The Economist

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And how Africans could win it

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Politics this week

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Abdelaziz Bouteflika, the president of **Algeria**, defied protesters by registering to run for a fifth term in office. The ailing octogenarian is widely seen as a figurehead for a cabal of generals and businessmen, who hold real power. They have sought to assuage critics by promising that if Mr Bouteflika is re-elected, he will hold an early election, which he would not contest. See article .

America closed its consulate-general in Jerusalem, which had acted as a de facto embassy to the **Palestinians**. The State Department said this did not signal a change in policy; the consulate's operations will be handled by the new American embassy to **Israel** in the city. But the Palestinians suggested that it further undermined America's role as peacemaker.

The **Netherlands** recalled its ambassador to **Iran** after the government in Tehran expelled two Dutch diplomats. Tension between the countries has risen since last year, when the Dutch government expelled two Iranian embassy workers over suspicion that Iran was involved in the assassination of two Dutch-Iranian citizens.

Rwanda accused neighbouring **Uganda** of supporting rebel movements aimed at overthrowing its president, Paul Kagame, and closed a key border crossing between the two countries. Relations between the two countries have soured as they battle for influence in the eastern part of the Democratic Republic of Congo.

Lowering the horizon

China's prime minister, Li Keqiang, said the country would aim for GDP growth this year of between 6% and 6.5%, down from 6.6% last year and the slowest rate in nearly three decades. He was speaking at the start of the annual ten-day session of China's rubber-stamp parliament. Mr Li said the economy faced danger from abroad, a reference to the trade war with America. See article .

Satellite images suggested that **North Korea** is rebuilding a facility it had used to launch satellites and test missile engines, but had partially dismantled. The construction was interpreted as a signal that the country might resume testing missiles if it did not get its way in stalled talks with America about nuclear disarmament. See article .

Pakistan arrested dozens of militants in a clampdown after the Jaish-e-Muhammad group claimed responsibility for a terrorist attack in which 40 Indian paramilitary policemen were killed, causing a military face-off with India. India's politicians, meanwhile, rowed about how effective its air strikes against an alleged terrorist training camp in Pakistan had been.

Thailand's constitutional court banned Thai Raksa Chart, a party linked to Thaksin Shinawatra, an exiled former prime minister. The party had upset King Vajiralongkorn by nominating his sister for prime minister.

A government of the centre

Estonia's centre-right Reform Party won a legislative election with 29% of the vote. Kaja Kallas, its leader, began coalition negotiations with the centre-left Centre Party and could become the country's first female prime minister.

EU member states vetoed a blacklist prepared by the justice commissioner of 23 territories that facilitate **money-laundering** or terrorist financing. The proposed list included Saudi Arabia and four American territories. Saudi and American opposition probably torpedoed the list.

Emmanuel Macron, the **French** president, addressed European citizens with a manifesto on the future of the EU printed in newspapers in every EU country. Mr Macron has been trying to rally a co-ordinated liberal pro-EU campaign for the European Parliament elections in May. See article .

A man in London may become only the second person in the world to be cured of HIV **infection**. A stem-cell transplant to treat lymphoma means his immune-system cells are now coated with proteins that HIV cannot latch onto. An American who had similar treatment in 2007 still remains free of the virus. See article.

Leaving it to the left

Michael Bloomberg ruled out a run for the American **presidency** in 2020, disappointing those who wanted a strong moderate voice in the race.

The Economist

America's **border-protection** agency reported a sharp rise in the number of migrants trying to cross from Mexico illegally. More than 76,000 people tried to cross in February, the highest number for that month in 12 years. Families and children without parents accounted for 60% of the 66,450 who were apprehended; they came predominantly from Guatemala, Honduras and El Salvador. Illegal crossings remain far below their peak in the 1990s.

He's got friends

Juan Guaidó, recognised as **Venezuela's** interim president by the legislature and by more than 50 countries, returned to the country after a failed attempt to send in humanitarian aid and a tour of Latin American capitals. He was greeted by large crowds opposed to the dictatorial regime of Nicolás Maduro.

Jane Philpott, the president of **Canada's** Treasury Board, which oversees government spending, quit the cabinet in dismay over allegations that the office of the prime minister, Justin Trudeau, had tried to improperly influence the judiciary. A former justice minister has claimed that Mr Trudeau and his aides sought to discourage her from authorising the prosecution of an engineering firm charged with bribing Libyan officials. See article .

A court in **Argentina** convicted eight people, including a former judge, of obstructing an investigation into the bombing of a Jewish centre in Buenos Aires in 1994, which killed 85 people. The court acquitted five defendants, including Carlos Menem, who was the then Argentine president.

"What is a golden shower?" That question was surprisingly posed on Twitter by **Brazil's** president, Jair Bolsonaro, who had earlier tweeted a video of a man urinating on a woman during the country's Carnival celebrations. "I'm not comfortable showing this, but we have to expose the truth" of what many Carnival street parties have become, wrote the conservative Christian president.

Business this week

Print edition | The world this week Mar 7th 2019

Carlos Ghosn was released from detention in Tokyo after posting bail of ¥1bn ($9m). The sacked chairman of Nissan, Mitsubishi and Renault had been held in custody since mid-November on charges of financial wrongdoing at Nissan, which he denies. Under strict bail conditions, Mr Ghosn will stay at a house under 24-hour camera surveillance. He is not allowed to communicate with people over the internet. See article .

For personal reasons

In an announcement that took Washington by surprise, **Scott Gottlieb** said he would resign as commissioner of the Food and Drug Administration. Mr Gottlieb had worked to speed up the approval of new drugs, but he was greatly disliked by the tobacco industry for his forceful attempt to halt the epidemic of teen vaping and proposal to ban menthol cigarettes. Before his resignation, conservative groups had been trying to halt his efforts to crack down on the vaping industry. Biotech stocks sank on the news, whereas tobacco stocks rose.

The chief executive of **Vale** stepped down. Prosecutors had asked for his "temporary" suspension after the collapse of a dam in Brazil that held waste from one of Vale's iron-ore mines, killing at least 186 people. Scores are still missing. See article .

Chevron and ExxonMobil significantly increased their production targets for **shale oil** in the Permian Basin, underlining how bigger oil companies are putting pressure on smaller independent firms that operate in the region. Chevron's boss remarked that "the shale game has become a scale game."

The **American economy** grew by 2.9% in 2018, its best performance in three years. The surge in growth in the middle of the year, thanks in part to tax cuts, was offset by decelerating consumer spending towards the end of the year.

A slowdown in the fourth quarter hit **South Africa's** economy, which grew by just 0.8% last year, well below the roughly 5% that is needed to make a dent in an unemployment rate of 27%.

Mizuho, one of Japan's biggest banks, booked a ¥680bn ($6.1bn) write-down. That was mostly because of restructuring costs, though Mizuho also lost money trading in foreign bonds, which many Japanese banks turned to in search of higher yields when interest rates turned negative at home.

America removed **India** from its Generalised System of Preferences, which lowers the barriers of entry for trade on certain goods, claiming that India had failed to provide equal access to its markets. Donald Trump has stepped up his complaints against India's trade practices, notably its stiff tariffs on imports of American motorcycles. Meanwhile, in a blow to Mr Trump, America's **trade deficit** in goods was $891bn in 2018, a record. See article .

Huawei launched a lawsuit against the American government over its ban on the company's telecoms equipment from official networks. America says that the Chinese firm represents a security threat, which it denies. In Canada a court heard America's request for the extradition of Meng Wanzhou, Huawei's chief financial officer.

Be prepared

Mark Carney said that “constructive developments” had reduced the Bank of England’s estimate of the economic damage that would result from a disorderly **Brexit**. The bank had previously put the cost to the economy at around 8% of GDP. Mr Carney said that had fallen by about 3.5 percentage points but continued to warn of a “material” shock. The bank also reported that the potential disruption to cross-border financial services had been mitigated in Britain, but it criticised the EU for a lack of action on its part. Of the thousands of businesses that have spoken to the bank, half are unprepared for a no-deal Brexit. Of the half that do have plans, 50% claim to be “as prepared as we can be”.

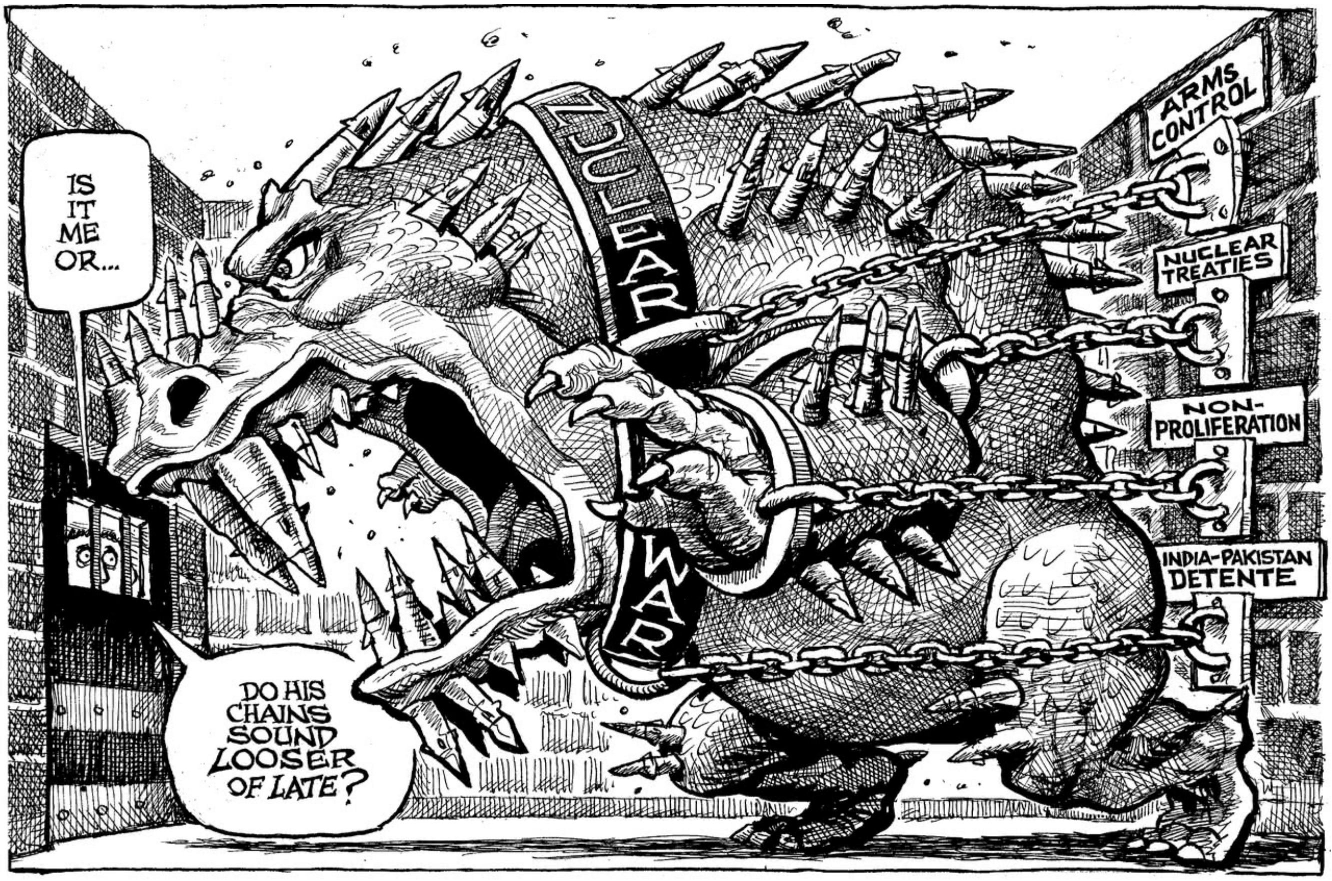
Lyft filed for an IPO, overtaking Uber, its bigger rival in the ride-hailing business, in the race to float on the stockmarket. Lyft will probably list in April on the NASDAQ exchange. Uber is expected to launch its IPO later this year. See article .

Gap decided to hive off its **Old Navy** business into a separately listed company. Old Navy sells a cheaper clothing range than Gap-branded apparel and provides almost half of the Gap company’s sales. Gap became big when it cottoned on to the fashion for pastel colours in the 1980s, but it has struggled recently, announcing more store closures.

Days after defeating the government’s appeal against its takeover of Time Warner, AT&T undertook a broad restructuring of the business. A newly created WarnerMedia Entertainment will house a string of assets, including HBO. The swift departure of Richard Plepler as HBO’s boss spawned comparisons to “Game of Thrones”, one of the channel’s many hits. See article .

KAL’s cartoon

Print edition | The world this week Mar 9th 2019



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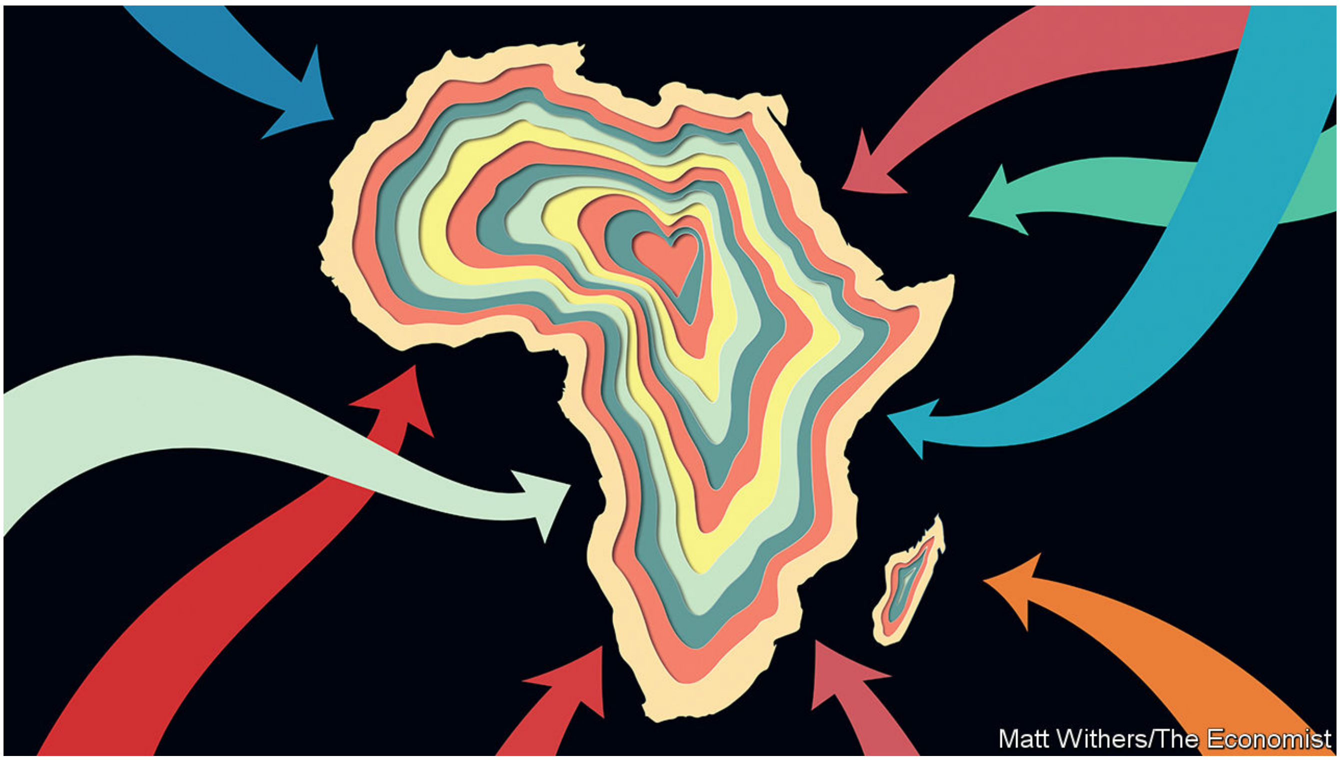
Geopolitics
The new scramble for Africa

Geopolitics

The new scramble for Africa

This time, the winners could be Africans themselves

Print edition | Leaders Mar 7th 2019



THE FIRST great surge of foreign interest in Africa, dubbed the "scramble", was when 19th-century European colonists carved up the continent and seized Africans' land. The second was during the cold war, when East and West vied for the allegiance of newly independent African states; the Soviet Union backed Marxist tyrants while America propped up despots who claimed to believe in capitalism. A third surge, now under way, is more benign. Outsiders have noticed that the continent is important and becoming more so, not least because of its growing share of the global population (by 2025 the UN predicts that there will be more Africans than Chinese people). Governments and businesses from all around the world are rushing to strengthen diplomatic, strategic and commercial ties. This creates vast opportunities. If Africa handles the new scramble wisely, the main winners will be Africans themselves.

The extent of foreign engagement is unprecedented (see Briefing). Start with diplomacy. From 2010 to 2016 more than 320 embassies were opened in Africa, probably the biggest embassy-building boom anywhere, ever. Turkey alone opened 26. Last year India announced it would open 18. Military ties are deepening, too. America and France are lending muscle and technology to the struggle against jihadism in the Sahel. China is now the biggest arms seller to sub-Saharan Africa and has defence-technology ties with 45 countries. Russia has signed 19 military deals with African states since 2014. Oil-rich Arab states are building bases on the Horn of Africa and hiring African mercenaries.

Commercial ties are being upended. As recently as 2006 Africa's three biggest trading partners were America, China and France, in that order. By 2018 it was China first, India second and America third (France was seventh). Over the same period Africa's trade has more than trebled with Turkey and Indonesia, and more than quadrupled with Russia. Trade with the European Union has grown by a more modest 41%. The biggest sources of foreign direct investment are still firms from America, Britain and France, but Chinese ones, including state-backed outfits, are catching up, and investors from India and Singapore are eager to join the fray.

The stereotype of foreigners in Africa is of neocolonial exploiters, interested only in the continent's natural resources, not its people, and ready to bribe local bigwigs in shady deals that do nothing for ordinary Africans. The stereotype is sometimes true. Far too many oil and mineral ventures are dirty. Corrupt African leaders, of whom there is still an abundance, can always find foreign enablers to launder the loot. And contracts with firms from countries that care little for transparency, such as China and Russia, are often murky. Three Russian journalists were murdered last year while investigating a Kremlin-linked mercenary outfit that reportedly protects the president of the war-torn Central African Republic and enables diamond-mining there. Understandably, many saw a whiff of old-fashioned imperialism.

However, engagement with the outside world has mostly been positive for Africans. Foreigners build ports, sell insurance and bring mobile-phone technology. Chinese factories hum in Ethiopia and Rwanda. Turkish Airlines flies to more than 50 African cities. Greater openness to trade and investment is one reason why GDP per head south of the Sahara is two-fifths higher than it was in 2000. (Sounder macroeconomic policies and fewer wars also helped.) Africans can benefit when foreigners buy everything from textiles to holidays and digital services.

Even so, Africans can do more to increase their share of the benefits. First, voters and activists can insist on transparency. It is heartening that South Africa is investigating the allegedly crooked deals struck under the previous president, Jacob Zuma, but alarming that even worse behaviour in the Democratic Republic of Congo has gone unprobed, and that the terms of Chinese loans to some dangerously indebted African governments are secret. To be sure that a public deal is good for ordinary folk as well as big men, voters have to know what is in it. Journalists, such as the Kenyans who exposed scandals over a Chinese railway project, have a big role to play.

Second, Africa's leaders need to think more strategically. Africa may be nearly as populous as China, but it comprises 54 countries, not one. African governments could strike better deals if they showed more unity. No one expects a heterogeneous continent that includes both anarchic battle zones and prosperous democracies to be as integrated as Europe. But it can surely do better than letting China negotiate with each country individually, behind closed doors. The power imbalance between, say, China and Uganda is huge. It could be reduced somewhat with a free-trade area or if African regional blocs clubbed together. After all, the benefits of infrastructure projects spill across borders.

Third, African leaders do not have to choose sides, as they did during the cold war. They can do business with Western democracies and also with China and Russia—and anyone else with something to offer. Because they have more choice now than ever before, Africans should be able to drive harder bargains. And outsiders should not see this as a zero-sum contest (as the Trump administration, when it pays attention to Africa, apparently does). If China builds a bridge in Ghana, an American car can drive over it. If a British firm invests in a mobile-data network in Kenya, a Kenyan entrepreneur can use it to set up a cross-border startup.

Last, Africans should take what some of their new friends tell them with a pinch of salt. China argues that democracy is a Western idea; development requires a firm hand. This message no doubt appeals to African strongmen, but it is bunk. A study by Takaaki Masaki of the World Bank and Nicolas van de Walle of Cornell University found that African countries grow faster if they are more democratic. The good news is that, as education improves and Africans move rapidly to the cities, they are growing more critical of their rulers, and less frightened to say so. In 1997, 70% of African ruling parties won more than 60% of the vote, partly by getting rural chiefs to cow villagers into backing them. By 2015 only 50% did. As politics grows more competitive, voters' clout will grow. And they will be able to insist on a form of globalisation that works for Africans and foreigners alike.

Don’t be evil

Vladimir Putin wants to stifle the internet

Google should not help him

Print edition | Leaders Mar 7th 2019

Ellie Foreman-Peck

SOMETIMES IT SEEMS as if Vladimir Putin’s presidency has been made for television. His bare-chested exploits on horseback, microlight flights with cranes and the fighting in Ukraine and Syria were planned with the cameras in mind. Having helped turn a little-known KGB officer into a patriotic icon, television has sustained him in power. But recently, there are signs that the spell of Russia’s gogglebox is weakening. Meanwhile, ever more Russians look to the internet for their news.

Russia’s state-controlled broadcast channels must now compete with social-media stars, YouTubers and online activists (see article). Over the past decade trust in television has fallen from 80% to below 50%; 82% of 18- to 44-year-olds use YouTube and news is its fourth-most-watched category. Some vloggers have audiences that dwarf those of the nightly newscasts.

Mr Putin’s government is attempting to gain control over social media through legislation, intimidation and new surveillance infrastructure. However, this needs the co-operation of Western internet platforms such as Facebook and Google, which owns YouTube. Increasingly, the government is ordering them to take down politically objectionable material or demanding private data about their users. Internet companies should resist collaborating in state oppression—in the interests of their own profits, as well as of Russian democracy.

One reason Western platforms should stand their ground is to keep faith with their own professed beliefs. The days when people thought the internet would naturally spread democratic values are over. But Silicon Valley’s liberalising mantras are not entirely hollow: rising internet use is making Russia’s information space more competitive. Alexei Navalny, an opposition leader banned from television, has millions of viewers on YouTube. Abroad, Mr Putin is known as a master manipulator of social media, but at home he is fighting to contain its political impact.

Another reason for Western platforms to resist being co-opted is that they can. Unlike China, whose rulers quickly recognised the internet’s threat and built a “Great Firewall”, Russia allowed it to grow intertwined with the outside world. A new law on “digital sovereignty” would let the Kremlin censor or cut off the national internet, but actually doing so would be technically and politically hard. Russian internet companies have servers abroad. Young Russians catch the YouTube habit when they are tots, because parents rely on it to entertain them. A big march is planned in Moscow on March 10th in defence of the internet.

Foreign internet companies do not have an entirely free hand. Western internet giants have servers in Russia. However, the Russian government would rather cajole the likes of Google than cut them off. This gives Western companies clout. They should use it.

The internet companies' long-term self-interest matches their principles. Complying with morally dubious government demands threatens their reputation. When news emerged that Yahoo, a web portal, had been telling the Chinese government about its users, its reputation suffered. So far, Facebook and Google have resisted Russian requests to reveal users' identities. Announcing a pivot to a more privacy-friendly stance this week (see article), Facebook's boss, Mark Zuckerberg, said his firm would not store sensitive data "in countries with weak records on human rights". Google has been fined for not removing banned websites from search results. But in the first half of 2018 Google acceded to 78% of the Russian government's requests to remove material. The firms could do more to stand their ground.

Russia's first internet connections were set up in 1989 at the Kurchatov nuclear institute, by scientists who wanted closer contact with the West. They called their network "Demos". Today's internet companies should make sure the internet remains a tool for building democracy, not dismantling it.

This article appeared in the Leaders section of the print edition under the headline "Don't be evil"

European governments are intervening in business again

A French habit is spreading

Its lure should be resisted

Print edition | Leaders Mar 7th 2019

IF YOU CAN'T beat them, adopt their worst economic policies. Worried about the "aggressive strategies" of America and China, France's president, Emmanuel Macron, issued a Europe-wide proclamation on March 4th that, among other things, proposed a new revolutionary era of government intervention in European Union businesses (see article). "We cannot suffer in silence," he declared, while other global powers flout the principles of "fair competition".

Mr Macron is not alone. Across the continent, politicians are seeking to influence business using a range of tactics including regulation, nudging managers to do deals and boosting state ownership. At Renault-Nissan, the downfall of Carlos Ghosn has become intertwined with a struggle for control between the French and Japanese governments (see Banyan). Last month Peter Altmaier, Germany's economy minister, called for champions such as Siemens and Deutsche Bank to be protected. Last week it emerged that the Dutch government has built up a 14% stake in Air France-KLM to help its former flag-carrier "perform better". And Italy is poised to increase to 10% its stake in Telecom Italia, which it began privatising 21 years ago.

This resurgence of state intervention is intended to make European industries stronger. Instead it is more likely to hurt consumers and dim the prospects of business.

Granted, Europe has never been a haven of unfettered free markets. The European Coal and Steel Community, the precursor to the EU, was created in 1951 to co-ordinate industrial activity. France has long adopted a dirigiste policy of strategic planning by enlightened technocrats. Nonetheless, by the 1990s, the state was in retreat. The launch of the single market in 1993 promised a continent-sized playing field for European firms, which could at last exploit economies of scale and compete unfettered by national subsidies and politics.

The lurch back towards intervention partly reflects the desire of Mr Macron and other politicians to show grumpy voters that they are making capitalism fairer. But it also reflects the fear that Europe is falling behind America and China. Bosses worry that European firms are too puny. If you take the top 500 firms in both Europe and America, the median European one is 52% smaller by market value. Europe has no giants to rival Amazon or Alphabet and hosts few of the world's dynamic startups. China's plan to dominate various strategic technologies, such as new materials and AI, and its pursuit of state-backed takeovers in Europe, seem threatening and unfair. And the White House's me-first habit of telling firms where to build factories has legitimised the kind of overt meddling that had become taboo in the West.

Yet Mr Macron's solution is self-defeating. Germany and France have urged on the merger of the rail divisions of Siemens and Alstom, which would have resulted in a firm with a 50% market share in Europe. But that would have pushed up the price of rail travel (the European Commission has sensibly blocked the deal). Intervention often incites national rivalries, too. The Dutch bought into Air France-KLM in order to offset French influence. It can be a recipe for cronyism. Does Deutsche Bank, which paid 1,098 staff more than €1m a year in 2017, despite paltry profits, really warrant special treatment? And intervention is unlikely to achieve its aim of creating champions. Of Europe's five most valuable firms, three (Nestlé, Novartis and Roche) are based in Switzerland, which spends heavily on education and research and development but does not engage in central planning. One (Royal Dutch Shell) is transnational and the other is a French luxury-goods firm, LVMH, that has thrived because it answers to China's consumers, not the strategic plans of French bureaucrats. Europe's one corporate success with dirigiste roots, Airbus, has soared since 2012, when its shareholding pact was revised to reduce political influence.

Instead of pursuing an activist industrial policy, Europe should put consumers first. That means enforcing competition. German and French attempts to stymie EU antitrust rules are misguided. Allowing oligopolies to form, as America has, creates big companies that overcharge their customers and, sooner or later, exert more effort controlling markets than innovating. In tech, Europe ought to satisfy itself with rules, such as its GDPR regulation, that protect consumers' rights over their data and privacy. Europe can also continue to deepen the single market. The main reason some industries, such as banking and telecoms, are struggling and fragmented is because they still operate in national silos that hinder firms from achieving economies of scale. And Europe should be proportionate in the way it screens foreign investment, for example from state firms based in authoritarian countries, notably China. The aim would be to block investment in only the most sensitive industries, such as defence, police it rigorously in important ones, such as technology, and otherwise step back.

Mr Macron is right that trade and markets are being distorted by the actions of China and, increasingly, America. That does not mean Europe should copy their mistakes.

This article appeared in the Leaders section of the print edition under the headline "L'Europe, c'est moi"

Out with the old

How to revive Algeria

Decrepit rulers are holding back a country with enormous potential

Print edition | Leaders Mar 7th 2019

IN MOST COUNTRIES candidates for president must prove that they are in command of their senses. In Algeria, for example, they are required to register in person. But that rule apparently does not apply to Abdelaziz Bouteflika, the ailing president, who was lying in a Swiss hospital bed when his campaign manager filed papers this month for him to run for re-election. Mr Bouteflika—or his coterie—is hoping he will win a fifth five-year term on April 18th.

He probably does not remember his fourth. The 82-year-old suffered a stroke in 2013 and has rarely been seen since. Occasionally the government releases video of Mr Bouteflika looking confused, as aides fawn over him. The old man can hardly speak or walk. Yet he still ran away with the last election. The secretive cabal known as *le pouvoir* (the power) that really rules Algeria, and grows rich from it, is planning another stitch-up.

Algerians have had enough of this farce. Tens of thousands of them have taken to the streets in cities across the country, demanding one thing: that Mr Bouteflika not run again (see article). Algeria is in desperate need of renewal. But the ruling clique of generals, businessmen and politicians has proved incapable of reform, unable even to pick a successor to the cadaverous Mr Bouteflika. It is time it handed power to a new generation, which might unlock Algeria's vast potential.

What critics call stagnation, *le pouvoir* calls stability. The last time the country held a free and fair parliamentary election, in 1991, Islamists won the first round and the generals cancelled the rest. That led to civil war, which raged for most of the 1990s and killed 200,000 people. Mr Bouteflika guided the country out of the "dark decade". Algeria has avoided the unrest that shook many of its neighbours since 2011. Today it is one of the safest countries in the Arab world.

But the price has been high. The elite evokes the civil war, and the threat of jihadism, to justify a ruthless regime. A 19-year-old state of emergency was lifted in 2011, but political speech is still restricted, the media are muzzled and critics of the government are harassed. The authorities lock up people using vaguely worded bans on "inciting an unarmed gathering" and "insulting a government body". State institutions, such as the parliament and judiciary, are rubber stamps.

Following the old rules, the army chief of staff, General Ahmed Gaid Salah, claims: "There are parties who wish to bring Algeria back to the years of violence." Perhaps, but not the protesters. They shout "*silmiya, silmiya*" (peaceful, peaceful) and even clean up after themselves. Many feel disconnected from the likes of General Salah, who fought in the country's war of independence from France. Most Algerians were born three or more decades after that conflict ended in 1962. While officials communicate by fax, protesters are organising on social media.

Le pouvoir worries that it can no longer afford to buy the public's obedience with government jobs and subsidies. The state's budget relies on oil and gas revenues. Since 2014, when the price of hydrocarbons tumbled, it has burned through cash. The unemployment rate hovers above 11%. Nearly a third of young people are looking for a job. Rampant corruption completes the dismal picture. Rich in natural resources, teeming with cheap labour and just across the sea from Europe, Algeria should be doing much better.

Le pouvoir does not have *la solution*. Mr Bouteflika, or whoever is using his pen, recently promised that, if he wins in April, he will organise an "inclusive national conference" and hold another election, which he would not contest. But playing for time will not resolve Algeria's underlying problems.

The regime treats Mr Bouteflika like El Cid, an 11th-century Spanish nobleman whose dead body was supposedly strapped on a horse and sent into battle to inspire his troops. To most Algerians, however, he is an object of derision or pity. Algeria cannot say what will happen when the strongman dies. Far from preventing another civil war, the regime risks stoking one.

Sending Mr Bouteflika to a care home should be just the start of reform. A temporary government could then oversee a transition to a more open system, creating that national conference to come up with reforms; presidential and parliamentary elections would be held after the opposition, which is weak and divided, had been able to organise. The country's next leader could improve things by encouraging entrepreneurs, rather than standing in their way, breaking up the government's business empire and inviting in foreigners. Like Mr Bouteflika, Algeria has been ailing for some time. Unlike him, it can still be saved.

This article appeared in the Leaders section of the print edition under the headline "Out with the old"

Plane stupid

Private jets receive ludicrous tax breaks that hurt the environment

Scrap them

Print edition | Leaders Mar 7th 2019


Alamy

THE BLUE jeans and T-shirts of the global elite are no more comfortable than those worn by the middle class. They drink the same coffee, watch the same films and carry the same smartphones. But a gulf yawns between the rich and the rest when they fly. Ordinary folk squeeze agonisingly and sleeplessly into cheap seats. The elite stretch out flat and slumber. And the truly wealthy avoid the hassles and indignities of crowded airports entirely, by taking private jets. This would be no one else's business but for two things. First, private jets are horribly polluting. Second, they are often—and outrageously—subsidised.

Private aviation was hit hard by the global financial crisis, when both companies and individuals sought to pare expenses. But now private jets are booming again. This is partly because new booking services and shared-ownership schemes are cutting the cost of going private and luring busy executives away from first- and business-class seats on scheduled flights (see article). But the boom is also a result of tax breaks, which are even more generous than those lavished on ordinary airlines. In Europe firms and individuals can avoid paying value-added tax on imported private jets by routing purchases through the Isle of Man. This scheme has cut tax bills by £790m ($1bn) for imports of at least 200 aircraft into the European Union since 2011. America's rules are loopier still. Donald Trump's tax reform allowed individuals and companies to write off 100% of the cost of a new or used private jet against their federal taxes. For some plutocrats this has wiped out an entire year's tax bill. For others, it has made buying a jet extraordinarily cheap.

The case for flying on a private jet is that it can save time for someone, such as a chief executive, whose time is extraordinarily valuable. Hence companies can offset the cost of these flights against their corporate-tax bills. In some countries the use of a private jet is a tax-free perk for executives. But a growing volume of research suggests that flying the boss privately is often a waste of money for shareholders. One analysis, by ICF, a consultancy, found that the jets are often used to fly to places where corporate titans are more likely to have holiday homes than business meetings, such as fancy ski resorts. A study by David Yermack of NYU Stern School of Business found that returns to investors in firms that allow such flights are 4% lower per year than in other companies. Users of such planes are also more likely to commit fraud: a careless attitude to other people's money sometimes shades into outright criminality, it seems.

The environmental effects of corporate jets are dire. A flight from London to Paris on a half-full jet produces ten times as much in carbon emissions per passenger as a scheduled flight, according to Terrapass, a carbon-offset firm. New supersonic business jets under development will make that a lot worse. On one estimate, their emissions will be five to seven times higher than for today's models. Amazingly, these emissions are largely unregulated. Aviation is not covered by the Paris agreement to limit climate change, and most private jets are excluded from CORSIA, a carbon-offsetting scheme involving most airlines. All in all, private planes could produce 4% of American emissions by 2050 compared with 0.9% today.

All air travel is bad for the environment. Business class is worse than economy class, because it burns more jet fuel per passenger. Private jets are more damaging by an order of magnitude. The tax breaks for cooking the planet in this way cannot be justified. They should all be scrapped. Carbon emissions should be taxed, not subsidised by the sleepless masses in steerage and the even less fortunate souls who never fly.

This article appeared in the Leaders section of the print edition under the headline "Plane stupid"

On socialism, San Francisco, taxes, China, English, Johnny Cash
Letters to the editor

On socialism, San Francisco, taxes, China, English, Johnny Cash

Letters to the editor

A selection of correspondence

Print edition | Letters Mar 9th 2019

Letters are welcome and should be addressed to the Editor at letters@economist.com

What is socialism?

I was surprised by your briefing on millennial socialism, particularly its take on the democratic socialists represented by Alexandria Ocasio-Cortez and Bernie Sanders, and the false equivalence with Jeremy Corbyn, the leader of Britain's Labour Party ("Life, liberty and the pursuit of property", February 16th). "Socialism" in America, much like "liberalism", "conservatism", "republicanism", and, at least until recently, "nationalism", has a very different connotation from what is meant in Europe. For example, the Democrats' laughably imprecise "Green New Deal" is an aspirational hodgepodge of disparate goals, many of which are espoused by *The Economist*, such as fully accounting for the price of pollution. It is not a serious plan to take over industry by a radicalised Democratic Party. Treating it that way appears to be the starting-point, and false premise, of the equivalency between the American left and Mr Corbyn.

The policies of Ms Ocasio-Cortez and Mr Sanders seek to mimic those of Nordic countries, which are certainly capitalist. Most of the American left would be pretty well satisfied with public services similar to those of Canada or Germany. Norway's or Denmark's would be the moon shot. No one is talking about workers of the world uniting.

JAMES FISHER
Grand Rapids, Michigan

What the millennials are proposing is egalitarianism, not socialism. There is a distinction. The questions of what services the government should provide do not revolve around socialism versus capitalism, but rather liberty versus equality.

TERRY ORTLIEB
Castle Rock, Colorado

For years right-wingers in America have claimed that climate change is nothing more than a mask for implementing socialist policies. In one fell swoop the Green New Deal has turned this conspiracy theory into a reality, which will undermine legitimate environmentalism in the United States for years to come.

TIM REVELS
Austin, Texas

The streets of San Francisco

I was glad to find coverage in a global newspaper of what has become a crisis possible only in ultra-progressive San Francisco ("The lax tax", February 16th). The Bay Area's celebrated innovation and wealth are offset by a calamitous failure of public leadership to balance safety with individual rights.

A walk from the Castro to the Embarcadero takes in three miles of tents that block access to the sidewalks for our elderly residents, faeces and urine marking the way for family prams, overdosed junkies who have passed out and are possibly dying, and drug-dealers openly selling their wares in view of City Hall and shocked tourists.

Residents are fed up. I have reported thousands of encampments to the city. Some of the city's leaders seem to be taking the issue seriously, but part of the solution involves enforcing the law. And in San Francisco, the land where anything goes, officials prefer protecting the rights of people to swing their arms (and weapons and needles) over protecting the collective chins of law-abiding citizens. It is an embarrassment to civilisation broadly, and to progressive America in particular.

PATRICK ERKER
San Francisco

Evading tax is harder

The debate on taxing the rich and the case for inheritance and wealth taxes does not take into account the changed environment within which these taxes now operate ("A way through the warren", February 2nd). The tax-transparency agenda pushed by the OECD makes it much easier for administrations to get information on the assets that taxpayers place overseas. At the same time, the emergence of new technologies such as blockchain and artificial intelligence will soon make tracking the assets of the rich more effective. These developments mean that two of the traditional arguments against these taxes—that they are difficult to enforce and carry a heavy compliance cost—are no longer valid.

JEFFREY OWENS
Director
Global Tax Policy Centre
Vienna University of Economics and Business

All the world's a stage

Is the "absurd plot" of "The Wandering Earth", China's first blockbusting sci-fi film, any less absurd than the fare that Hollywood routinely produces ("Lights! Camera! Win-win outcomes!", February 16th)? Hollywood frequently portrays America leading the charge to save the planet, multilaterally if it can and unilaterally if it must. But when a Chinese film follows the same plot, it receives a supercilious critique. In fact, China may well play the role of global policeman in the not-too-distant future.

VIJAY KRISHNA
Bangalore, India

English as a lingua franca

An important part of the jigsaw was missing in your article cautioning against the use of English as the medium of learning in developing countries ("Language without instruction", February 23rd). Sadly, these schools have been missing out on the switch to systematic phonics that has been taking place in Anglophone developed countries. Children learn to read at twice the pace with such teaching. In African countries the change is especially needed. Languages there typically have just five vowels, for instance, so the Latin alphabet can map them well. However English has 17 vowel sounds, so children need the deeper understanding that phonics gives, to distinguish "ran" from "rain", for example.

It is outdated thinking to label English as the colonial language. Instead, as you indicated, the importance of English, and the reason why parents chose it, is so that children can get a profession and travel. Don't say it too loudly, but private schools in Francophone countries increasingly teach in English.

CHRIS JOLLY

Jolly Phonics

Chigwell, Essex

What should the language of instruction be when the mother-tongue is orally spoken but not written? In Morocco there is a long-running debate on whether primary education would be better taught in French or in modern standard Arabic, or whether they should shift altogether to English. The trouble is that the mother-tongue is none of these; it is the Moroccan dialect of Arabic, which is unique and not mutually intelligible with modern Arabic. Moroccan Arabic is also not written down traditionally, hence the lack of support for teaching Moroccan children in the language. One could conclude that Moroccan kids would best be taught in modern Arabic, though many Moroccan youths speak better French.

KOLE BOWMAN

Atlanta

I'll tell ya, life ain't easy...

The Graphic detail on the link between unusual names and individualism was fun (February 16th). But it came as no surprise to music fans. Johnny Cash popularised "A Boy Named Sue" at a concert for San Quentin's prisoners. As the song recounts, Sue's name guaranteed that he would grow up to be one tough cookie.

DAVID WATKINS

Bournemouth

Africa and geopolitics
Choices on the continent

A sub-Saharan seduction

Africa is attracting ever more interest from powers elsewhere

They are following where China led

Print edition | Briefing Mar 7th 2019

GRAHAM GREENE, chronicler of hazy entrepots, would have loved Djibouti. A third of global shipping steams by this little bit of north-east Africa. All the world, it seems, is crammed together in its capital. French, Italian and Japanese military bases jostle each other near the shore. Camp Lemonnier, formerly run by the French Foreign Legion and now America's only permanent military base in Africa, sits by the airport; China's first such base is a little to the north-west of it. Indian and British embassies will soon open. Within weeks the Turkiye Diyanet Foundation will open the largest mosque in east Africa in the city; the muezzin will struggle to be heard amid the roar of fighter jets overhead.

From the top of the minaret you can see China—not because it rises all the way to orbit, but because there is a lot of China to see right in front of you. Djibouti is small, but it boasts a multipurpose port, a railway to Ethiopia and the beginnings of a free-trade zone which, once finished, will be the largest in Africa. They were all built by Chinese state-owned firms and are at least partly run by them. On a visit to the port (pictured) your correspondent waves at the sailors on a Chinese naval vessel one berth along from a freighter filled with Ukrainian grain; their returning looks prompt the question of what is Mandarin for disdain.

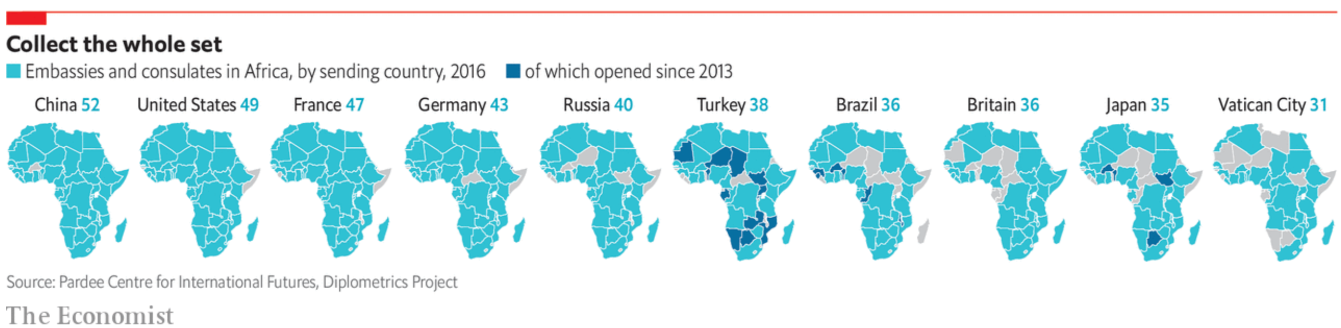
According to McKinsey, a management consultancy, there are now 10,000 Chinese businesses on the African continent. China's dramatic investments have encouraged other countries, most notably India, to follow suit. At the same time, China is changing the terms of its engagement, increasingly cashing in economic connections for political and military ties—again with others, such as Turkey and Russia, looking to do the same. Alex Vines of Chatham House, a think-tank in London, talks of a "new scramble for Africa".

Comparisons to the European race for colonies in the late 19th century gall Africans keen to point out vast differences. It is true that the resources colonialists coveted still provide a lure. But the new scramblers want more than just a share of what Africa has; they want a stake in what it is now trying to build—in the economies and growing global stature of the world's second-most-populous continent, poised between two of its three great oceans.

This suggests that the continent will increasingly be a place where international rivalries play out. In a speech in December John Bolton, President Donald Trump's national security adviser, spoke of it as the site for a new era of "great power competition". But such competition does not have to be a zero-sum game. Infrastructure investments tend to benefit all comers, not just the investors. Most of all, they can benefit Africans. Though the new scramblers are often powerful, much of what they want cannot just be taken. It must be given. African nations are the primary players in the game. How they play it will be a decisive factor in how well the continent fulfils the promise outsiders see in it.

Its majestic herds of diplomats

According to the Diplometrics project at the University of Denver more than 320 embassies or consulates were opened in Africa between 2010 and 2016. Turkey alone opened 26 (see maps). The boom continues: last year India announced it would open 18 more. Foreign leaders are supporting the diplomatic push. This year Vladimir Putin, the Russian president, is set to host the first Russia-Africa summit, a tribute act to the triennial Forum on Africa-China Co-operation (FOCAC), in Beijing. Hosted by President Xi Jinping, last year's FOCAC attracted more African leaders than the annual meeting of the UN General Assembly. Japan and Britain are also hosting gatherings in the coming months.



When not hosting African politicians, foreign leaders are visiting them. China's top officials made 79 visits to Africa in the decade up to 2018. Since 2008 Turkey's leader, Recep Tayyip Erdogan, has paid more than 30 visits to African countries, most of them sub-Saharan. Emmanuel Macron has visited the continent nine times since becoming president of France in 2017; Narendra Modi has visited eight African countries during his five years in power in India. But not all are so keen. Kanye West and Kim Kardashian have visited more African leaders than has Mr Trump, who has yet to set foot on the continent.

Such visits and summits are in part efforts to make use of Africa's diplomatic clout. Its 54 nations make up more than a quarter of the UN General Assembly and by custom it always has three of the 15 non-permanent seats on the Security Council. China has persuaded nearly every African state to ditch diplomatic recognition of Taiwan; only eSwatini (formerly Swaziland) remains to be swayed. Russia has petitioned African politicians over its claims to Crimea; 28 African countries abstained on a General Assembly motion condemning the annexation. Israel has sought recognition of Jerusalem as its capital, and now has Togo on its side.

Military ties are strengthening alongside the diplomatic ones. The Horn of Africa has become part of the broader competition between Saudi Arabia and the United Arab Emirates (UAE) on one side and Iran, Qatar and Turkey on the other. In 2017 Turkey built its largest overseas military base, and its first in Africa, in Somalia. Saudi Arabia and the UAE have launched attacks into Yemen from their positions in the Horn. Saudi Arabia has also recruited soldiers from Sudan, some of them children. It is also thought to be keen to open a base in Djibouti; the UAE is set to open a new one in neighbouring Somaliland.

China's military influence stretches well beyond the base in Djibouti. Last year the People's Liberation Army (PLA) conducted exercises in Cameroon, Gabon, Ghana and Nigeria. Chinese popular culture celebrates Africa as a place for derring-do. In 2017 "Wolf Warrior 2", a film in which Chinese special forces save beleaguered doctors in Africa, set new records at the box office. "Peacekeeping Infantry Battalion", a television show, celebrates China's role as a provider of blue helmets. The country fields more UN peacekeepers than any of the Security Council's other four permanent members, most of them in the Democratic Republic of Congo, Mali, South Sudan and Sudan.

This interest in peace goes hand in hand with a brisk business in arms; China sells more weapons in sub-Saharan Africa than any other nation. It accounted for 27% of the region's arms imports in 2013-17, compared with 16% in 2008-12, according to the Stockholm International Peace Research Institute. China claims military ties, some of them simply co-operative rather than commercial, with 45 African governments. Its aims are several, says Lina Benabdallah of Wake Forest University. It wants to be seen as a power with intercontinental reach. It wants to protect trade; in Beijing, east Africa is counted part of "the Maritime Silk Road". And there are more than 1m Chinese living in Africa who may need protection, too. During the Libyan revolution of 2011 a Chinese naval vessel helped in the evacuation of thousands of Chinese contractors from the country.

Mighty flows of money

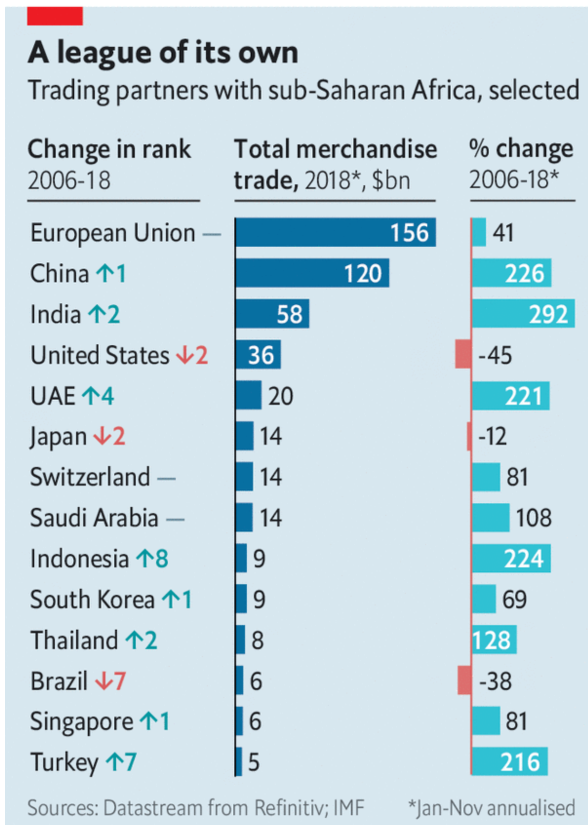
Chinese expansion has worried other Asian powers. Japan is enlarging its base in Djibouti. India is developing a network of radar and listening posts around the Indian Ocean, though plans for a base in the Seychelles were blocked by the archipelago last year. In March the Indian army will host its first military exercises with a number of African countries, including Tanzania, Kenya and South Africa.

Keeping up with the Joneses is not the only reason for military involvement. European countries are stepping up their presence in the Sahel, the arid region on the southern edge of the Sahara desert, aiming both to quell Islamic terrorism and stem the flow of migrants to Europe. The EU is also supporting soldiers from the "G5 Sahel" group of Burkina Faso, Chad, Mali, Mauritania and Niger.

Russia's moves are more muscular, and more mercenary. Often the key figures are cronies of Mr Putin, like Yevgeny Prigozhin, a former chef, rather than official state employees. Mr Vines likens them to Cecil Rhodes and other 19th-century imperialists who would lead private invasions with the implicit protection of the government back home. Last year, after the Central African Republic (CAR) asked for help fighting rebels, Russia barged aside France, the CAR's former colonial ruler, quickly sending arms and advisers. Experts in extractive industry soon followed. The defence ministry is now home to a group of Russian "advisers". Last year's Miss Central African Republic beauty pageant attracted the generous sponsorship of Lobaye Invest, a Russian diamond company.

Though its role in the CAR is the most high-profile, Russia has been intensifying its links across Africa. At least 250,000 Africans were trained in or by the Soviet Union before its demise in 1991, which provides scope for the renewal of old relationships. Russian political advisers have been busy in countries such as Zimbabwe, Guinea and Madagascar.

As others have bolstered links with Africa, America has "stepped away", notes Judd Devermont of the Centre for Strategic and International Studies, a think-tank. It has cut funding for development and diplomatic programmes. It has announced a 10% reduction in troops in Africa and has left key positions unfilled; it took Mr Trump's administration 18 months to fill the top Africa job in the State Department.



The Economist

America's relative economic importance is also waning. In 2006 America, China and France were the three countries doing the most trade with sub-Saharan Africa, defined as the sum of imports and exports (see chart). From 2006 to 2018 Chinese trade increased by 226% and India's by 292%. Other countries also posted impressive increases, although from low starting points: 216% for Turkey, 335% for Russia, 224% for Indonesia. The EU, still all-told the region's largest trading partner, managed only a modest 41%. American trade with sub-Saharan Africa shrank.

The top sources of foreign direct investment (FDI) are firms from America, Britain and France. But last year a UN report on global FDI found that the "geographical sources of FDI to Africa are becoming more diversified." China's stock of FDI grew from $16bn in 2011 to $40bn in 2016, slightly less than France's ($49bn). Investments from companies based in Singapore have grown markedly, too.

Access to Africa's natural resources remains critical. But economic relations are about much more than commodities. One-third of sub-Saharan countries can expect GDP growth of more than 5% this year, according to the IMF. The number of mobile-phone and data subscriptions will grow by almost 5% per year over the next five years, more than twice the global average, as nearly 300m Africans move online by 2025, according to GSMA, a trade association.

Food imports and exports are also growing. Gulf countries, which import 80-90% of their food, have recently struck agricultural deals with Mali, Mauritania, Morocco, Mozambique, Sudan and Tanzania. Other countries see Africa as a customer for excess capacity. China, which has run up huge stockpiles, sold more than 781,000 tonnes of rice to African countries in 2017, more than ten times the amount in 2016, with Ivory Coast overtaking South Korea as the biggest importer.

And African countries are increasingly home to foreign manufacturing firms. Chinese state-backed companies have helped set up "special economic zones" in Ethiopia, Nigeria and Rwanda as well as Djibouti. Olam International, a Singaporean company, operates a free-trade zone in Gabon; India is trying to open one in Mauritius. Turkey has a facility next to the Chinese one in Djibouti, part of a set of ambitious plans for the continent which include building railways in Tanzania, airport terminals in Ghana and much of the "futuristic" Diamniadio Lake City in Senegal. Turkish Airlines, which is 49% state-owned, flies to more than 50 African cities.

Others are thus positioned to take up some slack as China recalibrates its approach to the continent to make it less expensive. Rather than announcing a doubling or tripling of its financial pledges to African countries, as it had at previous FOCACs, last year China offered a package less generous than the previous one. Part of this shift is because some Chinese deals in Africa have gone sour, angering Chinese investors. Sinosure, the state-owned insurer, had to write off $1bn in losses on the railway from Djibouti to Ethiopia after fewer passengers turned up than expected. In September Mr Xi warned against state-backed investments which amount to "vanity projects".

China is also sensitive to accusations of "debt-trap diplomacy": using loans countries cannot pay back to extract other concessions from them. In Africa this charge is easily exaggerated. China is the primary creditor to just three African countries: Congo-Brazzaville, Djibouti and Zambia, according to the China Africa Research Initiative at Johns Hopkins University. On average, 32% of African external public debt is owed to private lenders and 35% to multilateral institutions such as the World Bank. China is the biggest bilateral lender, but its loans are just 20% of the total.

But criticism of some loans seems amply justified. In Kenya local journalists have been probing the terms of the $3.2bn railway between Nairobi and Mombasa, with worries that Mombasa's port may be pledged as collateral. "Ultimately the debt problem is an African problem," says Anzetse Were, a Kenyan economist. "But China is finally getting some pushback."

And the warm welcome of the locals

This may encourage the West to increase its economic efforts. In September the EU announced it would give €40bn in grants from 2021 to 2027, building on Germany's "Marshall Plan for Africa" launched in 2017. In October last year America doubled the lending capacity of its Overseas Private Investment Corporation to $60bn; it is also now allowed, for the first time in 50 years, to invest in equity as well as debt. "We would not have gotten that much money from them without China," says Ms Were.

"African leaders realise they have more choices than ever," says Carlos Lopes, a negotiator for the African Union. They are no longer bound to their coloniser or in one cold-war camp. They can weigh priorities and offers and, at least to some extent, play off suitors. Yet there are reasons to be wary.

The first is that African countries usually remain the weaker partner in military and economic agreements. In a rush to sign headline-grabbing deals African leaders often agree to onerous terms. Better-trained negotiating teams would help, says Ms Were; so would better language skills among African diplomats. On the structural front, there could be strength in unity. The African Continental Free Trade Area agreement, which needs ratification by just three more countries to enter into force, could be a big plus, giving the continent a single voice in some negotiations.

The second reason to be cautious about Africa's bounty of choices is that it may mean more options for corruption. What is a good deal for leaders is often a poor one for the led. Western diplomats praise Djibouti in private for the skill with which it has played countries off against one another to secure rent on military bases and infrastructure deals. How much this guile improved the lot of the citizenry, rather than the country's elites, is unclear.

Democracy and transparency are the antidotes to corruption. Recently in Kenya and Ghana, for example, local media, civil society and opposition parties have been able to scrutinise dodgy deals signed by their governments. Sadly, however, Russia and China do not care about African democracy. They may claim that their policy is not to interfere. But their propping up of autocrats—China's support for Denis Sassou Nguesso of Congo-Brazzaville, Russia's for Faustin-Archange Touadéra of the CAR—amounts to intervention of a particularly reactionary kind.

The West, too, has a long history of supporting its preferred "strongmen" on the continent. Since the cold war, though, it has by and large promoted liberal reforms, if haphazardly and with exceptions. America's apathy on matters African is one reason such initiatives have slowed of late, but re-engagement would not necessarily set things right. The new Africa "strategy" outlined by Mr Bolton in December made no mention of democracy.

That is short-sighted. For African countries need more than extra choices over whom they strike deals with. They need the power to choose their politicians, too.

This article appeared in the Briefing section of the print edition under the headline "Choices on the continent"

Texas politics
Twilight in Austin

Twilight in Austin

Political competition is moderating Texas Republicans

Bathroom bills are out; funding schools is in

Print edition | United States Mar 7th 2019

THE KEY TO understanding Texas is the state Capitol in Austin. It is there that legislators meet only every other year to pass new laws and set the state budget. The elegant domed building is several feet taller than the Capitol in Washington, and that matters to Texans. Gun-owners with a concealed-carry licence can enter through a separate security lane and do not have to go through the indignity of a metal detector, as lowly journalists do. The Capitol is built of pinkish granite, a suitable material for a red state now facing the prospect of diluted Republican influence.

After years of pushing to the right on social issues and immigration, Texas Republicans have shifted their tone during the current legislative session. "There's been a rush to the middle," explains Jason Sabo of Frontera Strategy, a lobbying firm. Evidence of that lies in the list of priorities presented by Greg Abbott, the recently re-elected Republican governor. His "emergency" items, which he wants the legislature to focus on, include financing public schools, paying teachers more, reforming the property-tax regime, funding for special education and expanding access to mental-health services.

How unlike the previous session of the biennial legislature, in 2017. Back then Republicans passed a hugely controversial immigration bill, giving law-enforcement officers the right to stop people and ask to see papers confirming their citizenship. Some compare this action to Proposition 187, an anti-immigration bill that passed in California in 1994 and turned Hispanics in that state against the Republican Party. Another contentious legislative item that session was a "bathroom bill", designed to regulate where transgender people are allowed to pee. Mr Abbott declared it a priority at the time, though ultimately it withered after opposition from businesses.

Republicans "have moved over to our issue set and the things we had been talking about," says Manny Garcia, executive director of the Texas Democratic Party. Culture wars are still playing out in this legislative session, including over abortion, but they are fewer. Republicans are "not talking about divisive social issues any more," says Joe Straus, who served as Speaker of the Texas House for a decade before stepping down in January. Republicans moved to the right to win primaries against other

Republicans, but now they face more challenging general elections. Today "there's more fear of the November voter than there is of the primary voter. But there's fear of both," says Mr Straus.

There are several reasons for the Republicans' change of tone and approach, but the 2016 and 2018 elections are central to it. In 2016 Hillary Clinton lost Texas by the smallest margin of any Democrat since 1996. In 2018, when Democrats picked up 12 House seats and two state Senate seats, many right-wing Republicans lost what were thought to be safe districts or won by slimmer margins than expected. This had more than a little to do with Beto O'Rourke, who was challenging Republican Ted Cruz for the US Senate. Although he lost, Mr O'Rourke helped get many down-ballot Democratic state legislators and judges elected.

Donald Trump has also cast a shadow over state Republicans. "The worst thing that ever happened to Texas Republicans was the election of Donald Trump," says Mark Jones of Rice University in Houston. Mr Trump has alienated many white Republican women in Texas, and has also pushed away Hispanics, who account for around 40% of the state's population. Long after Mr Trump leaves office, demographic change in Texas will continue to exert an influence on the fortunes of Republicans, as the Hispanic population grows, millennials vote in increasing numbers and people continue to move to Texas from other states, bringing their more liberal politics with them. According to a recent poll by the University of Texas and *Texas Tribune*, more Texans say they would sooner vote for a candidate running against Mr Trump than re-elect the president.

Showing voters that they can bring about change on bread-and-butter issues may help Republicans fend off competition in 2020. Legislators are broadly in agreement that the state needs to do something about property taxes, which have risen considerably as Texas's economy has boomed and pushed up property values. Texas does not have a state income tax, so it relies disproportionately on property taxes to fund schools. But because the property tax is a very transparent levy, voters frequently complain about their high bills.

Mr Abbott has suggested capping the rate by which local governments can raise taxes at 2.5% without a special vote (today, that threshold is 8%); this is probably just a starting point for negotiation. But how the state will manage to reduce property-tax growth rates while doing more to fund public schools equitably and boost their performance—another legislative priority—is unclear. Restricting the ability of local districts to raise revenue when they have so few other sources available to them could damage the state's educational prospects in the long run.

The property-tax issue points to a broader theme in Texas politics: the clash between state and local control. In theory, Republicans tend to be in favour of light-touch regulation and leaving governance and policymaking to local authorities. But as cities have turned into Democratic bastions and forged their own liberal visions for the future, Republicans have changed their stance. For example, last year Austin and San Antonio passed ordinances that require employers to offer paid sick leave. But a bill making its way through the state Senate would hamstring cities' ability to set such policies.

Much is at stake. If Republicans lose the state House, Democrats will have a stronger influence on the redistricting process. (A Democrat-controlled House would presumably not agree with a Republican-controlled Senate plan.) In another twist, next year's election will be the first when "straight ticket" voting (ie, ticking a single box to vote for every candidate from that party on a ballot) is eliminated, thanks to efforts by Republicans in the previous legislative session. Candidates will have to compete more on their own merits rather than rely on party loyalty. This could contribute, sometime between 2020 and 2026, to the end of the Republicans' 20-year dominance of all statewide offices, according to Mr Jones of Rice University.

Democrats are certainly banking on it. This week Nancy Pelosi, the Speaker of the US House of Representatives, travelled to Dallas and Austin and declared Texas "ground zero" for Democratic efforts in 2020. Houston is one of three finalist cities applying to host the 2020 Democratic National Convention; if selected, it would further underscore the Democrats' strategic embrace of the state. Many are waiting to see whether Mr O'Rourke will run for president, joining Julián Castro, a fellow Texan and former mayor of San Antonio, to compete for the Democratic nomination. "South by Southwest", a popular convention in Austin beginning on March 8th, is set to draw other Democratic nominees, including Elizabeth Warren and Amy Klobuchar, who are hoping to drum up support. Those visiting Austin will find it nearly impossible to ignore that prodigious dome, with its faint glow of pink.

This article appeared in the United States section of the print edition under the headline "Twilight in Austin"

Evers so bold

Tony Evers seems to be following Scott Walker's playbook

Democrats are drawing battle lines in Wisconsin

Print edition | United States Mar 7th 2019

Alamy

TONY EVERS, Wisconsin's governor and a former teacher, is so gently spoken you might wonder how he used to hush a class of pesky pupils. A cancer survivor with a shock of white hair, he ran for office promising to focus on "solving problems, not picking fights". His calm manner appealed to many after eight years of Scott Walker—a Republican governor who relished confrontation as he cut public spending and battered unions.

But few fights are now likely to go unpicked in Wisconsin. Mr Evers, who took office in January, has set out a lengthy list of proposals, notably for a two-year budget, that will define much of his administration. There are likely to be months of combat, given the opposition from Republicans who control both the state Assembly and the Senate. The governor will spar, too, for he can veto legislation he dislikes.

Mr Evers is turning out to be more combative than expected. His proposals include legalising medical marijuana and decriminalising its recreational use; boosting renewable energy; withdrawing Wisconsin's National Guard from deployment on America's southern border; and a plan to make it easier for migrants, including the undocumented, to get driving licences and access to higher education. He also wants to scrap a "right-to-work" law that is much-despised on the left because it lets those employed in unionised workplaces avoid paying anything to the union.

He proposes that an independent commission should decide on electoral redistricting after a census in 2020, rather than leaving it as usual to the legislature. The idea is to reduce flagrant gerrymandering that favoured Republicans, who won 63 of 99 Assembly seats in November 2018 despite getting less than half the votes and far fewer than the Democrats. The average voter seems to agree that this is unjust: a recent poll found that 72% support his plan for a non-partisan redistricting body.

Then there are promises of substantial policy change. Over 60% of voters back Mr Evers's promise to expand Medicaid to poor families, something Mr Walker doggedly opposed. Some 75,000 people are expected to benefit. Many also like his plans to spend more, after years of austerity, on roads and education. Meanwhile a 10% cut in income tax is promised for middle-income families, funded by ending part of a tax break for manufacturers. Higher tax on petrol should help state finances, though at present these enjoy a surplus.

What explains Mr Evers's newfound taste for confrontation? Some had expected him to try co-operating with moderate Republicans, given his slender victory last year. Dan Kaufman, author of "The Fall of Wisconsin", a damning and entertaining account of Mr Walker's eight years, instead sees a reckoning under way as Mr Evers undoes the many changes of recent years. “People misread his temperament for his policy agenda—he doesn’t do fiery rhetoric, but he is from a good-government tradition of progressive ideas,” he says.

Mr Kaufman adds that Wisconsin Democrats like boldness, noting that many are populists who backed Bernie Sanders in 2016 (voters in 71 out of 72 counties preferred him to Hillary Clinton in the primary). And any urge to be conciliatory was undermined when Republicans broke a democratic norm last year, by passing laws aimed at curtailing the power of the incoming governor after their candidate lost.

Such behaviour invites retaliation. Barry Burden at the University of Wisconsin in Madison sees Mr Evers learning from Mr Walker in pushing several controversial plans early, when his mandate is strongest. “It seems so dramatic and with many moving parts it is hard to focus, as the opposition,” says Mr Burden. In the turmoil some measures—such as spending on education and roads, plus Medicaid expansion—may pass as the opposition concentrates on blocking more controversial plans.

Fierce partisan scraps can bring other benefits, argues Philip Rocco of Marquette University. They help to remind Democrats nationally to pay sufficient attention to the state. Locals this week waited anxiously to hear if Milwaukee will host the Democratic National Convention next year.

That would be interpreted as a signal that the Midwest won’t be forgotten in 2020. Mr Trump was not popular in Wisconsin in 2016: he won fewer votes than Mitt Romney had managed four years earlier. Nonetheless he carried the state, by a sliver. A long and noisy battle in Wisconsin state politics could spur Democratic supporters to rally around Mr Evers first, and a presidential candidate later.

This article appeared in the United States section of the print edition under the headline ”Evers so bold”

Day care for all

The right way to help poor children and their mothers

Why cash beats government-funded childcare

Print edition | United States Mar 7th 2019

DANIEL PATRICK MOYNIHAN, the sociologist and senator who died in 2003, once said that America's longstanding preference for bureaucratic social services for the poor over simply handing them cash was like "feeding the sparrows by feeding the horses". The universal child-care plan offered by Elizabeth Warren, a senator from Massachusetts and Democratic candidate for 2020, falls into such a snare. Given the cost of American child care, which is the least affordable among developed countries, some plan is clearly needed. Her ambitious proposal calls for publicly funded child-care centres nationwide, which would be free to those making less than 200% of the poverty line (or $51,500 for a family of four) and cost no more than 7% of income for those above it. The complicated infrastructure it envisions would be less efficient than simple cash transfers to poor families with children—and would give uncertain returns.

In the late 1990s, the Canadian province of Quebec introduced a universal child-care scheme backed by large subsidies—out-of-pocket costs were limited to $5 a day. When social scientists tracked the life outcomes for the children and parents who took part in the programme, the results were unexpectedly terrible. Children came out no cleverer and with worse health, life satisfaction and rates of criminal offence. Although women worked more, the taxes generated on their additional labour fell far short of the costs of running the programme. Studies of European programmes have found more positive results, but the outcomes of the recent experiment in North America are troubling. "It tells us that a poorly funded programme that was rapidly rolled out did not generate the benefits that were promised," says Amitabh Chandra, a professor of economics at Harvard. And "we have a history of underfunding programmes in the US when they disproportionately benefit the poor."

In practice, the universal child care envisioned by Ms Warren would operate as more of a middle-class entitlement than a well-targeted anti-poverty programme. The costs of child care vary enormously by place. In Washington, DC, it costs around $22,000 a year. Assuming identical costs, Ms Warren's plan would grant a well-to-do professional couple in the city making $150,000 an $11,500 subsidy to deposit Junior in day care. And although it is true that a poor working mother would receive the same service free of charge, the public costs of looking after her child might well exceed her annual earnings. Giving even a fraction of that amount in cash to mother and child would probably be better for both.

Poor and ethnic-minority mothers are also less likely to use formal day-care centres in the first place. They tend to stay at home to look after children or to use informal child care, such as relatives. "There's this amazing tone-deafness to the cultural implications. It's not just a technocratic policy to close the female wage gap or to grow the earnings of kids," says

Sam Hammond of the Niskanen Centre, a think-tank. The Quebec experiment showed a significant crowding out of informal child-care arrangements in favour of cheap, government-run facilities.

Ms Warren herself once grasped this conundrum. In her book "The Two-Income Trap", co-written with her daughter in 2003, she dismissed the "sacred cow" of free day care. "Subsidised day care benefits only some kids—those whose parents both work outside the home. Day-care subsidies offer no help for families with a stay-at-home mother," Ms Warren wrote then. She also recognised its possible exacerbating effect on inequality. "Every dollar spent to subsidise the price of day care frees up a dollar for the two-income family to spend in the bidding wars for housing, tuition, and everything else," she continued.

A better way to reduce child poverty is to provide a basic monthly child allowance which could be spent on food, rent or formal child care. Michael Bennet and Sherrod Brown, two Democratic senators, have proposed paying families $250-300 per child each month—which would cut the child-poverty rate by almost half, and at the same cost as Ms Warren's plan. If child care is to be subsidised, it is probably better done through means-tested tax credits. Sadly, the phrase "fully refundable child tax credits" does not stir the soul of Democratic primary voters quite like "universal child-care" does.

This article appeared in the United States section of the print edition under the headline "It takes a government child-care centre"

Scourge upon scourge

Amid the opioid crisis, a different drug comes roaring back

Deaths caused by meth use have risen 18-fold this decade

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LONDON BREED, the mayor of San Francisco, recently announced a new drugs task-force, which is the kind of thing mayors do. This task force, though, was unusual because it was not aimed at opioids but at methamphetamine. In 2017 meth overdoses killed 87 people in the city, more than twice as many as heroin. Open-air dealing, uninterrupted by the police, is a common sight in the poor Tenderloin district. Use is widespread among the city's many homeless. Because the drug induces aggression, frenzy and paranoia, passers-by often feel unsafe. Half the people now admitted for psychiatric emergencies to the city's general hospital are suffering from the effects of meth-induced psychosis.

The problem is not confined to San Francisco. Although politicians and journalists are understandably transfixed by the 50,000 people killed by opioids each year, the rise in meth-overdose deaths has attracted less attention (see chart). In 2000 only 578 Americans died of an overdose. By 2017, deaths had increased 18-fold to 10,333 people. Meth addiction mostly afflicts western and south-western states like Arizona, Oklahoma and New Mexico, where fentanyl and heroin deaths are less common than in the east. For that reason, states tend to either have a meth problem or an opioid problem—with the exception of West Virginia, which leads the nation in overdose deaths for both.

The Economist

Much of this deadly surge is caused by supply. Little meth is now made in America. The number of domestic meth labs busted by police dropped from 15,000 in 2010 to 3,000 in 2017. Most of these are amateurish operations that cops call "Beavis and Butthead labs", incapable of producing more than two ounces of the stuff per batch. "Mexican cartels dominate the market. They manufacture meth in superlabs across the border," says Chris Nielsen, the special agent in charge of the Drug Enforcement Administration's (DEA) San Francisco division. Left unmolested, the chemists have perfected their technique. The purity of Mexican-produced meth has surged from 39% in 2007 to 97% today. At the same time, competition between cartels has increased supply, quartering prices. "They're becoming more brazen now. The loads are becoming bigger," says Mr Nielsen. His division seized 830kg of meth in 2018—47% more than the year before.

Another reason for the meth surge is the growth of so-called polydrug abuse. Half of those who died of meth overdoses in 2017 also had opioids in their system. Users usually have a drug of choice—opioids, which numb feeling, or stimulants such as cocaine and meth. When they cannot cheaply or easily obtain their preferred hit (or if they are afraid that the local batch is tainted), they will often substitute another drug. In robust urban markets, doses of fentanyl-laced heroin or meth can be obtained for as little as $5.

One factor that had limited the spread of meth is that it is a pain to use. Injecting it requires dissolving it in acid and high heat, which then damages veins. Smoking it harms the lungs. But that too may now be changing, as manufacturers are experimenting with putting the drug in pill form. A husband and wife were recently arrested for running a meth-pill operation from their business, a care home in Vallejo, California. They had 31lb of pills embossed with reproductions of American icons like the Kool-Aid man, Tesla and Donald Trump. Widespread introduction of such pills would not just make the drug easier to take; it could also be sold as a party drug to unsuspecting youngsters.

In San Francisco, where the death rate in 2017 was nearly triple the national average, rates of use are especially high among gay residents, who take it as a party drug, and the homeless. Its cheapness has accelerated "a problem that has existed for decades among the LGBT community around meth use," says Raphael Mandelman, a member of the city's board of supervisors. It is also used by "folks who are homeless who are trying to get through a cold night or stay awake," he says.

Like opioids, meth is highly addictive and difficult to quit. But unlike opioids, it lacks effective pharmacological treatments. There is no approved medication-assisted treatment for addiction which substantially decreases the chance of relapse. There is also no equivalent of naloxone, a life-saving drug that reverses an opioid overdose. Meth kills by overloading blood vessels, eventually resulting in aneurysms, heart failure and strokes. As a result, longtime older users are likeliest to die—in San Francisco, the average age of those who die of a meth overdose is 49.

All this makes treatment difficult. One 12-week programme run by the San Francisco Aids Foundation has found success by giving gift cards of small value to people as a reward for negative drug-test results. After completing the programme, 63% of participants stopped using meth. The city has at least managed to sidestep some of the most serious health consequences of injection drug use—increased transmission of hepatitis C and HIV—by providing clean syringes. Last year it dispensed 5.3m clean needles, or six per resident.

This article appeared in the United States section of the print edition under the headline "Scourge upon scourge"

The look-homeward angle

African-Americans are the Democrats' most loyal constituency

They are now at the centre of the party's strategy

Print edition | United States Mar 7th 2019

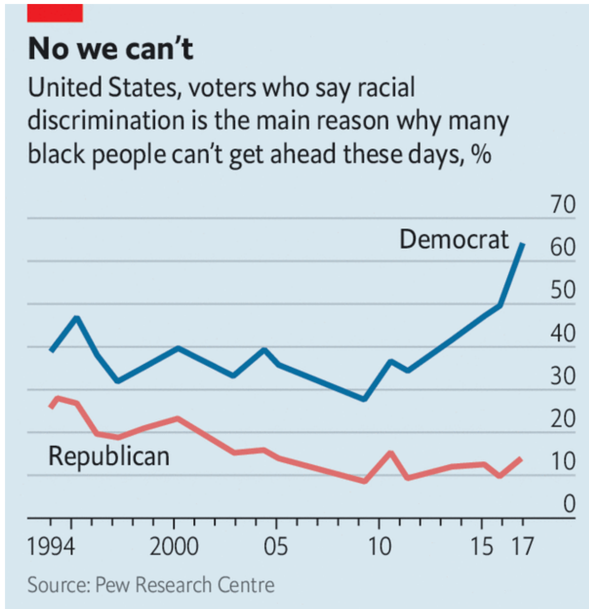
Alamy

"THERE IS NO such thing as a base voter," says Stacey Abrams, who last year came closer than any Democrat this century to becoming Georgia's governor. Ms Abrams embraced identity politics—she contributed an article to the current issue of *Foreign Affairs* entitled "Identity politics strengthens democracy"—and made registration and mobilisation of young and non-white voters central to her campaign. "To win we had to activate voters [in] communities that had been discounted because they were seen as not viable. Republicans didn't worry about them because they could never win. And Democrats didn't engage because they didn't vote."

In purely strategic terms, it is not obvious that Democrats need make a special effort to court black voters. The last Republican to win a majority of their votes was Herbert Hoover, in 1932. No American ethnic group is as reliably and deeply partisan. Since 1964—when Republicans nominated Barry Goldwater, who voted against that year's Civil Rights Act—no Democratic presidential candidate has captured less than 80% of the black vote.

This loyalty leaves many African-Americans feeling taken for granted, as though Democrats have not so much courted their votes as assumed they will show up. "What we've seen in the past," explains DeJuana Thompson, whose group Woke Vote helped propel Doug Jones to victory in Alabama's Senate race in 2017, is "candidates who show up in black churches two weeks before" election day, expecting parishioners to "trust, vote, and get out and work for their campaigns for free."

Things are different as the Democratic Party's marathon primary gets under way. Not only are two African-American senators, Cory Booker and Kamala Harris, among the top tier of Democratic candidates. Both they and their rivals have discussed racism and racial inequities openly, in ways that previous Democratic candidates have shied away from. The Democrats' directness about race reflects both shifting priorities within their coalition and a tactical bet on how to best mobilise and expand their base.



The Economist

As recently as the primaries of 2008, when Barack Obama was picking up delegates thanks to his strength with African-Americans and white progressives, Hillary Clinton was appealing to "hard-working Americans, white Americans". Such rhetoric would be immediately disqualifying for a Democrat today. As whites without a college degree have left the party, the Democratic coalition of well-educated whites with members of ethnic minorities has grown more unified around questions of racism. In 2009 just 28% of Democrats agreed with the statement "Racial discrimination is the main reason why black people can't get ahead these days"; by the summer of 2017, that share had risen to 64% (see chart).

Rhetoric from the party's candidates reflects that consensus. Elizabeth Warren mentioned racial wealth gaps in the first minute of her campaign announcement. Soon after Kirsten Gillibrand announced, she acknowledged "systemic, institutional and daily individual acts of racism", and decried racial income gaps, as did Ms Harris in her announcement speech, along with the state of criminal justice and police killings of young black men. Cory Booker backs "baby bonds"—a plan to give each child $1,000 at birth, followed by annual payments, tailored to family wealth, until the child turns 18—as a way to narrow the racial wealth gap. Ms Harris, Ms Warren and Julián Castro, a former mayor and cabinet secretary also seeking the nomination, have all endorsed some form of reparations for slavery, but have all stopped short of calling for direct financial transfers.

Some might consider these positions pandering. But as Leah Wright-Rigueur, a Harvard professor who wrote "The Loneliness of the Black Republican" notes, voters might ask, "Do I really care that they're pandering? Maybe I want to be pandered to. Republicans pander to their base all the time."

The tactical bet, that lots of people who have not voted before can be led to the polls, is one that Ms Abrams and Andrew Gillum made in their governors' races, in Georgia and Florida respectively. According to this theory, the limited time and energy of a campaign is better spent mining untapped black voters than trying to win back wavering white ones. Some fear this strategy may turn off white voters, who still comprise a majority of the electorate. After all, both Ms Abrams and Mr Gillum lost—the latter in a swing state, in a year that was otherwise favourable to Democrats.

That suggests the bet may be mistaken. It may also be a category error. When it comes to issues, black Democrats are not very different from Democrats of other hues. Criminal-justice reform, investing in public education and expanding access to health care all have particular appeal to black voters, who bear the brunt of mass incarceration and poor schools. They also appeal to Democratic voters of all stripes. Ultimately, says Gilda Cobb-Hunter, a state representative from South Carolina, black Democrats are looking for the same thing as every other Democrat. "In the past it's been kind of like a beauty contest: who's speaking to your heart. But what I'm picking up now is a real sense of, 'I want a winner'. And the winner is going to be the candidate who can beat 45."

That candidate need not be black to win black votes. But he or she will need to court their support more vigorously than in past cycles. That is not only an acknowledgment of past oversight. Ms Abrams argues it will, be "cost-efficient. These communities are already tilted toward the value system and policies of Democrats. The mission isn't to get someone to change their ideology. The mission is to get them to act on their beliefs."

This article appeared in the United States section of the print edition under the headline "The look-homeward angle"

Lexington

The Trump administration and the Indo-Pakistan crisis

How America First works in Kashmir

Print edition | United States Mar 7th 2019

FOREIGN POLICY savants had long worried about what Donald Trump's administration would do when faced with its first global crisis. Yet when the metaphorical "3am call" came last month, relaying news of the slaughter of 40 Indian policemen by a Pakistani militant group, months away from an Indian general election, the administration's initial response was to roll over and go back to sleep. This Indo-Pakistan confrontation, which included tit-for-tat air strikes across their border in Kashmir, is the first such crisis in which America has not played a leading role since both countries tested nuclear weapons in 1998.

Previous crises, similarly sparked by attacks on India by jihadists connected to Pakistan, prompted high-powered American delegations to rush to both countries: for example in 2001 and 2008. They also involved the president directly—including in 1999 when Bill Clinton harangued Nawaz Sharif to end a small war Pakistan had launched in Kashmir. By contrast, neither Mr Trump nor Mike Pompeo, the secretary of state, appear to have paid much attention to the early stages of the current crisis. The initial American response consisted of a phone call by John Bolton, the national security adviser, to his Indian counterpart, Ajit Doval, in which he was reported in India to have acknowledged India's right to "self-defence" against "cross-border" terrorism. Mr Trump later said he understood India was "looking at something very strong". This was tantamount to an American green light for the Indian air strikes that followed, which were the first by either country since the 1971 war that led to the division of Pakistan. Only afterwards did Mr Pompeo issue the customary plea to both sides for restraint.

In part, this reflects America's changing relations with the subcontinent. Until recently it had closer ties to Pakistan, its former cold-war ally and partner, of sorts, in the war on terror. Yet as America's need for the Pakistanis has diminished, with its drawdown in Afghanistan, so frustration with the "international migraine" that is Pakistan, in Madeleine Albright's phrase, has increased. America has meanwhile got much closer to India, which it views as a counterweight to China. Out of respect for an important new partner, whose anger at Pakistan's complicity in jihadist violence it shares, the Trump administration was therefore more content than its predecessors to leave it to India to decide how it wanted to respond to the latest Pakistan-linked attack.

The Obama administration, whose South Asia policies Mr Trump has broadly continued, acted similarly. After jihadists killed 19 Indians in Kashmir in 2016, Mr Obama did not send a heavyweight delegation to the subcontinent either. And in a post-attack call to Mr Doval, Susan Rice, Mr Obama's national security adviser, also omitted the traditional American call for restraint. Mr Obama had reached the limits of his patience with Pakistan. He had also moderated his earlier insistence on the need to resolve the two countries' dispute over Kashmir as a means to ending their nuclear-armed rivalry. So the Trump administration has in a sense merely made Mr Obama's growing partiality for India more explicit. It has shown no interest in the Kashmir dispute, which it says is a matter for the two countries to resolve (or not). In this context, Mr Bolton's tacit support for India's right to launch a retaliatory strike into Pakistan looks not just reckless—though it was that. It looks like a final repudiation of Pakistan's effort to turn any Indo-Pakistani confrontation into an international discussion on the status of Kashmir.

That is logical: India resisted outside advice on Kashmir even when it was far more evenly matched with Pakistan than it is today. Yet the combination of passivity and partiality in the Trump administration's response to this crisis also reflects its broader lack of interest in solving problems abroad. This week the State Department provided another illustration of that, by announcing that it had folded its 175-year-old diplomatic mission to Jerusalem, which had served as a de facto embassy to the Palestinians, into its new Israeli embassy. It suggests America may no longer be committed to a two-state solution to the Middle East conflict.

The main downside to America's retreat from problem-solving is that the world still needs its leadership. It also seems self-defeating. America's efforts to keep the peace have tended to enhance its power. As Jake Sullivan, a Democratic foreign-policy expert, argues, America's claim to have an exceptional responsibility for the global good has helped it win domestic support for the ambitious foreign policy its national interests require. Moreover, if aspiring to global leadership may be irksome, forfeiting it carries costs. Having helped establish a precedent whereby India feels able to launch air strikes on Pakistan in response to a terrorist attack, Mr Bolton has made the prospect of a nuclear exchange in South Asia more likely. Exerting such little pressure on the Israelis to treat fairly with the Palestinians is probably making both sides more radical, and the Middle East less stable.

Mere cash and Kashmir

Another concern is the Trump administration's conception of the national interest. Its management of the State Department, the country's premier foreign-policy institution, has been a fiasco. As the Indo-Pakistan crisis has highlighted, America has no permanent ambassador in Pakistan; nor has it in Egypt, Turkey and Saudi Arabia. It is also, despite the administration's friendliness to India, increasingly incoherent in its approach to the country. This week Mr Trump told Congress he planned to end the preferential trade terms India enjoys with America because of its high tariffs on goods such as whiskey. This is liable to be as damaging to America's reputation in India as Mr Bolton's amenable view of its right to self-defence was helpful. Yet the cost of the trade programme to America, at around $190m a year, is modest. It is the policy of a president compelled by tactics but devoid of strategy. Sun Tzu called that the noise before a defeat.

This article appeared in the United States section of the print edition under the headline "America First in Kashmir"

Mexico
Pesos to the people

Pesos to the people

AMLO splashes the cash in his first 100 days

How Andrés Manuel López Obrador is reshaping the Mexican state

Print edition | The Americas Mar 7th 2019

"POWER STUNS the intelligent and drives fools mad." Andrés Manuel López Obrador, Mexico's president, repeats this adage often, as a rebuke to politicians who promise much and accomplish little. On March 4th, the 94th day of his presidential term, he tweeted the phrase again to show that power has neither stunned nor maddened him, and that he will keep his promise to transform Mexico.

Mr López Obrador, or AMLO, as he is known, has already brought considerable change. He cancelled construction of a part-built international airport, stopped new private investment in the oil industry and shut down fuel pipelines to prevent theft, a measure that caused shortages in much of the country. He has revived Mexico's policy of non-interference in other countries' affairs by recognising Venezuela's left-wing dictator, Nicolás Maduro, rather than the head of its legislature, Juan Guaidó, as the country's president. Most big democracies recognise Mr Guaidó. AMLO has cut the salaries of senior officials and bureaucrats, including his own, and put their cars up for auction. He travels about by commercial airliner.

More than three-quarters of Mexicans like what they see. Nearing 100 days in office, AMLO is more popular than any president at that stage bar Vicente Fox, the first president of the democratic era, in 2001. Although AMLO is restricted to one six-year term, he hopes that his left-wing Movement for National Regeneration (Morena) will be in power for much longer.

His plan to achieve this involves restoring the state to its earlier position as the main underwriter of Mexicans' well-being. Most recent presidents thought that one of its main roles was to create conditions for firms and civil-society groups to provide prosperity and welfare. Enrique Peña Nieto, AMLO's predecessor, invited foreigners to invest in oil and introduced competition in telecoms, which lowered prices. But crime and corruption during his presidency overshadowed those achievements. He left office as Mexico's least popular president. Under AMLO, the state will take the lead, and the credit. However, he must reconcile that ambition with the need to contain spending and avoid budget deficits.

AMLO's statism does not preclude co-operation with the private sector. As Mexico City's mayor in the early 2000s, he worked closely with firms, for example to rebuild the city's centre. Many of the infrastructure projects he plans, such as the "Maya train" through the south, will need private or foreign finance. But no one will doubt that the train comes from him.

AMLO has begun by giving more money directly to individuals. His government has doubled pension benefits and made more people eligible for them. It set a minimum price for beans grown in the state of Zacatecas. Eventually, most major crops across Mexico will have support prices. The government will give scholarships and grants to 2.3m young adults. To maintain a budget surplus, AMLO has slowed the introduction of these programmes, for example by raising pensions for city-dwellers over 68, not 65 as he had hoped.

Where non-state groups spend the government's money to promote its goals, AMLO wants to cut out the middleman. Ministers are forbidden to channel money through "intermediaries" such as contractors, trade unions or NGOs. Under Mr Peña, some 10,000 civil-society groups got 30bn pesos ($1.6bn) over six years; more went to contractors, child-care providers and other "parallel structures", as AMLO calls them. Much of their money has ended up in the pockets of politicians' cronies, he contends. Now all government support "will be delivered directly to the beneficiaries". This has a political pay-off. "Voters will say: 'AMLO gave me this money,'" notes Luis de la Calle, an economist.

Change is coming to child care. The "children's room" programme created by Felipe Calderón, president from 2006 to 2012, pays 950 pesos a month per child to women who provide day care in their neighbourhoods, often their homes. Some 300,000 mothers use the programme. Many do not realise that the state is subsidising the bill. AMLO plans to correct this (and save some money) by paying mothers 800 pesos a month directly.

The pesos-for-the-people approach may not always help its intended beneficiaries. AMLO said he would end subsidies for women's shelters but failed to explain how he would give money to victims of domestic abuse. After an outcry, he retreated.

Seeming generous will sustain his popularity only if he keeps other promises, especially to reduce crime and corruption, and keep the economy strong. His *dirigisme*, and his suspicion of independent institutions, may make that harder.

There is no sign yet that the murder rate, which last year was higher than in Colombia and Brazil for the first time, is on its way down. AMLO's big idea for reducing it is setting up a national guard, which is to have 150,000 members by 2024. This may help, but it will not compensate for failures of state and local police. AMLO has resisted the appointment of an independent anti-corruption prosecutor. Any scandal would undermine his claim that his honesty alone will inspire probity in others.

The biggest threat to his popularity is the economy. The central bank has revised its projection of GDP growth for this year down from 2.2% to 1.6%. Foreign direct investment in the last quarter of 2018 was 15% below its level a year before, partly because investors distrust AMLO and because American tax cuts make investing at home more attractive for American firms.

AMLO has failed to convince investors that he will solve the problems of Pemex, the state-owned oil giant, which provides a fifth of government revenue but has an alarmingly high debt. That puts Mexico's investment-grade credit rating at risk. On March 2nd S&P Global, a rating agency, downgraded the outlook for Mexico's sovereign debt from stable to negative. A recession in the United States next year, which some analysts deem likely, could cause one in Mexico. That would spell trouble for a president who needs growth to pay for his social programmes.

But for now, millions of Mexicans are cheering a windfall, and the president, just as he hopes. Marcos Velázquez, a repairman in Mexico City, says his mother has just seen her pension double. They both voted for AMLO, and do not regret it. Unlike the politicians of the past, Mr Velázquez says, AMLO has brought "real change".

This article appeared in the The Americas section of the print edition under the headline "Pesos to the people"

Trudeau's troubles

A scandal threatens Canada's prime minister

Justin Trudeau's inept handling of explosive allegations prompts a second minister to resign

Print edition | The Americas Mar 7th 2019

AT A CAMPAIGN-STYLE rally in Toronto on March 4th, Justin Trudeau, the Canadian prime minister, began his speech on a downbeat note. Although the purpose of the rally was to tout the climate-change policies of his Liberal government, Mr Trudeau had to start by acknowledging that he had lost one of his most respected ministers. Hours before he took the podium, Jane Philpott quit as head of the Treasury Board, which oversees government spending. Her departure was an expression of dismay at Mr Trudeau's handling of the worst scandal to befall his government since it took office in October 2015. Two members of his cabinet and his closest aide have resigned so far. His fans' cheers in Toronto could not disguise the fact that his government is in crisis. Mr Trudeau's hope of re-election in October this year has been dented.

The controversy has raged since February 7th, when the *Globe and Mail*, a newspaper, published a report alleging that Mr Trudeau and his aides had put improper pressure on the justice minister and attorney-general, Jody Wilson-Raybould. Quoting unnamed sources, the report said that Mr Trudeau and his team wanted Ms Wilson-Raybould to decide against the prosecution of SNC-Lavalin, a Quebec-based construction firm, on charges of bribing officials in Libya when the country was ruled by Muammar Qaddafi. They pressed her to offer instead a deferred-prosecution agreement, in which the firm would have acknowledged wrongdoing and paid a large fine. When she resisted, Mr Trudeau demoted her to minister of veterans' affairs, the newspaper claimed.

Ms Wilson-Raybould quit the cabinet on February 12th. Her own account, in testimony before the House of Commons' justice committee two weeks later, largely backed the newspaper's. She testified that in meetings and phone calls Mr Trudeau and his officials repeatedly urged her to block a prosecution. Gerald Butts, the aide who resigned, disputed her account in testimony on March 6th, saying that he had asked her only to consider the consequences for 9,000 SNC-Lavalin workers.

Mr Trudeau's defence has been feeble. He moved Ms Wilson-Raybould, he said, because another minister's retirement had opened a spot that he needed to fill. Few Canadians believe that. Mr Trudeau admits to talking to her about the case. But he insists he did nothing unethical and points out that he did not order her to change her decision. The prosecution is going ahead. Ms Philpott's resignation undermined those arguments. The "independence and integrity of our justice system" is at stake, she wrote in her resignation letter. As *The Economist* went to press Mr Trudeau was expected to explain further at a press conference.

"There's no easy way out of this for the government," says Darrell Bricker of Ipsos, a pollster. Most Canadians think Ms Wilson-Raybould's story is more believable than the prime minister's, polls show. Even though no one is accusing Mr Trudeau or his aides of doing anything criminal, the scandal has tarnished the Liberals' image as "prince charmings who can do no wrong", in the phrase once used by an opposition politician. Andrew Scheer, the leader of the Conservative Party, has demanded Mr Trudeau's resignation. Groups representing women and indigenous Canadians are angry at his treatment of a female minister with aboriginal roots.

Mr Trudeau's career is by no means finished. The Liberals' lag in the polls is so far small. Neither Mr Scheer nor Jagmeet Singh, the leader of the left-wing New Democratic Party, looks to most Canadians like a credible prime minister. And voters have reasons to back the one they have. The unemployment rate of 5.8% is close to a 40-year low. Economic growth has been strong, though it is starting to weaken. That, plus the introduction of a child benefit in 2016, has led to a drop in poverty.

Most important for Mr Trudeau is that the remaining cabinet ministers have pledged to stick by him. Another high-profile resignation could be fatal.

This article appeared in the The Americas section of the print edition under the headline "The troubles of Trudeau"

History with a beat

Carnival history lesson

A parade honoured forgotten black and indigenous heroes

Print edition | The Americas Mar 7th 2019

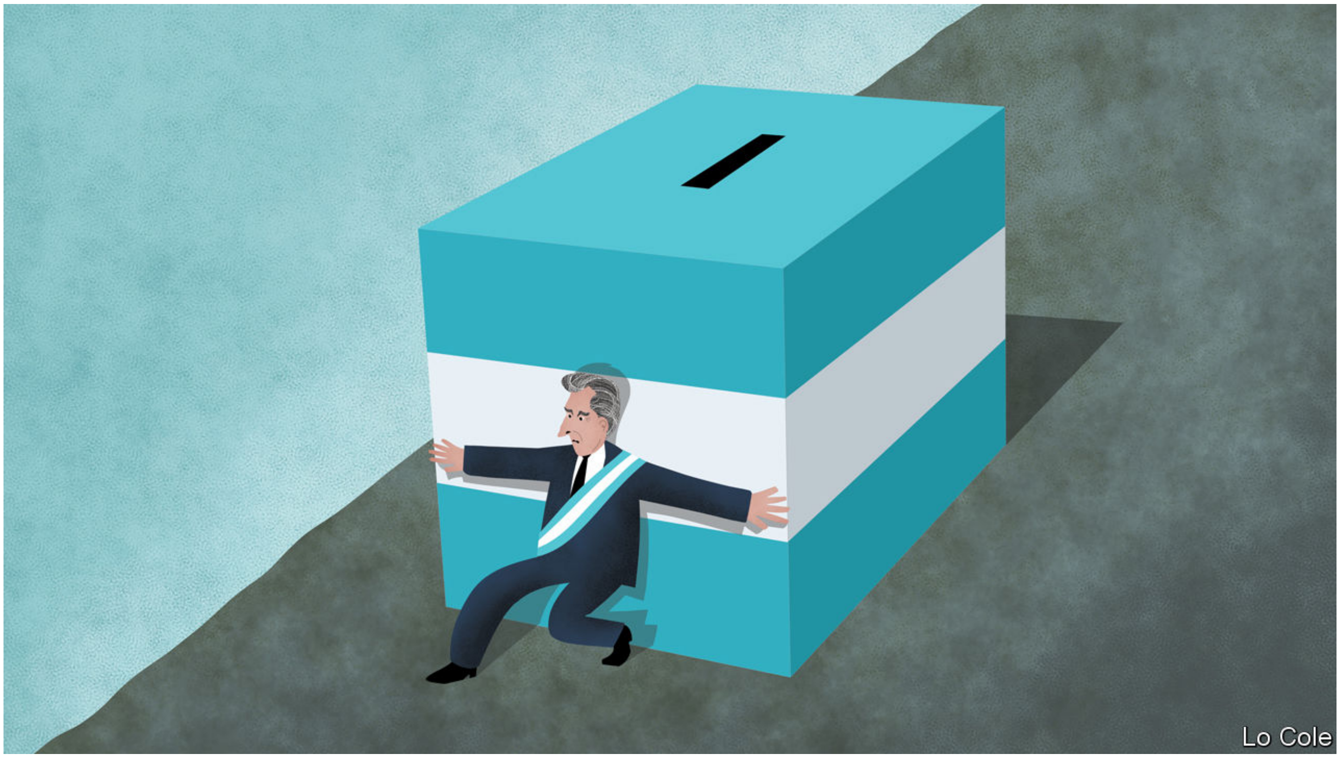
THE MANGUEIRA SAMBA samba school won Rio de Janeiro's Carnival competition for the 20th time. This year's parade and theme song were a drum-blasted history lesson celebrating largely forgotten black and indigenous heroes, including Dandara, a colonial-era warrior who chose suicide over slavery. Also honoured was Marielle Franco, a gay Rio city councilwoman who was murdered in March last year. "I've come to protest, not to parade," her widow said.

Bello

Mauricio Macri's long odds

In his bid to win a second term, Argentina's president is defying history

Print edition | The Americas Mar 7th 2019



THESE HAVE been difficult days for Mauricio Macri, Argentina's president, and not just because his father, a businessman from whom he was often estranged, died on March 2nd. The previous day he had delivered his annual message to congress, in which he was forced to eat his words. A year ago he had told Argentines that "the worst is over". Since then the peso has lost half its value, inflation is close to 50% a year, interest rates have soared and the economy has fallen into recession. In return for a $57bn bail-out from the IMF, an institution reviled by many Argentines, Mr Macri has pledged austerity to eliminate the primary fiscal deficit (ie, before interest payments) this year. "Many are going to think, 'I am worse off'...and they are right," the president admitted.

Despite all this, Mr Macri, a reformist of the centre-right, is poised to seek a second term at an election in October. That looks quixotic. Even if the economy starts to pick up, as officials insist it will, it will be a while before the average voter feels the benefit. While accepting responsibility for the setback, in his speech the president laid much of the blame on the mess he inherited from Cristina Fernández de Kirchner, a populist Peronist, and on circumstances. A rise in interest rates in the United States prompted investors to jib at financing Mr Macri's gradual fiscal adjustment. To cap it all, drought last year cut Argentina's exports of farm goods—its mainstay—by some 20%.

Although the government made mistakes, too, these are good excuses. But Latin America's recent political history suggests they won't wash with voters. In a paper published in 2015 Daniela Campello and Cesar Zucco of the Fundação Getulio Vargas, a Brazilian university, analysed 107 presidential elections in the region between 1980 and 2012. They found that in countries that relied on commodity exports and had low domestic savings (and thus high dependence on international capital flows) "voters reward incumbents who rule when international interest rates are low and commodity prices are high." They punish leaders when the opposite applies. Since neither world interest rates nor commodity prices are under the control of a Latin American government, these results show that "voters do not separate chance from competence when evaluating their presidents," the authors conclude.

The drought during Mr Macri's presidency had the same effect as a fall in commodity prices. Argentina's recent history offers him only faint hope. In 2001-02 a severe recession prompted a change of political control. Economists at J.P. Morgan, a bank, expect a quicker recovery now than back then, starting in the next three months. But they expect the recovery to be slower than that from an earlier recession in 1994-95, during which Carlos Menem, who undertook drastic free-market reform, romped to a second term.

In his speech to congress, Mr Macri laid out his pitch. Casting off his customary icy languor, he found an unsuspected inner passion as he invited voters to take a longer view and to reject the legacy of Ms Fernández's government, with its corruption, fiscal tricks and hidden inflation. "Argentina is better placed than in 2015," he said. "We've left the swamp." Lasting change requires patience, he stressed. The institutions of democracy are stronger, corruption is being punished and more infrastructure is being built without padded contracts. "We Argentines have matured," Mr Macri insisted, and will thus recognise all this.

Perhaps. "Something very unusual has happened," says Carlos Malamud, an Argentine historian. "While the economy remains very important, it's not decisive for voters." Although Mr Macri's approval rating has fallen to 34%, from 48% a year ago, it has not collapsed. The other issues do matter, especially if his chief opponent is Ms Fernández, as is possible. She faces several corruption cases in the courts. Many Argentines "would hold their nose and vote for Macri to stop Cristina coming back", says Mr Malamud.

A moderate Peronist, of whom there are several, would be a tougher opponent. Primaries on August 11th will be unusually important in clarifying Mr Macri's chances, as will several provincial elections before then. It is vital for him that the economy does not get worse, as it might if political uncertainty starts putting renewed pressure on the peso. It helps that he is an effective campaigner, as he showed when pulling off an unexpected victory in 2015. Repeating that would deserve to be called historic.

This article appeared in the The Americas section of the print edition under the headline "Against the odds"

Uzbekistan
No inspectors call

No inspectors call

Uzbekistan embarks on unexpected economic reforms

Government officials are forbidden from harassing small businesses

Print edition | Asia Mar 7th 2019

WHEN MINISTERS from faraway countries tour Western financial centres to tout their plans for economic reform, their presentations are often drearily predictable. There is typically lots of talk about "fiscal consolidation", improvements to infrastructure and the soundness of the banking system. Not Djamshed Kuchkarov, finance minister of Uzbekistan: he is proudest of what his government is not doing. The most important economic reform since Shavkat Mirziyoyev succeeded Islam Karimov as president in 2016, he says, is a three-year moratorium on inspections of businesses by meddling government officials. Government could do the businessmen of Uzbekistan no greater favour, he implies, than getting out of their way and letting them get on with things, without fear of extortion.

In a region full of state-dominated, bureaucratic, corruption-riddled economies, it is a revolutionary thought. Mr Karimov was already running Uzbekistan when it became independent from the Soviet Union in 1991. He preserved all sorts of Soviet economic policies, including an inflated official exchange rate, currency controls and an enormous role for the state in industry and farming. To that he added such standard post-Soviet abuses as the abrupt expropriation of any private business that looked worth seizing.

Few had expected Mr Mirziyoyev to change much of this. He had, after all, served as Mr Karimov's prime minister for 13 years. But since coming to power he has methodically set about renovating the economy, as well as initiating more limited political reforms. Uzbekistan, with 32m people, is the most populous country in Central Asia. Until recently, it was also one of the region's most stagnant and repressive—in a competitive field. Overnight, it has become a showcase for reform.

Mr Mirziyoyev has sharply devalued the currency, the som, bringing the official and black-market rates into alignment. Exporters are no longer required to sell a quarter of their foreign-currency revenue to the government. This is important not just to cross-border businesses, Mr Kuchkarov argues, but also to ordinary Uzbeks, since the past shortage of hard currency had led to a shortage of cash, as businesses hoarded notes with which to buy dollars on the black market. That had left pensioners and salaried workers struggling to cash their monthly bank transfers.

Mr Kuchkarov also trumpets the government's decision to allow petty traders to cross the country's previously closed borders, which he says is spurring cottage industries in areas like the Fergana valley, where Uzbekistan, Kyrgyzstan and Tajikistan intertwine. The area's arbitrary Soviet-era borders had separated many families, who are delighted by the new opening. Yuliy Yusupov, an economist based in Tashkent, Uzbekistan's capital, likens the effect to the fall of the Berlin Wall. The authorities have approved the first flights in 25 years between Tashkent and Dushanbe in Tajikistan. "Connectivity" is a buzzword for the government, which recently hosted a conference on improving regional infrastructure and economic co-operation. The opening is already yielding benefits: trade with the rest of Central Asia has risen by half since 2017.

Uzbekistan has leapt up the World Bank's ease of doing business rankings, from 166th in 2012 to 76th this year. The government has greatly simplified the tax code, to turn it into a mechanism for actually collecting tax, rather than bribes. It is also restructuring state-owned enterprises, with a view to their eventual privatisation. The management of airports and the state-owned airline is being separated, for example, as are the generation, transmission and distribution of electricity. In February Uzbekistan sold its first dollar-denominated bond, partly to set a benchmark for borrowing by local companies. It yields 5.4% over ten years, and was heavily oversubscribed.

In Tashkent there is a palpable sense of optimism. The investment climate has improved "big time", says Igor Kolesnikov of British American Tobacco's Uzbek unit: "In the past it was very difficult to understand the rules of the game, but these days the situation is much healthier." The reforms are "super for business", enthuses an entrepreneur who imports timber from Russia.

But as the bond prospectus noted, the immediate impact of all the upheaval is to hamper the economy. Inflation has jumped to 14%, thanks to the devaluation of the som. GDP growth has slowed from 7.9% in 2015 (suspiciously, it always grew by about 8% under Mr Karimov) to 5.1% last year. Unemployment has also risen.

Investors remain wary. They especially distrust the courts, which readily endorsed past expropriations. The government has stopped the most blatant forms of cronyism, such as handing out the right to import certain goods duty-free to those with friends in high places. But potential conflicts of interest endure: Tashkent's mayor, for instance, owns a company that has invested in construction projects in the city.

The government has largely stopped forcing everyone able-bodied into the fields to help harvest cotton. But farmers are treated "like serfs", says Mr Yusupov. Rules obliging them to grow cotton and sell it to the state at fixed prices endure.

The true accountability that business requires to flourish is still absent. Mr Mirziyoyev has created limited space for public debate, releasing some political prisoners and tolerating a degree of criticism. Forced evictions and demolitions of homes to make way for big construction projects currently under way in Tashkent, for instance, have led to widespread condemnation—something Mr Karimov would have stamped out. But Uzbekistan still lacks opposition parties and free media.

Just how far Mr Mirziyoyev's reforms will go is a burning question. There is no indication that genuine democracy is on offer. Even economic reforms are bound to prompt resistance from entrenched elites. But the fact that any reforms are being undertaken at all is a big step forward.

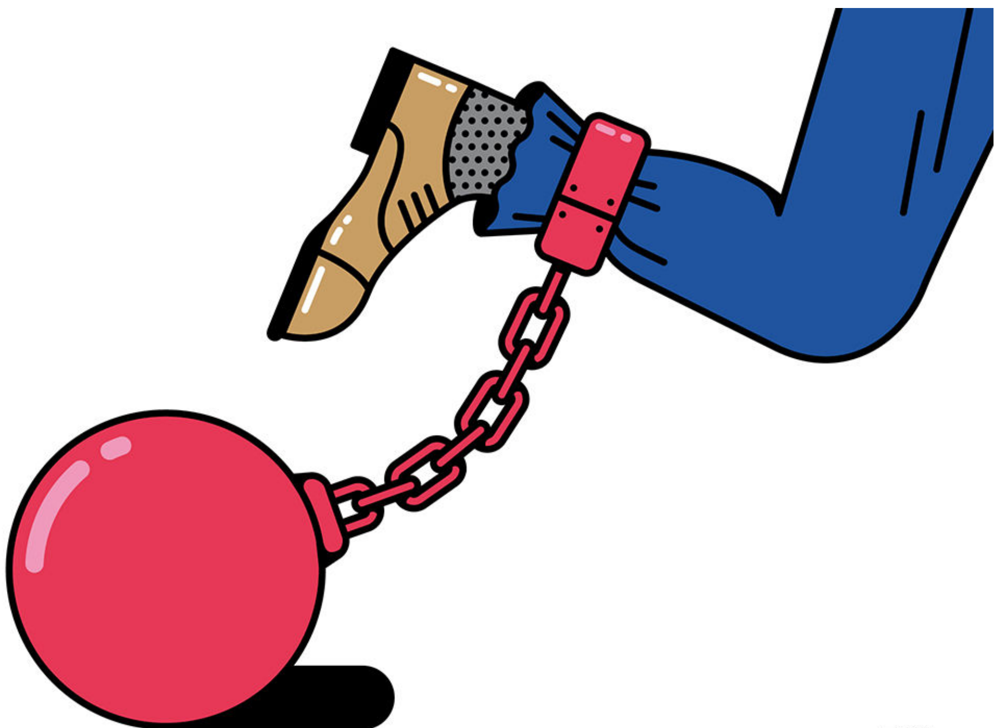
This article appeared in the Asia section of the print edition under the headline "No inspectors call"

Banyan

Whatever Carlos Ghosn's misdeeds, Japan's openness is also on trial

Hostage justice is not the only problem

Print edition | Asia Mar 7th 2019



Till Lauer

AFTER 108 DAYS in detention, Carlos Ghosn, the former chairman of Nissan, was this week granted bail by a Tokyo court while he awaits trial on charges of financial misconduct. In Japan Mr Ghosn was once a business megastar for having rescued the giant carmaker from bankruptcy in the late 1990s. He was the hero in a manga series. When polled, many Japanese even thought the French-Lebanese-Brazilian should be running the country.

Mr Ghosn's world changed on November 19th when prosecutors, television cameras in tow, met his private jet on arrival in Tokyo. Prosecutors accuse him of understating his income and allege he improperly offloaded personal foreign-exchange losses via a Nissan subsidiary. He disappeared into an unheated cell, to be interrogated without lawyers and receive only fleeting visits from family. To secure convictions, Japan's system of justice depends heavily on confessions procured during long, isolating detentions. But Mr Ghosn has refused to confess. He says he has done nothing that Nissan did not approve.

Critics claim that, as a foreigner, Mr Ghosn has been singled out for treatment akin to a Stalinist show trial—right down to character assassination by a rabid press corps. That is not true. Mr Ghosn's long pre-trial detention is far from unique. After his refusal to confess, Nobumasa Yokoo was detained for 966 days on charges of helping Olympus, a manufacturer of optical equipment, cook its books. The international fuss around Mr Ghosn may even have made the courts more lenient. It is extremely rare to get bail without confessing. Even then, Mr Ghosn had to post ¥1bn ($9m) and submit to surveillance cameras at his home.

Despite Japan's "hostage-based" justice, in which innocents have been convicted on the basis of confessions obtained by relentless interrogation, other aspects of its justice system are admirable. Overall, it throws far fewer people in prison than most developed countries: 41 out of every 100,000 people, compared with 139 in Britain and 655 in America. First-time offenders often get another chance. Recidivism is low.

Yet Mr Ghosn's nationality is far from irrelevant. Stephen Givens, an American lawyer practising in Japan, says the timing of the arrest is "not coincidental". Mr Ghosn was also boss of Renault, which bailed out Nissan 20 years ago in return for a 43.4% stake. Nissan's Japanese executives have resented its subsequent transformation into Renault's cash cow. Nissan had maintained its formal independence in an alliance that also includes Mitsubishi, a smaller Japanese carmaker. Yet the bridling executives surmised Mr Ghosn was working towards a merger of Renault and Nissan. To many in the Japanese establishment, a foreign car company (in which the French state has a stake) owning one of Japan's most prominent manufacturers is beyond the pale. This week the *Financial Times* disclosed that Nissan executives persuaded the government of Shinzo Abe to lobby its French counterpart against a merger.

All this has a bearing because, extraordinarily, it is Nissan executives who are supplying prosecutors with much of the evidence on which they are basing their case. Nissan is also spinning the press against its former boss. Yet it beggars belief that other executives were not aware of Mr Ghosn's remuneration schemes. And if they were not, what does it say about them, and the company's oversight?

Such questions are scarcely aired in the mainstream Japanese media. And for now, the odds favour the prosecutors, with an average 99.9% conviction rate. Whatever his alleged crimes, tales of Mr Ghosn's sense of entitlement are losing him supporters. A Marie Antoinette-themed wedding reception in Versailles, underwritten in part with Renault money, betrays a want of self-reflection. President Emmanuel Macron of France, confronted with *gilets jaunes* at home, has not been eager to spring to Mr Ghosn's defence.

Yet Mr Ghosn and his combative new team of lawyers promise to fight. That puts not only the prosecutors on trial—an acquittal would be disastrous for their reputation. Mr Abe and corporate Japan also risk embarrassment. The prime minister often talks about making Japan more open to foreigners and foreign investment. Yet of various high-profile *gaijin* brought in to run Japanese companies over the past 30 years, only Mr Ghosn had made an indisputable success of things—until now. Japanese business is clearly not as open to the world as Mr Abe says it is.

This article appeared in the Asia section of the print edition under the headline "Hostage justice"

Nadir in the valley

India's government is intensifying a failed strategy in Kashmir

Resentment is growing ever stronger

Print edition | Asia Mar 7th 2019

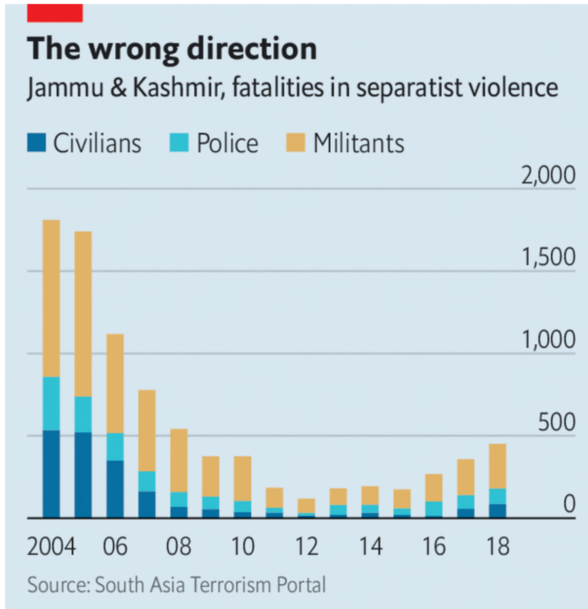

EPA

GUNS HAVE slipped back into holsters and diplomats behind their desks; the Samjhauta or "Concord" Express has resumed its reassuring bi-weekly chug connecting Lahore Junction and Old Delhi Station. Relations between India and Pakistan are returning to the normal huffy disdain after a week of military brinkmanship. For the divided and disputed border region of Kashmir, there is relief. Yet in the Kashmir Valley, a fertile and densely populated part of the Indian state of Jammu & Kashmir, this comes tempered with weariness. For its 7m inhabitants, most of them Muslim, a return to normal means a large and growing pile of frustrations. Some, such as bad government services and a deepening shortage of jobs, are familiar to all Indians. Others are unique to the valley.

Pakistan views the valley's Muslims as sundered citizens; its constitution prescribes what should happen not if, but "when", Kashmiris vote to join Pakistan. And since independence in 1947, Pakistan has never ceased trying to hasten this moment by sending guerrillas over the border to stir up jihad—although this week it claimed to rounding up such militants. India, for its part, says that Kashmir was lucky to fall to a secular, democratic country at partition and not to its violent, narrow-minded neighbour. But Indian governments turn deaf the moment people in the valley speak of greater autonomy, let alone *azadi* (independence). Their efforts at counter-insurgency have been disturbingly bloody. The conflict has claimed 50,000 lives since the 1980s.

The deafness has been especially pronounced of late. When Narendra Modi came to power in India in 2014, violence in the valley was near its lowest level in a quarter century. Perhaps jihadist action would have risen again anyway, but government policies plainly have not helped. Senior officials have called for the scrapping of constitutional clauses that grant the government of Jammu & Kashmir a few more powers than those of other states. Security forces have become even more heavy-handed. They use shotguns to suppress angry crowds, thereby blinding many protesters with metal pellets. An army officer who kidnapped a civilian and strapped him to a jeep as a human shield was not punished, but lauded and promoted.

Many Kashmiris were further alienated when Mr Modi's Bharatiya Janata Party (BJP), which had swept polls in Jammu, the largely Hindu part of the state, first joined in an opportunistic coalition government with a pro-independence party and then abruptly quit. This allowed Mr Modi to impose direct rule from Delhi. Those who had derided Indian democracy as a sham seemed vindicated.



The Economist

Infiltration from Pakistan has been rife. In the words of Shivshankar Menon, a former Indian national security adviser, "When they think you are in trouble in Jammu & Kashmir, their temptation is to stir up that trouble." Violence began to mount, and with it the intensity of the government's response. When guerrillas hole up in villages, the security services tend to blitz their hideouts. Bystanders are often injured in the crossfire and their property destroyed. A growing proportion of the insurgents are local, even college-educated Kashmiris, not from across the border. Huge crowds gather at their funerals.

It was a local recruit of a group based in Pakistan who drove a bomb-packed minivan into a convoy of Indian police in the valley in mid-February, killing 40 and initiating the face-off with Pakistan. In response, online agitators and even BJP officials goaded mobs around India to attack Kashmiris. Omair Ahmad, an Indian writer, despairingly remarks, "The Indian right has always seen Kashmir as our Kosovo: a land to be loved, a people to be hated."

In recent weeks Mr Modi's government has escalated the repression in the valley, bringing in extra troops, rounding up non-violent activists and banning a moderate Islamic group that runs scores of schools, employing some 10,000 teachers. It has cut government advertising in local newspapers, their main source of revenue. Curfews and internet shutdowns have intensified. Senior officials speak, alarmingly, of the need to "instil India" in locals.

This article appeared in the Asia section of the print edition under the headline "Nadir in the valley"

The other security issue

Kim Jong Un keeps his nukes. His people keep starving

Sanctions make it hard for the outside world to help

Print edition | Asia Mar 7th 2019


AFP

AFTER HE LEFT Hanoi last week without a deal, Donald Trump, America's president, was quick to claim that his meeting with Kim Jong Un, North Korea's dictator, had not been entirely in vain. Mr Kim, he reassured the world, had promised to stick to the moratorium on tests of missiles and nuclear bombs that has held since November 2017. And North Korea's economic potential, Mr Trump noted, was still "tremendous".

Reports this week bolster doubts about both claims. According to South Korea's spy agency, Mr Kim may well be changing his mind on testing. Satellite images of Dongchang-ri, a site which has been used both to launch satellites and test engines for long-range missiles, but which Mr Kim had begun to dismantle last year, suggest the North is restoring the facility. The refurbishment is likely to have begun before the summit in Hanoi. Analysts are taking the move as a signal that North Korea's "patience" with America is beginning to run out, just as Mr Kim had threatened it might in a speech to mark the new year.

Mr Kim has promised his people economic development as well as nuclear glory. But the economy seems as backward as ever. Around 11m North Koreans, more than two-fifths of the population, are malnourished. Roughly as many have no access to clean drinking water. (In rural areas the percentage is much higher.) On March 6th the UN reported that total crop production fell to less than 5m tonnes last year, a 9% drop from 2017 and the lowest level in a decade. The situation is likely to worsen this year, as a summer of extreme heat and an autumn of floods and typhoons was followed by a lack of rain during the winter planting season. Even now, reckons the UN, nearly 4m people are in need of emergency aid.

Technically, delivery of humanitarian assistance should not be affected by the lack of progress in nuclear talks, as it is exempt from the sanctions intended to curtail Mr Kim's nuclear ambitions. The two leaders are unlikely to have discussed malnutrition over their steak dinner in Hanoi. But aid workers inside and outside the country say that Mr Kim's recalcitrance, and the tightening of sanctions it has prompted, have affected the flow of humanitarian goods. Applications to the UN to bring food or medicine into the country take months to process and aid is often held up at the border. American aid workers have been unable to travel to North Korea owing to the travel ban imposed by their government. Many agencies have been forced to curtail their activities or have given up altogether. While Mr Kim flirts and bargains with Mr Trump, ordinary North Koreans continue to suffer.

This article appeared in the Asia section of the print edition under the headline "The other security issue"

A pale shade of green

The palm-oil industry’s effort to curb deforestation has lots of flaws

But falling prices and wet weather has disguised them

Print edition | Asia Mar 7th 2019

IN A WOODEN shed perched on top of a hill in Musi Banyuasin, a district on the Indonesian island of Sumatra, a group of palm-oil farmers wax lyrical about their crop. They started planting in the early 1990s after arriving from Java, the country’s most populous island, as part of a government resettlement scheme. Before palm oil, they worked in paddy fields and grew vegetables. But their new life is much more lucrative. Many have bought more farmland and can afford to send their children to university. “We can even buy cars,” exclaims one mustachioed farmer, gesturing at a 4x4 outside. The vehicle sits against a backdrop of oil palm seedlings and trees, which stretch for miles across the countryside.

In some ways oil palm is indeed a wondrous crop. It is highly efficient. On a per-hectare basis it produces between six and ten times more oil than equivalents, like soyabeans. And that oil is highly versatile, turning up in about half of all supermarket products, from pizza dough to lipstick.

That explains why Indonesia’s palm-oil industry has ballooned since these farmers arrived on Sumatra. Over that period the amount of land devoted to the crop has increased more than ten-fold, now covering 123,000 square kilometres, an area the size of Greece. Production surged 14-fold. Indonesia is now the biggest palm-oil producer in the world, accounting for half of global output. Malaysia is second, with a third of production (see chart). In Indonesia the industry accounts for about 2-3% of GDP.

The Economist

But to make way for plantations, huge swathes of tropical rainforest have been razed. In the 2000s Indonesia was cutting down more forest than anywhere else in the world. According to the International Union for Conservation of Nature, 47% of deforestation in Malaysia between 1972 and 2015 was the result of palm oil. In Indonesia the proportion was only 16%, but in some areas it was much higher. In Kalimantan, Indonesia's slice of Borneo, for instance, palm oil was responsible for about 60% of all deforestation.

Draining and burning peatlands, carbon-rich bogs formed when soggy soil prevents dead vegetable matter from fully decaying, provides a cheap way to clear land. But it releases vast amounts of greenhouse gases and coats much of South-East Asia in a toxic haze. The loss of biodiversity is also stinging. Oil-palm plantations provide homes for 65-90% fewer species of mammal than natural forests. Endangered species like tigers and orang-utans are among the victims. In the past four decades, species have slid towards extinction twice as fast in Indonesia as in any other country.

There may, however, be cause for hope. In the past few years the palm-oil industry and the Indonesian government, egged on by NGO campaigns, have attempted to save more trees. Satellite images show that in 2017 the rate of deforestation in Indonesia fell to its lowest level in two decades.

Judging whether this change is the result of the industry's new approach is confounded by two factors. One is the weather. The most recent bout of scorching peat fires was in 2015, an El Niño year. Since then the weather has been wetter, which slows deforestation since fewer people try to clear by burning, and those fires which are lit are less likely to rage out of control.

A second factor is the price of palm oil. This is closely correlated to the expansion of plantations, as demonstrated by a recent study of deforestation in Borneo led by David Gaveau at the Centre for International Forestry Research. Since its peak in 2016, the price of palm oil has dropped by a third, dampening the urge to chop down trees.

Nevertheless, some in the palm-oil industry have made sincere attempts to become greener. The main platform for this is the Roundtable on Sustainable Palm Oil (RSPO), which started in 2004 and is made up of palm-oil growers, investors, traders, retailers and NGOs. It issues certificates to palm-oil mills whose green practices, such as preserving peatlands or forests, are confirmed by an independent auditor. In theory, RSPO palm oil should sell at a premium, since it allows those who buy it (and the final consumer) to sleep soundly.

In practice, things are more tricky. One problem is the RSPO's low coverage: only one-fifth of palm oil is certified. Many growers are put off by the cost of complying, for benefits that often do not materialise. Only 50% of certified palm oil is sold as such. The rest gets flogged as the normal stuff, bringing no extra income. This reflects weak demand from importers. About two-fifths of palm-oil exports are snapped up by China, India and Pakistan, markets where greenery is little valued.

Other complaints about the RSPO are that its standards are too lenient and that it has little power to enforce them. That is true, but its rules are slowly being strengthened. Last year it prohibited the clearing of all types of forest, whereas previously only the densest jungle had to be preserved. In 2016 it suspended IOI, a Malaysian conglomerate, for failing to protect forests.

A study led by Kimberly Carlson of the University of Hawaii found that the rate of deforestation on certified plantations was a third lower than on others. But the causality is unclear: the rules of the RSPO in effect ignore deforestation that occurred before 2005. Certified plantations were more likely to have planted oil palms before that cut-off and therefore tended to have less forest land to raze.

Partly because of the weakness of the RSPO, many companies have loudly declared their own tree-loving initiatives. Researchers at the Zoological Society of London looked at the policies of the world's 70 biggest palm-oil firms. They found that 46 had said they would no longer chop down trees and 36 said they would not farm peatlands. Some companies have been publishing details of land concessions and lists of suppliers, too. That gives pressure groups more scope to keep an eye on them.

Last year Aidenvironment, an NGO, released a report alleging that Anthony Salim, the owner of Salim Group, Indonesia's largest conglomerate, was, through layers of corporate ownership, the beneficiary of deforestation (it has not responded to the claim). A similar report by Greenpeace charged that, although Wilmar, the world's biggest palm-oil company, has pledged not to deforest, a plantation owned by members of the boss's family had cut down 215 square kilometres of jungle since 2013.

Some experts also worry that companies' new-found aversion to deforestation may be simply reducing the price of forest land, which is in turn bought by smallholders and cleared. A recent study by Kemen Austin of RTI International, another NGO, looked at the causes of deforestation in Indonesia. After 2012 clear-cutting by industrial-scale palm oil plantations dropped, but smallholders felled more trees.

Smallholders account for about 40% of global production but little is known about them. They include poor villagers with a few trees in their gardens, well-heeled businessmen and migrants settled by government schemes, like those in Musi Banyuasin. If smallholders' market share grew, that would be good for development but bad for the environment. They are hard to monitor and have little incentive to save trees, often selling to middlemen who do not offer markups for green palm oil.

Stricter regulation may be the best way to rein them in. Indonesia's president, Joko Widodo, has been trying. In 2015 and 2017 he extended a moratorium on converting forest and peatland to plantations. Last year he banned the issuance of permits for new plantations for three years. He has also launched an initiative to synchronise land-concession maps, which often differ at the local, provincial and national level and among various interested ministries. If implemented, this would make it easier to hold deforesters to account.

Past moratoriums, however, have not had much success. That is partly because the laws apply only to new requests for land permits, not to concessions already granted or those still going through the application process. Indonesia's local politicians are powerful and have a long tradition of allowing national parks to be razed in exchange for campaign funding.

The real test of these policies—and those of the industry—will come later this year. The weather is expected to be drier and so more favourable for clearing peatland. And the price of palm oil is forecast to rebound. Politicians and environmental campaigners will be watching the satellite imagery with trepidation.

This article appeared in the Asia section of the print edition under the headline "A pale shade of green"

Snakes on a plantation

Palm oil is bad for biodiversity, with a notable exception

Rats love to munch on palm kernels, and snakes to snack on the rats

Print edition | Asia Mar 7th 2019

Alamy

FEW CREATURES can live comfortably on oil-palm plantations. The orderly rows of trees provide scant refuge for mammals trying to avoid predators and hunters. Monkeys struggle to swing on palm branches; birds have few places to nest. But for snakes, the plantations are an earthly paradise.

Snakes flourish because they have an abundant source of food. They feast on the swarms of rats that are attracted to plantations by the energy-packed palm kernels. Studies have found more than 400 rodents a hectare on palm-oil farms. Stacks of dead palm fronds give ample cover for rats and reptiles alike. According to a recent report by the International Union for Conservation of Nature, at least eight species of snake thrive on oil-palm plantations. They are often more prevalent on plantations than in neighbouring jungles.

On a plantation belonging to Cargill in the Indonesian province of South Sumatra, the medical centre is stocked with anti-venoms. A poster on the wall depicts several species of snake to help patients identify their attacker. Signs warning about pythons are dotted among the rows of oil palm. Workers are encouraged to wear thick gloves to reduce the risk of bites. Across Indonesia, media outlets routinely report stories of oil-palm harvesters getting gobbled up by enormous pythons.

But the snakes can also be a boon for oil-palm workers, who tend to be poorly paid. Snake skins can fetch $30 to $60 apiece, roughly a week's wage. Many are shipped to Europe to become fashionable belts or handbags. Another money-spinner is to milk poisonous snakes and sell the venom.

For oil-palm companies, too, there are upsides. The snakes, after all, prevent even bigger infestations of rats, which would reduce yields. Indeed, some oil-palm firms wish for more snakes on their plantations. Agrocaribe, a Guatemalan one, set up its own snake hatchery.

This article appeared in the Asia section of the print edition under the headline "Snakes on a plantation"

The economy
A new tune

A new tune

China's prime minister frets about the country's economy

But he swears off large-scale stimulus to revive it

Print edition | China Mar 7th 2019

Getty Images

CHINA'S RUBBER-STAMP parliament can seem unchanging from one year to the next. Shortly past 9am on March 5th—the same date and time as always—Li Keqiang, the prime minister, rose in Beijing's Great Hall of the People to deliver his annual work report (after delegates had sung the national anthem, accompanied by a military band—pictured). His speech took, as ever, nearly two hours. He reviewed the government's targets last year for growth, investment, employment and more, all of which it had reached. He also announced another series of targets that, as sure as stiff-backed soldiers hoist up the country's flag in Tiananmen Square every morning, China will achieve again. Mr Li closed with a customary rousing pledge to bring about the "Chinese dream of national rejuvenation". Delegates, having made a good show of listening raptly throughout, dutifully applauded (see Chaguan).

Yet despite all the familiar pomp and well-worn phrases, there were enough new policies and numbers in Mr Li's speech to highlight the economic uncertainty now facing many in China, including the government itself. The report, which marked the start of the legislature's annual ten-day session, was laced with caution. Mr Li said China would aim for GDP growth of between 6% and 6.5% this year, down from 6.6% in 2018. Though still strong for an economy of China's size, it would be the slowest rate in nearly 30 years. Many economists think the official figures exaggerate the pace (see article).

Some details were even more revealing. Mr Li declared that economic policy would have an "employment first" focus: the government would strive to keep the unemployment rate below 5.5% and provide training for those out of work. The official jobless rate has remained steady at about 5%, but manufacturing and tech firms have recently started laying off employees. Lest the public think that officials are living high off the hog while others face straitened times, Mr Li ordered bureaucrats to cut spending on travel, cars and entertainment by 3%.

He also acknowledged the suffering of private firms. Over the past year, there has been growing disquiet among entrepreneurs, fearful that the government is turning against them. Mr Li's speech was, in part, aimed at countering that perception. Local governments, he said, were part of the problem. Too many owed money to contractors and were dragging out repayment. He promised to help private companies obtain loans—the difficulty of doing so has been a long-standing grievance. He accepted that trade tensions with America had hurt some companies—a frank admission for a Chinese leader.

The big economic question is what the government's concerns mean for its fiscal and monetary policies. Whenever growth has slowed in the past decade, China has reliably responded with hefty spending on infrastructure and a strong nudge to banks to lend more money. The signals are less clear this time around.

Before this parliamentary session, some observers had thought that the central government was reverting to type. Since late last year its planning agency has been fast-tracking approvals for new infrastructure projects. Banks issued 3.2trn yuan ($477bn) of new loans in January, the most ever in a single month. Stockmarket investors have been turning bullish. The CSI 300, an index of shares in big Chinese firms, has soared by nearly 30% this year.

But the leadership is in fact much warier of stimulus than it once was. It worries that debt levels are already too high. After the loan explosion in January, Mr Li warned that it could create "new potential risks" in the economy. (The central bank countered that the surge occurred for seasonal reasons.) For months Mr Li has sworn off what he calls "flood-style stimulus", (ie, deluging the economy with cash as if irrigating a rice paddy). He repeated that phrase in his speech. He also mentioned "risks" 24 times, more than in any such report for at least a decade. Dangers, he said, could emanate from financial frailties, from wasteful local governments and from abroad (ie, the trade war with America). His message to Chinese officials was to prepare for the worst. His message to investors was that they should not bank on another big rise in government spending.

But the Communist Party is still looking for ways to pep up the economy. Conveniently, there is one policy tool that does not involve building yet more bridges, and that has the added benefit of being popular: reducing tax. Mr Li unveiled cuts, mostly for firms, that should total nearly 2trn yuan this year, or more than 2% of forecast GDP. Economists at HSBC, a bank, called it China's most sweeping corporate-tax cut in a decade. Including provincial bonds, the fiscal deficit is set to rise to about 5% of GDP this year, up from 4.1% in 2018. This is, however, a far cry from stimulus packages of yore. The government is still refraining from steps to boost the property market, which it has always done in the past when revving up growth.

A big reason for China's hesitation is the trade war with America. Many now assume that an agreement is only a matter of time. The two countries are reportedly working on the final touches. During this session, the legislature is set to approve a foreign-investment law that will respond to some of America's main complaints—for example, by barring officials from requiring foreign investors to transfer technology to Chinese firms. Even if there is scepticism about how China will implement the law, it is an attempt to reduce trade tensions.

America's president, Donald Trump, and his Chinese counterpart, Xi Jinping, could meet this month to shake hands on a formal deal. But Chinese officials are well aware that Mr Trump is wont to change his mind. So they are trying to leave wriggle room as they devise economic policy. If the trade war is resolved, they can conserve their fiscal firepower. But if it worsens, they have scope to increase their spending. China's plans depend partly on the caprices of America's president.

This article appeared in the China section of the print edition under the headline "A new tune"

The sensitive month

As anniversaries loom, China is snooping on Tibetans

Foreign tourists are being shut out of Tibet, too

Print edition | China Mar 7th 2019

FOUR BURLY policemen man a makeshift checkpoint outside Hongya, a hillside village in the western province of Qinghai on the edge of the Tibetan plateau. One of them says would-be visitors to Hongya must have their identity documents photographed and names noted down. Hongya is the birthplace of the 14th, and current, Dalai Lama, Tibet's exiled spiritual leader who is reviled by China's government. His former home is maintained as a shrine by relatives; Tibetan pilgrims occasionally venture there. But for now, at least, Hongya is closed to unauthorised outsiders.

Security is often tight around Hongya. But the authorities across the plateau, including Tibet and vast Tibetan-inhabited areas of other provinces, are on heightened alert during what officials sometimes call the "sensitive month" of March. It is a time of year studded with anniversaries that officials fear could trigger protests by Tibetans. One is March 14th, the date in 2008 when anti-Chinese riots erupted in Lhasa, the capital of Tibet, prompting plateau-wide unrest and a fierce clampdown.

But it is events 60 years ago that are most bitterly remembered by many Tibetans: the crushing of an uprising in Lhasa against Chinese rule that broke out on March 10th 1959 and intensified after the Dalai Lama fled to India a week later. Little suggests that another large-scale outbreak is in the offing. But as officials often say, no risk is too small to dismiss. Over the past decade more than 150 Tibetans, many of them monks, are believed to have set themselves on fire to protest against the government's denunciations of the Dalai Lama and what some Tibetans see as China's suppression of their culture. Demonstrations by pro-Tibetan groups have been planned in cities from New York to Delhi to mark the rebellion in 1959.

Kumbum monastery near Xining, the capital of Qinghai province, is one of the main centres of Tibetan Buddhism (some of its monks are pictured). It also has a reputation for being one of the most loyal to the Chinese government. But it does not feel relaxed. When greeted, resident Tibetan monks look nervously around for guards and at the ubiquitous rooftop security-cameras before offering a few polite words in response. There has long been a police station at Kumbum. Since the unrest in 2008 the authorities have opened them in many more monasteries.

At least foreigners are still allowed in Qinghai. Every year since 2008 Tibet itself has been closed to foreign tourists for several weeks around March. This year, because of the 60th anniversary, the ban is expected to be longer than usual. (Foreign journalists and Western diplomats are rarely allowed in.) In January Tibet's police chief, Zhang Hongbo, said there were "many risks and hidden dangers" in this year of big anniversaries (including the 70th on October 1st of Communist China's founding). He said that as a result, the task of maintaining stability in Tibet would be "even more serious and complicated". On March 2nd he urged colleagues to "resolutely fight for victory" in the "tough battle" to ensure security this month. Officials are worried about dissent even within their own ranks. In a recent propaganda video, Tibet's government accused "two-faced" Communist Party members of secretly working with separatists.

But the party has an anniversary in March it would like to celebrate. It falls on March 28th—the day in 1959 when China dissolved Tibet's Dalai Lama-led government and, it says, ended an oppressive system of monastic control over ordinary citizens (much exaggerated, say Tibetans abroad). This year it will be a decade since the date was declared to be "Serfs' Emancipation Day". It is marked with official performances of song and dance. In recent days state media have been gushing with praise for the "democratic reform" and modernity that the day ushered in, and the gratefulness of Tibetans. The stepped-up security presence across the Tibetan plateau, however, paints a very different picture. Chinese officials know that Tibetans are in no mood for outpourings of joy.

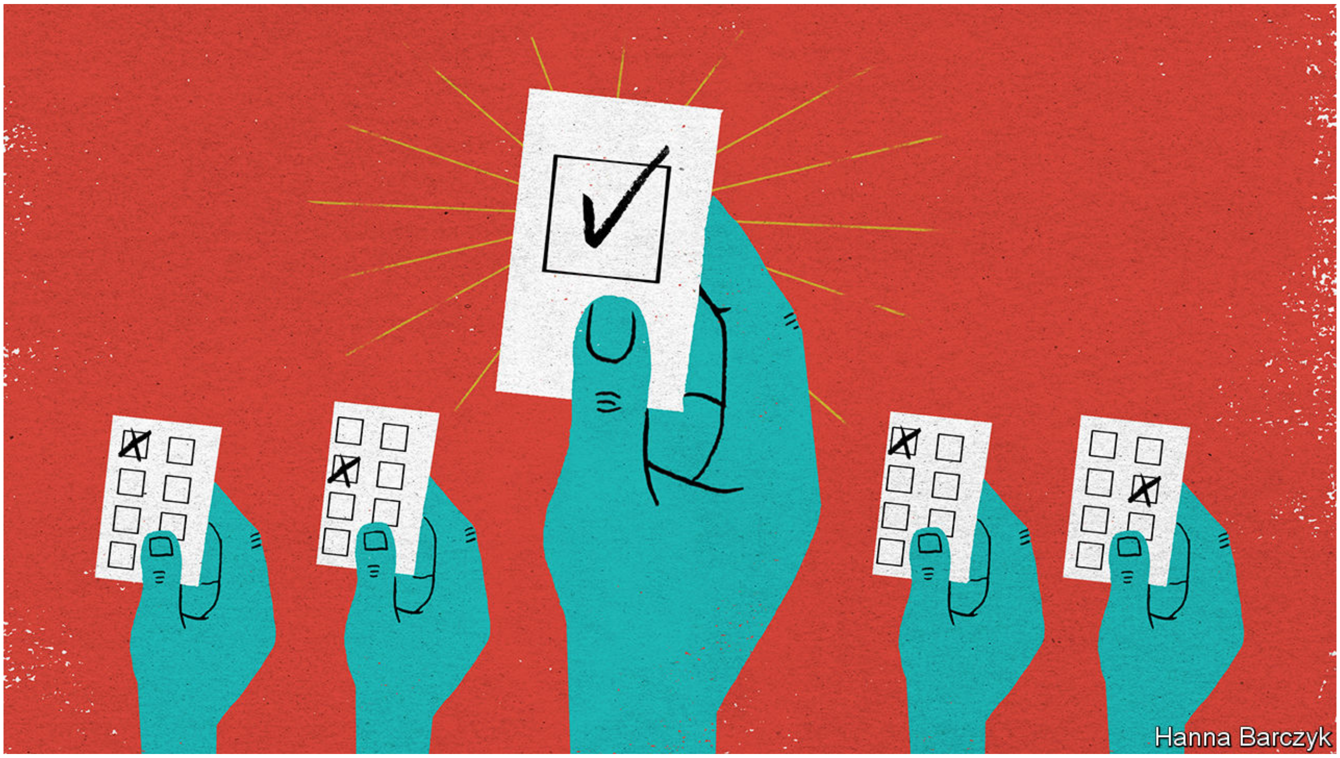
This article appeared in the China section of the print edition under the headline "The sensitive month"

Chaguan

China recruits Westerners to sell its "democracy"

This reveals more than the party intends

Print edition | China Mar 7th 2019



THE ANNUAL sitting of the National People's Congress, China's well-fed eunuch of a parliament, poses several tests for foreign reporters. Though its committees may suggest tweaks to new laws, and some play a diplomatic role engaging with foreign legislators, meetings of its 3,000 or so delegates are mostly very dull. Indeed, the congress has never voted down a proposal from Communist Party chiefs. There is the puzzle of whether to join a yearly propaganda show in which foreign journalists are given plum seats at leaders' press conferences and urged to pre-submit questions that few will be invited to ask—allowing state media to show domestic audiences the world's press, hands aloft and clamouring to join this simulacrum of representative democracy.

There is the security that grips Beijing during the "two sessions", the simultaneous gatherings of the legislature and the Chinese People's Political Consultative Conference, an advisory body stuffed with business bosses, academics, sports stars, religious leaders and other grandees. Notably, cyber-police disrupt the online services, known as VPNs, that offer a route past the Great Firewall of censorship. For foreign reporters, the sessions' great drama often involves guessing whether they will be able to use the internet to file their stories about the government's accountability.

Finally, there is the odd experience of meeting supposed colleagues who are in fact complete strangers, meaning foreigners employed by Chinese state media, or by obscure Western news outlets that channel Chinese propaganda. Some ask planted questions at press conferences. Others pop up in the state media lauding China's political system. Xinhua, China's official news agency, this year put out a video entitled "Chinese democracy in the eyes of an American". A fresh-faced young man from Chicago, Colin Linneweber, strolls around Tiananmen Square while opining that "it's widely acknowledged that a key to China's success is its system of democracy", and praising the country's "stability". He then presents mini-profiles of delegates with such day jobs as farmer, migrant worker and postman, whose proposals for making China better became law. It is tempting to be quite cross with such Westerners. Ordinary Chinese who start praising democracy on the square, a ghost-haunted, massively policed spot, would be instantly arrested. Stability comes at a price, what is more. China's one-party rule involves more than the absence of messy things like real elections or a free press. It requires active, unsleeping maintenance by state-security agents tasked with tracking, threatening or jailing any who challenge the Communist monopoly on power.

As far back as China's civil war, party leaders called themselves democrats, unlike their dictatorial rivals, the Nationalist Party or Kuomintang. In 1945 Mao Zedong impressed Chinese intellectuals when he assured a businessman and educational reformer, Huang Yanpei, that democracy would help a Communist government avoid cycles of triumph and decline that doomed imperial dynasties. “Only when a government is subject to the people’s supervision will it not dare to slacken,” Mao declared. Huang came to realise how much he had misjudged Mao. In 1957 he saw the party turn on his son, Huang Wanli, an engineer who (correctly) sounded the alarm about flaws in a planned dam on the Yellow River. When his warnings were not heeded, the younger Huang noted that the American people could remove officials from office. He was purged as a “rightist” and sentenced to hard labour.

After Mao’s death, when economic opening was not matched by political liberalisation, party leaders sounded a bit defensive about that choice, assuring foreigners that only a firm grip on their vast country could avoid chaos. In the 1990s rule passed to Jiang Zemin, an admirer of Western culture who loved to quote Abraham Lincoln’s call for government of, by and for the people. Asked by an American interviewer whether China was a dictatorship, Mr Jiang replied that he was the elected head of a collective party leadership, although the method of his election had to take account of China’s levels of economic and educational development.

Jump to the present day, and foreigners hear no such half-apologies from the China led by President Xi Jinping. Mr Xi calls China a socialist, consultative democracy, featuring the “orderly participation” of the people and always under the party’s control. Today, state media hail China’s political system as far more responsive and effective than the West’s “conflict-driven”, money-tainted politics. The recent government shutdown in America, Brexit-related confusion and *gilets jaunes* riots in France are all held up in China as examples of Western decadence and failure. Talking politics to ordinary Chinese is a chastening experience. A bicycle repairman in Beijing, after ascertaining that Chaguan is British, scoffs: “That prime minister? May? Total chaos, isn’t it?”

Let the people be heard

Opinion polling is hard in China, where candour can be dangerous. Still, the Asian Barometer Survey, run by National Taiwan University, has on four occasions quizzed the Chinese public about democracy. Writing in the *Taiwan Journal of Democracy*, Yue Yin, a political scientist, notes that a narrow majority of the survey’s respondents in China support press censorship in the name of stability, while two-thirds say they are at ease with one-party rule. Yet accountability matters. Nearly 80% reject a government in which “experts decide everything” and 60% say the public should be free to criticise the authorities.

That suggests another way to understand propaganda films in which foreigners call the legislature a beacon of democracy. Such videos are a backhanded tribute to the West. An American’s views on accountable government carry weight, because ordinary Chinese know that American voters can kick the bums out. For now, China’s rulers still mind when their authoritarian system is judged against Western norms. When they no longer think they need the Colin Linnewebers of this world, start worrying.

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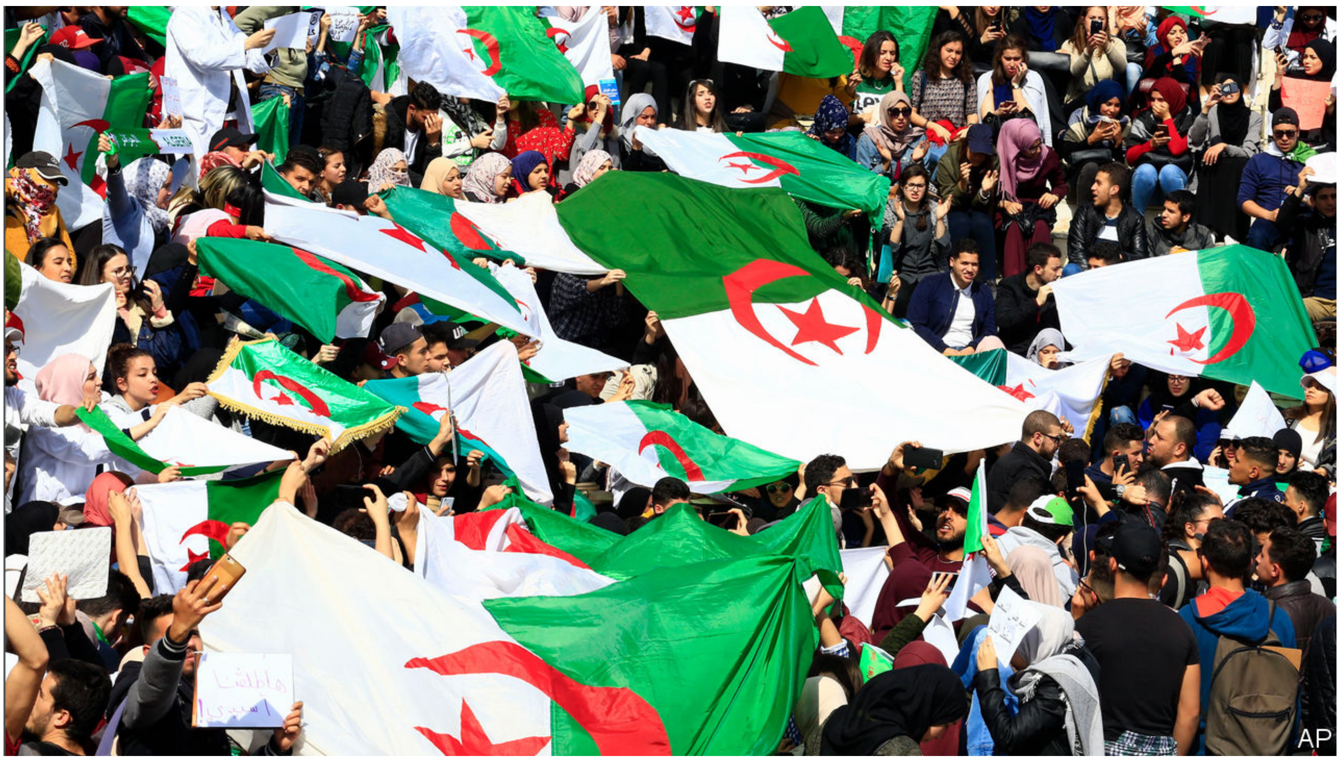
Protests in Algeria
"Bury him, don't elect him"

"Bury him, don't elect him"

Algeria's ailing 82-year old president wants a fifth term

Furious protesters would rather Abdelaziz Bouteflika retired

Print edition | Middle East and Africa Mar 7th 2019



AP

ABDELAZIZ BOUTEFLIKA started his campaign for a fifth term as Algeria's president by promising not to finish it. The ailing ruler, who turned 82 this month, is not even in the country. An associate filed the papers for his candidacy while Mr Bouteflika lay in a hospital bed in Geneva. For two weeks Algerians have been protesting against his decision to run. The largest rally, on March 1st, drew tens of thousands of people. In a letter read on state television, Mr Bouteflika acknowledged their *cri de cœur*. If re-elected he vowed to call a new presidential vote—and not to contest it.

Such promises are by now something of a cliché in the Arab world. Hosni Mubarak and Zine el-Abidine Ben Ali, the deposed leaders of Egypt and Tunisia, offered in vain to stand down later if protesters went home. Algerians were similarly unimpressed by the offer. Protests have continued. Mr Bouteflika has rarely been seen in public since a stroke in 2013. In rare videos from official events he appears hunched over in a wheelchair, seemingly unable to speak. That such an invalid could rule the country, even for another year, strikes many of his citizens as an insult. "Respect the dead. Bury him, don't elect him," quips one placard seen at the demonstrations.

But Algerians will have few other options at the polls on April 18th. The main opposition blocs refuse to field candidates, saying they do not wish to legitimise the process. Ali Benflis, a former prime minister who won 12% of the vote in the presidential election of 2014, is not running. Independents have been blocked. A former journalist who hoped to run bowed out after being detained by police at a protest in Algiers, the capital, last month.

In case this was not farcical enough, enter Rachid Nekkaz, a French-born businessman of Algerian descent who unsuccessfully vied for the French presidency in 2007. Though he has since renounced his French citizenship, he is ineligible to run in Algeria, which bars the office to anyone who has held another nationality. No matter: he enlisted his cousin, an auto mechanic also named Rachid Nekkaz, to run in his stead. If elected, the spanner-wielder would resign and cede power to his namesake. The electoral commission has until March 13th to decide whether to permit this creative scheme. It is likely that Ali Ghadiri, a retired army general, will be the only real opposition candidate.

Mr Bouteflika has ruled Algeria since 1999. He helped end the gruesome civil war against Islamists that killed some 200,000 Algerians in the 1990s. His party, the National Liberation Front (FLN), led the struggle for independence from France a half-century earlier. But appeals to the past offer little legitimacy in a country where the median age is 28. Most of Algeria's 42m citizens have no real memory of the civil war, let alone the French occupation. All they have known is one president ruling over an opaque political system. With Mr Bouteflika ill, power rests in the hands of *le pouvoir* (the power), a cabal of army officers and businessmen who have grown rich off state-funded projects.

When he faced protests in 2011 Mr Bouteflika bought his way out of trouble with subsidies, pay rises for civil servants and other handouts. This strategy is no longer viable. A decade ago Algeria posted healthy surpluses; last year it ran a deficit equal to 9% of GDP. Foreign reserves have shrunk by 55% since 2013 (see chart). Oil prices are projected to average just over $60 a barrel this year. The government says they must be above $99 to balance the budget. Unemployment stands at 11%, and more than twice that for young people.

The Economist

These protests seem to have surprised the regime. Security forces have so far applied a light touch. Videos from the protest on March 1st showed demonstrators mingling with police. Powerful figures have hinted that the regime's patience is limited, though. Ahmed Gaid Salah, the army chief, accused the protesters of trying to drag Algeria back to the days of civil war. "In Syria, protests began with flowers and ended with blood," warned Ahmed Ouyahia, the prime minister.

Eight years after Tunisians toppled Mr Ben Ali, the surviving Arab autocrats think they have weathered the revolutionary storm. Like Mr Ouyahia they invoke chaos in Libya, Syria and Yemen to deter their own frustrated citizens from protesting. The economic and social conditions that caused the Arab spring have only worsened, though. Omar al-Bashir, Sudan's dictator, has faced months of unrest. Since the beginning of 2018 Tunisia, Jordan and Iraq have all seen big demonstrations. This is not the Arab spring redux: the protesters have narrower demands and the sense of pan-Arab solidarity has faded. But the tension in Algeria is another sign that the region's autocratic stability is illusory.

Even if Mr Bouteflika is re-elected, he cannot take office without swearing an oath "before the people". It is unclear that he can manage that. Whether he can survive a full term is doubtful. Opposition parties want to delay the vote. There was talk earlier this year of *le pouvoir* dumping *le président*, but they could not agree on a new candidate. After decades of autocracy, Algeria's hollow political institutions offer few alternatives—though perhaps there is a mechanic named Abdelaziz Bouteflika open to an unexpected career change.

This article appeared in the Middle East and Africa section of the print edition under the headline ""Bury him, don't elect him""

Brothers under the bed

The Egyptian government's favourite scapegoat

When things go wrong, the regime invariably blames the Muslim brothers

Print edition | Middle East and Africa Mar 9th 2019

PASSENGERS WAITING on the platform had only seconds to run before they were engulfed in flames. On February 27th a train hurtled into Cairo's main station, crashed into a barrier and exploded. Twenty-two people died. The cause was a negligent conductor who failed to apply the brake before getting off his train to argue with another worker. It was another failure by a state railway with a long history of them.

For Egypt's obsequious journalists, however, darker forces were at work. Pundits falsely claimed that the conductor was from Kerdasa, a village known for its sympathies to the Muslim Brotherhood, once Egypt's pre-eminent Islamist group. "I cannot rule out that the Brotherhood used the driver," said Nishat al-Dehi, a television host. An academic interviewed on another channel argued that the furious reaction to the crash was proof of a conspiracy. The group wanted to "divert attention from the achievements" of President Abdel-Fattah al-Sisi.

Nearly six years have passed since Mr Sisi, then the defence minister, overthrew an elected Brotherhood government in a coup. He paints himself as a modernising force, the man who rescued Egypt from an illiberal regime and set out to fix its stagnant economy. Inconvenient stories are swept under the rug by the secret police, who call networks each day with a list of topics that cannot be discussed. Even the most servile journalists, however, could not ignore a catastrophe in the heart of Cairo. They turned instead to a familiar scapegoat. The Brotherhood is banned, its assets confiscated, its leaders jailed or scattered in exile—and yet, to judge by the media, it is responsible for the country's every ill.

Last autumn the price of potatoes rose from five Egyptian pounds ($0.30) per kilogram to 15 or more. It was supply and demand in action: a currency devaluation in 2016 pushed up seed costs, so farmers stopped planting a loss-making crop. For the private daily, *Al-Watan*, this was not simple economics. It was "financial terrorism". The Brotherhood had supposedly purchased the nation's potato crop and hoarded it in warehouses. A sugar shortage in 2016 was similarly blamed on the group.

Freak winter storms in November 2015 dumped more than 50mm of rain on Alexandria, nearly double what the coastal city receives in an average month. The flooding that followed was, naturally, blamed on the Brotherhood. To prove that it had blocked sewers with cement, the interior ministry released a photograph of a man sitting next to a drain.

Conspiracy theories are not new in Egypt's discourse. Shark attacks and out-of-wedlock pregnancies were once blamed on Mossad, Israel's spy service. The Brotherhood has its own wild rhetoric. In November jihadists thought to be linked to Islamic State killed seven Coptic Christians. The Brotherhood's website called it a false-flag attack meant to defame Islamists. Egyptian police, for their part, killed ten suspects and claimed they were a well-funded Brotherhood cell because they had a stockpile of bread, cheese and canned tuna—though, notably, no potatoes.

This article appeared in the Middle East and Africa section of the print edition under the headline ”Brothers under the bed”

Predator pricing

The growing appetite for armed drones in the Middle East

As America holds back, China is cornering the market

Print edition | Middle East and Africa Mar 9th 2019

FOR YEARS Al-Anad air base was the springboard for America's drone war in Yemen. Remote-controlled Predator aircraft wielding Hellfire missiles would take off from the base in Lahej province, in the south-west, to clobber hundreds of suspected jihadists across the country. In January a familiar high-pitched whine returned to the base as a drone emerged from the clouds. It blew up above a parade stand, killing six soldiers. A seventh victim, Yemen's intelligence chief, died of his injuries three days later. It was the latest of at least a dozen drone attacks by the Houthis, a Shia group that swept across the country in 2014 and is backed by Iran.

Armed drones have become ubiquitous in the Middle East, say Aniseh Bassiri Tabrizi and Justin Bronk of the Royal United Services Institute, a British think-tank, in a recent report. America has jealously guarded the export of such aircraft for fear that they might fall out of government hands, be turned on protesters or used against Israel. America has also been constrained by the Missile Technology Control Regime, an arms-control agreement signed by 35 countries, including Russia, that restricts the transfer of particularly capable missiles and drones (both rely on the same underlying technology).

China, which is not a signatory, has stepped in. It has few hang-ups about human rights and no pesky Congress to block deals. It has sold missile-toting drones to Egypt, Jordan, Iraq, Saudi Arabia and the United Arab Emirates (UAE). All are American security partners. "We are seeing Chinese replicas of American [drone] technology deployed on the runways in the Middle East," growled Peter Navarro, the White House's trade adviser, last year. He thinks China's Wing Loong II, bought by the UAE after it was refused an armed type of Predator, is "a clear knock-off". Other countries, such as Israel, Turkey and Iran, have filled the gap with their own models.

America wants to muscle its way back into the market. In April 2018 the Trump administration began loosening export rules to let countries buy armed drones directly from defence companies rather than through official channels. Drones with "strike-enabling technology", such as lasers to guide bombs to their targets, were reclassified as unarmed.

American drones are costlier and require more paperwork than Chinese models, but are more capable. On average, Chinese drones cannot fly as high or carry as much. Nor can they plug into American or European communication systems. Older variants lack satellite links, limiting how far they can fly from ground stations. Newer ones have that feature, but can be used only with Chinese satellite networks.

The flood of drones into the market is already making an impact—sometimes literally. Ms Tabrizi and Mr Bronk say some Middle Eastern customers see drones as an "affordable and risk-free" way to strike across borders. Iran and Turkey have used their home-built ones to hit enemies in Syria and Iraq. In April 2018 the UAE sent a Chinese drone to assassinate a Houthi leader in Yemen. Manned warplanes might have been used for any of these missions, of course. But drones are cheaper to fly, attract less attention and can loiter above targets for longer. Their use is bound to grow.

Non-state actors are unwilling to be left out of the party. The jihadists of Islamic State often used drones in Iraq and Syria. But these were commercial quadcopters that could neither travel as far nor bomb as heavily as the fixed-wing aircraft sold by China. Groups like Yemen's Houthis and Lebanon's Hizbullah have more sophisticated fleets, largely thanks to Iranian help.

Hizbullah was the first such group to use drones when it hit 23 fighters linked to al-Qaeda in Syria in 2014. The Houthi drone that bombed Al-Anad looked a lot like an Iranian model. Last year the Houthis sent a similar one more than 100km (60 miles) into Saudi Arabia before it was shot down. Others have ploughed into the radars of Saudi missile-defence systems. Like China, Iran has copied drone designs from American models. Middle Eastern skies look set to grow busier and dicier.

This article appeared in the Middle East and Africa section of the print edition under the headline "Predator pricing"

States of despair

Nigeria's state elections are more violent than national ones

The stakes are high, the rules are ignored

Print edition | Middle East and Africa Mar 9th 2019

THE BESPECTACLED young woman from Kano, northern Nigeria's largest city, laughs shyly before she speaks. But scars above her eyebrow and on her forearm hint at a dark past. As a member of a Yandaba gang—politically linked hoodlums who terrorise the city—she would get high before brawling with rival parties' gangs or, during elections, grabbing ballot boxes from polling stations.

Most of Nigeria's 36 states, which elect their governors and state legislators on March 9th, have some equivalent to the Yandaba. These straddle the boundary between party cadres and criminal gangs. They embody the rottenness of state politics in Nigeria. Governors run their states like personal fiefs, amassing fortunes and grooming protégés once they have hit the two-term limit. Although outsiders often pay little attention to them, many in Nigeria fear the upcoming state elections could be bloodier than the presidential poll, in which at least 39 people died (it was won by the incumbent, Muhammadu Buhari). Since states are in charge of budgets for education and health, their elections are also more important.

When it gained independence from Britain in 1960 Nigeria was divided into three regions. These were later split into four regions before being sliced up into 12 states in 1967 as the government tried to prevent the secession of one of the regions, Biafra. It was brought to heel in a bloody civil war. In the years since then the country has been further diced into 36 states, several of which are failing. In Borno, in the north-east, jihadists control much of the countryside. In Zamfara, in the north-west, bandits have gone on a kidnapping spree.

Governance is often abysmal. At the end of 2017, according to BudgIT, an NGO, only two states generated more than half of their revenue internally, instead of relying on federal handouts. Debt exceeded annual revenue in 31 states. Kano's governor, Abdullahi Ganduje, was filmed last year pocketing stacks of hundred-dollar bills. (He says the video is fake.) His predecessor, Rabiu Kwankwaso, spent $200m building three "mega-cities", one of which he named after himself. Their expensive bungalows are empty aside from the occasional squatter. Before him came Ibrahim Shekarau, who thought polio vaccines were a Western plot to make women infertile.

Checks on governors' power are feeble. Although each state has its own legislative assembly and electoral commission for local polls, Maliki Kuliya, who served as Mr Kwankwaso's justice commissioner, says that these are "just appendages of the executive". As a result, political parties usually matter less than the politicians who constantly switch between them. Mr Kwankwaso, for instance, looms large over Kano's politics. He has amassed followers, called the Kwankwasiyya, who wander the streets sporting his distinctive red cap. Not to be outdone, Mr Ganduje—a former Kwankwasiyya who fell out with his mentor—has strived to build up his own personality cult, the Gandujiyya. The two groups rely on Yandaba gangs to swell their ranks and provide muscle.

The election pits Mr Ganduje against Mr Kwankwaso's son-in-law. Both sets of supporters have been busy, holding frequent political rallies. Kano's residents live in fear of such events, during which the gangs go on rampages, attacking each other and snatching purses and phones from passers-by. "Politicians ask for your votes while their followers steal from you," sighs Michael Sodipo, who runs an NGO that helps young people leave the gangs behind.

"If we had something else to do, we wouldn't have done this," reflects another ex-Yandaba. "But we didn't know where our next meal would come from." His friend says the politicians treat them as disposable. Both have spent time in prison, arrested by the same politicians who used to give them drugs and cash. "When I got out," he adds, "I burned my red cap."

This article appeared in the Middle East and Africa section of the print edition under the headline "States of despair"

Can Kenyatta fix it?

Nairobi's planners are knocking the city down to save it

Poor planning and corruption take their toll

Print edition | Middle East and Africa Mar 7th 2019

MUNICIPAL AUTHORITIES in Nairobi spent much of last year knocking things down. Shopping malls, petrol stations and apartment blocks were levelled; bulldozers cut through slums, leaving tens of thousands homeless. All this destruction may seem rather wanton in a poor city. Yet the government-backed body overseeing it, the Nairobi regeneration task-force, insists that the only way to save the Kenyan capital is to wreck bits of it.

Nairobi is unrecognisable from the sleepy town it was at the turn of the century. In the past 12 years land prices have soared more than sixfold in 24 of the city's 32 suburbs and satellite towns, according to HassConsult, a local real-estate agent. What caused it all is disputed, though some developers whisper that the return of dirty money from the West after the 2008 financial crash fuelled the frenzy. Far more money could be made in Kenyan bricks and mortar than in rich-world stockmarkets. Why bother investing in the Nasdaq (returns of 210% since 2007) when an acre in Juja, one of Nairobi's satellite towns, would have fetched you 1,428%?

Whatever the reason, many Nairobians cheered the sprouting of the skyscrapers. The boom created jobs for the poor, drove middle-class growth and made the rich richer still. In a city that, like others in Africa, aspires to be a new Dubai or Singapore, what's not to like?

Plenty, say urban-planning campaigners. Much of the construction has been unregulated, threatening all manner of problems. With the connivance of corrupt officials, the rich and politically connected built where they pleased. Parks and school playing fields were grabbed. River reserves, and sometimes the rivers themselves, have been partially concreted over, turning Nairobi's waterways into mosquito-infested open sewers. With nowhere for the water to go, deadly floods wash over the city in rainy seasons. Land set aside for roads has suffered a similar fate, complicating efforts to tackle the city's spirit-sapping traffic jams. Sky-hugging tower blocks have mushroomed in low-rise residential suburbs: neighbours and zoning regulations be damned. "I was told I could go as high as I liked as long as my pockets were deep enough," says one project manager.

Nairobi, once known as "the Green City in the Sun", has precious few green bits any more. Environmentalists, health experts and engineers are gloomy. Reports crossing the desk of Uhuru Kenyatta, Kenya's president, warn that the city's iffy water supply and colonial-era sewers are barely coping, says a presidential adviser. A sanitation crisis looms.

To try to fix the problem, Mr Kenyatta formed the Nairobi regeneration task-force in 2017. It has identified 4,000 buildings for demolition. Many have already come down, potentially unclogging rivers and freeing space for roads. Yet it will take more than knocking down a few high-rises to reverse a rotten legacy. Nairobi's population, 3.1m when the last census was taken in 2009, may have added 1.5m since.

Developing infrastructure to keep pace will be tough. Nairobi's richer districts have expanded, but so too have its poorer ones. More than half its people live in slums. Shanties will have to be uprooted to let roads, railways and power lines expand. Knocking down buildings in well-heeled areas can cause resentment; taking from the poor may be incendiary. When 10,000 people were uprooted in Kibera, a slum, last July, riot police flanked the bulldozers.

The government is attempting to deal with some of the problems. A project to build 200,000 low-cost houses in Nairobi is under way. But given how fast the city's population is growing, little headway will be made in reducing the housing deficit, says Nashon Okowa, who chairs the Association of Construction Managers of Kenya (ACMK). Besides, such schemes have failed before. Plans to ease traffic congestion are in the works, from bus lanes to rapid-transit corridors and commuter trains. Yet these sometimes seem poorly conceived. A measure to ban most public transport from the city centre in December caused gridlock and was quickly abandoned.

Urban-planning experts say that for Nairobi and other African cities to become the modern metropolises their people dream of, four issues need to be tackled. The first is a skills shortage. Kenyan universities churn out ever more adept planners, but the Nairobi County Government lacks the budget to hire them, so the best often go into the private sector or abroad. Washington Ochieng, a Kenyan who helped develop the EU's Galileo global navigation satellite system, knows more than most about fixing congestion. But because he heads the Centre for Transport Studies at Imperial College, his expertise benefits London rather than Nairobi.

Insufficient government investment is a second problem. A loan of $208m from the World Bank to upgrade Nairobi's transport infrastructure had to be dropped in December after austerity measures were taken to reduce debt. Third, enforcement is hard in societies where the rule of law is weak. Congestion-fighting measures tend not to work if drivers ignore traffic lights.

This leads to the fourth and biggest problem: corruption. When the demolitions began, Mr Kenyatta promised that no illegal development would be spared, even if it was owned by members of his own family, whose property holdings are said to be vast. Yet the logic of the demolitions was often opaque: buildings belonging to bigwigs were allegedly left standing. Those whose buildings were destroyed, whether investors in the city or shack-owners in the slums, were therefore peeved. "Most of the houses torn down here had been given permits by the district commissioner," says Josiah Omotto, an activist in Kibera.

Arbitrary rules deter private investment and hurt property rights. Few know where they stand. Zoning laws are murky. Nairobi's last functioning master plan was drawn up by British colonial authorities in 1948. There have been efforts to replace it, most recently in 2013, but these are either not enforced or deliberately thwarted by dodgy officials who know that administrative chaos is the best way to extract bribes. "A government that has a record of rent-seeking doesn't wake up one day and say goodbye to rent-seeking," says Mr Omotto. For real change to happen, a culture of corruption that has long been endemic in city-planning departments must end. There is little evidence that it has. "Today, construction that is clearly illegal is still being approved," says Mr Okowa of the ACMK.

This article appeared in the Middle East and Africa section of the print edition under the headline "Destroying the city to save it"

Russia
Putin tries to build an internyet

Internet v internyet

Russians are shunning state-controlled TV for YouTube

A worried Vladimir Putin is trying to regain control of Russia's web

Print edition | Europe Mar 9th 2019

Ellie Foreman-Peck

WHEN THE Soviet people turned on their television sets on August 19th 1991, they knew there was an emergency. Every channel was playing classical music or showing "Swan Lake" on a loop. A few hours earlier Mikhail Gorbachev had been detained during an attempted coup. As the Soviet Union crumbled, the fiercest street battles unfolded over television towers. "To take the Kremlin, you must take television," said one of Mr Gorbachev's aides.

Vladimir Putin took note. He began his rule in 2000 by establishing a monopoly over television, the country's main source of news. It has helped him create an illusion of stability—and whip up enthusiasm for his foreign wars. But the Kremlin's most reliable propaganda tool is losing its power. Russian pundits have long described politics as a battle between the television and the refrigerator (that is, between propaganda and economics). Now, the internet is weighing in.

According to the Levada Centre, an independent pollster, Russians' trust in television has fallen by 30 percentage points since 2009, to below 50%. The number of people who trust internet-based information sources has tripled to nearly a quarter of the population. Older people still get most of their news from television, but most of those aged 18-24 rely on the internet, which remains relatively free.

YouTube in particular is eroding the state-television monopoly. It is now viewed by 82% of the Russian population aged 18-44. Channel One, Russia's main television channel, reaches 83% of the same age group. Vloggers have overtaken some television anchors. Yuri Dud, a YouTube journalist who interviews politicians and celebrities such as Alexei Navalny, the opposition leader, gets 10m-20m views per video, much more than any television news programme. Even Dmitry Kiselev, the state television propagandist-in-chief, felt compelled to appear on Mr Dud's show.

News is the fourth-most-popular YouTube category among Russians, after "do it yourself", music and drama. Mr Navalny, who has become a dominant political voice on the internet, has two YouTube channels, one of which has daily news programmes. In the past year his audience has doubled. He has 2.5m subscribers and 4.5m unique viewers a month. His weekly

YouTube webcast is watched live by nearly 1m people. By comparison, Channel One's main evening news show is watched by 3m-4m people.

The Kremlin is desperately looking for ways to control the internet. "The government is trying to work out how to turn the internet into a television," says Gregory Asmolov, an expert on the Russian internet at King's College London. This, he argues, would require not only strict regulation, but control over physical infrastructure and dominance in providing content.

Last month the Duma preliminarily approved a law on "digital sovereignty" which tries to separate Russia's internet from the global one. It wants to criminalise anti-government messages online, in effect reviving laws on "anti-Soviet propaganda".

Yet controlling the internet will take more than a few laws. Unlike in China, where the ruling party built its "Great Firewall" by the early 2000s, in Russia the internet was a free zone both in terms of content and infrastructure, with hundreds of private service providers. In the early 2000s it became an alternative to state-dominated television. The Kremlin did not spot the threat. Indeed, Mr Putin argued against regulating the internet.

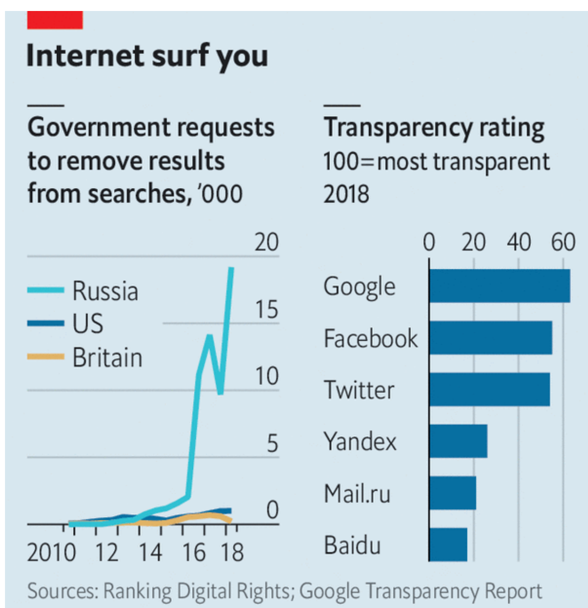
Faithful servers of the Tsar

By the end of the 2000s, however, online activity spilled into the real world. During a rash of wildfires in 2010, thousands of volunteers used crowdsourcing sites to respond to the crisis. Mr Asmolov argues that this self-mobilisation instilled a sense of agency in ordinary citizens while exposing the government's shortcomings.

A year later, when the Kremlin tried to rig parliamentary elections, sites such as *Golos* ("Voice") activated thousands of volunteer election monitors who recorded widespread violations. In the wake of street protests, Mr Putin unleashed repression both online and offline, including denial-of-service attacks on websites, new regulations and prosecution of activists. In 2014 he declared the internet a CIA project and demanded that national internet firms move their servers to Russia. The Kremlin launched groups of "cyber guards" to search for prohibited content, and tried to hollow out the volunteer movement by replicating independent crowdsourcing sites with its own. It even equipped polling stations with webcams, not to increase transparency, says Mr Asmolov, but to create a semblance of it. It also deployed an army of trolls to flood social media with derisive and inflammatory messages.

The government pressed Pavel Durov, the co-founder of VKontakte, a home-grown social network, to divulge user information to the FSB, the state security service. When he refused, it made him sell the firm and it was acquired by Mail.ru, a big Russian internet business, in 2014. Until October 2018 (when there was a transfer of voting rights to the company's CEO) Mail.ru was controlled by USM Holdings, a company founded by Alisher Usmanov, a loyal oligarch, in which he has a 48% interest. VKontakte remains Russia's top social network, partly because it offers pornography and pirated content. Last year Mr Usmanov hailed a $2bn joint venture by Mail.ru with Alibaba, a Chinese e-commerce giant.

Unlike Mr Durov, Mail.ru had no qualms about giving users' data to the security services, which has led to a series of arrests. According to Agora, a human-rights watchdog, Russian prosecutors have initiated 1,295 criminal proceedings for online offences and handed out 143 sentences since 2015. The vast majority originated from VKontakte pages.



The Economist

This heavy-handed approach has alienated young internet users. More recently, the government has changed tactics. Instead of persecuting users, it is establishing greater control over internet providers. New legislation on "digital sovereignty" will oblige them to install surveillance equipment that can be operated from a single control centre. This will allow the state to filter internet traffic, isolate regions or even cut off the worldwide web throughout the country in case of emergency. The government showed it can cordon off individual regions from the internet during recent protests in Ingushetia.

But replicating China's "great firewall" may be difficult, says Andrei Soldatov, the author of "The Red Web" and an expert on Russian internet surveillance. Russia is more integrated into the internet's global architecture; its biggest firms, like Yandex, have servers abroad, while global giants such as Google have servers in Russia. More importantly, Russians have grown used to sites like YouTube, which is a big provider of children's entertainment.

Banning established platforms like YouTube or Google may be technically possible, but could be politically explosive. Last year the state regulator tried to block Telegram, a messaging service developed by Mr Durov, for refusing the Russian security services access to encrypted messages. This inadvertently crashed lots of services, including hotel- and airline-booking systems which (like Telegram) relied on Amazon and Google servers. It also sparked some of the largest street protests in years.

Telegram is fighting the effort to block it, and for now it seems to be winning, not least because many government officials use it. But Mr Soldatov argues that the exercise served to intimidate big platforms into co-operating: "It showed firms such as Google and Facebook that people in the Kremlin...are mad enough to bring down the entire internet if necessary."

Last year the Russian regulator fined Google 500,000 roubles ($7,600) for failing to remove banned websites from search results. The number of requests from the Russian government to remove or block content has exploded in the past two years. The repressive "digital sovereignty" law, already endorsed by Yandex and Mail.ru, two of Russia's largest firms, aims to increase the Kremlin's power to cajole. And the tactic of "persuasion" is partially working. Google's latest transparency report shows that it satisfied 78% of Russian government take-down requests in the first half of 2018. Mr Navalny complains that YouTube wrongly removed a paid advertisement for his protest rally last September at the request of the electoral commission, and says it turns a blind eye to the Kremlin's use of bots to drive down his videos' ratings and stop them from trending.

Applying the new law fully, however, might be like smashing a computer screen with a hammer. The Kremlin will have a switch to bring down the internet if a political crisis erupts, but few ways to prevent it from erupting. Pulling the plug to block the protesters' message from spreading would be the most powerful message of all. In 1991 almost no one had internet access. But everyone knew the country was in turmoil when they turned on the television and saw nothing but "Swan Lake".

This article was revised on April 4th, 2019 to clarify the ownership and control of Mail.ru by USM Holdings and its release of user data in the period 2014-2018.

This article appeared in the Europe section of the print edition under the headline "Putin tries to build an internyet"

Friends, Europeans

Emmanuel Macron appeals directly to Europe's voters

The French president issues a manifesto for a "Europe that protects"

Print edition | Europe Mar 7th 2019

FOR NEARLY three months, the formerly globe-trotting French president has scarcely left the country. Instead he has cleared his diary to criss-cross France, staging nearly a dozen town-hall meetings in a "great national debate" intended to counter the *gilets jaunes* protests. That movement, which began last November, is ebbing, but it has yet to be pacified. Nevertheless, this week Emmanuel Macron at last re-emerged from his domestic troubles, publishing a bold manifesto for a European "renaissance" in 22 languages and 28 newspapers across the continent.

The declaration was as arresting for its symbolism as its content. Mr Macron addressed it not to fellow leaders or like-minded political parties, but to "citizens of Europe". This unusual appeal to people across the continent, including those in Britain, enabled him to tell British voters bluntly what he thought of Brexit. "Who told the British people the truth about their post-Brexit future?" asked Mr Macron, declaring that "the Brexit impasse is a lesson for us all". Denis MacShane, a British former Europe minister, described it admiringly as "quite the most extraordinary interference seen in European politics" since Winston Churchill called on Europe to form a union after the second world war.

Such an effort to speak directly to citizens abroad recalls Mr Macron's technique of appealing to voters over the heads of political parties during his election campaign in 2017. The text served as the unofficial launch of his campaign for the European Parliament elections in May. In those elections, as part of his ambition to build a cross-border European sense of political identity, or *demos*, Mr Macron has tried to forge a pan-European liberal alliance. But that effort has come to little.

Mr Macron's pro-Europeanism is a long-standing passion. But doubling down on Europe is a counter-intuitive response to his difficulties at home, where the *gilets jaunes* denounce remote, technocratic elites. Grand schemes for Europe—and Mr Macron has no end of new agencies to propose—are hardly foremost among French protesters' concerns. Sure enough, the National Rally (formerly the National Front), the populist party led by Marine Le Pen, promptly denounced Mr Macron's "post-national vision". His letter, the party sniffed, did not mention France once.

Yet in many ways, Mr Macron's manifesto is designed precisely to respond to the populists' fears. He has long talked about a "Europe that protects". In this new short text, the word "protect" appears no fewer than 13 times. He promises to strengthen external borders against the threat of illegal immigration. He wishes to rethink the Schengen border-free area, demanding that any countries that participate also share the burden of asylum-seekers. He proposes to reform competition and trade policy, introducing a buy-Europe policy to level the playing field (as he sees it) with America and China. He wants a new European

Security Council that includes post-Brexit Britain, a minimum wage in each country, a European climate bank, a European "agency for the protection of democracies" (against the threat of cyber attacks and manipulation), and more.

Mr Macron's underlying message is about preserving "European civilisation". This may sound like an effort to absorb populist themes he once abjured. Last year he warned of the "leprosy" of nationalism, and declared that if populists saw him as their main opponent "they are right". (This laid the groundwork for a recent diplomatic spat with Italy.) But this time, says an aide, he is trying to bring together those worried about nationalism, whichever European country they happen to be in.

Some of Mr Macron's ideas are vague enough not to court controversy. The European minimum wage is to be "appropriate to each country", leaving broad room for adjustment. There is no mention of his ambitions for euro-zone reform, which have stalled owing to the recalcitrance of Germany and other northern states, nor of a "European army", which is frowned on in Poland and the Baltic states. The most divisive proposal is to make membership of Schengen conditional on sharing asylum-seekers, an idea plainly directed at Hungary's Viktor Orban, who has made resistance to EU refugee policy his watchword.

The French president may struggle to find support. "With which allies is he going to do all this?" asks Yves Bertoncini, president of the European Movement France, a think-tank. Mr Macron made no mention of how to implement his proposals or to arrive at a new European treaty, as he promises, by the end of the year. The reaction in Germany, France's closest friend, was muted, although Olaf Scholz, the finance minister, called the text a "decisive signal".

Mr Macron may not have all the answers, and some of his ideas may be imprecise or flawed. Yet Europe is not exactly awash with strong voices in defence of the liberal order. Domestic distractions have recently kept the French president on the sidelines. This week's declaration was a reminder that he has not abandoned his ambitions for Europe, nor run out of ideas about how to achieve them.

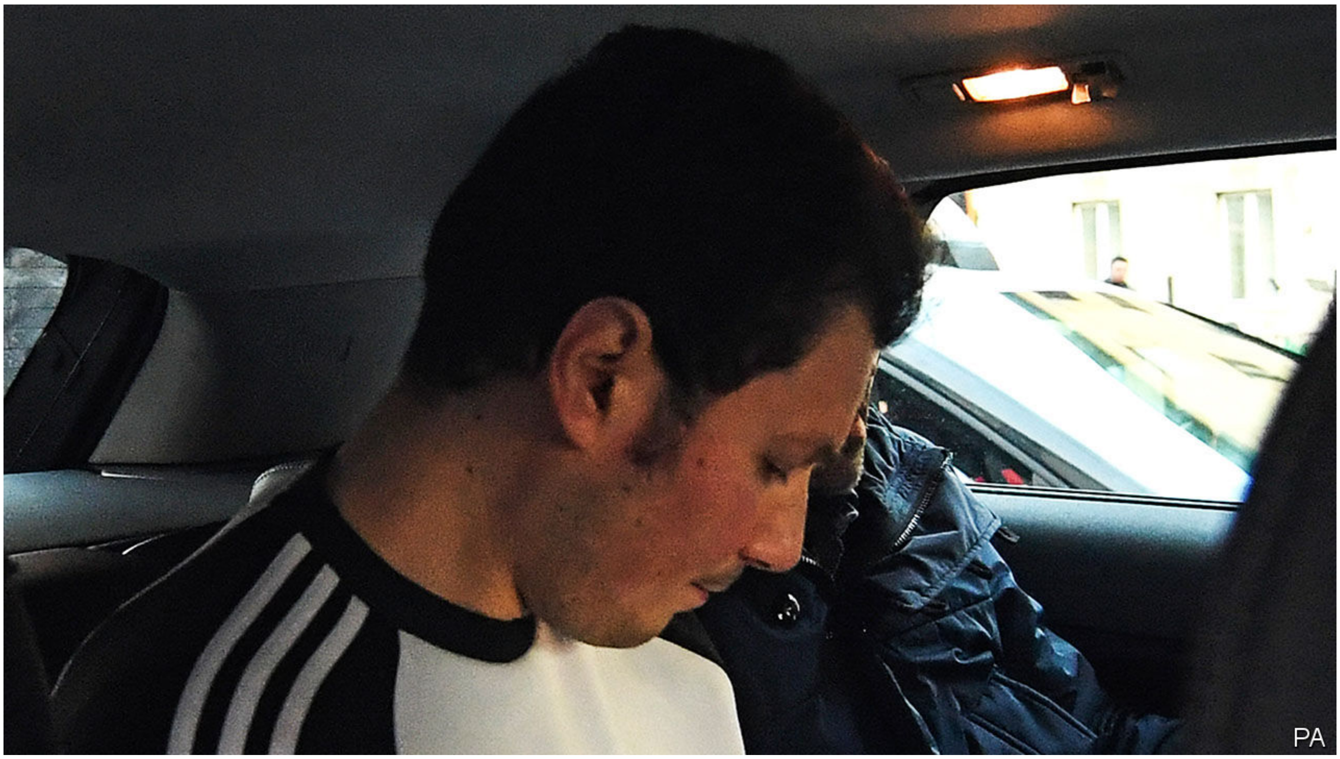
This article appeared in the Europe section of the print edition under the headline "Friends, Europeans"

Ghost of the Camorra

Italy arrests a fugitive "Gomorrah" gangster

Police nab "Il Fantasma", the country's second-most-wanted mafioso

Print edition | Europe Mar 9th 2019



PA

MARCO DI LAURO, otherwise known as "F4" or *Il Fantasma* ("The Ghost"), was sitting eating pasta when police broke into the cramped apartment he shared with his partner. Around 150 operatives from all three Italian national police forces had been assigned to the raid on March 2nd—a measure of the importance given to ensuring The Ghost did not vanish yet again.

Mr Di Lauro had been in hiding for 15 years. That made him one of Italy's four most-wanted mobsters and the longest-standing fugitive of the Camorra, the Neapolitan mafia. His elusiveness was an affront to the state, made all the more humiliating by the celebrity status he and his family had acquired.

The boyish-looking Mr Di Lauro was the fourth son (*figlio* in Italian, hence "F4") of Paolo Di Lauro, whose family's bloody history inspired "Gomorrah", an internationally successful television series. The Di Lauro clan supplied the narcotics that turned its territory, centred on a vast housing project in the suburb of Scampia, into perhaps the biggest drugs outlet in Europe. At its height, turnover was estimated at €300m ($339m) a month. Such riches prompted a split in the clan and the first of two mafia feuds, in which scores of people have since died—some unconnected with either warring faction. According to a hit man who turned state's evidence in 2017, the head of one of the victims was cut off to be used as a football by the boss who had ordered his killing.

Legends enveloped the missing Mr Di Lauro. Some fancied they had seen him disguised as a woman; others said he was in Dubai. Yet he turned out to be living just outside his family's turf, near an underground station on a line that ends at Scampia. Such brazenness suggests that, although the Di Lauro clan has lost its grip on the city's drugs trade (switching to counterfeiting and more legitimate activities), it wields considerable powers of intimidation.

The Ghost's arrest did not result from a tip-off by neighbours. It appeared to have been linked to a completely different crime several hours earlier. A man believed to have been helping Mr Di Lauro to hide shot dead his own wife, then turned himself in. That coincided with what the police chief of Naples, Antonio De Iesu, called a "flurry of technical activity". Perhaps the killer was under surveillance, and made a call or sent a message that unwittingly disclosed Mr Di Lauro's whereabouts.

The fugitive was unarmed when captured. General Ubaldo del Monaco of the Carabinieri, a semi-military police force, said he seemed most concerned about his two cats. Mr Di Lauro's partner was also led away. A neighbour said that on the way out she apologised for having used a false name in her dealings with the other people in the block.

This article appeared in the Europe section of the print edition under the headline "Ghost of the Camorra"

Charlemagne

Time for Europe's centre-right group to kick out Viktor Orban

The European People's Party has tolerated the Hungarian leader's authoritarianism for too long

Print edition | Europe Mar 7th 2019

ON JUNE 16TH 1989 Hungarians gathered to rebury Imre Nagy. The liberalising prime minister's overthrow had prompted the uprising against Soviet rule 33 years before. In Heroes' Square in Budapest they placed flowers and wreaths around his coffin as Viktor Orban, a 26-year-old leader of the Young Democrats (known as Fidesz), proclaimed that the Soviet Union had forced Hungary into a "dead-end Asian street" and that communism and democracy were incompatible. Fidesz would later become a political party and help lead Hungary's post-communist modernisation. So impressed was the European People's Party (EPP), the grouping of European centre-right parties, that it wooed Mr Orban away from the liberal bloc—sending representatives to Budapest to persuade him to switch, which he did in 2000.

That feels like a long time ago. In his second spell as prime minister, since 2010, Mr Orban has battered Hungary's young democracy: changing the constitution to cow judges, taking over the press, clamping down on civil society, manipulating elections and propagating anti-Semitic conspiracy theories about George Soros, a Hungarian-born billionaire whom he accuses of plotting to flood the country with migrants. He has routinely trampled over red lines laid down by the EPP, yet still the group has coddled him, cheering his election victories and dismissing calls to expel Fidesz. The EPP warned Mr Orban not to pass a law curbing NGOs' independence and not to force the Budapest-based Central European University (CEU), founded by Mr Soros, out of the country. He did both last year. No sanction followed.

Why not? The EPP, the largest European party group, sees itself as the ultimate big tent, a family spanning the continent in all its diversity. And the bigger the tent, the more the EPP can get its way in Brussels. Its affection for the sunny Fidesz of 1989 clouds its judgment of the dark Fidesz of 2019. Better to keep the party on the inside, where its authoritarianism can be curbed, argue leaders like Manfred Weber, the EPP's candidate for the presidency of the European Commission at the European elections in May. Some point to corruption-tainted outfits in other alliances, like Slovakia's Smer, which sits in the social-democratic group. Expelling them all would, the argument goes, reduce the mainstream party groups to western and northern European rumps, and further fracture the EU. Thus, even when he voted for Article 7 disciplinary procedures against Hungary in September, Mr Weber insisted that he was voting "not against Fidesz, not against Viktor Orban".

Now, however, Mr Orban may finally have gone too far. Last month he launched a publicly funded poster campaign showing a cackling Jean-Claude Juncker, the commission president and an EPP veteran, next to George Soros, with the slogan "You have a right to know what Brussels is planning to do" (force migrants on Hungary, apparently). The vitriol and scale of the campaign shocked the EPP. It heightened concerns that Mr Weber's association with Mr Orban might deny him the votes of social democrats and liberals in the European Parliament, which he would need to secure the commission's presidency. So far 12 member parties of the EPP, mostly from the Benelux and Scandinavian countries, have called for Fidesz's expulsion. The EPP's assembly will settle the matter on March 20th. It will probably be decided by German parties, Angela Merkel's Christian Democratic Union (CDU) and the Christian Social Union, its Bavarian sister party and Mr Weber's political home.

At a meeting between Mr Orban's representatives and Annegret Kramp-Karrenbauer, the CDU's new general secretary, old Fidesz excuses (leftists are trying to divide the EPP, the attacks on Mr Soros are merely domestic politics) did not fly. Mr Weber has sharpened his language, on March 5th threatening Fidesz with expulsion unless it stops the posters, apologises and lets the CEU remain in Budapest. None of these is likely to happen. Meanwhile the CSU, traditionally sympathetic to Mr Orban, is turning against him and is unwilling to split from the CDU amid today's climate of reconciliation between the two parties. As a compromise, the two might back the temporary suspension of Fidesz.

That would be grossly inadequate. The case for expelling Fidesz is overwhelming. Far from restraining him, cosseting Mr Orban in the EPP has legitimised his illiberal abuses. Andras Lederer of the Hungarian Helsinki Committee, a human-rights campaign in Budapest, is withering about the EPP's "utter failure". Letting Mr Orban go unscathed, he says, "encouraged him to continue dismantling the rule of law and checks and balances." For Mr Weber to back a mere suspension, leaving the door open to readmission after the European elections, would confirm a pattern of spinelessness that worries even colleagues sympathetic to his bid for the commission presidency. Ponders one EPP insider: "Where's his backbone?"

1989 and all that

Expulsion, it is true, might prompt Fidesz to set up a new group of hard-right European parties, or more probably to join one of the two existing ones. But it would pay a price in influence and domestic credibility. Moreover, the EPP could then admit a more moderate Hungarian party in its place: the liberal-conservative Modern Hungary Movement, for example.

The case against expelling Fidesz rests on the claim that the EPP encompasses different sorts of European parties: from liberal western ones to more conservative post-communist ones, including those in countries where democratic and pluralist norms are not as firmly rooted. This is a worthy ambition. But Hungary is not Fidesz. And just as the bright modernity of the party in 1989 obscured some of the darker traits of Hungarian society (which Mr Orban has since harnessed and indulged), so the party today obscures the better traits. The job of a big-tent, supposedly moderate party family is to nurture those better traits, not to give up on them in the name of inclusivity. History did not end in 1989.

This article appeared in the Europe section of the print edition under the headline "Let's get this party ousted"

Labour's prospects
Two left feet

Two left feet

Astonishingly, Labour seems in even worse shape than the Tories

Jeremy Corbyn keeps missing chances to take the lead over the government

Print edition | Britain Mar 7th 2019

Reuters

AS SO OFTEN, Theresa May is in trouble. The prime minister is barely in control of her cabinet, let alone her MPs or her party. Unless her attorney-general, Geoffrey Cox, comes back from Brussels with a magical release from the Irish backstop, she is set to lose a second vote on her Brexit deal next week and be forced to seek an extension of the March 29th deadline. The going should be good for the Labour Party. Yet in many ways Jeremy Corbyn, its leader, has even more problems than Mrs May.

The biggest is internal division in his party. It is worth recalling that four-fifths of his own MPs expressed no confidence in Mr Corbyn's leadership as long ago as June 2016. More recently eight of them have defected to form what they call the Independent Group (TIG). Another MP has walked out since. Although the new group has also lured three Tory MPs, and more defections are promised, its support seems to come mainly from erstwhile Labour voters. With polls showing TIG, which is moving towards becoming a fully fledged party, scoring in the mid-teens, the Tory lead over Labour has widened into double figures.

And that is just one of Labour's splits. Tom Watson, the deputy leader, is setting up the Future Britain Group, a social-democratic club of 50-odd Labour MPs that amounts to a party within the party. Mr Watson, who like Mr Corbyn was directly elected by members, has no intention of leaving Labour. He may indeed be positioning himself for a future leadership race. Whatever happens, his group is likely to prove a thorn in Mr Corbyn's side—just as the right-wing European Research Group within the Tory party is for Mrs May.

It is not just dislike of Mr Corbyn and his far-left worldview that lies behind these divisions. His personal rating is as abysmally low with voters as with his own MPs. He is the least popular Labour leader since Michael Foot in 1982. Despite Mrs May's shortcomings, a large majority considers her the more competent leader and plausible prime minister of the two.

Mr Corbyn is also suffering from continuing rows over anti-Semitism. When Luciana Berger joined the breakaway TIG, she declared that Labour was institutionally anti-Semitic. On March 7th the official equality watchdog said that Labour may have unlawfully discriminated against Jews, and that it was considering using its statutory enforcement powers against the party. The ugly saga has badly tarnished the image of Mr Corbyn as a peace-loving anti-racism campaigner.

It has also highlighted the big difference between today and past decades when moderates battled to stop Labour drifting leftward. When the likes of Hugh Gaitskell and Neil Kinnock fought off far-left influence in the 1960s and 80s, they did so as party leader, supported by their shadow cabinet. Now it is the leadership itself that is in the hands of the far left. Those anxious to wrench the party back to the centre face having to do so from outside the tent, not inside it. And as Mr Watson and others are finding, that is a far harder task.

As if to stir things up, into all this has fallen Labour's dilemma over Brexit. Mr Corbyn is a long-standing Eurosceptic who was against Britain joining what he considers a capitalist club. His immediate circle is mostly pro-Brexit, not least because of fears that the EU's state-aid rules might stand in the way of efforts to build socialism in Britain. Yet the party's MPs and members are strongly pro-EU and see Brexit as central to a Tory policy that aims also at cutting social welfare, deregulating and reducing workers' rights.

Mr Corbyn's response has been one of studied ambiguity. While accepting the result of the 2016 referendum, he has opposed what he calls a Tory Brexit. He has sought to retain support from metropolitan Remainers as well as small-town Leavers. Yet as the Brexit deadline has drawn near, this attempt to please both sides has run out of road. Facing the prospect of more resignations by Remainer MPs, Mr Corbyn has given conditional backing to what he calls a "public vote" on the government's Brexit deal.

For the time being, there is little chance of a parliamentary majority for another referendum. That is partly because some Labour MPs from Leave-voting constituencies are against the idea. They argue that the party would lose support if it were seen, like the Liberal Democrats, as overtly anti-Brexit. The promise of a second referendum might play well in London or in places with lots of students, they acknowledge, but it would go down badly in northern and midland seats that Labour must win if it is to secure a majority.

Most analysts disagree. Polls suggest that a majority of Labour voters, even in areas that supported Leave, backed Remain. And Labour Leave supporters seem to be softening their views, or even switching sides, more than Tory Leavers are. Peter Kellner, a former chairman of YouGov, points to polls showing that 70% of Labour voters now think the Brexit decision was a mistake. He concludes that the risk of losing votes to other parties or to abstention is greater if Labour is seen facilitating a Tory Brexit than if it calls for a second referendum. Rob Ford of the University of Manchester says this is true even in northern constituencies that backed Leave in 2016.

Labour's woes and its poor showing in polls are encouraging some Tory MPs to talk of another early election. They think back to the 1980s, when a divided, far-left Labour Party handed the Conservatives three successive election victories. Yet this time the Tories have been in power for nine hard years, voters are sick of austerity, Brexit is a mess and Mrs May is a proven flop on the campaign trail. After calling the 2017 election she frittered away a 20-point lead and cost the Tories their majority. As she struggles on against a damaged Mr Corbyn, it increasingly looks as if the most likely winner of the next election will be whichever party changes its leader first.

This article appeared in the Britain section of the print edition under the headline "Two left feet"

A tough cell

A transgender wing seeks to resolve a clash of prisoners' rights

Three inmates are moving to Britain's first transgender wing—but not all trans prisoners are keen to follow them

Print edition | Britain Mar 7th 2019

LONG BEFORE she was sent to prison, "A.L." knew she was transgender. As a child, she "wasn't like other boys" and liked to dress up in girls' clothes. Yet when she first confided in warders, they suggested she move to a wing with sex offenders. In a study of transgender inmates published in 2017 by G4S, a firm which runs prisons, she said she was refused a place in a women's jail. "I was told that the women prisons would be too interested in 'what I've got downstairs'," she said.

The prison service reckons there are at least 139 transgender inmates in England and Wales, which is probably an underestimate. Since there are no unisex prisons, the authorities face a dilemma in deciding where to place them. They must balance the welfare of transgender offenders with those of other prisoners, particularly women, whose safety could be threatened by prisoners who were born male. Karen White, a convicted paedophile who now identifies as a woman, sexually assaulted two prisoners in a women's jail in 2017. "We have a clash of rights," says Richard Garside of the Centre for Crime and Justice Studies, a think-tank.

This week the Ministry of Justice announced a possible solution: a wing for transgender prisoners, which opened in HMP Downview, a women's jail in south London. It will hold three transgender women. Officials say it is a unique response to the individuals' circumstances, not a pilot that could soon apply to all, but the ministry is reviewing its policy on how to handle transgender inmates in general.

Some reckon the wing represents significant progress. The prison service has twice issued more permissive guidance for transgender inmates since 2011, but a parliamentary report in 2016 found that this advice was sometimes "simply being ignored" by warders. Policy is inconsistent. A prisoner's request to buy women's underwear was turned down in one jail but approved in another. In one prison, inmates were given a sign reading: "Do not enter, shower in use by transgender prisoner."

At first blush, separate wings would seem to meet the needs of both transgender and other prisoners better than the current system, under which the majority of transgender inmates have the chance to persuade a board that they should be housed in a jail with prisoners born into the opposite sex, even if they have not undergone surgery or obtained an official "gender recognition certificate". The board runs a risk whatever it decides. Placing self-declared women in female prisons could expose other inmates to abuse by predators like Ms White. But forcing them into a men's prison, even if they have lived as a woman for years, could put them in harm's way. The parliamentary report highlighted the cases of two transgender women who committed suicide while in men's prisons in 2015.

Even so, not all transgender inmates like the idea of separate wings. The mantra of some activists that "trans women are women" implies they should be treated no differently from inmates who were born female. And if the new wing is designed for dangerous inmates, others may avoid it. Debbie Hayton, a transgender campaigner, reckons that, were she ever jailed, she might plump for a men's prison rather than a faraway transgender wing holding sex offenders. "If these people are considered too dangerous to be put with women, perhaps they're too dangerous for me, too."

This article appeared in the Britain section of the print edition under the headline "A tough cell"

Kumar Bhattacharyya, 1940-2019

Kumar "Battery Charger", the man who energised Britain

Lord Bhattacharyya, an engineering dynamo, died on March 1st

Print edition | Britain Mar 7th 2019


Alamy

LORD TEBBIT, one of Margaret Thatcher's lieutenants, once proposed a "cricket test" to see how well assimilation was going. Did immigrants cheer for England or their country of origin? Kumar Bhattacharyya would have failed Lord Tebbit's test—he liked to say that "I support England in the Test matches, except when they are playing India." But he was one of the great Englishmen of his generation.

Born in Bangalore to a wealthy Brahmin family that had made its money in tea and steel, the young Mr Bhattacharyya moved to Britain in 1961 to work for Lucas Industries and study engineering at Birmingham University. He quickly fell in love with the country, despite finding the food inedible and the weather intolerable. But he worried that the object of his affection was bent on self-destruction. Academics looked down on industry. Manufacturing companies were in a dismal state. The ruling class was reconciled to decline.

He devoted his life to tackling these problems—and was lucky to encounter an ambitious vice-chancellor at Warwick University, Jack Butterworth, who shared his analysis. Butterworth gave him "a table, a chair and a secretary" in the engineering department. "Battery Charger", as he was known, did the rest, challenging the holier-than-thou approach of academia head on and forging close links with business.

The result was a powerhouse of research and training called the Warwick Manufacturing Group. It now has a staff of 650 carrying out cutting-edge research in everything from lean production to battery technology and allowing students to combine an academic education with working for local firms. The jewel in its crown, a 355,000-square-foot National Automotive Innovation Centre, is under construction.

Lord Bhattacharyya, as he became in 2004, also did more than anyone to persuade the Tata Group to buy Corus, an ailing steel giant, in 2007 and Jaguar Land Rover the year after. The second was a particular coup. Worried that Ford was planning to sell JLR to a private-equity company that would gut it, Lord Bhattacharyya invited his good friend Ratan Tata to see what was on offer. The Indian titan decided to invest more than £10bn ($13bn) in JLR, tripling its workforce.

Lord Bhattacharyya was the subject of one of the most poorly titled books in recent years, "Kumar Bhattacharyya: The Unsung Guru". He was in fact the subject of many a song. The British government rewarded him with a knighthood and a peerage—he relished being called Professor Lord Bhattacharyya—and his fellow management theorists revered him. The Warwick Manufacturing Group means that he now has a permanent place in the landscape of his beloved Midlands.

This article appeared in the Britain section of the print edition under the headline "The man who recharged Britain"

Murder mystery

Fatal stabbings are at record levels in Britain. Why?

Cuts to police numbers are only one part of a complex picture

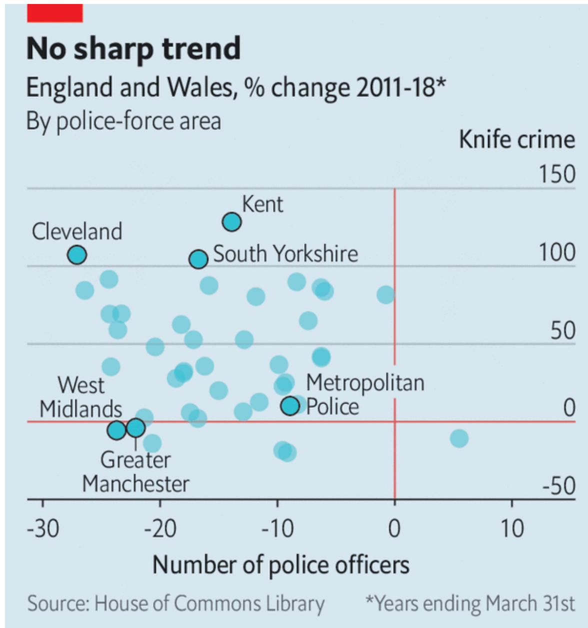
Print edition | Britain Mar 7th 2019

YOUSEF MAKKI and Jodie Chesney, two 17-year-olds, were stabbed to death within 24 hours of each other on March 1st and 2nd. Mr Makki was killed near Manchester and Ms Chesney in east London. The victims—one a successful pupil at a private school and the other an Explorer Scout—have received more coverage than most of this year's other teenage casualties. But they reflect a broader trend: knife crime is on the rise.

In the year to March 2018, 285 people were stabbed to death in England and Wales, the highest number since records began in 1946. The number of people aged 18 and under being treated for stab wounds has risen by two-thirds in the past five years, bringing the total close to a peak reached about a decade ago.

What is behind the outbreak? Many police officers blame deep cuts to their funding made by the Conservative-led government from 2010. The number of officers has since fallen by 15%. Theresa May, who as home secretary in 2010-16 oversaw these cuts, insists that there is "no direct correlation between certain crimes and police numbers".

This is not a popular view. Sajid Javid, the current home secretary, says that "we have to listen to [police] when they talk about resources". Cressida Dick, the country's top cop, argues that there "must be something" to the fact that violent crime has risen just as budgets for the police and other public services have shrunk. One of her predecessors, Lord Stevens, is blunter: "I don't think [Mrs May] listens, quite frankly, to what she's being told."



The Economist

The prime minister may have overstated the police's invulnerability to cuts. But her opponents probably overstate the impact. There is so far no sign that those police forces suffering greater reductions in manpower have seen greater rises in knife crime (see chart). And although attention has focused on big urban areas, the country's largest cities have in fact seen smaller rises in knife crime than most other places.

There is no simple explanation for why stabbings are rising at a time when overall crime is flat. Funding cuts—not just to the police but to the services that keep young people on the straight and narrow—probably have more to do with it than Mrs May admits. A steep drop in the number of stop-and-searches, another change which began during Mrs May's time in the Home Office, may have made it easier to carry a knife. And changes in the drug market, in which big city gangs have branched out to challenge dealers in provincial towns, have sparked turf wars on previously quiet patches.

The overall homicide rate, at 1.24 per 100,000 people, remains well below its recent peak of more than 1.5 in the early 2000s, and is trifling by international standards. But the public are becoming worried. Mrs May should be, too.

This article appeared in the Britain section of the print edition under the headline "Murder mystery"

Cash in the attic

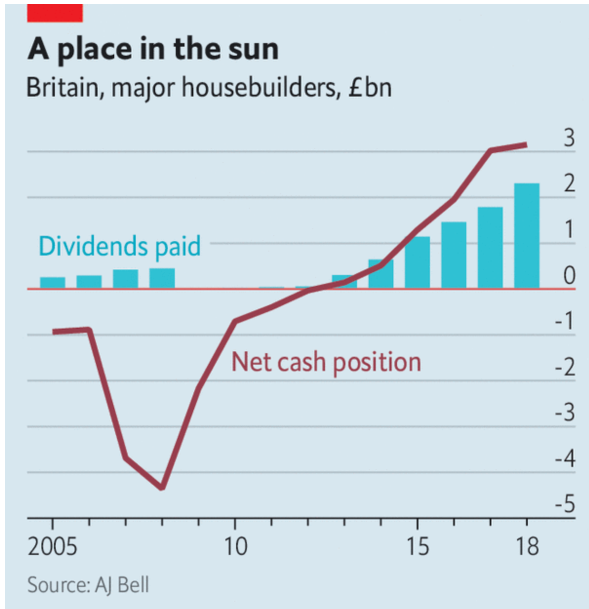
Why British housebuilders are making such juicy profits

Operating margins are roughly twice what they are in America

Print edition | Britain Mar 7th 2019

MOVE OVER, investment banking. Now housebuilding is the industry Britons love to hate. Even as many people struggle with high housing costs, housebuilders are cashing in. Last month Persimmon, Britain's largest, posted profits of £1.1bn ($1.4bn) for 2018, its highest ever. Across the industry operating margins are twice what they are in America. Dividends have jumped and the firms' cash piles point to big payouts in the future (see chart). Stories of senior managers being paid investment-banker salaries often hit the headlines.

Why are the builders enjoying a purple patch? One explanation is that they are better managed than they once were. Before the financial crisis in 2008-09 many were laden with debt. After the crisis they raised capital and cut costs. Recently Barratt Developments revealed a cunning plan which involved lowering the pitch of its roofs, which should reduce the number of tiles required. Housebuilders are also shifting more units. Last year Britain put up 200,000 dwellings, the most in a decade.



The Economist

Policymakers have given housebuilders a helping hand, however. "Help to Buy", a mortgage-subsidy scheme launched in 2013, raises the purchasing power of potential new-home buyers. It was supposed to increase home-ownership rates among the young. Economists dispute whether it actually has. But according to a forthcoming paper from Felipe Carozzi, Christian Hilber and Xiaolun Yu of the London School of Economics, the clearest impact of Help to Buy has been to raise house prices, potentially by as much as 5%.

The builders' juicy profits may also be a consequence of the changing structure of the housing market. In the early 1980s small builders (ie, those erecting up to 100 units a year) built almost half Britain's homes. Since then the market has become more concentrated. The minnows' share has fallen to a tenth, while the whales have boosted theirs. The growing complexity of the planning system is in part to blame. From the 1990s more obligations were placed on developers. Builders must often rely on time-consuming appeals in order to get approval for a project. Small firms rarely have the expertise and resources to navigate the system.

The big builders' market power expresses itself in different ways. Stories abound of new houses which quickly develop mould and damp. There is also evidence that big builders acquire large plots of land in a local area, then put up houses deliberately slowly in order to maintain the local market price. A recent official review by Sir Oliver Letwin, a Conservative MP, found that "the larger the site, the more likely it is to have a low build-out rate."

Housebuilders' power may find its purest expression in the market for developable land. That market is opaque. Yet it appears that homebuilders can bargain down the price at which they buy plots. Robin Hardy of Shore Capital, an investment firm, says that whereas in the mid-2000s five or six builders would compete for a plot of land, one or two is now more common, which gives potential sellers fewer options. A calculation by Neal Hudson of Resi Analysts, a consultancy, suggests that residential-land prices are currently some 30% below what one would expect given their historical relationship with house prices. With land prices held down, many builders have seen rising margins on each house that they sell.

The industry needs new firms to enter the market and compete away excess profits. To enable that, the government could lower barriers to entry. Doling out smaller plots of developable land—something that Transport for London, the capital's transit authority and a big landowner, is exploring—would help smaller builders. Publishing more data on the land market could make it more efficient. Brexit may also dent housebuilders' profits, if prices fall or if dwindling European immigration makes it harder to find labourers. Until then, the fat profits enjoyed by the building firms look as safe as houses.

This article appeared in the Britain section of the print edition under the headline "Cash in the attic"

Sex and religion

British Muslim parents oppose LGBT lessons in primary school

The parents seem to have won the latest battle in a new culture war

Print edition | Britain Mar 7th 2019

WHEREAS AMERICA has culture wars between secular liberals and conservative Christians, cultural battles in Europe increasingly pit secular liberals against conservative Muslims. A noisy skirmish over sex education in a Muslim district of the English Midlands could be a sign of things to come.

Since early February parents have been demonstrating outside Parkfield Community School in Birmingham because their children, aged between four and 11, have been receiving lessons about same-sex relationships. The "No Outsiders" classes, pioneered by Parkfield's assistant head, Andrew Moffatt, are offered for use in schools, libraries and parent-teacher groups across England, and cover topics grouped under buzzwords like equality and diversity.

Things came to a head on March 1st when hundreds of children were kept away from Parkfield in protest. Mr Moffatt, who has received a medal from the queen for his work, came in for a barrage of threatening messages, some implying that the teacher, who is gay, has been using pupils as guinea pigs in an unwanted social experiment.

Parkfield was backed by Ofsted, the schools inspectorate, whose boss said it was vital for children to be aware of "families that have two mummies or two daddies". But on March 4th the school seemed to be backing down. Parents received a letter saying No Outsiders lessons would not be taught for the rest of the term, and promising consultations over future lessons. The school's bosses maintained they had never intended to hold the controversial classes between now and the Easter holidays. The head of the trust which runs the school, Hazel Pulley, insisted that the lessons would resume in the summer term.

The row has split the Labour Party that dominates the city's politics. Shabana Mahmood, the MP for Birmingham Ladywood, urged the authorities to understand the parents' position. It was "all about the age-appropriateness of conversations with young children in the context of religious backgrounds", she said. Fellow Labour activists denounced her defence of "bigotry".

But Nick Gibb, the schools minister, seemed to hint that she had a point. He confirmed that schools must promote equality. But they "will be required to take the religious beliefs of their pupils into account when they decide to deliver certain content", he added. That will be tricky in Birmingham, where more than a third of children are Muslim and conservative strands, like the Deobandis and Salafis, enjoy much influence.

This article appeared in the Britain section of the print edition under the headline "Diversity v diversity"

A greener and more pleasant land

How Britain cut carbon emissions more than nearly any other country

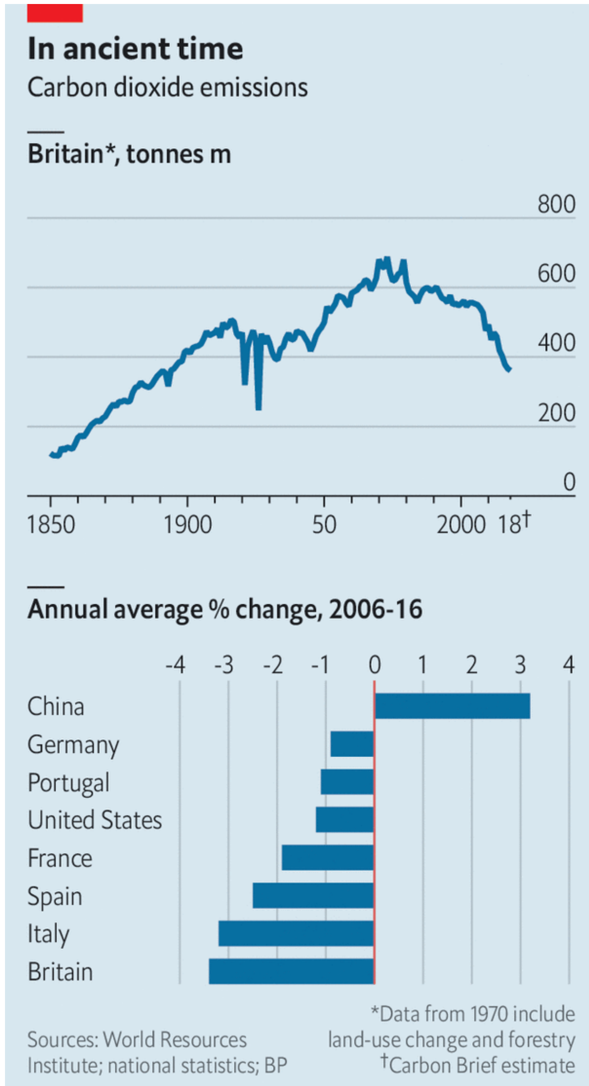
The rapid demise of coal has burnished the country's climate credentials

Print edition | Britain Mar 7th 2019

MARGARET THATCHER was a chemist by training, which may be one reason why she was also one of the first world leaders to warn about the dangers of an overheating planet. In a speech to the UN in 1989 she highlighted the risks posed by the "vast increase" in the amount of CO_2 entering the atmosphere.

It made little difference. When Thatcher gave her speech, the concentration of carbon dioxide in the Earth's atmosphere stood at about 350 parts per million (ppm). Today the number is 412ppm, and rising fast: 2018 was the fourth-warmest year on record. Indeed, each of the past five years is one of the five hottest.

But there are slivers of good news. According to figures from BP, an oil firm, between 2006 and 2016 Britain made some of the biggest emissions cuts of any rich economy, averaging 3.4% a year (see chart). And in February the government published its latest set of energy-use statistics. Analysis of those figures by Carbon Brief, a specialist news website, suggests that Britain's emissions of carbon dioxide, the main greenhouse gas, fell by 1.5% last year, to 361m tonnes. That marks the sixth annual fall in a row. The country's emissions of CO{-2} are now around 39% lower than they were in 1990, the benchmark year against which most climate-change targets are set.



The Economist

If anything, that undersells the scale of the fall. Historical emissions figures must be estimated from secondary sources. But it seems likely that the last time carbon dioxide emissions were as low as today was in the closing years of the 19th century, when Queen Victoria was on the throne and cars and electric lighting were cutting-edge curiosities.

Most of the reduction comes from removing coal, the dirtiest of the fossil fuels, from the electricity grid. A combination of the collapse of heavy industry in the 1980s (which reduced demand for electricity) and the "dash for gas" in the 1990s, which saw a rush to build gas-fired stations, means that Britain has not built a coal power station since 1987. Coal's share of electricity generation has fallen especially fast in the past few years, as a combination of the EU's emissions-trading scheme and a British carbon floor-price of £18 ($24) per tonne has made it uneconomic. In 2014 coal accounted for 30% of all electricity generated in Britain. By 2017 that had fallen to just 6.7%. Last year the country went 1,856 hours without coal providing any electricity at all. The government wants the fuel to be phased out entirely by 2025.

The gap has been filled by gas, and by renewable energy. Wind and solar power have boomed on the back of subsidies that guarantee their power can be sold at favourable prices. Offshore wind, in particular, is growing fast. Britain already has the world's biggest offshore wind farm, and several more are being built.

Despite all that, Britain remains one of the 20 biggest producers of carbon dioxide (though far behind America and China). And the rate at which emissions are falling seems to be slowing down. Getting rid of coal is the easy part. Replacing gas will be harder. The more renewable electricity comes onto the grid, the more problems are caused by its intermittent nature. The government wants to see a big expansion of nuclear power. But rows over subsidies have seen two firms, Hitachi and Toshiba, pull out, leaving those plans in disarray.

And electricity is only one part of the equation. Transport and heating, the other big users of energy, remain dominated by fossil fuels. Sales of electric and hybrid cars are growing, albeit from a low base. In 2018 they made up 2.7% of new cars, but cuts to government subsidies seem likely to dampen demand. Heating, which is provided mostly by natural gas or kerosene, is trickiest of all. Electric heating is far more expensive than the fossil-fuel sort. A switch to it would imply big rises in power bills, which are already a cause of political rows. Britain's houses are mostly old, poorly built and draughty. Laws that would have ensured that newly built houses were low-carbon were recently scrapped.

Dieter Helm, an energy economist at the University of Oxford, points out that the way climate-change statistics are compiled flatters service economies like Britain's, which have outsourced production of the goods they consume to countries like China.

He thinks countries should count carbon consumption, instead of production. Still, the home of the Industrial Revolution has made more progress than many when it comes to the green sequel.

This article appeared in the Britain section of the print edition under the headline ”A greener and more pleasant land”

Bagehot

Britain is becoming a land of conspiracy theorists

The "paranoid style" has crossed the Atlantic

Print edition | Britain Mar 7th 2019


Nate Kitch

BRITAIN IS SEETHING with rumours of treason and plot. Hard-core Brexiteers speculate that Theresa May is preparing to betray the 17.4m people who voted Leave, at the behest of a Machiavellian establishment. Hard-core supporters of Jeremy Corbyn believe that the same establishment is co-ordinating a vast campaign to sabotage their hero. And a growing Yellow Jacket movement feeds on far-fetched theories of secret-service plots and police cover-ups. Richard Hofstadter, a great American historian, once posited that American politics was vulnerable to a "paranoid style" that is defined by "heated exaggeration, suspiciousness, and conspiratorial fantasy". That style has now found a home in Britain.

The anti-Semitism crisis gripping the Labour Party is also a crisis of conspiracy-mongering. A worrying number of people on the Labour left are influenced by two conspiracy-charged tropes: that Jews are over-represented in international finance and that the Israel lobby distorts British foreign policy. People who are open to these tropes tend to be open to other wild ideas: that the deep state is mobilising to destroy Mr Corbyn; that capitalists are conspiring to immiserate the poor; and, at the extremes, that the CIA planned 9/11 as an excuse to steal Arab oil. Alex Scott-Samuel, the chairman of the Liverpool Wavertree Labour Party who did as much as anyone to persuade the local MP, Luciana Berger, to quit the party last month, often appeared on a television channel run by David Icke, who believes that members of the Bilderberg Group are literally reptiles in human form.

Conspiracy theories are also flourishing among Brexiteers. In November Allison Pearson produced a classic of the genre for the *Daily Telegraph* entitled, honestly enough, "It's beginning to look a lot like a Brexit conspiracy". A "powerful and well co-ordinated plot to thwart the democratic will of the British people" was afoot, she wrote. The BBC and various prominent Remainers were in on it. The civil service was "staging a coup". An unidentified source revealed that Downing Street had a plan to "encourage a crash in financial markets" to stampede MPs into voting for Mrs May's deal.

A study of conspiracy theories conducted by researchers at Cambridge University and YouGov, a polling firm, found that some 60% of Britons believe in conspiracies. Leavers are more attracted to them than Remainers: 71% of Leave voters believe in at least one, compared with 49% of Remain voters. Thirty-one per cent of Leavers believe that Muslim immigration is part of a wider plot to make Muslims the majority in Britain, compared with 6% of Remainers. This week a Tory activist, Peter Lamb, resigned from the party after it emerged that he had endorsed various conspiracy-flavoured theories about Islam, tweeting, for example: "Turkey buys oil from ISIS. Muslims sticking together!"

What is driving all this? The collapse of faith in authority plays a part. The Cambridge-YouGov study shows that 76% of people distrust government ministers and 74% distrust company bosses (journalists do even worse, with 77% trusting them "not much" or "not at all"). The response to the financial crisis, which saw bankers saved from the consequences of their folly at public expense, was almost laboratory-made to encourage conspiracy theories. And the internet allows paranoid people to get in touch with each other and share snippets of information that confirm their suspicions. But this particular untrustworthy journalist would like to emphasise two other things.

The first is the logic of populism. Since "the people" have numbers on their side, their failure to get everything they want can be explained only by the cunning of the elites, who fix everything behind the scenes, or the machinations of traitors who claim to be on the side of the people but sell out at the last moment. The logic of populism is further distorted by a growing sense of dispossession on the right, as nativists worry that their country is being taken over by immigrants and cosmopolitan elites, and a growing sense of righteousness on the left, as the pure of heart discover ever more signs of impurity in the population at large.

A fascinating new book, "Corbynism: A Critical Approach", by two Marxist academics, Matt Bolton and Frederick Harry Pitts, argues that Mr Corbyn's brand of socialism is a breeding ground for conspiracy theories. The essence of Corbynism is the belief that a "cosy cartel" of capitalists have constructed a "rigged system" for their own benefit. "The people who run Britain have been taking our country for a ride," Mr Corbyn has said. "They've stitched up our political system to protect the powerful...They've rigged the economy and business rules to line the pockets of their friends." It is not hard to see how this type of thinking feeds anti-Semitism.

The second is the rise of outsiders. Both Labour and the Tories are being shaped by people who have spent their lives in the wilderness, plotting with like-minded enthusiasts to promote unpopular causes. These outsiders have brought with them habits of mind that were formed on the fringes. Prime among these is projection: a willingness to imagine that everybody shares their taste for back-room plotting. They have also brought with them thousands of fellow travellers who carry these habits to extremes. Jon Lansman, the founder of Momentum, a pro-Corbyn movement, worries that the surge in Labour membership that he helped engineer has brought in some undesirables.

Caught in a trap

The problem with conspiracy theories is that they are almost impossible to uproot once they have taken hold. The more that responsible politicians such as Tom Watson, Labour's deputy leader, try to weed them out, the stronger they become. Plenty of people on the Labour left argue that the party's anti-Semitism crisis is itself a Jewish plot. The more hopes of a "real Brexit" or a "real socialist government" are frustrated by the complexity of reality, the more conspiracy theorists see their theories as confirmed. The paranoid style will shape British politics for some time to come.

This article appeared in the Britain section of the print edition under the headline "Suspicious minds"

First-class air travel
The people in front

Turning right

First-class air travel is in decline

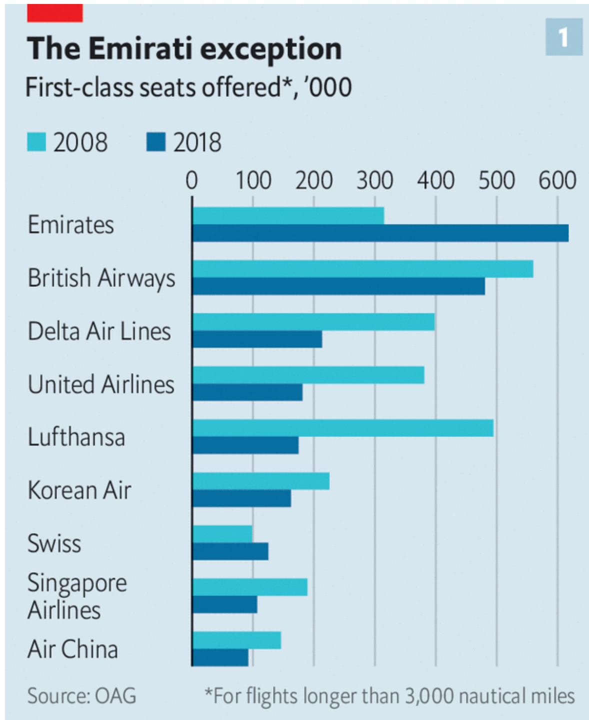
Executives are flying business class; plutocrats are taking private jets

Print edition | International Mar 9th 2019


Getty Images

DUBAI IS OFTEN called a “Disneyland for the rich”. At the city’s airport the three first-class lounges of Emirates, the United Arab Emirates’ flag-carrier, do not disappoint. Each one is as big as the terminal’s concourse, built to accommodate thousands of passengers. But every day only a hundred or so enter each first-class lounge. Instead of the overpriced fast-food on offer in the public concourse, a maze of restaurants and bars serve free caviar and champagne. In their duty-free sections no knock-off cigarettes or booze are in sight. Think instead Bulgari necklaces and whisky at $25,000 a bottle. The facility is so large, its manager admits, that the most common reaction heard from new arrivals is, “Oh my God, where is the lounge?”

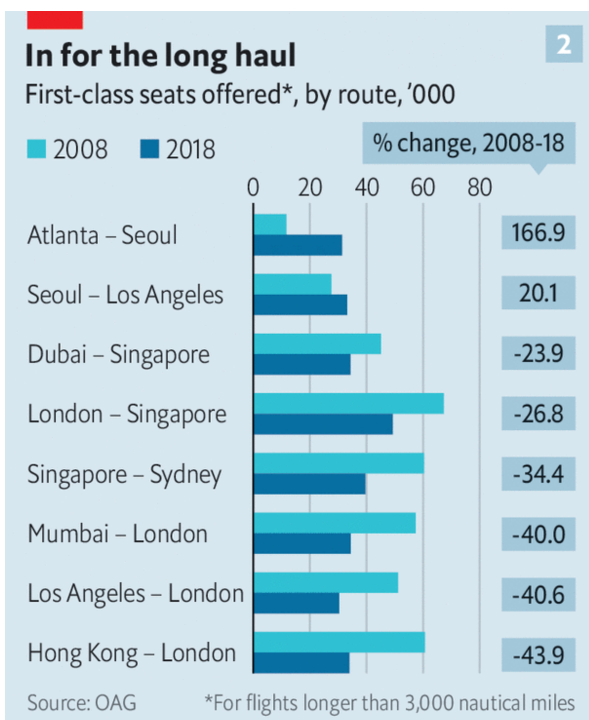
Yet the rows of hundreds of empty armchairs suggest that something is not quite right. Airlines are falling out of love with first class. And that is true even of Emirates, which sells far more first-class tickets than any other carrier (see chart 1). The time to launch new first-class offerings is at ITB Berlin, the world’s largest trade show for the travel industry, which opened on March 6th. At this event in 2017 Emirates unveiled a new onboard bar and lounge for its highest-paying passengers. The same year its big rival in the Gulf, Qatar Airways, launched the world’s first skyborne double-beds. But the mood has changed. Last year Emirates stopped attending the show at all.



The Economist

The decline of first-class air travel seems at first glance surprising. Facilities onboard have never been so good. On its A380 superjumbos, Emirates first class provides in-flight showers. Moreover, the number of very rich people has risen sharply. *Forbes*, a magazine, estimates that the stock of billionaires has doubled to more than 2,100 over the past two decades. And the rest of the luxury-travel business is booming. Richard Clarke of Bernstein, a research firm, estimates that the number of luxury hotels in Asia could increase by as much as 168% over the next decade.

Even so, many analysts predict that first class will soon disappear. In America it is already almost extinct. Ten or so years ago almost all the many hundreds of long-haul aircraft based there offered first-class seating; now only about 20 do. Elsewhere in the world an increasing number of airlines, including Turkish Airlines and Air New Zealand, have already scrapped it completely. On the majority of the most-travelled long-haul routes the number of first-class seats available has fallen sharply in the past decade (see chart 2). Even the airlines that sell the most first-class fares are curbing their enthusiasm. The number of first-class seats has been slashed from 14 to 11 on Emirates' superjumbos and from 12 to six on those flown by Singapore Airlines.



The Economist

When commercial aviation got going after the second world war there was only one class: first. Economy appeared in the 1950s. It was followed in the 1970s by business class and in the 1990s by premium economy, to fill the gap between business and cattle class.

Despite the proliferation of cheaper seats, airlines still make a lot of their money from the more expensive ones. Emirates claims that first- and business-class passengers are 12% of the total but generate about 40% of its turnover. High demand for flat beds on transatlantic flights is what has saved European flag-carriers such as British Airways (BA), Air France and Lufthansa from going out of business. Ross Harvey of Davy, a stockbroker, points out that transatlantic low-cost airlines that have tried to offer just economy or premium-economy seats, such as Norwegian and WOW, have struggled to make money.

Airline bosses are acutely worried about the decline in demand for first class. But they have themselves partly to blame. The industry has disrupted itself, points out Geoffrey Weston of Bain & Company, a consultancy. On short-haul flights, the low-cost model has won. Most "first-class" passengers on these routes now sit in seats with the same legroom as economy passengers, albeit with an empty middle seat, and make do with extras such as lounge access, and food and drink.

On longer routes, new seats that turned into fully flat beds were a game-changer. These were originally introduced by BA in first class in 1995, and much sought after. If travellers can sleep comfortably in the sky, they can save the cost of a hotel or, more importantly for time-pressed corporate warriors, a day's working time. However, in 2000BA launched a similar seat in business, and most carriers have followed suit. That has weakened the case for flying first class. Most companies think a flat bed in business class is good enough for their employees. Only a few honchos are allowed to enjoy first class on the company dime, says Greeley Koch of the Association of Corporate Travel Executives, a trade group.

Changing attitudes among the very rich are also sapping demand. Over the past decade the number of billionaires has grown fastest in China, India and the tech hubs of America. But many self-made tycoons want their children to have the "normal" middle-class upbringings they themselves had, says Charlotte Vangsgaard of ReD Associates, a consultancy. So they book themselves and their families into business, or sometimes economy, rather than first.

Airlines that offer first class say they still do so for two main reasons. The first is to use upgrades from business class as an incentive for loyalty from both corporate and individual customers. But as the gap between business and first has narrowed, frequent flyers have begun to respond better to other incentives, such as access to lounges or to special hotlines.

The second reason for maintaining first class is also weakening. That is what Samuel Engel of ICF, another consultancy, calls the "halo effect" an airline creates by advertising first-class facilities. In other words, flyers begin to think economy on Emirates, say, is fancier than on other airlines by association with features in its first class, such as in-flight showers. This can be an effective marketing tool. For instance, Etihad, a rival to Emirates in the Gulf, has probably had more press coverage for its onboard first-class apartments called "The Residence", of which it has only ten, than all its 30,000 other seats combined.

Many airlines, however, are no longer convinced by this argument and have slimmed down their first-class offerings. One such is Air France-KLM, whose chief executive in 2014, Alexandre de Juniac, claimed that first class was "little more than a costly marketing gimmick" and that "no one makes money out of it".

Yet some still do, particularly Emirates. One advantage it has is that it can combine traffic from various destinations using its hub in Dubai. This helps it make first class viable on routes where it might otherwise struggle to attract first-class passengers. As a result, over 90% of its first-class bookings are paid for, rather than free upgrades.

Why do some passengers still want to fly first rather than business? Privacy is one reason, says Sir Tim Clark, the airline's president. Smaller cabins and walled-off seats make it easier for a celebrity to fly unnoticed by fellow passengers who might otherwise tweet unflattering pictures of them drooling in their sleep. Another is flexibility. First-class passengers want to sleep and eat when they choose, not on a timetable set by cabin crew, as often happens in business class, says Joost Heymeijer, head of Emirates Inflight Catering.

But even Emirates' first- and business-class sales are threatened by private jets. These let executives avoid the wait for a scheduled flight. It is also much quicker to pass through security in a private-jet terminal than an airport. And in America ten times as many airports are open to private jets as are available for the bigger aircraft airlines use. Moreover, executive jets are becoming cheaper in relative terms, says Adam Twidell of PrivateFly, a private-jet booking service. New shared-ownership and ride-hailing services allow the cost of a private jet to be spread over many users.

The rise of the private jet may be good news for bigwigs rushing to meetings. But it is bad news for the environment. The World Bank estimates that first- and business-class passengers on a narrow-body jet already generate between 2.5 and six times more carbon emissions per person than the poor saps crammed into the cheap seats. Private jets, obviously, are worse. A half-filled private jet is roughly five times dirtier than business class and 12 times dirtier than economy on short-haul routes.

A new breed of supersonic executive jets will be even more polluting. The International Council on Clean Transportation, a think-tank, estimates that their emissions will be five to seven times greater than for standard jets. Boom, one of the startups hoping to produce these jets, has forecast that up to 2,000 such supersonic aircraft will be built by 2035.

Another trend that could hasten the end of the arms race in first-class facilities is the shift towards smaller passenger jets. On February 14th Airbus, maker of the A380 superjumbo, announced that it will stop production of new ones from 2021. This aircraft's bulbous fuselage left space that could be devoted to fancy first-class features such as Emirates' showers and Etihad's apartment suites. The smaller and more efficient jets that have consigned the A380 to an early grave lack this extra space. It would be hard to fit showers, for instance, in the new long-haul narrow-body jets now available.

So Emirates will need another way to get its passengers to pay extra—perhaps by further upgrading those cavernous lounges. Its lounge manager in Dubai sounds perplexed: "You need to do something different to make first class worth it."

This article appeared in the International section of the print edition under the headline "The people in front"

Foreign internship

Print edition | International Mar 9th 2019

WE ARE seeking an intern to write about foreign affairs for *The Economist*. The internship will be London-based and will pay £2,000 per month. Anyone is welcome to apply. Applicants should send an original unpublished article of up to 600 words suitable for publication in *The Economist*'s foreign pages, a CV and a cover letter to foreignintern@economist.com. The deadline for applications is April 15th. For more details, please visit www.economist.com/foreignintern

China's tech freeze
Unicorns in winter

Unicorns in winter

China's formerly white-hot tech sector is in the doldrums

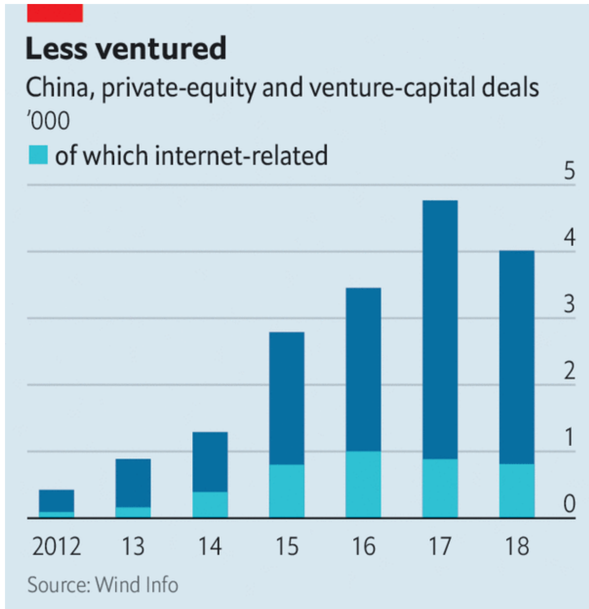
Technology startups are finding it harder to attract venture capital and are shedding staff

Print edition | Business Mar 9th 2019

"ONLY WHEN the year grows cold do we see the qualities of the pine and the cypress," wrote Robin Li, the boss of Baidu, in a new year's letter to staff at China's main online-search firm. It was yet another recognition of a chill sweeping through the country's technology industry. The lavish financing that promising startups have come to expect has dried up. Job cuts have multiplied. Even China's tech giants have not been spared and are slashing bonuses and travel expenses.

This wintry spell is a remarkable reversal for a batch of firms, such as Meituan-Dianping, an online-services super-app, that are among China's most vivacious. Early last year they appeared to be in rude health and were drawing in vast dollops of investment. More money was raised for venture-capital funds in China in the first half of 2018 than in America, the first time that had ever happened: $56bn compared with $42bn, according to Preqin, a data provider. By the autumn no fewer than 86 new "unicorns"—private, billion-dollar startups—had emerged.

Then the "capital winter" set in. One trigger was a selloff in tech stocks globally that included China's biggest stars, Alibaba and Tencent. Worries have multiplied about the pace of revenue growth in a slowing economy, as well as the time it is taking for highly valued private startups to approach profitability. Even giants are seeing sales growth slow. In the third quarter of 2018 JD.com, an e-commerce group, reported its slowest quarterly revenue increase since 2014 and its first decline in new users.



The Economist

During the last three months of 2018, deals to commit venture capital to young firms slumped in number by two-fifths, and private-equity financing dropped by more than a quarter, to under $10bn, compared with the previous three months, according to CB Insights, a research firm (see chart). Unable to raise money, a slew of small funds have even disappeared.

Part of the downturn has more to do with supply of financing for VC funds than disillusion with unicorns. The government has cracked down on informal sources of financing from which much VC funding has flowed, for example. But larger investors have also grown cautious about tech companies. The woes of Ofo, a bike-sharing unicorn, exemplified the sort of hubris that many reckon had spread too far in tech. Ofo raised seven rounds of financing within 18 months, earning a $2bn valuation. It is now almost bankrupt.

Startups looking for early-stage investment have felt the capital winter most keenly. Yuqing Guo, a partner at PwC, a consultancy, says investors are advising them to expect as little as half the valuation they might have won a year ago. Where once investors brandished term sheets before a startup had launched, now they wait. Deals are taking longer: a round of funding once raised within a month is taking six, says Nisa Leung of Qiming Venture Partners, a big investor in Chinese tech.

As private cash has grown harder to come by, more established companies have been looking to public markets. But this has turned into another reckoning for the tech industry, as some anticipated blockbusters fall flat. Shares in Meituan-Dianping and Ping An Good Doctor, China's largest online health-care app, have dropped by a tenth from their offering price.

Among Chinese bosses, meanwhile, business confidence in the three months to December was at its lowest in six quarters, according to a survey by the central bank. The country lost around 160 billionaires to last year's stockmarket slump, reports Hurun, a consultancy which tracks the country's super rich. The fortune of Tencent's Ma Huateng fell by as much as 43% in 2018, to $27bn in October, as his social-media and gaming titan was hobbled by a regulatory hold-up. For the three months to June 2018 the company posted its first quarterly profit decline since 2005.

Other peppy online businesses have been hurt by tighter censorship, as the Communist Party intrudes ever more noticeably into China's technology sector—whether by requiring the shutting down of a popular jokes app, or by announcing that Jack Ma of Alibaba, its best entrepreneur, is a party member. Meanwhile, internet firms are having to look for new ways to attract users and sources of revenue. Karen Chan of Jefferies, a bank, expects growth in China's online ad budget to slow from the 30% of the past two years to 17% this year.

Baidu, Alibaba and Tencent, as well as Meituan-Dianping and Xiaomi, have announced restructuring plans involving a workforce trim or a reduction in new hires. Didi Chuxing, a ride-hailing giant, halved year-end bonuses for staff. Rumours of large lay-offs have circulated on social media: Zhihu, a Quora-like question-and-answer website, was reported to have fired 300 workers in December (it denied this). Job openings for the internet industry fell by 40% in the first quarter of 2018 on the previous year, according to data from Zhaopin, a jobs website.

How long will such problems persist? For the capital winter, investors say a thaw could be near. China's stockmarket has bounced in 2019 (see Buttonwood). A new innovation board in Shanghai, modelled on Nasdaq, should encourage local tech offerings, with rules that allow even some money-losing startups to go public. The first flotations may begin in the summer.

Still, China's unicorns will need to grow differently in future. Many are expanding not in their usual bases of Beijing, Shanghai and Shenzhen, but in second-tier cities, including Wuhan, Chengdu and Xi'an, driven by a need to reduce operating costs. These inland cities are luring talented young Chinese and the startups they want to work for. They offer housing subsidies and relaxed rules on household registrations, a system that ties Chinese to where their family came from.

Xiaohongshu (meaning "Little Red Book"), a popular social network for fashion and beauty products, made the move to Wuhan in 2017 from its base in Shanghai. Its largest office is now there. Lower costs have allowed it to grow quickly, and it entices the best to relocate by paying them rich-city salaries. It was valued at over $3bn in a funding round in June led by Alibaba. Tao Yun, who runs Xiaohongshu in Wuhan, says that the capital winter marks a threshold: startups will need not just "a good story and barbaric growth", says Ms Tao, but solid numbers to back them up.

In a widely circulated post in December, Wang Xing, the founder of Meituan-Dianping, referred to a prediction that "2019 might be the worst year of the past decade, but it will be the best of that to come". If firms and investors learn the hard lessons of the capital winter—when it comes to adapting, Chinese startups, after all, have strong form—such dark thoughts may be set aside come spring.

Clarification (March 22nd 2019): In an earlier version of this story we cited a social media post in which Wang Xing, founder of Meituan-Dianping, predicted that "2019 might be the worst year of the past decade, but it will be the best of that to come". This post has since been removed from the internet. Meituan says that Mr Wang was making a joke about a statement made by someone else, not expressing a view about the economic outlook. The text has been changed online to reflect this.

This article appeared in the Business section of the print edition under the headline "Unicorns in winter"

Luvvies leaving

HBO's boss resigns, raising questions about WarnerMedia's strategy

Richard Plepler's departure may bode ill for the television network under AT&T

Print edition | Business Mar 7th 2019

Landmark Media

ON THE EVENING of February 28th Casey Bloys, president of programming for HBO, a television network, called David Simon, creator of "The Wire", one of its most highly regarded series, on a set in Manhattan. Richard Plepler, boss and public face of HBO, had just announced he was leaving, and Mr Bloys was trying to reassure the talent. The message, Mr Simon says, was to keep going, that "nothing has changed here".

In truth, much has changed. HBO, long a powerful fief of creativity under Time Warner, a media group, is now run by AT&T, a vast telecommunications company. In June 2018 it closed its purchase of Time Warner after an antitrust judge approved the merger—a decision upheld on appeal on February 26th.

The phone firm could simply have declared that HBO would become its global streaming brand—a more prestigious version of Netflix—under Mr Plepler. During his reign as co-president from 2007 and as chief executive from 2013, HBO developed critically-acclaimed hits such as "Veep" and "Game of Thrones" while generating massive profits for Time Warner ($2.2bn in 2017).

Instead AT&T whittled away at the autonomy of Mr Plepler and of HBO. In October John Stankey, an AT&T executive put in charge of WarnerMedia (the new name for Time Warner), announced a new streaming service that would combine content from HBO, Warner Bros studio and the firm's Turner division of cable networks. Mr Stankey said HBO would be the centrepiece of that offer. But he also said WarnerMedia must offer a lot more entertainment of all kinds to engage streaming subscribers daily.

It was clear HBO was to have a subordinate position in his plans. On March 4th Mr Stankey put Robert Greenblatt, a former chairman of NBC Entertainment, in charge of HBO, Turner's entertainment networks and the streaming business. David Levy, the respected boss of Turner, resigned a day after Mr Plepler.

WarnerMedia will test its new service by the end of this year in an increasingly saturated market. Netflix has 139m subscribers. Apple and Disney are launching streaming products this year. HBO, with 38m subscribers in America and more than 100m worldwide, will be vital.

The question is whether AT&T's ambitions will enhance or diminish HBO's standing. A new streaming service with a wide range of content raises the risk of confusing consumers. And Mr Stankey has made clear he wants HBO itself to produce far more programming, which will test the network's capacities as a tastemaker. "Everyone's hoping that they will find a way to get what they need in terms of more production without diluting HBO's brand," Mr Simon says. "It's going to require a lot of finesse."

This article appeared in the Business section of the print edition under the headline "Luvvies leaving"

Gusts of change

Energy firms bet on offshore wind farms in America

Opposition is dwindling

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THE FUTURE of clean energy depends on meetings like the one held at a small hotel in a small city in Massachusetts last month. Residents of New Bedford came together to voice their opinions about an offshore wind proposal from a company called Vineyard Wind. To date, such projects have not fared well in America; opponents have blocked big offshore wind farms. But opposition has dwindled. Though lobstermen fretted about local crustacea, supporters of the project in New Bedford touted the new jobs that would be on offer. Bureaucrats overseeing the plan offered heart-shaped chocolates at the sign-in table. If Vineyard Wind secures the necessary approvals, the project would be, astonishingly, America's first large offshore wind farm. Construction could begin by the end of the year.

After nearly two decades of fighting, the wind industry is poised to sweep into American waters. In February a number of European energy giants, including Royal Dutch Shell, EDF, Equinor and Orsted, bid to build New York's first offshore wind project, with a decision due this spring. Other plans are moving forward, from Virginia to New Hampshire. In total, states have sanctioned nearly 17,000 megawatts of offshore wind power. This increase is almost as large as Europe's entire offshore wind market. Yet America remains perilous for wind developers, not just because of lingering opposition, but owing to a lack of a local supply chain to help with turbine construction. Ports seem inadequate to handle all the work. For global energy firms these are big risks, but they could be more than offset by the potential rewards.

More than 4,000 wind turbines already twirl off the coasts of Europe. In America, just five short turbines poke out of the waves near Rhode Island, despite the north-east's shallow waters, high wind speeds and millions of energy-hungry consumers. America's most famous offshore wind project remains one never built. Cape Wind, proposed in 2001, spent 16 years battling fishermen and rich landowners, including the Kennedy family, whose concern over climate change did not dull their desire for an unspoilt view. Faced with such headaches, wind developers invested in Europe or sought firm ground in America's Midwest, home to big gusts and residents accustomed to using land for both pleasure and purpose.

On firm ground

Among the things that have changed is technology. Operators are now able to build bigger turbines that can be sited farther from shore. And because turbines have become so large and powerful, firms need to install fewer of them to generate the same amount of electricity, which lowers development costs. Vineyard Wind plans to supply electricity to Massachusetts at 6.5 cents per kilowatt hour, which—though helped by a generous federal tax credit—is about the same price as electricity from German offshore wind farms.

State policies are boosting the industry, too. North-eastern governors are keen to burnish their green credentials to voters concerned about climate change, but the region has little room for big solar or wind farms on land. Massachusetts passed a law in 2016 requiring state utilities to procure about 1,600 megawatts in offshore wind power over the next decade, provided they receive reasonable bids. Other governors in the north-east have followed suit, becoming more bullish after Vineyard Wind's announcement of low electricity prices. So far, President Donald Trump's administration has been supportive.

The result is a frenzy. When, in 2015, the government auctioned a site off the Massachusetts coast, the winning bid was $281,285—"a very clear indicator of a market that was basically dead", says Thomas Brostrom, who leads the North American business for Orsted, a Danish energy firm. In the latest auction in Massachusetts, in December, each lease sold for over 400 times that sum. European developers are battling it out, some adopting all-American names. In Massachusetts, for instance, Orsted's subsidiary is Bay State Wind; Vineyard Wind is a partnership of Copenhagen Infrastructure Partners and a subsidiary of Spain's Iberdrola, and Mayflower Wind is a joint venture between Shell and EDP Renewables, whose headquarters are in Madrid. EnBW, a German utility, is bidding along the east coast but is also eyeing waters off California (where the steep continental shelf will need floating turbines that have yet to be deployed at scale).

Despite enthusiastic governors, companies must still secure leases and contracts to sell electricity to utilities. Orsted, for one project, anticipates needing more than 20 permits and approvals from federal, state and local agencies. It has spent $510m to acquire Deepwater Wind, one of the few American offshore developers, in part to help it deal with complex regulations.

Even if firms manage all that, other factors threaten to push up costs. The region has no big turbine manufacturers, so firms must pay to transport parts from Europe. A 99-year-old law means that they cannot use European ships that are specially designed to install turbines. No such American ship yet exists. There are insufficient ports to handle the heavy components needed for turbines. And an investment tax credit for wind is due to expire in 2020. States are rushing to hold auctions this year, but inevitably many projects will come too late to use the credit. That may lift the price of electricity from wind projects.

Wood Mackenzie, a consultancy, expects growth in offshore wind to subside after the tax credit expires, then pick up again in the mid-2020s as technology advances and factories open in America. States are vying to support the industry's future growth. "My goal is to make Massachusetts the Denmark of North American wind," says Stephen Pike, who leads the state's efforts to promote a green economy.

In the meantime, Vineyard Wind is advancing its project, step by step. In January the company signed an agreement with the Natural Resources Defense Council, promising, among other things, to time construction to avoid disturbing the endangered North Atlantic right whale. It recently hammered out a deal with fishermen in Rhode Island, who remain concerned about the turbines' effect. Lars Pedersen, chief executive of Vineyard Wind, remains optimistic. "It's a challenging regulatory system, it's litigious and so on, but if you can deliver jobs and clean energy at an affordable price," he says, "I believe this is a huge opportunity."

This article appeared in the Business section of the print edition under the headline "Gust of change"

Facebook's third act

Mark Zuckerberg announces his firm's next business model

If it works, the social-networking giant will become more private and more powerful

Print edition | Business Mar 7th 2019

THE FIRST big overhaul for Facebook came in 2012-14. Internet users were carrying out ever more tasks on smartphones rather than desktop or laptop computers. Mark Zuckerberg opted to follow them, concentrating on Facebook's mobile app ahead of its website, and buying up two fast-growing communication apps, WhatsApp and Instagram. It worked. Facebook increased its market valuation from around $60bn at the end of 2012 to—for a brief period in 2018—more than $600bn.

On March 6th Mr Zuckerberg announced Facebook's next pivot. As well as its existing moneymaking enterprise, selling targeted ads on its public social networks, it is building a "privacy-focused platform" around WhatsApp, Instagram and Messenger. The apps will be integrated, he said, and messages sent through them encrypted end-to-end, so that even Facebook cannot read them. While it was not made explicit, it is clear what the business model will be. Mr Zuckerberg wants all manner of businesses to use its messaging networks to provide services and accept payments. Facebook will take a cut.

A big shift was overdue at Facebook given the privacy and political scandals that have battered the firm. Even Mr Zuckerberg, who often appears incapable of seeing the gravity of Facebook's situation, seemed to grasp the irony of it putting privacy first. "Frankly we don't currently have a strong reputation for building privacy protective services," he noted.

Still, he intends to do it. Mr Zuckerberg claims that users will benefit from his plan to integrate its messaging apps into a single, encrypted network. The content of messages will be safe from prying eyes of authoritarian snoops and criminals, as well as from Facebook itself. It will make messaging more convenient, and make profitable new services possible. But caution is warranted for three reasons.

The first is that Facebook has long been accused of misleading the public on privacy and security, so the potential benefits Mr Zuckerberg touts deserve to be treated sceptically. He is also probably underselling the benefits that running integrated messaging networks brings to his firm, even if they are encrypted so that Facebook cannot see the content. The metadata alone, ie, who is talking to whom, when and for how long, will still allow Facebook to target advertisements precisely, meaning its ad model will still function.

End-to-end encryption will also make Facebook's business cheaper to run. Because it will be mathematically impossible to moderate encrypted communications, the firm will have an excuse to take less responsibility for content running through its apps, limiting its moderation costs.

If it can make the changes, Facebook's dominance over messaging would probably increase. The newfound user-benefits of a more integrated Facebook might make it harder for regulators to argue that Mr Zuckerberg's firm should be broken up.

Facebook’s plans in India provide some insight into the new model. It has built a payment system into WhatsApp, the country’s most-used messaging app. The system is waiting for regulatory approval. The market is huge. In the rest of the world, too, users are likely to be drawn in by the convenience of Facebook’s new networks. Mr Zuckerberg’s latest strategy is ingenious but may contain twists.

This article appeared in the Business section of the print edition under the headline ”Facebook’s third act”

Beyond the Vale

Vale and the aftermath of a devastating dam failure

Prosecutors say the firm colluded with auditors to present its Brumadinho dam as safe

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FABIO SCHVARTSMAN, a hitherto well-respected businessman, may now be the most detested man in Brazil. As chief executive of Vale, a giant miner and the world's largest producer of iron ore, it was Mr Schvartsman who had to face the public after the collapse of a company tailings dam in the town of Brumadinho on January 25th. Since then Vale has seen the erasure of 14% of its market value, grave legal allegations, the downgrading of its debt and a devastating body count: 186 people are now confirmed as dead, with 122 still missing.

So it was not a shock when, on March 2nd, Vale said that Mr Schvartsman and three other executives would step down. "Today the dams are impeccable," Mr Schvartsman had said last year. Tailings dams contain tonnes of waste material from mining operations. The design used at Brumadinho was known to be the least expensive and most risky.

After a deluge of waste burst from the Brumadinho dam, ripping through a perilously located staff canteen and submerging a valley in mud, the company tried to respond quickly. Its board suspended share buybacks, dividends and bonuses for executives. It has made payments of 100,000 reais ($26,000) to 266 families. The resignations of Mr Schvartsman and three other executives follow a letter from prosecutors and police urging their dismissal (and that of others). The removals are temporary, but are unlikely to be reversed. Eduardo de Salles Bartolomeo, a Vale veteran, has been named interim chief executive.

He faces mounting problems. A crucial question is if Mr Schvartsman or other executives knew about problems with the dam. The firm maintains that "the executives had no previous knowledge of a scenario of imminent risk of a dam breach". Prosecutors allege that Vale colluded with auditors to present the dam as safe, dismissing inspectors who disagreed. Vale's own procedures suggest that any serious safety concerns would have been reported to senior leaders, prosecutors also argue.

Under Brazilian anticorruption law the company could face $7.2bn in fines, estimates Morgan Stanley, a bank. That does not account for other penalties or costs. Vale must deal with challenges outside court, too. These include accelerating plans to dismantle dams similar to the one at Brumadinho, suspending production at another big mine in Brazil (in response to a court order) and evacuating residents from three areas near other tailings dams.

Despite all these difficulties the firm may prove resilient. That is partly because of Mr Schvartsman's changes since he took over, in May 2017. He reduced Vale's debt and cut capital spending, notes Carlos De Alba of Morgan Stanley. With healthy free cashflow and low debt, Vale's balance sheet can probably withstand even hefty government fines, argues Tyler Broda of RBC Capital Markets, another bank. The fundamentals in metals markets are also helping. In the 2020s, demand is expected to rise for iron ore in emerging markets and for nickel (another of Vale's key commodities) in electric cars. That increases the odds of Vale surviving the disaster, even as victims remain missing, buried in mud.

This article appeared in the Business section of the print edition under the headline "Beyond the Vale"

Bartleby

A small step for women

Progress in the boardroom is only a start

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THE GLASS ceiling in the corporate world is not broken, but it is starting to crack. Women are getting on to corporate boards at greater speed, and in greater numbers.

Research by LinkedIn, a professional networking site, shows that across five countries (America, Germany, India, Italy and Norway) women it lists as directors reached the position faster than their male counterparts did. In America, for example, women got there 9.8 years after leaving university and men after 10.9 years.

This suggests that younger women are making good progress in the boardroom. Overall, however, females are still lagging behind the males. The proportion of people in leadership roles (director-level and above) that is female in the five countries varies from 17% in India to 35% in America.

Britain has seen a clear advance; a campaign there called the 30% club has managed to increase the share of female directors of FTSE 100 companies from 12.5% in 2010 to 30.6%. But as the world marks International Women's Day on March 8th, it is clear that the glass ceiling has not shattered.

Some firms may be paying only lip service to the idea of female leadership. A paper in the *Academy of Management Journal** highlights the phenomenon of "twokenism", a statistical bunching of American companies with exactly two female directors. The authors suggest this is directly related to the average number of female directors on S&P 1500 boards in the period studied (2004-13), which was 1.92. By opting for two women, businesses could claim they had "above average" female representation.

In any case, a rise in the number of female directors is a narrow measure of female economic success. Having women at the top of organisations may inspire others to emulate them, and board members may be able push through more female-friendly policies lower down in their organisations. But the vast majority of women would never expect to become directors. What they value is an opportunity to get a well-paid job and to be free from discrimination while doing it.

In this respect the news is less encouraging. Across the OECD the gender pay gap of full-time employees averages 13.5% and varies widely, from 3.4% in Luxembourg to 36.7% in South Korea. It can be hard to adjust for all the many factors, such as skill levels, that might explain this gap. Nevertheless, the OECD found last year that full-time employed women with a college degree earned, on average, 26% less than their male equivalents.

A World Bank survey of 187 economies, published last month, found that women had, on average, three-quarters of the legal and employment rights of men. The survey asked questions such as whether women were free to travel and open a business, if they had property rights and if they were protected from sexual harassment. In the Middle East and north Africa, women were found on this basis to have less than half the rights of men (Saudi Arabia was ranked lowest of all the countries surveyed). Only in six countries (Belgium, Denmark, France, Latvia, Luxembourg and Sweden) did the law and society grant women equal rights.

Problems are deep-rooted. Research by Lisa Cameron of the University of Melbourne with the IZA, a German think-tank, found that in many developing economies more than half of all non-agricultural female workers relied on informal employment, a higher share than men. Not only do these women get paid less as a result, they also lack access to state social programmes, such as unemployment benefit and pensions, which are often designed with formal employment status in mind.

The result is that poorly paid women have few resources to fall back on. In addition, social programmes are much less generous in developing economies than they are in the rich world, absorbing 17.7% of GDP in Europe and 10.7% in America, but only 9.7% in Latin America and just 1.4% in South-East Asia. Without the cushion of a benefit system, working women in the developing world probably must endure more bullying and harassment at work, for fear of losing their jobs.

So there is certainly cause to celebrate women making small steps forward in the boardroom. But giant leaps are still needed elsewhere.

* "Diversity Thresholds: How Social Norms, Visibility and Scrutiny Relate to Group Composition" by Edward H. Chang, Katherine L. Milkman, Dolly Chugh and Modupe Akinola

High by the beach

The world's biggest ship-breaking town is under pressure to clean up

Maersk, a Danish shipping giant, is trying to lift safety and environmental standards at Indian yards

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HOW DO YOU make a 10,000-tonne container ship disappear? At Alang, a small town in Gujarat, on the western coast of India, it happens regularly. At roadside stalls on its outskirts, shopkeepers sell furniture together with lifeboats; washing machines alongside emergency flares. Nearer the town, stalls give way to warehouses and enormous open-air yards; cranes stretch to the horizon. Ships that look like Lego sets being dismantled sit on a stretch of beach.

Alang is the world's biggest ship-breaking town. Almost a third of all retired vessels—at least 200 each year—are sent to be broken up here, at over 100 different yards stretching along 10km of sand. The industry employs some 20,000 people, almost all men who migrate from the poorer states of India's northern Hindi-speaking belt. Taxes paid by breakers generate huge sums for the state government. Yet it is a dangerous industry for its workers and a filthy one in environmental terms.

Of 744 ships that were pulled apart worldwide last year, 518 were dismantled on beaches. Only 226 were processed "off the beach" at industrial sites designed for the purpose, according to the Shipbreaking Platform, an NGO which campaigns against beach-breaking. The majority of big shipping firms use beaches, except a tiny few such as Hapag Lloyd of Germany and Boskalis of the Netherlands.

A typical operation involves a ship being beached at low tide. Once her fittings and other resaleable parts are removed, hundreds of workers with gas blowtorches clamber over the vessel's hull, cutting it into huge steel blocks. These are then dropped onto the beach, where they are cut up again before being sold, then rerolled for use in construction.

Apart from the danger of dropping tens of tonnes of steel from a great height, the method is immensely polluting. A review in 2015 by Litehauz, a Danish marine environmental consultancy, found that in the process of scrapping a 10,000-tonne ship at least 120 tonnes of steel becomes molten and is lost in the sea. Levels of mercury and lead, as well as oil, in Alang's water are at least 100 times higher than at other beaches. Workers must handle asbestos and dangerous chemicals. Accidents are common. Last year 14 workers died at Alang.

The Economist

Alang is just one of many ship-breaking centres in South Asia. Among the others are beaches in Bangladesh (where workers reportedly include children) and Pakistan. Last year the subcontinent recycled around 90% of the world's ships by tonnage (see chart). Ship-breaking is concentrated in the region for three reasons. Prices for scrap steel are higher than elsewhere (90% of a ship is typically steel), thanks to demand for rerolled steel for construction. Labour costs are lower than at yards in Europe, America or Turkey (workers at Alang make up to 800 rupees, or $11, per day, and usually less) and safety and environmental regulations are much weaker. Most sellers scrap their ships in South Asia because they get better prices for them.

At some yards in Alang, however, things have begun to improve. European regulations on ship-breaking have tightened. Shipowners, in particular Maersk, a Danish company which is the world's biggest shipper, are preparing to comply with them.

At the Baijnath Melaram shipyard a huge crane barge sits in the water next to a stretch of "impermeable" concrete. "We used to have to winch the blocks up the beach," says Siddharth Jain, the firm's business manager. Now, the crane lifts blocks of steel down from the ships directly to the concrete, so that they need never touch the sand. In contrast to the yards nearby, where men in simple work clothes and no safety goggles operate blowtorches, the workers scuttling around Baijnath Melaram wear boiler suits, face masks and helmets.

The changes are largely down to Maersk. It previously refused to use South Asian ship-breakers but now reckons it can improve things. To persuade recyclers such as Baijnath Melaram to upgrade, Maersk has accepted discounts of up to 40% on its ships. Maersk says ten Alang yards are now at a standard it is happy with. Around 70 more are upgrading in order to meet standards set by the Hong Kong International Convention for the Safe and Environmentally Sound Recycling of Ships, an unratified treaty on ship recycling.

Maersk's campaign is in response to new regulations in force since December 31st 2018 that require all European-flagged vessels to be recycled at shipyards approved by Brussels. Just over a third of the world's ships fall in this category. Maersk, whose fleet is roughly 40% European-flagged, hopes that the best yards at Alang will be able to comply with the new rules. Two Indian yards have already been audited for the European certification; 11 more have applied. "If we sustain that momentum, in five, six or seven years all of Alang could be really responsible," says John Kornerup Bang, Maersk's sustainability chief.

But on January 30th the EU announced that the Indian yards audited will not make the list, which is awkward for Maersk. Officials say that while there was genuine improvement, more change is needed. Some are sceptical whether Alang's facilities will ever make it. Ingvild Jenssen of the Shipbreaking Platform says that even Alang's best yards are not clean enough. She argues that Maersk's efforts merely "greenwash" a model that needs to change completely.

With European certification, Alang's yards could pull away from the rest of South Asia and become a place even the most responsibly-minded ship owners send vessels. But without it, the risk is that they end up beached: not clean enough for Europe; but too expensive to compete with breakers in Bangladesh or Pakistan which have not changed at all. If that happens, the industry in Alang—and the jobs and revenue it generates—could disappear almost as quickly as the ships it dismantles.

This article appeared in the Business section of the print edition under the headline "High by the beach"

Schumpeter: Private equity goes to the vet

It shouldn't happen to a vet

Private-equity firms are disrupting the once-bucolic world of James Herriot

Print edition | Business Mar 9th 2019

Brett Ryder

THE MARKET town of Thirsk, two-and-a-half hours by rail north of London, has become a magnet for fans of James Herriot, the fictionalised Yorkshire vet, just as London's Kings Cross, from where the train leaves, is for Harry Potter lovers. Herriot, modelled on the life of his creator, the late vet-turned-author Alf Wight, was made world famous in the 1970s by a series of books, films and a television series. The surgery on which the books were based has been turned into a museum displaying its original 1940s apothecary and a breakfast table on which Wight sometimes performed surgery. The "wild panorama of tumbling fells and peaks", where in the stories Herriot spent as much time wrangling with the farmers as he did with their animals, is as striking as ever.

But some of the town's folk are in high dudgeon over what they see as a betrayal of Herriot's legacy of small-town professional devotion. In 2017 the Skeldale veterinary practice, a partnership once run by Wight and Donald Sinclair (aka Siegfried Farnon), sold out to Medivet, a chain of more than 260 vet practices backed by a London private-equity firm, Inflexion. Chris Jeffery, a breeder of whitebred shorthorn cattle ("that's not because they eat white bread"), is among those who are fuming. "How much more traditional can you get than James Herriot's practice?" he exclaims. "It's been sold down the river."

Corporations like Medivet, a breed once as rare as Mr Jeffery's cattle, are now riding roughshod across the British veterinary landscape, as they are in America and the rest of Europe. Vet businesses provide an opportunity for cash-rich private-equity firms to roll up a plethora of small, relatively inexpensive operations into bigger firms, sell them on or do initial public offerings, hopefully for a tidy return. According to Bain, a consultancy, this "buy-and-build" strategy, using businesses ranging from vets to hair salons to suppliers for tattoo parlours, is the hottest trend in private equity, accounting for one in five transactions globally last year.

From the point of view of private equity, veterinary deals are like a food chain, structured around EBITDA, an acronym for profits that not many vets know. In Britain and America independent veterinary practitioners used to buy a share in a business by paying, say, two times annual EBITDA, which they could then sell on at retirement—usually to younger colleagues. Now bigger vet firms, with plenty of venture-capital firepower behind them, buy the partners out for, say, five to eight times EBITDA. Once the acquiring corporation is big enough it, too, can be sold, probably for multiples of EBITDA in the mid-teens. The deals are underpinned by lots of debt. But as long as there is an end buyer, it is a tasty business.

Vets' practices have attractive characteristics, says Hugh MacArthur, head of private equity at Bain. They are a mixture of steady earnings (pets still get ill during recessions), high levels of fragmentation providing scope for additional deals (in

America, just over $31bn of the $38bn vet market remains individually owned), low risk of digital disruption, and shifting demography (many elderly vets are keen to cash out). Above all, people are pampering their pets like children. Recent deals highlight the trend. In America Oak Hill Capital and KKR, two private-equity groups, have acquired large chains of animal hospitals. In Europe EQT, a Swedish buy-out group, last month sold a stake in its vet group, IVC, valuing it at €3bn ($3.4bn).

Keeping the deal machine turning is the prospect of selling out to bigger firms, some of whom are diversifying from human beings to animals. JAB, which owns Krispy Kreme, last month bought a stake in a chain of pet hospitals worth $1.2bn. Mars is gobbling up vets' businesses much as people devour its chocolate, adding to its $9.1bn purchase in 2017 of VCA, an 800-clinic chain.

Yet handling animals is famously unpredictable. As Herriot knew all too well, sometimes being a vet can be as unappealing as the back end of a cow. Beyond the hefty multiples, the business is not as healthy as it seems. Britain, where as many as half of the country's 5,000 veterinary practices are in the hands of corporations, reveals the risks of overcrowding. CVS, the biggest listed vet chain, cast a chill over the industry in January by warning that staff shortages and a poor recent spate of acquisitions would hit profits.

In America a shortage of vets and the rising cost of temporary workers are taking their toll, too, making it harder for private-equity-backed chains to make money. Partly this is because young vets have high student debts; many drop out of the profession because the pay is not good enough. They are also demoralised; suicide rates among vets in America are at least twice the national average, and in Britain, almost four times.

In Thirsk Julian Norton, once a junior partner at Skeldale and, like Herriot, now a television celebrity ("The Yorkshire Vet"), was bought out by Medivet but joined a new firm nearby. He worries about three aspects of the new veterinary business model. First is the amount of debt: "I don't think I'd ever want to borrow that sort of money. I sleep little enough as it is." Second is the risk for customers that with dwindling local competition, the chains can ramp up prices to try to pay off their debts quickly. And third is the expectation of relentlessly rising profit over the long run. "It's not that easy to make money out of emptying anal glands."

Barbarians at the five-bar gate

Yet overall, the economic logic is convincing. For investors "buy and build" strategies provide an alternative to parts of the capital markets where values are stretched. As private-equity firms support the consolidation of smaller vet practices, the latter's productivity should improve. Bigger firms can provide better salaries and more support to vets. Flux, moreover, has long been a feature of the vet business. As Farnon told Herriot on his first day on the job: "There's very little profit in it so far, but if we stick in for a few years, I'm confident we will have a good business." The fee at the time: three and sixpenny.

Correction (March 8th 2019): *A previous version of this piece misspelled Alf Wight's name as Alf White. This has been amended throughout.*

Global housing
Prime cuts

Prime cuts

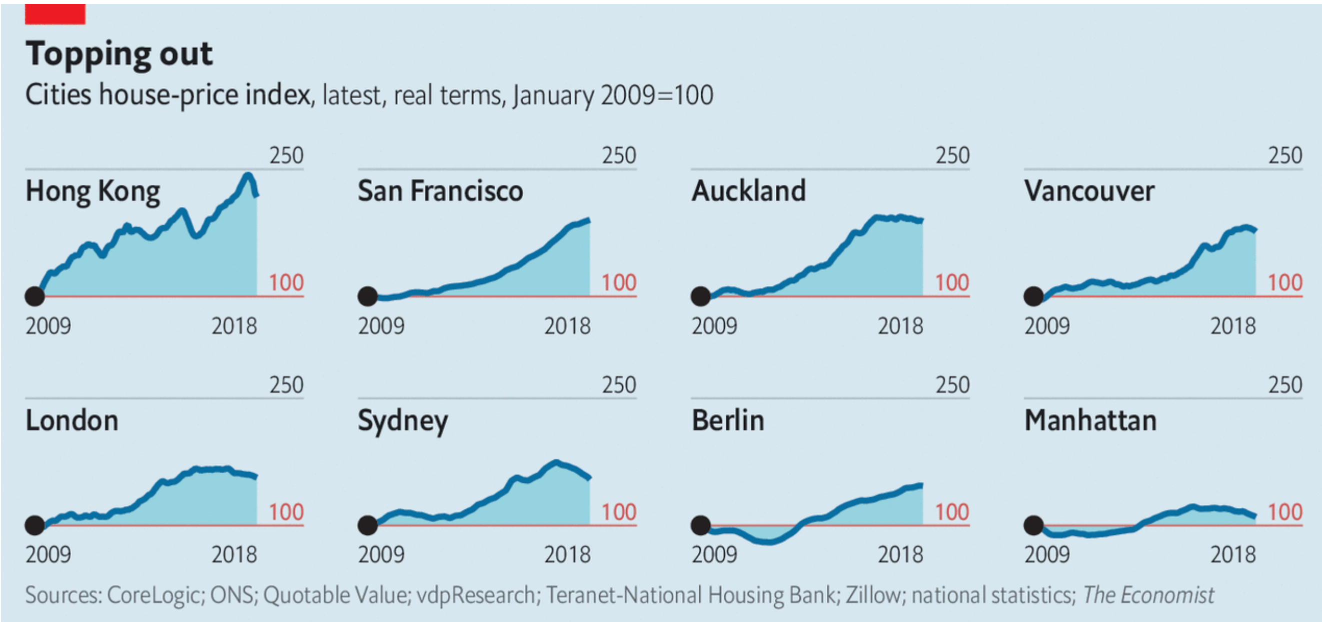
Prices of prime properties around the world are falling

Swanky homes are now a global asset class

Print edition | Finance and economics Mar 7th 2019

ONE BLACKFRIARS soars into the sky from the south bank of the River Thames, announcing its presence to central London. The new 50-storey tower contains 274 luxury flats that range in value from a merely expensive £1m ($1.3m) to an eye-watering £15m. Thanks to its distinctive midriff the building has been nicknamed "The Tummy" by Robert Shiller, who won a Nobel economics prize for his work on spotting asset bubbles. The name might also apply to London's bloated housing market. Prices have nearly doubled since 2009.

It is not only in London that property values bulged in the decade after a housing bust that nearly took down the world's financial system: prices are near new highs in many places, according to *The Economist*'s latest roundup of global housing markets (see chart). In five of the world's most desirable cities—Hong Kong, London, New York, Sydney and Vancouver—home prices climbed steadily for several years after 2009.



The Economist

Now, though, particularly in the priciest, "prime" areas of such cities, excess is being shed. In Vancouver, where prime prices have fallen by 12% in the past year, agents bemoan hefty discounts on swanky properties. Michael Bublé, a chart-topping crooner, recently sold his West Vancouver pad for 28% less than the assessed value. Prices started falling in August in Hong Kong and have dropped by 9% since. Developers there were spooked when their bids for a vacant parcel of land in the world's most expensive neighbourhood—aptly called "The Peak"—failed to meet the government's reserve price in October. In Manhattan prices fell by 4.3% last year; StreetEasy, an online-listings firm, calculates that 60% of homes offered for $1m or more in 2018 failed to sell. In Sydney, prime prices have slipped by 16% since 2017.

In London Savills, a consultancy, estimates that prime-property prices have fallen by 20% from their 2014 peak. Sales of homes worth over £1m are 20% lower than in 2016. Although Brexit has not helped, there are broader reasons for the slowdown, says Lucian Cook, head of research at Savills: falling cross-border capital flows; government policy; the cost of money; and increased supply.

These factors are common to other global cities, too. Indeed, the IMF observes that house-price movements have become increasingly correlated across the world, and that the link is greater between big cities than between countries. That is because housing is becoming a more global asset class rather than a purely local one. The prevailing winds of the international marketplace affect prime residential property much as they do shares and bonds. The IMF notes that international correlation increases at the time of severe recessions and can help predict the risk of a downturn.

One factor underlying that correlation is wealth creation. Thanks to a tech boom and a rapidly rising China, the world has minted new millionaires at a rate of 250 per hour for the past eight years. According to Credit Suisse, millionaires held 45% of the world's household wealth in 2018, up from 36% in 2010. A good dollop of their money finds its way into posh properties, at home and abroad. But the Swiss bank reckons that the pace has been slowing: it forecasts that the rate of increase in the number of new millionaires will slow by a fifth in the five years to 2023.

In China, home to one-sixth of the world's new millionaires, it has become increasingly difficult to sneak money out of the country. In 2015-16, $1.3trn flowed out of China (excluding foreign direct investment). But the authorities have since cracked down on corruption among the elite and tightened enforcement of a limit of $50,000 per person on access to dollars and other foreign currencies. That has affected residential markets far and wide. America's National Association of Realtors estimates that Chinese buyers spent $30bn on homes in America in the year to March 2018, down by 4% from a year earlier. In Australia, where international buyers are restricted to new-builds, Chinese investment in new development fell by 36% to A$1.3bn ($970m) in 2018. Yet the Chinese still account for a quarter of international buyers, as they do in London.

Politicians have played their part, too. Egged on by disgruntled citizens who have found themselves priced out of urban markets, city and national governments have sought to cool market excesses. Vancouver raised its transaction tax on property purchases by non-residents from 15% to 20% in 2018. Britain's government has increased transaction taxes. It levies as much as £288,000 on a £2.5m home purchase, up from £100,000 in 2010. It has also imposed extra taxes on non-citizens. New Zealand has gone furthest, introducing a blanket ban on foreign purchases of existing homes last October.

The cost of money is also having a slimming effect. Monetary policy, loose for so long, is tightening. Liam Bailey of Knight Frank, another consultancy, notes that it now costs 65% more to service the mortgage on a $1m home in America than it did three years ago. Granted, luxury-property buyers often pay cash; but their appetite may be dulled by falling yields. According to MSCI IPD, a research firm, the gross rental yield on investible residential property fell below 5% for the first time in 2016.

Yields have been forced down in part by the weight of supply. During the three years to 2016 investors would "throw money at anyone with personality, a pulse and a reasonable idea" for a new development in London, says Jonathan Vandermolen, a property consultant. Manhattan is similarly awash with luxury, largely thanks to the new fad for "super skinny" apartments that rise from tiny footprints in Midtown. Some 8,600 luxury units are for sale—six years' inventory at current selling rates.

Taken together, these factors reflect a world in which “slowbalisation”—the unwinding of two decades of global economic integration—has taken hold. Although less well-heeled residents of those cities will be glad of a fall in prices, a cooling of foreign interest may have unwelcome consequences for the wider market. A report in 2017 by the London School of Economics, commissioned by London’s mayor, found that, on balance, international investment in the city’s residential property helped to create housing supply that would otherwise not have materialised.

Meanwhile, estate agents, whose duty it is to be eternally optimistic, contend that these markets cannot lie low for long. The theory goes that these cities are desirable for a reason and that land is limited; so prices will recover. This argument has a kernel of truth. Demand for property chronically outstrips supply in Hong Kong, for example, and investors from mainland China feel safer there. Yet any rebound is unlikely to be as strong as the last one: Savills reckons London’s prime-property prices will be more measured in future.

Fortunately for estate agents, there will always be some who do not read the memo. Ken Griffin, a hedge-fund titan, recently bought 3 Carlton Gardens, near Pall Mall, for close to £100m, the most paid for a London home in over a decade. He went on to pay a record $238m for a Manhattan pad. When a determined plutocrat is in the mood, it can be hard to stop him.

This article appeared in the Finance and economics section of the print edition under the headline ”Prime cuts”

Slower but steadier?

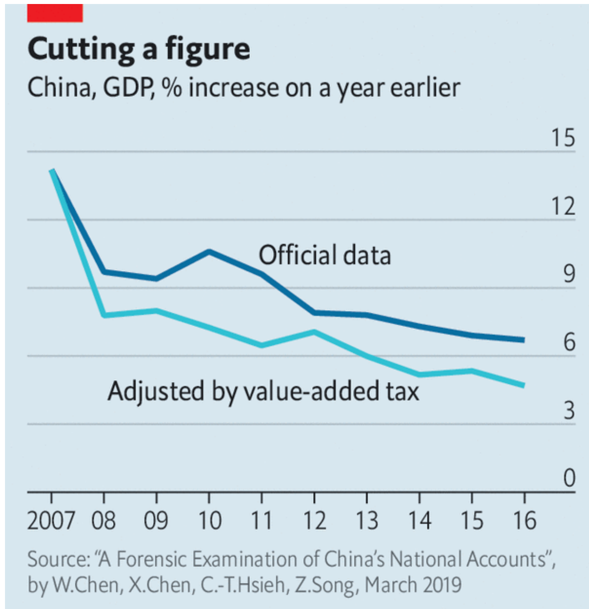
China's economy might be nearly a seventh smaller than reported

A new study examines tax revenues to revise down growth estimates

Print edition | Finance and economics Mar 7th 2019

FOR A COUNTRY that is regularly accused of manipulating its statistics, China is remarkably diligent about collecting them. The government has dispatched two million boffins to visit companies, stores and even street stalls in the first few months of this year, as part of a new national economic census. Ads plastered on billboards implore people to co-operate. In a flashy promotional video on its website, the national statistics bureau warns that any fabrication of data is against the law.

But these laudable efforts do not appear to be solving the basic problems with Chinese statistics. A new paper, by Chang-Tai Hsieh of the University of Chicago and three co-authors from the Chinese University of Hong Kong, finds that industrial output and investment have been consistently embellished. As a result, they argue that China overstated real GDP growth by two percentage points on average every year from 2008 to 2016 (see chart). Over time that adds up: official figures for 2016 would have exaggerated the size of the economy by 16%, or more than $1.5trn.



The Economist

These economists are certainly not the first to question Chinese numbers. But their paper, published by the Brookings Institution in Washington on March 7th, deserves attention because they had better access to the statistics bureau than most. Though they worked only with public data, they knew where to shine a light. They looked at how revenues from value-added tax on industrial firms compared with reported growth of industrial output. Until 2007 the two lined up well. But after 2008 gaps opened up, although they have narrowed a bit in recent years. The authors also built an alternative model for measuring growth using indicators that cannot be easily manipulated, including satellite imagery of night lights, railway cargo and imports, and came to the same conclusion.

Those sceptical of China's data sometimes assert that its statisticians have the power to fiddle with numbers to present their desired outcome. The authors argue that the problem is the opposite: that at the central level they lack the power to correct for the misdeeds of other officials. It has long been noted that provincial GDP totals, when added up, exceed national GDP. The national bureau is alert to this and so adjusts provincial figures by, for example, collecting data through separate channels.

Yet from 2008, when the global financial crisis struck, the adjustments failed to keep up with the distortions, the paper says. For provincial leaders the incentives are clear: their chances of promotion depend on reported economic performance, which they can embellish. Since they rank above the statistics bureau politically, only the bravest beancounter would dare stand in their way. Tellingly, only after crackdowns on corruption in provinces such as Liaoning and Inner Mongolia did authorities admit that their data had been inflated. If the authors are right, these cases are a small sample of a wider epidemic.

There is, however, a silver lining. Local and national figures for consumption are closely aligned. It is mainly industrial output and investment that are exaggerated. The downward revisions therefore result in a substantially different picture of the shape of China's economy. The authors find that investment, properly measured, was 36% of GDP in 2016, not 43%, as the government says. Debt as a share of GDP is higher than officially reported, but the return to capital is not as low as feared and consumption is more prominent as an engine of growth. Looked at this way, the Chinese economy is smaller but better balanced and thus, perhaps, more resilient.

This article appeared in the Finance and economics section of the print edition under the headline "Slower but steadier?"

Buttonwood

China's trading day is starting to influence global markets

The importance of opening time in Shanghai

Print edition | Finance and economics Mar 9th 2019

IN HIS BOOK "The Death of Gentlemanly Capitalism", Philip Augar described a shift in the culture of London's financial industry during the 1980s and 1990s. The old City of public-school amateurism, late starts, early finishes and long, boozy lunches disappeared. In its place, a new City emerged under the sway of American investment banks. The morning meeting started two hours earlier. Lunch was a sandwich at your desk. And instead of port and cigars, try mineral water.

It was time to sober up, too, because America's influence on the London market went well beyond the acquisition by its banks of a few old-school stockbrokers. America was home to much of the world's capital. As more buying and selling of assets took place across borders and time zones, the New York trading day set the tone for markets everywhere else. A City broker had to be at his desk, and with his wits about him, when the New York market opened just after lunchtime in London.

The global trading day still only truly begins when New York clears its throat. Markets in the rest of the world then take note of what has been said. But listen closely, and you hear the beginnings of a dialogue. China has barely opened its capital markets to foreign investors and the yuan is still a managed currency. Yet its say in how global markets rise and fall is already apparent. And China's influence will only increase as more foreign capital flows into the financial markets on its mainland.

China's voice is most audible in currency markets. For a long time, the yuan hugged the dollar closely, taking its cue from America. But since August 2015 it has been allowed to fluctuate more in response to market forces. In theory, its value is set by reference to a basket of currencies. In practice, this means a wider trading range against the dollar—not so weak as to spark capital flight, but not so strong as to hurt exports. Within this range, the yuan exerts a sizeable pull. Other important currencies, notably the euro, have tracked its ups and downs against the dollar.

Stockmarkets are next. China has led this year's sharp bounce-back in share prices worldwide. True, the change in mood is not only about China. The Federal Reserve no longer seems hellbent on tighter monetary policy. General Electric, one of the largest issuers of corporate bonds, has so far averted a downgrade to junk. Italy's clash with the European Union over fiscal policy has fizzled. But the anxieties about China that troubled investors in the final months of 2018 have also faded. There is now a real prospect of a truce with America over trade. And a host of tax cuts and other measures are in train to pep up China's slowing economy.

That is, in part, why buying A-shares (yuan-denominated stocks listed in Shanghai and Shenzhen) is a favoured trade of bulls. After falling hard last year stocks in China had headroom. Although America's economy looks fairly robust, its stockmarket is expensive. Foreigners looking at China's stockmarket felt it was awfully cheap by comparison. And it is telling that the way to play renewed optimism is to buy stocks on the mainland. In the past, investors might have turned to Hong Kong-listed shares or proxies for China's economy, such as the Australian dollar.

There is more to foreign buying of Chinese stocks than a revival in risk appetite. Global investors own just 2-3% of Chinese stocks and bonds, well below the country's weight in world GDP. For foreigners to buy financial assets on the mainland is far from frictionless, but it has become a lot easier. The compilers of the stock and bond indices, benchmarks for trillions of dollars of investments, have taken note. MSCI is speeding up the inclusion of A-shares in its emerging-market index and will quadruple their weighting this year. Next month Bloomberg Barclays is adding China to its main bond index. Other providers of bond indices are likely to follow suit. Analysts at Morgan Stanley expect a marked acceleration of foreign capital flows into Chinese shares and government bonds this year in response.

It is not too fanciful to imagine a time in the future when the start of the trading day in Shanghai is an important moment for global capital markets. Would London, eight hours west of Shanghai and five east of New York, then regain some of its lost relevance? Maybe not. Perhaps Los Angeles would be a better bridge. An early riser could be up before New York opens and still awake when Shanghai closes. What would the rheumy brokers of the old City make of that?

This article appeared in the Finance and economics section of the print edition under the headline "The Shanghai open"

Having its cake

The London Stock Exchange is thriving despite Brexit

Europe's largest trading venue has become a data business

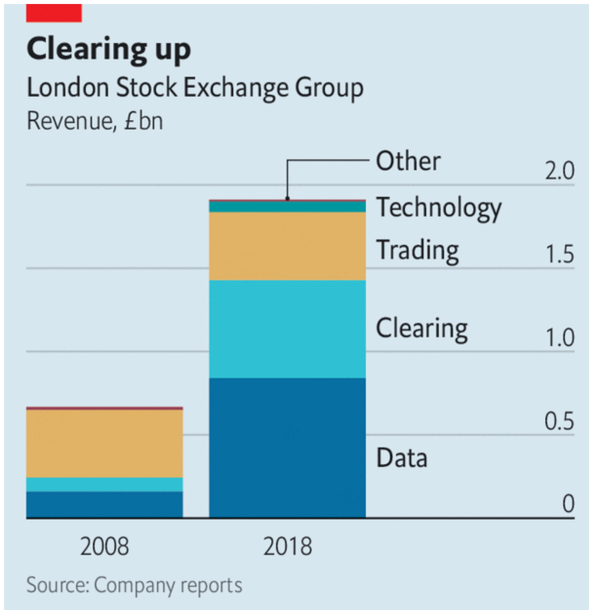
Print edition | Finance and economics Mar 9th 2019

WHEN LSE Group, the parent company of the London Stock Exchange, Europe's largest, released its 2018 annual results on March 1st, there was an elephant on the trading floor. During the hour-long earnings call, LSE's boss, David Schwimmer, mentioned Brexit just eight times. Six of those occasions came after slide 28.

Mr Schwimmer need not have been so cautious. Britain may be in political turmoil and banks may be shifting jobs and assets out of London, but Brexit is doing little to perturb LSE. Last year the group's revenue grew by 8% and its operating profit by 15%. Its share price is up by 22% since December. LSE did announce 250 job cuts, 5% of its staff, but after 27 acquisitions and investments in the past decade, it has some tidying to do. It retains five different offices in New York, for example.

In theory, Brexit chaos could harm the exchange, either because investors shun British companies or because they are too nervous to trade at all. Yet last year they traded more, as they swapped racier holdings for more defensive stocks. Opportunistic buyers also jumped in. Because the LSE collects a fee on every transaction, volatility has meant more money coming in.

More important, it has diversified away from cyclical activities since the financial crisis of 2007-08. Trading now accounts for a mere fifth of revenue (see chart). Twice as much comes from selling data feeds, a steady business. The rise of quantitative funds and passive investing has increased demand for data products, for which clients pay an annual fee. In 2014 LSE paid $2.7bn for Frank Russell, an index compiler, which it combined with FTSE, its own index business. The joint unit now ranks among the world's top three index providers to exchange-traded funds, a market that has lured $3.3trn over the past decade.



The Economist

Some 31% of revenue comes from clearing trades. Regulators have pushed for derivatives contracts—which investors use to hedge borrowing costs, currencies or commodity prices—to be settled in clearing houses, arguing it makes the system safer. These middlemen sit between buyers and sellers, holding collateral lest either side default. LSE owns LCH, a platform that clears over $3trn daily and boasts 90% of the interest-rate swap market.

The EU has long hinted it could seek to repatriate euro-denominated clearing after Brexit. But last month the bloc's market regulator granted one-year licences to British clearing houses, permitting EU-based traders to continue using them even if a hard Brexit prevails. America has since said its traders would be allowed to do the same. So LCH's business looks safe for now. European rivals such as Deutsche Börse, which are trying hard to lure clearing away from London, have so far had little success.

LSE is an attractive takeover candidate. It is a scarce asset: other big exchanges are politically impossible to buy. That doesn't make it an easy win, though. Since 2001 it has seen off four hostile bids. An agreed merger with Deutsche Börse collapsed in acrimony in 2017. Still, some firms may fancy their chances. ICE, which owns the New York stock exchange, is in pole position to try, says Chris Turner of Berenberg, a broker. TCI, a hedge fund, predicts a £15bn ($20bn) bid. Exchanges may be shy of discussing politics, yet they could end up building bridges across the Atlantic.

Correction (March 12th 2019): A previous version of this article stated that ICE owned the Paris stock exchange. In fact it was spun off as part of Euronext in 2014.

This article appeared in the Finance and economics section of the print edition under the headline "Having its cake"

Europe awash

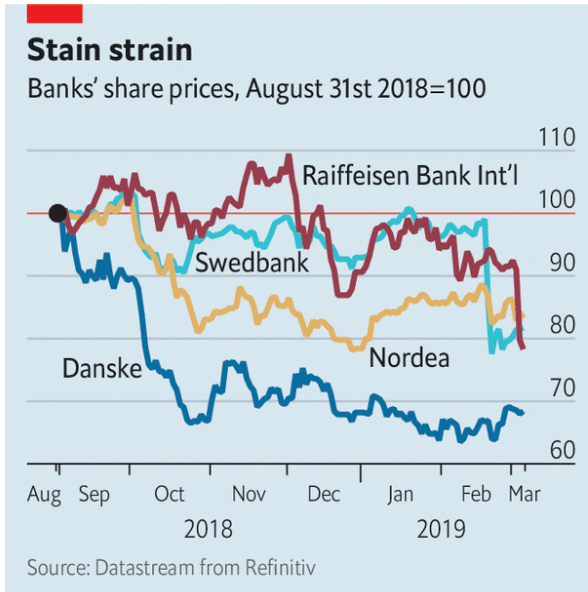
More banks are caught up in money-laundering scandals

The aftershocks of the Danske affair

Print edition | Finance and economics Mar 7th 2019

THE MONEY-LAUNDERING scandal that struck Danske Bank last year was staggering. The Danish lender's Estonian branch is suspected of handling up to $230bn of iffy funds from former Soviet states. Aftershocks are rumbling under other European banks. Shares in Austria's Raiffeisen Bank International tumbled by more than 12% on March 5th after a complaint was filed accusing it (and, to a lesser extent, other Austrian banks) of "gross negligence or acquiescence" in connection with suspicious flows from Danske. Raiffeisen says it is investigating.

Raiffeisen is just the latest bank to be suspected of channelling dirty money from Europe's eastern fringes. Helsinki-based Nordea and Sweden's Swedbank are among those embroiled in the Danske affair. Swedbank's share price has shed 18% since it was linked to Danske last month (see chart). Some banks have been stained by a separate scheme, the "Troika Laundromat". European banks caught up in such allegations have lost €20bn ($22.6bn) or so in stockmarket value in the past six months.



The Economist

The sums that may have flowed through other banks are small change by Danske's impressive standards. Nordea allegedly handled some €700m, while $5.8bn is reported to have moved between Swedbank and Danske.

But investors have good reasons to be jittery. More suspicious transactions are likely to be unearthed. Probes are under way in Denmark, Estonia, Britain, France and America. It is the last of these that turns shareholders' stomachs. America does not take money-laundering lightly. In 2012 it fined HSBC $1.9bn for handling Mexican drug money and installed a monitor for five years.

Europe may get tougher too. Calls are growing for the European Central Bank or the European Banking Authority, an EU agency, to be given more powers over national watchdogs. Investors might also worry about businesses being closed. Estonia's banking regulator has ordered Danske to shut its branch and return deposits to customers later this year.

Then there is the interruption that such scandals bring. It is anyone's guess how much time Danske's interim boss, Jesper Nielsen, and his team have had to devote to cleaning up the mess. Such distractions are rarely good for business.

This article appeared in the Finance and economics section of the print edition under the headline "Europe awash"

Reality cheque

National development banks are back in vogue

They want to be profitable, but are ill-equipped for the job

Print edition | Finance and economics Mar 7th 2019

TONY OKPANACHI could be a dealmaker in the City of London or on Wall Street. Smart tie, winning smile, he recounts his 28-year career as a high-flying financier, from his MBA to his last private-sector job as an executive at Ecobank, a pan-African lender. He says profits are important and dismisses handouts to small businesses as "government largesse". Yet appearances can deceive. "I'm an economist by training, and a commercial banker by profession," he says. "Now I'm a development banker."

Mr Okpanachi is the boss of Development Bank of Nigeria (DBN), a wholesale lender to small firms that started operating in 2017. His institution is part of a proliferation of national development banks (NDBs) worldwide. Kevin Gallagher, of Boston University, and Rogerio Studart, of the Federal University of Rio de Janeiro, believe there are more than 250, with total assets of $4.9trn, four times those of multilateral peers. Poor countries account for over three-quarters of the tally, but NDBs are also popular in the rich world. France and Canada have recently opened three between them. Myanmar and Ghana are rolling out new ones. Britain unusually, has no NDB—but some politicians want one.

NDBs are a unique species. Generally state-owned, they lend in pursuit of missions set out by the government. They cater to those often neglected by commercial bankers, lending to small firms, farmers or exporters, or funding infrastructure projects. Many banks, such as Mr Okpanachi's, seek to marry purpose with profitability. But achieving this in practice is not easy.

The revival of NDBs follows decades of decline. After the second world war, states enlisted them to fund reconstruction (eg, Germany's KfW) or to aid industrialisation (Brazil's BNDES). But they soon found themselves at the centre of ideological battles. Proponents of state intervention saw them as plugging financing gaps. Opponents thought they distorted markets. As the free-market "Washington Consensus" gained ground in the 1980s, many banks shrank or were privatised.

It took a global financial crisis in 2007-08 for the pendulum to swing back—and stop in the middle. "We've moved on from the cold war discourse of states v markets," says Mr Studart. Policymakers now favour NDBs for their counter-cyclical role. In 2007-09 their combined loan portfolio increased by 36%, over three times faster than private peers. Their resilience reflects stable funding. Few rely on deposits, and state guarantees allow many to access markets cheaply.

Even more popular is their role in funding infrastructure, which promises productivity gains. Colombia used one to spend billions on a 8,000km road programme. France's Banque Publique d'Investissement channelled $12bn in equity and debt to 4,000 startups in 2017.

The revamped model is winning support from both statist types, who enjoy regaining control over industrial policy, and liberals, who like funding entrepreneurs without pulling fiscal levers. It helps that NDBS form a broad church. A few are huge:

China Development Bank manages $2.4trn—half the global total. Some are big fish in small ponds: Bhutan Development Bank runs a quarter of the Himalayan kingdom’s banking system. Half of NDBS target certain sectors; the rest have wider mandates. Their tastes for direct or wholesale lending also vary.

What unites modern NDBS is a desire to solve market failures—in a market-friendly way. To do so they strive to adopt the best habits of their commercial peers. Many have become more professionally run. They try to keep teams lean and be profitable. They seek financial independence from their political patrons. Just a quarter receive regular budget transfers. Instead many rely on cheap loans from multilateral institutions and rich countries. Most also tap international debt markets.

But few NDBS manage to escape gravity. Lending where others fear to tread is tricky. Assessing the riskiness of tiny firms, lengthy projects or new technologies requires skilled staff and sophisticated systems. Many NDBS lack these. They also seek to lend at affordable rates, so often underprice risk. Despite their cheap funding most have low profitability. Many have non-performing loan ratios above the national average. Some, like El Salvador’s Bandesal or Uganda Development Bank, see borrowers default on over a third of loans.

Government funding guarantees are therefore key to their viability. That makes it essential that their operational independence is enshrined in strong governance. But that is not often so. Government appointees dominate boards. Mandates are loosely defined, leaving the allocation of funds vulnerable to influence by officials or private interests. Brazil offers a cautionary tale. BNDES used state subsidies to turbocharge lending, and its loan portfolio reached 10% of GDP in 2011. Much of it went into either “the pockets of shareholders” of recipient companies or “bad projects”, says Vinicius Carrasco, a former director. Inflation soared and a punitive rise in interest rates followed. Mr Carrasco was part of the team that oversaw a U-turn in 2016.

A final compromise is the idea that NDBS’ jobs ought to be temporary. “The best success of a KfW programme is when it’s not necessary any more,” says Jörg Zeuner of the German development bank. The hope is that, as sectors and countries develop, NDBS use less direct forms of finance, such as guarantees, to “crowd in” commercial lenders—and then quietly move on. KfW has done this since 1948. But many NDBS lack the data or the framework to assess genuine progress. And some struggle to find relevant employment once their first job is done. If too many become solutions in search of a problem, the truce underpinning their revival could fray.

This article appeared in the Finance and economics section of the print edition under the headline ”Reality cheque”

Free exchange

Why did the China shock hurt so much?

For the same reason that earlier ones hurt less

Print edition | Finance and economics Mar 7th 2019

THE PEOPLE of Des Moines, Iowa, are no strangers to economic upheaval. When a wave of Japanese imports arrived in America in the 1980s, their city was one of the places most vulnerable to the new competition. In 1974, 4,500 of them worked at making farm machinery and equipment. As many again made tyres and inner tubes. By 1990 only a little over half of those jobs were left. Yet in the intervening 16 years thousands of new jobs had sprouted, in life insurance, building materials and the restaurant trade. In 1990 Des Moines' unemployment rate was below 4%, less than the national average of 5.6%.

Not everyone fared as well. Mary Kate Batistich and Timothy Bond, of Purdue University, have recently estimated that the "Japan shock" explains about one-fifth of the fall in African-Americans' labour-force participation between 1970 and 1990. But Des Moines' experience was typical. Kerwin Kofi Charles, Erik Hurst and Mariel Schwartz, of the University of Chicago, found that local declines in manufacturing employment in the 1980s were not associated with increases in local unemployment rates.

That may surprise someone familiar with research on the impact on America of trade with China in the 1990s and 2000s. Mr Charles and his colleagues also concluded that in the 2000s jobless rates tended to rise when manufacturing employment fell. In a well-known paper in 2016, David Autor, David Dorn and Gordon Hanson found that a wave of Chinese imports kicked exposed workers out of their jobs and left some on the disability rolls. Even their marriage prospects suffered.

Why did competition from China hurt so much more than that from Japan a generation before? In another new study Katherine Eriksson, Katheryn Russ and Minfei Xu, of the University of California, Davis, and Jay Shambaugh, of George Washington University, sift the evidence and conclude that vulnerability to trade shocks depends on when and where they strike. Whereas earlier shocks—first from Japan, then from the "tiger" economies of East Asia—affected areas that were at that time relatively resilient to change, the China shock hit places that were less able to adapt.

The thesis rests on the idea of production cycles, and the journey from the frontiers of innovation to the backwaters of standardisation. Whizzy gadgets are at the cutting edge when they first appear, but eventually become humdrum. As processes settle down and become standardised, and once-novel gizmos become commodities, the location of production shifts too, away from innovation hotspots with better-educated populations towards communities that might not cope so well if jobs disappear.

Manufacturing employment blossomed at the beginning of the 20th century in places where people tended to be better educated and which produced more patents per person than the average. But as the decades passed and manufacturing employment spread, the correlation with patenting and education weakened. Ms Eriksson and her co-authors find that the import shocks from Japan and East Asia of the 1970s and 1980s hit products that were relatively early in their innovation cycles, such as video and audio equipment. They were made in places that boasted above average numbers of patents per person. Places making products exposed to Japan seemed to have been doing particularly well. They enjoyed above-average levels of income and education levels and below-average rates of unemployment.

The China shock was different. Production in affected industries—this time, for example, toys and shoes—had indeed started out in places with relatively well-off, well-educated workers where patenting was relatively concentrated. Had the shock hit in 1960, 40-50 years before it did, it would have landed on fairly rosy-looking towns. But by 1990 production had already shifted to districts with above-average unemployment, below-average education and no greater propensity for patenting than the country as a whole.

The authors argue that the China shock hurt so much because it whacked people who were already struggling. Areas with fewer college-educated workers suffered bigger dents in labour-force participation. And workers in places where industries were already moving out proved the least nimble. Employment fell by more in places where jobs in exposed industries had declined between 1960 and 1980.

Pick yourself up

Other studies have delved into why the China shock hurt so much. Messrs Autor, Dorn and Hanson describe how the places hit hardest took their suppliers down with them, hurting whole communities. Nicholas Bloom of Stanford University and three co-authors found that, although imports from China did support some new jobs (eg, by providing cheaper inputs), they did not grow in the areas where vulnerable jobs were lost. While places like Des Moines dodged the China shock and some towns gained from the cheaper inputs, others were left to flounder.

As negotiators try to rewrite the terms of Sino-American trade, it may be tempting to conclude that America has paid too high a price for China's entry into the global trading system. Japan was much richer in the 1980s than China was in the early 2000s; America should have protected its exposed industries. A more helpful conclusion is that politicians should take more care to equip workers labouring far from the innovation frontier to adapt to shocks to their industries—from import competition or anywhere else.

Politicians might learn another lesson, too. Their response to shocks can usually only speed up or slow down broader structural trends. Even without the China shock, toymaking would have moved somewhere else, some time. Cranking tariffs up or down may offer politicians the temporary sense that they can control foreign competition, but the costs of protection will be borne elsewhere in the economy, largely unseen. And the world will meanwhile move on regardless.

This article appeared in the Finance and economics section of the print edition under the headline "Shocked"

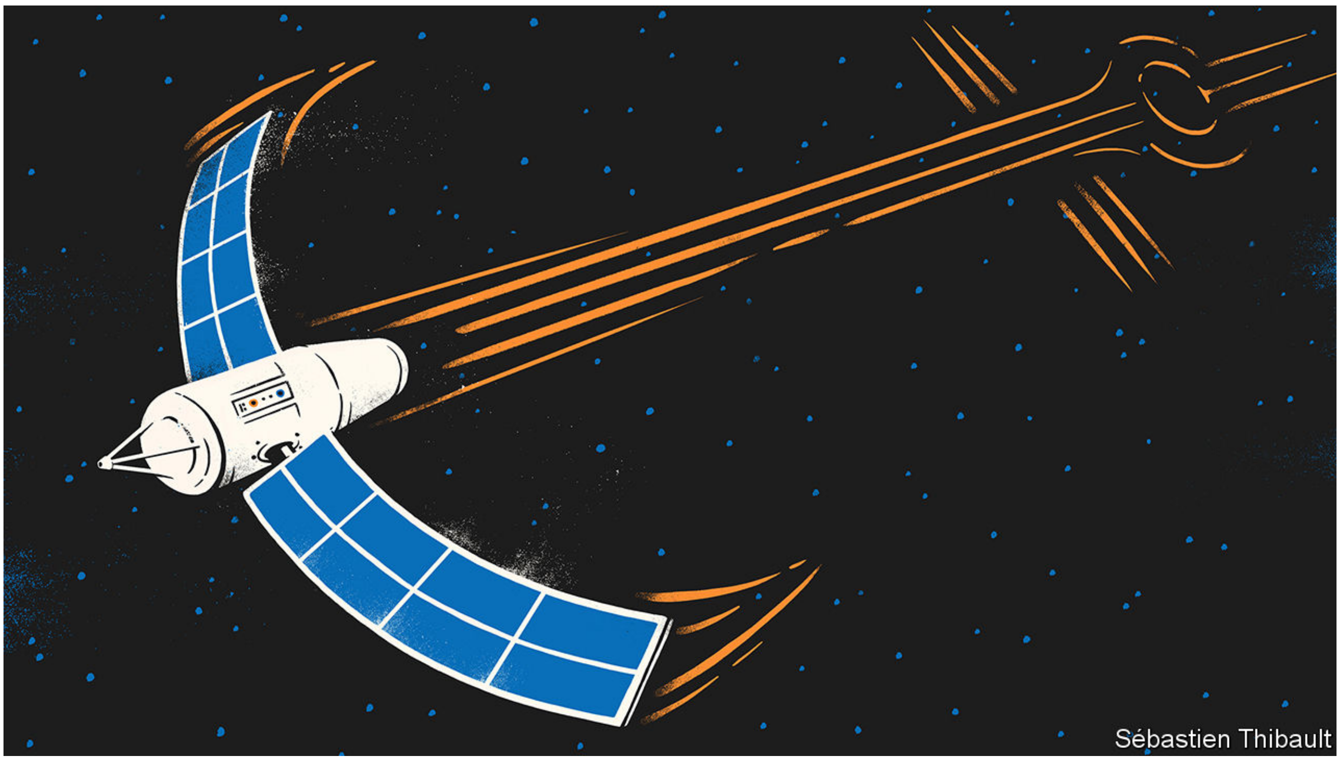
Manoeuvring satellites
Air braking

Manoeuvring satellites

Spacecrafts' solar panels can serve double-duty as sails

Sometimes they used air molecules. Sometimes sunlight

Print edition | Science and technology Mar 7th 2019


Sébastien Thibault

MANOEUVRING A SATELLITE in orbit usually requires thrusters. Sometimes the thrust is provided by a fuel-burning rocket motor. Sometimes it comes from electrically heated gas. Both methods, though, add weight in the form of propellant, thus reducing launch payload. They also involve parts that may fail. And eventually they run out of juice. Moreover, satellites carrying an energetic fuel like hydrazine must undergo special tests to be certified as safe for inclusion in a launch. Other ways of manoeuvring spacecraft would thus be welcome. And two, in particular, are now being developed.

The first takes advantage of errant air molecules that have wandered into space from Earth's atmosphere. In orbits near to Earth, where these molecules are most abundant, the resistance they provide is such that a satellite with a small forward-facing surface area will slowly gain on another launched at the same speed with a larger such area. For this effect to be useful, engineers have calculated that a satellite needs to be able to enlarge or shrink its forward-facing area on demand by a factor of about nine. If it can do that, then the method of "differential drag" becomes a practical way of manoeuvring satellites relative to one another. And serendipitously, that factor of nine has proved reasonably easy to arrange.

The serendipity is the result of satellites needing solar cells to power their electronics. These cells are usually fixed to panels that, once a satellite is in orbit, unfold into wing-like structures much bigger than the spacecraft's body itself. If a satellite is oriented so that its panels are facing in the direction of travel it will, over time, slow down. If it then rotates so that the panels are parallel with that direction, the braking will ease. A satellite operator in San Francisco, called Planet, says that it was the first organisation to manoeuvre operational craft in this way, back in 2013. The test was so successful that the firm now flies 120 Earth-imaging satellites which manoeuvre solely by differential drag. A mere 20 of Planet's satellites still use thrusters.

The reason firms like Planet need to manoeuvre satellites in the first place is that the cheapest way to launch them is in groups taken up by a single rocket. This means they enter orbit as a cluster. But jobs like Earth-watching and relaying telecommunications require such groups of satellites to be spread out, for maximum coverage. Spire, another satellite operator based in San Francisco, says that differential drag takes only a few weeks to spread a cluster sufficiently to eliminate unnecessary overlaps. The 72 satellites Spire has in orbit at the moment manoeuvre exclusively by differential drag.

The actual process of manoeuvring involves reorienting the satellite. That, in turn, requires torque. Satellites generate this torque using a spinning reaction wheel and an electromagnet that interacts with Earth's magnetic field. The technology is now precise enough to imagine using differential drag to permit satellites to rendezvous, according to Pini Gurfil of Technion University, in Israel. Dr Gurfil points to impressively close approaches between the small CubeSats that are part of a test project called QB50, which is led by the von Karman Institute for Fluid Dynamics, in Belgium.

Differential drag is not a perfect answer to manoeuvring in space. Above an altitude of about 650km, air molecules are too rare for the technique to be feasible, so it works only in the lowest of low-Earth orbits. It also takes a fair amount of time to execute. So, for example, if there is a war, satellites that rely on differential drag will be more vulnerable to attack than those with thrusters.

In addition, changing the level of drag adjusts only the rate of deceleration, and therefore of descent. The technique cannot be used to lift a spacecraft into a higher orbit. But a second thrusterless technique can manage this trick, too. It involves using the solar panels as light sails.

Light exerts pressure. That pressure can be employed in the same way as the pressure of the wind on Earth, to drive and manoeuvre a craft. Orient a satellite so that its solar panels are hit by the maximum possible amount of light in the part of its orbit when it is receding from the sun, and the minimum amount when it is approaching it, and the spacecraft will gain speed, and therefore altitude.

For a CubeSat smaller than a shoebox, with solar panels the size of two old-fashioned record-album sleeves, harnessing sunlight in this way should lift its orbit by several dozen metres a day, according to Dr Gurfil. Not a huge amount. But enough, for example, to dodge a potential collision with a piece of space debris—of which there is an increasing amount in orbit.

Technion will try this idea out soon. It expects, in what Dr Gurfil claims will be a first, to launch three test satellites in about six months' time. The mission is named SAMSON. With luck, the temple will not come crashing down around it.

This article appeared in the Science and technology section of the print edition under the headline "Air braking"

Pest control

A cheap way to protect coffee crops from boring beetles

Build bridges to predatory ants' nests using string

Print edition | Science and technology Mar 7th 2019

Banthit Inxee

FEW PESTS wreak more havoc on coffee plantations than the berry-borer beetle. In Brazil alone its depredations are reckoned to cost $300m a year, so keeping the insects under control is a priority for plantation owners around the world. That is easier said than done. Berry borers spend most of their lives inside the berries. Their eggs hatch there. Their larvae feed, grow and pupate there. And their adults mate there. Only pregnant females seeking another berry to lay their eggs actually see the light of day. This makes attacking the beetles with insecticides tricky.

Researchers have, however, known for some time that a species of Central American ant called *Azteca sericeasur* is adept at keeping berry-borer populations at bay. These ants live in trees grown alongside coffee bushes to provide shade—for coffee bushes do not thrive in direct sunlight. In particular, the ants prefer to nest in a tree called the cuaniquil.

The question is how to encourage *Azteca*'s foraging workers down from their cuaniquil eyries and into coffee bushes in large enough numbers to keep berry borers under control. And, as they report in *Biotropica*, Esteli Jimenez-Soto of the University of California, Santa Cruz, and Jonathan Morris of the University of Michigan think they have an answer: build bridges.

Working with a team of colleagues, Dr Jimenez-Soto and Dr Morris studied a coffee plantation in Chiapas, Mexico. All of the coffee bushes there were growing under a canopy of shade trees, and some of these trees were cuaniquil. The researchers selected 20 sites, each separated from the others by at least ten metres, for their experiment. All included a cuaniquil that hosted an active ant colony and six coffee bushes that were not touching one another. To the trunks of three of these bushes, selected at random, they tied strings that led to branches of the ant-bearing cuaniquil. The other three bushes were left untouched and monitored as controls. The team followed up by counting ants periodically on specific sections of the coffee bushes during the days that followed.

To decide whether the newly established string highways were indeed granting protection, three days after building the connections Dr Jimenez-Soto and Dr Morris attached white cards bearing ten dead adult female borer beetles to the trunks of all the coffee bushes in the research sites. They monitored these cards for half an hour, noting ant activity on them, and also recording how many beetles were removed during that period.

The string highways proved popular with the ants. Three-quarters of them turned into ant trails, and at least some were used in this way in every one of the study sites. Presumably as a consequence, ant activity on bushes connected by strings to cuaniquil trees more than doubled, while that on unconnected neighbours saw no statistically significant change.

This extra activity resulted in more beetle-scavenging. Coffee bushes connected by string to a cuaniquil had an average of three of the carded insects removed by the ants during the 30-minute window, triple the rate for unconnected bushes. Dead beetles on cards are clearly easier prey than live ones hidden in coffee berries. Nevertheless, this is an encouraging result for plantation owners. If further experiments back these results up it may be that the coffee-borer problem can be alleviated by a combination of planting the right sorts of shade trees and the wise deployment of some balls of string.

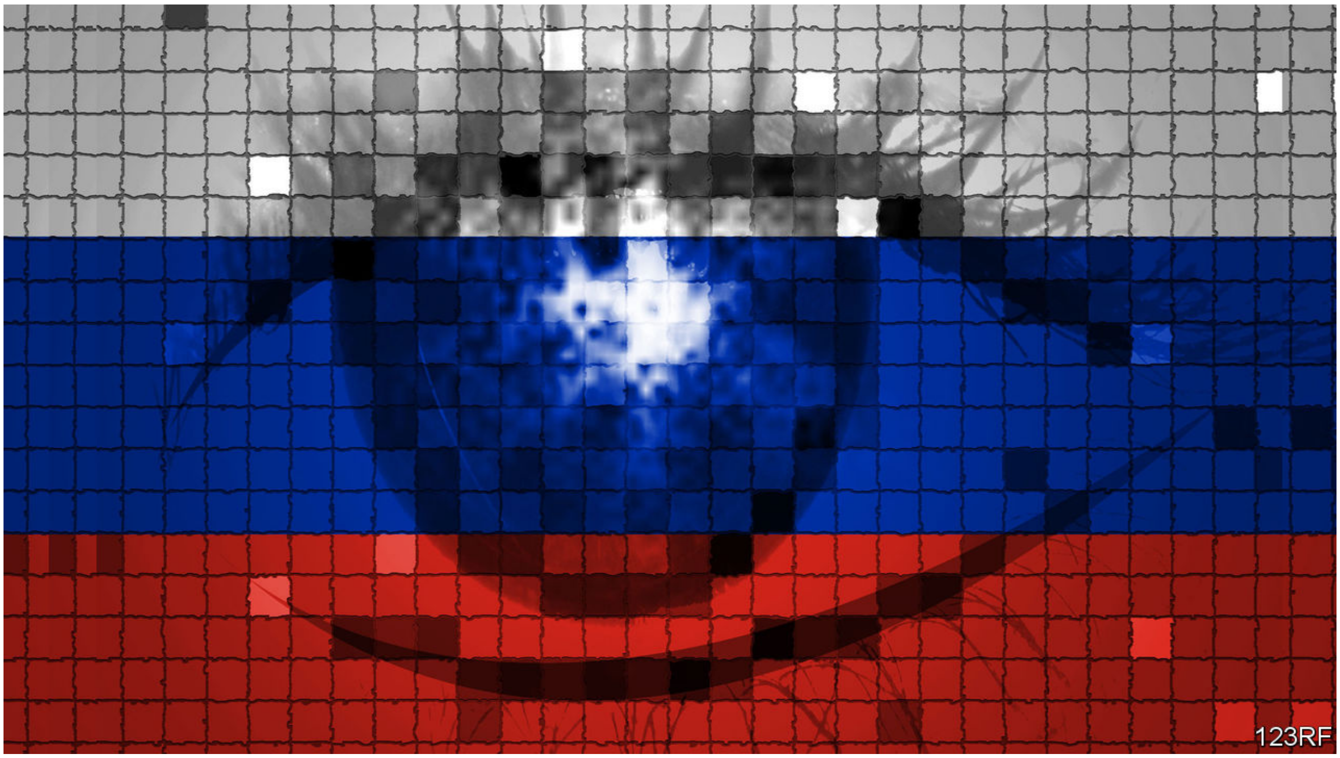
This article appeared in the Science and technology section of the print edition under the headline "String theory"

Computer security

In the cyber break-in stakes, the champion is Russia

Russian computer hackers are seven times faster than North Koreans

Print edition | Science and technology Mar 7th 2019



RUSSIAN INTELLIGENCE has not had a great year. After the botched attempt to assassinate Sergei Skripal, an ex-spy living in Britain, scores of its officers were booted out of Western embassies. Hundreds more were exposed by sloppy tradecraft, such as the use of sequentially numbered passports. Yet there is at least some cheer for Russia's cyber-spies: they have topped a rogue's table of hacking prowess.

CrowdStrike, an American cyber-security company, published its annual report last month. For the first time, this included a ranking of the West's cyber-foes. It did so by looking not at the sophistication of their tools (which can be bought from others) but instead at "breakout time".

Breakout time measures how long it takes hackers to go from getting into a machine (say, an employee's stolen laptop) to moving into more valuable parts of the network which that machine is part of (such as servers containing secrets). This typically involves looking around to find more vulnerabilities or swiping credentials that allow the intruder to masquerade as a network administrator, a process known as "privilege escalation".

In its previous report, covering 2017, CrowdStrike had found the average breakout time to be just under two hours. In 2018 that had more than doubled—to over four-and-a-half. Apparently, then, a victory for the defenders. But this average concealed a lot of variation.

Russian spies, in particular, were blisteringly fast at breaking out into their enemies' networks, taking an average of just 18 minutes to do so. That made them seven times faster than those of their nearest rival, North Korea, whose agents took a little over two hours. Chinese intelligence was way behind in third place, taking a leisurely four hours to gain access to the vaults—though the Chinese made up what they lacked in speed with sheer volume. (China has conducted over 100 "significant" cyber-attacks since 2006—more than anyone else—according to data compiled by the Centre for Strategic and International Studies, CSIS, an American think-tank.) Iranian hackers were positively languorous, requiring five hours. Criminal groups needed almost ten.

However, experts and officials caution that faster breakout times do not always reflect sharper skills. For one thing, defensive technology has been getting better in recent years. Hasty lateral movement can trip defensive systems such as "canaries". These are traps for the unwary—for example, special passwords left cunningly lying around which sound the alarm if used.

Spy agencies also have their own personalities. Russia's speed may reflect insouciance as much as virtuosity. Russian spy agencies compete furiously with each other and often do not care whether they get caught. James Lewis, a bigwig at the CSIS, also observes that different states go after different targets, which will affect their breakout times. North Korea, in particular, has preferred low-hanging fruit like Bangladesh's central bank to heavily fortified military networks. "Muggers are quick when they mug grandmothers," notes Mr Lewis.

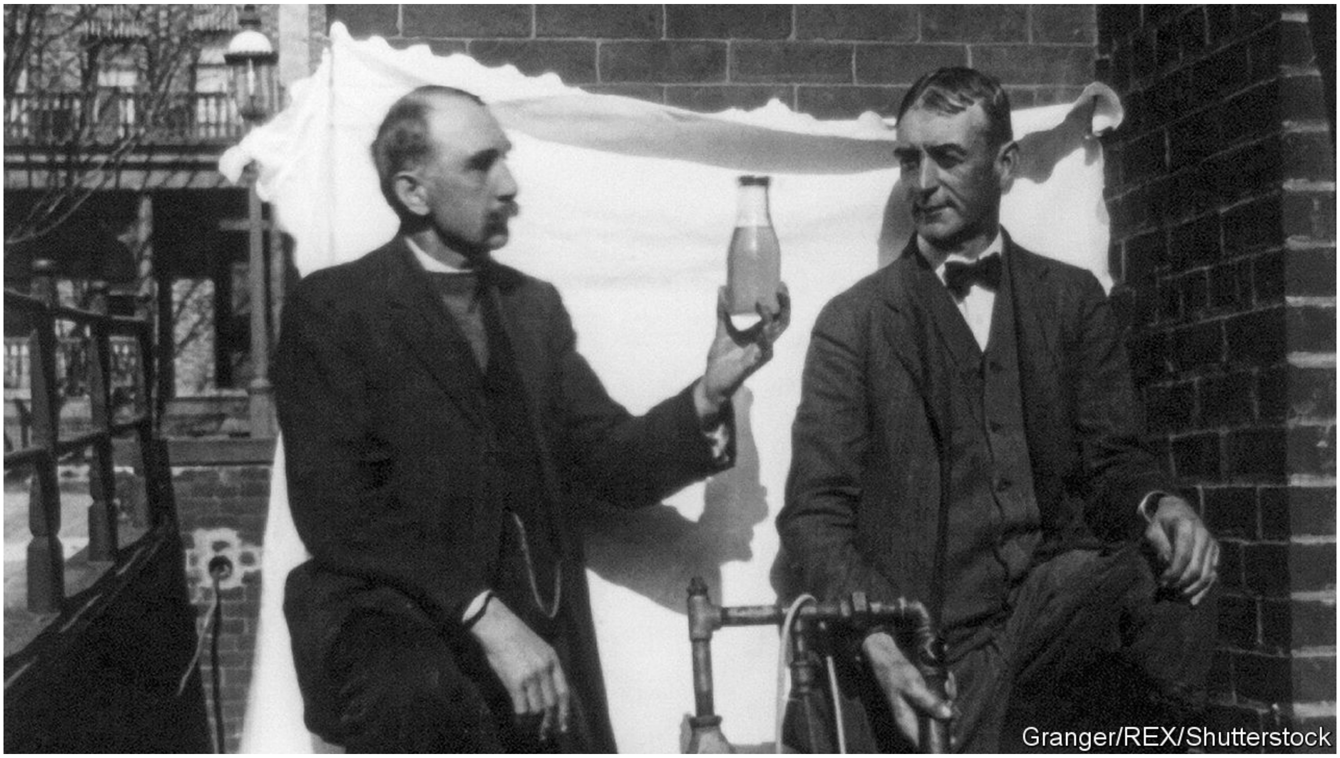
This article appeared in the Science and technology section of the print edition under the headline "Do svidaniya secrecy"

Alcoholic spirits

Disruptive technology may change the whisk(e)y industry

Decent grog will take days to make, instead of years

Print edition | Science and technology Mar 7th 2019



Granger/REX/Shutterstock

IT IS HARD to imagine a manufacturing process more sluggish than making whiskies. The most revered are aged for between 10 and 20 years. Innovation has also been slow. The last big breakthrough, patented in 1830, was a more efficient still. Barrel-ageing, which takes place after distillation, has been around for centuries. Without it the liquid has no colour and is unpalatable. Nor can it be called whisky under Scottish law.

Because whisky (or whiskey as it is known in Johnny-come-lately jurisdictions such as Ireland and America) takes such a long time to make, planning for fluctuations in demand is difficult. The industry often sounds the alarm about catastrophic shortages on the horizon, although this could, in part, be to drive up prices. Developing new recipes can also take decades. Any distillery wishing to try a new flavour or process has a long wait to sample the results. Often it is not very good. If it is, there will be another long wait to make more.

Cumbersome business models like this are catnip for companies seeking to shake up an industry. Endless West, based in San Francisco, is one such. It has done away with barrel-ageing entirely. Using a gas chromatograph, which separates a mixture into its constituents and then spits out an analysis of that mixture's make up, the firm's researchers claim to have identified the molecules which give different whiskies their flavours.

Josh Decolongon, Endless West's chief product officer, says a compound called 4-ethylguaiacol transports him to, "a chilly holiday night spent indoors...burning logs and sweet spices". Ethyl butanoate, on the other hand, he associates with candied apples, tropical fruit or perhaps grapes. Mr Decolongon and his team use a mixture of techniques, including distillation and solvent partitioning (taking advantage of the different solubilities of most chemicals in water and oily liquids) to extract these and other compounds from things like plants, yeasts and barrel wood. Once they have obtained these flavours, they add them to pure ethanol bought from an outside supplier. The result is Glyph, a spirit that takes around 24 hours to make and sells for about $40 a bottle.

Endless West is the only company so far to eliminate ageing entirely, but at least seven others are speeding the process up. In Los Angeles, for example, a firm called Lost Spirits inserts heated barrel wood into distilled spirit and blasts it in a reactor to quicken the process. That takes six days, and produces a drink called Abomination: Sayers of the Law.

Lost Spirits' founder, Bryan Davis, says this tiny lead time means manufacturers could use his machines to experiment rapidly with all sorts of new flavours. For mass production, the cost of the process is unlikely to compete with the economies of scale found at the low end of the market. But he sees a benefit at the high end, and reckons he can produce, for around $50, bottles that if made conventionally would cost around $250.

All this will count for little if age-defying whiskies taste bad and people will not buy them. The Scotch Whisky Association, a trade body which represents Scotland's whisky industry, bristles at the idea that production can be rushed or replicated. What happens over years spent in a barrel "is part of the wonderful mystery of whisky", they say.

Mystery, though, may be no substitute for science. Abomination has received some excellent reviews, and chromatographic analysis of it reveals a similar chemical signature to that of conventionally aged whiskies. Glyph's reviews are mostly mediocre, although your correspondent found it tastes good when mixed with a slug of ginger ale.

Entrepreneurs seem, in any case, unlikely to be perturbed by the naysayers. Endless West has attracted investment from Horizons Ventures, a venture-capital firm that was an early backer of companies like Facebook, Skype and Waze. Lost Spirits is opening a production facility with a capacity of 20,000 cases a year. Both firms' products are proving popular with tech-minded youngsters who enjoy the stories about a break with tradition. Meanwhile another age-defying distillery, Tuthilltown Spirits, in upstate New York, is trying a different approach. It agitates its barrelled whiskies to accelerate maturation. Its workers do this by placing bass shakers around the warehouse and playing loud music through them. They say bass-heavy dubstep works best.

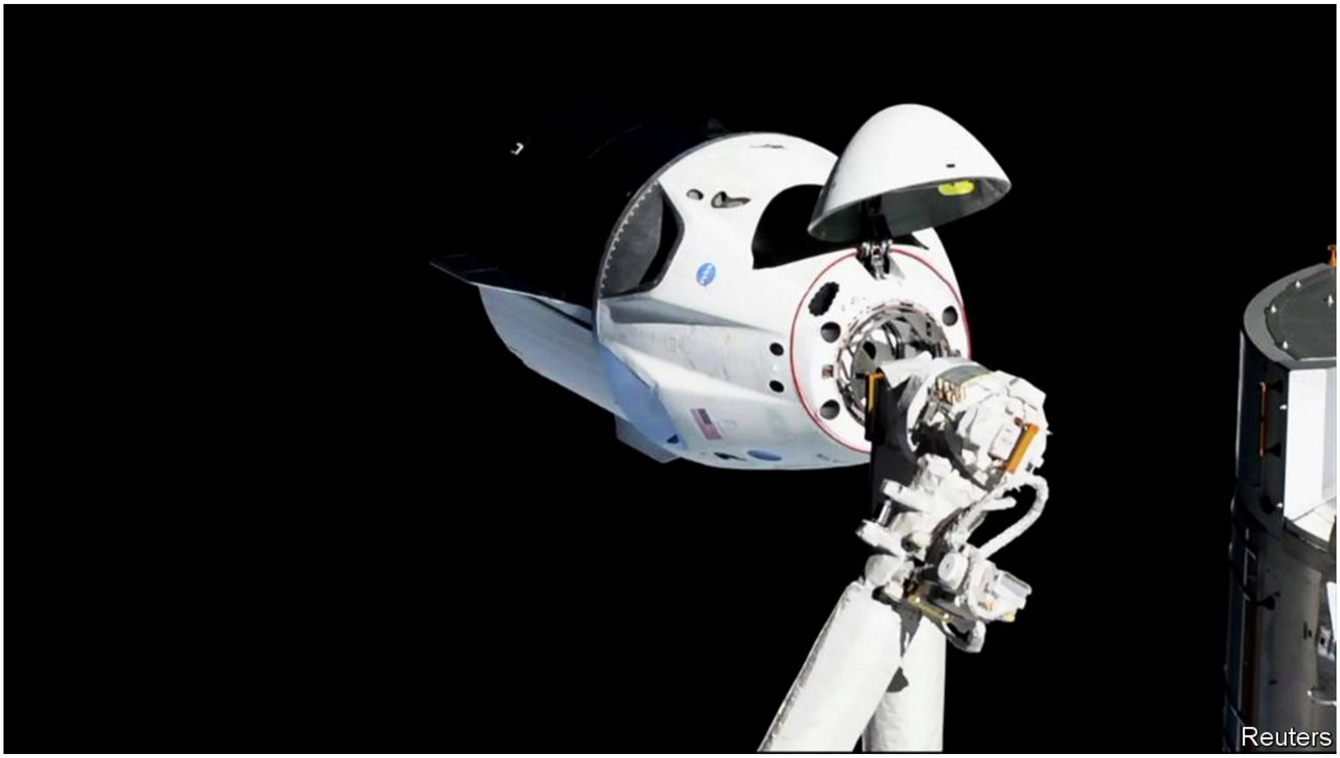
This article appeared in the Science and technology section of the print edition under the headline "Going against the grain"

Enter, the dragon

A Dragon visits the ISS

This time, the crew is a dummy. Next time, people will be on board

Print edition | Science and technology Mar 7th 2019



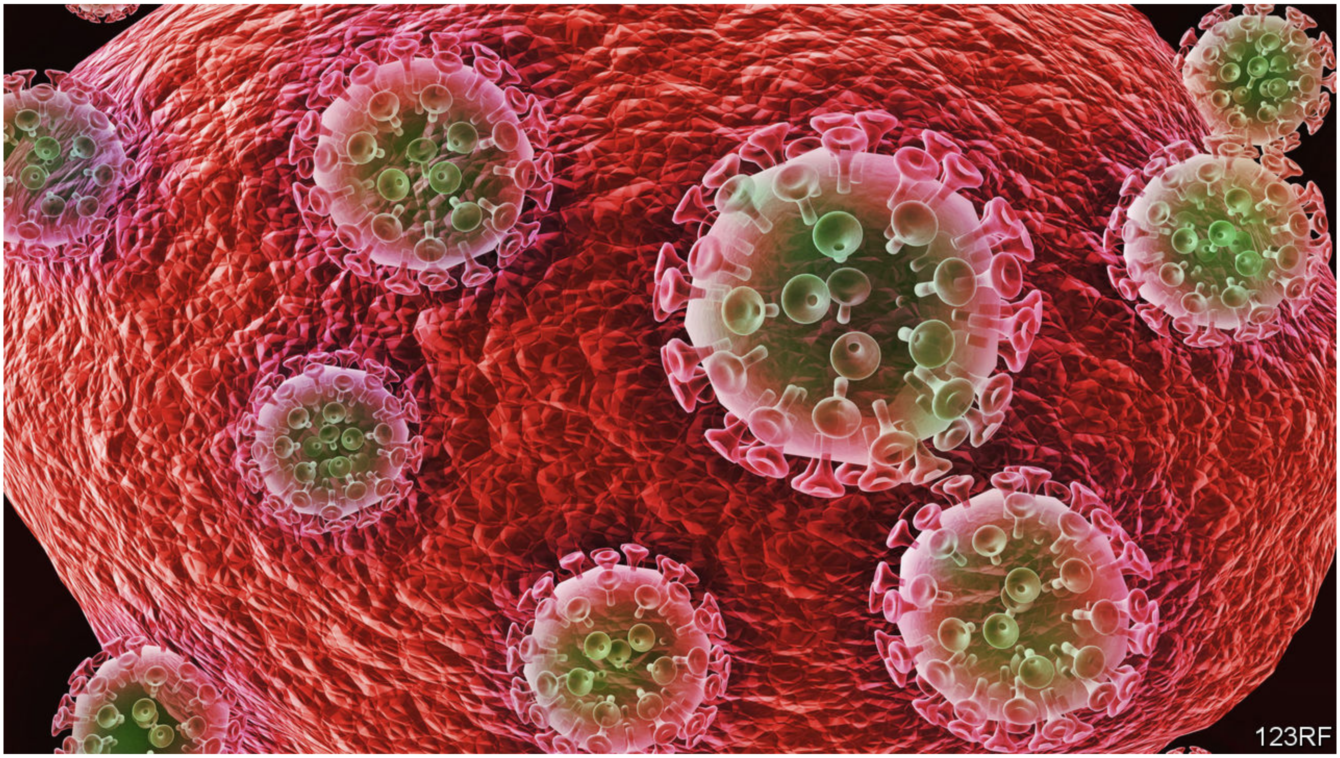
ELON MUSK'S AMBITION to launch people into orbit around Earth took another step forward on March 3rd. That was when a Crew Dragon space capsule, built by Mr Musk's company, SpaceX, docked successfully with the International Space Station (ISS). Crew Dragon is the human-capable version of a craft SpaceX has been sending to the ISS for the past seven years as a supply truck. On this flight the capsule had a dummy on board (as well as supplies for the station). Later in the year, if all goes according to plan, Bob Behnken and Doug Hurley, both veterans of America's space-shuttle programme, will become SpaceX's first two astronauts. Whether they will beat SpaceX's rival, Boeing's Starliner, to the ISS remains to be seen. Boeing is planning its own dummy mission in April. If that works, the race will truly be on.

Curing HIV

A second case of someone probably cured of HIV has been reported

The treatment tailors stem-cell transplants intended for leukaemia

Print edition | Science and technology Mar 7th 2019



ESTABLISHED HIV infection is easy to control but impossible to cure. Or almost impossible. The exception seems to be Timothy Brown, a man often referred to as the Berlin patient. In 2006, after a decade of successfully suppressing his infection with antiretroviral drugs, Mr Brown developed an unrelated blood cancer, acute myeloid leukaemia. To treat this life-threatening condition he opted, the following year, for a blood-stem-cell transplant. And, at the same time, he volunteered as a guinea pig for an experimental anti-HIV treatment, which worked. Now, a team of doctors in London have reported a similar case.

Blood-stem-cell transplantation is an established, though extreme, treatment for various sorts of blood cancer. Stem cells are the precursors from which particular tissues grow. Blood-stem-cell transplantation involves using drugs (backed up, in Mr Brown's case, by radiotherapy) to kill a patient's natural blood-producing tissue, the bone marrow, and then transfusing in new stem cells from a donor.

So far, so normal. But Mr Brown, at the suggestion of his doctors, chose from among the 267 possible tissue-matched donors one who had inherited from both parents a mutation that, in healthy people, prevents HIV infection in the first place. (The mutation in question alters one of the proteins the virus attaches itself to when entering a cell.) After two such transplants Mr Brown was cleared of the leukaemia and, as far as it is possible to tell, HIV had stopped replicating in his body.

The newly reported patient, treated by Ravindra Gupta of University College, London, and his colleagues, had Hodgkin's lymphoma and underwent a stem-cell transplant for this in 2016. As in Mr Brown's case, the cell donor had inherited the protective mutation from both parents. Sixteen months later, as they describe in *Nature*, the patient's doctors withdrew the HIV-controlling drugs and watched. There was no resurgence of the virus, as would be usual if those drugs were withdrawn from any other HIV patient. Nor has there been any change in the patient's HIV status in the 18 months since the drugs' withdrawal.

In cases like this doctors are loth to use the word "cured", since the future is unpredictable and the mechanism involved serves only to break HIV's reproductive chain, not to purge the virus from the body entirely. They talk instead of patients being "in remission". Nevertheless, the experience of the person who will probably come to be known as the London patient is important. It shows that Mr Brown's case was not a fluke. Which gives comfort to those working on the idea of editing protective mutations into stem cells drawn from people with HIV, and then returning the edited cells to the patient. This would avoid the risks of rejection that come with transplants from donors.

Most researchers in the field are proceeding cautiously, testing their results on mice, and with some success. But this is an area that can encourage overreach. The gene-edited-baby scandal which happened in China late last year was, according to those involved, an attempt to engineer the relevant mutation into people from birth.

Such overreach aside, even if the editing of blood stem cells could be made to work reliably, transplanting them back into people would probably remain a rare procedure—for the methods used to kill a patient's existing bone marrow make such transplantation dangerous in and of itself. But it would at least be available as a treatment of last resort for those with forms of HIV that have developed resistance to drugs. And that would save some lives.

This article appeared in the Science and technology section of the print edition under the headline "The English patient"

Revisiting Chernobyl
A view from the bridge

A view from the bridge

The tragedy of Chernobyl

Three new books reconsider the impact of the worst-ever nuclear catastrophe

Print edition | Books and arts Mar 7th 2019

Getty Images

Manual for Survival. By Kate Brown. *W.W. Norton; 432 pages; $27.95. Allen Lane; £20*
Midnight in Chernobyl By Adam Higginbotham. *Simon & Schuster; 560 pages; $29.95. Bantam Press; £20*
Chernobyl: History of a Tragedy. By Serhii Plokhy. *Basic Books; 432 pages; $32. Allen Lane; £20*

AT THE ENTRANCE to the "Zone of Alienation" around the Chernobyl Nuclear Power Plant in Ukraine stand two kiosks, painted a radioactive shade of yellow. Along with snacks for the tourists who descend on the site of the world's worst nuclear disaster, they sell Chernobyl-themed merchandise: T-shirts bearing the radiation symbol, gas masks and glowing fridge magnets. Next to a vat of mulled wine is a stack of mugs decorated with pictures of the frozen Ferris wheel in Pripyat (a town built to house the plant's employees), and of the infamous reactor No. 4, which melted down on the morning of April 26th 1986.

The weather was unseasonably warm on that fateful Saturday, and Pripyat was in a festive mood. Locals planned to attend weddings or to stroll into the idyllic forests they had come to love. An engineer who arrived in 1971 described the surroundings reverently: "Silence and a sense of primeval creation." Then the safety test scheduled for that morning went tragically wrong. Anatoliy Diatlov, the plant's deputy chief engineer, called the ensuing meltdown "a picture worthy of the pen of the great Dante". While monitors in Sweden picked up radiation just hours after the explosion, it took the Soviet government three days to release a terse statement: "There has been an accident at the Chernobyl atomic-electricity station."

At a spot near the plant, a tour guide commends the "good panoramic view" of the reactors. Selfies ensue. One young woman snaps away as her friend dons a gas mask and strikes a pose against the backdrop of the plant's cooling system. A man photographs his girlfriend in front of the reactors, smiling and flashing a peace sign.

Chernobyl's atoms were supposed to be peaceful. In the Soviet Union nuclear energy represented technological progress and the human conquest of nature. Soviet leaders saw it as a means to power their empire; the RBMK, or "high power channel reactor", was central to their plans. Touted as more powerful and cheaper than other models, the RBMK was also considered so safe that the Soviets skimped on protective containment structures. Anatoliy Alexandrov, head of the Soviet Academy of Sciences, reportedly insisted that the RBMK was reliable enough to be put on Red Square.

Yet as officials at the Ministry of Medium Machine Building, the secretive outfit in charge of the Soviet nuclear industry, knew all too well, the RBMK had fatal flaws. The boron control rods used to slow reactions were tipped with graphite, meaning that during an emergency shutdown, the rods would briefly stoke the nuclear reaction before damping it down. As Adam Higginbotham writes in "Midnight in Chernobyl", one of three recent books about the event and its aftermath, it was as if "the pedals of a car had been wired in reverse, so that hitting the brakes made it accelerate instead of slowing down".

The inefficiencies, shortages and dysfunction of the Soviet system accentuated the risks. "God forbid that we suffer any serious mishap—I'm afraid that not only Ukraine but the Union as a whole would not be able to deal with such a disaster," the plant's director, Viktor Briukhanov, had prophesied a few months earlier.

The tourists, mostly Europeans, along with a smattering of Chinese and some well-off Ukrainians (personal tours cost around $400, more than the average monthly salary), board buses and vans labelled "alpha", "beta" and "gamma". Some were inspired to visit by video games set in the Zone. Others have come for the Instagrammable ruin porn. One group follows a young guide wearing radiation-symbol earrings, signs detached from their meaning. In this way, writes Serhii Plokhy in "Chernobyl", a masterful retelling of the episode, disaster is turned into myth.

A danse macabre

Mr Plokhy, a Harvard historian, grew up 500km south-east of the facility and developed an inflamed thyroid, a sign of radiation exposure. His aim is to reinstate Chernobyl as, above all, a human tragedy. Drawing on archives opened in the wake of Ukraine's revolution of 2013-14, plus first-hand recollections, he scrupulously reconstructs the calamity, from the plant's rushed construction to the erection of a new "sarcophagus" over the failed reactor three decades later. He shows how Chernobyl embodied the Soviet system's failings, and in turn played a role in the system's collapse, ultimately acting as a catalyst for Mikhail Gorbachev's policy of *glasnost*, or openness, and for nationalist movements in republics such as Ukraine, Belarus and Lithuania. Mr Higginbotham's description of the initial hours inside the burning reactor is vivid, but it is Mr Plokhy's book that will endure as a definitive history.

Nowhere is the need for such a history more palpable than inside the Zone. "Chernobyl has become a brand," laments one veteran guide. He pulls out his phone to show a zany dance clip made by Polish visitors that begins with a car careening across a nearby bridge—known locally as the "bridge of death", because those who stood on it to watch flames from the reactor lick the sky received lethal doses of radiation. Chernobyl ought to be a memorial site, a reminder of the perils of hubris, its atmosphere closer to a concentration camp than to the twisted theme park it has become.

The blasé attitude has been encouraged by the systematic minimisation of the disaster's impact. Official estimates of the death toll range from 31 to 54, along with several thousand later cancer cases. In 1988 the Soviet health minister claimed that all was well: "we can today be certain that there are no effects of the Chernobyl accident on human health." Studies by international organisations such as the WHO and the IAEA offered similar assurances.

In "Manual for Survival", a magisterial blend of historical research, investigative journalism and poetic reportage, Kate Brown sets out to uncover Chernobyl's true medical and environmental effects. Where officials attributed rising levels of illness in contaminated areas to better screening and psychological stress, she finds long-suppressed evidence that suggests a different story. Her book is an awe-inspiring journey through archives and the villages, forests and swamps of the Polesia region of Ukraine and Belarus. While direct causation is nearly impossible to prove, she marshals correlations that link chronic exposure to low doses of radiation with thyroid, heart and eye disease, cancers, endocrine and digestive-tract disorders, anaemia, birth defects and infant deaths.

Those walking the grounds of Chernobyl now receive a personal dosimeter which beeps constantly, speeding up as levels of gamma radiation rise. Inside the Zone, tourists scramble about in search of "hotspots", their dosimeters a chorus of disregarded warnings. Today, most visitors absorb less radiation in a day than during a typical transatlantic flight. In 1986 harmful fallout spread for hundreds of kilometres; political rows erupted over the dose and distance thresholds for evacuation. In time, radiation moved through the environment—and human bodies—in complex, poorly understood ways.

The swampy flood plains of Polesia, Ms Brown finds, are especially conducive to the transmission of radiation into the food chain. Manipulation of the weather further skewed the distribution: Soviet pilots seeded clouds in Belarus to induce radioactive rains before the toxins could reach large cities such as Moscow. In Ukraine they shot cement into the sky to prevent downpours from flooding the Pripyat river and spreading radiation into the Dnieper, the country's main waterway.

Most haunting are her accounts of how radioactive isotopes progressed through the food supply. Loth to sacrifice production targets, Soviet planners ordered slaughterhouses to mix radioactive and clean meat to make sausages. The Soviets were not alone in circulating poisoned wares: Greek wheat contaminated by the fallout was eventually blended into consignments of aid shipped to Africa and East Germany. Even now, Ms Brown joins pickers in the forests of northern Ukraine who combine "hot" and clean berries so the crop meets radiation requirements for exports.

Hot berries and grey leaves

She argues that the cover-up extended beyond the Soviet Union. After all, the global nuclear industry relies on the notion that low doses of radiation are harmless. If Chernobyl could be shown to have no effect on human health, Ms Brown argues, "then the fallout from nuclear testing, the seeping radioactive waste from bomb factories, the civilian reactors that daily emitted radioactivity, the widespread use of radiation in medical treatments, and the exposed bodies of workers, patients and innocent bystanders in secret medical tests could be forgotten." In this analysis, Chernobyl was a crisis not only of the Soviet Union but of modern civilisation. She sees it as the emblematic catastrophe of the Anthropocene, the geological epoch during which human activity has become the dominant influence on the environment.

In the Zone the fallout from human activity is embedded in the ground. The topsoil is thick with leaves that have turned a morbid, corpse-like grey (as Ms Brown recounts, radiation impedes the natural process of decomposition). The trees, some bent by the effects of radiation, emit creaks that fill the Zone's eerie silence like an infant's wails. Verdant green pines line the roads, concealing the forests' wounds.

This article appeared in the Books and arts section of the print edition under the headline "A view from the bridge"

A bigger splash

Jeremy O. Harris is a rising star of American theatre

His plays ask their audiences to confront their own complicity in prejudice

Print edition | Books and arts Mar 7th 2019

Getty Images

"DADDY" OPENS with a young, perfectly sculpted black man named Franklin (played by Ronald Peet) emerging from a swimming pool. His white host, a rich, silver-haired art collector named Andre, looks on lustily and lunges for the younger man's legs ("mmmm...smooth. Like the sweetest chocolate"). Later, after the characters become lovers, Andre (a cool, reptilian Alan Cumming) repeatedly smacks Franklin's bare buttocks, playfully but not without menace. These are unnerving scenes. In an American theatre, watching a powerful white man hungrily appraise and then slap a naked black body is inescapably fraught.

A co-production of the New Group and the Vineyard Theatre, "Daddy" had its premiere on March 5th. It was written by Jeremy O. Harris, a 29-year-old playwright who has emerged onto America's theatre scene with the speed and vigour of a geyser. He is swiftly earning a reputation for exploring discomforting ideas about race and sex with humour, intellectual rigour, nods to pop culture and an engaging sense of spectacle. His"Slave Play", which dramatised a darkly amusing form of antebellum sex therapy for interracial couples, opened off-Broadway to rapturous reviews in December. "Daddy" features a full pool (a remarkable bit of staging that cost almost $100,000), a gospel choir and Mr Cumming crooning George Michael's creepily seductive hit, "Father Figure".

Given that he has yet to graduate from Yale School of Drama, the playwright has made quite a splash. Producers rarely back student writers, but, says Jim Nicola of New York Theatre Workshop, which put on "Slave Play", they made an exception for Mr Harris. The play "felt so urgent, so much a part of where the conversation is right now," he says. "Jeremy's got this intellectual metabolism working at warp speed," says Amy Herzog, a playwright and lecturer at Yale. "There's no safety net, for him or [the audience]."

The timing is auspicious for his brand of provocation. Mr Harris, who is black and gay, asks his audiences—who tend to be older, white and left-leaning—to confront their own complicity in prejudice. In "Daddy", Franklin, himself an artist, tries to explain to Andre why they are destined to have different reactions to a sculpture by an African-American that deals with slavery and blackness. "It's not a nightmare or a dream you're sharing, it's a nightmare or a dream you're witnessing," he tells his white lover. Andre denies that it is necessary to share an artist's experiences to appreciate the work. "Beauty is beauty is beauty, Franklin. No matter whose eyes are seeing it." He relishes the edginess of having a young black boyfriend, but has little interest in his point of view.

Growing up in Martinsville, Virginia, Mr Harris was introduced to the potential of theatre by Shakespeare. “He was a populist,” Mr Harris explains. “He knew at the end of the day our brains get off on all the things that we’re ashamed of.” But it was a teacher’s recommendation of Suzan-Lori Parks’s “In the Blood”, about a mother struggling to bring up five children, which helped him imagine an “expressive, huge, epic and unapologetic” theatrical world beyond the safe, mostly white stories that were typically told on stage. “It made it seem possible to make a play that could speak to me.”

Mr Harris’s plays are about power and relationships; they hover at the intersection of violence and desire. His characters, many of them queer, often speak past each other. This sense of disconnection is political, he says. It is meant to show “how the simple act of not listening to people without power actually feeds power”. In his script notes for “Daddy”, he writes: “Everybody talks but no one listens. Have fun with that.”

This article appeared in the Books and arts section of the print edition under the headline ”A bigger splash”

Spiders of society

Letitia Elizabeth Landon was the Byron of her age

Her life was tragic. But was she a great poet?

Print edition | Books and arts Mar 7th 2019

L.E.L.: The Lost Life and Scandalous Death of Letitia Elizabeth Landon, the Celebrated "Female Byron". By Lucasta Miller. *Knopf; 416 pages; $30. Jonathan Cape; £25*

LETITIA ELIZABETH LANDON was the Sappho of her age, a Scheherazade and a Becky Sharp. She wore many masks. Guileless ingénue. Poet of unspoken passions. Mistress to her editor. Wronged woman. A fly caught in gossip's web. A prolific (but impoverished) author of verse, fiction and literary hackwork. She wrote under her initials—"L.E.L."—with their echoes of "elle" and "hell". The poet Robert Southey had called Byron and Shelley "the Satanic school"; the infernal L.E.L. was its first female member. She called her poems "songs" as if they were composed not on the page, but on the lyre. "I have sung passionate songs of beating hearts," she wrote, "the fallen leaf, the faded flower, the broken heart, and the early grave."

Hearts beat to her metre. The writer Edward Bulwer-Lytton rushed each week at Cambridge for the new *Literary Gazette* and "the three magical letters 'L.E.L.'." Elizabeth Barrett (not yet Browning) admired Landon's "raw bare powers" and thought her the pre-eminent poetess. Barrett's "Aurora Leigh" drew on Landon's smash hit, "The Improvisatrice". The Brontës hung on her every restless word.

Who now reads L.E.L? asks Lucasta Miller, as she seeks to restore Landon to the temple of the muses. In life, Landon was wounded by gossip—"the spiders of society/ They weave their petty webs of lies and sneers"—and by the "cold mockery" of the critics. She has suffered worse in death. In "Middlemarch" George Eliot makes the silly, spendthrift Rosamond Vincy a fan. In Virginia Woolf's "Orlando", the hero-turned-heroine is aghast to find herself in the early 19th century with L.E.L.'s stanzas pouring from her pen, "the most insipid verse she had ever read in her life." The charge sheet is grave: she was a peddler of "rubbishy sentimentality", a poet of "pasteboard" passions, her "phantasies" no more sophisticated than a schoolgirl's.

Born in 1802, she was indeed a schoolgirl when she began writing. She lived with her grandmother in the new London suburb of Brompton (later she reinvented her rackety upbringing). Across the way was William Jerdan, editor of the *Literary Gazette*, his wife and their young family. In 1820 Landon, aged 18, sent her governess to Jerdan with a note. A young lady unknown to him "ventures to intrude the enclosed lines". He published them, made her famous and made her his mistress. Thomas Carlyle called Jerdan the "satyr-cannibal Literary Gazeteer". He became Landon's Svengali. He puffed and promoted his Infant Prodigy. They had three illegitimate children and she gave each one up in turn.

In Landon's poems love is ever unrequited and power seldom in the woman's hands: "The love which is as life to me/Is but a simple toy to you." It could not last. The lustful, live-and-let-live Regency would become the laced and hypocritical age of Victoria. “Fame” and “shame” is a commonly recurring rhyme in Landon’s songs. The only hope for her almost-ruined reputation was to marry. George Maclean, British governor of Cape Coast Castle (in modern Ghana), obliged. In 1838 she sailed with her new husband to west Africa; eight weeks later she was found dead with a bottle of Prussic acid in her hand. She was 36. Self-destruction? Murder? Was there a female rival, asked the *Weekly True Sun*, in whose veins ran the “hot blood of Africa”?

Ms Miller is excellent on social and literary London: the Romantic rage for sex-and-suicide; the nabobs of Empire; the bluestocking ladies and Garrick Club gentlemen; the Grub Street scribblers and *Punch* magazine’s social-climbing Mr and Mrs Spangle Lacquer. Her reading of Landon’s poems is less convincing. When she writes that Landon’s “Flowers of Loveliness” is “not blandly shallow but deeply shallow”, or that what might first be read as “mawkishness” is really a “channel” for “suppressed personal rage”, or that her “naive sentimentalism” reveals “bitter and cynical depths when voiced”, the modern reader returns to the poems, reads them aloud and concludes: shallow, mawkish, sentimental. Nevertheless, this book is a fascinating portrait of a woman and her times and a heartbreaking song of the fickleness of love and fame.

This article appeared in the Books and arts section of the print edition under the headline ”Spiders of society”

This thing of darkness

In “The Tempest”, guilt and memory swirl in the mists of time

An eerie Swedish novel by Steve Sem-Sandberg

Print edition | Books and arts Mar 7th 2019

The Tempest. By Steve Sem-Sandberg. Translated by Anna Paterson.*Faber; 256 pages; £12.99*

ANDREAS RETURNS to his childhood home on one of Norway’s many little islands. It is a Scandinavian April: “strands of mist cling to the ground, enveloping the two sentry boxes at the bridge head and what remains of the iron post for the old barrier across the road.” The opening page of Steve Sem-Sandberg’s new novel (elegantly translated from the Swedish by Anna Paterson) hints at what is to come—personal and political history shrouded by the fog of time and an unwillingness to confront the sins of the past. Those ghostly sentry boxes, the old barrier, are a warning against intrusion.

Mr Sem-Sandberg is a novelist determined to confront the worst of humanity. His previous book, “The Chosen Ones”, dealt with the Nazi programme of forced euthanasia for ill and disabled children; “The Emperor of Lies” was set in the ghetto of the Polish city of Lodz during the Holocaust. Now he turns to Norway, and the lingering stench left by the German occupation during the second world war. The name of Vidkun Quisling, who led the collaborationist government, has since become a byword for treachery.

Andreas’s homecoming is prompted by the death of his guardian, Johannes. At first, this seems a conventional story, as Andreas recounts his arrival from the mainland to see how things stand at the Yellow Villa, where he and his sister, Minna, grew up. But soon the reader learns of the mysterious and frightening circumstances in which they came to be in Johannes’s care. They were left with him, seemingly for a short while, by their American parents, the Lehmans, but then the couple disappeared, as if into thin air. They were never heard from again.

Johannes, like everyone else on the island, lived in the shadow of its owner, Jan-Heinz Kaufmann. A botanist who pressed a copy of his leaflet, “On the Nutritional Requirements of Nature and of Mankind”, onto all his employees, Kaufmann had been a minister in Quisling’s government. As Andreas digs into the past, the questions only become more puzzling. What actually happened to his and Minna’s parents? What was Kaufmann really up to in his private kingdom? And how complicit were the islanders in the events of the war? Guilt hangs over the story and its setting, which seems to hover outside time: the island “seemed as if it had always existed, full of wailing, enigmatic life forms, long before anyone set foot on it”.

This is a gripping, disturbing book. Mr Sem-Sandberg’s realistic narrative morphs into something stranger. Events occur out of chronological order, the narrator and other islanders slide casually into violence, information is repeated as if Andreas has forgotten what he has said, his memory overcome by the island mist. Throughout the reader wonders at the parallels with Shakespeare's play of the same name; the correlations of plot and character are cleverly slippery. At the end of the play, Prospero breaks his staff, abjuring his work. Such a renunciation is not so easy on Mr Sem-Sandberg's eerie isle.

This article appeared in the Books and arts section of the print edition under the headline "This thing of darkness"

Economic data, commodities and markets

Print edition | Economic and financial indicators Mar 9th 2019

Economic data

	Gross domestic product % change on year ago: latest		quarter*	2018†	Consumer prices % change on year ago: latest		2018†	Unemployment rate %	
United States	3.1	Q4	2.6	2.9	1.6	Jan	2.4	4.0	Jan
China	6.4	Q4	6.1	6.6	1.7	Jan	1.9	3.8	Q4§
Japan	nil	Q4	1.4	0.7	0.2	Jan	1.0	2.5	Jan
Britain	1.3	Q4	0.7	1.4	1.8	Jan	2.3	4.0	Nov††
Canada	1.6	Q4	0.4	2.1	1.4	Jan	2.3	5.8	Jan
Euro area	1.2	Q4	0.8	1.9	1.5	Feb	1.7	7.8	Jan
Austria	2.4	Q4	5.1	2.7	1.7	Jan	2.1	4.8	Jan
Belgium	1.2	Q4	1.4	1.4	2.2	Feb	2.3	5.6	Jan
France	0.9	Q4	1.0	1.5	1.3	Feb	2.1	8.8	Jan
Germany	0.6	Q4	0.1	1.5	1.6	Feb	1.9	3.2	Jan‡
Greece	2.4	Q3	4.3	2.1	0.4	Jan	0.6	18.5	Nov
Italy	nil	Q4	-0.4	0.8	1.1	Feb	1.2	10.5	Jan
Netherlands	2.0	Q4	1.8	2.5	2.6	Feb	1.6	4.5	Jan
Spain	2.4	Q4	2.8	2.5	1.0	Feb	1.7	14.1	Jan
Czech Republic	3.2	Q4	3.8	2.9	2.5	Jan	2.2	2.2	Jan‡
Denmark	2.1	Q4	2.9	1.1	1.3	Jan	0.8	3.7	Jan
Norway	1.7	Q4	1.9	1.7	3.1	Jan	2.8	3.7	Dec‡‡
Poland	4.5	Q4	2.0	5.4	0.9	Jan	1.7	6.1	Jan§
Russia	1.5	Q3	na	1.7	5.2	Feb	2.9	4.9	Jan§
Sweden	2.4	Q4	4.7	2.2	1.9	Jan	2.0	6.5	Jan§
Switzerland	1.4	Q4	0.7	2.6	0.6	Feb	0.9	2.4	Feb
Turkey	1.6	Q3	na	3.1	19.7	Feb	16.3	12.3	Nov§
Australia	2.3	Q4	0.7	3.0	1.8	Q4	1.9	5.0	Jan
Hong Kong	1.3	Q4	-1.4	3.4	2.5	Jan	2.4	2.8	Jan‡‡
India	6.6	Q4	5.1	7.3	2.0	Jan	3.9	7.2	Feb
Indonesia	5.2	Q4	na	5.2	2.6	Feb	3.2	5.3	Q3§
Malaysia	4.7	Q4	na	4.7	-0.7	Jan	1.0	3.3	Dec§
Pakistan	5.4	2018**	na	5.4	8.2	Feb	5.1	5.8	2018
Philippines	6.1	Q4	6.6	6.2	3.8	Feb	5.3	5.2	Q1§
Singapore	1.9	Q4	1.4	3.2	0.4	Jan	0.4	2.2	Q4
South Korea	3.2	Q4	3.9	2.7	0.5	Feb	1.5	4.5	Jan§
Taiwan	1.8	Q4	1.5	2.6	0.2	Jan	1.4	3.7	Jan
Thailand	3.7	Q4	3.3	4.1	0.7	Feb	1.1	1.0	Jan§
Argentina	-3.5	Q3	-2.7	-2.0	48.9	Jan	34.3	9.0	Q3§
Brazil	1.1	Q4	0.5	1.2	3.8	Jan	3.7	12.0	Jan§
Chile	2.8	Q3	1.1	4.0	1.8	Jan	2.4	6.8	Jan§‡‡
Colombia	2.9	Q4	2.4	2.6	3.0	Feb	3.2	12.8	Jan§
Mexico	1.7	Q4	1.0	2.0	4.4	Jan	4.9	3.5	Jan
Peru	4.8	Q4	11.4	3.9	2.0	Feb	1.3	8.0	Jan§
Egypt	5.5	Q4	na	5.3	12.7	Jan	14.4	8.9	Q4§
Israel	2.8	Q4	3.1	3.3	1.2	Jan	0.8	4.3	Jan
Saudi Arabia	2.2	2018	na	1.5	-1.9	Jan	2.5	6.0	Q3
South Africa	1.1	Q4	1.4	0.9	4.0	Jan	4.5	27.1	Q4§

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

The Economist

Economic data

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	Current-account balance	Budget balance	Interest rates			Currency units	
	% of GDP, 2018†	% of GDP, 2018†	10-yr gov't bonds latest,%		change on year ago, bp	per $ Mar 6th	% change on year ago
United States	-2.4	-3.8	2.7		-14.0	-	
China	0.3	-4.0	3.1	§§	-67.0	6.71	-5.5
Japan	3.5	-3.2	nil		-5.0	112	-5.1
Britain	-4.2	-1.3	1.4		-16.0	0.76	-5.3
Canada	-2.8	-2.2	1.8		-40.0	1.34	-3.7
Euro area	3.5	-0.7	0.1		-56.0	0.88	-8.0
Austria	2.2	-0.2	0.5		-41.0	0.88	-8.0
Belgium	0.5	-1.0	0.6		-33.0	0.88	-8.0
France	-0.8	-2.6	0.6		-36.0	0.88	-8.0
Germany	7.5	1.4	0.1		-56.0	0.88	-8.0
Greece	-2.9	-0.1	3.8		-54.0	0.88	-8.0
Italy	2.6	-1.9	2.6		50.0	0.88	-8.0
Netherlands	10.3	1.2	0.3		-41.0	0.88	-8.0
Spain	0.9	-2.7	1.2		-27.0	0.88	-8.0
Czech Republic	0.6	1.2	1.9		-3.0	22.6	-9.4
Denmark	6.1	-0.4	0.2		-51.0	6.59	-8.8
Norway	8.5	7.0	1.8		-26.0	8.66	-10.2
Poland	-0.7	-0.9	2.9		-42.0	3.80	-11.1
Russia	6.6	2.7	8.5		130	65.9	-14.0
Sweden	2.0	0.8	0.4		-40.0	9.29	-11.5
Switzerland	9.6	0.9	-0.2		-33.0	1.00	-6.0
Turkey	-3.6	-1.9	15.3		327	5.43	-30.0
Australia	-2.4	-0.3	2.1		-72.0	1.42	-9.9
Hong Kong	3.0	2.0	1.8		-21.0	7.85	-0.3
India	-2.8	-3.6	7.6		-21.0	70.4	-7.5
Indonesia	-3.0	-1.9	7.9		126	14,141	-2.6
Malaysia	2.2	-3.7	3.9		-14.0	4.09	-4.7
Pakistan	-5.3	-5.1	13.1	†††	431	139	-20.2
Philippines	-2.8	-2.8	6.2		-68.0	52.2	-0.4
Singapore	17.7	0.4	2.2		-13.0	1.36	-2.9
South Korea	4.9	1.1	2.0		-74.0	1,129	-4.7
Taiwan	12.7	-0.6	0.8		-18.0	30.9	-5.1
Thailand	6.9	-3.0	2.3		-19.0	31.9	-1.4
Argentina	-6.0	-5.7	11.3		562	40.4	-50.0
Brazil	-0.8	-7.0	7.2		-96.0	3.79	-14.8
Chile	-2.5	-2.0	4.2		-34.0	658	-9.3
Colombia	-3.2	-2.2	6.7		-6.0	3,105	-8.3
Mexico	-1.7	-2.0	8.2		60.0	19.3	-3.0
Peru	-2.0	-2.5	5.6		64.0	3.31	-1.5
Egypt	-2.2	-9.5	na		nil	17.5	0.9
Israel	1.8	-3.0	2.0		28.0	3.61	-4.2
Saudi Arabia	9.6	-5.0	na		nil	3.75	nil
South Africa	-3.4	-3.9	8.7		60.0	14.2	-17.0

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

Markets

In local currency	Index Mar 6th	% change on: one week	% change on: Dec 31st 2018
United States S&P 500	2,771.5	-0.7	10.6
United States NAScomp	7,505.9	-0.6	13.1
China Shanghai Comp	3,102.1	5.0	24.4
China Shenzhen Comp	1,660.4	7.8	31.0
Japan Nikkei 225	21,596.8	0.2	7.9
Japan Topix	1,615.3	-0.3	8.1
Britain FTSE 100	7,196.0	1.2	7.0
Canada S&P TSX	16,092.1	0.1	12.4
Euro area EURO STOXX 50	3,324.7	1.3	10.8
France CAC 40	5,288.8	1.2	11.8
Germany DAX*	11,587.6	0.9	9.7
Italy FTSE/MIB	20,851.6	1.7	13.8
Netherlands AEX	539.0	-0.2	10.5
Spain IBEX 35	9,296.7	0.9	8.9
Poland WIG	59,978.8	nil	4.0
Russia RTS, $ terms	1,191.5	nil	11.8
Switzerland SMI	9,403.2	-0.1	11.6
Turkey BIST	103,452.8	-0.7	13.3
Australia All Ord.	6,326.8	1.5	10.8
Hong Kong Hang Seng	29,037.6	1.0	12.3
India BSE	36,636.1	2.0	1.6
Indonesia IDX	6,458.0	-1.0	4.3
Malaysia KLSE	1,686.8	-1.6	-0.2
Pakistan KSE	39,568.1	2.3	6.7
Singapore STI	3,222.8	-0.8	5.0
South Korea KOSPI	2,175.6	-2.6	6.6
Taiwan TWI	10,357.2	-0.3	6.5
Thailand SET	1,625.5	-2.4	3.9
Argentina MERV	32,340.4	-8.5	6.8
Brazil BVSP	94,216.8	-3.2	7.2
Mexico IPC	41,908.2	-3.2	0.6
Egypt EGX 30	14,643.1	-0.9	12.3
Israel TA-125	1,428.8	0.3	7.2
Saudi Arabia Tadawul	8,534.2	0.7	9.0
South Africa JSE AS	56,073.9	-0.4	6.3
World, dev'd MSCI	2,078.7	-0.6	10.3
Emerging markets MSCI	1,055.7	-0.5	9.3

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2018
Investment grade	169	190
High-yield	457	571

Sources: Datastream from Refinitiv; Standard & Poor's Global Fixed Income Research.
*Total return index.

Commodities

The Economist commodity-price index 2005=100	Feb 26th	Mar 5th*	% change on month	year
Dollar Index				
All Items	139.5	138.9	-1.5	-11.1
Food	143.5	142.7	-3.5	-11.4
Industrials				
All	135.3	135.0	0.8	-10.8
Non-food agriculturals	124.9	123.6	-1.6	-14.0
Metals	139.8	139.9	1.8	-9.5
Sterling Index				
All items	191.6	192.7	-2.8	-5.9
Euro Index				
All items	152.7	152.8	-0.6	-2.5
Gold				
$ per oz	1,328.6	1,285.1	-2.2	-4.0
West Texas Intermediate				
$ per barrel	55.5	56.6	5.4	-9.6

Sources: CME Group; Cotlook; Darmenn & Curl; Datastream from Refinitiv; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Urner Barry; WSJ. *Provisional.

The Economist

Measles
Fever pitch

Fever pitch

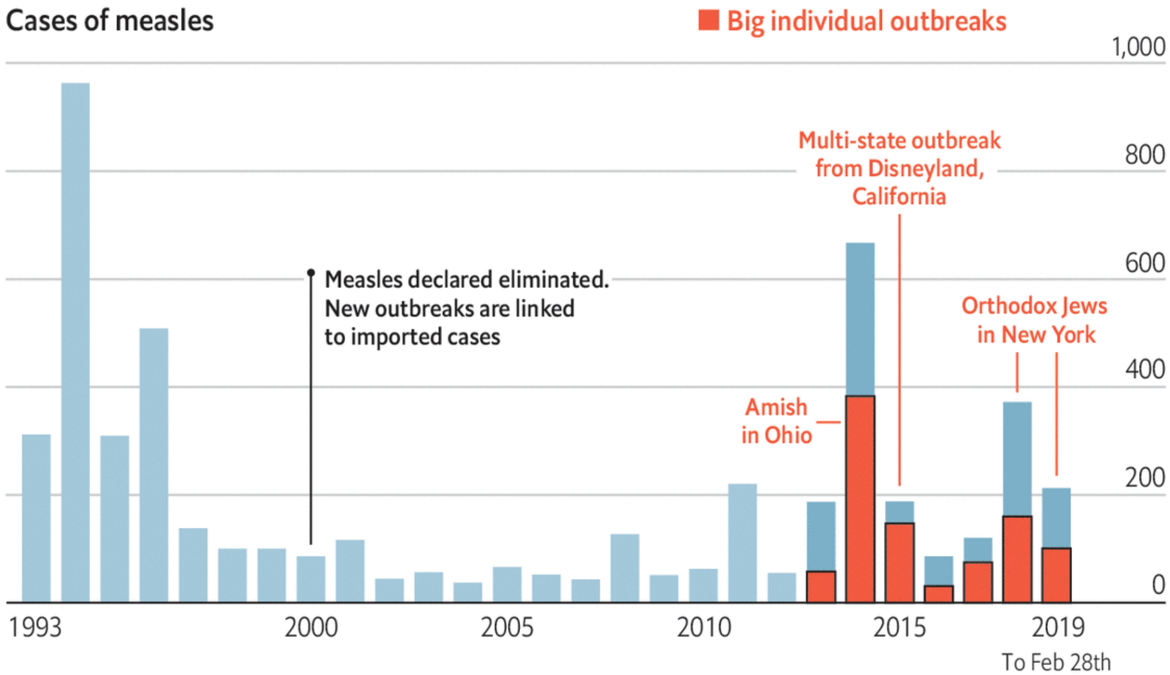
Measles outbreaks in America are getting harder to contain

The biggest have occurred among insular religious or immigrant groups

Print edition | Graphic detail Mar 9th 2019

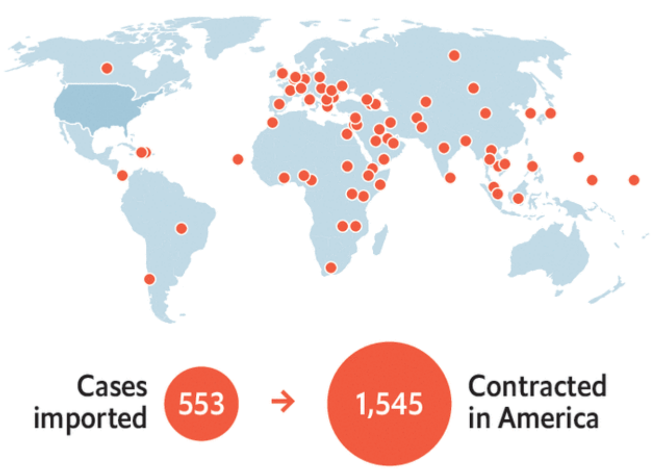
→ Measles is on the rise in America. Most big outbreaks strike religious or immigrant communities

Cases of measles

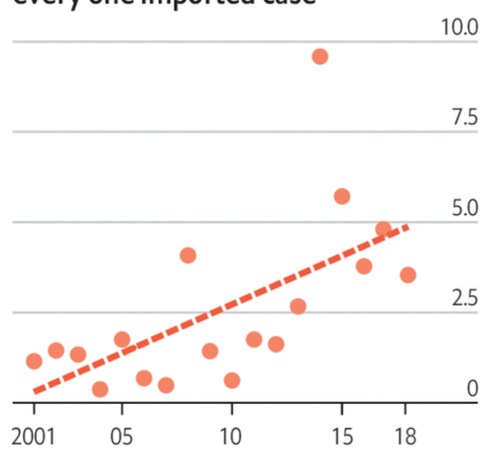


→ Measles has been imported to America from more than 75 countries. These cases are causing more domestic infections

Source countries for imported cases, 2001-16

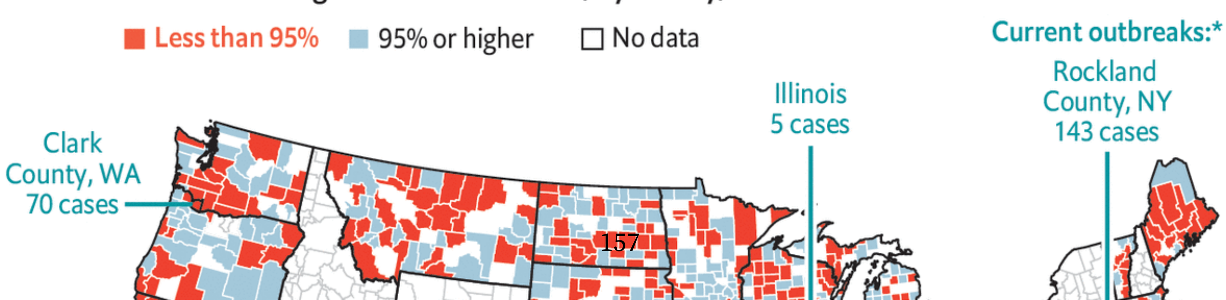


Domestic measles cases for every one imported case



→ Almost half of US counties have a vaccination rate lower than the level needed to prevent a measles outbreak

Share of kindergarteners vaccinated†, by county, 2014-15



IN 2000 AMERICA declared measles "eliminated", meaning that the virus was no longer indigenous and any new infections were linked to strains brought in from abroad. In the following decade measles in America remained rare. Now cases are on the rise again. There were 372 in 2018, the second highest number since 1996. Over 200 were reported in the first two months of this year. Though the disease is rarely deadly, it often requires hospitalisation.

Most recent large outbreaks have been in insular religious or immigrant groups, such as the Amish, Orthodox Jews and Somali-Americans. Some had been lectured or leafleted by crackpots who claim that vaccines are harmful. They are easy prey for such conspiracy theories because language and cultural barriers keep them at a distance from mainstream health care. Low vaccination rates have made them hotspots for outbreaks, often ignited by measles picked up on visits to relatives in countries where the disease is widespread.

Imported cases have arrived from more than 75 countries, sparking outbreaks across America. Rapid action by public-health SWAT-like teams keeps the virus from spreading. The teams trace everyone who has been near the measles patient in the eight-day contagious period—and make sure that each contact is quarantined or immunised. Nine in ten people who are not immune would contract measles if exposed to it. The virus can linger in the air for hours.

Containing outbreaks is becoming harder. The number of measles cases contracted in America for each imported case is increasing. A tally in 43 states in 2014-15 found that in nearly half of counties the rate of measles vaccination of children entering kindergarten was below the 95% needed to prevent an outbreak. Things may have got worse since. Almost all states allow parents to exempt their children from jabs by declaring a religious objection to vaccines; 17 states allow "philosophical" objections, too. In 2017-18 such non-medical exemptions were used for 2.2% of schoolchildren, double the rate in 2010-11.

As long as parents' choice is put before public health, stopping measles from spreading in America will be a laborious, costly task. Washington, one of the states battling an outbreak now, has spent more than $1m to curb contagion since an imported measles case arrived in January.

Sources: CDC; "County-level assessment of United States kindergarten vaccination rates for MMR" by S.A. Kluberg et al. 2017;"International Importations of Measles Virus into the United States During the Postelimination Era" by Adrian Lee et al. 2018; *The Economist*

This article appeared in the Graphic detail section of the print edition under the headline "Fever pitch"

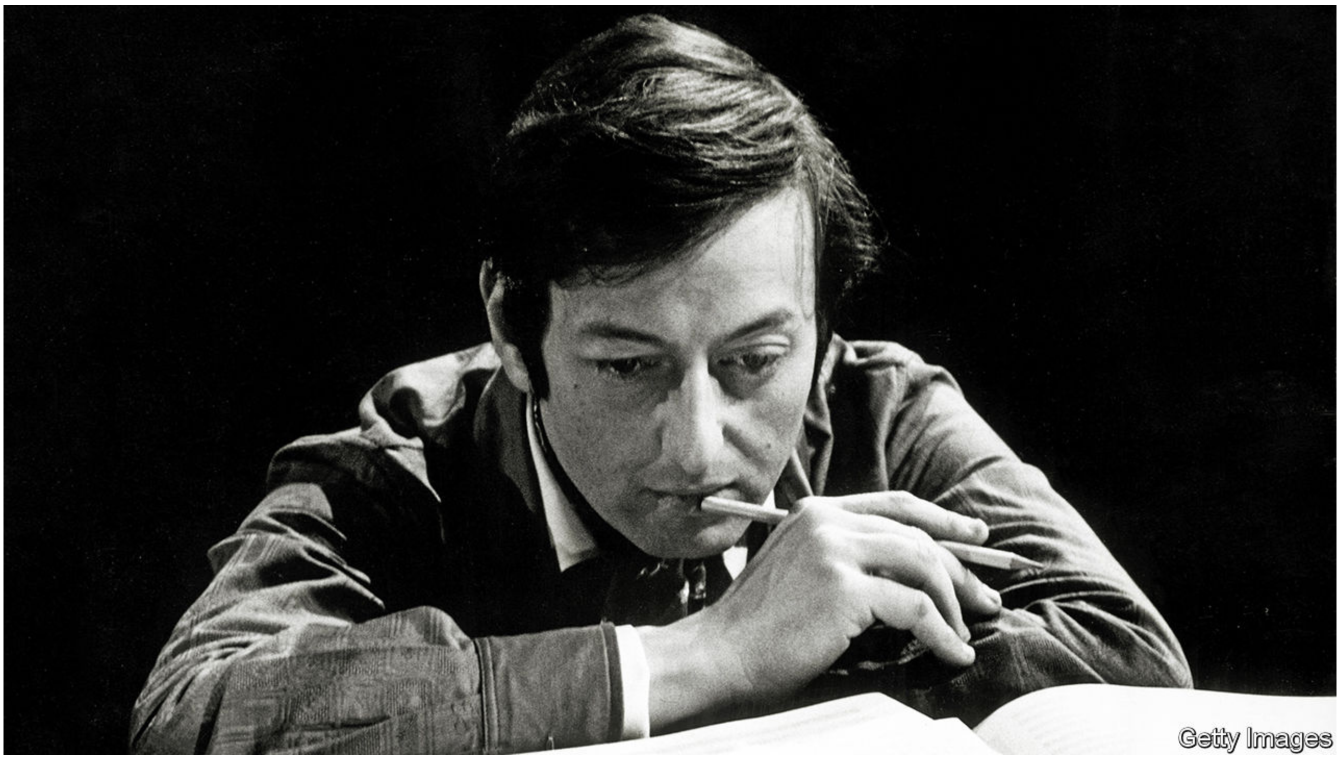
André Previn
Maestro and music

Maestro and music

Obituary: André Previn died on February 28th

The conductor, pianist and composer was 89

Print edition | Obituary Mar 7th 2019



WHEN CRITICS had a go at André Previn in his heyday, the word "showman" was an easy gibe. The maestro seemed bigger than the music, and that was no surprise. After all, his background was in Hollywood scores, turning out reams of stuff for Lassie to bark at or Debbie Reynolds to talk over. Some of that glitz and schmaltz seemed to hang around in his gentle American voice, as well as in his soft spot for Rachmaninov and the too-lush sound of his string sections. In his spare time, for many years, he played jazz with his own trio in smoky dives. He liked television and was often on it in Britain in the 1970s, presenting orchestral music as light entertainment and even as comedy. The conductor at various times of several of the world's great orchestras, the London Symphony, the London Philharmonic, the Pittsburgh Symphony, the Vienna Philharmonic, took a lifetime to shed that label of lightweight Los Angeles Romanticism.

It clung to him well before he arrived in London in 1968, with his dark mop of hair, mandarin jackets, Swinging Sixties ways and the air of a casual, if reserved, film star. He had been fired as music director of the Houston Symphony partly for parading round town in blue jeans with Mia Farrow, an elfin actress who became his third wife, while he was still married to his second, Dory, who poured out desperate songs about him. There were more wives, many flings. For years the press swarmed after him like flies.

Yet he was more than capable of defending himself. On the subject of the women, they were all the best of friends. On taking classical music downmarket, the figures spoke for themselves. When he conducted the Houston Symphony in its dollar concerts at the Sam Houston Coliseum, he would pack 12,000 in. Each time he hosted "André Previn's Music Night" on the BBC, chatting informally to the audience since he was sitting in their living rooms, he probably drew in more people in a week than the LSO, his chief orchestra, had managed in 65 years of performances. And when he appeared on "Morecambe and Wise" with the LSO as "Andrew Preview", letting Eric Morecambe lift him by the lapels for questioning the comedian's "playing" of Grieg's Piano Concerto, he made the orchestra so famous that it was saved from bankruptcy, and himself so instantly recognisable that taxi drivers hailed him with "Hallo, Mr Preview!". This made him very happy.

As for Hollywood, he had loved it. His Jewish family had fled to Los Angeles from Berlin, via Paris, in 1938 when he was ten; Hollywood was where he plunged into life. Who wouldn't like to go to work each day in glorious sunshine, with all those pretty girls, and noodle a little Jerome Kern at parties? When he was 17 Ava Gardner tried to seduce him; two years later, he was confident enough to try the same with her. (Result, zero.) He won four Oscars for his film music, which included "Gigi" and "My Fair Lady", and was nominated for nine more. If he could have kept laughing at the idiocies of producers who demanded, like Irving Thalberg, that "no music in an MGM film is to contain a minor chord", he could have spent the rest of his career in that swimming-pool life.

And it could never have satisfied him. For under that peripheral glamour he was deeply committed to music for its own sake, a commitment he entered into at five, by asking his father for piano lessons. At six, he was in the Conservatory. Piano remained the deepest part of his multi-layered career, with recordings of the Mozart and Ravel concertos as well as chamber works by Brahms, Prokofiev, Gershwin and Barber, to name a few. His playing too was nurtured in Los Angeles by the many European émigrés, refugees from great orchestras, who relieved their boredom with film music by playing chamber music in abandoned school halls. It was there he discovered, through the violinist Joseph Szigeti, the trios of Beethoven and Schubert, and formed a classical trio himself. He played for Schoenberg and Stravinsky and, among the émigrés, began to feel the power of a baton in his hand. Meanwhile he went on joyously with jazz, again in his own trio. His intricate "games" with them sold hundreds of thousands of records.

The definite shift to conducting came in 1968, at 39, when the LSO recruited him for a spell that lasted 11 years. He accepted so fast that it shocked him, but his boyhood passion had been to see the hills that inspired Vaughan Williams and the sea that pulsed through Britten's "Peter Grimes". These composers, as well as Elgar and Walton, who wanted to dedicate his never-written third symphony to him, now became favourites in his repertoire. (He recorded all nine symphonies of Vaughan Williams, rapturously confessing that he really was a romantic.) Conducting required an even more serious approach, though he remained good at cloaking it with soft-spoken jokiness: massive amounts of research and rehearsal time, especially for pieces the players thought they knew.

But music directing too had its infuriating sides: politicking and socialising, ladies' committees, truculent boards, shop stewards. None of that had anything to do with the music, which always stayed several steps ahead of him. He could spend his life chasing a great symphony, and never catch up. No performance could ever be as good as the work itself. Straggling behind, he composed many pieces of his own: sonatas, trios and songs, with a violin concerto for his fifth wife, the violinist Anne-Sophie Mutter. In older age, as in his Hollywood film-score years, he would pick up his pencil every day. It was not a question of waiting for the muse to kiss him, though that would have been nice. He wanted to understand the engineering of perfection: how Debussy could write "L'après midi d'un faune" without a single note put in for show; how the beginning of Brahms's Fourth Symphony could reduce him to tears; how the unsurpassable serenity of the second movement of Beethoven's Violin Concerto could change the way he saw the world. Before something as beautiful and frightening as music, he could only efface himself.

This article appeared in the Obituary section of the print edition under the headline "Maestro and music"