The Economist

Is the German model broken?

Iran, 40 years after the revolution

China's embrace of intellectual property

On the economics of species

FEBRUARY 9TH–15TH 2019

Crude awakening

The truth about Big Oil and climate change

Contents

Business

Finance and economics

Science and technology

Books and arts

Economic and financial indicators

Graphic detail

Obituary

Politics this week

Print edition | The world this week Feb 9th 2019

Donald Trump gave his **state-of-the-union** speech to Congress, delayed by a week because of wrangling over government spending. He again called for tougher curbs on illegal immigration, calling it a "moral duty". He also said that any new trade deal with China "must include real, structural change to end unfair trade practices...and protect American jobs". In a rare cordial moment, Mr Trump welcomed the record number of women in work, drawing whoops and cheers from Democratic congresswomen, who had dressed in white for the occasion. See article .

Virginia's state government seemed unable to find anyone to run the place who has not either applied boot polish to his face while at college or been accused of sexual assault. Ralph Northam, a Democrat who was initially unsure whether he was one of those depicted in a photo of a man in blackface and another in Ku Klux Klan robes, remains the state's governor. See article .

Cory Booker joined the race to become the Democrats' presidential nominee in 2020. The first black senator to represent New Jersey, Mr Booker is the fourth heavy-hitter to enter the campaign.

A friend indeed

French warplanes bombed a convoy carrying rebels who had crossed into **Chad** from Libya. The air strikes in support of Chadian troops are a sign of the willingness of France to use force to prop up the government of Idriss Déby, one of its more important regional allies in the fight against jihadists.

The government and rebel groups in the **Central African Republic** signed a peace deal aimed at ending more than five years of fighting. Their conflict broke out in 2013 after Islamist groups overthrew the then government.

The armed forces of **Burkina Faso** said they had killed 146 jihadists near the border with Mali. Security in the country has deteriorated since a jihadist uprising in Mali in 2012.

Pope Francis celebrated mass in Abu Dhabi, the capital of the **United Arab Emirates**. It was the first visit by a pope to the Arabian peninsula, the birthplace of Islam. The pope lamented the region's wars, including the one in Yemen, where the UAE is involved. He also called on Gulf countries to allow more members of religious minorities to become citizens. See article .

Things can only get better

Robert Biedron, **Poland's** first openly gay mayor, founded a new pro-EU party to contest the European Parliament elections in May. The party, Wiosna ("Spring"), supports higher social spending, civil partnerships for gay couples and ending Poland's reliance on coal. It is polling at about 10%.

The EU established a special-purpose corporation to help it evade sanctions that America has imposed for doing business with **Iran**. The company, Instex, will co-ordinate barter exchanges to allow Iran to do business with companies from European countries still participating in the nuclear non-proliferation deal, from which America withdrew last year.

For the ninth week, tens of thousands of protesters in **Serbia** called on Aleksandar Vucic to resign as president. He has offered to hold elections, but the demonstrators want a fairer election law and more media time for the opposition.

Keeping up the jaw-jaw

Donald Trump confirmed that he would hold a second summit with Kim Jong Un, **North Korea's** dictator, in Vietnam in late February. Mr Kim has done little to fulfil his pledge at the pair's last meeting in Singapore to give up his nuclear weapons.

Australia cancelled the residency permit of Huang Xiangmo, a property developer with ties to the Chinese government. Mr Huang has given generous donations to politicians who express pro-China views, as well as to Australia's two biggest political parties.

Indian officials resigned in protest at what they saw as the government's attempts to suppress unflattering economic data. They say unemployment is at a 45-year high of 6.1%. The government says it is reviewing the data.

The British government approved the extradition of Vijay Mallya to **India**, the next stage in a process that started in 2016 when the beer-and-travel tycoon fled to Britain to escape criminal charges related to the collapse of Kingfisher Airlines. Known as the "King of Good Times" both for what he sells and for how he lives, Mr Mallya denies the charges.

A textbook on constitutional law written by Zhang Qianfan, one of **China's** leading legal scholars, was removed from the country's bookshops for promoting Western ideas such as the rule of law. A recent edict requires universities to report any books on the topic to the authorities. China's constitution nods to freedom of speech and religion, but in practice the Communist Party's wishes trump it.

A leader, but with little power

A dozen members of the EU, including Germany, France and Britain, recognised Juan Guaidó, the leader of **Venezuela's** legislature, as the country's interim president. They acted after Nicolás Maduro, who won a rigged election in May, failed to meet a deadline for calling a proper ballot. Most Latin American democracies back Mr Guaidó. (Venezuela's constitution makes him interim president if the post is not legitimately filled.) Venezuela's army moved to block the delivery of food aid, which might fill empty bellies but would also embarrass the regime. See article .

Brazil's justice minister, presented a plan to get tougher on criminals and go easier on cops. Police who kill in the line of duty may escape punishment if they acted out of "fear, surprise or violent emotion". A judge convicted Brazil's former president, Luiz Inácio Lula da Silva, who is already serving a 12-year sentence for corruption, on an additional corruption charge and added a sentence of nearly 13 years.

Nayib Bukele won **El Salvador's** presidential election. His victory ends three decades of power alternating between the left-wing FMLN and right-wing Arena parties. Mr Bukele, who is 37, has promised to fight corruption and to prevent violence by creating jobs. He also favours nicer public parks.

Ashes to ashes

A bill was proposed in Hawaii to raise the legal **smoking** age to 100. After that Hawaiians would be free to light up.

Business this week

Print edition | The world this week Feb 7th 2019

Donald Trump nominated David Malpass to become the **World Bank's** next president, a job that is by tradition filled by the American government. Mr Malpass currently heads international affairs at the Treasury. A controversial choice, he has voiced concerns about the spreading power of multilateral and global institutions and of Chinese influence. He was part of the negotiating team that agreed to a capital increase in the World Bank in return for restraint on staff wages and benefits. See article .

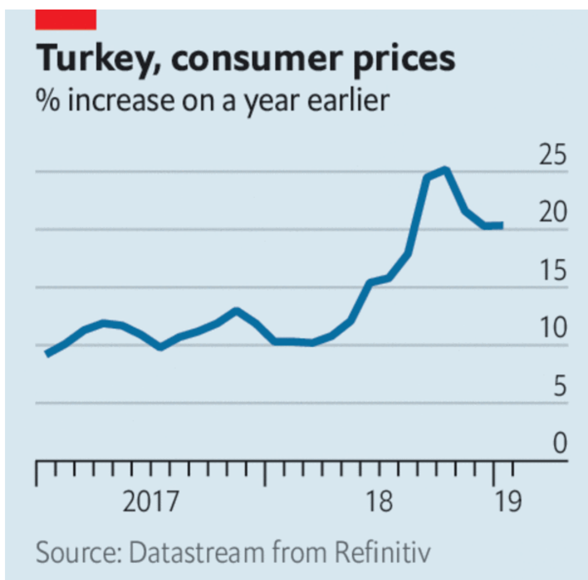
Off the rails

Europe's competition commissioner blocked the merger of **Alstom** with the rail operations of **Siemens**, reasoning that the combination of the French and German companies would lead to higher prices in the markets for signalling systems and high-speed trains. Supporters of the deal, such as Bruno Le Maire, the French finance minister, said it was a mistake because such mega-mergers are vital to take on the might of Chinese companies. However, in some markets a combined Alstom-Siemens would have been three times bigger than its largest rival.

Nissan's reversal of a promise to build the X-Trail SUV at its factory in Sunderland, a city in the north of England, was blamed by Remainers on Britain's commitment to leave the European Union. The carmaker said that Brexit was a concern. But its decision was also driven by the collapse in demand for diesel and the lower costs of making the vehicle in Japan. See article .

Ryanair reported its first quarterly loss since 2014. Europe's biggest low-cost airline said that although passenger numbers had grown, the average fare it was able to charge had fallen to less than €30 ($34) because of excess short-haul capacity in Europe. In a nod to shareholder discontent, the airline is replacing its chairman, who has been in the job for over 20 years. It is also moving to set up a group structure which will be overseen by Michael O'Leary, Ryanair's ebullient chief executive.

Underlining the turbulence in Europe's discount-flight market, **Germania** became the latest in a long list of low-cost carriers to declare bankruptcy. The Berlin-based airline flew 4m passengers last year.



The Economist

Turkey's inflation rate crept up to 20.4% in January. Floods in Antalya province, the centre of Turkey's greenhouse production of vegetables and fruits, helped push food inflation up to 31%, the highest reading since 2004 and up from 25% in December. Although it is under political pressure to reduce interest rates, the central bank recently committed itself to maintain its tight monetary stance until price pressures weaken. Happily, it also forecast that inflation will fall by the end of the year.

India's central bank cut its key interest rate by a quarter of a percentage point, to 6.25%. It was the first big policy decision taken under the new governor, Shaktikanta Das. Mr Das was given the job after Urjit Patel quit amid a quarrel with the government, which has been nagging the bank to do more to boost the economy ahead of this year's election.

American employers created 304,000 **jobs** in January, far more than economists had forecast and the 100th consecutive month of job growth. Average hourly wages increased by 3.2% during the 12-months ending in January.

Following bumper annual earnings from Chevron, ExxonMobil and Shell, **bp** more than doubled its headline profit in 2018, to $12.7bn, the most since the downturn in oil prices that began in 2014.

Despite a widely panned redesign of its app, Snap, the parent company of **Snapchat**, increased revenues by 36% in the last three months of 2018 compared with the same quarter a year earlier. Having never reported a profit since going public in 2017, investors took comfort in the halving of its loss for the quarter, to $192m.

Sony's share price tumbled after it reported a big drop in quarterly profit for its gaming division. Rumours that the Japanese electronics giant might release PlayStation 5 next year, its first update to the gaming console in six years, did little to lift its stock.

Internet companies are removing 72% of content flagged as racist or xenophobic in Europe within 24 hours. That is up from 28% in 2016, when Facebook, Microsoft, Twitter and YouTube presented a voluntary code of conduct on hate speech, which in effect stopped the EU from imposing its own restrictions.

Gross mistakes

Bill Gross announced his retirement from the investment industry. One of the founders of Pimco, Mr Gross was once known as the Bond King for managing the world's largest bond fund, which had almost $300bn in assets at its peak. He left Pimco in 2014 after falling out with the firm and has struggled to repeat his success. His current fund manages only $1bn in assets. Summing up the industry in 2010, Mr Gross said "My clients don't pay me to feel sorry, they pay me to bring them money." See article .

KAL's cartoon

Print edition | The world this week Feb 7th 2019

Energy and Climate
Crude awakening

Big oil and the environment

The truth about big oil and climate change

Even as concerns about global warming grow, energy firms are planning to increase fossil-fuel production. None more than ExxonMobil

Print edition | Leaders Feb 9th 2019


Luca D'Urbino

IN AMERICA, THE world's largest economy and its second biggest polluter, climate change is becoming hard to ignore. Extreme weather has grown more frequent. In November wildfires scorched California; last week Chicago was colder than parts of Mars. Scientists are sounding the alarm more urgently and people have noticed—73% of Americans polled by Yale University late last year said that climate change is real. The left of the Democratic Party wants to put a "Green New Deal" at the heart of the election in 2020. As expectations shift, the private sector is showing signs of adapting. Last year around 20 coal mines shut. Fund managers are prodding firms to become greener. Warren Buffett, no sucker for fads, is staking $30bn on clean energy and Elon Musk plans to fill America's highways with electric cars.

Yet amid the clamour is a single, jarring truth. Demand for oil is rising and the energy industry, in America and globally, is planning multi-trillion-dollar investments to satisfy it. No firm embodies this strategy better than ExxonMobil, the giant that rivals admire and green activists love to hate. As our briefing explains, it plans to pump 25% more oil and gas in 2025 than in 2017. If the rest of the industry pursues even modest growth, the consequence for the climate could be disastrous.

ExxonMobil shows that the market cannot solve climate change by itself. Muscular government action is needed. Contrary to the fears of many Republicans (and hopes of some Democrats), that need not involve a bloated role for the state.

For much of the 20th century, the five oil majors—Chevron, ExxonMobil, Royal Dutch Shell, BP and Total—had more clout than some small countries. Although the majors' power has waned, they still account for 10% of global oil and gas output and 16% of upstream investment. They set the tone for smaller, privately owned energy firms (which control another quarter of investment). And millions of pensioners and other savers rely on their profits. Of the 20 firms paying the biggest dividends in Europe and America, four are majors.

In 2000 BP promised to go "beyond petroleum" and, on the face of it, the majors have indeed changed. All say that they support the Paris agreement to limit climate change and all are investing in renewables such as solar. Shell recently said that it would curb emissions from its products. Yet ultimately you should judge companies by what they do, not what they say.

According to ExxonMobil, global oil and gas demand will rise by 13% by 2030. All of the majors, not just ExxonMobil, are expected to expand their output. Far from mothballing all their gasfields and gushers, the industry is investing in upstream projects from Texan shale to high-tech deep-water wells. Oil companies, directly and through trade groups, lobby against measures that would limit emissions. The trouble is that, according to an assessment by the IPCC, an intergovernmental climate-science body, oil and gas production needs to fall by about 20% by 2030 and by about 55% by 2050, in order to stop the Earth's temperature rising by more than 1.5°C above its pre-industrial level.

It would be wrong to conclude that the energy firms must therefore be evil. They are responding to incentives set by society. The financial returns from oil are higher than those from renewables. For now, worldwide demand for oil is growing by 1-2% a year, similar to the average over the past five decades—and the typical major derives a minority of its stockmarket value from profits it will make after 2030. However much the majors are vilified by climate warriors, many of whom drive cars and take planes, it is not just legal for them to maximise profits, it is also a requirement that shareholders can enforce.

Some hope that the oil companies will gradually head in a new direction, but that looks optimistic. It would be rash to rely on brilliant innovations to save the day. Global investment in renewables, at $300bn a year, is dwarfed by what is being committed to fossil fuels. Even in the car industry, where scores of electric models are being launched, around 85% of vehicles are still expected to use internal-combustion engines in 2030.

So, too, the boom in ethical investing. Funds with $32trn of assets have joined to put pressure on the world's biggest emitters. Fund managers, facing a collapse in their traditional business, are glad to sell green products which, helpfully, come with higher fees. But few big investment groups have dumped the shares of big energy firms. Despite much publicity, oil companies' recent commitments to green investors remain modest.

And do not expect much from the courts. Lawyers are bringing waves of actions accusing oil firms of everything from misleading the public to being liable for rising sea levels. Some think oil firms will suffer the same fate as tobacco firms, which faced huge settlements in the 1990s. They forget that big tobacco is still in business. In June a federal judge in California ruled that climate change was a matter for Congress and diplomacy, not judges.

The next 15 years will be critical for climate change. If innovators, investors, the courts and corporate self-interest cannot curb fossil fuels, then the burden must fall on the political system. In 2017 America said it would withdraw from the Paris agreement and the Trump administration has tried to resurrect the coal industry. Even so, climate could yet enter the political mainstream and win cross-party appeal. Polls suggest that moderate and younger Republicans care. A recent pledge by dozens of prominent economists spanned the partisan divide.

The key will be to show centrist voters that cutting emissions is practical and will not leave them much worse off. Although the Democrats' emerging Green New Deal raises awareness, it almost certainly fails this test as it is based on a massive expansion of government spending and central planning (see Free exchange). The best policy, in America and beyond, is to tax carbon emissions, which ExxonMobil backs. The *gilets jaunes* in France show how hard that will be. Work will be needed on designing policies that can command popular support by giving the cash raised back to the public in the form of offsetting tax cuts. The fossil-fuel industry would get smaller, government would not get bigger and businesses would be free to adapt as they see fit—including, even, ExxonMobil.

This article appeared in the Leaders section of the print edition under the headline "Crude awakening"

A sputtering engine

It is time to worry about Germany's economy

The country's economic golden age could be coming to an end

Print edition | Leaders Feb 7th 2019

THE WORLD is used to a thriving German economy. A decade ago, during the financial crisis, it shed relatively few jobs, as unemployment soared elsewhere. Since then it has been an anchor of fiscal stability while much of the euro zone has struggled with debt and deficits. Its public debt is below the target of 60% of GDP set by EU treaties—and falling. Thanks to labour-market reforms introduced during the 2000s, Germans enjoy levels of employment that beat job-friendly Britain, even as inequality is barely higher than in France. Its geographically dispersed manufacturing industries, made up of about 200,000 small and medium-sized firms, have mitigated the regional disparities that have fuelled populism across the West (see article).

Yet the German economy suddenly looks vulnerable. In the short term it faces a slowdown. It only narrowly avoided a recession at the end of 2018. Temporary factors, such as tighter emissions standards for cars, explain some of the weakness, but there is little sign of a bounceback. Manufacturing output probably fell in January. Businesses are losing confidence. Both the IMF and the finance ministry have slashed growth forecasts for 2019 (see article). In the longer term, changing patterns of trade and technology are moving against Germany's world-beating manufacturers. In response, on February 5th Peter Altmaier, the economy minister, laid out plans to block unwanted foreign takeovers and to promote national and European champions.

Germany is getting both the short and the long term wrong. Start with the business cycle. Many policymakers think the economy is close to overheating, pointing to accelerating wages and forecasts of higher inflation. In their view, slower growth was expected, necessary even. That is complacent. Even before the slowdown, the IMF predicted that in 2023 core inflation will be only 2.5%—hardly a sign of runaway prices. In any case, higher German inflation would be welcome, as a way to resolve imbalances in competitiveness within the euro zone that would elsewhere adjust through exchange rates. The risk is not of overheating but of Europe slipping into a low-growth trap as countries that need to gain competitiveness face an inflation ceiling set too low by Germany.

The Economist

The slowdown also portends deeper problems for Germany's globalised economic model. Weakness in part reflects the fallout from the trade war between China and America, two of Germany's biggest trading partners. Both are increasingly keen on bringing supply chains home. America is due soon to decide whether to raise tariffs on European cars. Trade is already becoming more regionalised as uncertainty grows. If global commerce splits into separate trading and regulatory blocs, Germany will find it harder to sell its goods to customers around the world.

Reform has made Germany's labour market strong, but it will soon face new challenges. Industrial jobs look particularly vulnerable to automation, yet lifelong learning and retraining are relatively rare in Germany. The workforce is ageing. Neither the government nor business is much digitised and neither invests enough. If technological change demands that its economy embraces digital services, Germany will struggle.

The government is not blind to these problems, but Mr Altmaier's protectionism is the wrong medicine. The left, meanwhile, wants to roll back labour-market reforms. Better to expand a recent boost to infrastructure spending and press ahead, at scale, with tax incentives for private investment. Both should help growth today and boost the economy's long-term prospects. Significantly lower taxes on households would encourage a rebalancing away from exports and towards consumption. A dose of competition could invigorate coddled service industries. The German economy has had an impressive run, but cracks are appearing. It is time to worry.

This article appeared in the Leaders section of the print edition under the headline "Time to worry"

Nuclear discord

Blame Russian cheating, not America, for killing the INF treaty

In responding, America should be careful not to fuel a ruinous arms race

Print edition | Leaders Feb 9th 2019

WHEN IT TURNED 30 in 2017, the Intermediate-Range Nuclear Forces (INF) treaty was ailing. Russia had proposed ripping up the pact in 2005. When it was rebuffed it tested an illegal cruise missile, the 9M729. A few years later the Obama administration called out Russian cheating. In December 2018 America's NATO allies belatedly backed America. So, when Russia failed to meet a deadline to destroy the missile this month, America pulled out of the treaty and Russia soon followed. The only pact to ban an entire class of nuclear weapons will thus expire in August. The task for America and NATO is to meet the Russian challenge without triggering an arms race that would split the alliance and jeopardise what is left of global arms control.

Under the treaty, America and the Soviet Union scrapped all ground-based missiles with ranges of between 500 and 5,500km (310-3,400 miles), weapons that could quickly reach targets deep into enemy territory. The intention was to remove missiles that strike so quickly that leaders might be panicked into rash nuclear escalation.

The temptation is to blame America for the treaty's demise. It might have worked harder to win inspections of the 9M729, perhaps in return for allowing Russia to look at what it says is a suspect American missile-defence launcher in Romania. It should have done more to bring allies along—who, in turn, ought to have protested about Russian behaviour earlier. Yet there should be no confusion: Russia, not America, set the pact ablaze. Even strenuous diplomacy may not have put out the flames.

What to do next? A realistic starting-point is to acknowledge that conventional (not nuclear) missiles will play a central role in future wars. This is why countries like China, India and Israel have piled up INF-range missiles as America and Russia destroyed theirs. It is also why Russia furtively built new ones.

Russia has reportedly deployed four battalions of the 9M729 (nearly 100 missiles) that allow it to strike targets across Europe quickly and precisely—including NATO's nuclear weapons. Such land-based mid-range missiles have advantages over those launched from the air and sea, which were allowed under the INF treaty. Mobile ground-launchers are cheaper than a warship or warplane, can be hidden more easily and have no other missions to distract them. America's army is right to explore whether they offer an effective way to strike key military targets, including those deep behind enemy lines.

But INF-type missiles come with problems, too. Their limited range means that they must be parked on allied soil, rather than in America. NATO, to its credit, has resoundingly backed America so far, but it may be less unified about new weapons. If America cuts a bilateral deal with an enthusiastic volunteer, such as Poland, it would be divisive and destabilising. Suitable sites are even scarcer in Asia. Japan and South Korea would be wary of the political backlash from China were they to host

American weapons. Missiles could be put on Guam, where lush forests provide useful cover. But the island is so far from China that it would require America to make a new type of missile. Congress may not indulge this; America is already due to spend some $1.7trn in real terms on its nuclear arsenal over the next 30 years.

China is unlikely to agree to limits. But its competition with America is over conventional rather than nuclear missiles, so the risks are lower. Even in Europe, America should avoid seeking to match Russia missile for missile. Instead it should work closely with its allies to assess how far existing weapons can redress the military balance, and the impact of any new missiles. America and Russia should discuss how to limit new deployments. Vladimir Putin has reasons to hold back. Despite his boasts of super-weapons, Russia's defence budget is falling and an influx of new American missiles would stretch it even more.

Most worrying, the death of the INF treaty threatens New START, a pact which governs American and Russian long-range "strategic" nuclear weapons. The problem is threefold. First, the Trump administration holds arms control in contempt. Second, Russia has poisoned the well of trust by playing fast and loose with the INF treaty. And third, an accumulation of long-legged intermediate-range missiles might devalue the limits on strategic ones. If New START is allowed to expire in 2021, there will be no constraint on the nuclear forces of America and Russia for the first time in almost 50 years. It is almost certainly too late to save the INF treaty. But its collapse must not mean a return to the frenzied arms race of the cold war.

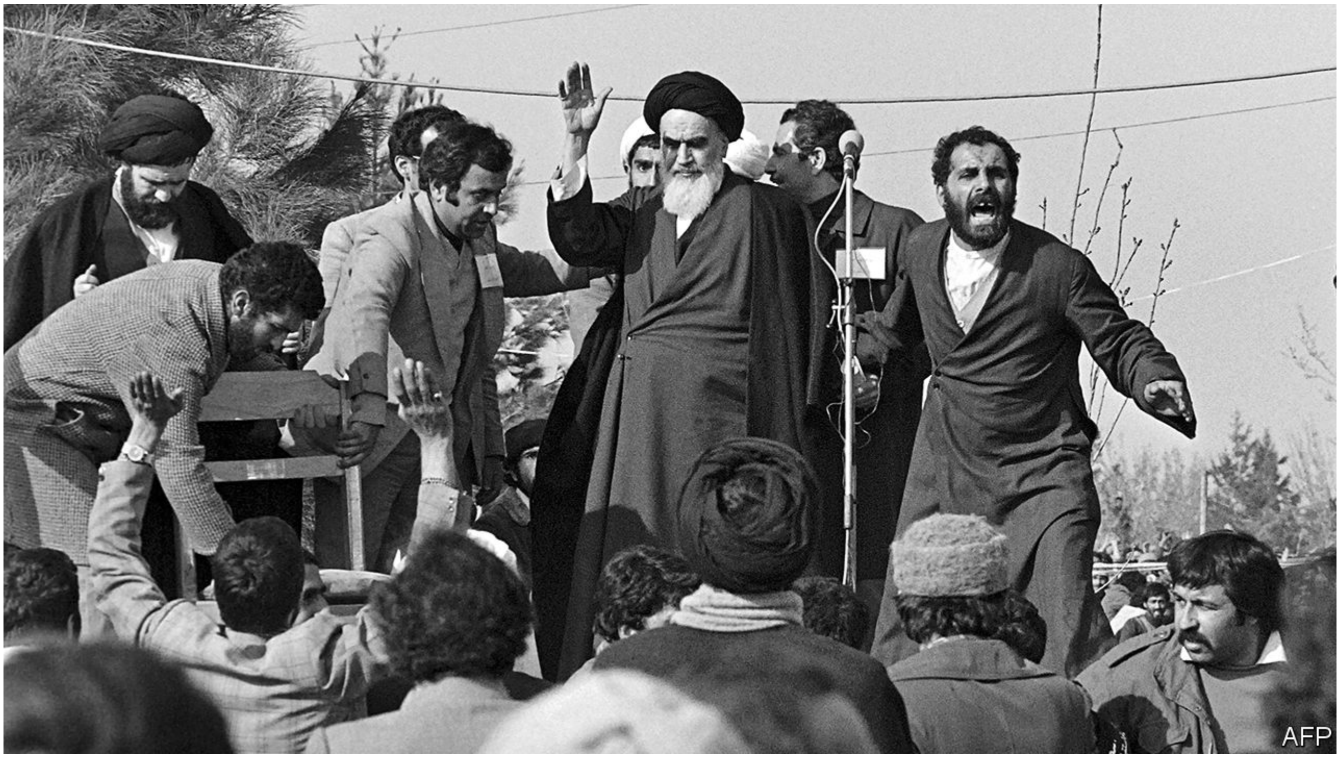
This article appeared in the Leaders section of the print edition under the headline "Death of a nuclear pact"

The Iranian revolution at 40

American sanctions on Iran keep the mullahs mighty

The Islamic revolution has failed, but America's hostility helps the clerics cling to power

Print edition | Leaders Feb 9th 2019



THE CRY of "Death to America!" has rung out in Tehran every Friday since the Islamic revolution of 1979. But the ritual is hollow. The mullahs know they have failed their people. Iranians are much poorer than they should be; promises of justice have been drowned in the blood of enemies and supposed sinners; and theocracy has made Iranians less pious. Protests occur often, even among the poor who make up the regime's base (see article).

Yet the mullahs remain in charge, despite war, sanctions and decades of enmity with America—or perhaps because of them. To the alarm of Israel and many Arab states, Iran has spread its influence, helping save the odious regime of Bashar al-Assad in Syria, and ensuring that the Saudis remain bogged down in Yemen. Its Lebanese client, Hizbullah, poses a grave threat to Israel. In Europe Iranian spooks are accused of plotting to kill dissidents.

For President Donald Trump, Iran is a unique menace. He has abandoned Barack Obama's nuclear deal in favour of tight sanctions. His officials will try to forge an anti-Iran alliance at a conference in Poland on February 13th-14th. In seeking "maximum pressure", America may hope to stir another uprising to reverse the one of 1979. But it will probably make things worse.

The mullahs have a woeful record. Their theocracy helped turn Islam into a tool of radical, and often violent, politics. But Iran's was not the Middle East's only convulsion in 1979. The siege of the grand mosque in Mecca stung Saudi Arabia into promoting its rival Sunni brand of ultra-puritanism at home and abroad. Together with America, the Saudis helped weaponise Sunnism by supporting *mujahideen* fighters against the Soviet invasion of Afghanistan. Arabs who volunteered to fight with them became the godfathers of jihadism. America, pledging to protect Gulf oil against outsiders, was drawn deep into the region's conflicts.

America has rarely been able to think clearly about Iran; not least because the regime's followers held 52 of its citizens hostage for 444 days after seizing the American embassy in Tehran in 1979. But if Iran has recently extended its power it is in large part because of the mess caused by America's invasion of Iraq in 2003.

Iran is confusing and infuriating to deal with. Power is shared ambiguously between a weak president, who is elected from a field of loyalists and deals with day-to-day problems, and a nebulous revolutionary caste that controls the instruments of coercion. Sometimes Iran has proved pragmatic, for instance acquiescing in America's overthrow of the Taliban in Afghanistan. Yet, under the supreme leader, Ali Khamenei, ideology often trumps rational policymaking. Neither confrontation nor diplomacy can reliably sway the mullahs. And neither economic carrots nor sanctions seem to work as an alternative.

That said, Mr Obama's accord, the JCPOA, succeeded in freezing Iran's nuclear programme in exchange for the lifting of many sanctions. Mr Trump thinks this was a terrible deal that failed to halt the nukes for good or stop Iran from stirring trouble around the region. Renewed sanctions are pushing Iran into a deep economic crisis. But re-imposing them when Iran was abiding by the JCPOA casts America as the rogue. This has deepened the split with European allies, which have created a system to help firms sidestep them. America has bound itself more tightly to autocratic Arab regimes, such as Saudi Arabia, that have themselves fomented instability and radicalism. What "moral clarity" can America claim in denouncing Iran's human-rights abuses when it turns a blind eye to those committed by its friends?

Above all, indiscriminate sanctions are likely to strengthen Iran's hardliners. American pressure gives them excuses for bad behaviour; adventurism abroad becomes self-defence; oligarchic control of the economy is portrayed as a means to bust sanctions; and critics are dismissed as puppets of the Great Satan. If Iran casts off the JCPOA's nuclear constraints, America and Israel will have to choose between the risk of Iran building a nuclear bomb and the dangers of a bombing campaign to stop it.

America's apparent efforts to bring down the regime are unappealing to most Iranians, given the bloody chaos they see all around. The mullahs are still willing to shoot opponents; few ordinary Iranians are yet ready to die trying to overthrow them. The best hope for change in Iran may come with the death of Ayatollah Khamenei, who is 79 and in poor health.

To nudge Iran towards normality, America needs to mix firmness with pragmatism, rather as it did in the cold war with the Soviet Union. This means containing Iran until its people grow weary of their rulers, and negotiating partial deals that limit the risk of outright conflict. America should seek unity with its own democratic allies and attempt to isolate Iran's revolutionaries from their subjects. It should aim sanctions at hardliners rather than the country as a whole. It should do more to expose the regime's brutality and corruption, counter its propaganda and increase contacts with Iranian citizens—giving them more visas to visit America, not fewer. And it should offer to talk to Ayatollah Khamenei. To him, America's outstretched hand may be more terrifying than its fist.

This article appeared in the Leaders section of the print edition under the headline "How to deal with the mullahs"

The World Bank's new leader

Why Malpass should get the job

Despite being a bank critic and an anti-globalist

Print edition | Leaders Feb 9th 2019

Editor's note (April 5th 2019): The board of the World Bank has unanimously approved David Malpass, a senior official at the US Treasury, as the bank's next president. The leader below was published earlier this year.

IT HAS LONG been obvious that the boss of the World Bank should be chosen on merit, not by nationality. When President Harry Truman picked its first head in 1946, India was still a colony and the People's Republic of China did not exist. America provided most of the institution's capital and it was felt that its creditors on Wall Street needed the reassurance of an American at the helm. Today China is the second-biggest economy and America provides less than 17% of the bank's capital. But America still picks the bank's president as part of a deal with European governments who choose the head of the IMF.

True to this anachronistic tradition, President Donald Trump this week named David Malpass, a senior official at America's Treasury, to fill the vacancy created by Jim Yong Kim's early departure on February 1st. Uncomfortably, Mr Malpass has been a vocal critic of multilateral institutions such as the World Bank, IMF and World Trade Organisation, which he believes have tied America's hands. Nonetheless, despite his views and his passport, it would be a mistake to oppose him.

Accepting him will not be easy for the bank's staff or for its other shareholders (who in principle could veto the appointment). Mr Malpass does not hide his misgivings about the institution he aspires to lead. To him, it is part of a sprawl of international organisations, vulnerable to mission creep, which pamper their staff and put their own growth above the countries they serve. He believes the bank has also become too close to China, especially the country's Belt and Road Initiative (BRI), which aims to build infrastructure and other links around the world (and in space). The bank, Mr Malpass fears, could be viewed as endorsing China's geopolitical ambitions.

Nonetheless, the choice could be worse. Mr Malpass is one of the best-qualified members of Mr Trump's government. He has served in three administrations and speaks four languages. He helped forge an unlikely agreement passed in April last year to increase the bank's lending capacity. The reforms he has been urging on the bank during his time at America's Treasury are mostly unobjectionable and reassuringly unoriginal (more transparency, better measurement of results). America's allies can be relieved that Mr Trump's administration cares enough about the World Bank to pick one of its few remaining grown-ups to lead it.

The bank's shareholders must also know that, if they were to reject Mr Malpass, Mr Trump could turn violently against the institution. That would scupper the chances of America's Congress ratifying the agreed capital increase. It would also jeopardise future American contributions to the World Bank's fund for helping the neediest countries.

What of Mr Malpass's hostility to China? He is right to fret about elements of its BRI, which is a mix of chequebook diplomacy, white elephantitis, export promotion and mutually beneficial investment. But that is no reason for the bank to steer clear of it altogether. In so far as China's global initiatives are furthering the bank's goal of eradicating poverty, the bank should offer whatever guidance and assistance it can. The bank's shareholders will have to impress on Mr Malpass that the institution cannot abet American attempts to contain China's economic rise.

Ultimately, the World Bank's own bureaucratic habits will probably entangle Mr Malpass. Truman's pick to lead the World Bank resigned after just six months, frustrated by rival voices in the organisation. "I could stay and fight these bastards...but I'm too old for that," he complained. Institutional inertia remains a powerful force in a sprawling international body. Mr Malpass is right about that. Inertia, after all, is the chief reason why America's president still gets to pick people like him to run one.

This article appeared in the Leaders section of the print edition under the headline "A qualified pass"

On the Democratic Republic of Congo, hygiene, Brexit, chicken, King Crimson, airlines
Letters

On the Democratic Republic of Congo, hygiene, Brexit, Japan and South Korea, chicken, King Crimson, airlines

Letters

Letters to the editor

Print edition | Letters Feb 9th 2019

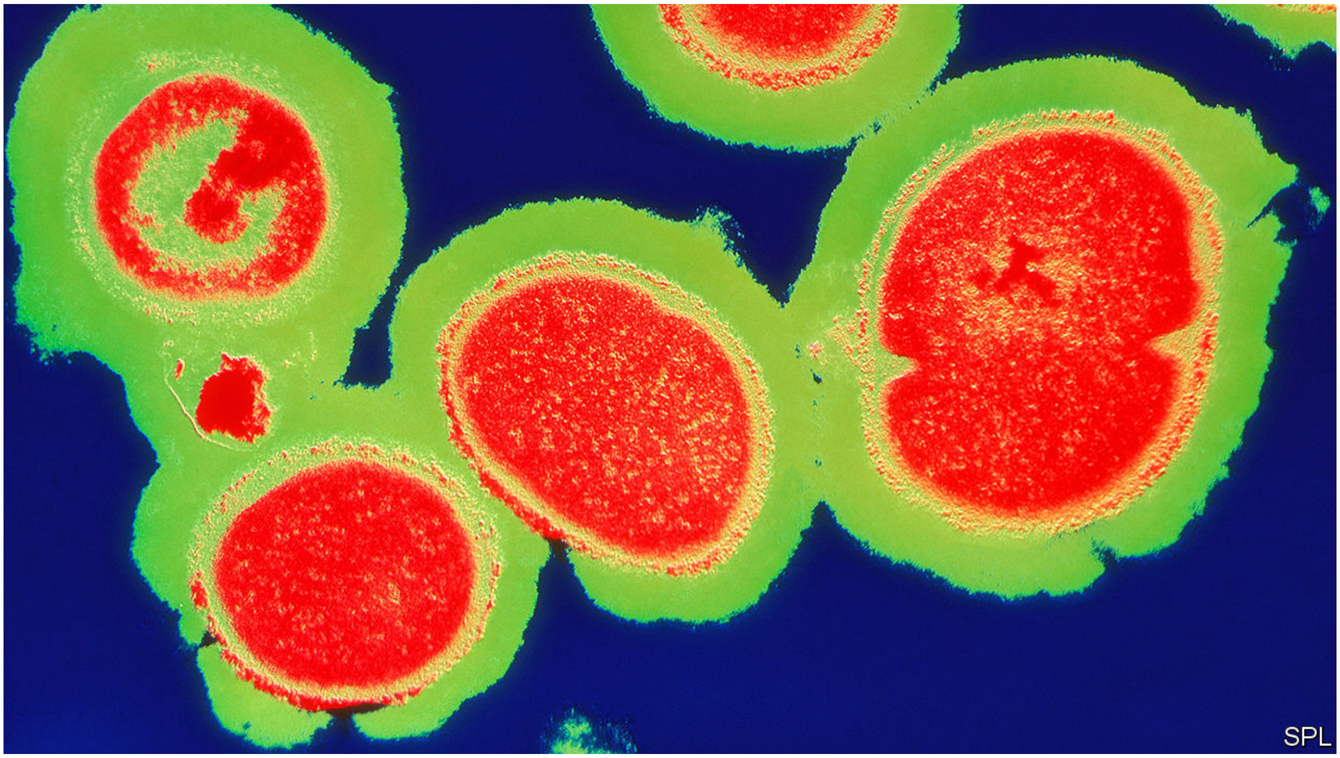
Letters are welcome and should be addressed to the Editor at letters@economist.com

Congolese politics

Your leader about the presidential election in the Democratic Republic of Congo (" The great election robbery ", January 26th) missed the key point. The alternative to the selection of Félix Tshisekedi as the winning candidate was not Martin Fayulu, but Ramazani Shadary. He was the "heir" of the outgoing president, Joseph Kabila. It was expected that the electoral commission would rig the vote to make Mr Shadary president. But his vote count was so low that Mr Kabila could not get away with declaring him the winner. On the other hand, he could not accept Mr Fayulu because his political backers, Moïse Katumbi and Jean-Pierre Bemba, had promised to pursue Mr Kabila for his ill-gotten gains.

Mr Tshisekedi is apparently less of a threat to Mr Kabila, but within a few days of his inauguration, the governor of the central bank was arrested and charged with stealing government money, and the ministers in charge of the budget and the economy were called in for questioning. Note that the people who voted for Mr Fayulu have not taken to the streets in protest. That is because Mr Kabila has left office, which was everyone's main objective to begin with.

HERMAN COHEN
United States ambassador (retired)
Washington, DC


SPL

Hand-washing history

Reading your article on hospital hygiene (“ First, wash your hands ”, January 26th) brought to mind the groundbreaking role played by Ignaz Semmelweis, a Hungarian doctor who practically invented the practice in 1847. By introducing the washing of hands with chlorinated lime water he greatly reduced the mortality rate associated with childbirth infections over two years at Vienna’s general hospital. Semmelweis was a pioneer of antiseptic procedures.

ANDREA TRABOULSI
Beirut


Ben Shmulevitch/Getty Images

No to a second referendum

The Economist’s chronic anti-Brexit bias continues to surface in issue after issue (“ The mother of all messes ”, January 19th). What I find most objectionable is the idea that, since Parliament has rejected the withdrawal proposal it now becomes necessary to have another referendum. Rubbish! The voters have spoken, making it clear in 2016 that Britain should leave the European

Union. The fact that the government cannot figure out how to do it doesn't mean the voters need to be consulted once again on the issue of whether to stay or leave, which regardless of the spin put on it, represents nothing more than a new chance for Remainers to throw sand into the Brexit machinery.

Imagine the precedent. If an issue is presented to the electorate, and a decision is made that one side very much dislikes, then all that side has to do is to make it almost impossible to put in place the wishes of the voters, suggesting that the complexities are so enormous and nuanced that further clarification from the electorate is the only way out.

What a destructive notion this is to the basic concept of democracy and letting voters have their say. If another vote is to be held, it should be to recall those members of the government responsible for this mess in the first place.

BILL POLLOCK

Atlanta

According to you, "doddery, claret-swilling uber-bureaucrats" in Brussels are among the very unattractive facets of the EU that might justify Brexit. However, in a week of meetings with putative colleagues and interviews in Brussels, I found youngish, highly educated, well-motivated and generally rather congenial people. Even an Antipodean interloper who serendipitously held a British passport was impressed.

I fear the causes of Brexit must be found elsewhere.

REX DEIGHTON-SMITH

Paris

Contrary to the negative mainstream opinion about a messy Brexit, I am absolutely thrilled by the discussions, the parliamentary procedures and democratic traditions. What we are witnessing is the flexibility and evolutionary power of an old democracy in a peaceful way. The power plays are akin to "Game of Thrones", but without the blood. Yes, the politicians are mediocre, but they are compensated for by traditions and a society with a democratic DNA.

ANDREAS SCHMIDT

Leamington Spa, Warwickshire

Japan and South Korea

* Your article on the Supreme Court rulings in South Korea ordering Japanese firms to "compensate" former civilian workers from the Korean Peninsula for their labour during the second world war failed to fully apprehend the Japanese-Korean relations re-established in 1965 and developed ever since (" Shackles of the past ", December 22nd).

The agreement in 1965 clearly stipulates that any claims between Japan and South Korea as well as their nationals were "settled completely and finally" and "no contention shall be made" on these problems. In fact, in 2005, the Korean government itself reconfirmed that the claims of such workers are covered by the agreement.

Moreover, that agreement was the hard-won fruit after decades of negotiation between the predecessors on both sides, who were determined to normalise relations through sealing the past enmity and paving the way for a future-oriented relationship. Japan provided South Korea with $500m for economic co-operation (at a time when the entire Korean national budget was roughly $300m) and the Korean government allocated a part of the funds provided by Japan to the bereaved of those workers. There is no denying that the 1965 agreement has been the legal basis of the stable diplomatic and economic relationship between Japan and South Korea for more than half a century.

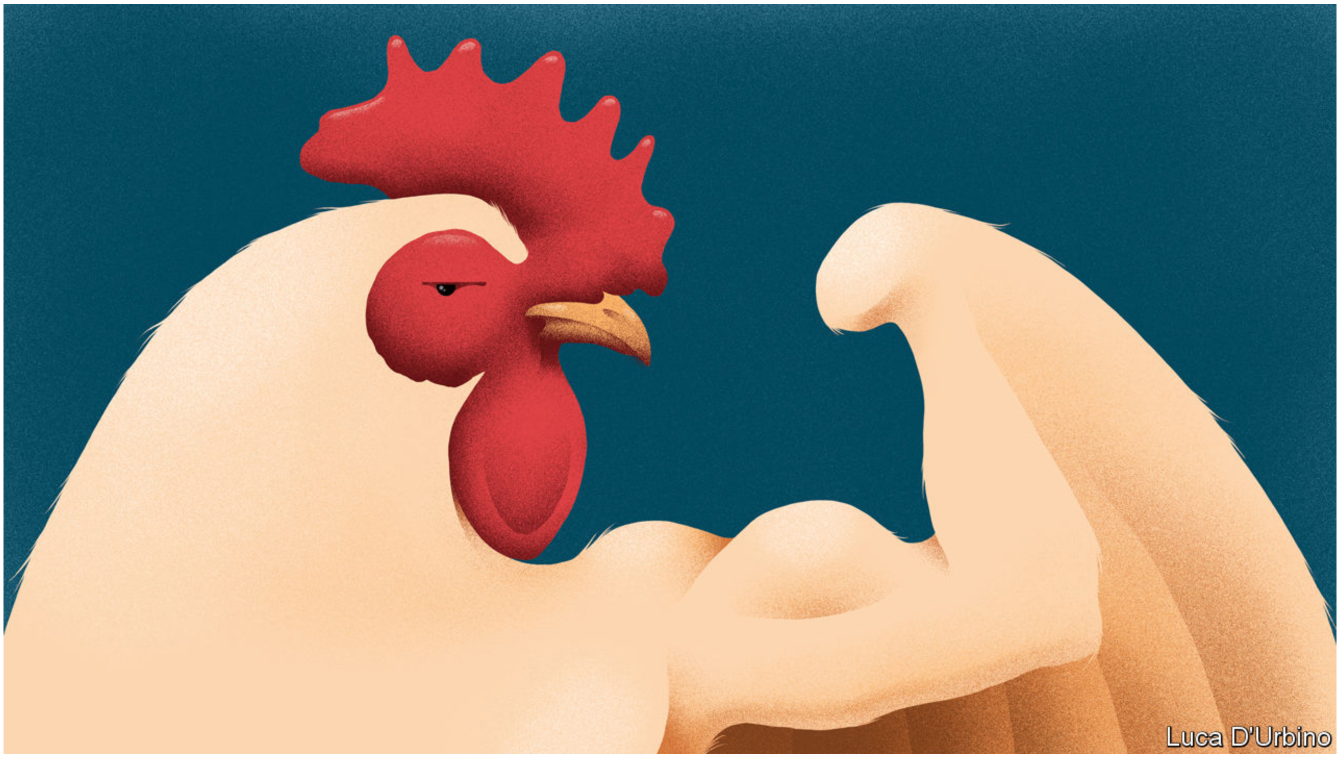
According to a fundamental principle of international law, no country is allowed to use a ruling by the judiciary branch as a justification to turn its back on its own legal commitment. Therefore, it is South Korea that has the responsibility to take appropriate measures, including immediate actions to remedy such breaches of international law.

TAKESHI OSUGA

Press secretary

Ministry of Foreign Affairs of Japan

Tokyo



The real pecking order

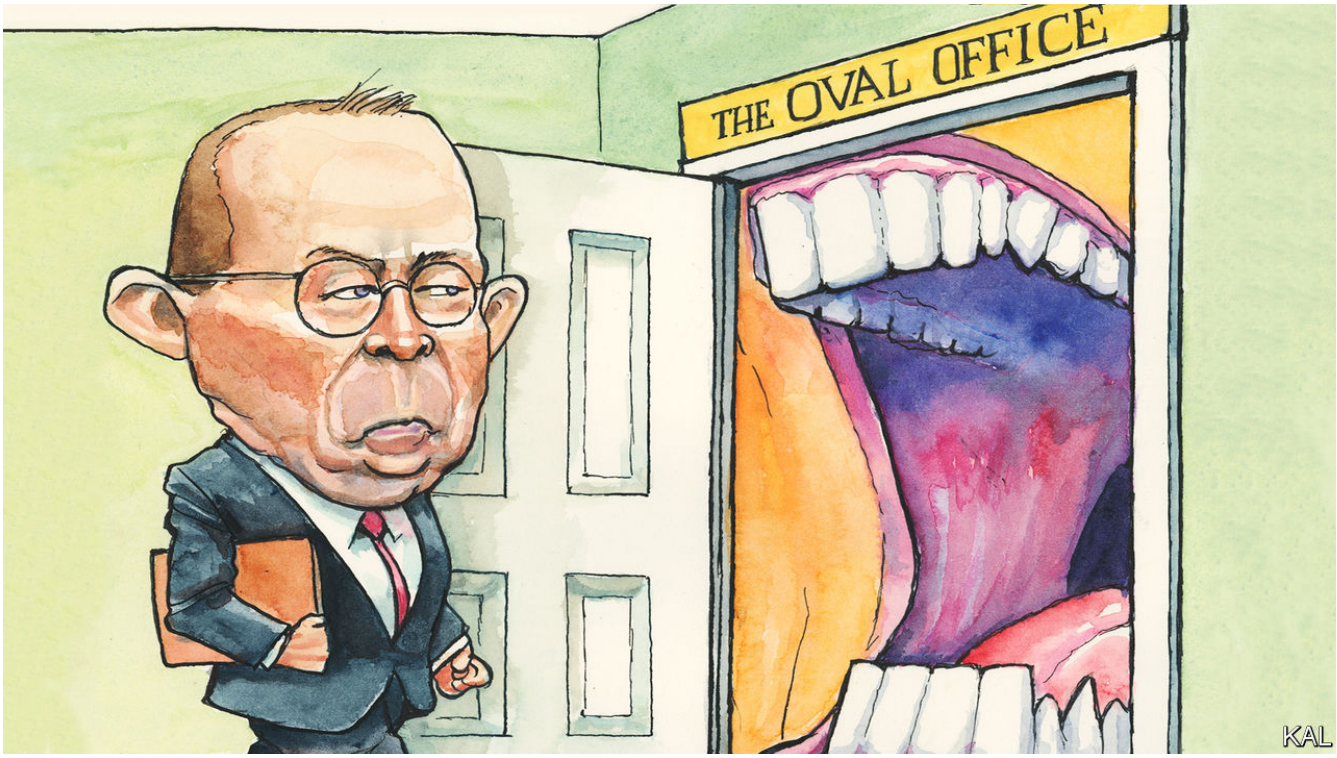
" Ruling the roost " (January 19th) described the economics of the poultry industry and how Westerners will pay a premium for lean white chicken meat, while people in Asia and Africa prefer dark meat, which includes legs and thighs. With a preference for white meat, chicken producers in the West make their profits from chicken breasts. They then dump the unwanted brown meat in frozen bulk in any market that will take them and at any price they can get.

The EU pays lip service to assisting industries in developing countries. In reality economic-partnership agreements usually require these developing countries to agree not to impose tariffs on EU goods. Because of a flood of cheap imports from Europe, the chicken industries all but vanished in Ghana, Cameroon and Senegal until their governments took steps to protect local producers. The South African chicken industry declared a crisis as production was cut and jobs were lost. South African chicken producers are more efficient than those in EU countries, but they cannot compete with dumped chicken portions.

EU exports have been curtailed since 2016 because of bird flu, but other exporting countries, particularly Brazil, have filled the gap. Brazil is an efficient and low-cost producer, but its agricultural industry, like that in the EU, benefits from direct and indirect subsidies. Consumers in Africa and elsewhere do enjoy some benefit, mainly from price suppression, while the middle men grow rich. Meanwhile substantial poultry industries, the grain producers that depend on them, and the jobs of thousands of workers in rural areas, are at risk.

This is the dark side of the Western preference for white chicken meat.

FRANCOIS BAIRD
Founder
Fairplay
Johannesburg



Frippin' marvellous

The giant toothy, gaping mouth at the Oval Office door in Lexington 's piece on Mick Mulvaney, the new White House chief of staff (January 19th), brought to mind the cover art on King Crimson's iconic album from 1969, "In the Court of the Crimson King". Looking back, that collection of songs was uncannily prescient. As Mr Mulvaney takes his daily "March for No Reason" to confer with the "21st Century Schizoid Man", I wonder if he'll be thinking to himself, "I Talk to the Wind".

RONALD STEENBLIK
Paris

Love is in the air

Your obituary of Herb Kelleher , the boss of Southwest Airlines, concluded that low-fare air travel has become synonymous with extorting charges from passengers (January 12th). That may be true for most low-fare carriers, but Southwest still allows two free checked bags, waives fees on ticket changes and gives me a free beer on Valentine's Day, all in coach. There is still some love left in the air.

CHAD PRIEST
Dallas
* Letters appear online only

ExxonMobil
Bigger oil

Bigger oil

ExxonMobil gambles on growth

A fossil-fuel titan's strategy is at odds with efforts to hold back climate change

Print edition | Briefing Feb 9th 2019

OFF THE coast of Guyana, 160km beyond the ramshackle, rainbow-coloured roofs and the sea wall meant to protect the low-lying capital, past the mud flats and into the deep, churning Atlantic, a vast drilling vessel sits almost perfectly still. Thrusters work constantly to keep the boat's centre within a three-metre radius above a well head on the seabed almost 2km below. Workers fly in and out by helicopter. Some come from Guyana, some America, their rubber-soled boots adorned with cowboy stitching. Once aboard they manage towering drill pipes, guide robots near the ocean floor, monitor storms or perhaps just cook. All these efforts are directed towards a single goal: drilling as effectively as possible, so the ship can move to the next oil well and then the next.

Companies had spent decades looking for oil off the coast of Guyana. In 2015 ExxonMobil, the world's largest publicly traded oil company, became the first to find it. The firm now estimates that more than 5bn barrels of oil lie beneath the seabed. If all goes to plan, within the next decade Guyana could become the second-biggest oil producer in Latin America, behind only Brazil. That would transform a poor and tiny country into a petrostate. For ExxonMobil, the project is part of a bid to reassert its dominance. On February 1st the company announced annual results, declaring itself on track for ambitious growth. By 2025, oil and gas production will be 25% higher than in 2017.

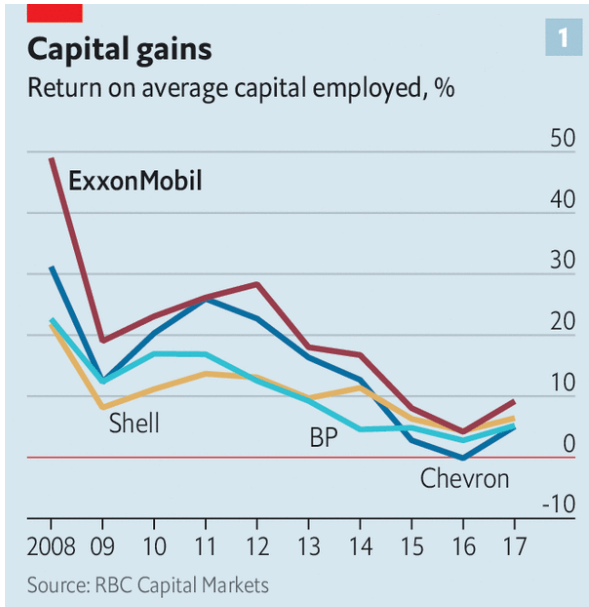
ExxonMobil was once the world's most valuable company and is still a giant of the industry. It has survived for 137 years, emerging from the break-up of Standard Oil in 1911 to become the energy firm that inspired both the greatest respect and the greatest contempt. Exxon built a sprawling global empire of oil reserves, refineries and petrochemical plants, cementing its place as a leviathan after its merger with Mobil in 1999. The company was notorious for giving little information to investors, judging that impressive cash flows and returns on capital spoke for themselves.

ExxonMobil has given ample fuel to the industry's detractors, too. The greatest failure came in 1989, when a tanker, the *Exxon Valdez*, ran aground, pouring 11m gallons of crude onto unspoilt Alaskan shorelines. But events that attracted criticism also made it seem impregnable. It has weathered lawsuits over everything from a leaky petrol station to abetting torture in

Indonesia. According to "Private Empire", Steve Coll's book of 2012 on ExxonMobil, Lee Raymond, the firm's boss between 1993 and 2005, admired Standard Oil for sticking to its position, even when it was controversial. To that end Mr Raymond argued vociferously against the Kyoto Protocol, an international deal to reduce greenhouse-gas emissions signed in 1997. America withdrew from the agreement in 2001.

Well oiled

Two decades after the merger with Mobil, the company culture remains rigorous and private. Its headquarters in Irving, Texas, are tucked away on a site occasionally traversed by bobcats. Tech firms may offer complimentary quinoa but ExxonMobil staff are clear-eyed about free lunch. Avocados at the salad bar cost 55 cents extra.



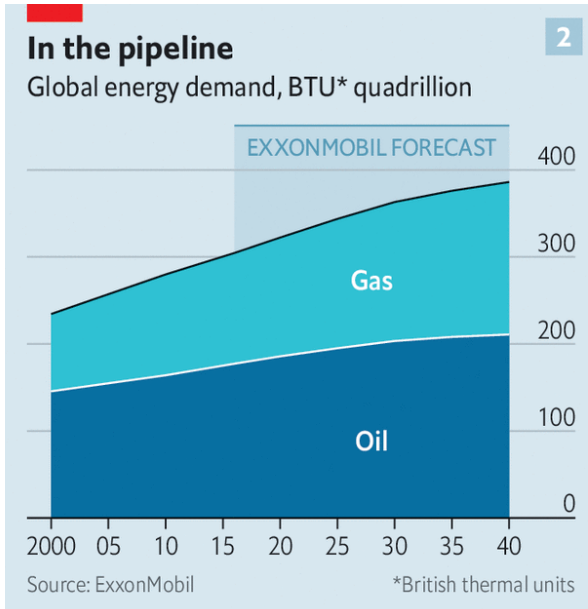
The Economist

In recent years, however, disappointing results and missteps mean that ExxonMobil no longer looks invincible. Tech giants are now more valuable. Under the leadership of Rex Tillerson, who left the company in 2017 to become Donald Trump's secretary of state, ExxonMobil paid $31bn in 2009 for XTO Energy, a shale-gas firm, just before gas prices crashed. In 2017 the company was forced to write down 4.8bn barrels of reserves, nearly a fifth of the company's total, because low oil prices had made extraction uneconomic. The firm's return on capital employed, an impressive 49% in 2008, had crumpled to 9% by 2017 (see chart 1).

ExxonMobil, along with other big oil companies, now faces existential risks, too. Calls are rising to reduce carbon emissions and limit the rise in global temperatures. According to the Intergovernmental Panel on Climate Change (IPCC), doing so becomes more difficult after 2030, as it would depend more heavily on draconian rules and big leaps in science. This has increased pressure to hasten a transition from fossil fuels to renewable sources of power. The regulation of emissions, lawsuits and advances in clean-energy technology that this entails could force oil demand to fall and the price to plunge.

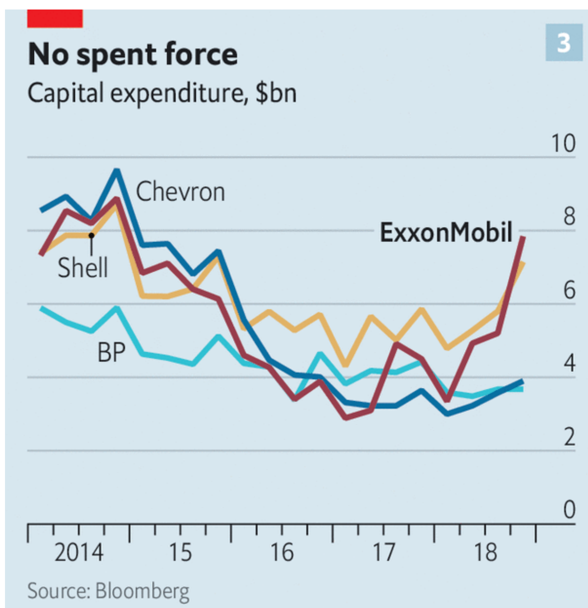
Against this backdrop Darren Woods, who replaced Mr Tillerson in 2017, has a strategy to ensure success for years to come—sticking to what ExxonMobil does best. His intention, announced last year, is to spend more than $200bn over seven years. This will include big investments in petrochemicals and refining. But his boldest plan is for boosting the output of fossil fuels. Mr Woods wants the company's profits from oil and gas to reach about $23bn in 2025, triple what they were in 2017.

Fuel's errand



The Economist

"We take a long-term view of the industry," Mr Woods explained recently. "We are providing the energy needed by economies and by people's standards of living." Mr Woods says he supports the goals of the Paris climate agreement of 2015, when governments vowed to keep the rise in temperatures "well below" 2°C relative to pre-industrial levels. To limit warming to 2°C, let alone the 1.5°C that the IPCC recommends, oil production should decline. However ExxonMobil does not expect this to happen (see chart 2). Its forecast of future oil demand, propelled by a growing population and rising incomes, makes rising temperatures seem all but inevitable, contends Kathy Mulvey of the Union of Concerned Scientists, a pressure group. ExxonMobil, backed by 137 years of expertise, is working to supply more fossil fuels.



The Economist

Activists are pressing oil companies to change. Many oil companies, including ExxonMobil, cut capital spending after the price of crude sank in 2014 (see chart 3). Some green advocates began to murmur that big oil firms might change for good if they continued to cut investment and return cash to shareholders or if they pursued modest growth in oil production while pouring money into renewables. Royal Dutch Shell and Total, for example, invested in wind and solar energy, as well as electricity utilities.

ExxonMobil's view of climate change has progressed since Mr Raymond's day. "We recognise, the industry recognises, broader society has grown to recognise the impact of combustions of oil and gas and the emissions that come with that and the threat that represents—the risk that represents to the climate," Mr Woods explains. He insists that his firm looks "very closely at the renewables space and the opportunities to participate in that". The company is applying its geological expertise to research into carbon capture and storage.

Spending on green technologies remains minimal, however. European peers may be investing in utilities, but ExxonMobil has little appetite for them. "We have much higher expectations for the returns on the capital we invest," Mr Woods asserts.

ExxonMobil plans instead to expand its usual business. On December 3rd Shell, under pressure from green investors, said that it would tie executive pay to a plan to cut carbon emissions from its products even as ExxonMobil announced yet another oil discovery off Guyana, its tenth.

Some of the firm's plans resemble those of its peers. It is investing in petrochemicals and in American shale-oil, where production can rise and fall far more quickly than in big offshore projects, making it suited for an era of uncertainty. Like other oil giants, ExxonMobil highlights its investments in gas, which produces electricity more cleanly than coal. But it is unusual in its appetite for higher spending—it expects an increase of 16% this year—and in its bullish views about both gas and oil.

Reserves are continuously drained, Mr Woods points out, so the industry must invest to sustain production. "There is a tremendous amount of growth required in a depletion business just to stand still." However ExxonMobil is investing not only to maintain production but also to increase it as projects in America, Guyana and Brazil begin pumping crude.

Investors greeted Mr Woods's plan with dismay. Other oil companies were announcing buy-backs, not big investments. The company, newly solicitous, has tried to be more transparent. On February 1st Mr Woods took the unusual measure for a boss of ExxonMobil of answering investors' questions on the annual earnings call. He reported increased production and plans for even higher capital expenditures in 2019. After a bumpy 12 months, the company's share price ticked up.

Environmentalists and green investors, long critics of ExxonMobil, are trying to knock the company off course. Several American cities and counties are using the courts to demand that large oil companies pay for the cost of guarding against rising sea levels. In October New York's attorney-general filed a suit alleging that ExxonMobil used one set of assumptions about climate change in external documents and another for internal planning. That case is pending. In January America's Supreme Court rejected the firm's attempt to halt a separate investigation by Massachusetts over whether it misled the public about threats from climate change.

Lawsuits are unlikely to vanquish ExxonMobil. Last year a federal judge in California dismissed a lawsuit against oil firms, arguing that Congress and diplomacy, not courts, should handle the fallout from climate change. "If I were trying to think of an existential threat to the company it's not litigation," says Andrew Logan of Ceres, a non-profit that works with investors to argue for sustainability, "it's whether the business strategy is obsolete."

A fit of peak

ExxonMobil's biggest risk appears to be a world where oil demand peaks as measures to combat emissions grow, and then prices fall. Projects might become uneconomic sooner than expected, stranding the company's assets. Mr Woods says he is backing projects with low costs. He argues that his firm's unusually high level of integration of its various businesses and technology means it can produce more efficiently than its peers. Take oil extracted in the Permian basin of Texas. ExxonMobil uses data analysis to drill for oil using extra-long wells, then transports it to company refineries and petrochemical plants nearby.

Concern is growing among investors, however. In 2017, 62% of ExxonMobil's shareholders voted to require the company to disclose how action to limit temperature rises to 2°C would affect its business. ExxonMobil produced a document that critics charged was too vague. This year shareholders will vote on a new resolution, filed by the pension funds for New York state and the Church of England, to require ExxonMobil to do what Shell has done and commit to reducing emissions not just from its operations but also from the products it sells.

Even if shareholders vote in favour of the resolution, ExxonMobil, like Shell, would probably have an escape hatch. Shell can increase production of oil and gas under its new targets, as long as it takes other steps such as increasing energy production from wind and solar. Shell also may adjust its targets, to keep its plans consistent with society's progress towards the goals of the Paris treaty. If governments do not restrict carbon emissions, Shell can ease up too.

Barrelling on

ExxonMobil might have to change its strategy more dramatically if more investors turn away from oil and gas. But that looks unlikely at the moment. Gas faces growing competition from wind and solar but for now it can help replace coal plants. Oil still has a stranglehold on transport. In an optimistic scenario only 15% of the world's cars will be electric by 2030. Lorries and planes will be electrified more slowly still.

Thomas DiNapoli, who oversees New York's pension fund, has played a central role in putting pressure on ExxonMobil. However he says his fund will not divest soon, in part because oil companies are held by big indices that generate good returns. He is not alone. Far from abandoning them, the shareholdings of the world's 20 largest institutional investors in big oil companies climbed from 24% in 2014 to 27% in 2017, according to the International Energy Agency.

Politicians may have more sway. E3G, a think-tank, simulated the interaction of different policies and corporate strategies. If the world were to move on to a pathway compatible with warming below 2°C, the price of oil would drop and a company with ExxonMobil's strategy—what E3G calls "last one standing"—might come into direct competition with large national oil companies with very low production costs, such as Saudi Aramco.

To date politicians, particularly in America, have been reluctant to legislate for bold restrictions on carbon. That is in part thanks to ExxonMobil's attempts to obstruct efforts to mitigate climate change. Mr Raymond worked to sow doubt about climate science. Mr Tillerson adopted a more convoluted position. In 2009 he announced the company's support for a carbon tax, which was not under serious consideration in America, and argued against a cap-and-trade scheme for pollution permits, which was. Mr Tillerson supported the Paris climate agreement but also said that there was "no scientific basis" for limiting warming to 2°C and warned that the world depended on fossil fuels for "our very survival".

Under Mr Woods ExxonMobil's policies on climate change remain marred by inconsistencies. In October the company said it was giving $1m, spread over two years, to a group advocating a carbon tax. ExxonMobil maintains that a carbon tax is a transparent and fair way to limit emissions. But the sum is less than a tenth of its federal lobbying spending in 2018. Moreover, the carbon tax it favours would include protection for oil companies from climate lawsuits.

The firm is also working to reduce leaks of methane, a powerful greenhouse gas, from its wells, pipelines and refineries. However the American Petroleum Institute (API), of which Mr Woods is chairman, has been a main force urging Mr Trump's administration to ease regulations on methane emissions. The API's other efforts include lobbying against incentives for electric cars.

Fossil record

As other oil and gas companies grapple with their own strategies, ExxonMobil may not prove an outlier in committing to business as usual. Even firms investing more in renewables are loth to give up fossil fuels, which are far more profitable. Total, BP and Chevron plan to increase production of oil and gas. Analysts at RBC, a bank, expect Shell to do so, too.

ExxonMobil is not alone in trying to sway the climate debate in its direction either. Shell, Total and BP are all members of the API. Marathon Petroleum, a refiner, reportedly campaigned to ease Barack Obama's fuel-economy standards. BP spent $13m to help block a proposal for a carbon tax in Washington state in November. The Western States Petroleum Association, whose membership includes ExxonMobil and Shell, also lobbied to defeat that tax.

While oil companies plan to grow, trends in cleaner energy are moving in the wrong direction. Investments in renewables fell as a share of the total in 2017 for the first time in three years, as spending on oil and gas climbed. In 2018 carbon emissions in America grew by 3.4% as economic activity picked up, even as coal fell out of favour. Mr Woods maintains that any change to the energy supply will be gradual. "I don't think people can readily understand just how large the energy system is, and the size of that energy system will take time to evolve," he argues.

ExxonMobil meanwhile continues to search for oil, reshaping the world as it goes. In Guyana there is much debate over how to use the royalties from oil. Possibilities include programmes for the poor and infrastructure to deal with flooding. Guyana's capital, Georgetown, rests below sea level. Water often laps city streets.

Out at sea, ExxonMobil is working to increase production. By next year an underwater web of pipes will connect wells on the seabed to a vast vessel. From there the oil will be transferred to smaller tankers, then to the vast infrastructure that can refine and transport it until it reaches consumers in the form of fertiliser, plastic bottles, polyester or, most likely, petrol. From beneath the ocean floor to your car's tank, for about the price of a gallon of milk.

This article appeared in the Briefing section of the print edition under the headline "Bigger oil"

The INF treaty
Trick or treaty

Trick or treaty

America calls time on the INF treaty, ushering in a new age of missiles

The pact signed by Reagan and Gorbachev underpinned bilateral arms control for 30 years

Print edition | United States Feb 9th 2019


Reuters

PATRIOT PARK in Kubinka, 60km south-west of Moscow, is a military Disneyland. Families can picnic among rows of Soviet-era aircraft. Children can frolic over tanks. Those doing so on January 23rd might have noticed a long green tube, studded with ridges and dials, roped off and watched by stern guards. This was not an exhibit. It was, supposedly, the canister for the 9M729 missile. Its launcher, an imposing truck, stood nearby, as Lieutenant-General Mikhail Matveyevsky, Russia's missile chief, pointed to a diagram of the missile's innards. "All tests of surface-to-surface missiles," he declared, "were conducted to a range that is less than the INF [Intermediate-Range Nuclear Forces] treaty limit."

The show-and-tell did not impress America, whose diplomats had turned down an invitation to the theme park. On February 1st America declared it would pull out of the INF treaty. It is exasperated not only with ten years of Russian cheating but also with the rapid growth in China's unshackled arsenal of over 2,000 missiles, 95% of which are of the range forbidden to America. "If Russia's doing it and if China's doing it, and we're adhering to the agreement," complained Donald Trump in October, "that's unacceptable". The pact will die once America's six months' notice expires in the summer. "The likelihood of compromise is zero," says Adam Thomson, Britain's envoy to NATO until 2016.

That brings over 30 years of arms control to a close. The INF treaty was forged in 1987 to defuse a missile race between America and the Soviet Union. Intermediate-range nukes were appealing because they could hit key targets while remaining a safe distance away from the front line, without resorting to intercontinental ballistic missiles (ICBMs). Appealing, but dangerous: ICBMs took 30 minutes to reach their targets; mid-range missiles got there in under ten. "It was like holding a gun to our head," remarked Mikhail Gorbachev. He and Ronald Reagan agreed to scrap all such land-based missiles, conventional and nuclear.

By the 2000s the treaty began to chafe Russia. Its decrepit armed forces could not afford modern warships, submarines and warplanes to carry plentiful missiles, whose utility America had demonstrated with bombing campaigns in the Middle East and the Balkans. To Russia's south and east, countries like Israel, Iran, China and Pakistan were accumulating land-based missiles. In 2005 Russia's defence minister proposed that the treaty should be junked. Not long after came Russia's first test of the 9M729. Since 2016 four battalions, roughly 100 missiles, have been deployed to two bases east of the Ural mountains and near the Caspian sea. "The 9M729 is core to Russian military thinking in terms of what they need to fight a regional war," says Pranay Vaddi, who worked on the issue for the State Department until October.

American officials may decry the cheating. But they surely sympathise with the impulse. In recent years Pentagon officials have fretted over a widening missile gap in the Pacific. "China has a massive advantage over us," says a former American army official. "It cannot be overstated how important it is that we can field precision-guided missiles, unlimited by range."

The INF treaty does not prohibit putting intermediate-range missiles on ships, submarines and aircraft. But these are expensive (a modern destroyer costs $1.8bn), demand manpower and have other things to do. Hence the appeal of land-based missiles. "A mobile TEL requires a couple of drivers and operators," says the former official, referring to the transporter-erector-launcher trucks used to fire missiles. "It is virtually impossible for the enemy to find."

In a review of American nuclear posture last year, the Trump administration said it would respond to Russia's violation of the INF treaty by building a nuclear-tipped sea-launched cruise missile (which would be INF-compliant) and reviewing "concepts and options" for a conventional land-based one (which would not be). But a deployable weapon is some way off.

The US Army is already working on a Precision Strike Missile (PrSM) due in 2023. Its range could easily be extended beyond the current INF ceiling of 499km. But even twice that would not get from Warsaw to Moscow. A longer-legged option would be to tweak the sea-based Tomahawk to fire from land; that is what America did during the INF crisis in the 1980s to produce the 2,500km-range Gryphon.

Let's do launch

But Pacific geography is forbidding. Guam, the likeliest host for American missiles in Asia if Japan demurs, is over 3,000km away from Shanghai. An entirely new missile would be required. Hypersonic boost-glide missiles, which skip off the atmosphere at great speed, might fit the bill. But ground-launched ones are years away. Democrats, who took control of the House in January, have taken a dim view of the swelling defence budget. They may query why the Pentagon cannot make do with air- and sea-launched systems already in the pipeline.

Nor is it obvious where new missiles would be put in Europe. Though NATO strongly backed America on February 1st, declaring that "Russia will bear sole responsibility for the end of the treaty," its members will be less keen on welcoming missiles, even non-nuclear ones.

A few allies, like Poland, which is trying to seduce Mr Trump into setting up a new tank base, would probably embrace American arms on their soil. But a deal with Poland struck over NATO's head would compound anxiety over America's commitment to the alliance. It might also be seen as destabilising. "Missiles deployed on the territory of newer NATO members could reach Russia's main command points in less than five minutes," notes Pavel Zolotarev of the Russian Academy of Sciences. That, he warns, would allow the "destruction of its critical infrastructure without the use of nuclear warheads." In a crisis, a jittery Russia would not necessarily make wise choices.

Another option for NATO would be to rejig the American-led missile-defence shield in Poland and Romania so that it could cope with Russian cruise missiles like the 9M729, rather than just Iranian and North Korean ballistic ones. Yet that might provoke an even bigger fight in NATO.

The death of the INF treaty marks "the end of the post-cold war era," says Bruno Tertrais of the Foundation for Strategic Research, a French think-tank. What is clear is that the Trump administration has pulled the plug without a clear sense of how to navigate the era to come.

This article appeared in the United States section of the print edition under the headline "Trick or treaty"

Missiles and mistrust

Russia, America and the INF

Russia's suspicion of America is a self-fulfilling prophecy

Print edition | United States Feb 9th 2019

THE WHITE HOUSE was draped with a red flag, with hammer and sickle. Inside, the Soviet delegation led by Mikhail Gorbachev sang "Moscow Nights" and celebrated a landmark agreement to eliminate an entire class of nuclear weapons that had threatened Europe for years. It was December 8th 1987. The next day America's great and good, a group which included a pushy entrepreneur called Donald Trump, flocked to lunch at the State Department to hear Mr Gorbachev speak. "Two world wars, an exhausting cold war, plus small wars—all destroying millions of lives. Isn't this a high enough price to pay for adventurism, arrogance, contempt for the interests and rights of others?" the Soviet leader said. "How far we had come from the days of tension," George Shultz, Reagan's secretary of state mused to himself.

Neither Russian nor American military and security-service bosses shared the festive mood. Russia's top brass, who had spent their entire lives fighting America, felt betrayed. America's cold warriors feared that Mr Gorbachev was trying to smother them with kindness and lure them into a trap. Thirty years later, the revanchists' view has finally prevailed. While the INF treaty has, in effect, been eroding for years, its scrapping is symbolic of the distrust that now permeates relations between America and Russia.

"The problem is that you [America] have been playing the winner for too long," says Evgeny Buzhinsky, a former senior general and member of the Russian general staff. "Putin is not Gorbachev," he adds. Whereas the White House sees the end of the INF treaty as a recognition of reality and the treaty's failure to restrain Russia and China, along with several other countries, from developing the banned missiles, the Kremlin sees it as the manifestation of American triumphalism and a vindication of Mr Putin's inbred distrust of America.

"The Soviet Union is not a weak, poor country that can be pushed around," Vladimir Kriuchkov, the head of Soviet intelligence, told his American counterparts in 1987. Mr Putin, a student of Mr Kriuchkov, has made that his policy. Before she joined the National Security Council Fiona Hill, an expert on Russia, wrote that for Mr Putin, the "paradigm has not changed so much. Yes, communism is gone and the Soviet Union has crumbled but, from his vantage point, Russia did not go anywhere. Military might still makes right."

Mr Putin saw treaties such as the INF agreement not as evidence of goodwill between the two countries but as a sign of Russia's relative weakness, which he has tried to correct. As a former KGB operative, Ms Hill argued, he is obsessed with security or *bezopasnost*, literally the "absence of threats", and constantly fights dangers which, in his mind, come almost exclusively from

America. So what America sees as Russia's aggression, whether in Ukraine and Syria or in presidential elections, Mr Putin sees as a way of deterring America and preserving Russia's freedom to act without restraint in its sphere of influence.

The problem, Ms Hill argued, is that American politicians find it hard to comprehend that Russia still sees the United States as a threat after the end of cold-war competition. This leads to a spiral, which has dragged down the INF treaty. Russia has long cheated on its obligations, but cried foul when America decided to suspend the treaty, and is now presenting that decision as proof of America's disregard for the post-cold-war security architecture.

Few Western policymakers have much hope of improving relations with Mr Putin. As a former KGB operative, he prefers clandestine actions and feints to direct confrontation. These include engaging in covert operations, such as spreading disinformation, encouraging cyber-crime or using mercenaries, all masked as non-state actors. In the words of one senior American official, the task is not to win over Mr Putin, but to manage the conflict and "professionalise" the relationship. The administration may hope that dismantling the treaty will lead to a more sincere conversation about security. So far, however, there is little indication that Mr Putin will go along. Instead, the Kremlin is using America's move for propaganda purposes.

Russian military strategists say Russia should assume that America will place new missiles in Europe and get ready to respond. Should America proceed, "we'll have to think not only about missiles in Kaliningrad, but also those in Chukotka that can at least reach Seattle", Mr Buzhinsky says. The presence of nuclear-armed missiles in eastern Europe, he adds, would trigger a replay of the Cuban missile crisis. "Then, as our officers say, it's time to think not about a retaliatory strike, but about a pre-emptive one." Russia and America have indeed come a long way from the days of Gorbachev and Reagan.

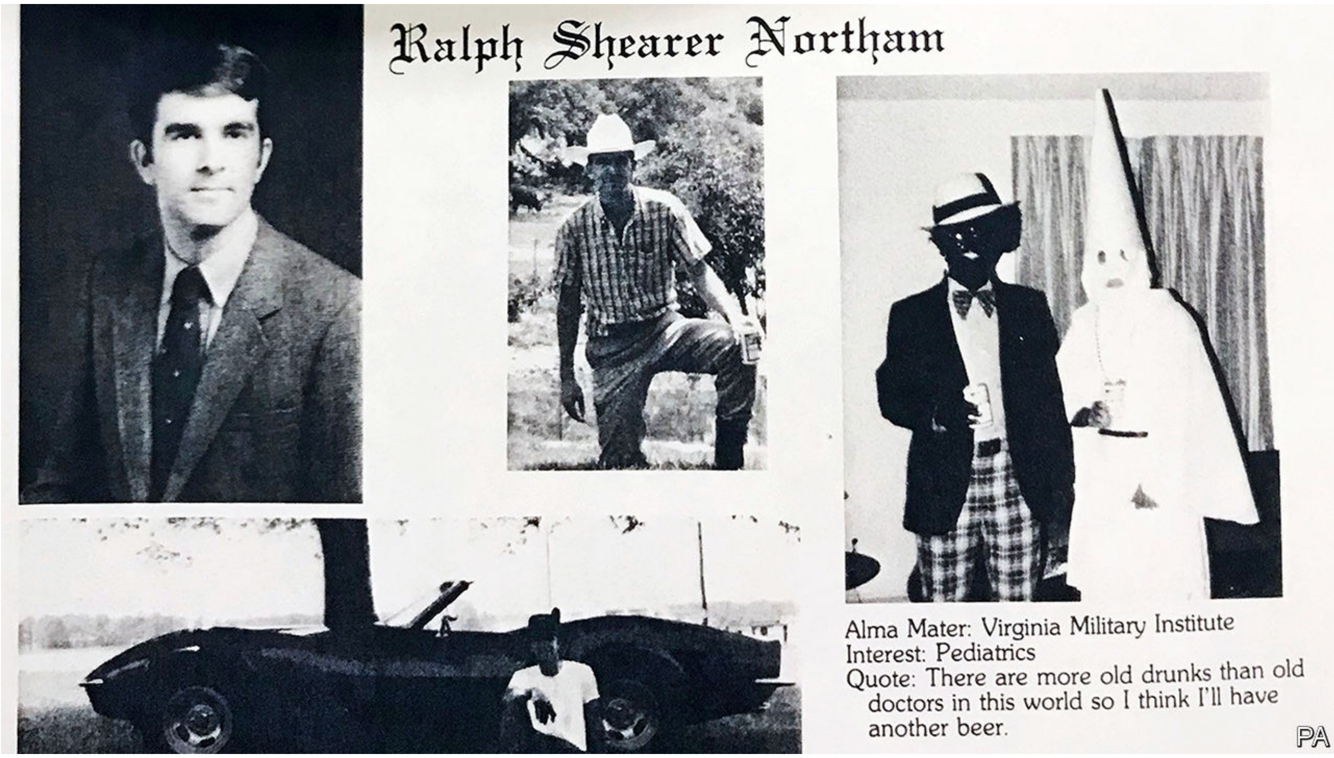
This article appeared in the United States section of the print edition under the headline "Meanwhile, in Moscow"

Inappropriate circumstances

What is it with shoe polish in Virginia?

Scandals ensnare the state's top three elected officials

Print edition | United States Feb 7th 2019



AS THE ECONOMIST went to press, consumer-protection offices in Virginia had not yet announced plans to affix a sticker to every canister of shoe polish sold in the state reading "FOR FOOTWEAR, NOT FACES". That the stuff should be used to brighten shoes rather than darken faces may seem obvious to most, but not to Ralph Northam and Mark Herring, respectively Virginia's governor and attorney-general, both Democrats.

On February 1st, a website released Mr Northam's page from his 1984 medical-school yearbook, on which a picture showed a man in blackface grinning next to a man in a Ku Klux Klan outfit. One of Mr Northam's former classmates, angry at the governor's clumsily worded defence of a bill loosening restrictions on abortion, reportedly alerted the website to the page.

Over the next two days, Mr Northam provided an object lesson in how not to respond to a political crisis. Shortly after the picture emerged, he apologised for "the decision I made to appear as I did" (he did not say whether he was in Klan robes or blackface). During a surreal press conference he then said that in fact he was not in the picture, though he admitted to once having "darkened my face as part of a Michael Jackson costume." He appeared ready, after a reporter's question, to start moonwalking, until his wife leaned over and whispered: "in appropriate circumstances."

Democrats from Nancy Pelosi to Mr Herring have urged him to resign. He has so far resisted, and is reportedly considering leaving the Democratic Party and serving out the rest of his term (Virginia governors cannot run for a second consecutive term) as an independent. If he steps down, he will be replaced by Justin Fairfax, the 39-year-old, African-American lieutenant-governor, also a Democrat.

But Mr Fairfax has problems of his own: Vanessa Tyson, a university professor, said he sexually assaulted her at the Democratic National Convention in 2004. Mr Fairfax admitted to knowing Ms Tyson, but said that she was "very much into a consensual encounter." Ms Tyson said that he physically forced her to perform oral sex.

Should Messrs Northam and Fairfax both resign, Mr Herring is next in line. But on February 6th, Mr Herring admitted that he too attended a party in wigs and blackface, "dressed like rappers we listened to at the time, like Kurtis Blow." Mr Herring apologised profusely, and left open the possibility of resignation, but for the moment he too remains in office.

If all three leave then Kirk Cox, the Republican House speaker of Virginia's General Assembly, would become the state's governor. Mr Cox holds the speakership because Republicans won a 51-49 majority in the lower House after the state's board of elections drew a name out of a hat in a district where the Democratic and Republican candidates received exactly the same number of votes. Mr Cox, assuming he was never photographed in blackface, would then get to appoint a lieutenant-governor, and the Republican-controlled legislature would elect an attorney-general.

Republicans, who have not won a statewide race in Virginias since 2009, are salivating at the prospect of claiming all three top posts. But as long as they line up behind a president whose record on race or groping is not exactly woke, their condemnations of Messrs Northam, Fairfax and Herring may ring a little bit hollow.

Yet if the Democrats' position is that doing something offensive while in university renders someone unfit to hold office, regardless of whether his attitudes and political views have since changed, they risk setting an impossible standard. Perhaps their current zeal mirrors the lack of it across the aisle: Democrats may feel that they must be less forgiving because Mr Trump has made the previously unsayable acceptable. Perhaps the three accused men have also taken a lesson from the president: that if they hunker down and withstand the outrage, the news cycle will eventually move on to fresher meat.

This article appeared in the United States section of the print edition under the headline "These are the breaks"

Union shenanigans

Philadelphia politics are stuck in the era of prog rock

The indictment of John Dougherty has a strangely retro feel

Print edition | United States Feb 9th 2019

PHILADELPHIA'S CITY HALL is an immense 700-room building, even taller than the Capitol in Washington, DC. A statue of William Penn, the city's founder, stands on top of it. Until 1987 no building in the city was higher than the top of Penn's hat. High-rises now dwarf the statue. John "Johnny Doc" Dougherty, head of the Local 98 electrical union, has long helped shaped Philadelphia's politics as well as its skyline. How he did so is outlined in a 160-page federal indictment, containing 116 counts of embezzlement, fraud and public corruption, which reads like a relic from the mid-1970s.

"I got a different world than most people ever exist in. I am able to take care of a lot of people all the time," said Mr Dougherty, in a conversation caught by an FBI wiretap. The indictment alleges that he and seven pals, including a city councilman, embezzled more than $600,000 of union money, collected from members' dues, to fund personal shopping sprees, a $20,000 security system and dinners in New York and Atlantic City, among other things.

As well as controlling the electrical union, Mr Dougherty is head of the building trades council, which represents 50 local unions. If a construction site attempted to use non-union workers, he ordered a giant inflatable rat to be put outside. He funnelled millions of dollars to help Democrats. His support helped two mayors win elections, including the incumbent, Jim Kenney. His brother, Kevin Dougherty, won a state Supreme Court seat with union help, then helped strike down the state's congressional map for being unconstitutionally gerrymandered.

Donating to campaigns, boosting candidates and supporting policies are not illegal. But Mr Dougherty's clout went further. Bobby Henon, who was also indicted on January 30th, stayed on the union payroll even after he was elected to the city council. This is not illegal either, but the indictment alleges that he used his position to do Mr Dougherty's bidding. In 2016 Philadelphia became the first big city to impose a tax on fizzy drinks. Text messages between the two men indicate that Mr Henon's position was part of a vendetta against the Teamsters union, which feared the loss of delivery jobs. According to the indictment, Mr Dougherty said to a union official: "Let me tell you what Bobby Henon's going to do...put a tax on soda again and that will cost the Teamsters 100 jobs in Philly." The lowest point in the indictment describes Mr Dougherty allegedly strong-arming a children's hospital because the manufacturer of an MRI machine required its own (non-union) workers to install it.

Mr Dougherty pleaded not guilty to all charges. It is a municipal election year and politicians still need his money and his members to get out the vote. They also suspect he is vengeful. According to the FBI, Mr Dougherty once got Mr Henon to investigate a towing company that seized his car. He remains head of his union.

Still, if he is convicted, that would shake up the “Democratic party’s wheezing political machine”, says David Thornburgh of the Committee of Seventy, a government watchdog. In any case, he may be Philadelphia’s last powerful local union leader. The national ironworkers’ union has already taken control after its local leaders ordered a Quaker Meeting house, built by non-union workers, to be torched. The national carpenters’ union also kicked out the city’s union leader, who had led the local branch since 1981. Mr Dougherty has damaged the local’s reputation. Members may have difficulty securing work and contracts. Who’s the rat now?

This article appeared in the United States section of the print edition under the headline ”Secrets unfurled”

Narcissism

Botox bars are coming to a city near you

Hold still

Print edition | United States Feb 9th 2019

"YOU CAN change someone's life with a bit of lip," says Dr Alexander Blinski, the co-founder and chief medical officer of Plump Cosmetics and Injectables, a beauty salon in New York. His practice, which feels more like a cross between a cupcake shop and a SoulCycle studio than a place where people willingly go to let needles full of neurotoxins gently paralyse the muscles in their faces, is one of a growing number of establishments in America aimed at making injectable cosmetic treatments seem less clinical.

"West Coast Lips" are a favourite. With 20% more volume than "East Coast Lips", they are fuller and appear more enhanced than the subtle, work-with-what-you've-got plump of their east-coast cousin, which is more rosebud than rhododendron. "Instaready Cheeks" are another popular treatment among those who want a more influencer-worthy contour to their jowls. They are achieved with a dose of an injectable filler and cost just over $1,000. More modestly priced treatments include the "Goodbye Gummy Smile", which restrains the muscles in the upper lip, and is for those who want to flash more white in their posts. A $2,000 treatment helps those who wish to minimise their underarm sweat production in ways that the humble antiperspirant has yet to master.

Celebrities like the Kardashians, Bella Hadid and the Real Housewives are credited with the mainstreaming of injectables, which are the most common minimally invasive cosmetic procedure performed, according to data from the American Society of Plastic Surgeons. Clients are mostly millennials in search of a plumper pout, but also include daughters who bring their mothers, wives who bring their husbands, Wall Street bankers keen to banish an angry-looking furrowed brow or drag queens in search of more dramatic cheeks.

"I liked that the filler was natural-looking—I didn't want to look like a balloon or like I lived in Los Angeles," says Richelle Oslinker, a patient of Dr Blinski's. Nate Storey, a magazine editor, decided to get a few shots around his 30th birthday. He did so because his preferred hairstyle—a man bun—gave him no place to hide the wrinkles creeping across his forehead.

Although nearly 10m of these procedures were performed in America in 2017, there is reason to approach them with prudence. The main ingredient in Botox, which is generally used in the upper third of the face, is derived from the substance that causes botulism. The two most common injectables are Botulinum Toxin Type A (commonly marketed as Botox) and soft-tissue fillers.

Botox is often referred to as the "gateway drug" to soft-tissue fillers, which are generally used in the lower two-thirds of the face. Many are made from naturally occurring substances like hyaluronic acid—which is found in the human body, especially in the fluid around the eyes and joints—but they can have serious side-effects. If accidentally injected into a blood vessel, for instance, they can cause tissue death, permanent blindness or a stroke.

Botox generated $3.2bn in worldwide sales in 2017, which were buoyed by a multimillion-dollar marketing campaign starring a retired American football player, Deion Sanders. This was an attempt to increase its use among men, who are estimated to make up 15% of the cosmetic injectable market. Revenue from the neurotoxin is expected to reach $4.5bn by 2024. Plump, one of the biggest users of Botox in America by volume, has recently opened its second injectables bar in New York City, with plans to expand to Miami.

This article appeared in the United States section of the print edition under the headline "Hold still"

The ideas primary

Elizabeth Warren's unusual brand of wonkish populism

If Democrats awarded prizes for detailed policy proposals, she would win

Print edition | United States Feb 9th 2019

ELIZABETH WARREN, the Massachusetts senator known best for railing against big banks and billionaires, was a registered Republican for a spell in the 1990s. It is an odd bit of biography for Mrs Warren, who is now running for president as a Democrat, and is routinely caricatured as the anti-capitalist Antichrist. Unlike Bernie Sanders, who proudly describes himself as a socialist, Mrs Warren has said she is "a capitalist to my bones."

Government, she thinks, should be in the business of repairing market failures. She wishes to arrest inequality not just through redistribution, by boosting welfare and entitlement spending, but "predistribution", which means rewriting rules that contribute to lopsided incomes in the first place. A brainy wonk with a populist edge, she has pumped out ideas that are at times brilliant, at others outlandish, but seldom half-baked or easily dismissed.

The best way to understand Mrs Warren's worldview is to examine her academic work. Before she went to Washington, she was a law professor at Harvard (having grown up working-class in Oklahoma) preoccupied with the study of debt, credit and bankruptcy. Her scholarship began as an exploration of middle-class financial instability. She published research in the early 2000s revealing an extraordinary increase in bankruptcy filings—430% over two decades—with many by middle-class families. Mrs Warren showed that the combination of precarious family finances with poorly regulated markets created opportunities for predatory lending, says Elisabeth Jacobs, the senior director for family economic security at the Washington Centre for Equitable Growth, a left-leaning think-tank.

In "The Two-Income Trap", a book written with her daughter in 2003, Mrs Warren explored the reasons for this. Even though more women were going to work, boosting household incomes, family finances were increasingly fragile. Armed with second incomes and deregulated credit instruments, these families bid up the cost of housing in areas near good schools, making them more vulnerable financially, rather than less. Interestingly, one of her proposed solutions at the time was a universal school-choice voucher to try to decouple housing and schooling, an intriguing idea that would be less than welcome in contemporary Democratic circles.

That book was a nod towards Mrs Warren's future fixations. In it, she also introduced her toaster analogy: no regulator would allow the sale of a toaster with a one-in-five chance of burning down a house, yet there is no similar concern over mortgages with a one-in-five chance of wrecking a family's finances. This would become the founding metaphor for the Consumer Financial Protection Bureau, a federal agency which was her brainchild and catapulted her from academic obscurity to national fame.

Since winning her Senate seat in 2012, Mrs Warren and her staff have busied themselves publishing proposals on taxation, corporate governance, lobbying, housing and health care. She proposes a wealth tax on those with fortunes above $50m to stymie the growth of inequality and fund other programmes. Thomas Piketty, the French economist who wrote "Capital in the Twenty-First Century", has long advocated a similar policy. An accompanying analysis by Emmanuel Saez and Gabriel Zucman, two economists and collaborators with Mr Piketty, suggests that such a tax would raise $2.75trn over 10 years. Their assumptions are probably too rosy—the wealthy are good at avoiding taxes, and determining the size of fortunes is trickier than tracking annual incomes. Mr Piketty's native France has ditched its wealth tax.

To "predistribute" income Mrs Warren would give more economic power to workers, imitating German industry by letting workers elect at least 40% of the seats on corporate boards. Importing the German context of less adversarial labour relations would prove harder.

When it comes to fixing America's health-care system—perhaps the industry most plagued by market failure—Mrs Warren is more cautious than some other prominent Democrats. She has offered proposals to shore up the insurance exchanges set up under Obamacare. She has also put forward legislation which would inject competition into the generic-drugs market, which is rife with anti-competitive behaviour, by setting up a public manufacturer of drugs. Yet she also co-sponsored Mr Sanders's "Medicare for all" bill, which would upend the American health system, transforming it into a single-payer model by eliminating private health insurance and rapidly increasing taxes. The two approaches cannot coexist. But paying fealty to left-of-centre slogans that stand little chance of becoming law may be the price of running in the Democratic primary.

Mrs Warren's most intriguing plans concern housing. High rents in productive cities limit opportunity and economic growth. Fixing this with federal policy is difficult, since planning laws are so decentralised. Mrs Warren proposes to coax cities into changing restrictive development rules for a share of a large pot of money—$10bn in total—while also funding large public-housing developments. A paper by Mark Zandi, chief economist for Moody's Analytics, claims that this could bring rents for low-income families down by 10%. She also wants the federal government to assist first-time homebuyers in formerly segregated neighbourhoods.

Warren peace

On matters of trade and foreign policy, Mrs Warren's thinking is less sophisticated. She applies her domestic mantra—that market failure and corporate greed are the taproots of dysfunction—to international affairs, with peculiar results. If the American economy is rigged, then trade deals are meta-riggings of the global economy, crafted by multinational firms to weaken American labour relative to capital.

In a recent essay for *Foreign Affairs*, Mrs Warren sketched out a foreign-policy manifesto of sorts. It includes standard stuff for Democrats: a dislike of foreign entanglements and a suspicion that defence spending is inflated. But she also struggled to escape domestic concerns. Her bold new proposal is that "US foreign policy should not prioritise corporate profits over American families". Daniel Drezner, a professor at Tufts University, describes this as "Trumpism with a human face".

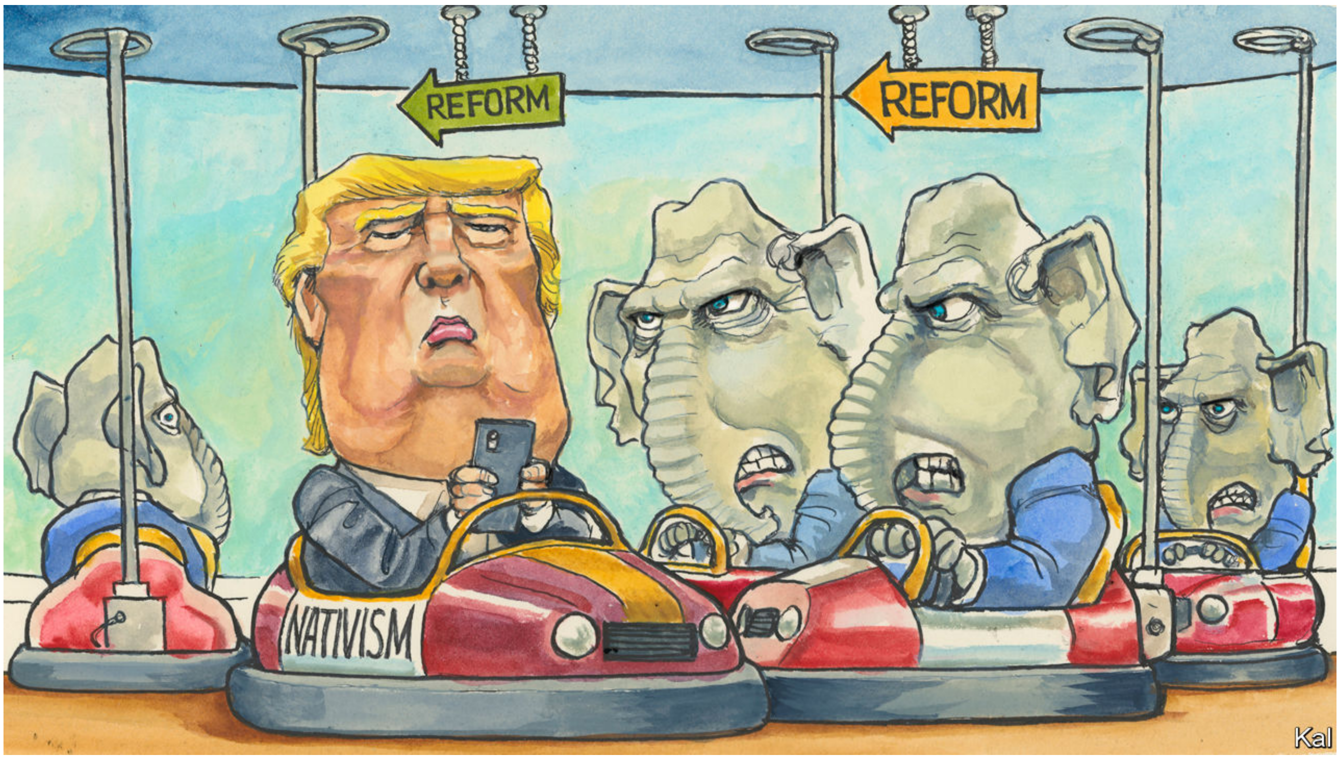
This article appeared in the United States section of the print edition under the headline "Warren's world"

Lexington

Donald Trump is the main barrier to the revision of conservatism

The president offers more chaos than change

Print edition | United States Feb 9th 2019



IN HIS SECOND state-of-the-union address this week Donald Trump invited the Democrats to help him cut prescription-drug prices, provide paid family leave and splurge on infrastructure. Most commentators understandably viewed this plea for bipartisanship with scepticism. Shortly after last year's speech the president accused Democrats of "treason" for failing to applaud him. Hours before this year's he described Chuck Schumer, the Democratic leader in the Senate, as a "nasty son of a bitch".

Yet the more remarkable thing about Mr Trump's wishlist is how anathema its items, all signature promises of his election campaign, remain to the Republican establishment he has presided over for more than two years. In domestic policy, at least, the makeover of conservatism he promised, with his disdain for orthodoxy, flexible view of government and professed concern for the losers of globalisation who flocked to his rallies, has not happened. He needs Democrats to fulfil his heterodox promises mainly because the Republicans would not.

The same resistance to his populist socioeconomic agenda is apparent across the conservative intelligentsia. No important think-tank has taken it up. The grandiose American Enterprise Institute is still plugging away at the small governmentism its donors love. The once-mighty Heritage Foundation has become an uncritical cheerleader for the administration's tax-cutting and nativism. One or two smaller centre-right shops are doing interesting work, for example the R Street Institute's on organised labour. Yet instead of steering into Mr Trump's agenda, they are tending to veer off it. Progress on the rethinking of Reaganite shibboleths that his campaign promised has been scattered and rare. The hoopla generated by a recent book on labour markets by Oren Cass of the Manhattan Institute, which made a conservative case for wage subsidies and other interventions to promote the dignity of work among strugglers, was both justified and indicative of this. It highlighted the broader lack of progress on what was predicted to be the major intellectual challenge posed by Trumpism. "It has not been a productive time," concedes Yuval Levin, a scholar who is no fan of Mr Trump although a proponent of the ideological refresh that the president had appeared to want.

A comparison with past political realignments makes the low-energy thinking of the Trump era even plainer. The Reagan revolution was fuelled by years of intellectual ferment and more or less scripted by Heritage. The case for Bill Clinton's shift to the centre was made by the Progressive Policy Institute, his "idea mill". Such examples emphasise how peculiar the Trump insurgency is. Reagan and Mr Clinton were messengers of a new politics that had already put down deep roots in their parties. Mr Trump, by contrast, caught most conservative thinkers unawares. At best they were therefore always going to take time to adjust to the questions he posed. Yet the reality has turned out to be much worse than that. Instead of fostering an overdue spirit of reform, in a party that has lost the popular vote in four of the past five presidential elections, Mr Trump has emerged as the main barrier to it.

This is most obviously because he ditched many of his iconoclastic ideas the moment he took office. Instead of the tax rise on high earners he promised, he backed a plutocratic tax cut. Instead of supporting universal health care, he tried to dismantle Obamacare. In part an exercise in self-preservation—because Mr Trump needs Republican leaders to instruct him and defend him against the investigations he faces—this ensured most learned nothing from his rise. Pre-Trump, the most powerful case for reform was proposed by a group known as reform conservatives that included Mr Levin, who argued that Republicans could not win without refreshing Reaganism. Mr Trump has offered an even more powerful riposte to that. His method—campaign for the base, govern for the elite, and maintain unity through a mix of partisanship and nativist dog-whistling—has proved unpopular. Yet it gave Republican leaders a historic opportunity to pursue hard-right policies, which they will want to reprise, if necessary by the same means.

The intellectually chilling effect of Mr Trump is even starker among those who actually wanted the sorts of populist revisions he once promised, the former “reformicons”. Presented with a choice of embracing Mr Trump’s disruption, nativist warts and all, or defending the unreformed status quo against nihilism, the group splintered. Some of its members, including the journalists David Frum and Ramesh Ponnuru, are prominent Never Trumpers. Meanwhile, those who have stuck by or close to Mr Trump have been tarnished. Marco Rubio, a shy reformicon during the 2016 Republican primary, has to his credit doubled down: he is a rare Republican fan of paid family leave. Yet the senator’s efforts to defend Mr Trump—including over his policy of locking up immigrant children—has damaged his credibility with nonpartisans without obviously boosting his arguments for reform among Republicans.

No wonder many conservative thinkers prefer to avoid the administration altogether. “Trump has made whole areas of policy radioactive,” says Stuart Butler, a scholar at the Brookings Institution who, while at Heritage during the 1980s, was involved in developing Reaganism. His response is to focus on state government and other areas where Mr Trump is absent.

Making Rubes of them

By stifling and discrediting the most interesting aspects of his own agenda, Mr Trump risks causing his party long-term damage. His combination of tax cuts and border walls is a losing strategy that the next Republican presidential nominee is nonetheless likely to pursue. The absence of much new thinking on the centre-right alone suggests that. What a wasted opportunity it is. Were it not for Mr Trump, reform-minded conservatives would probably be cutting a far more Trumpian path (loosely defined) than they are now. Their petrified ideology would be better for it.

This article appeared in the United States section of the print edition under the headline ”More chaos than change”

Canada's foreign policy
The jungle closes in

Learning survival skills

Canada in the global jungle

A mid-sized democracy copes with a forbidding new habitat

Print edition | The Americas Feb 9th 2019

ON FEBRUARY 4TH Canada was among friends. It hosted a meeting of the Lima group of a dozen countries, most of them Latin American, that are trying to find a solution to the crisis in Venezuela (see article). Justin Trudeau, Canada's prime minister, pledged C$53m ($40m) in humanitarian aid. This is how Canada likes to conduct diplomacy, as an enthusiastic member of a team of countries that can accomplish more together than they would separately. It "exemplifies the approach we are taking around the world", says Chrystia Freeland, Canada's foreign minister.

That approach is out of fashion. Under Donald Trump the United States belittles allies and undermines international institutions it had helped build. Undemocratic China and Russia throw their weight around. Canada is unhappy. The United States, its biggest trading partner by far, has slapped tariffs on Canadian steel and aluminium exports, preposterously citing "national security". China, which ought to be a promising economic partner, is punishing Canada for arresting a Chinese executive at the behest of American prosecutors. China has arrested two Canadian citizens and sentenced another to death for drug-trafficking. "I can't recall a government that has had to deal with so much geopolitical flux and an erratic US ally," says Andrea Charron, a security specialist at the University of Manitoba.

Canada's instinct is to redouble its commitment to old principles rather than to adopt new ones. It remains a vocal defender of human rights, which pleases idealists but annoys despots. Ms Freeland says that one of her favourite new books is Robert Kagan's "The Jungle Grows Back: America and our Imperilled World", a gift from Germany's foreign minister, Heiko Maas. It argues that jungle-like chaos is taking over the ordered garden created by the United States. Ms Freeland believes that Canada must fend it off as best it can. "The rules-based international order is powerfully in our national self-interest," she says.

Canada's Liberal government is therefore sticking with the foreign policy it adopted when it took office in 2015, but tweaking it to take account of Mr Trump's unpredictability. It has three main elements: to work with like-minded countries to shore up multilateral institutions; to invest more in the armed forces; and to diversify trade. The question is how well this will work in a jungle-like world.

Since its founding as a confederation in 1867, Canada has sheltered under the protection of a superpower, first Britain and then the United States. At first, Canada resisted American influence. Confederation and the construction of the Canadian Pacific railway were attempts to avoid being swallowed whole. After 1988, when Canada signed a free-trade agreement with the United States (replaced in 1994 by the North American Free Trade Agreement, or NAFTA), resistance to American influence weakened. Relations with the United States became so cosy that Canadian diplomats referred to them as "intermestic", a cross between international and domestic.

"You don't know what you've got till it's gone," sighs Ms Freeland, quoting a song by Joni Mitchell. Tensions began after the terrorist attacks in New York on September 11th 2001, when the United States tightened border controls. This dramatically slowed trade. They got worse with Mr Trump's tariffs, which Mr Trudeau called "insulting", and his demand for the renegotiation of NAFTA. The United States first struck a deal with Mexico, NAFTA's third partner, which Canada reluctantly accepted.

Foreign-policy boffins once fantasised about setting a truly independent course for Canada, but that now seems unrealistic. Few small countries succeed when they spurn their neighbours, notes Margaret MacMillan, a historian. The main example of a neighbour that has tried to break free of the United States' influence is not an encouraging one: Cuba, which allied with the Soviet Union and is now a dictatorship with skimpy rations.

One partial answer to Canada's predicament would be to spend more on defence, a longstanding American demand that Mr Trump is especially keen on. Canada has raised military spending, from C$23.9bn in the 2015-16 fiscal year to an expected C$27.6bn this year. But that is just 1.2% of GDP, well short of the target of 2% that members of NATO have set themselves. The fiscal deficit is not much smaller than the defence budget, which means that Canada is unlikely to step up expenditure quickly.

Demands on that spending, however, will rise rapidly. Climate change, which is warming the Arctic at a faster rate than southern Canada, has opened new waters to shipping. This is creating a new coast for Canada to defend. Last year the army started issuing new C-19 rifles to 5,000 Canadian Rangers, a reserve unit that patrols the Arctic. They replace Lee-Enfield bolt-action rifles of the sort used by Britain in the second world war. Such upgrades are unlikely to arrest the United States' drift away from its established allies.

Rather than sue for divorce, Canada is trying to widen its circle of friends. Ms Freeland hopes that coalitions of countries committed to international institutions, such as the World Trade Organisation (WTO), can protect them in the face of indifference or hostility from the United States. It belongs to a group of countries trying to fix the WTO's dispute-resolution procedures in ways that will allay American objections to them. But such tactics face long odds. "I don't think middle powers can sustain the world order without major players for very long," says Roland Paris, a former foreign-policy adviser to Mr Trudeau. "But they could slow the decay."

Canada's decades-old aspiration of reducing its economic dependence on the United States has made progress recently. In 2016 the government signed a free-trade deal with the European Union and last year it signed one with ten other Pacific countries, including Japan. With the NAFTA negotiations in the balance in July, Mr Trudeau signalled Canada's ambitions for more such agreements by changing the trade minister's title to minister for international trade diversification and appointing Jim Carr, a politician from Manitoba, to the job. He will not have an easy time. Relations with China are in a deep freeze. India, another potential partner, has turned frosty, in part because it believes that Mr Trudeau does not take seriously the threat to it from Punjabi separatists, some of whom live in Canada.

Canada's quest for new friends has not been helped by its defence of human rights and the rule of law. It irritated Saudi Arabia last August by demanding the release of two women's-rights activists and again in January by giving asylum to a Saudi woman fleeing her family. In retaliation, Saudi Arabia's crown prince ordered Saudi students to leave Canada. Polls show that Canadians want their government to stand up for human rights, says Ms Freeland. Russia has barred her from visiting since 2014 because she criticised its seizure of Crimea and warmongering in other parts of Ukraine.

She seems undeterred. Canada has little choice but to defend the international order, Ms Freeland says. "The law of the jungle does not work for Canada."

This article appeared in the The Americas section of the print edition under the headline "The jungle closes in"

Davi v Goliath

A congressional win for Jair Bolsonaro

The legislative success of Brazil's new president depends on public opinion, not party discipline

Print edition | The Americas Feb 9th 2019

BRASÍLIA IS FULL of secrets. Normally, one of them is how senators vote when they elect the president of their chamber. On February 2nd they delivered a shock. The favourite for the job was Renan Calheiros, who had won it four times. A skilled dealmaker from the north-eastern state of Alagoas, he faces probes into allegations of graft, which he denies. His candidacy provoked two days of tumult, with shouting and shoving in the chamber. Some senators declared their voting intentions on Twitter, where the hashtag #RenanOut was trending. In one vote, the 81 senators mysteriously cast 82 ballots. Realising he would lose, Mr Calheiros dropped out.

This was a victory for Brazil's populist president, Jair Bolsonaro, who won an election in October by campaigning against such leaders of the establishment as Mr Calheiros. No one can accuse the senate's new president, Davi Alcolumbre (pictured), of being that. The 41-year-old first-time senator (elected in 2014) has a long political history in Amapá, another poor north-eastern state, but is barely known outside it. His party, the Democrats, supports the government. Rodrigo Maia, the new speaker of the lower house of congress, is also a member. Three Democrats are ministers. Mr Alcolumbre's elevation is thus a good omen for the conservative social policies and liberal economic reforms that Mr Bolsonaro says he wants to enact. These include cuts to the growth of Brazil's absurdly generous pensions.

But the senate rebellion is also a sign of the risks the government could face if it loses public support. Mr Alcolumbre belongs to the "lower clergy" of backbench congressmen, as did Mr Bolsonaro before he became president. They have gained influence as grandees like Mr Calheiros have been tainted by scandals. That makes them less inclined to take direction from leaders of their parties. "The rules of the game have changed," says Simone Tebet, a senator from the southern state of Mato Grosso do Sul. Although she belongs to the same party as Mr Calheiros, the Brazilian Democratic Movement, she voted against him.

Many members of the lower clergy are new to congress. Roughly half of legislators are serving their first terms. They tend to be more loyal to their Twitter followers than to their party leaders. Felipe Rigoni, Brazil's first blind congressman, says that he will support Mr Bolsonaro's plans to reform pensions even though fellow members of the opposition Brazilian Socialist Party are likely to oppose them. They "are more blind than I am", he says.

In the new congress, "public opinion will be the key driver of legislative dynamics in a way it wasn't before," says Chris Garman of Eurasia Group, a consultancy. For now that favours Mr Bolsonaro, who has an approval rating of nearly 70%.

That improves the odds that his two big policies, pension reform and a crackdown on crime and corruption, will get through congress.

Until now, Mr Bolsonaro has been reluctant to curb pension spending, even though it crowds out other public spending and slows economic growth. But on February 4th details of an ambitious proposal leaked to the press. Share prices surged.

Mr Bolsonaro is more gung-ho about the crime-fighting bit of his agenda, as are most Brazilians. On February 4th the justice minister, Sérgio Moro, presented his plans, which include tougher punishments for some criminals and milder ones for police who kill in the line of duty. That was well received. The hashtag #MoroinAction spread on Twitter.

But public acclaim is fickle. One threat to it comes from investigations of people who served on the staff of Mr Bolsonaro's son, Flávio, who was a state congressman in Rio de Janeiro and is now a senator. His driver and aide, Fabricio Queiroz, is under scrutiny for receiving 7m reais ($1.9m) in unexplained money transfers and for hiring the mother and wife of a fugitive former police officer accused of leading a criminal militia. He denies wrongdoing. If this scandal spreads, the government may yearn for the days when congressmen toed the party line.

This article appeared in the The Americas section of the print edition under the headline "Davi v Goliath"

Bello

The foundations of Venezuela's regime are cracking, not yet collapsing

Nicolás Maduro could survive in office despite the pressure being heaped upon him

Print edition | The Americas Feb 9th 2019

IT IS A fortnight since Juan Guaidó, the young speaker of the national assembly, proclaimed himself Venezuela's caretaker president, triggering a co-ordinated push to topple the dictatorship of Nicolás Maduro. Hundreds of thousands of Venezuelans have demonstrated for that. More than three dozen countries, mainly in the Americas and Europe, have recognised Mr Guaidó's putative government on the grounds that Mr Maduro's second term, which began last month, is the product of a fraudulent election. The United States has imposed sanctions on Venezuela's oil industry.

The hope is that all this will persuade the armed forces to withdraw their support from Mr Maduro. Some officers, including two air-force generals, have backed Mr Guaidó. But so far the high command has stayed loyal. Mr Maduro is defiant. "The coup d'état they wanted has failed and they haven't noticed," he said on February 2nd. The longer this stand-off lasts, the greater the risks. One is that a frustrated American administration turns to military force, something that Donald Trump this month said remains "an option". The other is that Mr Maduro survives in office, but rules a wasteland.

The strategy of Mr Guaidó and the Trump administration is broadly backed by the Lima group of Latin American countries and Canada, and by much of the European Union. It combines a carrot, a stick and a conjuring trick, all aimed at persuading Venezuela's army to flip. The carrot is an amnesty, approved by the national assembly, for military and civilian personnel who act "in favour of the restitution of democracy".

The stick is American sanctions aimed at asphyxiating Mr Maduro's regime economically. The United States was almost the only cash payer for Venezuelan oil. The administration has set April 28th as a deadline for Americans to cease dealings with Venezuela's state oil monopoly. Until then, it will divert payments for oil to an account reserved for a future democratic government. The sanctions are biting: several dozen oil tankers are idling off Maracaibo, Venezuela's oil capital, reports the *Wall Street Journal*.

The conjuring trick is to act as if Mr Guaidó were running the country. The Trump administration largely ignored Mr Maduro's rupture of diplomatic relations. It is now organising humanitarian aid for Venezuela's impoverished population. The Americans are delivering food to a collection point at Cúcuta, a Colombian city close to the Venezuelan border. Mr Maduro rejects this, saying "we are not beggars." Marco Rubio, a Republican senator who influences Mr Trump's policy, hopes this will force the army to choose "to either help food and medicine reach people, or help Maduro instead". The army has reportedly blocked the first shipments.

What happens if Mr Maduro doesn't fold? He still has support: from Cuba, Russia and Turkey, as well as from the military commanders. Some in Venezuela still believe in his tropical socialism. Others stay loyal out of fear, or because they have enriched themselves through corruption. His opponents have long underestimated his regime's determination to cling to power. Some outsiders worry that there is too much stick and not enough carrot: by ending military co-operation with Venezuela, Lima group members have closed a channel of communication with the high command. (Brazil's army has not followed its government in this.) The sanctions will hasten the economy's collapse, prompting more Venezuelans to emigrate.

Mr Maduro's opponents have no credible Plan B. "There's an idea that you hear a lot in Washington that it's now or never," says Michael Shifter of the Inter-American Dialogue, a think-tank. "My concern is whether they've boxed themselves in." Almost nobody in Latin America wants military action. The risk of it prompted the EU to set up a "contact group" to facilitate "a peaceful and democratic solution". Many well-meaning outsiders call for a compromise, in which Mr Maduro's government plays a role in achieving a free presidential election. That is a wonderful illusion. Mr Maduro was offered such a deal last year and rejected it. The national assembly rejects "any talks or contact group that prolong the suffering of the people".

Venezuela has the makings of a broader international crisis. Subjected to such sustained financial pressure, Mr Maduro could buckle any day. But he might not. For now, the Venezuelan people's plight recalls a one-line short story by Augusto Monterroso, a Guatemalan writer: "When he woke up, the dinosaur was still there."

This article appeared in the The Americas section of the print edition under the headline "The dinosaur is still there"

Indian politics
The can-do Gandhis

The can-do Gandhis

Congress, India's oldest political party, gains a new lease on life

It is giving the BJP a run for its money

Print edition | Asia Feb 9th 2019

ARUN SHOURIE, a former cabinet minister and acid-tongued pundit, once dismissed India's ruling Bharatiya Janata Party (BJP) as "Congress plus a cow". By equating prime minister Narendra Modi's Hindu nationalists with their secular rivals, he was implying that, since both of India's biggest parties share such traits as cronyism and paternalist economics, all that really distinguishes the BJP is its displays of piety, such as reverence for cows.

So it may have come as some surprise to three Muslim residents of Kharkali, a tiny hamlet in the state of Madhya Pradesh in central India, when a court on February 4th threw them in jail on suspicion of slaughtering a cow. The surprise was not just that the police had invoked the draconian National Security Act, which allows a year's detention without charge. It was that while BJP-run states are best known for enforcing "cow protection" laws, Madhya Pradesh is no longer run by the BJP. Two months ago its voters brought the ostensibly more liberal Congress back to power. Yet whereas the BJP had campaigned with a promise to create a ministry for bovine affairs, Congress has gone further. One of its first acts was to announce a $63m programme to build some 1,000 cow shelters across all 52 districts of the state. "They talked the talk but we walk the walk," says Jyotiraditya Scindia, an MP from the state who is also the party's chief whip.

Orange is the new green

Cows are not the only issue over which Congress has strayed from the path set by its best-known leaders, Mahatma Gandhi and Jawaharlal Nehru. With national elections looming in April, the party is pandering to pious Hindus, who have not exactly been short of pandering since Mr Modi took power in 2014. Stung for years by the BJP's charge that it has "appeased" Muslim voters, doling out favours to the 14% minority to secure their vote, Congress fields fewer Muslim candidates. The minority fill fewer places in its internal counsels, too. Meanwhile, on controversies that electrify conservative Hindus—such as plans to erect a temple to the god Ram on the site of a mosque demolished by Hindu fanatics in 1992, or a recent court ruling that ended a ban on women worshippers at a Hindu temple in Kerala state—Congress has remained conspicuously mum.

This shift has accelerated since Rahul Gandhi, Nehru's great-grandson, replaced his mother, Sonia Gandhi, as Congress's leader in late 2017. Although the 48-year-old Mr Gandhi's sudden penchant for being photographed visiting Hindu temples has been the butt of jokes, the overall strategy seems to be working. Five years ago Mr Modi humiliated Congress, stripping its share in the Lok Sabha, the lower house, to a dismal 44 of 545 seats—its worst-ever showing. In state elections the BJP made further inroads, whittling Congress's share of state governments to just three out of India's 36 states and territories. Some pundits opined that Mr Modi just might fulfil his boast of making India "Congress free".

But the 133-year-old party has bounced back smartly in recent months. In December, to the surprise of its own cadres, Congress won control of three large states in the Hindi-speaking heartland that has long been seen as a BJP stronghold. This show of resilience, combined with growing signs of disenchantment with Mr Modi, has tipped the party's fortunes markedly. In the press and on social media, where the BJP had until recently maintained a dominant voice, Mr Gandhi is far less often portrayed as an immature crown prince. Mr Modi, despite remaining a masterly showman and wielding an intimidating party machine, is no longer above criticism.

Although polls in India are notoriously unreliable, the trend over the past year is clear. The number of seats the BJP is projected to win in the Lok Sabha has shrunk by around a third. It seems unlikely to retain its current outright majority. Congress is predicted to triple its share. This would still leave it with fewer than 200 seats, a smaller tally than the BJP. But Congress has a long history of corralling smaller regional parties into broad coalitions. "Who would want to ally with Modi?" asks Mr Scindia. "Congress has much more the characteristics of a party around which divergent allies can unite."

As for whom voters would rather see as prime minister, polls over the past two years show Mr Modi's lead over Mr Gandhi slipping steadily, from a walloping 43 percentage points to just 12. Since the most recent poll Mr Gandhi has received another boost, with the enlistment of his sister Priyanka as a campaign manager in Uttar Pradesh, the most populous and politically important state (the siblings are pictured on the previous page, during the election of 2014). Although it is unclear whether Ms Gandhi will shift many votes, her star status will certainly grab attention from Mr Modi, who has grown used to unstinting and adulatory press coverage.

But it is not just the Gandhis' glamour or Congress's new, cow-friendly look that has improved its prospects. Despite a reputation for taking frequent holidays, Mr Gandhi has proved an energetic manager. Crucially, too, he has delegated wisely, and refrained from micro-managing at the local level. "The most interesting new dynamic in Congress is that they show more deference to state leaders," says Milan Vaishnav of Carnegie, a think-tank, noting that the trend marks a contrast to the increasing centralisation of power in the BJP under Mr Modi.

Mr Gandhi timed a bold campaign promise to provide all Indians with a minimum guaranteed income just days before the government released its budget on February 1st. This made the varied sops it contained to farmers, taxpayers and others look puny by comparison. Disgruntled officials made matters worse by claiming that the government was suppressing dire unemployment data. Few Indians believe the promises of either Mr Gandhi or Mr Modi, and as the campaign escalates, they will believe even less. But whereas the prime minister cannot truthfully be said to have brought India the *achche din* or good times that he promised voters in 2014, his upstart rival does not yet have a record of broken vows to disappoint them with.

This article appeared in the Asia section of the print edition under the headline "The can-do Gandhis"

Blessed are the peacemakers

South Korea's conscientious objectors escape military conscription

But they may have to become prison guards

Print edition | Asia Feb 9th 2019


REX/Shutterstock

LIM JAE-SUNG is a mild-mannered lawyer in his thirties with a fondness for monogrammed shirts and human-rights cases. Owing to South Korea's strict military-service laws, he is also a convicted criminal with a prison record. Mr Lim refused to serve in the army after becoming involved with the anti-war movement sparked by the dispatch of South Korean troops to Iraq in 2003. When a court sentenced him to a year and a half in jail, his parents kept it secret from their friends to avoid bringing shame on the family. He told his grandparents that he was going to spend some time in China. "It would have been too difficult to explain," he says.

To future generations of South Korean men, Mr Lim's story may come to sound like a quaint tale from the ancient past. In November the country's Supreme Court ruled that it was not a crime to refuse military service for reasons of religion or conscience, voiding its own near-unanimous ruling from 2004, which had found just the opposite. Prosecuting people for conscientious objection and sending them to prison, the judges said this time, violated basic rights and went against the spirit of "liberal democracy, tolerance and magnanimity". Courts across the country, which had already become increasingly reluctant to convict conscientious objectors, have since thrown out pending cases en masse.

The Supreme Court ruling overturned the conviction of a conscientious objector who was a Jehovah's Witness—a member of a pacifist religious group. But many South Koreans question military service. All men (women are exempt) are required to enlist. They must serve between 21 and 24 months before they turn 29, although the current government has moved to shorten the duration of service.

Conscripts are forced to live in barracks far from home, with unpredictable leave and little contact with the outside world. Earlier this year the use of mobile phones was legalised—but only after 6pm. Hazing and other abuses are rife. "I worried that the violent atmosphere would turn me into a violent person, someone who is happy to beat other people," says Lee Yong-suk, a conscientious objector who now runs a pacifist NGO. Before the verdict, the United Nations Human Rights Council had repeatedly called on South Korea to offer a "reasonable" alternative to military service.

Such demands are not yet widely accepted in South Korea. Four of the 13 Supreme Court judges hearing the case voted against decriminalising conscientious objection. They cited the "severe security situation" and argued that it was impossible to tell if objectors were sincere or merely shirking. It is not only conservative types who see military service as a patriotic duty in a country which is technically still at war with North Korea, its nuclear-armed totalitarian neighbour. Many fear that lots of conscripts would give the armed forces a miss if there were any alternative.

At the moment, only a few dozen men defy the draft each year, most of them Jehovah's Witnesses. Two-thirds of Koreans say they do not understand why anybody would refuse to serve in the army, which is still widely regarded as a rite of passage for young men. And even though conscientious objection is no longer illegal, it will still be up to the courts to assess the sincerity of any professed pacifist. That leaves judges plenty of leeway to compel conscripts to serve. Some prosecutors have cited a fondness for shoot-em-up video games as evidence that an objector's principles were feigned. Moreover, the alternative to military service that the defence ministry has cooked up is to spend three years working as a prison guard.

Still, the verdict will help make conscientious objection more acceptable. Activists hope that it may also make life less miserable for those who continue to join the army. "If people have a choice, the army will have to work harder to make military service bearable," says Mr Lee. For now, his fellow pacifists will continue to face criticism. They may even still go to prison. But at least they will be guarding the cells, not occupying one. And it should be easier to tell their grandparents about it.

This article appeared in the Asia section of the print edition under the headline "Blessed are the peacemakers"

The princess and the PM

A royal rumour upends Thai politics

Could the king's older sister become a candidate for prime minister?

Print edition | Asia Feb 9th 2019

IS THAI POLITICS about to turn upside down? For almost 20 years an endless political battle has pitted royalist elites, known as "yellow shirts", against partisans of a populist former prime minister, Thaksin Shinawatra, known as "red shirts". Parties linked to Mr Thaksin have won every election since 2001; the army has twice ousted Thaksinite governments in coups, most recently in 2014. Although the ruling junta is theoretically restoring democracy via an election on March 24th, the process was looking stage-managed to preserve the generals' sway and keep Mr Thaksin at bay. But the royal family is contemplating a move that could upend the generals' schemes and rehabilitate Mr Thaksin.

As *The Economist* went to press, each Thai political party was finalising a list of up to three choices for prime minister that it must register by law by February 8th. Thai Raksa Chart, a party founded by allies of Mr Thaksin in case his main vehicle, the Pheu Thai party, were to be dissolved by the junta, was preparing to nominate Princess Ubolratana, the older sister of King Vajiralongkorn, pending approval from all concerned. The princess is a friend of Mr Thaksin, but also on good terms with her brother. Her move into politics may be smoother because she was stripped of royal title when she married an American (horrors!) in the 1970s (she has since divorced him and returned to live in Thailand). Were she to allow herself to be nominated, she would be in a strong position to attract support from both the ardently royalist yellow shirts and Mr Thaksin's red shirts.

Although her role remains uncertain, the generals are left in limbo. Prayuth Chan-ocha, the junta leader and prime minister since 2014, was clearly manoeuvring to stay on in the top job after the election. He has been holding election rallies in all but name for months. In theory these "mobile cabinet meetings" serve to explain his government's policies to the public. In practice, he has been parading through stadiums before cheering crowds. On January 30th Palang Pracharat, a party founded last year by ministers in Mr Prayuth's government to carry the torch for it in the election revealed its candidates for prime minister. Unsurprisingly, Mr Prayuth's name appeared, alongside those of the deputy prime minister, Somkid Jatusripitak, and the party's leader and a former industry minister, Uttama Savanayana. Mr Prayuth is not running for parliament, but under the constitution whose adoption he oversaw, the prime minister does not have to be an MP—the same loophole the princess could make use of.

Being nominated by a political party is not the only way to become prime minister, but it makes it much easier. The job will be filled by a joint sitting of the 250-seat Senate and the 500-seat House of Representatives. In the first round of voting, which is limited to the parties' pre-election nominees, a simple majority is enough to win the job. Candidates who have not been nominated can also enter the fray, but only in a second round of voting if no nominated candidate has triumphed—and they need two-thirds of votes. “That will be very difficult,” reckons Prajak Kongkirati of Thammasat University.

Although Thaksinites seem likely to win a good share of the House, the entire Senate will be appointed by the junta. Mr Prayuth would therefore need to secure the support of just 126 elected representatives to remain in office. But Mr Prayuth, who has not stated clearly that he wants to stay on, would presumably not stand against a royal candidate. Indeed, one of the supposed reasons for his coup, beyond ending the strife between the red shirts and yellow shirts, was to protect the monarchy.

Even if the princess demurs at the last moment, her flirtation with running changes Thai politics. It suggests the king, an aloof but meddling figure, is seeking a resolution to the standoff, rather than implicitly endorsing the suppression of the red shirts. That, in turn, makes Mr Prayuth look less secure. An election that seemed destined to conform to a predictable script has become much more intriguing.

This article appeared in the Asia section of the print edition under the headline ”The princess and the PM”

Shaving grace

Pakistan's rugged north-west sees an outbreak of pogonophilia

Young Pakistani men are saying it with facial hair. What they mean is a mystery

Print edition | Asia Feb 9th 2019

HOVERING ABOVE a plush barber's chair in his small hair salon in Peshawar, a city in northern Pakistan, Muhammad Ijaz strokes a beard so intricately designed it verges on the preposterous. Hair swoops across his cheeks. A chinstrap of clean-shaven skin surrounds a thin goatee. "It's never been done before," boasts the 24-year-old with a smile.

Such so-called "French" beards (a term that might surprise Parisians) are sprouting all over the urban centres of Khyber Pakhtunkhwa, a mountainous border region, only recently emerged from almost a decade on the front line of Pakistan's Taliban insurgency. Between 60% and 95% of customers now come in for fancy designs, according to a straw poll of the barbers in Khyber supermarket, a popular shopping destination. One barber draws his fingers across his face, illustrating the "L", the "J" and other in-vogue patterns.

Why the coiffed exuberance? A barber's customers offer a variety of explanations. Eyeing your correspondent in the mirror, one suggests that the young men of Pakistan's Pushtun minority are mimicking Naqeebullah Mehsud, an aspiring model, whose murder by the police last year turned him into a martyr against state oppression. Another says he simply admires the West (for "its peace and greenery", especially). As internet access spreads through Pakistan's deprived, Pushtun-dominated north-west, young people now connect more to global trends: they pirate "Game of Thrones", "Vikings" and other razor-shy shows in huge numbers.

Today's styles, though, are not entirely new. Beards "have always been a part of Pushtun culture" notes Swat Swag, a popular storyteller, on Twitter. These liberal designs represent a "return to pre-Afghan-jihad, pre-madrassa-influence", ie, to the 1960s. So it is not surprising that imams disapprove. In late 2017 Islamist groups threatened to shut down barbers offering "un-Islamic" designs. Fundamentalists believe Muslims should wear a beard in the style of Muhammad, the longer, the better. Officials in the district of Swabi and the village of Shabqadar have followed up with legally tenuous edicts. In March the Sulemani Hairdressers' Association ordered all its followers, who it claims number 100,000, to eschew cheeky designs. "Now the government must make it a law," says Gohar Ali, the association's leader.

It shows no sign of doing so. Compliance is patchier than with previous "beard bans". Another union has refused to play along. In Beauty Saloon barbers, Imtiaz Khan says he agrees with the ban. "Fashion is a sin," he explains. But following the order has cost him half his business, he admits, as his scissors snip around the face of a fashionable friend to whom he has—grudgingly—granted an exemption.

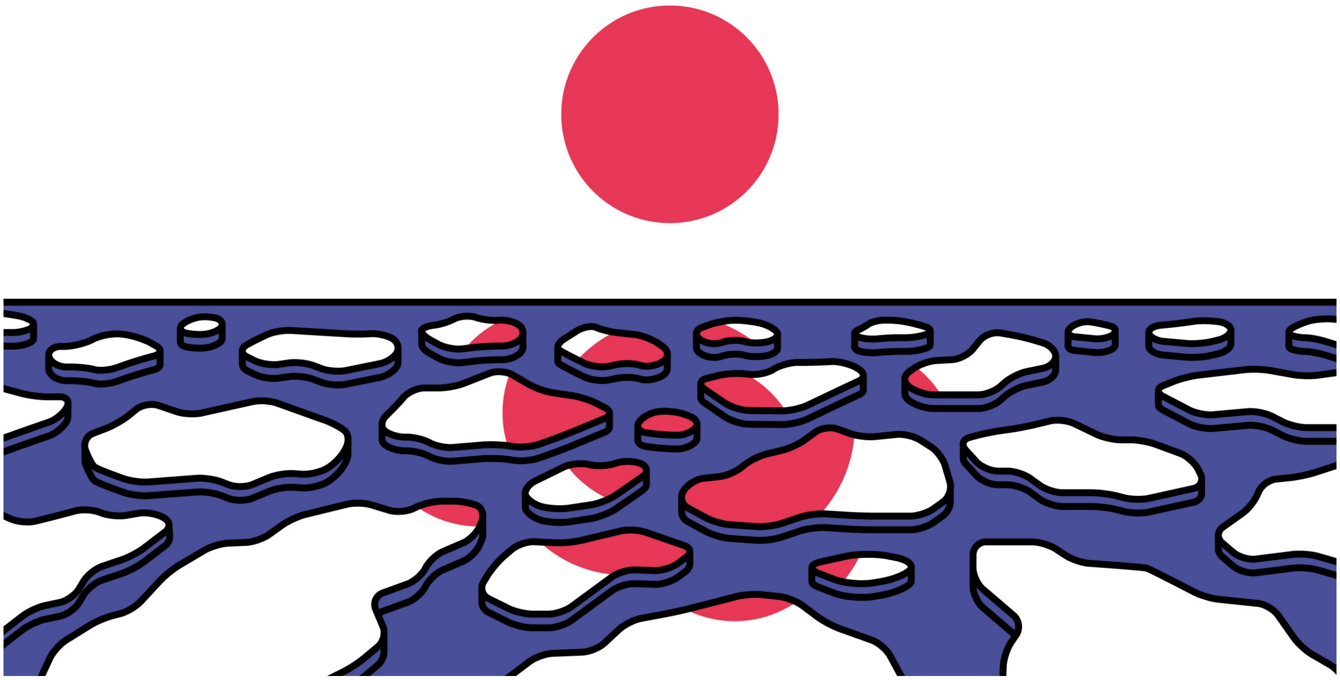
This article appeared in the Asia section of the print edition under the headline "Shaving grace"

Banyan

Why Japan's prime minister pines for four desolate islands

Shinzo Abe has staked his legacy on regaining the Northern Territories

Print edition | Asia Feb 7th 2019

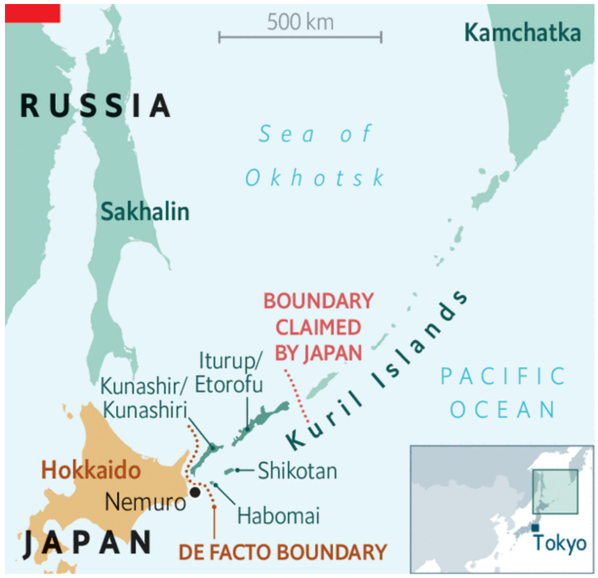


As always in early February, ice floes are starting to clog the strait between Nemuro, a fishing port in northern Japan, and Kunashiri, a volcanic island hanging on the horizon. And as always on February 7th, Nemuro's residents clogged a local cultural centre to mark "Northern Territories Day", when they pine publicly for Kunashiri and three other nearby islands—the Northern Territories—sundered from Japan in the final days of the second world war.

In 1945, two days after America bombed Hiroshima, Joseph Stalin declared war on Japan and Soviet troops attacked Japanese-held territory. They grabbed the southern Kuril islands, even though Russia had acknowledged them as Japanese since 1855. For two years the islanders lived alongside the occupiers. A touching photograph in an exhibition in Nemuro shows Russians and Japanese enjoying a game of go. Japanese women helped deliver Russian babies. Then, suddenly, the fraternising was over. By 1949 all the islanders had been deported.

Today about 6,000 surviving islanders, many in Nemuro, dream of their *furusato*, their home turf. One of them, sluicing the floors at the fish-auction house, recalls with impish laughter how she left, aged four: "hoisted aboard in a fish box packed with other children and their parents". She left behind a territorial dispute that drags on today. The agreement with the Soviet Union that re-established diplomatic relations in 1956 was supposed to entail the return of the two nearer (and smaller) islands, Habomai and Shikotan. But that part of the deal was never fulfilled, and no formal peace treaty has ever been signed. Technically, the second world war lingers on.

In some respects, the islands have seemed closer in recent years. Each summer Russia now allows a handful of trips across the Nemuro Strait for Japanese born on the Kurils, or whose ancestors lie buried there. The visits are changing attitudes, at least on the Japanese side. When Banyan first came to Nemuro a decade ago, former islanders and their supporters were adamant: the return of the islands would entail their evacuation by Russians. No offence. Which Russians really wanted to live in such isolation? And wouldn't Japanese resourcefulness quickly show up the long-wasted opportunities for development? The Russians have barely made a mark on the wild islands (to Banyan's mind, a big part of their allure).



The Economist

These days views have changed. Returning Japanese say they are moved when they meet Russians on the islands—it is their *furusato* too. Kozo Iwayama, who runs an information centre on the Northern Territories, says Japanese should live side-by-side with Russians if the islands are returned. Yet there is a whiff of desperation in such compromise. The chances of a deal seem to be ebbing, even as the number of Japanese born on the islands ineluctably shrinks. A decade ago Japanese nationalists would not have accepted the return of merely the two smaller islands. Now, even that would seem a triumph.

One Japanese in particular has made the islands' return his mission: Shinzo Abe, the prime minister. A nationalist, he wants to erase the scars of Japan's wartime past. Besides, his father and grandfather, as foreign minister and prime minister respectively, also passionately sought the Northern Territories' return. In Japanese politics, foreign policy is all too often a family heirloom.

It explains the charm offensive launched on Vladimir Putin. To melt the ice, two winters ago the strait-laced Mr Abe even took the Russian president for a naked dip in a hot spring in his home prefecture. Last month, in Moscow, the two men held their 25th meeting. Again Mr Abe came back empty-handed. He has tried everything, including dangling promises of Japanese investment in the Russian Far East and compromises involving "shared sovereignty".

No sooner was Mr Abe back in Tokyo than hopes began to rise for the 26th meeting, on the fringes of the G20 summit in Osaka in June. Yet Mr Putin's reputation at home rests on increasing Russian territory, not slicing bits off. He may have contemplated a deal when he was riding high following his annexation of Crimea in 2014—he might like the idea of being the leader who brings the Great Patriotic War to a proper close. But today a contentious pension reform, falling incomes and cuts to social services are eating away at his popularity. Ultra-nationalists stand ready to outflank him over the Kurils. As for Mr Abe, who stands down in 2021, he has asked to be judged by the Northern Territories. His legacy may founder among the ice floes.

This article appeared in the Asia section of the print edition under the headline "Frozen conflict"

Public diplomacy
Culture wars

Culture wars

The Communist Party capitalises on foreign interest in Chinese culture

But first it must fend off others who claim to be the true custodians

Print edition | China Feb 9th 2019


Alamy

LUO YUQUAN can barely hide his glee. The Chinese new year jamboree thrown by the China Cultural Centre (CCC) in Tokyo, which he heads, has gone swimmingly. Ethnic-Tibetan singers flown in from China enchanted the audience, many of whom danced along to the catchy tunes. Copious Tsingtao beer helped sustain the high spirits. An exhibition in an adjoining room featured paintings with Buddhist themes, also shipped in from China. "We are proud to show off 5,000 years of Chinese civilisation!" beams Mr Luo, "As more Japanese come to appreciate Chinese culture, they will naturally grow to love China."

Chinese officials often declare that China has a 5,000-year history. In truth, that is overstating things by about 1,000 years. Yet the myth serves a useful purpose for the Communist Party. At home, it is a source of national pride. Abroad, it justifies a sort of Chinese exceptionalism. Xi Jinping, the president, told the visiting Donald Trump, his American counterpart, that China's is the world's oldest continuous civilisation. China routinely invokes its awesome history as grounds to continue charting its own development path. Don't expect China to embrace Western ideas about democracy, the logic goes, for China has always been on its own unique course.

China's propagandists also know that Marxism-Leninism doesn't have the pulling power of kung fu or *kung pao* chicken. CCCs are intended to breed affection for China—the equivalent of Germany's Goethe Institutes and France's Alliances Françaises. There are 37 of them around the world, from Minsk to Mexico City. A further 13 are planned by the end of next year, up from a total of just 13 in 2012.

In 2015, the most recent year for which data are available, the culture ministry spent 360m yuan ($57m) on CCCs. That may not seem much, yet it represented a near-tripling of the amount spent the previous year. Moreover, the published figure reflects only central-government funding. Provincial governments also help pay for CCCs. One Chinese commentator believes that the government chose not to release spending figures for more recent years lest "foreigners grow anxious about perceived Chinese infiltration".

Mr Xi appears to be personally invested in the push to expand CCCs. In 2009 he inaugurated the one in Tokyo, for instance, when he was still vice-president. Since 2014 Mr Xi has presided over the opening of half a dozen of them.

China has long recognised that it suffers a "soft-power" deficit. Its international cultural influence has not grown as fast as its economy. In 2007 then-president Hu Jintao declared that getting other countries to like China was a national priority. The form of outreach Mr Hu favoured was Confucius Institutes, which are managed by the ministry of education. They offer mainly Chinese-language classes at "partner" academic institutions. More than 500 universities around the world host one.

Over the past decade, however, Confucius Institutes have arguably done as much harm as good to China's image. Western scholars and politicians have accused the institutes' instructors, who are typically dispatched by China's government, of compromising academic freedom. They allege that the institutes suppress discussion of sensitive topics such as Taiwanese independence and that they spread Communist Party propaganda. In 2014 the American Association of University Professors urged American universities with Confucius Institutes to shut them down.

Regardless of whether this fear is justified, Chinese officials are well aware of the "controversial reputation" of Confucius Institutes, notes Zhang Xiaoling of the University of Nottingham's branch in Ningbo. Because of this, Ms Zhang reckons, the task of public diplomacy will increasingly "be shared with CCCs".

Although CCCs share the same goal as Confucius Institutes, they aim to arouse less controversy. The library inside Tokyo's is revealing. The shelves are stacked with comic books and biographies of such luminaries as Shakespeare and da Vinci (in both Chinese and Japanese). Conspicuously absent are Xi Jinping's turgid works, such as "The Governance of China", a must-read for any party apparatchik. The activities the centre organises, much like the new year bash, are lighthearted. (All are free of charge.) Among the highlights this month are a movie screening of a Chinese comedy, a "Shaolin martial-arts" performance and a talk on traditional Chinese medicine. CCCs are not completely apolitical—they are just careful to be subtle when they have a point to make. Last summer, for example, Malta's hosted an exhibition featuring artists from Taiwan which the director billed as a display of "creativity in China".

The version of Chinese culture that CCCs present does not go unchallenged, however. Taiwan's government funds rival outfits called Taiwan Cultural Centres. There are some 15 of these around the world, including one in Toyko a stone's throw from the CCC. In a not-so-subtle dig, Wang Shu-fang, the director of Taiwan's centre in Tokyo, says the appeal of Taiwanese culture lies in its creativity—and "creativity can only thrive in a free society." Happily for Mr Luo, Ms Wang's centre is not as well-staffed as his. He can put on two to three events a week. She may only manage half that. Still, the mere existence of separate Taiwanese institutes is a reminder to foreign audiences that Taiwan does not want to be subsumed.

There is also Shen Yun, a dance troupe founded in 2006 by devotees of Falun Gong, a religious group that is banned in China. It puts on shows in more than 100 cities every year. By chance, Shen Yun was gyrating in Tokyo at the same time as Mr Luo was throwing his party. Awkwardly for the Communist Party, Shen Yun also claims to promote, through traditional dance, China's 5,000-year-old civilisation.

Indeed, Shen Yun casts itself as the true protector of Chinese culture and the party as its scourge. There is some truth to this. Under Mao Zedong, countless ancient paintings, books and statues were burned or smashed because they represented "old culture". Shen Yun's shows depict the persecution of Falun Gong. Annoyingly for the party, Shen Yun appears to be better known than CCCs in much of the world.

Asked about the competition between his CCC, Taiwan's cultural centre and Shen Yun, Mr Luo's disarming smile disappears. He affirms that "as long as what the other organisations are doing is legal", he will be content to mind his own business. To win the battle of hearts and minds, China will need more than culture and charm.

This article appeared in the China section of the print edition under the headline "Culture wars"

Mao's best friend

Once denounced as bourgeois vanity, pets are big business in China

Every year is the year of the dog

Print edition | China Feb 9th 2019

Reuters

WITH ITS overflowing ball pits, indoor swimming pools and elaborate obstacle course, the Maidao Play Centre offers a fun-packed day out, reviewers gush. "My girl just loves it here—she just leaps into the car when she realises where we're going and she can't wait to play with all her friends," says a woman in her early 30s.

While children would probably love Maidao, it is aimed at dogs. It is just one of hundreds of puppy-grooming parlours, animal hotels and doggy day-care centres that have sprung up across China to cash in on the booming pet industry. The market for food, toys, coats and other products for pets was worth 170bn yuan ($25bn) in 2018, up by more than a quarter from the previous year, reckons Goumin, a pet-services portal. This would make it bigger than China's tea industry. Goumin says China has 73.5m cat- or dog-owners, a group approaching the size of the 90m-strong Communist Party.

This is a big change for a country where a dog might once have been as likely to be eaten as fed a treat. Until recently few Chinese saw much sense in keeping animals that could not be put to work. Famine ravaged the country as recently as 1961. Moreover, during the Cultural Revolution of the 1960s and 1970s the bourgeois indulgence of keeping a pet would have attracted the attention of the dreaded Red Guards. Rabies fuelled official paranoia about dogs; until 1993, when Beijing lifted its ban on them, pooches were routinely rounded up and killed. Dogs over 35cm tall are still not allowed in most of the capital. They are said to be too dangerous and noisy.

Today's pet boom is being fuelled by a generation that barely remembers the privations of the past. City-dwelling young professionals born in the 1980s and 1990s account for 70% of spending on pets, according to Goumin. Theirs is a richer China, where the old emphasis on community has been replaced by a greater sense of individualism. Many of them are also lonelier than earlier generations, having been lured away from their families and friends by jobs in big cities.

"The air is bad outside and it's so easy to stay in and watch things on the internet," says Wang Xiaoyang, a café-owner in her 20s who moved to Beijing from her hometown in Inner Mongolia. She is one of more than 200m unmarried Chinese in their 20s or 30s. "I live alone, so it's nice to have little Liuyi waiting all happy to see me when I get home," she adds, as she flicks through photos of other cats on her iPhone.

Owners like to splurge on their pets. They spend an average of more than 5,000 yuan a year on pet paraphernalia, according to Goumin—more than the average college graduate in China earns in a month. Tiny, stuffed-toy-like Pomeranians and Japanese Shiba Inu are big sellers thanks to their popularity among stars of Chinese social media, says a pet-shop assistant in Beijing. A

Pomeranian puppy can fetch as much as 18,000 yuan, although those who risk buying one online might pay only 2,000. Corgis, French bulldogs and huskies are also in vogue.

Not all Chinese welcome pets on the streets. A recent video of a woman being pushed by a man after she kicked his dog away from her child sparked fury about pet owners' failure to restrain their animals. Since then the south-western city of Wenshan has imposed a ban on dog-walking from 7am to 10pm. Jinan, in the east, has introduced a points system for pet-owners. Those committing offences such as failing to register their dog or letting it off the lead in public lose points. If enough points are lost the pet can be confiscated.

Many Chinese see the proliferation of pets as a symptom of a bigger crisis. China is ageing rapidly. Although the one-child policy was replaced with a two-child rule in 2016, and has been further eased since, the birth rate is still falling. On Zhihu, an online forum, many ask why young people choose raising pets over their Confucian duty of raising children. "We must encourage the younger generation to think more about the prosperity of the motherland," argues one teacher. Drawing an analogy with pet-loving but stagnant Japan, they fear dog days are on their way.

This article appeared in the China section of the print edition under the headline "Mao's best friend"

Chaguan

Does China understand Taiwan?

Ostracism of pro-independence Taiwanese is dangerous and counterproductive

Print edition | China Feb 9th 2019

Hanna Barczyk

IF CHINA'S RULERS ever decide to invade Taiwan—a grim but not impossible prospect—they will need good answers to two questions. First, would the People's Liberation Army win? The consensus in Taipei is that the PLA is close to that goal but is not "100% sure" of victory. Second, would ordinary Taiwanese submit?

Chinese leaders have limited patience for Taiwanese opinion. Their offer to the democratic island of 23m is ostensibly generous. Under the slogan "One Country, Two Systems", Taiwan is promised lots of autonomy alongside access to China's vast market. This is backed by honeyed words about unifying a family sundered for 70 years, since China's civil war ended with the losing Nationalist Party, or Kuomintang (KMT) retreating to what they hoped would be temporary exile on Taiwan. Still, China is committed to using force to block any bid for formal independence.

Chinese optimists call time their ally, as Taiwan's population ages and its economy slows. Chaguan visited Taiwan recently. It is true that China's gleaming coastal cities make Taipei's 1980s skyscrapers look shabby. But time is China's foe too, says Freddy Lim, a heavy-metal rock star and legislator for Taiwan's pro-independence New Power Party. Mr Lim cites polls showing that youngsters increasingly identify as Taiwanese and consider China another country, albeit one where they like to do business.

Embrace the motherland, or else

Put bluntly, China's proposals sound creepy to many young, urban Taiwanese. In effect, they hear a demand to submit to marriage with a stern cousin, arranged decades ago: "I am rich now, let me cherish you—or I will kill you."

Taiwanese defiance may anger China's leaders. But they cannot safely ignore it. Any Chinese victory would need to be quick, with Taiwan's will to fight broken so swiftly that calls for an American rescue become moot. Taiwanese security experts are frank about what they fear: a psychological collapse among the public, for instance after initial waves of Chinese missiles wreck more than half the island's defences, or blow up oil and gas terminals to cut power supplies. Then there is the question of what happens the day after China wins. Politicians predict mass protests in Taiwanese cities. Would China send tanks to subdue its sullen new satrapy?

Alas, China has closed off avenues to answering such questions. Communist bosses growl that they will only engage with Taiwanese who agree that their island is part of China. That excludes President Tsai Ing-wen and her ruling Democratic Progressive Party (DPP). The DPP says that the island they govern is a country in its own right, though to avoid a crisis they fudge what they mean by that. In their desire to teach Taiwanese voters that DPP rule brings pain and isolation, China has sought to ostracise the party since Ms Tsai won election in 2016. Government-to-government contacts have been limited to such technical subjects as air-traffic control, food safety and some police co-operation, for instance when one side seeks the return of a fleeing murderer. Chinese pressure is blamed for sharp declines in tourism from the mainland and in short-term exchanges by mainland students, though about 3,500 Chinese students remain in Taiwan on degree courses. Even scholars close to the DPP have been blacklisted from travel to China, among them Tseng Chien-yuan of Chung Hua University. He adds that Chinese academics he has known for decades are now barred from formal contacts with him. “I worry about this situation, because if the Chinese government only hears what it wants to know, they can never understand Taiwan,” says Mr Tseng.

China does hear from conservative supporters of the KMT, which backs closer ties with China, although not unification. About 370,000 mainlanders married to Taiwanese live on the island. Those who vote lean KMT. Equally, at any moment there are a million Taiwanese in China, including 400,000 long-term residents. Tales abound of Chinese officials offering economic rewards to Taiwanese businessmen who endorse unification.

Wang Ting-yu, a DPP legislator who sits on the parliament’s foreign affairs and defence committees, says that China’s intelligence services gather information about Taiwan from “between 10,000 and 100,000” agents and informers. Fewer than 5,000 are professional spies, he estimates. Chinese informers might be Taiwanese gangsters on the hustle in southern China, or Taiwanese businessmen looking for favours. Mr Wang cautions that China may not learn much from its spies. (Taiwan’s spooks are underwhelming when he asks about China, he notes, either because they do not trust parliamentarians or because “they don’t know anything”.)

A big danger is that ignorance leads to impatience. There are over 140 students from both sides of the straits at the Graduate Institute for Taiwan Studies at the University of Xiamen, a handsome port city with close geographic and cultural links to Taiwan. Chen Xiancai, a professor at the institute, says many arrive knowing little about the other side. Mainland students point to China’s strength and ask: “Why haven’t we unified yet?” His Taiwanese students retort: “Why are you in such a hurry?” The institute’s scholars stand out for their professionalism, visiting Taiwan often to conduct fieldwork. The professor leads a DPP study centre opened within the institute in 2017. But he is cautious about describing its work, saying it is focused on building a database of academic papers. Still, he is sometimes berated by online nationalists, who complain that the DPP should be “exterminated”, not studied.

Sherry Yu, a Taiwanese student in Xiamen, comes from a family that votes for the KMT. She wants a career in China but still laments that Chinese classmates—reared on jingoistic schoolbooks and censored news—cannot comprehend why Taiwanese would vote for the DPP or resist unification, insisting that they must simply want to humiliate China. Ms Yu thinks that Taiwanese just want to preserve their freedoms. When politics comes up, she often starts with “we”, then sadly finds herself using “you” and “me”.

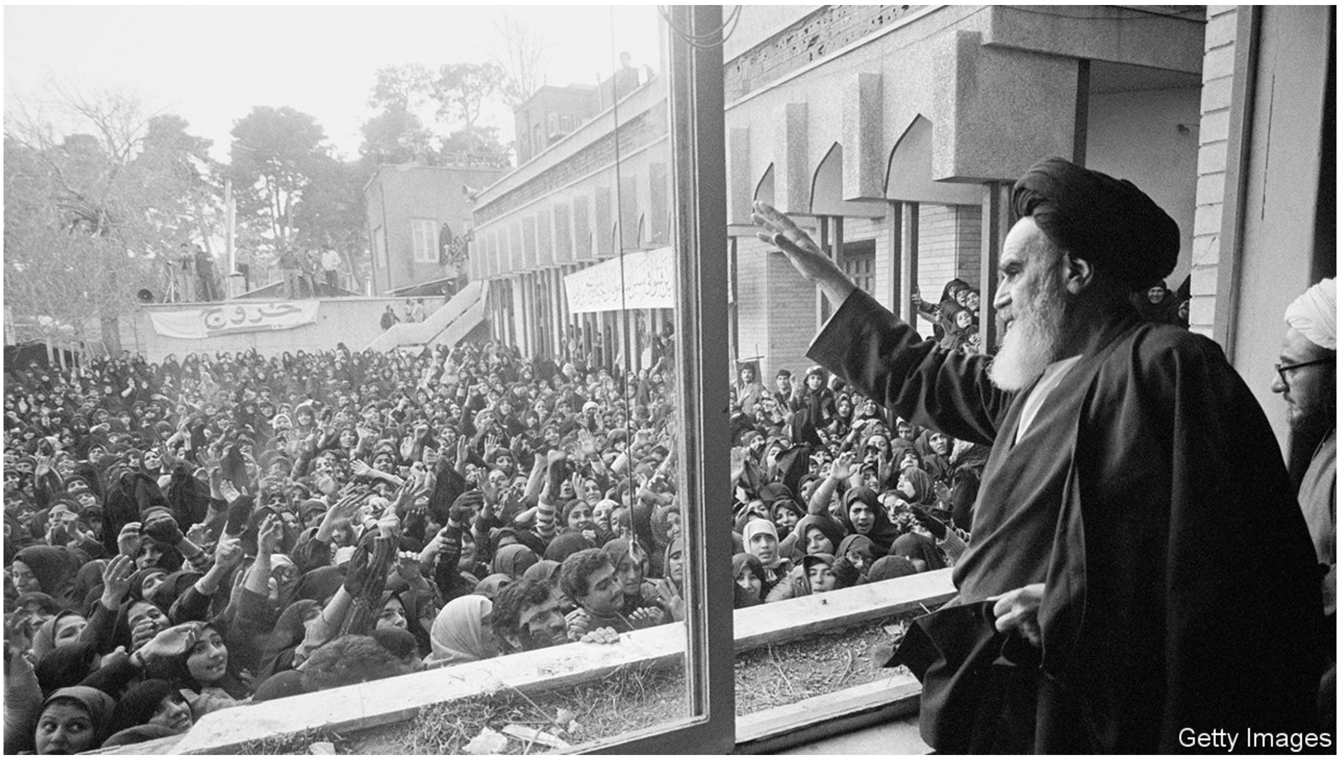
The Iranian revolution (1)
The shadow of 1979

The shadow of 1979

Four decades after its revolution, Iran is still stuck in the past

The mullahs have brought mostly misery to a country that could be doing far better

Print edition | Middle East and Africa Feb 9th 2019


Getty Images

FOR A FEW tense moments it seemed as if the flight carrying Ayatollah Khomeini back to Iran would not make it. Two weeks had passed since the shah, Mohammad Reza Pahlavi, had left the country amid enormous protests against his autocratic rule. Khomeini's aides were eager for the ayatollah to return from exile in Paris and fill the power vacuum. But the government left behind by the shah warned them to stay away. As their plane approached Iranian airspace, the air force threatened to shoot it down. Some on board cheered the chance for martyrdom. The Western journalists in tow were more subdued.

The plane eventually landed in Tehran and, after a brief argument between his followers over who would assist him, Khomeini walked slowly down the stairs to the tarmac, helped by an Air France steward (a compromise). He was greeted in the capital by what some believe to be the largest crowd in history. The date was February 1st 1979. Ten violent days later, the shah's government resigned and the army gave way to the revolutionaries.

Forty years on, Iran is nominally democratic, but unelected mullahs still wield the real power. They have defied expectations by remaining in charge for so long. University enrolment has increased, services for the poor have improved and the economy is more diversified. But in most other ways Iran is worse off. In the months after the revolution, Khomeini and his hardline followers, nicknamed "the beards", made decisions that set the country on a terrible path. Iran today is less pious than the mullahs would like, less prosperous than it should be and less engaged with the world than most countries.

Khomeini made his first big decision long before coming to power. "The government must be directed and organised according to the divine law, and this is only possible with the supervision of the clergy," he wrote—nearly four decades earlier. As the shah teetered, he obscured his aim of *velayat-e faqih* (guardianship of the Islamic jurist). The leftists and liberals who supported the revolution misjudged him. Some imagined that Khomeini would retreat to the holy city of Qom and leave others to govern.

Khomeini did go to Qom, but he did not give up power. From the start, he undermined his handpicked prime minister, the relatively moderate Mehdi Bazargan. When the oil minister refused to purge non-Islamic workers, Khomeini branded him a traitor. The ayatollah mandated the veil for women and banned broadcast music, which he compared to opium. Secular groups were ignored and critics persecuted. In the early years after the revolution, thousands of people were executed, including prostitutes, homosexuals, adulterers and the shah's officials. The state needed purifying, said Khomeini. Iran remains a world leader in executions.

Some clerics worried that politics would tarnish the religious establishment. Among the critics was Grand Ayatollah Muhammad Kazem Shariatmadari, who gave Khomeini the title of ayatollah in 1963, in part to stop the shah from executing him. Shariatmadari denounced the extremes of the new order and rejected *velayat-e faqih*.

He was placed under house arrest, but his fears were quickly borne out. Khomeini twisted Islam to justify the regime's actions. Brazenly, he said that officials could override the Koran if it was somehow found to be in the interest of Islam. In choosing a successor, Khomeini even abandoned a tenet of *velayat-e faqih*, which held that "the most learned cleric" should lead. When his first choice, Ayatollah Hossein Ali Montazeri, called for more freedoms, he picked Ali Khamenei, a loyal former president, but not a senior cleric.

Pro-regime clerics, in the minds of many Iranians, became associated with an oppressive and out-of-touch state. Mr Khamenei has made things worse. When his favoured candidate for president, Mahmoud Ahmadinejad, a hardliner, won a fishy election in June 2009, swarms of people protested. The regime clamped down, accusing the moderate leaders of the opposition, known as the Green Movement, not only of sedition, but of being *mohaareb*—people who fight with God.

Bye-yatollah

The public long ago lost its revolutionary zeal. More than 150,000 educated Iranians are thought to leave the country each year, among the world's highest rates of brain drain. Younger Iranians attend mosque less frequently than their parents did. "People laugh at all the nonsense the mullahs are telling them," says Darioush Bayandor, a former Iranian diplomat.

Yet the regime acts as if the revolution were only yesterday. The judiciary recently banned walking dogs in public (Islam deems dogs impure). This month Mr Khamenei scolded women who remove their hijabs. "That captures the essence of Islamist rule in Iran: Dogmatic septuagenarian clerics forcing their own antiquated views on a young, diverse society," writes Karim Sadjadpour of the Carnegie Endowment for International Peace, a think-tank. "It can only be sustained through coercion."

The clerics' main tool of oppression is the Islamic Revolutionary Guard Corps (IRGC). Khomeini did not trust the shah's army, so he gathered the armed groups that supported the revolution into a single force, the IRGC. In 1980 he sent it to fight the invading army of Saddam Hussein, Iraq's then-dictator, calling the war a "divine cause". Hundreds of thousands of Iranians probably died in the eight-year conflict.

The war changed the IRGC, which now commands more than 100,000 troops and oversees the *baseej*, a thuggish militia of perhaps one million volunteer vigilantes. Its secretive Quds force operates in Syria, Yemen, Iraq and Lebanon. At home, the Guards have extended their reach into all aspects of society. Former members hold top jobs in government and seats in parliament. The Guards ensure that television and radio shows support the state, and that schools teach students to be loyal to the regime—which, in turn, protects the Guards' vast commercial interests.

Iran's government had little to offer the soldiers who returned from the Iran-Iraq war, so it put the IRGC to work rebuilding the country. Ever since, it has hogged government contracts, often without bidding. Today it controls, directly and indirectly, a business empire worth billions of dollars. It is building a subway line in Tehran, extracts oil and gas, and runs laser eye-surgery clinics. While American sanctions sting their competitors, firms tied to the Guards are able to smuggle goods and avoid taxes. Mr Khamenei himself controls Setad, an opaque conglomerate with interests in almost all economic sectors.

In the face of sanctions, the state has developed a "resistance economy", which is diverse and self-sufficient in some areas, but hardly efficient. Iran today ranks near the bottom of the World Bank's Ease of Doing Business Index and Transparency International's Corruption Perceptions Index. All that helps explain why it has performed so poorly. In 1977 GDP per person in Iran was slightly higher than in Turkey, another large Islamic country; today Iranians are less than half as wealthy as Turks. But the ruling elite still do well. "None of these clerics would have dared acquire such vast wealth under Khomeini," says Shaul Bakhash of George Mason University. "He would be appalled."

In January last year thousands of Iranians took to the streets to protest against corruption, repression and rising living costs. The initial anger was directed at Hassan Rouhani, the reformist president. But people quickly turned their ire to the ruling clerics and the IRGC, too. "People are paupers while the mullahs live like gods," chanted the protesters, and "Death to the Revolutionary Guards." The regime, as is its wont, arrested hundreds and blamed America for the unrest.

Hatred for the "great Satan", Khomeini's nickname for America, was a central tenet of the revolution. It was America, after all, that installed Pahlavi after helping topple the democratically elected government of Muhammad Mosaddegh, a nationalist prime minister, in 1953. By 1979 Iranians of all stripes had turned against the shah's misrule. Many worried that their society was under assault by Western culture.

Hostage to the past

America's view of Iran was poisoned nine months after the revolution. When Jimmy Carter allowed the shah to come to America for cancer treatment, it caused outrage in Iran. On November 4th 1979 student activists scaled the walls of the American embassy in Tehran, seizing most of the staff. The hostages remained in captivity for 444 days. Eight American soldiers died in an aborted rescue effort in 1980. Khomeini used the seizure to whip up support.

The mutual enmity has hardly dissipated. America supported Iraq in its war with Iran. The IRGC has sponsored terrorist attacks on Americans. In 2002 George W. Bush said Iran was part of an "axis of evil". But his invasion of Iraq a year later, and the tumult since the Arab spring revolts of 2011, allowed Iran to extend its influence (see article). Growing evidence that Iran was pursuing a nuclear-weapons programme provoked successive rounds of sanctions.

A new era seemed possible when Barack Obama offered to “extend a hand” if Iran would “unclench [its] fist”. Mr Rouhani agreed to a deal in 2015 whereby Iran curbed its nuclear programme in return for sanctions relief. Both leaders hoped that better relations would follow. But the deal did not produce prosperity, as Mr Rouhani had promised Iranians, and Iran continued to test missiles and meddle abroad.

Last year President Donald Trump yanked America out of the deal. He is surrounded by Iran hawks, such as John Bolton, his national security adviser, who has previously advocated bombing Iran or overthrowing the mullahs.

For all his bluster, Mr Trump has offered to talk to Mr Rouhani, who declined the invitation, blaming renewed sanctions for Iranian suffering. Such entreaties, nevertheless, make the clerics and IRGC nervous. American hostility gives the regime a raison d’être; isolation means less competition for its businesses.

Daily protests continue in Iran, as the economy sinks. “America is not the enemy, the enemy is right here,” say some in the crowds. Hatred for the shah united Iranians behind Khomeini. Today, though, the opposition is disparate and leaderless. Iranians look around their region and see only failed uprisings. The revolution of 1979 has brought mostly misery, but another one is probably not in the offing.

This article appeared in the Middle East and Africa section of the print edition under the headline ”The shadow of 1979”

Pushing on an open door

Iran was not predestined to become a regional hegemon

Its rivals helped it

Print edition | Middle East and Africa Feb 9th 2019

AFP

FLUSH WITH victory at home in 1980, Iran's new rulers turned their attention abroad. "I hope that [Iran] will become a model for all the meek and Muslim nations in the world," Ayatollah Khomeini said. His wish did not come true. No other state has adopted the concept of *velayat-e faqih*, or Shia clerical rule. Ali al-Sistani, the Iranian-born spiritual leader of Iraq's Shias, wants clerics to stay out of politics. When Bahrain's long-suffering Shia majority revolted in 2011 they demanded a democratic parliament, not a theocracy. Iran is broadly unpopular in the Arab world. A recent poll found that 66% of Arabs see it as a threat, below only Israel and America.

Though it failed to become a model, the revolution nonetheless had a lasting impact on the region. It terrified Saudi Arabia, mobilised millions of dispossessed Shias and shaped the rhetoric of Sunni Islamists in far-off places like Egypt and Tunisia. The greatest threat to Israel is no longer conventional armies on its borders but Hizbullah, an Iranian-backed paramilitary group in Lebanon. Iran did not gain such influence through the allure of its ideas, though. It owes its success to circumstance: wars, terrorism and the utter failure of autocratic regimes in Arab states.

Saudi rulers describe 1979 as an inflection point. "We, in this country, did not witness terrorism or extremism until the Khomeini revolution emerged in 1979," King Salman said in 2017. This is revisionist history. His country was never a tolerant one. The king's father established the modern state as an alliance between royals and puritanical clerics. It also elides the other seminal event of 1979, when pious rebels seized the grand mosque in Mecca. Saudi officials blamed Iran, but the culprits were home-grown, led by a former Saudi soldier angry about the state's supposed drift from Islam. (He may have been inspired by the Iranian revolution.) Worried that such criticism might resonate, the Al Sauds allowed clerics to dictate ever more conservative policies. Images of women were stricken from public places; cinemas were closed.

The Economist

The Iranian revolution was a different challenge. Saudi kings fancy themselves guardians of Islam, the "custodians of the two holy places", the shrines in Mecca and Medina. As Iran sought to export its vision of Islam, Saudi royals urged their clerics to follow suit. The kingdom started spending tens of billions of dollars to fund mosques, train imams and distribute religious texts in the Middle East, Asia and Europe. No official figures exist but estimates range as high as $100bn over four decades. The kingdom maintains an almost comical obsession with Iran's activities. One leaked diplomatic cable from 2010 fretted about "Iranian influence" in the Philippines, a Catholic country 7,000km away that is hardly ripe for a Shia revolution.

Such proselytising stoked the sectarianism that now poisons the Middle East. So did the Iran-Iraq war, in which both sides claimed God's backing. Iran urged Shias in Iraq to overthrow Saddam Hussein's government. It went further in Lebanon, offering financial and military support to the nascent Hizbullah, which later became a political party. Hizbullah was not the only faction vying for influence among Lebanon's Shias. But it had a foil: Israel, which invaded and occupied south Lebanon in 1982. "It was our presence there that created Hizbullah," Ehud Barak, a former prime minister, said in 2006. Even some non-Shia Lebanese came to see it as a protector, first against Israel and more recently the fanatics of Islamic State. Iran's alliance with the Assad regime in Syria is more strategic than spiritual. But rivals see it as another piece of what King Abdullah of Jordan dubbed the "Shia crescent", a sectarian alliance sweeping across the Levant.

It was not always so. Despite their doctrinal differences, Sunni Islamists initially saw Iran's revolution as an inspiration. In its early days the Muslim Brotherhood was an ideological movement of the educated middle class. Ayatollah Khomeini offered a new political lexicon: he spoke of earth as well as heaven, railing against inequality and injustice. As they dabbled with electoral politics in the 1980s, the Brotherhood and its offshoots adopted this language, positioning themselves as the parties of a growing Arab underclass. The warm feelings were short-lived, though, because of both sectarianism and Iran's growing authoritarianism. Islamists wanted to persuade the world that they would play by the rules and compete in fair elections. A superficial democracy controlled by theocrats was not an ideal model.

But by then the Arab world had no models. The defeat by Israel in 1967 discredited Arab nationalism. Leftist economics was falling out of favour. Political Islam was harshly repressed. Dictators ruled the day and cared for little but their own survival. Later events again tilted in Iran's favour. The American-led invasion of Iraq in 2003 left a vacuum to be filled by sympathetic Shia-led governments in Baghdad. While Iran sent troops to prop up Bashar al-Assad in Syria, Gulf spymasters sat in Istanbul hotels, bankrolling disparate rebel groups. Some ended up fighting each other.

Both the regime's cadres and its critics sometimes say that Iran controls four Arab capitals: Baghdad, Beirut, Damascus and Sana'a. This is a wild exaggeration. But Iran has been adept at filling the void left by Arab states. If its rivals want to contain it, they need to offer something better.

This article appeared in the Middle East and Africa section of the print edition under the headline "Pushing on an open door"

Thus spoke Netanyahu

An odd Hebrew word says a lot about Israeli politics

Binyamin Netanyahu appeals to his supporters' resentment of the elite

Print edition | Middle East and Africa Feb 9th 2019

IT IS NOT easy to translate the Hebrew word *davka*. It means something like "despite it all" and "because of", but with a sense of deliberate precision: I was at home all day, but the delivery man came *davka* during the half-hour when I was out. It can connote an intent to irritate: my girlfriend knows we disagree about politics, but she always *davka* brings it up. In 2003 Ariel Sharon, a pugnacious former prime minister, cited a young American explaining the word to friends back home: "*Davka* means doing or thinking something both in spite of and because of a given situation."

Curiously, Binyamin Netanyahu, Israel's prime minister, has chosen as his campaign slogan "*Davka* Netanyahu". In December Israeli police recommended that Mr Netanyahu be indicted for bribery and breach of trust. The prime minister says the charges are a witch-hunt by lefty prosecutors and journalists. Many supporters of his hawkish Likud party come from religious or working-class backgrounds, and many are Sephardi Jews, descended from immigrants from the Arab world, rather than Ashkenazi Jews, who trace their roots to Europe and are typically richer. Mr Netanyahu's *davka* is an invitation to his supporters to stick a finger in the eye of the elite: vote for me not just despite the corruption charges, but because of them.

This populist way of thinking is becoming familiar all over the world. At its heart lies the politics of resentment. Backers of President Donald Trump enthusiastically call themselves "deplorables", embracing a term Hillary Clinton used to describe some of them. In Britain, Brexit supporters suggest that, in case of a second referendum, the Leave campaign should employ the rallying cry "Tell them again". Such slogans appeal not to the merits of the cause, but to supporters' resentment at being a target of condescension.

The great philosopher of resentment was Friedrich Nietzsche, who thought it had a lot to do with Jews. In "On the Genealogy of Morality", he describes the politics of resentment as a Jewish invention that lies at the core of Judeo-Christian ethics. In pagan morality, according to Nietzsche, the good is synonymous with the excellent and the powerful: rulers and gods are good because they are beautiful and strong. Judaism and Christianity, resentful of pagan rule, inverted this morality. They saw the weak masses as good, whereas precisely (*davka*!) the strong rulers were evil. This "slave morality", Nietzsche thought, was behind all of Western civilisation. He detested it.

Nietzsche's account of morality's evolution is a fascinating mess with little relationship to historical reality. However, his analysis of resentment was picked up by thinkers like Sigmund Freud and Hannah Arendt, and has become crucial to the understanding of populism and authoritarianism. Still, it is strange that the politics of resentment should be employed *davka* by Mr Netanyahu, who is an unlikely underdog.

The scion of a renowned Ashkenazi family, Mr Netanyahu grew up in America before returning to Israel to serve in an elite commando unit—a crucial distinction in a society where military service affects social class. He has been a dominant figure in Israeli politics for more than two decades. He and Likud have helped pull Israel's political centre in a hawkish direction, winning power and all but ending the prospects for a Palestinian state.

The real political outcasts in Israel are surely Likud's opponents, the remnants of the peace movement. They are the ones who must urge their dwindling band of supporters to continue hoping for the seemingly impossible, *davka*.

This article appeared in the Middle East and Africa section of the print edition under the headline "Thus spoke Netanyahu"

You say you want a federation

A political union for east Africa?

Regional leaders have big ambitions but short tempers

Print edition | Middle East and Africa Feb 9th 2019

AFRICA'S REGIONAL institutions do not lack ambition. The African Union's master plan promises a rich, peaceful continent criss-crossed by high-speed trains. Eventually. Its target is 2063, a date well past the likely retirement date of all the bigwigs who signed the plan.

The East African Community (EAC), by contrast, has no time to waste. It wants to form a single currency by 2024. At a recent summit, heads of state discussed drafting an east African constitution, with the ultimate goal of political federation. The EAC is the most successful of Africa's regional blocs. Since its revival in 2000 it has established a customs union and the rudiments of a common market. But its leaders are getting ahead of themselves: deepening rifts have put the project in jeopardy.

Four of its six members (Rwanda, Burundi, Uganda and South Sudan) are led by ex-rebels, some with competing interests in the Congolese borderlands to the west. The recent summit was postponed twice because Burundi, which has fallen out with Rwanda, refused to attend. That quarrel goes beyond mere words. In 2015 Pierre Nkurunziza, the Burundian president, fought off a coup. His government accuses Rwanda of backing it. In 2016 UN experts reported that Burundian refugees were being recruited to fight against their home government. In December the same experts said that arms and men were also flowing through Burundi to undermine Rwanda.

Rwanda's president, Paul Kagame, is also on bad terms with Yoweri Museveni, his Ugandan counterpart. The rift is personal. Mr Museveni fought his way to power in the 1980s with the help of Rwandan refugees; Mr Kagame, who grew up in a Ugandan refugee camp, was his military intelligence chief. Later, as presidents, the former comrades launched two wars in Congo, then fell out over the loot. By 2000 their soldiers were firing at each other, 600km from home.

Relations are again dicey. Last year Mr Museveni sacked his police chief, who was later charged by an army court with aiding the kidnap of Rwandan exiles (among other things). The abductees, including one of Mr Kagame's former guards, had been illegally sent back to Rwanda and imprisoned.

Rivalry between Kenya and Tanzania, the two largest members, is more straightforward. Together they account for three-fifths of the region's population and three-quarters of its GDP. Yet commerce between them is hobbled by a trade war. Although both are meant to be in a common market, Tanzania has imposed tariffs on Kenyan sweets. Kenya has retaliated by taxing Tanzanian flour. Tanzania, which is sliding towards protectionism, also objects to a proposed trade deal between the EAC and the EU, which Kenya is keen on. As the only EAC countries with coastlines, both vie for investment in infrastructure: in 2016 Uganda decided to route an oil pipeline through Tanzania, to Kenya's chagrin.

Some worry that the escalating tensions could cause history to repeat itself. The first East African Community collapsed in 1977. More likely, the region will continue to make faltering progress on trade, where the spread of cross-border business creates its own momentum. But political issues are trickier. Leaders who brook no dissent at home have little taste for compromise abroad. Each wants integration, as long as he is in charge.

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

Battle of the big men

A Nigerian election pits an ex-general against a tycoon

Muhammad Buhari has disappointed. His opponent could be worse

Print edition | Middle East and Africa Feb 9th 2019

NOTHING SEEMS awry on arrival at the Ajaokuta Steel Company near Lokoja in central Nigeria. Nestled in scrubland are rows of depots, mills and furnaces; the complex covers 800 hectares, or four times the size of Monaco. Inside the main building workers amble through the foyer, barely noticing a suggestion box.

Your correspondent is, however, tempted to leave a note that reads: "How about making some steel?" Since construction of the state-owned firm began 40 years ago, it has received $8bn in public money without producing a beam. Corruption and mismanagement have gone on for so long that Ajaokuta has more than 10,000 pensioners on its books. There is no more colossal symbol of Nigeria's squandered potential.

On February 16th Nigerians will go to the polls in the largest democratic event in African history. Fully 84m people are registered to vote in the country's sixth general election since military rule ended in 1999. Yet the prospect of consolidating democracy in Africa's most populous country has not elevated the campaign. Too many Nigerians have been let down by politicians to ditch their cynicism.

Muhammadu Buhari, Nigeria's president, has promised to revive Ajaokuta. Yet he made the same commitment in 2015. In total Mr Buhari has delivered on just seven of the 222 pledges he made as a candidate, according to the Centre for Democracy and Development, a Nigerian think-tank.

These promises came in three areas. The first was corruption. Despite having 27 agencies with a mandate to clean things up Nigeria remains filthy. The latest report by Transparency International, a watchdog, finds no sign of corruption ebbing under Mr Buhari. In fact, his administration has used the prospect of protection from prosecution to entice opponents to join the All Progressives Congress, the ruling party. Together these turncoats had N600bn ($1.7bn) worth of corruption allegations hanging over them.

Mr Buhari's record on security is little better. After taking office he oversaw a military offensive against Boko Haram, the terrorist group that in 2015 controlled an area of the north-east the size of Belgium. However, in the past few months the army has suffered setbacks. An attack last month in the town of Rann killed 60 people and forced another 30,000 to flee to Cameroon.

Nor is the north-east the only problem. Last year more people were killed in clashes over land between farmers and cattle-herders than were slain by Boko Haram. In the north-west armed bandits killed 371 people and displaced 18,000 in the first seven months of 2018. Across Nigeria, 7.7m people need humanitarian aid and 2m have had to leave their homes.

Mr Buhari's third set of promises concerned the economy. Alas, Nigerians are poorer today than in 2015. Unemployment has risen from 8.2% to 23.1%. The president is partly the victim of low oil prices; the black stuff provides 70% of government revenue. But his statist instincts have made matters worse. Interest payments are set to reach 80% of federal government spending by 2022. Though Nigeria's government has three space agencies, it can barely run a power grid. The country generates less electricity than the city of Edinburgh.

Atiku Abubakar, the main challenger to Mr Buhari, is also in his 70s. His slogan is: "Let's Get Nigerians Working Again". Citing Margaret Thatcher, he says he wants to privatise state-owned firms. But his plans are short on detail. Many fear privatisation would be a smokescreen for enriching his cronies. Though he has not been charged with any crime in Nigeria, in 2010 a US Senate committee alleged that Mr Abubakar's (fourth) wife helped him bring "over $40m in suspect funds" to America.

Mr Abubakar, a former big man in the Nigerian customs service, denies that he is corrupt. His various businesses, from oil services to property, make him the largest employer in his home state of Adamawa. His vast fortune allows him to donate copiously to charity. He has a deep patronage network across the country.

That will help ensure the presidential election is closer than it was in 2015, when Mr Buhari won by more than 2.5m votes. "It's going to be a bare-knuckle fight," says Matthew Page of Chatham House, a think-tank. Elections in Nigeria are largely shaped by which political machine runs most effectively. Mr Buhari can depend on a lot of support in the north. Mr Abubakar's People's Democratic Party will sweep most of the south-east. Much will depend on turnout in these core areas and on who can win swing votes in the south-west.

Some worry that the tightness of the race will encourage rigging. Recent elections in Anambra and Ekiti states saw widespread vote-buying; it is likely to happen again. Another concern is how easy it is to change the tallies when the results are sent from Nigeria's 120,000 polling units to counting stations. Then there is the spectre of thugs or police intimidating voters.

Four times Mr Buhari has blocked reforms that would strengthen Nigeria's electoral commission. Such intransigence frustrates Samson Itodo, a founder of the "Not too young to run" campaign, which is trying to clean up elections and make political involvement easier for the three-quarters of Nigerians who are under 35. "We are tired of these same old leaders," he says. "We are laying the foundation for a revolution in 2023." Until then, Nigeria will be stuck with mediocrity.

This article appeared in the Middle East and Africa section of the print edition under the headline "Battle of the big men"

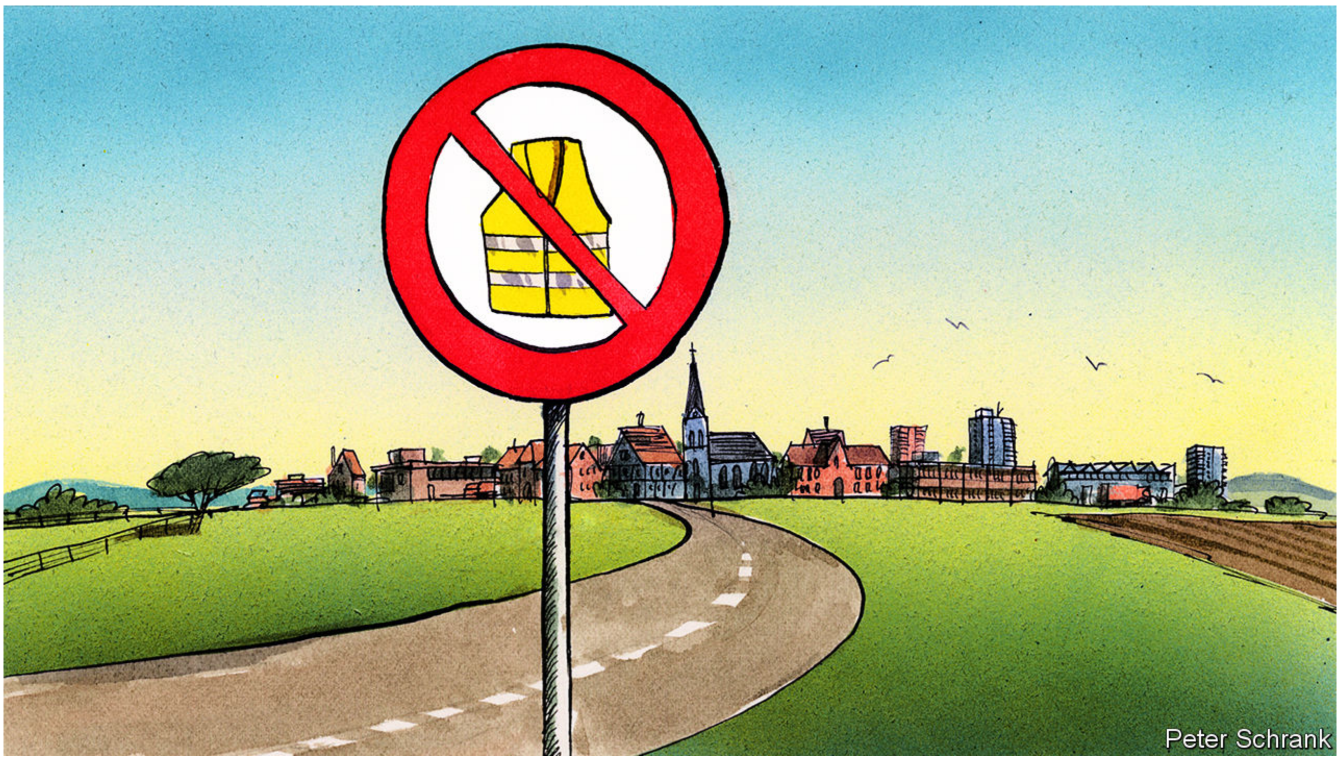
Economic geography
Germany spreads the love

Happy Helmuts

Why Germany has no gilet jaunes protesters

Unlike in France, its small towns do not feel marginalised

Print edition | Europe Feb 9th 2019

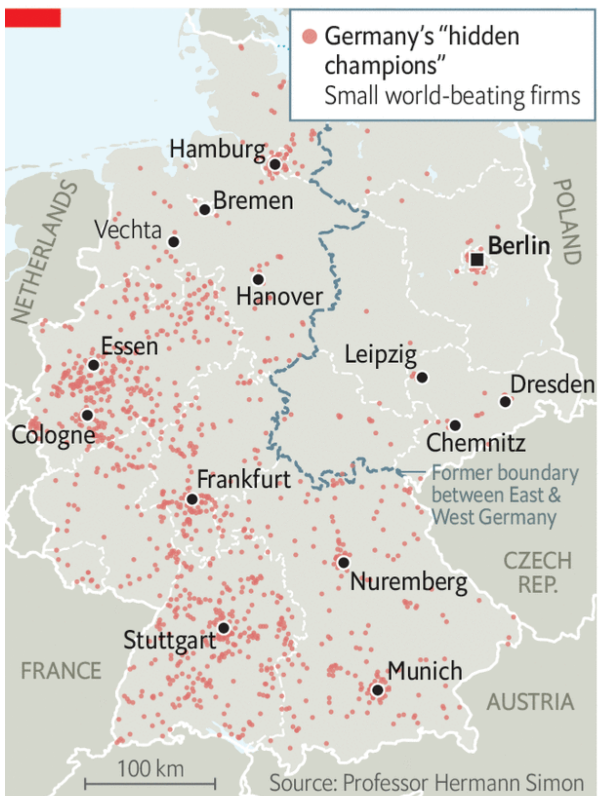


"IT'S IMPORTANT to understand the minds of pigs and chickens," says Bernd Meerpohl, as he shows off his company's wares. Big Dutchman, the firm he runs, designs sophisticated machinery, housing units and software tools, with names like EggFlowMaster and BigFarmNet, to help farmers get more from their beasts. These innovations have lifted sales 27-fold in real terms since 1985, to €960m ($1.1bn) last year. Such success means ambitious locals from Vechta, the small town in north-west Germany in which Big Dutchman is based, can often find professional satisfaction without having to leave home. In nearby Lohne, Tanja Sprehe, digital sales manager at Pöppelmann, a high-end plastics manufacturer, thought she'd never return to the area after building a career in Hamburg. But the demands of family brought her back. Now, having secured a good job and wallowing in the pleasures of small-town life, the only thing she misses about her former home is good sushi.

As democracies across the West fret about decaying, depopulating regions and the radical politics they can foster, Vechta, population 33,000, offers a different lesson. "Our problem," says Helmut Gels, the mayor, "is that we have no problems." The birth rate is extraordinarily high by German standards, and the town has been growing for decades. Successful family firms like Big Dutchman and Pöppelmann employ generations of locals, take on hundreds of apprentices and support thousands more jobs via their suppliers. Vechta's employers even spy a silver lining in Germany's economic slowdown (see article). A looser labour market could help them find the skilled workers they crave—local unemployment is just 3.7%—and help moderate wages, which Mr Meerpohl says are "running out of control".

The Economist

If Vechta is not typical, it is far from unique. Pöppelmann (local workforce 2,100) and Big Dutchman (900) are two of Germany's "hidden champions", a term coined in the 1990s by Hermann Simon, an academic-turned-consultant, for Germany's innumerable obscure, smallish and world-beating firms. Unlike high-end services companies, which benefit from the network effects and talent pools in big cities, specialist manufacturers are often found in places you've never heard of: at least two-thirds of the hidden champions are in settlements below 50,000 people, and they are dotted throughout Germany (see map). Their success helps explain the relatively high share of manufacturing in Germany's workforce and the slow pace of its decline (see chart). Germany is also politically decentralised, which Philip McCann at Sheffield University says keeps regional inequality in check. And while creative sorts flock to cities, scientists and engineers keep small towns in rich areas alive. "I can stay here all my life," chirrups Michael Fabich, a young production worker for a local grocery firm.



The Economist

Decentralisation blunts a source of discontent that has plagued some of Germany's neighbours. In France the revolt by *gilets jaunes* at first seemed to be about small-town grievances against the big cities in which economic opportunity has become concentrated. According to Andrés Rodriguez-Pose, a professor of economic geography at the LSE, Ile-de-France (which contains Paris) was the only French region with above-average growth between 1990 and 2014. Not only were the *gilets jaunes* left behind, they felt scorned by the winners of globalisation, embodied by the haughty and remote figure of Emmanuel Macron.

Germany should not consider itself immune to such problems, argues Marcel Fratzscher of the German Institute for Economic Research. Beneath its glowing jobs numbers lurk growing inequality and a vast low-pay sector, nurtured by a long period of wage suppression. Germany has gained more from globalisation than it has lost; you can see that in Big Dutchman's logistics yard, full of packages destined for Senegal and Chile. But regions that specialised in low-end products like ceramics or textiles, such as upper Franconia or parts of the Palatinate, were walloped by cheap imports in the 1990s. Policy can hurt places, too: the government may have to spend €40bn to compensate regions affected by its recent decision to scrap lignite mining.

Yet there is no obvious parallel in Germany to the insecure, "peripheral" France of the *gilets jaunes.* Hidden champions create jobs and opportunities far from cities, limiting the brain drain. Local politicians are more responsive to voters' demands than Jupiterian presidents in distant capitals. In troubled areas, Germany's constitutionally mandated system of fiscal transfers across states can smooth globalisation's rougher edges. Jens Südekum, an economist at Düsseldorf's Heinrich Heine University, calculates that in 2010 such payments amounted to fully 12.4% of Germany's aggregate tax revenue. Cities like Duisburg and Essen, in the post-industrial Ruhr valley, have been spared the ravages that deindustrialisation brought to parts of America's Midwest or the Pas-de-Calais region in northern France, now a stronghold of Marine Le Pen's National Rally. Comparable parts of Germany have not made a comparable populist turn. Indeed, researchers find no clear correlation between AfD support and economic hardship.

The big caveat is the former East Germany. Despite success in isolated areas like optics, only a fraction of Mr Simon's hidden champions are found in the east. After reunification the mass sell-off of industry, largely to western investors, left easterners with what Mr Südekum calls a "deep perception that they were ripped off", which lingers today. Extremist parties do best in the five eastern states. Dresden and Chemnitz have spawned thuggish protests.

Moreover, the trends that mark Germany out from its industrialised peers are not immutable. Automation will cut into manufacturing's share of the workforce, and Germany's mighty carmakers seem ill-prepared for the disruption of self-driving and electric vehicles. Despite the hidden champions' success, urbanisation continues apace, as rocketing house prices in large cities indicate. Vechta is keeping its natives, but attracting new talent is hard when the competition is Berlin.

This article appeared in the Europe section of the print edition under the headline "Germany spreads the love"

Le grand débat

With a town-hall tour, Emmanuel Macron tries to win France back

An unloved president hopes to turn a crisis into an opportunity

Print edition | Europe Feb 9th 2019

FOUR HOURS into the town-hall debate, and members of the audience begin to fidget. One man yawns. A few others put on coats and slip out quietly. But Emmanuel Macron is just hitting his stride. Perched on a plastic chair in the municipal hall, his shirtsleeves rolled up, the French president carries on for another two hours, taking notes and answering queries. One minute it is housing benefits, the next the reimbursement of psychiatric care or delays to the extension of a Metro line. It is not until close to midnight that Mr Macron finally exhausts the questions (and the audience), accedes to requests for selfies and drives off into the night.

Battered in the polls and facing weekly protests in the street, Mr Macron is attempting a comeback in the way he knows best: with the force of argument, reason and relentless acronyms. This week's stop in Evry-Courcouronnes, a town 30km south of Paris, was part of his "great national debate", intended to let citizens register grievances and contribute ideas. It also allowed the president to take his town-hall road-show away from rural France, the natural habitat of the *gilets jaunes* protesters, and into the multi-ethnic outer-city districts, or *banlieues*. "We can do better," Mr Macron told participants, conceding that he had "convictions" but "not all the solutions". The government had increased the DSU (urban solidarity and social cohesion budget), he argued, even if it had cut the DPV (cities' budget).

Mr Macron's grasp of policy detail sometimes baffles as much as it clarifies. But his marathon meetings are more national group therapy than public lectures. One by one, the 300 local mayors and community workers gathered in this town-hall annex down the road from a Turkish kebab restaurant raised their hands and took the microphone. A centre-right mayor pleaded for help saving 800 factory jobs. A communist mayor said the *banlieue* wants "justice, not charity". A football-club organiser wants volunteers to be properly valued. "I'm sure you'll listen to me, because I'm called Brigitte," ventured another mayor, who shares a name with the president's wife. All the while, and without briefing papers, Mr Macron listened to the litany of complaints and offered a response to each.

Three months after the *gilets jaunes* movement emerged, and with weekly protests continuing, Mr Macron is gambling that the national debate is a way to turn chaos into an opportunity. By taking seriously the grassroots grievances, while denouncing the violence, he hopes to win round public opinion, which has supported the movement, and marginalise the hard core. The president has swapped the chandeliers and gilt of the presidential palace for draughty municipal gyms. He has ditched his lofty know-it-all tone for dialogue and debate. The point "is to show that France is not just the *gilets jaunes*," says Amélie de Montchalin, a deputy from Mr Macron's La République en Marche party.

The president's detractors dismiss it as a gimmick. Jean-Luc Mélenchon, on the far left, terms it a "masquerade". Facebook groups run by *gilets jaunes* call it "blabla", accusing Mr Macron of campaigning at taxpayers' expense. Yet the French seem keen to have their say. Over 4,000 town-hall debates have been organised. Mayors have opened "books of grievances". An online questionnaire has drawn 700,000 contributions on taxation, public services, the environment and democracy. Mr Macron's approval rating in February was up by six points, to 34%, according to Ifop—still pretty dismal, but an improvement on his record low of 23% in December.

The next problem is what to do with this outpouring of civic participation when the debate draws to a close on March 15th. In Evry-Courcouronnes, Mr Macron promised that the national debate would "not end in a classic way". One idea is to hold a referendum, with questions on such matters as the number of deputies in the National Assembly or term limits. This could partly meet the *gilets jaunes* demand for more direct democracy. Yet Mr Macron has also ruled out backtracking on his main policy choices, including the abolition of the wealth tax. It may well be that the central demand which emerges from the consultation is a familiar contradiction: more public services and lower taxes.

In Evry-Courcouronnes, the initially sceptical locals seemed broadly satisfied. Manuel, in tracksuit bottoms and trainers, said he is "not interested" in politics. But when he called out from the balcony of his housing-estate flat to Mr Macron as he arrived, the president invited him along, and he got to ask him a question about racial discrimination. Afterwards, he judged the president "pretty good". So did Guy Bellanger, who runs a sports club and says he wanted just to "be heard". Ghislaine Bazir, headmistress of a lycée, suggests "people don't dare" to say they approve of Mr Macron, because of the "stigma" of doing so.

The president has shown that, in six hours of non-stop discussion, he can win over most of a room. If he wants to prove wrong all those who consider the affair a charade, he now needs to conquer public opinion as a whole and to turn conflicting proposals into coherent policies.

This article appeared in the Europe section of the print edition under the headline "Macron's great debate"

Phantom fakes

Europe’s vast new anti-bogus-drugs system will not find many

Because counterfeits are not a big problem in the EU

Print edition | Europe Feb 9th 2019

TEETHING PROBLEMS are to be expected with an online system linking more than 150,000 organisations in 28 countries to one giant data hub. That is what the European Medicines Verification System, which goes live on February 9th, will do with pharmacies, hospitals, drug firms and their distributors. From now on, each of the 18bn packs of prescription medicines sold in the EU each year must have a tamper-proof seal and a unique code, which pharmacists must scan in to verify it is not a fake. As the deadline approaches, the system’s glitches are becoming clearer; its benefits, less so.

According to the EU’s Falsified Medicines Directive, the goal is to protect consumers from the threat of falsified medicines in the legal supply chain. But that threat barely exists in Europe. When the directive was issued in 2011, just one in 20,000 medicine packs was reckoned to be fake. There are no data suggesting this has changed. According to Europol, seizures of fake pharmaceuticals at EU borders in recent years have fallen. Most such shipments are simply passing through the EU on their way to countries with weak safeguards where they will be easier to sell.

Roberto Frontini, former president of the European Association of Hospital Pharmacists, doubts whether the new system’s priority is patients’ safety. If it were, he points out, all over-the-counter medicines would have been included too. Mihai Rotaru of the European Federation of Pharmaceutical Industries and Associations says pharma companies pushed for an all-EU verification system because some countries were considering setting up their own, which would have created a packaging nightmare for manufacturers. Others in Brussels say big pharma’s motivation was to throw a spanner in the works of parallel-trade firms, which export medicines from low-price to high-price EU countries (a thriving business because countries often fix domestic drug prices).

The burden falls partly on pharmacies, which have to pay €530 ($604) apiece for new scanners and adapt their software. Urging them to get ready has been a tough sell, say national pharmacists’ associations, because incidents with fake medicines in the legal supply chain are rare or non-existent. Most pharmacies in Britain are ready, but a no-deal Brexit would cut them off from the data hub.

Disdain percolates in hospitals, too. Many get their medicines directly from manufacturers, which makes verification redundant. Hospital pharmacy units dispatch hundreds of packs to wards each day. Scanning each of them would require more staff. Many hospitals are lobbying to be exempted from scanning, or to be allowed to scan shipments in bulk. Because they are mostly government-owned, hospitals are less worried than street pharmacies about sanctions for not meeting the deadline.

What should patients expect? Recent tests of the system make it clear that false alarms will be beeping at pharmacies for the first few weeks, if not months. Some packs with the new codes are already on the market but not in the system. Labels sometimes fail to scan. What pharmacists should do is not always clear. Some countries are still writing their guidelines on when to quarantine a pack and how to inspect it. For now, when a pack triggers an alarm, pharmacists are told to go ahead and dispense it to patients anyway.

This article appeared in the Europe section of the print edition under the headline "Phantom fakes"

When you wish upon Five Stars

Italy's populist government is dreaming of economic growth

In fact the country is in recession, and the coalition is cracking

Print edition | Europe Feb 9th 2019

FOR ITALY, 2019 will be *bellissimo*, its prime minister, Giuseppe Conte, said this month. The economy, he declared, could grow by up to 1.5%. With much of Europe at risk of slipping into recession, that sounds pretty good.

In fact, Italy is already in recession. Its GDP fell in both the third and fourth quarters of 2018, and few forecasters are as sanguine as Mr Conte. The Bank of Italy expects the economy to grow by just 0.6% this year. The prime minister is banking on an expansionary budget. If this fails to revive the economy, the two parties in his populist coalition, the Five Star Movement (M5S) and the nationalist Northern League, will be in trouble. Many question whether their fractious marriage can survive beyond summer.

The economy is not their only problem. Matteo Salvini, leader of the League and a deputy prime minister, may be tried for kidnapping. Last year, in keeping with his tough stance on immigration, he stopped 177 migrants from getting off a coast-guard vessel that had rescued them in the Mediterranean. They languished on the ship in port at Catania for five days. Last month a court decided Mr Salvini should be indicted for illegally detaining them, though the prosecutors who investigated his conduct asked that the case be shelved.

Arraigning an Italian lawmaker requires clearance from parliament. To avoid prosecution, Mr Salvini needs the votes of M5S. But M5S has always told voters that it rejects Italy's grubby history of political obstruction of the courts. And the party has already sacrificed plenty of principles since coming to power.

One prominent voter who has noticed is Michele Riondino, an actor who starred in the popular television crime series, *The Young Montalbano*. Mr Riondino voted for M5S last year because it promised to close a noxious steel plant in his native city of Taranto. But the factory has stayed open. The television star spoke for many when, in an interview this week, he vowed to abstain in the next election.

The regional election in Abruzzo on February 10th will be an important test of the public mood. Polls show that M5S's share of the national vote has dropped from almost a third at the parliamentary election last March to roughly a quarter. The League, meanwhile, has almost doubled its share to more than 30%.

In reaction Luigi Di Maio, the M5S leader, has adopted a more radical stance. He now shares platforms with Alessandro Di Battista, a shrill polemicist popular with the party's left wing. This week, when Italy vetoed the EU's planned recognition of Juan Guaidó, an opposition leader, as interim president of Venezuela, it was the M5S's work. (By contrast Mr Salvini denounces Nicolás Maduro, the leftist who stole Venezuela's most recent presidential election, as a criminal.) On February 5th Mr Di Maio flew with Mr Di Battista to Paris to meet leaders of the *gilets jaunes* protest movement. If Emmanuel Macron, France's president, needed another reason to be angry withM5S, he has one.

The M5S may yet decide to block Mr Salvini's indictment in parliament. But it will want something in return. The obvious concession would be Mr Salvini's agreement to postpone or scrap a half-built high-speed rail link between Turin and the French city of Lyon. The movement has always opposed it as unnecessary and environmentally damaging. Now, in a sign of how the party is changing, it has begun using the renascent rhetoric of populist nationalism to belittle the very idea of linking two countries together. As the M5S infrastructure minister, Danilo Toninelli, put it: "Who cares about going to Lyon?"

This article appeared in the Europe section of the print edition under the headline "Wish upon Five Stars"

Sniffing out corruption

The curious incident of Hungary's treadmill for dogs

The EU thinks corruption under Viktor Orban is run-of-the-mill

Print edition | Europe Feb 9th 2019

THERE WAS no underwater treadmill for dogs. That, Sherlock Holmes would have said, was the curious incident. In 2009 a Hungarian entrepreneur received a €140,000 ($195,000) grant from the European Union to manufacture one. This was by no means absurd: hydrotherapy is an established technique of post-surgical rehabilitation for dogs and humans. But the grantee made no effort to design or build the device. (The version above is made by a different manufacturer.) When OLAF, the EU's office for investigating fraud, discovered this, it alerted Hungarian prosecutors. Last October a Hungarian court gave him a suspended sentence of 22 months in jail.

If that sounds lenient, bigger cases of suspected Hungarian misuse of EU funds have led to even less punishment. In January 2018 OLAF sent Hungarian police a file documenting irregularities in 35 municipal-lighting projects in 2011-15, which got €43.7m in EU funding. According to Atlatszo.hu, an investigative website, the contracts were won by a company co-owned at the time by the son-in-law of Viktor Orban, the prime minister. But in November Hungarian police closed the case, saying no crime had been committed. Since OLAF can only refer cases to national authorities, that was the end of the matter.

The EU's new public prosecutor's office, which is due to launch by the end of 2020, will have enforcement powers. But participation is voluntary, and Hungary has not opted in. Zoltan Kovacs, the government's spokesperson, says Hungary thinks judicial affairs are matters of national sovereignty, and claims the corruption accusations are "political". The government refuses to release OLAF's full report. Until it does, suspicions of a cover-up will continue to dog it.

This article appeared in the Europe section of the print edition under the headline "Sniffing out corruption"

Charlemagne

Margrethe Vestager, bane of Alstom and Siemens, could get the EU's top job

The competition commissioner would make a dynamic president of the Commission, but needs liberals to unite behind her

Print edition | Europe Feb 7th 2019

REST IN PEACE, "Trainbus". On February 6th Margrethe Vestager, the European Union's competition commissioner, vetoed a merger between Germany's Siemens and France's Alstom that proposed to do for train-building what Airbus has done for plane-building: create a European giant capable of competing with the world's biggest. The move dismays Angela Merkel and Emmanuel Macron, who argue that Europe needs champions to take on rivals such as China's CRRC. But the commissioner ruled that the merger would eliminate competition in certain sectors, and argued that the EU should instead take on Chinese industrial might with better rules on state subsidies, data privacy and takeovers. Her wariness is welcome. Achieving competitive European firms through mega-mergers confronts the symptom—a lack of European industrial giants—rather than the underlying problem, which is insufficient integration of European markets.

Ms Vestager (pronounced "Vest-ayer") does not shy away from making powerful enemies. Brought up in a bustling Lutheran parsonage in a coastal corner of Denmark, she is known in Brussels for her straight manner and dry humour. She arrived there in 2014 after a career in Copenhagen as education minister, economy minister and leader of Radikale, a small social-liberal party. Her detractors say she has since picked easy targets, predominantly American technology firms, to make herself popular. Her admirers, greater in number, say she has taken on mighty corporate interests where others would have wavered. She faced down Tim Cook, the boss of Apple, in a stormy meeting in 2016 and later forced his company to cough up €14bn ($16bn) after ruling that Ireland had given it illegal tax breaks. (That decision is under appeal.) She has imposed €7bn in fines on Google, has raided the offices of German carmakers suspected of cheating on emissions tests, and is now investigating banks over possible bond-trading collusion.

All of which shows why she would make a fine president of the European Commission. Ms Vestager is independent-minded and capable, both traits needed at the top of the EU's executive. Hers is not a hands-off-at-all-costs liberalism; rather, she sees the state as a policer of rules and a curb on vested interests. In a speech on February 4th she compared firms like Google to Danish castles on the Oresund strait, the entrance to the Baltic Sea. Denmark did not have to control the sea's entire coastline to control access to it, she notes. Technology firms, Ms Vestager rightly concluded, can similarly exercise disproportionate power: "We can't trade our freedom for better maps or our democracy for a better social-media algorithm." She has not ruled out a tilt at the commission presidency when Jean-Claude Juncker's term ends this autumn.

Winning it will require Europe's top trust-buster to break up its biggest political duopoly: the alliance of the two largest groups in the European Parliament, the centre-right European People's Party (EPP) and the centre-left Socialists and Democrats

(S&D). The two function as a sort of cartel, colluding in the allocation of big EU jobs and putting up most of the commission presidents to date. They tightened their grip in 2014 with the introduction of the so-called Spitzenkandidat system, whereby the designated candidate of the largest group in the parliament has an automatic claim. This process strengthens the big groups, especially the EPP, which is expected to remain the largest at the European election in May.

Now is a good moment to challenge it. The EPP and the S&D are alliances of big-tent national parties, such as Christian democrats and social democrats. In most countries, such parties are struggling. The EPP and the S&D will probably lose their joint majority in May. The centrist Alliance of Liberals and Democrats for Europe (ALDE), which includes Radikale, could go from the fourth-largest group to the second-largest—especially if it forms an alliance with Mr Macron's La République En Marche (LRM) party in France.

The two big groups have not helped themselves with their candidate selection. The S&D picked Frans Timmermans, a clubbable social democrat who is not expected to get the support of the liberal government in his native Netherlands. The EPP went with Manfred Weber, a Bavarian conservative whose indulgence of Viktor Orban, Hungary's authoritarian prime minister, makes him unpalatable to liberals and greens, whose backing he would need for a majority. It is not so hard to imagine the European Council (the EU heads of government, who formally propose commission presidents) eschewing Mr Weber in favour of safer EPP figures like Michel Barnier, the Brexit negotiator, or Peter Altmaier, Germany's multilingual economy minister. It might even call for Ms Vestager.

A liberal dose of optimism

Europe's liberals could make this prospect more likely. To do so, they would have to unite to maximise their strength in the Parliament and reject the Spitzenkandidat process. Lars Lokke Rasmussen, the Danish prime minister whose centre-right Venstre party is a member of ALDE, would need to back Ms Vestager. Most of all, Emmanuel Macron, Europe's most powerful liberal, would need to champion her and take on Mrs Merkel, who backs Mr Weber.

But none of this is happening. Mr Macron and Mark Rutte, the Dutch prime minister and ALDE's dominant figure, disagree over euro-zone reforms and have failed to get the alliance between LRM and ALDE off the drawing board. ALDE has promised a list of seven candidates to disrupt the Spitzenkandidat process, but it has been delayed; Mr Weber and Mr Timmermans are already touring the continent. Mr Rasmussen is unlikely to back Ms Vestager, and Mr Macron is weakened at home and angry about her ruling on the Alstom-Siemens deal. It may all come to nothing.

That would be a shame. Europe's liberals talk much about the need to rebuild confidence in the EU in populist times. In Ms Vestager they have a chance to pick a head of the European Commission who actually believes in enforcing the rules. If they fail to get their act together, they may not get many more such chances.

This article appeared in the Europe section of the print edition under the headline "Vestager's progress"

Immigration
The new Europeans

The new Europeans

Europeans in Britain are packing up. The rest of the world is moving in

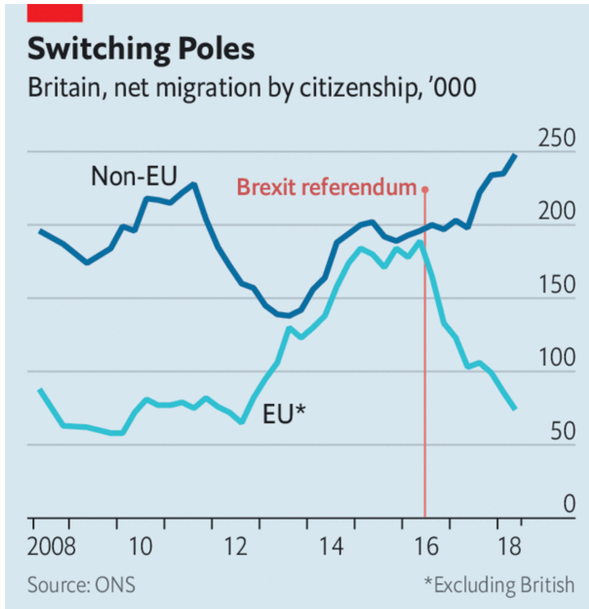
Britain's future immigrants will be more skilled, more temporary and less European than their predecessors

Print edition | Britain Feb 9th 2019

Getty Images

THE FIELDS of Worcestershire surrender their goodies to a changing cast of labourers. In the 1970s and '80s Indians and Pakistanis were bussed in from Birmingham to pick sprouts and pull onions. Then came South Africans and Kurds. In the 2000s, as the European Union bulged eastward, Poles, Lithuanians and Latvians took seats on the same buses. In turn, they were replaced by Bulgarians and Romanians. Everyone talks in hand gestures. "As their country develops, people don't want to do the job," says Bal Padda, whose family claim to run Britain's only Asian-owned strawberry farm. "Now England has to decide which other country to let in."

Britain's immigration system is undergoing its most radical reform in half a century. Three big shifts are under way. Future migrants are likely to be more skilled than their predecessors. They will probably stay in Britain for only a few years, rather than settle. And a much greater proportion will come from outside the EU.



The Economist

The switch is partly down to politics. Ministers reckon the Brexit vote was driven by concern over immigration—in particular about the perceived lack of control over who comes and for how long, as much as alarm over increasing numbers. The government plans to end free movement from the EU while letting in more skilled workers from the rest of the world. Unskilled workers will still be able to come, but only for a year and with no right to bring their family or to claim benefits. Since the Brexit referendum, net migration from the EU has tumbled. But from elsewhere it has shot up (see chart).

Nowhere sends more people to Britain than China and India. But whereas China mostly sends students, India sends workers. Indians have been among Britain's three biggest foreign-born populations since the 1950s. For most of that time they were second only to the Irish, but overtook them in 2003. A decade later they were outnumbered by Polish-born migrants, but most experts reckon that Indians will soon become Britain's most populous migrant group once again, as the pendulum swings back to non-EU migration. Estimates suggest just over 850,000 Indian-born people live in Britain, compared with a little under 900,000 Poles.

The changing profile of the average Indian immigrant foreshadows the shift now under way in the rest of the system. Take Birmingham, home to Britain's largest Indian-born population outside London. The strawberry-farming Paddas are typical of a generation of poor immigrants who moved to Britain seeking work in the 1950s and '60s. Mr Padda's father moved in 1966, in time to watch England's football team win the World Cup on a black-and-white TV. He earned £5 a week (roughly £100, or $130, today) working in a foundry. Now he owns a 120-acre farm supplying big retailers.

Jaswant Singh Sohal, a retired dentist, says his father only intended to come for a few years when he moved to Birmingham in 1953. "He said he'd go back and settle when he had 5,000 rupees. It's what most people said at the time." He never did. Instead, he encouraged about 150 family members to join him. About half of Indian-born residents in England and Wales in 1971 were still in the country in 2011. Now the younger Mr Sohal drives a Bentley ("very British", he says, with evident approval).

By contrast, most Indian migrants now come temporarily, in part because ministers bent on curbing immigration have made it much harder for non-EU citizens to take permanent jobs in Britain. Of the 62,000 work visas issued to Indians in the latest rolling year for which figures are available, about a third were for intra-company transfers, a category that allows mainly IT workers to come for up to five years. Another 5,000 were general "tier 2" visas, for example for doctors. The remainder were mainly other short-term categories, such as for sportspeople or exchanges.

Today's Indian migrants are better educated than both their predecessors and the average migrant. Nine in ten Indians arriving in Britain since the Brexit vote have some form of higher education, compared with 75% in the previous ten years. A little under three-quarters of all Indian nationals in Britain are similarly qualified, compared with under a third of Poles. "Would the new generation of Indians do a job like this?" asks Mr Padda, overlooking the farm. "I don't think so."

One of their number lives in Edgbaston, round the corner from Mr Sohal. Jatinder Singh flew here from Delhi last April and will go back home next year, unless his IT contract is extended. He mixes with British Indians and white Britons alike, playing badminton with both. He has no qualms about going back to India, where he will do the same job. "It's booming," he says.

The political impact of the shift will depend on how noticeable it proves. Perceptions change more slowly than migrant flows, says Madeleine Sumption of Oxford University. Since Britain's Indian population is big and long-established, changes are not immediately obvious. Far fewer Britons say they are concerned about immigration (about 16%) than did before the referendum (a little more than half). This trend might continue as a greater proportion of immigrants come relatively briefly for work or study, rather than to settle. David Goodhart of Policy Exchange, a think-tank, reckons most people would accept students and short-term workers who do not cause the same demographic shifts as permanent migrants and their offspring.

Whatever the politics, the stock of Indians in Britain and new flows of Indian migrants will probably continue to grow. It will still be cheaper for firms to import a rotating cast of IT contractors rather than train the native population. The new immigration regime will probably allow more non-Europeans to work in hospitals. And India would ask for even more visas in any post-Brexit trade deal. “Diageo [a British firm] will send them a load of whisky,” says a former Home Office official. “They will send us a load of skilled people.”

This article appeared in the Britain section of the print edition under the headline ”The new Europeans”

Last waltz in Kilburn

Irish Britain is booming—and shrinking

Britons are rushing for Irish passports. But the Irish-born population is slowly dwindling

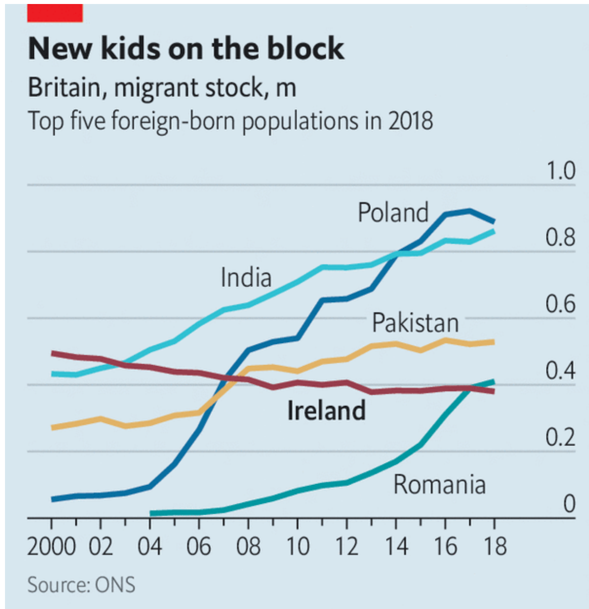
Print edition | Britain Feb 9th 2019

FIFTY YEARS on, they are still unsteady on their feet. Then, the Irish thronging the dance halls of "County Kilburn" and Cricklewood in north London were wobbly after one whisky too many. Now many of them bring walking sticks to the tea dance in a hall next to a Catholic church that used to hold 18 masses each weekend. Mostly, they have swapped their Jameson's for tea. But the waltzes are the same. "Get that wheelchair on to the dance floor," orders the singer, Michael Troy, whose accordion is adorned with the Irish tricolor. And they do.

Britain's Irish population is swelling and shrinking. A record number of Britons with Irish ancestors are applying to Dublin for passports, in order to retain the benefits of EU citizenship, such as free movement, after Brexit. Yet the Irish-born population of Britain is dwindling. The Irish first came in sizeable numbers in the famine of the 1840s. As recently as 2002 they were the largest foreign-born group. But since 2000 their number has since dropped by almost a quarter, seeing them overtaken by Poles, Indians, Pakistanis and, last year, Romanians. "We're a dying race," says Mr Troy. He used to play country music to Irish audiences in London six nights a week. Now he's lucky to play two.

The explanation partly lies across the Irish Sea. The economic boom of the 1990s and 2000s encouraged some Irish people to go home and others not to leave in the first place. The trend was reversed in the few years following the economic crash in 2008, but Ireland's economy is now booming once more.

Most are not going home but to the great tea dance in the sky. The Irish-born population pyramid is "completely inverted", says Louise Ryan of Sheffield University. The elderly population echoes the huge flows of teenagers in the 1950s and '60s. More than 40% of Irish-born people in Britain are over 65. "We play at loads of funerals," says Mr Troy.



The Economist

Some groups are now dedicated to tackling the loneliness of elderly Irish. Tea dances are part of the answer. Margaret Redmond, who moved to London 46 years ago, sings along to a song she remembers playing on the boat as she sailed from Dublin. She used to have her hair done every Monday before going out dancing. Now she does a turn of the floor, as if to prove she has the old magic. “Not bad for two new hips,” she reckons.

It is hard to prise Alice Kennedy, 81, from the floor. There are few men to dance with, so she beckons women to join her. When she went to Irish ceilidhs in Cricklewood in the 1960s, she would always wait for a man to ask her to dance. “That’s how you pulled. You’d try to shun them if they weren’t a good dancer.”

There is, though, just a hint of an encore. After Brexit, Ireland will be the only EU country to retain free movement with Britain. Ms Ryan reckons employers will lure more Irish people to fill vacancies left behind by departing Europeans. “The Irish workforce will kick in again,” she says. Mr Troy should keep his accordion handy.

This article appeared in the Britain section of the print edition under the headline ”Last waltz in Kilburn”

X-Trail of destruction

Nissan snubs Sunderland. Is Brexit to blame?

It hardly helps. But leaving the EU is just one of the worries for carmakers in Britain

Print edition | Britain Feb 7th 2019

SUVS OFTEN divide opinion. Whereas some drivers appreciate their butch styling, more staid motorists find them brash and bulky. Nissan's X-Trail has caused a different sort of split in Britain. The carmaker's announcement on February 3rd that it would produce the latest version of the model in Japan, reversing an earlier decision to use its factory in Sunderland, has elicited contrary explanations from the two sides of the Brexit argument.

Remainers blame Britain's imminent departure from the European Union. Brexiteers claim the decision is a result of pressures on a global industry. Nissan says both are right, citing the business case for making X-Trails in Japan but also lamenting the "continued uncertainty" around Brexit.

Teasing apart Nissan's motivations is tricky. In 2016 the firm promised to continue making the X-Trail and the Qashqai, a smaller SUV, in Sunderland after Britain left the EU. In return Nissan's then boss, Carlos Ghosn (now languishing in a Japanese jail awaiting trial over alleged financial misconduct), received a confidential letter of "assurances" from ministers. Now published, the letter promises to hand over up to £80m ($104m) for help with research and development. But since 2016 much has changed: in the car industry, inside Nissan, and in Britain's approach to Brexit.

All carmakers have suffered as governments and consumers have turned against diesel. Plunging sales of diesel cars, such as the version of the X-Trail that was set to be made in Sunderland, prompted Nissan to promise last year to withdraw from the diesel market in Europe. Increasing production at a factory in Japan that already makes petrol-powered X-Trails will need far less investment than making those cars with imported engines in Sunderland.

At the same time, Nissan has become harder-nosed. It has recently struggled in Europe, where its new-car registrations fell by 13% last year. One result of Mr Ghosn's imprisonment, which he blames on a corporate power-struggle, is that his strategy of chasing sales and hoping that economies of scale would bring profitability is out. Nissan's new boss, Hiroto Saikawa, cares more about making profitable cars than lots of cars. Investing in a diesel X-Trail in Sunderland did not fit this strategy.

So how much can be ascribed to Brexit? Since 2016 the government has announced plans to leave the EU's single market and customs union, which would make life harder for carmakers, whose supply chains criss-cross the continent. The possibility of a disruptive no-deal exit remains open. A trade agreement between the EU and Japan that took effect on February 1st means that X-Trails exported from Japan to Europe will eventually attract no tariff, whereas if exported from Britain they could face duty of up to 10%.

The big worry for Britain is that Nissan's move will reinforce an industry mindset to shift production elsewhere. Investment in the British car industry fell by half in 2017. When deciding where to make new models, carmakers will look less favourably on a Britain that lies outside its local trade bloc, whatever the terms of its exit.

This article appeared in the Britain section of the print edition under the headline "X-Trail of destruction"

Spam, spam, spam!

No-deal plans become ever sillier—and the public can't wait

The government's frantic preparations are both farcical and frightening

Print edition | Britain Feb 9th 2019

A REFRIGERATED PLANE flying round-the-clock sallies to bring medicine to a besieged population, emergency waste centres established to deal with overflowing rubbish and martial law imposed on a restive population as the queen is whisked from the capital by helicopter to escape rioters. Leaks from the government's preparations for a no-deal Brexit sometimes sound as if they have come from the imagination of a pulp-fiction novelist. Many Brexiteers blame the alternately frightening and farcical stories on dastardly "Remoaner" officials, working to undermine the case for leaving without a deal.

They can at least be reassured by the fact that no-deal preparations are no longer theoretical. Pinning down precise details of the government's work is difficult, partly because of official secrecy and partly because big decisions—like what tariff regime will be implemented if Britain leaves the European Union without a deal—have yet to be taken by ministers. But the bureaucratic engine has kicked up a gear, with cross-government preparations being organised under the code name Operation Yellowhammer.

There is plenty to do. The government has six bills and mountains of secondary legislation to get through Parliament before March 29th. At least 25 new IT systems, managing everything from the collection of VAT from foreign firms to the international trade in livestock, are being developed at breakneck speed. Civil servants are issuing no-deal advice on all manner of things; this week exporters were told that they would have to put little stickers over any labels saying their produce was of EU origin. Community leaders have been privately warned that, although there should be no overall shortage of food, in some areas there will be a lack of distribution.

Behind the scenes there has been a big reshuffle of the state's resources. Some 3,500 soldiers are ready for action and 4,000 civil servants have been told to down tools and move to new roles preparing for Brexit. More will follow. Lots of their work will prove useless if a deal is struck. The government has, for instance, spent more than £107m ($139m) on ferries to increase freight capacity. Matt Hancock, the health secretary, has boasted that he is now the world's largest buyer of fridges, meaning he will have a lot to flog if there are no medicine shortages.

There is not much evidence that apocalyptic scenarios have frightened the public. Theresa May has spent two years saying that no deal is better than a bad deal, and voters believe her. Indeed, support for leaving without a deal is higher than that for accepting the deal that her government has agreed on with the EU. The unwise remark on February 6th by Donald Tusk, the European Council's president, that there was a "special place in hell" for Brexit's architects is unlikely to make Britons any keener to compromise with Brussels.

Despite reports of stockpiling, supermarkets say they have so far seen little difference in purchases of tinned food, loo roll and the like. If that changes, some businesses are ready to step in. As well as water-storage facilities and emergency-power generators, one entrepreneurial online outfit offers a “Deluxe Brexit Box” for £595, which includes 157 portions of not very appetising meals. What better way to watch the riots than with a packet of freeze-dried beef and potato stew?

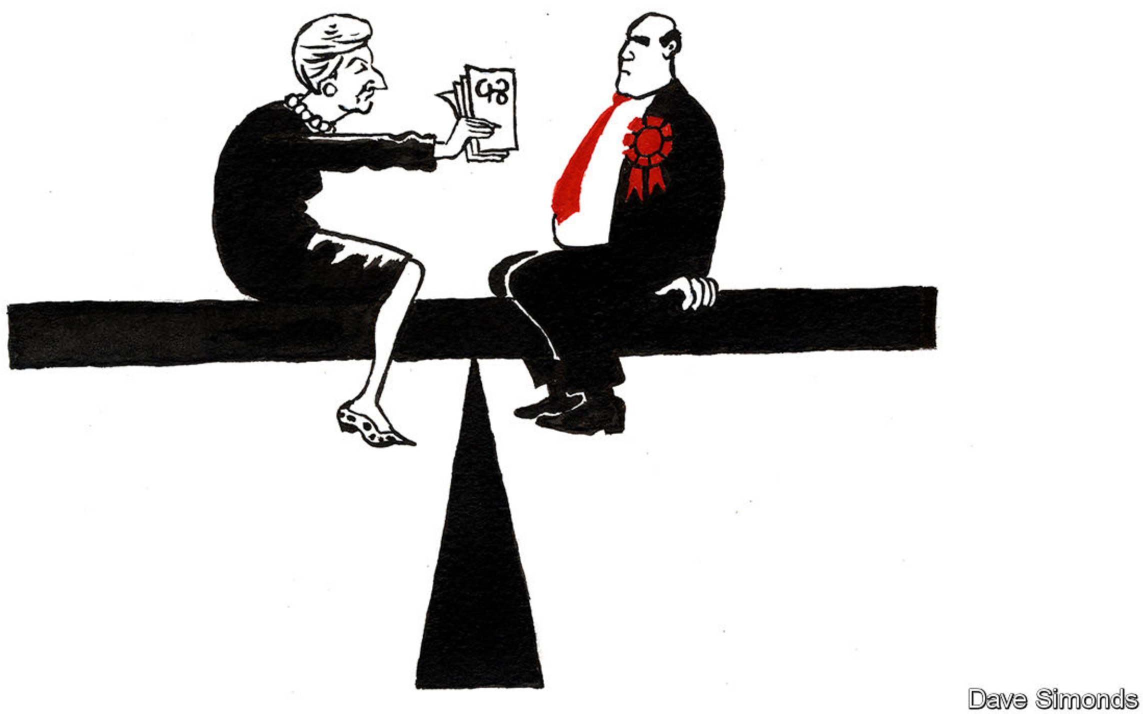
This article appeared in the Britain section of the print edition under the headline ”Spam, spam, spam!”

Woo who?

Labour MPs provide a tricky path to a majority for the Brexit deal

Theresa May might try to win over opposition votes—but it will not be easy

Print edition | Britain Feb 9th 2019



WHAT PRICE a majority? In British politics, the Democratic Unionist Party provided a rough guide. Judging by the £1bn ($1.3bn) in funding for Northern Ireland secured by the DUP's ten MPs in 2017, in return for a promise to support Theresa May's government, the going rate is £100m per MP. By that reckoning, if Mrs May wants to overturn the 230-vote defeat of her Brexit deal last month, about £12bn should do it.

The prime minister's chances of uniting her Conservative Party behind the deal look slim. But a faint path to a majority may run through the votes of Labour MPs, who are increasingly wobbly on Brexit. Twenty-four of them—including eight frontbenchers—abstained or voted against an amendment last month that would have helped prevent a no-deal Brexit. The Labour whip is not being cracked. MPs are still expected to follow the party line, but any reckoning will come only after Brexit is through Parliament, explain those involved. Labour's main concern is still avoiding blame for Brexit, not changing it.

The government's approach to getting opposition MPs on board has so far been more stick than carrot. Before Christmas, one Conservative minister glibly predicted that Labour MPs would fall into line as the prospect of a chaotic no-deal Brexit hove into view. "It's a narrow strategy," says one shadow minister. "It's not a grand bargain."

But belatedly, Mrs May is trying harder to woo Labour MPs. Trade union leaders were invited to Downing Street on January 24th for Mrs May's unique take on a charm offensive. The idea has been floated that Labour MPs from poor areas could get extra funding for their constituencies in return for their support when the Brexit deal next comes before Parliament.

The cash-for-votes idea has not been a big success so far. John Mann, a Labour MP and supporter of Mrs May's deal, was effusive. But other Labour MPs from Leave-voting constituencies were simply offended. Anna Turley, the member for Redcar, rejected the offer as a "bribe". Other ruses designed to seduce opposition MPs may cause as many problems as they solve. Talk of beefing up workers' rights, say, may nudge a Labour MP towards backing the deal, but convince a Tory to oppose it.

More radical tactics are still available to the prime minister. On February 6th Jeremy Corbyn, the Labour leader, laid out five conditions under which his party would support a deal. Chief among them were demands to keep Britain in a customs union with the EU and maintain parity of workers' rights. Reaching such a bargain with the opposition would shove a stick of dynamite under Britain's political system, with Remainer Labour MPs angry at their party for enabling Brexit and hardline Tory Brexiteers furious that a watered-down deal had been passed with Mr Corbyn's help. "It's 'deal' and exploded parties, or 'no deal' and parties just about intact," says one Labour peer.

Jacob Rees-Mogg, the ringmaster of the Conservative Brexiteers, has warned Mrs May not to follow in the footsteps of Robert Peel, who split the Tory party for a generation in the 19th century by repealing the protectionist Corn Laws. As for Labour, the promise of a customs union might be enough to win round a large number of MPs on paper. But in practice, the chance to defeat and perhaps destroy the government—even at the risk of a disorderly no-deal Brexit—may prove too tempting. Mrs May could end up going one further than Peel, and splitting both parties. When it comes to Brexit, a majority can cost a lot.

This article appeared in the Britain section of the print edition under the headline "Woo who?"

All pumped up and places to go

How two brothers from Blackburn reinvented the petrol station

The rapid success of Euro Garages shows that there are still fortunes to be made in the old economy

Print edition | Britain Feb 9th 2019

ENTREPRENEURS SOMETIMES talk of a "light bulb" moment. For Zuber and Mohsin Issa it came shortly after they bought their first petrol station in Bury, Lancashire. Looking at the small plot, they realised that the land that came with it could accommodate shops and cafés. Thus the humble fuel pump developed into a "forecourt convenience retail" outlet, the brothers' favoured term. The Bury petrol station became the first branch of what is now the largest independent operator of garage forecourts in the world.

Euro Garages, as the Issas named their empire, is one of Britain's least-known business triumphs. The brothers were born in the early 1970s in Blackburn. Their father, a Gujarati immigrant, had come to work in Britain's declining textile industry, but later bought a petrol station, where his teenage sons learned the trade before buying their Bury garage in 2001.

Even as the overall number of petrol stations in Britain tanked, with owners cashing in on rising land values, Euro Garages grew. It has opened 380 sites around Britain and, since 2016, has bought thousands more around Europe, becoming the market leader in independent forecourts in Germany, the Netherlands and Belgium, second in Italy and third in France. Last year it bought almost 1,000 sites in America, as well as 560 in Australia. With more than 5,000 sites and 30,000 employees in nine countries, it claims to be one of Britain's largest privately held companies by revenue, reporting takings last year of £20bn ($26bn), which would put it ahead of, for example, Virgin and Dyson.

The brothers were brought up in the terraces of Blackburn, but now spend more time in the air travelling between their acquisitions. The company's executive jet shares a hangar with President Donald Trump's personal helicopter at Blackpool airport. The Issas have invested in a mansion in one of London's poshest districts. But they still live in their home town, and the firm's modest headquarters on the edge of Blackburn are strictly functional.

Before Euro Garages arrived, there had long been plenty of retail forecourts on motorways, allowing travellers to fill up their cars and buy a stale sandwich and cold coffee at the same time. They were generally owned by the big oil companies. But Euro Garages extended this model throughout the country and started spending big money on making their forecourts more convenient, and civilised.

The Issas put all types of fuel on the same pump, making it easier to fill up. They put in more lights, making forecourts safer, and began running supermarket and fast-food franchises. Take one of the latest outposts, Frontier Park, a £4m forecourt development near Blackburn that is more shopping destination than mere filling station. Over two acres it includes a Spar supermarket, a Starbucks and a KFC, as well as a Totally Wicked vaping shop.

Euro Garages has consequently flipped the formula for making money at a forecourt. Whereas petrol stations used to get about 80% of their income from fuel sales, about two-thirds of Euro Garages' revenues flow from its shops and fast-food outlets. Only 4% of visitors come just to shop, but they make up the fastest-growing segment. As footfall to beleaguered high streets diminishes, garages are pulling more people in. Retailers want to piggyback on this trend. Greggs, a baker, has reduced the number of its high-street branches. But it has opened 167 outlets at Euro Garages forecourts since 2013.

The forecourt formula has caught on. Ireland's Applegreen has a similar approach. Motor Fuel Group, a British rival, is opening post offices at its forecourts.

The question is whether Euro Garages can handle its high-octane expansion. Chris Noice of the Association of Convenience Stores argues that the space afforded to the company at its big new American forecourts should allow it to expand its franchises. In Europe, the brothers will have to "tailor their offer" to local appetites and expectations, which may differ between Bologna and Blackburn. Same fuel, but proper cappuccinos.

This article appeared in the Britain section of the print edition under the headline "All pumped up and places to go"

Less haste, less speed

Brexit? What Brexit? Amid national crisis, MPs debate beer and snooker

Despite a massive legislative backlog for Brexit, the parliamentary agenda is remarkably light

Print edition | Britain Feb 7th 2019

IF BREXIT IS to happen on the due date of March 29th a mass of legislation must be passed by Parliament. The pressure will be greater still if Britain leaves with no deal, which would mean no transition period. Yet so far the government has got through just five of 11 major laws that are needed to make Brexit workable. Bills still in the queue cover trade, agriculture, fisheries, immigration, international health care and financial services. And Parliament has processed only 100 of 600-odd Brexit-related statutory instruments.

It was thus no surprise when the government scrapped the ten-day half-term recess that had been due to begin on February 15th, causing MPs to moan about suddenly having to find child care or, worse, cancel skiing holidays. Yet here is a curious thing: despite the urgency of the situation, this week the Commons enjoyed a largely Brexit-free agenda. Besides police and local-government finance, debates were held on such pressing matters as anti-social behaviour, beer taxes and sport, in which MPs spent three hours discussing subjects including a new rugby ground in Nantyffyllon and a project to get people with autism interested in snooker. Barely 30 sitting days remain until March 29th.

Why the parliamentary inactivity? One answer is that everything is on hold until Theresa May comes up with a plan for winning a meaningful vote on a revised Brexit deal. This week the search took her from Belfast to Brussels. Yet the signs are that the EU is not ready to offer more than minor tweaks to the Irish backstop that could keep Britain in a customs union. Since Tory Brexiteers want the backstop ditched completely, the prime minister's chances of getting her deal through Parliament still seem remote. She denies claims that she is running down the clock. Yet her inertia seems to be doing just that.

The other answer is the simple fact of minority government. Maddy Thimont Jack of the Institute for Government, a think-tank, says ministers have chosen not to press ahead with the agriculture and fisheries bills for fear of ambushes by MPs. The trade bill, which could be a vehicle for efforts to keep Britain permanently in a customs union, is held up in the Lords, where the government also lacks a majority. This points to another problem. Even if Mrs May miraculously wins a meaningful vote on her Brexit deal, she will find it hard to secure the majorities needed for all stages of a subsequent withdrawal bill.

She has promised MPs a new set of Brexit votes on Valentine's day. That could see a further bid to upend normal procedure, in order to stop no deal. The government fiercely opposes such efforts to usurp its usual control of Parliament. Yet in truth its control is already weak—and unlikely to get stronger.

This article appeared in the Britain section of the print edition under the headline "Debating beer and snooker"

Bagehot

What John Ruskin can teach modern Britain

Born 200 years ago this week, the artist and intellectual still has important lessons

Print edition | Britain Feb 9th 2019

IN HIS HEYDAY John Ruskin exercised the sort of influence that today's hyperactive "thought leaders" and "taste makers" can only dream of. Oxford University named not one but two institutions after him—the Ruskin School of Art and Ruskin Hall, for working-class students. He inspired the creation of the National Trust and the Society for the Protection of Ancient Buildings. "Thus disappeared from Earthly view the last of the giants who make the modern British socialist movement possible," Keir Hardie, the founder of the Labour Party, declared when he died in 1900.

Ruskin's reputation sank like a lead Zeppelin after the first world war, under the combined assault of Bloomsbury intellectuals, who mocked his over-wrought prose and didactic style, and modernist architects, who ridiculed his taste for the Gothic. Today the only thing that most people know about him is that he was supposedly so shocked by his wife's pubic hair on their wedding night that he couldn't bring himself to sleep with her (the marriage was eventually dissolved "by reason of incurable impotency").

The 200th anniversary of Ruskin's birth, on February 8th, provides a welcome opportunity to re-evaluate this extraordinary man. Exhibitions of his drawings and paintings will remind us of his artistic gifts. "Ruskinland", a timely book by Andrew Hill of the *Financial Times*, demonstrates that he had valuable things to say about reforming capitalism. It turns out that this prudish pubophobe is nothing less than a prophet for our times.

The odd man of Coniston

The problems confronting late Victorian England were remarkably similar to those now facing late Elizabethan Britain. The ruling class was feathering its own nest, the capitalists through global commerce and the political elite through their offices. The country was divided into "two nations". The dominant utilitarian philosophy failed to answer urgent questions about the quality, as opposed to the mere quantity, of life. Ruskin was at the centre of a constellation of intellectuals, including Matthew Arnold and Walter Bagehot (a former editor of this newspaper), who devoted themselves to stitching the country back together by reforming capitalism and re-moralising the ruling class. Ruskin's output was as rambling as it was rich—his works run to 39 volumes—but he remains strikingly relevant on three subjects: the nature of work; the importance of place; and the role of beauty in everyday life.

Ruskin believed that the pursuit of efficiency had deprived labour of meaning. Workers hated what they were doing because they were performing repetitive tasks rather than expressing their souls in their work. It is easy to dismiss this as trustafarian clap-trap. Ruskin inherited a fortune from his father, a wine merchant, and was prone to organising madcap schemes such as getting undergraduates, including Oscar Wilde, to build a road near Oxford, hardly an optimum allocation of talent. But his ideas about the importance of meaning as a motivator are not as impractical as they may seem. The Toyota system of production has outperformed mass production precisely because it gives workers more control over their jobs. This question is now at the heart of the knowledge economy: should we use smart machines to break work down into tiny chores that can be globalised and mechanised (as Amazon's Mechanical Turk, an outsourcing platform, does), or should we use them to give workers more control over their tasks? Hurtling down the first route will lead to a "zipless totalitarianism", to borrow a phrase from Sean Orlando, an American artist, that will alienate workers without much improving productivity.

Ruskin worried that what we now call globalisation was creating a rootless society, prosperous but anomie-ridden, composed of interchangeable human atoms, "circulating here by tunnels under ground, and there by tubes in the air". He urged his followers to put down roots in particular places, as he himself did in Brantwood, in the Lake District. Dozens of "Ruskinlands" sprang up across the world, putting into practice his dictum that "local is logical". He urged the rich to take responsibility not for humanity in general but for particular people and places. Again what seems like effete claptrap contains a good deal of hard sense. The British elite's infatuation with globalisation has produced a backlash that now threatens globalisation itself, most obviously in the form of Brexit but potentially in the form of a hard-left Labour government. Politicians have abandoned place-based policies while businesspeople have failed to see that breaking free from the common obligations of citizenship, by parking their money offshore, will whip up a whirlwind.

Ruskin's greatest passion was for art. He made his name as a fluent champion of J.M.W. Turner and as a talented artist in his own right. But for Ruskin, art was not something to be gawped at in galleries. It should suffuse the built environment, as it did in his beloved Venice. This insight resonates today. Town planners and builders have forgotten the importance of aesthetics, assembling identikit houses and shopping centres without even nodding to local traditions. This fuels not just alienation but nimbyism. Kit Malthouse, the housing minister, now talks of building "the conservation areas of the future". Last November he set up a commission on "building better, building beautiful", chaired by Sir Roger Scruton, the closest thing Britain now has to a John Ruskin.

Ruskin's most important lesson is the importance of eclecticism. He called himself both a "violent Tory of the old school" and a "reddest also of the red" socialist. "I am never satisfied that I have handled a subject properly till I have contradicted myself at least three times," he once said. One of the dangers facing Britain is that, after dividing into warring political tribes over Brexit, it will split again over the future of capitalism. The only way to bring the country back together and tackle its manifold social and economic problems is to adopt a Ruskinian approach, and ransack every tradition—conservative, liberal and socialist—for good ideas.

This article appeared in the Britain section of the print edition under the headline "Learning from Ruskin"

Electricity for the poor
Light to all nations?

More light, less clarity

Electricity does not change poor lives as much as was thought

Getting a power connection to the poorest of the poor may be the wrong priority for a cash-strapped government

Print edition | International Feb 9th 2019

Mathieu Young

THOUGH SHE lives in one of the world's poorest countries, Drocella Yandereye is a picture of upward mobility. Her small farm in Rwanda, where she grows maize, beans, bananas and coffee, is thriving. She has built a new house and turned her old one into a chicken shed. Her interests range well beyond her village, evidenced by the two posters on her living-room wall showing African leaders and the countries of the world. What makes her even more unusual is that she has electric light.

It is not the kind of bright, leave-it-on light that people in rich countries take for granted. A small solar panel on Ms Yandereye's roof is connected to a wall-mounted battery, which powers a radio and three LED ceiling lamps. Ms Yandereye also uses the battery to charge her mobile phone and a portable lamp that she hangs around her neck. All the lamps are rather dim. But they produce just enough light to allow her children to study after sunset, and they do not kick out foul fumes, like the kerosene lamps she used to depend on.

Almost 140 years after Thomas Edison began selling filament light bulbs, just under 1bn people worldwide still lack access to electricity, according to the International Energy Agency, a research group. Almost two-thirds live in Africa, mostly in the countryside. The UN believes all should have power, and has set a target date to achieve universal access of 2030. That sounds plausible—since 2000 the number of people without power has fallen by 700m. Sadly, it is unlikely to happen. And recent economic research shows that rushing to illuminate the world is a bad idea.

The old-fashioned way of bringing electricity to the masses entails building power stations and transmission lines. This is still popular. Last year India's government claimed that it had connected every village to the power grid, although this does not mean every household is connected, still less that power is available 24 hours a day (see article). Myanmar and Senegal are racing to do the same.

In the past few years, though, governments and aid agencies have put more faith in solar power. They have built or paid for "mini-grids" that can power a village or a school. More often they have given tax breaks and subsidies to firms that sell small solar kits. In Bangladesh, the number of solar home systems (that is, closed electricity systems powered by a small panel on the roof) shot up from 16,000 in 2003 to 4.1m by the end of 2017. Ethiopia's "national electrification programme" calls for connecting 35% of the population to small solar systems by 2025. That proportion is expected to decline thereafter as more homes are plugged into the grid.

Sun spots

Solar home systems provide much less power than grid connections, but are far cheaper to set up. The more advanced ones are often sold on a pay-as-you-go basis. Every few months, a household is asked to pay another instalment, which can be done by mobile phone. The company then sends a code, which the householder types into the battery. That keeps the lights on.

Rwanda is trying all of these approaches at once. The government already claims to have connected 31% of households to the electricity grid, up from less than 10% in 2009. Another 11% are thought to have solar power. Helped by foreign aid, officials are now trying to connect every household to the grid or to solar power by 2025. This is just about feasible. Rwanda is small and densely populated, if annoyingly hilly, and its government is competent. Yet the projected cost is huge. Add up the mini-grids, the transmission lines, the new power stations and the credit lines to sellers of solar home systems, and Rwanda's energy plan amounts to $3.1bn over six years. The entire government budget this year is $2.8bn.

Not surprisingly, people enjoy having even small amounts of electricity. Ms Yandereye, who bought her lamps from One Acre Fund, a charity, says that her neighbours admire them. She has found uses for the power. She uses a portable lamp to get to her local church at night and another to light her chicken shed. Two years ago, her chickens caught a disease. Now that they have a light, she can keep the door closed, which she hopes will protect them.

Yet most people who live in poor remote places are like Ms Yandereye's neighbours: they desire electric light and power but cannot afford it, even with modest subsidies. For essentials, such as charging a phone, they can pay a neighbour or a shop. One study of Rwanda published last year, by Michael Grimm of the University of Passau and others, found people ready to pay between 38% and 55% of the retail price for solar-lighting kits, on average. The researchers' kits cost between $13 and $182 depending on power levels and quality.

Even small towns in Rwanda have shops selling solar home systems—but not necessarily to poor farmers. Local salesmen for Bboxx and Mobisol, two of the market leaders, report that many of their customers are middle-class urbanites already connected to the electricity grid. Some are buying kit for their parents in the villages. Others have become frustrated with flickering mains power and want a backup.

A connection to the electricity grid is far more expensive. As a rule of thumb, it costs at least $1,000 in a rural area. Academics at the University of California, Berkeley, have tested Kenyan villagers' willingness to pay. They offered a large subsidy, which brought the price of a connection down to $171. Only 24% of people plumped for it.

If electricity and light truly transformed people's lives, it might make sense to offer large subsidies for solar systems and grid connections or even to give them away. It might bring benefits that people could not have imagined. Or they might know about the benefits but be unable to afford the upfront cost. But there is little evidence of this. Another study by Mr Grimm and his colleagues found that Rwandans who were given solar lamps responded by lighting their households more brightly, for more hours each day. They burned less kerosene, and their children studied a little more, especially at night. But the adults' working lives changed hardly at all. Solar lamps appear not to rescue people from poverty.

Nor even does a grid connection. A detailed study of rural Tanzania, where America's Millennium Challenge Corporation built power lines and subsidised connections, found little effect on adults' welfare. Offering cheap connections cut the proportion of people living on less than $2 a day from 93% to 90%—hardly a transformation. Children's lives changed, but perhaps not in a good way. Those who were connected went from watching almost no television to one and a half hours a day, and did even less housework than before.

Another study, of Bangladesh, found that the benefits of grid power accrue mainly to better-off households. Hussain Samad and Fan Zhang of the World Bank estimate that connections boost the spending of people in the top fifth of the earnings scale by 11%. People in the bottom fifth see a benefit of 4%.

A connection to the electricity grid often puts the utility company—and ultimately the government—on the hook. Many newly connected households pay little or nothing for their power, either because the power company has a progressive tariff, because people refuse to pay, or because they tap transmission lines illegally. An ongoing study of Bihar in north India by the International Growth Centre (IGC) in London finds that only 10% of people think it likely they will be penalised for failing to pay their bills or for an illegal hookup.

The passing of the torch

One oft-cited benefit of connecting a person to the grid or to solar energy is actually diminishing. That is because many people who lack electricity no longer rely on kerosene. One Rwandan woman who is picking up her first solar lamp at a distribution point in Nzaratsi says that she has hitherto used simple torches—just batteries wired to LEDs. These are extremely cheap, costing about $0.25, and are available from village shops. People tend to throw the dead batteries in their latrines, which is hardly ideal, but is not as immediately harmful as the smoke from kerosene lamps.

Electrification may bring benefits that economic studies miss. Robin Burgess of the IGC argues that a short-run study of households may not be the right lens: electrification might mostly benefit businesses, and not at once. Moreover, countries will have to bring power to their people eventually. But to spend a lot of scarce cash doing so now, in the hope that benefits will turn up, hardly seems enlightened.

This article appeared in the International section of the print edition under the headline "Light to all nations?"

When politicians see the light

Night-time satellite imagery can measure electricity provision

In India, the night sky follows an electoral timetable

Print edition | International Feb 9th 2019

FOR YEARS AMERICAN satellites have circled the Earth, measuring light levels at night and estimating how much is man-made. One straightforward use of such data is to see whether a place has electricity. Take India. Brian Min of the University of Michigan has shown that the government's ambitious plan to connect every village to the grid is less dazzling than it appears. Many newly connected villages do not quickly light up, perhaps because the power supply is so unreliable. Indian states do, however, get brighter shortly before elections, suggesting politicians lean on power companies to minimise blackouts. The effect is strongest when the governing party is defending a slim majority.

This article appeared in the International section of the print edition under the headline "What light reveals"

Manufacturing's revival
Making it in America

Making it in America

American manufacturing companies have a spring in their step

The scaling back of Foxconn's plans to make televisions in Wisconsin is offset by other good news

Print edition | Business Feb 9th 2019

A DRIVE ALONG the narrow county roads of Mount Pleasant, Wisconsin, used to be a sleepy affair. You would spot a pumpkin farm, the odd homestead and red barn. But a recent visit revealed a cacophonous building site: a factory is emerging in this corner of the Midwest. Where chicken coops once stood, Foxconn, a Taiwanese contract-manufacturing giant best-known for assembling iPhones, has arrived.

When in 2017 the firm announced plans to build a massive factory for high-end televisions, many cheered, not least President Donald Trump, who came for last year's ground breaking ceremony. Electronics manufacturers had long ago abandoned America for cheaper countries, especially China, so the investment seemed to mark a reversal. Having secured a promise of over $4bn in subsidies from Wisconsin, Foxconn vowed to create 13,000 jobs, many of them on the assembly line, with an average annual salary of $54,000.

But what Foxconn will do in these hinterlands is now in question. The company has discovered that it is hard to get thousands of Midwesterners to work long hours at stressful assembly-line jobs for relatively low pay. Last week Mr Trump personally intervened and persuaded Foxconn's boss, Terry Gou, not to pull out. Even so, Foxconn has scaled back its mass-manufacturing plans, and an insider confirms that it will now make only unspecified quantities of "high-value products". It has not retracted its jobs promise, but observers doubt if it will hire at the scale it originally envisaged.

At first glance, the Foxconn reversal confirms that American manufacturing is in trouble. Consider the recent wobbles at other big firms with local factories. Electrolux, a Swedish white-goods giant, announced on January 31st that it is shutting down an oven-making plant in Memphis, Tennessee. It blamed higher costs arising from the Trump administration's tariffs on imported steel and aluminium, as well as the bankruptcy of Sears, a big retailer that sold its products. On January 28th, Caterpillar, a legendary American maker of heavy equipment, reported disappointing profits for the fourth quarter thanks in part to a slowdown in China's economy, which has been hit by America's trade war.

The Economist

A closer look, however, suggests manufacturing is undergoing a revival, especially among agile smaller firms and those using advanced techniques. According to the Bureau of Labour Statistics, manufacturing employment leapt by 261,000 jobs in 2018, reaching a total of 12.8m, coming after another rise in 2017, of 207,000 jobs. The sector has rebounded from the financial crisis of 2008-09 (see chart 1). The Institute for Supply Management's manufacturing purchasing-managers' index, a closely-watched indicator, rose to 56.6 in January from 54.3 in December (a figure above 50 signals expansion). It has shown expansion for 29 consecutive months.

With characteristic modesty, Mr Trump is claiming most of the credit. His tax-reform package, passed at the end of 2017 by Congress, reduced corporate-tax rates, made capital investment more attractive and cut the incentive for American multinationals to hoard cash overseas. Though some firms have used the bounty from tax reform to undertake big share buy-backs, it seems that large firms are increasing investments in plant and equipment in America. Analysts at Goldman Sachs, an investment bank, estimate that the big industrial firms of the S&P 500 index (leaving out the large technology firms) during the first three quarters of 2018 spent $460bn on capital expenditures, up from $400bn in the same period in 2017.

In a survey of leading American firms released on January 28th by the National Association for Business Economics, a trade association, four times as many firms in the "goods-producing sector" (which includes manufacturing) expect to increase capital spending in the next three months as those expecting to cut spending. Foreign direct investment into American manufacturing shot up to roughly $185bn during the first nine months of 2018, compared with under $100bn in 2017.

The Economist

Yet forces that predate Mr Trump's arrival into the White House are also boosting the fortunes of American factories. A new analysis by the Boston Consulting Group, a consultancy, shows that the cost of manufacturing is approaching parity for the two economic superpowers (see chart 2) whereas 15 years ago Chinese costs were over an eighth lower. Manufacturers were bringing supply chains home (partly by investing in automation) well before Mr Trump took office, according to a forthcoming report from the Conference Board, a research group. Researchers conclude that nearly two-thirds of manufacturers in America, domestic and foreign, in leading sectors were localising sourcing and manufacturing from 2011 to 2016, and only about a quarter were globalising. Since Mr Trump's election, higher oil prices have helped manufacturing businesses linked to the energy industry.

Home run

The report also offers clues as to what went wrong in Wisconsin. Electronics was among the sectors that did the least reshoring during the period studied. This is because electronics supply chains and innovation ecosystems in China are highly specialised, efficient and hard to duplicate. In contrast, the automobile and metals industries were aggressive localisers.

To catch a glimpse of what could be the future of American manufacturing, travel to southern New England, home of America's first manufacturing boom two centuries ago. Here, Mr Trump has been good for Trumpf. The German firm's North American headquarters and manufacturing hub in Farmington, Connecticut, is bustling. Trumpf makes machine tools, each costing $500,000 or more, that cut, bend and shape metal with the aid of proprietary lasers. Unlike the traditional metal-bashing kit found on typical factory floors, which are cost-effective only for mass production, these computer-controlled marvels allow short runs and high variation, making mass customisation economic.

Business is booming. Trumpf counts such American industrial icons as John Deere, a manufacturer of tractors, and Toro, which makes lawnmowers, as customers. Sales rose 21% to $699m in the year to June 2018, and were a healthy $400m in the second half of 2018. Customers frequently cite tax breaks from being able to expense the cost more quickly as reasons for investment. Behind a giant tarpaulin in Trumpf's factory can be glimpsed a new assembly-line being built for its next-generation offering. Trumpf has also spent some $30m building a "factory of the future" in Chicago, close to its industrial clients.

In Cromwell, a nearby town by the bucolic Connecticut River, John Carey, founder of Carey Manufacturing, reflects on his small company's experience with reshoring. The family-controlled firm makes automobile components as well as metallic handles and latches for such things as toolboxes. Unable to face a flood of cheap Chinese imports around 2000, he outsourced operations to mainland China but found it to be a race to the bottom on quality and price. He brought back the work to America starting in 2014, a process he has accelerated in the past two years. He invested $2.5m in equipment from Trumpf and embraced advanced manufacturing. Consumers want products in ever greater variety, on demand, and Trumpf's advanced tools allow even small manufacturers like Carey to be nimble. Carey is growing—it hopes to earn $4m in revenues from reshored product lines in 2019, more than double the figure three years ago.

Mr Carey praises Mr Trump for taking on China's unfair subsidies, but berates him for his steel and aluminium tariffs, which have raised his costs. Like Foxconn, his firm's big challenge is finding enough skilled workers. America needs a system of apprenticeships like that of Germany, he says. Instead of wasting billions on a border wall with Mexico, he argues, Mr Trump should spend the money helping develop a highly-skilled manufacturing workforce. The evidence suggests that if America builds it, companies will come.

This article appeared in the Business section of the print edition under the headline "Making it in America"

Swanning in

Intel's new boss leads a firm that is both thriving and troubled

It dominates PC and server chips. But its core business has misfired of late

Print edition | Business Feb 9th 2019

AFTER A SEVEN-MONTH search, Intel on January 31st announced that its new chief executive would be its chief financial officer. Robert Swan had been filling in as the boss since last year, when Brian Krzanich, his predecessor, left after violating company rules about relationships with subordinates. Mr Swan inherits a company with dominant products and an enviable market position—but also one whose core business has stumbled.

The good news is that an increasingly electronic world has an insatiable appetite for the computer chips that Intel makes. A week before Mr Swan's appointment Intel announced results that reflected strong growth. Its annual revenue, of $70.8bn, set a record, and its operating income of $23.3bn was up by 29% from the same period in 2017 (though the numbers were slightly below the market's expectations).

Intel's chips power 84% of desktop computers, leaving scraps for Advanced Micro Devices, its only competitor. It has a near 100% market share in the more profitable market for the beefier chips used in data-centres and cloud-computing farms.

On the face of it the future looks promising, too. The personal computer market is growing again after years of decline. As connected gizmos proliferate—everything from smart speakers to TVs, cars and medical devices—the market for server chips to process the information they collect should grow briskly as well.

Under Mr Krzanich, Intel had hoped to reinforce its cloud-computing dominance by expanding into new areas, particularly specialised "accelerator" chips designed to speed up specific data-centre workloads. It bought Altera, a maker of field-programmable gate arrays, or chips that can be programmed, in 2015, and Nervana, which makes machine-learning chips, a year later. The aim was to compete with firms like Nvidia, which already offers silicon customised for certain data-centre workloads, chiefly artificial intelligence. It acquired Mobileye, an Israeli maker of computer-vision chips for cars, in 2017.

Mr Swan's most urgent job, though, is to ensure Intel's misfiring core business can bring it into that future. One vital ingredient of its dominance has been its prowess in ultra-high-tech manufacturing, repeatedly shrinking the components in its chips as predicted by Moore's Law, which was named for the firm's co-founder. Each time those components shrank, the chips built from them got faster, cheaper and less power-hungry. Intel was better at doing that than any of its competitors, releasing improved chips with such metronomic regularity that its product-release schedule was given the name "tick-tock".

But it has stumbled lately. Its newest "10-nanometre" factories were due to start producing chips in 2016 (the number refers, in a very loose sense, to how densely packed the components in a chip are). They will not now be ready until 2020, an unprecedented delay. That has allowed two rivals, Taiwan Semiconductor Manufacturing Company and Samsung, a South Korean firm, to catch up.

Things will only get harder. The cost of yet more component-shrinking is becoming prohibitive. State-of-the-art chip factories cost more than $10bn, a number that is rising. Many formerly cutting-edge firms have thrown in the towel over the past decade. Worse, the physics of how electronic components behave at near-atomic scales means that each new round of shrinkage offers fewer benefits than it used to. Intel spends heavily on R&D, exploring everything from better chip packaging to exotic ideas like quantum-mechanical transistors. But none is yet ready for prime time.

Some worry that Intel's attempts at diversification risk misallocating both cash and its engineers' attention. In any case, says Joseph Moore at Morgan Stanley, a bank, Intel has always struggled outside its core business of desktop and server chips. In a post-appointment email to employees, Mr Swan said he was not minded to change the fundamentals of his predecessors' strategy. But he did not mince his other words: "our execution must improve".

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

Bartleby

A 25-year battle to improve the image of McDonald's

Do you want ethics with that?

Print edition | Business Feb 7th 2019

Paul Blow

EVERY DAY McDonald's serves 69m customers, more than the population of Britain or France. The company has what is estimated to be the most valuable fast-food brand in the world, cherished as a cheap dining option for families.

But do consumers perceive McDonald's as a socially or environmentally responsible company? If they do not, it is in spite of the best efforts of Bob Langert. In 1988, he took a temporary assignment managing a furore over polystyrene "clamshells" in which the company's burgers were served, and which were being damned for their contribution to America's litter problem. That turned into a 25-year career (he has since left the firm) dealing with the chain's various negative external effects.

It was a Herculean task, akin to being fashion consultant to Steve Bannon. Apart from litter, he had to deal with animal welfare, environmental destruction, obesity and workers' rights. When he began, the company's mascot was being dubbed "Ronald McToxic" because of the clamshell problem. But he had more success than outsiders might think. His book "The Battle to Do Good: Inside McDonald's Sustainability Journey" is a must-read even for those who are cynical about the business of corporate social responsibility.

At times, the fast-food chain did not help itself. In the 1990s, it sued two Greenpeace activists for producing leaflets about its practices. The ensuing "McLibel" trial gave the claims worldwide publicity and was described as the world's biggest corporate-PR disaster. Mr Langert tried to reduce the damage. The company consulted panels of independent experts and engaged with campaigning groups. On occasion it aimed to keep one step ahead of the activists—McDonald's took action even when there was little sign of public concern. Shaving one inch off the napkins saved 3m lbs of paper annually, for example, but few consumers noticed.

Environmentalists did attack the firm for its impact on the Amazon rainforest, saying trees were being cut down to make room for cattle pasture or the expansion of soy farming for cattle feed. In 1989 the company announced that it "never has and never will buy beef from recently deforested rainforests" and it has also worked to limit the expansion of soy farming in the region. The rise of veganism amid doubts about the health effects of eating meat have given McDonald's new worries.

Accomplishing change is not just a matter of the company snapping its fingers. Most McDonald's restaurants are operated by franchisees and its goods are bought from a wide range of suppliers, so three or four layers may separate the McDonald's head office and the cattle-rancher who supplies the firm's beef.

In the late 1990s, after complaints from campaign groups about the living conditions of hens, Mr Langert visited an egg facility to find that conditions were indeed terrible. In August 2000 the firm said it would buy eggs only from suppliers that gave hens 72 square inches of space, compared with an industry average of 48 square inches. Suppliers resisted so strongly that McDonald's had to find new sources for its eggs. But those who complied found that the mortality rates of hens decreased and egg-laying rates increased, offsetting the extra costs.

Mr Langert found it took a long time to get agreement within the company on a particular subject and then to persuade suppliers to comply. But once he reached that stage, he had enormous clout; McDonald's is the largest purchaser of beef and pork in America, as well as the second-largest buyer of chicken. Another victory was persuading a supplier to phase out the use of gestation stalls for sows which make it impossible for the animals to move.

Human working conditions also caused the company trouble. One day Mr Langert got a call from a Catholic bishop who was concerned about the low wages paid to tomato-pickers. Another issue was the use of "trans fats" to cook the restaurant's fries, which were deemed to increase the risk of heart disease; it took six years for the chain to phase out the practice. But the company has also added more salads and healthy options.

Was all the effort worth it? It seems likely that many of the people who care a lot about these issues would never eat a fast-food burger in the first place. But Mr Langert did more than most to reduce environmental waste and animal cruelty. A decent career record for an obviously decent man.

This article appeared in the Business section of the print edition under the headline "Do you want ethics with that?"

Back to basics

UNIQLO's founder plots a way to beat Zara and H&M

Tadashi Yanai reckons rising Asia will push his firm to number one

Print edition | Business Feb 9th 2019

WHEN ASKED what guides his vision of UNIQLO, Tadashi Yanai, its founder and chief executive, pulls off the shelf the 1987 autumn/winter collection catalogue of Next, a mass-market British retailer. All of the clothes are so classic, he says, that they could be worn today. While Inditex of Spain, which owns Zara, and Hennes & Mauritz of Sweden, the world's two largest clothing retailers, slavishly follow fashion trends, UNIQLO, the main brand of the third-largest, Fast Retailing, of Japan, sticks to timeless basics.

Mr Yanai has a solid base at home from which to expand into his Western competitors' main markets of Europe and America. But instead his priority remains Asia. He wants to turn UNIQLO into the world's largest clothing retailer by becoming the first Asian "SPA" or speciality store retailer of private-label apparel. "Asia is the engine of growth today," he says, pointing to the millions of consumers across the region who are reaching the middle class. UNIQLO will open its first shop in India this year and is considering whether to expand into Vietnam and other countries (it has already opened networks of shops in Indonesia, Singapore and Thailand).

The success or not of UNIQLO's overseas operations matters greatly to investors at home. Fast Retailing's shares—Mr Yanai owns just over 20% of the firm—have been rising since 2015, largely, analysts reckon, owing to its international expansion and improved logistics. At home the firm is closing stores because the population is shrinking. Fast Retailing's operating profit in the year to August 2018 was ¥236.2bn ($2.15bn), the bulk of which is made up by UNIQLO. Last year UNIQLO's international revenue overtook its domestic sales for the first time and its foreign operating profit almost equalled its Japanese equivalent.

UNIQLO has a strong Asian foothold by way of China, home to over half its overseas shops. China contributed around 70% of total international revenues last year. This success has surprised some, and not only because of ill-feeling towards Japan from many Chinese because of the latter's wartime record. China is not an easy place to work, and, in clothing at least, Chinese consumers tend to revere brands. But even the label-obsessed need plain bits and bobs for layering or co-ordination. Chinese consumers are after quality, and UNIQLO's special fabrics, especially its Heattech range for cold weather, function well. Above all analysts point to the company's savvy Japan-educated Chinese executives who understand both the culture of the Japanese business and that of China.

But the rest of Asia may be harder to crack. For one thing, a warm climate in several countries means that UNIQLO cannot rely on its cold-weather products as a main driver of sales. It may have to tweak its formula, which could be risky, says Takahiro Saito, a fashion-retail analyst and author of a book comparing UNIQLO and Zara.

Though they are very different markets, Europe and America offer a cautionary tale. UNIQLO in America struggled outside the big cities of the east and west coasts. Growth in the heartlands remains elusive for UNIQLO both there and in Europe. In part that is because the same business model exists there already with firms such as Gap, says Mr Saito. But UNIQLO could do better at explaining what it does. Well thought-out partnerships with ambassadors, such as tennis player Roger Federer, and collaborations with designers, like Jil Sander, are starting to help.

Mr Yanai, an ardent fan of globalisation unlike many Japanese executives (the firm's working language is English and many employees, even in Japan, are foreign), is confident that he can guide UNIQLO through the changes needed. He also talks of expanding into shoes as well as dresses and skirts, where UNIQLO currently has only slim offerings.

The backlash against globalisation is the biggest risk to UNIQLO's Asian plans, he says. It could limit free movement of goods and people, disrupting both supply chains and workers. Still, a Japanese firm that has managed as much foreign success as UNIQLO should be able to cope.

This article appeared in the Business section of the print edition under the headline "Back to basics"

Laker Airways 2.0

The disappearance of Norwegian would be bad news for consumers

Three airline groups would be left dominating the market for transatlantic flights

Print edition | Business Feb 9th 2019

IN THE 1960S long-haul air travel was a glamorous but expensive proposition. Then in the 1970s Sir Freddie Laker, a British entrepreneur, set about trying to open it up to the masses. In 1977 he launched Skytrain, the first low-cost, long-haul service between London and New York. Within only five years Laker Airways went bust. Recently another European entrepreneur, Bjorn Kjos of Norwegian, hoped to succeed where Laker failed and in 2013 he relaunched low-cost flights across the Atlantic. It looks as if Norwegian may suffer the same fate as Laker Airways.

Norwegian's finances have been in a bad way since it embarked on its new project. As an airline mainly flying domestic and short-haul routes in Scandinavia, in 2013 it made an annual operating profit of NKr970m ($166m). On February 7th Norwegian said it had made operating losses of NKr3.85bn in 2018, during which almost half of its flights were on long-haul routes.

The firm had been limping on hoping for a takeover from IAG or Lufthansa, two big European airline groups. But in late January its shares fell by a third after its potential suitors walked away due to worries over the pricing of a deal and about losing flying rights in the event of a no-deal Brexit. To avoid bankruptcy through breaching agreements with bondholders, Norwegian was obliged to raise 3bn krone—over half its market capitalisation—in a rights issue.

Analysts are sceptical about whether it can continue operating. Mr Kjos plans to rein in growth ambitions and cut costs to keep the airline aloft in 2019. An ongoing fare war in Europe and rising fuel prices are likely to make losses worse. The company hopes that shifting planes from loss-making European holiday routes to South America, where countries are opening up to foreign airlines, will reduce its losses. But political and financial instability in some markets mean that returns could prove volatile.

If Norwegian disappears, will the long-haul, low-cost model survive? The idea was to apply the low-cost model as successfully mastered by Ryanair, to longer routes. Norwegian and its imitators, such as Primera of Denmark and WOW of Iceland, have offered loss-making fares on routes, hoping to make the money back by filling planes to capacity and by selling extras on-board rather than with tickets.

The strategy has not worked well on longer routes. Norwegian filled only 76% of its seats in January compared with 91% for Ryanair. One reason is that flyers will more readily choose a no-frills flight for an hour-long flight than for eight hours. Other long-haul budget rivals are doing worse: Primera went bust last October and WOW is teetering on the edge of bankruptcy.

Yet Norwegian also made mistakes that could be avoided by other airlines, argues Ross Harvey of Davy, a stockbroking firm. First, it grew too quickly with too weak a balance-sheet. The losses that Norwegian racked up in order to stimulate demand were not steep enough to trouble a big airline group with deep pockets. But Norwegian, which is heavily indebted, cannot easily absorb them.

Second, unlike Ryanair and easyJet, the airline did not control its costs tightly. “It is not a long-haul, low-cost airline, but a long-haul, low-fare one”, says Daniel Roeska of Bernstein, a research firm. Its weak balance-sheet also means it has to pay high interest to finance aircraft.

The rise of low-fare startups such as Norwegian has reduced the share of seats across the Atlantic carried by the big three European airlines and their joint-venture partners from 80% in 2015 to 72%, according to CAPA, an aviation consultancy. Their success has prompted larger airline groups to copy the model. IAG has responded to Norwegian, for example, by launching its own budget long-haul operation, called LEVEL. It is converting Aer Lingus, its Irish airline, into another. Lufthansa has done the same with Eurowings’ long-haul routes. For a while, low-cost long-haul carriers will live on as part of larger airline groups. But the bad news for flyers is that if Norwegian goes bust, the big airlines would have free rein to raise fares, presumably while keeping no-frills service.

A takeover by a low-cost rival with money to spare, such as Ryanair, is another possible outcome. The Irish firm has been looking for opportunities to expand outside its western European territories, where the market for air travel is saturated. But its boss, Michael O’Leary, is wary about a bid. He has looked at buying Norwegian but thinks that Europe’s three big airline groups will do everything they can to destroy low-cost rivals competing with the long-haul flights which earn their corn. That seems a reasonable conclusion.

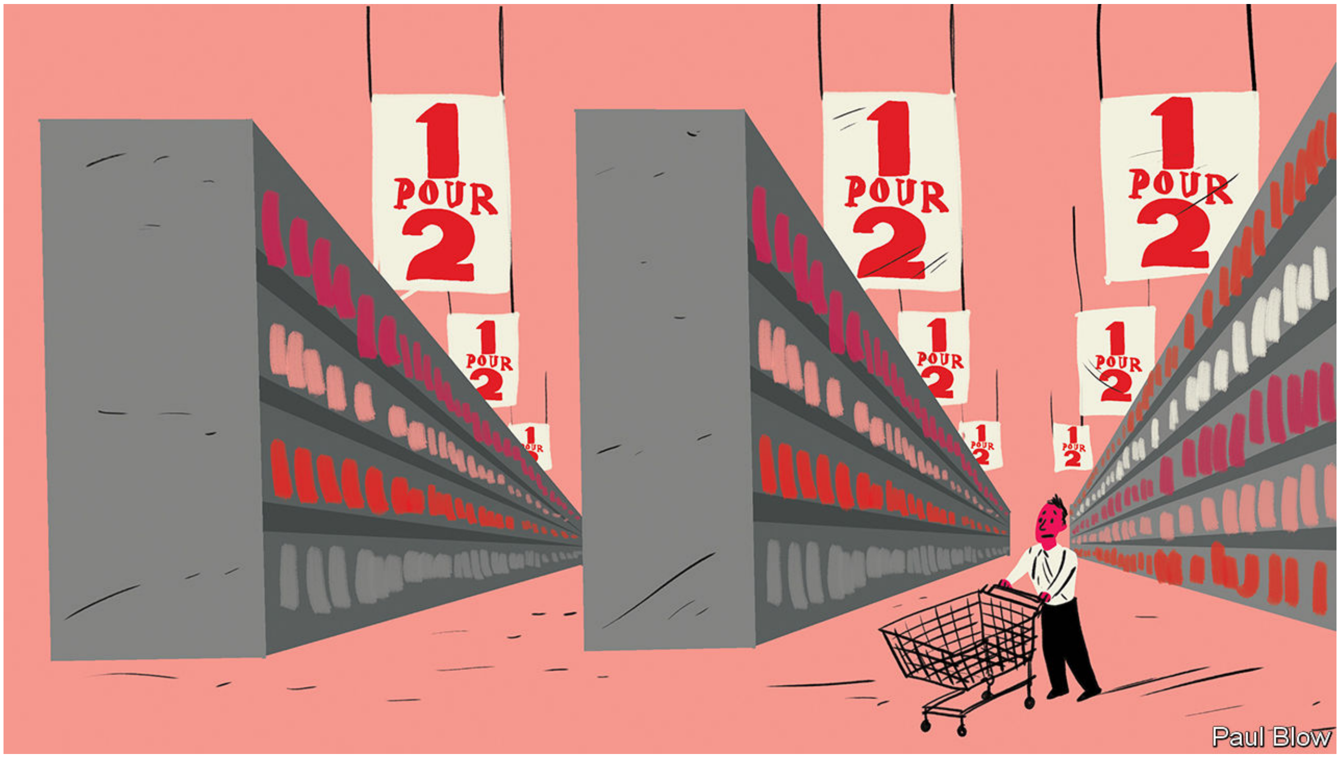
This article appeared in the Business section of the print edition under the headline ”Laker Airways 2.0”

Foodfight

A new law decrees French supermarkets must get greedier

The agriculture ministry is forcing retailers to raise the price of staple foods

Print edition | Business Feb 9th 2019



GIVEN THAT five supermarket chains control around 80% of all organised food retailing in France, the authorities there may seem justified in probing how competitive the market really is. Too competitive, apparently: on February 1st a new law forced retailers to raise prices of food staples lest consumers be unduly profiting from shops trying to lure them with good deals.

The aim of the new "Loi Alimentation" is to ensure better pay for French farmers and for small-scale food producers, who currently earn little. Its flagship measure aims to stymie price wars by ensuring no food can be sold with less than a 10% profit margin. But the immediate impact is not to raise prices of vegetables, meat and other products sold by French farmers to supermarkets: margins on those are already far higher than the mandated floor. Rather, newspapers have been full of horror stories about the rocketing price of pastis, a boozy staple (up by 9.9% in one retailer, according to *Le Parisien*), Nutella (up 8.4%), Président camembert (8.6% dearer) and Coca-Cola (5%), which were previously sold more or less at cost to attract penny-pinching shoppers.

How consumers paying more for Coke will result in higher milk prices for France's farmers is unclear. Proponents of the law argue that retailers making fatter margins on pots of Nutella will have more money left over to pay farmers higher prices. They fall short of mandating exactly how this might happen.

Sceptics abound. Michel-Édouard Leclerc, chief executive of E. Leclerc, France's largest supermarket chain, says that the idea pennies added on to junk food will trickle down to farmers is "a scam". Farmers complain that in spite of the new law they are still at the mercy of supermarkets whose *hypercapitaliste* behaviour has prompted the need for legislation in the first place. Consumer groups think shoppers will be €1.4bn a year out of pocket as a result.

Supermarkets are already finding ways of circumventing the spirit of the law. Offering steep discounts on food, such as buy-one-get-one-free deals, is now banned, but retailers have simply promised to push the savings onto loyalty cards instead. Forcing up the cost of Nutella and Nescafé is an opportunity for them to promote their own-brand equivalents, where margins are well into double digits already.

The agriculture ministry says the average family will pay just 50 cents per month more as a result of the law, as long as its shopping basket is not stuffed with the wrong kinds of food. It understandably wants to find more ways for France's 400,000 farmers to square up to an ever-more concentrated retail sector. But trying to put more money in farmers' pockets means someone else losing out. The new law was due to come into force late last year, but was pushed back after *gilets jaunes* protesters drew attention to the many ways that government meddling was pushing up the cost of living.

This article appeared in the Business section of the print edition under the headline ”Foodfight”

Schumpeter

Chinese firms are not all serial intellectual-property thieves

Greater inventiveness in China is prompting more respect for IP

Print edition | Business Feb 9th 2019

Brett Ryder

WARS SOMETIMES have moments of cultural levity—even trade wars. Last summer, as America and China were bombarding each other with tariffs, a quaint exhibition opened at the National Museum of China on Tiananmen Square paying tribute to, of all things, American intellectual-property (IP) protection.

It was a surprise hit. More than 1m visitors filed past 60 beautifully crafted models of inventions, such as an ice-cream maker, submitted to the United States Patent Office between 1836 and 1890 (all property of the Hagley Museum in Delaware). No doubt some visitors were arm-twisted to go, because it coincided with the start of an innovation drive by President Xi Jinping. But many were simply in thrall to American inventiveness. One remarkable visitor, says David Cole, the Hagley Museum's boss, was an elderly man, Hu Guohua, who was granted the first-ever patent in Communist China, in 1985. It was a reminder of how young IP protection is in China; in America the first patent dates back to 1790 and was signed by George Washington.

IP is one of the main fronts in President Donald Trump's trade war against China. It is also the crux of an indictment in America against Huawei, a Chinese tech giant. In both cases, the government seeks to give the impression that stealing from the West is part of the modus operandi of Chinese firms, something a *Wall Street Journal* columnist described last week as a practice they regard as a "patriotic duty".

But that is lazy thinking. The Chinese state may encourage philandering of ideas, and foreign firms in China doubtless face pressure to surrender their secrets. Yet IP protection in China, for all its flaws, has improved at rocket speed of late. As Chinese firms issue more patents, the keener they are to protect them. Some executives even tacitly support American pressure, hoping it will strengthen the rule of law. In an echo of the fawning nickname "Xi Dada", some have whispered "Trump Dada", or Daddy Trump.

The litany of complaints about piracy in China, to be sure, goes back decades: copyright infringement in the case of software, and trademark violation against firms such as Disney. Michael Jordan, a basketball legend, spent years trying to stop a sportswear firm using his name, which read as Qiaodan in Chinese, until he was partially successful in 2016. Today, local trademarks of Peppa Pig, a cartoon character, are being sought by scores of patent "squatters", using a rule that lets them get in ahead of its British owners. Two American tech firms, Qualcomm and InterDigital, have been mauled in Chinese courts in royalty-related antitrust cases. China is a long way from living up to the IP commitments it made on entering the World Trade Organisation in 2001. It still forces firms in joint ventures with state-owned enterprises to surrender IP, and pursues a Communist Party-first industrial policy far removed from the free-for-all of 19th-century American entrepreneurship.

Yet among Chinese firms, the mindset is starting to change—as it eventually did among Japanese firms after they robbed America blind in the 1970s and 1980s. From humble beginnings (Mr Hu applied for his first patent in a half-built bungalow), China accounted for 44% of the world's patent filings in 2017, submitting twice as many applications as America, according to the World Intellectual Property Organisation. Companies, mostly Chinese ones, sue each other over patents in China more than in any other country.

When foreigners do litigate in China, Rouse, a law firm, says they have a higher win rate in patent cases than domestic ones, and are awarded more damages overall. Such fines are low by international standards, but are improving: Alfred Dunhill, a British luxury brand, won a $1.4m payout in October over trademark infringement by a Chinese menswear brand called Danhuoli. In January, the IP court system was bolstered by the establishment of an appeals tribunal at the Supreme People's Court in Beijing.

The more inventive it is, the more protection benefits China. Huawei was the world's biggest filer of international patents in 2017; whatever misgivings there are about its loyalties to the Chinese state, it is hard to doubt its commitment to innovation. An executive at Alibaba notes that as Chinese firms expand globally, particularly in South-East Asia, they, too, suffer from having their ideas ripped off, making them keener to protect them. As China's economy weakens, says an executive of Beiqi Foton Motor, a vehicle manufacturer, his firm will need to protect its patents from rivals even more, to guard its share of a shrinking market.

Executives admit to gaping holes in the IP system, particularly in inland regions where local tribunals are subject to heavy-handed interference by provincial governments keen to shield local copycats. That is why some IP executives in China accept the rationale behind American arm-twisting. After all, they admit, if it were not for American pressure on intellectual property, China would not have come half as far. That is not to say they approve of Mr Trump's bombastic approach, which adds to the sense that America is trying to stifle China's rise. But the desire for change is both internally and externally driven. As one executive puts it, "No one likes to be called a thief—not even kids."

Imitation is a form of flattery

It is also worth recalling how much of a cultural wrench the Anglo-Saxon IP system is for China. The country that invented printing had no Western concept of copyright. There is even a Chinese saying that "to steal a book is an elegant offence". When inventions were flourishing in 19th-century America, the West tried to impose IP codes on a humbled China that simply could not square them with its Confucian traditions. Yet America was no saint either. As the Hagley Museum's Mr Cole points out, its patent office in the early days charged more to foreigners for patents than it did to Americans, especially the British, with whom America was engaged in an earlier version of "strategic competition". That point was not emphasised at the exhibition in Tiananmen Square.

This article appeared in the Business section of the print edition under the headline "Good copy, bad copy"

Germany's economy
Engine trouble

Germany's economy

Germany's long expansion comes under threat

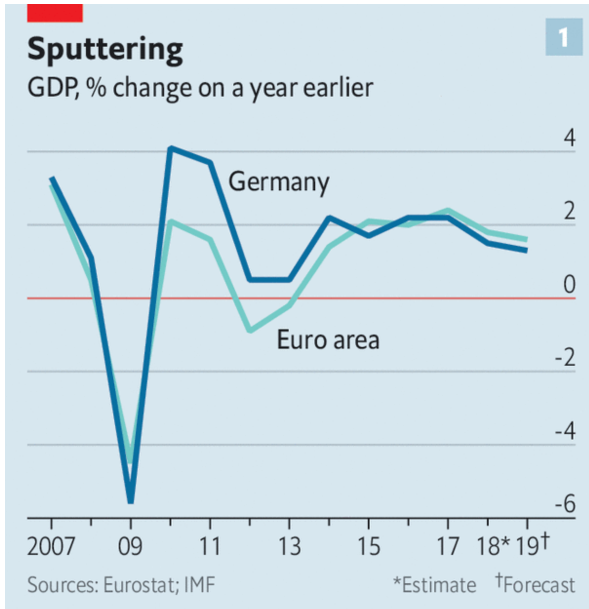
The slowing is a consequence of its export-oriented model

Print edition | Finance and economics Feb 9th 2019

REX/Shutterstock

GERMANY'S EXPORTING prowess is so impressive that other countries seek to import even its policies. France recently passed labour reforms inspired by its neighbour to the east. British politicians periodically try to copy its vocational-training system. Governments far and near have sought to emulate the *Mittelstand,* its small and mid-size producers. Germany's knack for producing goods desired by emerging economies, notably a booming China, helped it recover rapidly from the financial crisis of 2007-08, and cushioned the impact of the sovereign-debt crisis that subsequently engulfed the euro zone.

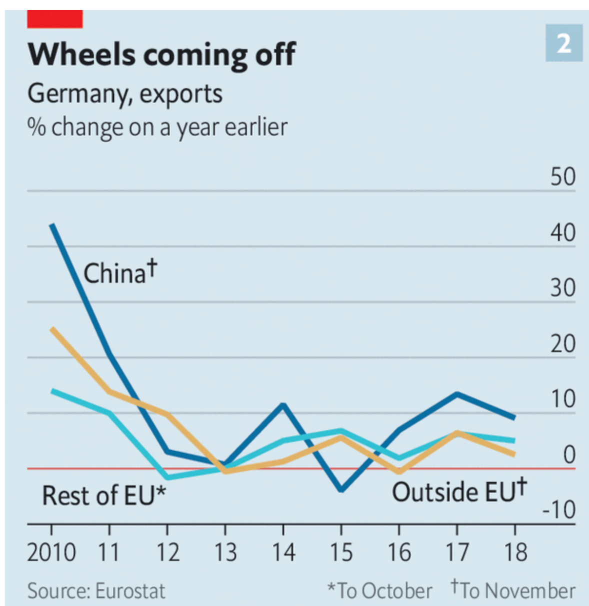
Now Germany is propelling the currency bloc into a slowdown. The economy shrank in the third quarter of 2018 and probably grew only slightly in the fourth. Over the year as a whole, GDP grew by 1.5%, down from 2.2% in 2017 and below the euro-zone average (see chart 1). New emissions tests slammed the brakes on car production in the summer; low water levels in the Rhine delayed shipments. But even without these temporary disturbances, says Holger Schmieding from Berenberg, a bank, annualised GDP growth would have slowed to below 1% in the second half.



The Economist

Domestic-facing sectors, and planned rises in public spending, should help Germany avoid outright recession. But the flip side of exporting success is vulnerability to conditions abroad. Exports make up half of GDP, compared with 12% for America and 30% for Britain. The risks of increasing protectionism and a hard Brexit mean that manufacturers expect another poor year.

After a robust 2017, net exports detracted from GDP growth in 2018, which probably slightly lowered Germany's mammoth current-account surplus of 8% of GDP. Exports to Britain fell. Those to a number of emerging economies slowed. China's appetite for German goods became a little less voracious (see chart 2). Volkswagen, a large carmaker, reported a drop in sales to China in the second half of 2018. Wolfgang Schäfer, the chief financial officer for Continental, a car-parts manufacturer, notes that an unprecedented fall in Chinese demand and the new emissions tests dented revenue growth in the car industry. Cars, their parts and accessories make up over 15% of German exports.



The Economist

There was also disappointment at home. Spending by consumers grew more slowly last year than in 2016-17, despite rock-bottom interest rates, the lowest unemployment rate since reunification and annual wage growth picking up to a heady—by German standards—2.8%. Instead they saved more. Some economists think households are preparing to weather a downturn; others see an ageing population preparing for retirement. Either way, they are unlikely to propel growth this year.

The industrial slowdown seems set to continue. Figures published on February 7th showed that industrial production fell in December. Mr Schäfer expects the first half of the year to reflect a continuation of the declining demand seen in the second half of 2018. Analysts at Deutsche Bank think that data for January are consistent with GDP shrinking in the first quarter. Both the IMF and Germany's economy ministry have marked down their forecasts for GDP growth this year to 1-1.3%.

Worse is quite possible. Three of Germany's five biggest export markets—America, China and Britain—could suffer sharp slowdowns this year. Trade tensions could heat up. If President Donald Trump acts on his threat to whack tariffs on imports of European cars it could knock 0.2% off German GDP, says the Institute for Economic Research, a think-tank in Munich.

Some cooling, German officials say, is only to be expected in an expansion's tenth year. Reports of rising capacity utilisation and skills shortages had stoked fears of overheating, even though price pressures remain subdued. In January Jens Weidmann, the head of the Bundesbank, said he saw no need for the European Central Bank to loosen monetary policy. Philipp Steinberg, the chief economist at the economy ministry, points out that social-security spending and income-tax relief will support demand. Tax incentives for research and development have also been agreed on. And if recession looms Germany has plenty of room for stimulus. A fifth consecutive budget surplus last year brought government debt to below 60% of GDP.

But behind these short-term considerations looms a bigger worry: that Germany could lose its competitive edge. Despite recent high immigration, the IMF expects the workforce to start shrinking in 2020. Together with lacklustre productivity growth, that will limit the economy's potential. Businesses and economists want to spur investment, which has been chronically weak, and to upgrade public infrastructure, from roads to broadband.

In an industrial strategy published on February 5th Peter Altmaier, the economy minister, warns that Germany's economic strengths are not "God-given" and must be earned—particularly as China shifts from consumer to competitor. Proposals include lowering energy prices, and supporting industry and increasing investment with tax incentives. More controversially, Mr Altmaier wants to loosen antitrust rules and protect "national champions" from foreign takeovers, so that they can compete with Chinese behemoths. For all that other countries may want to learn from Germany, its government is looking East.

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

Settling up

Malaysia's former prime minister faces trial in the 1MDB scandal

Goldman Sachs could be fined billions of dollars

Print edition | Finance and economics Feb 9th 2019

ACCORDING TO America's Department of Justice, between 2009 and 2015 $4.5bn disappeared from 1 Malaysia Development Berhad (1MDB), a Malaysian state development fund set up a decade ago by Najib Razak, then the prime minister. The money passed through a maze of institutions and accounts in the Middle East, the Caribbean and the Seychelles. It was frittered away on property, parties, gems, art, private jets and a superyacht. It helped fund a film on scamming, "The Wolf of Wall Street". The mastermind behind the fraud is allegedly Jho Low, a Malaysian financier. But more than $600m ended up in Mr Najib's personal bank accounts.

Mr Najib denies wrongdoing and says the money was a gift, since returned, from an unnamed Saudi royal. His claims of innocence in one of the biggest financial scandals ever are about to be put to the test. On February 12th he is due to enter the High Court in Kuala Lumpur for the first of several trials relating to 1MDB, for dozens of counts of money-laundering, abuse of power and criminal breach of trust, all of which he denies. This trial relates to $10.6m from SRC International, a unit of 1MDB set up to invest in energy projects, which ended up in one of his accounts.

The prosecution's star witness is the former director of SRC, Suboh Yassin. After three years on the run, last year he surrendered to Malaysia's anti-corruption authorities and is in a witness-protection programme. The prosecution is expected to call around 60 other witnesses, including government officials. Mr Low will be absent, however. Wanted by America and Singapore as well as Malaysia, his whereabouts is unknown; he is rumoured to be in China. The deals under investigation were "undertaken openly and lawfully", says a spokesman for Mr Low, through his lawyers. He adds that Mr Low "intends to defend himself against these false allegations", but has been presumed guilty and "cannot get a fair trial in Malaysia".

If found guilty, Mr Najib could face decades in prison, though lengthy appeals mean that any sentence will start next year at the earliest. No clemency is likely to be offered by the new government. Mahathir Mohamad, Mr Najib's former mentor and successor as prime minister, campaigned against *kleptokrasi*. The 1MDB affair split the party the two men once shared and caused Dr Mahathir to align himself with the opposing coalition that now runs the country.

Authorities in America, Singapore and Switzerland are also investigating wrongdoing related to 1MDB. Their targets go beyond those accused of perpetrating the fraud to those accused of facilitating it, including Goldman Sachs and Deloitte. Goldman faces particular trouble for underwriting three bond offerings for 1MDB, worth $6.5bn in total, more than a third of which then vanished.

That work earned Goldman a startlingly juicy $600m. Last November it emerged that its former chairman for South-East Asia, Tim Leissner, had pleaded guilty to charges of bribery and money-laundering filed by prosecutors in New York. A former colleague, Roger Ng, was also indicted, along with Mr Low. Goldman's newish chairman, David Solomon, has apologised to Malaysians. But the country wants more than words: Lim Guan Eng, the finance minister, is demanding $7.5bn in penalties. Malaysian prosecutors filed criminal charges against Goldman and Messrs Leissner, Ng and Low in December; Mr Lim says the government might discuss dropping those against the bank if it pays up.

Goldman argues that the fault lies with rogue bankers, rather than the firm itself. In a filing this month it raised the prospect of clawing back compensation from some senior executives "if it is later determined that the results of the 1MDB proceedings would have impacted the [compensation committee's] 2018 year-end compensation decisions". It is due to file written defences in March; any substantive admissions are likely to be followed up by America's Department of Justice. Depending on what its investigators find, the bank risks censure for inadequate supervision and perhaps a stiff fine. The bigger issues are whether more Goldman staff are drawn in, whether the bank will be prosecuted in America and, if criminal rather than civil charges are pursued, whether it can keep all its operating licences.

Some Malaysians think Mr Najib's prosecution may mark a turning point for their country in the fight against corruption. The election last May was the first his party had lost in more than six decades. "I don't think there will be any prime minister who can muster as much administrative and financial leeway as Najib had," says Rafizi Ramli, a politician linked to the ruling coalition. He was tried and found guilty in 2016 of leaking parts of a secret government audit into 1MDB. After an appeal last year, his jail sentence was lifted.

The new government has devolved more powers and removed the ministry of finance from the purview of the prime minister. But far more is needed to clean up Malaysian business. Government-linked companies constitute about 42% of the market capitalisation of all listed firms in Malaysia, according to Terence Gomez of the University of Malaya in Kuala Lumpur. They are opaque and unaccountable, and some are vehicles for patronage and corruption. A fund for retired people and another supposed to help pilgrims save for the *haj* were plundered to bail out 1MDB. When campaigning, the new administration promised to reform the government's business dealings. But it continues to appoint politicians to positions on the boards of government-linked companies.

Discussions with China over Mr Low and its involvement with 1MDB are particularly delicate. Malaysia cannot afford to offend its largest trading partner. An investigation by the *Wall Street Journal* last month contends that in 2016 China offered to bail out 1MDB in return for infrastructure deals in Malaysia worth tens of billions of dollars. The Chinese embassy in Malaysia dismissed the claims as "groundless". Wrangling continues over Chinese infrastructure projects in Malaysia agreed upon by Mr Najib. For Malaysia's government, sorting out the scandal at 1MDB and prosecuting those behind it will be as much a diplomatic challenge as a legal one.

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

Uncalculated risk

America’s public pension plans make over-optimistic return assumptions

That pushes them into riskier investments

Print edition | Finance and economics Feb 9th 2019

PROMISING A PENSION is a long-term and expensive business, especially if the payout is linked to earnings. But whether the employer is private or public, the cost ought to be the same in the long run and so, you might assume, would be the investment approach. Until 2008 that was true for American pension plans: private and public-sector schemes had roughly the same asset allocation.

But a new report by Jean-Pierre Aubry and Caroline Crawford of the Centre for Retirement Research (CRR) at Boston College shows that things have changed. Public plans have 72% of their portfolios in risky assets (equities and alternatives such as hedge funds), and private plans just 62%. Since private plans have more scheme members who are retired, they should have a less risky approach, because they must focus on paying benefits immediately rather than on long-term growth. However, even allowing for this and other factors such as plan size, public-sector schemes are taking more risk.

The cost of paying pensions stretches far into the future; a 25-year-old today could still be receiving an income in the 2080s. So employers must discount future payments by some rate to calculate the current cost. Since a pension is, in effect, a long-term debt, private-sector schemes must use a bond yield as the discount rate, according to accounting rules. But public-sector plans can use the expected rate of return on their investments. The higher the assumed return, the higher the discount rate and the lower the current cost appears. Public-sector plans assume, on average, 7.4%.

In effect, then, public-sector plans have riskier portfolios because they must, in order to justify their return assumptions. In turn, this allows them to keep down annual contributions, and thus reduce the burden on today’s taxpayers. But the report finds that, even allowing for asset allocation, public pension plans make optimistic assumptions about future returns, compared with those of professional investors.

All this might not matter if public pension plans were right. They would be widely applauded for funding pensions in a cost-effective manner. But the average public pension was 72% funded at the end of 2017, according to CRR data, even using the optimistic accounting approach—down from full funding in 2001. Dismal market returns in 2018 mean the problem will only have worsened. The gamble isn’t working.

This article appeared in the Finance and economics section of the print edition under the headline ”Uncalculated risk”

Final call

Bill Gross, the king of the bond market, abdicates

As the returns vanished, investors lost faith

Print edition | Finance and economics Feb 7th 2019

OUTSIZE RETURNS are hard to come by in the bond market: the approach pioneered by Jack Bogle at Vanguard of matching a benchmark while minimising transaction fees is tough to beat. There was one person, however, that even Vanguard's fixed-income team considered in a class of his own and thus worth paying for: Bill Gross, who co-founded Pacific Investment Management Company (PIMCO) in 1971 after a conventional career in finance and risk, plus a brief professional foray onto the blackjack tables of Las Vegas. On February 4th Mr Gross and Janus Henderson, his employer for the past few years, announced that he was retiring.

For decades Mr Gross displayed extraordinary acumen, not only in evaluating securities but also in structuring the duration, or time-frame, of his portfolio. He displayed uncanny judgment about when to push maturities just a bit longer or shorter than average. His calls were amplified by his willingness to offer his punchy opinions on television, unlike the reclusive, grumpy gnomes who managed most fixed-income investments.

That combination of talent and publicity attracted a flood of money. The assets of the fund he personally managed, PIMCO Total Return, reached a record $293bn in 2013. Mr Gross left PIMCO in 2014 after a coup. Although he was as good at picking brainy colleagues as he was as picking securities, his analytical skills did not, apparently, extend to assessing their loyalty. Subsequently he joined Janus Henderson, a mid-sized fund manager. Customers fled PIMCO after he left, some of them following him to his new firm. But his magic was gone. Performance was lacklustre and a steady flow of redemptions followed. Half of the $950m remaining under his control is his own money.

Theories explaining the decline are not in short supply. During his long tenure, his techniques have been studied and copied by other clever people. And the nature of debt markets may have changed over the decades. In a televised interview after the news of his retirement, he said that his greatest error had been to misjudge the relative trajectories of German and American interest rates. Both are consequences of novel post-crisis monetary policy set by central banks. Human factors may have taken their toll, too. His professional spat with PIMCO was echoed by a messy divorce that played out in the press.

Mr Gross said he had continued to outperform in the management of some funds outside his signature effort. This perhaps says something about where active management can be effective—in niches. He will now focus on managing his own money and his $390m charitable foundation. That his departure closely follows the accolade-packed obituaries of Mr Bogle, the architect of Vanguard's strategy of emphasising efficiency over genius, underlines just how much money-management changed during the two men's storied careers.

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

Profit and loss

A commission of inquiry reaches a damning verdict on Australia's banks

Yet the forced restructuring banks had feared is off the cards

Print edition | Finance and economics Feb 7th 2019

If a healthy banking system is dull, then Australia's must be sick to the core. A royal commission with a broad remit to investigate abuses by the country's financial institutions has found many troubling practices. Hearings revealed that for years banks had hidden fees, charged money for non-existent services and docked charges from the dead. Financial advisers earned bonuses for channelling clients' cash towards underperforming funds. Insurance companies flogged junk schemes to the poor or mentally disabled.

Australia's four biggest lenders saw their market capitalisation fall by an average of 16.3% while the commission was sitting, knocking A$66bn ($47.1bn) off their combined value. In April the country's biggest asset manager, AMP, sacked its chief executive and chairman after the inquiry heard that it had not only charged customers for advice that was never provided, but had lied to the regulators about it. On February 4th Kenneth Hayne, the judge who led the inquiry, handed his final report to the government. Heads have rolled: the chairman and chief executive of National Australia Bank, which Mr Hayne singled out for particular criticism, have resigned.

The commissioner has asked regulators to investigate 24 possible breaches of civil or criminal law. Mr Hayne expressed particular disgust at those who gouged fees without providing services. Almost A$1bn has already been paid in compensation to the victims. Offenders may have broken a law against "dishonest conduct in relation to a financial product or financial service". The report said the Australian Securities and Investments Commission (ASIC), the corporate regulator, should consider the maximum penalties: large fines, or up to ten years in prison for individuals. Thus Australia, a country widely regarded as having had a "good" financial crisis, with a stable, profitable banking system, may become one of the few places where bankers are jailed for institutional wrongdoing.

The report's 76 recommendations set out to clean up the industry. One is for a new bank-funded compensation scheme for victims of banking misconduct. Some measures target the intermediaries who flog insurance, pensions and mortgages to befuddled Australians. Mr Hayne wants their bonuses slashed, starting with "trailing" commissions paid to mortgage-brokers years after they sell a loan. Financial advisers would need customers' approval to roll fees forward. It would become illegal to tout pensions or insurance by phone.

These are welcome measures, but many think they do not go far enough. "In the end the banks have got off lightly," says Michael Rafferty, an economist at RMIT University in Melbourne. The commission exposed the harm to customers caused by conflicts of interest within banks. Yet it stopped short of demanding that they spin off the advisory and wealth-management units implicated in much of the wrongdoing. Three big banks had expected such a ruling and are restructuring along these lines, yet forced separation would be "costly and disruptive", Mr Hayne concluded.

Nor did he call for stricter checks on affordability before making loans. Lenders have already tightened up here, too, but consumer-protection groups fear they may ease up once the pressure is off. Shares in the four big banks rose by an average of 6.7% the day after the report's publication.

The commission accused industry regulators of being too cosy with the industry. It recommends that they be given more power to punish misdemeanours and curb bonuses, with a new oversight panel set up to ensure they do their job. Yet it is unclear how much authority the panel would have, and the corporate regulator has seen its funding squeezed. "ASIC has been called out for its ineffectiveness since the early 1990s," complains Allan Fels, a former chairman of the competition commission. "What's different now?"

Both the coalition government, which looks set for an electoral trouncing in May, and the Labor Party, which is likely to form the next government, have promised to enact the commission's recommendations. Little will happen before the vote. But the commission at least gained a hearing from politicians. Banks can count themselves lucky it did not crack down harder.

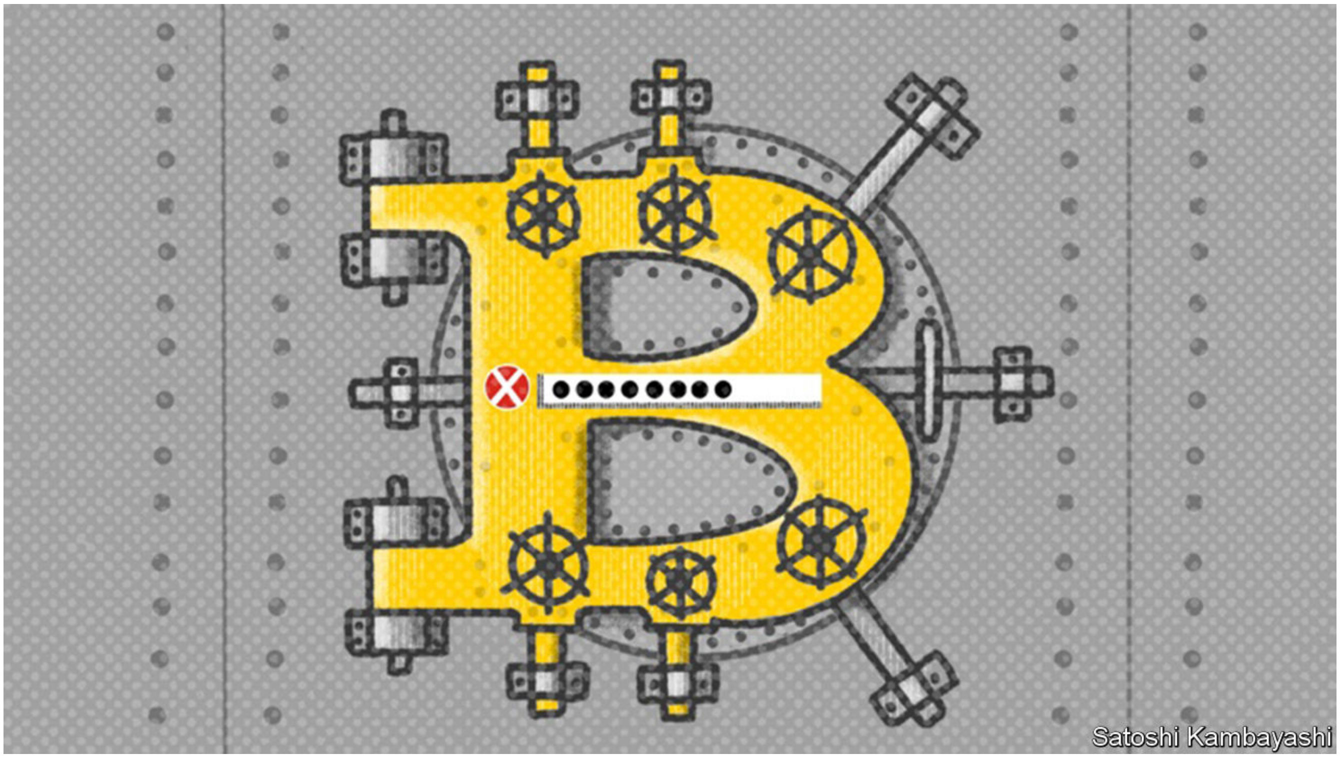
This article appeared in the Finance and economics section of the print edition under the headline "Profit and loss"

Cryptocurrencies

What happens when your bitcoin banker dies?

Apparently you can take it with you after all

Print edition | Finance and economics Feb 9th 2019



BITCOIN WAS introduced to the world in August 2008, in the aftermath of the financial crisis. According to its techno-libertarian fan-base, one of its main attractions was the promise that users could avoid dealing with the hated banks. But after a decade of amateurism, scams and billions of dollars of lost or stolen money, it is clear that many of the ramshackle institutions that play the role of banks in the cryptocurrency world make even their most reckless conventional counterparts look like paragons of good management.

The latest example is QuadrigaCX, a Canadian cryptocurrency exchange that was granted protection from its creditors on February 5th. The problem, according to the firm, is not that it has lost its customers' money, but that it cannot get to it. It says that Gerald Cotten, its boss, died unexpectedly in India in December.

Few banks would be brought to ruin by the death of a single member of staff. But QuadrigaCX says that Mr Cotten was in sole charge of handling deposits and payouts, running everything from an encrypted laptop to which only he knew the password. In court documents Mr Cotten's widow says that "despite repeated and diligent searches, I have not been able to find [the passwords] written down anywhere". QuadrigaCX's 90,000 customers cannot get to around C$180m ($136m) of bitcoin, Litecoin, Ethereum and various other cryptocurrencies stored on the exchange. One is thought to have lost access to C$70m-worth of cryptocurrency.

Discussion of QuadrigaCX online is a swamp of anger, amateur detective work and conspiracy theories. The firm seems to have been in trouble for a while; in January 2018 the Canadian Imperial Bank of Commerce froze C$28m held by Costodian, QuadrigaCX's payment processor. The bank tried repeatedly to contact Mr Cotten, to no avail. There are other curiosities. A screenshot supposedly showing a death certificate issued by the government of Rajasthan misspells Mr Cotten's name. Experts consulting bitcoin's public transaction register have struggled to identify the inaccessible deposits. Jesse Powell, the boss of Kraken, another cryptocurrency exchange, said on Twitter that QuadrigaCX's story was "bizarre and, frankly, unbelievable".

This is not the first time that large amounts of cryptocurrency have been inadvertently removed from circulation. James Howells, a British cryptocurrency enthusiast, amassed 7,500 Bitcoins in 2009, when they were nearly worthless, before throwing away the hard drive on which they were stored. By 2013 they were worth millions of dollars. Mr Howells's attempts to recover his hard drive from a Welsh landfill failed. Chainalysis, a firm of cryptocurrency-watchers, reckons access to 2.78m-3.79m bitcoins has been lost in similar circumstances. Since the way bitcoin is designed caps the number of coins at 21m, that is 13-18% of all bitcoins that will ever exist.

The cryptocurrency world has seen bigger collapses than QuadrigaCX's. The biggest was MtGox, which was responsible for around 70% of all bitcoin transactions when it went bust in 2014 after the theft of 850,000 bitcoins, then worth $450m. Like QuadrigaCX, it had been run on a wing and a prayer. Some exchanges are better than others, says David Gerard, a cryptocurrency-watcher and sceptic. But too often storing cryptocurrency on an exchange is little better than "keeping your money in a sock under someone else's bed."

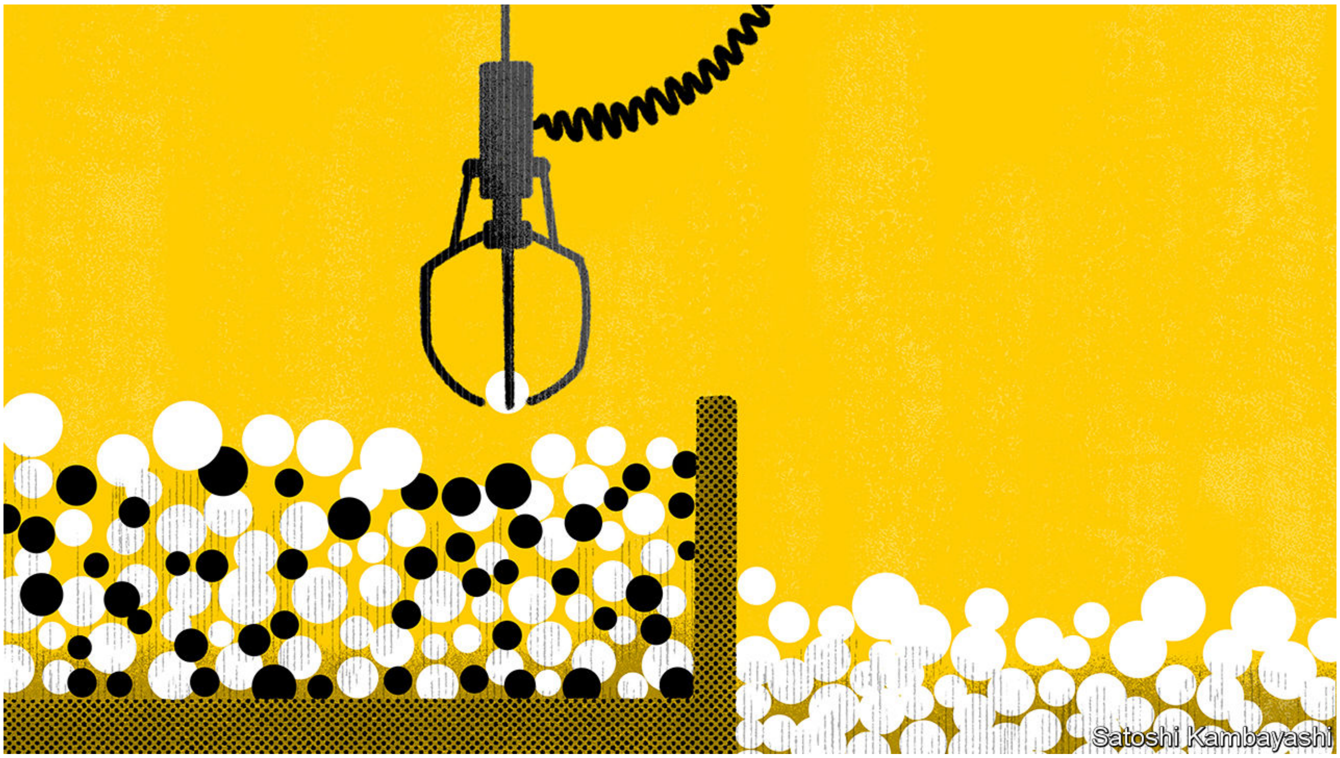
This article appeared in the Finance and economics section of the print edition under the headline "Taking it with you"

Buttonwood

The benefits of better credit-risk models will be spread unevenly

Machine-learning models show the disquieting effect of finer judgments

Print edition | Finance and economics Feb 9th 2019



IN "PLAYER PIANO", a novel by Kurt Vonnegut, society is divided into a workless majority and an elite who tend all-powerful machines. A character tells how her husband lost his status as a writer when his novel fails to hit the "readability quotient". She turns to sex work after he refuses the public-relations job he is assigned. "I'm proud to say that he's one of the few men on earth with a little self-respect left," she says.

The novel, published in 1952, anticipates present-day fears about the social impact of automation. Clever algorithms already make finely graded distinctions about the price each consumer pays for an air ticket, or which advertisements or news he sees. They will soon decide who gets credit, and on what terms. Vonnegut touches on a deeper worry. The husband fails to reach the mark because his book is anti-machine. It is easy to imagine credit being similarly denied for reasons other than credit risk—such as race.

Such concerns are the motivation for a recent academic paper.* Its authors use a unique data set of more than 9m mortgages, approved between 2009 and 2013, which they track over the following three years. They use the data to build a conventional model of default and a machine-learning model. A comparison reveals some stark results. The machine-learning model allows for a more accurate pricing of default risk and thus for a greater supply of credit. But the benefits in cheaper mortgages go disproportionately to white borrowers.

The paper might easily be filed under dystopian science fiction, alongside "Player Piano". In fact, it is part of an academic sub-genre, known as household finance, which looks at how ordinary people handle their financial affairs. Mortgage choice is a natural focus for this kind of research, as it is one of the biggest financial decisions people make. In this instance, though, the authors study how mortgage firms pick borrowers. And what lenders care about most is getting their money back. To stay solvent, they must set the price of borrowing to reflect the likely risk of default. This kind of reckoning requires a statistical model. A standard one would uncover how default risk varies with income, loan size and a host of other factors. A model of this kind is the paper's baseline.

The machine-learning model is more sophisticated. It sorts the data continuously to come up with better predictions of default. Imagine there are only two bits of information about loan applicants—their income and a score based on their credit history. The machine-learning model searches the data set for people with a similar combination of salary and credit score. Its decision to advance a loan, and at what rate of interest, will depend on how reliable these near-neighbours have proved to be as borrowers. In reality, such profiles will use far more data (though race is not an input in either model). To build them requires lots of computing power.

The machine-learning model is better at predicting default. It thus allows for a modest increase in credit supply, which brings in some marginal borrowers. And with regard to rates of interest, it creates more “winners” (ie, those who are classified as less risky than by the standard model) than losers. But the proportion of winners is significantly higher, at about 65%, for white and Asian borrowers than for blacks and Hispanics, at around 50%. The natural question to ask is whether the model is tacitly sorting by race. Tests by the authors suggest not. Including information about race changes the forecasts of default only marginally.

To understand this skewed outcome, imagine a crude model that sorts borrowers into three buckets: good, bad and middling. Some of the middle group are close to being good credits; others are close to being bad. A property of statistical models is that, as they improve, they are able to discern subtler differences and so make finer judgments. Some almost-good borrowers benefit; some almost-bad borrowers lose out. It seems that the sophisticated model more accurately picks up their underlying fragility.

It is a disquieting result. A hypothetical lender concerned only with allocative efficiency (the better pricing of risk) is nevertheless sure to have unwished-for societal effects. Technology has a tendency to amplify inequalities that already exist. Indeed it is the merciless sorting by technical criteria that makes the world of “Player Piano” a dystopia.

**“Predictably Unequal? The Effects of Machine Learning on Credit Markets” by Andreas Fuster, Paul Goldsmith-Pinkham, Tarun Ramadorai and Ansgar Walther (November 2018)*

This article appeared in the Finance and economics section of the print edition under the headline ”Gauged against the machine”

Cut it out

Some fights about the Tax Cuts and Jobs Act seem over

The biggest one may never be won

Print edition | Finance and economics Feb 9th 2019

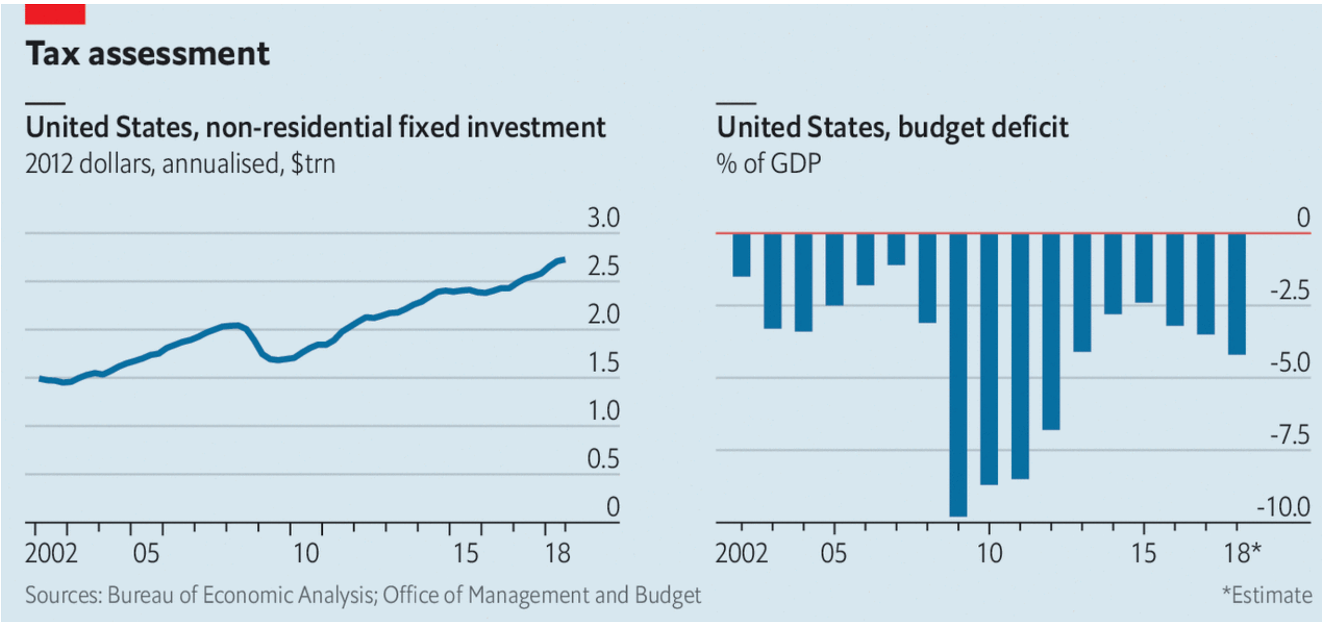
HURRIED THROUGH Congress in late 2017, the Tax Cuts and Jobs Act (TCJA) was the biggest overhaul to America's tax system in more than 30 years. Boosters claimed it would turbocharge investment and growth, generating so much extra taxable income that it would pay for itself. Critics claimed it would shower the rich with tax breaks, and that balancing the books would mean the costs were ultimately born by the poor. Over a year later, beliefs on neither side have been shaken.

The law's complexity makes its impact hard to assess. It sprawls across individual and corporate taxation, and affects individuals' health insurance, too. Some changes are temporary, others permanent. It redraws the basis for taxing multinationals, which are expert at finding loopholes.

Though it has been clear all along that the tax cuts go mainly to richer Americans, there is disagreement over just how regressive they are. Alan Auerbach of the University of California, Berkeley, Laurence Kotlikoff of Boston University and Darryl Koehler of the Fiscal Analysis Centre, for example, find that comparing people of similar ages, and considering lifetime tax liability, make the relative benefits for the best-off seem much less outsized. That is because some of those who benefit in a given year will lose out later on.

Others have compared the TCJA with what might have been. Economists at the Tax Policy Centre, a think-tank in Washington, DC, looked at more than 9,000 possible reforms to the same bit of the personal-tax code. Nearly three-quarters would have cost the government less revenue. Less than 1% would have given more benefits to the richest 20% at no extra cost, whereas half would have been cheaper and benefited the poorest 20% more.

The TCJA aimed to increase investment by slashing the tax rate on corporate profits from 35% to 21%, and temporarily allowing companies to deduct capital spending from profits immediately. It was hoped that encouraging firms to add to America's capital stock would ultimately raise growth and wages. The bill's backers say they have been proved right. Investment rose in 2018 (see chart), GDP accelerated and wage growth continued on its longstanding upward trend. Kevin Hassett, the chairman of President Donald Trump's council of economic advisers, argues that economic growth since the tax cuts compares favourably to the trend from 2009-16. Those who say the tax cuts aren't working are, he told a room of economists in January, "in some kind of denial".



The Economist

In reality there are at least three possible causes of America's boom in 2018: animal spirits, which picked up globally before the tax bill passed; the bump from more government borrowing; and the direct effect of lower tax rates on incentives to invest. Of these, only the third could be expected to last very long. With so much going on in the economy, it is clearly outlandish to claim, as some do, that all the improvements in long-term economic forecasts since 2017 are thanks to the TCJA.

Companies certainly claim that they have responded to the lower taxes with higher investment (see article). One study finds that 95 of 424 companies in the S&P 500 announced a TCJA-related increase in investment in the first quarter of 2018. Mr Hassett calculates, again relative to the trend in 2009-16, that the contribution of investment to GDP growth is up by around 0.4 percentage points.

But some remain sceptical. Investment was already rising before the tax cuts. Higher oil prices since 2016 have stimulated investment in the shale industry and its suppliers. Alexander Arnon of the Penn Wharton Budget Model, a research initiative, thinks that this accounts for almost all the rise in investment growth in 2018. Then there is the fact that investment is volatile and may respond to policy changes only after some time. "The results from this year support almost anybody's forecast," says Richard Prisinzano, also of the Penn Wharton Budget Model.

One conclusion seems reasonably firm: the tax cuts will not pay for themselves. Despite a hotter-than-expected economy, revenues in the 2018 fiscal year were $200bn lower than the Congressional Budget Office's forecast in 2017. Tax cuts, together with a spending bill implemented in early 2018, have increased the fiscal deficit. The bill does include income-tax cuts set to expire. But that will be politically awkward, and so the cuts may well be rolled over. Either future generations will be lumped with extra debt, or future legislators will have to fill the budget hole.

The need for future policy changes to offset the TCJA's costs makes any assessment "inherently speculative", says Greg Leiserson of the Washington Centre for Equitable Growth, a think-tank. If those policies were to include spending cuts along the lines proposed by the administration last year, he adds, poorer Americans, who have gained relatively little from the tax cuts, could end up losing out overall.

A private poll commissioned by the Republican National Committee before the midterms found that many voters thought that the beneficiaries of the TCJA were "large corporations and rich Americans". It concluded that "we've lost the messaging battle." Published polls since autumn 2018 suggest that roughly even numbers of voters approve and disapprove of the reform, with a split along party lines. Even as the battle of the wonks rages on, the fight for public opinion seems largely over.

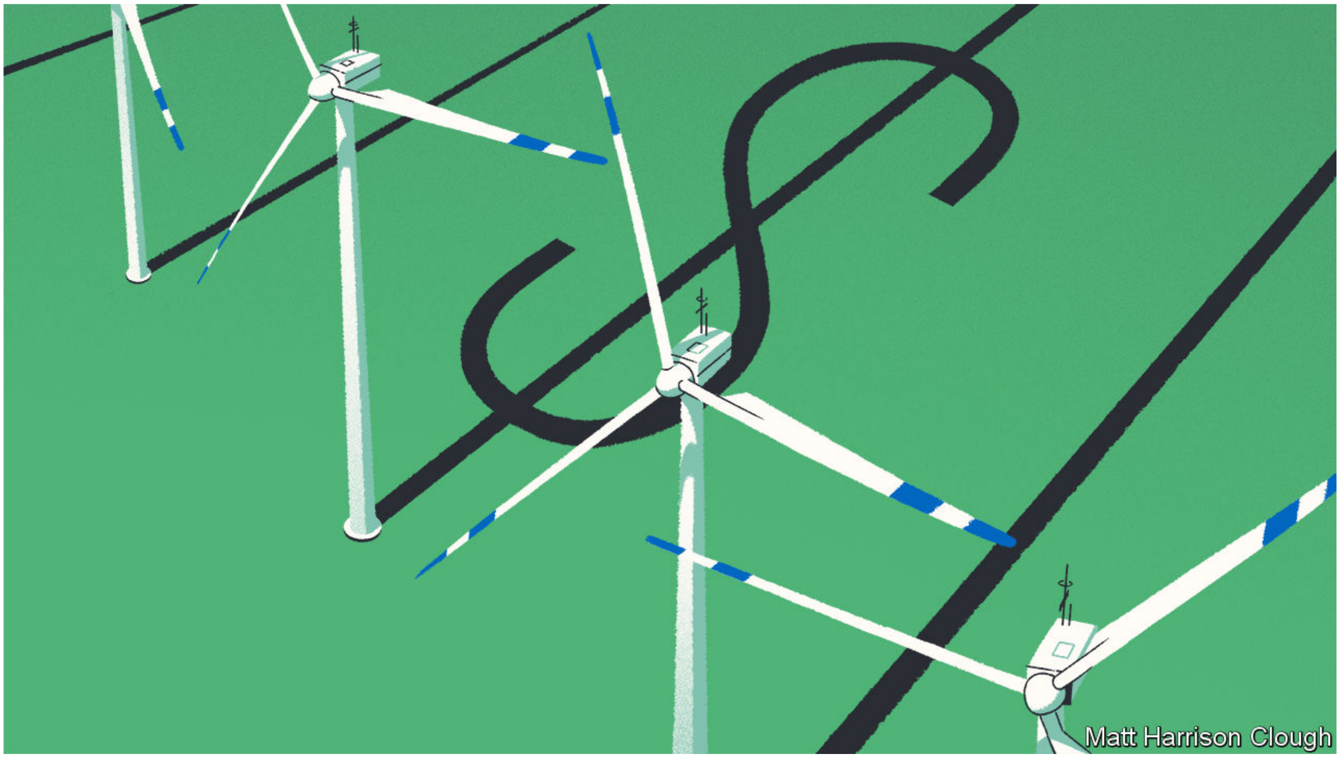
This article appeared in the Finance and economics section of the print edition under the headline "Cut it out"

Free exchange

A bold new plan to tackle climate change ignores economic orthodoxy

The Green New Deal touted by Democrats largely dispenses with cost-benefit analysis

Print edition | Finance and economics Feb 7th 2019



AS DEALS GO, the New one was a big one. Franklin Roosevelt's plan to yank America out of depression permanently altered the contours of the country's economy and politics. Proponents of a "Green New Deal" harbour similar ambitions. Though still nebulous the proposal, championed most loudly by Alexandria Ocasio-Cortez, a new congresswoman from New York, has been met with surprising enthusiasm in Washington. It is an outright rejection of the orthodox economic approach to climate change.

In economics, climate change is a big but straightforward example of a market failure, with a correspondingly straightforward solution. People take environmentally harmful decisions because the private benefits of doing so (using a car to get to work, say) outweigh the private costs (the price of the petrol to run the car). But emission-producing activities also impose social costs—deaths from pollution and collisions, the contribution of carbon emissions to climate change—that do not influence an individual's decision to drive rather than walk or take public transport. To solve the climate problem, then, governments need only include the social cost of carbon in the prices people pay. The simplest approach is a levy on emissions corresponding to that social cost. Carbon-intensive activities become more expensive, and people efficiently reduce their emissions by responding to prices. It is an elegant approach favoured by this newspaper. In January a distinguished and bipartisan list of economists signed a letter that ran in the *Wall Street Journal* arguing in favour of a version that would refund carbon-tax revenue in the form of a flat, universal dividend.

But robust carbon taxation is politically elusive. Schemes exist that put a price on carbon, some through a carbon tax and others through a functionally similar system of tradable carbon-emission permits. Only a fifth or so of global emissions are covered, however, and only about 1% of emissions subject to such schemes face a price as high as $40 per tonne of carbon dioxide, the bottom of the $40-80 range deemed necessary to limit warming to no more than 1.5°C relative to pre-industrial temperatures. Time is short. And other policies less loved by economists, such as green subsidies and regulatory restrictions, have brought a solution to the climate problem no closer.

Green New Dealers reckon the secret lies in making the economy both greener and more equitable. Their plan remains ill-defined, though Democrats are expected to release draft legislation that may provide more details soon. But its primary aims are clear. It proposes a move to 100% clean and renewable energy within a decade or two, and to zero net emissions by mid-century. Carbon prices might be included, but the emphasis is elsewhere. Supporters describe massive public investment to overhaul energy and transport infrastructure; extensive state support for green industries, with the goal of turning America into a leading exporter of clean technologies; and large-scale efforts to help workers through training, job-placement schemes and perhaps a federal job guarantee (essentially, a promise of public work to anyone involuntarily unemployed). Supporters are vague about costs and funding. But decarbonising the economy so quickly would certainly require vast sums, some of which would probably be raised by borrowing and some, almost certainly, by taxes on the well-off.

Why bundle together the seemingly unrelated issues of climate change and economic inequality? To some, the appeal rests in political economy. Any plan to free an industrialised economy from fossil-fuel dependence will create losers. To succeed politically, it must mobilise groups of winners more powerful and passionate than those losers. Plans to tax carbon and pay out the revenue as a dividend may seem appealing; what voter could resist cash rebates? But the benefits, from lowering emissions to paying out dividends, are shared broadly and thinly, while the costs are concentrated on a few politically powerful industries. A carbon refund of $100 per month might be too small to mobilise a critical mass of voters, while the associated tax would prompt a no-holds-barred campaign by deep-pocketed fossil-fuel firms. A Green New Deal, in contrast, might promise sufficient goodies to sufficiently organised interest groups, such as labour unions and domestic manufacturers, to gather a winning political coalition.

To others, the Green New Deal is something more revolutionary. Roosevelt saw the Depression as both a threat to liberal democracy and the product of an economic system that put profits ahead of the welfare of the working man. Similarly, left-wing activists view climate change as the result of unbridled capitalism. They aim to solve it by redistributing economic and political power.

Feeling green

From either perspective, there is plenty in the Green New Deal to make economists nervous. Yes, many approve of government funding for public goods such as infrastructure and education. Some see the sense of embracing second-best solutions to serious problems when the ideal approach is politically untenable. But the Green New Deal largely dispenses with analysis of the costs and benefits of climate policy. It would create large opportunities for rent-seeking and protectionism, with no guarantee that the promised climate benefits will follow. It might chuck growth-throttling tax rises and dangerously high deficits into the bargain as well.

Of course, much the same could be said for the New Deal, or indeed the effort to win the second world war. In fact, the criticism of the economic approach to climate change implicit in the Green New Deal is not that it is flawed or politically unrealistic, but that it is a category error, like trying to defeat Hitler with a fascism tax. Climate change is not a market glitch to be fixed through pricing, in this view, but part of a dire social crisis. It is hard to judge such arguments without decades of hindsight. But they seem to be winning, raising the possibility that, for the moment, economists have lost the chance to lead the fight against climate change.

This article appeared in the Finance and economics section of the print edition under the headline "Brave new deal"

Saving species
Eco-nomics

Ecology and economics

How to preserve nature on a tight budget

Saving species cheaply and effectively

Print edition | Science and technology Feb 9th 2019

THE NORTHERN spotted owl, pictured above, is a handsome creature. Dark brown and, as the name implies, dappled with white flecks, it stands up to half a metre tall when perched on branches in the ancient forests of America's north-west. Its swivel neck lets it scan its sylvan habitat for woodrats, flying squirrels and other prey—or, rather, to scan what is left of that habitat, after decades of heavy logging. This logging has caused the owl's numbers to decline steadily. Fewer than 2,500 pairs remain, mainly in Oregon, northern California and Washington. As a result, the spotted owl is listed under America's Endangered Species Act.

Listing means money. Efforts directed at preserving spotted owls receive $4.4m a year, through various channels, from American taxpayers. This sum is almost double what the United States Fish and Wildlife Service (USFWS), a federal agency, recommends be spent on the species. Nor is the owl the only over-endowed threatened organism in America. In 2016 Leah Gerber of Arizona State University found that 139 of the 1,124 plants and animals with federal recovery plans in place got more than their fair share of public resources, as defined by USFWS recommendations. The surplus totalled $150m a year, more than a quarter of spending in the area. Re-allocated, this could bring nearly 900 currently underfunded plans up to budget.

Mussel beach

Conservation then, as is true of so many other things in life, is not fair. People have favourites, even within the official lists—and those favourites receive special treatment. Spotted owls get money. Scaleshell mussels do not. Yet according to the Nature Conservancy, a big American charity, about 70% of North American mussel species are extinct or imperilled. That compares with 15% of birds.

Some of this favouritism may not matter (though freshwater mussels are important parts of their local ecosystems and were, until recent decades, so abundant that entire industries, such as buttonmaking, depended on them). But with extinction rates estimated as being between 100 and 1,000 times their pre-human level, and man-made climate change reshaping even those parts of Earth's surface that humanity has yet to trample under foot, ship or fishing net, a rational approach to conservation would be welcome.

The instinctive response of many conservationists to the sprawl of *Homo sapiens* across Earth's surface is to fence off sprawl-free areas as rapidly and extensively as possible. That thought certainly dominates discussions of the UN Convention on Biological Diversity, the main relevant international treaty. An eight-year-old addendum to the pact calls for 17% of the world's land surface and 10% of the ocean's water column (that is, the water under 10% of the ocean's surface) to be protected by 2020. Currently, those figures are 15% and 6%. Campaigners want the next set of targets, now under discussion, to aim for 30% by 2030—and even 50% by 2050. This last goal, biogeographers estimate, would preserve 85% of life's richness in the long run.

As rallying cries go, "Nature needs half" has a ring to it, but not one that sounds so tuneful in the poor countries where much of the rhetorically required half will have to be found. Many people in such places already feel "Cornered by Protected Areas", to cite the title of a report last year by the UN special rapporteur on indigenous rights. Some conservation projects wash their faces as sources of income, by attracting high-spending tourists. Most, though, are seen as impediments to development.

James Watson, chief scientist at the Wildlife Conservation Society (WCS), another American charity, has an additional worry about focusing on the fence-it-off approach. If you care about the presence of species rather than the absence of humans, he warns, "'nature needs half' could be a catastrophe—if you get the wrong half." Many terrestrial protected areas are places that are mountainous or desert or both. Expanding them may not translate into saving more species. Moreover, in 2009 Lucas Joppa and Alexander Pfaff, both then at Duke University in North Carolina, showed that protected areas disproportionately occupy land that could well be fine even had it been left unprotected: agriculture-unfriendly slopes, areas remote from transport links or human settlements, and so on. Cordoning off more such places may have little practical effect.

The reverse of this, as Dr Joppa (who has since moved to Microsoft) and Stuart Pimm, another ecologist at Duke, have shown, is that even 17% of the world's land surface, if chosen carefully, could be arranged to protect as many as 67% of the world's plant species. In the United States it is the underprotected southern Appalachians, in the south-east of the country, that harbour the main biodiversity hotspots. The largest patches of ring-fenced wilderness, however, sit in the spectacular but barren mountain ranges of the west and north-west. In Brazil, the world's most speciose country, the principal hotspots are not, as might naively be assumed, in the vast expanse of the Amazon basin, but rather in the few remaining patches of Atlantic rainforest that hug the south-eastern coast. These are where SavingSpecies, a charity that Dr Pimm has founded, has focused its resources.

Nor is speciosity the only consideration. So is risk-spreading. A team from the University of Queensland, in Australia, led by Ove Hoegh-Guldberg, has used a piece of financial mathematics called modern portfolio theory to select 50 coral reefs around the world as suitable, collectively, for preservation. Just as asset managers pick uncorrelated stocks and bonds in order to spread risk, Dr Hoegh-Guldberg and his colleagues picked reefs that have different exposures to rising water temperatures, wave damage from cyclones and so on. The resulting portfolio, reported last June in *Conservation Letters*, includes reefs in northern Sumatra and the southern Red Sea that have not previously registered on conservationists' radar screens.

Local knowledge

Knowing where biodiversity worth saving is concentrated is useful, says Dr Watson. But knowing how to save it is just as important. The world's big nature conservancies, the WCS included, are therefore busily tracking what works, and at what price.

Conservation International (CI), a wildlife charity headquartered, like the Nature Conservancy, in Virginia, maintains a spreadsheet marking nearly 200 past and present projects on things like deforestation rates and species counts, as well as variables such as grant size and management quality. This latter is certainly important. In 2017 Michael Mascia, CI's chief scientist, published a paper on the matter in *Nature*. He and his colleagues found large disparities in staff numbers and skills between 62 marine sanctuaries in 24 countries. Though fish populations recovered in 70% of these sanctuaries after their establishment, those in the best-managed reserves did so three times faster than those in the worst-managed ones. Creating more reserves without investing adequately in the means of running them, Dr Mascia and his colleagues conclude, "is likely to lead to sub-optimal conservation outcomes".

Another common finding—counterintuitive to those who take the "fence-it-all-off" approach—is that a mixed economy of conservation and exploitation can work. For example, rates of deforestation in a partly protected region of Peru, the Alto Mayo, declined by 78% between 2011 and 2017, even as coffee production increased from 20 tonnes a year to 500 tonnes.

This chimes with Dr Pfaff's observation of the Chico Mendes reserve in Brazil, which is deep in the Amazon basin but where some rubber-tapping and farming is permitted. Ungazetted parts of this region at similar distances from roads and other sources of human pressure experience considerably higher deforestation rates, but without any concomitant increase in economic productivity. In this area, then, having (and enforcing) the right rules seems to benefit biodiversity without constraining the economy. It is true that fully protected areas see less deforestation than the reserve, but these, as Dr Pfaff shows, are areas where you would not expect much tree-cutting in the first place. They are, in other words, the sorts of places that do not really need regulatory protection. Dr Pfaff and his colleagues have replicated these findings in other countries, including Peru and Cameroon.

Environmental groups can also draw on a growing body of academic research into the effective stewardship of particular species. For too long, says William Sutherland, of Cambridge University, conservationists have relied on gut feelings. Fed up with his fellow practitioners' confident but unsubstantiated claims about their methods, and inspired by the idea of "evidence-based medicine", he launched, in 2004, an online repository of relevant peer-reviewed literature called Conservation Evidence.

Today this repository contains more than 5,400 summaries of documented interventions. These are rated for effectiveness, certainty and harms. Want to conserve bird life threatened by farming, for example? The repository lists 27 interventions, ranging from leaving a mixture of seed for wild birds to peck (highly beneficial, based on 41 studies of various species in different countries) to marking bird nests during harvest (likely to be harmful or ineffective, based on a single study of lapwing in the Netherlands).

Dr Sutherland's dozen full-time staff and 250 collaborators sift through 230 or so ecological journals for updates. To catalogue dead-ends as well as successes, they look at foreign-language journals, where negative results spurned by more prestigious English-language periodicals as uninteresting are likelier to appear. The book version of their compendium, "What Works in Conservation", runs to 662 pages. It has been downloaded 35,000 times.

The next step, says Dr Sutherland, is to factor in costs. This is harder than it sounds. Few studies disclose expenditures. Labour costs vary a lot: besuited consultants are more expensive than sandal-wearing volunteers. Financial-reporting standards in the conservation business are a work in progress. Only in July did Conservation Biology publish a proposed set of guidelines, by a group led by Hugh Possingham, chief scientist at the Nature Conservancy.

Then there is land. Its price rises with demand, mostly from ranchers, miners, property developers and others eager to exploit rather than preserve it. This could be taken to imply that conservationists should be eyeing expensive plots, not cheap ones where the price signals a lesser threat. In Dr Pfaff's words, "no trade-offs means no impact". But others seek out bargains. Conservationists should "go to places five to 20 years from the bulldozer", Dr Possingham reckons. The Nature Conservancy has adopted this approach to its own considerable land purchases.

Pro bono publico

Tompkins Conservation, an outfit set up by the late Douglas Tompkins, founder of the North Face, a maker of outdoor kit, does one better. It has snapped up cheap properties in Chile and Argentina, next to larger areas of disused public land, with the aim of donating them to the state on condition that adjacent private and public plots are united into single national parks. And it is working. A year ago Chile's government created two such hybrids, both in Patagonia, with a total area of 40,000km{+2}—roughly the size of the Netherlands. For Tompkins, which contributed 4,000km{+2}, it was thus a tenfold return on investment.

Debates about which places to focus on pale in comparison to arguments over which species to save. Such arguments involve the concept of triage, which has divided ecologists since at least 1976, when Thomas Lovejoy, now at George Mason University, published a paper entitled "We must decide which species will go forever". Triage is a term borrowed from Allied forces' field hospitals in the first world war, which sorted the wounded into three groups: those too injured to be saved, those likely to recover on their own, and those for whom medics could make a difference. "When the numbers of endangered species were small, it did not seem necessary to choose between trying to save the ivory-billed woodpecker or the whopping crane," Dr Lovejoy wrote. "With longer and growing lists of endangered species such choices are being forced."

Businesses, politicians and philanthropists are unlikely to part with as much cash as conservationists deem necessary to save every species. Faced with limited resources, conservation groups have no option but to engage in triage, however unwitting. Nor is it evident that prioritisation crimps budgets. The Save Our Species programme introduced by New South Wales, in Australia, in 2015, has nine "management streams" into which species are allocated, according to the nature and seriousness of threats to them. But this came with an additional sum of A$100m ($70m) over five years. As for the acceptability of extinctions, Dr Possingham adds, sadly, that they are already "very much acceptable". Just witness their accelerating rate.

In the end, economic calculations will not resolve such ethical dilemmas any more than they explain why the American public prefers spotted owls to scaleshell mussels. But nor will economic considerations go away. Estimates of how much the world spends on conservation vary between about $4bn and $10bn a year. Implementing even current UN targets, let alone "nature needs half", would cost more than $70bn. Dyed-in-the-wool greens who bridle at talk of "return on investment" or "cost-benefit analysis" need to grow up.

Correction (February 14th 2019)*: We originally described Hugh Possingham as moonlighting as chief scientist at the Nature Conservancy, while working at the University of Queensland. In fact, it is the other way around. Working at the Nature Conservancy is Dr Possingham's day job. Sorry.*

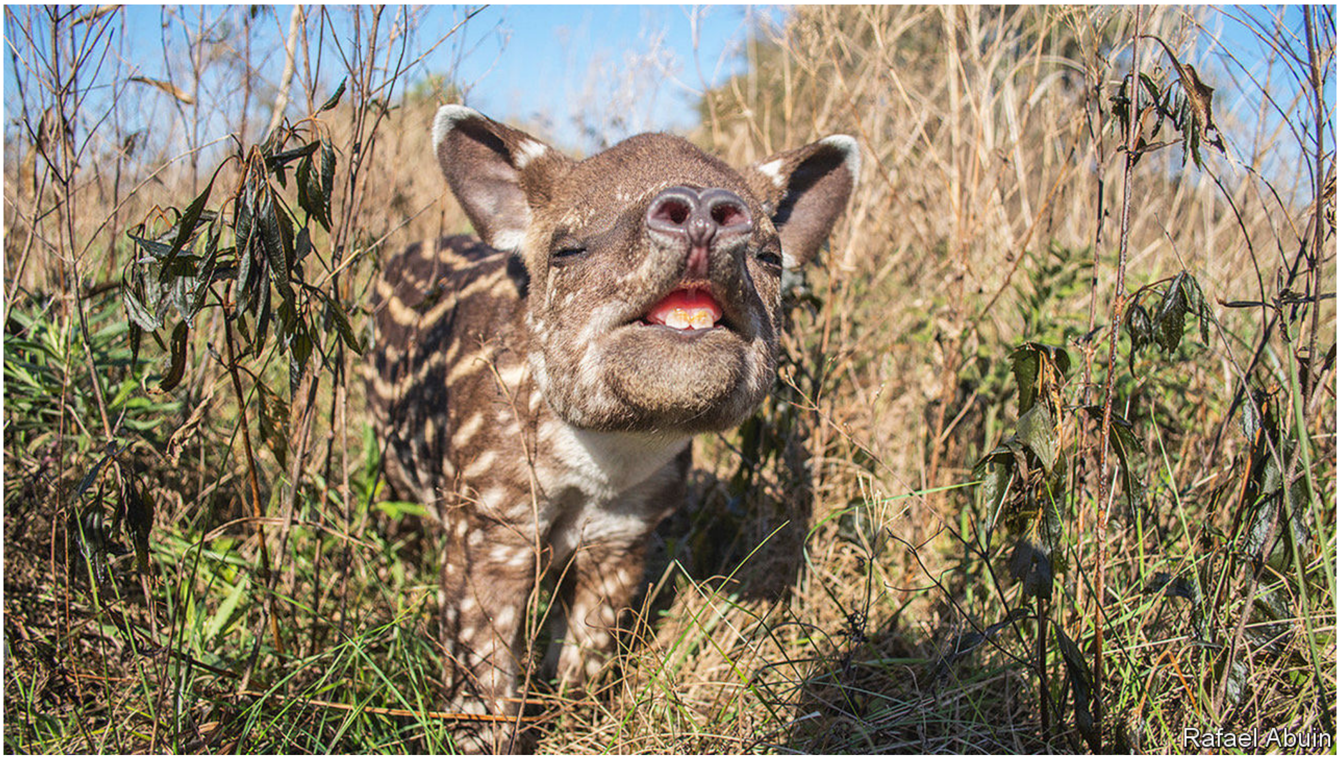
This article appeared in the Science and technology section of the print edition under the headline "Eco-nomics"

Conservation

The rewilding movement is going from strength to strength

One site in Argentina now has tapirs, jaguars, peccaries and macaws

Print edition | Science and technology Feb 9th 2019



TAPIRS ARE South America's largest land mammals. They are one of six species Ignacio Jiménez and his team are trying to re-introduce to the Iberá project, a 7,500km{+2} wetland reserve in north Argentina, run by Tompkins Conservation, an American charity. Like jaguars, pampas deer, giant anteaters, macaws and peccaries (a type of wild pig), tapirs were driven extinct here years ago by ranchers and hunters. For now, to assuage the area's ranchers, Iberá's jaguars are confined to an island deep inside the reserve. The macaws, previously caged, have been taught to recognise danger (by exposing them to a stuffed conspecific being savaged by cats), to find fruit and to fly for distances longer than a few metres. And the tapirs, as the picture shows, are breeding successfully. The renewed presence of all these animals is part of a plan to restore the place to its prelapsarian glory—and thus lure eco-tourists to a poor corner of the country.

Such "rewilding" is gaining currency among eco-entrepreneurs and ecologists. Its commercial appeal is obvious ("We are in show-business," quips Mr Jiménez). Scientifically, it rests on the theory of trophic cascades. This holds that ecosystems are shaped by "apex consumers"—large herbivores and carnivores atop food chains. Remove them, as humans are wont to do, and the mixture of species lower down the food chain mutates, often to the detriment of biodiversity. When wolves were chased out of Yellowstone National Park, in the United States, for instance, unchecked deer outcompeted bison and beavers for food. The wolves' return in 1995 rapidly unwound these changes. That success has spurred dozens of other projects. Iberá is one, though most are in Europe and North America.

Not all rewildings turn out well. Oostvaardersplassen is a 56km{+2} piece of reclaimed land near Amsterdam. It has been populated with red deer, and also semi-feral cattle and ponies intended to fill ecological niches occupied by long-extinct aurochs and tarpans. The idea is to prevent an important bird habitat from overgrowing. But lack of predators and a run of mild winters pushed the number of these ungulates above 5,000. A harsh winter last year then starved two-thirds of them, fuelling a public backlash against perceived cruelty.

As for Iberá, it was one of three projects graded by Aurora Torres of Martin Luther University, in Germany, in the first systematic attempt to measure rewilding's progress, which was reported recently in the *Philosophical Transactions of the Royal Society*. The habitat was judged to have improved since rewilding began late last century, from 3.6 to 4.9 on a rewilding index that runs from zero to ten. The hope, eventually, is to make the area a national park.

This article appeared in the Science and technology section of the print edition under the headline "Back from the dead"

Geopolitics
Together under heaven

Together under heaven

In the future, Eurasia will rule the world

But China won't have everything its own way, say three stimulating new books

Print edition | Books and arts Feb 9th 2019

The New Silk Roads. By Peter Frankopan. *Knopf; 336 pages; $26.95. Bloomsbury; £14.99.*
The Future is Asian. By Parag Khanna. *Simon & Schuster; 448 pages; $29.95. Weidenfeld & Nicolson; £20.*
Belt and Road: A Chinese World Order. By Bruno Maçães. *Hurst; 224 pages; $29.95 and £20.*

ASKED HOW he came to write "The Lord of the Rings", J.R.R. Tolkien replied: "I wisely started with a map and made the story fit." And so, says Bruno Maçães, when imagining new realities it is natural to begin the same way. These days a revised map of the world might have a radically different focus from previous ones—because a vast, integrated Eurasian supercontinent is proving to be the salient feature of an emerging global order.

Once, when East was East and West was West, the chasm between them was not only geographical, but moral and historical too. "Asia" was a term invented by Europeans to emphasise their own distinctiveness; to Kipling-era imperialists, Asian societies were backward, despotic and unchanging. By contrast, Europe had made the decisive break to pursue a scientific approach to human affairs—which justified its dominion over other continents. Condescension was met with emulation: since Japan's Meiji Restoration in 1868, Asia's modernisation was long a matter of copying the West, either out of admiration for Europeans or to repel them or both. Asia's economic transformations since the second world war were partly shaped by the needs of Western markets.

But now the modernisation that Europe first brought to Asia is racing back the other way. The Eurasian land mass is fizzing with new connections, thanks to fibre-optic cables, pipelines, roads, bridges and manufacturing zones linking East with West. Two years ago a freight train that began its journey in Yiwu in eastern China pulled into a depot in east London. The feat was largely symbolic. But nobody should doubt that Asia and Europe are being brought onto a common plane.

That process is the starting point of three stimulating new books, which make it clear that the map of world politics as it has been drawn for seven decades is no longer fit for purpose. From the old map's centre, as Mr Maçães describes it, the power of the United States radiated to the European and East Asian edges of Eurasia, acting as "a kind of forward deployment against the dangers emanating from its inner core"—that is, the communist challenges from Moscow and Beijing.

Today, the increasingly integrated nature of the Eurasian supercontinent that has emerged from the cold war—all the glitzy cities springing up out of deserts, all those ports being built along Indo-Pacific coasts—should not be a surprise to students of capitalism and development. What many Western prognosticators got wrong, however, was assuming this world would be made in the West's image; that it would embrace not just Western economics but also liberal political values, with their supposedly universal appeal and validity. You only have to look at the two biggest players by land mass, China and Russia, to see the folly of that presumption. Other illiberal powers, notably Turkey and Iran, are using past historical glories to conjure a resurgent future, projecting power along the new silk roads.

Economic integration seems not to be dissolving such differences in values, but heightening them. Nor is it clear that America and Europe can do much about it. Spreading democratic ideals is not a consistent priority for the United States; it increasingly wants to wield power from a distance. Western Europe is turning in on itself in part—and here is the deep irony—as a response to crises sweeping in from Eurasia, among them waves of immigrants and Russia's meddling both in Europe's borderlands and its internal politics.

Mr Maçães, a Portuguese political scientist and former foreign minister, sketched some of his arguments in "The Dawn of Eurasia" (published last year). In "Belt and Road" he looks chiefly at China's part in reshaping the world. Until now, its signature foreign-policy project has been known in English as the Belt and Road Initiative. That final word already sounds too diminutive. Encompassing scores of countries and $1trn of real or promised infrastructure spending, the aim, first, is to create a new global economy with China at its heart. For all China's denials, the Belt and Road is also a major piece of geopolitical engineering. It reflects China's desire to shape its external environment rather than simply adapting to it; some worry that it is China's means to replace an American-led international order with its own. As a phrase, "the Belt and Road" may come to be used in the same, shorthand way as "the West" is today.

Debt and diplomacy

Start with the map, and the story follows. Yet there is no plan or plot, says Mr Maçães. President Xi Jinping and his acolytes are no Marxist determinists. Lenin is the better role model as they seize a fleeting chance to change the course of history.

And how. As Peter Frankopan, an Oxford historian, deliciously puts it in "The New Silk Roads", when Mike Pompeo, the secretary of state, last July unveiled America's counter to the Belt and Road, the sum promised—$113m in new programmes—was only somewhat more than the combined earnings of Ivanka Trump and Jared Kushner. Just as "Belt and Road" augments Mr Maçães's earlier work, so "The New Silk Roads" updates Mr Frankopan's magnificent history "The Silk Roads" (2015), which altered many readers' views of where the world's historical centre of gravity lay.

China is now repurposing an old tenet. The ancient concept of *tianxia*, or "all under heaven", put China at the heart of power and civilisation. Moral precepts governed relations among states. There are echoes of that in Mr Xi's notion of a "Community of Shared Future for Mankind", and in the constant emphasis on "win-win" outcomes, mutual dependence and respect. Countries' obligations depend on their place in a China-centred network.

The gratitude and dependency of others are convenient for China as it seeks to recycle its foreign-currency surplus, employ its workers on construction sites abroad, secure raw materials and fob off low-grade production onto others so that it may keep the best high-tech manufacturing and services at home. The Trump administration calls this approach "debt-trap diplomacy". But that misses the appeal for many recipients of Chinese largesse. For a start, no one else is offering so much of it.

What is more, as Parag Khanna says in "The Future is Asian", an upbeat examination of a changing "Greater Asia", others welcome China's infrastructural forays "because they provide cover to pursue their own commercial agendas." Nor does the fact of India, Japan, South Korea and Turkey jumping into an infrastructural arms race imply a zero-sum contest. Rather, says Mr Khanna, a Singapore-based geostrategist, China is thereby "kick-starting the process by which Asians will come out from under its shadow."

Mr Khanna is too blithe about the drawbacks of authoritarianism. He imputes too much technocratic brilliance to the region's elites and glosses over the brutal dimensions of development, including China's high-tech repression against Uighurs. But on an important point, he agrees with Mr Maçães and Mr Frankopan: Eurasia's future is likely to be more ductile than fixed and hegemonic. In this new world order, actions still lead to reactions. The increasing alignment of democratic Japan, Australia and India as a response to Chinese assertiveness is only one case in point.

Ineluctably, Eurasia is cohering, but that does not have to be under the stifling "togetherness" of *tianxia*. In their different ways, these books all serve as an antidote to American fears of a Manichaean contest with China. They give shape to latent forces that are already impossible to ignore.

This article appeared in the Books and arts section of the print edition under the headline "Together under heaven"

The sands of time

An art gallery buried on a Chinese beach

It aims to blend in with its environment rather than destroying it

Print edition | Books and arts Feb 9th 2019


Courtesy of UCCA/Ni Nan

BURIED BENEATH a sand dune, in the beach town of Beidaihe, nestles one of China's newest art galleries. An offshoot of the Ullens Centre for Contemporary Art in Beijing, 300km away, the UCCA Dune is unlike any other cutting-edge art museum in China. Most are high-profile architectural statements, erected in the middle of bustling cities. The Dune is subtle and secluded, its galleries unfolding against the backdrop of the sands.

Interdependence with the landscape and the local community is at the heart of the Dune's purpose. It aims to be sustainable ecologically as well as financially, and to help protect the environment rather than destroying it. "Our work was not just to design a physical structure," says Li Hu of OPEN Architecture, one of the overseers of the project, but to "dream up an entirely new type of institution."

Mr Li wanted to create a gallery that was not "juxtaposed" to its environment but "merged into it". Instead of placing the museum on top of the dunes as was originally planned, he decided to bury the building beneath them to preserve the coastal ecology. The structure is heated by geothermal energy; its walls and windows and the wooden tables in its café were handmade from local materials, a tribute to the craftsmanship of the Hebei region. Because the museum is lit naturally by skylights, visitors' experiences of the artwork will vary with the seasons and time of day.

The Dune's interiors are meant to cultivate an intimacy between viewer, work and space. "Going to a museum in China often feels like going to a shopping centre," says Mr Li—an experience of rushed consumerism, typically characterised by large crowds and smartphone selfies. By contrast, the Dune's subterranean galleries invoke the caves in which the most primitive human art was first daubed. The design was inspired by Louis Kahn, a 20th-century American architect who envisaged museums as a "society of rooms", which foster interaction and encourage people to slow down. Given the isolated location, visitors will have to make a deliberate "pilgrimage to the art", as Mr Li puts it, rather than just a hurried urban fly-by.

"After Nature", the inaugural exhibit (curated by Luan Shixuan), focuses on a pertinent subject: the future of humanity's relationship with the natural world. Each of the nine contemporary Chinese artists in the show engages cleverly with the space that their work occupies. Visitors standing in front of Liu Yujia's "Wave", a digital diptych featuring aerial footage of waves rushing against the coast, need only to turn around to find themselves looking out at the Bohai Sea. Beyond a glass door lies Zheng Bo's "Dune Botanical Garden", a work of bio-art made of transplanted local weeds that also functions as a museum garden. Nearby stands "Destination", an installation by Na Buqi, which comprises an overturned billboard advertising an eerily photoshopped beachside getaway.

Ms Na's contribution is a wry commentary on the museum itself. Its location, Beidaihe, is well-established as both a summer retreat for Beijing's political elite and a popular beach resort for domestic tourists. Cranes crowd behind the dunes, supervising construction work by Aranya, a Chinese developer that also funded and built the museum. Much as the Dune wants to attract visitors, a big influx might threaten its sustainable vision: like that forlorn billboard, a picture-perfect ideal risks being compromised by the double-edged forces of consumption.

This article appeared in the Books and arts section of the print edition under the headline "The sands of time"

Physician, curb thyself

An unconventional memoir of madness

Books by doctors are a bestselling genre. In this case, the doctor is also the patient

Print edition | Books and arts Feb 9th 2019

Let Me Not be Mad. By A.K. Benjamin. *Bodley Head; 213 pages; £16.99. To be published in America by Dutton in June; $27.*

THIS IS A golden age for books written by doctors, psychoanalysts, surgeons and the like. In Britain, "This Is Going To Hurt", Adam Kay's memoir about his time as a junior doctor, has featured on bestseller lists for months. Atul Gawande, an American surgeon, has written a series of thoughtful inquiries into the limits of surgical intervention and end-of-life care. Books by Oliver Sacks, a neurologist who popularised the genre with works such as "The Man Who Mistook His Wife for a Hat" before his death in 2015, are still being published.

"Let Me Not Be Mad" seems, at first glance, to fit into this trend. Written by a clinical neurologist under the pseudonym A.K. Benjamin, it begins at an anonymous, presumably British, hospital. A female patient—an amalgam, like all the figures in the book, of several different case studies and encounters, both "real and imagined"—sits down in the doctor's office, having been referred to him because her brain appears to be "rotting". Mr Benjamin zooms out to predict her future: "Forgetfulness first...The onset of 'anomia' following the rule of frequency: losing the name for Caerphilly, then Cheddar, then cheese, then children, your children."

So far, so familiar. But soon it becomes clear that the main subject is not the patients, but the doctor himself. As the book progresses, he appears to lose his job—or at least to be prevented from seeing patients. His frame of reference shrinks to a few eccentric acquaintances, pop songs and scraps of reading. Indeed, "Let Me Not Be Mad" relies more on literary and cultural references than on clinical ones; the author explains that before becoming a neurologist, he was, among other things, a screenwriter and a monk.

"King Lear" recurs throughout—from the title to various references to "Poor Tom", the madman as whom a character in the play disguises himself, to passages that echo Lear's own descent into madness. Allusions are made to Kafka, Dostoyevsky, David Foster Wallace and many other writers (nearly all of them men). Occasionally Mr Benjamin himself brings out pin-prick details with a novelist's skill: the "fading impression of goggles like quotation marks" around the eyes of one patient, or an early Autumn morning "set like a daguerreotype by a gossamer of frost".

The argument that loosely emerges is that doctors can be as damaged as their patients. And Mr Benjamin is sceptical of the tendency, perhaps even the mania, for classification, the glib assurance of diagnosis:

I walked over London Bridge in rush hour, faces thronging around me, and diagnosed each one in an instant: Psychosis…Depression…Lewy Bodies…Panic…Depression…Sociopathy…OCD…Cynophobia…Panic…Guam's. Everybody has something, and now there's a name for it, even if it's fear of having something, of going insane, aka dementophobia.But these points would be stronger if he relied less on personal anecdote and more on professional expertise. Some moments in the book are moving, such as when the author's daughter seems to have a fit or when a close colleague dies. Other vignettes—in which he describes his rather strange online dating persona, say, or returns to a kind of monastery at the end of the book—fall flat. Moreover Mr Benjamin's slippery method proves problematic.

He is an openly unreliable narrator; even before he admits that some of the case studies "were me, are me", there is a whiff of uncertainty, of fact melding with fiction and becoming distorted, grotesque. But in the end these elisions undermine his theme. The effect of the best medical memoirs, like those of Sacks, is to make idiosyncratic cases seem emblematic of wider maladies. In "Let Me Not Be Mad", the focus is on a single, highly subjective and extreme experience. Rather than plumbing the depths of an "unravelling mind", it seems instead to skim the surface.

This article appeared in the Books and arts section of the print edition under the headline "Physician, curb thyself"

Lines of colour

When the Supreme Court ruled that separate could mean equal

Steve Luxenberg tells the story of the case that ended up blessing segregation

Print edition | Books and arts Feb 9th 2019

Separate: The Story of Plessy v Ferguson, and America's Journey from Slavery to Segregation. By Steve Luxenberg. *W.W. Norton; 624 pages; $35.00.*

THE KEY to success at the Supreme Court, as the late Justice William Brennan liked to say, is the number five. With five votes—a majority of the justices—you can do anything. But as an impassioned group of activists discovered in 1896, falling short sometimes does more than disappoint a losing litigant: it can cement a disastrous status quo for generations.

In "Separate", the context and aftermath of the court's ruling in *Plessy v Ferguson* are woven into a nuanced history of America's struggles in the 19th century as a civil war was fought, slavery ended and a new, complex racial politics haltingly took form. Steve Luxenberg, an editor at the *Washington Post*, dwells on the personal lives of the men who built and decided a case that wound up blessing the regime of Jim Crow segregation in America's South. His narrative culminates in an irony: six of the seven justices who signed onto what became one of the Supreme Court's most reviled rulings were northerners. John Marshall Harlan—a Kentuckian who once "had no quarrel with slavery" and whose family owned many slaves—wrote a dissent articulating the constitutional principle of racial equality that was not upheld by a majority of the court until *Brown v Board of Education*, nearly six decades later.

Like any good history, "Separate" introduces some puzzles while resolving others. A key facet of the story, unknown by many—including, apparently, the justices who heard the case—is that the episode spurring *Plessy* was an elaborate set-up designed to hasten just such a reckoning. When Homer Plessy, a French-speaking Creole with only one black great-grandparent, took his seat in the white carriage of a Louisiana train in 1892, an officer approached him. "Are you a coloured man?" he asked. When the fair-skinned Mr Plessy answered "yes", yet refused to budge, he was arrested for violating the state's Separate Car Act. The scene had been carefully choreographed by the Comité des Citoyens, a civil-rights alliance of blacks, whites and Creoles in New Orleans whose first attempt at a test case (with Daniel Desdunes, a citoyen's son, in Plessy's role) had recently foundered on a technicality.

"Separate" notes that several prominent men of colour, including Frederick Douglass—the escaped slave who became a celebrated abolitionist and orator—never thought much of the legal strategy of challenging segregation on the rails. It stung Louis Martinet, editor of the *New Orleans Crusader*, that Douglass "saw no good in the undertaking". But Martinet experienced moments of doubt, too, wondering if white racism and black "submissiveness" rendered their fight a "hopeless battle".

Albion Tourgée and James Walker, the lawyers arguing Plessy's case at the Supreme Court, knew at the outset that the justices were "somewhat adverse" to their position. So they pulled out all the stops with a nearly 80-page brief. Segregation in railcars violated the Thirteenth Amendment banning slavery, they reasoned, as it "reimpose[d] the caste system". It was barred by each of the four provisions of the Fourteenth Amendment, including the citizenship and equal-protection clauses. Most creatively, the lawyers contended that tossing a light-skinned man with a few drops of coloured blood out of a white carriage violated his due-process rights, as it amounted to a "forcible confiscation" of "the reputation of being white".

Wrapping these claims in a vision of colour-blindness, Tourgée and Walker persuaded only one justice—Harlan—that segregation was a "badge of servitude" at odds with the constitution's promise of equality. Meanwhile Justice Henry Brown, writing for the majority, found separate carriages stigmatising only if "the coloured race chooses to put that construction upon it". Luxenberg attributes Brown's myopic view that "separate did not mean unequal" to his sheltered New England upbringing and "most conventional" outlook. "Separate" shows how seven justices launched a half-century of racial cruelty because, unlike Harlan, they failed to see that "equality and opportunity could not survive if they came in different colours".

This article appeared in the Books and arts section of the print edition under the headline "Lines of colour"

The sirens' song

Mermaids, monsters—and motherhood

An author sets out to reclaim the sea for the women left behind on shore

Print edition | Books and arts Feb 9th 2019

Salt on Your Tongue: Women and the Sea. By Charlotte Runcie. *Canongate; 365 pages; $24.00 and £14.99.*

BY LONG TRADITION, men and women experience the sea in different ways. Men set out on it, looking for land, gold, adventure; women stay on shore, waiting and worrying. Men scoop up shoals of fish, or harpoon great whales; women, wrapped in shawls and with hands rubbed raw, gut and fillet, preserve and sell whatever the seafarers bring in. Even young weekenders on England's beaches, faced with a rough sea, react in different ways. The girls jump and scream; the posturing lads throw stones.

This difference both intrigues Charlotte Runcie and bothers her. When she was small, to stand in a rock-pool of clear seawater made her feel "bright and fierce". That feeling seems to dissipate with the knowledge that women were traditionally kept away from the sea, their mere presence on a boat unlucky and the great sea epics almost empty of them. The sea was not their place. In her lyrical and gently digressive book she analyses, and works to recover, the countering power of her first, elemental, female response to the sea.

She begins by considering who is really in charge of it. Her chapter headings are the names of the seven Pleiades, the stars—all girls, most variously abused by gods—whose rising told Greek sailors when to embark. The moon, female in most cultures, controls the tides. The goddess Athena sorted out the waves for Odysseus. Our Lady, star of the sea, smooths it for all who invoke her.

The sea is also inhabited by mysterious, terrifying or bewitching women. Sirens sing men towards doom on their rock; Scylla, her teeth "full of black death", writhes in her whirlpool. Underwater caves hide Sycorax, Caliban's mother, and the awful progenetrix of Grendel in "Beowulf". Mermaids, selkies and naiads, all alluring in their beauty, draw sailors down to the depths. When men sail, what they fear is often females who know the sea better.

On the other hand, as second-mate Stubb cries in "Moby-Dick", "Such a funny, sporty, gamy, jesty, joky, hoky-poky lad, is the Ocean, ho!" A man's thing. All down the ages men engage with the sea closely, aggressively; they grapple with it and fight it. Ms Runcie spends much of her book in the women's place, on the shore of the East Neuk of Fife, where she walks the dog, hunts for shells and sea-glass, exults in the flight of gannets and sea eagles and visits shrines and caves where saints, all male, communed with God and the waves. Her prose is often lovely, but the sea keeps its distance. Real close grappling with it, she finds, is not to sing the men's sea shanties (though they make her feel temporarily elated again), nor to try lone yachting, nor to swim in it. It is to have a baby.

The connection of the sea and the human body is familiar: the salt of tears, the make-up of the blood. A connection with pregnancy and childbirth seems more tenuous, and is sometimes too far a stretch, but Ms Runcie sets the theme early: the sea is "a gradual process of becoming, of widening and ageing and growing into more". In some ways she becomes the sea herself, a fluid, heavy medium in which the baby grows from something light as sea-silk, or a tiny curled sea-snail, into a seafarer. In other ways she is a sailor on a ship, sick, encumbered, chronically fearful and, in several harrowing passages, racked by the dangers of a difficult birth and overwhelmed by waves of pain. Men have Odysseus clinging to his raft, the smashing of the *Pequod*, the horror-voyages of the Flying Dutchman and the Ancient Mariner; but women, every day and everywhere, have this.

And in the end, as usually in sea stories, the sea has the last word. Ms Runcie carries her tiny new daughter down to the beach at St Monans and introduces her, in a sort of baptism, to salt water. Her encounter with the sea of motherhood has indeed made her grow into someone else. She is steadier and calmer; she is unafraid. But she has not aged, as she supposed. Instead she is that little girl again, bright and fierce.

This article appeared in the Books and arts section of the print edition under the headline "The sirens' song"

Economic data, commodities and markets

Economic data, commodities and markets

Print edition | Economic and financial indicators Feb 7th 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	3.0	Q3	3.4	2.9	1.9	Dec	2.4	4.0	Jan
China	6.4	Q4	6.1	6.6	1.9	Dec	1.9	3.8	Q4§
Japan	nil	Q3	-2.5	1.0	0.3	Dec	1.0	2.4	Dec
Britain	1.5	Q3	2.5	1.3	2.1	Dec	2.3	4.0	Oct††
Canada	2.1	Q3	2.0	2.1	2.0	Dec	2.3	5.6	Dec
Euro area	1.2	Q4	0.9	1.9	1.6	Dec	1.7	7.9	Dec
Austria	2.2	Q3	-1.9	2.6	1.9	Dec	2.1	4.7	Dec
Belgium	1.2	Q4	1.2	1.4	2.0	Jan	2.3	5.5	Dec
France	0.9	Q4	1.1	1.5	1.2	Jan	2.1	9.1	Dec
Germany	1.2	Q3	-0.8	1.4	1.7	Dec	1.9	3.3	Dec‡
Greece	2.4	Q3	4.3	2.1	0.6	Dec	0.6	18.6	Oct
Italy	0.1	Q4	-0.9	0.9	0.9	Jan	1.2	10.3	Dec
Netherlands	2.4	Q3	0.6	2.5	2.0	Dec	1.6	4.4	Dec
Spain	2.4	Q4	2.8	2.5	1.0	Jan	1.7	14.3	Dec
Czech Republic	2.4	Q3	2.4	2.8	2.0	Dec	2.2	2.2	Dec‡
Denmark	2.4	Q3	2.9	0.9	0.8	Dec	0.8	3.8	Dec
Norway	1.1	Q3	2.3	1.7	3.5	Dec	2.7	3.8	Nov‡‡
Poland	5.7	Q3	7.0	5.1	1.1	Dec	1.7	5.8	Dec§
Russia	1.5	Q3	na	1.7	5.0	Jan	2.9	4.8	Dec§
Sweden	1.7	Q3	-0.9	2.3	2.0	Dec	2.0	6.0	Dec§
Switzerland	2.4	Q3	-0.9	2.6	0.7	Dec	0.9	2.4	Dec
Turkey	1.6	Q3	na	3.1	20.4	Jan	16.4	11.6	Oct§
Australia	2.8	Q3	1.0	3.0	1.8	Q4	2.0	5.0	Dec
Hong Kong	2.9	Q3	0.3	3.4	2.6	Dec	2.4	2.8	Dec‡‡
India	7.1	Q3	3.3	7.3	2.2	Dec	4.0	7.1	Jan
Indonesia	5.2	Q4	na	5.2	2.8	Jan	3.2	5.3	Q3§
Malaysia	4.4	Q3	na	4.7	0.2	Dec	1.0	3.3	Nov§
Pakistan	5.4	2018**	na	5.4	7.2	Jan	5.1	5.8	2018
Philippines	6.1	Q4	6.6	6.2	4.4	Jan	5.3	5.1	Q4§
Singapore	2.2	Q4	1.6	3.2	0.5	Dec	0.4	2.2	Q4
South Korea	3.2	Q4	3.9	2.7	0.8	Jan	1.5	3.4	Dec§
Taiwan	1.8	Q4	1.6	2.6	nil	Dec	1.4	3.7	Dec
Thailand	3.3	Q3	-0.1	4.1	0.3	Jan	1.1	0.9	Dec§
Argentina	-3.5	Q3	-2.7	-2.0	47.1	Dec	34.3	9.0	Q3§
Brazil	1.3	Q3	3.1	1.2	3.7	Dec	3.7	11.6	Dec§
Chile	2.8	Q3	1.1	4.0	2.6	Dec	2.4	6.7	Dec§‡‡
Colombia	2.6	Q3	0.9	2.6	3.1	Jan	3.2	9.7	Dec§
Mexico	1.8	Q4	1.2	2.1	4.8	Dec	4.9	3.6	Dec
Peru	2.3	Q3	-8.3	3.7	2.1	Jan	1.3	5.7	Dec§
Egypt	5.3	Q3	na	5.3	11.9	Dec	14.4	10.0	Q3§
Israel	2.9	Q3	2.3	3.2	0.8	Dec	0.8	4.3	Dec
Saudi Arabia	2.2	2018	na	1.5	2.2	Dec	2.5	6.0	Q3
South Africa	1.1	Q3	2.2	0.8	4.5	Dec	4.6	27.5	Q3§

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

2 of 2

	Current-account balance % of GDP, 2018†	Budget balance % of GDP, 2018†	Interest rates 10-yr gov't bonds latest,%		Interest rates change on year ago, bp	Currency units per $ Feb 6th	Currency units % change on year ago
United States	-2.5	-3.8	2.7		-11.0	-	
China	0.3	-3.9	2.9	§§	-93.0	6.74	-6.8
Japan	3.7	-3.5	nil		-9.0	110	-0.5
Britain	-3.9	-1.3	1.3		-32.0	0.77	-6.5
Canada	-2.8	-2.2	1.9		-44.0	1.32	-5.3
Euro area	3.5	-0.7	0.2		-53.0	0.88	-8.0
Austria	2.1	-0.3	0.4		-42.0	0.88	-8.0
Belgium	0.5	-1.0	0.7		-23.0	0.88	-8.0
France	-0.8	-2.6	0.6		-44.0	0.88	-8.0
Germany	7.6	1.4	0.2		-53.0	0.88	-8.0
Greece	-1.9	-0.1	3.9		17.0	0.88	-8.0
Italy	2.6	-1.9	2.9		88.0	0.88	-8.0
Netherlands	10.3	1.2	0.3		-50.0	0.88	-8.0
Spain	1.0	-2.7	1.2		-20.0	0.88	-8.0
Czech Republic	0.8	1.1	1.7		-4.0	22.7	-9.8
Denmark	6.1	-0.4	0.3		-44.0	6.56	-8.1
Norway	8.0	7.0	1.8		-19.0	8.52	-8.0
Poland	-0.5	-0.9	2.7		-78.0	3.77	-10.3
Russia	6.6	2.7	8.2		98.0	65.7	-13.1
Sweden	2.2	0.9	0.4		-56.0	9.17	-13.1
Switzerland	9.6	0.9	-0.2		-36.0	1.00	-6.0
Turkey	-4.5	-1.9	14.5		262	5.22	-27.6
Australia	-2.4	-0.6	2.2		-64.0	1.40	-9.3
Hong Kong	3.0	2.0	1.8		-19.0	7.85	-0.4
India	-2.7	-3.6	7.6		nil	71.6	-10.3
Indonesia	-2.8	-2.6	7.7		135	13,920	-2.6
Malaysia	2.2	-3.7	4.1		15.0	4.09	-4.2
Pakistan	-5.3	-5.1	13.2	†††	474	138	-20.0
Philippines	-2.8	-2.8	6.1		-12.0	52.3	-1.5
Singapore	17.9	-0.5	2.2		-12.0	1.35	-2.2
South Korea	5.1	0.3	2.0		-77.0	1,119	-2.4
Taiwan	12.9	-0.7	0.9		-19.0	30.7	-4.4
Thailand	6.9	-3.0	2.2		-23.0	31.2	1.0
Argentina	-6.0	-5.5	11.3		562	37.4	-47.4
Brazil	-0.8	-7.1	7.0		-171	3.70	-11.9
Chile	-2.5	-2.0	4.2		-41.0	654	-8.2
Colombia	-3.2	-2.4	6.6		11.0	3,103	-8.5
Mexico	-1.7	-2.5	8.4		80.0	19.1	-1.8
Peru	-2.2	-2.4	5.6		64.0	3.33	-2.4
Egypt	-2.2	-9.5	na		nil	17.6	0.3
Israel	1.7	-3.0	2.1		25.0	3.62	-3.9
Saudi Arabia	6.1	-5.3	na		nil	3.75	nil
South Africa	-3.1	-3.9	8.7		18.0	13.5	-10.7

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

In local currency	Index Feb 6th	% change on: one week	% change on: Dec 29th 2017
United States S&P 500	2,731.6	1.9	2.2
United States NAScomp	7,375.3	2.7	6.8
China Shanghai Comp	2,618.2	1.7	-20.8
China Shenzhen Comp	1,310.0	2.0	-31.0
Japan Nikkei 225	20,874.1	1.5	-8.3
Japan Topix	1,582.1	2.0	-13.0
Britain FTSE 100	7,173.1	3.3	-6.7
Canada S&P TSX	15,712.3	1.5	-3.1
Euro area EURO STOXX 50	3,212.8	1.6	-8.3
France CAC 40	5,079.1	2.1	-4.4
Germany DAX*	11,324.7	1.3	-12.3
Italy FTSE/MIB	19,996.5	1.1	-8.5
Netherlands AEX	536.6	3.5	-1.5
Spain IBEX 35	9,100.9	0.3	-9.4
Poland WIG	61,319.0	2.5	-3.8
Russia RTS, $ terms	1,215.8	1.4	5.3
Switzerland SMI	9,143.0	2.0	-2.5
Turkey BIST	102,584.3	-1.5	-11.1
Australia All Ord.	6,091.8	2.4	-1.2
Hong Kong Hang Seng	27,990.2	1.3	-6.4
India BSE	36,975.2	3.9	8.6
Indonesia IDX	6,547.9	1.3	3.0
Malaysia KLSE	1,683.6	nil	-6.3
Pakistan KSE	41,505.7	2.2	2.6
Singapore STI	3,184.6	0.3	-6.4
South Korea KOSPI	2,203.5	-0.1	-10.7
Taiwan TWI	9,932.3	nil	-6.7
Thailand SET	1,658.7	1.6	-5.4
Argentina MERV	36,731.7	1.9	22.2
Brazil BVSP	94,635.6	-2.4	23.9
Mexico IPC	43,855.8	0.5	-11.1
Egypt EGX 30	14,766.6	4.8	-1.7
Israel TA-125	1,414.9	0.8	3.7
Saudi Arabia Tadawul	8,633.3	0.6	19.5
South Africa JSE AS	54,574.3	0.8	-8.3
World, dev'd MSCI	2,047.1	1.8	-2.7
Emerging markets MSCI	1,048.5	1.1	-9.5

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2017
Investment grade	174	137
High-yield	484	404

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

Commodities

The Economist commodity-price index 2005=100	Jan 29th	Feb 5th*	% change on month	% change on year
Dollar Index				
All Items	138.4	141.0	2.6	-7.3
Food	146.0	147.8	0.3	-2.9
Industrials				
All	130.5	133.9	5.2	-11.8
Non-food agriculturals	123.3	125.6	4.5	-8.4
Metals	133.5	137.4	5.5	-13.0
Sterling Index				
All items	191.5	198.1	0.9	-0.3
Euro Index				
All items	150.8	153.6	2.8	0.3
Gold				
$ per oz	1,310.7	1,313.5	2.3	-1.0
West Texas Intermediate				
$ per barrel	53.3	53.7	7.8	-15.3

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

Bitcoin
Mining their own business

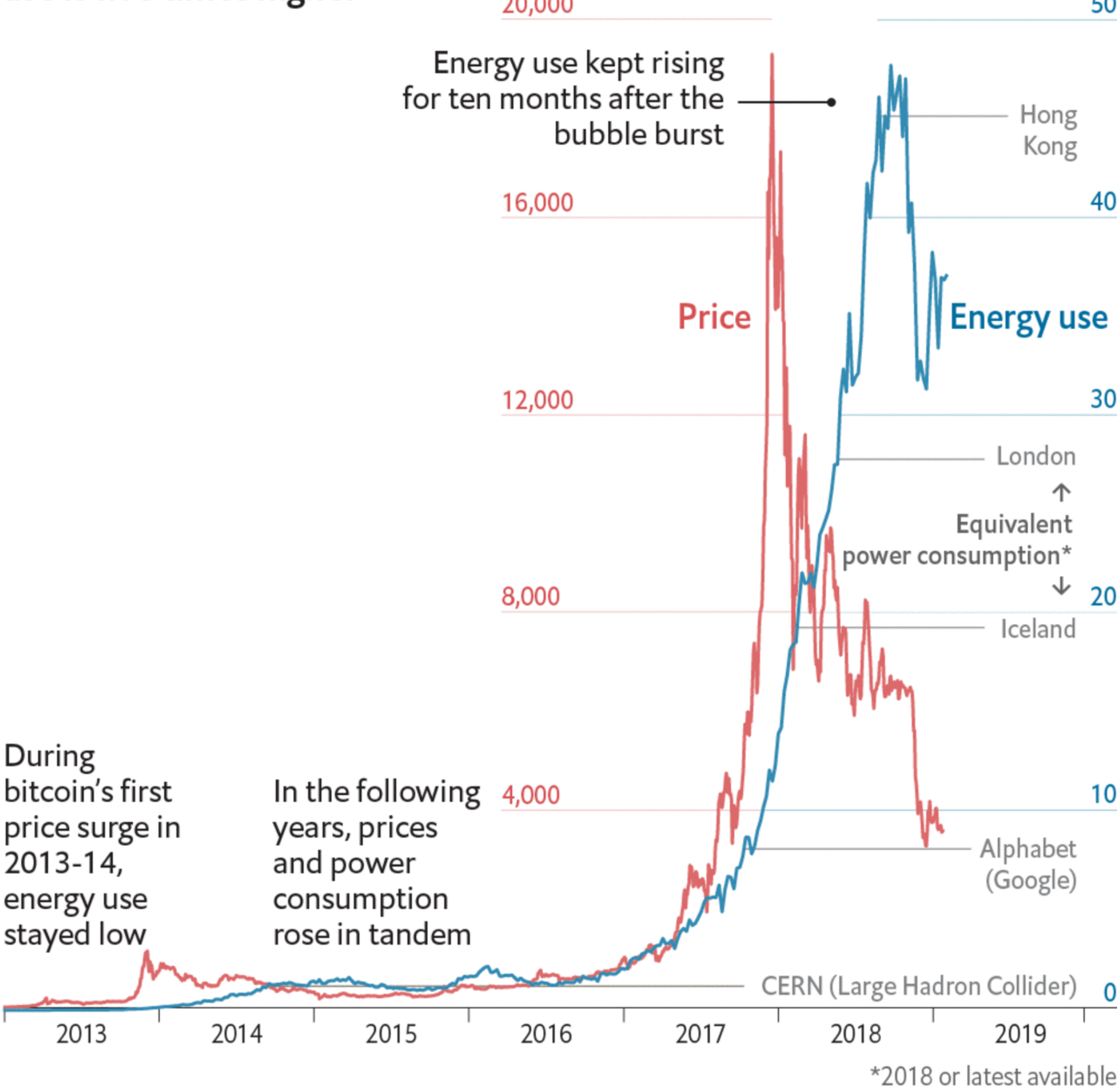
Bitcoin

Will bitcoin's price crash cut into its energy use?

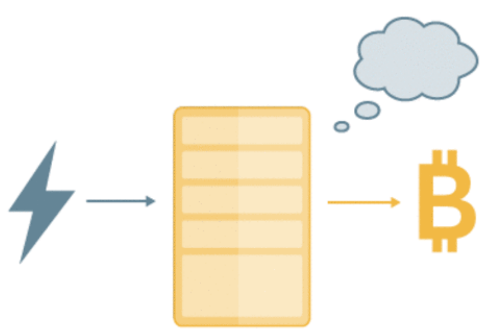
Miners are still devouring electricity, but would struggle to weather further price declines

Print edition | Graphic detail Feb 7th 2019

Bitcoin's price has fallen to 2017 levels, but its energy use is five times higher



Why bitcoin uses lots of electricity



A bitcoin is created, or "mined", by having computers solve a maths problem. The first miner to find the answer is rewarded with bitcoin

WHEN GOLD prices fall, precious-metals firms suspend exploration and close mines with high operating costs. In theory, bitcoin miners should act similarly. Although bitcoin is a virtual currency, it is expensive to obtain. To "mine" new bitcoins—ones that do not already belong to someone else—users hook up their computers to a network, and instruct them to keep guessing the solution to a maths problem until they get it right.

The difficulty of these tasks protects the integrity of the system: anyone seeking to rewrite bitcoin's transaction ledger would face the monumental burden of repeating them. However, such security is not cheap. Finding the answers requires lots of computing power, and thus lots of energy. At their peak in late 2018, bitcoin miners were thought to be using electricity at an annualised pace of at least 45 terawatt-hours per year, the average rate of all of Hong Kong.

As wasteful as it may seem, miners were rewarded handsomely for responding to a surge in demand for bitcoin. In 2017 the currency's price rose from $1,000 to nearly $20,000, yielding profits for speculators and miners alike. But in order to limit the supply of coins, the system adjusts the difficulty of the maths problems in response to computers entering or leaving its network. As more computing power becomes available, the solutions become harder to guess, raising the amount of electricity needed to mine each coin. Moreover, during the past year the bitcoin bubble has burst. Its price is now $3,400, down more than 80% from the peak.

With higher costs and lower proceeds, miners should have stampeded out of the market. But in fact, relatively few have departed. Bitcoin's daily energy consumption today is still 16 times its level of two years ago, and just 30% below its record high.

At the current price and bitcoin network size, mining returns are sensitive to energy costs. Even within one country, industrial electricity prices can vary widely. In Washington state, a part of America rich in hydropower, each bitcoin fetches 45% more than the market price of the energy needed to mine it on an average day. But in nearby California, electricity costs 2.5 times more. Bitcoin would need to rebound to $6,200 to make full-time mining there profitable.

As the roller-coaster ride of bitcoin's price makes clear, the currency's value is impossible to predict. Miners have mostly weathered the crash so far. But a further decline of 50% or so would start forcing them out of business. The shake-out would only abate once the maths problems get easy enough that less power is needed, enabling the remaining miners to scrape by.

Sources: Alex de Vries; blockchain.com; EIA; press reports; national statistics

This article appeared in the Graphic detail section of the print edition under the headline "Mining their own business"

Obituary

Lamia al-Gailani
In Mesopotamia's halls

In Mesopotamia's halls

Obituary: Lamia al-Gailani died on January 18th

The indomitable guardian of the smallest antiquities of Iraq was 80

Print edition | Obituary Feb 9th 2019

ON THAT dreadful day in April 2003, some of the staff of the National Museum of Iraq met Lamia al-Gailani in the lobby. They were in such shock that they could not finish a sentence. Days after the American invasion, looters had got in and raided the place. They had rampaged unhindered for two days. Objects too heavy to carry had been smashed; about 15,000 pieces had been stolen. Even the ledgers and index cards on which the collection was catalogued—the record of the civilisations of Babylon, Assyria, Ur, Nineveh and Sumer, of mankind's first cities, empires and writings—lay torn and scattered everywhere. Among them the deputy director sat crying, his face buried in his hands.

She did not have time for that. Instead she rushed to check her special treasures, 7,000 cylinder seals from ancient Mesopotamia, stored in a corner of the basement. They were so small: just tiny plugs or cylinders of limestone, marble or hematite, used to seal loans and contracts. It was only when they were rolled across wet clay—as in Babylon or Nineveh, and when she impressed them for displays—that the carvings and inscriptions in intaglio revealed, sharp as the original cutting, the world from 3,000 years before. King-gods sat on panelled thrones covered with fleeces, flanked by nude attendants with three sidelocks. Men rowed boats on a river, while women processed with baskets on their heads. Shamash, god of the sun, stood with one foot on a mountain and a saw in his hand. Goddesses swayed in beads and flouncy dresses. A man and a woman drank beer through straws, with filters at the ends to strain out worms. Gazelles lifted their long horns, date palms held out their branches, and crescent moons rose in the sky.

From looking so long at these seals, the subject of her thesis at University College London and her love ever since, she could tell the styles not only of different cities but of different workshops, from the carving of pleats or hair. From their impression, firm or vague, on ancient tablets, she knew how they had been handled. In contrast with her favourite large piece in the museum, the wonderful copper Bassetki statue of a seated human figure, these little seals had no obvious cachet. But almost every one had gone.

Despair came first; then fury. Iraqi archaeologists had warned the Americans beforehand, even going to Washington to beg them to protect the building. She lent weight to the delegation as someone who moved easily between Iraq and the West, living in London and returning to the museum, for months each year, to work on the seals. The Bush administration did nothing. A tank at last appeared at the museum entrance two months later, almost useless. "Stuff happens," said America's secretary of defence.

Yes, so it did, no thanks to him, and had been happening in her country for centuries before. In Baghdad her family, which was distinguished, had charge of the shrine of Abdul Qadir al-Gilani, a Sufi mystic of the 12th century; in the library was a battered small Koran, the sole survivor of the sack of the ruling Abbasids' libraries by Mongol troops in 1258. In this "grandmother of all nations", as she thought of Mesopotamia, every mound covered a lost city; if you only dug a hole, as any robber could, you found something. In the early 20th century, just before the borders of modern Iraq were drawn, Western archaeologists more or less took what they wanted. That plunder had been stopped by one intrepid Englishwoman, Gertrude Bell, who was her heroine for all kinds of reasons. Of course, she was a colonialist; but she was still devoted to the country, founded the National Museum and set rules for the export of antiquities, a fearless woman in a man's world.

All that was worth imitating, especially the last part. Her family, despite its ancestry, did not care much for history or for girls knowing it. They had merely wanted her to be nice, speak English and get married, but she defied them to study first law, then archaeology (and then get married). From her first days at the museum in 1961, when it was still in central Baghdad, she strove to involve women more, watching as housewives on their way to the main bazaar stopped to examine the Babylonian lions and Assyrian winged bulls at the entrance gate. She lobbied tirelessly to go on digs, which well-behaved young women did not do, and was at last allowed to work on a small site, Tell al-Dhibai, just outside Baghdad. Small but very important, she always insisted, since in the 1930s it had produced a cuneiform tablet that proved Pythagoras's theorem, 2,000 years before he had thought of it. Iraqi genius!

Yet there was no getting away from violence in her part of the world. She had only to look at the seals. Men fought with each other, and with lions which they threw in triumph over their heads. Bull-men struggled with human-headed bulls. The goddess Ishtar carried a bristling quiver of arrows, a club and a scimitar. In modern wars, the very smallness of the seals made them ideal booty. They could be fenced with almost no one noticing—unlike the life-size terracotta lions of Tell Harmal or the Greek-Roman-Persian statues of Harat, world-famous treasures of the museum, which had their heads destroyed with sledgehammers.

She especially mourned the Harat figures. Their oddness was not only fun—togas worn with curled Eastern beards, Greek ringlets with Persian trousers—but also a sign that different cultures could blend, not fight. Yet even as the National Museum painfully got itself back together, eventually re-opening in 2015 with Americans now helping to recover objects and train new curators, alongside her, the bigots of Islamic State were destroying "unIslamic" sites all over Iraq, erasing the history she was trying to preserve.

Joy came when two American military police turned up to hand her the Bassetki statue, crusted with smelly gunk from the cesspit in which it had been hidden. Satisfaction came from choosing cylinder seals for a new museum, built with British help, in Basra. But she often spared a wistful thought for the rest of the collection. Only 600 seals had found their way back to the museum. The others had not shown up on the market. They must be sitting somewhere, probably out of the way of anyone who knew much about them. And each little cylinder encompassed a world.

This article appeared in the Obituary section of the print edition under the headline "In Mesopotamia's halls"