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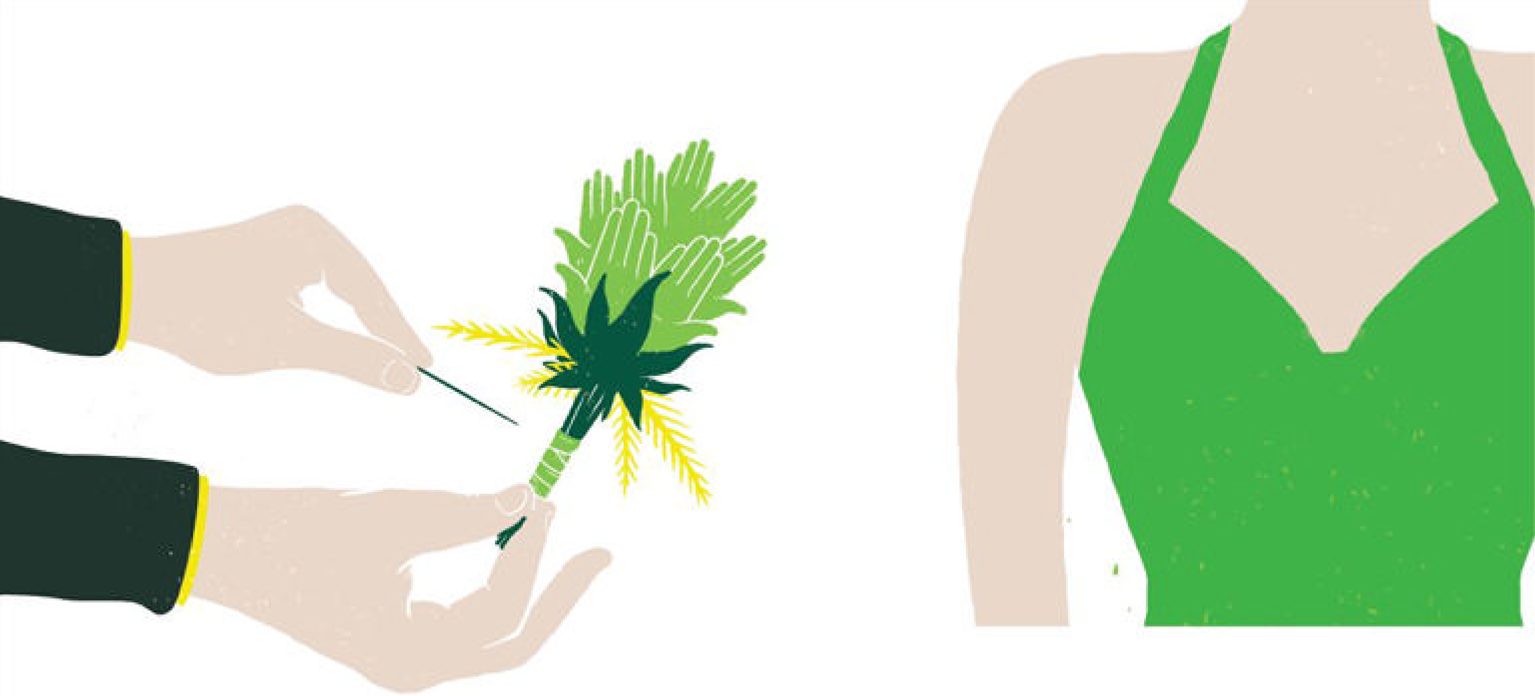
Go ahead, Angela, make my day

Greece's challenge to Germany—and the euro



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Politics

An election in **Greece** was won by Syriza, a far-left populist party led by Alexis Tsipras, who was sworn in as prime minister. Mr Tsipras, who is fiercely against both austerity and economic reforms, formed a coalition government with a small far-right anti-austerity party and appointed a number of radical leftists to his cabinet. Greek markets sank on fears that the country might be pushed out of the euro.

Creditors of Greece, led by **Germany**, insisted that they would not offer the new Greek government any debt relief or other concessions. Instead they called on Greece to stick to its bail-out programme. But Syriza retorted that the "humiliation and suffering" of austerity were over.

Fierce fighting resumed in **eastern Ukraine**, with rebel forces shelling the port city of Mariupol and continuing to lay siege to areas around Donetsk airport. Russia's Vladimir Putin declared that the Ukrainian army was a "foreign legion" for NATO.

America and some European countries called for new sanctions to be imposed on **Russia** for stepping up its military intervention in eastern Ukraine. But some European governments, including the new Greek one, said that they would instead prefer to relax sanctions.

Around 300 survivors from **Auschwitz** attended a ceremony at the former Nazi concentration camp in Poland to mark the 70th anniversary of its liberation.

After decades of debate and arguments, the **Church of England** consecrated its first female bishop at a ceremony in York Minster.

A tangled web

Argentina's president, Cristina Fernández de Kirchner, announced a shake-up of the country's intelligence service following the unexplained death of the prosecutor who was investigating the bombing in 1994 of a Jewish centre in Buenos Aires. The prosecutor, Alberto Nisman, who died from a gunshot, had accused the president of trying to thwart the investigation. Ms Fernández suggested that he had been fed false information by the intelligence service. The journalist who broke the news of Mr Nisman's death, Damian Pachter, left the country claiming he feared for his safety.

Venezuela's left-wing regime barred former presidents of Colombia and Chile from visiting Leopoldo López, an opposition leader, in jail. Mr López was arrested during protests in 2014. Andrés Pastrana of Colombia and Sebastián Piñera of Chile were in Venezuela to attend a meeting on democracy organised by the opposition.

Marching orders

Chinese media reported that **China** is planning to stage a large military parade in September to mark the 70th anniversary of the end of the second world war. It would be the first such show under the leadership of Xi Jinping, and a rare event. Previous ones have been held on China's National Day, usually ten years apart. The last was in 2009. The parade would be seen as a gesture aimed at Japan; China accuses its politicians of whitewashing the war.

Dozens of police were killed in fighting with Islamist rebels in the southern province of Maguindanao in **the Philippines**. Several rebels were also reportedly killed when police, searching for terror suspects, entered a village held by the Moro Islamic Liberation Front. It was the bloodiest clash since the government and the rebels agreed last year to end decades of fighting.

Barack Obama became the first American president to attend **India's** Republic Day parade. He watched the military spectacle in Delhi seated next to the prime minister, Narendra Modi, who went out of his way to display friendship, greeting Mr Obama at the airport and referring to him as "Barack". The two men reached an agreement that could allow American companies to build nuclear reactors in India. Worries about China's rise and the spread of jihadist terrorism have brought the two countries closer together.

Spy hard

A jury found a former CIA officer guilty under the Espionage Act of passing classified information to a journalist from the *New York Times*. Jeffrey Sterling was involved in an operation during the Clinton administration to provide Iran with fake nuclear plans via a Russian scientist code-named "Merlin". Separately, a Russian banker in New York was charged with working for Russian intelligence and trying to gather sensitive financial information.

Democrats in the **New York** state Assembly decided to replace Sheldon Silver as Speaker after he was charged with taking bribes from a law firm. Mr Sheldon has been the most powerful Democrat in the legislature for decades.

The Congressional Budget Office forecast that this year's **budget deficit** will be $468 billion, or 2.6% of GDP, which would be the lowest for any year since Barack Obama became president.

Most of the putative **Republican** presidential candidates (minus Mitt Romney and Jeb Bush) attended a forum of conservative activists in Iowa where they practised their policy pitches a year ahead of the state's party caucuses. But the real action took place in California, where the Koch brothers, two business tycoons, pledged to spend $889m in support of various conservative causes in the run-up to the election in 2016.

Flashpoint

Hizbullah, Lebanon's Shia militia-cum-party, fired rockets across the border into **Israel**, killing two Israeli soldiers. It said that this was a reprisal for an Israeli assault two weeks earlier on the Syrian side of the Golan Heights. Israel responded to the rocket fire with missile strikes against targets across the Lebanese border, killing a UN peacekeeper. The UN called for calm.

After months of heavy clashes, Kurdish forces claimed that they had driven Islamic State fighters out of most of Kobane, a town in **Syria** that lies on the border with Turkey. The Kurds have been backed by American air strikes on the jihadists.

King Abdullah of **Saudi Arabia** died. He was 90. He is succeeded by King Salman, his half brother. Dignitaries and world leaders travelled to the kingdom to pay their respects, including Barack Obama, but in Britain human-rights groups criticised the government for ordering flags to be flown at half-mast on government buildings.

Business

The superlatives came fast to describe **Apple's** earnings for the last three months of 2014. Revenue grew by 30% compared with the same quarter in 2013, to $74.6 billion, from which it netted income of $18 billion. That is the biggest-ever quarterly profit reported by a company, smashing the previous record held by Exxon Mobil since 2012 of $15.9 billion. Apple was boosted by demand for the iPhone, especially in China, Hong Kong and Taiwan; sales there were up 70%. Having silenced the doubters after he took over from Steve Jobs, Tim Cook, the chief executive, was modest, saying the quarterly figures were "hard to comprehend".

The gift that keeps on giving

Investors in **Yahoo** cheered its decision to spin off its remaining 15% stake in Alibaba, China's biggest e-commerce business, into a separate investment company, SpinCo. The stake is worth $40 billion, and the stock in SpinCo will be distributed to Yahoo's existing shareholders through a tax-free transaction. If Yahoo had sold the stake, rather than spun it off, it would have owed $16 billion in corporate tax.

Facebook's quarterly earnings revealed that the growth in its user-base is slowing, with the proportion of users who log on daily virtually flat. But it is making more money from advertising on mobile devices, and revenue rose by half to $3.9 billion.

A regulator in China criticised **Alibaba** for allowing fake goods to be sold on its websites. Alibaba's response broke with the usual tradition in China of kowtowing to the state, when it said the report contained "selective omissions and malicious actions".

Microsoft's share price tumbled as investors responded coolly to its quarterly earnings. Profit came in as forecast, but the money it took from licensing its software, its biggest source of revenue, was less than expected. Satya Nadella, who took over as chief executive a year ago, is refocusing Microsoft's businesses around mobile and cloud computing.

Currency exchange

Microsoft said that the appreciating **dollar** had also hurt its earnings. It joins other multinationals, including Procter & Gamble and Pfizer, in warning that a strong greenback could impair future income. The dollar jumped to another 11-year high against the euro this week after the election in Greece.

Russia's sovereign credit was downgraded to junk by a big rating agency for the first time in a decade. Standard & Poor's said there was a "heightened risk" that Russia's economy would deteriorate because of the adverse effects of sanctions and lower revenue from cheaper oil prices. It forecast that GDP would grow on average by 0.5% a year in 2015-18, from an average 2.4% in the previous four years. Russia's finance minister complained that this was an "over-pessimistic" assessment.

At its latest meeting, the Federal Reserve suggested that it would keep **interest rates** near zero until at least June. It also noted that inflation expectations had fallen substantially in financial markets.

As **Britain's** political parties geared up their campaigns with 100 days to go until the general election, data showed that the economy had expanded by 2.6% in 2014, the fastest pace since 2007. It slowed slightly in the fourth quarter, as construction contracted and manufacturing levelled off.

The price of **iron ore** dropped sharply again, falling to $62.70 a tonne, a five-and-a-half-year low. The main reason is weak demand in China, the world's biggest producer of steel. Its steelmakers have boosted exports to try to offset lower domestic consumption.

Meanwhile, **Shanghai** became the first big city in China to abandon its GDP growth target. Many regional officials have risen up the ranks in the past for pushing rapid development, but with the national economy slowing the focus now is on "structural optimisation" and "quality and efficiency", according to Shanghai's mayor. The city's economy grew by 7% last year.

Not lovin' it

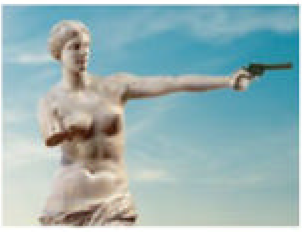
McDonald's announced that its chief executive was stepping down after less than three years in the job. Sales have slumped during Don Thompson's tenure, with net profit down last year by 15%, as fast-food rivals such as Chipotle Mexican Grill eat into its business by offering fresher menus.

Dubai airport claimed it had overtaken Heathrow to become the world's busiest international hub last year, with 70.5m international passengers passing through its terminals. That beat Heathrow, which recently said that 68.1m international passengers had arrived at the airport in 2014. Extensive repairs to Dubai's runways over the summer had been expected to prevent the Emirati airport from soaring above its London rival.

Other economic data and news can be found on pages 80-81

Go ahead, Angela, make my day

Syriza's win could lead to Grexit, but it should lead to a better future for the euro



IT WAS in Greece that the infernal euro crisis began just over five years ago. So it is classically fitting that Greece should now be where the denouement may be played out—thanks to the big election win on January 25th for the far-left populist Syriza party led by Alexis Tsipras (see pages 18-20). By demanding a big cut in Greece's debt and promising a public-spending spree, Mr Tsipras has thrown down the greatest challenge so far to Europe's single currency—and thus to Angela Merkel, Germany's chancellor, who has set the austere path for the continent.

The stakes are high. Although everybody, including Mr Tsipras, insists they want Greece to stay in the euro, there is now a clear threat of Grexit. In 2011-12 Mrs Merkel wavered, but then decided to support the Greeks to keep them in the single currency. She did not want Germany to be blamed for another European disaster, and both northern creditors and southern debtors were nervous about the consequences of a chaotic Greek exit for Europe's banks and their economies.

This time the odds have changed. Grexit would look more like the Greeks' fault, Europe's economy is stronger and 80% of Greece's debt is in the hands of other governments or official bodies. Above all the politics are different. The Finns and the Dutch, like the Germans, want Greece to stick to promises it made when they twice bailed it out. And in southern Europe centrist governments fear that a successful Greek blackmail would push voters towards their own populist opposition parties, like Spain's Podemos (see Charlemagne).

A good answer to a bad question

It could all get very messy. But there are broadly three possible outcomes: the good, the disastrous, and a compromise to kick the can down the road. The history of the euro has always been to defer the pain, but now the battle is about politics not economics—and compromise may be much harder.

Tantalisingly, there is a good solution to be grabbed for both Greece and Europe. Mr Tsipras has got two big things right, and one completely wrong. He is right that Europe's austerity has been excessive. Mrs Merkel's policies have been throttling the continent's economy and have ushered in deflation. The belated launch of quantitative easing (QE) by the European Central Bank admits as much. Mr Tsipras is also right that Greece's debt, which has risen from 109% to a colossal 175% of GDP over the past six years despite tax rises and spending cuts, is unpayable. Greece should be put into a forgiveness programme just like a bankrupt African country. But Mr Tsipras is wrong to abandon reform at home. His plans to rehire 12,000 public-sector workers, abandon privatisation and introduce a big rise in the minimum wage would all undo Greece's hard-won gains in competitiveness.

Hence this newspaper's solution: get Mr Tsipras to junk his crazy socialism and to stick to structural reforms in exchange for debt forgiveness—either by pushing the maturity of Greek debt out even further or, better still, by reducing its face value. Mr Tspiras could vent his leftist urges by breaking up Greece's cosy protected oligopolies and tackling corruption. The combination of macroeconomic easing with microeconomic structural reform might even provide a model for other countries, like Italy and even France.

A very logical dream—until you wake up and remember that Mr Tsipras probably is a crazy leftwinger and Mrs Merkel can barely accept the existing plans for QE. Hence the second, disastrous outcome: Grexit. Optimists are right that it would now be less painful than in 2012, but it would still hurt.

In Greece it would lead to bust banks, onerous capital controls, more loss of income, unemployment even higher than today's 25% rate—and the country's likely exit from the European Union. The knock-on effects of Grexit on the rest of Europe would also be tough. It would immediately trigger doubts over whether Portugal, Spain and even Italy should or could stay in the euro. The euro's new protections, the banking union and a bail-out fund, are, to put it mildly, untested.

So the most likely answer is a temporary fudge—but it is one that is unlikely to last long. If Mr Tsipras gets no debt relief, then he will lose all credibility with Greek voters. But even if he wins only marginal improvements in Greece's position, other countries are bound to resist. Any changes in the bail-out terms will have to be voted on in some national parliaments, including Finland's. If they passed, voters in countries like Spain and Portugal would demand an end to their own austerity. Worse still, populists from the right and left in France and Italy, who are not just against austerity but against their countries' membership of the euro, would be strengthened.

And there are technical problems with any fudge. The ECB is adamant that it cannot provide emergency liquidity to Greece's banks or buy up its bonds unless Mr Tsipras's government is in an agreed programme with creditors, so any impasse is likely to trigger a run on Greek banks. By stretching out maturities, some of this could be avoided—but that may be too little for Mr Tsipras and too much for Mrs Merkel.

Hello to Berlin

So in the end, Greece will probably force Europe to make some hard choices. With luck it will be towards the good outcome outlined above. Greek voters may be living in a fool's paradise if they think Mr Tsipras can deliver what he says, but the Germans too have to look at the consequences of their obstinacy. Five years after the onset of the euro crisis, southern euro-zone countries remain stuck with near-zero growth and blisteringly high unemployment. Deflation is setting in, so debt burdens rise despite fiscal austerity. When policies are delivering such bad outcomes, a revolt by Greek voters was both predictable and understandable.

If Mrs Merkel continues to oppose all efforts to kick-start growth and banish deflation in the euro zone, she will condemn Europe to a lost decade even more debilitating than Japan's in the 1990s. That would surely trigger a bigger populist backlash than Greece's, right across Europe. It is hard to see how the single currency could survive in such circumstances. And the biggest loser if it did not would be Germany itself. ■

The accession of King Salman in Saudi Arabia

An unholy pact

Western leaders must do more to push Saudi Arabia to reform, for its own sake as well as the region's

THE House of Saud has been written off many times: when Arab nationalism swept through the Middle East; when the mullahs dethroned the Shah of Iran; when jihadists turned their suicide-bombs against the kingdom. Yet the sons of Abdel Aziz bin Saud have confounded all challengers. This week they staged a smooth transition from King Abdullah, who died on January 23rd, to his half-brother, Salman. And, for all the kingdom's harshness at home and fuelling of extremism abroad, the world's leaders flocked to Riyadh. Barack Obama cut short a trip to India to pay homage to the new king.

This is a craven spectacle from democracies that claim to uphold universal human rights. When authoritarians elsewhere point to the Western silence on Saudi Arabia's treatment of women, and its ruthless suppression of dissent, and cry double standards, they have a point. The West's relationship with the Al Sauds must change. So must the dynasty itself.

The devil they know

The Al Sauds have kept power through a double Faustian pact: with the West, which has provided security in exchange for oil; and with Wahhabi clerics, who offer religious legitimacy in return for the state's power to enforce and spread their intolerant version of Islam. That dual bargain is under strain. Wahhabism is feeding anti-Western radicals, while many Western observers see little difference between jihadists who decapitate foes in Syria and Saudi henchmen who behead adulteresses. The question is whether the West should continue the humiliating coddling, or risk something worse by pushing for change.

The "realist" argument should not be dismissed out of hand. It is better to have the Al Sauds—with their oil, wealth and control of Muslim holy places—as friends than as foes. The repudiation of jihadism is best done by pious Muslims such as them. And as Arab republics collapse—from Libya to Syria, Iraq and Yemen—the monarchies are proving more resilient.

Moreover, odd as it may seem, the Al Sauds often stand at the reformist end of the narrow Saudi spectrum. Cautiously, King Abdullah gave some space to women in public life, promoted their education and encouraged young Saudis to gain Western training. He convinced fellow Arab leaders to make Israel an important peace offer in 2002. If the Al Sauds were toppled their replacement would not be a nice democratic parliament; it would be chaos or, maybe, jihadists.

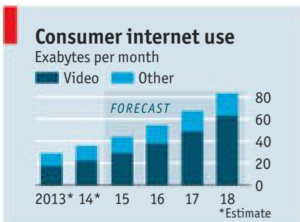
But this realism is not that realistic. The main risk for the Al Sauds is that they move too slowly and they may be overwhelmed. The Wahhabism they nurture endangers not just the outside world, but the dynasty itself. It sustains jihadist ideology, stokes sectarianism and exposes the monarchy to charges of hypocrisy. Meanwhile the old rentier state that bought obedience with generous subsidies and overt piousness is weakening. Oil revenues have fallen sharply, meaning jobs for young Saudi men are in short supply. Women are entering employment; social media are making ordinary Saudis less biddable (see page 39). To govern this evolving country, the Al Sauds must accept more pluralism, in both politics and faith. And they need to be pushed down this path.

So Western leaders should maintain the ties but ditch the sycophancy. Their friendship should be more conditional on reform—specifically the taming of Saudi Arabia's savage religious judiciary. Visits like Mr Obama's should follow the same pattern as they do in Russia or China: they should include formal protests about human rights and public meetings with dissidents, with non-Wahhabis (including the Shias), and with women. After all, friends speak plainly. Supplicants who kiss the gold-braided gown are mere courtiers. ■

Internet access

Gordian net

Why network neutrality is such an intractable problem—and how to solve it



THE idea that certain businesses are so essential that they must not discriminate between customers is as old as ferries. With only one vessel in town, a boatman was generally not allowed to charge a butcher more than a carpenter to move goods. This concept, called "common carriage", has served the world well, most recently on the internet. The principle of blindly delivering packets of data, regardless of origin, destination or contents, is welded into the network's technical foundations. This, more than anything else, explains why the internet has become such a fountain of innovation.

Yet with the internet becoming more crowded and traffic-management tools improving, this principle—known today as "network neutrality"—is under threat. Telecoms firms would like to create lanes of different speeds, not just to manage their networks better, but to capture more profits. Internet advocates fear this would lead to an online world studded with toll booths and other choke-points. They fret that rent-seeking network operators would abuse their market power. Prices would shoot up for those using the fast lanes; everyone else would get much cheaper, but much crummier, service.

Governments are taking action. On February 5th America's Federal Communications Commission (FCC), which has been ▸▸

chewing on the problem for years, will put forward yet another set of network-neutrality rules. Latvia, which holds the presidency of the European Union's Council of Ministers, has just outlined its own European proposal (see page 54). Both plans will face opposition: from Congress and in the courts on one side of the Atlantic, and from the European Parliament on the other. How can the debate be settled?

More providers, fewer rules

Finding a solution has proved tricky. First, neutrality is a slippery concept. Although the internet was designed to treat all data equally, it was never completely neutral: services such as games or video have always been at a disadvantage because the public internet cannot guarantee real-time connections. Second, any reform involves legal quandaries. Should an e-mail campaign from a political party count as spam, or freedom of speech? After losing several American court cases because the internet was held to be an unregulated information service, the FCC wants to reclassify it as an old-style utility in order to impose network-neutrality rules.

The debate is, therefore, unlikely ever to end—which means that trying to impose detailed rules or even utility-type regulation, as the FCC is likely to do, looks misguided. Better to stick with broader rules, such as insisting that a provider's basic broadband service cannot be much slower than the fast lanes it offers—and ensure that regulators and the public can police them. Each operator should be required to publish detailed information about its network's performance. Broadband providers can then be exposed if they slow or ration customers' access to, say, Netflix or Skype. Regulators should have the power to punish such underhand tactics.

Wherever possible, however, they should leave the market to sort things out. The best way to do this is to encourage vigorous competition in all parts of the internet, particularly between broadband providers, so that none can become a bottleneck and exploit that position. That, alas, happens all too often, particularly in America, where 75% of households have no choice of provider for fast internet access. Get rid of those monopolies and there would be much less need to worry about the mind-numbing intricacies of network neutrality. ■

Thailand's politics

Moral disorder

Whatever the generals think, smashing Yingluck Shinawatra and her brother is no cure for Thailand's ills

FOR 15 years Thaksin Shinawatra has dominated Thai politics—and for most of that time the country's generals and their supporters around the ailing king have tried to destroy him. The populist billionaire fled into exile two years after a coup deposed him in 2006, but his sister, Yingluck, still won an election in 2011 and ruled as his proxy, with Mr Thaksin pulling the strings from Dubai. But she was ousted last May in a constitutional wrangle—and soon afterwards the army took over. Now rampant abuses stemming from a rice subsidy programme that was overseen by her government, have led to a sham impeachment of her. Criminal charges will follow.

This time, finally, the generals and courtiers may have cornered the Shinawatras (see page 31). Ms Yingluck is in effect a hostage in negotiations with Mr Thaksin, whose position has weakened. He has lost the backing of Thailand's crown prince, while a purge in the police force has weakened a key bastion of his support. Mr Thaksin may now sacrifice his political ambitions to safeguard his family and fortune. Some Thais will cheer, longing for calm after years of political stand-offs and street protests that often spilled into violence. But the junta's determination to abolish democratic politics spells trouble, probably the bloody kind, in the future. It should think again.

The worst form of government, except for all the others

There was much to fault in the way Mr Thaksin ran his country, both before and after he fled abroad to avoid a jail sentence for abuse of power. With support from a poor, rural heartland in the north and north-east, neither he nor his sister paid enough heed to the interests of Bangkok's middle classes or the southern provinces. In office Mr Thaksin favoured his own considerable business interests and weakened public institutions. He was a Berlusconi with less of the bunga-bunga. Appallingly, in 2003-04 he ordered an extrajudicial assassination programme that killed thousands of supposed drug dealers. His sister was less authoritarian but also less competent.

And yet the Thaksinite governments were probably no more corrupt than their predecessors were. Crucially, the Shinawatras did much to transform the lives of some of the country's worse off. They built country roads, boosted education and provided health care for the poor. The old elites resented this, not least because they liked to think of the king traditionally atop an ordered hierarchy with deferential peasants at the bottom grateful for royal charity. Without putting it in so many words, Mr Thaksin implicitly challenged that dispensation, and a majority of Thais approved. But soon after he or his loyalists were back in office, the political stand-offs and the street violence would resume.

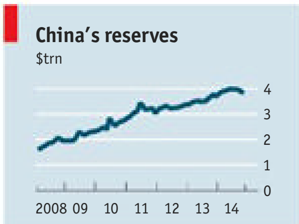
Last May the generals intervened to break the dismal cycle, claiming impartiality. They spoke of reconciliation and tried to start discussussions with Mr Thaksin. But recently they have changed their minds, perhaps to please the establishment around the court of the old king. Impeaching Yingluck is only part of it. The generals are drawing up a constitution designed to keep populist parties like Mr Thaksin's Pheu Thai from power. They intend to rule for as long as it takes to restore a supposed moral order.

This will do Thailand no good. The lesson of the past 15 years is that ever more Thais want a say in their country. Banishing the Shinawatras will not change that. The West should make clear to the generals that a constitution that bans Thailand's most successful party from power is a step backwards. If they still go ahead, military ties should be broken. The era of Thaksin may be ending; but the democracy that he so imperfectly represented is Thailand's only hope. ■

China and the world

Yuan for all

China's loans to foundering governments may seem a challenge to the IMF, but the biggest risks are to itself



THE International Monetary Fund is meant to be the fire-fighter of the world economy. Recently, though, it is China that has responded to the ringing of alarms. First, it lent Argentina cash to replenish its dwindling foreign-exchange reserves. Next, with the rouble crashing, China offered credit to Russia. Then Venezuela begged for funds to stave off a default. Strategic interests dictate where China points its financial hose: these countries supply it with oil and food. But if a government anywhere goes bust, it now has an alternative to the IMF.

In the past six months China has also invaded the development patch of the other great Bretton Woods institution, the World Bank. First, China—along with Brazil, Russia, India and South Africa—established the New Development Bank. Then it unveiled the Asian Infrastructure Investment Bank. Finally it launched the Silk Road Fund, backed by yet another development bank. None has started operating, but China has pledged more than $140 billion to these new institutions.

China's clout should not be exaggerated. The yuan is not yet fully convertible and will not be for several years, which limits its influence. But the country's leaders are clearly marshalling the cash and the strategy to become a banker to the world (see page 61). This is at once welcome and worrying.

It is welcome because it is in everyone's interest to have China's vast savings, stashed away for too long in low-yielding American government bonds, diverted to more useful causes. For poor countries that need better roads and ports, Chinese capital could be a godsend.

The worries relate to how China may wield its power. The World Bank and the IMF have been criticised for attaching too many conditions to loans. China, by contrast, is undemanding, worryingly so. The $50 billion that Chinese banks have lent to Venezuela since 2007 bought that country's leaders time to wreck the economy, as well as allowing them to continue to thumb their noses at America. The fear is that, as international use of the yuan grows, China will start to provide pariah states with a means to evade Western financial sanctions, thus subverting the diplomatic order as well as the financial one.

In fact the evidence suggests China's goals are less sinister. It is not seeking to displace established multilateral institutions, but to gain the power befitting an economy of its size. Moreover, its activism is partly a response to America's reprehensible failure to ratify reforms to give big emerging markets greater say at the World Bank and the IMF (see page 63). America has lobbied allies to steer clear of China's new infrastructure bank. It would be more sensible for the Obama administration to try to integrate China into the existing institutions than to try to thwart its ambitions altogether.

The great gall of China

As for its no-strings-attached policy, the country to which China's reckless lending poses the greatest danger is China itself. It has cultivated an image as a champion of the developing world. Financial distress in countries that receive its largesse undermines that. It is also a waste of national treasure. The original point of getting into development finance was to make better use of its currency reserves, not to fritter them away in corrupt nations. The saving grace for China is that its errors are already evident. It has time to fix things before truly becoming a banker to the world. Hewing closer to the model of the Bretton Woods institutions is the right place to start. ■

An editor's farewell

The case for liberal optimism

John Micklethwait, who has edited this newspaper since 2006, leaves today. These are his parting thoughts

THIS newspaper churlishly deprives its editors of the egocentric adornments of our trade. Tragically, these pages include no weekly "editor's letter" to readers, underneath a beaming, air-brushed picture. Online, there is a weekly e-mail, but that comes from your "desk", not you. As editor, you spend your time in deplorable obscurity, consoled merely by the fact you have the nicest job in journalism. But there are two indulgent exceptions: a brief mention when you are appointed; and this valedictory leader, which attempts to sum up the world that has hurtled across your desk.

It starts on the first day, and never lets up. There are elections, coups, wars, bankruptcies and tsunamis. Science throws up discoveries and ideas. A pantomime of Putinesque villains and Berlusconi-style clowns force themselves onto the cover. But for the things this newspaper cares about, the past nine years have been a battle, one that has left me in a state of paranoid optimism. Paranoia because so much remains under threat; optimism because, for the most part, the creed this newspaper lives by is strong enough to survive.

That applies first to *The Economist* itself. One of my earliest covers asked "Who killed the newspaper?" (August 24th 2006), and this newspaper has arguably faced more change in the past nine years than it did in the previous century. On April Fool's Day 2006, when, appropriately, I began this job, Twitter was ten days old, our print advertising was growing and social media was something to do with a very good lunch. ▸▸

So any modern editor who is not paranoid is a fool. But my optimism remains greater, both about *The Economist* and the future of independent journalism. That is partly because technology gives us ever more ways to reach our audience. In 2006 our circulation was 1.1m, all in print. Now it is 1.6m in print, digital and audio. Already half a million of you have downloaded our new Espresso app; we are adding over 70,000 Twitter followers each week. Media is not the race to the bottom that pessimists forecast. People want to read about the Kurds, Keynes and kokumi (see page 71) as well as the Kardashians. Ever more go to university, travel abroad and need ideas to stay employable—and will pay for an impartial view of the world, one where the editor, whatever his faults (or from now on, her virtues), is in nobody's pocket.

Fighting new battles

The same guarded hopefulness applies to an *Economist* editor's only true master: the liberal credo of open markets and individual freedom. That liberalism, which stretches back to our founding by James Wilson in 1843, has been attacked from all sides over the past nine years. In 2006 it was still easy to convince yourself that history was ending—that the "Washington consensus" of democracy and capitalism would liberate the world. But freedom's momentum has sadly stalled.

Democracy is no longer the presumed destination. Countries that looked mildly hopeful nine years ago, such as Russia and Turkey, have acquired tsars and sultans. The Arab spring has turned to winter. Above all, authoritarians have found a new model in China—in which power revolves at the top every decade and economic growth is organised at the bottom. China's income per person has risen at twice the rate of democratic India's since 2006.

Western democracy, too, looks ever less exemplary. Barack Obama may have stopped his predecessor's waterboarding of American values, but Washington remains synonymous with gridlock. In every year of my editorship a clear majority of Americans have told Gallup that they are dissatisfied with the way they are governed. America's money politics, the target of another editor's valedictory in 1993, looks ever grubbier and more feudal, with a Bush v Clinton contest beckoning in 2016.

The only way to feel good about American democracy is to set it beside Brussels. Woefully unaccountable and ineffective, the European Union is often held together only by the woman who has somehow managed to be both the West's most impressive politician and its greatest ditherer, Angela Merkel. But to what end? The near-permanent euro crisis has proved a classic exercise in shambolic decision-making, consisting mostly of agreeing to kick the can down the road.

If liberal politics are rightly attacked, the blows that have rained down on liberal economics have perhaps been even more painful. It is now a commonplace to blame the dominant event of this editorship, the 2007-08 financial crisis, on unfettered capitalism. This is mostly a calumny: the epicentre was the American mortgage market, one of the most regulated industries on Earth, and Leviathan's hand was all over much of the mess that followed. But part of the charge against capitalism was true, and it hurts. No liberal can justify a system in which huge banks' balance-sheets teetered on tiny amounts of capital. In 2006 too much of finance was gambling, pure and simple; and too much of the bill ended up with taxpayers.

This helps explain why a feeling of unfairness lingers across the West—visible in the streets of Athens, but also in the pages of Thomas Piketty. People blame liberalism for much of what they fear: whether large-scale immigration, technological change, or just what the French call *mondialisation*.

Such a reaction is not unreasonable. Globalisation has indeed brought problems in its wake. But it has also done an incredible job in reducing want. Since 1990, nearly 1 billion people have been hauled out of extreme poverty; and the 75m people who bought an iPhone in the last quarter of 2014 were not all plutocrats. Moreover, open markets could do more, not least in the West. Free-trade pacts across the Atlantic and the Pacific would spur growth, while Mrs Merkel could open up Europe's single market in services. The magic still works, and liberals should be far bolder in making that optimistic case.

But that is not enough. Two great debates are forming that will redefine liberalism. The first is to do with inequality. A more open society, where global markets increase the rewards for the talented, is fast becoming a less equal one. As this newspaper pointed out last week, the clever are marrying the clever and manically educating their children, making it ever harder for the poor to catch up. Liberals should resist the left's inclination to punish the talented and somehow to mandate equality. But in the name of equal opportunity, progressives need to hack away at unnecessary privileges (like university places for children of alumni) and wage war on crony capitalism. Private equity and Exxon are both clever enough not to need special tax breaks. Four times as much public money goes to the wealthiest 20% of Americans in mortgage-interest deductions than is spent on social housing for the poorest fifth.

These were causes that motivated Wilson, John Stuart Mill, William Gladstone and the great liberals of the 19th century, who waged war on "the old corruption" of aristocratic patronage and protection for the rich, such as the corn laws this newspaper was set up to oppose. But they were progressives who also believed in a smaller state. This is the second debate forming around liberalism, and a dilemma: for although this newspaper wants government's role to be limited, some of the remedies for inequality involve the state doing more, not less. Early education is one example. Only 28% of American four-year-olds attend state-funded pre-school; China is hoping to put 70% of its children through pre-school by 2020.

Planting liberalism's standard

The answer is to scale down government, but to direct it more narrowly and intensely. In Europe, America and Japan the state still tries to do too much, and therefore does it badly. Leviathan has sprawled, invading our privacy, dictating the curve of a banana and producing tax codes of biblical length. With each tax break for the already rich and with each subsidy to this business or that pressure group, another lobby is formed, and democracy suffers.

Lessons lie in the private sector. It is often several decades ahead of the public sector in the West. Some of the answer is just good management: if Singapore can pay good teachers more and fire bad ones, so can Stuttgart and Seattle. Other answers lie in experiments at lower levels of government, as among America's states, and outside the West—in India's giant heart hospitals and Brazil's conditional-cash-transfer system.

The battle for the future of the state is an area where modern liberalism should plant its standard and fight, just as the founders of the creed did. Because, in the end, free markets and free minds will win. Liberalism has economic logic and technology on its side—as well as this wonderful newspaper, which I now hand over into excellent hands. And that is my last, best reason for optimism. ■

Monitoring the internet

SIR – You called on tech companies to "come to terms" with the fact that intelligence agencies need to monitor the communications of potential terrorists ("Going dark", January 17th). But if Apple decided to insert "back doors" that allowed the spooks to intercept private communications, that still wouldn't give access to data sent through apps such as WhatsApp and Snapchat, nor from unauthorised apps that someone with a small amount of technical savvy could install with ease.

The only way to intercept data from applications with end-to-end encryption is to capture every swipe, tap and keystroke as well as everything that appears on the screen, which could only be enforced through draconian regulation. It would also make devices far easier for cyber-criminals to hack and still be ineffective for surveillance.

Regardless of the ideological merits of giving authorities access to private communications, it is an unchangeable fact that with modern encryption technology and a bit of forethought a malevolent person can send communications to his collaborators that no carrier or government can see. Stringent regulations will be incompatible with mainstream apps and tools, and violate the privacy of honest users without protecting the public from actual threats.

DANIEL LIEBERMAN
Chief executive
BitPusher
San Francisco

SIR – It is a bit misleading to suggest that because postal mail can be intercepted, e-mail should be accessible to the state. A letter sent ten years ago may be destroyed, regardless of warrants or court orders. But the passage of time does not prevent surveillance for e-mail, which is copied from one system to another. At best you can only delete the copy in your inbox.

Encryption is the only reliable solution we have for ensuring the privacy of our online communications. Does our right to privacy matter when we use the internet? If the answer is yes there can be no weak encryption and no back doors. If the answer is no we have bigger problems than terrorism.

BENJAMIN KREUTER
Jersey City, New Jersey

SIR – It is impossible to block a determined individual from operating their computer in a secure way. The software required to operate outside the purview of the security agencies through unhackable encryption is freely available through open-source software. The British government's attempt to block BitTorrent peer-to-peer sites was circumvented in a matter of hours. Terrorists can and will gain access to the technology required to operate securely. All that the spooks will do is make things more difficult for IT companies and their customers and push the terrorists further into the shadows.

NEIL RICHARDS
IT solutions architect
London

Cancer drugs and the NHS

SIR – Contrary to your assertion, Halaven, a life-extending secondary breast-cancer treatment developed by Eisai, is not an expensive drain on Britain's Cancer Drugs Fund ("Benign or malignant?", January 24th). You said that the list-price of Halaven in England through the CDF is one of the most expensive in Europe and that Eisai raised the price of Halaven when it became available on the CDF, following the refusal by the National Institute for Health and Care Excellence to pay for the drug. That is misleading.

When treatments were first listed on the CDF there was no process through which drug companies could cut their prices. Eisai was not given the opportunity to lower the price of Halaven before NHS England announced that it would be removed from the CDF, despite this being something we were, and still are, very willing to do. Halaven is actually one of the most affordable breast-cancer treatments on the CDF and has been since it was made available in 2011.

The drug industry has already agreed to cap the cost of medicines, including cancer drugs, to the NHS through the Pharmaceutical Price Regulation Scheme, and even pays a rebate back to the government when the costs exceed this cap. The notion that the CDF is an unnecessary and onerous burden on the public purse is therefore incorrect.

GARY HENDLER
Chief executive
Eisai Europe
Hatfield, Hertfordshire

Cursed by commodities

SIR – "The twilight of the resource curse" (January 10th) put across a positive view of commodities-led development in Africa, concluding "there is reason to think the 'resource curse' is losing its power". That is optimistic, at best. We are about to publish a study, "Resource Curse Revisited", and our finding is that in many cases, and not just in Africa, the only way to reverse the onset of resource curse is to slow the development of extracting commodities. Indeed, in some extreme cases it would be better to leave the resource in the ground, because developing it would only make bad governance, which is at the core of the resource curse, even worse.

PROFESSOR PAUL STEVENS
Distinguished fellow
Royal Institute of International Affairs
London

Court on camera

SIR – I was surprised to learn that America's Supreme Court does not broadcast its sessions ("Draw back the curtain?", January 10th). In Brazil Justice TV televises the Brazilian supreme court's sessions live on its channel. This has improved democracy by strengthening the court's role as the guardian of the constitution. Citizens have tuned in to watch debates on stem cells, marijuana and gay marriage. On the other hand, live television turned Joaquim Barbosa, one of the court's justices, into a star after his judgment in the *mensalão* bribery scandal. After that he was nicknamed "The Batman" because of his black gown and his face became a popular carnival mask.

Still, spotlights are better than curtains when it comes to Brazil's most important court.

DANIEL NICORY
Director
Bahia School of Public Defence
Salvador, Brazil

Living with Nazis

SIR – Thomas Mann may have been "caustic" about authors such as Hans Fallada who stayed and wrote in Nazi Germany ("Right to write", January 3rd). But Fallada's "Every Man Dies Alone", about ordinary Germans during the second world war, remains the most insightful and vivid novel of life in a totalitarian society. It was described by Primo Levi as the greatest book ever written about the German resistance to the Nazis.

BERTRAND HORWITZ
Asheville, North Carolina

Shell shock

SIR – Thank you for the eggcellent article on Cadbury's Creme Eggs ("Choc absorbers", January 17th). It was a cracking read. The change in the eggs' formula is no yolk and your article was white to say so.

BEN WHITWORTH
York

Letters are welcome and should be addressed to the Editor at
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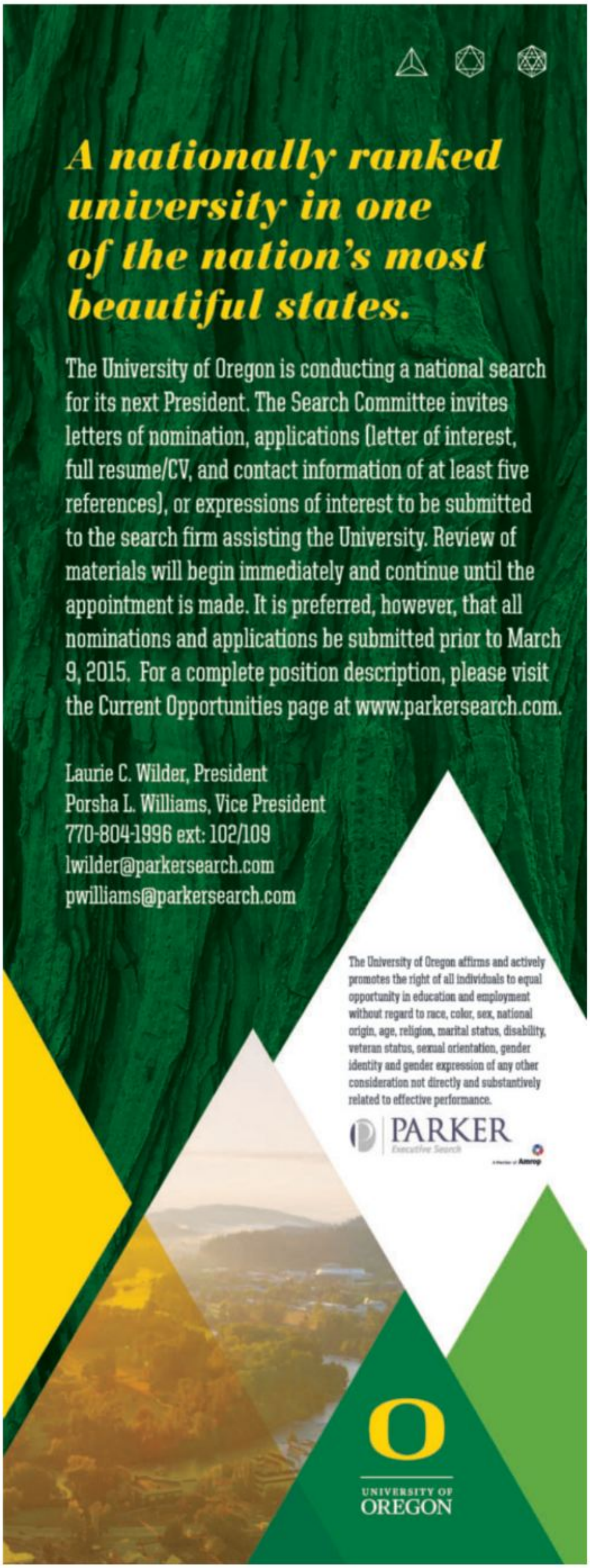


Beware Greeks voting for gifts

ATHENS, BERLIN AND BRUSSELS

Syriza's success increases the risk of "Grexit" and will embolden anti-austerity parties across Europe

"WE HAVE finally put behind us the vicious cycle of fear and austerity." So declared Alexis Tsipras, Greece's new prime minister, to crowds cheering his party's election victory on January 25th. Up to then, countries on the edge of the euro zone, forced to embrace harsh budget cuts and pledges of reform as the price for their bail-outs between 2010 and 2013, had—surprisingly—accepted the nasty medicine without a big populist revolt. That changed when Syriza, a radical far-left party led by Mr Tsipras, won power after campaigning to cast aside austerity, backtrack on reforms and insist that Greece's vast debt is slashed.

These promises may have won votes for Syriza, but they have given investors the jitters. The stockmarket swooned—led by Greek banks, which suffered their biggest one-day drop ever on January 28th—and short-term bond yields jumped. Syriza's pledges are also unacceptable to other European governments, whose already sulky voters resent stumping up any more for Greece. The one that matters most is Germany. The country's chancellor, Angela Merkel, will be wary of any concessions that might encourage insurrectionist parties elsewhere in Europe.

So will one side give way? Or could the clash lead to the result from which both Greece and its euro-zone partners recoiled in 2012: "Grexit" from the euro, with painful consequences all round? Mr Tsipras insists that his country will stay in the euro, a policy backed by three-quarters of the Greek public. He has softened the hostile stance he took in the 2012 election, when Syriza campaigned to tear up the "memorandum", the conditions set by Greece's creditors for its two huge bail-outs, amounting to €246 billion ($278 billion) in all and policed by the "troika" of the European Commission, the IMF and the European Central Bank (ECB).

If that calmed nerves in Brussels and Berlin, his first steps as prime minister will have frayed them again. After coming close to winning an outright majority in the Greek Parliament, with 149 seats out of 300 (see chart 1 on next page), Mr Tsipras alarmed creditors by choosing as his coalition partner the Independent Democrats, a far-right party led by Panos Kammenos, which stridently supports Syriza's line on debt relief and an end to austerity.

His first public act as prime minister was to visit a memorial for 200 Greeks killed by the Nazis in 1944: a gesture wreathed in symbolism for a man who rails against the German-led "occupation" of his country. Soon afterwards, he objected loudly to a supposedly unanimous EU statement criticising Russia's renewed aggression in Ukraine.

A colourful team of ministers hardly suggests that compromise is on the cards. Yanis Varoufakis, appointed as finance minister, is an economist and blogger who has protested against "the fiscal waterboarding policies that have turned Greece into a debt colony". Mr Varoufakis honed his skills as an academic, but also once worked as a consultant for a computer-games firm. Panagiotis Lafazanis, a Marxist who heads Syriza's far-left faction, will run a ministry incorporating energy and the environment. At least George Stathakis, the new minister for the economy together with tourism, transport and shipping, the country's biggest industries, is an expert on Greece's first big bail-out, the Marshall plan of 1948.

Cleaning up Greece

Mr Tsipras has a mandate from the voters—though Syriza's 36% share of the vote was hardly a landslide—that empowers him to make changes. But how much room for manoeuvre does he have?

In some respects the country is less vulnerable than it was in the summer of 2012, when it teetered on the brink of falling out of the monetary union. The economy is in better shape. A lingering recession ended last year. Growth of 0.7% in the third quarter of 2014 put Greece among the best performers in the euro zone. The country can now boast a small current-account surplus, a massive turnaround from 2008. The public finances are healthier ▸▸

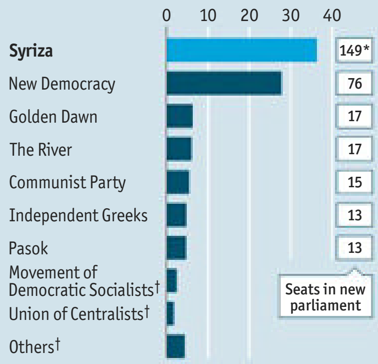
than in 2012, thanks to the same austerity that Mr Tsipras so abhors. Furthermore, despite Greece's extraordinarily high public debt, worth some 175% of GDP last year, successive concessions have eased its debt-servicing charges to such an extent that annual cash interest payments are now only 3% of GDP.

Regardless of these improvements, the Greek economy and public finances remain fragile. For the first time since 2012 bank deposits are being run down, by €3 billion in December and reportedly by up to €11 billion this month. The uncertainty is also harming tax revenues, which were much lower than expected in December. It is against this background that Mr Tsipras has pledged to launch a welfare package worth €2 billion to end what he calls Greece's humanitarian crisis; to rehire 12,000 sacked civil servants; and to freeze privatisations. A crackdown on tax evasion by the wealthy and ending the grip on state procurement of Greece's "oligarchs", who control media outlets and parts of the judiciary, are unlikely to do enough to pay for Mr Tsipras's largesse.

Syriza and its supporters may rail against the terms of their bail-outs, but Greece remains dependent on official support. Its debt is rated as junk. Bond yields fell sharply in the first half of 2014; but as political worries came to the fore towards the end of last year, yields jumped back to unaffordable levels (see chart 2).

Turning left 1

Greek parliament, January 2015, % of vote



Sources: Electograph.com *Includes 50-seat majority bonus †No seats as failed to reach 3% threshold

Financial health-check

Even before Syriza's victory, Greece and its creditors were at loggerheads, with the troika wanting more cuts in the 2015 budget and dissatisfied with the government's failure to push through enough reforms. That caused a suspension of payments until the latest review of Greek performance in complying with the bail-out terms was completed. As a result, the European bail-out, which was due to end last year, has been extended until the end of February. The IMF's portion of the rescue is scheduled to run until early 2016.

Without a successful conclusion of the review, Greece will be denied the final tranche of European loans of €1.8 billion, as well as a further €1.7 billion that this would trigger through another form of help, in which profits on the ECB's holdings of Greek bonds are routed back to Greece. A successful deal would also release a further €3.5 billion from the IMF. In all, Greece could lose €7 billion, together with commitments of an additional €13 billion from the IMF by early 2016.

That would be disastrous, since Greece has some substantial payments to make over the next few months. To avoid default, Greece must honour repayments of its first bail-out loans from the IMF, together with redemptions of other bonds that are due. The IMF is due to get €2.5 billion in the first quarter of 2015 and the same again in the second quarter. The Greek government must also repay to the ECB €6.7 billion in July and August for sovereign bonds that the central bank bought when trying to quell market panic after Greece's first bail-out, in May 2010. Although the government apparently has €10 billion stashed away in public-sector reserves, getting at these quickly will be difficult. And even if it is possible, making the payments to the IMF and the ECB could push Greece to the limit—especially if the tax take continues to fall short.

This puts Mr Tsipras under a lot of pressure to agree upon an extension of the current EU bail-out programme. The EU would have no objection to that. Having to ask—a condition set by Brussels—would mean an embarrassing about-turn for the new prime minister; yet he does not have much choice. Germany and the IMF have made it clear that debt relief cannot be discussed unless Greece completes the review, stays on track with fiscal targets and carries out more structural reforms.

Even if the bail-out programme were extended, that would not resolve the dispute between Mr Tsipras and the rest of Europe. The quarrel might mean that the ECB takes a tougher line with Greek banks. At present it is prepared to lend to them on the same terms as other euro-zone banks. But if Mr Tsipras is too provocative, the ECB will insist that funding is "emergency liquidity assistance" at the Bank of Greece's risk rather than that of all euro-area central banks. Besides sending a message to the Greek government, it would raise the cost of the banks' borrowing. The ECB could take such a decision in the next few days if Mr Tsipras sends it the wrong signals.

Just days after the celebrations among Syriza supporters in the wake of their election triumph, the mood in Athens is edgy. If depositors panic and banks wobble, that could lead to a crisis that might end either with Grexit or in a humiliating climb-down that spells an early end for the new government—as well as political chaos.

Avoiding a collapse of the banks is merely the first task for Mr Tsipras. If he gives in to the demands of the troika, Syriza's fractious far-left wing, the Left Platform, is bound to rebel. This group of Maoists, Marxists and supporters of Che Guevara controls about a third of the party. Hungry for power, the Left Platform dropped its ideological objections to co-operating with Mr Kammenos's party in return for Mr Lafazanis getting his cabinet post. An angry or disappointed Mr Lafazanis could split the party and bring down Mr Tsipras's government.

A costly election 2

Ten-year government-bond yields, %

Source: Haver Analytics

Interactive: Explore our guide to Europe's troubled economies at **Economist.com/euroguide**

Writing off a write-off

Even if Mr Tsipras wants to make peace with Greece's creditors, an accident may happen along the way. His government is frighteningly inexperienced for the size of the task it must undertake. The dangers of sounding unnecessarily aggressive or acting hastily are magnified by the delicate negotiations it faces. Only one cabinet member, Giannis Dragasakis, a former central-committee member of the Greek communist party, has ever served in government before.

European creditors can make a few limited concessions. Debt forgiveness—writing off some official debt—has been ruled out. But it would be possible to relieve the debt burden by further extending the maturities on the loans, although these have already been stretched to an average of 30 or so years. On the other hand, the German government will object to any let-up in Greece's own effort to bring down the debt burden, which involves running a sustained primary (ie, before interest) budget surplus of more than 4% of GDP from 2016. And it is just as concerned to prevent Mr Tsipras rowing back on reforms that are seen as indispensable if Greece is to pay its way and not rely on more transfers.

If Mr Tsipras pushes his luck, creditors are likely to push back equally firmly, insisting that failure to abide by their terms would mean Greece being expelled from the monetary union. The German government came close to taking this decision in 2012, but pulled back; Mrs Merkel was worried about the wider consequences for the euro zone. However, officials in Berlin reckon that the risk of financial and economic contagion is now lower.

The euro area now has a permanent rescue fund. And with the ECB launching its big programme of quantitative easing in March, creating money to buy sovereign bonds and other assets, a flare-up in the bond markets of other peripheral countries seems less likely. There has so far been little sign of contagion from Greece to the rest of southern Europe. The political risks for Mrs Merkel are also lower, because it would be Mr Tsipras who would be blamed rather than her.

That calculation may yet be proved wrong. Grexit would breach the principle that euro membership is irrevocable, making investors worry about other countries that might be forced out. But whatever the wider impact, the consequences for Greece would be traumatic. Overnight, euros would become a foreign currency as the government converted domestic assets and liabilities into drachmas. A new Greek currency would immediately plummet in value. The IMF reckoned nearly three years ago that it would fall by 50%; some economists thought it would fall by even more.

Such a depreciation would restore Greek competitiveness with a bang, helping to lure tourists and boost exports. But it would also trigger inflation, as prices of imports shot up. More important, currency depreciation would make Greece's foreign debts, which would remain in euros, unsustainable. That would cause the country to default, which could lock it out of global capital markets for years.

The shock of Grexit would hit the economy hard. The IMF estimated in early 2012 that, in the first year, it could depress GDP (which was already falling sharply) by an additional eight percentage points. The impact now might be less severe, but Greece would still lurch from its recovery into a renewed and sharp recession. The longer-term benefits from regained competitiveness might also be lost if it were forced to leave the EU and the single market as well as the euro, as a widely cited legal paper from the ECB maintains.

Even if Grexit is only halfway as ruinous as these projections suggest, Mr Tsipras should be wary about provoking such an outcome, especially as Greeks want to remain in the euro. This suggests that, despite a bigger-than-expected election victory, his bargaining position is weak. The task for European governments is to find a way for him to retreat from his demands without losing face altogether.

His war-memorial visit and complaint about the official statement on Russia are dismissed by officials in Brussels as gestures for domestic consumption. A meeting of EU heads of government on February 12th, Mr Tsipras's first, may be more revealing. What can he achieve? On paper he has little leverage. And he has aroused high expectations among voters and his fractious party.

Discussions with Brussels are only part of the story. Any bail-out extension must be approved by parliaments in Germany, Finland, the Netherlands and Estonia: four countries not renowned for their forbearance towards fiscal sinners. The attitudes of such hardline governments will matter at least as much as those of EU institutions.

The Finnish government, which in 2011 refused to back Greece's second bail-out until it was offered collateral, has every reason to be tough: it faces a difficult election in April, and there are few votes to be won by being nice to Greeks. Similarly, the Dutch government must contend with the threat of Geert Wilders's populist Party for Freedom, which has lately been leading the opinion polls.


Will Tsipras sign out of the euro?

Yet the crucial country is Germany. Politicians in Mrs Merkel's ruling coalition have couched their intransigence in appeals to the sanctity of rules. Steffen Seibert, her spokesman, insists that the new Greek government must meet the commitments made by the outgoing one. Wolfgang Schäuble, Germany's finance minister and a stern advocate of fiscal probity, declared both that he respected the outcome of Greece's election and that the new government must respect the "obligations" to which its predecessor had signed up.

The talk is tough at the centre of German politics. Any hint of softness towards Greece might increase the appeal of the political fringes. The Left, a party that descends from the Communists who once ruled East Germany and that sees Syriza as an ideological ally, cheered what it hoped was the start of an uprising against Mrs Merkel's policies. On the populist right the Alternative for Germany, a party founded in 2013 with a call to dissolve the euro, also celebrated, believing that the Greek election would bring its goal closer. Its leader, Bernd Lucke, suggested that Greece should leave the single currency at once.

Heading for the Grexit?

Earlier this month, Mrs Merkel's government let it be known that it now sees Grexit as "bearable" for the rest of the euro. She prefers to keep Greece in the single currency, and may be willing to yield to Mr Tsipras just enough to let him declare victory at home—for instance, by extending the maturities of existing Greek debt. But she is unlikely to go further. The prospects of cutting Greek debt by up to half, as Mr Tsipras has demanded, appear remote. Giving handouts to governments that throw tantrums, runs the argument, makes it harder to maintain pressure on larger countries in need of reform, such as France and Italy.

As ever, the looming Greek crisis is about far more than Greece. Going soft on Greece may also embolden Syriza-like parties in other countries (see Charlemagne). In Spain Podemos, a party that emerged from nowhere to lead the polls, has closely allied itself with Syriza. Its leader, Pablo Iglesias, singles out Mrs Merkel, with her ruthless demands for austerity, as the foe of Europe's downtrodden. It is perhaps no coincidence that ministers from Spain and Portugal, both run by centre-right governments facing anti-austerity challenges in elections this year, were among the first to warn of the dangers of dancing to Syriza's tune after the election.

In this context, German lawmakers are unlikely to look upon Greek demands with sympathy. But many Europeans want to change the conversation: under its new president, Jean-Claude Juncker, the European Commission has, for example, been battling to win support for an ingeniously engineered pan-European investment package. The French and Italian governments, in danger of incurring the EU's wrath over their fiscal stances, are similarly keen to leave the austerity years behind.

Until now, Europe's fiscal squabbles have rarely amounted to more than a phoney war. Politicians such as Antonis Samaras, the man Mr Tsipras replaces, who denounced austerity as opposition leaders, found themselves signing up to it once they were in office. The election of François Hollande as France's president in 2012 was supposed to tilt Europe in a more growth-friendly direction, but the country's structural weaknesses and his own missteps have weakened his hand. Germany was never short of noisy critics, but none of them held office. With Mr Tsipras's election, that is no longer the case. ■

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Suicide in America

An awful hole

ATLANTA

Why more Americans are killing themselves

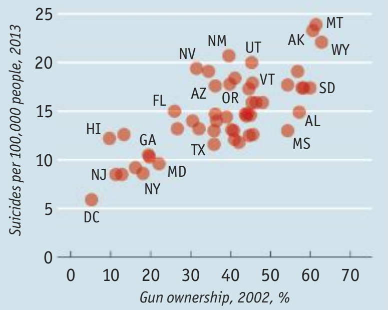
BEING depressed is like having a terrible headache, says one Atlanta businessman. Except that a few days of rest do not stop the pain: "You're just expected to keep going." Trying to "man up", he sought little help for his condition, choosing to hide it instead. "It all gets so debilitating that you don't want to go on," he explains.

He tried to kill himself more than once; fortunately, his attempts came to nothing. But the same cannot be said for a growing share of Americans. The suicide rate has risen from 11 per 100,000 people in 2005 to 13 seven years later. In the time it takes you to read this article, six Americans will try to kill themselves; in another ten minutes one will succeed.

Over 40,000 Americans took their own lives in 2012—more than died in car crashes—says the American Association of Suicidology. Mondays in May see the most incidents. The rates are highest in Wyoming and Montana, perhaps because guns—which are more effective than pills—are so common there (see chart). Nationally, guns are used in half of all successful suicides.

What drives people to self-destruction? Those who suffer from depression are, unsurprisingly, most at risk. The suicide rate also rises when times are hard. During the Depression it jumped to a record 19 per 100,000. It grew after the recent financial crisis too. "Even just uncertainty over employment" makes people worry a lot, notes Yeats Conwell, a psychiatrist at the University of Rochester Medical Centre.

Guns and wreaths



Sources: "Prevalence of Household Firearms and Firearm-Storage Practices in the 50 States and the District of Columbia" by Catherine Okoro *et al*; Centres for Disease Control

The over-75s have historically been most likely to kill themselves, especially if they are lonely or ill. But now it is the middle-aged who are most at risk. In 2012 the suicide rate for Americans aged 45-54 was 20 per 100,000—the highest rate of any age group. For those aged 55-64 it was 18; for the over-65s it was 15. The middle years can be stressful, because that is when people realise that their youthful ambitions will never be fulfilled.

Women make nearly four times as many suicide attempts as men, but men succeed four times as often. Men favour bloodier methods: most use a gun, whereas less than a third of women do. Women may be better at asking for help; overall, they are two and a half times more likely than men to take anti-depressants. Whites are nearly three times as likely as African-Americans to kill themselves. Blacks are five times more likely to be murdered with a gun than to kill themselves with one; for whites it is the other way round.

Military veterans are especially prone to suicide. Data from 48 states suggest that 30 out of 100,000 veterans kill themselves each year—a rate far higher than among civilians. Many find it hard to overcome the trauma of combat, or to adjust to civilian life. A survey by Iraq and Afghanistan Veterans of America, an advocacy group, found that 31% of veterans had considered taking their own lives. Congress is mulling a bill to overhaul how the Department of Veterans Affairs handles the problem.

Activists say the government does too little to prevent suicide. Christine Moutier of the American Foundation for Suicide Prevention complains that only $40m of federal funding will go to anti-suicide programmes this year. This does not include the billions the government spends on mental-health problems more broadly.

Some treatments, such as anti-depressants, are often quite effective. More than 20 studies have found that when anti-depressants are more widely available, fewer people end their own lives. For example, between 1991 and 1996 Swedes swallowed 240% more anti-depressants and the suicide rate fell 19%. But it is hard to prove a causal link. And other studies suggest that certain anti-depressants lead young people to think more about suicide.

Making it slightly harder to kill yourself is also surprisingly effective. American pharmacists still sell painkillers loose in pots, enabling people to pour the whole lot down their throats in one movement. This is unwise. After Britain switched to blister ▸▸

packs in 1998, which require you to punch pills out one by one, deaths from overdoses of paracetamol (the active ingredient in Tylenol) dropped 44% in 11 years.

Some who ponder suicide may be dissuaded by counselling. Behavioural therapies, alone or in family settings, allow sufferers to talk through their emotions and actions. A Danish study of 65,000 people who attempted suicide between 1992 and 2010 suggests that providing people with "a safe, confidential place to talk" during up to ten sessions saw repeat attempts and actual suicides drop more than 25%.

Three states have concluded that not all suicides should be prevented. In Oregon, Washington and Vermont "Death with Dignity" laws allow terminally ill, mentally competent residents to ask for prescription drugs to hasten their deaths. Such laws have no discernible effect on unassisted suicide: from 1999 to 2010 suicides among those aged 35-64 increased 49% in Oregon, which has allowed terminally ill patients to end their lives since 1997, compared with a 28% increase nationally.

And what of those left behind? A suicide deeply affects six people close to the deceased, research suggests. Since 1988 some 5m Americans have suffered the loss of a loved one in this way. Christy Simpson, a counsellor in Georgia, knows it can be difficult for families to discuss a loved one's suicide; her mother asked her to tell friends that her sister died in a car accident after she jumped to her death.

Ms Simpson believes that eroding the stigma around suicide would help. "My parents could never talk about [it]. My mother went from perfect health to her grave within seven years," she says. "The message I got was that what had happened was extremely shameful and that we had failed as a family." ■

War on film

Bleeding red and blue

WASHINGTON, DC

"American Sniper" celebrates regret-free heroism. Small wonder critics hate it—and half of America loves it

WHEN the troops return, the myth-making begins. It took four years after the Vietnam war ended for "The Deer Hunter" and "Apocalypse Now" to paint it as futile and degrading. Since then the cycle has sped up. The Iraq war already has one Oscar-winning film, "The Hurt Locker". The success of another Iraq film, "American Sniper", which was released on January 16th, suggests that views of that war are yet to settle. Many critics panned the film, which is more John Wayne than Wilfred Owen. Despite or, rather, because of this, it has been a hit: if early ticket sales are any guide, it will be one of the most successful war films ever made (see chart).

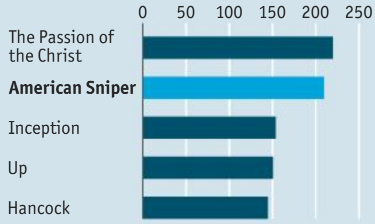
Because of the attention it has received, "American Sniper" has been fed into the partisan threshing machine. It is not enough to have a view on the movie itself; everyone is debating the politics behind it. Writing in *Salon*, Sophia McClennen reckoned that Clint Eastwood, the director, "represents a dark, disturbing feature of the [Republican] mindset". Todd Starnes, a contributor to Fox News, thought that Jesus would thank the sniper, played by Bradley Cooper (pictured), for dispatching unbelieving Muslims to the lake of fire. Howard Dean, a former Democratic governor of Vermont, claimed there was a lot of overlap between the worldview of the film's audience and the Tea Party. Pete Hegseth, another Fox News talking head, declared that liberals hate the film because they are unpatriotic. And so on.

One reason why "American Sniper" has caused such a kerfuffle is that its main character, Chris Kyle, is such an unusual Hollywood type. Film convention dictates that villains are charismatic, heroes troubled, misfits celebrated and so on. Kyle's character is a hero with no flaws, a good man who kills without regret. At one point in the film a psychologist tries to pry into his memories, rummaging around in search of guilt. Kyle replies that his only regret is that he did not use his rangefinder and rifle to protect more marines.

Characters this reluctant to examine themselves are usually either mocked or

Crosses and cross-hairs

Non-franchise films, gross revenue in the first ten days of release*, 2014 prices, $m



Source: Box Office Mojo *Since 2000

brought low. Not Kyle. His wife threatens to leave with the children if he goes back for another tour in Iraq. When he chooses duty she sticks around anyway. He never shoots an innocent—even a mother-and-boy team of grenade-throwers get the bullets they deserve. After he shoots his arch-enemy, a Syrian sniper, with a bullet that travels in slow motion, Kyle comes home for good, wrestles with something like shell-shock and beats it in around ten minutes of screen time. The viewer spends two hours expecting nemesis to visit at any moment, and then the credits roll.

Throughout the film the insurgents get the sort of character development afforded to Nazi soldiers in a second-world-war romp. Kyle and his buddies refer to them as "savages", and there is no hint from the director that they might be anything else.

This is key to the film's appeal: it is Iraq minus the bad bits, a celebration of heroism, skill and the bond between comrades. Such themes delight the half of the nation that Hollywood habitually ignores. When a director reaches out to conservatives, as Mel Gibson did with "The Passion of the Christ", they open their wallets.

The real Chris Kyle, a navy SEAL who wrote an autobiography, took more pleasure in the killing than his on-screen character does. "I'm not lying or exaggerating to say it was fun," he wrote. A more faithful film would have been more unsettling and probably less popular. ■

War, minus the angst

New York politics

Tarnished Silver

NEW YORK

A prosecutor takes on New York state's culture of corruption

"CORRUPTION'S such an old song that we can sing along in harmony/ And nowhere is it stronger than in Albany." These lines from "Hamilton", a musical about Alexander Hamilton now playing in New York, got an especially loud laugh on January 22nd. That morning Sheldon Silver, the long-serving and powerful Speaker of the New York state Assembly, was arrested by the FBI and indicted in a federal court on five corruption charges. Each charge could carry a sentence of 20 years.

According to the complaint, Mr Silver, a Democrat who has served in the Assembly for 38 years and has been Speaker for 21, received more than $6m from two law firms. This included $700,000 in "bribes and kickbacks" for inducing "real-estate developers with business before the state" to use a particular property-law firm; and $5.3m from Weitz and Luxenberg, a law firm that handles personal-injury cases.

Among other things, he allegedly directed state grants to a doctor who then referred clients to an unsuspecting Weitz for asbestos lawsuits. Preet Bharara, the prosecutor, said that Mr Silver had amassed "a tremendous personal fortune—through the abuse of his political power". He denies it all. The law firms are not accused of wrongdoing.

In 2011 Citizens Union, a watchdog, reported that legislators in Albany were more likely to leave office under a cloud than in a coffin. Since 2000, 28 have left in disgrace and four have been indicted. The *New York Post* reported that Mr Silver regularly sent a $100 cheque to the campaign fund of a former district attorney. The story goes that if the cheque was cashed, Mr Silver would joke that he knew he was not in any trouble.

That cavalier attitude was hardly surprising, given the power he had. Most legislators were firmly under his thumb. He could advance or kill legislation with a nod. Sensible ideas like congestion pricing did not even make it to the Assembly floor. Power in Albany is entrenched in the hands of the governor, the Senate majority leader (usually a Republican) and the Assembly Speaker (usually a Democrat). These "three men in a room" often give their underlings just a few hours to review bills the size of encyclopedias; lawmakers then vote as they are told, for fear of being denied money for their districts.

The once-obedient rank-and-file of the Assembly at first appeared to stand by

The six-million-dollar-man

their leader, but then abandoned him. On January 27th they announced that a new Speaker would be appointed in February. The Assembly is now in chaos, while lawmakers elbow each other aside for his job. Meanwhile, important budget negotiations simply have to wait.

The affair has caused some to call for term limits for lawmakers. Such calls have been heard before, but most changes have been token. During his campaign for governor of New York in 2010, Andrew Cuomo vowed to clean up Albany. But his anti-corruption law and an ethics task-force did not go far enough. Later Mr Cuomo went one better, setting up the Moreland Commission to root out public corruption. But he disbanded it last March with, curiously enough, Mr Silver's enthusiastic backing. ■

Russian spies

Unearthing Moscow's moles

How the FBI claims to have caught Putin's spooks in New York

HOW American sanctions might bite on Russian banks is a matter of great interest to the Kremlin. So Russia's Foreign Intelligence Service, the SVR, asked one of its undercover agents in New York to find out, prosecutors claim. Evgeny Buryakov was outwardly an executive at Vnesheconombank, a Russian state-owned financial agency. But in real life he was allegedly "Zhenya"—working with two Russian intelligence officers who doubled as diplomats, also in New York.

Mr Buryakov's mission involved collecting economic intelligence and spotting potential sources. It has ended in disaster. On January 26th news broke of his arrest by the FBI. He faces trial and, if found guilty, up to 15 years in prison. His alleged colleagues have left America.

What gave the FBI its first clue? Was it good surveillance, a cryptographic breakthrough, success in penetrating the Russian spy service or sloppy tradecraft by Vladimir Putin's spooks? The FBI's evidence suggests a lengthy period of observation. The three men communicated with brief phone messages, consisting of unremarkable exchanges about "tickets" and other everyday items, and handed over secret material with "brush contacts"—spy jargon for exchanging bags, folded newspapers and the like during fleeting encounters.

It is not clear whether Mr Buryakov's alleged colleagues were told to go by the authorities, or fled when they realised that they were under surveillance. The FBI appears to have bugged the secret part of a Russian diplomatic mission in New York—part of the evidence includes the two colleagues grousing about their un-James-Bondlike working conditions. But the strongest evidence seems to have come when Mr Buryakov fell foul of an FBI sting operation, based on someone posing as a potential investor in a Russian casino. Mr Buryakov has made no public statement, and his employer(s) could not be reached for comment.

A previous round-up of undercover Russian "illegals" in America in 2010 ended in a spy swap in Vienna reminiscent of the cold war. Mr Buryakov may be hoping for that—though that was in a different era, when the American authorities sought to play down the threat from Russia in the hope of preserving sort-of-amicable relations. But these days America has little reason to pretend to be friends with Mr Putin.

The job market

Incentives matter

Stingier benefits may be behind America's blistering job growth

AMERICA'S labour market boomed in 2014. By December there were 3m more people in work than a year earlier (see chart). Unemployment was 1.1 percentage points lower. The ratio of jobseekers to openings fell from a peak of seven to one in 2009 to two to one in November 2014. What was behind this? The answer in a new study will not please Democrats.*

The jobs are coming back

Source: US Bureau of Labour Statistics

The job market is hot largely because of a cold-hearted Republican reform, it concludes. Before the financial crisis, jobless workers in most states qualified only for 26 weeks of unemployment benefits. In June 2008 that was extended, thanks to a new federal Emergency Unemployment Compensation (EUC) programme. By the end of 2013 the average unemployed American could expect benefits to last 53 weeks; in three states they could get 73 weeks' worth.

The study looks at what happened after Congress refused to reauthorise EUC in December 2013. The average limit on benefits plunged to 25 weeks, cutting off roughly 1.3m Americans immediately. Republicans argued that this would push people back into work. Several economists disagreed. Michael Feroli of J.P. Morgan predicted that many jobless Americans, no longer required to seek work as a condition of receiving benefits, would drop out of the labour force entirely. Researchers at the Economic Policy Institute, a leftish think-tank, said the cuts would destroy 310,000 jobs by dampening demand.

In the new paper Marcus Hagedorn, Iourii Manovskii and Kurt Mitman look at over 1,000 counties that border each other but belong to different states. When counties are so close together, they assume, their economies will be pretty similar. Transport, climate and skills will not differ much. But the benefits available could have been very different. In December 2013, for instance, people in Fairfax County, Virginia made do with 40 weeks of benefits; those in nearby Montgomery County, Maryland could get 63. Since the reform limited benefits to 26 weeks in almost all states, it hit Montgomery County harder.

Employment growth in 2014 was higher in counties that saw bigger declines in the duration of benefits. Overall, the authors estimate that the benefit cut led to the creation of 1.8m extra jobs in 2014—about two-thirds of the total. This suggests that the Republicans were right, up to a point.

However, only a minority of the new jobs were filled by people moving off unemployment benefit. Some 1m were taken by people who were previously not in the labour force. That may be because without benefits to rely on, workers were prepared to toil for less. Employers created more jobs to take advantage of lower wages. With vacancy notices popping up everywhere, more people who had given up looking for work decided to try again.

Few people, least of all congressmen, predicted these results. There is still plenty of evidence that making unemployment benefits too stingy is a bad idea, especially when an economy hits the skids. If people feel forced to take the first job that comes their way, they are unlikely to pick the one in which they are most productive. But when the labour market is improving, cutting them may give it an extra spurt. ■

* "The impact of unemployment-benefit extensions on employment: the 2014 employment miracle?", by M. Hagedorn, I. Manovskii and K. Mitman, NBER Working Paper

Labour relations

Watching fruit rot

LOS ANGELES

If the dockworkers' union blocks West Coast ports, shippers will find others

ON JANUARY 22nd KFC announced that its Japanese stores faced a shortage of potatoes. McDonald's, too, rationed fries in Japan in December, despite an "emergency" airlift of nearly 1,000 tonnes of spuds. The cause in both cases: massive delays at America's West Coast ports.

Cargo is piling up inside the terminals. Exporters and importers are bleeding cash. The North American Meat Institute says delays are costing meat and poultry producers $30m a week. Chelan Fresh Marketing, a Washington fruit supplier, has laid off a fifth of its workforce. It is "a huge mess," says Jon Wyss, Chelan's head of government affairs.

The Pacific Maritime Association (PMA), which represents port operators, is battling the International Longshoremen and Warehouse Union (ILWU). The two groups have worked without a contract since July. The PMA says the union is co-ordinating a slowdown. By limiting the availability of skilled workers such as crane operators, the union has quietly created a bottleneck. "It's like putting a football team of 11 guys out on the field, but not one of them is a quarterback," says a spokesman for the PMA. The union denies it, arguing that the bottleneck is caused by larger ships and a near-record volume of goods.

If workers formally go on strike, they lose their wages. An informal go-slow imposes no such hardship. Hence its appeal, especially at a time when unions are losing their clout. Back in 1953, 36% of American private-sector workers were unionised; now only 6.6% are. Unions that remain strong typically represent workers doing essential jobs that are hard to outsource, says Tom Juravich, a professor of labour studies at the University of Massachusetts, Amherst. Transport workers are often unionised; shop workers typically are not.

The dockers are not angry about wages—which are relatively high for blue-collar workers at $25-$35 an hour—but about outsourcing. They want shippers and terminal operators to stop hiring non-union labour to maintain and repair the chassis, or truck beds, that carry cargo from dockside yards to warehouses. On January 26th the two sides reportedly reached a tentative agreement on this issue, but it may take weeks or months until they formally approve a new contract—and the ports run properly again.

Meanwhile, frustrated exporters and importers will find other routes. In a recent survey by the *Journal of Commerce*, 60% of shippers said they had begun redirecting cargoes away from America's West Coast ports. Once that business leaves, it may never return. Western ports have already lost market share to the East Coast since 2002, when failed labour talks led to an 11-day lockout and a total shutdown.

More ominously, the Panama Canal is being widened to accommodate larger ships. That task will soon be completed, allowing ships from Asia to bypass the West Coast entirely and deliver goods directly to the Eastern seaboard. Jacksonville, Florida opened a new container terminal in 2009; traffic from Asia is already booming, even before the new-look Panama canal opens.

"We refuse to be held hostage forever," says Shelly Boshart Davis, vice-president of a straw exporter in Oregon that uses West Coast ports to ship its hay to hungry cows in South Korea and Japan. She is considering exporting via Vancouver instead. "We will do whatever is necessary to keep our customers," she says. ■

Measles returns

Of vaccines and vacuous starlets

WASHINGTON, DC

A rise in anti-vaccine sentiment has put everyone at risk

AS THOMAS PEEBLES jabbed a needle into the arm of a sick student in 1954, he told him, "Young man, you are standing on the frontiers of science." Indeed he was. Using blood collected at the boy's school, Peebles was able to isolate the measles virus, which John Enders then used to craft a vaccine in 1963. That year there were around 400,000 cases of measles in America. In the decade to 2013 the average number of annual cases dropped below 100. The disease is no longer endemic in America (though it still kills thousands abroad).

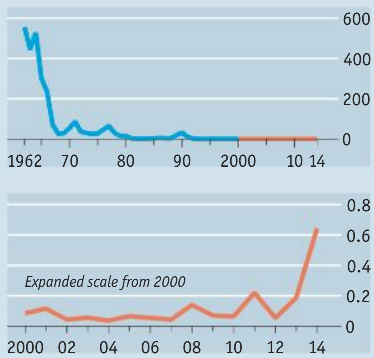
The measles vaccine, now combined with those for mumps and rubella, is safe and effective. Yet some parents believe the opposite and refuse to vaccinate their kids. Some adults go unprotected, too. They reflect a rise in anti-vaccine sentiment fuelled by misinformation and pseudoscience. This has coincided with an increase in the number of measles cases in America, which hit 644 last year (see chart).

An ongoing outbreak of measles traced back to a tourist at California's Disneyland in December illustrates the risk posed by those who shun vaccines. Dozens of people have since caught the disease; most were unvaccinated. The sick have now spread measles to seven other states. But it is not just the anti-vaccine crowd who have suffered: six infants in California, too young to be vaccinated, have caught the disease, along with a handful of vaccinated people (in some the vaccine does not produce a strong immune response).

Like those infants, thousands of frail and sick Americans cannot be vaccinated. They are generally protected from measles and other preventable diseases by what scientists call "herd immunity", whereby a large vaccinated population forms a fence around those who are susceptible, keeping diseases away. People who choose not to get vaccinated also benefit. But in communities where anti-vaccine sentiment is strongest, the fence is falling down.

You give me fever

Measles cases, '000



Sources: Centres for Disease Control

Playmate, actress, epidemiologist

The measles vaccination rate for young children in America was 92% in 2013. Although that is lower than in most rich countries, it is about the rate needed for herd immunity. But it conceals big differences across states—from 82% in Colorado to nearly 100% in Mississippi—and within them. This variation is in part explained by different laws. Although all 50 states require vaccines for students, 19 allow them to opt out without a doctor's approval or religious justification.

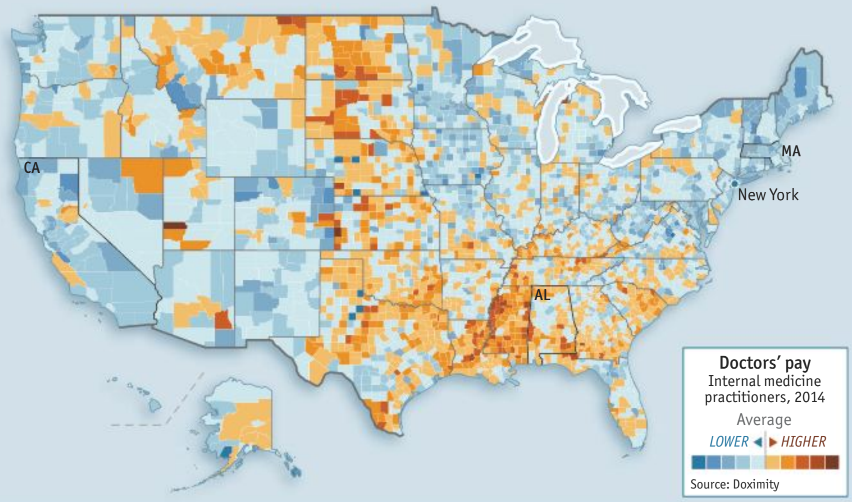
One such state is California, where many schools have vaccination rates lower than are needed for herd immunity. After rising for 12 years, the number of parents seeking a waiver on philosophical grounds declined in 2014, when a law went into effect requiring them to see a health-care professional first. Even so, a recent study found that sceptics tend to cluster in certain parts of the state where vaccination is far from the norm. These include wealthy and well-educated areas.

Parents who skip vaccines are often portrayed as pampered fools swayed by conspiracy theorists. Some swear by debunked studies—like one linking the measles vaccine to autism—and dodgy alternative medicine. A gaggle of B-list celebrities such as Jenny McCarthy (pictured), a former *Playboy* model and anti-vaccine megaphone, reinforce this image. But parents rarely opt out of all vaccines. Many are overwhelmed by the large number of vaccines now required for young children, so they choose to limit or delay the jabs.

That is still risky behaviour. Paul Offit, a doctor at Children's Hospital of Philadelphia, often hears parents worry about vaccines. He notes that most of them have never seen the 14 diseases for which the government recommends vaccination. "In the end," says Dr Offit, "people don't get vaccinated because they don't fear these diseases." In other words, vaccines are a victim of their own success. ■

Where medics make the most

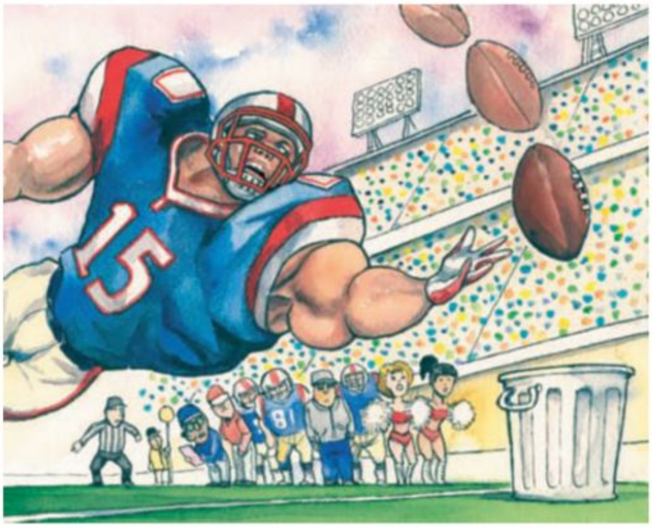
Being a doctor in America is lucrative, but not evenly so. The map, based on pay data from more than 18,000 internists, shows striking geographical disparities. Rural medics make more, because few doctors want to live in the boondocks. Pay is lower in fashionable neighbourhoods: a doctor of general medicine in New York typically earns 64% less than his peer in Alabama. The lowest pay is in Massachusetts, which has four medical schools and a surplus of stethoscope-slingers. Greater use of telemedicine would help even things out, as would removing unnecessary restrictions on nurses. Many of the states where doctors earn most are those which most limit what nurses can do.



Source: Doximity

Lexington | The end zone

The nation's favourite entertainment faces many charges. One of them will finish it



BY THE time it is over, more than half a billion chickens will have given their lives so that their wings might be dipped in barbecue sauce. Enough avocados will be eaten, mashed into guacamole, to lay a trail from Seattle to Boston and back, four times. Even those who think sport is silly must pause to acknowledge the Super Bowl. The ten most watched television broadcasts in American history have all been Super Bowls, as have the next ten. By a conservative estimate, 112m Americans watched it last year. The number who will see the game between the Seattle Seahawks and the New England Patriots on February 1st is slightly more than the number who say they attend church once a week. Many churches have given up competing and instead throw Super Bowl parties as a way of expanding the flock.

This year's contest has many subplots that have required the intervention of politicians. Joe Biden, the vice-president, was asked to comment about the underinflated balls used in the semifinal by the Patriots ("Deflategate"). He revealed that he too prefers a softer ball. Serious people questioned whether it was good politics for Chris Christie, the governor of New Jersey and aspiring candidate for the White House, to be photographed hugging the owner of the Dallas Cowboys. All this is frivolous, but it cuts through to voters in a way that budget maths does not.

The mingling of football and politics stretches back to the turn of the century, when Theodore Roosevelt, who worried that a fondness for billiards had made the country's ruling class soft, brokered a deal to make football safer. The three most recent Republican presidents were all cheerleaders, before that activity came to be considered girlie. Hunter S. Thompson once spent most of an hour talking football with Richard Nixon. "Whatever else might be said about Nixon—and there is still serious doubt in my mind that he could pass for human," wrote Thompson, "he is a goddam stone fanatic on every facet of pro football."

Though it may not seem like it, the days of politicians using football to relate to ordinary Americans are numbered. This Super Bowl has an extra edge because it is the first since actuaries for the NFL, which runs the professional game, estimated that a third of ex-pros may eventually suffer brain damage. Put another way, 35 men on the pitch in Phoenix can be expected to endure early-onset Alzheimer's or *dementia pugilistica* for the entertainment of everyone else. (The NFL agreed to set up a fund to compensate players with brain injuries in 2013.)

Because football is so widely followed, it is also a starting point for bigger arguments about America. When Ray Rice, a running back for the Baltimore Ravens, was filmed punching his girlfriend unconscious in a lift, the incident sparked debate about whether football rewards violence; about domestic abuse; about the rewards for inept executives (Roger Goodell, who bungled the NFL's response, was paid $35m in 2013); and about the oddities of tort law (Mr Rice won millions for wrongful dismissal after the Ravens fired him). The discovery of a manual issued to cheerleaders for the Buffalo Bills, known as the Jills—filled with rules for everything from etiquette ("Do not be overly opinionated") to advice on how to care for "intimate areas"—prompted a debate about whether cheerleading is demeaning and whether the pom-pom-wavers should be paid. Some, amazingly, are not.

Many of the charges thrown at football are bogus. The link between the sport and violence off the pitch is spurious: violent crime has been declining since the early 1990s, since when football has become even more popular. The notion that the sport is racist because the players risking injury are mostly black and the fans mostly white ignores the fact that the game is the only one followed with equal fanaticism by black and white America, or the possibility that adoring a player of a different race might be a more powerful force for good than any number of affirmative-action initiatives. As for the Jills, some of their manual is practical and, in parts—"never use words/ phrases such as: like, I seen it, you's guys, dude, them guys, pee and ain't"—interchangeable with *The Economist*'s rules for its journalists.

Crunch time

The maiming of so many of football's professional players is different, because it is an objection to the game itself. The NFL players' union says that the average length of a professional career is just under three and a half years. Watching a big hit on a player now comes with the same twinge of guilt as watching clips of Muhammad Ali being pummelled. Though high-school players are less likely to suffer brain damage, some school teams were forced to end their seasons early last year because so many children had been injured. Almost half of parents say they would not allow their sons to play the game, a feeling shared by Barack Obama. Nor is it easy to see how the rules could be changed to reduce the risk of brain damage in the professional game to an acceptable level.

Yet the sport will not continue to be both as popular as it is now and as dangerous. Those who dismiss football-bashers like Malcolm Gladwell, who compared the sport to dog-fighting in the *New Yorker*, as elitist east-coast types should remember that football began as a form of organised riot on the campuses of elitist east-coast colleges. Changes in taste can trickle down as well as bubble up. During the second half of the 20th century boxing went from being a sport watched together by fathers and sons to something that dwells among the hookers and slot machines of Nevada. Hollywood's output of Westerns peaked in the late 1960s, after which the appeal of spending a couple of hours watching tight-lipped gunslingers in pursuit of an ethnic minority waned. Football will go the same way. ■

Award: Our cartoonist Kevin Kallaugher (KAL) has won a lifetime achievement award from the Creative Alliance of Baltimore, his home town. Congratulations

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Canada's economy

Beyond petroleum

TORONTO

Growth is shifting from the oil-producing west back to the traditional economic heartland. Political power could shift with it

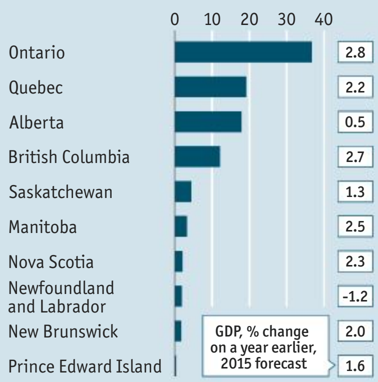
"THE oil industry isn't remotely the entire Canadian economy," declared the prime minister, Stephen Harper, on January 22nd. That is not a startling statement. Production of crude oil represents just 3% of Canada's GDP. The surprise is that Mr Harper felt he has to state the obvious. In an economy dominated by services, Mr Harper and his Conservative Party have cast themselves as champions of the oil industry, which is centred in Alberta, his adopted home province.

He pulled Canada out of the Kyoto protocol on climate change and promoted the Keystone XL pipeline that would carry Alberta bitumen to refineries in the southern United States. He has likened the development of Alberta's tar sands to building the Great Wall of China. Canada, the fifth-largest producer of crude oil (which makes up 14% of exports), is an "emerging energy superpower", Mr Harper has proclaimed.

But the drop in oil prices—by more than half since last June—has checked that boastfulness. It has shifted the engines of economic growth from western Canada to the central provinces of Ontario and Quebec, which concentrate on services and manufacturing. The weakness in the energy sector prompted a surprise cut in interest rates by the Bank of Canada on January 21st. The federal government, which usually delivers its budget by the end of March, has put that off until April at the earliest. Volatile energy markets make it impossible to predict revenue accurately, says Joe Oliver, the finance minister. These wobbles are awkward for Mr Harper, who hopes to win this October's general election by campaigning on the Conservatives' record of economic competence.

Canada is hardly Venezuela, whose oil-dependent economy is expected to contract by 7% this year. The central bank predicts growth of 2.1% this year and 2.4% in 2016. That is modest, but it is no worse than the 2.1% average of the past two years. The unemployment rate, at 6.7%, is relatively low. While the energy slump will boost some parts of the country, it will depress others. Oil-rich Alberta, which has grown faster than the rest of Canada for the past 20 years, will enter recession this year, predicts one think-tank, the Conference Board of Canada.

As you were
Canada's GDP contribution by province, 2013, %



Sources: Statistics Canada; TD Economics

Hence the central bank's decision to reduce the target for its key interest rate by a quarter of a percentage point from 1%, its level since September 2010. This puzzled the financial markets. Core inflation is 2.2%, well within the bank's target range. Lower rates could encourage consumers, who are already carrying record levels of debt, to take on even more. Stephen Poloz, the central bank's governor, acknowledged the risk but argued that the recession in the oil industry made it worth taking. He fears that the loss of jobs, investment and export income from the energy sector will eventually spread to other parts of the economy. The rate cut, he said, was like taking out an insurance policy.

Ontario and Quebec, which account for more than half of Canada's GDP, see less reason to worry. They are home to large manufacturing industries, such as cars and aerospace, which have long complained that the oil-fuelled rise in the Canadian dollar was damaging their competitiveness. The currency has fallen by 15% against the American dollar since June, giving exports a boost, and may weaken further because of lower interest rates. Strong growth in the United States, Canada's biggest trading partner, bodes well for manufacturers. Ontario is set to replace Alberta this year as the growth leader.

This shift in economic bragging rights has given a lift to the Liberal Party, which governs some of the perkier provinces and holds a narrow lead over the Conservatives in national opinion polls. Kathleen Wynne, Ontario's Liberal premier, has cheekily offered to help devise a national ▸▸

energy strategy, tramping into Alberta's bailiwick. The finance minister of Liberal-led Quebec credits low oil prices with helping him balance the province's budget (while Alberta faces a C$7 billion, or $5.6 billion, revenue drop).

This jauntiness, less than a year away from the next general election, is unlikely to please the petroleum-spattered prime minister. To counter it, Mr Harper will remind voters incessantly during the forthcoming campaign that Canada emerged faster than other members of the G7 club of big economies from the 2008 financial crisis, with its banking system intact.

There are two threats to his campaign plan. The first is that, as the central bank fears, the petro-plunge will pull down growth overall. The second is that the economy will continue to do relatively well but that the Conservatives will not get credit for it. The government's contortions over the budget make that second prospect more likely. Mr Oliver promised a balanced budget as recently as January 26th, despite the expected drop in revenues from the energy industry. The government had pledged a raft of tax reductions once that was achieved, but imprudently enacted them late last year. The delay in presenting the budget adds to the impression of fiscal disarray. Justin Trudeau, the Liberals' leader and a former teacher, mocked Mr Oliver's excuse for delaying the budget as the political equivalent of "The dog ate my homework".

Mr Harper is a skilled political scrapper; he may well find a way to turn the shift away from oil-led growth to his advantage. His proclamation that the economy is about more than energy is a beginning. Now he must persuade Canadians that is true of the Conservatives, too. ■

Crime in El Salvador

The broken-truce theory

The end of an armistice between gangs has led to soaring murders

"THE best answer to terrorist groups and gangs is to confront them," believes Rudolph Giuliani, a former mayor of New York city. The man who brought the broken-window theory—that tolerance of small crimes would encourage bigger ones—to the United States' biggest city unsurprisingly rejects the idea of negotiating with gangsters. Now a group of right-wing businessmen in El Salvador have hired Mr Giuliani to propose tough-guy solutions to crime in one of the world's most gang-ridden countries. He dispatched a fact-finding mission in January.

Hoping to lay down arms

The facts, however, may prove him wrong. El Salvador's murder rate dropped sharply during a truce between the country's two main gangs in 2012-14, which was brokered by the government. It soared after the agreement broke down early last year. The number of murders rose 57% in 2014 compared with a year earlier, to almost 11 a day, according to the police. A rash of killings in early January 2015 took the number to a staggering 15 a day.

The armistice has now been restored, perhaps fleetingly. Raúl Mijango, a former guerrilla who helped broker the 2012 truce, says that on January 17th leaders of the gangs, MS-13 and Barrio 18, agreed from their jail cells to halt the killing without any mediation. Murders plummeted again. "Yesterday…was the first day of the year WITHOUT A SINGLE HOMICIDE in El Salvador," a deputy police chief tweeted exuberantly on January 23rd.

Though such agreements reduce bloodshed they are deeply unpopular. One reason, says Maurício Ramírez Landaverde, head of the National Civil Police, is that although gang members stop killing each other temporarily, gang-related crime that afflicts ordinary people, such as extortion, continues unabated. So does violence between gangsters and police. Seven policemen were murdered in January, Mr Ramírez Landaverde notes. He has instructed his men to carry guns even when off-duty, and to "use them whenever necessary". John Huvane, chief executive of Giuliani Security and Safety, says that during the 2012 truce gangsters expanded their criminal empires from jail via mobile phones. "It sounds romantic to sit down and talk with them, but this is in-house terrorism," he says.

Politics hampered efforts to make more of the 2012 truce. Salvador Sánchez Cerén, El Salvador's left-wing president, all but disowned it in the run-up to his election last March, even though he was vice-president when it was brokered. He feared that the right-wing Nationalist Republican Alliance, which is close to the businessmen who hired Mr Giuliani, would bash him for being soft on crime. With legislative and mayoral elections scheduled for March 1st, Mr Sánchez Cerén has ratcheted up his anti-truce rhetoric. His alternative anti-crime strategy—built around a security council incorporating different parts of society—is just now getting off the ground.

A more fruitful approach would be to build on the truce rather than disown it, suggests Adam Blackwell of the Organisation of American States; it should be part of a "pacification process" that would include economic help for gang-controlled areas to provide alternatives to crime. That has only happened sporadically. The truce encouraged gang leaders to talk to each other face to face and offered an alternative to iron-fist policies that have failed repeatedly to stop violence. Mr Blackwell sees gangs as a violent consequence of social exclusion. If you give gang members a stake in society, he says, they will halt their war against it. ■

Argentina

It's not about you, Cristina

BUENOS AIRES

The president's misguided response to a national tragedy

FEW Argentines doubt that the country's intelligence services needed a shakeup. But the way it happened satisfied almost nobody. On January 26th the president, Cristina Fernández de Kirchner, wheelchair-bound from an ankle injury, appeared on television to announce that she would propose a law to scrap the main intelligence agency, the Intelligence Secretariat (SI), and replace it with a new body whose directors would be named by her and approved by the Senate.

This happened while the SI is at the centre of a furore set off by the death from a gunshot of Alberto Nisman, a prosecutor who had accused Ms Fernández and other senior officials of trying to thwart his investigation into the 1994 bombing of a Jewish centre in Buenos Aires, Argentina's worst terrorist attack. The president, who denies the allegations, quickly pronounced his death a suicide, then hinted that he was murdered by rogue intelligence agents. She suggested the 300-page document detailing Mr Nisman's allegations had been the product of false information fed to him by the SI. Hence the need for a reform. ▸▸

But Argentines, some of whom took to the streets after Mr Nisman's death, do not see her as a credible reformer. They are as confused as ever about what really happened. Their suspicions that the government was somehow involved have not been allayed. Some Jewish groups boycotted the official commemoration of the Holocaust on January 27th, saying the government was mishandling the investigation of Mr Nisman's death.

Argentines are as wary as the president of the intelligence services, whose structure has changed little since the end of dictatorship in 1983. They still fear illegal eavesdropping and suspect it is used for political ends. Factions within the services intrigue against each other, which makes Ms Fernández's theories about rogue spies not entirely implausible.

Her proposals would not improve matters much. Decisions about wiretapping would now fall under the attorney-general's office, whose current chief is famously deferential to the president. Civil-liberties groups think the Supreme Court should be in charge. The reform does not touch the armed forces' parallel intelligence service. Senate approval of the new agency's bosses is a good idea. A better one would have been to consult other parties on how to reshape intelligence.

Ms Fernández coupled her pronouncements on espionage with a rant against Clarín, a media conglomerate with which she has clashed since 2008. The man who lent Mr Nisman the gun that killed him, she claimed, is the brother of an information-technology manager at a law firm with links to the company. Clarín immediately denied any connection. What was missing from her soliloquy was sympathy for those bereaved by Mr Nisman's death, and any assurance that the justice system would discover what had happened. ■

Bello | The last lap in Colombia

Clinching peace depends on persuading the FARC to do jail time

IT HAS been an auspicious start to the year in Colombia. Fewer people have died in the country's armed conflict than in any other month in the past 30 years. That is a result of the declaration of an indefinite ceasefire by the FARC guerrillas. After more than two years of talks in Havana between the government and the FARC, officials are optimistic about reaching an agreement in the coming months. "I hope this is the year of peace," said Juan Manuel Santos, Colombia's president.

Maybe. The peace process emerged stronger from a crisis in November, when the government suspended talks after the FARC kidnapped an army general, securing his swift release. But if the talks are indeed on the last lap, this could yet be a long and difficult one. The negotiators have reached agreements on the first three items of a six-point agenda, concerning rural development, the guerrillas' participation in politics and steps to curb drug-trafficking. Since July they have been locked in discussions on the most delicate point of all: "transitional justice"—in other words, striking a balance between truth, justice and reconciliation.

A generation ago, as the cold war waned, leftist guerrillas laid down their arms in several Latin American countries. The formula involved an amnesty for war crimes committed by rebels and soldiers alike. El Salvador's peace accord included a pioneering Truth Commission, which aimed at speeding reconciliation. Several small Colombian guerrilla groups disarmed in the 1980s in return for an amnesty and democratic reforms, which culminated in a new constitution in 1991. But the FARC carried on fighting.

Two things make the current peace talks much more complicated. First, Colombia's conflict is unusually messy. What began as an ideological battle shaded into criminality. In the 1980s the FARC turned to drug-trafficking, kidnapping, extortion and, more recently, illegal gold mining to finance itself. Its resort to bombings and landmines killed and injured hundreds of civilians. For its part, the army turned a blind eye to right-wing paramilitary vigilante groups. Before they disarmed a decade ago they massacred villagers in areas of guerrilla influence.

Second, the world no longer accepts amnesties. The International Criminal Court claims a mandate to try those accused of war crimes. Polls suggest that a large majority of Colombians, too, want to see the FARC commanders in prison rather than in politics.

No guerrilla group makes peace in order for its leaders to go to jail, counter the FARC negotiators. Thanks to a military build-up under Álvaro Uribe, Mr Santos's predecessor, the guerrillas no longer have any chance of overthrowing the state. But they still have some 7,000 fighters; around 600 Colombians were killed in the conflict last year and tens of thousands were displaced from their homes.

The government's idea is that in return for an amnesty for the rank and file, and the lifting of sentences already imposed by the courts, guerrillas accused of war crimes should face trial by a specially constituted tribunal. Those found guilty will have to serve time in some sort of jail, although less than they might ordinarily get. But who will select cases for trial? Public prosecutors or a truth commission? And should the same rules apply to army commanders, as the FARC insist?

The notion worries the army, as does the possibility that judges might reopen cases in the future. This fear was crystallised in 2012 when a retired colonel was sentenced to 30 years for disappearances that occurred in 1985, when troops retook Bogotá's Palace of Justice from the M-19 guerrilla group (which, unlike the army, was later amnestied).

It is in the FARC's interest, too, that the peace agreement be proofed against future revision by Colombian or international courts. And it must be accepted by Colombians in the referendum that Mr Santos has promised. In other words, it cannot involve complete impunity for war crimes. Some of the FARC's leaders, who have been sentenced (in absentia) for crimes against humanity, must go to jail after new trials. They might be prepared to accept punishment to give their followers security and protection from prosecution. But they resist the humiliation of their movement that their collective incarceration would imply. Mr Santos's task is to persuade the FARC to choose pragmatism over pride.

After half a century, Colombia's conflict is winding down. The government has responded to the FARC ceasefire with "de-escalation" of its own. But striking an agreement on justice, so that the guerrillas demobilise and the conflict formally ends, will take months of hard talking.

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Politics in Thailand

Thaksin times

BANGKOK

Thailand's coup-makers punish two former prime ministers

LESS than two years ago Thaksin Shinawatra, a former prime minister of Thailand and something of an establishment outsider, appeared to be winning his bitter battle against the traditional elites in Bangkok, the capital. They, led by the army, had toppled Mr Thaksin in a coup in 2006. But Pheu Thai, the party he directs from self-imposed exile in Dubai, rocketed back to power in 2011 with his sister, Yingluck, at the helm. And in November 2013 Ms Yingluck's government promised a blanket amnesty wiping out a corruption charge preventing Mr Thaksin from returning.

The pledge proved a colossal mistake, for it galvanised Mr Thaksin's enemies. Last May Ms Yingluck was ousted by the constitutional court and, shortly after, the army seized power in another coup. And in recent weeks the prospects for Mr Thaksin and his political movement have darkened greatly, perhaps irrevocably. On January 23rd the generals' rubber-stamp parliament retrospectively impeached Ms Yingluck, banning her from politics; she also faces criminal charges. Her party has begged its "red shirt" supporters not to protest, for fear of giving the junta an excuse to prolong its rule. Yet the generals seem bent on eradicating the influence of Mr Thaksin, who has dominated Thailand's political discourse since he first swept to power in 2001.

Ms Yingluck's impeachment—ostensibly for failing to tackle fraud made possible by a costly rice-subsidy scheme—marks a new phase in the army's rule. Right after last year's coup, General Prayuth Chan-ocha and his fellow officers said they favoured reconciliation over revenge. By and large, elected politicians of all hues co-operated with the army, leaving journalists, academics and other activists to suffer most under martial law (a large number of dissidents are thought to be in jail). But the persecution of Ms Yingluck suggests that "the gloves are starting to come off", says Daniel Giles of Vriens & Partners, a political consultancy. The criminal case against Ms Yingluck could mean ten years in jail—a threat that, the generals perhaps hope, will encourage her to flee the country.

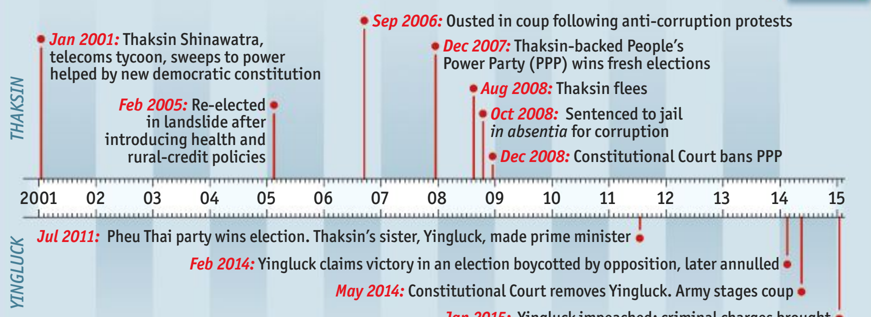
The junta's shift may be a self-interested move. Some politicians from the royalist establishment, including in the Democrat Party that is loosely affiliated with it, seem to have thought that the junta would quickly hand power over to them, as happened after the previous coup. Yet this junta seems inclined to entrench its own authority. Offering up Ms Yingluck to the establishment could buy the generals time. Her impeachment also helps vindicate the coup-makers' narrative, useful to the junta, that politicians elected through democratic means, rather than appointed by them, will lead Thailand to ruin.

With Ms Yingluck under attack, Pheu Thai will need to find a new leader—hard when martial laws forbid unauthorised assemblies. But Mr Thaksin's troubles run deeper. An army purge of the police force, supposedly to battle corruption, has removed many crucial allies (Mr Thaksin was a police chief before telecoms deals made him rich). Entrepreneurs with links to Mr Thaksin's business interests are also being hounded.

For many years Mr Thaksin was thought to be friendly with the crown prince, Maha Vajiralongkorn. Yet recent an-

The rise and fall of the Shinawatras

A history of Thailand's leading political family



Source: *The Economist*

nouncements from the palace—including the prince's decision to divorce his wife, little-loved by the establishment—suggest that the unpopular prince has come to some kind of accommodation with the generals, whose support will make it easier for him to succeed his frail father, King Bhumibol Adulyadej.

As for the huge loyalty Mr Thaksin enjoyed in Pheu Thai's heartlands in the poor, rural north and north-east of the country, that can no longer be taken for granted. Disillusion is taking hold. Some party members resent the cack-handed efforts to have Mr Thaksin pardoned in late 2013, which only led to renewed army rule.

Picking a new leader will widen divisions in Pheu Thai, some of whose members may be tempted away should the generals propose some kind of national unity party to help string out their rule. The presumption is that a Shinawatra clan member will be Pheu Thai's next leader—perhaps Mr Thaksin's brother-in-law, Somchai Wongsawat; another sister, Yaowapha Wongsawat; or his son, Panthongtae. Yet at least one party activist has hinted that a leader not so obviously in hock to Mr Thaksin would be better, such as Chaturon Chaisang, Ms Yingluck's deputy.

The junta seems to be playing a long game. It probably wants to keep power to see through the succession, and secure its own influence, when the current monarch dies. (It may have to hang on for years, including a suitable mourning period.) There is talk of having a new constitution drafted later this year, probably with provisions to prevent Pheu Thai or something like it ever returning to office.

Yet sooner or later, the junta will face resistance from an electorate with vigorously democratic elements. Reconciliation is still badly needed. In particular, destroying Mr Thaksin and his family as a political force will not prevent the poor Thais who repeatedly vote for them from demanding their say in how the country is run. Pressing the criminal case against Ms Yingluck, Thailand's first female prime minister, may yet provoke sympathy for her, at home and abroad. The junta talks of bringing a lasting peace in Thailand's long-running class wars. But that looks ever more distant. ■

Politics in Malaysia

Knives out

KUALA LUMPUR

Misfortunes surround Malaysia's prime minister

WORLD leaders rarely regret a chance to pose with Barack Obama. But in December Malaysian voters responded angrily to footage of Najib Razak, their prime minister, playing golf with America's president—just as severe floods were inundating the country's coastal provinces. A hasty tour of the flood zones, from which more than 200,000 people were evacuated, went some way to repairing the prime minister's image. So too did the news this month that the filthy floodwaters had handed him a bout of *E. coli*.

Najib: diminished

That a stomach bug might be a positive development for Mr Najib says much about his difficulties. Since leading his coalition to a slim victory in elections in 2013, with less than half the popular vote, his approval rating has dropped about ten points to less than 50%, according to the Merdeka Centre, a pollster. That would be an encouraging figure for many Western politicians but looks perilous to a leader of the United Malays National Organisation (UMNO), which has ruled Malaysia for almost six decades. Factions loyal to Mahathir Mohamad, a former prime minister who won't go away, accuse Mr Najib of not looking out for UMNO's ethnic-Malay Muslim majority. Rumours persist that rebels are rallying around Mr Najib's deputy, Muhyiddin Yassin.

This kind of rough and tumble is not rare in Malaysia's ruthless politics. It looks rather like the brawling which eventually toppled Mr Najib's predecessor, Abdullah Ahmad Badawi, in 2009. But lately two singular developments have added to the prime minister's problems. The first is the terrible performance of 1MDB, a loss-making state investment fund that is struggling to service around $12 billion of debt and whose board of advisers Mr Najib chairs. At the end of December it failed to repay a $563m loan; some people fear that a costly bail-out is on the cards.

The second distraction is an unexpected verdict handed down by the federal court in a long-running murder case. On January 13th the court overturned the acquittal of two policemen who were convicted in 2009 of murdering a Mongolian woman. Her killers were members of a police unit assigned to protect Mr Najib, then Malaysia's defence minister, and one of them has fled to Australia, which may decline to extradite him. Mr Najib has always denied any involvement in the crime, and there is no evidence to the contrary. But the case is a magnet for conspiracists. Some wonder whether Mr Najib's political opponents encouraged the court to deliver a verdict that would return the case to the headlines.

Mr Najib's position is probably safe for the moment. None of his rivals yet commands quite enough support within UMNO or among voters. He is throwing bones to his detractors: in November he backed down on a promise to do away with the Sedition Act—a noxious colonial-era law on censorship that is currently being used to harry opposition figures—and pledged instead to bolster it with new clauses that would criminalise some speech against Islam and other religions. Challenging Mr Najib this year would risk doing harm to Malaysia's image, says Ooi Kee Beng of ISEAS, a think-tank, given that the country is the current chair of ASEAN, the club of South-East Asian countries.

Much will depend on the economy, for which Mr Najib, who is both prime minister and finance minister, is seen as having full responsibility. Though the country has gradually grown less dependent on revenues from oil and gas, these still make up around 30% of government income. The collapse of oil prices has left a hole. The government has taken the chance to slash fuel subsidies, and on January 20th it pledged to keep the deficit fairly close to its earlier target of 3%. But spending cuts may unsettle the public, which is already swallowing a new tax for goods and services.

Hardly anyone thinks Mr Najib still has the power or the will to push through the big-ticket reforms he once considered, such as a plan to tone down positive discrimination laws, which throttle growth by favouring the Malay majority at the expense of ethnic Chinese and Indians. But his defenestration could well mean UMNO veering even harder to the right on divisive issues such as Islam's place in society. Few voters really want Malaysia's polarised racial politics to get any more toxic. ■

India in Asia

A bit-more player


Just me for you and you for me

DELHI

Closer relations with America will make India more active in Asia

FOR many a year, India's strategy in Asia has been to avoid entanglements while building strength at home. Certainly, it reserves a divine right to meddle in its South Asian backyard. But many Indians still enjoy the warm glow of their country's having once been a leader of the non-aligned movement. And further east in Asia, though ties with Japan have improved, India has been a bit-player. It fields few diplomats. It has no role in most regional bodies and little say in trade talks. Even if India did, one day, expand its role, most assumed it would do so quietly, to avoid upsetting China.

So how to explain a 430-word "joint strategic vision for the Asia-Pacific and Indian Ocean region", issued by America and India on January 25th? Admittedly, it mainly restates language used in September when India's prime minister, Narendra Modi, visited Washington. But it does so prominently. It calls for "a closer partnership" to promote stability from Africa to East Asia, celebrates human rights and highlights India's desire to join the Asia-Pacific Economic Co-operation forum. Most striking, it calls for "safeguarding maritime security and ensuring freedom of navigation…especially in the South China Sea". That is an unambiguous message to China, which has been assertive in staking maritime claims in the sea. It is bold stuff.

During Barack Obama's three-day visit to Delhi, Mr Modi all but aligned India openly with America. Shyam Saran, a former top diplomat, calls the joint statement evidence of "a much stronger understanding" between the two countries, promoted with "more coherence and vigour" than before. Nick Bisley, an expert on the region at La Trobe University in Melbourne, discerns more co-ordination among Asia's liberal democracies: increasingly, official missives from America, Japan, Australia and now India share wording that emphasises such things as democracy and the rule of law.

China swiftly hit back. Its foreign ministry said only "parties directly concerned" should comment on disputes in the South China Sea, and only with words "conducive to peace and stability". China's *Global Times*, which likes to pontificate, said India risks becoming America's "yes-man". Chinese academics divined a crude American effort to divide India and China. Pakistan, China's closest ally in the region, added criticism over Indo-American nuclear co-operation.

Mr Modi will shrug it all off. India has long worried about the growing access of China's navy to harbours in Sri Lanka, Pakistan and the Maldives, seeing a strategic challenge in the Indian Ocean. Though not as shrill about the risks as some hyperventilating Indian strategists, Mr Modi speaks up about it. Visiting Japan in September he warned against countries with "expansionist mindsets". He expressed annoyance last year when a Chinese submarine twice docked in Colombo, Sri Lanka's port capital, and when Chinese troops camped in Himalayan territory claimed—and supposedly controlled—by India.

Mr Saran insists that being more outspoken does not imply a more hostile approach to China. In dealings with foreign leaders, China's included, Mr Modi is both frank and charming. He plans to visit Beijing this year. Relations with China might even improve: historians note that China softens its stance towards India just when American interest in the country is greatest. That would suit Mr Modi. Assuming that his next step is to commit more money, diplomats and trade negotiators to support his strong talk of doing more, then India's role across Asia will surely grow. ■

Australia and the monarchy

Abbott's knightmare

SYDNEY

An Australia Day surprise backfires

WITH support for his Liberal-National government on the wane, Australia's prime minister, Tony Abbott, promised to start 2015 by "scraping one or two barnacles off the ship". On January 26th, the country's national holiday, he astonished Australians with his approach, conferring an Australian knighthood on Prince Philip, the husband of Australia's (British) head of state, Queen Elizabeth. Australians, intolerant of bootlicking, derided the decision. Rupert Murdoch, whose newspapers supposedly back the conservative government, tweeted that the knighthood was a "joke and an embarrassment".

The prime minister dismissed the criticisms as "electronic graffiti". But soon he was fielding questions about his political judgment. An increasingly multicultural society, Australia abandoned knights and dames from its honours system 40 years ago. An "incorrigible anglophile" and monarchist, Mr Abbott reintroduced them last year. He cited Prince Philip's involvement in "some of the big events in our national life"—ie, opening the Olympic Games in Melbourne in 1956. On a day when Australia was marking its modern identity, the knighthood had a backward ring. Colleagues distanced themselves. Facing a state election on January 31st, Queensland's premier, a fellow conservative, called it a "real bolt from the blue".

When he was prime minister 16 years ago, John Howard, Mr Abbott's mentor and another monarchist, set up a referendum on whether Australia should be a republic. His campaign for the "no" vote ensured the referendum's defeat. Still, 45% of the queen's Australian subjects voted against keeping the monarchy. The ridicule of Mr Abbott's move suggests he may have done a deal of harm to the monarchist cause and to his own political reputation. Aiming at both, the Labor opposition leader, Bill Shorten, made a call to "breathe new life into the dream of an Australian head of state".

Myanmar's commercial capital

The square mile

YANGON

After years of stagnation, Myanmar's biggest city is developing at last

YANGON'S circular railway clacks, rattles and chuffs along a 46km (28.5-mile) loop around the city. On the way to Danyingon—a bustling farmers' market supplying the vendors who dot Yangon's pavements—it runs through crowded urban neighbourhoods. Then the scent of exhaust gives way to loam, and ox-pulled ploughs replace cars amid paddy fields and rickety thatched houses.

The journey makes Yangon, or Rangoon, seem small and backward. In fact it is booming. Since 1983 its population has tripled, to 7.4m. It has claimed much of the foreign investment that has flooded Myanmar since political reforms began in 2011. Such investment was just over $900m in 2010, compared with $5 billion forecast for this fiscal year. As for the paddy fields, they are not so much timeless as on borrowed time: many sit on land zoned for manufacturing that has lain fallow for want of industry—which may now begin to come.

In the city's urban core, the honking of horns has replaced the jingle of trishaws. Bars and restaurants are popping up in restored colonial buildings, as well as in more imaginative places: one is tucked down an apartment stairwell, another in a warehouse on the waterfront by the chocolate Irrawaddy river. Families still cook *mohinga*, a pungent fish-and-noodle soup, on open braziers and sell 50-kyat (five-cent) cigarettes by the stick from tiny, crammed shopfronts. But office rents are as high as anywhere in Asia. On the skyline, the hilltop gilt of the Shwedagon pagoda still gleams, but cranes loom above rows of rusty, tin roofs.

Some worry about what might be lost. Thant Myint-u, founder of the Yangon Heritage Trust (YHT), says the city's people ought to discuss the kind of city Yangon should be. "Dense? Sprawling and car-based? What's the optimal size? These aren't technical questions, they are questions about what we want," Mr Thant Myint-U says. His group is leading the preservation of a one-square-mile (2.6-square-kilometre) area in central Yangon jammed with more than 1,000 old buildings. Among them are 140 houses of worship: churches, mosques, Hindu temples, Buddhist pagodas and a synagogue.

Many of these buildings lie at the centre of tangled webs of ownership. Longtime residents may own their own flats, but the buildings and land may belong to others—local mosques, churches or temples, or families bearing 19th-century deeds. Land acquisition and disposal are governed by archaic laws, barely enforced, which hinder investment. Yet land prices in Yangon and across the country are soaring—partly because speculators are holding out for huge payouts, but also because, with no functioning stockmarket and a shaky banking system, Myanmar offers few other places for the wealthy to park their cash.

Rich as old Yangon's heritage is, it accounts for just a tiny percentage of the city's total area, leaving ample room for development. Japan's aid agency, JICA, has put together a "master plan" for Yangon's development over the next 25 years. The plan has its detractors. Some see it as just an engineer's infrastructure plan, and others note the immense opportunities it seems to offer Japanese firms. But even controversial urban planning is better than none.

Htet Myet Oo is a 25-year-old who was raised in north-eastern England, returned to Yangon after university and now owns the chic Rangoon Tea House. He complains that the long-term vision sometimes precludes easier short-term fixes. Instead of building flyovers to ease congestion, Mr Htet Myet Oo says exasperatedly, "just fix the traffic lights". Similarly, waste management is a huge long-term challenge, "but it wouldn't hurt anything just to put a few more bins around the city." A burst pipe near the reservoir left him without water for three days. Reluctant to close, he was using 500 litres of bottled water a day.

The public water supply is patchy throughout Yangon—most residents rely on rainwater, ponds or unregulated private wells, which deplete the city's groundwater supply. Other infrastructure is little better. The sewers have hardly been upgraded since they were built in 1888. They serve less than a tenth of the city's population, with the rest relying on septic tanks or pit latrines (at best). Power is unreliable. Even in districts that no longer suffer extended cuts, supply often fluctuates. Khin Sanda Win, who runs one hotel and is renovating an old building for another, compares her enterprise to "running a small city": business owners must provide themselves services that elsewhere municipal governments provide, such as waste disposal and a steady power supply.

Rich meet poor

Even so, high rents are pushing longtime residents out of the city centre to its outskirts, where they increasingly find themselves living cheek by jowl with new arrivals from the countryside, drawn to the city in search of work: a recipe for a massive increase in slums. Mr Htet Myet Oo worries that Yangon "could go the way of Dhaka or Mumbai, and just become too populated and messy."

Another risk is that political reforms might stall—or worse—and that investment and aid money might dry up. In other words, in 50 years' time the YHT could find itself campaigning to preserve the very few glass-and-steel high-rises of the early 21st century—a long gone but fondly remembered period of optimism. ■

That's the past; what's the future?

Banyan | Watch your back!

Indonesia's new president goes through a rough patch; it could last a while

IN POLITICS the world over it is often not the other side you have to worry about, but your own. In October Joko Widodo was inaugurated as Indonesia's president, with parliament controlled by an opposition of bad losers threatening to thwart all his plans. Yet by this week, when Jokowi, as he is known, marked 100 days in office, his biggest headaches were caused by his own party, the PDI-P. It has stoked a confrontation between the notoriously corrupt police force and a popular anti-corruption body. The row risks blunting the great political weapon Jokowi has so far wielded to cow friend and foe alike: his personal popularity.

At the centre of it is Budi Gunawan. The policeman had been under a cloud since 2010 because his bank balance bulged suspiciously for a humble cop's. But on January 9th Jokowi nominated him as chief of police. Days later he was named a suspect by the independent anti-corruption commission, known as the KPK. The opposition-dominated parliament scented a chance to embarrass the president and endorsed the nomination anyway. Jokowi suspended but did not revoke Mr Budi's appointment. Then, on January 23rd, the police arrested a KPK commissioner, Bambang Widjojanto, on flimsy-looking charges of encouraging perjury in 2010, when he was a campaigning private lawyer. He has resigned. To many, the arrest seemed like retaliation by the police. The three other KPK commissioners are also under investigation. The KPK needs a quorum of three to function, so it risks paralysis. But rather than protect the KPK, Jokowi stayed neutral, saying no institution was above the law, and handed the issue to an independent nine-member panel, which on January 28th recommended he ditch Mr Budi.

This seemed to offer the president a face-saving way out. But by then serious harm had been done to his public image. First, the affair undermines faith in his commitment to wiping out corruption. Like his predecessor, Susilo Bambang Yudhoyono, in other ways his polar opposite, Jokowi is respected as honest and a doughty fighter against graft. Many Indonesians know from personal experience that the police cannot be trusted. The KPK, on the other hand, has a good reputation, largely earned under Mr Yudhoyono, during whose tenure it brought down some lofty figures. In 2009, however, it also found itself under attack by the police, prompting demonstrations by its supporters.

Mr Budi's appointment also mocked hopes that Jokowi would make promotions on merit. A businessman from a humble background, Jokowi worked his way to power through winning direct elections, first as mayor of his Javanese hometown, Solo, then as governor of the capital, Jakarta. He promised a break from the old politics of patronage and cronyism. The promise was already dented by the cabinet he named. Almost half the posts went to political allies rather than to talented technocrats. Mr Budi is very close to Megawati Sukarnoputri, daughter of Indonesia's independence leader, a former president and leader of the PDI-P. His promotion seemed a case of jobs for the boys.

It also suggested that Jokowi is not his own boss, and that Ms Megawati still calls the important shots. Part of Jokowi's appeal—that he is a political outsider—can also appear a weakness, making him look dependent on the PDI-P's machinery and easily outmanoeuvred by grandees such as Ms Megawati, Surya Paloh, head of a party in his coalition, and even his own vice-president, Jusuf Kalla, who held the same job in Mr Yudhoyono's first term. The PDI-P, for its part, is disgruntled that Jokowi is not more of a loyalist. The complaints prompting police action against Mr Bambang and the other KPK commissioners were made by party stalwarts. Some are even muttering about impeaching the president.

Meanwhile, Jokowi has also been disappointing some of the many foreign governments that welcomed his election victory last year over Prabowo Subianto, a former general and avowed economic nationalist. He has rejected appeals for clemency for 64 drug smugglers and manufacturers sentenced to death. Six, including five foreigners, were executed by firing squad on January 17th. Two of their governments—Brazil's and the Netherlands'—withdrew their ambassadors from Jakarta in protest. Among those still on death row are Australian, British and Chinese citizens. And the way Jokowi has chosen to rid Indonesian waters of the scourge of poaching by foreign fishermen—blowing up their vessels—has also caused some concern.

At home, these hardline policies are popular. Mr Jokowi appealed to voters not as a soft-centred liberal but as a no-nonsense small-town mayor who gets things done. And that is another reason why his deliberate, letter-of-the-law handling of the crisis over the KPK is so damaging.

It is also distracting attention from his rapid achievement of some economic-policy goals: starting the distribution of smartcards to poor Indonesians, entitling them to free health care and education, and removing fuel subsidies. Greatly helped by the plunge in the oil price, this last measure has freed billions of dollars for investment in infrastructure and social welfare. Environmentalists also give the president grudging credit for making a start on another crying need: affording better protection to Indonesia's forests.

Change you can believe in

The activists who helped propel Jokowi to power, however, hoped for much more than an honest president with some good policies. They saw in his election victory the final, critical step in Indonesia's evolution from the 32-year Suharto dictatorship, which ended only in 1998, into a true democracy. As the first president from outside an elite that had kept control of most levers of power even as the dictatorship was dismantled, he was expected to be a transforming leader. That was always a lot to ask. And it is still far too early to give up a more modest hope: that Jokowi will change Indonesian politics more than it changes him. ■

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Labour unrest

Out brothers, out!

PANYU

Guangdong province pioneers a new approach to keeping workers happy

AS CHINA'S economy slows, and labour-intensive manufacturing moves elsewhere in search of cheaper workers, anxious and angry employees are becoming ever bolshier. According to China Labour Bulletin, an NGO in Hong Kong, the number of strikes and labour protests reported in 2014 doubled to more than 1,300. In the last quarter they rose threefold year-on-year, with factory workers, taxi drivers and teachers across the country demanding better treatment.

The authorities often respond with heavy-handedness: rounding up activists and crushing independent labour groups. But in parts of the country, they have also begun to give state-controlled unions more power to put pressure on management. Officials, usually in cahoots with factory bosses, are beginning to see a need to placate workers, too.

Independent unions are banned in China. Labour organisations have to be affiliated with the state-controlled All-China Federation of Trade Unions (ACFTU), whose constitution describes the working class as "the leading class of China" but which usually sides with management. In recent years, officials have stepped up efforts to unionise workforces, especially in privately run factories where they fear a lack of unions might encourage independent ones to grow. But official unions have largely refrained from baring any teeth.

New regulations in the southern province of Guangdong, home to much of China's labour-intensive manufacturing and many of its strikes (see map), might begin to change that. They codify the right of workers to engage in collective bargaining; that is, to negotiate their terms of employment through representatives who speak for all employees. The rules use the term "collective consultation", which in Chinese sounds less confrontational than the usual term. But, on paper at least, they give the official unions greater power to initiate negotiations with management rather than, as in the past, confining themselves largely to organising leisure activities and hoping that workers stay docile.

Meng Han, a hospital security-guard in Guangzhou, the provincial capital, would have welcomed a more proactive approach by official-union leaders. He was released last year after nine months in jail for taking matters into his own hands and leading a protest in demand of higher wages. "China's unions do not belong to the workers," Mr Meng complains. The new rules would help satisfy his main demand, that workers like him who are hired on short-term contracts through employment agencies should be paid the same as permanent staff (they commonly are paid far less). The regulations say there should be "equal pay for equal work".

Source: China Labour Bulletin

Guangdong's aim is not to embolden workers, but to keep their grievances from erupting into open protest that might turn against the government. Huang Qiaoyan of Zhongshan University in Guangzhou says businesses in Hong Kong, which control many of Guangdong's factories, opposed the new rules, fearing they would lead to even higher labour costs. Wages are already rising fast, partly because of a shortage of migrant labour. But the government is less inclined than it once was to heed such concerns. It has been raising minimum-wage levels, one of its aims being to upgrade Guangdong's industry by pushing out low-end, polluting factories. The new rules could help achieve this too.

Employers have won some concessions. Drafters of the new rules dropped provisions which would have fined companies for resisting workers' attempts to bargain collectively and which would have banned the firing of employees for work stoppages resulting from management's refusal to negotiate with workers' representatives. The regulations require more than half of a company's workers to support collective-bargaining before such action can begin. Drafts had called for thresholds of only one-third or less. ▸▸

The regulations effectively shut the door to the kind of spontaneously-formed groups of workers that have often taken the lead in Guangdong's strikes. Employees must channel their requests for consultation through unions under the ACFTU.

But by taking on greater responsibility for handling disputes, the ACFTU is also taking on higher risk, says Aaron Halegua of New York University. He believes workers are likely to step up pressure on the official unions to represent them better; if they fail, workers could turn on the unions as well as factory bosses. The new rules stop far short of permitting strikes, but Mr Meng, the security guard, sees a hint of change. Not long ago, he says, many people were afraid even to mention the word. "Now it is used all the time. So that is some progress." ■

Gay dating

An ex-cop's connections

SHANGHAI

A former policeman helps gay people find partners

MA BAOLI had served in the police force of the coastal city of Qinhuangdao for 16 years when, in 2012, his superiors delivered an ultimatum. During his spare time Mr Ma (pictured), who is now 37, had secretly been running a website for gay men, Danlan.org, which had begun to attract the attention of the local press. Outed, he was told he could either shut his site or hand over his badge. "They considered it a sensitive issue…that a policeman was gay," Mr Ma says. "So I thought, I'll just quit."

Later that year Mr Ma set up a company, Blue City. It launched a male gay-dating app called Blued that helps locate potential partners using global-positioning technology. The app now has a staff of 60 and around 15m users, making it one of the most popular of its kind in the world. In November Blue City got $30m in funding from DCM Ventures, an American venture-capital firm. Mr Ma plans to expand his app's user base to 20m-25m by the end of this year and to launch a sister one for lesbians, Pinkd.

It was very different in the 1990s when, as a young man, Mr Ma risked being sent to a labour camp for "hooliganism", the crime then attached to homosexual behaviour, by scrawling "I'm gay" on public-lavatory walls in the hope of meeting partners. Homosexuality was not decriminalised until 1997. Now the government is far more tolerant. In 2012 Li Keqiang, who was then a deputy prime-minister (he is now prime minister), met Mr Ma and praised his efforts to help to raise awareness of HIV/AIDS.

In late January a court in the southern city of Shenzhen became the first in the country to hear a case involving alleged discrimination against a gay man (who says he was fired for being homosexual). A verdict is expected in a few weeks.

As Blued's user-base grows, Mr Ma plans to add features such as an e-commerce function. He also wants to break into new markets. In February Blue City is due to launch an English-language version of Blued. It will be aimed at gay men worldwide.

Leader of the boys in Blued

Shanghai's economy

GDP apostasy

SHANGHAI

China's biggest city leads the way in jettisoning its annual GDP target

IN AN officially atheist country, one form of worship actively encouraged by the Chinese government has been devotion to GDP. From village chiefs to national leaders, presiding over fast economic growth has been the surest path to career success. Targets for GDP have formed the centrepiece of annual budgets, with officials convinced that failure to achieve them would lead to soaring unemployment and even chaos. Officials fiddle the numbers—massaging them up when growth is too slow and down when it is too fast—but basic faith in GDP as the most powerful expression of their aims and accomplishments has been unwavering.

So the break with tradition was something akin to Vatican II, when on January 25th the Shanghai government announced its policy plans for 2015 and chose to omit a GDP target. While Yang Xiong, the mayor, pledged that the city would "maintain steady growth", he gave no indication of what that might mean in numbers. In recent years China's 31 provinces and megacities have steadily lowered their GDP targets as the economy has slowed. At least two-thirds missed their goals last year, a sign that such targets have become less important than in the past. But Shanghai is the first to dispense with a target altogether. The city's Communist Party chief, Han Zheng, is a member of the ruling Politburo, so the omission was a powerful signal.

China's leaders are still very keen on GDP. When growth slowed sharply early last year officials ramped up spending on infrastructure, a spending boost that helped the central government to come in just one-tenth of a percentage-point shy of its growth target of 7.5% last year. But leaders have been calling for more attention to economic quality rather than just quantity. They want to end an investment-heavy approach that has damaged the environment and led to a dangerous build-up of debt. Ending a fixation on GDP targets will be a great help.

With no such target to cling to, or to blush at when missed, Shanghai officials now have more scope to work on other things. Transforming the city's free-trade zone, much hyped but little used, into a real testing ground for financial reforms, as was initially intended, is a priority. "Officials will feel less pressure to meet short-term investment objectives," says Zhu Ning of the Shanghai Advanced Institute of Finance. Mr Yang, the mayor, says Shanghai wants to create 500,000 new jobs this year. That will only be possible if the economy remains strong. But quite what level of GDP is needed to foster such job creation is uncertain, especially as labour-intensive services come to dominate the city's economy. So it is sensible to follow the example of other countries and focus more on employment levels than GDP.

For China as a whole, it is too soon to expect an end to GDP targeting. It will remain an important policy tool for guiding and evaluating officials, especially in poorer parts of the country where faster growth is needed to narrow the gap with coastal cities. Tibet is shooting for 12% growth this year, the same target as it set, and achieved, in 2014. But Shanghai's example proves that, even in the grand temple of China, the cult of GDP is losing adherents. ■

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Saudi Arabia

Keeping it in the family

RIYADH

The kingdom is more stable than people assume—for now at least

RARELY has one of Saudi Arabia's ageing rulers moved so nimbly. No sooner had King Salman taken the crown on January 23rd after the death of his half-brother, Abdullah, than he immediately settled one of the most pressing questions of his rule: who would be the next king and, crucially, who would be the king after that. "The king did 90% of his job in just one day!" jokes one Saudi.

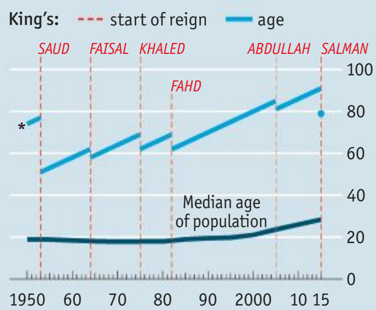
The problem of the succession has long unsettled the Saudi monarchy. Since the death of the modern dynasty's founder, Abdel Aziz bin Saud, the crown has passed from one of his many sons to the next. But they are dead or ageing. Salman, the sixth sibling, is already 79. Sooner or later, power would have to be handed to the next generation, but who in the proliferation of princes would be worthy? Salman decided that after Muqrin, the youngest of his half-brothers who had been appointed second-in-line by Abdullah, the crown would pass to his nephew, Muhammad bin Nayef, the minister of the interior, regarded as a competent campaigner against jihadists in the kingdom. In 2009 al-Qaeda tried to kill him when a militant was granted a private audience with the prince and detonated a bomb in his underpants.

The smooth transfer of power belies the view, common abroad, that Saudi Arabia must inevitably collapse due to its seemingly insuperable contradictions. Take just one incongruity: in a country of avid users of social media, where many of its young people are given public scholarships to study in the West, Saudi Arabia still lives by a particularly puritanical strain of Islam and severely limits the rights of its women—including the right to drive cars and to travel abroad without permission from a male relative.

At a time of violent chaos in much of the Arab world, turmoil in Saudi Arabia would be especially worrying given its central place in oil markets and Islam. It is home to the religion's two holiest sites, Mecca and Medina; and its oil wealth has disseminated its distinctively intolerant strand of Islam that critics call Wahhabism.

No easy retirement

Saudi Arabia



Sources: UN; *The Economist* *King Abdel Aziz, 1932-53

Thus far Saudi Arabia has proved naysayers wrong. One reason is the enduring pact between the Al Saud dynasty and the *Wahhabi* clerics. In exchange for conferring religious legitimacy on the family, the state helps the clerics impose an extreme brand of Islamic law that includes stoning adulterers and flogging of dissenters, such as the liberal blogger, Raif Badawi, who dared to mock clerics for, among other things, claiming that astronomy provokes scepticism of *sharia*, or Islamic law.

Another reason for the longevity of the Saudi system is plentiful oil money, which has allowed the monarch to bestow generous benefits and government jobs on the population of 30m. Saudis get housing loans, education and health care. More than 100,000 study abroad on scholarships. Even with the halving of the price of oil, the kingdom has foreign reserves of $740 billion. There has been cash enough to pay off truculent princes and clerics.

Some compare the Al Sauds to an increasingly professional company board. In 2006 the late King Abdullah set up an "allegiance council" with 35 members, representing all branches of the dynasty, to smooth the transfer of power. The word is that they voted on Prince Muhammad's appointment—if true it would be a rare show of democracy, if only within the ruling family. Those who were passed over, for instance Miteb bin Abdullah, the late king's son and head of the National Guard, appear to accept that collective survival is more important than individual ambition.

And what of Wahhabi strictures? Some are desert traditions cloaked in religion. Moreover, many of the tribes embraced the ideology as the bond to create a nation. Many Saudis would prefer a more relaxed social code. They chafe at the closing of shops during each of the day's five prayers. ▸▸

But in places like Jeddah, away from the conservative Nejd region, women wear their cloak, or *abaya*, more loosely; and women can mingle with men, contrary to the law. Abdullah reined in the worst excesses of the clerics and religious police.

That the population remains genuinely and profoundly conservative helps. Few Saudis question the legitimacy of the Al Sauds. Look at the country's history, many say: before its founding in 1932 tribal war was frequent; disease was rife; and life expectancy low. Ibn Saud ended that by imposing his rule through war, marriages and pacts with other families. The chaos of the Arab spring has only reinforced the wariness of Saudis to put at risk the stability and security they enjoy at home.

Calls for social reform are louder than political ones. But "what we call liberals here is not what we call liberals outside," says one Saudi academic. Many praise the late king for changes that included some limited freedoms for women. The middle classes think their rulers are more tolerant than the population. Better a monarchy that acts as a buffer than democracy that may strengthen conservatives, they say.

Indeed, the greater challenge to the current dispensation has come not from liberals but from the devout. In 1979 a group of radicals led by Juhayman al-Otaiba took over the Grand Mosque in Mecca for over two weeks. In the 1990s the Sahwa, a group of sheikhs, accused the royals of being liberal apostates. And in the early 2000s al-Qaeda carried out a series of bombings in Riyadh, targeting foreigners and royals, whom they accused of being in cahoots with the "Crusaders".

Nowadays the main security threat comes from outside—Iran's expansion, chaos in Yemen and jihadists inspired by Islamic State (IS), which has turned parts of Iraq and Syria into a "caliphate". Saudi officials argue that jihadists are deviants; the Saudi version of Islam, though puritanical, requires obedience to the ruler. Jihadism, Saudis insist, comes from the violent rebelliousness of the Muslim Brotherhood, born out of the struggle against British colonial rule in Egypt. They have a point. But more liberal strains of the Brotherhood accept democratic politics. IS's anti-Shia sectarianism, and its literal reading of ancient Islamic practices such as beheading and slavery, draw much from Wahhabism.

As a result, Saudi Arabia's rulers can expect the outside world to pay close attention to the religious teachings of its sheikhs. At home, the Saudi regime has learned to quash jihadism through a mixture of the iron fist and rehabilitation programmes involving doctrinal debates, social benefits and clan guarantees by the families of ex-fighters.

Many Saudis thus seem pleased with the appointment of Prince Muhammad as deputy crown prince. He rid the kingdom of al-Qaeda, though liberals note he also suppressed peaceful dissent. There is less satisfaction about the appointment of King Salman's youngest son, Muhammad bin Salman, to two powerful roles: head of the royal court, in effect the king's gatekeeper, and defence minister.

The Al Sauds cannot look to past stability as a guarantee of a safe future. Several factors are rattling the kingdom. One is the fall in the price of oil, which still accounts for more than 80% of budget revenues. Another is rising inequality. GDP per capita is only around $26,000 per year, compared with $43,000 in the nearby United Arab Emirates. With a youthful population, the economy needs to expand and diversify to provide jobs—a large group of disgruntled young men could be a recipe for radicalism. A third problem is the country's profligate use of energy. On current trends of energy consumption, the country may have no oil to export by 2030.

Social media have led to bursts of freedom of expression, including unprecedented criticism of corruption. Growing intolerance for dissent, including from the minority Shia, risks provoking a backlash. Those who have received funding to study abroad are coming back with new ideas; female graduates from Western universities will hardly put up with the current restrictions for ever. Some fret that Abdullah's successors will be less keen on reform. Having resolved the succession, they need to move as quickly on other matters too. ■

Silent Tahrir Square

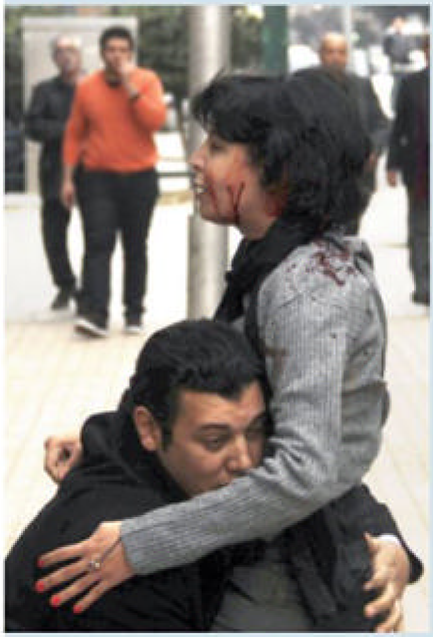
Birdshot in Cairo

CAIRO

Suppressing Egypt's revolution is proving remarkably easy for President Sisi

A SMALL peaceful protest was all demonstrators could muster near to Tahrir Square to mark the fourth anniversary of Egypt's revolution, and even that faced lethal force. Before it could reach the hub of Cairo's bygone uprising, Shaimaa el-Sabbagh, a 32-year-old activist from a new left-wing party, had been fatally shot in the back with birdshot. A few of her colleagues were arrested and released the next day.

Egypt's police say they had nothing to do with her death. They claim to have only used tear-gas, blaming instead the Muslim Brotherhood for a series of explosions and protests in which 23 other people died the following day.


A dissenter silenced

The turrets of President Abdel Fattah al-Sisi's armoured cars, aimed straight ahead, are for the most part deterrence enough against protest. A few activists hazard a tweet indoors. A ceiling of fear, the lifting of which was celebrated by Egyptians four years ago, has descended again. "The risks are just too high," says a 28-year-old pharmacist and erstwhile demonstrator.

After four roller-coaster years, many Egyptians meekly welcome a bit of calm. Some have begun to see dividends. More than 9m tourists brought much needed hard currency to Egypt last year, a 4% increase on 2013, according to government figures. The International Monetary Fund forecasts economic growth this year of 3.5%, up from 2.2% in 2014. The government's recent cuts to fuel subsidies persuaded Fitch Ratings to upgrade Egypt's credit rating a notch.

But the tentative economic recovery has not been matched by political progress. On January 25th, Egypt's compliant judges released from prison Gamal and Alaa Mubarak, the former president's sons. Their father, Hosni Mubarak, had already had his charges for killing protesters dropped. His aides have been acquitted. More Islamists are behind bars and more have been killed than at any time under Mr Mubarak. And Egypt's parliamentary elections in March and April will be weighted in favour of wealthy folk with the right connections. Political parties can contest just a fifth of the legislature's 567 seats. "I want to leave the country," says the pharmacist who, at the height of the Arab awakening joined a political party. "I don't belong here."

Israel v. Hizbullah

Back to bashing

BEIRUT AND JERUSALEM

Messrs Netanyahu and Nasrallah flirt with war once more

PLAYING with fire can prove dangerous. Weeks of escalating skirmishes between Israel and Hizbullah brought the two forces a step closer to outright war when Lebanon's Shiite militia ambushed an Israeli patrol on January 28th, killing two soldiers. On both sides of the border analysts drew comparisons with the combat between Israel and Hizbullah of 2006, which erupted with a similar ambush and the abduction of Israeli soldiers by Hizbullah. Television channels in Lebanon carried footage of nervous drivers queuing at garages to stock up on petrol.

Cooler heads should prevail for now. Binyamin Netanyahu, the Israeli prime minister, threatened a bombardment of Lebanon akin to Israel's summer devastation of parts of Gaza. But his immediate response was limited to a few artillery shells aimed at military targets that killed a UN peacekeeper in south Lebanon.

With similar bombast Hizbullah advertised its retaliation for an Israeli airstrike that killed six of its members and a general from Iran's Revolutionary Guard on January 18th. Hassan Nasrallah, the leader of Hizbullah, threated to unleash thousands of rockets and occupy Israel's northern towns. But his bark has so far also proved worse than his bite. He has limited his attacks to military not civilian targets. The conflict was also focused on a part of the Israeli-occupied Golan Heights and adjoining Shebaa Farms, a sliver of land claimed by Lebanon that is occupied by Israel (which it argues was originally Syrian).

In limiting the conflict to this area Mr Nasrallah was complying with unspoken rules of engagement: by not firing into undisputed Israeli territory he signalled an intention to avoid escalation. "Usually what happens in Shebaa stays in Shebaa," says Gen. Israel Ziv, a former head of the army operations and commander of a unit that in the 1980s took West Beirut. A roadside bomb in Shebaa last October, he noted, wounded two Israeli soldiers, but did not provoke a major escalation in the conflict. Moreover Israeli press reports said that Hizbullah had communicated through the UN that it considered its attack an adequate retaliation for the Israeli airstrike a week earlier.

Yet even if neither leader wants another outright war, both have an interest in appearing tough. Mr Netanyahu has been pushed into second place in the polls by his more peace-seeking Labour rival, Yitzhak Herzog. With less than two months to go before a parliamentary election, Mr Netanyahu's political advisers are urging him to focus voters' attention on security issues to claw back his lead. (Avigdor Lieberman, Israel's oft-undiplomatic foreign minister who is also lagging in the polls, demanded a "harsh and disproportionate" response.) Similarly, after repeated pounding by Israel and mired in an unpopular war to prop up the regime of Bashar Assad, Hizbullah is also keen to show its foes that it has not lost its capacity for action. These include Islamic State, which on January 28th announced the appointment of a Lebanese "emir" in a clear affront to Hizbullah. After this attack the Lebanese group triumphantly read out "communiqué number one" on its satellite television station, al-Manar, claiming responsibility. Its militiamen dispensed celebratory sweets and fired guns into the air on the streets of Beirut.

Still, the fighting is not without a strategic dimension. Israel is keen to stymie Hizbullah's efforts to arm itself with Syrian stocks of anti-aircraft missiles and to build up another hostile front in the Syrian Golan Heights. More broadly, Mr Netanyahu is redoubling his efforts to dissuade President Barack Obama from striking a deal with Iran, Hizbullah's patron, on its nuclear programme. With Israel under attack from Iranian commanders promising to rain down "destructive thunderbolts" in retaliation for killing their general, advocates of a deal might find it harder to argue that Iran would be a stabilising force for the region if brought back into the fold.

After a worrying escalation in hostilities both sides are stepping back from the brink of outright war on Israel's northern frontier. The UN is said to be pushing for a ceasefire. But the deterrence Israel and Hizbullah established during the brutal 2006 war is eroding. The next escalation, when it comes, may be harder to contain. ■

David Landau

Seeker of truth and peace

Our Israel correspondent died on January 27th, aged 67

DAVID LANDAU was an outstanding editor of Israel's leading liberal daily newspaper, *Haaretz*, and was a valued, courageous and insightful correspondent for many years for *The Economist*.

Courageous and insightful

Born and educated in Britain, he emigrated in 1970 to Israel, where he quickly made a mark as a journalist, in time becoming managing editor of the *Jerusalem Post*. But in 1990, dismayed by the hawkishness of the new owners, he led a walk-out of staff. In 1997, four years after joining *Haaretz*, he founded its English-language edition: still respected throughout the world, including in many Arab capitals, as the voice of liberal, secular, peace-seeking Israel. From 2004 to 2008 he was a valiant editor-in-chief of both its Hebrew and English versions.

But Mr Landau, though a powerful advocate of the two-state solution and justice for the Palestinians, was no routine liberal. Deeply religious himself, he deplored the co-opting of religious Jews into the nationalist and settler camp, and argued that there is no contradiction in calling for a Palestine alongside an Israel in which Judaism, including the ultra-Orthodox kind, must be a vital component. In his book, "Piety and Power: The World of Jewish Fundamentalism", he wrote: "We have to work intensively to reassure the Islamic world that Islam would be protected as a way of life. If Torah Jewry is capable of fulfilling this role, then it is duty-bound to do so."

Among his scoops was the first interview with Egypt's President Anwar Sadat by an Israeli. In 2007 he caused a stir by telling Condoleezza Rice, then America's secretary of state, that Israel needed to be "raped" by America, ie, forced to make peace with Palestinians. Last year his biography of Ariel Sharon was published after the death of the former Israeli prime minister.

Mr Landau was a writer of wit and integrity whose thirst for justice for Palestinians and for a better understanding of Israel across the world was paramount. He will be sorely and widely missed.

Attack in Tripoli

Islamic State heads west

TRIPOLI

Jihadists move into Libya's capital by storming the country's largest hotel

ISLAMIC State's new branch in Libya could have picked few more eye-catching ways to stage its debut in the capital, Tripoli, than with an attack on a landmark building, the seafront Corinthia hotel. The attackers combined a commando raid on its marble-clad lobby with a car bomb that exploded as guests fled, and the capture of hostages on the 21st floor. The attack killed at least nine people, including five foreigners, one of them American.

The luxury Corinthia hotel, which is Maltese-owned, had somehow managed to sidestep sanctions and wars. The haven it provided made it a favourite of foreign visitors, including UN officials. It even became the residence of self-declared prime minister, Omar al-Hassi. The sanctuary has now been defiled.

In the name of its "Tripoli province", IS claimed responsibility for what was Libya's deadliest attack on Western interests since the raid on an American diplomatic mission in Benghazi that killed the ambassador and three of his compatriots in September 2012. The jihadists named two of the assailants, a Tunisian youth and his equally fresh-faced Sudanese accomplice. They were, they said, avenging the death in American custody of an alleged al-Qaeda operative, Abu Anas al-Liby, earlier this month. They threatened that more strikes would come.

Panicky officials from Libya Dawn, a loose alliance of predominantly western Libyan and Islamist militias that is currently ruling Tripoli, blamed Khalifa Haftar, the retired general backing the internationally-recognised rival government in Libya's east. Others accused diehard followers of the late Colonel Qaddafi, an easy if much derided catchall.

But so brazen and ruthless was the guerrilla attack on the hotel, that "after today there's no question about whether IS has a presence in Tripoli," says a security man based there. Hundreds of Libya Dawn's militiamen, he notes, have gone to the battlefront many miles to the east to fight General Haftar, leaving their defences vulnerable closer to home. At the same time IS has urged foreign fighters to head for Libya and its ungoverned spaces. In its *Dabiq* magazine last year, IS outlined how Libya's chaos and abundance of arms made the country "ideal for jihad". Tunisian militants, in particular, are said to have used Libya as a training ground before heading to Syria. In October, one carried out a suicide bombing.

The main IS stronghold in Libya was long thought to have been Derna, a port nestled between cliffs in the east, with a training camp for a few hundred of its fighters. But last month the jihadist group signalled its greater reach by capturing 20 Egyptian Christians in Sirte, a town midway between eastern and western Libya. It also claimed responsibility for destroying a checkpoint guarding the route to Mali.

More misery awaits. Some of the foreigners that IS struck worked for a Florida-based energy company, APR. They had been working on power generation for an electricity network plagued by power cuts. Even before the attack they were preparing to leave. Bereft of power, Libya's water supply, which is pumped along the Great Man-Made River, will run dry. Foreign airlines have already withdrawn, while ships bringing food and fuel think twice before docking at Libya's ports.

At least the hotel attack might prove "a wake-up call," says the UN envoy, Bernardino León, who is shepherding talks on reuniting the country's splintered factions in Geneva. "The country is really about to collapse." Only a unity government, he says, can tackle the IS threat. A meeting of rival militia leaders began on January 29th, with talks planned to resume in Libya in early February between the politicians, including hitherto recalcitrant representatives from Libya Dawn. With the crucial exception of Benghazi, Libya's second city in the east, fighting has largely subsided since the UN brokered a country-wide ceasefire. IS's attempt to exploit the vacuum of a failing state could tip it back into conflict. ■

Zimbabwean politics

Keep digging, Bob

HARARE

A struggle for power between the president's wife and another woman

ONE can be forgiven for thinking that Joice Mujuru, the former vice-president, is the most popular figure in Zimbabwe. And up to a point that would be right. Her picture regularly appears on the front pages of local newspapers, and she does have many supporters. She may even have more than anyone in the ruling ZANU-PF party apart from Robert Mugabe, the president, who continues to enjoy significant acclaim despite political repression and a worsening economy.

Certainly character assassination

Yet the reason Mrs Mujuru features so regularly in the papers, especially those controlled by Mr Mugabe, is a campaign to vilify her that has continued even after she was sacked in December. The *Herald* newspaper, a party mouthpiece, calls her "the putschist" in reference to allegations that she tried to seize power, a claim she firmly denies.

Until last year Mrs Mujuru was one of two potential successors kept around by the 90-year-old president. Then in August his wife, Grace, an unpopular 49-year-old former typist, began denouncing her in public. For a while the president watched from the sidelines, giving rise to suggestions that Lady McGabe, as she has become known, may succeed him, or at least that she aspires to do so.

The most immediate beneficiary of the shuffle, however, was the other possible heir, Emmerson Mnangagwa, the defence minister, who was given the vice-presidency. Aged 72, and lacking the popularity of the 59-year-old Mrs Mujuru, he is less of a threat to the president who must surely hear time's winged chariot drawing near. Interlocutors say Mr Mugabe has a sharp mind but slumping limbs; the nonagenarian spent more than a month with his doctors in Singapore over Christmas.

Still, why continue the vilification of Mrs Mujuru now? Having been turned into an enemy but left in the party, she is a threat to the Mugabes more than ever. She could step forward at some point to challenge one or other of them when the party ▸▸

chooses a nominee for presidential elections. As a former guerrilla, she has unimpeachable liberation credentials. She could also make other mischief. She is already preparing the ground by challenging her dismissal in the courts—a hopeless undertaking on the face of it, since the president controls the judiciary, but one that may plant the seed of her return.

So the attacks on her continue, though they create their own risks. Baited and pushed out of Zanu-PF, Mrs Mujuru and her supporters could make common cause with the opposition—which otherwise appears to have hopeless prospects—thus reigniting competitive politics in the country. Morgan Tsvangirai, the leader of the opposition Movement for Democratic Change, is thought to be keen on the idea of an alliance, having lost an election in 2013. "Grace and Emerson would be no match for Joice and Morgan," says one insider, referring to a post-Bob election.

How far the Mugabes will go in tormenting their former vice-president remains to be seen. The answer may lie in the political ambitions of the first lady. Mrs Mugabe tasted political power last year during a cross-country speaking tour in which her fiery denunciations prepared the way for Mrs Mujuru's dismissal. If Mrs Mugabe is serious about one day seeking the presidency, she may try to eliminate her rival once and for all by driving her out of the ruling party.

A first clue will come in parliamentary by-elections due to be held in coming months. Mrs Mugabe may run, which would make her eligible for a cabinet post if she is successful. The top job at the ministry of gender affairs has, conveniently, been kept open by her husband. ■

Apartheid's legacy

Dr Death and Prime Evil

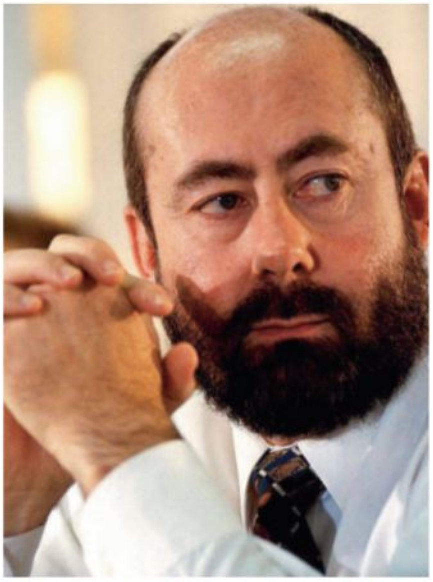
JOHANNESBURG

When to forgive, when not to forget

TWO decades into South Africa's democracy, several of its most notorious apartheid-era killers are bidding for freedom. As *The Economist* went to press, Michael Masutha, the country's justice and correctional services minister, was due to announce whether to grant parole to several notable white convicts.

One is Ferdi Barnard, who was sentenced in 1998 to two life terms and a further 63 years in jail for the murder of David Webster, an anti-apartheid campaigner whom he shot dead at close range.

Another is Clive Derby-Lewis, a right-wing politician whose lawyers say he suffers from terminal lung cancer. He was convicted of assisting in the 1993 murder of Chris Hani, a popular leader of the South African Communist Party and rising star of the liberation movement.



Heart surgery or cyanide?

By far the biggest name on the list is Eugene de Kock, who is also known as "Prime Evil". Mr de Kock was the commander of a notorious death squad in the 1980s known as C10. He and his team kidnapped, tortured and killed black anti-apartheid activists from a secret base on Vlakplaas, a farm near Pretoria. The bodies of his victims were burned in pyres of wood and car tyres while the assassins stood around drinking and cooking meat in a grim parody of South Africa's famed *braai*, or barbecue. In 1996 Mr de Kock was sentenced to 212 years' imprisonment and two life sentences for 87 crimes.

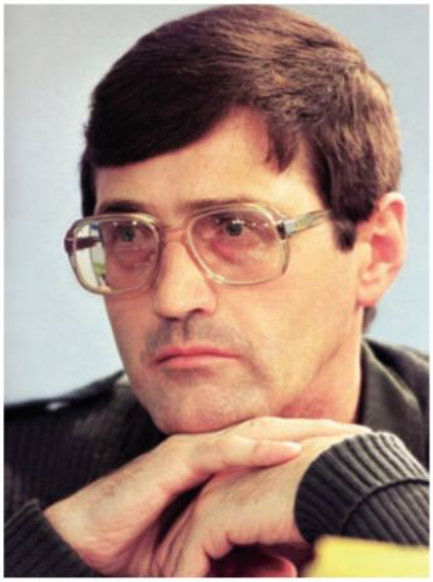
Many South Africans recoil at the thought of Mr de Kock and the others being released. Indeed it is a daunting prospect for a country much changed, but still deeply scarred, by the years of racist white rule.

Mr de Kock has, however, received support from unlikely corners. The widows of some of his black victims have backed his release, and previously requested he receive a presidential pardon. They argue that Mr de Kock is one of the very few apartheid figures to have served jail-time after the Truth and Reconciliation Commission (TRC) ruled his crimes were not politically motivated. (Mr de Kock argues that he was merely a policeman following orders from his superiors.) From his cell he has tried to atone by volunteering information to families of victims, and has helped to find the bodies of missing anti-apartheid activists. Twice late last year he accompanied investigators to a river bank near Zeerust, north-west of Johannesburg, to locate the shallow grave of Phemelo Ntehelang, a young African National Congress (ANC) fighter who was captured and turned into a police informer. Mr de Kock had had him beaten with a snooker cue and smothered out of "pure rage".

There are no apartheid politicians from the 1980s in jail. An underlying feeling persists among some South Africans that the architects of the apartheid system, those who gave orders to Mr de Kock and his ilk, simply got away with their crimes. Such a sentiment is evident in the ANC's outcry over a recent decision by Cape Town to rename Table Bay Boulevard, one of the city's arteries, after F. W. de Klerk, the last apartheid-era president. Although de Klerk shared a Nobel peace prize with Nelson Mandela after negotiating the white minority out of power, he is viewed by some as an "accident of history"—an apartheid stalwart who happened to be in power when the writing was on the wall.

In contrast to the conviction of Mr de Kock stands the bizarre case of Wouter Basson (pictured above), a medical doctor who ran the apartheid government's chemical and biological warfare programme. Nicknamed "Dr Death" by newspapers, he was granted immunity for many crimes because they allegedly took place outside South Africa. As Dr Death he allegedly provided cyanide capsules to soldiers, and tried to develop bacteria that would selectively kill black people, as well as vaccines to make black women infertile. He continued to practice as a cardiologist in Cape Town and only now faces being struck off the doctors' register, having been found guilty in 2013 of unprofessional conduct by a practitioners' council.

That some of apartheid's killers are free yet vilified, while others are jailed yet now championed by their victims, points to the value of the TRC. Flawed as it was, it produced some reconciliation, if at the cost of rather less justice. ■



Eugene de Kock

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Russia and Ukraine

Understanding Putin's plans

MOSCOW

The Russian president is stepping up both the war in Ukraine and his confrontational rhetoric against NATO and the West

IN A book of interviews published when he first became Russia's president, Vladimir Putin told a story of his early scares: a rat he had cornered had nowhere to go and jumped out at him. Having pushed himself into a corner, Mr Putin is now playing out his childhood nightmare.

After several months of relative quiet in Ukraine and at home, he has raised the stakes. In Ukraine, he has shattered a fragile ceasefire, along with last September's Minsk peace deal. The rebels are advancing and Mr Putin has called the Ukrainian Army a NATO foreign legion. At the same time, he is building up his defences at home by mobilising paramilitary brigades to fight potential Maidan-style protests. The latest violence in Ukraine is, in many ways, a sign of Mr Putin's desperation.

Five months ago, Russian troops moved in to stop the Ukrainian army clearing out rebels in the Donbas region. Ukraine's defeat soon become apparent. Its trade agreement with theEuropean Union was put on ice and the Ukrainian parliament passed a law granting broad autonomy to the parts of the Donbas controlled by the separatists. Talk of Ukraine joining NATO stopped. America was cut out of discussions between Russia, Ukraine and Europe. Mr Putin's goal of creating a separatist zone within Ukraine seemed within reach.

Yet hybrid wars can breed hybrid results. Since Russia never admitted to its military involvement, it could not claim victory and impose its will by keeping soldiers on the ground. Once its troops withdrew from eastern Ukraine, Mr Putin's victory started to look shaky. The rebels refused to lay down their arms, and Ukraine's president, Petro Poroshenko, would not admit defeat. Ukraine has not, so far, recognised Donetsk and Luhansk or abandoned its NATO aspirations. Indeed, on December 29th Mr Poroshenko signed a law scrapping Ukraine's neutral status.

The West has continued to press Mr Putin to stop supplying arms to the rebels before engaging in further talks about the make-up of Ukraine. In a sign of clear mistrust, European leaders called off a planned summit with Mr Putin in Astana. So Mr Putin decided to show his resolve. Russian-backed separatists relaunched their offensive on Donetsk airport, which had become a symbol of Ukrainian resistance. Alexander Zakharchenko, the rebels' leader, also attacked the port of Mariupol. A missile barrage missed its target and instead hit a residential area, killing 30 civilians (see next story). As soon as this became clear, Mr Zakharchenko was instructed by Moscow to change his story and blame the Ukrainians and their Western backers for provocation—a narrative swiftly backed up by Mr Putin.

Ukraine, Mr Putin declared, was in a state of civil war. But he added that the Ukrainian army was a "foreign NATO legion which doesn't pursue the national interests of Ukraine but wants to restrain Russia." This statement was carefully prepared by a Russian television display of mysterious English-speaking soldiers in Ukrainian uniform and footage of American military commanders in Kiev. "After each such visit by American military, the fighting in Ukraine starts anew," the main news programme explained.

This ratcheting up of anti-Western rhetoric is in part a response to a deteriorating economy. Indeed, Mr Putin upgraded the war into a Russia-NATO conflict just as Standard & Poor's, a rating agency, was downgrading Russia's credit rating to junk. The fall in oil prices and continued pressure on the rouble is driving up prices, causing much grumbling among ordinary Russians. While the government is carefully avoiding the word crisis, it has started to talk of anti-crisis measures. So is the opposition. Alexei Navalny, an opposition leader, and Boris Nemtsov, a veteran liberal, have called for an anti-crisis rally. "Putin is crisis and war. No Putin—no crisis and no war," wrote Mr Nemtsov.

Mr Putin has also planted new defences within Russia. On the day the rebels launched their attack on Donetsk airport, an "anti-Maidan" movement was launched, consisting of tough-looking Cossacks, Russian veterans of wars in Afghanistan and Chechnya, black-leather-clad bikers called night wolves and professional sportsmen trained to fight any sign of liberalism. (This is on top of several thousand Chechen fighters under Chechnya's president Ramzan Kadyrov, who swear personal loyalty to Mr Putin.) The group, whose launch was advertised in the state media, seems to have a licence to carry out extra-judicial violence. Their first action was to attack supporters of Mr Navalny who had gathered in a Moscow café.

The annexation of Crimea and the war in Ukraine have thus helped Mr Putin to consolidate power at home. But as the economy deteriorates, he cannot afford to let go of eastern Ukraine and seems trapped by the logic of escalating conflict. As Carl Bildt, a former Swedish foreign ▸▸

minister and longtime Russia watcher, puts it, Mr Putin now has an explicitly revisionist agenda under which he is seeking to change the post-cold-war settlement of Europe through an information war and, if need be, by military force. An explicit threat of a bigger war in Ukraine has been aired by Sergei Markov, a Kremlin propagandist, who suggests that Russia needs to topple the government in Kiev and occupy Odessa and Kharkiv. Only then, he writes, "will sanctions be lifted, the junta driven out of power and Ukraine become democratic and federal—in exchange for not taking Kiev."

This warmongering is clearly aimed at the West, which is considering new sanctions, including cutting Russia out of the SWIFT banking system, something that could have a devastating impact on the economy. Dmitry Medvedev, Mr Putin's prime minister, has warned that this would trigger unrestricted retaliation—and not just economically. The danger is not that Russia declares war on NATO, but that its recklessness could have unintended consequences. There is also a risk that Ukraine, a country of 45m people with a will of its own, despite what Mr Putin thinks, could be provoked into full-scale war.

All this may make the situation in some ways even more perilous than in the cold war. Igor Ivanov, a former foreign minister, has even suggested, one hopes with some exaggeration: "In the absence of political dialogue, with mutual mistrust reaching historical highs, the probability of unintended accidents, including those involving nuclear weapons, is getting more and more real." ■

War in Ukraine

Ceasefire no more

DONETSK

Renewed heavy fighting suggests that Russia has abandoned any pretence of sticking to the Minsk peace deal

AMID the rubble of eastern Ukraine lie traces of life before the war: a pair of broken sunglasses, a stuffed pink unicorn, a roll of undeveloped film. In Dokuchaievsk, south of Donetsk, where a rocket recently ripped into an apartment block, a lonely dog, Virma, sits by the rubble, paws shaking. Virma's owner, like the other 5,000 people killed in Ukraine since last April, will not be back. Despite hopes that the conflict was edging towards resolution, Ukraine's war has entered its deadliest period since a nominal ceasefire halted a Russian-led advance in September. Dokuchaievsk is just one of many small towns and cities caught up in the latest violence.

The ceasefire unravelled when rebel forces renewed their siege of Donetsk airport. President Petro Poroshenko threatened to "hit the rebels in the teeth"; the rebels' leader, Alexander Zakharchenko, promised to attack Kiev's troops until he reached "the borders of the former Donetsk region." But mostly both sides hit civilians, fighting at a distance with heavy artillery. In the nine days to January 21st, at least 262 people were killed in eastern Ukraine, an average of 29 a day. A rocket strike on a bus killed 12 civilians in Ukrainian-controlled Volnovakha on January 13th; nine days later another 13 were killed in Donetsk. On January 24th a barrage of Grad rockets fired from rebel-held territory into Mariupol, a port, killed another 30.

As media attention shifted south to Mariupol, separatist forces pushed north. Their main target was Debaltseve, which sits between the rebel capitals of Donetsk and Luhansk, and is already surrounded on three sides. Under heavy shelling, residents have begun fleeing. Several thousand Ukrainian troops, along with stores of equipment, reportedly remain entrenched. Government soldiers at the base insist they can hold the line, despite taking heavy casualties. Rebels say they have nearly closed the Ukrainians' only exit route and are trapping them in a "cauldron". It could boil over any day.

Beyond Debaltseve, rebel troops also hope to capture Avdeyevka, near Donetsk, and Schastye, north of Luhansk. Their movements are driven by both military and economic imperatives. Straightening out the front line will improve defensive positions, and allow forces from Luhansk and Donetsk to join up. Avdeyevka has a coke-making plant essential to Ukraine's steel industry; Schastye has a power station used to power Luhansk; Debaltseve has rail links crucial to the coal trade. Along with the airport, all three places would facilitate the long-term survival of the separatists' pseudo-state. Violence has also spilled beyond the Donbas, with saboteurs staging attacks elsewhere in Ukraine. Separatists "will rise up" in other cities, declares one senior Donetsk rebel.

Ukraine and its Western allies say that Russia is, once again, actively directing the offensive. NATO intelligence claims that advanced military equipment has been pouring across the border. Kiev accuses Russia of having 9,000 troops in eastern Ukraine. Moscow continues baldly to deny its involvement, despite evidence that includes the graves of its own soldiers. Those who return alive sometimes let details slip. One man from Russia's far east who fought as a volunteer at Donetsk airport admitted to local media that the Russian army is present in Donetsk, fighting under the guise of rebels: "They're just not visible, they work quietly and carefully."

After their devastating losses last August, Ukraine's leaders understood that they could not contend with the regular Russian army. The Minsk peace accords in September were born of that realisation. Even after the attack on Mariupol, Mr Poroshenko remains publicly committed to a diplomatic solution that seems ever more illusory. Patience and calm is the message at home. But many no longer believe that diplomacy can work. As Sergei Pashinsky, head of the Ukrainian parliament's national security committee, says, "the hope that the conflict in eastern Ukraine was stabilising, that it could be regulated not with the force of weapons, but with the force of truth and law, has been dispelled."

Abroad, Mr Poroshenko warns of a continental war, evoking the spectre of Nazism while visiting Auschwitz to rally support against Mr Putin. Yet he has resisted calls officially to acknowledge that Ukraine is at war. Some officials fear that putting the country on a war footing would spook Ukraine's Western creditors, especially the IMF, which recently promised a new loan package. Others note that martial law would bring restrictions on political and media freedoms. Instead, Ukraine's parliament has voted to label Russia as "an aggressor country".

Ukrainian officials are calling for new sanctions. A "deeply concerned" Barack Obama has promised to consider all measures "short of military confrontation". He could even begin supplying defensive weapons under a power recently given to him by Congress. But sending weapons Ukraine would also fuel Mr Putin's feverish talk of Russia being at war with NATO's foreign legions. ■

Germany and Israel

A very special relationship

BERLIN

The post-war friendship of Germany with Israel is strong but fraught

YAKOV HADAS-HANDELSMAN, Israel's ambassador to Germany, was a little boy when Germany and Israel opened diplomatic relations 50 years ago. He remembers the first German ambassador being greeted with howls of outrage and rotten tomatoes. The "past is always there and should always be there," he says. But today it connects the countries: "Generally, Germany is Israel's closest ally in Europe."

European leaders marked the 70th anniversary of the liberation of Auschwitz this week. They might have also pondered new polls. One, by the Konrad Adenauer Foundation, a think-tank named after the chancellor who negotiated with Israel's David Ben-Gurion, found that 70% of Israelis see Germany positively. That makes Germany their favourite country in Europe, as thousands of Israelis in Berlin would agree. But a poll by the Bertelsmann Foundation, another think-tank, found Germans more sceptical toward Israel, mainly because of its treatment of Palestinians: 36% have a positive opinion, but 48% are critical. Among young adults, it is more than half. More striking is the difference in how Germans and Israelis view the Holocaust. Bertelsmann found that 81% of Germans want to "leave it behind" and 58% want to "draw a line" under it. The vast majority of Israelis see this as impossible.

Germans and Israelis have drawn different lessons from the Holocaust, says Stephan Vopel of Bertelsmann. The Israeli one is never to be a victim again; the German is never to make war again. This contrast feeds other attitudes: 82% of Israelis, for example, want Germany to sell Israel more weapons, whereas 68% of Germans are against.

Angela Merkel, Germany's chancellor, grew up in East Germany, where Nazi crimes against communists were emphasised more than those against the Jews. But at least since her first visit to Israel in 1991, when she was 36 and minister for women and youth, she has seen the Holocaust as central to the relationship. Speaking to the Knesset in 2008, she said the existence of the Jewish state was part of Germany's *raison d'état* and non-negotiable. She is hugely popular in Israel. Binyamin Netanyahu, the Israeli prime minister, goes out of his way to call her a friend of Israel.

Yet tensions are growing. Mrs Merkel has lost faith that Mr Netanyahu is honest about wanting a two-state solution. She worries about expanding Jewish settlements on Palestinian land. Standing next to Mr Netanyahu when he visited Berlin two years ago, she said "we agree not to agree" on this. Both governments say such honesty proves the depth of the friendship. Mrs Merkel is careful with her rhetoric to avoid giving fodder to anti-Semitism, whether by Muslims or Christians, which she sees, along with Islamist terror, as one of "the two great evils of our time".

Some 100,000 Jews now call Germany home (most are Russian immigrants). But Germany also has 4m Muslims. In some cities, it is Muslims who are increasingly anti-Semitic. In Dresden, ordinary Germans have been protesting against "Islamisation" of their fatherland. For Germany, living up to the exhortations of the past is becoming ever trickier, since it demands a special responsibility toward Jews and an embrace of minorities. As the Middle East comes to more streets in Germany, it will test the country, and its ties with Israel. ■

Merkel: seeing the Holocaust as central

World Expo

Mayday in Milan

MILAN

Despite scandals and delays, Italy should pull it off

CRANES dot the skyline in north-west Milan, Italy's second city. The area is not pretty, but for six months after May 1st it will be home to the World Expo—an event every five years that is a cross between a trade convention and a theme park, and traces its origins to London's Great Exhibition of 1851.

Expectations are high: 145 countries are participating and 8m tickets, over a third of the total, have been sold to tour operators. The theme, "Feeding the planet, energy for life", is touted as a spur both for Italian culinary exports and for tackling world hunger.

The government is ramping up efforts to promote Italy as a destination for tourists and investors alike, hoping that Expo can be a catalyst. It has launched an international recruitment drive for directors of its notoriously ill-run museums. At the Davos World Economic Forum, the economic-development ministry aired a much-praised video meant to alter common stereotypes about Italy.

Only a few days later, however, the cultural ministry launched verybello.it, a less impressive website listing 1,300 things to do in Italy during Expo. Few liked the title, or the fact that it was available only in Italian, or that its map of Italy at first left out Sicily.

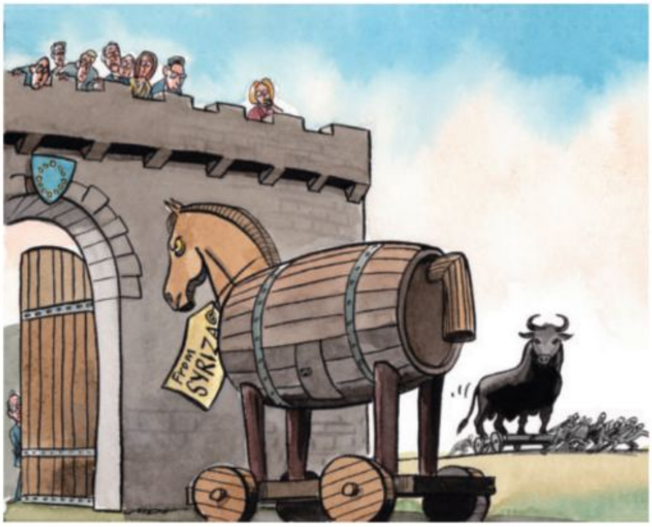
The run-up to Expo has also been overshadowed by scandal. Last year seven people were arrested on corruption charges. That makes one stereotype about Italy, the pervasiveness of graft, hard to banish. But a new anti-corruption unit now oversees contracts related to Expo; the Paris-based OECD calls it a model for other big events.

Discussion has shifted to what will happen to the Milan site after Expo. A tender last autumn for investors to redevelop it after the event drew no applicants. Marco Ponti, an economics professor at Politecnico di Milano, says big infrastructure projects like Expo rarely bring much benefit; smaller infrastructure programmes might have been better.

Yet Intesa Sanpaolo, a bank, reckons Expo could boost Italy's GDP by an extra 0.1%, thanks mostly to revenues from tourism and construction. And Expo promises an array of architectural and gastronomic delights. Organisers hope it could help reform the bureaucracy, by showing how quickly simplified visa and customs processes can be put into practice. Some worry that Milan's infrastructure will not be ready to welcome the 20m tourists who may descend on the city. But in the words of one organiser: "No chaos, no party!"

Charlemagne | Greece and its discontents

Syriza's victory will inspire other populists to challenge Europe's political order



EVERYTHING that exists, taught Aristotle, is the same as itself, and is different from everything else. During the hot years of the euro crisis, leaders of the most troubled economies sought desperately to remind investors of this eternal truth. Portugal, insisted its politicians, was not Greece. Nor was Spain Portugal, Italy Spain or France Italy. In short, the problems of one country were distinct from those of others. Yet the bond markets, disinclined to follow ancient wisdom, saw things differently. The contagion caused by spiralling borrowing costs leaping from one country to the next was one of the most alarming features of the crisis—and it explained how problems in tiny Greece could threaten the single currency as a whole. For a time, whenever a finance minister assured investors that his country was different, one could bet that it would suffer the same treatment.

Lately the euro zone has appeared better protected. In June 2012, with Greece in political turmoil, yields on Spanish ten-year bonds topped 7%. This week they were near record lows, despite the election of an explicitly anti-austerity government in Greece. The early antics of Alexis Tsipras, the new Greek prime minister, spooked markets and again raised fears of Grexit. But the channels of contagion have narrowed, thanks to a partial banking union, a permanent bail-out fund and a restructuring of Greek debt, most of which is now in official hands. Investors at last seem to agree that Spain is Spain, not Greece.

Yet voters may be drawing a different conclusion. Over the past year the growth of Syriza in Greece has been mirrored by the rise of Podemos ("We Can") in Spain, a radical far-left party that considers itself to be waging a similar war on German-sponsored austerity. Leftists from across Europe flocked to Greece on election night to savour the sweet taste of Syriza's victory. Sympathetic pundits declared an end to the politics of austerity. Mr Tsipras's decision to form a coalition with an unsavoury bunch of nationalists soured the mood somewhat. But overall, the message seems clear: if financial contagion is now less of a worry, the political sort may just be starting.

The ascendancy of Syriza is spreading political fears in two related ways. The first, much fretted over in Berlin and Brussels, is that Greece's euro-zone partners may feel obliged to offer Mr Tsipras goodies as a "reward" for his victory, weakening the hand of reformers in other countries. Such concerns may indeed mean that Mr Tsipras finds it harder than his predecessors to win concessions. The second is that his victory will embolden Podemos and similar parties elsewhere. Spain and Portugal hold elections later this year; Ireland no later than April 2016. Today, polls suggest that anti-austerity parties will do well in all three.

Spain has a much larger economy than Greece and a more or less functioning public administration. It has not had to endure years of outsourced governance by the detested "troika"—the European Commission, the European Central Bank and the IMF, which together have enforced the rules of Greece's bail-outs since 2010. Mr Tsipras owes his election largely to public resentment at the austerity imposed by the troika, which he vows to send packing. Barring a bail-out of its banks in 2012, Spain has remained master of its own destiny.

And yet the parallels remain striking. In Spain and Greece, both the centre-left and centre-right parties have held office during recent periods of hardship; many voters have therefore concluded that salvation lies in radical alternatives. In both countries public anger has had clear targets: in Spain, the banks, big business and corrupt politicians; in Greece, the architects of austerity and the executors of their policies. Spain and Greece have started to create jobs and growth, but unemployment in both stands at around 25%. For voters, politics-as-usual simply isn't working.

Mr Tsipras's rise to power represents a new threat to Europe's German-led economic order, from both the far left and the far right. It is telling that Syriza, which has communist roots, has chosen to link up with the right-wing Independent Greeks: the two parties share little beyond hostility to Greece's treatment at the hands of its creditors. Anti-austerity leftists across Europe cheered Syriza's victory, but so did parties often described as "far-right": Marine Le Pen, leader of France's National Front, called it a "monstrous democratic slap to the EU", and Matteo Salvini, the boss of Italy's resurgent Northern League, said the Greeks had given the EU an "electric shock".

Shocked and stirred

What populist parties really seek to do, argues José Ignacio Torreblanca, a Madrid-based analyst at the European Council on Foreign Relations, a think-tank, is to change the "axis of competition" in European politics from left v right to insider v outsider. Both Podemos and the National Front meet this description, even if they agree on little else. The weakening of traditional political loyalties opens a door for the populists. Economic stagnation helps their anti-elite case. The EU—plus, in some cases, immigrants—makes a convenient punchbag. And Syriza's victory demonstrates that the old order can be toppled.

But it also throws up another test. Mr Tsipras has articulated well the rage of the outsider; now he must display the statesmanship of the insider. If he stumbles and Greece goes up in flames, voters elsewhere may be tempted to shuffle back to the safety of traditional parties. As for mainstream politicians, the lessons are not obvious. It is hard to do politics when an anti-politics mood is abroad. Something will have to give, but most of the old guard still cling to the arguments they know best. A day after Mr Tsipras's win, senior figures from both of Spain's mainstream parties found themselves repeating a mantra that some may have found wearily familiar: that Spain is not Greece. ■

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Poverty, crime and education

The paradox of the ghetto

LEICESTER

Unnervingly, poor children seem to fare better in poor neighbourhoods

THE poorest people in Leicester by a wide margin are the Somalis who live in the St Matthews housing estate. Refugees from civil war, who often passed through Sweden or the Netherlands before fetching up in the English Midlands, they endure peeling surroundings and appalling joblessness. At the last census the local unemployment rate was three times the national average. But Abdikayf Farah, who runs a local charity, is oddly upbeat. Just look at the children, he says.

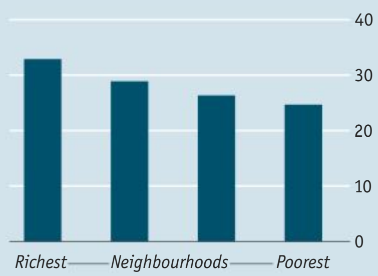
Close to Mr Farah's office is Taylor Road Primary School—which, it turns out, trumps almost every school in Leicester in standardised tests. Its headmaster, Chris Hassall, credits the Somali immigrants, who insist that their children turn up for extra lessons at weekends and harry him when they seem to fall behind. Education is their ticket out of poverty. Poor district, wonderful school, well-ordered children: in Britain, the combination is not as unusual as one might suppose.

Britain has prized the ideal of economically mixed neighbourhoods since the 19th century. Poverty and disadvantage are intensified when poor people cluster, runs the argument; conversely, the rich are unfairly helped when they are surrounded by other rich people. Social mixing ought to help the poor. It sounds self-evident—and colours planning regulations that ensure much social and affordable housing is dotted among more expensive private homes. Yet "there is absolutely no serious evidence to support this," says Paul Cheshire, a professor of economic geography at the London School of Economics (LSE).

And there is new evidence to suggest it is wrong. Researchers at Duke University in America followed over 1,600 children from age five to age 12 in England and Wales. They found that poor boys living in largely well-to-do neighbourhoods were the most likely to engage in anti-social behaviour, from lying and swearing to such petty misdemeanours as fighting, shoplifting and vandalism, according to a commonly used measure of problem behaviour. Misbehaviour starts very young (see chart) and intensifies as they grow older. Poor boys in the poorest neighbourhoods were the least likely to run into trouble. For rich kids, the opposite is true: those living in poor areas are more likely to misbehave.

Bad mix

Average anti-social behaviour score* of poor children aged 5 by neighbourhood poverty level



Source: Duke University

*Maximum=40

The researchers suggest several reasons for this. Poorer areas are often heavily policed, deterring would-be miscreants; it may be that people in wealthy places are less likely to spot misbehaviour, too. Living alongside the rich may also make the poor more keenly aware of their own deprivation, suggests Tim Newburn, a criminologist who is also at the LSE. That, in turn, increases the feelings of alienation that are associated with anti-social conduct and criminal behaviour.

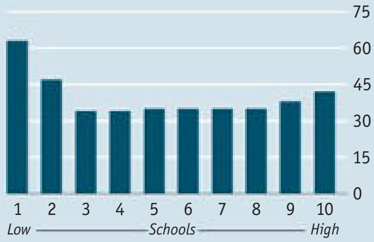
Research on England's schools turns up a slightly different pattern. Children entitled to free school meals—a proxy for poverty—do best in schools containing very few other poor children, perhaps because teachers can give them plenty of attention. But, revealingly, poor children also fare unusually well in schools where there are a huge number of other poor children. That may be because schools have no choice but to focus on them. Thus in Tower Hamlets, a deprived east London borough, 60% of poor pupils got five good GCSEs (the exams taken at 16) in 2013; the national average was 38%. Worst served are pupils who fall in between, attending schools where they are insufficiently numerous to merit attention but too many to succeed alone (see chart on next page).

Mr Cheshire reckons that America, too, provides evidence of the limited benefits of social mixing. Look, he says, at the Moving to Opportunity programme, started in the 1990s, through which some poor people received both counselling and vouchers to move to richer neighbourhoods. Others got financial help to move as they ▸▸

At the fringes

% of pupils eligible for free school meals getting five good GCSEs, 2012

By proportion of poor children in school*



Source: Ofsted

*Measured by children eligible for free meals

wished, but no counselling. A third group received nothing. Studies after 10-15 years suggested that the incomes and employment prospects of those who moved to richer areas had not improved. Boys who moved showed worse behaviour and were more likely to be arrested for property crime.

In Britain, this pattern might be partly explained by the existence of poor immigrant neighbourhoods such as St Matthews in Leicester. The people who live in such ghettos are poor in means, because they cannot speak English and lack the kind of social networks that lead to jobs, but not poor in aspiration. They channel their ambitions through their children.

Another probable explanation lies in the way that the British government hands out money. Education funding is doled out centrally, and children in the most indigent parts tend to get the most cash. Schools in Tower Hamlets receive £7,014 ($10,610) a year for each child, for example, compared with the English average of £4,675. Secondary schools also get £935 for each poor child thanks to the "pupil premium" introduced by the coalition government. Meanwhile Teach First sends top graduates into poor schools. In America, by contrast, much school funding comes from local property taxes, so those in impoverished areas lose out.

As the Duke University researchers are keen to point out, all this does not in itself prove that economically mixed neighbourhoods are a bad thing. They may be good in other ways—making politicians more moderate, for example. But the research does suggest that the benefits of such districts are far from straightforward. Patterns of social segregation reflect broader social inequality, argues Mr Cheshire, who has written a book about urban economics and policy. Where mixed neighbourhoods flourish, house prices rise, overwhelmingly benefiting the rich. Spending more money on schools in deprived areas and dispatching the best teachers there would do more to help poor children. Assuming that a life among wealthy neighbours will improve their lot is too complacent. ■

Energy

Drill-seekers

Fracking for shale gas draws closer—at a snail's pace

IN 1815 William Smith published a map of British geology that, by identifying coal deposits, helped kick-start the Industrial Revolution. Exactly 200 years later, as the government tries to put more puff into the economy's sails, it is hoping for a similar boost from another source of hydrocarbons: shale gas. Progress is being made, but painfully slowly, and there is still plenty of opposition to overcome.

Hydraulic fracturing, or "fracking", has been used before in Britain but never to extract shale gas. The process uses water and chemicals to split rocks deep underground and extract the gas. A group of MPs sought to impose a moratorium on the process, but they were defeated in a parliamentary vote on January 26th. The government undercut them by assenting to a ban on fracking in national parks and to new regulations that will make fracking harder: one, for example, will force companies to monitor fracking sites for a year before drilling.

Ken Cronin of UK Onshore Operators Group, an industry body, welcomed the outcome anyway. "We now need to get on with exploratory drilling to find out the extent of the UK's oil and gas reserves," he said. The prime minister, David Cameron, agrees, calling opponents "irrational".

Different geology, higher population density and a more international gas market mean shale in Britain is unlikely to be the game changer it has been in America, where gas prices have plunged. But extracting onshore shale gas could make up for the decline in North Sea gas and make Britain less dependent on unreliable, distant suppliers. No wells have been drilled since a ban was lifted in 2012, however.

Before this week's debate, a parliamentary committee had warned that drilling for shale gas was "incompatible" with Britain's climate-change targets, even though the Committee on Climate Change, the government's official advisers, said shale gas (which is cleaner than coal) can help slow global warming. "Certainly we need to cut reliance on carbon fuels," says Quentin Fisher, an expert at Leeds University. "But in the meantime we need to become more self-reliant." On January 28th the Scottish government announced its own moratorium on fracking.

Professor Fisher says NIMBYs have exaggerated the dangers. Drilling a well is noisy and disruptive, but after a few weeks only a building the size of a garden shed remains. "People may change their minds" he says, "once they see how safe it is."

They might not see anything for a while. Cuadrilla, an exploration company, has applied to drill for shale gas in Lancashire, but this has been held up by local objections. On January 28th the county council deferred its final decision. Even if this application is unsuccessful, however, others are likely to succeed. Says Professor Fisher: "I have no doubt wells will be drilled in the next few years." ■

The Litvinenko inquiry

Murder most mystifying

Truth, perhaps, about a Kremlin hit-job—but little prospect of justice

AN OBSCURE refugee from Russia when he died in London in 2006, Alexander Litvinenko became famous only after his death. The former security policeman mixed with murky figures. He had received an allowance from a fugitive Russian tycoon, Boris Berezovsky. He was advising Britain's Secret Intelligence Service in an Anglo-Spanish operation which investigated links between Russian gangsterdom and the Kremlin's inner circle. He had made lurid allegations about Vladimir Putin's private life and about the way the Russian leader had gained power. Any of those could have a bearing on his agonising fate—poisoning with polonium.

Mr Litvinenko's widow Marina has fought a dogged, dignified and cash-strapped battle for a public inquiry into the case. The government blocked this, citing unspecified national-security concerns. But it flip-flopped in July 2014 as Britain's relations with Russia iced over. The inquiry began this week. Mrs Litvinenko's lawyer spoke of an "act of nuclear terrorism" on London's streets.

Some evidence will be heard in secret: it may involve Mr Litvinenko's ties with Britain's spooks, but the most vital bit is thought to be an intercept of a Russian official communication, obtained by America and shared with Britain, showing that the Kremlin knew and approved of the murder plot. Officials decline to comment on that.

Andrei Lugovoi and Dmitri Kovtun, whom Britain's authorities named as the assassins, are in Moscow; they insist they are innocent and will not be taking part.

Bagehot | Murphy's law

The Labour Party at last has a good helmsman in Scotland; he may not save it there

THERE are times when the abuse of politicians becomes so vicious it is hard to know why anyone would want the job. Your columnist experienced such a moment on a bitter-cold recent day in Dundee, with an inch of frost underfoot, alongside Jim Murphy. The recently installed Scottish Labour Party leader was trying to canvass opinion on a housing estate in the western part of the city, which should be Labour territory. But the group of Scottish National Party (SNP) supporters at his heels made this almost impossible. Every time he raised his hand to a doorbell, they yelled: "Liar at your door, love!" "Red Tory scum!" "What about the 100,000 dead Iraqis?"

The former Blairite Scottish Secretary, and MP for East Renfrewshire, has a forceful charm; yet he struggled to be heard above the idiots. And in ways both general and specific this speaks to Labour's huge problem in Scotland. To have a serious chance of forming Britain's next government, after the general election due in May, it must retain most of the 41 seats—out of a possible 59—it holds there. Yet its support in Scotland has crumbled. The latest polls put the SNP on around 40%, representing a 20-point gain on its 2010 performance, and Labour on about 30%. Given the even spread of the SNP's support—which has long been the party's big electoral disadvantage—that suggests the "nats" will win most of the Scottish seats.

To close the gap, and turn the SNP's electoral leg-up back into a hurdle, Mr Murphy needs above all to regain the love of 200,000 Scots who voted Labour in 2010, "Yes" to independence last September, and who have since transferred their allegiance to the SNP. Yet the specific problem apparent in Dundee—Mr Murphy's struggle to break free of the polarising politics of the independence referendum—is making this uncommonly hard.

Back in 2010 the nationalists were, as now, ruling in Scotland, yet struggled to explain why anyone but a raving separatist would vote for them in a general election. They were too unlikely to hold or influence power in Westminster, and in Gordon Brown, the dour, kirk-raised Scottish prime minister, Labour had a leader as respected north of the border as he was derided down south. Yet all these impediments have been swept away, mainly by the referendum. It showed up how badly Mr Brown's successor, Ed Miliband, a north London intellectual, goes down in Scotland. His personal ratings suggest Scots trust him no more than they do David Cameron, the Conservative prime minister. It also showed how sputtering is the once-indomitable Scottish Labour machine, now reduced to fewer than 10,000 members. The SNP, by contrast, has formidable leaders in Nicola Sturgeon and her predecessor, Alex Salmond, along with 80,000 zealous members and, most important, a clear pitch to voters.

The point of voting SNP in May, it argues, is to enable the nationalists to secure a better deal for Scotland, by holding the unionist parties to the panicked promise of further devolution they made just before the referendum vote. To keep this uppermost in voters' minds, the SNP wants to prolong the vituperative, vivid and polarising politics of that contest—hence the Yes banners and vitriol evident in Dundee. By contrast, Mr Murphy must persuade Scots that the referendum is in the past, where it must remain, which is why they should vote Labour again.

This is the set-piece contest most likely to decide the complexion of Britain's next government; it could also have a wider significance. Because, at a time when centre-left leaders are generally struggling to describe how social democracy fits with austerity, Mr Murphy is a centre-left leader worth watching. In a lacklustre unionist campaign, he came across as a little vainglorious, but disciplined, dynamic and able to perform the rare trick of seeming forceful and moderate at once. He has the manner of a dockyard socialist—he could hardly have won the Scottish Labour leadership otherwise—but almost none of the ideas. His record in government suggests a moderniser, as fiscally constrained social democrats must be. So do some of his recent pronouncements—including against Scotland's soaring female prison population. With a fair wind behind him, Mr Murphy's duel with the SNP, which is as egregiously populist as any left-wing insurgent, could have given hope to social democrats everywhere.

Against the tide and current

As it is, Mr Murphy may be sunk before he has properly begun. The SNP surge is not abating; the problems in Scottish Labour look ever worse. While Ms Sturgeon and her legions grandiloquently name their terms for propping up a future Labour government—including, in effect, a demand to scrap Britain's nuclear deterrent—Mr Murphy finds himself struggling to gee up a party with little money and less self-confidence, after a bruising run of defeats by the SNP. He is also suffering from Labour's lack of big, credible policies, made worse by the fact that the party's main campaign pledge—to "save" the NHS from Tory predations—has less resonance in Scotland, where control of the health service is devolved. This leaves Mr Murphy having to resort to a dubious fallback, by warning that a vote for the SNP risks bringing back the Tories by default. It is an acknowledgment of weakness. It also recalls the nats' main argument ahead of the referendum—no more Tory governments, ever—which is the very thing Mr Murphy wants to leave behind.

With more time, he might have found a way around these troubles. The Labour brand in Scotland, as the party's spin-doctors say, is still strong. Labour will probably eat into the SNP lead a bit. But getting back to parity looks a stretch—which contains a caution for put-upon mainstream politicians of all stripes. The electorate is so scornful of politicians that even having a good leader, such as Mr Murphy looks to be, espousing sane views, may not be sufficient to win their love. The important thing is not to lose it in the first place. ■

The Arctic

Not so cool

TROMSO

The hype over the Arctic recedes, along with the summer ice

"THE Arctic is hot," joked a Swedish diplomat in 2012. Not any more. In the past six months, the trends that had made it a centre of global attention have changed. It still matters, mainly for environmental reasons. But a surge of interest in its economy and politics has ebbed.

That surge was driven by three things. First, the Arctic contains vast amounts of energy which could become accessible as the world warms and the ice retreats in summer. The US Geological Survey has said that about a quarter of the world's undiscovered oil and gas lies in Arctic waters.

Second, the melting ice allows cargo ships to sail round Russia's northern coast for about two months in summer. This cuts the distance for ships travelling from Shanghai to Rotterdam by almost a quarter and the transit time by two weeks or so. Russia's president, Vladimir Putin, once said the Northern Sea Route would one day rival the Suez Canal as the best way to ship goods from East Asia to Europe.

Third, the Arctic seemed a model of international co-operation. The eight countries with territory inside the Arctic Circle (see map) settled disputes among themselves either on the basis of the UN Convention on the Law of the Sea or through the Arctic Council, originally a scientific forum which in 2011-13 signed its first treaties, on search and rescue missions and cleaning up oil spills. Nothing exemplified the Arctic scramble better than the rush of tropical Asian countries to join. China, India and Singapore were granted observer status in 2013.

But since mid-2014, falling oil prices and conflicts between Russia and NATO have lessened the Arctic's allure. Its energy is pricey. Even at $100 a barrel, many fields were marginal because the environment is so extreme. Gazprom and Statoil, the Russian and Norwegian firms developing one of the largest gasfields ever discovered (the Shtokman field in the Barents Sea), mothballed the project in 2012. The boss of Total, a French energy firm, called Arctic drilling too risky even before prices started to fall. With oil at $50 a barrel, few Arctic fields would be economic. One of Norway's largest private investors, Jens Ulltveit-Moe, recently called energy exploration in the Arctic "a licence to lose money".

Vanishing over the horizon

Oil is not the only extractive industry in trouble. Greenland's leaders had hoped a mining bonanza might enable independence one day (rather as the Scottish Nationalists hoped North Sea oil would). But iron-ore prices have fallen almost as much as oil, and the firm responsible for a huge iron-ore mine in Greenland went bust last year (partly because it had a mine in Sierra Leone and was hit by the Ebola epidemic).

The Northern Sea Route is not living up to the hype, either. In 2013 71 ships traversed Russia's Arctic, according to the Northern Sea Route Information Office: a large increase since 2010, when the number was just four. But 16,000 ships passed through the Suez Canal in 2013, so the northern route is not starting to compete. In 2014 traffic fell to 53 ships, only four of which sailed from Asia and docked in Europe (the rest went from one Russian port to another). The route does not yet link Europe and East Asia.

The decline in 2014 was partly caused by the weather: less sea ice melted last summer than in 2013, so the route was more dangerous. But its limitations go beyond that. Cutting a week or two off transit time is not the benefit it may seem if the vessel arrives a day late. In shipping, just-in-time arrival matters, not only speed. The new-generation container ships are too cumbersome to use the Arctic so, as these become more common, the northern route becomes less attractive. To handle more cargo it will need new ports and infrastructure—but the Russians cannot afford these.

The travails of the Arctic Council are relatively modest. The Americans and Canadians sent markedly junior delegations to two meetings in Russia last year—a snub to a body usually seen as so saintly that even the Russians want to co-operate with it. Some still do. Artur Chilingarov, Mr Putin's former envoy to the Arctic (and the man who in 2007 planted a titanium Russian tri- ▸▸

Volcanic islands

From the depths

Offshore eruptions can create new islands—and new territorial rights

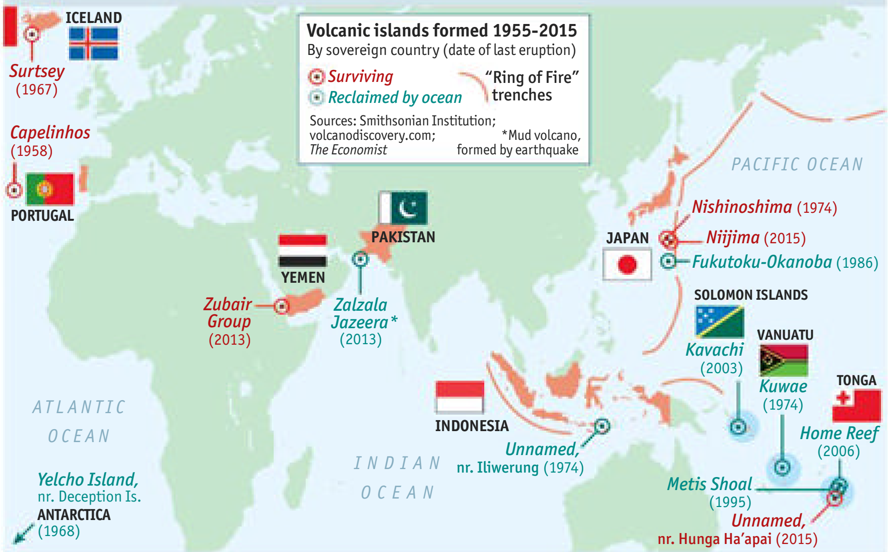
A VOLCANIC eruption that started in mid-December around 65km north-west of Nuku'alofa, the capital of Tonga, has ended. It leaves behind the world's youngest land mass and the Pacific archipelago's 177th island. Less than 2km across and rising 100m above the water's surface, it appears to be made of volcanic ash rather than solidified lava (an attempt on January 24th to land and study it close up was foiled by the ocean swell). It may therefore prove short-lived.

Volcanic islands that last longer can be valuable. Scientists use Surtsey, which appeared off the coast of Iceland (itself a volcanic island) in 1963, to study the colonisation of virgin land by plants and animals. Since Surtsey at least ten underwater volcanoes have spewed forth enough material to breach the ocean's surface and create new islands (see map).

Most are small and erode away soon afterwards. Japan's proximity to the tectonic-plate boundaries known as the "Ring of Fire" makes it earthquake-prone, but also means it has gained three new islands since Surtsey appeared, a record now matched by Tonga. (One of Japan's and two of Tonga's have since vanished.) Other countries to gain new islands during that period include Indonesia and Yemen.

New creations that turn out to have staying power can also expand a country's offshore territorial rights. Under the UN Convention on the Law of the Sea, countries can claim rights over fishing, shipping and mining up to 200 nautical miles (370km) from their coasts. A country that claims a new island off its coast can use it as the basis for a new offshore territorial claim, too.

Niijima, a volcanic island that appeared about 1,000km south of Tokyo in 2013, was at first expected to erode and vanish in short order. But it continued to grow, and last year merged with an older volcanic island, Nishinoshima. The joint land mass is still increasing. Once it settles down, and if it looks likely to last, Japan may make a new claim. Coastal erosion and rising sea levels mean that the sea often takes away land. But every now and then it gives it, too.



colour on the sea bed below the North Pole), says that in the Arctic, "There are no problems that cannot be solved on the basis of dialogue." The council continues to expand: it is setting up a new economic body to boost business.

But however much its members co-operate, the council cannot offset hostilities between Russia and the West—hostilities which affect the Arctic, too. Russia is stepping up its military operations there, reopening an old army base near the border with Finland and testing a new class of submarines in the Barents Sea.

This does not mean fighting is about to break out in the Arctic; nor are shipping and energy exploration about to end. But the wilder hopes (or, for environmentalists, fears) that the Arctic would see an economic transformation, and be a shining example of how to settle international differences, seem unlikely to be realised. ■

Antarctica

Core values

HOBART

The southern continent hots up

ANTARCTICA is 2,700km away. Yet as the brief austral summer fades, for Hobart, the capital of the Australian state of Tasmania, it is big business. The town is home to the Australian government's Antarctic Division and France's Antarctic programme. The two countries' ageing icebreakers are busy supplying their research stations. Australia is trying out a new research and supply vessel, which dwarfs its part of the harbour.

In early January the *Falkor*, a research vessel funded by Eric Schmidt, chairman of Google (and a member of *The Economist's* board), steamed into Hobart. Its research budget would quicken the pulse of any ocean scientist, and the Institute for Marine and Antarctic Studies at the University of Tasmania threw a party for the crew. Among other topics, the institute's researchers are studying why the Earth is warming more slowly than models predict. One reason could be the cold Southern Ocean, a powerful climate regulator.

Though there are (disputed) territorial claims, the 1959 Antarctic Treaty sets Antarctica aside as a scientific reserve. States assert themselves by building bases and planting flagpoles. The dozen original signatories have swelled to 50, including India and South Korea. China, which signed up in 1983, has the fastest-growing presence. Some 350 features now have Chinese place-names (there is even a Great Wall).

China's annual Antarctic spending has grown from \$20m to \$55m in a decade, and it has five bases. Its Ukrainian-built icebreaker, the *Xue Long* (*Snow Dragon*), shuttles between the Arctic and Antarctic summers, and will be joined in 2016 by a new vessel. Yet co-operation remains essential in this remote and hostile environment, and it relies on Russia and Australia for help with logistics and supplies.

China's long-term interest may be in resources. But mining has been banned in the Antarctic since 1998, and that would be hard to change if most countries active there resisted it. For now, scientists in Hobart say the Chinese are doing impressive research. Most ambitious is an attempt to drill 2.5km into Antarctica's highest ice dome. Trapped air may reveal the secrets of 1.3m years of climate change. But extracting samples without contaminating them is only one of many challenges. And, whisper Australian scientists gleefully—for co-operation has its limits—the Chinese may not be drilling in the best place. ■

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Apple

iThrone

SAN FRANCISCO

Apple reigns supreme when it comes to making money, but now faces even greater expectations

NEVER before has so much money been made by a single firm in such a short period of time. On January 27th Tim Cook, the boss of Apple, announced that it had made $18 billion in its latest fiscal quarter, which ran almost to the end of December 2014. That beats the previous record of $15.9 billion reported by ExxonMobil, an oil company, in 2012, according to S&P Dow Jones Indices.

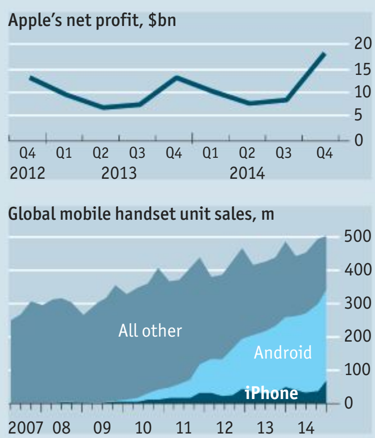
Apple's telephone-number-sized profit stemmed largely from sales of its hugely popular iPhone, which accounted for over two-thirds of its $74.6 billion revenue. Chief executives rarely admit to being dumbfounded by their companies' performance, but Mr Cook said it was "hard to comprehend" the extent of the interest in Apple's products. He noted that, on average, 34,000 iPhones were bought every hour of every day during the latest quarter. That added up to 74.5m phones, way more than market-watchers had expected.

Apple is the world's largest company by market capitalisation as well as its most profitable. Strikingly, it has risen to greatness using a rather old-fashioned business model: selling highly desirable objects at fat gross margins, which hit almost 40% in the latest quarter. The tech industry has spawned numerous software-based firms, such as Google and Facebook, that don't have to worry about shifting goods around, yet they make much less than the Colossus of Cupertino. Amazon handles lots of physical goods, but loses money.

Another thing that sets Apple apart from the tech pack is its success in conquering China. While rivals have been frustrated there, Apple has just become the largest force in China's smartphone market measured by units shipped, according to Canalys, a market-research firm. Apple's revenue from the Greater China region, which includes Taiwan and Hong Kong, soared 70%, to just over $16 billion.

Any setback in China could hurt Apple. The company's overall dependence on the iPhone is another risk. But these are early days for the iPhone 6, Apple's latest device, whose bigger screen takes the firm into the "phablet" category of larger phones that are wildly popular with customers. Some iBulls also point out that Apple's share of the smartphone market is small compared with devices using Google's Android operating system (see chart). So it has plenty of room to grow.

More bites to come



Sources: a16z; Bloomberg

If it is still to reduce its dependence on iPhones, Apple will need new money-spinning gizmos. Mr Cook said this week that its much-ballyhooed smartwatch will go on sale in April. Tim Bajarin of Creative Strategies, a consulting firm, thinks Apple could sell 22m-24m in the first 12 months after the launch, producing billions of dollars of new revenue. Sanford C. Bernstein, a research firm, reckons the watches will have a higher-than-average gross margin, which bodes well for profits.

Apple should be able to make more money from software and services, too. The firm's online store of software apps had its busiest-ever day on January 1st and the introduction of a smart watch will lead to another app feeding frenzy. Apple profits by taking a chunk of the money developers make from app sales and in-app purchases. By binding customers into its "ecosystem" of hardware and software plus services such as Apple Pay, a contactless-payment system, the firm also makes it more likely they will stay with it when they upgrade their gadgets.

This still leaves the company with a headache other firms would die to have: its Croesus-like mountain of cash, which now stands at $178 billion—a figure that is greater than the market capitalisations of information-technology giants such as Intel and IBM. Apple, which has already spent billions of dollars on share buybacks, will revisit its plans to return money to shareholders and discuss them in April. Mr Cook can expect plenty of calls from activist investors before then, no doubt from their shiny new iPhones. ■

Network neutrality

To be continued

The rules of the road on the internet will always be a work in progress

A TERSE 900-word letter sent by AT&T to America's attorney-general a century ago changed the course of the telecoms industry. In exchange for not being broken up, the monopoly agreed to treat all phone calls equally. What became known as the "Kingsbury Commitment" entrenched the notion that existing transport rules would apply to so-called "long lines".

That helped build the world's best telephone systems. But life is trickier now. Policymakers are wrestling with how that "common-carriage" approach should apply to the internet. In Europe ministers on January 27th discussed rules proposed by Latvia, which currently holds the European Union's rotating presidency. America's Federal Communications Commission (FCC) is expected to start discussing plans on February 5th (and vote on them on February 26th).

The arguments revolve around "network neutrality", a term coined ten years ago by Tim Wu of Columbia Law School. It underlies the extraordinary success of the internet: the businesses that operate the network—by transmitting data, or providing access to it—may not discriminate between different packets of data. So innovators do not need to ask for permission, or to pay extra, to make new projects work.

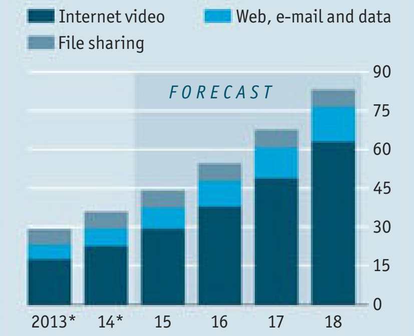
Neutrality has long been baked into the internet through its protocols, the rules which govern how data move around the network, paying no attention to its content. But big changes are afoot. New technologies now allow network operators to identify what kind of traffic they transmit. Many would like spam and criminal traffic to be scrutinised, slowed or stopped. For their part telecoms firms, who own most of the cables and switches, wish to sell premium access—fast lanes, in effect—to bandwidth-hungry services, such as video.

Activists for internet freedom and other causes are up in arms. Without strict network-neutrality rules, they warn, toll booths and other checkpoints will mushroom, robbing the network of what has made it great. Investment would flow to the profitable fast lanes; humbler folk would travel virtual dirt roads. Operators that offer internet services of their own could throttle or even block rivals. Abandoning network neutrality, European Digital Rights and other net-advocacy groups wrote in an open letter to EU officials, means abandoning a core human right: "the freedom to impart and receive information without interference".

Pipe-tube

Consumer internet traffic

Exabytes per month



Source: Cisco

*Estimate

Industry insiders, network engineers and some economists say this is scaremongering. Network operators, they say, have no interest in fragmenting the internet; they just want to manage their assets well—for example by channelling traffic to avoid congestion. That improves service for everyone. Moreover, why should capacity-hogging services such as Netflix, whose video-streaming comprises one-third of peak-time traffic in America, get a free ride? "The internet doesn't need to be saved," argues Peter Van Doren of the Cato Institute, a libertarian think-tank.

Yet governments are moving towards codifying some sort of network neutrality, according to Sam Paltridge of the OECD, a club mostly of rich countries. Chile, the Netherlands and Slovenia have already passed strict network-neutrality laws; several others, including Norway, have opted for softer rules or are planning to do so.

Big network operators are sometimes to blame for this. The Dutch move came after KPN, the former national telecoms company, threatened to levy a fee on services such as internet calls and instant messaging, and block users who wouldn't pay. One of Norway's largest internet-service providers, Nextgentel, curbed traffic from NRK, a public broadcaster, in a row about paying for additional capacity.

The strictness of neutrality rules varies. Chile forbids any kind of traffic prioritisation. Others allow plenty of exceptions. In Slovenia, for instance, network operators can block spam and manage traffic to avoid congestion or for security reasons. Norway stands out because it chose what it calls "co-regulation" instead of a new law: the regulator issues guidelines, and stakeholders meet to discuss any changes.

That approach may work in a cosy Nordic country, but not in America and the EU with their armies of adversarial lawyers and politicians. Several attempts by the FCC to satisfy the rival camps have fallen foul of the courts or public opinion. Barack Obama tried again in November, asking the commission to classify broadband access as a common carrier so it can regulate it as such. The FCC is expected to heed the president's call while exempting the internet from old telephone-era rules such as price controls. Kevin Werbach, a former FCC lawyer who now teaches at the Wharton business school, says it will be interesting to see how the agency will treat wireless internet access and what it thinks of such deals as Netflix paying Comcast for a "fast lane" for its videos.

The outlook in Europe is even murkier. EU governments must agree on common regulation, but each has its own agenda. Big member states, such as Italy, tend to defend the interests of their big telecoms firms, which argue that only profitability will allow them to upgrade their networks. The partners in Germany's ruling grand coalition have promised each other to push some form of network neutrality. Britain, for its part, wants self-regulation (which, critics say, has not been a big success at home). So the Latvian proposal gives plenty of wiggle room. Paid-for fast lanes, for instance, are allowed "provided that sufficient network capacity is available so that the availability and general quality of internet access services are not impaired in a material manner". "Prove that," sniffs Chris Marsden of the University of Sussex.

Nullifying zero-rating

When (and if) the FCC has voted and the EU has struck a deal, the saga will continue. Republicans in Congress pay lip-service to network neutrality, but they balk at enforcement. Network operators will sue in any case. They mind less about neutrality than about escaping regulation as a utility. The European Parliament is unlikely to approve whatever emerges from the Latvian draft without major changes.

The next network-neutrality battle has already begun—over "zero-rating", a practice by which mobile operators allow customers access to certain services, such as Facebook or Wikipedia, without charging them for the data usage. Fans argue that this is a great way to give poor consumers access to these offerings. Critics counter that it allows mobile operators to pick winners and makes it more difficult for others to compete; for that reason, the Slovenian and the Dutch regulators recently banned certain forms of zero-rating. Like free trade, it seems, network neutrality will always be a work in progress. ■

Manufacturing in India

Symphony solo

SANAND

How a maker of air-coolers survived a disastrous diversification

THE plastics factory in Sanand, an industrial city in Gujarat, looks just another car-component supplier. A phalanx of moulding machines makes parts for Tata Motors, GM and a new Ford plant which will open in Sanand this year.

But an assembly line on the first floor is assigned to an unsung and unusual multinational. A 90-strong team is assembling air-coolers for Symphony, which unlike better-known Indian companies—integrated, diversified conglomerates like Tata Sons or Reliance Industries—does just one thing, and does it so well that it is not only the leading brand at home, but sells more than a fifth of its production abroad.

Symphony's success started when its founder, Achal Bakeri, returned to India in 1988 with an American MBA, determined to sidestep the family property business. He spotted a gap in a growing market: cooling rooms. Air-conditioners, which work by compressing gas, like refrigerators, are costly to buy and run. Air-coolers, which work on simple evaporation, are cheaper—but the models on sale in India tended to be clunky, noisy appliances, made to order in simple workshops. Mr Bakeri designed an elegant, quiet, mass-produced alternative. Success came quickly, particularly after an audacious bet—a full-page advertisement in the *Times of India*, costing more than the then value of the firm's inventory—paid off.

Symphony gained a stock-exchange listing in 1994, but that was when the firm's troubles started. Investors pressed it to bring its innovative flair to other appliances, such as water heaters and washing machines. The idea looked fine: they sold in the same outlets as air-coolers, the technologies were akin and Symphony's main rivals had a wide product range too.

That logic proved flawed because the synergies in production did not extend to marketing. Consumers associated the Symphony brand too strongly with air-coolers to be tempted by its other lines. Richer competitors cut prices to prevent Symphony from gaining a foothold and used delays in product launches to copy its innovations. The air-cooler business was neglected. Sales dropped. The firm's debts mounted. By 2001 Symphony was a ward of India's state bankruptcy agency.

To save his firm, Mr Bakeri junked everything but the air-cooler business. Symphony develops the products and owns the tooling, but outsources assembly. And he took his single product global. In 2011 Symphony bought IMPCO, a Mexico-based firm that traced its lineage to Adam Goettl, who invented the air-cooler in 1930. IMPCO makes metal-cased coolers for industry. Symphony's first big order in this field was from an odd sort of factory. Baba Ramdev, a popular guru with his own health-food brand, holds industrial-scale yoga classes in the holy city of Haridwar. His yoga hall holds 25,000 disciples, who can deeply inhale the air chilled by 22 Symphony cooling units.

Shares in Symphony could be picked up for pennies in 2004. They now sell for 2,207 rupees ($36), making it one of India's best-performing stocks over the past decade. Its comeback would seem to validate a mantra of Tom Peters and Robert H. Waterman, two management gurus, that companies should stick to businesses they know best. Mr Bakeri agrees—up to a point. Had Symphony not had such a close brush with failure, it would have stuck to the Indian market and never explored the global potential for air-coolers. "It was the best thing that happened to us," he says. ■

No longer just for nabobs

Chinese legal mergers

Rules and laws

Can law firms merge when their legal systems differ? A test case from China

LAST October China's Communist Party announced an "extensive and profound revolution" aimed at establishing the rule of law by 2020. It was a tacit admission that the country so far has relied more on connections than on statutes and contracts. China did not permit private firms until 1992, and its legal sector is underdeveloped: it has $7.6 billion in annual revenues, or 0.1% of GDP, compared with more than 1% in big European countries.

So scoffers abound. But on January 27th Dentons, a Western firm, merged with Dacheng of China. Called Dacheng there and Dentons abroad, the new law firm is the world's biggest, displacing Baker & McKenzie. Its 6,600 lawyers make it 50% bigger than its rival.

The tie-up also highlights change in the global legal market. Unlike accounting, legal services are fragmented: the new firm will have a market share of well under 1%. One reason is lawyers' liking for autonomy. Another is regulation: many countries, including China, bar foreigners from their legal system.

But globalisation has stoked demand for global legal services. More than a decade ago Britain's elite "Magic Circle" law firms began merging with similarly well-positioned counterparts abroad. Lowlier outfits such as Dentons have used a Swiss structure called a *Verein* to form international mega-firms, which retain separate local profit pools but have the scale to lure giant clients. Dentons grew from an Anglo-American merger in 2010 and a tie-up with French and Canadian firms in 2013.

Dacheng's story in China is similar. Unlike the "Red Circle" of elite firms that grew up in the 1990s to serve Western clients, ▸▸

Dacheng focused on the domestic market, merging with local firms or poaching their partners in major cities. In its early days it was more like a confederation of English barristers' chambers than a full-scale law firm: lawyers worked in autonomous offices and kept the bulk of their earnings. Decentralisation let Dacheng grow fast—but it also meant quality varied and made it hard to build capable teams.

For many foreign firms, China has been a money pit. As befits a country where the rule of law remains a distant goal, Chinese executives tend to view attorneys as a bothersome transaction cost rather than trusted advisers. They tend to opt for the lowest bidder and start price negotiations from there. Global firms eager to advertise their standing in China have grudgingly accepted this—though they sometimes provide inferior service in exchange for inferior fees. Thin pickings have led many to pack their bags: on January 19th Fried Frank, an American firm, said it would close its Hong Kong and Shanghai offices.

Dentons is betting that the tide is turning. As China's currency has strengthened and economic growth in its eastern conurbations has slowed, companies are turning elsewhere: towards less developed interior cities and foreign markets. Last year Chinese acquisitions abroad exceeded inbound purchases for the first time.

In theory, these trends should play to Dacheng's strengths. Whereas blue-chip Chinese businesses need no guidance in choosing a Western firm to advise on foreign deals, Dacheng's clients are less sophisticated, and may thus be more likely to accept a referral to Dentons when they venture abroad. Less prestige-heavy Chinese law firms "have the most value" to Dentons, says Joseph Andrew, the firm's chairman, "because they have the relationships with the CEOs of Chinese clients" (whereas Red Circle firms focus on Western clients). And for foreign firms operating in China, Dentons is now one of only two players that can practise both Chinese and foreign law. The other, King & Wood Mallesons, was formed in a merger between a Chinese Red Circle member (which boasted neither a "King" nor a "Wood") and Mallesons of Australia in 2012. Its 42 offices dominate central and western China and enjoy a near-monopoly in smaller cities.

Even if the rationale for the merger is sound, executing it will be tough. Foreign clients will need reassurance that confidential information will not reach local rivals or the Chinese government, which is notorious for economic espionage (Dentons has hired a cyber-security firm to assuage such concerns). Moreover, Dentons is still digesting its European and Canadian mergers, whereas Dacheng only recently began to integrate its own offices (getting corporate lawyers to share wealth with personal-injury and divorce lawyers is a slog). The new firm will also have to find a way to divvy up spoils from cross-border work in a way that encourages partners in different countries to co-operate. Cultural barriers (attitudes to hierarchy and the role of connections, for example) will be hard to surmount. That just leaves the question of whether Chinese leaders truly see the rule of law as a necessity, or merely as a decorative convenience. ■

Laying down the law

Chinese law firms, selected, 2013

	Revenue per lawyer $'000	Number of lawyers	
Tiantong *(Beijing)*	667	12	Boutique with the ear of the Supreme People's Court
King & Wood Mallesons* *(Hong Kong)*	453	700	First Chinese-foreign merger; made-up name
Fangda *(Shanghai)*	310	248	Anglo-Saxon focused; Michael Jordan's lawyers
Jun He *(Beijing)*	285	505	"Best friends" with elite British firm Slaughter & May
Zhong Lun *(Beijing)*	213	773	Property and construction experts
Dacheng *(Beijing)*	88	3,257	Strong presence in secondary cities
Yingke *(Beijing)*	42	2,683	Cheap, automated and sprawling

Sources: The Lawyer; *The Economist* *Chinese operations

Business and the euro

Only a tailwind

BERLIN, MADRID, MILAN AND PARIS

A weaker currency will help but cannot rescue the stagnant euro zone

ONLOOKERS could be excused for thinking that Christmas had come again to the euro zone this month. On January 22nd the European Central Bank (ECB) said it was ready to buy over €1 trillion ($1.1 trillion) of sovereign and asset-backed bonds between March 2015 and September 2016. Growth, jobs and an end to the spectre of deflation were euphorically invoked by politicians, businessmen and journalists.

The immediate result was to grease the skids under the sliding euro, worth $1.13 at mid-week. It is now down by 19% against the dollar since May 2014, and by 10% against its trading partners' currencies. Most think it has further to fall.

This is good news for the euro zone, especially weaker members like France and Italy where many firms struggled to sell their products when the euro was higher. "My dream is parity" of the euro with the dollar, said Matteo Renzi, Italy's prime minister, at a meeting of the economic great and good at Davos. A cheaper euro should boost economic activity by making exports more competitive abroad and domestically produced goods more attractive at home. There are signs that this is beginning to happen.

Euro-zone goods exports were 2% higher by value in the 11 months to November 2014 than in the same period a year earlier, on preliminary figures, with growth picking up in the second half of the year (see chart). In the first ten months they increased by 7%-8% to the euro area's main trading partners—Britain, America and China—where currencies have strengthened. Imports from those countries increased by less or fell.

Downdraft, updraft

Sources: Eurostat; Thomson Reuters *12-month moving average

The weaker euro is only one factor: the pick-up in demand in America and Britain, along with the fall in oil and commodity prices, are others. But exchange rates matter. Italy's export-credit agency estimates that a 10% depreciation in the euro-dollar exchange rate could boost the real value of the country's exports by up to 1.5% in 2015. Companies should reap the benefit, in the form of either greater sales volumes or fatter margins. The FTSEurofirst 300 share index hit a seven-year high the morning after the ECB's announcement.

Among the industries likely to benefit are carmakers, chemicals and consumer goods, and especially companies with costs in euros and sales in strong-currency, growing markets like America and Britain.

Carlos Ghosn, chief executive of Renault, a French car company, says that the weaker euro will allow industries with excess capacity in Europe to raise production ▸▸


I diagnose and evaluate. My patients and my practice.
I create invoices and sync appointments from anywhere.
I keep my feet firmly planted in the mud.
Even as I manage it all from the cloud.
I run on QuickBooks®. That's how I OWN IT.
ECKERT
intuit QuickBooks®
OWN IT.
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without costly investment in new plant. Every 1% drop in the euro against the dollar should add 0.5% to earnings per share, Sanofi, a French drugs firm, said in October.

The German Engineering Association believes the euro's dramatic drop against the Swiss franc (the Swiss Central Bank abandoned the franc's three-year link to the euro on January 15th) will push more buyers of precision machines and machine tools their way. Indra, a Spanish technology company with two-thirds of sales abroad, says the weak euro gives it an edge when competing against American rivals for dollar-denominated contracts. Accor, Europe's largest hotel group by beds, reported a healthy increase in occupancy rates in the second half of 2014. Ski resorts in France and Austria are hoping to draw custom from pricey Switzerland.

Makers of luxury goods are cheerful too, even though they normally insist that brand and quality, rather than price, fuel their sales. Château Latour exports 85% of its fine wines outside the euro zone. Jean Garandeau, the company's commercial director, says that though both its costs and direct sales are in euros, a cheaper currency may encourage distributors to stock up.

But cheaper euros mean costlier imports. Riccardo Illy, chairman of the eponymous group that owns coffee, tea, chocolate and wine businesses, says that although they have increased margins over the past three months by keeping dollar prices stable as the euro has fallen, the overall effect has been negative: the group must buy dollars to import coffee, tea and cocoa. For many companies, though, this effect is mitigated by the lower cost of energy (oil is priced in dollars) and of energy-intensive goods.

Partial pass-through

Though individual companies may gain greatly, the overall impact of the cheaper euro on the continent's economy is likely to be less dramatic. It is not just that almost half of euro-zone countries' exports of goods go to other members of the block; those products may still take market share from harder-currency rivals. But most of Europe's big companies are increasingly far-flung. More than two-thirds of the workforce of the French firms that make up the CAC 40 share index were based abroad in 2012, according to calculations by *Les Echos*, a business daily.

Many firms produce in the countries they sell to, or find other ways to match a portion of ongoing costs and revenues. Such "natural hedges" limit the impact of exchange-rate changes. At Safran, a French aerospace and defence firm, half of non-euro revenues (which make up 80% of total revenues) are hedged with non-euro costs. Safran aims to protect the rest of its exposure three years out using derivatives.

In faster-moving, lower-margin industries such as clothing, firms are less inclined to pay for that kind of protection: Inditex of Spain is believed to be one that does not. But only a portion of most big companies' operations are directly sensitive to currency movements. Peter Oppenheimer of Goldman Sachs, an investment bank, says that nowadays the main impact of foreign-exchange movements is "translational"—determining the rate at which revenues and profits abroad are converted into a firm's reporting currency for accounting purposes—and not operational.

In any event, it takes time for currency movements to feed through to the real economy in the form of bigger market shares, fatter margins, new jobs or new investment. French firms are among the least profitable in Europe; most may want to rebuild margins before they set about producing more to sell abroad. Many German exports are of high-value-added products for which demand reacts little to price changes: cheapening by 10-20% will not reverse the slowdown in exports to the pinched Chinese consumer. Spain's sales abroad were already buoyant because firms had cut costs and prices. The very speed of this currency realignment may make business executives hesitate to base big investment decisions on it, says Ross McInnes, Safran's deputy chief executive.

He also points out the danger of mistaking the trees for the wood. What matters more than currency fluctuations in trade is demand, and world growth is soggy. A weaker euro will help Europe's firms, but it is only part of a bigger picture. ■

McDonald's

A sense of urgency

CHICAGO

Don Thompson resigns as chief executive

EVERYONE had assumed that his job was on the line, but the swiftness of the departure of Don Thompson, chief executive of McDonald's, came as a surprise. On January 28th the world's biggest fast-food chain announced that Mr Thompson will leave on March 1st. He will be replaced by Steve Easterbrook, the chief brand officer.

The abrupt exit comes after one of the worst years in McDonald's recent history. On January 23rd the company announced its first annual drop in "like-for-like" sales (after stripping out the effect of opening new outlets) since 2002. In the last quarter of 2014 operating profit had fallen 20% compared with the same quarter in the previous year. On a conference call on the day the results were announced, Mr Thompson said the company faced "meaningful headwinds" and was "acting with a sense of urgency".

Institutional shareholders had grown frustrated, and were presumably bending ears on the board, well before those ugly numbers were unveiled. Activist investors had started to circle. To what extent they played a role in pushing Mr Thompson out is unclear, but they would have moaned about the huge opportunity cost of holding McDonald's shares, which are worth less now than they were in early 2012, whereas the market has gone up 50%.

Driven out?

Turning around the supertanker of the restaurant business will not be easy. Especially in its home market the firm's customers are confused by the nearly 200 choices on its menu, suspicious of the ingredients and preservatives in its food and enraged by the way it seems to treat its workers.

Some analysts wonder whether Mr Easterbrook, as a longtime insider, is the fresh blood needed at the top of McDonald's. But he has a good track record: he turned around the firm's fortunes in Britain, his home country, now one of McDonald's best-performing markets, after becoming boss of the local operations in 2006. According to Will Slabaugh, an analyst at Stephens, a financial-services firm, the change at the top is an indication of the firm's willingness to shake up the menu at the cheaper end, refranchise a majority of the restaurants still owned by the company (more than 80% are franchised) and add debt to an under-leveraged balance-sheet to return cash to shareholders.

Winning back customers' trust, particularly in America where McDonald's operates 14,200 of its 35,000 outlets, will take time. Yet it can be done: McDonald's had a grotty image in Britain before Mr Easterbrook took over there. Can the man from Watford, north of London, manage to repeat this feat in his adopted country?

Schumpeter | Mammon's Manichean turn

The business world is divided between optimists and pessimists

SOME of the world's best businesspeople are giddy with optimism. They live in a world of digital wonders where every problem has a solution and every scarcity is yielding to abundance. Others are haunted by pessimism. They live in a world of "secular stagnation", "jobless growth", zero-sum competition and stability-threatening inequality.

The optimists' headquarters is, of course, Silicon Valley. Technologists are quickly extending their problem-solving and productivity-boosting mindset to a mind-boggling range of industries: transport (Google and Uber), hospitality (Airbnb), house-cleaning and odd jobs (Task Rabbit). They are also dreaming planet-sized dreams. Elon Musk, the founder of the Tesla electric-car company, wants to send a man to Mars. Bill Gates, formerly of Microsoft, claims that the lives of the world's poor will improve more in the next 15 years than they have in previous history. A host of Silicon Valley giants wants to reinvent food by growing meat in labs, to extend life-expectancy to 120 through gene therapy, and to empower humanity by inventing a personal assistant that will accompany you wherever you go. The recent meeting of the World Economic Forum in Davos featured sessions on "the end of blindness" and "the dusk of disability".

Only some of this is moonshine. The internet of things is allowing the technology industry to extend its reach into the everyday world: Gartner, a research firm, predicts that 25 billion devices, from washing machines to heart-monitoring implants, will be attached to the internet by 2020. Mr Gates's latest report card on his philanthropic work suggests that the world is on course to eliminate polio within the next 15 years. Airbnb provided accommodation for more than a million people a month last year. Uber has grown into a $40 billion business in five years.

The headquarters of the pessimism camp is Main Street. John Maynard Keynes once observed that capitalism depends on "animal spirits" to give people the courage to invent and produce. Robert Shiller, a Nobel laureate at Yale University, recently pronounced that these spirits are being lost as economies sputter and stagnate. Main Street companies in general are trying to do more with less rather than employing new people: despite high unemployment, supermarkets have been installing automated checkouts. Gloom is particularly pronounced among companies which grew fast during the commodity boom but are now downsizing and re-engineering to survive.

There are a few exceptions to this general mood: Indian CEOs are on a roll once again as the Modi government promotes pro-business reforms. Their American counterparts are beginning to see the green shoots of spring. Continental Europe has been given a huge monetary stimulus. But Brazil and Russia are stalled and Chinese growth has slowed. The danger of deflation still dogs the euro zone. America's growth engine continues to deliver a disproportionate share of its rewards to the richest 1%.

The very forces that are promoting optimism in the tech elite are stoking pessimism elsewhere. The technology revolution is widening inequality by increasing demand for the best brains while reducing demand for everyone else. It is raising the spectre of mass unemployment as intelligent machines do for middle-class employment what their dumb brothers have already done for working-class jobs: Andrew McAfee of MIT's Sloan School of Management estimates that 50% of current jobs will eventually be automated out of existence. The logic of efficiency and competition is extending to areas that have hitherto been protected: teachers have to compete with Khan Academy and hotels will have to go up against the spare-room brigade. Natarajan Chandrasekaran, the boss of Tata Consulting Services, puts the logic of the new economy simply: "Anything that can be made to sweat more will be made to sweat more."

Off you go

For many firms on Main Street, globalisation has its drawbacks. The world is shrinking for terrorists, criminals and disease as well as for businesspeople. The fact that one in seven people is on the move at any one time means that the world is engaged in a constant struggle to prevent Ebola and the like from spreading and terrorists from disrupting. The chances of a backlash against globalisation are rising. Vladimir Putin has already tested the global system: German exports to Russia declined by 22% year-on-year in November thanks to the imposition of sanctions. Popular anger about immigration is reshaping European politics.

In this new age of confusion all signals are mixed and all trends contain countertrends. The old models are breaking down but no new models are taking their place: central bankers are printing money without generating inflation and digital entrepreneurs are revolutionising productivity without revolutionising economic growth.

How should businesspeople respond? Pierre Nanterme, the CEO of Accenture, argues that they need to be willing to rethink or dump some of their most basic assumptions. Too many of them are still "using an equation that is no longer valid". A new report from Oxford University's Saïd School of Business contains a revealing quotation from one company boss: "Michael Porter used to talk about 'sustainable competitive advantage'. There is no 'sustainable' any more." Almost half the companies on the Fortune 500 list in 1999 have fallen off it since.

Nimbleness is replacing clout as the most prized quality. Business models which seemed like fortresses—such as large numbers of big supermarkets—can look like a prison when habits change, say to online shopping and convenience stores. As businesses strive to remain agile, they do more with less, replace fixed costs with variable ones, and put long-term plans on hold. That may work for them—but it does nothing for those sought-after animal spirits that fire the wider economy. ■

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China's financial diplomacy

Rich but rash

SHANGHAI

To challenge the World Bank and the IMF, China will have to imitate them

XI JINPING, China's president, was chummy in public when he met Nicolás Maduro in Beijing in early January (pictured above), praising his Venezuelan counterpart as a "good friend of the Chinese people". Behind closed doors, negotiations must have been far more tense. Chinese banks have lent $50 billion to Venezuela since 2007. With its economy in a deep recession, Venezuela's ability to repay these debts is in grave doubt. Investors trading Venezuelan bonds would see default as a virtual inevitability but for China's involvement. Having already lent so much to Venezuela, will it give Mr Maduro yet more to prevent his country from going over the edge?

And Venezuela presents just the first such dilemma for China. The second-biggest recipient of Chinese loans in South America is Argentina, which is also suffering as commodity prices swoon. It has started drawing on Chinese credit to stop its currency reserves from shrinking further. Then there is Russia. Chinese banks have lent more than $30 billion to Russian oil companies. As Russia's economy crumbles, the promise of yet more Chinese cash is one of its few pillars of support.

China is seen as a possible saviour of all three countries—their lender of last resort, the one banker to keep the money flowing when others turn away. That is testament to China's remarkable growth; as recently as 2010, it was still a net recipient of foreign aid. But it also casts a pall over China's record in international lending.

Looking for something more exciting

China's holdings of US Treasuries:

Sources: PBOC; US Treasury *Three-month average

China has dramatically scaled up its global loan book over the past five years by dealing with countries largely ignored by Western lenders, whether for political reasons (Russia) or economic (Argentina). Moreover, these loans have come without the kinds of policy conditions normally imposed by the International Monetary Fund. Instead of insisting on fiscal rectitude, China has more often demanded that borrowers award contracts to Chinese construction companies. Since 2008 China has also agreed some $500 billion in currency swaps with nearly 30 countries, from Canada to Pakistan, which gives the counterparties access to yuan when trouble is brewing.

At the same time, China is setting up development banks intended to challenge the dominance of the World Bank and the IMF. Its actions stem in part from frustration at how little say it and other developing countries still have in their running. An agreement struck in 2010 to boost the voting power of emerging markets would still leave America with a veto over big decisions, yet Congress has repeatedly failed to ratify even that unsatisfactory deal (see next story). With China on track to surpass America as the world's biggest economy within a decade, the anachronistic state of global economic governance is growing ever more glaring.

Fast-developing

China is not waiting. In July it partnered with Brazil, Russia, India and South Africa to form the New Development Bank, a World Bank knock-off with $50 billion in capital. The five also plan to pool $100 billion of foreign-exchange reserves for any of them to tap in a crisis. In October China led the creation of the $100 billion Asian Infrastructure Investment Bank (AIIB), a rival to the Asian Development Bank, which is dominated by Japan. A month later it announced a $40 billion Silk Road Fund, to be managed by another development bank backed by China. With or without the delayed reforms, the circumstances of the World Bank and the IMF will change, since China has charted a course to become an alternative banker to the world.

The question is what kind of banker China will be. To be sure, it is easy to get ahead of reality. The swaps offered by China are symbolically important, but are "more like straws than lifelines" for countries gasping for liquidity, says Eswar Prasad of Cornell University. And the guiding principle of China's activity as lender of last resort is mercantilism. It wants to safeguard its investments in Argentina, Venezuela and Russia. "Business is business," says Yu Yongding, a former adviser to China's central bank.

It is not quite that simple, though. One essential part of China's plan is to internationalise its currency. Yuan are not as useful as the dollars the Federal Reserve offers through currency swaps, but providing loans in a squeeze is a good way for a central bank to acquire global clout. The Bank of England's role as a lender of last resort in the Overend Gurney panic of 1866 helped establish sterling as an international currency. By the same token, the Fed's swaps with foreign banks after the financial crisis bolstered the dollar.

But China's support for Argentina, Venezuela and Russia is also risky. There is an element of adverse selection: in the hunt for global commodities, China has dealt with countries shunned by others. When trade deals morph into financial support, it increases its exposure to losses.

A bigger concern is that China's ambitions for the yuan are prompting it to lower its capital controls before its cloistered banking system is ready. Even the IMF, long an advocate of faster financial reform in China, has urged it to be more cautious. The total of unexplained capital outflows from China has steadily increased in recent years, hitting $63 billion in the third quarter of 2014.

China does appear to be learning from its mistakes. China Development Bank's foreign loan growth has slowed from nearly 50% a year in 2009-11 to just over 10% in 2013. Even before oil prices collapsed, says Erica Downs of Eurasia Group, CDB had grown much warier about lending to Vene- ▸▸

Buttonwood | A peg in a poke

Currency markets have suddenly become a lot more volatile

THE year is only a few weeks old but already there has been turmoil in the foreign-exchange markets. On January 28th Singapore eased monetary policy, allowing its currency to fall to its lowest level against the dollar since 2010. The Swiss have abandoned their policy of capping the franc against the euro and the European Central Bank (ECB) has unveiled a big programme of quantitative easing (QE), sending the euro to an 11-year low against the dollar (see chart). Meanwhile, a rate cut from the Bank of Canada has pushed the loonie down to around 80 American cents, from 94 cents a year ago.

The main reason for this sudden surge of volatility seems to be a divergence in monetary policy: no longer are central banks moving in the same direction. "There are two huge forces at work," says David Bloom, a currency strategist at HSBC. "The ECB and Bank of Japan are printing money and devaluing their currencies while the US economy is growing strongly. Anyone who stands in the middle risks getting crushed."

The Swiss were caught in the middle. Their cap involved creating Swiss francs and using them to buy euro-denominated assets, but they clearly balked at maintaining this policy in the face of QE in the euro area. A much stronger franc, however, will add to the deflationary pressures in the domestic economy.

Falling commodity prices mean this is a potential problem for much of the rich world. A stronger currency can be the difference between low inflation and outright deflation. But currencies are a zero-sum game: if the euro and yen weaken, something must gain. So foreign-exchange markets become a little like a game of pass-the-parcel, in which countries try to offload the threat of deflation somewhere else.

Meanwhile, emerging-market currencies, which took a bit of a battering in 2014, have been recovering. The Brazilian real, the Indian rupee and the Turkish lira have all risen by more than 10% against the euro since mid-December. Simon Derrick, a currency strategist at BNY Mellon, a fund-management group, says there are signs of a "carry trade" at work, with traders borrowing money cheaply in euros and investing in higher-yielding currencies in the developing world.

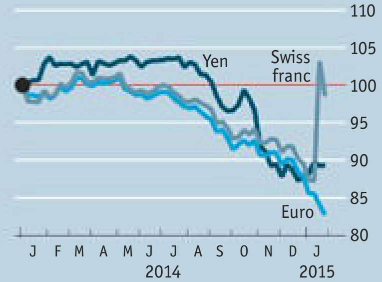
Volatility is a bit like a bouncy castle: sit down on one side and it will pop up somewhere else. Central banks have intervened heavily in the bond markets, bringing yields down to historic lows. Equity markets have also been boosted by the conviction that central banks will remain supportive. And corporate bond markets have been pretty steady; low government-bond yields have caused income-seeking investors to buy corporate debt and defaults have been very low.

So it is unsurprising that volatility is appearing in other markets—most dramatically in oil and now in currencies as well. However, sudden currency moves can be devastating for companies and individuals who have borrowed abroad. Many east Europeans took out mortgages in Swiss francs to take advantage of lower interest rates and are nursing big losses after the franc's sudden rise.

Buck in motion

Exchange rates against the dollar

January 1st 2014=100



Source: Thomson Reuters

Mismatching assets and liabilities by borrowing in a foreign currency is rarely a good idea. Of course, many of those home-owners will have been tempted to take out a Swiss-franc mortgage because of the franc's peg to the euro. Therein lies the problem with currency pegs. They may eliminate volatility in the short term, but at the cost of a very big currency move if the peg gives way. The problem was faced on an even bigger scale by Thailand in the 1990s with its dollar peg, and by Argentina, which abandoned a currency board in 2002; that shift necessitated the forcible conversion of dollar deposits into pesos, the so-called *corralito*.

Pegs require a lot of discipline. If monetary policy in the target country changes, the pegging country has to follow suit, regardless of the consequences. Other economic priorities have to be subordinated to the currency target. The strain often proves too much, as it did when Britain left the European exchange-rate mechanism in September 1992.

A single currency is an extreme version of a peg. And Greece's new government is chafing at the constraints imposed by being part of the euro zone. (Some of those constraints may be unnecessarily onerous but that is another matter.) Greek bank shares have been tanking on fears of capital flight. If the strains prove too much, the result may involve leaving the euro and capital controls—a Greek *corralito*. That would only reinforce 2015's growing reputation for currency spasms.

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zuela, tying its financing to specific projects. In other words, it is becoming a little like the World Bank.

What is more, China's decision to establish new multilateral development banks is an implicit admission that its unilateral approach was not working. Jin Liqun, the head of the AIIB, has travelled to capitals around the world to promise that it will adhere to the highest standards of corporate governance. Officials at the Asian Development Bank, the lender most directly challenged by the AIIB, say they have been working closely with China to help it get off to a good start. Chinese officials have even requested advice about the designs of different development banks, hoping to learn from them. This suggests that China is not looking to overthrow the existing order so much as to claw its way into it. ■

Reforming the IMF

Getting around Uncle Sam

WASHINGTON, DC

How to reform the IMF without Congress's help

AMERICA, the International Monetary Fund's largest and most influential shareholder, has lately been its most troublesome too. In 2010 the world agreed to expand the IMF's lending power and rejig its voting rights. But because Congress has not approved America's contribution to the proposed increase in capital, the reforms have yet to take effect. In December Congress once again passed a budget without paying up.

The rest of the world is growing impatient. The IMF's capital has been steadily shrinking relative to the world economy: its clout is half what it was in 2000. Moreover, the giants of the emerging markets—Brazil, China and India—have only 8% of the voting rights, even though they account for 19% of global output. On January 15th Christine Lagarde, the IMF's boss, expressed her "profound disappointment" with America and resolved to explore "interim solutions".

The abeyant reforms would double the IMF's capital ("quota" in the fund's jargon) to $677 billion. Its additional line of credit with its members (dubbed the "New Arrangements to Borrow", or NAB) would shrink. Total lending capacity would be roughly similar to the current $1 trillion, but more reliable since the capital increase would be permanent whereas members must renew the NAB every six months. About 6% of the fund's voting shares would shift to emerging markets, in particular China, Brazil and India, along with two seats on the IMF's board currently held by European countries.

Barack Obama's administration has pressed for the increase, but Republicans, who have controlled the House of Representatives since 2011, have balked, arguing that an increase in the IMF's lending capacity is an invitation to fiscal recklessness. Now that the Republicans control the Senate as well, approval is even less likely.

In theory, the IMF could sidestep Congress by leaving America out of the capital-raising. But that would need to be approved by 85% of shareholders, and America has 16.75% of the votes. One reason it might vote against is that its shareholding would drop below 15%, costing it its veto. It is unlikely to agree to such a loss of say, especially when Republicans are already accusing Mr Obama of diminishing America's standing in the world. That leaves a more modest option: allowing emerging markets' quotas to increase by enough to give them more say but not by so much as to reduce America's share below 15%.

The IMF's board has begun studying its options, and on January 28th recommended its membership agree on something by the end of June. These interim steps would not be a substitute for the main reform package, for which there is no deadline. Yet the sense of urgency is growing.

The rash of recent bail-outs in Europe has added to the strain on the IMF. A big share of its resources—$268 billion—has been lent out or committed. Worse, the fact that its shareholdings do not reflect emerging markets' growing clout undermines its legitimacy and fuels interest in alternatives, such as a BRICS-backed bank to finance infrastructure or bilateral agreements to provide short-term financing. By the time America gets around to approving the IMF's reforms, it may have become a much less important institution. ■

Gestures speak louder than words

Financial-transaction taxes

Still kicking

PARIS

New life for a bad idea

EUROPE has a chequered history when it comes to taxing financial transactions. Britain has a centuries-old stamp duty on share purchases but wants to protect the City from further fiscal burdens. Sweden tried a tax in the 1980s and dropped it when share-trading emigrated. France and Italy have recently imposed different sorts of financial-transaction taxes (FTTs). But at the year's first meeting of European finance ministers, France, along with ten other like-minded members of the European Union, dusted off a moribund plan to introduce a harmonised FTT.

Countries like Britain and Luxembourg, which lives off its asset-management industry, have long thwarted attempts to introduce an EU-wide FTT. In response, in 2014, a coalition of more enthusiastic EU members announced its intention to start taxing something financial in 2016. Since then the 11—Austria, Belgium, Estonia, France, Germany, Greece, Italy, Portugal, Slovakia, Slovenia and Spain—have squabbled over what and how.

Should a wide range of financial instruments including derivatives be taxed, as Austria and Germany favoured? France, though as keen as the next country to humble the moneymen, wanted to exclude most derivatives: its banks have at least a quarter of the European market in equity-based ones. Should the location of the company issuing the security determine whether a transaction was taxable and what country got the money, or that of the buyers and sellers? Smaller countries with few big financial firms feared losing out if issuance rather than residence was the test. When negotiations broke down at the end of December, it seemed that all was over.

It was France's abrupt change of position that brought the FTT back to life. On January 5th President François Hollande said his country would back the broadest possible FTT, at a low rate. With help from Austria, the French then rallied support. On January 27th the coalition announced that they had agreed to work towards a tax along Franco-Austrian lines. They asked the European Commission to play a bigger role in the preparations (France's former economy minister, Pierre Moscovici, is now the commissioner in charge of the matter in Brussels). Austria's finance minister, Hans Jörg Schelling, was asked to steer the project. Implausibly, they still plan to put something in place in 2016.

The experience of France and Italy will ▸▸

be instructive. In 2012 France imposed a financial-transaction tax of 0.2% on purchases of the shares or comparable securities issued by firms headquartered in France with a market capitalisation of €1 billion ($1.1 billion) or more. Italy was more radical. Since March 2013 it has taxed transactions in shares of companies headquartered in Italy and capitalised at more than €500m, initially at 0.12%. The initial rate on over-the-counter transactions (meaning those negotiated directly between buyer and seller, rather than via an exchange of some sort) was significantly higher, at 0.22%. Since September 2013 derivatives have also been taxed. Although the precise formula is complicated, the tax rises to €200 on transactions with a nominal value of more than €1m.

New calculations by Credit Suisse, a bank, show that in France, after an initial wobble, trading volumes have not been much affected. The average daily value of shares traded since the tax was imposed has been almost 12% lower than in 2011, the last full year before it kicked in. But in the rest of Europe trading has fallen by almost 10%. There is little indication that companies are unable to finance themselves or that much business has moved offshore.

In Italy, by contrast, there has been a sharp fall in volume. Average trading on all Italian markets since the taxes were put in place was almost 12% lower than in 2012, whereas trading elsewhere in Europe increased by almost 7%. One goal was to divert murky trading to more transparent markets, and this aim was achieved (see chart). The cost of increasing transparency, however, appears to have been an overall withdrawal of funds from the Italian market, says Mark Buchanan of Credit Suisse.

In theory, the coalition is now aiming to produce a tax that more closely resembles Italy's than France's. Internal rows may scupper the plan again. But financial folk who once felt confident that the tax would never see the light of day are now less sure. "I don't say that the tax is probable," says a worried French banker, "but with this level of political support at the highest level, it is now looking possible." ■

Public debt in Africa

Not contagious

The Gambia's financial woes do not portend an African public-debt crisis

TIMES are tough in Africa. Ebola, in addition to claiming many lives, has also damaged economies. Tourism is suffering as frightened foreigners stay away. Falling commodity prices are also taking a toll. Investors are pulling money out of riskier spots, prompted by the prospect of rising interest rates in America. The IMF is cutting its growth forecasts. So is the unfolding public-debt crisis in the Gambia, which has suffered from all these trends, a harbinger of things to come?

In mid-January the IMF announced that it is considering a bail-out for the Gambia. In part, the problems of the tiny west African country of 2m stem from a 60% fall in tourism, the source of 30% of its export earnings. (Although it has not suffered a single case of Ebola, it is close to Guinea, one of the most affected countries.) Falling commodity prices mean that exports of wood and nuts will also bring in less. No wonder the local currency, the dalasi, fell by 12% against the dollar last year.

A weak currency is a worry, since Gambians rely heavily on imported food. Two-thirds of the public debt is denominated in foreign currency. To prop up the dalasi the central bank has raised interest rates from 12% to 22% over the past two years.

But it is mismanagement of the government's finances that has pushed the Gambia over the edge. From 2009 to 2014 its debt-to-GDP ratio increased by 18 percentage points, more than all other countries in sub-Saharan Africa except Cape Verde and Ghana. Now 80%, it is one of the highest in the region. It is likely to increase further thanks to the latest budget, released in December, which boosts spending by 11%.

The Gambia's debts are not just growing; they are of unusually short maturity. The cost of servicing them has therefore jumped very quickly as rates have risen. A rule of thumb favoured by the IMF suggests that a poor country's debt is unsustainable when the government is devoting more than 20% of its revenue to paying it back. In 2009 the Gambia devoted 15% of revenue to debt-service; in 2014, 23%. Forecasts from the Economist Intelligence Unit, a sister company of *The Economist*, put this year's figure higher still.

A few other African economies are under similar pressure. In June Zambia, which has suffered from low copper prices, turned to the IMF. It was soon followed by Ghana, which devotes a massive 36% of government revenue to debt-service. Malawi and Eritrea may be the next casualties: they have big deficits and must make hefty payments on the public debt every year.

Happily, debt problems like the Gambia's are increasingly rare. Thanks to a series of debt-relief programmes the continent's debt-to-GDP ratio is 38 percentage points lower than it was in 2000. At 30%, it is about one-third the level of the euro zone's. No sub-Saharan countries except Eritrea fall foul of another indicator of imminent debt problems, when the ratio of debt-service to exports tops 20% (though these numbers are worsening, thanks to falling commodity prices). Budget deficits are lower than in 2009, the last time commodity prices dived and the dollar rose. Most African currencies held up well in the past year, another sign that investors are not panicking. Times are tough, but only a few countries are really struggling. ■

European banks

Easing means squeezing

Quantitative easing has both good and bad implications for Europe's banks

EUROPEAN bankers depressed by the miasma in Athens might cheer up a bit if they focused on news from Frankfurt instead. The recent unveiling by the European Central Bank (ECB) of a €1.1 trillion ($1.25 trillion) package of "quantitative easing" (QE)—the printing of money to purchase vast quantities of bonds—should be as heartwarming for them as a resurgence of the euro crisis is chilling.

Cynics might be forgiven for thinking QE is a policy designed purely to aid financiers. Banks, after all, borrow vast sums of money (from bond markets, depositors and other creditors) to acquire financial assets (corporate bonds, say, or the promise to repay a loan with interest). Even looser monetary policy helps the banks on both counts. On the one hand, it is cheaper for them to borrow money as interest rates are pushed lower. On the other, to drive bond yields down the ECB will have to drive bond prices up. Banks, which own lots of them, will be the biggest sellers.

Without QE, bankers would now have been fretting about the prospect of deflation. A fall in prices would inflate the real value of borrowers' debts, nudging some of them into default. More broadly, if consumers defer spending in the hope that the items they want to buy will soon be cheaper, all businesses, including banks, will suffer. Those threats have now eased.

The ECB's move will have other benefits, too, in particular if it helps pep up the moribund European economy. QE has ▸▸

prompted a swift fall in the value of the euro, which is good news for exporters. Some of them might decide that, thanks to rising foreign demand, now is the time to take out a loan to expand. Exports account for more than a quarter of the euro zone's output, a higher proportion than in other parts of the rich world, so even a small increase will have a sizeable impact.

But QE is also a threat to banks' margins. The most basic measure of a lender's profitability is the gap between what it charges borrowers and the interest it has to pay depositors. But few depositors are now getting any interest at all on their savings, and it is difficult for banks to offer them negative rates. Borrowers, however, will expect cheaper loans. The result is a nasty pincer.

The assumption in the markets is that the ECB will keep interest rates low for an extended period. That undermines another lucrative trick, whereby banks borrow money repeatedly for short periods, while lending it out for long ones. Such "maturity transformation" earns a good return in normal times, when interest rates for long-term borrowing are much higher than those on short-term loans. The expectation now, however, is that interest rates will stay "lower for longer". That has dramatically reduced the difference in rates for loans of different maturities, and with it banks' opportunity to profit.

Those depressed earnings might endure: in Japan and America long spells of QE have left interest margins at their lowest levels in decades. Moreover, European lenders start from a tricky position. As well as Greece's afflictions, which may yet metastasise, many banks face harm from soured loans to Russia or to faltering oil firms. Many banks have stretched balance-sheets after enduring both the financial crisis and the euro-zone debacle. If QE helps preserve them from further upheaval, that will at least be some comfort to finance-weary citizens. ■

Banking in India

Downwardly mobile

MUMBAI

Banks have signed up 120m customers in five months. That was the easy part

IT IS midmorning in Kurla East, a suburb of Mumbai, and Jeejabai is opening her first bank account. She stands at the counter of a busy kiosk run by Geosansar, one of the so-called "business correspondents" that act as local agents for India's big banks. Jeejabai works as a housemaid earning 2,500 rupees ($40) a month. She wants to save for her children now that her husband has found work as a watchman. The Geosansar clerk scans her biometric identity card, takes her fingerprints on a device linked to his laptop and types in her details. He issues a stamped-and-dated slip with Jeejabai's new account number on it. It all takes just ten minutes.

The bustle at the kiosk in Kurla East is in response to the government's drive to provide banking to the poor. It is looking for a direct and reliable means to support their incomes, which would allow it to do away with costly and distorting subsidies. The prime minister, Narendra Modi, launched the initiative at the end of August, setting a target of 75m new accounts by Republic Day, January 26th.

The scheme's initial goal has been surpassed: 120m accounts have been opened. Arun Jaitley, the finance minister, has claimed that almost every household in India now has access to banking. But a previous financial-inclusion drive in 2010 petered out when many accounts were left dormant. Some experts fear a repeat unless banks are allowed to make a decent profit serving their new customers.

Optimists maintain that there will be far fewer unused accounts this time. Although two-thirds of the new accounts are empty, Mr Jaitley says 330 billion rupees in transfer payments and wages from a rural employment scheme will soon flow into them. Account-holders will get the promised fringe benefits, such as free accident insurance, only if they use their ATM cards at least every 45 days. The buzz has persuaded people such as Jeejabai that banking is not just for the rich. Establishing a habit of saving will take time, but having somewhere to stash money is a start, says Nish Kotecha, the founder of Geosansar.

There will be bumps along the way. The initial success of this banking drive owes a lot to the sway the government has over public-sector banks, which opened all but 4% of the new accounts. Much of the work of signing up new customers was in turn outsourced to business correspondents and their agents, which operate in rural areas where bank branches are scarce. Banks have been told to cap the charge for withdrawals related to transfer payments at 1%, up to a maximum of 10 rupees. But research suggests a charge of 2-3% is required to cover the cost of managing cash. Agents grumble that they bear the cost of getting banknotes to remote areas but take only a share of the (insufficient) fee, which is often paid late. The costs incurred cut into the capital that business correspondents need to expand their networks and services.

A big worry is that in rural areas or poor urban districts it will not be worth banking agents' while to hold enough cash to meet withdrawals during busy periods, such as when rural wages are paid. That could sully the whole idea of banking for new customers. The need for branches to hold big hoards of banknotes should diminish as mobile banking develops and people carry out fewer transactions in cash. The central bank has extended the deadline for applications for a new sort of bank licence, designed to appeal to mobile-phone companies. For now, though, cash is king and running the royal court is expensive. ■

Soon it will all be electronic

Free exchange | As safe as houses

Banks have been boosting mortgage lending for decades, at the expense of corporate loans

BANKS may be frail and dangerous things, but most economists see them as essential to growth. According to the centuries-old circular-flow model, which tries to explain how money moves between firms and households, it is their job to recycle private savings into business loans. That helps firms invest and grow. Places where spare cash is routinely stuffed under mattresses, in contrast, will tend to grow less fast.

In practice, not all savings make their way into investment. For instance, as John Maynard Keynes pointed out in the 1930s, it is possible to have "savings gluts"—periods when households are more willing to save than firms are to borrow and invest. Ben Bernanke, a former chairman of the Federal Reserve, has shown that scarred banks curtail their lending to companies after financial crises even if they have sufficient funds, inhibiting economic growth.* But it is not enough for banks to be handing out cash: just as important, a growing body of research suggests, is where the money goes.

According to a new paper by Oscar Jorda, Moritz Schularick and Alan Taylor, the traditional view that banks primarily lend to businesses is out of date. In 1900 only 30% of bank lending was to buy residential property; now that figure is around 60% (see chart). Since the 1970s virtually the entire increase in the ratio of private-sector debt to GDP around the world has been caused by rising levels of mortgage lending. Corporate borrowing has remained flat. Far from channelling money to companies, modern banks resemble "real-estate funds", the authors claim, in which long-term mortgage lending is funded by short-term borrowing from the public.

The same authors also find that the growth of mortgage lending has led to property bubbles and financial instability. Their data suggest that rising levels of mortgage debt are a better predictor of financial crises than surges in other forms of lending. Worse, they find that financial crunches caused by mortgage binges result in deeper recessions and slower recoveries than episodes caused by other forms of debt.

If mortgage lending is so risky, why are bankers so keen on it? The answer lies partly in public subsidies for mortgages, which have boosted home-ownership across much of the rich world. (America is one of the worst offenders, allowing home-owners to deduct the interest on their mortgages from their taxes, as well as insuring most mortgages to shield investors from losses.)

More important, changes to international regulations on bank capital since the 1970s have also increased the supply of mortgages. Under the Basel I rules, which were first adopted in 1988, mortgages were deemed to be half as risky as corporate loans; some national regulators adopted even more skewed risk-weightings. The savings in capital this allowed brought banks higher rates of return on mortgages than on other forms of lending across the rich world. This explains why mortgage lending as a proportion of output has risen even in countries such as Germany and Switzerland, where home-ownership rates have not risen by much since the 1950s. It also explains why central banks the world over have found it easy to stimulate mortgage lending since the crisis, but not corporate borrowing.

Bricks and torpor

Mortgage lending, % of total bank lending, average of 17 rich countries

Source: "The Great Mortgaging" by Jorda, Schularick & Taylor, 2014

Lending through the roof

So how are firms funding themselves since governments and regulators tilted the playing field in favour of home-owners? One of the fastest-growing sources of funds since the 1970s, when corporate loans began to stagnate, has been bond markets. In America, for instance, the stock of outstanding corporate bonds has grown from 11% of GDP in 1970 to more than 70% today.

The growing frequency of financial crises may be accelerating this change. Recent research suggests that firms become more dependent on bond markets for financing during downturns, as banks seek to shrink their balance-sheets. As Fiorella De Fiore and Harald Uhlig show in a new paper, the Great Recession would have been worse if firms had not tapped bond markets when bank lending dried up. Whereas loans to American firms dropped from $4.5 trillion in 2007 to $3 trillion in 2012, bond issuance tripled. Europe and China have seen similar trends.

This growing reliance on bond markets to fund firms has both good and bad effects. Capital-market financing may reduce the impact of company failures on the real economy. As another recent paper shows, over the past 150 years in America, bond-market crises brought on by rising corporate defaults have reduced economic growth much less than banking crises caused by loan defaults. This is because more of the risk is borne by private investors. If a bond defaults, the losses are passed directly to individual bondholders. If a bank loan is not repaid, however, the bank itself must absorb the losses. The insolvency of individual investors does not imperil an entire economy, but that of big banks can.

Nonetheless, as many economists have noted, bond financing is not always better in the long run. Bond investors tend to prefer large companies with proven track records over riskier small and medium-sized firms. That is worrying in a world of slow growth. Historically, smaller firms have had the highest growth rates. They are needed to drive technological innovation and improvements in productivity.

Subsidies and regulations that encourage mortgage lending, in short, have the unintended consequence of stemming the flow of capital to small firms, thereby holding back the economy as a whole. And yet last year America's federal government announced that it would, in effect, expand its subsidies by insuring mortgages with downpayments as low as 3%. The British government, meanwhile, expanded a subsidy for those buying their first home. Such policies may yield political benefits, but their economic consequences are pernicious. ■

*Studies cited in this article can be found at www.economist.com/mortgages15

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Particle physics

A new awakening?

Accelerators are getting bigger and more expensive. There may be a way to make them smaller and cheaper

FOR more than 80 years particle physicists have had to think big, even though the things they are paid to think about are the smallest objects that exist. Creating exotic particles means crashing quotidian ones (electrons and protons) into each other. The more exotic the output desired, the faster these collisions must be. That extra speed requires extra energy, and therefore larger machines. The first cyclotron, built in 1931 in Berkeley, California, by Ernest Lawrence, had a circumference of 30cm. Its latest successor, the Large Hadron Collider (LHC) at CERN's laboratory near Geneva—which reopens for business in March after a two-year upgrade—has a circumference of 27km.

The bill for this big thinking, though, is enormous. The LHC, which started work in 2008, cost $5 billion. An even more ambitious American machine, the Superconducting Super Collider, would have had a circumference of 87km but was cancelled in 1993 after $2 billion had been spent building less than a third of the tunnel it would have occupied. Most particle physicists thus understand that the LHC may be the end of the road for their subject unless they can radically scale down the size and cost of their toys.

And that is what they are now trying to do. A group of them, working at CERN on what is known as the AWAKE collaboration, are experimenting with a way of shrinking their machines using a phenomenon called the wakefield effect. At the moment their devices are closer in size and power to the first cyclotrons than to the LHC. But even when scaled up, wakefield accelerators will not need to approach the LHC in size, for they should pack as much punch as conventional machines 30 times as big.

Rise and shine!

Existing accelerators send beams of charged particles along evacuated pipes interspersed with cavities filled with electric fields. Each field imparts a small kick to the passing particles. Protons are accelerated in circular machines such as the LHC, meaning they pass through every cavity many times. Electron accelerators are linear. The reason for the difference is that when a charged particle has its course bent (which is done using powerful magnets) it radiates energy away. This radiation is inversely related to a particle's mass and, since protons weigh 1,836 times as much as electrons, radiative losses are far greater for electrons than protons. Electron accelerators, which physicists still like because they can use them to answer questions which protons have difficulty addressing, thus need particularly long (and therefore expensive) pipes and tunnels. The next planned electron accelerator, the International Linear Collider (ILC), would, were it to be built, extend for 31km but would have less than 3% of the LHC's oomph. The AWAKE collaboration has therefore turned its attention to building a better electron accelerator.

The crucial difference between a conventional accelerator and a wakefield one is that the pipe through which the particles travel is not evacuated. Instead, it is filled with a thin gas heated to such a temperature that its atoms lose some of their electrons, becoming ions and forming a plasma. This plasma can then be used to create an appropriate electrical field.

The AWAKE collaborators plan to employ a plasma of vaporised rubidium (an element that is easily ionised) held in a 10 metre-long tube. Into it, using one of CERN's existing circular accelerators, they will inject bunches of fast-moving protons. As these positively charged particles zip through the tube, they will attract the plasma's free electrons (which are negatively charged), creating a region of concentrated negative charge in their wake. This will, in turn, be surrounded by a region of concentrated positive charge caused by the electron-deficient (and so positively charged) rubidium ions. These adjacent charged regions following in the wake of the passing protons will create a strong electric field (hence the name "wakefield"). Such fields can be used to accelerate bunches of electrons injected into the plasma alternately with the protons.

According to AWAKE's spokesman, Allen Caldwell of the Max Planck Institute for Physics in Munich, the electric fields in a machine like this will be 100 times stronger than those of the ILC. A wakefield machine of equivalent strength would be about a kilometre long. It would, admittedly, also need a separate, circular accelerator to provide the protons. But that could be an ▸▸

existing machine no longer required for its original purpose.

None of this will happen quickly. Though the wakefield effect was discovered in 1979, previous attempts to exploit it have used lasers or electrons rather than protons to punch through the plasma. That works on a benchtop but has proved hard to scale up. Dr Caldwell's computer models suggest that a proton machine, by contrast, will be so scalable. But they also suggest it will be complicated to build. Timing the injection of first the protons and then the electrons with sufficient precision is tricky, and the computing power needed to model the process has only recently become available. The team thus think they will need six or seven years to build a prototype reliable enough to act as a jumping-off point for a real accelerator.

Whether that would be soon enough for a wakefield-based design to replace the ILC in the minds of particle physics's planners is moot. They might, understandably, be unwilling to bet the future of their subject on a relatively untested technology. But if their political paymasters balk at the $8 billion the ILC is expected to cost, and the AWAKE collaboration delivers the goods, then they may have no choice. ■

Flavour science

The tastemakers

Researchers are still chasing the nature, and the number, of basic tastes

FIRST umami. Then kokumi. For many Japanese the classical gustatory quartet of sour, sweet, salty and bitter seems insufficient. They suggest there are other basic tastes, and are prepared to back that suggestion with scientific research.

Umami, imparted by glutamic acid, a type of amino acid, and most commonly associated with a derivative of that chemical called monosodium glutamate (MSG), was identified in 1908 by Kikunae Ikeda, a chemist at what was then Tokyo Imperial University (now called the University of Tokyo). Ikeda wanted to pin down an ineffable taste he identified in dashi, a soup stock made from tuna and seaweed. When he found glutamates were the cause, he gave their effect a name compounded from the characters for "delicious" and "taste".

Kokumi, similarly compounded from "rich" and "taste", has been the subject of scientific inquiry in Japan since the 1980s, but is less familiar in the West. It is as much a feeling as a taste, and is described variously as "mouthfulness", "thickness" and "heartiness". Garlic, onions and scallops are all said to possess it. But, though the source of kokumi is suspected to be a group of chemicals called gamma-glutamyl peptides, the search continues for special receptor-cells on the tongue, or anywhere else, that are tailored to detect these and thus create the sensation of kokumi.

That has led to scepticism about whether kokumi is a real physiological phenomenon. In this, it is much like umami was in the early days. Ikeda's ideas were also disputed by sceptical scientists, until the discovery of glutamate receptors both on the tongue and in the gut. Such scepticism did not stop umami being commercially successful, though. Ajinomoto, a firm founded in 1909 to make and sell MSG, is now a huge flavourings business.


The ubiquity of MSG

This week, a set of papers in *Flavour*, a scientific journal, outlines the frontiers of umami and kokumi research. One of them, by Takashi Sasano of Tohoku University and his colleagues, suggests a link between loss of sensitivity to umami in the elderly and poor overall nutrition.

Dr Sasano supplemented the diets of his volunteers with kombucha, an umami-rich infusion of kelp. He noticed improvements in their salivation and appetite, and eventually in their weight and overall health. This supports the idea, promulgated by some researchers, that umami can stimulate a healthy appetite. Other studies, though, suggest the opposite—that umami signals satiation and helps curb overeating. And both could indeed be true, just as a little salt is attractive but a lot is repulsive. Moreover, if umami does signal satiation, then it might be a useful tool for dieticians.

Some people think kokumi might be deployed similarly, in order to reduce fat intake. And that suggestion is supported by two other papers in *Flavour*, written by Motonaka Kuroda and his colleagues. Dr Kuroda works for Ajinomoto, which is hoping to repeat with kokumi the success it had with umami. He and his team have been trying to find out how gamma-glutamyl peptides affect the taste of foods to which they are added.

A gamma-glutamyl peptide is a chain of three linked amino acids, with glutamate at one end of it. Dr Kuroda's team added a variant of this theme called gamma-glutamyl-valyl-glycine to chicken consommé and low-fat peanut butter. Taste-testers said the peptide-loaded version of the consommé had more "mouthfulness", stronger umami flavour and was more mouth-coating. Low-fat peanut butter dosed with the peptide rated higher than the undosed version on measures of oiliness, thickness and aftertaste. The team therefore suggest that a dash of this peptide might be used to make low-fat foods more palatable, just as MSG is employed to increase the palatability of low-salt foodstuffs.

Flavoursome stuff

Whether gamma-glutamyl peptides really are the new MSG remains to be seen. Ajinomoto's past work has shown that foods described as possessing kokumi contain them, and adding them to other foods seems to make for richer flavours. Dr Kuroda's work, and studies like it, do not, though, prove that kokumi actually is a sixth taste. In some tests, kokumi effects seem to amplify umami sensations and in others the reverse is true. Ole Mouritsen of the University of Southern Denmark, author of yet another paper in this week's *Flavour*, says that umami and kokumi may simply be two sides of the same biomolecular coin.

As ever, more research is needed. And more is coming—not least because this kind of thing has, for a century, been Ajinomoto's bread and peanut butter, as it were. Whether kokumi really is a sixth fundamental taste has still to be determined. And it would be easy to be cynical and wonder how much that determination will be a branding exercise rather than a scientific one. But the history of umami, now universally recognised as a fifth fundamental taste, shows that the cynics are sometimes wrong. ■

Weight loss

A burden shared

Even friends you have never met might help you to lose weight

SHEDDING kilos is harder than putting them on, which is why the weight-loss industry is so big. Its latest manifestation is online weight-management sites: social networks for the plump in which participants can set a target weight and monitor their progress towards it.

As with other social networks, they can also get help from friends—either real-life ones who sign up to the same site, or else digital ones whom they have befriended on the internet. Those friendships are likely to be important. Other studies of weight-loss programmes have suggested that having the support (or chivvying) of friends helps people stick to their diets and exercise regimes.

Those studies, however, have all been done with groups of people who knew each other in the real world. A team of researchers led by Julia Poncela-Casanovas of Northwestern University, in Illinois, decided to check if the same was true of groups in cyberspace. Their results, just published in the *Journal of the Royal Society Interface*, suggest that it is.

Dr Poncela-Casanovas and her colleagues studied records from 47,026 visitors to an unnamed weight-management website. Such sites, it seems, are much like gyms in the real world, in that 40% of these people—around 19,000—visited once and never came back. Only 22,419 lasted long enough to weigh themselves at least twice. Of these, a mere 5,409 stayed the course for six months or more, and they were the focus of Dr Poncela-Casanovas's attention.

Three things turned out to predict how much weight someone who stayed the course would lose. These were her (for 88% of participants were women) initial body-mass index (BMI—a rough measure of how overweight she was); how many times she weighed herself; and how many friends she had within the network.

A higher starting BMI predicted a bigger weight loss, as did a propensity for frequent weigh-ins. The most powerful factor on the list, though, was the third: friendship. Doctors consider anything above a 5% loss of body weight to be clinically significant. The average weight reduction for those who lasted six months but had no friends in the network was 4.1%. For those with two or more, however, it was 8.3%. Every extra friend someone had increased her weight loss by 0.7%.

Dr Poncela-Casanovas and her colleagues are quick to point out that a study like this can establish only that two things—in this case, friends and weight loss—are correlated. It cannot show which causes which (or even that one does actually cause the other, for they might both have a common, third cause). Working this out requires controlled experiments.

The results are, nevertheless, encouraging. Weight-management websites have the potential to reach many more people much more cheaply than real-world support groups do—for real-world groups need places to meet, can operate only at certain times and have to be travelled to. Moreover, if it does turn out that friendship networks are a magic wand for weight loss, then it may be easier to nudge people into such networks electronically than if they actually had to meet each other in a sweaty gym. Given the medical consequences of rising levels of obesity, that would be well worth doing. ■

Astronomy

Old planets

Probes approach a pair of former planets and five truly ancient worlds turn up

THE picture below shows Ceres, the largest object in the asteroid belt, as seen a few days ago from *Dawn*, an American spacecraft that is en route there. Ceres's gravity is strong enough to make it round, like a planet. And it probably has a core and a mantle, like Earth (though the core is thought to be rocky, and the mantle icy). It may even have a thin atmosphere.

But Ceres is not a planet. It was classified as such in 1801, when it was discovered, but soon after it was spotted astronomers started finding other objects in the junkyard of rock and ice that is now called the asteroid belt. The idea of calling all of them planets began to look silly, and so Ceres was quietly demoted. These days it is classed as a "dwarf planet", one of at least five in the solar system.

The most famous of them is Pluto, which was, in 2006, demoted from full planethood by the International Astronomical Union, amid much wailing and gnashing of teeth. Pluto now is merely the biggest object in the Kuiper Belt, a second group of asteroids, which extends far beyond the orbit of Neptune, the most distant of the true planets.

Target sighted, captain!

Despite its demotion, Pluto is due a visit, too. On January 25th *New Horizons*, another American spacecraft, which was launched a few months before the reclassification, snapped its first pictures of its quarry (sadly unavailable as *The Economist* went to press). But the craft is travelling far too fast to have any hope of stopping. On July 14th it will whizz past the former planet, collecting as much data as possible before it goes careering off into the void.

Neither Ceres nor Pluto has been visited before, though *Dawn* did visit another big asteroid, Vesta, in 2011. Both are the cosmic equivalent of builder's rubble, left over from the construction of the solar system 4.6 billion years ago. These days, the best place to look for full-blown planets is in solar systems other than Earth's. More than 1,800 such exoplanets have been discovered since the first turned up in 1992. On January 26th, a group of astronomers led by Tiago Campante of Birmingham University, in Britain, announced the discovery of five rocky planets around Kepler-444, a star about 117 light-years from Earth that is smaller, dimmer and more orange than the sun.

The most striking thing about this star, though, is its immense age. Using a technique called asteroseismology, which measures stellar pulsations, the researchers estimate this to be 11.2 billion years, give or take a billion. That is ancient indeed. The universe itself is only 13.8 billion years old.

Assuming the planets are the same age as their star (likely but not definite; it is just conceivable they have arrived from elsewhere), that suggests planet formation began not long after the Big Bang. Kepler-444's worlds look uninhabitable. All orbit scorchingly close to their parent star. But if other, similarly ancient worlds exist in more temperate climes, then life may have been possible in the universe almost from the beginning.

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Contemporary Russia

Red sky in the morning

A salutary tale of robbery and redress

Red Notice: A True Story of High Finance, Murder and One Man's Fight for Justice. By Bill Browder. *Simon & Schuster; 373 pages; $28. Bantam Press; £18.99*

BILL BROWDER was a happy man in 2003. He had the perfect job and was making himself rich. He bought under-priced shares in badly run Russian companies and chivvied the management into behaving better so the share price would go up. It worked. Between the depth of Russia's financial crash in 1998 and the end of 2003, his investment fund had grown more than 12-fold. What could go wrong? Plenty, it turned out, including expropriation, beatings, intimidation and death.

"Red Notice" is a sizzling account of Mr Browder's rise, fall and metamorphosis from bombastic financier to renowned human-rights activist. Born into a leftish academic household (his grandfather led the American Communist Party), he rebelled by turning to capitalism. He spotted the potential of eastern Europe before it became fashionable, took big risks and reaped the rewards. He describes the exhilaration of buying scruffy little privatisation vouchers with suitcases of cash and watching their value soar when everyone else cottoned on to the size of the enterprises involved. He learned how to use the media to voice concerns about corruption, hit back at tycoons who tried to bully him, and to promote Russia as a vastly undervalued market. Some journalists can still remember Mr Browder's hectoring late-night phone calls.

The book begins with Mr Browder's surprise deportation from Moscow in late 2005. It was not the first sign that something was awry in Russia, but the first time it affected him. The intervention came directly from the FSB, the state security service. Russian officials then raided his offices, beat up someone who unwisely resisted them and confiscated documents.

Mr Browder rightly assumed that he had overstepped the mark in his lambasting of Russian tycoons for corruption and asset-stripping. He secretly liquidated his holdings and shifted his investments to other countries. But his downfall in Russia was the beginning of the story, not the end. Corrupt officials were interested in the fact that Mr Browder's companies had been some of the country's largest taxpayers. Using the stolen documents and a bewildering series of phoney lawsuits, they took over the companies and wiped out the previous year's profits, allowing officials to reclaim the tax paid. The $230m refund, the largest in Russian history, was paid out in a single day.

All this would have remained a mystery, had it not been for the dogged efforts of Mr Browder's Moscow tax lawyer, Sergei Magnitsky, who pieced together what was happening and began to seek redress. In response Magnitsky was arrested and told that he would be freed only if he gave evidence against his client. He held out for a year while he was kept in pre-trial detention in abominable conditions. On November 16th 2009 Magnitsky died of untreated pancreatitis, aggravated by a severe beating. In a particularly grotesque touch, the Russian authorities then prosecuted him posthumously for perpetrating the fraud he had uncovered.

Mr Browder's obsessive streak, a fault in other circumstances, has made him a formidable adversary for the regime in Russia. He blames himself for Magnitsky's death and has paid for a mammoth (and continuing) investigative effort that has been more successful than anything tried by Western intelligence agencies and police forces. He has shown how the money was stolen, who did it and, more to the point, how they laundered it in the West. He has publicised these findings in documentary films and spread them in acres of news coverage. When one of the culprits, a seemingly humble policeman, hired one of London's swankiest law firms to silence him with a libel suit, Mr Browder succeeded in having it struck out, making a footnote in legal history. When the Kremlin tried to use Interpol to have him extradited to Russia on trumped-up fraud charges, he fought back, bringing about another change in the rules.

Mr Browder has lobbied lawmakers to impose visa sanctions and asset freezes on the beneficiaries of the fraud and on Magnitsky's persecutors. Congress ignored the timorous Obama administration and pushed through sanctions in the "Magnitsky Act" in 2012. Other countries followed suit. Seeing your stock go up ten times is the "financial equivalent of smoking crack cocaine", writes Mr Browder. But visiting the European Parliament with Magnitsky's ▸▸

widow and son in April 2014 and watching Europe's largest lawmaking body unanimously back his campaign was "orders of magnitude better than any financial success I have ever had".

Ably ghostwritten, "Red Notice" reads more like a financial thriller than a real-life story. But it skates over some mistakes, including the author's initial failure to see that Vladimir Putin's authoritarian kleptocracy was far from an investors' paradise. He blames himself for being "completely naive" and "not paying attention" and for assuming that as a foreigner, he was "somehow exempt" from the informal rules that applied to locals. "I believed I could do things that a Russian in my position would never have been allowed to do." Another view would be that Mr Browder was blinded by greed and his own ego; he did not want to see deeply troubling trends that others had already decried.

Yet two central messages of the book are moving and simple. The first is that Mr Browder and his team have made Magnitsky's fate into an international *cause célèbre*. The second is that the book exemplifies both the corrupt and brutal way in which the Putin regime does business at home and the cynical help it gets from foreigners when it launders profits abroad. Mr Browder says he has changed. He has befriended human-rights activists and others who have given him "a whole new perspective on humanity". His life in finance, he says, was like watching television in black and white. "Now I've installed a wide-screen colour TV and everything in my life is richer, fuller and more satisfying." In short, the perfect job: making himself poorer, but the world a better place. ■

Spain's civil war

The opening act

Hell and Good Company: The Spanish Civil War and the World It Made. By Richard Rhodes. *Simon & Schuster; 299 pages; $30 and £20*

THE Spanish civil war, which began in 1936, three years before the second world war, was far more than a local scrap between reactionary Roman Catholic traditionalists and domestic left-wingers of multiple shades. To say it was the Vietnam, Korea or Afghanistan of its time is to sell it short. Yet the global war that followed drowned out the echoes of what was, in effect, one of its principal opening acts.

Richard Rhodes, a Pulitzer prize-winning American popular historian, reminds readers that this was an international war from the start. Hitler and Mussolini made decisive contributions of arms and men to the future dictator, General Francisco Franco, a man who boasted of preferring blood and bayonets to "hypocritical elections". Stalin, with less enthusiasm, backed the republic, while the Soviet-controlled Comintern channelled communism's global ambitions. The most shameful absence was of the eventual victors in the 20th century's long war of ideologies—the fence-sitting liberal democracies led by Britain, France and America that failed to support an elected republican government against Franco's military rebels, thereby emboldening their backers.

War spoils

Like any long war with multiple fronts, Spain's is hard to narrate. Mr Rhodes tells the story through a cast of characters who illustrate its lasting impact. It spawned great works of art—Pablo Picasso's "Guernica", Ernest Hemingway's "For Whom the Bell Tolls", and "Homage to Catalonia" by George Orwell—lasting improvements in emergency medical treatment and terrible advances in modern warfare.

Many are linked. Hitler's airborne Condor Legion invented the carpet-bombing of civilian targets at Guernica (pictured), which inspired Picasso's painting and led to the mass evacuations of children, strafing of civilians and floods of refugees that would soon become a European commonplace. Innovations in air-raid shelters, front-line surgery and mobile blood transfusion were made by unsung Spanish heroes or politicised medical volunteers, such as Norman Bethune from Canada and Douglas Jolly from New Zealand.

The polarity of the Spanish conflict was part of the draw. With Hemingway and Orwell went other writers, including André Malraux, Antoine de Saint-Exupéry and John Dos Passos. Whether observers, war tourists or participants, all were drawn to the first head-on collision between Europe's expansive and unbending ideologies. Fascism, socialism, communism, anarchism and religious conservatism—with all their splits, large and small—provided fuel for the bonfire of historical tensions in one of Europe's poorest corners. It was at once Rousseauesque and ghastly. Many of the 35,000 who volunteered from 53 countries to defend the republic in the International Brigades did not survive. Orwell and Dos Passos were scarred, their ideals battered by reality. Few remained neutral.

Mr Rhodes tells the story from the side of the beleaguered republic, where his own sympathies lie. It is a viewpoint that J. Edgar Hoover's FBI (mirroring later Soviet-bloc purges of Spanish veterans) cynically came to label as "premature anti-fascism". The author chooses his characters skilfully. Patience Darton, a capable and love-struck volunteer British nurse, is among the more delightful. She died exactly 60 years after the war began on a return trip to Madrid to receive honorary Spanish citizenship.

Inevitably much is missing. Some of the post-war giants of European politics, such as the future German chancellor, Willy Brandt, Marshall Josip Broz Tito of Yugoslavia and, even, Enver Hoxha, the post-war Albanian leader, were also involved in Spain. Mr Rhodes's informed and elegant narrative may encourage readers to look further into the conflict's many ripples. ■

African memoir

A river runs through it

Leaving Before the Rains Come. By Alexandra Fuller. *Penguin Press; 272 pages; $26.95. To be published in Britain by Harvill Secker in February*

IF AFRICAN fiction has enjoyed a resurgence over the past decade, non-fiction has generally taken a back seat. "Don't Let's Go to the Dogs Tonight", Alexandra Fuller's full-throttle and deeply funny account of growing up in southern Africa, came out in 2001 and is still a rare exception. "Leaving Before the Rains Come" is its sequel. It opens in Wyoming, where Ms Fuller now lives, but is as rooted in the red soil of her childhood as its predecessor.

On the surface, it is the story of the end of a marriage. It is not, however, a divorce memoir, nor is there much of the misery about it. Instead, Ms Fuller has stitched together a patchwork of anecdotes and emotions spanning two continents—the Africa of her early years and the America of her adult life—and many generations of variously mad and sad ancestors in an attempt to make sense of it all. Her writing is astoundingly good; she loops forwards and backwards in time and place, but there is not a spare word in the book. Every story earns its right to be there.

Her parents are still central characters: her mother, who found solace in alcohol and in bouts of insanity after the death of her youngest daughter; her father, who takes Africa on its own terms and still gets all the best lines: "'Don't yell so loudly, or everyone will want them,' Dad said, when, on a visit home, a plague of insects and a couple of geckos rained out of the thatch roof…onto my mosquito net." The Fullers' way of grabbing life by the buffalo horns became part of their daughter's way. "Mostly…I think my parents made major decisions drunk to avoid the possibility of ever doing anything either frugal or boring, which, of all the possible sins, are the only two they consider truly dreadful."

The cocktail of gin and heightened emotions proved exhausting, and at 22 Ms Fuller succumbed gratefully to the solidity offered by Charlie, with his broad shoulders, American heritage and sensible approach to alcohol. It was an escape from chaos—or so she thought. "Our marriage wasn't going to be about nearly dying, and violent beauty, and unpredictability…Our lives would be good and ordinary and sane." But, it soon becomes clear, she had not been programmed for such a life.

The magic started to pale even before they packed up their first child, their hunting rifles and mokoro oars in search of a quieter life in Wyoming. "I turned the music up, and Charlie turned it down," Ms Fuller wrote. "'How about somewhere in the middle?' he suggested. But I wasn't good at the middle."

In America, Charlie took a job selling houses built on the wilderness he loved while she worked out how to live in first-world stability. She tried fiction, but only found her voice when she turned to memoir and to Africa (though a subsequent book about a cowboy oil-worker, "The Legend of Colton H. Bryant", is a devastating deconstruction of the American dream). When the property bubble burst in 2008 and the couple were forced to be frugal and together, their splintered marriage ripped apart. "To me it was like the end of the dry season in southern Africa, when the sun has swallowed all the obvious water."

"Leaving Before the Rains Come" is a sadder and wiser book than its predecessor, with hints of the darkness that caused Ms Fuller to flee. But so gifted is her storytelling, so deft and light her touch, that the reader ends the book with hope. As she writes after turning down her father's offer of his farm overlooking the Zambezi, "Now I was solo, truly. And it was okay." ■

New American fiction

Magical realism

The First Bad Man. By Miranda July. *Scribner; 288 pages; $25. Canongate; £14.99*

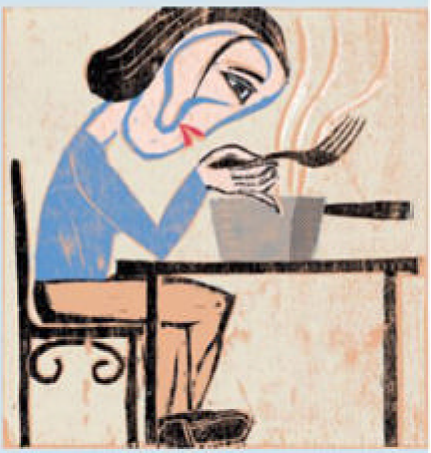
CHERYL GLICKMAN, the heroine of Miranda July's delightful debut novel, "The First Bad Man", navigates her days with the slightly defensive, slightly hopeful air of a lonely person. "Who is she?" she yearns for people to wonder as she drives by, with one self-consciously "fun-loving" hand draped over the wheel. "Who is that middle-aged woman in the blue Honda?" Certainly, her nose may be "potatoey", and her other facial features nothing to sing about, but "the spaces between" them are perfectly proportioned, which is something. Plus, there are her ears, those "darling little shells". Knowing they are her best asset, Cheryl tends to enter crowded rooms sideways, ear first.

Cheryl lives alone in Los Angeles and works mainly from home for a company that sells fitness DVDs of self-defence moves. Now in her early 40s, solitude has bred what she calls her "system", or rules for an orderly life. To avoid a sinkful of dishes, for example, she eats straight from the pan, which hardly needs washing "if you only eat savoury things out of it". Though she pines for an older man, she spends little time with other people, which makes it easy to keep things tidy.

But Cheryl's system comes undone when her bosses ask her to take in their 20-year-old daughter, Clee, for a little while. A blonde "bombshell" with tight sweatpants, a bovine affect and a taste for cruelty, Clee swiftly trashes Cheryl's home and transforms her life in unexpected ways.

Many fine novels are narrated by losers, but the heart still sinks when you discover that you are stuck with one. A witless hero almost invariably promises a story without much love, sex or success. Yet Ms July, a director, screenwriter and artist, has managed to craft not only a beguilingly odd and unpretentious narrator, but also tell a wise and surprising love story.

Some elements are a little absurd: Clee is sadistically abusive, Cheryl's therapist is impressively unorthodox. But as with her films and artwork, Ms July's writing playfully mixes extraordinary ingredients with ordinary concerns and the effect is often amusing and insightful. This is not the work of a dilettante, but a strong follow-up to her acclaimed short stories that came out in 2007. Fiction will never claim Ms July's undivided attention, but with luck there will be more where this came from.



The war on terror

Blame game

Guantánamo Diary. By Mohamedou Ould Slahi. Edited by Larry Siems. *Little, Brown; 432 pages; $29. Canongate; £20*

MOHAMEDOU OULD SLAHI is the sort of person who attracts interest from Western spy agencies. A Mauritanian by birth, he joined al-Qaeda in 1991 when the group was fighting Afghanistan's communist government. He left Afghanistan in 1992, claiming to have severed all ties with al-Qaeda, and lived in Germany and, briefly, Canada. In 2000, on his way back to Mauritania, he was arrested in Senegal. The Americans wondered if he had been part of the "Millennium plot", a plan involving the bombing of Los Angeles airport—but could find no evidence.

The destruction of the World Trade Centre in New York, on September 11th 2001, and the launch of the "War on Terror" reignited the Americans' interest. On November 20th 2001 Mr Slahi was asked by Mauritanian police to accompany them to the police station. No need to worry, they said—he wouldn't be gone long. Instead, after eight days of interrogation, he was sent to Jordan, a country with a reputation for torturing its prisoners. Eight months later he was hooded, handcuffed and bundled aboard a military aeroplane, which flew him to America's offshore prison camp at Guantánamo Bay in Cuba. He has been there ever since.

"Guantánamo Diary" was written in 2005, after the authorities granted Mr Slahi access to pen and paper in return for his co-operation. When he started it, the descriptions of torture, abuse and the American government's contempt for the principles enshrined in the constitution were shocking. But its publication has been delayed by years of legal wrangling. Now, especially in the aftermath of the Senate's report on torture, released in December, its contents are merely sickeningly familiar.

It is compelling reading nonetheless, chiefly for its contents but also because of the idiosyncratic command of English that Mr Slahi picked up mainly during his confinement. He vividly describes being deprived of sleep for days on end and chained to the floor of freezing cold rooms. He is force-fed seawater, sexually molested, subjected to a mock execution and repeatedly beaten, kicked and smashed across the face, all spiced with threats that his mother will be brought to Guantánamo and gang-raped. At one point, Mr Slahi admits to his interrogators that he is beginning to hear voices that aren't there. But the torture, he says, failed—not to make him talk, but to tell the truth. Instead, he writes, he simply admitted to anything he thought his jailers might want to hear.

Their actions are baffling and often contradictory: an interrogator questions him about a suspected terrorist who travelled to Iraq in 2003—even though, as his captors knew full well, Mr Slahi had been in prison since 2001 and could not possibly know the answer. The book is also shot through with thick black "redaction" marks, in which an American censor has deemed certain passages too secret to be published. Yet information that is blacked out on one page is often freely available a few pages later; at other times it is trivially easy to deduce what the missing words must be from the surrounding context.

Fourteen years after his trip to the Mauritanian police station, Mr Slahi remains in Guantánamo Bay. Throughout the book, he protests his innocence, maintaining that he had cut his ties to radical Islamism in the early 1990s. It is impossible for his readers to know whether that is true. But a federal judge reviewed the government's evidence against him, found it wanting, and in 2010 ordered Mr Slahi's release. Barack Obama's government appealed, and the case remains pending. Ten years after penning his diary, and with the world's most powerful democracy having failed to give him a trial, Mr Slahi remains in jail. ■

Correction: Our review of Don Doyle's "The Cause of All Nations" ("The Whole Family of Man", January 24th) referred to Spain withdrawing from its Latin American colonies in 1865. In fact Spain had been kicked out of all but Cuba and Puerto Rico 40 years earlier; in 1865 it withdrew from an attempted recolonisation of Santo Domingo (now the Dominican Republic). Sorry.

Piero di Cosimo

Monsters and merry mayhem

A long-awaited exhibition re-examines the surrealist of the Renaissance

WHILE Michelangelo, Botticelli and Leonardo da Vinci were all making worlds of ideal perfection, their contemporary, Piero di Cosimo, had set out on a different, more twisted path, bewitching his fellow Florentines with his visual fables and mythological fantasies. The work that made the greatest impression was the "Cart of Death", an elaborate float pulled by black buffaloes, with skeletons popping out of their tombs whenever the grim procession stopped to chant a dirge. If he never quite achieved the grace of Botticelli's " La Primavera", Piero's ability to conjure the macabre, the monstrous and the miraculous offers its own distinctive pleasures and a rare insight into the more neurotic recesses of the Renaissance imagination.

A new show in Washington, DC, marks the first time in over 75 years that this under-appreciated painter, who gave everything he touched an off-kilter spin, has been exhibited in America. So peculiar did Piero's fellow artists find his work that Giorgio Vasari, an art historian writing a couple of decades after his death, padded his sparse knowledge of the painter's life with a host of speculative eccentricities. Piero lived, the inventive Vasari wrote, like the beasts of the field. He dined on nothing but boiled eggs, and "knew no pleasure save that of going off by himself with his thoughts, letting his fancy roam and building his castles in the air".

Whether or not Piero was as odd as Vasari claimed—and recent scholarship has dug up only a few additional facts—the paintings do suggest someone with a unique perspective. Commissioned to paint an altarpiece, Piero provides the typical assortment of sacred figures clustered around the Virgin's throne, but he invests secondary details with an almost hallucinatory vividness that transforms the formula into something both more magical and more disquieting.

In "Madonna and Child Enthroned with Saints Elizabeth of Hungary, Catherine of Alexandria, Peter, and John the Evangelist with Angels" (1493) it is the broken wheel of Catherine's martyrdom, the jewelled crown and roses strewn about the pavement, that steal the show. In "Adoration of the Child" (c.1490-1500), Piero seems as transfixed by the flowery meadow and wriggling tadpoles (symbolic of new life, and thus the Resurrection to come) as he is by the sacred figures. In each case these minutiae are rendered with such hyper-real precision that they might have come from the brush of a 16th-century Salvador Dali.

But it is in his mythological scenes that Piero truly comes into his own. These mysterious panels were often intended for the bedchambers of wealthy Florentines, who seemed to relish the brew of violence and unbridled sensuality that was Piero's stock in trade. "A Hunting Scene" (c.1490) depicts a Hobbesian war of all against all as wild creatures are set upon with glee by man-beasts as savage as their victims. In the companion panel, "Return from the Hunt" (1505-07), the gentler realm of domesticity is explored with equal delight, as if Piero is tracing the path from barbarism to civilisation. The strangeness of these scenes was captured by W.H. Auden in his "Bucolics". "Sylvan meant savage in those primal woods/ Piero di Cosimo so loved to draw," he wrote, "Where nudes, bears, lions, sows with women's heads/ Mounted and murdered and ate each other raw…"

One explanation for Piero's popularity—both while he was alive and later—is that he approaches even the most violent tale with infectious exuberance. In a later work, "Liberation of Andromeda" (pictured, detail), based on an Ovid tale, an airborne Perseus daintily alights on the monster about to make mincemeat of the fair maiden and belabours the creature with his puny sword. Piero has lavished most of his affection on the doomed monster, a comical and oddly sympathetic creature. A picturesque bay is populated by exotic characters; some play strange instruments while others fling themselves about in wild abandon. Though the term "surreal" would not be coined for another four centuries, it seems completely apt for the work of this quirky genius. ■

"Piero di Cosimo: The Poetry of Painting in Renaissance Florence" is at the National Gallery of Art in Washington, DC, from February 1st until May 3rd, and at the Uffizi Gallery in Florence from June 23rd until September 27th.

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The Secretariat General
West African Power Pool
Zone des Ambassades, PK 6
06 BP 2907 Cotonou, Benin

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   II.Phase II – will cover an additional 350 MW and possible conversion to combined cycle (this will be treated under a separate tender)
2. **POWER GENERATION EQUIPMENT SUPPLY**. Tender for Equipment Supply, Project Management and Technical direction to support installation, start-up, commissioning and performance testing of Proton Delta Sunrise 150±10% MW, Natural Gas, Simple Cycle Power Plant Project.
3. RFP documents with full instructions are available from ***www.protonenergyafrica.com*** and/or at our offices at 24 Idejo Street, Victoria Island, Lagos from the RFP invitation date Jan 26, 2015.
4. Commercial or technical queries with or about this Project and this RFP, or any of the Enquiry Documents, must be submitted in writing by means of e-mail to:-

   Mr. Julian Norford
   President & CEO
   JN Energy Services (Technical Advisor to Proton Energy Limited)
   E-mail: *julian.norford@jnenergyservices.com*
5. Closing Date of Tender and Response to Tender: **March 9, 2015, 12 noon Lagos time**
6. **Submission of Responses to Tender**
   Please submit by the closing date of Tender:
   a. In hardcopy:
      2 original proposals (please ensure that all pages are signed by authorised officials of the Tendering company), and 2 priced copies
   b. In digital form:
      1 priced copy

   All copies should be labelled and numbered accordingly.
7. The Tender shall be submitted by the Tenderer in a sealed envelope marked for "Proton Delta Sunrise 150±10% MW Natural Gas Simple Cycle Power Plant Project". EPC Power Generation Equipment Supply as relevant to be indicated on the cover. Within the sealed envelope shall be included two separate envelopes, one identified as "Technical Proposals" and the other identified as "Commercial Proposals". The Technical Proposals shall include Tender Exhibits A, E, F and G. The Commercial Proposal shall include all other information. The original and copies of the Tender shall be addressed and submitted to:

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United States	+2.7 Q3	+5.0	+2.3	+4.9 Dec	+0.8 Dec	+1.6	5.6 Dec	-388.1 Q3	-2.3	-2.8	1.78	-	-
China	+7.3 Q4	+6.1	+7.3	+7.9 Dec	+1.5 Dec	+2.1	4.1 Q4§	+196.6 Q3	+2.4	-3.0	3.35§§	6.24	6.05
Japan	-1.3 Q3	-1.9	+0.3	-3.7 Nov	+2.4 Nov	+2.8	3.5 Nov	+16.1 Nov	+0.3	-8.2	0.26	118	102
Britain	+2.7 Q4	+2.0	+2.9	+1.1 Nov	+0.5 Dec	+1.4	5.8 Oct††	-163.0 Q3	-4.8	-5.5	1.55	0.66	0.60
Canada	+2.6 Q3	+2.8	+2.4	+3.4 Oct	+1.5 Dec	+1.9	6.7 Dec	-41.2 Q3	-2.4	-1.9	1.35	1.24	1.11
Euro area	+0.8 Q3	+0.6	+0.8	-0.4 Nov	-0.2 Dec	+0.4	11.5 Nov	+318.0 Nov	+2.4	-2.5	0.35	0.88	0.73
Austria	-0.1 Q3	-1.6	+0.7	-2.5 Nov	+1.0 Dec	+1.3	4.9 Nov	+2.4 Q3	+1.5	-2.5	0.46	0.88	0.73
Belgium	+0.9 Q3	+1.2	+1.1	-3.4 Nov	-0.4 Dec	+0.6	8.5 Nov	+8.0 Sep	-0.5	-3.0	0.62	0.88	0.73
France	+0.4 Q3	+1.0	+0.4	-2.6 Nov	+0.1 Dec	+0.6	10.3 Nov	-29.1 Nov‡	-1.3	-4.4	0.58	0.88	0.73
Germany	+1.2 Q3	+0.3	+1.4	-0.6 Nov	+0.2 Dec	+0.8	6.5 Dec	+283.5 Nov	+7.3	+0.8	0.35	0.88	0.73
Greece	+1.9 Q3	+3.0	+0.8	+2.3 Nov	-2.6 Dec	-1.3	25.8 Oct	+3.0 Nov	+1.4	-4.1	10.87	0.88	0.73
Italy	-0.5 Q3	-0.6	-0.3	-1.8 Nov	nil Dec	+0.2	13.4 Nov	+36.7 Nov	+1.5	-3.0	1.64	0.88	0.73
Netherlands	+1.0 Q3	+0.5	+0.7	+0.6 Nov	+0.7 Dec	+0.6	8.1 Dec	+91.5 Q3	+9.7	-2.6	0.43	0.88	0.73
Spain	+1.6 Q3	+2.0	+1.3	-0.1 Nov	-1.0 Dec	-0.2	23.9 Nov	-2.2 Oct	+0.2	-5.6	1.48	0.88	0.73
Czech Republic	+2.7 Q3	+1.7	+2.2	-0.4 Nov	+0.1 Dec	+0.4	7.5 Dec§	+0.2 Q3	-1.1	-1.6	0.41	24.4	20.1
Denmark	+1.0 Q3	+1.6	+0.8	-1.4 Nov	+0.3 Dec	+0.5	5.0 Nov	+22.0 Nov	+6.6	+0.2	0.47	6.53	5.46
Hungary	+3.2 Q3	+1.9	+3.0	+5.8 Nov	-0.9 Dec	nil	7.1 Dec§††	+5.7 Q3	+4.3	-2.9	2.72	273	224
Norway	+2.1 Q3	+2.0	+2.3	+2.1 Nov	+2.1 Dec	+2.0	3.7 Nov‡‡	+49.2 Q3	+11.1	+12.0	1.36	7.73	6.16
Poland	+3.4 Q3	+3.6	+3.3	+8.4 Dec	-1.0 Dec	+0.1	11.5 Dec§	-7.2 Nov	-1.3	-3.5	2.02	3.72	3.08
Russia	+0.7 Q3	na	+0.6	+4.0 Dec	+11.4 Dec	+7.7	5.3 Dec§	+56.6 Q4	+2.6	+0.4	13.47	67.2	34.7
Sweden	+2.1 Q3	+1.3	+1.9	-5.0 Nov	-0.3 Dec	-0.2	7.0 Dec§	+36.5 Q3	+5.8	-2.2	0.72	8.17	6.43
Switzerland	+1.9 Q3	+2.6	+1.7	-0.4 Q3	-0.3 Dec	nil	3.2 Dec	+45.7 Q3	+10.5	+0.3	-0.05	0.90	0.90
Turkey	+1.7 Q3	na	+3.0	-1.2 Nov	+8.2 Dec	+8.9	10.4 Oct§	-47.1 Nov	-5.4	-1.4	6.97	2.36	2.30
Australia	+2.7 Q3	+1.4	+2.8	+3.8 Q3	+1.7 Q4	+2.5	6.1 Dec	-42.9 Q3	-3.1	-2.6	2.61	1.27	1.14
Hong Kong	+2.7 Q3	+6.8	+2.4	-1.7 Q3	+4.8 Dec	+4.4	3.3 Dec‡‡	+7.7 Q3	+1.8	+0.8	1.50	7.75	7.77
India	+5.3 Q3	+8.1	+6.0	+3.8 Nov	+5.0 Dec	+7.2	8.8 2013	-23.4 Q3	-2.0	-4.3	7.71	61.4	63.2
Indonesia	+5.0 Q3	na	+5.0	+7.8 Nov	+8.4 Dec	+6.4	5.9 Q3§	-24.0 Q3	-2.8	-2.3	na	12,477	12,230
Malaysia	+5.6 Q3	na	+5.9	+4.7 Nov	+2.7 Dec	+3.1	2.7 Nov§	+18.0 Q3	+4.2	-3.6	3.86	3.60	3.35
Pakistan	+5.4 2014**	na	+5.4	+4.9 Nov	+4.3 Dec	+7.2	6.2 2013	-3.5 Q4	-2.6	-5.5	10.00†††	101	106
Singapore	+1.5 Q4	+1.6	+2.8	-1.9 Dec	-0.2 Dec	+1.1	2.0 Q3	+58.9 Q3	+21.6	+0.5	1.99	1.34	1.28
South Korea	+2.8 Q4	+1.5	+3.6	-3.4 Nov	+0.8 Dec	+1.3	3.4 Dec§	+88.5 Nov	+5.8	+0.6	2.26	1,080	1,084
Taiwan	+3.6 Q3	+2.6	+3.6	+7.3 Dec	+0.6 Dec	+1.3	3.8 Dec	+65.0 Q3	+11.7	-1.4	1.50	31.3	30.4
Thailand	+0.6 Q3	+4.4	+0.7	-3.5 Nov	+0.6 Dec	+1.9	0.6 Nov§	+10.2 Q3	+2.6	-2.5	2.55	32.5	32.9
Argentina	-0.8 Q3	-2.1	-0.4	-2.4 Dec	— ***	—	7.5 Q3§	-5.0 Q3	-1.0	-2.8	na	8.63	8.01
Brazil	-0.2 Q3	+0.3	+0.1	-5.7 Nov	+6.4 Dec	+6.3	4.8 Nov§	-90.9 Dec	-4.0	-5.5	11.81	2.57	2.42
Chile	+0.8 Q3	+1.5	+1.8	-2.9 Nov	+4.6 Dec	+4.4	6.1 Nov§‡‡	-5.0 Q3	-1.7	-2.2	4.16	623	549
Colombia	+4.2 Q3	+2.6	+4.8	-1.0 Nov	+3.7 Dec	+2.9	7.7 Nov§	-16.2 Q3	-4.3	-1.5	6.48	2,384	2,000
Mexico	+2.2 Q3	+2.0	+2.1	+1.8 Nov	+4.1 Dec	+3.9	4.4 Dec	-25.4 Q3	-2.0	-3.6	5.17	14.6	13.4
Venezuela	-2.3 Q3	+10.0	-3.1	+0.8 Sep	+63.6 Nov	+62.2	5.9 Nov§	+10.3 Q3	+0.7	-12.7	16.80	12.0	6.29
Egypt	+6.8 Q3	na	+2.2	+21.8 Nov	+10.1 Dec	+10.0	13.1 Q3§	-4.4 Q3	-3.0	-11.9	na	7.44	6.96
Israel	+2.6 Q3	+0.2	+2.5	-1.7 Nov	-0.2 Dec	+0.5	5.6 Nov	+11.2 Q3	+3.6	-2.9	1.72	3.94	3.49
Saudi Arabia	+3.6 2014	na	+4.1	na	+2.4 Dec	+2.8	5.6 2013	+120.1 Q3	+12.7	+1.2	na	3.76	3.75
South Africa	+1.4 Q3	+1.4	+1.6	-1.3 Nov	+5.3 Dec	+6.2	25.4 Q3§	-19.7 Q3	-5.4	-4.3	6.86	11.5	11.2

Source: Haver Analytics. *% change on previous quarter, annual rate. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. §§5-year yield. ***Official number not yet proven to be reliable; The State Street PriceStats Inflation Index, Nov 41.61%; year ago 19.95% †††Dollar-denominated bonds.

Markets

	Index Jan 28th	% change on one week	% change on Dec 31st 2013 in local currency	% change on Dec 31st 2013 in $ terms
United States (DJIA)	17,191.4	-2.1	+3.7	+3.7
China (SSEA)	3,464.1	-0.5	+56.4	+51.6
Japan (Nikkei 225)	17,795.7	+3.0	+9.2	-2.5
Britain (FTSE 100)	6,825.9	+1.5	+1.1	-7.3
Canada (S&P TSX)	14,602.9	+0.3	+7.2	-8.5
Euro area (FTSE Euro 100)	1,112.4	+2.9	+9.1	-10.2
Euro area (EURO STOXX 50)	3,359.0	+2.7	+8.0	-11.1
Austria (ATX)	2,194.1	+0.1	-13.8	-29.1
Belgium (Bel 20)	3,541.2	+3.5	+21.1	-0.3
France (CAC 40)	4,610.9	+2.8	+7.3	-11.7
Germany (DAX)*	10,711.0	+4.0	+12.1	-7.7
Greece (Athex Comp)	711.1	-9.2	-38.8	-49.7
Italy (FTSE/MIB)	20,478.4	+2.5	+8.0	-11.1
Netherlands (AEX)	452.3	+2.5	+12.6	-7.3
Spain (Madrid SE)	1,055.9	+1.2	+4.3	-14.1
Czech Republic (PX)	956.5	+0.4	-3.3	-21.6
Denmark (OMXCB)	737.5	+3.0	+30.3	+7.5
Hungary (BUX)	16,919.0	+3.2	-8.9	-28.6
Norway (OSEAX)	639.7	+0.3	+6.1	-17.1
Poland (WIG)	51,706.2	+1.5	+0.8	-18.6
Russia (RTS, $ terms)	765.4	-2.1	+9.3	-46.9
Sweden (OMXS30)	1,562.5	+4.1	+17.2	-8.6
Switzerland (SMI)	8,311.6	+3.8	+1.3	-0.4
Turkey (BIST)	90,341.6	nil	+33.2	+20.4
Australia (All Ord.)	5,516.6	+2.8	+3.1	-8.8
Hong Kong (Hang Seng)	24,861.8	+2.1	+6.7	+6.7
India (BSE)	29,559.2	+2.3	+39.6	+40.8
Indonesia (JSX)	5,268.8	+1.0	+23.3	+20.2
Malaysia (KLSE)	1,795.9	+1.5	-3.8	-12.9
Pakistan (KSE)	34,386.9	+0.2	+36.1	+41.9
Singapore (STI)	3,419.2	+1.9	+7.9	+0.8
South Korea (KOSPI)	1,961.6	+2.1	-2.5	-5.1
Taiwan (TWI)	9,510.9	+2.1	+10.4	+5.4
Thailand (SET)	1,592.8	+3.6	+22.6	+23.9
Argentina (MERV)	8,772.5	+1.1	+62.7	+22.9
Brazil (BVSP)	47,694.5	-3.1	-7.4	-15.6
Chile (IGPA)	18,813.7	+0.7	+3.2	-13.0
Colombia (IGBC)	10,696.7	+1.5	-18.2	-33.1
Mexico (IPC)	42,158.1	-0.8	-1.3	-12.0
Venezuela (IBC)	3,879.7	-1.6	+41.8	na
Egypt (Case 30)	9,863.7	+0.1	+45.4	+35.3
Israel (TA-100)	1,277.1	+0.1	+5.7	-6.8
Saudi Arabia (Tadawul)	8,912.5	+5.8	+4.4	+4.2
South Africa (JSE AS)	51,200.6	+3.3	+10.7	+0.6

Metal prices

Our metals index has fallen by nearly 40% from its peak in early 2011. The World Bank forecasts that prices will fall again this year, by 5.3%. The main reasons are economic slowdown in China, which accounts for almost half the world's refined-metal consumption, and weak demand in Europe. Copper prices are at their lowest for over five years, giving China the opportunity to buy the metal cheaply to boost its reserves. Iron-ore prices (not in our index) halved in 2014, as Australian miners upped output, adding to the glut. By contrast, nickel rose in the first half of 2014, after Indonesia banned nickel-ore exports, and zinc climbed to a three-year high—but both metals subsequently lost ground.

January 2011=100, $ terms

The Economist metals index

Source: Thomson Reuters

Other markets

	Index Jan 28th	% change on one week	% change on Dec 31st 2013 in local currency	% change on Dec 31st 2013 in $ terms
United States (S&P 500)	2,002.2	-1.5	+8.3	+8.3
United States (NAScomp)	4,638.0	-0.6	+11.0	+11.0
China (SSEB, $ terms)	292.3	+0.3	+19.0	+15.3
Japan (Topix)	1,429.9	+2.8	+9.8	-2.0
Europe (FTSEurofirst 300)	1,475.0	+3.1	+12.0	-7.8
World, dev'd (MSCI)	1,689.2	-0.3	+1.7	+1.7
Emerging markets (MSCI)	984.7	+0.9	-1.8	-1.8
World, all (MSCI)	413.9	-0.2	+1.3	+1.3
World bonds (Citigroup)	899.6	-0.4	-0.8	-0.8
EMBI+ (JPMorgan)	695.1	+1.0	+6.7	+6.7
Hedge funds (HFRX)	1,217.2§	+0.6	-0.7	-0.7
Volatility, US (VIX)	20.4	+18.9	+13.7	(levels)
CDSs, Eur (iTRAXX)†	55.5	-1.7	-19.4	-33.7
CDSs, N Am (CDX)†	68.8	-4.7	+15.6	+15.6
Carbon trading (EU ETS) €	7.0	-5.4	+34.5	+10.7

Sources: Markit; Thomson Reuters. *Total return index.
†Credit-default-swap spreads, basis points. §Jan 27th.

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The Economist commodity-price index

2005=100

	Jan 20th*	Jan 27th*	% change on one month	% change on one year
Dollar Index				
All Items	147.2	144.8	-5.5	-10.8
Food	167.6	164.8	-5.1	-8.4
Industrials				
All	125.9	124.0	-6.1	-13.8
Nfa†	119.0	118.5	-6.5	-22.0
Metals	128.9	126.4	-5.9	-10.0
Sterling Index				
All items	176.2	173.3	-3.3	-2.7
Euro Index				
All items	158.2	158.0	+0.8	+6.9
Gold				
$ per oz	1,291.5	1,293.3	+7.3	+3.2
West Texas Intermediate				
$ per barrel	46.3	45.9	-14.7	-52.8

Sources: Bloomberg; CME Group; Cotlook; Darmenn & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional
†Non-food agriculturals.

Of literature and love

John Bayley, English don, literary critic and husband of Iris Murdoch, died on January 12th, aged 89

WHEN he had tucked his wife, Dame Iris Murdoch, the great novelist, into bed, registering from her expression of sweet content that Dr Alzheimer had been temporarily banished by sleep, John Bayley would go downstairs. There, at the kitchen table, he would pour himself a drink and find a book to read. Among the piles of unwashed plates, papers and pill packets—and, somewhere, a large pork pie which they had put down and never seen again—would be a Jane Austen or a Barbara Pym, well-worn and ever welcome.

As he read, though, his thoughts would start to wander, first ambling and then running, like a horse let out in a field. He had held them back all day, of necessity, as Iris had rattled the front door crying to escape, or fought against putting on her shoes. Now he did not resist them. Like the devil Belial in "Paradise Lost", he surrendered to open-ended daydreaming.

> For who would lose
> Though full of pain, this intellectual being,
> These thoughts that wander through eternity?

He was, he supposed, that "intellectual being", though he made no great play of it. The Warton Professorship of English at Oxford sat on him as lightly as his tattered Oxfam jumpers and caps. His books of literary criticism were lauded, especially his studies of Tolstoy and Henry James and a work called "The Characters of Love", of 1960, which opened with the disarming sentence "It has become difficult to imagine literature without love." Q-q-quite so, as he would say, with the stutter that made him seem eager and doubly endearing or, according to prejudice, doubly a buffoon.

His style, lucid and jargon-free, was aimed at the intelligent common reader, but the clever men in other English departments attacked him because he laid down no system and had no followers. At Oxford, where he taught at New College and St Catz—and was renowned for losing essays and leaving high table with chunks of dinner in his pockets—he was also famous for demotic provocations, such as declaring that Keats's "bad" poetry was much better than his attempts to write in the Parnassian grand style. Well, darling, he believed it, or had done at the time.

For there was always an alternative interpretation. Truths were not as true as all that. That was why didacticism bothered him, and why his thoughts so happily wandered. It was a habit formed in childhood, as he roamed alone over the golf-links in Littlestone by the sea, looking for balls and birds' eggs, and it was reinforced at Eton, where he rejected any book that was either on a syllabus or recommended by a teacher. Essentially, he remained that wilful child. He had daydreamed his way through the army and then through Oxford, where he had championed Walter Scott because no one else thought he was any good. In 2001 his anthology "Hand Luggage" saluted the random tags of poetry in the brain of the ordinary reader, and said that Shakespeare would never have minded misquotation. Far better to recall scraps clumsily, but with affection.

A mud-caked waist-slip

One way and another, love and literature did indeed keep twining together. His life with Iris was testament to that. He had not meant to marry a formidable and feted writer, but that was how things turned out, after he saw her, one day in 1954, cycling laboriously past his college window. Their courtship consisted largely of rubbing noses and swimming in the Thames, and her mud-caked waist-slip from one such occasion was still at the back of a drawer. Sex did not feature much, for the act, he thought, was inescapably ridiculous, and Iris was happy to have multiple affairs with both men and women which, on discomposing occasions, he witnessed for himself. Nonetheless their marriage worked, as two solitary people who regularly met and, when they did, erupted in gales of giggling like two small children together. He was free and, more important, she was, and he was proud of what she produced in her hidden world. If he was overshadowed by it, never mind.

Sympathy might not imply understanding. Both Iris and her books, philosophically commanding in a way he could never be, were mysteries to him at that creative level, though usually enjoyable on the surface. When a novel was in progress they seldom discussed it, though he might help her with the practical details of, say, firearms. She always gave him the finished, typed-up drafts, but he would buoyantly declare them marvellous without reading a page. It was one of several private fictions they kept running between them.

In some ways, then, their lives altered little when Iris, in 1995, was diagnosed with Alzheimer's. They withdrew all the more into their own worlds, but still met at the ever-more-squalid kitchen table, where he would feed her baked beans and ice cream and where they would communicate in faint pulsations and echoes, like the sonorities of whales. Clearly he could not cope, but he refused all help for four years, recording the Iris who had vanished in two unsparing memoirs and treasuring each rare, surviving smile. For what remained amid his wandering thoughts, the not-quite-truths and daydreamings, was what Henry James called "the strangely accepted finality of relationship", a solid core of love. ■

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"THE MOON IS ESSENTIALLY GREY"
Jim Lovell, Apollo 8 Command Module Pilot
Apollo 8 Command Module Pilot James Lovell, one of the first human beings to have a close-up view of the moon, reported from his lunar orbit on Christmas Eve in 1968, "The moon is essentially grey." The OMEGA Speedmaster "Grey Side of the Moon" honours the pioneering spirit (and colour sense) of Lovell and his fellow astronauts.
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