought.

Underlying all of this strength is a solid labour market and a deceleration in inflation. Six weeks ago, when the Federal Reserve started to cut interest rates, there was rising concern about weakness in the labour market. Although this concern has not fully abated, the recent run of data has been reassuring. The unemployment rate has ticked down for two straight months, dipping to 4.1% in September. Job growth has surprised on the upside. And the workforce-participation rate for people between 25 and 54, in the prime of their careers, is nearly 84%, just shy of the record high. At the same time, inflation—far and away the main source of discontent about President Joe Biden's handling of the economy—has continued to recede. It is not far above the Fed's target of 2%.

The "misery index", which combines the unemployment rate with the annual inflation rate, is a straightforward way of looking at how the economy is affecting ordinary people. In September the index dropped to 6.5%, its lowest since early 2020, when Donald Trump was still in the Oval Office (see chart).

Are people noticing these improvements? One of the biggest data puzzles of recent times remains as pertinent as ever: despite the economy's strength, sentiment has been persistently glum. At the start of this year that at last seemed to be changing, with a closely watched survey, conducted by the University of Michigan, turning sharply higher. In recent months it has shifted lower again. It now appears to be the most important economic indicator working against Ms Harris.

On closer examination, however, sentiment may not be so bleak. A shift in the Michigan survey's methodology in April, from phone to online interviews, accounts for a decline of roughly 11% in the index, according to a new study by Ryan Cummings and Ernie Tedeschi, two economists who worked in Mr Biden's White House. With the previous methodology, the index would in fact be bouncing along near a three-year high. Meanwhile, an alternative measure of sentiment—an index calculated by Goldman Sachs, a bank, and based on social-media posts—is much rosier. Its upward lilt points to a clear increase in optimism in the past half year. That is a welcome development for Ms Harris. If Mr Trump wins on November 5th, it will be in spite of the economy. ■

Finishing strong

United States, misery index*, %

*Unemployment rate plus inflation rate
Source: Bureau of Labour Statistics

The labour market

Despair no more

WASHINGTON, DC

Even American men are doing better

AMERICA'S POLITICIANS have long worried about the rising share of men out of work. More on the sidelines means slower economic growth, heftier benefit payments and a frailer social fabric. During the election campaign, both candidates have offered policies designed to tackle this long-standing problem. Donald Trump proposes sweeping tariffs and clamping down on illegal immigration. Kamala Harris vows to revive traditional male sectors, not least manufacturing.

What the two candidates fail to notice is a recent trend in the labour market: men are getting back to work without such disruptive policies. The share of male Americans either in employment or looking for work had been falling for decades, shaping political perceptions. In the 1960s some 97% of prime-age men—those between 25 and 54—were economically active. By 2015 just 88% were. Since 2021, however, the share of prime-age men in the workforce has increased by two percentage points, reaching its highest since the global financial crisis of 2007-09. The improvement has been particularly pronounced among non-white workers, whose labour-force-participation rate is higher today than at any point over the past three decades.

What caused the initial exit from the workforce? Some economists argue that the problem was on the demand side, with automation and globalisation reducing the need for low-skilled workers. But the problem's persistence across business cycles suggests that this does not offer a complete explanation. Others point to supply-side causes, such as the greater availability of disability insurance and the spread of opioids. Indeed, Alan Krueger of Princeton University found that nearly half of prime-age men out of the labour force in 2016 took pain medication every day.

Since the covid-19 pandemic, America's booming economy has increased demand for workers, creating opportunities for low-skilled men. Over the past three years America has seen some of the fastest growth in male labour-force participation in the OECD club of mostly rich countries, which has occurred alongside an unprecedented rebound in the male employment rate. In most recessions the employment rate for working-age men falls and never fully returns to its previous level. This time has been different. Lavish stimulus and loose monetary policy during the pandemic have supercharged demand.

Supply-side factors also seem to have helped with the turnaround. For decades, the share of men receiving disability-insurance benefits increased along with economic inactivity. In 2015 nearly 4.6m men below the retirement age were on the disability-insurance rolls. By last year that number had fallen to 3.7m. Over the same period the number of men who cited disability as a reason for not being in the workforce dropped by 500,000. Monitoring of disability insurance has become more stringent. Less positively, as America has aged many men have transferred from disability to retirement benefits.

There is still progress to be made. America's male labour-force-participation rate remains relatively low, lagging behind countries including Britain, France and Germany. Getting men back to work remains a sensible enough goal for both presidential candidates. Nevertheless, the ultra-gloomy picture depicted on the campaign trail no longer matches reality. ■

Back to the grind

G7 countries, male labour-force-participation rate*, Q1 2021-Q2 2024, percentage-point change

Sources: Federal Reserve; OECD *25- to 54-year-olds

Trade risks

In the crossfire

SINGAPORE

A second Trump administration would leave Asia with only bad options

AT THE 39TH ASEAN Roundtable, hosted by a research institute in Singapore on October 28th, the room was split. With Asia riven by an assertive China and a protectionist America, some called for hard-headed thinking about trade-offs. Choices will have to be made; allegiances declared, they warned. A Donald Trump victory might, after all, bring brutal tariffs.

Most of the luminaries were unconvinced, however. "On the ground, two supply chains are developing," a former Indonesian trade minister remarked. "We choose both." Asia has so far gained from the America-China trade war. "China plus one" strategies, in which firms add supply-chain nodes outside China, are common. The result has been a boom in foreign direct investment (FDI). In Vietnam, the biggest winner, realised FDI (ie, the value of actually deployed projects) has risen by 22% since 2021. Although few doubt Mr Trump would be disruptive, more sanguine scenarios are plausible. China would be the White House's main target, and the rest of Asia may benefit from the superpower's troubles. Blowback from business and the courts could rein in Mr Trump.

To understand the divide in opinion, begin with Mr Trump's most dangerous idea: a 10-20% across-the-board tariff, accompanied by a 60% levy on all Chinese imports. This would undoubtedly batter Asia. America is the leading export destination for ASEAN countries, India and Japan, as well as the second-biggest destination for South Korea and Taiwan. ASEAN's trade intensity, measured as the ratio of trade to GDP, is twice the global average. Asian countries with ageing populations require external demand to grow.

A simulation of a full-blown tariff scenario conducted by Oxford Economics, a consultancy, finds that non-China Asia would be a net loser. In the long run American imports from the region would fall by 3% and exports to it by 8%. Demands for retaliation would grow, driven by the political prerogative to "not look like a wimp", notes Jayant Menon of the ISEAS-Yusof Ishak Institute, which hosted the ASEAN get-together. Such tit-for-tat tariffs would ultimately amount to self-harm. Economic theory suggests that protection can be optimal (in narrow balance-of-trade terms) when countries enjoy outsized market power in the trade of a particular good—a condition that does not hold for most of Asia. Worse still, American military partners, including Australia, India and Japan, would be forced to choose between their economic and security interests.

War profiteers

ASEAN countries, exports to China*, $bn

Source: ASEANstats *Four-quarter moving average

These dangers are clear. Some Trump loyalists play down the chances of an all-out trade war, however, insisting that the threat of enormous universal tariffs is merely a negotiating tactic. Although a less dramatic ratcheting-up of the America-China trade conflict would be less devastating, it would still pose risks.

For a start, protracted uncertainty would hurt commerce. A recent study by the IMF finds that an increase of one standard deviation in uncertainty—measured by mentions of "uncertainty" in reports from the Economist Intelligence Unit, our sister company—corresponds to a 5% fall in bilateral trade, with stronger negative effects in countries more deeply integrated into global value chains.

New tariffs narrowly directed at China would have knock-on consequences for the rest of Asia. Many Asian countries' exports to China are still subsequently re-exported to America. Tariffs on China would therefore lower demand, especially for ASEAN countries, from which exports to China have risen as more Chinese firms build bases in the region (see chart).

American tariffs on China would also redirect subsidised Chinese exports to the rest of Asia, increasing protectionist pressure. This is a widespread fear among Asia's economic ministers, says Steven Okun of APAC Advisors, a consultancy. Countries are already responding to cheap Chinese goods: Indonesia, for instance, is plotting a 100-200% across-the-board tariff on Chinese imports and this month banned Temu, an e-commerce app. In January Malaysia slapped a 10% excise tax on some low-value imports.

Even if China is the main target, the rest of Asia may fall foul of the White House's measures as it goes after Chinese goods that are being re-routed through third countries. President Joe Biden's Department of Commerce has placed duties on Chinese firms circumventing American solar-panel tariffs by shipping them through Cambodia, Thailand and Vietnam. Mr Biden's measures are based on rigorous investigations to trace supply chains. Kamala Harris would probably take a similarly careful approach. Mr Trump, by contrast, is likely to dole out punishments whenever he sees fit. China would bear the brunt, but the rest of Asia would suffer too. ■

Get ready for delays

Chinese property

Haunted by ghosts

LUOYANG

Why China needs to fill its empty homes

IF NOT ANOTHER flat was built and sales continued at their current pace, it would take eight years to sell all the homes lying dormant around Luoyang, a city of 7m in central China. The region is a hot spot for the country's property crisis, where years of overbuilding have turned entire districts into housing graveyards. Sprawling wastelands of concrete and glass scar the city.

The extent of China's overbuilding has been contested for years. Tales of "ghost cities"—entire districts of unsold homes—started making headlines in 2010, followed by reports several years later about how empty areas were filling up. A former deputy head of the government's statistics bureau said last year that the entire population of China could fit into the country's vacant homes. Some experts still argue that the true number is smaller, but local analysts estimate that in July there were 32m unsold homes; idle properties, or ones that have been bought as investments but are not lived in, could add another 49m.

One thing most agree upon is that China's economy cannot be fixed without first rescuing the housing market. The country's leaders believe the easiest way to do that is to focus on idle flats. Since September 24th officials have announced a range of measures to prop up the economy. Notably, the central bank changed the terms on a 300bn yuan ($42bn) lending facility, allowing commercial banks to refinance 100% of loans to state-owned enterprises (SOEs), up from 60%, with the lending intended to enable SOEs to buy unsold flats and turn them into social housing. At a meeting of the Standing Committee of the National People's Congress that is set to start on November 4th, leaders may earmark 4trn yuan in special bonds that local governments can use to buy unused land and unsold homes over the next five years, according to Reuters, a news agency.

By targeting unsold homes, the government believes it can fix some of the economy's most glaring problems. With so many flats on the market, developers are hesitant to start new projects. When they halt construction they also stop leasing government land—a shock to heavily indebted local governments, whose main source of revenue is land leasing. A glut of homes has also forced developers to slash prices. This has, in turn, sapped confidence from people who not long ago put most of their wealth in the housing market,

leading to a dramatic collapse in sales. Spending on new homes will probably fall from more than 16trn yuan in 2021 to about half of that this year. Analysts at S&P Global, a rating agency, have put it succinctly: "Too much stock, too little confidence."

Extra funds would be welcome in Luoyang. Five years ago the towering, overwhelmingly empty apartment complexes in its Yibin district meant the area was labelled a ghost town. Now there are signs of life: some new projects had been fully sold by late October. But the area is still uncomfortably empty. Estate agents say they expect many flats for sale to end up being held by developers as collateral for loans instead of becoming family homes.

Since the government changed its tune on the economy in late September, there have been signs that things are improving. Home sales rose during a recent holiday. A handful of measures, such as lower mortgage rates and relaxed sales restrictions in big cities, probably helped convince people to buy. Some cities have been forced to ease price controls, leading to sharp drops in prices. The closer they get to true market rates, the faster sales will occur.

Yet analysts fear the government's plan will ultimately fall short of fixing the market. It does not focus enough on uncompleted flats for which payment has already been received, a nightmare scenario that puts off buyers. Households are waiting for over 20m such homes to be finished; the developers of many are bankrupt. At the same time, local officials do not seem that interested in buying unsold homes. Of the 300bn yuan made available in May, just 4% had been used by the end of June. The cost of servicing debts is expected to be higher than the returns officials can make.

Tianfeng Securities, a broker, reckons that it would cost the central government 7trn yuan to buy all the country's idle flats. That is far more than the state appears willing to spend. As a consequence, cities such as Luoyang are likely to be working through unwanted housing for many more years to come. ■

Corporate heaven

A nice problem

DUBLIN

How Ireland's government ended up with too much money to spend

ACROSS EUROPE fiscal policy is causing headaches. The governments of Britain and France are both raising tax rates sharply. Germany is hobbled by a self-imposed debt brake. Meanwhile, Italy's profligate borrowing continues to unsettle investors. Ireland faces a different problem: the government is so flush with cash it does not know quite what to do with it.

In September the European Court of Justice delivered a verdict in a long-running legal battle over whether Apple had benefited from unfair (and now closed) loopholes in Ireland's tax code. As a result, the American tech firm will have to hand over €13bn ($14bn) to the Irish tax authorities, along with over €1bn of interest—an amount equivalent to 4.8% of the country's annual national income. To the bemusement of other cash-strapped governments, the Irish authorities sided with Apple in its battles with Europe's courts, arguing that the firm had done nothing wrong.

The Irish economy is doing exceptionally well. Modified gross national income, which takes account of distortions created by the high number of multinational firms based in the country, is expected to grow by 4.9% this year and 2.7% in 2025. Unemployment is just 4.3%. Inflation has fallen below 2%. The government's fiscal position was already looking solid before the Apple-related juicing (see chart). It ran a surplus in 2022 and 2023, and was expecting another this year. Ministers now predict a surplus worth 7.5% of national income this year and 2.9% in 2025, even after increasing spending and cutting taxes.

Ireland has offered competitive corporate-tax rates in order to attract foreign ▸▸

firms since the 1950s. Even as welfare benefits were sharply cut and other taxes increased during the euro crisis in the early 2010s, corporation tax was left at a generous 12.5%. The strategy has reaped big rewards in recent years. In 2015 corporation-tax receipts were €7bn. By last year they had reached €24bn. And the finance ministry expects them to rise to €30bn a year by the late 2020s. The government agreed in 2021 to raise the corporate-tax rate, as part of a deal involving over 140 countries to set a global minimum. But the increase is modest: the new rate, which kicked in this year for large companies, is 15%.

The rise in tax receipts has two main explanations. In the mid-2010s some of America's largest tech firms reorganised their tax arrangements after criticism from European governments on the use of loopholes. Pressed to move declared profits to countries where they had substantial operations, rather than a brass-plate office with few employees, many picked Ireland. Britain's decision to leave the EU in 2016 added to the appeal of the country for American firms, as Ireland became the only anglophone member of the single market.

Irish policymakers are aware that the tax base is narrow as well as bountiful. In 2022 just ten firms accounted for three-fifths of corporate-tax receipts. Moreover, corporation tax amounted to 27% of all receipts that year, more than double the OECD average. Recognising this vulnerability, the Irish government intends to treat the Apple windfall in the same way that Norway treated North Sea oil revenues: it will set up a sovereign-wealth fund. Two separate pots are being established. Ministers hope their combined value will reach €100bn by 2040, at which point they will start to spend the income generated.

There is also space for giveaways. With an election due early next year, a recent budget contained treats. While most European finance ministries retreat from support handed out during the energy-price shock of 2021-23, Irish households will receive a €250 energy credit this winter. Child benefits were also lifted and income-tax thresholds raised. Public investment in infrastructure was increased by €3bn.

The problem confronting Irish policymakers is a lack of slack in the economy. The European Central Bank will continue to reduce interest rates, responding to bleak conditions elsewhere on the continent. Ireland's jobs market is tight. Any additional moves by the government to cut taxes or increase spending are likely to push up inflation. Full details on how some of the Apple windfall will be spent are due to arrive in January; ministers are already under pressure to splash even more cash. The politics of closing a deficit are never easy. Nor, it seems, are the politics of running an enormous surplus. ■

Fiscal policy

In search of lost revenue

Sin taxes are suffering from a shortage of sinners

PITY THE California taxman. The state has a yawning budget deficit, which politicians are attempting to narrow. Local laws make it difficult to raise taxes, requiring a two-thirds majority. Worse, once-reliable sources of funds are running dry. Fuel-tax revenues are forecast to fall sharply as drivers switch to electric vehicles. Revenues from cigarette taxes have fallen by $500m, or 29%, since 2017; now those from alcohol taxes are dropping, too. This is a concern: at present, revenues from the trio of taxes amount to nearly half of what the state spends on higher education.

Others are in a similar situation. The EU plans to phase out fossil fuels even as its finance ministries continue to depend on fuel taxes. Britain's budget watchdog forecasts that the disappearance of petrol and diesel cars will cut £13bn ($17bn) a year from tax revenues by 2030; on October 30th Rachel Reeves, the chancellor, declined to raise Britain's fuel levy, fearful of a backlash. Receipts from other "questionable" products and activities—alcohol, gambling, tobacco and sugar—have fallen from 4.5% of Britain's tax take to 3.2% over the past decade. Governments spent years fighting sin. Now they miss it.

At the turn of the 20th century, some 90% of American federal revenue came from alcohol and tobacco taxes. As the state grew larger, general levies became more common, with sin taxes mostly used as a tool to change behaviour. Recently they have grown in popularity, as governments have become ever more concerned about the health of their populations. Taxes now account for well over half the cost of a packet of cigarettes in Britain, which has helped push up the cost of a pack by 220% over the past 30 years. Although taxes on fuel are not strictly sin taxes, as they are levied to pay for road maintenance, their decline is driven by the fight against a modern sin: carbon-dioxide emissions.

Nearly all studies on the impact of sin taxes find an effect. For instance, a British government review, looking at the impact of a levy on soft drinks, found that it prompted manufacturers to reduce the sugar content of their products by 46%. Social change is also playing a part, with populations across the rich world growing increasingly abstemious. In 1980, 33% of Americans smoked. Now just 12% do.

What to do about the growing budgetary hole? Ratcheting up taxes on existing sins is an obvious choice. The problem is that doing so changes behaviour, further reducing revenues. California, for example, has raised its fuel tax every year since 2019. Britain's budget on October 30th announced even heavier levies on booze, smokes and soft drinks. In September Slovakia approved new laws to raise taxes on sugary drinks and tobacco products, one of a host of measures that Robert Fico, the country's prime minister, says will help solve the country's budget problems. ▸▸

The search is also on for new sins to tax. In the budget Ms Reeves announced a new duty to be levied on e-cigarettes (set a little lower than the one on actual cigarettes). America's current vices of choice are marijuana and sports gambling. Lots of states have legalised both over the past decade, lured in large part by the prospect of extra tax revenues. In 2022 California earned double the amount from taxes on marijuana as it did from those on alcohol. "Let's just hope a lot of people gamble and we get a lot of money," remarked Jack Evans, author of the bill that legalised sports betting in Washington, DC, in 2018.

Replacing fuel taxes is a tougher challenge. Charging drivers as they fill up their tanks is straightforward and fair: someone who drives a lot, and thus wears out roads, will also pay a lot of tax. Flat taxes on vehicle registrations would burden those who do not drive much; an electric car can be charged anywhere, making it difficult to identify electricity used for the purpose. Another option would be to charge drivers for every mile they drive. Virginia is experimenting with such an approach, but its voluntary programme has only 30,000 participants out of 6m drivers, and the state makes a loss on the project.

Gluttons, gamblers and gas-guzzlers may seem in a weak position to argue back. But even sinners have the vote, as Ms Reeves was acutely aware when she declined to raise fuel duty. And policymakers want to avoid a sin of their own: greed. ■

BUTTONWOOD

Reincarnation time

Will bond vigilantes come for America's next president?

WITH JUST days left before America's presidential and congressional elections, market participants are abuzz with discussion of what the various results might mean for everything from trade and defence to tax and regulation. But the Treasury market, which ultimately underpins much of global finance, is of particular interest.

Some investors think political risk is already interfering with the world's largest bond market. Ten-year Treasury yields have climbed in the past six weeks, from 3.6% on September 16th, the lowest in almost a year and a half, to 4.3%. Market volatility has risen to its highest this year. So far the evidence, on balance, suggests political panic is playing a relatively small role. As America's debt levels keep rising, that may change.

If either party wins a clean sweep—gaining the presidency as well as majorities in both houses of Congress—there will be a limited check on its fiscal ambitions. *The Economist*'s election model finds that the chance of this happening is greater 50%, with the Republicans more likely to achieve a total victory. Donald Trump's recent suggestion that he could abolish income tax in favour of revenue from tariffs has been the most absurd proposal, but both presidential candidates have made chunky and unwise pledges on tax and spending.

Even without a rush of additional spending, America's deficit is forecast to run to an average of 5.5% of GDP over the rest of the decade. A greater share of Treasury issuance is now made up of bills—short-term bonds—meaning that the scale of the borrowing will be particularly large, as the debts need to be refinanced more regularly.

How will the market bear up? Analysts fall into two broad camps. Some have bond vigilantes on their mind, believing that investors are waiting to bring Washington's largesse to an end. Others think that worries about a panic are overstated: although the effect of new issuance may not be zero, it is small relative to the effects of inflation and economic-growth expectations. The Treasury market is already the most liquid debt market in the world; an inflow of new securities does not move the needle much.

Both groups can claim some support from the recent market sell-off. The term premium—a measure of the compensation that investors demand for taking on all manner of risks related to growth, inflation and intangible political concerns—has accounted for most of the rise in yields. It has increased from around -0.3% on ten-year bonds in the middle of September to 0.2%. Investors really are becoming more cautious.

But the measure is still barely positive, and sits far below where it was during previous periods of worry. For most of the time from 1980 to 1995, when investors were concerned by surging inflation, and then the risk of rising federal debt, the term premium accounted for between two and five percentage points of the yield on a ten-year Treasury bond.

The historical evidence provides further reasons for calm. In May Christopher Gust and Arsenios Skaperdas, both of the Federal Reserve, published a review of the evidence on the impact of rising government debt on long-term bond yields. Across nine studies, an additional percentage point of debt, relative to GDP, was estimated to raise long-term interest rates by between 0.01 and 0.06 percentage points. By the end of the decade, America's debt-to-GDP ratio is set to rise by eight percentage points, which would imply a rise in long-dated yields of between 0.1 and 0.5 percentage points. Although the second outcome would be unwelcome, the first would be difficult to notice at all.

Yet Messrs Gust and Skaperdas also offer an important caveat: with American peacetime debt near its highest-ever level, history may not offer a reliable guide to what is to come. Moreover, the Treasury market is heading into uncertain territory. At the beginning of next year the federal debt ceiling will be reinstated unless lawmakers act. America may therefore risk a default once again, especially if the new government is a divided one.

Sclerosis in American politics means that it is unwise to be relaxed about the coming Treasury issuance. As the stock of debt grows, small shifts in America's interest payments will make an increasingly big difference to the annual bill. If the bond vigilantes do appear, the experience will be more painful than in the early 1990s. America's next president will inherit a great economy. The financial situation is a little hairier.

FREE EXCHANGE

Sitting on a critical-mineral mine

Greenland faces one of history's great resource rushes—and curses

A BILLION YEARS ago, as one tectonic plate ripped apart from another, two chambers of magma were sealed off beneath what would later become Greenland. As thousands of years passed, the magma cooled, each layer crystallising under rarefied conditions. Today the Ilimaussaq intrusion is a giant fold of rock beneath Gardar, in south-west Greenland. By a stroke of luck, it is home to 30 of the world's most desired raw materials.

There are, in total, 50 "critical minerals", according to a list maintained by the American government. At present, these are mostly supplied by China. Without them a modern economy and armed forces would be crippled. Therefore Greenland's supplies are of extraordinary importance. Add in deposits in the east, and the territory has known reserves of 43 of the 50 minerals. Molybdenum strengthens steel for offshore wind farms. Terbium is a component of magnets in tanks. Copper goes in everything from electrical wiring to chips for artificial intelligence.

Greenland's minerals have attracted firms backed by the likes of Jeff Bezos, founder of Amazon, and America's Department of Defence. When he was president, Donald Trump suggested that America purchase the island. For the moment, it is part of Denmark. Its 56,000 people may be sitting on riches. On a per-person basis, they may even face history's greatest resource rush. Yet, so far north, with so few people, a boom is not guaranteed.

Things often go sour in resource-rich economies, a fate known as the "resource curse". Greenland is a long way from the most extreme examples, such as countries ravaged by gem-trading warlords. It will, though, struggle to avoid the less violent version of the curse, in which sparse populations, flush with state handouts, fail to remain productive. In the Gulf, few people have reason to venture into the private sector. With oil revenues now set to decline, that is a problem for the region's policymakers.

Although extraction in Greenland is still at an early stage, things are accelerating. Firms are now drilling at 170 sites, up from 12 a decade ago. Such exploration is one of the oldest and riskiest forms of economic speculation; returns do not just rely on what is underground, but also on market prices holding up for long enough to get it out. KoBold Metals, financed by Bill Gates, Microsoft's founder, and Mr Bezos, is using artificial intelligence to find sites to drill, and has spent $15m developing Disko Nuussuaq, a deposit of cobalt and copper. Other investors say they have spent over $100m and sent hundred-strong workforces to camp in subzero temperatures. One reports building a road on a glacier.

For Greenland to get rich off resources, it needs firms to open commercial mines. Lots of exploration comes to nothing, and so brings in little revenue for the government. It is exploitation that brings tax windfalls and foreign investment. But there is, at present, just one active mine. And this is where the problems begin.

Owing to handouts from Denmark, Greenland is well-off. GDP per person sits at $57,000, above the EU average. At the same time, the government wants independence, and thus to prove that it can stand alone, which will require mining. The difficulty is persuading locals to get involved: the labour market is ultra-tight, with just 0.2% of the workforce unemployed. "We need Greenlanders cooking, doing the logistics," says an official at an industry party in Iceland. "Where from?" shoots back an investor.

The Gulf's solution was to import vast amounts of foreign labour. Greenland's population is so small that even tiny amounts of immigration represent enormous demographic shifts, which worries policymakers. One government projection suggests that the population could double by 2030. Each mine will need roughly 300 experienced foreign miners, according to an official; a single project would increase the local population by 0.5%.

The government is effective, inspired by its desire for independence, but overstretched. There are just 16 staff in the planning ministry to oversee hundreds of licences and environmental reports. Wannabe investors have been left waiting for years. Greenland did not wrestle control of its underground resources from Denmark until 2009. As part of the deal, royalties from exploitation are offset by reductions in its handout, which limits the incentive to speed up extraction. Although proceeds could in time far exceed that benchmark, for the next couple of decades the government will, in effect, have to hand over whatever it makes.

Cold climate

On top of all this, Greenland's population is 88% Inuit, an indigenous group that is fiercely protective of the right to extract resources. Unfortunately, no domestic firm has the expertise or capital required. In other countries it is standard practice for governments to give miners tax breaks until their initial investment is recouped. But in 2021 Siumut, a party that had been in power for all but four years of the previous four decades, lost an election over such preferential treatment for a Chinese firm that ran a mine in Gardar. Lots of locals would prefer the government to court investors in fishing and tourism, which could turn a quicker profit.

The final stages of Saudi Arabia's bonanza also worries policymakers. Only the arrival of foreign labour allowed the government to plunder resources. Few Saudis actually wanted to start companies; most preferred to take less taxing jobs in the civil service or to just get by on state handouts. The country's productivity plummeted. Today hundreds of billions of dollars are being spent fixing these problems, courting foreign investment, supporting domestic entrepreneurs and pushing local firms to cut back on their employment of expats. "It is far better to try to get the right jobs to Greenland now than reverse-engineer an economy [like that]," says an official. Exactly how policymakers plan to do this is not clear. In the meantime, investors are becoming impatient. ■

Science & technology

Psychiatry

Coming into focus

Researchers are starting to question if ADHD should be seen as a disorder

IT IS "LIKE being inside a pinball machine with a hundred balls," says Lucy. "Three inner monologues," says Phillip. "Like several tracks playing at the same time," says Sarah. This is how people with attention-deficit hyperactivity disorder (ADHD) describe what is going on in their heads at any given moment. With so many thoughts jostling for attention, it is a struggle to concentrate. Appointments fly by. Relationships founder. Feelings of inadequacy—alongside anxiety and depression—start to creep in.

The number of ADHD diagnoses is rising fast in many countries, among children as well as adults like Lucy, Phillip and Sarah, who were all diagnosed in their 30s. Among the patients seen at 26,000 American clinics and hospitals, the share who were newly diagnosed with ADHD rose by 60% from 2020 to 2022 (see chart). Prescriptions for ADHD medication by England's National Health Service doubled between 2018 and 2023.

The rise is down to several factors, including a better understanding of how ADHD affects women and girls, and the fact that its symptoms are proving harder to bear in a distraction-filled world. Timely diagnoses have allowed many who might have suffered in silence to access appropriate, and sometimes life-changing, medication. But for a growing number of experts, the evolving scientific understanding of ADHD is leading them to question whether it should be seen as a disorder at all.

Instead, they say, ADHD may simply represent another point on the spectrum of neurodiversity: the range of different ways of thinking and behaving that count as normal. They point to other, non-pharmaceutical interventions that have been shown to make a difference to people with symptoms, from building a supportive environment that harnesses their strengths to offering tools that help them cope with the challenges of daily life.

ADHD is not an easy condition to define. Psychologists often link it to "executive function", an umbrella term for working memory, cognitive flexibility and the ability to inhibit actions and thoughts when necessary. Diagnosis currently relies on a set of questions about inattention, hyperactivity and impulsivity, as well as the severity of the problems that symptoms cause. Estimates of its prevalence depend on the diagnostic guidelines. By the criteria of the World Health Organisation 1-2% of British children and adolescents qualify; by those of the American Psychiatric Association the rate would be 3-9%.

The eye of the beholder

Such subjective diagnoses are, inevitably, imperfect. The ways in which ADHD manifests in girls, for example, have long been overlooked. (Boys are two to three times more likely to have ADHD but the gender gap in diagnoses has historically been much wider.) One reason is that girls are better at finding ways to hide (or "mask", in the jargon) their inattention—something that was missed by four decades of ADHD research focusing on boys and men.

Diagnosing ADHD in adults poses its own challenges. A child's physical hyper- ▸▸

→ ALSO IN THIS SECTION

71 Fibre-optic tech in molluscs

72 Why space is bad for you

73 Could airships ever carry cargo?

activity evolves into inner restlessness; inattention and disorganisation manifest as struggles with everyday grown-up tasks. The inner restlessness in ADHD can, itself, be easily mistaken for anxiety.

Scientists looking to simplify matters with a checklist of biological markers of ADHD have come up empty-handed. Two people with ADHD may exhibit similar symptoms caused by entirely different underlying psychological and neurological processes. Imaging studies that have examined the structure and workings of the brain have failed to agree on what, if anything, characterises the ADHD brain. Studies looking for genetic clues have also revealed little, other than the discovery that ADHD is heritable.

"It has become more accepted in the past ten years that it is not a single biological entity," says Edmund Sonuga-Barke, a neuroscientist at King's College London. That may explain why specific psychological interventions, such as therapies to improve working memory, have failed to make a difference. Medication, by contrast, can be highly effective. Psychostimulants, the most commonly prescribed, help with focus and concentration, and work immediately. Their effectiveness, says Dr Sonuga-Barke, probably has to do with the fact that they act on dopamine and norepinephrine receptors, which are found all over the brain. The drugs, in other words, stimulate many of the wide range of brain systems implicated in ADHD symptoms.

For people with severe symptoms, they can be life-changing. Recent studies from Sweden have found that medication is linked with lower chances of long-term unemployment in people diagnosed with ADHD, as well as fewer deaths from accidents. But the benefits need to be weighed carefully against the risks. In children such drugs can affect physical growth and are reserved for severe cases. Side-effects in adults include increased risk of psychosis and heart problems, and they can worsen mental-health problems.

Better long-term solutions may be possible. Some scientists argue that these will involve tackling the arbitrary diagnostic criteria that exist for ADHD and other cognitive and neurobehavioural disorders, such as autism and dyslexia. Symptoms that are common in people with ADHD often occur in those with other such conditions, making it difficult to determine which diagnosis is most appropriate. At the same time, some of the most common symptoms experienced by those diagnosed with one of these conditions are excluded from the diagnostic criteria altogether. (Problems with emotional regulation are a case in point for ADHD.)

To get round these problems, some experts think that children and adults may be better served by a "transdiagnostic" approach that involves providing help tailored to the individual's specific cognitive, behavioural and emotional difficulties without bothering with diagnostic labels.

Researchers have shown that changes in a person's environment can have dramatic benefits. Children do better in life if parents and teachers provide a supportive, warm environment with structure and rewards for academic and behavioural achievements. For many adults, ADHD symptoms "go underground" when they are in jobs and relationships that play to their strengths, says Stephen Hinshaw, a psychologist at the University of California at Berkeley. In a paper published on October 16th Dr Hinshaw and his colleagues report that 64% of nearly 500 children with ADHD had symptoms that fluctuated over the 16 years during which they were tracked, including periods in which they did not meet the diagnostic criteria for the condition.

Far more can be achieved if schools and workplaces are redesigned to accommodate those with symptoms of ADHD, says Nancy Doyle from Birkbeck University, rather than expecting those individuals to adapt to their environments. In schools, closing classroom doors and windows cuts distracting noise; organising lessons to include standing and moving helps children who find it hard to sit still for a full period. Dr Doyle, who advises employers on how to accommodate neurodiversity, has found that the things employees with ADHD and other neurodiverse conditions find most helpful are free—such as flexibility to work from home or to choose the hours of the day to spend at the office.

Whether such interventions can, on their own, replicate the success of medication remains to be seen. But they could make life easier for the many people with ADHD-like symptoms who turn to medication to fix problems created by their circumstances rather than their biology. ■

Mass distraction

US, share of patients with ADHD by age of initial diagnosis*, %

Source: TipicResearch.org *26,000 clinics and hospitals

Malacology

Bivalve broadband

Lenses in heart-cockle shells may transmit light like fibre-optic cables

SLURPING OYSTERS from their shells may be a rare indulgence for humans, but these bivalve molluscs and their relatives, such as clams and mussels, slurp for a living. Most are filter feeders, ingesting microscopic organisms as well as debris from their aquatic environments. A handful of mollusc species, however, have formed symbiotic partnerships with algae that live within their tissues. These individuals augment their diet with sugars that their microscopic partners produce through photosynthesis.

Some species, such as giant clams, must open their shells to give the algae the sunlight they need. But smaller relatives called heart cockles are able to nourish their internal algae farms without popping their lids. A recent preprint claims to have worked out how. These heart cockles are able to channel sunlight through their shells using the biological equivalent of fibre optics—the first time such an innovation has been seen in nature.

Fibre-optic cables are engineered to carry light over long distances with minimal loss. They do this by in effect trapping the light inside a material with a higher refractive index than the cladding that surrounds it. Every time the light meets the boundary between the core and the cladding, the difference in refractive indices means light reflects off the boundary rather than passing through.

Dakota McCoy, an evolutionary biolo- ▸▸

gist at the University of Chicago, and her colleagues believe that something similar is going on in heart cockles. Their shells possess transparent windows formed of fibrous crystals of aragonite (a form of calcium carbonate), surrounded by a "cladding" made of aragonite and chitin, a material also found in arthropod exoskeletons.

After taking detailed microscopic images of heart-cockle shells, Dr McCoy and her team determined that the opaque aragonite crystals and chitin surrounding the transparent windows have a lower refractive index than the windows themselves, ensuring that incoming light reaches the hungry symbionts within. That, says Oded Raz of the Eindhoven Technical University of Technology, who was not involved in the research, makes it a form of fibre optic.

The team also measured the wavelengths of light that the windows transmit to the algae using slices of the cockles' shells in laboratory experiments. Though the windows allow photosynthetically useful wavelengths of light to enter, they also filter out ultraviolet (UV) radiation that might harm the cockle and its symbionts. This UV-protection mechanism appears to have the edge on those used by coral, which house the same types of algae and exploit them in similar ways.

Why such abilities evolved in heart cockles remains unclear. It is possible, says Dr McCoy, that their aragonite windows could serve as primitive eyes for viewing the world outside their shells. This evolutionary innovation may also be protective: owing to their small size, heart cockles are more vulnerable to predation while open than giant clams are. Whatever the cause, these spineless technological masterminds seem to have it all worked out. ■

Space medicine

The wrong stuff

Going into orbit sends cells haywire. Scientists are trying to work out why

SPACE IS NOT a very hospitable place. There is no air. Depending on whether you are in sunlight or not, it is either freezing cold or roasting hot. There are subtler hazards, too. Even when provided with oxygen and a stable temperature by their spacecraft, astronauts seem to sicken the longer they spend away from Earth.

Spending time in orbit, for instance, causes bones and muscles, including the heart, to waste away. Astronauts on the International Space Station (ISS) spend several hours a day exercising in an attempt to fight this enfeeblement, with only partial success. Levels of radiation beyond Earth's protective atmosphere and magnetic field are higher than on its surface, which may increase the risk of cancer.

A report published on October 22nd by the Guy Foundation, a British non-profit interested in the links between physics and biology, adds some new potential health hazards for astronauts to worry about. The report draws on several strands of emerging research to argue that long-duration spaceflight, or living on other planets, might be even more difficult for humans than had been assumed.

The main concern is the damage space travel seems to do to mitochondria, components found in almost every cell that produce the energy that powers the rest of the cell. In 2020 a group led by Willian da Silveira at Queens University in Belfast, and including researchers from NASA, found that spaceflight causes dramatic shifts in how mitochondria work. They suggested this could explain many health problems seen in astronauts, from immune-system difficulties to cardiovascular issues. The new report suggests astronauts face something that looks like "accelerated ageing", and that this is associated with the disruption of cellular energy production.

The report floats several potential causes for the malfunctioning mitochondria. Some are well-grounded in existing science: radiation can damage cells directly, for instance. Others are more speculative. Free-fall is one potential villain. The report presents emerging evidence that the drag of Earthly gravity may be important for various cellular processes. Even the lights in spacecraft come in for examination. These currently do not reproduce the full spectrum of sunlight, particularly infra-red radiation. Sunlight is known to govern the body's sleep-wake cycle, and may affect other bodily functions too.

The researchers also note one emerging question in cellular biology: whether the influence of Earth's magnetic field might be an important factor for the chemical reactions upon which mitochondria rely to produce energy. Neither Mars nor the Moon, two possible places for establishing space colonies, possesses a magnetic field like that of Earth.

More data would help: although astronauts are examined by medics on their return from space, there have been few long-term studies. One solution, the researchers say, might be to run multi-year animal experiments in orbit. Other data will be harder to generate. If lack of gravity is a problem, is the gravity on the Moon (about a sixth of that on Earth) enough to fix it?

Some problems might be fixable via engineering. Lunar bases could be built underground to shield them from radiation, and lighting tweaked to make it more sun-like. A more drastic approach would be to tweak the humans rather than their habitats. Sir Martin Rees, an astronomer and former president of the Royal Society, has long argued that *Homo sapiens* is constitutionally unsuited for space travel, and that genetically engineering a new subspecies—*Homo spaciens*?—might be a better way to colonise other worlds. ■

Like everything fun, space is bad for you

Air travel

The sky's the limit

SANTA BARBARA

Airships may finally prove useful for transporting cargo

IN 1783 THE Montgolfier brothers lofted a trio of farm animals over Versailles in a hot-air balloon, in what remains the most iconic demonstration of the power of lighter-than-air craft. Since then such vehicles have adapted to carry ever more—and ever more distinguished—passengers. But they have rarely been used to transport cargo.

This is a wasted opportunity. Floating objects, whether boats, bubbles or blimps, can be moved and parked with relative ease. Because airships boast such exceptional "lift-to-drag ratios", as engineers put it, they also consume relatively little fuel. This makes them—at least in theory—ideal freight vehicles.

The big stumbling block so far has been the need for variable buoyancy: the ability to compensate for weight changes when loads are picked up and dropped off. Simply releasing the lighter-than-air "lifting gas" from the sacs in which it is held is a non-starter. Maintaining stockpiles wherever deliveries are made is logistically difficult and expensive (helium, the most commonly used lifting gas, now costs about $35 per cubic metre, the amount needed to lift a single kilogram).

Now, however, a handful of firms say that they have devised feasible alternative systems for adjusting buoyancy. If their plans hold up, airships designed to move everything from felled trees to prefab buildings could soon take to the skies.

One straightforward way to control buoyancy is to take on and release ballast. Though large amounts of sand or dirt cannot be extracted or dumped at will, water is easier to handle. For that reason, Flying Whales, a company based near Paris, has designed a 200-metre-long "flying crane" helium airship called *LCA60T* (mock-up pictured above) to hold up to 60 tonnes of water ballast. Sébastien Bougon, the firm's boss, reckons it would be practical for moving rocket sections and powerline towers; transporting logs from forests to sawmills; and carrying heavy equipment like turbine blades and prefab hospitals to remote areas. With help from aerospace partners including Boeing, Pratt & Whitney and Thales, he hopes to have the first airship built and certified by early 2028.

Up, down and away

One alternative way to reversibly change an airship's buoyancy is to compress its helium. The newly available space can then be filled by drawing in (and pressurising) heavier air from outside. Flying Whales, for its part, eventually hopes to shift from water ballast to compression kit with help from Air Liquide, a French gases producer that is one of its financial backers.

Aeros, a Los Angeles-based maker of advertising and surveillance airships, has already developed such a compression system. Its plan is to operate floating warehouses that will serve as hubs for fleets of drones shuttling e-commerce packages to nearby homes and businesses. The firm's chief executive, Igor Pasternak, says a modified version of its *40E Sky Dragon* airship, which carries a payload of one tonne, is to begin a "commercial demonstration" above Los Angeles County by early 2025.

Operating a floating hub of this kind has proved too ambitious for some. Amazon patented such a concept in 2016 and Walmart applied for a similar patent the following year, though neither American retail giant appears to have pursued the idea. Aeros is undeterred. ShipBots, a firm that currently uses lorries to deliver parcels in Los Angeles, has agreed to pay Aeros $5m for 1m such deliveries. ShipBots's boss, Payam Ahdoot, says the goal is to have a drone in a customer's backyard within 90 minutes of being summoned.

Though Aeros is tightlipped on the specifics of its compression system, some consider the approach to be impractical. The naysayers include Bob Boyd of AT² Aerospace, a firm in Santa Clarita, California, that is designing an 87-metre-long airship for industrial deliveries of up to 23.5 tonnes. He believes that equipment for compressing gases is too heavy and generates too much heat for an airship.

Instead, AT² is seeking variable buoyancy with a "hybrid" airframe. This means the airframe is shaped so that forward motion creates a differential in air pressure capable of providing lift, just like an aeroplane's wings. AT²'s *Z1 Hybrid Airship* was designed for a top speed of 111kph and, if needed, a runway takeoff. The faster it moves, the more weight it can manage.

Additional ways to handle weight changes are also being pursued. Atlas LTA, an Israeli airship maker near Tel Aviv, is combining a hybrid airframe with gas compression in a cargo airship able to carry 165 tonnes, just over five shipping containers at maximum weight.

Some are even venturing beyond helium to hydrogen, a lighter and less expensive lifting gas. H2 Clipper, a company based in Santa Barbara, California, believes these upsides outweigh risks posed by hydrogen's flammability. H2 Clipper has produced a design for a mammoth 305-metre-long airship to be filled with enough hydrogen to carry a payload of 200 tonnes. Such systems are not cheap: the cost of building the first full airship could reach $400m, says Rinaldo Brutoco, H2 Clipper's founder. Even so, he believes future operators of his airships will profitably provide two services in particular. One is the floating warehouse others are pursuing; the other is resupplying fuel depots with liquid hydrogen, no pipeline required.

The world of lighter-than-air flight has long attracted dreamers, so a note of caution may be in order. That said, if airship deliveries do become commercially viable, the industry will get a much-needed lift. ■

Culture

Film and television

A Mexican wave

MEXICO CITY

The new power in entertainment is south of the border

CHURUBUSCO STUDIOS, a rambling complex in Mexico City, has been in business since 1945; in that time it has overseen some 3,000 movies and more *telenovelas* than anyone can remember. Today, on one of its sound stages, sits something from the future: a curving, luminous wall of 800 LED panels, stretched out in a panorama the size of four double-decker buses. The giant screen, displaying a computer-generated backdrop of Mexico City, is manipulated by technicians who can change the weather or rearrange buildings from a nearby console covered with glittering monitors and switches. It is "like flying the *Apollo 11*", says Monica Reina, the head of Simplemente, the company that built it.

This virtual-production studio, the first in Latin America, was built last year at the request of Amazon Studios, which used it to film "Every Minute Counts", a drama series about the Mexico City earthquake of 1985 which will start streaming on Prime Video on November 8th. In the same week Warner Bros Discovery will launch "Like Water for Chocolate", a streaming series executive-produced by Salma Hayek, and Netflix will drop "Pedro Páramo", its movie adaptation of Mexico's arguably greatest (and certainly weirdest) novel. The three releases represent each streamer's priciest production in Mexico to date; Netflix believes that "Pedro Páramo" is the most expensive Mexican movie ever made.

For decades Hollywood executives have gone south of the border in search of cut-price production services. But increasingly they see Mexico as a source of creative spark, too. When Ted Sarandos, Netflix's co-chief executive, was asked which place he was most excited about, he said Mexico. Global demand for Spanish-language television has nearly trebled in the past four years, with Mexico accounting for a quarter of the shows, estimates Parrot Analytics, which tracks consumer interest.

Mexico has a long history as a film-production hub, having taken up the slack when Hollywood slowed down during the second world war. For a time in the 1940s cinema was Mexico's sixth-largest industry. Talent later fled to Mexico from Spain's dictatorship in the 1940s-70s and from Argentina's in the 1970s and 80s.

All this has given Mexico "the DNA of international production", says Avelino Rodríguez, head of Canacine, an industry body. When Netflix made its first foreign-language original, nine years ago, it chose to do so in Mexico (with "Club de Cuervos", a football comedy-drama).

For all their technical experience in moviemaking, Mexicans have seldom seen their own stories convincingly told on screen. Though the Mexican box office ▸▸

→ ALSO IN THIS SECTION

75 Hello Kitty turns 50

76 Dawkins on reading genes

77 The return of goth culture

77 Podcasts and American politics

78 Elections on screen

sells more tickets than that of any country after India, China and America, its multiplexes are dominated by foreign fare. And when Mexico has starred, its image has often been wearily familiar: Westerns, *novelas* and the ever-popular narco-dramas predominate. "People would equate Mexican film as if it was a genre," rather than a nationality, says Alejandro Ramírez, chief executive of Cinépolis, a Mexican cinema chain that is the world's third-largest.

Páramo, not Paramount

Increasingly, however, Mexican productions are finding an authentic edge. The arrival of well-capitalised American streamers courting local audiences has meant a big infusion of cash. Netflix opened an office in Mexico five years ago; it now occupies six storeys of a central skyscraper, overlooking a city where its adverts seem to plaster every bus shelter. In the first half of this year Netflix commissioned nearly four of every ten movies and TV series in Mexico, reckons Ampere Analysis, a research firm.

As well as cash, streaming is inserting a bit of grit. In the broadcast era producers in Mexico and every other country had to make shows for the widest possible audience, resulting in those familiar tropes. "People imagined Mexico was *mariachis* and people riding horses in the street," says Francisco Ramos, Netflix's head of content in Latin America. Streaming, by contrast, can cater to niches, allowing realistic slices of life. "The Secret of the River", a coming-of-age drama series set in rural Oaxaca, might never have been made in the broadcast era, believes Mr Ramos.

Netflix says its data suggest that shows are more likely to travel internationally if they are also popular at home. It has responded with a "local for local" strategy, aiming its Mexican output squarely at Mexicans, and hiring more Mexican (as opposed to more broadly Latin American) staff to make them.

Independent movies are also finding it easier to break even. The long-standing dominance of Mexican television by Televisa, a politically connected broadcaster, meant that locally made movies earned little from TV rights, instead relying on the box office for around 80% of their revenue. Since the arrival of the streamers, the television market has become more competitive, and TV rights now contribute nearly half of Mexican movies' earnings, estimates one industry insider. The downside for cinephiles is that many of those movies now go straight to the small screen, forgoing a theatrical run in return for a big cheque from a streamer.

This is not the first wave of interest in Mexican film. Twenty years ago, critics swooned over the "Three Amigos", a trio of Mexican directors. The Amigos, now in their 60s, have become established stars in Hollywood: Alfonso Cuarón has just made "Disclaimer", a thriller for Apple TV+; Guillermo del Toro is working on a new "Frankenstein" adaptation for Netflix; Alejandro Iñárritu is directing an untitled Tom Cruise film for Warner Bros.

The difference today is that Mexican creatives are getting more options to tell their own stories at home, rather than heading north for work. "We used to be a country that exported talent. Whenever one of these wonderkids popped [up], the US acquired them...Now these kids are coming back, and they are saying, 'I want to do my show, but on a global scale'," says Alonso Aguilar, head of Mexican originals at Amazon Studios.

The next generation, which Mr Aguilar dubs "the kids of the Three Amigos", is already earning plaudits on the festival circuit. Earlier this year Astrid Rondero and Fernanda Valadez won the grand jury prize for world cinema at the Sundance festival with "Sujo", a movie about a hitman's son. Lila Avilés picked up various gongs last year for "Tótem", a portrait of a child's relationship with her grandfather, having previously won awards for "The Chambermaid" in 2018.

This crop of film-makers also has a healthy dash of commercial nous, and an eye on the world beyond Mexico. Michel Franco won the grand jury prize at the Venice Film Festival in 2020 with "New Order", a dystopian flick that imagines a military dictatorship taking over the country. Since then he has gone on to make international crossover features with actors such as Tim Roth ("Sundown", 2021) and Jessica Chastain ("Memory", 2023). Alonso Ruizpalacios, who was recognised at the Berlin Film Festival in 2018 for "Museum", a Mexico City-based heist, this year made "La Cocina", a movie set in a restaurant in Manhattan and filmed in English and Spanish. As Mexico tells more of its own stories, audiences around the world are watching. ■

The queen of kawaii

Still cute at 50

TOKYO

Hello Kitty: the face that launched a thousand products

MOST HAVE to wait until their centenary to receive birthday wishes from the king of Britain. But King Charles III made an exception for "a self-made entrepreneur worth billions of dollars and a UNICEF children's ambassador on top". The monarch was feting a figure more recognisable than any billionaire or emissary: Hello Kitty, who turns 50 this year.

The character was created by Shimizu Yuko, a Japanese illustrator, on November 1st 1974. Soon after, Kitty was appearing on an astounding array of trinkets. Today you can wear her face on your hands, with OPI fake nails, or your feet, in the form of Adidas trainers. You can wash yourself in a Hello Kitty shower and dry yourself with a Hello Kitty towel. (Unofficially, you can ▸▸

More than a feline

even brandish a Hello Kitty AK47, or have sex using a Hello Kitty condom.) Sanrio, the company which owns the character, makes almost $4bn in sales annually.

Kitty's popularity is emblematic of the global craze for cute things. In Japan the phenomenon, known as *kawaii*, dates back to at least the 17th century, when artists started producing miniatures and paintings of animals. Despite the name, whiskers and pointy ears, Kitty is supposedly not a cat, but a little girl who lives in the suburbs of London with her family.

Kawaii implies vulnerability and dependency, yet there is a sense of *asobi*—playfulness—to the way Kitty looks. Her charm lies in her expressionless face: she is composed of just three circles, six lines and a red bow, notes Joshua Paul Dale, a specialist in Cute Studies at Chuo University in Tokyo. The simplicity of the design makes it easy to reproduce on all manner of items. Unlike Mickey Mouse, Kitty's look has not had to be updated.

Kitty was born in the right place, at the right time. Kato Norihiro, a cultural critic, has argued that she reflects the aftermath of the second world war. With no meaningful back story, Kitty represented the mood in Japan and "the impulse to escape history and to stop talking about it". She emerged as "the perfect post-war icon", agrees Roland Kelts of Waseda University. "Japan's warrior nation was shoved under the rug and the message to Japan was: 'Shhh, look cute and beautiful'."

She also coincided with a changing social and economic landscape. In the 1970s women joined the workforce in greater numbers; they earned money and spent it on cute items for themselves. Yet even when Japan's economy faltered in the 1990s, Kitty remained popular. When the mood is sour, sweet things are even more desirable. You "want to retreat into that fluffiness", says Christine Yano, an anthropologist and the author of a book on Kitty's omnipresence. (Studies have shown that looking at cute things can reduce stress and improve your mood.)

The character went global towards the turn of the 20th century, as Japan became an increasing source of fascination and inspiration in the West. Demand for anime films and manga comic books grew. In 2013 the Japanese government, seeking to capitalise on this cool status, introduced a policy to promote the country's culture abroad.

Hello Kitty has been such a hit that other firms are trying to replicate her success. Chinese companies are investing in new cartoons; Sanrio, too, frequently puts out more characters. Since 2017 Cinnamoroll, a dog with a curly tail, has often ranked top of Sanrio's annual survey of its most popular characters. As new characters come and go, Hello Kitty wears the same inscrutable expression. ■

The theory of evolution

A tale of two biologists

Richard Dawkins has spent his career defending Darwinism

The Genetic Book of the Dead. By Richard Dawkins. *Yale University Press; 360 pages; $35. Apollo; £25*

GO TO ANY bookshop, and its shelves will be groaning with works of popular science: titles promising to explain black holes, white holes, the brain or the gut to the uninitiated. Yet the notion that a science book could be a blockbuster is a relatively recent one. Publishers and curious readers have Richard Dawkins to thank.

In 1976 his book "The Selfish Gene"—which argued that natural selection at the level of the gene is the driver of evolution—became a surprise bestseller. It expressed wonder at the variety of the living world and offered a disciplined attempt to explain it. It also announced Dr Dawkins, then 35, as a public intellectual.

A spate of books about evolution followed, as well as full-throated attacks on religion, particularly its creationist aspects. (In one essay he contemplated religion as a kind of "mind virus".) Dr Dawkins earned the sobriquet "Darwin's rottweiler"—a nod to Thomas Huxley, an early defender of the naturalist's ideas, known as "Darwin's bulldog".

Dr Dawkins, now 83, has returned with his 19th volume, "The Genetic Book of the Dead". Its working hypothesis is that modern organisms are, indeed, like books, but of a particular, peculiar, variety. Dr Dawkins uses the analogy of palimpsests: the parchments scraped and reused by medieval scribes that accidentally preserved enough traces of their previous content for the older text to be discerned.

At the moment, only fragments of the overwritten messages of these biological palimpsests can be parsed. A human genome, for example, contains many "pseudogenes" that once encoded proteins related to the sense of smell, but which have now been disabled because, presumably, they are no longer needed in an animal whose dominant sense is vision. Similarly (and more familiarly), a human spine's ancestral role as a suspension bridge from which the body hangs, rather than as a pillar that holds it upright, is clear from the compromises in its modern structure.

Dr Dawkins's contention is that, by proper scrutiny of genetics and anatomy, a scientist armed with the tools of the future will be able to draw far more sophisticated and connected inferences than these. This will then illuminate parts of evolutionary history that are currently invisible.

As an analogy, describing organisms as palimpsests is a bit of a stretch. A palimpsest's original text is unrelated to its new one, rather than being an earlier version of it, so it can tell you nothing about how the later text was composed. But that quibble aside, the tantalising idea is that reading genomes for their history is an endeavour that may form the basis of a new science.

Having introduced this thought, Dr Dawkins gets back to basics. As in 1976, the book's unifying principle is that genes are the sole units of selection. Some biologists have made careers out of forgetting this, Dr Dawkins implies. For this reason he takes aim at his old, late rival Stephen Jay Gould ("whose errors were consistently masked by the graceful eloquence with which he expressed them"), and Denis Noble, a venerable physiologist who was, back in the 1960s, his doctoral examiner.

Both these men have argued that evolution takes place at many levels other than genes. Gould, a palaeontologist, focused on the grand sweep—competition between entire taxonomic groups (species, families and so on) over the course of geological history. Dr Noble sees it in an organism's details. DNA, he suggests, is nothing special: like cells or organs, genes are merely part of a greater whole. But a moment's thought shows both of these views ▸▸

Subcultures and social media

Back to black

Goth culture has returned from the dead

THEY ARE famously gloomy, but goths have had plenty to smile about of late. "Beetlejuice Beetlejuice", a sequel to a hit fantasy-horror film of 1988, arrived in cinemas in September. The macabre visions of its director, Tim Burton, are the subject of a travelling exhibition which just opened at the Design Museum in London. And on November 1st The Cure releases a new album, "Songs of a Lost World", its first record in 16 years. (The band's melancholic songs are unlikely to cure a bad mood.)

Goth culture—typified by a doomy romanticism, a fascination with the ghoulish and a strong sense of outsider status—is having a moment. Models have moped down catwalks in black veils, crucifixes and lace gloves. Fashion influencers have been spotted wearing "Matrix"-style leather trench coats. (Earlier this year Warner Bros confirmed that work on a fifth film in the franchise is under way.)

Goth fashion brands, such as Killstar, BlackCraft Cult and Dolls Kill, are in the black. In America the goth fashion industry was valued at $1.4bn in 2022; it is expected to be worth $2.3bn by 2032. For those seeking a particular shade of inky lipstick, there are even goth makeup companies with such ominous names as Curst and Necromancy.

Billie Eilish, a singer, and Jenna Ortega, an actor, have emerged as the poster girls for goth in the 21st century. (Ms Ortega stars in a lot of Mr Burton's work, including "Beetlejuice Beetlejuice" and "Wednesday", the biggest English-language show on Netflix.) Born in 2001 and 2002 respectively, they represent the key to goth's resilience: its continuing appeal to the young.

Many subcultures age with their adherents, but goth consistently draws new blood. On TikTok, where 36% of users are under 25, there are 4.6m videos tagged as #goth—twice as many as its nearest contemporary, #punk, and nearly three times more than #grunge.

Many of these videos are tributes to goth fashion, but TikTokers are also celebrating long-standing goth music acts. Users compile #gothmusicrecommendations, suggesting the likes of Bauhaus (formed in 1978), The Sisters of Mercy (1980) and Fields of the Nephilim (1984). On a visit to Slimelight in London, a club night which has been running since 1987, you are likely to meet people who attended the opening party as well as Gen Z goths who have only just passed the age of admission.

John Robb, the author of "The Art of Darkness: The History of Goth", attributes goth's appeal in part to its adaptability. He notes that goth has a way of infiltrating other subcultures and spreading gloom. Goth music initially grew out of punk rock, but has since found a home in dance, electronica, folk, metal and rap.

Particularly important is goth's delight in the morbid. As Mr Robb puts it: "Everyone likes a walk on the dark side." When the geopolitical mood is ominous—as it was at goth's creation, almost 50 years ago, and is today—goth culture embraces fear and oblivion rather than ignores it. As The Cure once sang, "It doesn't matter if we all die...We die one after the other/Over and over."

Goth, however, endures. Is it any surprise that a subculture fascinated with the undead has proved so difficult to kill off?

are wrong. It is changes in DNA, and DNA alone, that are the mechanism of intergenerational change, and thus of evolution. Effects at any other level are mere leverage on, or consequences of, this process.

After 19 books and almost 50 years spent contemplating essentially the same theme, lesser authors would be forgiven for getting stale. But, though Dr Dawkins's topic is unchanging, his approach is always fresh, thanks to new examples and research. Yet he calls his current book tour "The Final Bow", suggesting that he is exhausted, even if his subject is not.

Dr Dawkins has been an influential figure as much as an important thinker. In the current age, when academics and students are fearful of expressing even slightly controversial opinions, the world needs public intellectuals who are willing to tell it, politely but persuasively, how it is. Dr Dawkins has long been happy to challenge his readers' orthodoxies (even if he has mellowed on the subject of faith, and refers to himself as a "cultural Christian"). Popular science writers today could take note. ■

Electioneering

Hear them out

How podcasts came to rule America's campaign conversation

DONALD TRUMP likes to talk. That much was clear from his three-hour interview on "The Joe Rogan Experience", America's most popular podcast, on October 25th. He rambled about "The Apprentice", Abraham Lincoln and aliens. It was not your usual presidential patter.

The Republican nominee has made "bro" podcasts an important part of his politicking. Alongside Joe Rogan's show (pictured)—the most in-depth interview he has done on the campaign trail—Mr Trump has appeared on "This Past Weekend" with Theo Von, a comedian, and "Impaulsive" with Logan Paul, a YouTuber.

His Democratic counterpart, too, has appeared on podcasts. Kamala Harris has focused on shows that are popular with young black men—such as "All the Smoke", hosted by two former basketball stars—and those with large female fanbases, including "Unlocking Us", hosted by Brené Brown, an academic, and "Call Her Daddy" with Alex Cooper. (Ms Harris is also said to be in negotiations to appear on Mr Rogan's podcast.)

Both candidates are hoping to win over undecided voters and galvanise reluctant ones. According to Edison Research, a data firm, one in eight Americans who listen to a podcast weekly are not registered to vote. Mr Trump's and Ms Harris's podcast appearances mark a shift in strategy: neither candidate has sat down with the editorial board of the *New York Times* or major newspapers in swing states.

The trend reflects two developments. One is Americans' faltering faith in traditional media. Today almost 70% of Americans have little or no trust in them, according to Gallup, a pollster. The other is the status of podcasts as a hugely popular and valued source of news. Almost 100m Americans listen to a podcast each week. Around 30 times as many people tune into Mr Rogan's show as watch prime-time CNN. Unlike flicking through various TV channels, selecting a podcast is a deliberate act; the audience is more engaged.

The turn towards new media is visible in other countries with low levels of trust in the traditional kind. In France youngsters look to HugoDécrypte, a YouTuber, for analysis of the day's headlines. In Canada Rebel News, an outfit founded in 2015 to challenge the mainstream media, posts interviews with right-wing politicians online and on its podcast.

In Britain "The Rest is Politics" draws the biggest listenership of any politics podcast. Hosted by two former politicians, the podcast offers an "insider's view" and gets into the weeds of policy. In 2022 Keir Starmer appeared on the show in order to persuade Britons that his Labour Party was better than the incumbent Conservatives.

Yet there is a distinct flavour to the phenomenon in America, where the best-known hosts are laddish comedians (as with Mr Rogan and Mr Von, a mulleted stand-up from Louisiana) or influencers (Mr Paul boasts some 70m fans across YouTube, TikTok and Instagram). Their Everyman status is crucial to their appeal. Bro podcasts promise the sort of easy-going, irreverent conversation you'd get over a beer with your friends. "Impaulsive" is described as a "thought-provoking" chat hosted "by a bunch of idiots". Mr Von describes himself as a "muppet".

Whereas news anchors are dryly factual, podcast hosts are openly subjective. Listeners subscribe to shows they think will align with their views on current affairs. Hosts increase their audience by seeming cool and likeable; the style in which they chat with America's top politicians is more important than the substance.

For candidates, the casual format allows them to show off their personality: it is easier to be fun when talking about sport than it is when discussing social welfare. They do not need to fear tough questions or fact-checks. (By one count, Mr Trump made more than 30 false claims during his interview with Mr Rogan.)

Fireside chats are here to stay, says Michael Morris, a professor at Columbia Business School. The traditional media interview may never regain its prominence on the campaign trail. And where America leads, other countries follow. In the years to come, expect to hear more aspiring leaders the world over shooting the breeze. ■

The Economist watches

The ballot and the box

Escape the real-life drama of America's election with these titles

MANY AROUND the world feel they are on a "pollster-coaster", experiencing wild emotional swings whenever experts alter their predictions for America's presidential election on November 5th. Tired of this year's contest and want to distract yourself with an election of a more fantastical sort? Here are our favourite films and television shows that feature vote-casting and political drama in America.

"The Candidate" (1972)
In this gently cynical sendup of political campaigning, a charming, idealistic young lawyer (Robert Redford) is persuaded to challenge a popular incumbent senator in California. As the campaign progresses, he gradually moderates from rabble-rouser to centrist. Mr Redford has just the right sort of bland, self-satisfied charm, but the film's strongest performance is Peter Boyle as his shrewd campaign manager.

"The Ides of March" (2011)
"You wanna be president? You can start a war; you can lie; you can cheat; you can bankrupt the country; but you can't fuck interns. They'll get you for that." So a campaign worker, Stephen Meyers (Ryan Gosling), tells his boss, Pennsylvania's governor, Mike Morris (George Clooney, pictured). Yet it is Meyers who gets an education in realpolitik in this drama involving ambition, loyalty and the morphing of values on a presidential campaign.

"The Manchurian Candidate" (1962)
A slow-burning thriller starring Angela Lansbury and Frank Sinatra that reflects America's cold-war fears. A former prisoner-of-war becomes a communist-trained assassin. The original film, based on a novel by Richard Condon, is the best, though the remake of 2004 (starring Denzel Washington and Meryl Streep) is also riveting.

"Veep" (2012-19)
Instead of noble characters intent on doing the right thing, this show features clueless, venal climbers out for themselves and revenge (not always in that order) and a torrent of scabrous insults. Julia Louis-Dreyfus is consistently hilarious as Selina Meyer, the central politician who is surrounded by an ensemble cast of nitwits, buffoons and charlatans. This is the anti-"West Wing"—and great fun.

"Wag the Dog" (1997)
To cope with a sex scandal in the Oval Office two weeks before election day, the president's entourage of crisis managers turns to a producer in Hollywood for some top-secret help manufacturing newsworthy distractions. Starring Robert De Niro and Dustin Hoffman, this hilariously cynical film examines the convergence between Washington's myth-making and Hollywood's elaborate productions. Disinformation plays a leading role.

"The West Wing" (1999-2006)
Written by Aaron Sorkin, this TV drama first aired 25 years ago. Watching it is a throwback to a more docile, optimistic era in American politics. The show spans the two terms of the Democratic administration of Josiah Bartlet (Martin Sheen), including election cycles. "The West Wing" makes politicking and changing alliances binge-worthy and absorbing. ■

Wrapping himself in the flag

Your Hassle-Free Mayfair Pied-à-Terre

47 Park Street℠ offers a selection of luxuriously furnished, spacious apartments in Mayfair for the amount of time you personally require in London each year — at a fraction of the cost of whole ownership.

Residential Benefits Include:

- Fully integrated property management
- 24-hour concierge, maid, and room service
- Valet storage facility with wide usage options
- No stamp duty
- Individual and corporate fractional interests from £108,300

47 PARK STREET℠
Mayfair – London
GRAND RESIDENCES BY MARRIOTT.

Open daily, 9 a.m.–5 p.m.
Tel: +44 (0) 20 7950 5528
Email: moreinfo@47parkstreet.com
www.47parkstreet.com

Furnishings may vary. Residence and property amenities are subject to change. Data protection: Your personal information and details will be stored by Marriott Vacation Club International, part of a global group of affiliated companies ("Affiliates"), and your personal information may be shared among the Affiliates and transferred outside of your country of residence. Personal information that is transferred outside of the European Economic Area is done under data transfer agreements that contain standard data protection clauses adopted by the European Commission that provide safeguards for such transfers. For more information about the use of your personal information, or to exercise your rights of opposition, access, rectification and deletion please review our Global Privacy Statement found at marriottvacationclub.com/privacy/ or contact our Privacy Office at privacy@mvwc.com. IQL-20-001. THIS ADVERTISING MATERIAL IS BEING USED FOR THE PURPOSE OF SOLICITING THE SALE OF FRACTIONAL RESIDENCE CLUB MEMBERSHIP. Subject to applicable terms and conditions. This is neither an offer to sell nor a solicitation to buy to residents in jurisdictions in which registration requirements have not been fulfilled or where marketing or sale of fractional residence club membership is prohibited and your eligibility and the membership clubs available for purchase will depend upon the jurisdiction of your residency. Prices are subject to change. Key information is available upon request by contacting 47 Park Street Grand Residences by Marriott, Mayfair, London, W1K 7EB, United Kingdom or email moreinfo@47parkstreet.com. Marriott Vacation Club International and the programs and products provided under the Grand Residences by Marriott brand are not owned, developed, or sold by Marriott International, Inc. Marriott Vacation Club International uses the Marriott marks under license from Marriott International, Inc. and its affiliates. ©2024 Marriott Vacation Club International. All Rights Reserved.

ANTARES
BARCELONA

HIGHER ART OF *DISTINCTION*

Effortlessly chic apartments, just moments from the Nova Mar Bella beachfront

20% OFF A SELECTED NUMBER OF 3-4 BEDROOM APARTMENTS*

Located in the artistic and vibrant Diagonal Mar district of the city, moments from the beach and city centre, Antares is the highest luxury residential building in Barcelona. This 30-storey architectural masterpiece features spacious floor-to-ceiling windows, premium amenities, private impeccably designed terraces offering breathtaking views of the sea, the hills of Tibidabo and Montjuic, as well as the Barcelona skyline.

- Concierge
- 24/7 security service
- 1000m² wellness area & spa
- Sky terrace with infinity pool
- *Padel* court & gardens
- Le Grand Café Rouge restaurant
- Secure underground parking

Prices start from €1,350,000
Register your interest now:
+34 677 032 241
info@antaresbarcelona.com
or visit antaresbarcelona.com

*Offer applies to select apartments and is available for a limited time only. Enquire today.

PRIFYSGOL BANGOR UNIVERSITY

EXECUTIVE EDUCATION

Cutting edge & innovative learning for the global financial services sector

Chartered Banker MBA

Financial Crime & Compliance MBA

bangor.ac.uk/Executive-Education

TENDERS

UNIVERSITY OF OXFORD | Said Business School

Online programmes

Prepare for an ever-changing and uncertain future with Saïd Business School

It has never been more important to understand and respond to the issues shaping the future. Recognising the increasing complexity of our global landscape and often inevitable choices for sectors which operate within competitive environments.

Our online programmes fall into five categories

- DISRUPTIVE
- LEADERSHIP
- ENTREPRENEURSHIP
- STRATEGY & INNOVATION
- FINANCE

If you would like to discuss our online programmes further, please get in touch with our team.

OnlineExecEd@sbs.ox.ac.uk
Or call +44 (0)7701 305954

ATIDI
African Trade & Investment Development Insurance

Re-thinking risk. Enabling finance.

Request for expression of interest for provision of internal audit services

The African Trade Insurance Agency (ATIDI) is a pan-African multilateral international financial organisation established under the Agreement Establishing the African Trade Insurance Agency ("Treaty"). Founded in 2001 by African countries, ATIDI provides trade credit and political risk insurance to companies, investors and lenders interested in doing business in Africa. With both a commercial and developmental mandate, we aim at improving Africa's risk perception. Specifically, ATIDI covers risks such as expropriation, non-payment by governments, state-owned companies & corporates, non-honouring of sovereign and sub-sovereign obligations, currency inconvertibility and embargoes.

ATIDI wishes to contract an audit firm to provide Internal Audit functions for an initial period of 3 years renewable for another period of 3 years subject to satisfactory performance.

Interested international audit firms can visit our website; https://www.atidi.africa/about-us/opportunities/procurement/ for the detailed invitation to tender or write to procurement@atidi.africa.

The closing date for receipt of expressions of interest is Friday 8 November 2024 at 2359hrs (East African Time).

www.atidi.africa

Economic & financial indicators

	Gross domestic product, % change on year ago: latest		quarter*	2024†	Consumer prices, % change on year ago: latest		2024†	Unemployment rate, %		Current-account balance, % of GDP, 2024†	Budget balance, % of GDP, 2024†	Interest rates: 10-yr gov't bonds, latest, %		change on year ago, bp	Currency units: per $, Oct 30th	% change on year ago
United States	2.7	Q3	2.8	2.7	2.4	Sep	3.0	4.1	Sep	-3.4	-7.3	4.3		-59.0	-	
China	4.6	Q3	3.6	4.9	0.4	Sep	0.5	5.1	Sep†§	0.7	-4.4	1.8	§§	-74.0	7.12	2.8
Japan	-1.0	Q2	2.9	0.2	2.5	Sep	2.6	2.4	Sep	3.7	-4.7	1.0		10.0	153	-2.7
Britain	0.7	Q2	1.8	1.1	1.7	Sep	2.9	4.0	Jul††	-3.0	-4.0	4.3		-33.0	0.77	6.5
Canada	0.9	Q2	2.1	1.3	1.6	Sep	2.4	6.5	Sep	-1.2	-1.3	3.2		-73.0	1.39	-0.7
Euro area	0.9	Q3	1.5	0.8	1.7	Sep	2.4	6.4	Aug	3.1	-3.1	2.4		-42.0	0.92	2.2
Austria	-0.9	Q2	1.2‡	-0.3	1.8	Sep	2.9	5.3	Aug	2.4	-2.4	2.9		-59.0	0.92	2.2
Belgium	1.1	Q3	0.8	1.1	4.7	Oct	4.0	5.4	Aug	-0.9	-4.6	2.9		-65.0	0.92	2.2
France	1.3	Q3	1.5	1.2	1.4	Sep	2.5	7.5	Aug	-0.6	-6.1	3.3		45.0	0.92	2.2
Germany	-0.2	Q3	0.7	-0.1	2.4	Oct	2.4	3.5	Aug	6.3	-1.6	2.4		-42.0	0.92	2.2
Greece	2.7	Q2	4.4	2.2	3.1	Sep	3.0	9.5	Aug	-6.4	-1.2	3.4		-79.0	0.92	2.2
Italy	0.4	Q3	-0.1	0.6	0.7	Sep	1.2	6.2	Aug	1.5	-4.3	3.6		-112	0.92	2.2
Netherlands	0.8	Q2	4.1	0.7	3.3	Sep	3.4	3.7	Sep	8.2	-1.9	2.7		-51.0	0.92	2.2
Spain	3.4	Q3	3.4	2.7	1.8	Oct	3.0	11.3	Aug	2.6	-3.2	3.0		-99.0	0.92	2.2
Czech Republic	0.9	Q2	1.2	1.1	2.6	Sep	2.2	2.7	Aug‡	0.3	-2.5	4.1		-60.0	23.4	-1.1
Denmark	4.4	Q2	4.6	1.6	1.3	Sep	1.6	2.9	Aug	10.5	1.8	2.3		-86.0	6.87	2.3
Norway	4.2	Q2	5.7	1.0	3.0	Sep	2.2	4.0	Aug‡‡	17.0	12.3	3.8		-27.0	10.9	1.8
Poland	3.2	Q2	5.7	3.2	4.9	Sep	3.8	5.0	Sep§	1.0	-5.7	6.0		22.0	4.01	4.7
Russia	4.1	Q2	na	3.7	8.6	Sep	8.5	2.4	Sep§	3.1	-1.7	16.7		424	97.0	-4.2
Sweden	0.2	Q3	-0.4	0.7	1.6	Sep	2.0	8.2	Sep§	6.3	-0.8	2.1		-92.0	10.7	4.4
Switzerland	1.8	Q2	2.8	1.1	0.8	Sep	1.2	2.6	Sep	7.1	0.2	0.4		-63.0	0.87	3.5
Turkey	2.5	Q2	0.3	2.9	49.4	Sep	57.7	8.5	Aug§	-1.8	-4.5	28.5		206	34.3	-17.5
Australia	1.0	Q2	0.9	1.1	2.8	Q3	3.4	4.1	Sep	-1.5	-1.0	4.5		-32.0	1.52	3.3
Hong Kong	3.3	Q2	1.4	3.1	2.2	Sep	2.3	3.0	Sep‡‡	11.9	-3.1	3.2		-118	7.77	0.6
India	6.7	Q2	4.5	6.9	5.5	Sep	4.7	7.8	Sep	-0.5	-4.9	6.8		-54.0	84.1	-1.0
Indonesia	5.0	Q2	na	5.1	1.8	Sep	2.3	4.8	Q1§	-0.1	-2.5	6.8		-26.0	15,695	1.2
Malaysia	5.3	Q3	na	5.1	1.8	Sep	2.0	3.2	Aug§	2.7	-4.5	4.0		-17.0	4.38	8.7
Pakistan	2.8	2024**	na	2.8	6.9	Sep	15.5	6.3	2021	-1.7	-7.4	12.1	†††	-314	278	0.9
Philippines	6.3	Q2	2.0	5.4	1.9	Sep	3.2	4.7	Q3§	-2.8	-5.9	5.9		-121	58.2	-2.2
Singapore	4.1	Q3	8.7	3.1	2.0	Sep	2.6	1.8	Q3	19.8	0.2	2.8		-56.0	1.32	3.0
South Korea	1.7	Q3	0.5	2.5	1.6	Sep	2.5	2.1	Sep§	3.4	-1.8	3.1		-121	1,382	-2.3
Taiwan	5.1	Q2	1.2	4.2	1.8	Sep	2.1	3.4	Sep	14.1	0.5	1.5		18.0	32.0	1.3
Thailand	2.3	Q2	3.1	2.5	0.6	Sep	0.6	1.1	Aug§	1.9	-3.7	2.4		-86.0	33.7	6.7
Argentina	-1.7	Q2	-6.8	-3.5	209	Sep	221.2	7.6	Q2§	0.9	-0.5	na		na	989	-64.6
Brazil	3.3	Q2	5.9	3.0	4.4	Sep	4.3	6.6	Aug§‡‡	-1.5	-7.6	12.8		106	5.78	-12.8
Chile	1.6	Q2	-2.5	2.3	4.0	Sep	3.9	8.7	Sep§‡‡	-2.8	-2.4	5.8		-93.0	962	-5.5
Colombia	1.8	Q2	0.4	1.5	5.8	Sep	6.7	9.7	Aug§	-2.4	-5.7	10.6		-109	4,411	-7.8
Mexico	1.5	Q3	4.1	1.4	4.6	Sep	4.8	2.8	Aug	0.3	-5.2	10.1		-8.0	20.2	-10.7
Peru	3.6	Q2	9.8	3.0	1.8	Sep	2.4	4.9	Sep§	1.0	-4.0	6.6		-101	3.77	1.9
Egypt	2.4	Q2	na	2.4	26.4	Sep	28.5	6.5	Q2§	-5.2	-3.7	na		na	48.8	-36.6
Israel	-2.2	Q2	0.3	0.3	3.5	Sep	3.2	2.7	Sep	4.9	-7.3	4.8		10.0	3.70	9.2
Saudi Arabia	-0.8	2023	na	1.5	1.7	Sep	1.7	3.3	Q2	-0.9	-2.4	na		na	3.76	-0.3
South Africa	0.3	Q2	1.8	1.1	3.7	Sep	4.6	33.5	Q2§	-1.8	-5.2	9.3		-142	17.7	6.3

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

Markets

In local currency	Index Oct 30th	% change on: one week	Dec 29th 2023
United States S&P 500	5,813.7	0.3	21.9
United States NAS Comp	18,607.9	1.8	24.0
China Shanghai Comp	3,266.2	-1.1	9.8
China Shenzhen Comp	1,973.6	0.9	7.4
Japan Nikkei 225	39,277.4	3.1	17.4
Japan Topix	2,703.7	2.5	14.3
Britain FTSE 100	8,159.6	-1.2	5.5
Canada S&P TSX	24,507.8	-0.3	16.9
Euro area EURO STOXX 50	4,885.8	-0.7	8.1
France CAC 40	7,428.4	-0.9	-1.5
Germany DAX*	19,257.3	-0.6	15.0
Italy FTSE/MIB	34,502.7	-0.6	13.7
Netherlands AEX	881.3	-1.0	12.0
Spain IBEX 35	11,715.0	-1.3	16.0
Poland WIG	80,179.3	-1.1	2.2
Russia RTS, $ terms	1,137.5	nil	5.0
Switzerland SMI	11,967.7	-1.5	7.5
Turkey BIST	9,006.6	3.3	20.6
Australia All Ord.	8,439.5	-0.4	7.8
Hong Kong Hang Seng	20,380.6	-1.8	19.6
India BSE	79,942.2	-0.2	10.7
Indonesia IDX	7,569.9	-2.8	4.1
Malaysia KLSE	1,601.9	-2.4	10.1

	Index Oct 30th	% change on: one week	Dec 29th 2023
Pakistan KSE	90,286.6	3.5	44.6
Singapore STI	3,558.9	-1.2	9.8
South Korea KOSPI	2,593.8	-0.2	-2.3
Taiwan TWI	22,820.4	-2.2	27.3
Thailand SET	1,447.2	-1.6	2.2
Argentina MERV	1,837,535.0	3.6	97.6
Brazil BVSP*	130,639.3	1.1	-2.6
Mexico IPC	50,877.2	-2.4	-11.3
Egypt EGX 30	30,371.3	-0.1	22.0
Israel TA-125	2,224.2	3.3	17.9
Saudi Arabia Tadawul	12,018.8	1.0	0.4
South Africa JSE AS	86,759.1	0.3	12.8
World, dev'd MSCI	3,706.3	0.2	16.9
Emerging markets MSCI	1,126.5	-1.3	10.0

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2023
Investment grade	100	154
High-yield	329	502

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

Commodities

The Economist commodity-price index, 2020=100	Oct 22nd	Oct 29th*	% change on: month	year
Dollar Index				
All Items	130.3	130.7	-2.3	4.8
Food	137.2	137.8	-2.1	5.2
Industrials				
All	124.5	124.8	-2.4	4.4
Non-food agriculturals	132.9	133.3	-1.4	12.7
Metals	122.4	122.6	-2.7	2.3
Sterling Index				
All items	129.0	129.1	-0.2	-2.2
Euro Index				
All items	137.7	138.3	0.2	2.6
Gold				
$ per oz	2,743.9	2,767.5	4.0	38.7
Brent				
$ per barrel	76.0	71.0	-4.8	-18.9

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

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

OBITUARY
Lily Ebert

The Holocaust survivor and memoirist died on October 9th, aged 100

FOR YEARS, Lily Ebert struggled to make good on the promise she had made to herself on Yom Kippur in 1944. She was then in Auschwitz; she, her mother, three sisters and a brother, like hundreds of thousands of other Hungarian Jews, had been sent there earlier that year. She promised herself that if she survived, she would tell the world what had happened there. She wanted to make sure no one else ever suffered what she was suffering. It was a lofty, perhaps unattainable goal. But she was 20, and more optimistic than many in her grim situation.

Around six months later, American soldiers found her and two of her sisters after their captors abandoned them during a forced march. They had stayed together in captivity, working as seamstresses and then in a munitions factory. That any of them had survived Auschwitz, where Nazis murdered 1.1m Jews, was a miracle; that all three of them were freed together was even more unusual.

Lily was the oldest of six, and looked after the younger children. She was mature beyond her years: when she was 10, an aunt served her coffee for the first time. She hated it, but pretended otherwise, because drinking coffee was what grownups did.

Those sisters were all she had. After the family was shoved off the filthy, cramped goods train that brought them to Auschwitz, Lily and two sisters were sent in one direction; her mother and two younger siblings were taken in the other. Lily never saw them again. Later that day, she was sickened by a horrible smell, and asked another prisoner, who had arrived before them, what it was. "They're burning your families there," she told Lily. "Your parents, your sisters, your brothers. They're burning them."

She survived the way many others did: by remaining unremarkable, diligent, reasonably healthy and above all lucky. After the war the three sisters went to Switzerland, but only briefly: the frosty welcome and chicken-wire surrounding the platform where a trainload of young survivors alighted convinced Lily that the Swiss did not really want them there. So she and her sisters left for Israel, where she married a Hungarian Jew who had emigrated to Mandatory Palestine in 1938, before the war. They had children, and were busy building a life, looking forward rather than back. Who could explain the Holocaust to children? Why would anyone want to?

Survivors struggled with guilt over having lived when so many died, and shame at not having left Europe sooner. Everyone could see the tattoo on her arm, but she did not want to discuss it and nobody wanted to ask. Besides, early trials in Israel propagated the notion that camp inmates survived by collaborating with the Nazis. It was better, many thought, to keep quiet, try to forget and build a better future.

And yet, there is an old Yiddish proverb: "Tsuris overcome are good to tell." *Tsuris* means troubles or suffering; it is a plural noun because, as one rabbi quipped, "Jews don't do trouble in the singular. It has to be in the plural." Speaking about heartache is difficult; yet keeping silent forever is almost impossible. At the trial in 1961 of Adolf Eichmann, the bureaucrat of death who said he was "just following orders", more than 100 witnesses, many of them Holocaust survivors like Lily, told their stories. The dam did not break immediately, but the taboo was broken. Survivors felt freer to talk, and others to ask.

For instance, why did Lily always keep a piece of bread beside her? First, because the memory of hunger remained visceral for her, as for so many survivors. Also, because in Auschwitz she wore her own shoes (a rarity, and probably because the massive influx of Hungarian Jews depleted the camp's supply of wooden clogs). Hidden in the heel, she kept a few small pieces of family jewellery.

They had no monetary value. They were trinkets—a couple of rings and a beloved cherub necklace—that Imi, her brother, wanted to save when men with guns forced them from their house. When the heel wore through, she hid the trinkets in her daily bread ration, which she tucked into her armpit. When Imi, who also survived the war, eventually escaped from Hungary and made it to Israel with his family in 1956, Lily greeted him wearing the cherub necklace. Her sisters wore the rings.

When she and her husband moved to London in 1967, she lost the tight-knit community she had known in Bnei Barak. So she started another: a group of survivors met each week in a space behind a department store in Swiss Cottage. She began writing her memories down, and returned to Auschwitz with her family—not as a prisoner this time, but as a survivor. She said kaddish for her family in a watchtower. It was the closest thing she could find to a gravesite. Afterwards, she walked freely out of the gates.

During the covid-19 lockdown in 2020, her great-grandson Dov helped introduce her story to a new generation. He posted a picture on Twitter of a wartime banknote, on which an American soldier had written his wishes for "Good luck and happiness", but signed it only "Assistant to Chaplain Schlacter", with some words in Hebrew. He hoped someone might help him find out who the soldier was. Eight hours later, the family learned that his name was Hyman Schulman. He was long dead, but his family and the Eberts met via Zoom shortly thereafter.

Together with Dov, she wrote a full memoir, "Lily's Promise", and took her storytelling to social media. She was a genial presence, buoyed no doubt by the large family that was her revenge against Hitler: three children, 10 grandchildren, 38 great-grandchildren and one great-great grandson. And just as Hillel the Elder, a first-century religious leader, summed up the entire Torah in a single sentence—"That which is hateful to you, do not do to another"—Lily's message was also simple. "For all human beings, one thing is for sure," she said. "Our blood is red, and when you cut us, it hurts." ■

‘Bel Can-do’

In November 2022 we introduced the Bel Canto. Instantly making haute horology accessible. This subtly chiming timepiece caused a cacophony. And enormous demand. (The first 600 sold out in 8 hours.) Asked could we produce 5,000 annually, our Swiss CEO Jorg Bader Snr replied: “No. But we’ll find a way.” Because that is our way. Today, our supply chain is as fit for purpose as the gear chain of the new Bel Canto Classic. Which features a dressed-up dial. A dialled-down handset. And a gorgeous guilloché finish, with a precision only achievable (and affordable) using a femto laser. Outward displays, we like to think, of inward grace.

(Bel Can-)Do your research

Christopher Ward

christopherward.com

LOUIS VUITTON
FINE JEWELRY
louisvuitton.com