

# The Economist

Fault lines in the world economy

Didi and China's techlash

Why life without parole is too long

How tea gets its flavour

JULY 10TH-16TH 2021

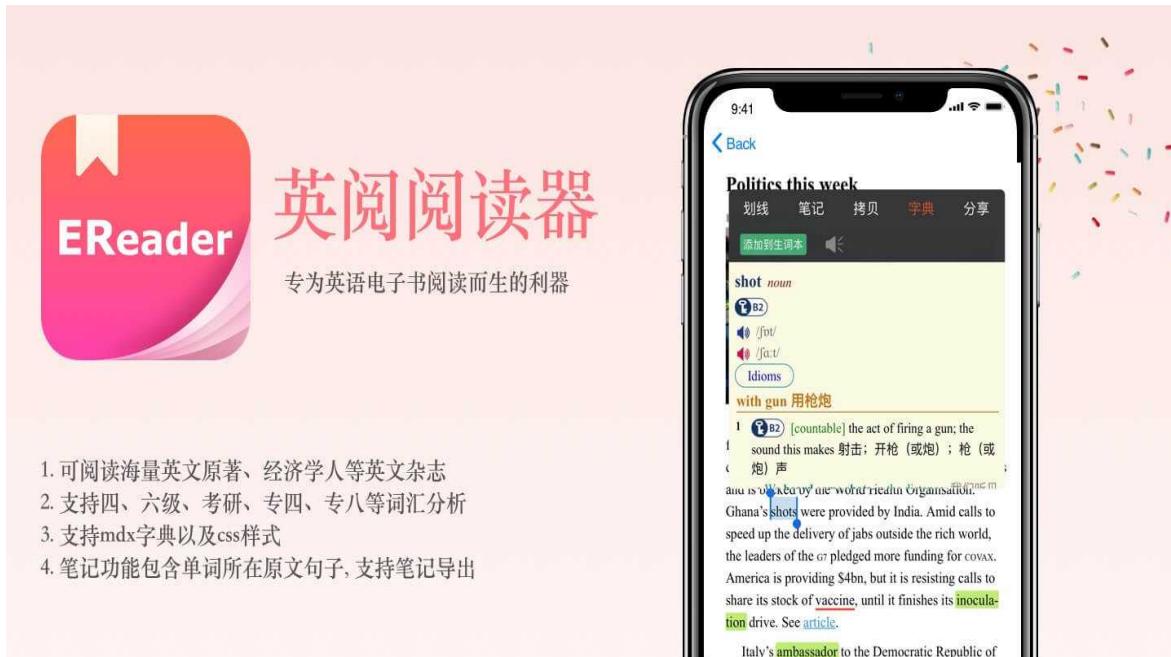
## Abandoning Afghanistan



- [The world this week](#)
- [Leaders](#)
- [Letters](#)
- [Briefing](#)
- [Asia](#)
- [China](#)
- [United States](#)
- [Middle East & Africa](#)
- [The Americas](#)
- [Europe](#)
- [Britain](#)
- [International](#)
- [Business](#)
- [Finance & economics](#)
- [Science & technology](#)
- [Books & arts](#)
- [Economic & financial indicators](#)
- [Graphic detail](#)
- [Obituary](#)

## The world this week

- [安利一个优秀的英文原著阅读器](#)
- [Politics this week](#)
- [Business this week](#)
- [KAL's cartoon](#)



1. 包含iOS、Android、Windows、Mac客户端,全平台支持
2. 可阅读海量英文原著、经济学人、纽约客等英文杂志, 支持自定义书籍OPDS
3. 支持四、六级、考研、专四、专八等词汇透析
4. 支持MDict字典(mdx格式)以及css样式
5. 笔记功能包含单词所在原文句子, 支持笔记导出

[点击进入EReader - 英阅阅读器官网](#)

# Politics this week

Jul 10th 2021



Haiti's president, [Jovenel Moïse](#), was shot dead at his private residence. The police said that they killed four suspects during a gun battle and had arrested two others. It was unclear who ordered the assassination, or why. Claude Joseph, the interim prime minister, who was due to be replaced this week, said he would take charge as interim president. The opposition had been seeking Mr Moïse's removal from office, saying his term had expired. In February the government claimed it had uncovered an attempted coup against him.

American forces left Bagram airfield, near Kabul, which had been their biggest base in Afghanistan. A small number remain in the capital, largely to protect the American embassy. After 20 years [America has effectively given up on the war in Afghanistan](#), which now looks likely to intensify. The emboldened Taliban have been seizing territory. Some of the official Afghan army have surrendered without a fight. Local warlords are raising militias to resist the jihadists.

In Brazil the Supreme Court authorised an investigation into [Jair Bolsonaro](#) for failing to comply with his public duty. The case claims that the president overlooked irregularities in a deal on a covid-19 vaccine, Covaxin. A senate

inquiry into the government's handling of the pandemic is also looking into allegations that one official asked for a \$1-per-dose bribe to purchase the AstraZeneca vaccine. Thousands of Brazilians took to the streets, the third mass protest in just over a month to call for Mr Bolsonaro's impeachment.

Jacob Zuma, a former president of South Africa, was taken into custody for contempt of court. He had refused to appear before a commission investigating the corruption that was rife during his time in office.

At least 50 people were killed by security forces in Eswatini (formerly Swaziland) after protests against the rule of [King Mswati](#), Africa's last absolute monarch. The protests began after the death of a law student, allegedly at the hands of the police. They say he died in a car crash.

Some 140 children were kidnapped from a school in Nigeria, taking to more than 1,000 the number of students and scholars abducted since December.

[Iran](#) told the International Atomic Energy Agency, the world's nuclear watchdog, that it had begun the process of producing enriched uranium metal, which can be used in reactors—or to make bombs. European powers called Iran's action “a serious violation” of the multinational nuclear accord they signed in 2015. America, which left the pact in 2018, is trying to revive it.

Egypt agreed to a compensation deal with the owners and insurers of the *Ever Given*, which ran aground and blocked the Suez canal for six days in March, seriously disrupting global trade. The terms were not made public. Egypt, which had demanded \$550m, refused to release the vessel until a deal was reached.

Israel's parliament declined to extend a law that denies citizenship rights to Palestinians who marry Israelis. It was the first test of the new Israeli government, which supported the extension on security grounds.

[Lebanon](#) is days away from a “social explosion”, said the country's caretaker prime minister, Hassan Diab. Mr Diab appealed for help with a long-running economic crisis that has seen the value of the currency plummet and left much of the population short of food, fuel and medicine.

The state legislature in Texas prepared to meet in a special session. Republicans are trying to pass a bill on election procedures that critics say is intended to curb voting by blacks and Hispanics. The Republicans have the wind in their sails. The federal Supreme Court, in a 6-3 decision, recently limited the scope for challenging state voting laws on racial grounds.

[Eric Adams](#) was deemed to have won the Democratic primary for mayor of New York, maintaining a lead over his rivals in a ranked-choice tally. Mr Adams, a black former police captain, ran on a law-and-order ticket; he soaked up votes in Brooklyn, the Bronx, Queens and north Manhattan.

Less than a week after it opened the resort island of Phuket to fully jabbed international visitors, Thailand recorded its first case of covid-19 in a tourist. Thailand hopes its “sandbox” model, where visitors can avoid quarantine if they stay in Phuket for 14 days, will allow it to reopen more parts of its tourism-dependent economy.

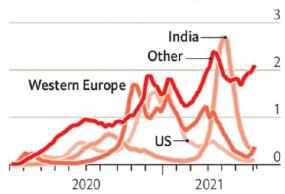
Indonesia’s covid-19 outbreak worsened as daily cases doubled from a fortnight ago. Hospitals are approaching capacity and some have reported running out of oxygen.

Britain’s prime minister, Boris Johnson, confirmed that covid-19 restrictions would end in England on July 19th. The vaccination campaign has gone well, and although cases are surging and hospital admissions rising sharply, the number of deaths remains low. Social distancing will end, as will the mandatory use of face masks, a controversial topic in Britain. The chief medical officer, when asked, named three situations where he would still wear a mask.

## **Coronavirus briefs**

To 6am GMT Jul 8th 2021

Weekly confirmed cases by area, m



Vaccination doses

	Total '000	% of over-11s with	
		1st dose	2nd
Malta	690	93	83
Iceland	435	91	60
Mongolia	3,866	86	73
Israel	10,865	85	77
Uruguay	4,162	80	63
Chile	23,427	80	65
Canada	40,188	79	43
Bhutan	485	78	0
Britain	79,303	78	58
Bahrain	2,159	75	75

Sources: Johns Hopkins University CSSE;  
Our World in Data; United Nations

The Economist

Luxembourg's prime minister, Xavier Bettel, was in a serious but stable condition in hospital after contracting covid-19.

In a reciprocal deal Israel said it would send 700,000 doses of the Pfizer vaccine that are about to expire to South Korea, where infections are rising. South Korea will return the same number of freshly produced jabs to Israel in September and October.

Sydney's two-week lockdown was extended for another week. Australia's vaccine programme is not going well.

A study found that men in England have been 30% more likely than women to test positive for covid-19 recently. It blamed football fans cramming into pubs to watch the Euro tournament. England beat Denmark 2-1 to reach its first international final since the World Cup in 1966, which, as one or two locals recall, England won.

## Business this week

Jul 10th 2021



Alamy

The share prices of China's tech giants swooned after regulators stepped up their offensive against the industry. The focus this time is on [Didi Global](#), a ride-hailing service, which was ordered to pull its app from app stores because it is being investigated for a non-specified misuse of users' personal data. Only a few days before, Didi had completed a successful IPO in New York raising \$4.4bn, the most for a Chinese company since Alibaba, which is also in the cross-hairs of officials in Beijing for becoming too powerful.

Another way that [China is trying to defang its tech tigers](#) is by cracking down on Chinese companies that have listed their shares in America or intend to do so, this week promulgating a broad review of the rules that allow them to tap foreign capital markets. China's actions increase the uncertainties for investors. Those who piled in to Didi's New York offering saw the value of their stock drop by a quarter in subsequent days.

A bidding war was on the verge of breaking out for [Morrisons](#). [Britain's fourth-biggest supermarket retailer](#) has accepted a £6.3bn (\$8.7bn) proposal from Fortress Investment, but other American private-equity firms are circling. This comes amid the fastest pace of private-equity buyouts in

Britain for two decades, which some decry as a raid on companies that are undervalued on London's stockmarket.

[Wise](#), a company providing currency and banking services, avoided an IPO and listed its shares directly on the London Stock Exchange, a novelty for the City. The successful flotation of the fintech was a relief for the LSE following the disastrous IPO of Deliveroo in March, which left some wondering if tech firms should avoid the bourse.

A consortium of investors in infrastructure submitted a proposal to take over Sydney airport. At A\$22bn (\$17bn) it is one of Australia's biggest-ever buyout offers.

Questions were raised about [the future of OPEC](#) after the cartel and its partners failed to reach an agreement on increasing oil production. Saudi Arabia and Russia want to raise output, but they were blocked by the United Arab Emirates, which wants the way its output quota is calculated to change. The White House hopes for a compromise. Without a deal, oil prices will rise, pumping up petrol prices and other inflationary pressures, hot political topics in America.

Officials from America and the European Union held talks on the EU's proposed levy on digital companies, which America says unfairly targets its tech giants. Instead America is championing the push for a global corporate tax of at least 15%, which 130 countries agreed to on July 1st. Ireland was one of only nine countries that did not sign up.

A ransomware attack targeting users of network-management software made by Kaseya, an American firm, hit hundreds of medium-sized companies in the United States and elsewhere. It was the most widespread incident in a number of recent cyberattacks on business and governments. REvil, a ransomware gang thought to be operating in Russia, said it was responsible and demanded \$70m in bitcoin to provide a universal decryptor that would unlock the affected computers.

Dozens of American states sued Google, alleging that the firm overcharges companies that sell software through its Play Store. A ruling in a similar (private) lawsuit against Apple is expected soon.

The Mexican government again signalled its dislike of private investment in the energy industry by awarding to Pemex, the state oil company, control of an oilfield that had been discovered by a private consortium. The consortium, headed by Talos, which is based in Texas, has invested \$325m in the Zama field, one of Mexico's biggest oil finds to date. Pemex, the world's most indebted oil company, may lack the technical expertise to exploit the field.

The Pentagon scrapped a \$10bn upgrade to its cloud-computing systems, saying it no longer met its needs. The Joint Enterprise Defence Infrastructure project (JEDI) had been bogged down in legal uncertainty ever since the contract was awarded to Microsoft, after Donald Trump let it be known that he did not want Amazon to get the job (Mr Trump has a long-standing feud with Jeff Bezos). The Defence Department now wants an entirely new system and will solicit proposals from both Amazon and Microsoft.

## Heading for the cloud



The Economist

[Jeff Bezos](#) stepped down as Amazon's chief executive (he is now the executive chairman). Mr Bezos still owns around 11% of the company he founded in 1994 and had led as CEO ever since. The boost to Amazon's share price when news broke that it would once again bid for lucrative work

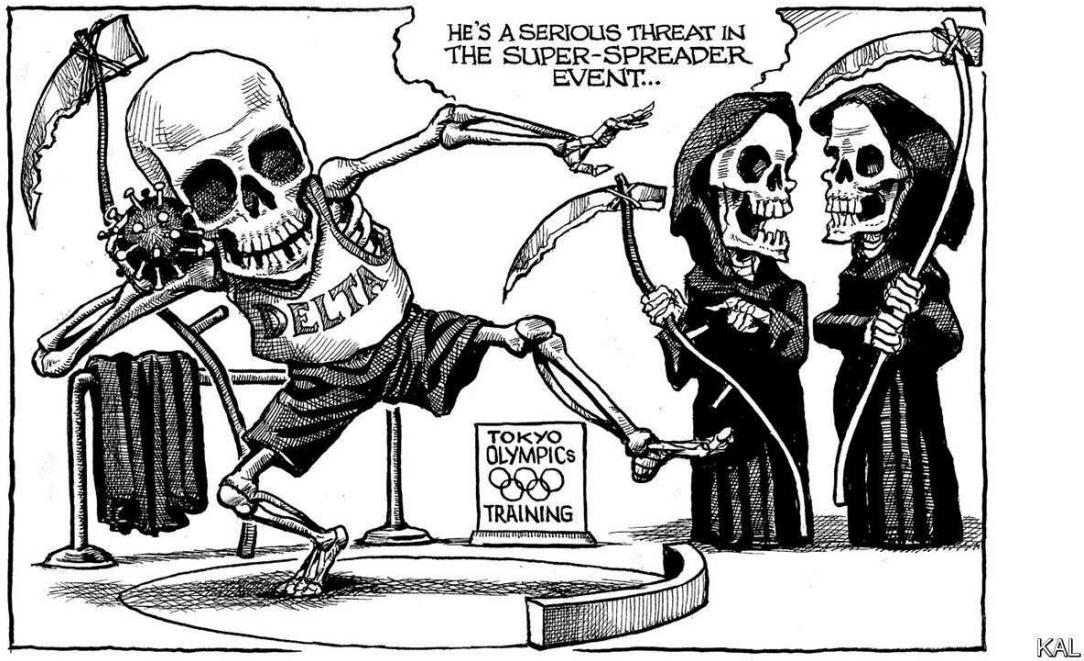
at the Pentagon added \$8.4bn to his personal fortune, taking it to \$211bn, according to Bloomberg.

---

This article was downloaded by [calibre](#) from <https://www.economist.com/the-world-this-week/2021/07/10/business-this-week>

# KAL's cartoon

Jul 10th 2021



This article was downloaded by [calibre](#) from <https://www.economist.com/the-world-this-week/2021/07/10/kals-cartoon>

# Leaders

- [Global growth: Fault lines in the world economy](#)
- [America's longest war: Abandoning Afghanistan](#)
- [Chinese capitalism: Hit and run](#)
- [The mayor of New York: New cop on the beat](#)
- [Penal reform: Pointlessly punitive](#)

## Global growth

# The new fault lines on which the world economy rests

*Global growth is coming back fast. But the recovery from the pandemic is uneven and fragile*

Jul 10th 2021



# THE FAULT LINES IN THE WORLD ECONOMY

The Economist

THE PANDEMIC caused a fearsome economic slump, but now a weird, exhilarating boom is in full swing. The oil price has soared, while restaurants and haulage firms are having to fight and flatter to recruit staff. As listed firms signal that profits will hit an all-time high this year, stockmarkets are on a tear. An index produced by JPMorgan Chase and IHS Markit suggests that global growth is at its highest since the exuberant days of 2006.

Any escape from covid-19 is a cause for celebration. But today's booming economy is also a source of anxiety, because three fault lines lie beneath the surface. Together, they will determine who prospers, and whether the most unusual recovery in living memory can be sustained.

The first fault line divides the jabs from the jab-nots. Only those countries getting vaccinations into arms will be able to tame covid-19. That is the condition for shops, bars and offices to reopen permanently, and customers and workers to have the confidence to leave their homes. But only one in four people around the world has had a first dose of vaccine and only one in eight is fully protected. Even in America some under-vaccinated states are vulnerable to the infectious Delta variant of the virus.

The second fault line runs between supply and demand. Shortages of microchips have disrupted the manufacture of electronics and cars just when consumers want to binge on them. The cost of shipping goods from China to ports on America's west coast has quadrupled from its pre-pandemic level. Even as these bottlenecks are unblocked, newly open economies will create fresh imbalances. In some countries people seem keener to go for a drink than they do to work behind the bar, causing a structural labour shortage in the service sector. House prices have surged, suggesting that rents will soon start to rise, too. That could sustain inflation and deepen the sense that housing is unaffordable.

The final fault line is over the withdrawal of stimulus. At some point, the state interventions that began last year must be reversed. Rich-world central banks have bought assets worth over \$10trn since the pandemic began and are nervously considering how to extricate themselves without causing a flap in capital markets by tightening too fast. China, whose economy did not shrink in 2020, offers a sign of what is to come: it has tightened credit policy this year, slowing its growth.

Meanwhile, emergency government-aid schemes, such as unemployment-insurance top-ups and eviction moratoriums, are beginning to expire. Households are unlikely to get a fresh infusion of "stimmies" in 2022. Deficits will contract rather than expand, dragging down growth. So far, economies have largely avoided a wave of damaging bankruptcies but nobody knows how well firms will cope once emergency loans come due and workers can no longer be furloughed at taxpayers' expense.

You might think that an event as extreme as a pandemic, combined with the unprecedented government response to it, would eventually trigger an equally extreme global economic reaction. Pessimists worry about a return

to 1970s-style inflation, or a financial crash, or that capitalism's underlying energy will be drained by state handouts. Such apocalyptic outcomes are possible, but they are not likely. Instead a better way to think about the unusual outlook is to examine how the three fault lines interact differently in different economies.

Start with America. With abundant vaccines and enormous stimulus, it is at the biggest risk of overheating. In recent months inflation has reached levels not seen since the early 1980s. Its labour market is coming under strain as economic activity shifts. Even after a rise of 850,000 in the number of jobs in June and accounting for abundant vacancies, the number of people working in leisure and hospitality is 12% lower than before the pandemic. Workers are reluctant to return to the industry, which has pushed up wages. Hourly pay is almost 8% higher than in February 2020. Perhaps they will come back when emergency unemployment benefits expire in September. But countries without such a scheme, like Australia, are also seeing a labour shortage. Attitudes to work may be changing at the bottom of the income spectrum, among waiters and cleaners, not just among well-heeled professionals who dream of yachts and sabbaticals. All this suggests that America's economy will run hot, with continual pressure on the Federal Reserve to tighten policy.

Elsewhere in the rich world the picture is less exuberant. It includes some jab-nots, like Japan, which has fully vaccinated less than 15% of its population. Europe is catching up on vaccines, but its smaller stimulus means that inflation has not reached American levels. In Britain, France and Switzerland 8-13% of employees remained on furlough schemes at the end of May. In all these economies the risk is that policymakers overreact to temporary, imported inflation, withdrawing support too quickly. If so, their economies will suffer, just as the euro area suffered after the financial crisis of 2007-09.

Low- and middle-income countries are in a bind. They should be benefiting from surging global demand for commodities and factory goods, but they are struggling. Indonesia, battling another covid-19 wave, is redeploying oxygen from industry to hospitals. In 2021 the poorest countries, which are desperately short of vaccines, are forecast to grow more slowly than rich countries for only the third time in 25 years.

Even as covid-19 weakens their recoveries, emerging markets face the prospect of higher interest rates at the Fed. That tends to put downward pressure on their currencies as investors buy dollars, raising the risk of financial instability. Their central banks do not have the luxury of ignoring temporary or imported inflation. Brazil, Mexico and Russia have raised interest rates recently, and more places may follow. The combination of jabbing too late and tightening too soon will be painful.

## Prepare to take shelter

The economic cycle has been frantic, leaving the slump far behind in only a year. Perhaps by the summer of 2022 most people will be vaccinated, business will have adapted to new patterns of demand and stimulus will be unwinding in an orderly way. In this weird boom, however, beware those fault lines. ■

Dig deeper

[Central banks face a daunting task: tapering without the tantrum](#) (July 2021)

[Surprising levels of inflation are increasingly being driven by wages, not goods](#) (July 2021)

---

This article was downloaded by [calibre](#) from <https://www.economist.com/leaders/2021/07/10/the-new-fault-lines-on-which-the-world-economy-rests>

## Abandoning Afghanistan

# America's longest war is ending in crushing defeat

*The consequences of the conflict for Afghans, already catastrophic, are likely to get worse*

Jul 10th 2021



New York Times/Redux/Eyevine

“I WANT TO talk about happy things, man!” protested President Joe Biden in early July, when reporters asked him about the imminent withdrawal of the last American forces from Afghanistan, expected some time in the next few weeks. No wonder he wants to change the subject: America has been fighting in Afghanistan for 20 years. It has spent more than \$2trn on the war. It has lost thousands of its own troops and seen the death of tens of thousands of Afghans—soldiers and civilians alike. Now America is calling an end to the whole sorry adventure, with almost nothing to show for it.

True, al-Qaeda, which sparked the war by planning the 9/11 attacks from Afghanistan, is no longer much of a force in the country, although it has not been eliminated entirely. But that is about as far as it goes. Other anti-American terror groups, including a branch of Islamic State, continue to operate in Afghanistan. The zealots of the Taliban, who harboured Osama bin Laden and were overthrown by American-backed forces after 9/11, have

made a [horrifying comeback](#). They are in complete control of about half the country and threaten to conquer the rest. The democratic, pro-Western government fostered by so much American blood and money is corrupt, widely reviled and in steady retreat.

In theory, the Taliban and the American-backed government are negotiating a peace accord, whereby the insurgents lay down their arms and participate instead in a redesigned political system. In the best-case scenario, strong American support for the government, both financial and military (in the form of continuing air strikes on the Taliban), coupled with immense pressure on the insurgents' friends, such as Pakistan, might succeed in producing some form of power-sharing agreement. But even if that were to happen—and the chances are low—it would be a depressing spectacle. The Taliban would insist on moving backwards in the direction of the brutal theocracy they imposed during their previous stint in power, when they confined women to their homes, stopped girls from going to school and meted out harsh punishments for sins such as wearing the wrong clothes or listening to the wrong music.

More likely than any deal, however, is that the Taliban try to use their victories on the battlefield to topple the government by force. They have already overrun much of the countryside, with government units mostly restricted to cities and towns. Demoralised government troops are abandoning their posts. This week over 1,000 of them fled from the north-eastern province of Badakhshan to neighbouring Tajikistan. The Taliban have not yet managed to capture and hold any cities, and may lack the manpower to do so in lots of places at once. They may prefer to throttle the government slowly rather than attack it head on. But the momentum is clearly on their side.

At the very least, the civil war is likely to intensify, as the Taliban press their advantage and the government fights for its life. Other countries—China, India, Iran, Russia and Pakistan—will seek to fill the vacuum left by America. Some will funnel money and weapons to friendly warlords. The result will be yet more bloodshed and destruction, in a country that has suffered constant warfare for more than 40 years. Those who worry about possible reprisals against the locals who worked as translators for the

Americans are missing the big picture: America is abandoning an entire country of almost 40m people to a grisly fate.

It did not have to be this way. For the past six years fewer than 10,000 American troops, plus a similar number from other NATO countries, have propped up the Afghan army enough to maintain the status quo. American casualties had dropped to almost nothing. The war, which used to rile voters, had become a political irrelevance in America. Since becoming president, Mr Biden has focused, rightly, on the threats posed by China and Russia. But the American deployment in Afghanistan had grown so small that it did not really interfere with that. The new American administration views the long stalemate as proof that there is no point remaining in Afghanistan. But for the Afghans whom it protected from the Taliban, the stalemate was precious.

There will be a long debate about how much the withdrawal saps America's credibility and prestige. For all its wealth and military might, America failed not only to create a strong, self-sufficient Afghan state, but also to defeat a determined insurgency. What is more, America is no longer prepared to put its weight behind its supposed ally, the Afghan government, to the surprise and dismay of many Afghan officials. Hostile regimes in places like China and Russia will have taken note—as will America's friends.

That does not make Afghanistan a second Vietnam. For one thing, the Afghan war was never really the Pentagon's or the nation's focus. American troops were on the ground far longer in Afghanistan than they were in Vietnam, but far fewer of them died. Other events, from the war in Iraq to the global financial crisis, always seemed more important than what was happening in Kandahar. And American politicians and pundits have agonised over whether to stay or go for so long that, now the withdrawal has finally arrived, it has lost its power to shock. To the extent that outsiders see it as a sign of American weakness, that weakness has been evident for a long time.

## Unhappy things

Shocking or not, though, the withdrawal is nonetheless a calamity for the people of Afghanistan. In 2001 many hoped that America might end their 20-year-old civil war and free them from a stifling, doctrinaire theocracy.

For a time, it looked as though that might happen. But today the lives of ordinary Afghans are more insecure than ever: civilian casualties were almost 30% higher last year than in 2001, when the American deployment began, according to estimates from the UN and academics. The economy is no bigger than it was a decade ago. And the mullahs are not only at the gates of Kabul; their assassins are inside, targeting Shias, secularists, women with important jobs—anyone who offends their blinkered worldview. America was never going to solve all Afghanistan’s problems, but to leave the country back at square one is a sobering failure. ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/leaders/2021/07/10/americas-longest-war-is-ending-in-crushing-defeat>

## Hit and run

# China's communists take control of tech

*The attack on Didi shows how high a price the Communist Party puts on control*

Jul 10th 2021



EPA

ONE INTRIGUING question about China is whether it can combine thuggish, autocratic politics with the predictable rules and property rights that entrepreneurs and capital markets need to thrive. The government's recent attack on Didi Global, a Chinese ride-hailing firm that has just listed its shares in New York, suggests not. It is a warning to investors around the world—and to anyone hoping to make their fortune by setting up in China.

Didi is one of China's superstar firms, with 493m users (more than Uber), 15m drivers and a presence in Brazil and Mexico. It listed its shares on June 30th, raising cash from global investors and valuing the firm at \$68bn. Its prospectus contained 60 pages of "risk factors", including a regulatory crackdown, that most investors snoozed over. But almost immediately one of them turned up.

It seems that Didi had pursued the listing against the wishes of the Cyberspace Administration of China. On July 4th the regulator struck back,

saying that Didi had violated rules on collecting personal data, and banned it from mobile app stores in China. That sent Didi's share price tumbling by over 20%. Marco Rubio, a hawkish American senator, said that it was "reckless" to allow Didi to float in New York.

China's tech industry has been one of the most dynamic areas of the global economy in the past decade. Hundreds of large startups have yet to follow giants such as Alibaba, Tencent and Didi by listing their shares. The intersection of e-commerce, payments and "super-apps" means that most daily transactions in China can take place on a smartphone. Global capital and talent have been critical to the industry's rise. Didi has big foreign shareholders, including SoftBank and Uber, and owns a stake in Grab, a South-East Asian rival. Many of its top brass were educated at Western universities and have worked at American firms. Almost all the largest Chinese tech firms are listed in America or Hong Kong rather than the mainland. They have cosmopolitan executives and benefit from a flow of ideas across borders.



The Economist

The crackdown began last year when Chinese regulators cancelled the \$300bn flotation of Ant Group in Hong Kong and Shanghai at the last minute. The government went on to threaten other tech firms and to humble tycoons, not least Jack Ma, the co-founder of Alibaba and founder of Ant.

All governments worry about data privacy and monopolies, but China's interventions signal a systematic attack on tech by the party. On July 7th Bloomberg reported that China might re-examine the use of "variable-interest entities", a legal structure that underpins almost all foreign investment in Chinese tech. The message is clear: powerful tech firms must defer to the Communist Party, their bosses should keep quiet and foreign owners' property rights can be violated.

An optimistic view is that the crackdown is political theatre. Global firms have often been burned in China only to recover. South Korean and Japanese companies have faced boycotts and protests that later faded away. China's government shuns foreign banks for a while, to punish them for perceived errors, but eventually welcomes them back.

This time may be different. Foreign investors have lost hundreds of billions of dollars, which may permanently alter the supply of global capital to China. To fill that hole, Chinese firms will depend on less sophisticated mainland markets. Once again entrepreneurs and investors must weigh and reweigh the vast rewards of China's markets against the risks of its opaque laws, bullying officials and paranoid rulers. If you were risk-hungry, unorthodox and keen to start a business that breaks the mould, would you still choose to do so in China? ■

---

**New cop on the beat**

## Can Eric Adams turn around New York?

*The man likely to be in charge brings sanity and a level head to the task*

Jul 10th 2021



TO BE MAYOR of New York City is no easy task. Bill de Blasio, the departing incumbent, was once a progressive darling. However, his unique political talents—a penchant for self-aggrandisement and a smug disdain for dealing with the city’s problems—along with constant bickering with the governor, rendered Mr de Blasio ineffectual and widely loathed. He will soon be limping out of Gracie Mansion, leaving behind some daunting problems for his successor. Economic growth is choked by regulation and insufficient house-building. There has been a dramatic increase in shootings and homicides. Were it not for a timely federal bail-out, the city would be facing severe cuts to its budget.

The man New Yorkers will choose to pick up these pieces is Eric Adams, a black, vegan, ex-police captain from Brooklyn. In a crowded field, Mr Adams narrowly won the Democratic primary with support from a broad coalition of non-white, non-Manhattanites. As with President Joe Biden, his

supporters were the working class, the elderly and minorities. He promises to be mayor for the Bronx and Brooklyn, not the Upper West Side.

His victory in the primary election, and almost guaranteed triumph in the general one to come, is a rebuke to the progressive zeal that has overtaken America's largest cities since racial-justice protests began more than a year ago. This is a growing movement that is almost contemptuous of the industries that generate urban prosperity. It sees specialised schooling for gifted pupils as oppressive; it interprets pathological housing markets as signs of too little governmental interference rather than too much; and it argues, in contradiction of common sense and political reality, that "defunding the police" is the solution to rising crime. Its most enthusiastic adherents seem to be citizens comfortably insulated from both violence and from need.

Mr Adams is not their avatar. A former cop himself, he wants neither to defund nor abolish the police department, but to reform it. Even before his run for office, Mr Adams had been agitating to make it easier for officers who brutalised citizens to be sacked. But he resists the patronising attitude, adopted by some progressives, that resurgent violent crime visited largely upon the poor is an acceptable trade-off on the path to social justice.

Rather than increase the city's budget by 25% in real terms, as Mr de Blasio did, Mr Adams has plans to trim its expansive bureaucracy. He says he wants to repeat the \$1.5bn reduction in spending that Michael Bloomberg managed while he was mayor.

The problem of high-cost cities largely reflects a lack of housing—something that no "rent stabilisation" scheme, however elaborate, can paper over. From 2010 to 2019, for every five new jobs created in New York, only one new unit of housing was built. Mr Adams is right to say that new development must be rapidly approved in the city—and that the burden of change should be borne not just by poor neighbourhoods but also by posh ones like the charming, absurdly low-slung West Village.

It is folly to place too much faith in anyone who aims to run America's largest city. Even Mr de Blasio once mustered some enthusiasm. Mr

Bloomberg's admirable technocratic impulses got him mired in unending debates over taxes on fizzy drinks.

Unfortunately, Mr Adams's judgment also has its flaws. The rumour that he lives part-time in New Jersey did not die even after he let the press tour his sparse townhouse. Incorrect financial filings do not inspire confidence in a man who is about to take over a \$100bn operation. As a machine politician, he owes many people many favours. Alarmingly, during his campaign, he labelled an alliance between two of his opponents in the primary an attempt to suppress black votes in the city—a cheap, false and incendiary attack.

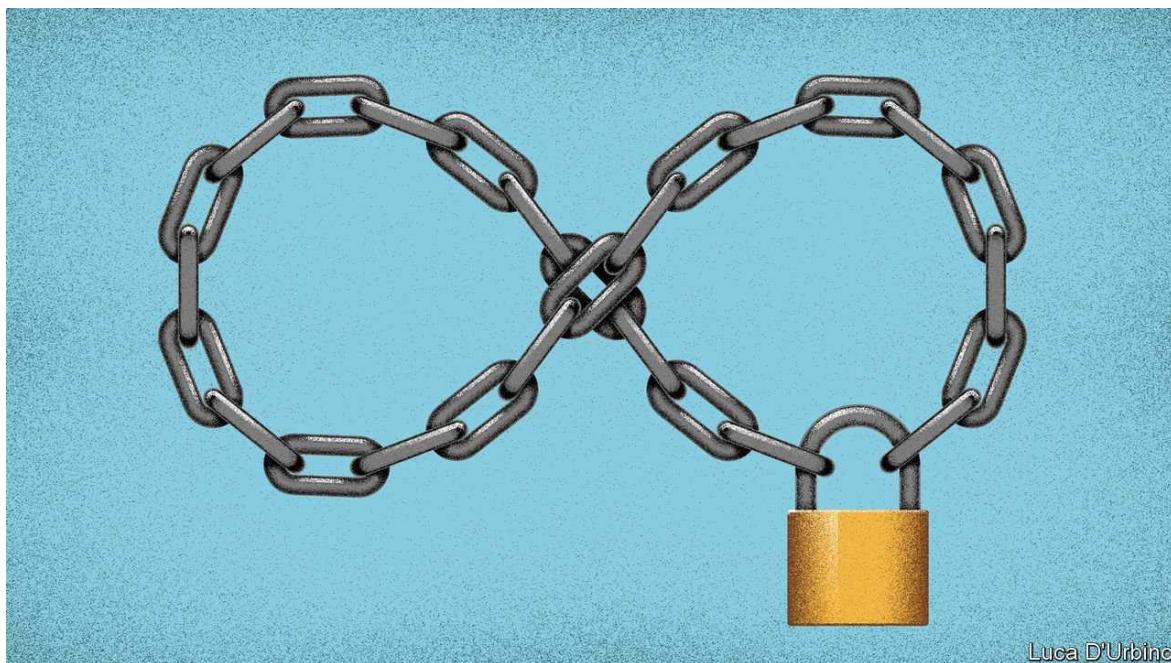
Getting New York back on track will require sustained and skilful leadership, not hollow displays of populism. Gotham has already endured enough of those. ■

## Pointlessly punitive

# Why life without parole is nearly always too long

*Keeping the elderly imprisoned is expensive and often pointless*

Jul 10th 2021



HOW SHOULD societies punish those who commit the worst crimes? As fewer countries use the death penalty, [more are imposing life sentences](#). The number of people jailed for life worldwide rose by more than 80% between 2000 and 2014, to nearly half a million.

And a good thing, too, liberals and conservatives might agree. As a punishment for heinous crimes, life in prison strikes many as a sensible compromise between the inhumanity of the death penalty and the leniency of letting the guilty eventually walk free. The success of that argument is one reason why fewer people are now being put to death.

In fact, life sentences can also count as acts of punitive excess. They keep people penned up long after most of them have lost the capacity or inclination to be violent. They are also a poor deterrent. Potential criminals are more effectively restrained by a high likelihood of being caught than by a severe punishment.

Although, in America at least, it is cheaper to lock people up for life than to execute them (because death-row cases involve endless legal wrangling), old codgers make costly prisoners, because of their health problems. By one estimate, they are three times more expensive than younger inmates. Money spent keeping 60- and 70-year-old ex-thugs behind bars for ever would nearly always prevent more crimes if it were spent instead on better policing, or on rehabilitation.

Life sentences take many forms, of varying severity. Critics should focus on the substance, not the label. Sentences that offer no possibility of parole are far harsher than those that offer a chance of release, however distant. Some ultra-long sentences, by contrast, are no different from life. Alaska does not impose life sentences, but it does jail people for 99 years.

Those who want to limit prison terms should start with the cruellest and most egregious. These include sentences imposed on children, or for non-violent crimes, as under “three strikes” laws in some American states. Lifers should not be singled out for harsh treatment as they are in Ukraine, where some are locked in their cells for 23 hours a day. Nor should life sentences be mandatory for particular offences, which bars courts from taking into account any mitigating circumstances.

What about when crimes are shockingly depraved or cost many lives? The judge who sentenced Brenton Tarrant for murdering 51 people in 2019 at two mosques in Christchurch, New Zealand, a country that abolished the death penalty in 1989, had no qualms about throwing away the key. “Your crimes are so wicked that even if you are detained until you die, it will not exhaust the requirements of punishment,” he told Mr Tarrant.

That view is understandable. And yet even in this case life without the possibility of parole is wrong. No amount of time can expiate Mr Tarrant’s crimes. But prisons are about harm prevention, not expiation.

A better approach is that of Norway. It sets a maximum sentence of 21 years. However, if a convict is still judged to be a danger to society after that time, he can be detained until he is not. Such a rule protects potential victims while also offering the criminal a measure of hope and a reason to reform.

## Keep the keys

In 2013 the European Court of Human Rights ruled that all prisoners are entitled to the prospect of eventual release. For a few who remain dangerous in their dotage, such as orchestrators of genocide, that may be too big a risk. But for most murderers, 20-25 years behind bars will prove long enough. ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/leaders/2021/07/10/why-life-without-parole-is-nearly-always-too-long>.

# Letters

- [Letters to the editor: On literacy, military reserves, working days, Kenneth Kaunda, historical fiction](#)

**On literacy, military reserves, working days, Kenneth Kaunda, historical fiction**

## Letters to the editor

*A selection of correspondence*

Jul 10th 2021



Letters are welcome via e-mail to [letters@economist.com](mailto:letters@economist.com)

## The ABCs of education

Regarding “[The reading wars](#)” in teaching (June 12th), effective early reading instruction does indeed include direct and explicit phonemic awareness (sound discrimination) and phonics (sound to letter correspondence) applied to a limited vocabulary of high frequency words. But these alone are insufficient for the transition to fluent academic reading. Such fluency depends not only on the basics but also on vast and deep pools of vocabulary knowledge. Vocabulary learning unfolds gradually over time and is generally not given enough attention in schools. Whereas a daily newspaper requires about a grade-nine reading level (14-15 years old) *The Economist* is written minimally at undergraduate degree level, and requires a firm grip of vocabulary breadth and depth.

Literacy learning is a complex endeavour. Instruction needs to be explicit, programmatic, developmentally progressive and sustained over time as children become adept at word study and morphology. Good word-attack strategies include phonics (sound the word out: p- o- ll- u- tion) and knowledge of Greek and Latin root words (transcribe, transmit, transport). All of this can be engaging and fun, too. Children delight in the sheer joy of documenting and sharing their thoughts and opinions, and in their growing sense of agency when they master reading and writing.

Humans are not evolutionarily wired for literacy development (literacy is a relative latecomer, existing for only 5,000 years or so). This means repurposing primitive models for pattern recognition and categorisation; sequences, size and shape, for example, in the service of letter recognition, spelling and numeracy. Starting at an early age, play with blocks, puzzles, loose parts, pencils and crayons, scissors and paper help lay the foundations for literacy by engaging the hand-brain complex and creating the neuro-circuitry and muscle memory for meaning and development. Barking at the page without making meaning of the print does not ensure sustained reading comprehension. A balanced approach is necessary.

PROFESSOR HETTY ROESSINGH

Werklund School of Education

University of Calgary



Alamy

## Expand the reserves

As an American naval officer and aviator with a combination of active duty and reserve service your article on military reservists caught my attention (“[Not your dad’s army](#)”, June 19th). Capable and ready reserve forces will remain vital for national and collective defence. There is simply no proper substitute and any attempt to work around this reality is dangerously foolish.

One of the greatest challenges for military chiefs is to recruit trained and rapidly available personnel across the spectrum of capabilities, ranging from logistics and mess services (an army still runs on its stomach) to stealth-fighter pilots and cyberwarfare.

Relatively few citizens of Western countries (America and Britain are notable here) have served. This lack of a direct connection to military service will further diminish an interest in the armed forces by younger people. It is a concerning, downward spiral, though a return to conscription is unlikely. Reservists in significantly expanded numbers and capabilities may be a practical and necessary means of countering these adverse trends.

JEFFREY PETIT  
Commander

US Navy Reserve (Retired)  
*San Diego*



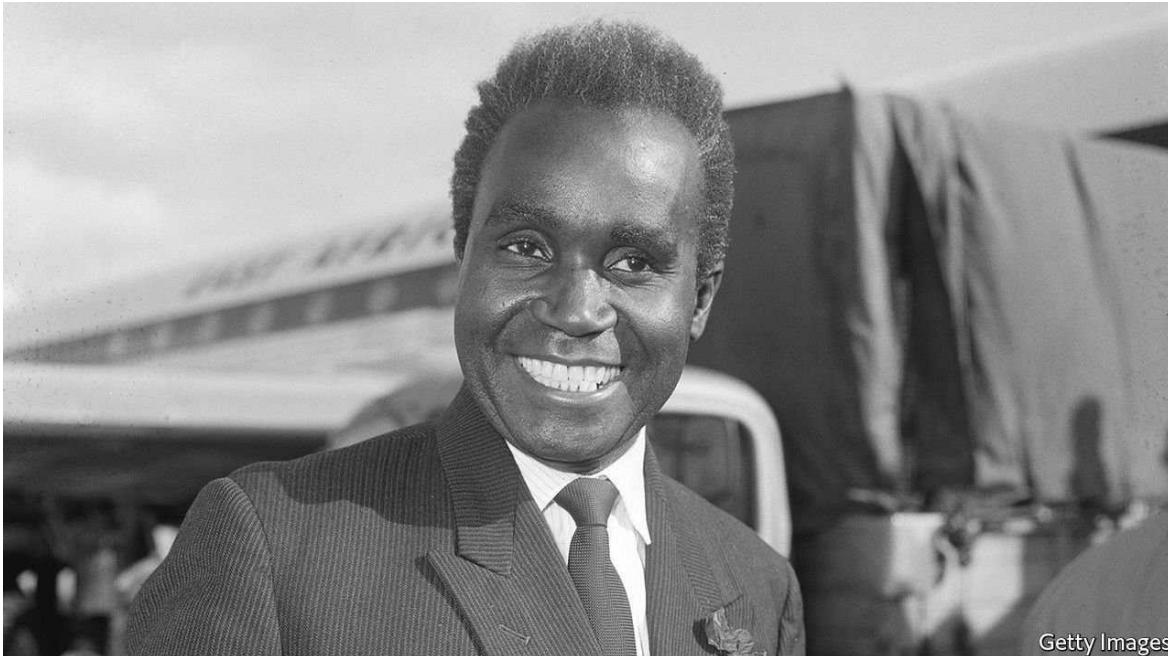
Paul Blow

## Mid-week special

Bartleby's column ([June 19th](#)) on picking the best days to work from home prompted a memory from my time working in the Soviet Union in 1976. I bought a chess timing-clock from a store in Moscow, which did not work. When I told my Soviet colleagues, one of them wanted to know what day of the week it was made on?

During that era, appliances left the factory with a ticket indicating the day of the week they were assembled. Knowledgeable shoppers would check those tickets and knew to avoid products made on a Monday or a Friday: Friday workers were thinking of the weekend and Monday workers were hungover. Quality products, if at all, were likely to have been made on a Tuesday, Wednesday or Thursday.

PHILIP RAKITA  
*Philadelphia*



Getty Images

## Ditching colonial ties

Your obituary of Kenneth Kaunda ([June 26th](#)) was informative and fair. However, the founding president of Zambia might have found the photograph you used of him wearing a tie to be insulting.

In 1968 the house in Chilenje, Lusaka, where the Kaunda family had lived during part of the struggle for independence contained a display illustrating its history. As director of the Zambia monuments commission, I accompanied the then-president on a tour. Seeing a photograph of himself similar to that in your obituary, he said to me: “I remember that occasion. It was the last time I wore a necktie. I resolved that, once Zambia is free, I would never do so again.”

So far as I am aware, he never did.

PROFESSOR DAVID PHILLIPSON  
*Skipton, North Yorkshire*



Alamy

## Facts and fictions

Your review of Alberto Angela's biography of Cleopatra and the phenomenon of imaginative "history" writing ("[Missing pieces](#)", June 12th) raises an intriguing issue of intellectual-property law. Copyright protects creations of the mind but it does not protect historical facts. So what happens when a historian presents the fruits of his or her imagination as fact? Is there copyright in such creations?

The Federal Court of Canada considered this recently in a lawsuit where the author of a historical book was alleged to have infringed copyright in an earlier book purporting to tell the "true story". Both books were about the Black Donnellys, a notorious Irish Catholic immigrant family involved in a violent feud that led to the killing of five of its members by a mob in 1880. The heirs of the author of the original book argued that the later book copied fictional embellishments in the original. The author of the later book argued that he assumed the embellishments were factual because they were credibly presented as such and that, since he used different words to tell the same story, he couldn't fairly be accused of copyright infringement.

The court agreed, ruling that copyright does not protect plausible assertions of facts, no matter how imaginative they later turn out to be. The court

distinguished this from tales like “Gulliver’s Travels” or “The Blair Witch Project”, where representations that the story is “true” are clearly just for fun.

It is a sensible decision. After all, as your review noted, all that “history” has ever been is what others, like Tacitus or Herodotus, say happened, whether it actually happened or not.

JOHN SIMPSON

Principal  
Shift Law  
*Toronto*

I see nothing wrong with writers using their imagination to make classical histories readable. As Pliny the Younger observed in ancient Rome, “There is no lack of readers and listeners; it is for us to produce something worth being written and heard.”

DAVE GLANTZ

*Fairfax, Virginia*

---

# Briefing

- Inflation: Boom and doom?

**People can be pricey**

## **Surprising levels of inflation are increasingly being driven by wages, not goods**

*Don't panic. But keep a watchful eye*

Jul 10th 2021



*Editor's note: This article was updated since publication to incorporate the European Central Bank's change to its target.*

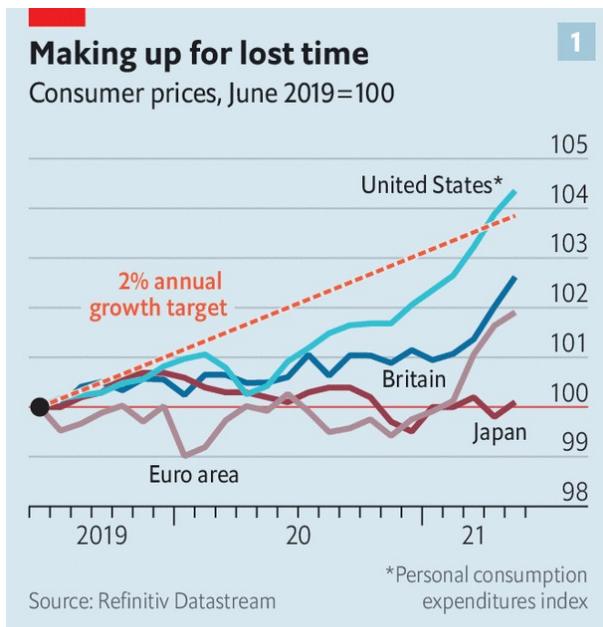
IN JANUARY AN inhabitant of a midwestern city—Cleveland, say—could buy a three-year-old Toyota Camry for about \$18,000 and fill up its 60 litre petrol tank for about \$28. By May, the car would have cost them 22% more and the 16 gallons of gas 27% more. As the American economy has risen from its pandemic slumber, the prices of durable goods and commodities have soared.

Not long ago economists tended to the view that the covid-19 pandemic would lead to a prolonged slump in the rich world. That view has not worn well. In February America's Congressional Budget Office predicted that growth in America in 2021 would be 3.7%. On July 1st it doubled that forecast to 7.4%. Since May the Bank of England has revised up its estimate

of British GDP in just the second quarter of the year by 1.5 percentage points.

With unexpected growth has come an unexpected spurt of inflation. A certain amount was baked in. The fact that prices—and in particular commodity prices—fell during the spring of 2020 meant that what are known as “base effects” would drive headline inflation up this summer: even if prices had been stable from March to June this year, the fall over the same months last year would see the year-on-year difference increase. But core prices—which exclude energy and food—were expected to stay pretty stable.

In February the median economic forecaster thought America’s core consumer prices would rise just 1.9% over 2021. That increase is already in the rear-view mirror. In the three months to May core inflation reached 8.3% on an annualised basis, the highest rate since the early 1980s. In June the Institute for Supply Management’s index of changes in the prices paid by American manufacturers registered its highest reading since 1979, a year in which consumer prices rose by 13.3%.



The Economist

Inflation in other rich countries has been more modest (see chart 1). But it has still exceeded expectations (see chart 2). In the euro area headline

inflation year-over-year has risen from 0.9% to 1.9% since May, touching the European Central Bank's target of "below, but close to 2%". Much of this is due to base effects; core consumer prices actually fell between February and May, as they did in Japan. Britain is—as in many things—an intermediate case. Headline inflation is roughly on target but core consumer prices have accelerated. This has caused some alarm. When leaving his job on June 30th Andy Haldane, the Bank of England's chief economist, warned that British inflation, currently 2.1%, would be closer to 4% than 3% by the end of the year.



The Economist

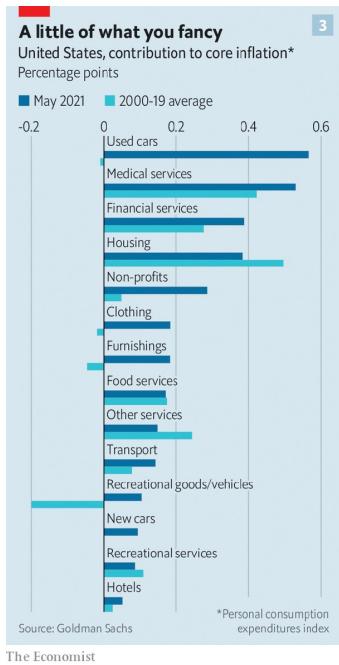
This is not just an issue for rich countries. A measure of aggregate inflation in emerging markets produced by Capital Economics, a consultancy, rose from 3.9% in April to 4.5% in May. Rising inflation has set off a cycle of monetary tightening. Since the start of June central banks in Brazil, Hungary, Mexico and Russia have raised rates.

A sustained rebound in inflation would be bad news for two reasons. First, inflation hurts. Life-satisfaction surveys carried out in the 1970s and 1980s found a one-percentage-point rise in inflation reduced average happiness about as much as a 0.6-percentage-point rise in the unemployment rate. If it catches workers by surprise it erodes their wages, hurting the lowest paid the

most; if it catches central banks by surprise they may have to slow the economy, or even engineer a recession, to put the beast back in its cage.

Second, inflation has the potential to up-end asset markets. The sky-high prices of stocks, bonds, houses and even cryptocurrency rests on the assumption that interest rates will stay low for a long time. That assumption makes sense only if central banks do not feel forced to raise them to fight inflation. If prices rise too persistently, the financial edifice that has been built on years of low inflation could lose its foundations.

The factors pushing inflation higher are threefold. The first is a boom in demand for goods like cars, furniture and household appliances set off by consumers splurging on things that made lockdown homes nicer and life outdoors more enjoyable. The second is disruption in the global supply of some of those goods. A shortage of microchips, for example, is severely curtailing the supply of cars. A [higher oil price](#) does not help. Disruption in the global shipping industry and at ports exacerbates things in various markets. The third—probably the most important, and the one only now fully coming to be felt—is a rebound in the prices of services. Consumers are returning to restaurants, bars, hairdressers and other in-person businesses faster than workers are.



The Economist

America is seeing higher inflation than anywhere else primarily because, having seen the largest economic stimulus, it saw the greatest durable-goods boom. According to the index of prices targeted by the Fed, cars, furniture and sporting gear were responsible for more than four-fifths of core-inflation overshoot in May (see chart 3). Europe's supply chain faces the same issues as America's, but with demand more modest, durable goods sensitive to the disruptions were only 1.5% more expensive in May than they were a year earlier, according to Morgan Stanley.

For how long will engorged demand come up against constrained supply? The experience of 2020 showed that supply chains could find a way around some issues—such as shortages of toilet roll and diagnostic tests—relatively quickly. The trouble is that microchip supply and shipping capacity are relatively slow to adjust: expanding capacity requires investment in fabs and ships. Firms report that they expect delivery times to be longer, not shorter, in six months' time.

But though some of the problems will persist, the contribution of durable-goods shortages to inflation may have peaked. Inflation is the rate at which prices change, not a measure of how high they are. If prices stay high but stop rising—or even just slow the rate of their rise—inflation falls. If prices fall back again, as American lumber prices did by a spectacular 40% in June, base effects go into reverse, lowering headline inflation.

The increase in demand which drove up demand for durable goods in the first place is also dropping. This is not because people are running out of money. During the pandemic overall household spending went down, even though stimulus measures preserved or increased incomes. In America the resultant wedge of excess savings stands at around \$2.5trn, or 12% of GDP. The equivalent in the euro area was 4.5% of GDP at the end of 2020. It is unlikely to have fallen much yet.

It is, though, being spent on different things. With services reopening, those consumers flush with cash face a choice between paying high prices for goods they have been able to buy throughout the pandemic and buying the kind of experiences of which many have been starved for almost two years. They choose the latter.

## A new hope

In inflation terms, this shift may push economies out of the frying pan and into the fire. High demand for hotels, transport and restaurant meals means lots of companies need workers. And the workers are getting pricey.

Despite growing by nearly 350,000 jobs in June, America's leisure and hospitality is still only seven-eighths as big as it was before the pandemic in employment terms. Workers for whom \$2,000 in stimulus payments earlier this year and extended unemployment insurance made a big difference find themselves in a seller's market. Wages in leisure and hospitality jobs are nearly 8% higher than in February last year; job openings are abundant. Restaurants and hotels tend to have low profit margins: where wages go, prices are likely to follow.

According to JPMorgan Chase, average services prices across the world are still below their pre-pandemic level. Closing only half that gap in the second half of this year would add a percentage point to average headline inflation. In some places, though, labour costs look like eliminating the gap completely, and then some. In America median workers require a 3% higher wage to accept a job than they did before the pandemic, according to a recent survey by the New York Fed. For low-wage workers the necessary wage has gone up 19%.

American economists have floated lots of possible explanations for the reluctance many people are showing towards jobs offered for pre-pandemic wages and under pre-pandemic working conditions. Some blame America's unemployment insurance top-ups and think wages will stop rising when they expire in September (they have already been curtailed in some states). Others suggest that restaurant workers are unwilling to return to such jobs while the virus is still at large, or that school closures are leaving workers stuck without child care.

None of these explanations is fully satisfactory. Britain and Australia are also suffering worker shortages in some industries, despite not having generous unemployment benefits. It seems strange that young waiters, who could be vaccinated should they so choose, would see the restaurants to which consumers are happy to return as too risky to work in. A new paper

by Jason Furman and Wilson Powell III of Harvard University and Melissa Kearney of the University of Maryland finds that additional joblessness among mothers of young children accounts for only a “negligible” share of America’s employment deficit, contrary to the conventional wisdom.

Some speculate on causes with which it is harder for economists to get to grips. The psychological caesura of the pandemic may have given people the time to wonder what sort of work they want to return to, provoking soul searching and curious forays into new territory. Presumably at some point such job-changers will return to work, if perhaps in other sectors. But when that might be is not clear. Indeed, with the exception of enhanced unemployment benefits none of the putative causal factors provides a strong sense of how long the situation will last.



The Economist

Another price with plenty of room to run is rent. During the pandemic low interest rates and a demand for more space triggered an extraordinary house-price boom across the rich world: in April American homes were 14.6% more expensive than they had been a year earlier. Yet in America, the euro area and Britain rents remain beneath their pre-pandemic trend; in Australia rents have fallen throughout the pandemic. Renters are more likely than homeowners to have lost their job over the past year, and rents are highly cyclical, moving with the fortunes of the economy. But as economies and

labour markets rebound, there might be some catching up and—if house prices are anything to go by—some overshooting yet to do. Rent accounts for one-fifth of core inflation in the index targeted by the Federal Reserve.

Wages, rents and the like would have to keep on increasing rapidly for high inflation to persist. This might happen if the experience of the pandemic has changed the givens of the economy in some deep way—say, by permanently increasing the rate of unemployment at which wages and prices start to accelerate. But a more likely route to persistently high inflation would be a cycle of self-fulfilling expectations.

So far, inflation expectations have not risen by anything like as much as inflation itself. Take financial markets. It is fashionable to pay close attention to investors' inflation expectations as revealed by the difference in price between inflation-protected bonds and the normal kind. Expectations rose steadily after President Joe Biden's election victory, which brought with it the prospect of more stimulus. Recently, however, they have fallen back to levels that are more or less consistent with the Federal Reserve's inflation target.

In the euro area investors still expect the ECB to undershoot its inflation target over the next five years. In his warning on leaving the bank Mr Haldane pointed to a rise in long-term financial-market measures of expectations for Britain. But at 0.3 percentage points above the past decade's average this is hardly the stuff of nightmares. As for everyday consumers, surveys purporting to reveal their expectations in the matter have found them to be increasing, but only modestly .

## **The phantom menace?**

These “anchored” expectations give rich-world central banks some slack when it comes to ignoring temporary price surges. Changes in their attitude to inflation encourage them to make full use of it. Since August 2020 the Fed has been targeting an average inflation rate of 2% over the whole economic cycle. An overshoot now—the Fed expects inflation to be 3.4% at the end of the year—can make up for past or future shortfalls. The ECB expects inflation to be 2.6% at the end of the year. On July 8th it abandoned its target of “close to, but below, 2%”. Instead, it will henceforth aim for a

“symmetric” target of 2% whereby “negative and positive deviations of inflation from the target are equally undesirable”. This will make overshooting the target more acceptable.

The combination of anchored expectations and changing attitudes explains why central banks, and especially the Fed, seem so far to be relatively relaxed about inflation, making it clear that they are cognisant of the risks but staying well short of precipitous action. Thus in June the Fed signalled that it might raise interest rates twice in 2023, sooner than previously expected; some of its rate-setters have floated the possibility of doing so next year. Monetary-policy makers are also lining up to say they are ready to slow the Fed’s purchases of assets this year.



It is possible that central banks are pushing their luck. In the past, rapidly rising inflation expectations have typically been a sign that things have already gone wrong, not a sign that they are about to. “Neither bond markets nor economists have a great track record at forecasting inflation,” concludes a recent analysis by Joseph Gagnon and Madi Sarsenbayev of the Peterson Institute for International Economics, a think-tank. The idea that expectations could become de-anchored is “not my biggest worry, but if it’s not on your worry list, you’re not thinking clearly about the issue,” Mr Furman said recently. (A senior economic adviser in Barack Obama’s White

House, he says his biggest worry remains a recession, because though its likelihood is low its consequences would be dire.) Oxford Economics, a consultancy, sees a 10-15% chance of the American economy shifting into a “high-inflation regime” of price rises persistently above 5%.

And only rich-world central banks, on the whole, have the luxury of securely anchored inflation expectations. Emerging markets, which are also suffering the acceleration of global commodity and goods prices, must be more careful about letting the genie out of the bottle. They must also pay keen attention to American inflation. As the Federal Reserve tightens monetary policy, it puts downward pressure on emerging markets’ currencies, making it more expensive for them to import goods and creating another source of local inflation. Emerging-market currencies have fallen by an average of 1.5% since the Fed’s comparatively hawkish meeting in June.

This is at a time when emerging markets’ economies are on the whole less healthy than the rich world’s because of their lower vaccination rates. The trade-off they face between helping growth and containing inflation will be painful. Yet though some central banks are raising interest rates, the situation is not acute. Both Russia and South Africa have recently floated the idea of tightening their inflation targets (currently 4% and 3-6%, respectively). That would be absurd amid rampant upward pressure on prices.

Inflation is always worth taking seriously, not least because the belief that central banks will do so acts as a check in and of itself. If the Federal Reserve spends a few years trying to hit its 2% inflation target from modestly above it little harm is done. But this inflation carries an extra message. For most of the 2010s rich-world policymakers could not understand why inflation was so low, and feared that it was beyond their power to raise it. It is possible that, even now, the euro area and Japan may remain stuck in a low-inflation trap.

America has demonstrated that a remarkable combination of fiscal and monetary stimulus can cause prices to accelerate even when interest rates are stuck at rock-bottom. That knowledge may prove useful to others and in times to come. The challenge now is to make sure that the price paid for it in terms of spiralling prices does not rise too high. ■

## Dig deeper

[\*The new fault lines on which the world economy rests\*](#) (July 2021)

[\*Central banks face a daunting task: tapering without the tantrum\*](#) (July 2021)

---

This article was downloaded by [calibre](#) from <https://www.economist.com/briefing/2021/07/10/surprising-levels-of-inflation-are-increasingly-being-driven-by-wages-not-goods>

# Asia

- [Afghanistan after America: Peace out](#)
- [Human rights in India: Father, who art in prison](#)
- [Banyan: The Myanmar trap](#)
- [Japanese politics: Tokyo drifts](#)
- [South Korea's work culture: \(; —, —\)](#)
- [The South China Sea: Hark! The herald angels say “buzz off”](#)

**Peace out**

# America leaves Afghanistan on the brink of collapse

*Afghan troops are tottering as the Taliban come roaring back*

Jul 8th 2021 | KABUL AND MAZAR-I-SHARIF



WERE IT NOT for the Kalashnikov, the photograph would have been unremarkable. The framing is off-centre. The photographer's shadow can be seen at the bottom. In the background is the western gate of Mazar-i-Sharif, just some 15km from the centre of Afghanistan's fourth-biggest city. In the middle is a bored-looking man wearing typical local dress and an orange turban. It is the rifle he holds aloft in his right hand that gives him away as a member of the Taliban. That, and the caption that accompanied the picture as it pinged its way through the mobile phones of the city's residents late last month: the Taliban are at the gates, it warned.

Panic swiftly swept the city. In the days before, district after district in the surrounding province of Balkh had fallen from government control and into the Taliban's hands. Swathes of northern Afghanistan have in recent weeks suffered a similar fate. This was all the more alarming given that Balkh has a reputation as a bastion of anti-Taliban resistance. It is a long way from the

insurgents' southern heartlands. The sudden appearance of the gunman seemed an obvious signal that an assault was imminent. "On that day, everything closed and everyone went to their homes," recalls Amir Mohammadi, an 18-year-old schoolboy in the city.

Less than three months after President Joe Biden declared that the last American troops would be out of Afghanistan by September 11th, the withdrawal is nearly complete. The departure from Bagram air base, an hour's drive north of the capital, Kabul, in effect marked the end of America's 20-year war. But that does not mean the end of the war in Afghanistan. If anything, it is only going to get worse.

America and its NATO allies have spent billions of dollars training and equipping Afghan security forces in the hope that they would one day be able to stand alone. Instead, they started buckling even before America left. Many districts are being taken not by force, but are simply handed over. Soldiers and policemen have surrendered in droves, leaving piles of American-purchased arms and ammunition and fleets of vehicles. Even as the last American troops were leaving Bagram over the weekend of July 3rd, more than 1,000 Afghan soldiers were busy fleeing across the border into neighbouring Tajikistan as they sought to escape a Taliban assault. "Everyone is shocked by how fast it's fallen apart," says a Western diplomat.

On paper, the Afghan army and police are more numerous and better equipped than their opponents. In reality they often yield to much smaller forces. Plummeting morale is a big reason. Troops complain of being abandoned by their commanders and of going without pay, food or ammunition. The American withdrawal has curtailed NATO air support, which the Afghan forces had come to rely on. Their own fledgling air force is a poor substitute.



The Economist

A running tally by the Foundation for Defence of Democracies, a think-tank in Washington, estimates the Taliban control close to half the country's 400-odd districts (see map). The government in Kabul strongly denies this and says any retreats have been temporary and will be reversed. Some districts have been retaken, or have changed hands several times. Many are remote and have little government presence or strategic importance. But the cascade of victories has given the Taliban momentum. Diplomats worry it will continue.

The Taliban have also made a slick propaganda push emphasising their seemingly relentless advance and showing that those who surrender are being treated well. Many Afghans are fed up with a corrupt and remote government that provides little benefit to citizens. They may not like the Taliban's strictures, but they are not too keen on the current set-up either.

The feared push into Mazar-i-Sharif has so far not materialised. The army quickly released its own social-media pictures to show it had full control of the western gate. The city has begun to calm itself, but the government's writ extends only a few miles outside it. Thousands of people from the countryside have poured into the city seeking refuge from the Taliban.

Murtaza Sultani, a 22-year-old driver from a nearby district, says his village fell in mid-June without a shot being fired. He left because the Taliban were seeking volunteers to join them. “Even if they don’t kill us, they restrict people and it’s no way to live,” he says. With no work, he passes the time in the courtyard of Mazar-i-Sharif’s majestic blue mosque: “I don’t have money to leave and the borders are closed.”

Leaving is a preoccupation for many. At the passport office in Kabul, thousands of Afghans are waiting in queues, sometimes for days, to acquire travel documents, either for immediate use or just in case. Many Afghans know from bitter experience what it means to be a refugee; they are not taking the choice lightly. Yet the sight of the near-unchecked Taliban advance is helping them make the decision.

“I want to go to Tehran,” says Jamaluddin Behboudi, a 34-year-old house painter squatting outside the passport office with his children. Iran, along with Pakistan, Turkey and Central Asia, is a popular choice for escape. But the pandemic has made travel difficult for everyone. In Mazar-i-Sharif itself, the deteriorating security situation has caused many countries, including Iran, to close their consulates.

As the outlook for the army and for civilians looks increasingly desperate, so do the measures proposed by the government. Ashraf Ghani, the president, is trying to mobilise militias to shore up the flimsy army. He has turned for help to figures such as Atta Mohammad Noor, who rose to power as an anti-Soviet and anti-Taliban commander and is now a potentate and businessman in Balkh province. “No matter what, we will defend our cities and the dignity of our people,” says Mr Noor in his gilded reception hall in Mazar-i-Sharif.

Such a mobilisation would be a temporary measure to give the army breathing space and allow it to regroup, he says. The new forces would co-ordinate with government troops. But the prospect of unleashing warlords’ private armies fills many Afghans with dread, reminding them of the anarchy of the 1990s. Such militias, raised along ethnic lines, tended to turn on each other and the general population.

Matiullah Tarakhel, a soldier from the eastern province of Laghman, thinks the creation of militias is a power grab. “We have had experience of this,” he says as he queues for a passport for his sick father. “People have enemies. Maybe these militia men will want to kill their opponents, but they will say it was the Taliban.”

With America gone and Afghan forces melting away, the Taliban fancy their prospects. They show little sign of engaging in serious negotiations with Mr Ghani’s administration. Yet they control no major towns or cities. Sewing up the countryside puts pressure on the urban centres, but the Taliban may be in no hurry to force the issue. They generally lack heavy weapons. They may also lack the numbers to take a city against sustained resistance. On July 7th they failed to capture Qala-e-Naw, a small town. Besides, controlling a city would bring fresh headaches. They are not good at providing government services.

Seizing Kabul by force is “not Taliban policy”, Suhail Shaheen, a spokesman, told the BBC on July 5th. Their best course may be to tighten the screws and wait for the government to buckle. American predictions of its fate are getting gloomier. Intelligence agencies think Mr Ghani’s government could collapse within six months, according to the *Wall Street Journal*.

Amir Mohammadi, the teenager in Mazar-i-Sharif, says many of his contemporaries fear the future is bleak. “It looks like it’s going to get worse,” he says. “It’s better to leave.” That is much the same sentiment as in Washington.■

*For more coverage of Joe Biden’s presidency, visit our dedicated [hub](#)*

*A version of this article was published online on July 7th 2021*

**Who art in prison**

## Father Stan Swamy, an 84-year-old activist, perishes awaiting trial

*India's draconian security law and an uncaring state denied him even dignity*

Jul 10th 2021



AFP

SLOW JUSTICE may be no justice, but a slowly unfolding tragedy remains no less a tragedy. When police charged Father Stan Swamy with terrorism and threw him in jail last October, friends of the Jesuit priest and human-rights activist feared for his health. They were right to worry. Prison wardens denied Father Stan, as he was known, in his 80s and shaking from Parkinson's disease, the use of a straw and sippy-cup from which to drink water until the press raised a fuss.

Judges turned down repeated pleas for bail, even as his health declined and India entered a second, ferocious wave of covid-19 in the spring. They insisted that since he was charged under special terrorism laws, this frail old man with no criminal record, who had devoted his life to helping remote tribal peoples, must somehow represent a danger to the republic. In May Father Stan, now unable to feed himself or walk, was finally allowed to visit

a private hospital. Doctors promptly diagnosed covid-19. Soon he was on a ventilator. On July 5th, as yet another judge was set to hear yet another bail plea, he died.

The death of an “undertrial”, as India calls people who are yet to be found guilty of anything but languish in jail nonetheless, is not normally news. After all, they make up more than two-thirds of the country’s prison population. Even the death of detainees accused, like Father Stan, under the draconian Unlawful Activities Prevention Act (UAPA), seldom raises eyebrows. In January Kanchan Nanaware, a 38-year-old tribal activist, died during her sixth year awaiting trial as a “terrorist”.

Because UAPA grants police sweeping powers to designate suspects as dangers to the state, and specifically limits opportunities for bail, lengthy periods of pre-trial imprisonment are not unusual. In a typical case last month, two Kashmiri “terrorists”, who together lost 18 years of their lives awaiting trial in prison, were acquitted for lack of evidence. In fact, of the 7,840 UAPA cases raised from 2015 to 2019—the last year for which numbers are available—just 2% resulted in a conviction. In nine-tenths of cases police did not even bother to frame charges. Despite the apparent failure of the law, the temptation to use it to lock up troublemakers seems irresistible: over the same period the annual number of UAPA arrests rose by 72%.

In the case of Father Stan, it is not just the casual callousness that stands out. He was one of 16 co-defendants, all but one of whom remain in jail, in a case that police describe as a Marxist terror plot. They have tied the group, which includes distinguished academics, human-rights activists and a well-known poet, to a rally held in 2018 by low-caste Dalits (so-called “untouchables”) at a village called Bhima Koregaon, some 170km east of Mumbai. This was marred by a stone-throwing incident involving higher-caste Marathas, during which one person died. Police have also claimed the group funnelled money to Naxalite guerrillas seeking to overthrow the state, and were plotting to assassinate Narendra Modi, India’s prime minister.

So far, the only evidence produced has been electronic, consisting of files retrieved from the personal computers of the accused, all of whom say they had never seen any of this supposedly incriminating material. According to

independent investigations by Arsenal Consulting, a Boston-based digital forensics firm, they appear to be right. Close analysis by Arsenal of two of the defendants' computers shows they were victims of malware attacks dating back to 2016, which allowed dozens of documents, including those later leaked by police as proof of a conspiracy, to be inserted surreptitiously into their filing systems. Separately, both Amnesty International, an advocacy group, and Citizens Lab, a Canadian research group, have found that Dalit activists were targeted by hacking software, typically sold only to governments, that permits remote control of devices.

A statement from Father Stan's family and friends decries his death as "the institutional murder of a gentle soul by an inhuman state". That sounds about right.■

---

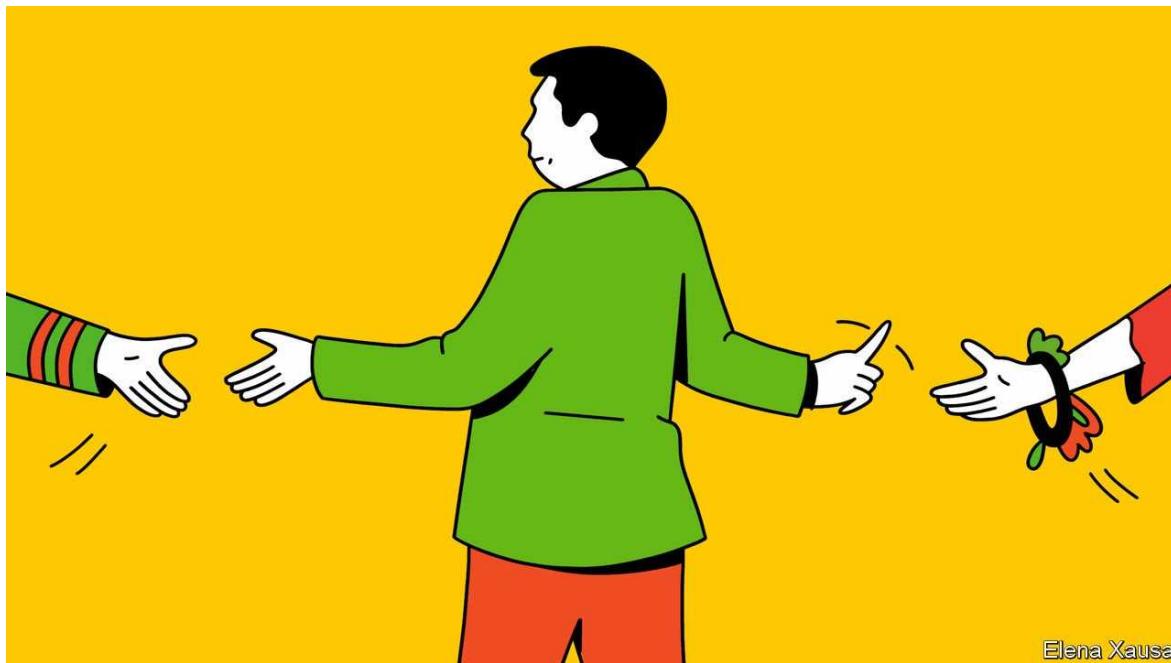
This article was downloaded by calibre from <https://www.economist.com/asia/2021/07/10/father-stan-swamy-an-84-year-old-activist-perishes-awaiting-trial>

**Banyan**

## China is not happy about Myanmar's coup

*Yet it is betting that the generals will prevail*

Jul 10th 2021



A LMOST AS SOON as the tanks rolled into Naypyidaw, Myanmar's capital, in February, rumours began circulating on social media about how China would respond. It is a sign of its influence: China is probably the only country that could coax Myanmar's generals to the negotiating table. The speculation was laid to rest only in June, when the Chinese embassy referred to Min Aung Hlaing, the Burmese commander-in-chief, as Myanmar's "leader". The next day, China convened a meeting of foreign ministers from ASEAN, a club of South-East Asian nations, and included the military government's representative. With their putsch, the generals are trying to wind the clock back to 2010, when they still ran the show. China appears to be adjusting its calendar.

China's leadership and Myanmar's top brass possess similar authoritarian instincts, but it was not inevitable that they would arrive at an understanding. The "Sinophobic" army has long been suspicious of China, says Yun Sun of the Stimson Centre, a think-tank in Washington. During the decades of

military rule, when Western sanctions choked the Burmese economy, the regime survived because of Chinese trade and investment. But the junta was wary of depending too heavily on its northern neighbour. Intent on improving relations with the West, it liberalised the economy and put Myanmar on a path to democracy.

In turn, China made a friend in Aung San Suu Kyi, the democracy activist who became de facto leader of the country in 2016. She went on to sign billions of dollars worth of deals with China before being toppled by the army. China probably would have preferred Ms Suu Kyi's party to remain in government, says Ms Sun. It helped that she was wildly popular with the public; her imprimatur on investments from China served to allay anti-Chinese sentiment.

But Ms Suu Kyi is now under house arrest, and China is worried that the chaos in Myanmar will spill over the border, says Jason Tower of the United States Institute for Peace, an American-government think tank, also in Washington. Criminal syndicates are ramping up their activities in the lawless zones abutting Thailand and China. Refugees fleeing the violence are, despite border closures, trickling into China. Some carry covid-19. A Chinese city on the border was locked down on July 7th after the virus was detected there.

The fortunes of Yunnan, the poor Chinese province adjacent to Myanmar, hinge on stability on the other side of the border. Chinese investors flocked across because they see Myanmar as a portal to South-East Asian economies. Oil flowing through a pipeline from Myanmar supplies a refinery that contributes 8% of the province's GDP. China's cherished hope of finding a trade route that bypasses the Strait of Malacca, whose waters are clogged with American warships, also rests on Myanmar. At the terminus of the pipeline, on Myanmar's western coast, China is bankrolling the construction of a deep-sea port which, once completed, will enable it to import oil and gas via the Bay of Bengal.

China has bet that the Tatmadaw, as the army is known, will deliver on its promise to restore stability. True, the coup has provoked formerly quiescent rebel groups to take up arms once more. But the Tatmadaw, which has the ear of the Chinese government, argues that it has a good record of

preventing the country from disintegrating. China suspects that the opposition—a grab-bag of ethnic rebels and deposed parliamentarians—is no match for the organised, disciplined military. Generals are speeding up several big Chinese infrastructure projects to show their sincerity.

Yet by publicly backing the Tatmadaw, China may in fact provoke attacks on its interests. China's refusal to condemn the coup was interpreted by many Burmese as tacit acceptance. Thirty-two Chinese-linked factories were torched in March. In May, three security guards at the natural-gas pipeline were killed in an attack.

China is concerned about an escalation of such attacks. But it is doing nothing to assuage the anger of potential saboteurs, to avoid crossing the army. Its officials have only limited communications with Myanmar's shadow government, which most Burmese regard as their legitimate rulers. Chinese state media are also antagonising the resistance by suggesting that they are being "manipulated" by democracy activists in Hong Kong. China reckons that the hot-heads fighting the coup will lose steam before long, says Mr Tower. But it is a bet it would rather not have had to make.

---

## Tokyo drifts

# Election results from Tokyo bring bad news for Japan's prime minister

*Yet his party is likely to remain the dominant force nationally*

Jul 10th 2021 | TOKYO



ELECTIONS IN TOKYO often foretell national ones. In 2009 the opposition Democratic Party of Japan triumphed in the capital before sweeping the ruling Liberal Democratic Party (LDP) from power in national elections later that year. This year, too, the signs are again bad for the LDP. Party leaders had hoped to bag 50 or more seats in the 127-seat legislature in elections on July 4th. The LDP limped home with just 33, a slight improvement over a historic drubbing in 2017, but still its second-worst showing ever. The result leaves the Tokyo assembly split among several parties, and the LDP's leader, Suga Yoshihide, who is also the prime minister, looking increasingly vulnerable ahead of a contest for his party's presidency and national parliamentary elections in the autumn.

The flop reflects Tokyoites' frustration with the government's handling of the two issues at the top of voters' minds: the Olympics, which will begin in the city on July 23rd, and covid-19, which looms large over them. The pace

of inoculations has, at least, picked up. Japan is now putting needles into more than 1m arms a day. Yet just 16% of Japanese over the age of 12 are fully vaccinated, a lower proportion than in all but four of the 38 members of the OECD, a club mostly of rich countries. That might worry voters less if Tokyo were not about to host tens of thousands of athletes, administrators and hangers-on from more than 200 countries. Polls show that nearly two-thirds of Japanese would like to see the games cancelled or held without fans.

The Tokyo results may “destabilise” Mr Suga’s position as leader of the LDP, says Uchiyama Yu of the University of Tokyo. Mr Suga took over the post last year after his predecessor, Abe Shinzo, stepped down owing to ill health. He must stand for his own full term as LDP president in September. Though he and his cabinet initially enjoyed widespread support, approval ratings have since slipped from as high as 74% to around 40%. Tellingly, Mr Suga himself did not campaign in Tokyo; the party instead sent out other, more popular figures. Even so, nearly half the party’s candidates were rejected by voters. The shoddy results come after LDP-backed candidates lost in six special by-elections for Diet seats and governorships earlier this year. Mr Suga must now hope that swift progress on vaccinations and perhaps a few gold medals for Japan will change the mood.

He may also take comfort in the fact that Tokyo is not as reliable a portent as it once was. The electoral dynamics of the city have become more complicated since the emergence in 2017 of Tomin First No Kai (Tokyoites First), the party of Tokyo’s popular governor, Koike Yuriko, a former LDP heavyweight. At just six months old, the party won control of the capital’s assembly, and it seemed that Ms Koike’s new force might even muster a challenge to the LDP’s national dominance. But Tomin First flopped in Diet elections that year and never gained traction outside Tokyo. Ms Koike, who is said to harbour ambitions for higher office, has recently been cosying back up to the LDP, perhaps recognising that the road to national power still runs through her old party. Her ambiguous stance is probably one reason why Tomin First lost 14 of the 45 seats it held.

Even if Mr Suga joins a long list of short-lived Japanese prime ministers, there is a limit to how poorly the LDP can fare. There is no Tomin-style spoiler at the national level. Turnout in Tokyo was just 42%, the second-

lowest level on record. But in general elections, low turnout favours the LDP and Komeito, its coalition partner, which have strong networks and infrastructure to get out their voters. Most importantly, the main opposition parties are deeply unpopular. “We have no alternative political forces besides the LDP,” says Toshikawa Takao, the editor of *Insideline*, a political newsletter. In Japan, dissatisfaction breeds apathy, not change. ■

---

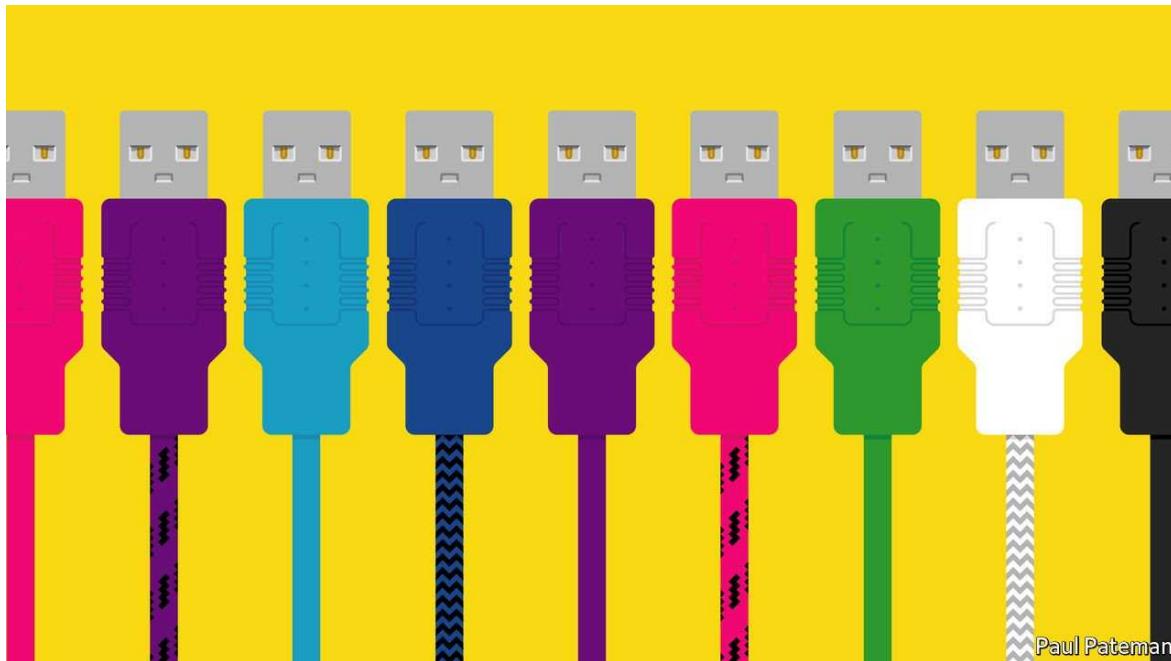
This article was downloaded by [calibre](#) from <https://www.economist.com/asia/2021/07/10/election-results-from-tokyo-bring-bad-news-for-japans-prime-minister>

(;—,—)

## South Korean tech workers are having a lousy time at work

*New internet firms suffer from many of the same problems as old corporate giants*

Jul 10th 2021



WHEN PARK HAE-RYUNG started her job at a big internet company near Seoul, South Korea's capital, she had high expectations. "They promise you flat hierarchies, flexible work and a young, innovative workplace," says the 26-year-old graduate. "But what actually happens is that they give you tons of work without telling you how to do it. There's no structure and no communication. And you can't complain to HR because the person in charge probably went to school with your boss." Ms Park (not her real name) is planning to quit as soon as she can. She says many of her colleagues feel the same.

South Korea's work culture is notoriously punishing. Its people work some of the longest hours in the OECD, a club mostly of rich countries. Office-goers have scant control over their time and little chance to escape from bad management. They have long complained of *gapjil*, the authoritarian attitude

of senior managers who abuse their power to shout at underlings, insist on unpaid all-nighters and weekend work, assign personal errands, and force juniors to go out drinking for hours upon hours.

The country's most prestigious employers, such as Samsung, a technology conglomerate, attract the best-qualified jobseekers with well-paid jobs and generous benefits. But the perks come with strict hierarchies, long hours and no doubt numerous opportunities to experience *gapjil*.

By contrast, relatively newer firms such as Naver (a search engine, among other things), Kakao (messaging) and Coupang (e-commerce), as well as many smaller startups, model themselves on their forerunners in America's Silicon Valley. They promise a meritocratic idyll where workers refer to each other by their made-up English names instead of their job titles, are valued as individuals and are judged on the basis of their ideas rather than the hours spent at a desk. There are beanbags.

Yet a string of incidents in recent months suggests that South Korean workplaces—and bosses—are proving hard to change. In February workers at Kakao took to Blind, an app that allows verified employees to whinge anonymously, to lambast their company's peer-rating system, which they said encouraged personal attacks and poisoned the atmosphere. In April employees at Krafton, the company behind “Player Unknown’s Battlegrounds”, a popular online game, petitioned the labour ministry to stop their boss forcing them to work overtime without time off.

In May, an employee at Naver committed suicide after being bullied at work, causing outrage in the press, sermons from concerned politicians and union protests outside the company's headquarters. Coupang, the country's biggest delivery service, which has long been criticised for the conditions endured by its logistics workers, faced a consumer boycott in June after a blaze at one of its warehouses killed a firefighter. White-collar employees grumble about overbearing bosses and erratic decision-making at the firm.

Some observers attribute the misery to growing pains at companies that are making the transition from startups to big corporations. One worker told a local news outlet that Korean tech firms seemed to be incorporating the worst aspects of Korean corporate hierarchies coupled with the American

obsession with performance ratings. Others see the challenging work conditions as par for the course in a new industry. “Nobody teaches you what the original process for something is because the process probably doesn’t exist yet,” says Yu Dong-hyun, a 27-year-old startup worker in Seoul. “You go to these places to grow and take what you can from them and once that’s over, you leave.”

The companies seem keen to be seen to tackle the problem. Naver’s chief operations officer resigned in June following an inquest into the worker’s suicide. The company promised to overhaul its management structure. Kakao launched a consultation process for unhappy employees. Krafton doled out extra holidays and said it would look into whether employees were working too much.

It may be that the firms are serious. Until it is clear that they are, disappointed tech workers who cannot afford to take Mr Yu’s advice to leave will have little choice but to stick to the time-honoured method of dealing with *gapjil*: grin and bear it.■

---

**Hark! The herald angels say “buzz off”**

## The Philippines’ secret weapon against Chinese incursions

*Female radio operators appear to have greater success in driving away unwelcome boats*

Jul 10th 2021 | MANILA



IN THE COLD WAR over the warm waters of the South China Sea, one combatant, the Philippines, has discovered a new weapon for keeping its adversaries out of the areas it claims: the voices of women. On June 30th the Philippine Coast Guard vessel *Cabra* spotted seven foreign craft, five of them Chinese, in waters claimed by both the Philippines and China. One of the *Cabra*'s officers, Provisional Ensign Gretch Mary Acuario, a woman, hailed the foreign craft, and asked them to identify themselves and state their intentions—a sort of nautical formal invitation to buzz off. Without waiting around to answer, all seven craft scooted. It was no fluke. The same officer had pulled off a similar feat in April.

Ensign Acuario demonstrated what the coast guard had suspected for a while: that its women are more effective with the spoken word than its men. The suspicion was so strong that the coast guard arranged a special course of

training, exclusively for women, as radio operators. The course culminated in the graduation of 81 female radio operators just days before Ensign Acuario's latest triumph. Vice-Admiral Leopoldo Laroya told the trainees that, in their interactions with foreigners, their voices were less likely than men's to raise tensions. "We want our Angels of the Sea to become the voice of peaceful and rules-based order at sea, especially in our country's sensitive maritime frontiers," he declared.

The waters of the South China Sea contain fish in abundance, lie above deposits of oil and gas and are a busy corridor for ships carrying many of the goods the world trades. The other littoral states, although anxious to maintain their claims, do not want to get into a shooting war with China, which claims most of the sea and has built artificial islands bristling with missiles and fighter jets to defend it. For the most part, however, both China and the other claimants try to assert themselves with fishing boats or coastguard vessels, to reduce the risk of escalation. Via radio or loudhailers, each side tells the other it is trespassing, and to clear off.

Why the voices of the Angels of the Sea should be more persuasive is a matter of speculation. The coastguard spokesman, Commodore Armand Balilo, explained to local media that a female radio-operator's voice "becomes soothing. The environment becomes calm, and no one is raising their voice." The Philippine National Police had set an example by putting female officers in the front rank of its riot squads, in the expectation that the mere sight of the women would dissuade angry crowds from attacking. The tactic works, usually.

Or perhaps the sex of the speaker makes no difference at all. Chinese skippers may simply be heeding the whispers of their own government warning them to act with restraint in disputed waters while there is still a chance that Rodrigo Duterte, the Philippine president, will in return weaken his country's military alliance with America. That alliance is a far greater deterrent to Chinese assertiveness in disputed waters than a whole choir of Angels of the Sea.

# China

- [Bitcoin mining: There was gold in them thar hills](#)
- [Party history: De-Maoification](#)
- [Chaguan: For-profit patriotism](#)

**There was gold in them thar hills**

## Deep in rural China, bitcoin miners are packing up

*A government clampdown has forced most of them offline*

Jul 10th 2021 | XICHANG



IN THE HENGDUAN mountains of Sichuan province, swollen brown rivers and trees heavy with ripe mangoes do not evoke digital wizardry. Yet until recently, there were buildings here with rack upon rack of specialised computers. They were often near hydropower plants that supplied them with electricity from dams. They needed lots of power. Their machines were used for “mining”, a process that involves validating transactions conducted in bitcoin and other digital currencies by solving cryptographic puzzles. In return, they received newly minted coins. The buildings were recognisable by their huge cooling systems: usually a wall on one side covered in giant fans to draw in air.

But across Sichuan, the fans have stopped whirring. In May, a government committee tasked with promoting financial stability vowed to put a stop to bitcoin mining. Within weeks the authorities in four main mining regions—Inner Mongolia, Sichuan, Xinjiang and Yunnan—ordered the closure of

local projects. Residents of Inner Mongolia were urged to call a hotline to report anyone flouting the ban. In parts of Sichuan, miners were ordered to clear out computers and demolish buildings housing them overnight. Power suppliers pulled the plug on most of them.

The clampdown has had a global impact. Bitcoin's "hash rate", a measure of the computational power being used by the world's mining machines, has fallen by half in recent weeks. Its "difficulty rate", which rises and falls as computers join or leave the mining effort, last week fell to an all-time low. China had accounted for about 65% of bitcoins earned through mining, according to the Cambridge Bitcoin Electricity Consumption Index. But analysts think about 90% of its mining has now ceased. Chinese miners are selling their computers at half their value.

China's mining boom began in 2017, after a surge in the price of bitcoin caught the attention of local entrepreneurs. The country was already making most of the machines that mine bitcoin globally, as well as the tailor-made chips on which they run. It also had the capacity to produce more power than it needed. In 2018 this excess amounted to 70 terawatt-hours (TWh), equivalent to Switzerland's total energy production. Rather than let the surplus go to waste, plants sold it to mining farms. The seasons would determine where those farms operated. After the end of Sichuan's drenching summer rains, when prices there would rise, miners would drive their machines to somewhere near a cheaper source, usually coal-fired power plants thousands of kilometres away in Xinjiang and Inner Mongolia. (Energy from solar and wind power is not reliable enough to power non-stop mining.)

In 2017 China, fearing a loss of financial control, banned cryptocurrency trading. But local governments still welcomed the miners: they were a source of taxes and other levies. In June a state-run zone in Ya'an, a city in Sichuan, had been set to open in time for the start of the rainy season. It was offering cheap power for mining and other digital activities. "It was a win-win," says Kirk Su, a miner who had been planning to put some of his machines in the zone. "China was leading in mining in all respects: cheap power, cheap labour, fast and easy access to kit," he says.

Then came the clampdown. It was targeted in part at the cryptocurrency traders. The mining industry itself has little to do with the volatile business of trading. But miners could not function without converting their new bitcoins into yuan. For this they used exchanges that had moved offshore after the trading ban, but still targeted Chinese users. The government may have decided that to rid China of crypto transactions, “mining had to go”, says Bobby Lee, who co-founded China’s first cryptocurrency exchange (it was forced to shut in 2017). He now runs Ballet, an app that lets users manage their digital currency.

Another aim may have been to reduce emissions. The Cambridge numbers suggest that Chinese miners used around 83TWh of electricity a year, similar to Belgium’s total power consumption. (Still, China could have chosen to ban mining only in its coal-belching north, says Mr Lee.) Officials may also have worried about collusion between local governments and mining operations, some of which had been getting subsidies earmarked for innovative big-data firms.

The central government said it wanted to “resolutely prevent the transmission of individual-level risks to broader society”. That may, in part, have been a reference to the activities of some mines that had been setting up Ponzi-like schemes, promising big returns to investors. Other scammers have been masquerading as cryptocurrency traders. Last year over 100 people were arrested for running two such operations, PlusToken and WoToken.

To evade the clampdown, big miners have sent their machines overseas. Mr Su, who also runs a logistics business that transports mining machines, has been chartering Boeing 747s to get used ones out swiftly. Most are going to Russia and Kazakhstan, which together account for about 13% of the world’s bitcoin mining. But there are few data centres abroad with space for lots of new machines, including in America, the second-biggest miner. Building a farm there costs between five and ten times what it does in China, says Mr Su. That is too much for most Chinese miners. More than half of their computers will stay put for now, he says.

Some smaller miners are still finding ways to operate. One says he is lucky to have teamed up with a privately owned hydropower station that is loth to

forgo the extra revenue (it risks being fined by the grid or booted off it). While meeting your correspondent, he struck a deal to buy a farm from a fellow miner for 5m yuan (\$770,000), powered by a plant that is off the grid. If his machines can function there for 15 days, he will have earned his investment back in bitcoin.

In an abandoned school in southern Sichuan, Mr Su has stored 10,000 machines from some of his shuttered farms. For every day they spend there, unplugged and stacked to the ceiling, he says that 1m yuan in potential profit is lost. ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/china/2021/07/10/deep-in-rural-china-bitcoin-miners-are-packing-up>

## Airbrushing Mao

# A Chinese film removes scenes featuring a young Mao Zedong

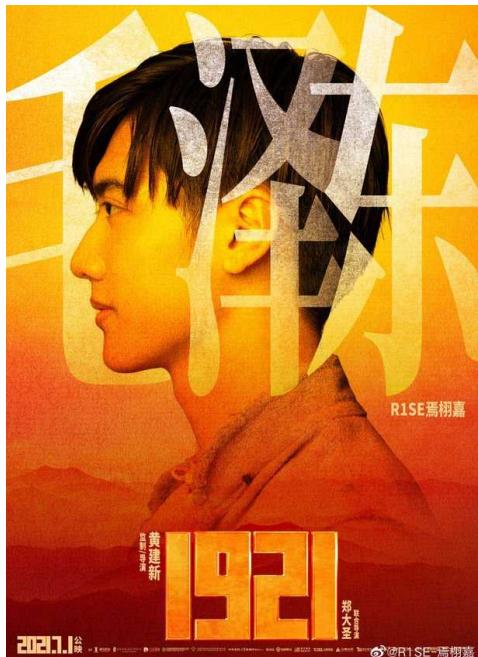
*Rumours suggested that the actor playing him cheated on his girlfriend*

Jul 10th 2021 | HONG KONG



Getty Images

PROPAGANDISTS HAD teed it up as one of this year's blockbusters. The film "1921", named after the year China's Communist Party was born, was intended to grip the imaginations of young people with the story of the party's founding 100 years ago this month. Mao Zedong would be played by different actors depending on his age in the scene depicted. One of them would be Yan Xujia, a 19-year-old pop star who frequently appears on reality television. In mid-May the heartthrob's profile appeared on promotional posters against an orange-yellow background, suggesting the dawn of Chinese communism (see picture).



Yan Xujia, briefly the party's poster boy

But a few months before the film's release on July 1st, reports appeared on entertainment news sites that Mr Yan had cheated on a girlfriend. He denied this, but disbelieving internet users said he was unfit to play a character as important and upstanding as Mao. Some directed their ire at the main producer of "1921": Tencent Pictures, a production house owned by a privately run social-media and gaming giant. They accused it of involvement in a capitalist conspiracy to smear the party's most revered founder. "Mao must be portrayed as great and glorious. He must not be besmirched," read one popular comment.

These posts must have stung officials at the party's Publicity Department, which was closely involved in making the film (with the help of one of the country's most famous directors, Huang Jianxin). Earlier this year the law had been amended to make insulting, slandering or infringing on the memory of national heroes punishable by up to three years in jail. Never mind that Mao was a zealous philanderer while he was married. (Mao's private physician, Li Zhisui, provided lurid details of this in his book "The Private Life of Chairman Mao", which was published in 1994 shortly before Mr Li's death.) No mention is allowed in China of such matters.

The film has not been a sensation. In its first five days it grossed 300m yuan (\$46.3m), one third of the amount earned in a comparable period by “Fast and Furious 9” (or “F9: The Fast Saga” as it is known in America) after the Hollywood action movie was released in China in May. And audiences noticed that Mr Yan was missing. In one telling scene, Mao is chased through a forest by his parents, but does not appear himself. Online articles about Mr Yan being cut were deleted by censors.

As the party increasingly turns to celebrities for help with spreading its message, their private lives are likely to be subjected to ever greater scrutiny. Yet the stars know they have little choice but to play along with the cultural commissars. At midnight on July 1st, a message posted on Weibo, China’s answer to Twitter, by state television said “We will forever walk with the party! Best wishes to our great party!” Hundreds of popular actors, singers and other celebrities quickly shared the post. Their fans followed suit. Within 12 hours, the message had been forwarded 15m times.

Without celebrities’ support, state media would struggle to strike such a chord. The Weibo account of *People’s Daily*, the party’s main mouthpiece, has about 130m followers. That is about the same as the number who follow Xie Na, an actress and television host. Celebrities’ accounts on Weibo have more than 21bn followers, almost twice as many as in 2017, the platform says. The majority of these fans are 26 or younger. And they are widely scattered: almost 90% do not live in the biggest cities.

But the party’s attempts to boost its ratings among the celebrities’ armies of admirers are fraught with difficulty. Officials might give the limelight to one heart-throb, such as Mr Yan, only to find that jealous fans of another idol take umbrage and try to undermine the reputation of the party’s chosen one. Mr Yan may have been the victim of such an onslaught. “The filmmakers succumbed to pressure from fans of other actors who went crazy reporting and exaggerating Yan’s immorality,” says one Chinese film critic. Mao once said that Marxists should not be afraid of criticism from any quarter. That is poor advice for China’s entertainment stars. ■

**Chaguan**

## In China, patriotic nostalgia is big business

*One of China's odder sights is tourists in replica Red Army uniforms. A visit to the villages where they are made*

Jul 10th 2021



FIVE OR SIX years ago, when many Chinese still associated American culture with novelty and fun, Halloween was big business in Caoxian. This rural county claims to be China's largest source of cheap costumes for children's parties and school concerts as well as for dramatic galas that are sometimes staged in Chinese workplaces, from small factories to government ministries. Not long ago, Caoxian's entrepreneurs could live for a year on one month's sales of pumpkin costumes, witches' robes and other Halloween paraphernalia, says Ren Yafeng, a local costume merchant, perhaps exaggerating just a little.

In the past three years, however, America's image has darkened and consumers have become more nationalistic, nudged by Communist Party propaganda and four years of Trumpian bluster. The market signals were swiftly received in Caoxian, for this light manufacturing hub in the eastern province of Shandong is linked to customers by e-commerce. Officials in Mr

Ren's home village, Sunzhuang, report that almost three-quarters of households sell goods on such online platforms as Taobao, 1688 and Pinduoduo.

This month marks the 100th anniversary of the party's founding. All year, orders have poured in to Caoxian for replicas of the Red Army uniforms that were worn by Communist guerrillas. Schools have been buying child-sized ones for more than a decade, for use in performances. But it is not only children who don them. Such costumes are now all-but-required wearing for groups visiting party-approved "red tourism" sites, such as bases used during the Long March and battlefields where the Communists suffered ghastly but inspiring losses. Since January Mr Ren has shipped 100,000 Red Army uniforms from his warehouse, located at a crossroads between cornfields and a duck pond. He hopes to sell the same number again before the year is out.

The sight of grown men and women dressed as soldiers from the 1930s, in powder-blue or grey tunics, trousers and octagonal caps bearing a red star on the peak, is one of the spectacles of modern China. They can be seen panting up Red Army supply trails in Jinggangshan, a mountain in southern China called the cradle of the revolution. They can be heard reciting Mao's poems in Yan'an, an old party headquarters, and singing red hymns around vats of thin soup that troops might have eaten long ago. These are pilgrims, for the party, though atheist, unabashedly talks about "sacred" sites, "martyrs" and filling hearts with revolutionary fire. The costumes are an aid to faith. Official documents talk of tourists being inspired by "wearing Red Army clothes, eating Red Army meals and walking Red Army paths". Some visitors are bureaucrats on government-paid study tours, or workers from private firms eager to show loyalty to the party. Commercial guides also rent out or sell uniforms to individual tourists. Devotion to authenticity varies, with some visitors pairing uniforms with trainers and plastic bags full of modern-day snacks. Those attentive to detail sport old-fashioned cloth slippers, canvas satchels and toy guns.

Children's costumes still make up most of Mr Ren's sales, but adult orders are booming. The cheapest Red Army suits sell for 25 yuan (\$3.90) while more durable uniforms can go for 100 yuan, including a belt and cap. He reports seeing a first surge in 2015, the 70th anniversary of victory over

Japan, and ever-growing orders from revolutionary bases in the past two or three years.

Especially last year, when covid-19 lockdowns forced the cancellation of performances, lots of Caoxian's costume-makers diversified into another patriotic fashion, selling the supposedly ancient robes known as *Hanfu* to individual buyers. These floaty gowns and tunics are largely invented, based on a mishmash of historical styles. Still, they are embraced by many Han Chinese, who make up over 90% of the population. They had lacked an ethnic costume they could call their own, unlike Tibetans or other minorities. Even children's costumes are becoming more patriotic. Those based on "Journey to the West", a famous folk saga, are brisk sellers, as are some based on a cartoon series from the 1980s about seven brothers born from magic gourds. In Sunzhuang locals call national pride a sign of progress, suggesting that as the Chinese grow richer and no longer worry about their next meal, their minds are turning to "higher things", such as their own history. The village party secretary, Sun Xueping, used to encourage locals to seek jobs as migrant workers. Now he urges them to stay and make more money selling goods online. If those products reflect love of the country and party, "that's a win-win", he beams.

## **Red tourism, golden opportunities**

Down the lane from Mr Ren's warehouse, a line of beige uniform trousers drying next to a stack of corn cobs reveals a still more specialised business. Through a farmhouse gate lies a backyard workshop employing a dozen people to make costumes worn by enemy troops decades ago. Inside, workbenches are heaped with caps bearing the blue-and-white insignia of the Nationalist regime, which the Red Army overthrew in 1949. Boxes hold the black-and-white uniforms of Nationalist police, who hunted down underground Communists in Shanghai and other cities. These are used by extras in videos or stage shows, guesses the workshop's owner, Ren Gen. He only receives orders for adult sizes, perhaps because parents do not want children playing villains.

It is revealing that blue or grey uniforms from the party's earliest decades dominate the replica trade. There is less demand for the green uniforms worn in Mao's later years, including by Red Guards during the Cultural

Revolution in 1966-76. In Caoxian, as elsewhere, that dark period saw temples smashed and people with the wrong class background, or even a slender connection to the outside world, tortured by mobs. “People don’t really want to mention such things,” says an older local who remembers those horrors. Nostalgia is both party-approved and profitable in today’s China. It is also selective.■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/china/2021/07/10/in-china-patriotic-nostalgia-is-big-business>

# United States

- [Patriotism and polarisation: The history wars](#)
- [New York's next mayor: Adams's Apple](#)
- [Travel returns: Baby, you can't drive my car](#)
- [Green-on-green battles: Dammed if you do](#)
- [Religious affiliations: None of the above](#)
- [Conspiracies: Wrestling with common sense](#)
- [Lexington: What a way to spend \\$2trn](#)

## Patriotism and polarisation

# America's history wars

*The fight over critical race theory in schools is part of a century-long battle over whose version of America is taught*

Jul 10th 2021 | WASHINGTON, DC



AFP

PARENTS ARE outraged by a new curriculum. Politicians worry that educators are indoctrinating pupils with un-American revisionist history. Progressives argue that this updated version of the curriculum reflects an American reality that should not be hidden from children. Both sides clash at school meetings, teachers are under fire. At issue could be the current controversy over critical race theory in classrooms. Or it could be one of the many skirmishes during the past century over history education, from whether it was pro-British to whether it was pro-Marxist.

Critical race theory (CRT), which has become the battleground this time, originated in the 1970s as a legal perspective that emphasised the role of systemic racism (as opposed to the individual sort) in replicating inequality. The Goldwater Institute, a conservative think-tank seeking to prevent the teaching of critical race theory in schools, describes the set of ideas thus: a “perspective...that believes all the events and ideas around us...must be

explained in terms of racial identities”. Complicating the argument is the fact that some conservatives use the phrase to encompass everything from discussions about institutional racism to diversity training.

Twenty-six states have introduced measures that would limit critical race theory in public schools, according to *EdWeek*. Federal legislators are also piling into the debate. Seven Republican senators, including the minority leader, Mitch McConnell, reintroduced the “Saving American History Act” in June to limit federal funding to schools that use a curriculum derived from the 1619 Project, a set of Pulitzer-prize-winning essays published by the *New York Times* magazine that puts slavery at the centre of the nation’s founding and development (and received mixed reviews from professional historians). The federal bill, originally introduced in July 2020, is mostly symbolic: Congress has little control over state and local curriculums, and the bill is unlikely to pass when there are Democratic majorities in the House and Senate. But the politics is clear. Republicans are convinced that a war on critical race theory is good politics, even if attempts to ban it might prove unconstitutional.

Tennessee’s bill, signed by the governor in May, prohibits public schools from teaching concepts that promote “discomfort, guilt, anguish, or another form of psychological distress”. Texas’s law specifically bans the 1619 Project, prevents teachers from giving course credit for “social or public policy advocacy”, prohibits required training “that presents any form of race or sex stereotyping or blame on the basis of race or sex”, and restricts teaching that “slavery and racism are anything other than deviations from, betrayals of, or failures to live up to, the authentic founding principles of the United States.” Idaho’s legislation prevents any public institution, including colleges, from “compel[ling] students to personally affirm, adopt, or adhere” to the concepts that “individuals... are inherently responsible for actions committed in the past”. In May, Idaho’s Lieutenant Governor assembled a taskforce “to protect our young people from the scourge of critical race theory, socialism, communism, and Marxism”.

It is unclear how widely the theory, as described by either liberals or conservatives, is being taught in classrooms. According to the Heritage Foundation, another conservative think-tank, 43% of teachers are familiar with CRT, and only 30% of that group view it favourably (about one in ten

overall). Even so, the National Education Association (NEA), America's largest labour union, recently issued a statement embracing CRT.

This contest over how to tell the national story may seem new, but it is part of a century-old fight. The battle began once schooling became compulsory in all states in 1918. In the 1920s David Muzzey, a historian, was branded a traitor for his textbook "An American History", which, according to critics, undermined the American spirit with pro-British distortions of the revolution and the war of 1812. According to Gary Nash, a historian, an opponent of Muzzey's text claimed that American children would now sing "God Save the King" instead of "Yankee Doodle Dandy" after reading it. Attempts to ban the book were unsuccessful: it sold millions of copies.

### **Choose your own textbook**

Other controversies followed. In the 1930s, Harold Rugg, an education professor, was accused of "Sovietising our children" by conservatives, who claimed that his textbook focused on American social ills and propagated Marxism. The McCarthy era spurred investigations into teachers labelled as Communist sympathisers. In the 1970s textbook wars led to violence in West Virginia, where protesters bombed schools and injured journalists over books with controversial multicultural content. Liberals have also attempted to censor materials. In the 1980s E.D. Hirsch, a literary critic and professor, published a list of common knowledge for American children that became a *New York Times* bestseller. Liberal critics accused Mr Hirsch of prioritising the achievements of white men and Western European perspectives.

Perhaps the most analogous fight, though, was in the 1990s over voluntary national history standards. The optional curriculum, originally conceived under the George H.W. Bush administration and continued under Bill Clinton, was lampooned by conservatives. Lynne Cheney, the wife of former Vice-President Dick Cheney, who was running for president, declared her opposition in an op-ed in the *Wall Street Journal* entitled "The End of History". Mrs Cheney accused the standards of "political correctness" and lamented the lack of white male representation in the curriculum: Ulysses S. Grant had only one mention and Robert E. Lee had none, against Harriet Tubman's six. The Senate passed a resolution to condemn the voluntary standards, killing the curriculum.

“These attacks are always connected to what’s going on in politics at that time,” says Mr Nash, who helped create the voluntary national standards. The Understanding America Study, a nationally representative survey by the University of Southern California, found that Americans are united on the importance of civics education for children. With little partisan disagreement, a majority of parents agree that it is important for children to learn how the government works (85%) and about voting requirements (79%).

But political differences emerge over who should appear prominently in history lessons. Parental opinion diverges on the importance of learning about women (87% of Democratic parents favour this versus 66% of Republican parents) and non-whites (83% versus 60%). The divide is greater on discussions of inequality. A majority of Democratic parents said it was important for pupils to learn about racism (88%) and income inequality (84%) compared with less than half of Republican parents (45% and 37% respectively).

Conservatives tend to argue that pupils should learn one unified, optimistic version of American history, and that learning about specific groups is divisive. “Critical race theory is destructive because it advocates for racial discrimination through affinity groupings, racial guilt based on your ethnicity not your behaviour, and rejects the fundamental ideas on which our freedom is based,” explains Matt Beienburg of the Goldwater Institute. Meanwhile, liberals are open to a more fragmented, less flattering version of the country’s past.

It is this view which seems to be gaining ground. Howard Zinn’s “A People’s History of the United States” (told from the perspective of women and racial minorities) is also grouped under the critical-race-theory debate by the Goldwater Institute: it has sold 2m copies since 1980. The 1619 Project is taught in many school districts including Chicago. According to the NEA, nine states and the District of Columbia have laws or policies establishing multicultural-history or ethnic-studies curriculums.

Greg Lukianoff, president of the Foundation for Individual Rights in Education, a non-profit organisation, urges liberal Americans to take conservative concerns seriously, or potentially face a “terrifying” boost of

far-right nationalism. “It is going to get more intense as polarisation gets worse and as trust goes down,” he says. If each successive history war grows more intense, he adds, “Where do we end up in ten to 20 years?” ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/united-states/2021/07/10/americas-history-wars>

**Adams's Apple**

## Eric Adams is poised to be New York's next mayor

*His pragmatism may serve the city well*

Jul 10th 2021 | NEW YORK



“SOME PEOPLE talk about police brutality. I want to tell you how it is to live through it.” So begins the video that launched Eric Adams’s mayoral campaign. In the clip he stands outside the police station in Queens where, when he was 15, police beat him and his brother. Despite this experience, or maybe because of it, he later joined the police force, eventually becoming both a police captain and a prominent internal critic of racism and brutality at the NYPD. In his campaign he blended a call to reform the police with respect for the badge and a pledge to crack down on crime, and on July 6th, two weeks after the Democratic primary, he was named the projected winner. That almost certainly makes him the next mayor, since Democrats outnumber Republicans in New York’s electorate by seven to one.

In the city’s first election by ranked-choice voting, the two candidates that rose to the top of a crowded field were both relative centrists. Mr Adams, who also served as a state lawmaker and Brooklyn borough president, won by just 8,426 votes, or 1%, over Kathryn Garcia, a well-regarded bureaucrat.

His emphasis on fighting crime clearly gave him an edge. While progressive candidates called for cutting police funding, Mr Adams argued that “the prerequisite for prosperity is public safety.” That message resonated as shootings last year nearly doubled from 2019 and violent crime escalated even in well-policed areas like Times Square. According to one poll New Yorkers listed crime among their three top concerns, with covid-19 and housing. On the day Mr Adams learnt he had won, Andrew Cuomo, New York’s governor, declared a “disaster emergency” statewide around gun violence.

It was a strange campaign. For months the many candidates met at forums via Zoom. Andrew Yang, a former Democratic presidential candidate, led at first, before a limited knowledge of city affairs caught up with him. As Mr Adams surged, his rivals tried to turn his anti-crime message against him. “Eric thinks the solution to every problem is a badge and gun,” said Maya Wiley, a progressive candidate who placed third. He had other liabilities, including having been a Republican for a time, and he committed his share of gaffes, such as telling gentrifiers to “Go back to Iowa”. His biggest donors are from the real estate industry, with which he built ties as borough president, a job that gave him influence over land use. Those relationships are likely to draw continued scrutiny. But in the primary even questions over whether he actually lived in New Jersey did not seem to hurt him.

For years the key to winning City Hall was to build a coalition outside Manhattan, particularly among white voters. That was how Ed Koch won in the 1970s and 1980s and how Rudy Giuliani won in 1993. Mr Adams also focused on the outer boroughs, but he built a multi-racial coalition of African-American, Dominican, Latino and Jewish New Yorkers. He also enlisted labour groups and pastors. He courted working-class voters with an unpretentious style, drawing a contrast with the current mayor, Bill de Blasio, who gets driven to the gym. Mr Adams intends to cycle, take the subway and even do laundry himself. Saying that “if we don’t educate, we will incarcerate,” he pledged to increase the number of charter schools, independently operated public schools which appeal to parents frustrated with the traditional system.

That’s a message that resonated as well on Wall Street, which, unlike some of his opponents and Mr de Blasio, Mr Adams did not demonise. After some

politicians attacked a plan by Amazon to expand in Queens, causing the company to back out, Mr Adams later warned the message was “New York is no longer open for business.” As some firms and many workers decamped during the pandemic for business-friendly states like Florida and Texas, Mr Adams said, “We are in the business of recruiting human beings. That is the job of a city, and we have been a terrible recruiter over these last few years.” He plans a recruiting effort to attract workers and businesses from around the world.

Assuming he defeats Curtis Sliwa, the beret wearing, long-shot Republican candidate, Mr Adams will become the city’s second African-American mayor. He will also have a notoriously hard job, made harder by the pandemic. Federal recovery funds have propped the city up, but *Bloomberg News* reports the city expects property tax revenue to drop \$1.6bn, or about 5%, this coming fiscal year. That would be the biggest drop in three decades. The value of office buildings has fallen citywide by 16%. Tourists, a critical input to New York’s economy, have yet to return in big numbers, and only 12% of office workers are back at their Manhattan desks.

Mr Adams has called for budget cuts of 3-5% at city agencies to rein in spending (New York City’s budget is nearly \$100bn). He plans to work informally with Mr de Blasio in order to hit the ground running. “He is ideologically flexible,” says Robert Snyder, Manhattan borough historian, “and he’s very pragmatic.” After the rigidly progressive Mr de Blasio, New York could use both of these qualities.■

**Baby, you can't drive my car**

## The pandemic has upended America's rental-car market

*Some travellers are finding crafty alternatives*

Jul 10th 2021 | Denver



HAWAIIANS COULD be forgiven for bewilderment when they saw U-Haul trucks and cargo vans parked on their pristine beaches. In April Kaleo Alau, president of U-Haul in Hawaii, told the local news station that the moving company had received calls from concerned citizens who thought the vehicles' position looked suspicious. "We're like, OK, let's go and check it out, make sure it's not stolen," said Mr Alau. As it turns out, "it's just somebody at the beach!" Hawaii is not the only state where Americans are resorting to unusual forms of transport to get around. The country is facing a national shortage of rental cars because of the recession and disruptions caused by the pandemic.

When lockdowns were imposed last spring, travel came to a standstill. The market for car-hire at airports disappeared almost overnight, says Greg Scott, a spokesman for the American Car Rental Association (ACRA), a trade group. ACRA members laid off or furloughed around 60,000

employees in 2020, about a third of the industry's American workforce. Hertz, a car-hire behemoth, declared bankruptcy last May. Avis, another industry giant, saw its second-quarter revenues decline by 67% year-on-year. Companies sold off their fleets to try to stop the bleeding. They weren't sure if or when demand would recover.

Fast forward, and the summer of 2021 seems to mark a renaissance for the great American road trip. Americans hankering for a getaway but unable to travel abroad have set their sights on Hawaii, Florida or the national parks. Demand for rental cars has rocketed. But because companies have sold off so many vehicles, there are few to be found. An Expedia search for a hire car in Honolulu next weekend showed cars costing at least \$350 a day. Twitter is filled with the fulminations of aggrieved travellers who wait hours at an airport counter only to be given a minivan—or nothing at all.

For rental-car companies, rebuilding fleets will take time. An international shortage of semiconductors, which are used in cars' electronic systems, has slowed manufacturing. A lack of new cars and, perhaps, a hesitancy to return to public transport have pushed up second-hand car sales by 30% in the past year. Things aren't all bad, however. Barclays, a bank, suggests high prices are helping firms recoup their losses.

All this explains the curious case of the U-Haul on the beach. But the firm is not the only alternative to rental cars. Lyft launched its own car-hire service in 2019, though it too admits that the chip shortage has hurt growth. Some are turning to ride-hailing apps, but prices per ride have spiked because of a lack of drivers. Outdoorsy, an RV rental platform, has seen bookings for its smaller offerings—such as Jeeps and trucks—increase by 10% year-on-year. It seems that the rental car market would have to get even tighter for Americans to fall in love with public transport.

**Dammed if you do**

## In the Pacific north-west, hydroelectric dams are being removed

*This may be good news for salmon. It is less good for carbon-dioxide emissions*

Jul 10th 2021 | ARCATA AND KLAMATH



Getty Images

HERE IS A dilemma for environmentalists: more salmon or a continued flow of hydroelectric power? This question has been at the heart of a battle over the scenic Klamath river, which flows from Oregon through a long stretch of northern California. On the river's upper inland reaches, four hydroelectric dams produce enough power for 70,000 homes, and are capable of generating twice as much. But, detractors say, the dams prevent salmon and other migratory fish from reaching spawning grounds farther upstream. They argue that the dams must therefore be torn down.

Barring a surprise, that argument has prevailed. On June 17th the Federal Energy Regulatory Commission (FERC) granted a crucial approval needed for what will be the biggest dam-removal project in American history. Jared Huffman, a pro-removal Democratic congressman whose district includes the Klamath river's undammed lower stretch, says the FERC's decision

means the opposition's chances to derail the project are now an "extreme long shot". The energy company, PacifiCorp, which is based in Portland, Oregon, plans to replace the hydropower by increasing electricity production elsewhere. Two-thirds of PacifiCorp's generation is powered by fossil fuels, mostly coal.

Indigenous groups who fish salmon have led the charge for the dams' removal. Barry McCovey, a scientist who is head of fisheries for the Yurok tribe, which lives along the Klamath's lowest stretch near the Pacific Ocean, says the number of salmon that enter the river to spawn has tumbled since outsiders first arrived *en masse* in the 1850s. Salmon fishing, even for sport, is now sharply restricted.

The salmons' decline has accelerated of late. Reduced rainfall is partly to blame. This has lowered and warmed the river, a predicament exacerbated by sunlight-absorbing artificial lakes behind the dams. As a result, fish parasites and blooms of toxic algae that devour oxygen have flourished. Sam Gensaw, a Yurok who guides tours in traditional canoes carved from redwood trunks, says living downstream from the dams "is like slowly being spoon-fed poison". A municipal official in Arcata, a coastal city an hour south of the river's mouth at the Yurok town of Klamath, sums up the local sentiment: remove the dams to "flush the ick out".

## Dambusting

The demolitions are set for 2023. How much this will boost salmon numbers, however, is debated. Some argue that lava flows now submerged by the dams have stopped many salmon migrating farther upriver since time immemorial. This is why salmon don't appear in upriver ancestral stories of the Shasta Nation, an indigenous group in the area, says its chief, Roy Hall. He attributes the dwindling salmon more to global warming, and calls the removal of the dams "environmental madness". Once the lakes are drained, he fears that Shasta burial sites now underwater will be desecrated by pottery hunters.

Of the four dams, only the one highest upriver has a fish ladder for migratory species. PacifiCorp describes it as "antiquated". Proponents of saving the dams have pushed for the other three to be fitted with ladders or

even “fish cannons”—tubes that shoot salmon over dams elsewhere. But proposals to install such aids have failed to gain traction. Cost is not the only reason. As Mr McCovey, the Yurok fisheries official, puts it, the goal is to restore nature, not build “more anthropogenic bullshit”.

Sentiments of the sort are echoed by other Yurok, a tribe that considers itself California’s largest. Amy Cordalis, a lawyer for the the Yurok, describes the dams as “a beacon of colonisation”. Frankie Myers, a senior elected Yurok official, calls the dams “monuments to genocide”. Mr Myers says that as a young man he would sneak into outsiders’ logging camps to “monkey-wrench” operations by, for example, spiriting away diesel. Taking down the dams, he says, is “a slap in the face” for what he deems the pursuit of material gain at the expense of indigenous ways of life.

Upriver, attitudes differ. Referendums in conservative logging, ranching and farming counties inland reveal overwhelming support for the riverine status quo. These areas are hotter and drier than coastal redwood forests, so wildfires are common. Firefighting aircraft can scoop up water from the reservoirs without landing, notes William Simpson, whose ranch near one, Copco Lake, was saved from a recent fire. He calls dam removal “reckless”.

The political battle has become a microcosm of polarisation in America. So says Craig Tucker of Suits and Signs, a small political consultancy hired by the Yurok to tilt public opinion and negotiate with government, corporations and other stakeholders. Mr Tucker, who is based in McKinleyville on the coast, describes some inland counties as “a hotbed” of “anti-government patriot groups”. In liberal beach towns like Arcata, where hipsters, some in pyjamas, visit a marijuana dispensary in the downtown shopping district, support for the dam removals is strong. Betsy Musick, proprietor of a diner-cum-gallery in Trinidad, a picturesque coastal village near Klamath, describes the conservative-liberal dichotomy as “lumber and pot”.

PacifiCorp, for its part, has played the controversy brilliantly, at least as far as its bean-counters are concerned. Though the dams are structurally sound, the FERC made it clear that licence renewals would be subject to “maximum conditions”, says Scott Bolton, PacifiCorp’s point man for the dams. Building fish ladders and jumping through other FERC hoops would cost perhaps as much as \$650m, he reckons. It will therefore be cheaper to tear

down the dams. PacifiCorp has managed to secure \$250m of the project's \$450m cost from taxpayers. The remainder is being raised with higher electricity bills.■

---

This article was downloaded by calibre from <https://www.economist.com/united-states/2021/07/10/in-the-pacific-north-west-hydroelectric-dams-are-being-removed>

**None of the above**

## Nothing in particulars are America's fastest-growing religious group

*They believe in God, do not go to church and are largely detached from politics*

Jul 10th 2021 | NEWPORT



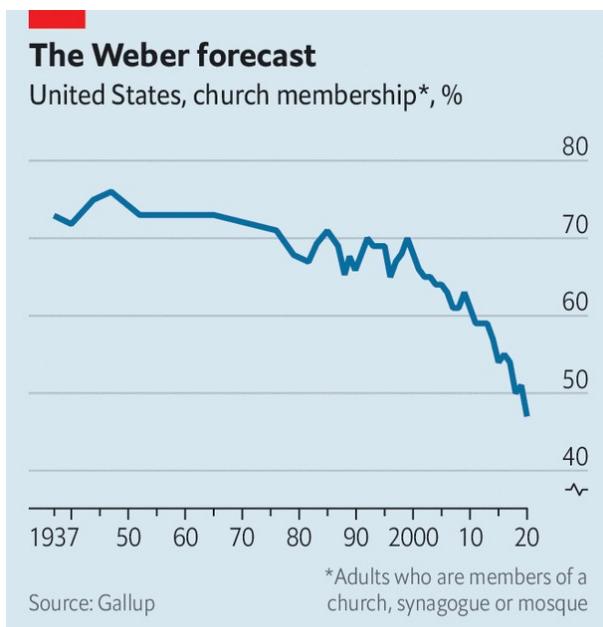
Getty Images

IN APRIL 1966 *Time* magazine stirred outrage in America when it published a cover story asking “Is God Dead?”, more than 80 years after Nietzsche had declared Him to be so. Today American religion looks less exceptional. According to a recent survey by Gallup, a pollster, for the first time a majority of Americans do not belong to a church. “We are officially living in a pagan nation,” rued the editor of one Catholic magazine. Pollsters attribute the slump in church membership to the rise of the “nones” or religiously unaffiliated, who now represent a third of the population. Yet it is a subgroup of the nones, those who believe in “nothing in particular”, that is redrawing America’s religious landscape.

Though usually lumped in with atheists and agnostics under the religiously unaffiliated category, nothing-in-particulars are a distinct religious group. They are twice as numerous as atheists and agnostics—nearly one in four

Americans are nothing-in-particulars—and are growing faster than any religious group. As the cryptic name suggests, their defining characteristic is an aversion to being defined.

“They do not want to be pinned down,” says Ryan Burge, a social scientist and author of “The Nones”. In some ways they are remarkably average: unlike atheists and agnostics, who are predominantly younger men, they are more likely to be middle-aged, and are just as likely to be women as men. The majority of nothing-in-particulars believe in God, and a third of them attend church sporadically. Yet they reject allegiance to any religious group and are sceptical of institutional authorities. Wariness towards the covid-19 vaccine is an example of this tendency.



The Economist

Mr Burge says nothing-in-particulars are alienated from society in more ways than just religious affiliation. They have the lowest educational attainment of any big religious group—only one in five have a bachelor’s degree or higher qualification. Nearly 60% make less than \$50,000 a year. When it comes to politics they lean neither right, like most white evangelicals, nor left, like atheists or black Protestants. (Only a third of them voted for Donald Trump according to Mr Burge’s analysis of the Cooperative Election Study.) They rarely take part in political activities, such as attending a protest, donating money to a campaign or even putting

up a sign in the yard. “Apathy is the big word that comes to mind,” says Mr Burge.

Whereas Christianity has dwindled in America, nothing-in-particulars are growing at a breathtaking pace. Since 2008, when social scientists first began tracking them, their ranks have swelled by 60%. Mr Burge reckons there are two reasons for their rise. First, as America’s religious makeup changes, it is becoming more acceptable not to identify as a Christian. It could be that their emergence is less about people leaving organised religion than revealing they were never really part of it. Nothing-in-particulars are largely drawn from that segment of Americans who have become disaffected as they have seen their economic prospects sink with recessions and the loss of well-paid blue-collar jobs. “They are just left out of society, sort of drifting in space,” Mr Burge says.■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/united-states/2021/07/10/nothing-in-particulars-are-americas-fastest-growing-religious-group>

## **Wrestling with common sense**

# **How wrestling, conspiracy theories and politics overlap in America**

*Mitt Romney compared the election conspiracy to pro wrestling. This was perhaps truer than he realised*

Jul 10th 2021



Getty Images

POLITICIANS EXAGGERATE, but understatement is a rarer quality. When in June Mitt Romney witheringly likened the conspiracy theory that last year's presidential election was stolen to professional wrestling, the Republican senator from Utah might not have realised quite how apt the comparison is. Wrestling and conspiracy theories have much in common. Both tell improbable stories of cartoon villains and larger-than-life heroes. Convoluted but compelling plot lines are woven together to create a world of drama and intrigue more engaging than humdrum reality. They even share some of the same cast.

Big names from the past, such as Val Venis and Chris Jericho, have become enthusiastic conspiracy theorists. Given how many chairs to the head wrestlers take over a career, perhaps this is not surprising. And some have stepped into politics. Jesse "The Body" Ventura, a wrestler and former

governor of Minnesota, once hosted a TV show investigating claims that the CIA had been turning citizens into assassins with hypnosis, and that oil companies caused the Deepwater Horizon oil spill in 2010 to profit from the clean-up. Alex Jones, the founder of Infowars, an internet purveyor of bogus conspiracy theories and useless supplements, was a frequent guest. The show's co-host for a time was June Sarpong, later director of creative diversity at the BBC, Britain's public broadcaster.

Occasionally wrestlers' conspiratorial beliefs seep out into the real world. In 2013, immediately after the Boston Marathon bombing, Governor Deval Patrick of Massachusetts was asked at a press conference if the attack was a "false flag", conspiracy-theorist lingo for an operation deliberately designed to implicate an innocent party. The questioner was "Bionic" Dan Bidondi, an Infowars "reporter" and semi-pro wrestler. In May World Wrestling Entertainment cut ties with Drake Wuertz, a referee. His conspiratorial beliefs had received some attention in the sport's press, but become impossible to ignore when he berated a Florida school board over its mask mandate with a passion usually reserved for the ring, saying it "plays into the hands" of child sex-traffickers.

The two worlds also share an *omertà*-like code. Wrestlers' commitment to "kayfabe", the imperative never to break character in case it ruptures the suspension of disbelief, occasionally borders on ludicrous. The Wild Samoans, a tag-team duo, were travelling with fellow wrestler Terry "Hulk Hogan" Bollea when a state trooper discovered Mr Bollea's unregistered firearm. According to wrestling lore the Wild Samoans said nothing—their characters did not speak English, so neither would they.

Mr Jones, whose show once hosted Donald Trump (himself a participant in Wrestlemania 23), seems to live by a similar code. In a hearing over the custody of his children, his lawyer suggested that his rants about the deep state and 9/11 should be discounted as evidence because he was really a "performance artist". His lawyer might out him, but Mr Jones would never break kayfabe. His credibility and livelihood depend on it.

**Lexington**

## America's trillion-dollar Afghan fiasco typifies its foreign policy

*The mission was sustained by mistakes that America seems destined to repeat*

Jul 10th 2021



FIVE YEARS ago the US embassy in Kabul unveiled an \$800m refit. With 1,500 desks and 800 beds within its fortress walls, it was a third bigger than America's next biggest embassy, in Baghdad. Meanwhile Barack Obama's special representative to Afghanistan, Laurel Miller, had a troubled conscience.

Her State Department talking-points insisted she should speak of America's "enduring commitment to Afghanistan". But Ms Miller reckoned the trillion-dollar American effort was on borrowed time. "The phrase was dishonest enough to make me wince," she recalls. "I didn't think the strategic rationale for the mission or political commitment to it would endure." She avoided the term.

That might have seemed odd in Kabul, in the shadow of America's concrete citadel. But it was fairly obvious in Washington. Mr Obama, having dispatched 47,000 additional troops to Afghanistan early in his presidency, had lost faith in the mission. A steep reduction in casualties—the year the embassy relaunched saw one combat death—meant Congress and the media largely ignored it. And the foreign-policy establishment had never paid it the attention its claim on American blood and treasure warranted.

Where the wars in Vietnam and (to a lesser degree) Iraq inspired generations of area specialists, America's small cast of Afghanistan experts has to this day changed little since 2001. Having spent a fair bit of time in the country during the first decade of the American mission, though very little in the second, your columnist is sometimes mistaken for an expert himself. It shows how low the bar to Afghanistan expertise has been set.

This mismatch between America's vast investment in Afghanistan and the scant attention paid to it in Washington might seem paradoxical. In fact it helps explain how the slow-rolling debacle of America in Afghanistan came to pass.

From the start, the American effort was not merely ill-informed about Afghanistan; it was only partly about Afghanistan. After bombing the Taliban from power, George W. Bush's administration was advised to reach an accommodation with the group. It posed no direct threat to America. And though unpopular in Kabul, the mullahs represented a large population in southern Afghanistan who found the Taliban's northern rival—and America's proxy—repugnant. Yet the administration considered any distinction between terrorists and their abettors incompatible with its expansive vision for the war on terror. It therefore ruled the Taliban irreconcilable. America has spent almost two decades being punished for that mistake.

The insurgency it gave rise to ensured that America's stabilisation effort was dominated by generals, for whom force is the answer to most setbacks, and local politics a distraction. Yet the insurgency, because based in neighbouring Pakistan, was unbeatable. The result has been waves of terrible violence that have cost tens of thousands of Afghan lives and left many of the country's people craving order from any hand. This was the

circumstance in which the joyless mullahs arose in the 1990s; it is why rural district after district is now falling to them as easily as they did then.

The scholar Robert Kagan has suggested that America's history of large foreign-policy blunders is connected to its isolationist sentiments. To overcome them, American presidents embrace unrealistically grandiose schemes, he suggests; and at first blush Afghanistan looks like evidence for that. In pursuit of a Utopian ideal—to eradicate terrorism—America sought to produce an unprecedented Afghan state while fighting an unwinnable war.

Yet the war's context has changed. Public opinion has played little part in it, because for most Americans it has been invisible. In 1968 America had half a million disgruntled conscripts and volunteers in Vietnam. At the height of the Obama surge it had 98,000 professional soldiers in Afghanistan—too few to fill the biggest college football stadiums—and suffered modest casualties. In a country of 330m people—a tiny minority of whom have any connection to the armed forces—the war has scarcely registered.

This gave Mr Bush's successors freedom to try to fix his mistakes. But Mr Obama and Mr Trump doubled down on them, by initially bowing to the generals' demand for more troops and more fighting. They did so partly for political reasons. Mr Obama had talked up the war's importance so much on the campaign trail that he felt compelled to give it a fresh push. Mr Trump wanted to make Mr Obama look weak. But it was also, in both cases, for want of a more compelling alternative suggestion.

National-security hawks remained largely opposed to the only conceivable way to end the conflict, negotiations with the Taliban. Few in the foreign-policy intelligentsia, which had come to consider Afghanistan a strategic byway, challenged that view. Mr Obama ended up passing the war on more or less as he had inherited it, with little conviction that it could end well. Mr Trump, to his credit, launched peace talks with the Taliban, but only after signalling his intention to withdraw America's remaining troops, dooming the talks from the start. This suggested that America no longer cared who controlled Afghanistan—a position that Joe Biden, by proceeding with the withdrawal, has underlined. What a way to spend \$2trn.

## **Back to Gandamak**

It might at least be hoped that the lessons of this debacle will be learned. The main one is so obvious: an over-militarised foreign policy that embraces unrealistic objectives is liable to fail. Yet, as Mr Kagan and many others have shown, this appears to be more a feature of American foreign policy than a bug. And indeed the light—almost imperceptible—mark Afghanistan has made on the Washington establishment suggests it may be forgotten especially quickly. Ms Miller predicts that Afghanistan will soon barely be mentioned in America's foreign-policy circles. Her forecasts have a solid record.■

*For more coverage of Joe Biden's presidency, visit our dedicated [hub](#)*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/united-states/2021/07/10/americas-trillion-dollar-afghan-fiasco-typifies-its-foreign-policy>.

## Middle East & Africa

- [The Iran nuclear deal: Enriching talks](#)
- [Lebanon: Begging for help](#)
- [Cannabis in Morocco: High in the mountains](#)
- [Eswatini: The king's reply](#)
- [South Sudan: Unhappy birthday](#)

**Enriching talks**

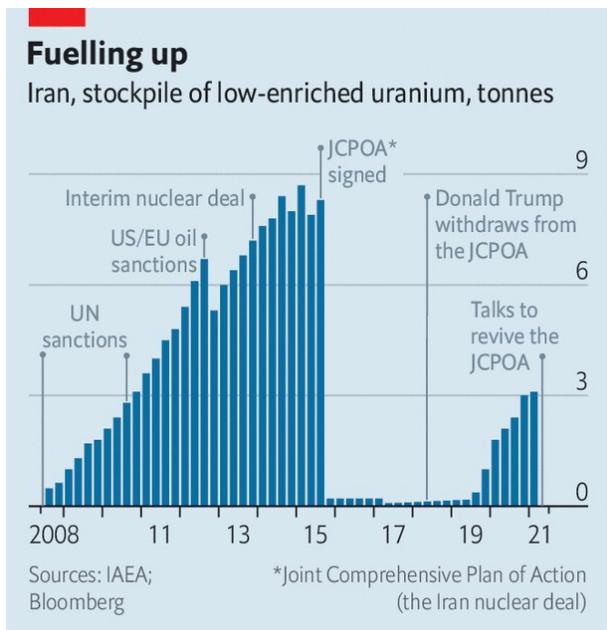
# Can America and Iran revive their nuclear deal?

*An agreement is said to be close, but there are plenty of obstacles*

Jul 10th 2021



THE GRAND HOTEL on Vienna's Ringstrasse, the city's elegant main boulevard, is a felicitous spot for nuclear diplomacy. It is not just the opulent surroundings or the unlimited coffee. The hotel was also the headquarters of the International Atomic Energy Agency (IAEA), the world's nuclear watchdog, for 22 years until 1979. Yet the diplomats who have gathered there for six rounds of talks since April, most recently on June 20th, have had little luck so far. And time may be running short.



The Economist

America and Iran—indirectly, via Britain, China, France, Germany, Russia and the European Union—are discussing how to revive the multinational nuclear deal, known as the Joint Comprehensive Plan of Action (JCPOA), that was signed in 2015 and abandoned by President Donald Trump three years later. In response to American sanctions, Iran has breached the deal’s provisions by testing advanced centrifuges and accumulating enriched uranium, among other forbidden steps. The IAEA estimated in May that Iran had produced over 3,000kg of uranium enriched up to 5% purity (see chart), enough for several bombs if enriched further. Over 70kg is now also enriched to over 20%, which is most of the way to weapons-grade.

Over the past year America, under President Joe Biden, and Iran have each said that they are willing to return to the terms of the original deal if the other does so, too. “We think almost all the agreement documents are ready,” said Iran’s deputy foreign minister after the latest round. There is “a new level of optimism”, enthused the EU’s envoy to the UN on June 30th. Russia’s foreign ministry reckons that a deal may be done by July 14th, the JCPOA’s sixth anniversary. Yet reinstating the original terms is not as easy as it sounds, since circumstances have changed so much in six years.

It does not help that Iran is in the midst of a political transition. Ebrahim Raisi, a hardline nationalist, is due to replace Hassan Rouhani, a pragmatist,

as Iran's president on August 3rd. Mr Raisi and his allies are more hostile to America and the West than the current government is. That does not mean a deal is impossible—it was, after all, another hardline president, Mahmoud Ahmadinejad, who began the talks that eventually led to the JCPOA. But Mr Raisi's election does complicate things.

Mr Rouhani's government has “very little incentive” to devote its last month in office to frantic diplomacy, says Aniseh Bassiri Tabrizi of the Royal United Services Institute, a British think-tank. Any political rewards would be distant, since the next election—for Iran's parliament—is not due for three years. Nor is there any guarantee that the new government will fully implement any deal it inherits, says Ms Tabrizi.

Iran's domestic politics are not the only hurdle in the way of an agreement. “We still have serious differences that have not been bridged,” warned a senior American official speaking anonymously to reporters last month. “Whether it's the nuclear steps that Iran needs to take to come back into compliance, the sanctions relief that the US will be offering, or the sequence of steps that both sides would be taking.”

Both sides now accept that they could return to the deal in a series of concurrent steps rather than waiting for the other to do everything first. But Iran has said it wants America to remove all sanctions imposed by Mr Trump. America retorts that it will only lift those covered by the JCPOA. In March the Biden administration imposed new sanctions on two members of the Islamic Revolutionary Guard Corps. It is those sorts of sanctions, “economically inconsequential but highly politically sensitive”, that are most challenging, says Henry Rome of the Eurasia Group, a consultancy. They include America's labelling of the Revolutionary Guards as a terrorist group, and sanctions against Mr Raisi himself.

On June 30th Majid Takht Ravanchi, Iran's ambassador to the UN, said that the country wanted “assurances that...the US will not, once again, withdraw from the JCPOA”. American officials say it would be impossible to provide such certainty, not least because the JCPOA could not be turned into a binding treaty without support from two-thirds of the Senate. Republicans, who make up half the assembly, bitterly oppose the deal. In any case, Mr

Trump also showed that a president could walk away from long-standing treaties.

Western countries have their own complaints. They argue that although Iran has portrayed its breaches of the deal as remedial and reversible, it has also gained valuable knowledge by, among other things, operating advanced centrifuges and manufacturing uranium metal (the solid form used in reactors or bombs, as opposed to the gaseous compound used during enrichment). The JCPOA was supposed to defer such activity to later years, thus slowing Iran's nuclear progress. America now wants Iran to agree to follow-on talks that would not only extend the deal's provisions but also cover issues such as Iran's ballistic missiles and support for militant groups in the region. Mr Raisi says those things are "non-negotiable".

The impasse is especially dangerous because Iran is determined to build up its leverage, not only by steadily expanding its nuclear activity, thus shrinking the time it would take to build a bomb, but also by threatening to make its programme less transparent. In February Iran repudiated several of the JCPOA's tough inspection provisions, such as the installation of cameras at nuclear sites, but promptly agreed to a "temporary technical understanding" with the IAEA to preserve some access.

Those stop-gap measures were renewed twice but expired on June 24th, days after the latest talks in Vienna ended. Iran's government has yet to decide whether to extend them—and hints that it may delete the data on cameras. The intention may be to make America sweat, but it certainly erodes trust. On July 1st Reuters, a news agency, reported that Iran had restricted the IAEA's access to Natanz, its main enrichment site, following suspected Israeli sabotage there in April.

For all the positive talk emanating from Vienna, there is also anxiety about how high the stakes are becoming. Mikhail Ulyanov, Russia's envoy, says renewing the Iran-IAEA understanding would "avoid uncertainties which can have unjustifiable long-lasting negative effects". Mark Fitzpatrick, a retired American diplomat, is blunter: "Iran is playing with fire." ■



## Calling for help

# Mired in crisis, Lebanon begs for foreign assistance

*But no one trusts parliament's plan to aid the poor*

Jul 10th 2021



Getty Images

LEBANON IS “days away” from a “social explosion”. So said Hassan Diab, the acting prime minister, on July 6th. The country has been mired in a crisis that has seen the value of the local currency plummet and left much of the population short of food, fuel and medicine. “I am calling on kings, princes, presidents and leaders of our friendly countries, and I am calling on the United Nations and all international organisations...to help rescue Lebanon from its demise,” Mr Diab told a group of foreign diplomats.

But foreign leaders are not listening. Most do not trust Lebanon’s politicians. Mr Diab has been serving in a caretaker role since a devastating explosion at Beirut’s port last August (the result of government neglect). For nearly a year the country’s politicians, divided by sect and notoriously corrupt, have failed to agree on a new government—and failed to make reforms called for by foreign leaders.

Even when parliament appears to do something right, there are doubts over its intentions. Take its recently passed plan to replace unaffordable subsidies for food, fuel and medicine with a \$556m programme of cash aid for the poor. In a sense it was following the recommendation of the World Bank, which predicted in December that Lebanon's central bank (the Banque du Liban, or BdL) would soon lack the reserves needed to support the subsidy scheme. (The scheme had the BdL selling dollars to importers of the covered goods at below-market rates.) The World Bank was right and the BdL has been removing or cutting subsidies this year.

The old system could have been better targeted, as rich Lebanese consumed more of the subsidised goods than the poor. But the new system, yet to be implemented, is opaque. It is not clear who is eligible for the aid. Regardless, few people think Lebanon's politicians will distribute it fairly. They have a history of doling out government largesse to their relatives and supporters (an election is scheduled for next year). Contracts go to the connected, leading to unreliable services. It is fitting that sweaty legislators passed the cash-aid programme in an assembly without working air-conditioning, the result of a decrepit and poorly managed power grid.

How the cash-aid programme will be funded is also an open question. The central bank could pay for it, but it is running low on reserves and printing more pounds would increase inflation, which is already sky-high. Outside funding may be an option. Lebanon could, for example, use aid that the IMF is giving to poor countries in order to help with covid-related economic slowdowns. The money is expected to be delivered by the autumn. Some officials want to reallocate loans already given by the World Bank for other purposes.

The World Bank probably would not mind if more of its money actually went to directly helping the poor. But it is running short of patience with the government. In January the bank agreed to lend Lebanon \$246m to expand the social safety-net, including cash transfers for the poor. Feeding more money into that programme would be an option—if the government ever implemented it. It has been stalled for months because of a disagreement between the World Bank and Lebanese politicians over who gets the aid and how it is disbursed. In short, the politicians do not like the idea of World Bank oversight.

In the coming weeks the government is supposed to present a detailed plan on the funding and implementation of the new aid programme. But the Lebanese people are not holding their breath. Poverty is rising, basic services are failing and politicians appear more concerned with protecting the patronage system that contributed to the crisis. Is it any wonder that Mr Diab's pleas have fallen on deaf ears? ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/middle-east-and-africa/2021/07/10/mired-in-crisis-lebanon-begs-for-foreign-assistance>

**High in the mountains**

## Morocco moves to legalise some cannabis cultivation

*But some pot farmers fear they won't benefit*

Jul 10th 2021



FEW COUNTRIES produce more cannabis than Morocco, where locals mix it with tobacco and call it *kif*, meaning “supreme happiness”. The pleasure extends to Europe, where much of the cannabis ends up. Farmers in the Rif, a poor mountainous region in northern Morocco, produce most of the supply. They operate in a legal grey area. Growing cannabis is against the law in Morocco, but it is tolerated in the Rif.

A bill passed by parliament, but yet to be approved by the king, may clarify the situation, at least somewhat. It would legalise the cultivation, use and export of cannabis for medical and industrial purposes (such as for hemp in textiles). The proposed law, though, would not legalise cannabis for recreational use. And it would allow cannabis farming only in certain regions of the country, such as the Rif.

The Rif has little else going for it. “There’s no infrastructure, no schools, no hospitals, nothing—nothing except cannabis,” says Charif Adardak, who heads an NGO that promotes development in the Rif. It has long been a restive place owing to the government’s neglect and what locals call *hogra* (humiliating treatment by the state). The previous king, Hassan II, crushed a revolt there in the 1950s. His son, Muhammad VI, has been more conciliatory, backing development projects in the region.

But King Muhammad’s plans have not got very far. Large protests by Riffians in recent years have at times turned violent. The region still relies on cannabis production. The government, in turn, sees its tolerance of the trade as a way to buy peace.



The Economist

One of the reasons Morocco is moving towards legalisation now is because in December the UN removed cannabis for medicinal use from its list of the most dangerous drugs. The proposed law will improve the lot of Riffians and free them from international drug-smuggling networks, says Abdelouafi Laftit, Morocco’s interior minister. Regulating the trade may also allow the government to curb environmental damage in the Rif, which has suffered from deforestation and soil degradation as farmers have adopted new, hybrid strains of cannabis.

Many cannabis farmers in the Rif think the government is blowing smoke. Some fear they will be run out of business by corporations or well-connected businessmen who are better able to navigate the rules. Farmers in the Rif are unaccustomed to growing cannabis to the strict legal standards that importing countries often impose on the medicinal sort.

Others worry about future competition from other regions. There isn't enough demand for medical cannabis to keep even the Rif's farmers in business. Cannabis is grown on 73,000 hectares of land in Morocco, says Tom Blickman of the Transnational Institute, a Dutch think-tank. Demand for medical cannabis might support between 5,000 and 8,000 hectares.

Demand is greater for industrial cannabis, but it is of lower value. Its production is "about quantity not quality", says Mr Blickman. That's bad for the Rif. Tucked away in the mountains, the region's remoteness and inaccessibility make it an ideal place for illicit cannabis farming. But the production of industrial cannabis is easier in flat areas with better infrastructure that can support large farms.

People in the Rif are also frustrated that the proposed law does not provide amnesty for the roughly 48,000 farmers who have cannabis-related arrest warrants hanging over them. Some, though, see the law as a prelude to legalisation of recreational cannabis. That would make many Moroccans supremely happy. ■

---

## The king's reply

# King Mswati III, Africa's last absolute monarch, cracks down

*Why protesters are fighting for democracy in Eswatini*

Jul 7th 2021



Getty Images

THABANI NKOMONYE was last seen alive on May 8th. A few days later the body of the 25-year-old law student was found in a field near Manzini in Eswatini. The police say he died in a car crash. Friends and family say the police killed him.

Mr Nkomonye's death has sparked protests across the country of 1.2m people. On June 29th, after demonstrations intensified, the government announced a dusk-to-dawn curfew and shut off the internet. Swazi journalists say that doctors have confirmed at least 50 deaths at the hands of security forces. The government says that 27 people have died and that its forces were defending themselves and private property against "rioters and foreign agents".

In many ways the protests are like those elsewhere in Africa. "There are no jobs and opportunities for young people," says Xolani Maseko, the president

of the union of students. More than 46% of 15- to 24-year-olds are unemployed, the third-highest rate in the world. What distinguishes Eswatini is the protests' target, King Mswati III, Africa's last absolute monarch.

That he rules at all is a historical curiosity. Britain, the colonial power, left in 1968, perfunctorily bequeathing a Westminster-style system. Five years later the then king, Sobhuza II, revoked the constitution and declared "supreme power". After Sobhuza died in 1982 elders of the ruling Dlamini clan picked as heir his 14-year-old illegitimate son, whom they hoped to control. The future King Mswati III was brought into the royal kraal, says a confidant, and told, "From now on you call your mother 'Queen Mother'." She had been a cleaner for one of Sobhuza's 65 wives, according to a report published in 2013 by Freedom House, an American think-tank. The boy-king was sent to boarding school in England, returning to sit on the throne in 1986.

Though analysts speculate about how much the king himself calls the shots, the monarchy certainly operates unchecked. Mswati is immune from prosecution. Political parties are banned. Opposition activists are jailed. Journalists are intimidated; on July 4th reporters from New Frame, a South African publication, were taken to a police station and allegedly tortured with plastic bags over their heads. The king (pictured on next page) appoints the prime minister and other key office-holders.

Most Swazis are poor but the king's fortune, which in 2014 *Forbes* magazine estimated was "at least" \$50m, was sufficient to buy a fleet of Rolls-Royces. That does not include Tibiyo, a trust ostensibly held by the monarchy on behalf of the people, but which critics say benefits the royals. It controls tracts of land and, according to Freedom House, has stakes in sugar, manufacturing, property and other firms.

The king has defenders. "Every morning I'm grateful to wake up and see that the king is still on the throne," says Andre le Roux, a fourth-generation (white) Swazi who runs a timber firm, Montigny, and the main business lobby. His worry is not the monarch, who he says ensures stability, but an "enterprise-throttling" civil service.

Neal Rijkenberg, the founder of Montigny, who was appointed finance minister in 2018, says the country is “surprisingly democratic”. For example, the king must get parliament to approve his budget and must use his own money to pay for posh cars, he argues. What about the 340m lilangeni (\$24m) annual stipend? That pays for tourist-pleasing cultural events. And appointing a princess to the cabinet? “There are many children he hasn’t given jobs to.”

Mr Rijkenberg’s appointment, alongside others in a “cabinet of CEOs”, was perhaps a sign of the king’s fears. Manqoba Khumalo, the commerce minister, was poached from Coca-Cola. “It’s like when your mother asks you to do something, but times a thousand,” he says. The king is worried about youth unemployment, he adds. “He didn’t articulate it as a political threat but he probably sees it that way.”

Opponents argue that the king can never be a reformer. “He makes it impossible to run a state professionally, ethically and efficiently,” says Wandile Dladlu of the banned opposition party, PUDEMO. “There is no clear distinction between private and public resources.” Sibongile Mazibuko, another activist, argues that whereas the killing of George Floyd in America was “a white knee on a black neck, here it is a black knee on a black neck.”

“Because it is out of the spotlight, Eswatini gets away with a lot,” says a former diplomat. There are just eight missions in the country. After South Africa, on which Eswatini depends economically, the most important may be Taiwan. Mswati’s government is the last in Africa with which it has diplomatic relations. That has resulted in an upside-down situation in which Taiwan lavishes aid to maintain an autocratic status quo while accusing China of being on the side of pro-democracy activists.

The crackdown may quell protests for a while. But it seems that the king’s popularity is waning. In 2015, according to Afrobarometer, a pollster, 79% of Swazis said they trusted him. Earlier this year the share was 50%. Large majorities said they supported multi-party democracy and wanted to choose their leader, suggesting a preference for, at least, a constitutional monarchy. And the longer his regime silences Swazis, the more likely it is that they will decide they do not need a king at all. ■

*Correction (July 8th 2021): Owing to a captioning error, this article was originally published with an incorrect photograph.*

*A version of this article was published online on July 7th 2021*

---

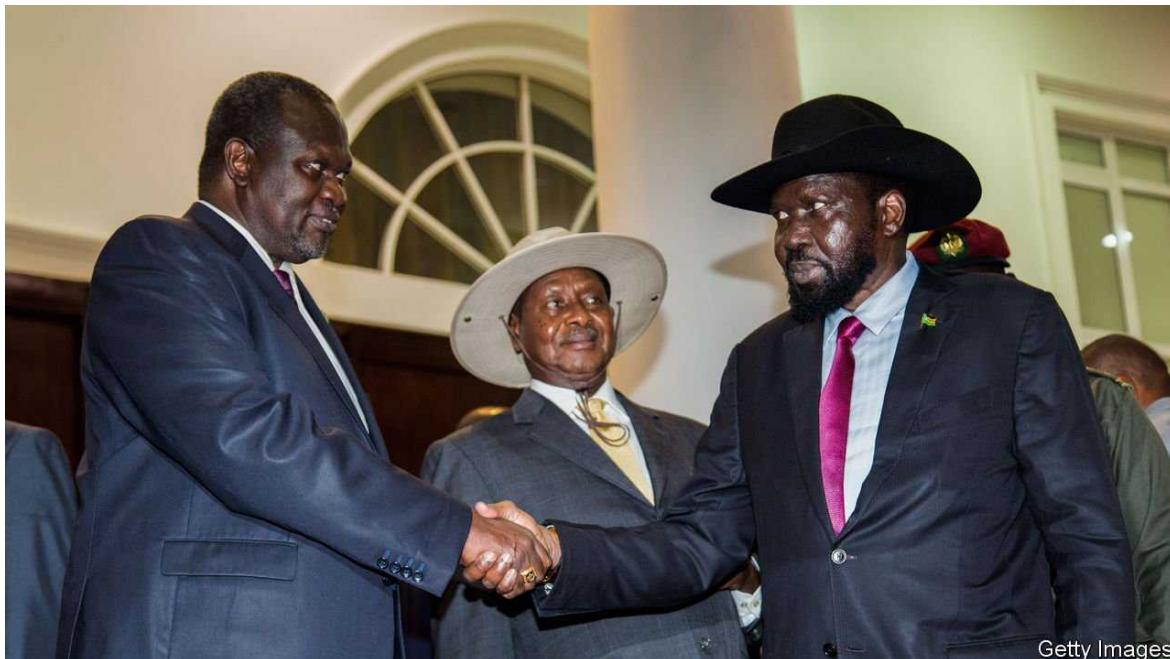
This article was downloaded by calibre from <https://www.economist.com/middle-east-and-africa/2021/07/07/king-mswati-iii-africas-last-absolute-monarch-cracks-down>

**Unhappy birthday**

## South Sudan's second decade may be as troubled as its first

*Tumultuous wars shall kin with kin confound*

Jul 10th 2021 | NAIROBI



Getty Images

MOST NATIONS are born in a flurry of optimism. South Sudan was no different. Ahead of its independence day on July 9th 2011, Salva Kiir, the country's first and only president, promised his people "a just, equitable and prosperous nation". Unshackled from its former overlords in the north, the new state would be "united and peaceful" within three years, its founding fathers predicted.

If any nation deserved some slack, it was South Sudan. In the half-century before it seceded from Muslim-dominated Sudan its people had known little but war, famine and enslavement. A decade later, however, South Sudan is neither just, nor equitable, nor prosperous. Having scoffed at those who suggested that it would "slip into civil war as soon as our flag is hoisted" in his independence-day speech, Mr Kiir helped unleash one just two years later. It claimed perhaps 400,000 lives before a tenuous ceasefire in 2018.

The blame for South Sudan's tragedy does not rest only on the shoulders of its leaders. The country's Western backers, particularly in America, were ludicrously unrealistic about what a state created from scratch, with little infrastructure or national identity, could achieve.

Such was the naivety that, in the years before independence, some American officials took to handing out Milton Friedman's "Capitalism and Freedom" to warlords preparing to swap their uniforms for suits. Others took up roles advising the new government on how to woo the foreign investment that would surely follow.

The American advisers have since slunk away. (One now runs a distillery in South Carolina.) Most foreign investors, after all, shy away from war-ravaged states. That South Sudan is ranked the world's sixth-hardest place to do business by the World Bank and sits at the bottom of Transparency International's corruption index may clinch the matter for any still wavering.

South Sudan's leaders turned out to be neither the cuddly human-rights champions imagined by the American left, nor the market-loving Friedmanites hoped for on the right. Instead, Mr Kiir's ruling Sudan People's Liberation Movement has proved to be murderous, larcenous and incompetent, as even once supportive Western officials now admit. "We veer between despair and disgust," says one.

Beyond the political elite, it is hard to find many people who are better off than they were before independence. Few have seen any benefit from the country's dwindling oil wealth. Humanitarian agencies calculate that a South Sudanese girl is more likely to die in childbirth than to complete secondary school.

There are a few reasons for cautious optimism. In 2018 President Kiir and his former deputy, Riek Machar, agreed to a peace agreement that more or less ended the fighting between their respective tribes. Mr Machar was reinstalled as first vice-president. Yet killing by ethnic militias continues. Four aid workers have been murdered in the past two months. Roughly a quarter of the population is still being fed by aid agencies; otherwise there would be famine. The deal between the president and his deputy is fragile.

Should South Sudan ever hold its first election (as it is supposed to do in December 2022), civil war could easily re-erupt.

Such a catastrophe could be averted. Western diplomats and regional powers hope to persuade both sides to strike a bargain whereby election losers are still granted a share of power. This could be done by rotating the presidency among ethnic alliances and guaranteeing vice-presidential slots to losing parties. South Sudan is short of many things, but not of vice-presidents: it has five. A federal system may pacify disgruntled minority groups.

Such reform would happen only if the president and his deputy, who both dream of holding untrammelled power, were persuaded to resign. That step might help South Sudan avoid becoming a failed state. Sadly, it seems most unlikely to be taken.■

---

This article was downloaded by calibre from <https://www.economist.com/middle-east-and-africa/2021/07/10/south-sudans-second-decade-may-be-as-troubled-as-its-first>

# The Americas

- [Haiti: A presidential assassination](#)
- [Urban malaise: Quitting the city](#)
- [Colombia: Blocking the schoolhouse door](#)
- [Bello: The clash in Peru](#)

## A presidential assassination

# The murder of Haiti's president will worsen the country's chaos

*Jovenel Moïse was unloved. But his death leaves the country with a power vacuum*

Jul 7th 2021



AP

OPPONENTS OF Jovenel Moïse, Haiti's president since 2017, have long wanted him to leave office. Now he has—but not in the way they were expecting. A group of unknown attackers shot and killed Mr Moïse in the bedroom of his private residence in a gated community on the outskirts of Port-au-Prince, the capital, in the early hours of July 7th. They also injured his wife, Claude Joseph, whom the president appointed as interim prime minister in April, announced the killing in a statement and said he had taken charge of the Caribbean country. Haiti was already in turmoil—much of it due to Mr Moïse's rule. His murder has added fuel to the flames.

On the morning after the murder Port-au-Prince's streets were unusually quiet, without the usual roar of motorcycles and bustle of market stalls, as Haitians tried to guess what might happen next. The city's airport was shut, as was the land border with the Dominican Republic.

The assassination has shocked a country which, for all its history of misrule and criminal violence, last witnessed the killing of a president in 1915. Rumours swirl about who was behind it. By the evening of July 7th the police chief announced that four suspects had been killed, and two more arrested. The assassins were probably mercenaries. The question is: who hired them? “It was obviously somebody with a lot of money and a lot of power,” says Monique Clesca, a former UN official.

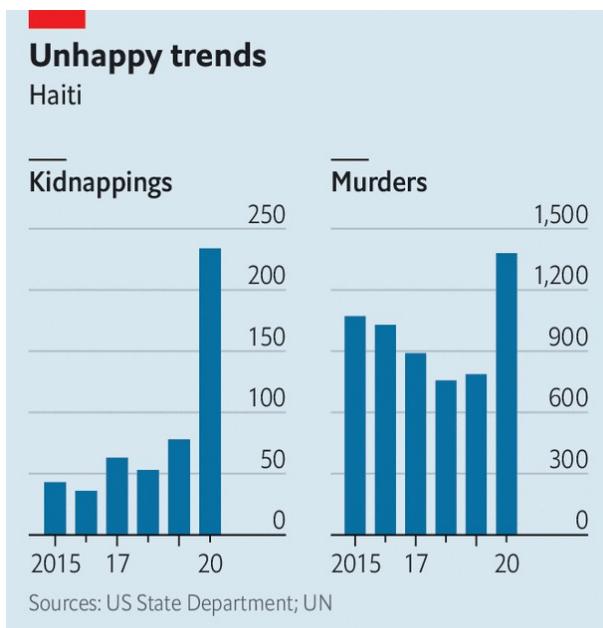
Many pointed the finger at opposition politicians or Haitian elites. Other Haitians, who given the country’s history are suspicious of foreign interference, suspect the attack came from outside, possibly from Venezuela or the United States. Mr Joseph said some of the attackers spoke Spanish (Haitians speak Creole and French). Another video suggested they spoke English and claimed to be agents of the US Drug Enforcement Administration. This is certainly not the case, but the whispers add to the volatile situation.

It was not the first attempt on Mr Moïse’s life—at least, according to him. In February his government arrested at least 23 people, including a top judge and a senior police officer, who were accused of plotting an assassination and coup. Mr Moïse, a former plantation manager who referred to himself as “Banana Man”, had no shortage of enemies. Critics accused him of involvement in the pilfering of millions of dollars from PetroCaribe, an aid fund from Venezuela. Opponents said his term ended in February, five years after his predecessor left office. He claimed his term started when he took power, a year later—a position backed by the United States, although Joe Biden’s administration urged new elections this year. Protests regularly broke out against his rule.

As the political crisis deepened, Mr Moïse became more authoritarian. Since January 2020, when he dismissed all but ten senators in the two-chamber legislature, the president had been ruling by decree. He used his powers to create an intelligence agency and broadened the definition of terrorism to include acts of dissent. Protesters were attacked by gangsters. Mr Moïse denied asking them to intimidate and kill his opponents.

Previous Haitian presidents have fostered violence and corruption, too. But under Mr Moïse the situation grew worse. Critics accused him of using

gangs to a greater extent to do his bidding, while having far less control over them, than previous presidents. In recent weeks fighting in Port-au-Prince has intensified; thousands of people had to flee their homes in June alone. By some estimates, kidnappings in Haiti tripled last year compared with 2019.



The Economist

Although Mr Moïse has been the focus of much discontent, his death is unlikely to simplify things. “He was a complicated and flawed person, but the people who made him the single focus of all that is wrong in the system of Haiti miss the larger failures of that system,” says Michael Deibert, an American expert on Haiti.

Mr Joseph has little legitimacy. Mr Moïse had nominated Ariel Henry, a doctor, as permanent prime minister; he was due to take office on the day of the assassination. The constitution does not provide for the lack of both a president and a National Assembly, and the chief justice of the Supreme Court, who could arbitrate, died two weeks ago of covid-19. The killing could also make it harder to hold elections for a new president and legislature, which are due in September.

In many ways Haiti already looks like a failed state. Men with guns have long terrorised its people. Only last month Jimmy Chérisier, alias Barbecue,

a former policeman and leader of an alliance of gangs, announced a “revolution” against the status quo (though many think he meant the opposition). The police are weaker than the gangs, who may now feel they have a free hand. Now that lawlessness has reached the country’s highest office, many Haitians fear the worst.■

*A version of this article was published online on July 7th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/the-americas/2021/07/07/the-murder-of-haitis-president-will-worsen-the-countrys-chaos>

## Quitting the city

# Ecuadorians are fed up with their dysfunctional capital

*After decades of mismanagement Quito is rocked by a political crisis*

Jul 10th 2021 | Quito



Alamy

QUITO HAS a lot going for it. Stretched along a breathtakingly high Andean valley beneath snow-capped volcanoes, Ecuador's capital is packed with historic buildings and enticing eateries. But it is woefully governed. In June the city council impeached Jorge Yunda, the mayor; he is charged with failing to hold city council meetings that would have solved an underground-railway crisis. He is also under investigation by the attorney-general's office on suspicion of embezzlement related to the purchase of faulty covid-19 tests (he denies both the embezzlement and the faulty tests). On July 1st the impeachment proceedings were affirmed by the electoral court. Mr Yunda now wears an electronic tag so that the authorities can monitor his movements.

The mayor is not the only problem. A shiny underground railway costing \$2bn has yet to be finished after five years of digging. Buses careen through the streets with little regard for road rules. Crime is rife: two policemen were

shot in their car in June and a prominent criminal lawyer was gunned down in April. The 500-year old city “needs to be reinvented”, says Gonzalo Ortiz, a former city councillor.

Quiteños tend to point to 2007 as the turning point in the city’s fortunes, when Rafael Correa, a populist, became president. His government pushed through a new constitution that called city administrations “autonomous decentralised governments”, but in practice weakened the authority of mayors. Even so the mayor of Quito at the time, Augusto Barrera, was an ally; he also stripped the vast metropolitan region’s districts of their power.

The new model failed to deliver the promised benefits. A new airport took three more years to complete than planned; Mr Barrera’s administration failed to build a proper access road to it (it was finally completed, five times over budget, by his successor). A project to clean up the main river in the city was never completed; it remains a sewer. Mr Barrera started the railway project but only oversaw the building of two stations and did not bother to work out who would run it.

In 2019 Mr Yunda won office with just 21% of the vote. His weak mandate has not helped matters, but he argues that now he is being targeted by a racist elite (he is of indigenous heritage). Whatever the cause, his shoddy management of the capital means that many are abandoning it for the wealthier suburbs, which are now thinking of seceding. Mr Yunda’s legacy may be an emptier, poorer Quito. ■

## Blocking the schoolhouse door

# A teachers' union tries to keep Colombia's schools closed

*Pupils have endured one of the longest lockdowns anywhere*

Jul 10th 2021 | Bogotá



Eyevine

LEARNING HAS always been difficult for Samuel Duván Rodríguez, a seven-year-old with a neuro-developmental disorder. It has become tougher still since his school in Bogotá, Colombia's capital, closed because of covid-19. His mother says he uses her phone to log in to his teacher's lessons. But he seems to take in little. It doesn't help that he has to share the device with his ten-year-old brother. Lately, however, neither child is learning anything at all, as all their teachers have been on strike.

If all goes to plan, schools in Colombia will finally reopen over the next two weeks, with most back by July 15th. Better late than never. Schools in Mexico and Brazil have already started to resume in-person teaching. By contrast, in Colombia children have borne one of the longest educational lockdowns in Latin America.

Mostly this is due to Fecode, the powerful state school teachers' union. It is part of the national strike committee that convened the anti-government protests that have convulsed Colombia since April 28th. As thousands took to the streets, its members refused to teach for at least 50 days. On July 8th, as *The Economist* went to press, it was planning another march in the capital against reopening schools.

The union is one of the most powerful in Latin America, a region already full of over-mighty unions. Fully 87% of Colombia's public-school teachers signed up to it. It has a history of throwing its weight around. In 2015 it went on strike to oppose a proposal to use more stringent measures to evaluate teachers; after three weeks, the government caved in. Since then the union has felt emboldened, says Isabel Segovia, an education analyst.

The pandemic has further strengthened it. Fecode teachers initially refused to teach because they believed it put them at risk of catching the virus, with some good reason. Around 11% of Colombia's schools lack running water, making hand-washing impossible. Even so much of the reason for the strike is political: the union wants a basic income programme that would cost 6% of GDP and to help elect a left-wing government in next year's elections.

Nelson Alarcón, a union leader, says all teachers should be vaccinated before Fecode agrees to resume classes. Ideally, children should be vaccinated, too. All teachers should stop working, he says, until the government adapts every school with water and enough space for students to learn at two metres apart. Like many union leaders, he sees no reason to compromise. The government has continued to pay teachers' salaries as they sit at home, so they have little incentive to get back to work.

Iván Duque, Colombia's president, has bungled his response to the teachers. Around 25% of Colombians have had one jab, less than in Argentina, Brazil and Mexico. Until recently, many teachers have indeed not been vaccinated; in parts of the country, fitness trainers got their jabs first. For the government "education is not a priority," claims Sandra García of the School of Government at Los Andes University in Bogotá. Last year it set aside \$106m of its pandemic emergency budget (of \$4bn) to adapt schools for social distancing. But the measure came months after schools had been shut, says Óscar Sánchez, a former secretary of education for Bogotá. The funds

were also disbursed to local governments, many of which are weak or corrupt.

Colombian students were already poorly served relative to their peers. Since the 2000s the government has spent 4% of GDP on education, less than in other poor Latin American countries. As there are not enough state schools, around half of children attend school in shifts. Teachers are poorly paid; nearly a third of primary-school teachers do not have a degree.

Meanwhile, although data are patchy, it seems that many children may not bother to go back to school. A study by Ms García suggests the dropout rate for Bogotá this year could be around 8% (it is usually around 3% nationally). Some teenagers are joining gangs. The pandemic and the school closures will result in a lost generation, worries Ms Segovia.■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/the-americas/2021/07/10/a-teachers-union-tries-to-keep-colombias-schools-closed>

**Bello**

# The clash in Peru over the election result continues

*The fight threatens to undermine democracy*

Jul 10th 2021



FOR A DEMOCRACY to survive, it needs democrats. When large parts of opposing political camps start to see each other as enemies to be crushed, rather than mere adversaries with whom to compete peacefully, then democracy comes under grave threat. That was the case in Spain in the 1930s, on the eve of its civil war, and in Brazil and Chile in the run-up to military coups in 1964 and 1973 respectively. In the past few weeks Peru has seemed worryingly unstable, after a polarised election campaign split the country down the middle.

The official count gave victory in a run-off on June 6th to Pedro Castillo, a teacher and union leader running for a far-left party, by just 44,000 votes (out of 17.6m) over his conservative opponent, Keiko Fujimori. Ms Fujimori's supporters have spent the past month crying fraud. They want to annul 200,000 of Mr Castillo's votes, alleging they were falsified. But on election day international observers found no serious irregularities. The United States and the European Union have praised the conduct of the

election. Ms Fujimori's lawyers have produced no proof of fraud. Nobody has come forward to back up their claims that signatures were forged. The electoral tribunal has so far rejected the allegations. It appears poised to declare Mr Castillo president.

Will the conservative camp accept defeat? Ms Fujimori has said she will respect the tribunal's ruling, though when she narrowly lost in 2016 she set out to thwart the centrist who defeated her. Others have been cruder. In a bizarre development Vladimiro Montesinos, the corrupt spy chief when Ms Fujimori's father ruled Peru as an autocrat in the 1990s, appeared in a taped phone call from his prison cell to a collaborator to be proposing to bribe members of the electoral tribunal. Scores of retired military officers last month signed a letter calling on the armed forces not to recognise an "illegitimate" president. A former presidential candidate has called for "a civilian-military alliance". This smacks of trying to overthrow democracy in the name of its defence. "It's very dangerous to start questioning the rules," says Paula Muñoz, a political scientist at the Pacific University in Lima.

But there are legitimate reasons for democrats to worry about Mr Castillo, too—and pressing ones, since it is he who is set to become president on July 28th. His party is Marxist-Leninist. Its founder and leader, Vladimir Cerrón, spent a decade in Cuba. Its programme includes large-scale nationalisations. Mr Cerrón is being investigated over claims of illegal campaign financing (which he denies). Mr Castillo's organised supporters include followers of a successor movement to the Shining Path, a terrorist group whose insurgency cost some 70,000 lives between 1980 and 1992.

Mr Castillo failed to use the run-off election to move convincingly to the centre. Instead of distancing himself from Mr Cerrón, at a meeting last month he agreed he would share power with him. Mr Castillo's statements have been contradictory. "We are not communists, we are not going to take anybody's property away," he said before meeting business leaders. "We will respect this constitution." Days later he said his first act as president would be to ask Congress to convoke a constituent assembly to write a new constitution "with the smell, colour and taste of the people". This was the device used by leftist populists such as Venezuela's Hugo Chávez and Bolivia's Evo Morales to concentrate power and try to rule indefinitely as autocrats.

Mr Castillo's position is weaker than that of those leaders. He won only 15% of the vote in the election's first round; his allies hold 42 of the 130 seats in the new Congress. He won only because many moderate Peruvians couldn't bring themselves to vote for Ms Fujimori. But he can draw on the force of the teachers' union and the *ronderos* (rural vigilantes). And he will have access to state resources.

At best the likely outcome is chaotic, poor governance. Mr Castillo has shown little ability to build alliances or a team capable of governing. He will take over a country still reeling from the pandemic and its associated recession. Peruvians want a government that deals with their problems, rather than embarking on a new constitution which polls show a majority do not want. In that case the question is how long the country will be able to tolerate an incompetent president. Congress has thrown out two presidents in the past five years. Before too long Peruvians could find themselves going back to the ballot box. Or they may face something far worse.

---

This article was downloaded by [calibre](#) from <https://www.economist.com/the-americas/2021/07/10/the-clash-in-peru-over-the-election-result-continues>

# **Europe**

- [Covid-19 in Russia: How not to do it](#)
- [Turkey: Scandals galore](#)
- [The Catholic church: Vatican rocked](#)
- [Folk festivals: After the plague, the revelry](#)
- [Charlemagne: The surreptitious socialist](#)

**How not to do it**

## Covid-19 deaths in Russia are soaring

*Hundreds of thousands are dead, partly thanks to the Kremlin's incompetence*

Jul 10th 2021



FOR THE past year the Kremlin has trumpeted its success in fighting covid-19. It eschewed lockdowns and hailed its home-grown Sputnik V vaccine. In early June, Vladimir Putin, the Russian president, boasted to thousands of guests at the St Petersburg International Economic Forum, billed as the world's largest post-pandemic international gathering, that "the current situation in Russia allows us to hold such events without any particular risk of spreading the infection."



The Economist

In fact, by the time Mr Putin was addressing his powwow, Russian doctors had for several weeks been registering an alarming rise in infections and deaths. A month later, Russia is in the midst of its third and most severe wave of covid-19, with more people dying daily than at any point during the pandemic (see chart).

The number of new daily cases is currently around 25,000, somewhat fewer than in Britain, and rising. But whereas in Britain this surge has translated into an average of 18 daily deaths over the past week, in Russia it has resulted in an average of 670 deaths a day.

The contrast is all the more striking because Russia was the first country in the world to approve a working vaccine, one based on the same science as the British-Swedish AstraZeneca one and apparently just as effective. But whereas in Britain 78% of the population has received at least one jab, in Russia the proportion is only 20%. The difference is not the availability or the efficacy of the jab, but people's trust in the government and its vaccines.

All of this could have been avoided. A year ago the government decided to lift a partial lockdown (Mr Putin called it "a holiday"), hoping to save itself money and to prop up the president's faltering popularity after a prolonged

slump in incomes. Mr Putin's ratings did go back up—but so did the risk of infection.

As the second wave hit Europe in late autumn last year, the Kremlin chose not to spend money on supporting people and businesses through a new lockdown. It left people to their own devices, playing down the risks, with Mr Putin boasting about the contrast between lifeless European cities and Moscow, where restaurants, theatres and shops stayed open.

But the numbers lied. By February 2021 Russia had one of the world's highest excess mortality rates, according to numbers compiled by *The Economist*. At that point it had registered 460,000 more deaths than normal, while its official covid-19 death toll was a more modest 85,000. But by in effect removing all restrictions and fiddling the numbers, the government managed to create a false sense of security.

This was just when people should have been urged to get vaccinated, says Denis Volkov of the Levada Centre, an independent pollster. Despite the staggering true number of deaths, in February his polling found that 57% of people were not worried about catching the virus. Most worryingly, two-thirds of the country rejected the idea of getting vaccinated.

The government, meanwhile, had other priorities, such as jailing Alexei Navalny, the most prominent opposition figure, and crushing street protests. This is where social-distancing rules came in handy. Mr Navalny's associates were put under house arrest for “urging the public to violate epidemiological restrictions”. At the same time Mr Putin packed 80,000 people into the Luzhniki stadium in Moscow for a ceremony to mark the seventh anniversary of the annexation of Crimea.

Many Russians concluded that the rules were merely a government ploy, to be evaded like so many of its prescriptions. They took a similarly dismissive view of the Sputnik V vaccine after its launch, with much fanfare, in early December.

Sputnik V was authorised before the results of its phase-3 clinical trials were ready. Once these were published, questions were raised about some inconsistencies and data availability, says Boris Reizis, a professor of

immunology at New York University's Grossman School of Medicine. Still, he says, the data suggest that Sputnik V is at least as safe and effective as other adenovirus-based vaccines, such as those made by AstraZeneca and Johnson & Johnson. But the damage had been done.

To be sure, confidence in vaccines is fragile everywhere. But in Russia nobody has done more to undermine such confidence than the Kremlin and its loyal, conspiracy-peddling media. Mr Putin has hijacked Sputnik V for the purpose of geopolitical point-scoring. Yet he dithered with his own vaccination until the end of March and refused to be photographed being injected, despite his usual penchant for bare-chested publicity stunts. He has also suggested that vaccines from other countries are unsafe.

That has done little to reassure the many Russians who expect their government to lie to them. They have good reason: it turns out that some people who were told they were getting Sputnik V were in fact given EpiVacCorona, another Russian vaccine praised by Mr Putin, but about which there are serious concerns. Hardly any countries have approved it.

Failing to win trust, Russian authorities are resorting to sticks and carrots. In Moscow, restaurants and cafés are allowed to serve people indoors only if they have a QR code proving they have been vaccinated. Hospitals refuse routine treatment to anyone without a jab. Public-sector and service workers have been ordered to get vaccinated. But although more people are now signing up for jabs, there is a side-effect: a thriving black market for fake vaccination certificates, QR codes and medical exemptions. None of this bodes well for hospitals across the country, as the numbers continue to mount. ■

Dig deeper

*All our stories relating to the pandemic and the vaccines can be found on our [coronavirus hub](#). You can also find trackers showing [the global roll-out of vaccines](#), [excess deaths by country](#) and the virus's spread across [Europe](#) and [America](#).*



## Trouble in Turkey

# Recep Tayyip Erdogan's image and Turkey's economy are both taking a battering

*As belts tighten, Turks are less forgiving of scandal in high places*

Jul 10th 2021



Getty Images

FOR A MOMENT, Turkey's President Recep Tayyip Erdogan had reason to hope that the storm unleashed by Sedat Peker, an exiled mobster with a YouTube account and an axe to grind with Mr Erdogan's government, would blow over. Mr Peker, who has taken to social media to sling accusations of corruption, drug- and arms-trafficking, and murder at senior members of the ruling Justice and Development (AK) party, announced on June 20th that he would temporarily stop uploading new videos. The mob leader, who is thought to be living in the United Arab Emirates, claimed local authorities had warned him he risked being assassinated.

Mr Erdogan's relief was short-lived. Only a day after Mr Peker's revelation, America's Department of Justice announced that police in Austria had arrested a Turkish businessman, Sezgin Baran Korkmaz, who featured in some of the videos. The department accuses Mr Korkmaz of laundering more than \$133m of proceeds from a fraud scheme through accounts in

Turkey and Luxembourg. The businessman is alleged to have teamed up with two members of a polygamist sect based in Utah and a fuel-company owner to defraud America's treasury of hundreds of millions of dollars by filing false claims for renewable fuel-tax credits. Mr Korkmaz and company allegedly spent the money on an airline, hotels in Turkey and Switzerland, seafront property in Istanbul, and a yacht 46 metres long. They also tried to cultivate a relationship with Mr Erdogan. Jacob Kingston, who pleaded guilty to his part in the scheme two years ago, was once photographed with the Turkish president at an "Invest in Turkey" event.

Mr Korkmaz, who denies any wrongdoing, may now have some interesting conversations with American investigators. Mr Peker claims that Mr Korkmaz, who is also under investigation in Turkey, slipped out of the country late last year thanks to a tip-off by the interior minister. The mobster has also leaked the names of a number of government heavyweights, including Mr Erdogan's last prime minister and the head of Turkey's defence-procurement agency, as well as judges, police chiefs and pro-government journalists, who he says stayed at Mr Korkmaz's fancy hotel, mostly free of charge.



The Economist

The chances of an official inquiry into Mr Peker's claims are slim. But Mr Erdogan has been unable to take the sting out of the scandal. AK supporters

who stomached evidence of corruption when the economy boomed are less forgiving today, as surging prices and a collapsing currency devour their earnings. The inflation rate shot up to 17.5% in June, the highest level in two years. The lira has dipped to new lows against the dollar (see chart), most recently after Mr Erdogan said he had asked the central bank to begin cutting interest rates. The World Bank suggests that the economic crisis, compounded by the covid-19 pandemic, pushed as many as 1.6m Turks into poverty last year alone.

For the first time in years, Turkey's president appears vulnerable. Support for his AK party has sunk to 26%, the lowest since its launch two decades ago, according to a poll by Turkiye Raporu, a research group. If a presidential election were held today, Mr Erdogan would lose to any of the three main potential contenders, surveys suggest. Elections are set for 2023. Fully 58% of Turks, as well as the main opposition parties, want them sooner.

Mr Erdogan also seems to be losing his touch. The Turkish strongman recently ordered state institutions to rein in expenditures and suspend property and construction projects. (The office of the presidency was, of course, excluded.) Days later, a handful of newspapers published images of a presidential estate valued at 640m lira (\$74m), complete with a swimming pool and a beach shaped to resemble the Turkish crescent, built for Mr Erdogan on the country's Mediterranean coast. For a leader who still proclaims himself a man of the people, this is hardly a good look. ■

**Vatican rocked**

## A cardinal goes on trial

*Not something you see every day*

Jul 10th 2021 | ROME



VATICAN SCANDALS are nothing if not colourful. The latest involves claims of extortion, a kidnapped nun, and a security expert alleged to have frittered prodigious amounts of the Holy See's money on luxury goods and services.

On July 3rd a Vatican judge sent ten people, including a cardinal, Angelo Becciu, for trial on charges including embezzlement, abuse of office, extortion and fraud. All deny wrongdoing. The news was overshadowed by the following day's announcement that Pope Francis was undergoing an operation to remove part of his colon. But it is the trial, due to open on July 27th, that is likely to leave a more enduring mark on his pontificate.

Cardinal Becciu had been the second most powerful official in the Holy See's bureaucracy, as deputy secretary of state, a friend of Francis and once seen as his possible successor. Among his fellow defendants are the former president and director of the Vatican's financial regulator. The indictments

suggest Francis will spare no one in his determination to cleanse the Vatican's murky finances. But they also raise questions about his methods.

The prosecutors have wound three strands into one trial. The first, which prompted the cardinal's dismissal last year, relates to his payment of €100,000 (\$118,000) to a diocesan co-operative run by his brother. The second concerns his relationship with Cecilia Marogna, whom he hired as a consultant and into whose firm his office allegedly funnelled €575,000. The money was meant for operations that included securing the release of a nun kidnapped in Colombia. The prosecution says much of the cash was spent at places like Prada and Louis Vuitton and in spas.

Central to this tangled skein is a property deal. Cardinal Becciu is alleged to have inspired the Secretariat of State's investment of €350m in a commercial property in London. Structured in a highly complex way, the money was invested through a fund operated by a London-based Italian financier who is among those charged. The secretariat, using money largely donated by the faithful, originally took a minority stake. But, dissatisfied with the arrangement, it decided in 2018 to buy the entire property, and turned to another Italian intermediary, Gianluigi Torzi, who pocketed a €15m fee the Vatican's prosecutors claim was extorted. The Vatican's financial regulator, which became involved in negotiating with Mr Torzi, is accused of exceeding its remit and failing to report the transaction to the prosecutors.

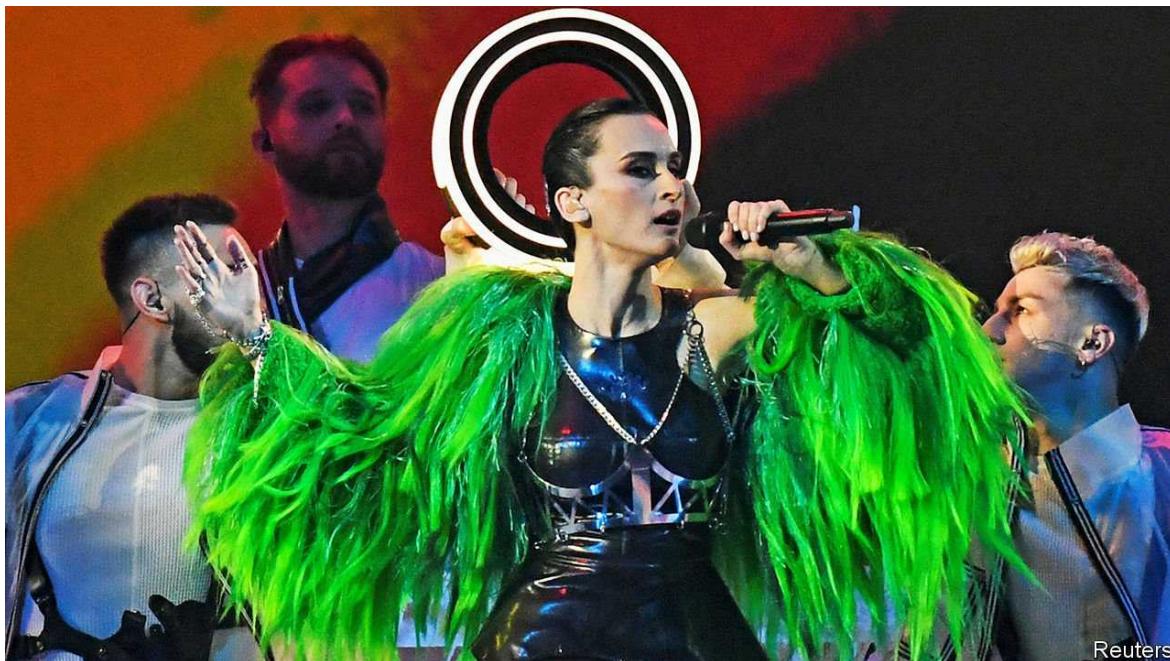
Whether it is wise to put regulators on trial is one worry. Another is whether the defendants can get a fair hearing: their lawyers were given just 24 days to respond to a 487-page charge-sheet. A third is whether the Vatican is shifting the blame. According to Mr Torzi, the pope knew of his involvement; and that his right-hand man, the secretary of state, Cardinal Pietro Parolin, approved it. Tricky, your Holiness. ■

**Summer of fun**

## European folk festivals reboot as covid-19 ebbs

*From baptising horses to building human towers, odd traditions revive*

Jul 10th 2021 | Amsterdam



Reuters

IN NORMAL YEARS, on Trinity Sunday (eight weeks after Easter), thousands of denizens of the Belgian city of Mons chase an enormous plastic dragon around the town square until a local, dressed as St George, arrives on a horse and kills it. The procession, known as the Ducasse de Mons or simply Doudou, originated in the 14th century to celebrate the end of an outbreak of plague. But for the past two years the Doudou has been cancelled by a new plague, along with most of Europe's traditional carnivals and festivals.

This summer, with vaccinations beginning to tame covid-19, the continent's folk gatherings are coming back to life. In June Swedes staged scaled-back versions of their Midsommar solstice celebrations. (Unlike the film of the same name these did not involve tossing old people off cliffs, though parliament did toss out the prime minister.) In Norway the Sami, an indigenous Scandinavian people, will hold their annual Riddu Riddu art and music festival, this time with new additions such as a seminar on sexuality.

The village of Goudelin, in Brittany, plans to resume its peculiar mid-July practice of driving its horses into a pond and baptising them.

Many festivals have roots in Christian or pagan rites, as with the *festa major* of Vilafranca in Catalonia in late August, which honours the town's patron, St Felix. Why his celebration should involve the world's biggest human-tower competition is not clear. Others have lost their religious connections. Manresa, just up the road from Vilafranca, ended its August procession of holy relics (bits of saints' bodies) decades ago, replacing it with a street carnival involving costumed demons and fireworks.

Such customs give people a sense of belonging. More prosaically, they bring in tourists. They are also often linked to politics. The Lemko Watra, a festival in July devoted to the music and culture of southern Poland's Lemko minority, got started in the 1980s, when celebrating ethnic traditions was one of the few types of cultural non-conformism that the communist regime tolerated. Similarly, Soviet Ukraine preserved its summer-solstice festivals, called Ivan Kupalo, and its weirdly shrill folk music. That hypnotic traditional vocal style helped Go\_A, a Ukrainian group, win the second-most audience votes this spring at Europe's biggest annual folk gathering of all: the Eurovision Song Contest.

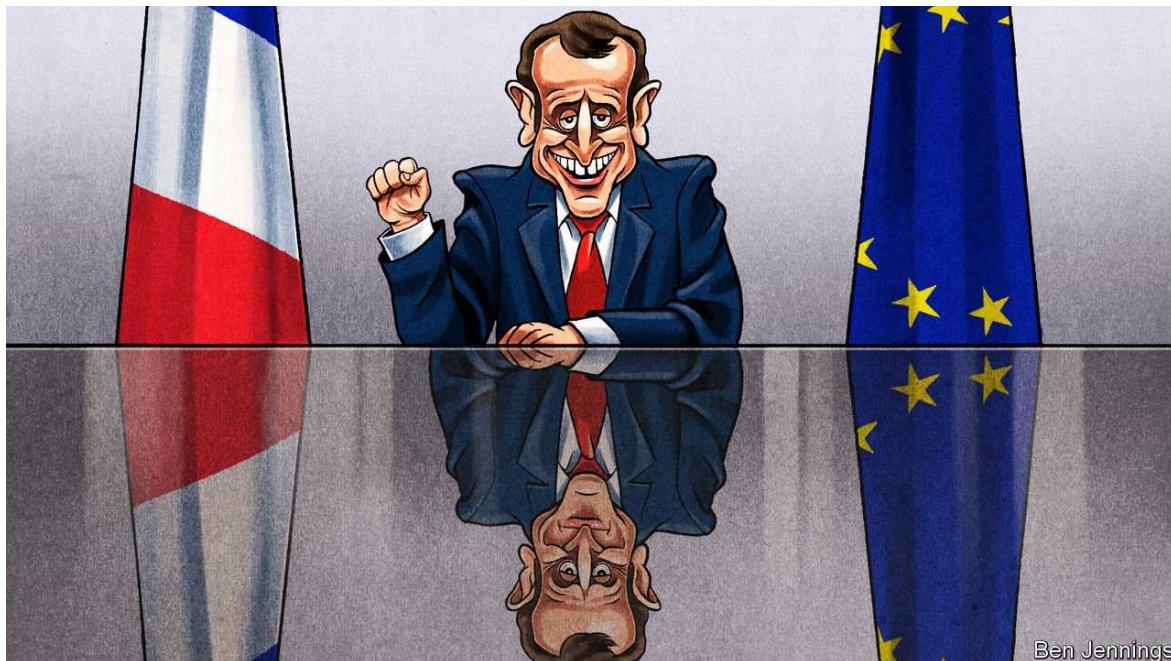
---

**Charlemagne**

## Emmanuel Macron, surreptitious socialist

*The French president, seducer of the right, has embraced big government*

Jul 10th 2021



THE TONE was sharp. Both hands were thumped testily on the table. The water glass trembled. “We’re putting a mad amount of dosh into social benefits!” cried Emmanuel Macron, sitting with his advisers upon silk-upholstered chairs in the Elysée palace. The video, posted unapologetically by an aide, went viral. This was in 2018, only a year into his presidency, and confirmed what many of the French already suspected. Their new president —a former investment banker, who scrapped the wealth tax and picked one (and later another) centre-right prime minister—was a right-leaning liberal who secretly sought to reward the rich and demolish the *modèle social*, France’s cradle-to-grave welfare state.

The image endures. The president is still linked in the French mind to looser labour laws, an end to special pension rights for railway workers, and the longest strikes since 1968. In protest at his proposed (and later shelved) general pension reform, these seemed to bring France to a standstill, just weeks before the pandemic really did. Tough laws on security and Islamist

extremism appeared to confirm a shift to the right. Today Mr Macron is muttering again about tightening pension rules to keep the French at their desks until later in life. France, a land of slow dining and swift indignation, is bracing itself for the worst. To revive pension reform now, said Laurent Berger, a (moderate) union leader, would be “totally crazy politically” and “socially explosive”.

But what if, for a moment, the conceptually minded French were to set aside the boxes into which they so eagerly confine their politicians and take a closer look at what has also been going on? Those on the left who think the president has shamelessly betrayed all their ideals may find the evidence challenging. For Mr Macron has turned into something of a closet socialist.

The most visible evidence of the president channelling his inner Mitterrand is to be found in his new relationship with the public purse. When the pandemic struck, Mr Macron borrowed a turn of phrase from Mario Draghi, vowing to spend “*quoi qu'il en coûte* (whatever it costs)” to fight it. Since then he has, in his own words, “nationalised” wages and firms’ operating accounts, spending ten times more last year to keep firms and furloughed workers going than France ever earned in a year from the old wealth tax.

Macronian handouts have proliferated: €300 (\$354) for 18-year-olds to spend on “culture”; an extra €150 for those on benefits; up to €650 a month more for health workers; university meals capped at €1; free breakfasts at schools in deprived areas; free sanitary products for female students; an extra €100 a month for retired low-income farmers—a proposal, incidentally, from none other than the Communists. “We’re catapulting billions” of public money all over the place, declared Adrien Quatennens, a hard-left deputy, as if unable to decide whether to applaud or disapprove.

None of this, of course, is unique to France. Joe Biden’s stimulus plan dwarfs Mr Macron’s. Yet, before the pandemic, France was not only more generous and better at correcting inequality than America (not difficult). As a share of GDP it also outspent all the Nordic countries on social programmes (a lot harder). Mr Macron, in other words, has succeeded in expanding an already highly socialised economy—and in doing so pushed France’s public-debt levels way above the current high European Union average.

Less noticed is a growing corpus of progressive rights and rules Mr Macron has also introduced: a doubling of guaranteed paternity leave to four weeks as of this month, with one week compulsory; fines for firms that fail to close the gender pay gap; the right for gay women to free fertility treatment, a historic first for France.

Abroad, Mr Macron is often judged a solo *provocateur*, out to impose France's views while claiming to speak for Europe. Less well known is his Gordon Brown-like record of championing progressive multilateral causes, including those now credited to Mr Biden, from a global minimum corporate-tax rate (a Macron pledge in 2017) to vaccines for Africa. "Coming from the left," says Clément Beaune, his Europe minister, "I don't have any sense at all that he has betrayed the social-democratic tendency."

Why, if this is true, does none of it alter judgments of Mr Macron's politics? The answer may lie in what psychologists call cognitive dissonance. The president is an elite, tax-cutting ex-banker who recruits from the right; ergo, he cannot also be a lefty. Contradictory evidence confuses. In his well-cut suits and shiny leather shoes, Mr Macron simply looks an improbable defender of the downtrodden. When, in full presidential dress, he turned up to an online youth video studio and talked about the need to combat "menstrual precarity" among the homeless, viewers were dumbstruck. Was this the same president who rejects woke culture, and once haughtily told a gardener to just "cross the road" to find a job?

## **Centre of attention**

Perhaps such dissonance is what Mr Macron seeks. Ahead of the presidential vote in 2022, France's centre of political gravity has shifted to the right. This, not the left, is where his toughest competition will come from. Mr Macron's nod to the left is studiously mild by French class-warrior standards, and in line with his intellectual roots. If anything he is reconnecting not with Mitterrand but Michel Rocard, the Socialist ex-president's centre-left prime minister and a mentor (among many) to the younger Mr Macron.

If Mr Macron gets no credit for progressive policies, this may also be intrinsic to his project. Vowing to be "neither on the left nor the right", he is

forever caught between inflated expectations on both sides and inbuilt dissatisfaction at the compromises pragmatic politics impose. Such is the lot of the radical centrist. Yet the contradictions may also quite suit a country that thinks it prizes theoretical purity, but is actually often happy to live with messy compromise. Unappreciated progressive, imperfect liberal, implausible conservative: Mr Macron's policy mix may work well enough in practice, even if not in theory. *Vive la France!* ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/europe/2021/07/10/emmanuel-macron-surreptitious-socialist>

# Britain

- [Hospital queues: The mystery at the heart of the NHS](#)
- [Lockdown: The strange myth of liberal England](#)
- [A fintech share listing: Direct transfer](#)
- [Morrisons: Price war](#)
- [Local news: Night crawlers](#)
- [Romance: Tall, handsome—and darker](#)
- [Carmaking: Pedal to the metal](#)
- [Bagehot: Band of brothers](#)

**Get ready for queues**

# The mystery at the heart of the National Health Service

*Millions of patients did not turn up during the pandemic. When will they finally do so? And how ill will they be?*

Jul 10th 2021 | Milton Keynes

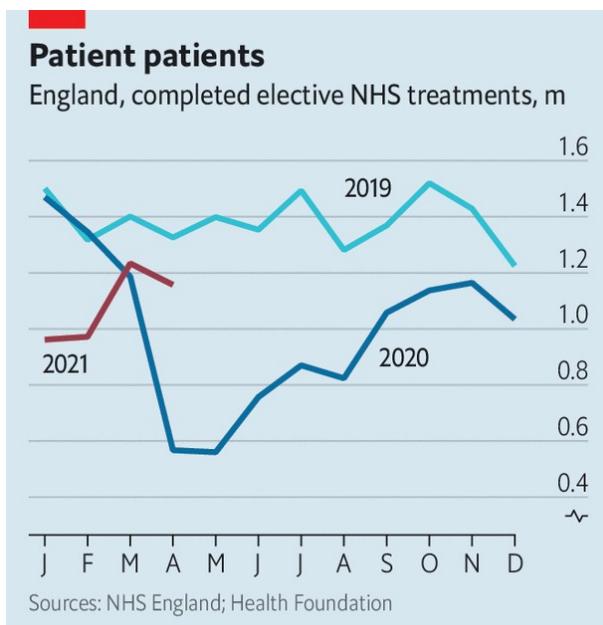


Getty Images

IT IS MIDDAY in Milton Keynes, and a young woman is coming round after surgery on her vocal cords. Her breathing was controlled during the operation, so she is woken carefully, surrounded by blue-scrubbed medics. A chronic smoker, she issues a series of hacking coughs, attempting to clear built-up phlegm—and the medics are once more exposed to any illnesses she may be carrying.

Throat surgery is known by a newly popular acronym: it is an AGP, or Aerosol-Generating Procedure. The entire point of ear, nose and throat surgery, says Hamid Manji, Milton Keynes University Hospital's clinical director for surgery, is to “mess around with that airway mucosa, be it pharyngeal, be it nasal or in this case vocal”. That releases viruses, which is a problem during a pandemic.

Lots of this sort of surgery stopped last year. Now theatres are deep-cleaned between procedures, and patients must isolate and take a covid-19 test before arriving. The result is an enormous backlog. Across England, and in all specialisms, more than 5.1m operations are waiting to be carried out, the longest list since records began. And the waits are increasingly lengthy: nearly 400,000 of these operations have been planned for more than a year, up from 1,500-odd before the pandemic.



The Economist

These numbers tell only part of the story. Some 4.6m fewer people completed elective treatment in 2020 than in the year before, as patients avoided their general practitioners and hospitals shut to all but the most unwell. The trend has not abated this year (see chart). Nobody knows when, or in what condition and numbers, these missing patients will eventually show up. But a year without treatment is certain to have taken a toll.

All this is making politicians nervous. “The public totally understand the cause now is covid,” says a senior Tory. “The hardest thing to explain is that [waiting lists] will keep going up.” Sajid Javid, the new secretary of state for health and social care, has started preparing the ground, warning in an article for the *Mail on Sunday* that the backlog is “going to get far worse before it gets better”. The last time queues were so long, under Tony Blair’s Labour government, polling found that no issue bothered voters more.

In the early 2000s Mr Blair sought to cut waiting lists by raising inflation-adjusted spending on the health service by at least 6% a year. Boris Johnson's government has so far promised £1.2bn (\$1.7bn) extra, less than 1% of the health service's pre-pandemic budget. More is expected in the next spending review, due later in the year. By then, the true length of the queue should be clearer. So, too, should the health service's ability to get through it. "We need to identify how fast we can go," says Chris Hopson, the chief executive of NHS Providers, which represents hospitals.

One requirement will be to increase capacity. England has fewer CT or MRI scanners per person than any other European country, for example, so money has been set aside for 44 new community diagnostic hubs in the next financial year. That should free up equipment for patients in hospitals. Extra covid-19 funding is enabling hospitals to recruit local private providers. But the hope is that the health service can become more efficient, too.

"They are now calling us Bones R Us," laughs Krishna Vemulapalli, a surgeon in east London. Last year his hospital ran a "bones week" to see how many joint replacements could be done in seven days, and to identify bottlenecks. Across six theatres, ten consultants worked from 8am to 8pm. An extra porter ensured there was no down time between patients. Lunch breaks were staggered. The aim was 100 joint replacements; they managed 135, with most patients going home the same day. The hospital has also tried a "gut-feeling week" (to maximise endoscopies) and is planning "ENT 3.0" (three times the normal number of ear, nose and throat operations).

Bones week was an extreme example of "high-volume, low-complexity" (HVLC) surgery. The approach originated in London, helping to explain why the capital has been quicker than other places to cut waiting lists. The surgical process is broken down into steps, from before patients arrive at hospital to their recovery, with hospitals benchmarked against the top 10% of performers for outcomes and efficiency. By streamlining the simple stuff, time is freed up for trickier operations. The health service now wants to spread HVLC across the country, and across specialities.

NHS board papers promise "air cover" (extra money) to reward top performers and to support stragglers. Yet cash is not the only obstacle. Covid-19 continues to be another, because hospitalisations eat up resources,

cases cause staff absences and precautions slow things down. “Even if it’s only five minutes to clean the outpatient consulting room, it’s five minutes on 20 patients, and suddenly you’ve lost an hour and a half,” says Joe Harrison, chief executive of the Milton Keynes hospital trust.

Mr Harrison credits free parking and coffee for all staff with helping recruitment in Milton Keynes. Across the country, though, hiring problems will place limits on the recovery. Recruiting from abroad is increasingly difficult because of global shortages, notes Siva Anandaciva of the King’s Fund, a think-tank. “You can start expanding training places; you can start building medical schools, as the government is doing,” he adds. “But will that bear fruit between now and the end of Parliament? Probably not.”

Nor is the recovery the only task faced by hospital managers. A new NHS bill published on July 7th requires them to forge ahead with plans to move health care out of hospitals and integrate it better with social care. “I was talking to one chief operating officer,” says Mr Anandaciva, “and he was saying, ‘I feel like I’ve got two jobs: one is to go for the biggest elective backlog in two decades; the other is to make the biggest transformational shift in how health care is planned and delivered in 20 years.’”

In fact, reforms introduced in the early 2000s by Labour to deal with waiting lists are now being undone. Even with the focus on waiting lists, and lots of cash, it took Labour the best part of a decade to meet its targets. Few expect a quick resolution this time, but one date looms large. “Health-care leaders know that ministers will be focused on the next general election,” says Mr Hopson. The government came to power promising to protect the NHS. Any failure to do so will be punished. ■

## The strange myth of liberal England

# Some Britons crave permanent pandemic lockdown

*While the government prepares for “Freedom Day”, some Britons favour lasting curbs*

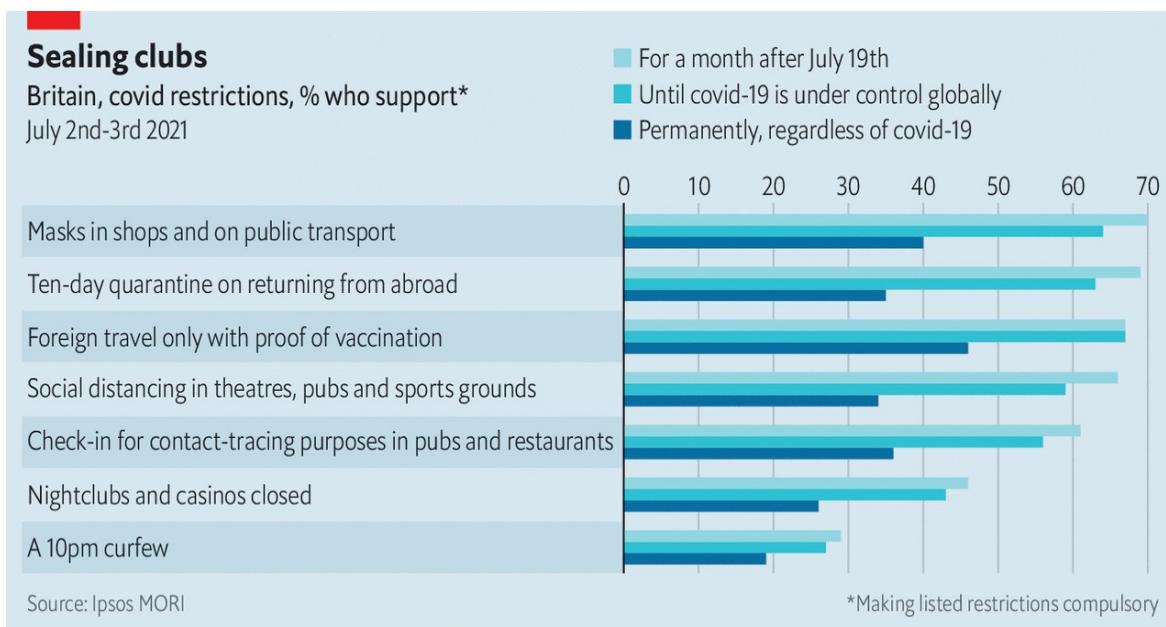
Jul 10th 2021



BORIS JOHNSON can often channel John Bull, a ruddy cartoon figure from Georgian England. He personified the liberty-loving English yeoman, in opposition to Napoleonic tyranny. Announcing England’s first pandemic lockdown in March 2020, Mr Johnson lamented “taking away the ancient, inalienable right of free-born people of the United Kingdom to go to the pub”. Government behavioural scientists warned that Britons would defy even modest restrictions, and fretted about disorder and looting.

Bull. For 16 months Britons have complied dutifully and, for the most part, uncomplainingly. But on July 19th Mr Johnson will scrap nearly all the remaining anti-covid measures in England. Nightclubs will reopen, capacity caps will be lifted on restaurants and masks will no longer be mandatory. The tabloids have dubbed it “Freedom Day”. Conservative MPs are overjoyed; many Britons are not.

Polling by Ipsos MORI for *The Economist* suggests two-thirds think masks, social distancing and travel restrictions should continue for another month (see chart). A majority would support them until covid-19 is controlled worldwide, which may take years. Even more strikingly, a sizeable minority would like personal freedoms to be restricted permanently. A quarter say nightclubs and casinos should never reopen; almost two in ten would support an indefinite ban on leaving home after 10pm “without good reason”.



The Economist

Some caution is hardly surprising. Cases are rising fast and may reach 100,000 a day, according to Sajid Javid, the health secretary. That would be nearly twice as many as at the peak of the winter wave. Sir Keir Starmer, the opposition leader, calls the removal of restrictions “reckless”.

Yet Britain’s exceptionally high vaccination rate will limit the rise in hospital admissions and deaths. Vaccination has driven covid-19’s fatality rate down from 0.8% of estimated infections to below 0.1%, the same as for seasonal flu. Unlocking now will mean the increase in covid-19 infections comes before winter, when flu picks up. Schools, where much transmission happens, are about to go on holiday.

Public willingness to sacrifice for the common good in a time of crisis has surprised ministers. One insider says he has changed his mind on whether Britons would volunteer for war: “I’d always assumed that if my generation was shown the Kitchener poster, they’d say: ‘No chance, mate’.” But the pandemic has also revealed John Bull’s authoritarian streak.

Many Britons did not go out dancing or drinking, or take overseas holidays, even before the pandemic. Nightclubs, casinos and dark streets harbour all sorts of wrongdoers. For some, it seems, endless lockdown is an acceptable price for everyone else staying home. ■

Dig deeper

*All our stories relating to the pandemic and the vaccines can be found on our [coronavirus hub](#). You can also find trackers showing [the global roll-out of vaccines](#), [excess deaths by country](#) and the virus’s spread across [Europe](#) and [America](#).*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/britain/2021/07/10/some-britons-crave-permanent-pandemic-lockdown>

## Wise PLC

# Wise's listing gives a boost to London's equity market

*City investors have given the fintech firm a warm welcome*

Jul 10th 2021



Press Association

FOR A FINTECH company, Wise (formerly TransferWise) had a refreshingly analogue birth. Kristo Kaarmann and Taavet Hinrikus, two Estonians living in London, met at a party in 2007. Mr Hinrikus was being paid in Estonian kroon that he exchanged for pounds each month; Mr Kaarmann was converting his sterling salary into kroon to pay his mortgage back home. Both were fed up with bank fees. So they devised a workaround. Every month Mr Kaarmann topped up Mr Hinrikus's British account, and Mr Hinrikus did the same for Mr Kaarmann's Estonian one, setting the amounts according to the mid-market exchange rate—naturally, fee-free.

The business they set up in 2011 to provide a similar service for others now has 10m customers. On July 7th it went public on the London Stock Exchange (LSE), with an opening valuation of £8bn (\$11bn). Fittingly for a company set up to eliminate transaction charges, it did so without an initial public offering (IPO), thus avoiding the hefty fees banks charge for

marketing newly minted shares to institutional investors. Such direct listings have become increasingly common for tech firms in America: Spotify, Slack, Palantir and Coinbase have all used them in recent years. But Wise is the only company to have completed one in the City of London, apart from the LSE itself.

Wise's valuation will have cheered its founders, who have seen it more than double in the past 12 months. City executives whose revenues depend on London listings are likely to have breathed a sigh of relief, too. Earlier this year Deliveroo, an eight-year-old food-delivery company, was handed a drubbing at its IPO. Many of the City's biggest fund managers refused to participate, and on the first day of trading its share price fell by 26%. The debacle raised fears that Britain's equity market is insufficiently hospitable to the tech firms set to be this century's stars.

Wise's warmer welcome is in part a sign of greater confidence in its business model. It has been making profits since 2017, something Deliveroo has still not managed to do. No awkward questions hang over the employment status of its workers; Deliveroo's IPO documentation included warnings about legal inquiries in Britain, France, the Netherlands and Spain. Wise's business model, unlike dispatching drivers with food, is eminently scaleable. And its path to growth is clear. Although it processed £54bn of international cash transfers in the most recent financial year, it reckons it still only handles £1 out of every £40 sent across borders by individuals. Meanwhile it is branching out into serving small- and medium-sized businesses, which transfer £7trn a year across borders.

Even so, animal spirits being what they are, the successful listing will boost the City's hopes for more. In an arrangement common for tech founders, for the next five years each of Mr Kaarmann's shares will grant him nine votes for every one given to holders of those traded on the LSE. Such dual-class structures have been criticised in the past. But when City investors were offered shares in a profitable fast-growing business, all such concerns seemed to evaporate. ■

## British equity market

# Private-equity firms battle to buy Morrisons

*Investors are clamouring to buy Britain's fourth-largest supermarket group*

Jul 10th 2021



Getty Images

SIR KEN MORRISON took over his father's market stalls in Bradford in 1952, 53 years after they started selling eggs and butter. Soon he was running one grocery shop, and then many. In 1967 Morrisons went public, in a share offering that was 174 times oversubscribed.

Now Britain's fourth-largest supermarket chain—and the poshest of its budget outlets—is in high demand once more, this time from bidders seeking to take it private again. On June 14th Clayton, Dubilier & Rice (CD&R), an American private-equity group, offered £2.30 (\$3.25) a share, a 31% premium to the closing price the previous day. The board turned its nose up at the bid, saying that it “significantly undervalued Morrisons and its future prospects”. But on July 3rd it accepted a rival offer of £2.54 from a consortium led by Fortress, another private-equity group. That values Morrisons at £9.5bn, including £3.2bn of debt.

Under Britain's takeover code, CD&R has until July 17th to make a better offer. Apollo, a third private-equity group, is also considering a bid. Industry analysts think Amazon may be interested, too. As *The Economist* went to press on July 8th, the share price stood at £2.67, 52% higher than before CD&R's offer.

The battle to buy Morrisons fits into a broader trend in London's stockmarket. The first half of 2021 saw a record-breaking number of bids from private investors, even after years in which the number of firms listed on the London Stock Exchange declined. Five years of Brexit-induced political and currency risk have left shares looking cheap. Although the turmoil has largely subsided, sterling is still low by historical standards, which adds to the attraction for private-equity funds sitting on \$1.9trn of unspent capital.

All the same, many wonder how private investors can justify such a high premium for Morrisons. One possibility is that they intend to asset-strip: its property portfolio, which includes 85% of its stores, is thought to be worth around £8bn. (Fortress, for its part, has said it intends to hang onto them.)

Another is that the bidders spy more productive routes to increasing profits. James Anstead of Barclays, a bank, points out that Fortress owns Majestic Wine, a high-street retailer, and CD& R owns Motor Fuel Group, a petrol-forecourt operator. Either, but particularly the latter, could combine well with Morrisons and make both more valuable. For CD& R, this would mean following a trail blazed by Asda, Britain's third-largest supermarket chain by market share. It was taken private earlier this year by the Issa brothers, who also own a petrol-forecourt business.

A third possibility is that public markets are seriously undervaluing Britain's food retailers. They have spent years cutting debt and filling holes in their pension funds, says Clive Black of Shore Capital, an investment firm. The larger chains are now generating enviable—and enviably stable—cash flows, but with little benefit to their share prices. Private investors, it seems, place a higher value on them than the stockmarket does. "If traditional fund managers want to know why British supermarkets are going private," says Mr Black, "they ought to look in the mirror." ■

This article was downloaded by calibre from <https://www.economist.com/britain/2021/07/10/private-equity-firms-battle-to-buy-morrison>

## Night crawlers

# Local news is booming

*Small, independent outlets are finding readers—but little profit*

Jul 10th 2021



Getty Images

“SOMETIMES WE TURN up at crime scenes before fire engines and ambulances,” says Darren Toogood, editor of the Island Echo, an independent news site on the Isle of Wight. An army of “tipplers” share information about sirens and suspicious activity on a dedicated Facebook group. The yarns they yield are often thrilling. A 5am chase after a police helicopter led to a kidnapping. Another tip turned up a London gang stealing shotguns from a clay-pigeon-shooting range.

Falling ad revenue and competition from social media mean local papers have been on life support for years now. Some 265 closed between 2005 and August 2020. Most survivors are now owned by conglomerates. Reach, which owns at least 111 digital and print titles (plus the *Mirror*, a national tabloid) closed four free papers in 2020. It also launched 19 “Live” websites, each with a similar layout. Its sites were viewed nearly 15bn times in 2020, two-fifths more often than in 2019.

Tom Baldwin, a former local journalist, has written a book about what he sees as a crisis in democracy, including the decline of local papers. This “news-factory model” neglects their most important task, he says: holding power to account by covering court hearings, council meetings and the like. To the extent that this is still done, it is often by tiny, sometimes amateurish independent outlets. A survey by the Public Interest News Foundation (PINF), published on July 8th, found 200 independent publications with a turnover of under £2m (\$2.8m). The 56 it surveyed had a median of just three staff members.

Most are online-only, and see themselves as the opposition to mainstream local papers. They are a varied bunch. Birmingham Updates covers culture: a Spice Girls Bottomless Brunch at a local drinkery; businesses providing free school meals. The Manchester Meteor investigates “local power structures”: a bus drivers’ labour dispute; a letter to the mayor about public land. Cornish Stuff expresses the local identity: a fisherman upset by a planning decision; silver discovered in a mine. Wiltshire999s, which closed in June, focused on crime. One of its final headlines was “Hammer used after mass disorder breaks out at toddler’s birthday party”.

Competition is particularly fierce on the Isle of Wight. In 2017 the *County Press*, a 137-year-old newspaper, was bought by Newsquest, an American-owned publisher. Last year it sold 15,000 copies a week, and in its highest month had 2.2m page views. It might be doing better, were it not for Mr Toogood’s Island Echo, which was founded in 2012. It claims to have had 2.8m online page views in its peak month last year. Meanwhile the *Observer*, a printed free-sheet, claims to outstrip the *County Press*, with 18,000 weekly sales. Yet another online outlet, On the Wight, offers in-depth investigations into local scandals and social problems.

Surprisingly, given how contested their territory is, all these outlets claim to be profitable. That is rarely true for similar outlets elsewhere. PINF found that the typical annual revenue for those covering niche or local news was just £21,099. Milo Perrin, who founded Cornish Stuff, says it makes £5 a day from ads and is kept afloat by his wife’s “nice job”. And here, too, industry consolidation is taking a toll: Wiltshire999s closed after Daniel Webb, its founder, was hired by Reach’s new Wiltshire Live site. “They have

found an audience,” says Jonathan Heawood of PINF. “That’s a fantastic step from the days of print. But it isn’t paying the bills.” ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/britain/2021/07/10/local-news-is-booming>

**Tall, handsome—and darker**

## Mills & Boon wants to diversify its hero base

*The publishing house has a keen eye for social change*

Jul 10th 2021



SHE HAD so much. But she wanted more. Over more than a century Mills & Boon readers have fallen for “The Mediterranean Tycoon”; thrilled to “The Italian Millionaire’s Virgin Wife”; swooned at “The Greek’s Secret Passion” (which comes after “The Greek Tycoon’s Mistress” and, somewhat inevitably, before “The Greek Tycoon’s Secret Child”). Yet still, they murmured, something was missing. Effective contraception, perhaps. But also diversity.

Of late the lack of it has seen the world of romantic fiction smouldering even more than usual. Heroes are all tall and handsome, but they are rarely, critics point out, all that dark. “Romance is still too white,” says Nadine Gonzalez, a Haitian-American author now published by Mills & Boon. The publisher has launched a competition to find writers from “underrepresented ethnic backgrounds” in order to “bring more diverse characters” to the genre.

Mills & Boon has long been a bellwether of British society, in everything from sexual attitudes (affairs were once consummated with a kiss; now the

word “moist” is regularly deployed) to climate change (a growing number of heroes work in conservation). Feminism arrived late last century, when the publisher advised aspiring authors that the heroine “need not be a career girl”, but might have a job, even an “unfeminine-sounding one”, such as doctor.

The titles speak volumes about Britons’ broadening horizons. One in 1956 was called “Romance Goes Tenting”; today’s include “Reclaimed by the Powerful Sheikh”, “The Argentinian’s Demand” and “Penniless Virgin to Sicilian’s Bride”. Italian heroes work well, says Sharon Kendrick, the author of over a hundred titles (they are seen as sybaritic). So do Greeks (enigmatic) and sheikhs (masterful), though not the French (unfaithful) or English (class-ridden).

In her novels for other romance publishers, Ms Gonzalez has written heroes who are African-American, Afro-Cuban and half-British, half-Jamaican. The hero is changing in other ways, too, she says. Formerly, he had to be emotionally repressed; now, though he must be confident, he “doesn’t need to smoulder”.

But some sorts of diversity seem as distant as ever. Ms Gonzalez says she has never seen a hero shorter than the heroine, and that a balding one would be “a step too far”. So, it seems, would a man of modest means. One current series is called “Marrying a Tycoon”; there is none entitled “Marrying an Electrician”, or indeed “Marrying a Journalist”. Here, only inflation brings change. Heroes were once millionaires, says Ms Kendrick. “They are all billionaires now.”

---

**Pedal to the metal**

## Britain's car industry is finding Brexit far less of a problem than expected

*Dollops of government cash are a big part of the reason*

Jul 10th 2021



Press Association

FIVE YEARS ago, straight after Britain's vote to leave the European Union (EU), Nissan, a Japanese carmaker, warned that the future of its factory in Sunderland was in doubt. On July 1st it announced a £1bn (\$1.3bn) investment in a new battery plant that will secure the factory's future. And on July 6th Stellantis, another motor manufacturer, said it would be investing £100m to produce electric vans in Ellesmere Port. Further news is expected soon from BMW and Toyota. The trade deal that Britain struck with the EU in December 2020—and eye-watering amounts of government cash—have bosses musing less about upping sticks, and more about the advantages of post-Brexit regulatory freedom.

Before the vote, things had been going swimmingly for Britain's motor industry. Production hit a two-decade high in 2016, at over 1.8m units. Measured by vehicles per employee, Britain had become one of Europe's most productive carmakers by 2016, with around 160,000 employees

producing almost 11 vehicles each annually, compared with an EU average of less than eight. By making it harder to transport parts across borders, Brexit put this at risk.

A modern car is the result of a complex, international production process. It typically has around 3,000 components. For cars assembled in Britain, only around 40% of those components are produced domestically. The crankshaft in a BMW Mini crosses the Channel three times before being installed in Oxford. Around four in five cars made in Britain are exported, over half of them to the EU. Nissan opened its Sunderland plant in 1986, drawn partly by the prospect of a liberalising labour market, but also by easy access to Europe. Others followed, and since the failure of MG Rover in 2005 all the volume manufacturers in Britain have been foreign-owned.

Although the Trade and Co-operation Agreement (TCA) between Britain and the EU did not give the industry all it hoped for, it came close. Trade can mostly continue without tariffs or quotas. Customs checks and fees introduce some friction, but are minor compared with the threat of 10% tariffs under World Trade Organisation rules if no deal had been struck.

“Rules of origin” requirements are more troublesome. These aim to stop companies importing goods from a third country, and re-exporting them as if they were domestically produced. For the purpose of tariffs, the TCA treats Britain and the EU as a single bloc, but excludes countries with which both have a trade deal, such as Japan. By 2027 the percentage of components by value originating from outside Britain or the EU must be cut to 45% for most cars, if tariffs are to be avoided. Manufacturers that sell in the EU and have supply chains that extend into Asia thus have a choice: shift from Britain, or double down on it. They are making different calls. Nissan is investing in Britain; Honda is closing its Swindon factory next year.

All this coincides with industry-wide reinvention, as carmakers shift to electric vehicles. Batteries, like the engines of petrol-fuelled cars, are expensive. “If you are not sourcing the batteries domestically, I don’t see how you can stay compliant,” says a production manager. Britain currently lacks a so-called “gigafactory”—a word coined by Elon Musk of Tesla—to mass-produce them.

Nissan's planned new plant, a joint venture with Envision AESC, a Chinese firm, will be able to produce 9 gigawatt-hours (GWh) annually by the mid-2020s, enough to power 100,000 cars. Capacity could reach 25 GWh by 2030. Britishvolt, an independent consortium of battery manufacturers, plans capacity of 30 GWh by the end of the decade. But both together would not reach the 60 GWh that the Society of Motor Manufacturers and Traders, a trade body, reckons will be needed by 2030 if as many cars are to be made then as now.

In the upheaval, Britain's government spies an opportunity to influence carmakers' thinking about where to invest. The "super deduction", an especially generous time-limited tax break announced in the budget in March, will let firms reduce their tax bills by up to 25p for every pound of capital investment this financial year and next. Billed as a pandemic-recovery measure, it is better seen as a "huge subsidy to cover the costs of supply chains adapting to Brexit", says an accountant. Cash is also being splashed. Nissan and its partners will receive around £100m of direct subsidy for the new gigafactory, on top of £80m from Sunderland city council to build an energy grid connecting it to wind farms and solar parks. Such measures would have been possible while Britain was in the EU—but might not have been needed.

## Power play

Rather more pleasingly for those who hoped Brexit would mean less red tape, rather than more handouts, climate-change targets and new technologies are providing a pretext. Carmakers think the British government will be nimbler and more forward-looking when it comes to regulating electric and autonomous vehicles. European regulators, who must hold the ring between 27 countries, always move slowly. Moreover, they are bound to be heavily lobbied by the big German carmakers, for whom the industry's reinvention is a serious threat. Industry bosses point to the fact that, whereas Britain has already pledged to ban the sale of new diesel- and petrol-powered cars by 2030, the EU is still only debating banning them from 2035. Big car firms are pressing it to move slower still.

Overall, Brexit is still likely to be negative for Britain's economy, reducing potential growth. But subsidies, tax breaks and fewer barriers to innovation

mean that for carmakers, life outside the bloc will be cosier than they once feared. ■

*For more coverage of matters relating to Brexit, visit our [Brexit hub](#)*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/britain/2021/07/10/britains-car-industry-is-finding-brexit-far-less-of-a-problem-than-expected>

**Bagehot**

# Football is giving a fractured nation a reminder of what it's like to come together

*After Brexit, the country needs to regain a sense of common purpose*

Jul 10th 2021



ENGLAND IS ENJOYING a communitarian moment, thanks to football, its national sport. And the impresario of the moment is Gareth Southgate, England's manager and currently its most popular person. He not only forged what has too often in the past been a collection of prima donnas into a well-oiled machine that beat its nemesis, Germany, to get into the Euro 2020 quarter-finals and then, in extra time, beat a brilliant Danish team to get into the final on July 11th. He also understood the uniting national power of collective joy and despair. "I tell them that when you go out there, in this shirt," wrote Mr Southgate in an open letter to the public on June 8th, "you have the opportunity to produce moments that people will remember forever."

This togetherness is palpable, not just because England has reached the tournament's final for the first time ever, but also because it is in stark contrast to the divisions that have marked Britain in recent years. The 2016

Brexit referendum did more than just tear both the country and the Tories asunder. It also revealed that Britain was already much more divided than it realised: remember those conversations when Remainers (or Leavers) declared that they couldn't understand how the result had been so close, when no one they knew voted Leave (or Remain)? The pandemic offered some unity, as Britons came out on the streets on Thursdays to "clap for carers" and then quietly exulted at the improbably impressive vaccine roll-out. But it also forced people to isolate in their homes. One of the most thrilling things about the semi-final was the spectacle of 60,000 fans roaring their hearts out in Wembley Stadium as if the pandemic had never happened.

For decades now, common life in Britain has been withering. The English, in particular, have been sorting themselves on the basis of income and education. Danny Dorling, a geographer at Oxford University, has assembled evidence that people with more of both moved physically apart from those with less in every decade from 1970 to 2000. The English like to think that Mr Southgate's multicultural, knee-taking team proves that, with the exception of a few thugs, the country is cheerily post-racial. In fact, England suffers just as much from white flight as America does.

Draw a 100km ring around London, the supposed capital of multiculturalism, to include the most commutable towns, and you will find minorities clustered in the centre and white Britons towards the periphery. Levelling things out would mean moving 58% of those within this perimeter —more than would be needed to do the same in the average American city. The white population of London fell by more than half a million in the 2000s, even as its total population rose. In 2001, only a quarter of non-whites lived in areas where whites were a minority. Now, almost half do.

Institutions that once united the country are withering, too. The English are much less inclined to join voluntary organisations than they used to be, with blue-collar workers leading the exodus. Knowledge-intensive companies are less likely than manufacturing companies to bring workers from differing classes together under the same roof. Half the children poor enough to qualify for free school meals are educated in just a fifth of schools.

Classical liberals might point out that much of this segregation is voluntary. But there is plenty to suggest that many people feel that their individual

decisions are adding up to the loss of something important. About half of Britons tell pollsters that Britain is the “most divided it’s been during my lifetime”. In his new book, “Fractured”, Jon Yates, the executive director of the Youth Endowment Fund and a former Tory special adviser, marshals evidence that societal segregation is imposing significant costs. It denies children from poorer families access to the networks and contacts that would help them get ahead in life. When voters have no friends who vote for the other lot, democracy is weakened. And when people feel little in common with their fellow citizens, they are less likely to vote for the taxes that keep the welfare state alive.

How to solve a problem that flows so directly from private choices? Mr Yates is doing his bit: he runs a scheme that takes thousands of teenagers every year, divides them into groups of 12, from varying backgrounds and ethnicities, and engages them in challenging physical activities such as hiking and camping. The intense memories formed by these (sometimes testing) experiences can build the sorts of bonds Mr Southgate wrote about to his lads, even though the nation is not watching with heart in mouth.

Mr Yates has other intriguing ideas: obliging young people to do community service as part of their education; establishing local groups for new parents to bond over the way their lives have just changed; and encouraging the recently retired to meet and chat about what to do with their days. Bagehot finds it easy enough to come up with more: a voluntary army of young digerati to help older people with their devices? Or of retired people to mentor inner-city kids? Putting such ideas into practice would be far from easy. The “Big Society” promised by David Cameron when he became prime minister in 2010 fizzled out as his government turned its attention to cutting the budget deficit. It would also raise tough questions, in particular how much compulsion to bring to bear. Too much, and participation is likely to be grudging; too little, and those who would benefit most will sit the whole thing out.

## Many hands

But there are examples from which to draw inspiration. Britain did a remarkable job of reweaving the national fabric in the late 19th and early 20th centuries, with the creation of hundreds of voluntary organisations.

Between 1981 and 2008 the number of Danish voluntary organisations rose by a third, even as it fell elsewhere, and the number of Finns involved in sports clubs grew by a similar amount. After a long period in which they focused on the politics of freedom, Britain's elite need to take a leaf out of Mr Southgate's book, and turn their attention to togetherness. ■

*For more coverage of matters relating to Brexit, visit our [Brexit hub](#)*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/britain/2021/07/10/football-is-giving-a-fractured-nation-a-reminder-of-what-its-like-to-come-together>

# **International**

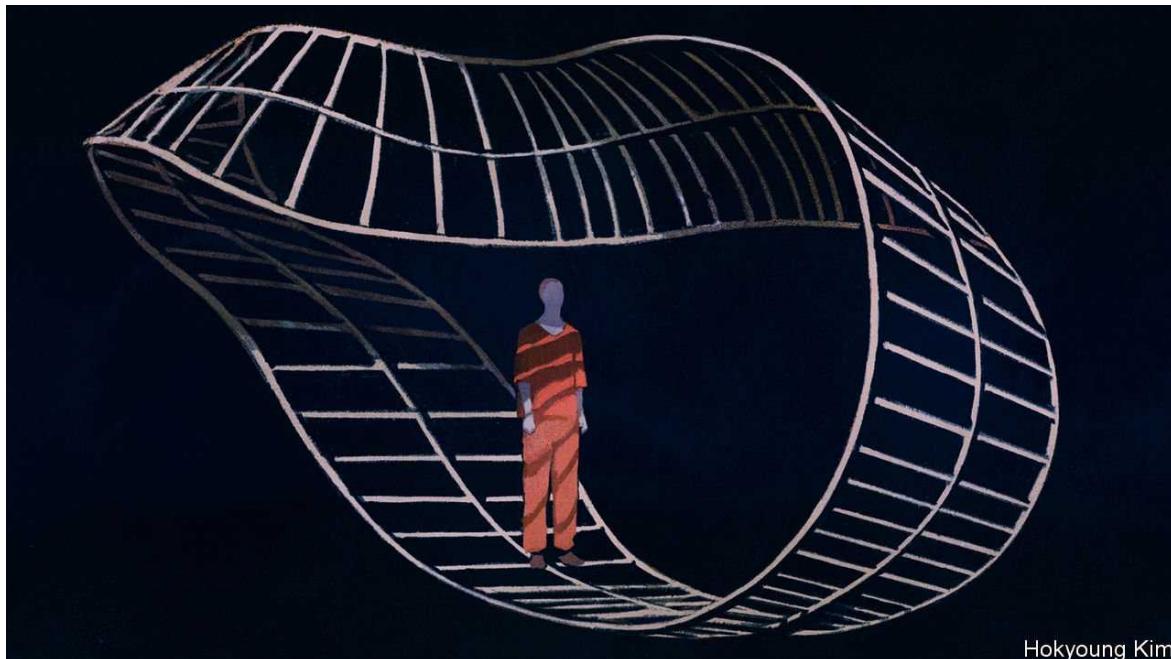
- Life sentences: Retrieving the key

## **Retrieving the key**

# **As the death penalty becomes less common, life imprisonment becomes more so**

*Reformers say life is often too long*

Jul 6th 2021 | BATON ROUGE AND LILONGWE

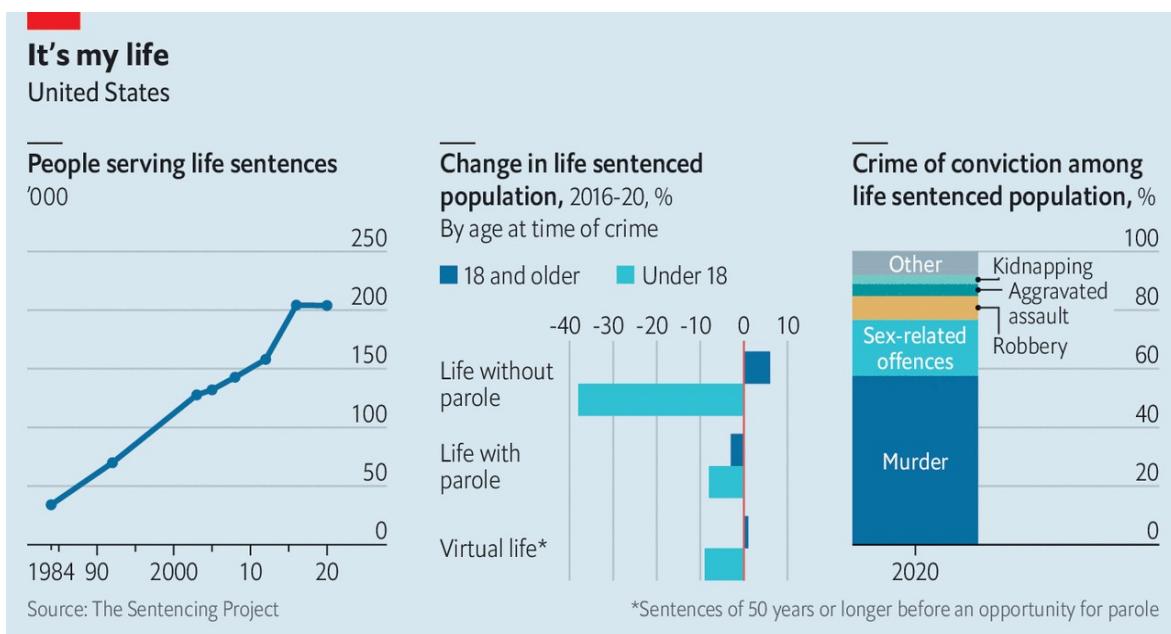


Hokyoung Kim

LAST AUGUST a judge sentenced Brenton Tarrant, who murdered 51 people at two mosques in Christchurch, to life in prison with no possibility of parole. It was the first time a court in New Zealand had meted out such a sentence. Jacinda Ardern, the prime minister and a liberal icon, took grim satisfaction in the punishment. “Today I hope is the last where we have any cause to hear or utter the name of the terrorist,” she said.

Lifelong imprisonment seems to be spreading as a punishment for the worst crimes. In 2019 Serbia passed “Tijana’s law” in response to the rape and murder of a 15-year-old girl. It allows judges to sentence some murderers and rapists of children to life in prison without parole. In June last year, after the gang rape of a 13-year-old girl by soldiers, Colombia overturned its constitutional ban on life sentences. Britain’s government recently proposed legislation to reduce the age at which judges can impose “whole-life” sentences from 21 to 18.

The most heinous crimes are rare, but the world's population of lifers is large and probably growing. According to the World Prison List, the population of all inmates rose by 20%, to 10.4m, from 2000 to 2015. Meanwhile, between 2000 and 2014 the numbers serving life sentences worldwide rose by 84%, to 479,000, according to "Life Imprisonment", a recent book. America held 40% of them (see chart); more than 80% of those have no prospect of parole. The Sentencing Project, a think-tank in Washington, DC, reckons that the number of Americans serving life sentences without parole rose by two-thirds, to 56,000, between 2003 and 2020. Turkey, India and Britain impose a lot of life sentences. South African jails hold nearly 17,000 lifers, up from 500 in 1995. In 2014 some sort of formal life sentence was on the books of 183 countries and territories.



The Economist

Many penal reformers think that is excessively harsh. Lifelong confinement is a declaration by the state that a person is beyond reform. It punishes long after most violent offenders have lost the will or capacity to repeat their offences. And in some countries, such sentences are imposed not only for murder and rape but also for lesser crimes.

Catherine Appleton, one of the authors of "Life Imprisonment", contrasts the punishment of Mr Tarrant with Norway's treatment of Anders Breivik, another fanatic, who in 2011 murdered 77 people, most at a summer camp

for the Labour Party's youth wing. He drew Norway's maximum prison sentence of 21 years. After that, a court will decide if he is still dangerous. If so, which seems likely, he will remain locked up. But if not, he will be freed.

Opponents of life without parole hope to repeat the success of campaigners against capital punishment. Since 1976 more than 70 countries have abolished the death penalty. The number of executions worldwide in 2020 fell for the fifth year running to its lowest in a decade, says Amnesty International, a human-rights group. In America just 17 people were executed last year. If campaigners have their way, life sentences will be the next sort to be branded cruel and rendered unusual.

Making this case is not simple. For one thing, life-sentencing regimes vary enormously. Some are relatively lenient, as in Finland, where few "lifers" spend more than 15 years in prison. Others are staggeringly harsh. Some American states [still lock up juvenile offenders](#) for life. China imposes the sentence on corrupt officials. Australia and Britain do so for drug offences. Life with a chance of parole may not be much better than without it if parole is granted rarely. Life sentences can be disguised as indeterminate or very long fixed-term sentences. El Salvador, which does not impose life sentences, can lock people up for 60 years.

A bigger problem for reformers is that many have argued that life without parole is a merciful alternative to the death penalty. Michael Radelet of the University of Colorado Boulder, who is a prominent opponent of capital punishment, says that he is "no fan of life without parole, but the alternative to killing people is not killing them, so it's a step in the right direction." Many jurisdictions have swapped death for life. Colorado replaced the death penalty last year with mandatory life sentences without parole. In 2018 Benin commuted the sentences of its last death-row prisoners to life. After the fall of communism many eastern European countries replaced capital punishment with life sentences.

## **Life after death**

In places that retain the death penalty, the possibility of life in prison can reduce its use. In Texas death sentences "declined precipitously" after 2005, when judges first had the option of imposing life without parole instead,

notes Ashley Nellis of the Sentencing Project. Thousands of death-row inmates in countries that have stopped executing people, such as Kenya and Sri Lanka, are in effect serving life sentences. “Life Imprisonment” does not count them as lifers.

Another complication is that efforts to reduce incarceration can hurt the anti-life-sentence cause. In America, where such efforts have bipartisan support, reforms to shorten sentences for non-violent crimes have the unintended consequence of making long sentences for violent ones seem more reasonable, says the Sentencing Project. Also, a recent rise in violent crime could make voters less keen on leniency.

Opponents of life sentences take issue not only with retribution-minded conservatives but also with liberals who cheer when rapists and racist killers are locked away for ever. In South Africa pressure from women’s groups led to a sharp increase from 1995 to 2006 in the use of life sentences for rapists. Those who would free the likes of Mr Tarrant after a couple of decades are, in effect, urging their fellow citizens to show as much empathy to the criminal as to the victim. That is a big ask.

But not, perhaps a hopeless one. In Louisiana, among the most punitive states in the most punitive rich democracy, attitudes are changing. In 2020 the state’s jails held nearly 6,000 prisoners serving sentences of 50 years or longer, a fifth of the total prison population. Nearly 4,400 were serving life without parole, which is mandatory for five offences, including “aggravated” rape and second-degree murder, which might mean driving a getaway car. Louisiana’s version of the “three strikes” laws introduced during a nationwide crackdown on crime during the 1990s lets prosecutors seek life in prison for repeat offenders, just one of whose four crimes needs to have been violent. One man was put away for life for attempting to steal a pair of hedge clippers.

Nearly half of Louisiana’s lifers are first offenders, according to Kerry Myers of Parole Project, an NGO in Baton Rouge, the state’s capital, that helps ex-cons adjust to freedom. Three-quarters are black. In 2016 around 300 were in prison for crimes they committed when they were children.

Until May 12th Chuck Clemons was one. Jailed for what he describes as a “senseless” murder he committed when he was 17, he served 44 years in Angola, a maximum-security lock-up larger than Manhattan that houses 6,300 inmates, nearly three-quarters of them lifers. Tall and soft-spoken, with a scholarly mien accentuated by gold-rimmed spectacles, he was not crushed by his ordeal. “What kept me going”, he says, was baking. He rose at 11:30pm on workdays to confection bread rolls and such treats as banana pudding and pecan pie for 800-900 prisoners at a time.

But there were sorrows. He watched from afar as his sister married and bore children. He could not bear his nephew to visit him. “Just watching [members of my family] leave and knowing that I got to go back there, I wasn’t strong enough to take that,” he says. His mother, with whom he is now reunited, has Alzheimer’s. His father died of covid-19.

Mr Clemons’s release is a sign that things in Louisiana, and America, may be changing. In a string of decisions since 2010, America’s Supreme Court has ruled that mandatory life sentences without parole for juveniles are unconstitutional, forcing states to reconsider whether people locked up for crimes they committed as children needed to remain so. Louisiana has released 78 juvenile lifers, starting in 2016 with Andrew Hundley, now Parole Project’s director, who was jailed for killing a girl when he was 15.

Louisiana has other reasons to free prisoners who appear to pose no threat. Its incarceration rate of 980 per 100,000 people in 2018 was the highest in the country. Spending on the penal system, some \$700m a year, is one of the biggest items in the budget. In 2017, with bipartisan support, the state enacted a package of laws to reduce its prison population. The number of prisoners has dropped by about a quarter since 2017.

Despite such advances, life without parole is still entrenched in Louisiana’s law, says Mr Myers. Prosecutors like draconian penalties. The threat of them makes it easier to secure convictions via plea bargains; suspects often admit to a lesser crime rather than face trial for a more serious one and the possibility of being locked up for ever. Mr Myers claims that politicians do what the prosecutors want.

Prosecutors merely execute the laws, retorts Loren Lampert of Louisiana's District Attorneys Association. Still, he thinks mandatory life sentences for murder and aggravated rape protect potential victims. Even a few children deserve such a punishment. Some cases "are so heinous, so atrocious, so aggravated that they merit that distinction of the worst of the worst," he says. Parole hearings can force victims to "relive the most horrible event of their entire lives every two years".

## Changing tack

Some Louisianans are trying a new approach. Two businessmen and a lawyer recently founded the Second Look Alliance, which aims to cut the prison population, starting with a campaign to end mandatory life sentences without parole for second-degree murder. Legislative lobbying has gone as far as it can, says its executive director, Preston Robinson. The next phase requires "changing the hearts and minds of the public", especially moderate and conservative voters.

He thinks three messages will resonate with them: that Louisiana's large population of lifers makes it an "outlier" even in the south; that money spent locking people up for decades is wasted; and that redemption is possible. In the group's first video Billy Ebarb, a white man, recalls that in 1985 his brother was killed trying to break up a fight. The killer was Charles Manuel, a black man who had committed no other crimes. With Mr Ebarb's support he was freed after 35 years. Mr Manuel appears on screen and places his hand on his victim's brother's shoulder.

Some campaigners focus on the extraordinary number of elderly prisoners in America. In 2019 federal and state prisons housed 180,000 people aged 55 and older: 13% of the total, up from 3% in 1999. Keeping old people locked up is expensive. Tina Maschi of Fordham University in New York calculates that they cost \$68,000 a year, three times as much as young inmates.

And they would pose little risk if freed. Of 199 prisoners aged 51 to 85 released from jails in Maryland since 2012 just five had returned by 2020 for committing a crime or violating parole conditions. Among the general population of freed prisoners, 40% were back in the pen within three years.

Politicians and courts across America are chipping away at life sentences. Legislators in 25 states have introduced “second-look” bills to reconsider long sentences. Washington’s legislature, inspired by the George Floyd protests, passed a law in April to resentence more than 100 people jailed under the state’s three-strikes law. Nearly 40% of those sentenced under the law are black, ten times their share of the state’s population. That same month Maryland banned life sentences for juveniles. Since 2012 the number of lifers in America jailed for crimes they committed as children has dropped by 45%, to around 1,500.

John Fetterman, Pennsylvania’s lieutenant-governor, has made reducing incarceration a centrepiece of his campaign to win a seat in the United States Senate. He wants an end to mandatory life sentences without parole for second-degree murder, one reason why Pennsylvania has America’s second-largest population of lifers. He is taking a risk. “With every person I try to get released, I’m writing my next attack ad,” he says.

## **World war free**

Some campaigners use the courts to curb life sentences. A clutch of treaties prohibit governments from inflicting degrading treatment on anyone, including prisoners. In 2013 the European Court of Human Rights (ECHR) ruled that offenders have at the outset of their sentences a right to hope for eventual release. The International Criminal Court says after 25 years sentences must be reviewed. “Twenty-five years is increasingly established in international law as the maximum minimum,” says Dirk van Zyl Smit, Ms Appleton’s co-author.

Scepticism about life sentences is spreading. In 2016 Zimbabwe’s constitutional court ruled that life sentences without parole are cruel, citing the ECHR’s decision. Belize’s court of appeal ruled unconstitutional such sentences for murder in the same year. Canada’s Supreme Court is due to decide whether a court in Quebec was right to reduce the amount of time that Alexandre Bissonnette, sentenced to life for killing six people at an Islamic cultural centre in 2017, will have to wait for parole from 40 years to 25.

Malawi may become a model for countries seeking to avoid simply replacing capital punishment with life sentences. After its High Court struck down the death penalty as mandatory for murder in 2007, the top appeal court ordered that more than 150 condemned prisoners be resentenced. (In practice, all were serving life, since Malawi has executed no one since 1992.) It directed judges to consider the circumstances of each to determine whether the death penalty should be upheld, converted to life or to a shorter sentence.

That kick-started the Kafantayeni Project, named for the case that overturned the punishment. Starting in February 2015, the High Court held hearings in Zomba, near the country's only maximum-security jail. In cases where documents had gone missing or been eaten by termites, paralegals, law students and volunteers interviewed witnesses in search of mitigation.

Of the prisoners who have been resentenced, one was handed a life sentence but more than 140 have been released after completing shorter prison terms. To prepare the way, workers on the project fanned out to villages to explain what the ex-cons had endured and to find out whether they would be welcomed back.



Hokyung Kim

One freed prisoner was Francisco James, who in 1995 was condemned to death for killing a man who was brawling with Mr James's brother. Immured for 20 years in Zomba prison, built to hold 800 inmates but stuffed with 2,000, he wondered whether disease would carry out the sentence that the hangman would not. He had "given up on ever getting out of prison alive," he says. The judges decided that the murder charge was inappropriate, in part because the victim was in poor health, and freed Mr James in October 2015.

He returned to Mkwinya village in central Malawi to find that his father and brother had died, his wife had remarried and his daughter was a mother. The village chief gave Mr James a plot of land, where he grows maize, soyabeans and groundnuts. By Malawian standards he is prosperous, with a motorcycle, an oxcart and two houses roofed with iron sheeting. He has fathered three more children. In April this year Malawi's top court ruled the death penalty itself unconstitutional.

Its model is being watched in Kenya, where far more prisoners—some 4,800—may be entitled to resentencing under a Supreme Court finding in 2017 that the mandatory death penalty is unconstitutional. (In practice Kenya stopped carrying out executions in 1987.) Most of the condemned prisoners were in for "robbery with violence". In 2019 a government-appointed task-force recommended investigations like those undertaken in Malawi. To speed things up, it proposed negotiations on new sentences between prosecutors and lawyers akin to plea bargains.

It is unclear how many have so far been resentenced. On July 6th this year the process hit a snag. The Supreme Court said that the mandatory-death-penalty ruling applied only to murderers, not to the majority convicted of lesser crimes. It is now uncertain if and when condemned Kenyan robbers will follow Malawians' path to freedom, says Virginia Nelder, a member of the task-force.

When liberated lifers are reformed muggers or small-time drug-dealers, few will object. "History is moving towards less incarceration," concedes Mr Lampert. Setting free those who have committed the worst crimes is harder to justify. Kenya's reforming task-force recommended keeping life sentences without parole for them.

After his daughter Tijana was murdered Igor Juric attended trials of other abusers and came to the conclusion that, “We, as a society, have to do something to remove killers from our social circles, and keep them far away from children.” “Protection of our children” matters more than “conventions and laws of countries that I don't even live in,” he continues.

That view is understandable. But anyone who meets Mr Clemons will find it hard to fear all ageing lifers or fail to consider their humanity. He reckons he can succeed as a baker “in the free world”. At 62, he says, “I'm gonna work my way up.” ■

*A version of this article was published online on July 6th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/international/2021/07/06/as-the-death-penalty-becomes-less-common-life-imprisonment-becomes-more-so>

# Business

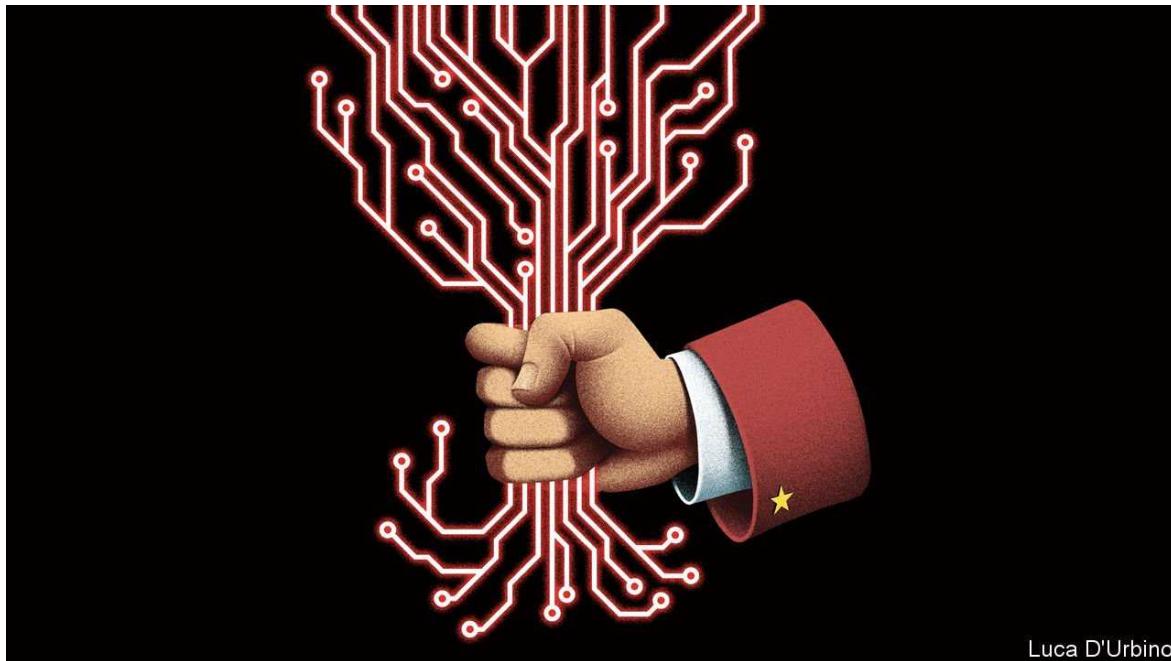
- [Sino-American tech tensions: In the grip of anxiety](#)
- [Alcohol-free beer: Buzzkill](#)
- [Conversational commerce: Chat-up lines](#)
- [Amazon: The Jassy age](#)
- [The airline business: Dark skies and silver linings](#)
- [Schumpeter: Keeping it in the ground](#)

## Techlash with Chinese characteristics

# China seems intent on decoupling its companies from Western markets

*Nearly \$2trn dollars in shareholder wealth are on the line*

Jul 10th 2021 | Hong Kong



Luca D'Urbino

CHENG WEI, the billionaire founder and chief executive of Didi Global, had scarcely a moment to revel in his firm's \$4.4bn New York listing. Within 48 hours of the initial public offering (IPO), which valued the Chinese ride-hailing giant at around \$70bn, regulators in Beijing spoiled the party. On July 2nd the Cyberspace Administration of China (CAC) said it had launched an investigation into the company. The announcement shaved 5% off its share price.

Two days later the regulator ordered Didi's mobile app to be pulled from app stores in China, halting new customers from joining the service (existing users can still hail taxis). The CAC alleges that Didi was illegally collecting and using personal data. Didi said that it would "strive to rectify any problems" but warned of "an adverse impact on its revenue in China". Predictably, the ban also adversely affected the company's market value.

When American markets reopened on July 6th, Didi promptly shed more than a fifth of it. It is now worth \$22bn less than a week ago.

The CAC's move is an escalation in China's crackdown on big technology firms. On July 5th it told three other apps—Yunmanman and Huochebang, which operate lorry-hailing and cargo apps, and Boss Zhipin, an internet recruitment service—to stop enlisting new users. The trucking services, which merged under the name Full Truck Alliance, and Kanzhun, which owns Boss Zhipin, had together raised \$2.5bn in American flotations last month.

## **Wolf warrior of Wall Street**

All told, Chinese firms have raised \$13bn in America so far this year, and \$76bn over the past decade. Around 400 Chinese companies have American listings, roughly twice as many as in 2016. In that period their combined stockmarket value has shot up from less than \$400bn to \$1.7trn. Those investments are now in peril. On July 6th Chinese authorities said they would tighten rules for firms with foreign listings, or those seeking them. It is the starker effort yet to disconnect China Inc from American capital markets.

Besides regulating what corporate data can and cannot be shared with foreigners, the new rules would target “illegal securities activities” and create extraterritorial laws to govern Chinese firms with foreign listings. According to Bloomberg, a news service, Chinese regulators also want to restrict the use of offshore legal structures that help Chinese companies skirt local limits on foreign ownership.

Nearly all Chinese tech giants listed in America, including Alibaba, a \$570bn e-merchant, as well as Didi, use such “variable-interest entities” (VIEs). A VIE is domiciled in a tax haven like the Cayman Islands, and accepts foreigners as investors. It then sets up a subsidiary in China, which receives a share of the profits of the Chinese firm using the structure. China's government has long implicitly supported this tenuous arrangement, upon which hundreds of billions of dollars of American investments rely. Now it wants Chinese firms to seek explicit approval for the structure. The

assumption is that Beijing would be hesitant to grant it. Existing VIEs may also come under scrutiny.

A formal blessing from Beijing may help avoid the sort of kerfuffle Didi has found itself in. In April the firm was among 30 companies called in by the CAC and the State Administration of Taxation. It was given a month to conduct a sprawling self-inspection. It added a warning that it “cannot assure [investors] that the regulatory authorities will be satisfied with our self-inspection results” to the risks listed in its prospectus, alongside antitrust, pricing, privacy protection, food safety, product quality and taxes. It went ahead with its New York IPO regardless. Punishing the company right after its listing looks like deliberate retaliation for pressing on before the regulators were done with their probing, says Angela Zhang of the University of Hong Kong. Didi’s new public investors were badly burnt as a result, just as the private investors in Ant Group were in November, when the financial-technology firm’s \$37bn IPO was suspended two days before its shares were due to begin trading in Hong Kong and Shanghai.

All this is chilling both Chinese firms’ appetite for foreign listings and foreign investors’ hunger for Chinese stocks, and not just in America. The day after the Didi ban the four biggest tech groups with listings in Hong Kong—Tencent, Alibaba (which has a dual listing), Meituan and Kuaishou—lost a collective \$60bn in market capitalisation. The effects on some of the world’s most innovative and value-generating companies of the past decade may be crippling, especially in conjunction with greater scrutiny of Chinese companies by America’s government.

American regulators have long sought to force Chinese companies listed on America’s bourses to submit auditing documents to an oversight body called the Public Company Accounting Oversight Board. In December Congress passed a law that would require such disclosures with bipartisan support. At the same time, Chinese regulators have refused to permit Chinese companies to make such disclosures, declaring auditing documents to be state secrets. If the standoff does not ease, Chinese groups could eventually be forced to delist from America.

So far there is no sign of easing. Before Didi’s IPO, Marco Rubio, a Republican senator from Florida, called on America’s Securities and

Exchange Commission to block the transaction. He fumed that the flotation “funnels desperately needed US dollars into Beijing and puts the investments of American retirees at risk”. This week he called the decision to let the IPO go ahead “reckless and irresponsible”. President Joe Biden is less strident but his Democratic Party also wants to curb China’s economic and technological might.

As the symbiotic relationship between Chinese firms and American investors unravels, both will suffer. The former are losing access to the world’s deepest capital markets, the latter to some of its hottest stocks. The market value of Chinese firms in America has fallen by 6% since the Ant debacle last autumn signalled a shift of mood in Beijing, even as the S&P 500 index of big firms has gained 30% as a whole. Didi won’t be the last casualty. ■

---

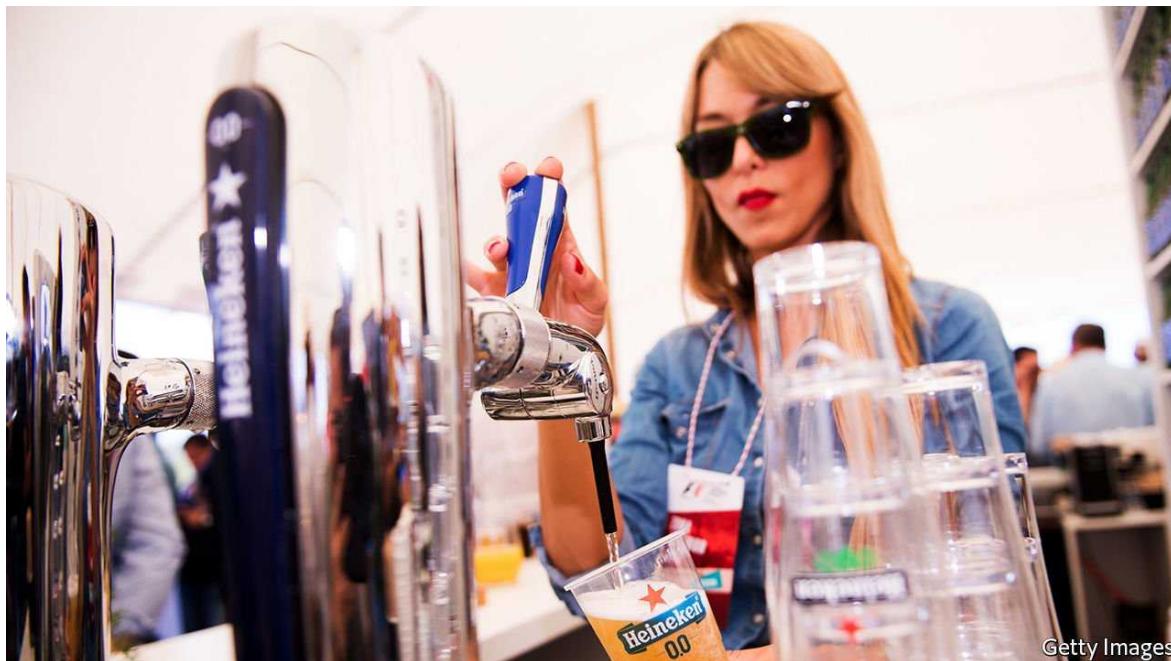
This article was downloaded by [calibre](#) from <https://www.economist.com/business/2021/07/10/china-seems-intent-on-decoupling-its-companies-from-western-markets>

**Buzzkill**

## Alcohol-free beer is fizzing

*It is no longer the preserve of the pregnant or religious*

Jul 7th 2021 | PARIS



FOR THE 10,000 years or so it has been around, beer has been relied upon both to refresh and intoxicate. Today's brewers think it could thrive by focusing exclusively on the refreshing. Alcohol-free beer is the booze industry's latest great hope as sales of the full-strength stuff have stagnated. If Heineken and other brewing giants have their way, tipplers will be knocking back pints from breakfast on.

Beers with no (or little) alcohol have been sold for decades. But even their pedlars admitted they tasted flat. They were aimed at those who craved a proper beer but couldn't indulge: the pregnant, religious or designated drivers. Multinational brewers saw them as "distressed purchases" and sold them under separate brands far removed from flagship marques.

No longer. Even before the pandemic shut the world's bars, beer-drinking was on the slide, in part owing to health-conscious millennials bingeing less often. Booze barons concerned about losing sales to soft drinks invested in ways of making alcohol-free beer taste better. This has started to pay off.

Though nobody sober would confuse an alcohol-free brew with the real thing, it is now a credible draught. The product is good enough for mega-brands, from Japan's Asahi to America's Budweiser (part of AB InBev, the world's biggest brewer), to offer a "0.0" variant.

Part of the brewers' interest stems from boozeless beer's frothy margins. Making the stuff is actually more expensive than making a straight-up Stella. The process usually involves taking a finished alcoholic beer and stripping away the booze (brands guard their methods closely). The expense is, however, more than compensated for by the savings on alcohol excise duties that are no longer owed. It helps that consumers appear to be willing to pay roughly the same price whether a beer contains alcohol or not.

Beer that is entirely alcohol-free continues to be niche. "At the moment, alcohol-free beer is still something you drink when you can't drink," says Trevor Stirling of Bernstein, a broker. Only 2.4% of beer sold globally this year will be non-alcoholic, according to Euromonitor, a research firm. Still, that is up from 1.5% a decade ago, in part because traditional beer has slipped. Much of the growth in 0.0 sales has come from places that consume lots of beer already, notably Europe.

The aim for brewers is therefore to reposition their virtuous offerings not as beer at all, but as a premium soft drink for grown-ups. That would give them a toe-hold in a business that is, by volume, nearly four times as large as beer.

Indeed, many brewers believe that their booze-free products can refresh the parts of the market regular beers cannot. Bram Westenbrink of Heineken says only a fifth of its 0.0 drinkers would otherwise have plumped for a normal beer. The Dutch giant has pitched its alcohol-free brand as a suitable tipple for the office, gym and car. (It is also targeting more traditional beer-drinkers by sponsoring the European football championship now under way.)

The beer giants also think their investments in deboozing give them an edge over upstart rivals. Craft brewers, which have thrived in recent years, work in small batches for which stripping away alcohol is uneconomical. Their hoppy flavours rely on plentiful alcohol content to satisfy drinkers, unlike the blander lagers that dominate supermarket shelves. AB InBev is aiming

for at least 20% of its sales to come from no- and low-alcohol beers (typically below 3.5% alcohol by volume) by 2025, triple the current share. Heineken already has 130 0.0 products in its range.

Governments and socially minded investors like to see beermakers offer alternatives to alcohol. Far from damaging a brand, having a 0.0 product is now a signal of a mature marque. Brewers have long tried to shift perceptions of beer as a laddish 1980s drink, fit only for football fans looking to get bladdered. Craft beers were one way to do that, but often turbocharged hangovers because of their high alcohol content. Now the industry is going the other way. How refreshing. ■

*A version of this article was published online on July 7th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/business/2021/07/07/alcohol-free-beer-is-fizzing>

## Chat-up lines

# Will conversational commerce be the next big thing in online shopping?

*More companies are reaching consumers with messaging apps*

Jul 10th 2021



Getty Images

MESSAGING IS AN intimate medium for sharing private views and sentiments. It is a cocktail-party whisper in digital form, as one user of WhatsApp, a service owned by Facebook, put it. Now some of the world's biggest brands are venturing into this personal realm. Aware of the limitations of conventional communication channels like call centres and email, a few years ago firms started using WhatsApp and its sister app, Facebook's Messenger, as well as Apple's iMessage and independent apps such as Line.

The pandemic gave all such apps a fillip. Messaging on Instagram, Facebook's photo-sharing app, and on Messenger rose by 40%. Four-fifths of mobile-device time is now spent on chat apps. Companies can usually be relied upon to go where customers are, so messaging has become vital for business, not just experimental, says Javier Mata, founder of Yalo, a startup whose technology connects firms to messaging platforms. Firms once used

them chiefly for customer service. Now they want to get people to buy stuff via chat, as hundreds of millions of Chinese do on WeChat, owned by Tencent, China's mightiest tech giant.

Because many popular messaging platforms are encrypted, data on transactions are hard to come by. But growth is undoubtedly happening. Over 1bn people now interact with businesses via chat, not counting China. Each day 175m people send a message to WhatsApp business accounts (WhatsApp channels designed for companies). Yalo's customers include consumer-goods giants such as Coca-Cola, Nestlé, PepsiCo and Unilever, as well as Walmart, the world's biggest retailer. Apple Business Chat, which started in 2017, is used by Home Depot DIY stores, Hilton hotels and Burberry, a fashion brand. Facebook's roster includes Sephora, a cosmetics retailer, and IKEA, a furniture giant. LVMH, a French luxury-goods conglomerate, is testing out messaging, according to Jeroen van Glabbeek, chief executive of CM.com, a Dutch conversational-commerce platform.

“C-commerce” is already entrenched in Asia and Latin America, where spotty access to broadband and high-quality devices puts e-commerce and company-specific apps out of reach for many. Now Western consumers are beginning to embrace the ease, speed, personalisation and convenience of messaging. For firms, the return on investment seems higher for messaging than for call-centre exchanges or email chains, says Emile Litvak, head of business messaging at Facebook.

Boosters of business messaging claim that c-commerce will displace e-commerce within a decade or two. But messaging is best understood as a refinement of e-commerce, and a sibling of “social commerce” (shopping on social media). Most messaging conversations between large firms and consumers start from corporate e-commerce websites equipped with a “click to message” button. Plenty begin on social networks.

In some ways c-commerce is a throwback to the past. Apart from mail order and its modern guise, online shopping, trade has relied on conversation for millennia. Yet business messaging does have new elements. It is more personalised than SMS marketing, which has itself had success in recent years in America and Europe. Automatic messaging is moving beyond rudimentary chatbots, which have been around since the mid-2010s.

Artificial intelligence (AI) is getting better at unstructured exchanges that shoppers used to have with expert retail assistants.

For now, says Marc Lore, who led Walmart's digital efforts, a lot of business messaging has humans in the loop. In future, he reckons, AI will be able to answer customer requests as fuzzy as "get me a birthday toy for a five-year-old around science education for roughly \$40", suggesting choices and completing the transaction in seconds. And when AI gets better at natural dialogue, as it will after learning from human interactions, consumer-to-business messaging may sound if not exactly like J.A.R.V.I.S, Tony Stark's digital butler in the Marvel comics, then close enough.

Until that time, firms must tread delicately. Full of family and friends, chat apps are emotional spaces, says Robert Bennett, CEO of Rehab, an agency that helps brands reach consumers digitally. Try to sell someone yoga leggings after an exchange with their mother, he says, and your firm might find itself deleted faster than an ex. But get it right—think gentle reminder of evening meditation from a purveyor of herbal teas—and the rewards look tasty. ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/business/2021/07/10/will-conversational-commerce-be-the-next-big-thing-in-online-shopping>

## The Jassy age

# Andy Jassy is off to a propitious start as boss of Amazon

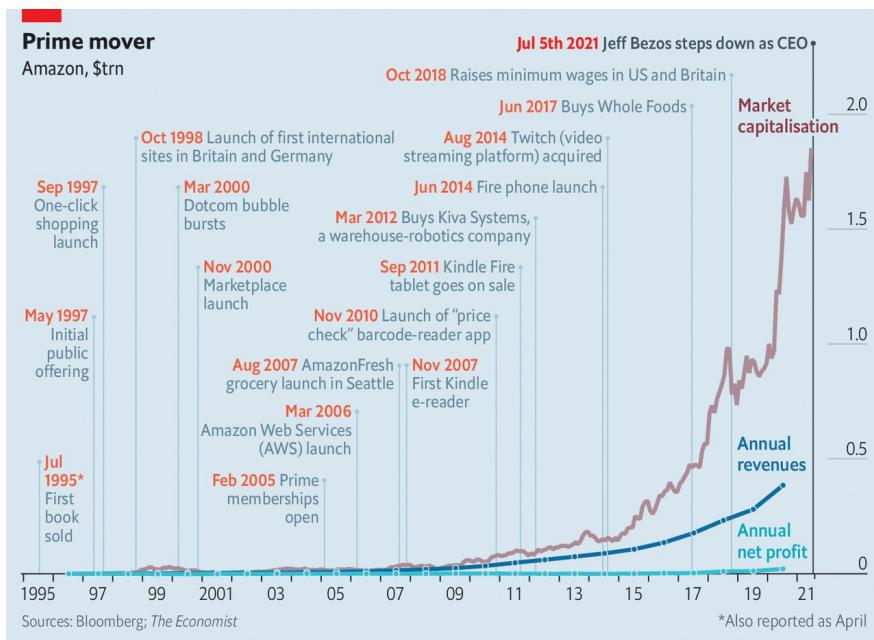
*A day after the departure of Jeff Bezos, the digital giant's thriving cloud business got a boost from the Biden administration*

Jul 10th 2021



Getty Images

IT WASN'T a bad start for Andy Jassy, who on July 5th succeeded Jeff Bezos as boss of Amazon. The next day the share price of the digital empire, which Mr Bezos had led since founding it as an online bookshop in 1994, rose by nearly 5%, and its market value jumped above \$1.8trn. Mr Jassy's undoubted managerial virtues probably weren't the reason. The likelier cause is the Pentagon's decision to bin a cloud-computing deal with Microsoft. The \$10bn contract, which Amazon had challenged, arguing it was unfairly awarded to its rival, is instead to be shared by the two tech giants and possibly others. Still, if the new CEO is to maintain Mr Bezos's sterling record, a little luck won't hurt.



The Economist

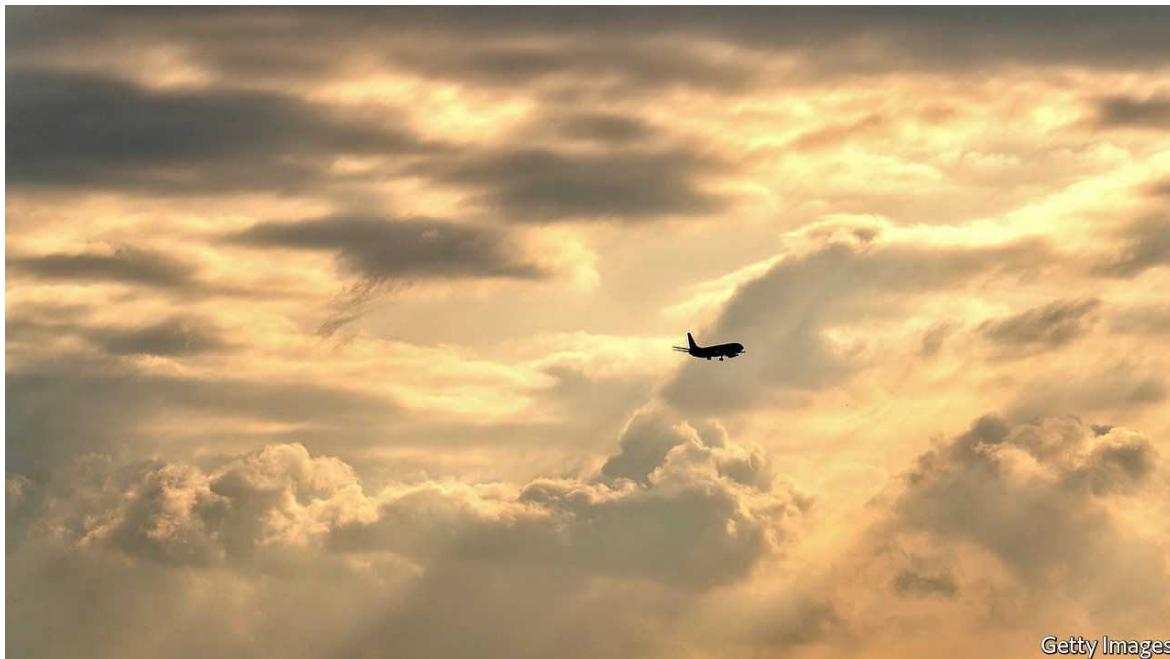
This article was downloaded by [calibre](#) from <https://www.economist.com/business/2021/07/10/andy-jassy-is-off-to-a-propitious-start-as-boss-of-amazon>

**Dark skies and silver linings**

## Which airlines will soar after the pandemic?

*Uneven recovery will boost big carriers in America and China, and cheap and cheerful ones in Europe*

Jul 6th 2021



Getty Images

THE PANDEMIC, with its lockdowns and travel bans, has clobbered the world's airlines. Revenues per passenger-kilometre, the industry's common measure of performance, plummeted by 66% in 2020, compared with 2019. The International Air Transport Association (IATA), a trade body, expects them to remain 57% below pre-pandemic levels this year. Although the world's listed airlines have collectively just about recovered from the \$200bn covid-induced stockmarket rout (see chart 1), forecasters reckon that air travel will take until 2024 to return to 2019 levels. The companies' total annual losses may hit \$48bn in 2021, on top of \$126bn in 2020. Many have been torching cash as fast as their aeroplanes burn jet fuel. Plenty survived only thanks to government bail-outs.



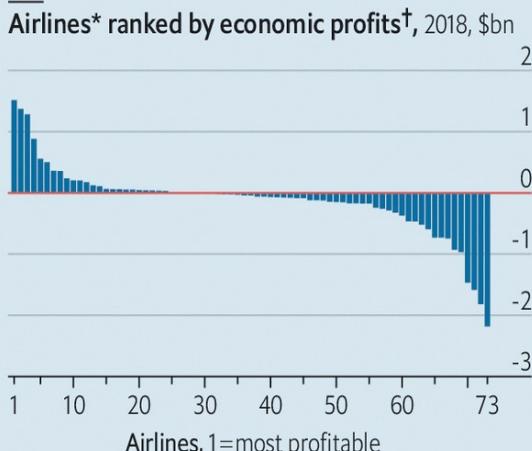
The Economist

The industry-wide picture conceals disparities, however. Some airlines are struggling despite having cut costs, slashed fleets and shored up balance-sheets with commercial loans. Others are brimming with confidence. Big American and Chinese ones with large, increasingly virus-free domestic markets will return to profitability first. Frugal low-cost carriers that went into the pandemic in the black are close behind. By contrast, airlines that depend on lucrative long-haul routes may struggle if, as seems almost inevitable, [business travellers substitute Zoom](#) for at least some flights. Regional operators in places still ravaged by covid-19, such as India or Latin America, look precarious. And the airspace between those losers and the industry's winners is widening.

Diverging fortunes are nothing new in the airline business. Most carriers make for a lousy investment (see chart 2). IATA reckons that only around 30 of the 70 or so airlines for which data are available earned more than their cost of capital between 2008 and 2018. To keep flying, airlines need “strong balance-sheets or a parent with deep pockets,” says Rob Morris of Cirium, an aviation-data firm.

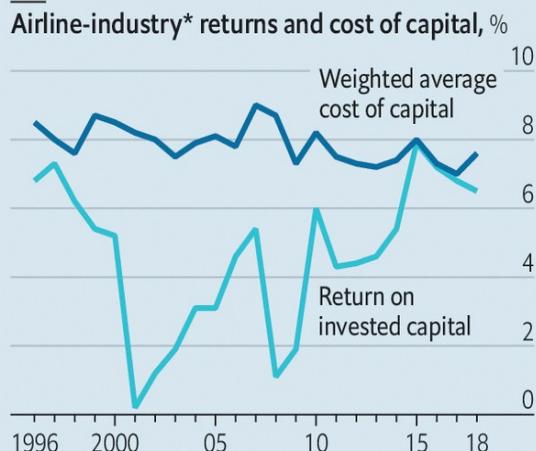
## Unfit to fly

2



Source: IATA

\*Full-service and low-cost carriers for which data available †Return on investment less cost of capital



†Return on investment less cost of capital

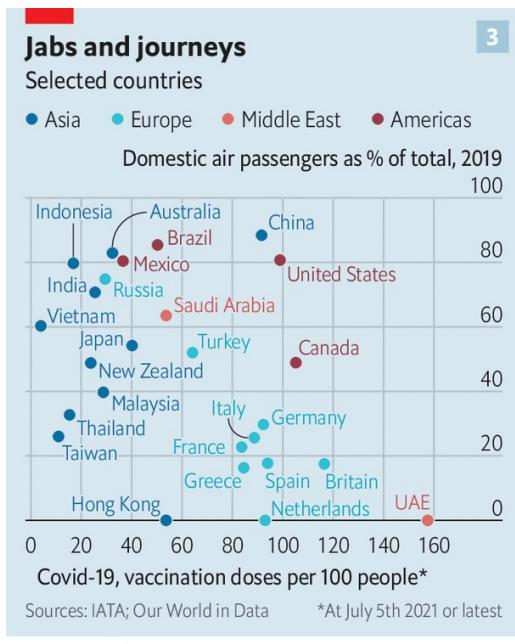
The Economist

Despite a degree of deregulation in the past 50 years, at the end of 2019 governments still controlled or had big minority stakes in 29 of the world's 100-odd listed airlines, according to the OECD, a club of industrialised countries. States prop up loss-making national carriers, including privatised ones, which they view as vital infrastructure and a source of patriotic pride. In announcing Japan's latest bail-out, the authorities talked of 240,000 jobs at stake and emphasised the role airlines play in connecting far-flung parts of the archipelagic country.

Paternalistic governments have dug deep into their pockets during the pandemic. Between its onset and March this year public handouts to aviation exceeded \$225bn globally, IATA calculates. This largesse helps explain why fewer carriers entered bankruptcy worldwide in calamitous 2020 (43 of them) than in 2018 (56) or 2019 (46), according to Cirium.

Even if cash infusions tide some airlines over, though, they are no cure-all. On the contrary, they may prove poisonous. As Mr Morris of Cirium politely puts it, state support leads to "inappropriate cost bases". One careworn observer remarks that Air France-KLM, a Franco-Dutch entity, has been "paid by the government not to restructure". France wants to save as many jobs as possible and the Netherlands to ensure that Schiphol in Amsterdam

remains a big connecting airport. Neither objective has much to do with returns.



The Economist

Moreover, bail-outs do not guarantee long-term success even in combination with a healthy pre-pandemic balance-sheet. Dubai's Emirates enjoyed years of profits, as well as generous backing from its owner (a sheikhdom). So did Singapore Airlines (which is listed but controlled by the city-state's government) and Cathay Pacific (Hong Kong's publicly traded flag-carrier). Like many of their less lucrative counterparts with large international networks, including Air France-KLM, British Airways or Germany's Lufthansa, they all "rely on the whole world reopening", observes John Grant of OAG, another aviation-data firm. That will not happen until much more of the globe is vaccinated (see chart 3). And as much as executives dislike endless video calls, most despise constant flying even more.

Amid the uncertainty, [two categories of carrier can expect to prosper](#). The first is the full-service network airline which, like beaten-up rivals, offers long- and short-haul routes but which also, crucially, caters to a huge domestic market. The second group comprises nimble and cash-generative low-cost carriers that fly on a multitude of regional routes.

The rebound in domestic flying favours American and Chinese airlines. Last year China, where covid-19 emerged but was suppressed more successfully than in the West, overtook America as the world's biggest domestic market by capacity. Flights within China are back to levels from 2019, reckons Citigroup, a bank.

In America, internal flights make up 60% of air travel, compared with around 10% in Europe, the Middle East and Africa, estimates Oliver Wyman, a consultancy. The country still lags a little behind China but air travel in the run-up to the Fourth of July weekend surpassed pre-pandemic levels. In Europe, by contrast, fragmented as the continent is by national borders, the number of short-haul flights is still 55% below what it was before covid-19 hit.

## **Westerly tailwinds**

Scott Kirby, boss of United Airlines Holdings, has warned that the American carrier needs about 65% of pre-pandemic demand for business and international long-haul trips merely to break even. Still, that looks achievable for United and its domestic rivals such as American Airlines, Delta Air Lines and Southwest (which pioneered no-frills flying in the 1960s but has turned into something like a domestic network airline, minus the international long-haul).

American, for example, earns around 70% of revenues from domestic passengers, whereas full-service carriers elsewhere might rely on the big seats at the front of intercontinental flights for half their revenues (and up to 75% of profits). It helps that years of consolidation waved through by light-touch regulators have created an oligopoly where the four big airlines ferry 80% of passengers.

The Chinese market is similarly carved up between a few big carriers—Air China, China Southern and China Eastern. As a result, their revenue per passenger-kilometre is twice what it is in nearby South-East Asia, where competition is fiercer. With Chinese domestic travel more or less back to normal, and their costly geopolitical obligations to expand loss-making international routes put on ice because of covid-19, the trio are in a better shape than ever before.

The domestic rebound and growing confidence have helped American and Chinese airlines raise cash and avoid protracted state support. Of the big Chinese ones only China Eastern required a substantial bail-out. The American firms got a huge bail-out but are exiting it quickly. In March American Airlines tapped the market for \$10bn in debt, most of which went on repaying government loans. A month later United raised \$9bn with a similar goal.

Importantly, the American companies have avoided the need to sell equity stakes to Uncle Sam. Combined with strong domestic cashflows, an early exit from government programmes gives the American and Chinese carriers a competitive advantage, says Andrew Charlton of Aviation Advocacy, a consultancy. In Europe, meanwhile, France has increased its stake in Air France-KLM to nearly 30%, Germany has taken a 20% stake in Lufthansa and the ever-hopeless Alitalia is now fully state-owned. Even as the three European firms continue to retrench, while dealing with growing state involvement, United Airlines has just placed an order for 270 new jets, its biggest ever. Delta and Southwest have also been buying aircraft.

The return of short-haul international travel will revive the fortunes of the second group of winners: low-cost carriers in highly vaccinated places, where borders are gradually reopening and quarantine rules are being relaxed. European companies in particular stand to benefit from pent-up demand for holidays and visits to families and friends. More than eight in ten passengers flying with Ryanair, an Irish no-frills airline, and Wizz Air, a Hungarian one, are leisure-seekers, compared with no more than seven in ten for Lufthansa and Air France-KLM.

The lack of a European oligopoly, and deep pandemic-induced cuts to the short-haul networks of legacy carriers, have left room for thrifty challengers to expand. Bernstein, a broker, expects Ryanair and Wizz Air, which have little debt and lots of cash to spend on new planes, to outfly European rivals in the next few years. So do investors. Both Ryanair and Wizz Air are worth more than before the pandemic.

Some of the likely winners may stumble. Delta and United have some way to go before they regain their pre-pandemic market capitalisations. A few other victors may emerge. One improbable candidate, according to

Bernstein, is the unloved British Airways. Its parent company, IAG, [moved swiftly to slash costs](#), retire older and thirstier aircraft, delay deliveries of new planes and return leased aircraft with lots of unwanted premium seats. It is possible that network companies with passable finances and a good record, like Singapore Airlines, could eventually fly high again once international travel resumes. On July 5th a consortium of investors bet that long-haul flying would revive in time, by offering to pay \$17bn for Sydney Airport, Australia's gateway to the world, not too far below its stockmarket value in late 2019.

Challenger carriers could spring a surprise in America, where the three thriftiest ones—Allegiant, Frontier and Spirit—have doubled their market share to 10% in the past five years and together lost less than \$1bn in 2020, compared with \$45bn for American carriers all told, according to Keith McMullan of Aviation Strategy, a consultancy. JetBlue, another American low-cost airline, plans to introduce transatlantic flights on long-range narrow-body jets that are far cheaper to operate than wide-bodies that typically ply such routes.

Despite the fog of uncertainty, some upstarts are rolling out of the hangar. Breeze, which flies between smaller American cities overlooked by other carriers, and Avelo, which brings tourists to California, are taking advantage of cheap aircraft, plentiful pilots and available slots at once-crowded airports. Catching up with high-flying American and Chinese oligopolists, or with the cheap and cheerful European firms, is not impossible. But it will take skilful piloting. ■

Dig deeper

*All our stories relating to the pandemic and the vaccines can be found on our [coronavirus hub](#). You can also find trackers showing [the global roll-out of vaccines](#), [excess deaths by country](#) and the virus's spread across [Europe](#) and [America](#).*

*A version of this article was published online on July 6th 2021*



## Schumpeter

# The “mother-frackers” of shale now resemble OPEC

*Shareholders are delighted. Drivers less so*

Jul 10th 2021



Brett Ryder

AN HOUR AFTER dawn Scott Sheffield is at the window of his 2,300-acre (930-hectare) Forked Lightning ranch in New Mexico, contemplating a day's fishing. The estate, formerly owned by Jane Fonda, has four miles of river running through it. It's muddy at the moment, he says, but on a good day a fly fisherman can easily pull out 20 or so rainbow trout. It is a dreamy-sounding place, with pine-covered cliffs and roving elk. It is another world from the tumbleweed-strewn oilfields of West Texas where Mr Sheffield was once dubbed the “mother-fracker” for his role in turning the Permian Basin into the mother lode of America's shale boom.

The last time your columnist spoke to Mr Sheffield, five years ago, the co-founder and boss of Pioneer Natural Resources was the Permian's greatest free-market evangelist. It was the heyday of the shale revolution. Pioneer was in the middle of a drilling bonanza that pushed its oil output up by an average of 15-20% a year for a decade. All the money it earned, it reinvested

into fracking even more shale wells. Mr Sheffield was fond of comparing the Permian with Ghawar, Saudi Arabia's biggest oilfield.

That drilling mania made revolutionaries of Mr Sheffield and his fellow frackers. It helped them usurp the role of OPEC, the Saudi-led cartel, as price-setter of last resort in the global oil market. It reduced American dependence on imported crude, creating what then-President Donald Trump called America's "energy dominance". Yet it came at a cost. To keep the rigs running the shale producers burned through Wall Street cash. They flirted with ruin last year when oil prices crashed in the midst of the covid-19 pandemic. Led by Mr Sheffield, some even borrowed a leaf from OPEC's book, urging the Railroad Commission of Texas, a state regulator, to order production curbs to rescue the oil market.

It didn't need to. Oil prices have since rebounded, with American crude briefly hitting a six-year high on July 6th after OPEC and Russia failed to agree among themselves on how much to increase output. But it is now the shale industry, not OPEC, that casts itself as the guardian of high prices. Amid self-imposed production restraints, it prefers showering investors with cash rather than flooding the world with cheap crude. This may worry users of oil—and inflation hawks. But it is economically rational. It is also deeply ironic. Just when climate change is making investing in oil unfashionable, the shale industry is finally becoming investable. If the self-restraint lasts, forget the revolutionary notion that America's shale industry will be a fleet-footed source of supply in a tightly squeezed global oil market. Its mantra might just as well be "Keep it in the ground."

Mr Sheffield, 69, embodies the transformation. In 2016 he hung up his oilman's boots and retired to his ranch. It was a short-lived move. In 2019 he came back to the helm of Pioneer, convinced that two things threatened the future of the shale industry. One was its tendency to pump too much oil, even when it was unprofitable to do so. The other was the growing sense that oil demand would peak as electric vehicles gained traction and efforts to prevent climate change ramped up. He realised that to attract investors, the industry needed to reinvent itself. It is doing so in several ways.

Start with production. These days frackers prefer to brag about how little oil and gas they produce, rather than how much. Pioneer, the Permian's biggest

producer, promises no more than 5% annual volume growth for several years. On June 30th ConocoPhillips, another big producer, went further, pledging 3% annual output growth over the next decade. With less investment, as well as higher prices per barrel, the rewards come in cash, not crude. Rystad, an energy consultancy, predicts that America's shale industry will generate almost \$350bn in free cashflow this year, a record. Much of that will go to shareholders. Over the next five years, Mr Sheffield predicts that energy firms will be the biggest dividend-payers in the S&P 500. Unsurprisingly, investors are delighted. Pioneer's share price, a laggard for half a decade, is up by more than 40% this year. That of ConocoPhillips has risen by 50%.

Next comes consolidation. This is another way to please investors, especially when transactions are done with equity, not debt, and a more concentrated market means even less oversupply. ConocoPhillips has acquired Concho, a big Permian producer, and Pioneer has bought two shale producers, Parsley and DoublePoint Energy, both of which sit on land adjacent to it. Mr Sheffield says the deals will further improve production discipline. Pioneer has reduced the number of drilling rigs used by both.

Last, the industry is sprucing itself up to appeal to the environmental, social and governance (ESG) brigade. That sounds barmy, considering that the use of oil and gas is a leading cause of climate change. But by reducing gas-flaring and methane leaks, frackers believe they can attract yet more investors. Unlike oil giants such as ExxonMobil and Chevron, Pioneer is not under pressure from ESG investors to curb oil production for environmental reasons, says Mr Sheffield. Rather it is for economic reasons: higher dividends. Furthermore, he doubts that even drillers without public shareholders, such as those backed by private equity, are raring to go on a production spree. They have too much to lose. He thinks that oil is headed to around \$80 a barrel, which would be good for producers, yet, based on past experience, would not hurt demand, he adds.

## The capriciousness of capital

That is the optimistic view. Investors are fickle, though. As Bobby Tudor of Tudor, Pickering, Holt & Co, an investment bank, says, if oil prices keep rising there may be a premium on firms with high production growth. Mr

Sheffield insists the industry will not be swayed, having finally found a business model that works. “I’m sorry it took us so long,” he quips. Eventually he intends to retire again—at which point, he says, he plans to enjoy those dividends. All the more so, presumably, as he casts a fly over a pool of trout. ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/business/2021/07/10/the-mother-frackers-of-shale-now-resemble-opec>

## **Finance & economics**

- [Quantitative easing: The quest to quit QE](#)
- [Buttonwood: Classic convertible](#)
- [Oil markets: Division over the spoils](#)
- [Company buyouts: Frenemies](#)
- [Investment in Africa: Links in the chain](#)
- [Free exchange: Stabilité, libéralité, égalité](#)

## The queue to quit QE

# Central banks face a daunting task: tapering without the tantrum

*Can they stop their bond-buying and avoid upending markets?*

Jul 8th 2021



Satoshi Kambayashi

*Editor's note (July 6th 2021): This article has been updated to reflect the Reserve Bank of Australia's decision to taper its bond-buying in September.*

THE DEBATE over the effect on markets and the global economy of quantitative easing (QE), the purchase of bonds with newly created money, is almost akin to a culture war. To its critics unrestrained QE during the pandemic has covertly financed governments while inflating asset prices and boosting inequality. To its fans QE is an essential tool in which economists have justified and growing confidence. This high-stakes debate is about to enter a new phase. Rich-world central banks' balance-sheets will have grown by \$11.7trn during 2020-21, projects JPMorgan Chase, a bank (see chart 1). By the end of this year their combined size will be \$28trn—about three-quarters of the market capitalisation of the S&P 500 index of stocks today. But central bankers are about to turn this mega-tanker of stimulus around.



The Economist

The justifications for QE have almost dissipated. At the start of the pandemic, central banks bought bonds to calm panicky markets amid a flight to safety and a dash for cash. Then it became clear that the pandemic would cause a huge economic slump that would send inflation plummeting; QE was needed to stimulate the economy. Today, however, markets are jubilant and [inflation is resurgent](#).

In America it looks increasingly weird that the Federal Reserve is the biggest buyer of Treasuries, as it was in the first quarter of 2021. The economy is powering ahead. In June it added a heady 850,000 jobs, according to figures released on July 2nd. On Wall Street cash is so abundant that over \$750bn gets parked at the New York Fed's reverse-repo facility most nights, mopping up some of the liquidity injected by QE. On June 30th it absorbed nearly \$1trn. The Fed's purchases of mortgage-backed securities, given America's red-hot housing market, now look bizarre.

Some central banks have already begun to scale back their purchases. The Bank of Canada began curtailing the pace of its bond-buying in April. The Reserve Bank of Australia said on July 6th that it would begin tapering its purchases in September. The Bank of England is approaching its £895bn (\$1.2trn) asset-purchase target and looks likely to stop QE once that is reached; Andrew Bailey, its governor, has mused about offloading assets

before raising interest rates, contrary to the normal sequencing. In May the Reserve Bank of New Zealand said it would not make all of the NZ\$100bn (\$70bn) asset purchases it had planned to. And the European Central Bank is debating how to wind down its pandemic-related scheme.

By comparison the Fed has been reticent. Last month Jerome Powell, the Fed's chair, said that the central bank is "talking about talking about" tapering its purchases of assets. Minutes of the meeting preceding his comments, released on July 7th, revealed that officials thought it "important to be well-positioned" to taper. Most economists expect an announcement by the end of the year. The Fed's careful approach might reflect lingering memories of 2013, when it last warned of tapering to come. Bonds sold off sharply, the dollar soared and emerging markets suffered capital outflows in what is now known as the "taper tantrum". Even Mr Powell's announcement in June was accompanied by a mini-tantrum of sorts. Prompted by higher inflation, officials also indicated that they expected to raise interest rates twice by the end of 2023, sooner than they had previously signalled. The hawkish turn sent emerging-market currencies tumbling.

QE is swathed in so much mystical uncertainty that working out the impact of unwinding it is no easy feat. But a careful examination of central banks' past experience of asset purchases yields clues for what to expect. It also contains lessons for how central banks might be able to extricate themselves from their bond-buying gracefully this time, before the negative side-effects of their enormous balance-sheets start to be felt acutely.

Begin with the effects of changing course. Everyone agrees that central banks' asset purchases reduce long-term bond yields. But there is enormous uncertainty as to how much they underpin markets today. Last year Ben Bernanke, the Fed's chairman at the time of the taper tantrum, suggested that in America in 2014 every \$500bn of QE reduced ten-year Treasury yields by 0.2 percentage points. By that rule of thumb, adjusted for inflation, the Fed's total securities holdings of \$7.5trn today are lowering yields by nearly three percentage points (though Mr Bernanke suggested, somewhat arbitrarily, that the overall effect of QE might be capped at 1.2 percentage points).

Alternatively, the median estimate of a survey of 24 studies conducted in 2016 by Joseph Gagnon of the Peterson Institute for International

Economics suggests that asset purchases worth 10% of GDP reduced ten-year government bond yields by about half a percentage point. That suggests that QE today is suppressing long-term rates by just under two percentage points in America, Britain and the euro area—although Mr Gagnon argues that when yields approach zero, as they have in Europe and Japan, QE reaches its limits. A bigger bond market may also reduce the size of the effect. The Bank of Japan owns government debt worth a staggering 97% of GDP, but Mr Gagnon finds the effects of QE have historically been more muted, perhaps because Japan's total public debt is more than two-and-a-half times that figure.

These numbers, and the experience of the taper tantrum, make the reversal of QE seem like something that will upend financial markets. Sky-high asset prices today reflect the assumption that long-term interest rates will stay low for a long time. “We know we need to be very careful in communicating about asset purchases,” Mr Powell acknowledged earlier this year. Yet the lessons from the taper tantrum are subtler than they seem—and may even provide some cause for comfort.

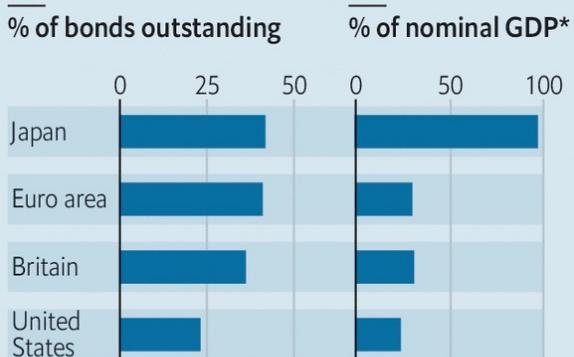
## **When the toys go out of the pram**

The tantrum of 2013 is associated with Mr Bernanke raising the subject of slowing the Fed's pace of asset purchases. But asset prices fell because investors brought forward the date at which they expected the Fed to raise overnight interest rates, the traditional lever of monetary policy. The episode supports the “signalling” theory of QE, which says that central banks' balance-sheets influence long-term bond yields not directly, as rules of thumb suggest, but by acting as a marker for future interest rates. The implication is that you can reverse QE without much fuss if you sever the perceived link between asset purchases and interest-rate decisions.

## Treasury trove

2

Government debt held by central banks  
July 2nd 2021 or latest available



Sources: National statistics;  
Haver Analytics; *The Economist*

\*2019 figures

The Economist

Some past episodes of tapering seem to observe this rule. Indeed, the Fed has already achieved a big tapering during the covid-19 crisis. As the severity of the pandemic became clear and markets panicked in spring 2020, the Fed hoovered up almost \$1.5trn of Treasuries in just two months before dramatically slowing its purchases, which eventually settled at around \$80bn a month. But there was no expectation that interest rates would soon rise and bond yields seemed unaffected. In a speech Gertjan Vlieghe of the Bank of England, a proponent of the signalling theory, cited this experience, which was mirrored in Britain, as evidence that there is little mechanical link between bond yields and QE.

The Fed also seemed to achieve such a separation the last time it shrank its balance-sheet significantly, in 2018 and 2019. It let assets mature without reinvesting the proceeds, rather than by selling anything—with no discernible effect on bond yields. “The point around signalling and intent is a very salient feature of how QE operates,” says a trader at a big Wall Street bank. Since the end of March ten-year Treasury yields have drifted down, even as tapering talk has become louder.

Perhaps, then, central banks can pull off a graceful exit. The question is whether rising inflation and booming markets will make them impatient to reverse course more abruptly. Some, particularly in Britain, are also wary of

three potential undesirable effects of central banks' balance-sheets being too large for too long.

The first concern, which has troubled Mr Bailey, is about preserving ammunition. A popular view is that QE is highly effective at calming markets during crises when it is deployed quickly and at scale, but has smaller effects in more normal times. The danger of prolonging an enormous market presence in good times is that you run out of room to act with force during emergencies. Central bankers usually scorn this logic when it is used to argue for higher interest rates, because harming the economy today to rescue it later is to put the cart before the horse. But if QE works best in a crisis then withdrawing it in normal times should not be so painful. Not doing so might mean a gradual ratcheting up, during each crisis, of the share of government debt that central banks own.

The second worry is the unseemly tangle of monetary and fiscal policy that QE creates. During the pandemic central banks have routinely faced the accusation that QE is meant to fund governments; in January a survey by the *Financial Times* of the 18 biggest investors in Britain's gilt market found that the "overwhelming majority" thought the purpose of the Bank of England's bond-buying was to finance the government's emergency spending, rather than to support the economy.

But although lower bond yields help the government's finances, QE does not extinguish the government's financing costs. It just shifts them to central banks, whose profits and losses end up back with the taxpayer. The central-bank reserves created to buy bonds carry a floating rate of interest, making them analogous to short-term government borrowing. Over the past decade, issuing short-term liabilities to buy long-term debt has been a profitable strategy. Between 2011 and 2020 the Fed sent over \$800bn in profits to the Treasury; the Bank of England's asset-purchase facility transferred £109bn to British taxpayers.

If interest rates rose, however, central banks' enormous balance-sheets could become lossmaking. That could have sizeable consequences for the public finances: in November 2020 Britain's Office for Budget Responsibility estimated that the country's debt-service costs had become twice as sensitive to short-term interest rates as they were at the start of the year, as a result of

the combination of QE and increased debt. Every one-percentage-point increase in short-term interest rates will raise the annual cost of servicing debt by 0.5% of GDP by 2025-26. In large rich countries 15–45% of public debt is “in effect overnight”, calculates the Bank for International Settlements. Some economists also worry that central banks could see their independence compromised were they to require cash injections from governments.

The final factor is appearances. The prominence of central banks’ holdings of public debt has helped create a widespread impression that governments can spend with abandon. It has had weird effects, such as sending measures of the broad money supply through the roof, contributing to fears of inflation. Politicians [eye central banks ever more greedily](#), wanting to use QE to further goals such as reducing inequality or fighting climate change. During times of economic crisis central bankers have to lead from the front. As normality returns, their focus should be on keeping a lower profile. ■

Dig deeper

[The new fault lines on which the world economy rests](#) (July 2021)

[Surprising levels of inflation are increasingly being driven by wages, not goods](#) (July 2021)

*A version of this article was published online on July 4th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/finance-and-economics/2021/07/04/central-banks-face-up-to-the-daunting-task-of-quitting-debt>

**Buttonwood**

# Why convertible bonds are the asset class for the times

*Fast-changing conditions call for flexible forms of capital*

Jul 10th 2021



Satoshi Kambayashi

IN THE MIDDLE of March last year, as the coronavirus pandemic was taking hold, a private-equity boss in America was asked how his industry would deal with the shock. The businesses owned by buyout firms would first look to raise debt wherever and however they could. Drawing equity from private-equity investors would be a last resort. “I think you’ll see the same in public markets—a lot of convertible issues,” he said. Sure enough, there was soon a rash of big convertible-bond sales by cruise lines, airlines and retailers.

A convertible is a bond with an option to swap for shares of common equity. Last year \$159bn-worth were issued worldwide, according to figures compiled by Calamos Investments, an asset manager. This was around twice the value of convertibles issued in 2019. So far this year around \$100bn-worth have been issued. An asset class that had fallen out of fashion is back

in vogue. That is because convertibles are well-suited to fast-changing conditions.

To understand why, start with some basics. A convertible bond has the usual features of a garden-variety bond: a principal to be repaid on maturity, an interest-rate coupon paid once or twice a year and so on. In addition the issuer grants the bondholder the right to convert the principal into a fixed number of shares. This number, known as the conversion rate, is typically set so that it would be worthwhile to exercise the option only if the share price rose by 30-40%. The option is thus “out of the money” when the convertible is issued. A company with a share price of, say, \$15 might set the conversion rate of a \$1,000 bond at 50. At that rate it would begin to make economic sense to swap the bond for equity only if the share price reached \$20 (ie, \$1,000 divided by 50). In exchange for the equity option, convertibles pay a lower rate of interest. A rule of thumb is that they have a coupon roughly half that of a regular bond.

Convertibles may be complex securities, but in some circumstances they have clear advantages over straight debt or equity for both issuers and investors. This is the case for unproven firms in capital-hungry businesses. (Until recently Tesla was a big issuer of convertibles, for instance.) The founders of such firms are often reluctant to issue equity, because it dilutes their ownership. They would prefer to issue debt. But bond investors might demand a steep interest rate to compensate for the risk of default. Convertible bonds can be an ideal compromise. Investors are willing to accept a lower interest rate in exchange for a piece of the equity upside. For business owners, convertibles are less dilutive than straight equity. New shares are issued later at a much higher price, if at all.

Around 60% of the volume of issues so far this year is by firms that have been listed for less than three years, says Joseph Wysocki of Calamos. But old-economy cyclical firms are issuers, too. Some, like Carnival Cruises and Southwest Airlines, used convertibles last year to raise “rescue” finance at lower interest rates and without immediate dilution. Others are using them to finance investment: Ford Motor sold \$2bn of convertible bonds in March, for instance.

This flurry of issuance is quite a shift. The market for convertibles was previously rather moribund, even as high-yield bonds and leveraged loans enjoyed a boom. The absence of meaningful inflation meant that long-term interest rates steadily fell. Bond investors enjoyed healthy capital gains. At an aggregate level, the trend in American corporate finance was to swap equity for debt, and not the other way round.

Today's challenges are different. A big concern is that inflation and interest rates are at the start of an upward trend. A world of high inflation would be a trickier one in which to raise capital by issuing corporate bonds. The nominal value of the bond at redemption would be a lot lower in real terms. By contrast, convertible bonds offer some protection. They are "nominal assets which come with an embedded call option on a real asset", writes Dylan Grice of Calderwood Capital, an alternative-investment boutique. The option to convert to equity affords the bondholder a degree of indexation to rising consumer prices.

Convertibles have already proved their worth. They were almost tailor-made for the circumstances of spring 2020. Big changes call for flexible forms of capital. And it is easy to imagine further economic dislocations on the horizon. Convertibles are the asset class for the times.

---

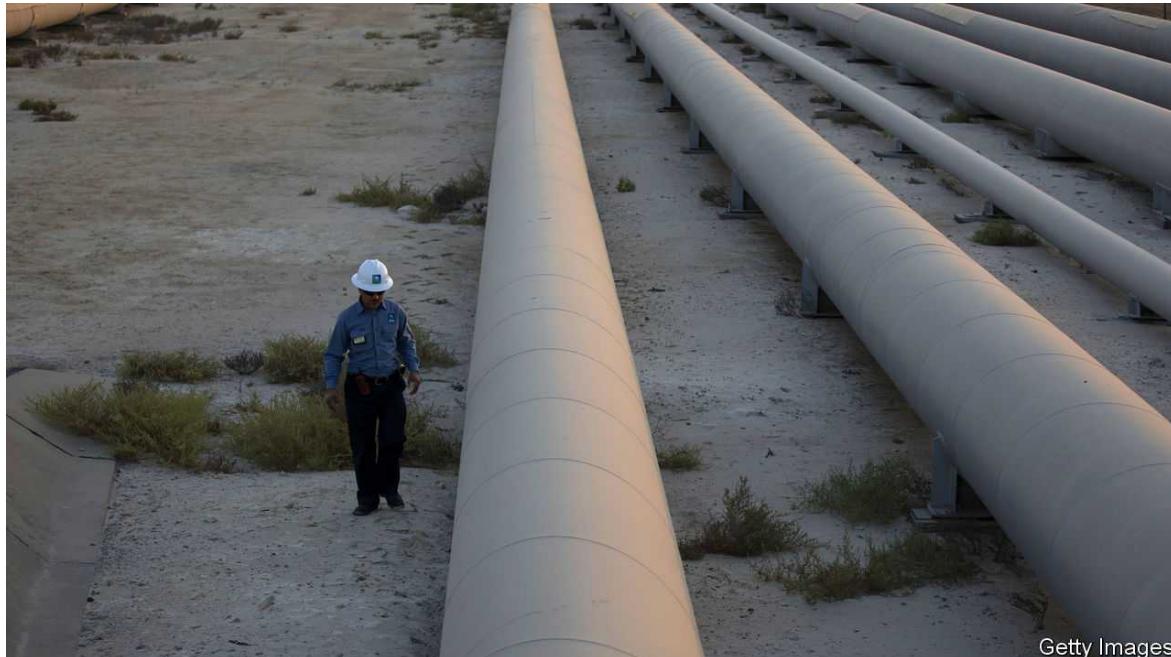
This article was downloaded by [calibre](#) from <https://www.economist.com/finance-and-economics/2021/07/10/why-convertible-bonds-are-the-asset-class-for-the-times>

## Division over the spoils

# The Saudi-Emirati rift within OPEC is a sign of things to come

*As demand eventually dwindle, some oil producers will be keener than others to turn reserves into cash*

Jul 7th 2021



Getty Images

IT IS RARE for spats about oil supply to break out between Saudi Arabia and the United Arab Emirates (UAE). The countries' views on output usually align. Traders and analysts regard them, along with Kuwait, as the core of the Organisation of the Petroleum Exporting Countries (OPEC). So eyebrows were raised in early July when Suhail Al Mazrouei, the UAE's energy minister, told reporters that OPEC's quotas were "totally unfair". A further surprise came on July 5th when meetings between the cartel and its allies (notably Russia), together known as OPEC+, were abandoned because of the row. The price of the benchmark Brent crude rose above \$77 a barrel for the first time in more than two years, before dropping back below \$75; that of American crude briefly hit a six-year high.

OPEC+ introduced swinging production cuts last spring as covid-19 began to spread, the demand for fuel tanked and the oil price collapsed to below

\$30 per barrel. More recently the cartel has been carefully increasing supply as demand has revived and oil prices have recovered. The cancelled meeting had been convened with the goal of agreeing on further increases to output after July. At the same time the Saudis and others were also seeking to extend the current regime for assigning cuts to members' production.

But the UAE wants the quotas, which are based on countries' oil-producing potential in October 2018, to be revised. Its supply capacity has grown by almost a fifth since then, thanks to heavy investment. A third of its production is now sitting idle—a greater share than in any other OPEC+ country (see chart).



The Economist

Other members, in particular Saudi Arabia, are reluctant to see production rise too much, however. That is partly because giving way on quotas could mean that countries such as Russia start to make similar demands. But it could also reflect the Saudis' desire to avoid overproduction at a time when non-OPEC producers may expand supply, too.

The usual suspects would have been America's shale producers, who in the past have often increased output when oil prices rise. This time may be different, though. The industry is trying to change its ways, promising to

keep a tight rein on oil output, restrain investment and return cash to shareholders.

Iran is a more likely source of new supply. The country's negotiators are trying to strike a deal with America that would lift economic sanctions in return for limits on its nuclear ambitions. If they succeed, Iran could add around 1m barrels a day to the market by the end of the year; it could also sell the 200m barrels it currently has in storage. Chris Midgley of S&P Global Platts, a data firm, points out that Saudi officials do not want a replay of 2018, when America's decision not to reimpose oil sanctions on Iran took them by surprise and sent oil prices lurching downwards.

What, then, to expect from the cartel and its allies? There are three scenarios. One is that countries start producing whatever they want, a price war ensues, and oil prices tumble. Analysts reckon that this is the least likely outcome. Energy ministers still bear the scars of the ill-timed price war of March 2020, when Russia and Saudi Arabia failed to agree on production cuts. The market was flooded with oil just before demand suffered its covid-induced collapse.

Another possibility is that a new deal fails to be struck, and that countries stick to their current quotas. That would mean the extra post-July production increases that the market had been expecting do not materialise. Coupled with a summer uptick in demand from holidaymakers as they fly or drive to their destinations, that would push prices up, perhaps over \$80 a barrel. The most likely outcome from the row, however, is a compromise. One possibility is that the UAE and some other countries are allowed a temporary increase in output and the thorny issue of quota revision is kicked down the road.

Even if a deal is struck, however, the spat may portend further disagreements—and more price volatility. OPEC+ members are using divergent strategies when it comes to the energy transition and the oil markets, argues Francesco Martoccia of Citigroup, a bank. Faced with dwindling demand in the long term, some producers, such as the UAE, want to boost supply and monetise petroleum reserves earlier. Others, such as Saudi Arabia, want to restrict production to keep prices high. Such divisions

will become even clearer as the shift towards a greener economy accelerates. OPEC's latest tiff won't be its last. ■

*A version of this article was published online on July 7th 2021*

---

This article was downloaded by calibre from <https://www.economist.com/finance-and-economics/2021/07/07/the-saudi-emirati-rift-within-opec-is-a-sign-of-things-to-come>

## Frenemies

# The uneasy partnership between private equity and SPACs

*For buyout barons, blank-cheque companies can be both a blessing and a curse*

Jul 10th 2021 | NEW YORK



THE SPECTACLE of the SPAC, or “special-purpose acquisition company”, has preoccupied bankers on Wall Street over the past year. This is in part because the vehicles, which list a shell company on stockmarkets and raise a pot of capital before hunting for a private company to merge with, are often touted by their backers as an alternative to an initial public offering (IPO). Big banks make meaty fees from their IPO businesses. For some, the fact that SPACs have muscled in is an unwelcome development. As voracious buyers of private firms, though, SPACs are attracting as much attention among the private-equity (PE) barons on New York’s Park Avenue as on Wall Street.

Since the start of 2020 SPACs have gobbled up almost \$200bn in capital. The way they are constructed makes them prone to overpaying for firms. Creators see no compensation unless they strike a deal with a merger target,

which must often be done within two years. The founders' payoff is usually 20% of the shares the SPAC helps issue in the newly public firm, which are given to them for a nominal fee. This means that even if the shares plunge after the shell company merges with its target, the founders are still well compensated. Their incentive is thus to do any deal they can, at lofty prices if necessary.

This tendency to overpay is both a blessing and a curse for PE. If a PE firm is looking to offload one of its portfolio companies, then finding a SPAC to buy it is an attractive prospect. In March Blackstone and CVC Capital Partners, two PE shops, tripled their money when they sold Paysafe, a payments platform, through a SPAC merger led by Bill Foley, an insurance executive. After Blackstone achieved record first-quarter earnings of \$1.75bn Jon Gray, its president, noted on an earnings call that SPACs had emerged as a new exit option.

But PE firms also need to purchase private companies for their new funds, ideally at low valuations if they are to make the juicy returns their investors have come to expect. Little is known publicly about the deals that PE firms miss out on, but reports abound of SPACs bidding 20-50% more for companies than the most optimistic valuations by analysts in PE shops.

A further complication in the relationship between blank-cheque vehicles and PE is that some PE giants are setting up SPACs themselves. Apollo, for instance, has launched five in recent years. That could pose a dilemma: should a target firm be bought through the private arm, to the benefit of the investors in the PE fund, or by the public arm, to the benefit of the investors in the SPAC? The SPAC frenzy might yield juicy returns for PE investors who bought into a fund a decade ago. But tricky choices loom.

---

## **Links in the chain**

# **In Africa, foreign firms are often disconnected from local ones**

*Strengthening linkages could spur development*

Jul 10th 2021 | KAMPALA



IN 2016 DANIEL KINUTHIA started a small business in Kenya making shoe uppers for the local subsidiary of Bata, a multinational footwear company. He was short of finance and equipment, and his contract with Bata ended when covid-19 hit. But he says supplying Bata and visiting its factory taught him “what happens, how the shoe is marketed, the kind of shoe that can be sold”. Now he dreams of using those skills to build a factory of his own.

Many African governments are keen to attract foreign investment. But its impact hinges on what Albert Hirschman, a post-war economist, called “linkages”. By supplying or buying from multinationals, local firms like Mr Kinuthia’s can learn about markets and technology. Such linkages are all too rare in Africa, however. Many multinationals ship in their inputs and export what they produce. That brings jobs and dollars, but does not spur development.

A recent study by John Rand of the University of Copenhagen and others finds that linkages are scarcer in Africa than in developing Asia. The multinationals they surveyed in Kenya imported two-thirds of their intermediate inputs, for instance, whereas those in Vietnam imported just a quarter. And local linkages transferred less technology than expected. Firms learned as much by trading across oceans as they did from foreign firms in their backyard.

Extractive industries in particular tend to operate as enclaves. Mining concessions often come with import-duty waivers, says Lukas Bekker, a supply-chain expert who has helped set up mines in three African countries. That makes it cheaper to import equipment than to use local contractors. And buying local can be risky. A finance manager with 20 years' experience in African mining says he prefers to keep procurement offshore, having uncovered "frauds and kickbacks" between staff and local suppliers in the past.

Capacity takes time to build. In Uganda, which has long been preparing to pump oil, a survey in 2012 found that only 200 trucks in a local fleet of 2,500 were up to scratch. "We had to transform our business," says Jeff Baitwa, who spent \$20m buying equipment to upgrade his haulage company for oil contracts. Sometimes the technical gap is too wide. "I'm told the pipeline has what they call 'seamless pipes,'" says Stuart Mwesigwa, a manager at Uganda's largest steel company. "No one in east Africa is manufacturing that!"

The problem goes beyond mining. International supermarkets often truck in goods from distribution hubs—in South Africa, for example—rather than sourcing in the places where they operate. Much of Africa's coffee, cashew and cocoa leaves the continent in packaging made abroad. Garment-makers stitch together imported fabrics with imported zips and buttons.

Governments' attempts to nurture linkages show just how hard they are to create. Some are trying to set up clusters of knowledge in industrial parks. Raghav Pattar, an Indian, came to Hawassa Industrial Park in Ethiopia as the manager of a Chinese apparel factory. From there it was a short step to his current job as chief executive of Nasa Garment, the first Ethiopian-owned company there. These kinds of moves help skills and knowhow spread. But

most Ethiopian firms “are not coming to the industrial park”, says Mr Pattar. They struggle to get the loans and expertise that foreign firms can acquire abroad. In many countries the entrepreneurs who gain most from foreign investment are often those with existing connections, such as those of European or Asian descent.

Governments are also trying to foster links through “local content” rules, which require multinationals to procure locally to win licences. The focus needs to be on suppliers that add value, notes Judith Fessehaie of the International Trade Centre, a development agency, who has studied such policies in the southern African mining sectors, so that contracts do not go to importers with nothing more than “a briefcase and a desk”. But the risk is that tough restrictions put foreign firms off setting up in a country altogether.

Some hope that the market might create incentives to source locally, as consumers become more interested in the origins of the products they buy. “Our objective is to grow the Ghana ecosystem,” says Keren Pybus of Ethical Apparel Africa, a British garment-sourcing company that has invested in a factory in Ghana. Ms Pybus imports fabric but wants one day to buy it locally. Foreign-owned brewers are switching from imported barley to homegrown grains, marketing beer-drinking as a patriotic act. But unless suppliers have the funds, capacity and expertise to take advantage of foreign linkages, such efforts will amount to small beer. ■

**Free exchange**

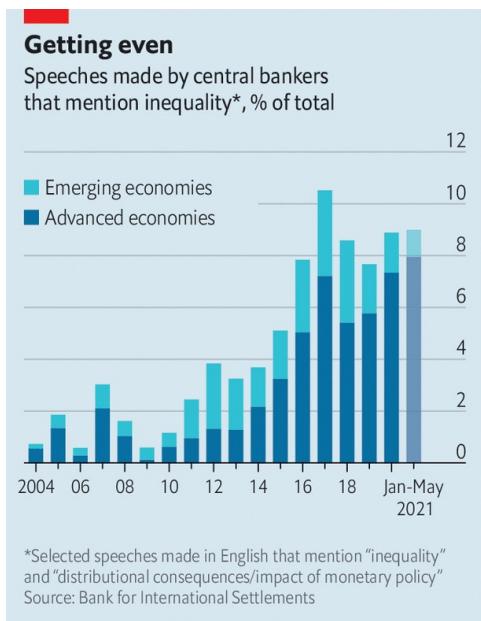
## The pandemic has widened the wealth gap. Should central banks be blamed?

*Many are expressing unease at the effects of their policies*

Jul 10th 2021



THE GLOBAL financial crisis of 2007-09 was socially divisive as well as economically destructive. It inspired a resentful backlash, exemplified by America's Tea Party. That crisis at least had the tact to spread financial pain across the rich as well as the poor, however. The share of global wealth held by the top "one percent" actually fell in 2008. The pandemic has been different. Amid all the misery and mortality, the number of millionaires rose last year by 5.2m to over 56m, according to the *Global Wealth Report* published by Credit Suisse, a bank. The one percent increased their share of wealth to 45%, a percentage point higher than in 2019.



The Economist

The wealthy largely have central banks to thank for their good fortune last year. By slashing interest rates and amassing assets, central banks helped the price of shares, property and bonds rebound. Their economic-rescue effort was, in many ways, a triumph. Yet central banks are not entirely at ease with the role they have played in comforting the comfortable. In October Mary Daly of the Federal Reserve Bank of San Francisco contrasted America's full financial rebound with its incomplete economic recovery. "It seems unfair," she acknowledged. "Another example of Wall Street winning and Main Street losing." Her speech fits a trend; central bankers are mentioning inequality more often (see chart). The latest annual economic report by the Bank for International Settlements (BIS), the central banks' bank, devotes a whole chapter to the distributional effects of monetary policy.

In the past central banks would argue that inequality was primarily the result of structural forces (automation, say, or globalisation) that lie beyond their mandate or their power. They have only one policy instrument, they would point out. They cannot set different benchmark interest rates for rich and for poor. And their workhorse economic models often featured a single "representative" household that was meant to stand in for everyone. A model will struggle to assess a policy's impact on the distribution of income if there is, in effect, only one household to distribute to.

In keeping with this tradition, the BIS warns its members not to overreach. Central banks best serve the cause of combating inequality by sticking to their traditional goals of curbing inflation, downturns and financial excess. Tacking on inequality as another objective could compromise the achievement of these aims. Monetary policy will find it harder to fight cyclical forces if it is too busy flailing against structural forces such as technology and trade.

Moreover, the age-old fight against inflation, recession and speculation is not necessarily egalitarian. High inflation is often a regressive tax, harming those who rely on cash the most. “[I have] seen first-hand the havoc that high inflation can wreak on the poorer segments of society when I grew up in Argentina,” said Claudio Borio of the BIS in a recent speech. Fighting downturns is also an egalitarian endeavour. Recessions worsen inequality and inequality worsens recessions, in a cycle of “perverse amplification”, as Mr Borio puts it. Deeply divided societies suffer larger drops in output in bad times and respond more slowly to monetary easing. The effect of policy on the economy is impaired partly because the very poor cannot access credit, and therefore cannot borrow (and spend) more when interest rates are cut. Meanwhile, the very rich do not spend much more either, even though looser policy pushes up the prices of their assets.

There is, then, no need to give central banks a new, more egalitarian set of goals. But that leaves open the question of how central banks should meet those goals. Some approaches and tools may be better for social cohesion than others. And central banks might reasonably favour those that, all else equal, serve their mandate more equitably than others.

The Fed, for example, last year adopted a less trigger-happy interpretation of its inflation target. A side-effect of this approach should be lower income inequality. It will allow the Fed to find out whether people on the economic sidelines can become employable if hiring remains strong enough for long enough. To guide their thinking, central banks are turning to economic models that include “heterogeneous” households, a step beyond the “representative-agent New Keynesian” model (otherwise known as RANK). They also now have a bewildering variety of tools to choose from. Some buy equities, which are largely held by the rich. Others provide cheap funding to banks that lend to small firms. (The Bank of Japan does both.) Each tool will

make a different contribution both to the level of spending and the distribution of income.

## A tool of the many

Yet there are limits to what monetary policy alone can achieve. Even a central bank that sticks to its customary role, the BIS notes, may face awkward trade-offs, pitting income inequality against wealth inequality and inequality now versus inequality later. Bold monetary easing may lead to a more uniform distribution of income by preserving jobs. But it will boost the price of assets, increasing wealth inequality, at least in the short run. In addition, these expansive monetary policies can, the BIS argues, contribute to financial excesses that could go on to result in a deeper, more protracted recession in the future. And that would ultimately be bad even for income equality.

The BIS's answer is to bring a wider range of policies to bear, including better financial regulation to curb speculative excesses and more responsive fiscal policy, where public finances permit. By spending more, governments allow central banks to buy less. Ben Bernanke, a former Fed chair much maligned by populist critics, put it this way: "If fiscal policymakers took more of the responsibility for promoting economic recovery and job creation, monetary policy could be less aggressive."

If central banks have worsened inequality in their efforts to rescue the economy it is partly because they have borne an unequal share of the job. With more help from fiscal policy, central banks will find it easier to take away the punch bowl before the tea party gets going. ■

# Science & technology

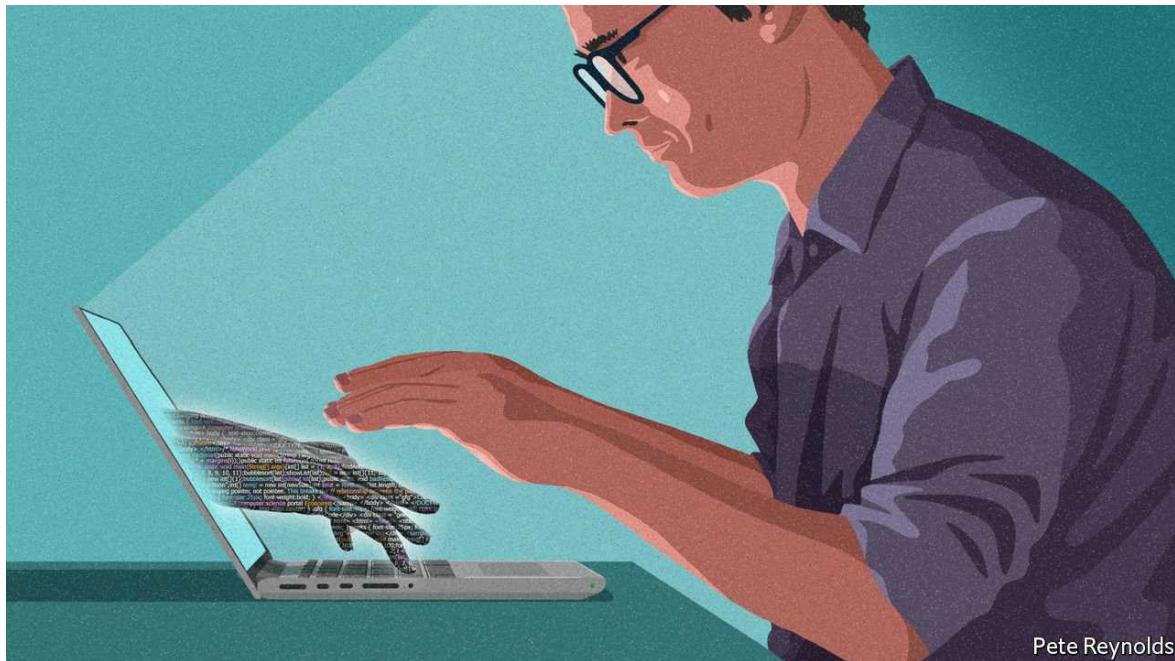
- [Automating programming: The software software engineers](#)
- [Copper gushers: Brine mines](#)
- [The origin of songbirds: The sweet taste of success](#)
- [Symbiosis: Ants, acacias and shameless bribery](#)
- [How tea gets its flavour: Milk, sugar and microbes, please](#)

## Automating programming

# AI is transforming the coding of computer programs

*The software engineers of the future will, themselves, be software*

Jul 7th 2021



Pete Reynolds

GPT-3 IS QUITE a beast. The Generative Pre-Trained Transformer 3, to give its full name, is a language model developed by OpenAI, a part-commercial, part not-for-profit artificial-intelligence (AI) laboratory in San Francisco. GPT-3 was trained on an unprecedented mass of text to teach it the probability that a given word will follow preceding words. When fed a short text “prompt”, it cranks out astonishingly coherent prose written in a similar style.

Access to GPT-3 is restricted. For one thing, says Jack Clark, former head of policy at the organisation, it might otherwise be used to mass produce fake news or flood social media with “trolling and griefing” messages. But OpenAI also knows that GPT-3 is commercially valuable. Last year the laboratory started letting vetted firms buy its output for approved uses. These include producing answers to typed questions about products, and

powering the speech of fictional characters in virtual worlds. But perhaps most important, GPT-3 can also be used to write computer code.

Several firms are already using GPT-3 and its predecessor GPT-2 to add AI to the software that their programmers use to write code. Much of what these programmers type out has already been written elsewhere at some point in the past. This means that by feeding oodles of pre-existing code into such packages, they can be trained to predict the lines a programmer needs next. As a programmer types, potential “code completions” of one or a few lines pop up on the screen.

## Predict and provide

One company that has created such an AI-completion feature is Tabnine, of Tel Aviv. Tabnine used GPT-2 to feed so much code to its programming software, also named Tabnine, that this software gained a sort of “world knowledge”, says Eran Yahav, the firm’s top technologist. Dr Yahav describes this as “a pretty good notion of how the world behaves”, at least when it comes to programming-speak. Tabnine software may detect that a user has begun to type code to handle, say, purchase orders. It will then suggest code to display product names and prices, as well as code to create fields to be filled with quantities, payment and delivery data. It works even though Tabnine has never been specifically instructed to do that.

Some coding sequences are rare. In these cases, Tabnine lengthens its pop-up list of suggested completions to increase the likelihood of offering a useful one. By clicking on one that is appropriate, the programmer teaches Tabnine to perform better. Tabnine’s professional version seems “almost intelligent” in its ability to understand a programmer’s intent, according to Dror Weiss, the firm’s boss.

Tabnine is not alone. On June 17th Microsoft, an American software giant, released a new version of an AI-completion feature which it embeds in coding software called Visual Studio. The original version, released in 2018 and named IntelliCode, was trained on a few thousand online repositories in which code for programming projects is stored. Microsoft trained its upgraded system on more than half a million such repositories. Amanda Silver, one of the executives in charge of Visual Studio, says these extra

heaps of training fodder allow the new version to glean intent better from hints in code that a programmer has already written.

The purpose of all this, of course, is to save time. Kite, a firm in San Francisco, claims its AI-completion products cut the number of keystrokes required for some tasks by nearly half. Overall efficiency gains, however, are lower. Vitaly Khudobakhshov, head of AI products at the St Petersburg office of JetBrains, a Czech developer of programming software, sees time savings of 10% to 20%. In the view of Sharif Shameem, the boss of Debuild, a firm in San Francisco that uses GPT-3 to help build websites, the technology also reduces “cognitive overhead”. Selecting from multiple choices is less taxing than devising solutions from scratch.

## Bugs and the system

Nor are those who write code the only beneficiaries. Developers spend nearly as much time searching for bugs in what they have written as they do writing it in the first place. A machine-learning model being built by Brendan Dolan-Gavitt of New York University may speed up the debugging process.

To train it, Dr Dolan-Gavitt is collecting code labelled as buggy by GitHub, a Microsoft subsidiary that hosts the biggest collection of non-proprietary “open source” code in the world. By one estimate, GitHub holds at least a billion snippets of code identified as harbouring a bug. Dr Dolan-Gavitt’s model, provisionally called GPT-CSRC, will devour that code this summer.

Another bug-spotting model is in development at the Massachusetts Institute of Technology (MIT). Shashank Srikant, a PhD student working on the project, says the goal is to train the model to recognise not just inadvertent bugs, but also maliciously inserted vulnerabilities. Rogue employees are sometimes behind trickery of this sort, which is intended to do things like secretly gain access to passwords. The practice is most common, however, in open-source programming projects to which anyone can contribute. Human reviewers typically struggle to spot these “vulnerability injections”, as they are sometimes known.

The reason, Mr Srikant says, is that, in a bid to slip their handiwork past reviewers, devious coders often use deceptive but purely cosmetic names for things like the variables handled by a program. The team at MIT is therefore training its model to flag discrepancies between snippets' labels and their actual functionality. The difficulty is that good examples of such mischief are much rarer than ordinary errors.

There is, however, an additional sign that a vulnerability injection may be lurking. Malicious coders often conceal these by writing superfluous code intended to throw off reviewers, so Mr Srikant is also feeding MIT's model with examples of this type of potentially telltale code, which he describes as "dangling" and "dead".

The clear destination of all this activity is the creation of software programmers which can, like the human variety, take an idea and turn it into code. An inkling of things to come is provided by a website created by Dr Dolan-Gavitt. Named "This Code Does Not Exist", it asks programmers to determine if sections of code dozens of lines long were written by a human or a model based on GPT-2 that he has built. Of more than 329,200 assessments made, less than 51% have been correct. That is only a shade better than random.

Machines, it turns out, are now able to write even longish sequences of functioning code. As John Carmack, a noted American computer engineer, has tweeted, pondering this development "does generate a slight shiver". Unsurprisingly, a number of firms see an opportunity.

One is a Parisian firm called SourceAI. It is designing software into which users type, in natural language, a request for code—such as something that will work out the value of numbers in a mathematical formula called the Fibonacci sequence. By tapping into GPT-3, SourceAI's eponymous software churns out the desired lines of code in a range of programming languages.

Debuild is testing the same idea. It is trying to create software that lets non-programmers describe, in plain English, a program they want to create, and will then write it. A request for, say, a barbershop app that lets patrons choose a barber and an appointment slot can already produce more or less

just that. Mr Shameem says the goal is to sweep away the minutiae of code-typing, so that people can focus on what they want done, not how to instruct computers to do it.

For its part, Microsoft is also using GPT-3 to power what it calls “no code/low code” programming. Charles Lamanna, who leads the work, envisages a bright future of cheaper software created by untrained “citizen developers”. Some folk fear an alternative, darker outcome. Might AIs eventually write whatever code they fancy running? No such runaway feedback loop is around the corner. But that mainstay of science fiction does now appear a little less far-fetched. ■

*A version of this article was published online on July 7th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/science-and-technology/2021/07/07/ai-is-transforming-the-coding-of-computer-programs>

## Natural resources

# People may one day drill for copper as they now drill for oil

*And they could even help the environment in the process*

Jul 7th 2021



Alamy

COPPER WAS the first metal worked by human beings. They hammered it into jewellery and ornaments as much as 11,000 years ago. Today, *Homo sapiens* uses more than 20m tonnes of the stuff a year, much of it in buildings and electrical infrastructure. More will be required in coming decades, to meet the need for widespread electrification brought about by the transition to less carbon-intensive economies. Copper is an essential part of batteries, motors and charging equipment. Solar and wind installations use more copper than their fossil-fuel counterparts, and electric vehicles contain four times more copper than do cars with combustion engines.

This has spurred interest in new sources of the metal, most of which comes at the moment from rocks dug out of vast opencast mines that are then ground up and processed to release the copper they contain, typically about 1% of their mass.

Metal-rich nodules scattered across various parts of the ocean floor are a possibility. But exploiting these brings technological and regulatory difficulties, and is in any case controversial because of the damage it would do to deep-ocean ecosystems. Jon Blundy of Oxford University, however, offers an alternative. This is to extract, from deep under Earth's surface, the mineral-rich brines from which ores of copper and other valuable metals are generated in the first place. As Dr Blundy points out, "pretty much all of the non-ferrous natural resources that we exploit come ultimately from ancient volcanoes."

In particular, in 2015, he and his colleagues worked out the chemical details of how copper-sulphide ores form when sulphur-rich gases rise through the plumbing of active volcanoes and encounter metal-rich brines trapped in rocks sitting just above pockets of magma. Modern mining operations dig up examples of these ores that formed millions or billions of years ago. Dr Blundy proposes instead to cut out the middleman and go straight to the deep copper-rich fluids themselves.

As he writes in *Open Science*, he suspects these are found beneath every active and dormant volcano, though the concentration of copper in the brine concerned will vary from place to place. His evidence comes from electromagnetic surveys carried out on some 40 volcanoes, including Mount Fuji in Japan, Mount St Helens in America and others in Bolivia, New Zealand, the Philippines and elsewhere. These surveys consistently pick up highly conductive zones 2km or more beneath the surface, for which the simplest explanation is the presence of super-salty metal-rich brines. This conjecture is reinforced by analysis of rock samples recovered from such depths under a number of volcanoes. These do indeed contain brines with varying concentrations of copper, as well as other valuable metals including lithium, zinc, gold and silver.

All this suggests that copper could be drilled for commercially in the same way that oil is—except that the boreholes involved would be considerably deeper. That would be difficult, but not out of the question. It would require equipment that could withstand temperatures greater than 400°C and contact with brines ten times saltier than seawater. But the prize would be worth it.

Individual volcanoes would, admittedly, yield only a fraction of the output of a big copper mine. Dr Blundy and his colleagues estimate, for example, that there might be as much as 1.4m tonnes of copper beneath New Zealand's White Island volcano (pictured on previous page), whereas the world's largest mines hold tens of millions of tonnes of it. But there are only a handful of such mines, most in mountain ranges near the Pacific coast of the Americas. By contrast, hundreds of volcanoes exist around the world, ready be tapped.

The temperature at which the equipment used would have to operate, moreover, brings an opportunity. The heat involved might be employed to generate electricity—enough to power the drilling operation and perhaps even to yield a surplus. Sucking copper out of Earth's crust through 2km-long straws might thus be that rare thing in the mining industry, an actual environmental good. ■

*A version of this article was published online on July 7th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/science-and-technology/2021/07/07/people-may-one-day-drill-for-copper-as-they-now-drill-for-oil>

## Avian evolution

# Songbirds can taste sugar. That may explain their ubiquity

*They have reacquired an ability lost by their dinosaur ancestors*

Jul 10th 2021



IMAGINE A WORLD without bird song. Yet this might have come about if it had not been for a genetic change that happened some 30m years ago, at the beginning of the evolution of the Passeri, to give songbirds their proper name.

Birds evolved from carnivorous dinosaurs called theropods. Meat eaters need not detect sugar in the way that, say, fruit eaters do, and genetic analyses of modern birds suggest their theropod ancestor had lost the ability to taste sweetness. Today, however, many birds have sugar-rich diets of nectar or fruit, so perceiving things as sweet is a useful attribute. And research just published in *Science* by Toda Yasuka of Tokyo University and Maude Baldwin of the Max Planck Institute for Ornithology in Seewiesen, Germany, suggests songbirds can indeed perceive sweetness. This re-evolved ability may have been instrumental in their success. Since almost half the bird species now alive are Passeri, that is no small matter.

Vertebrates' taste-receptor genes normally include three that encode proteins called T1R1, T1R2 and T1R3. The taste receptors themselves are formed from pairs of these proteins. Receptors for sweetness are a combination of T1R2 and T1R3. Birds, however, lack the gene for T1R2. Presumably, it was lost by their theropod ancestors, which did not need it. Dr Toda's and Dr Baldwin's experiments have shown how this loss was reversed.

The pair's first study, published in 2014, was on hummingbirds, which feed on nectar from flowers. It found that hummingbirds regained the ability to taste sugars via mutations in the genes for T1R1 and T1R3. The receptor formed by combining T1R1 and T1R3 normally detects umami, a savoury flavour typical of meat. In hummingbirds, these mutations allow this receptor to detect sugars, too. Dr Toda and Dr Baldwin therefore wondered whether that was also the case for songbirds.

To find out, they cloned T1R1-T1R3 receptors from a variety of songbirds and tested their responses to sugar. All the receptors they tested—from birds with sugar-rich and sugar-poor diets alike—interacted strongly with sugar molecules. This confirmed that, as with hummingbirds, songbirds regained perception of sweetness via mutations of the gene for T1R1 and T1R3. By contrast, umami receptors cloned from the Tyranni, a sister group to the Passeri, did not interact with sugars, though they did so strongly with amino acids typical of meat. The mutations in the songbird lineage must thus have happened after the Passeri and Tyranni lines diverged, but before the Passeri themselves began proliferating into their current variety.

Intriguingly, when Dr Toda and Dr Baldwin looked at the molecular modifications which allowed the T1R1-T1R3 receptors of hummingbirds and Passeri to detect sweetness, they found them to be completely different. Both, though, involved numerous changes to the underlying DNA, suggesting a strong evolutionary pressure to optimise them. This pressure was probably a consequence of competition to fill the new ecological niches opened up by an ability to recognise sweet things as both edible and nutritious. And it was that which resulted in the Passeri's current diversity. How all this ties up with the mellifluous songs sung by many members of the group is unclear. It may just be a coincidence. But if so, for those who enjoy bird song, it is a fortunate one. ■

---

This article was downloaded by calibre from <https://www.economist.com/science-and-technology/2021/07/10/songbirds-can-taste-sugar-that-may-explain-their-ubiquity>.

## Symbiosis

# Ants, acacias and shameless bribery

*Lazy ants get bigger rewards*

Jul 7th 2021



AESOP'S FABLES are supposed to illustrate a moral point. If he had lived in Central America rather than Greece, though, he might have thrown in the towel at writing one entitled "The Ant and the Acacia Tree". For, as Sabrina Amador-Vargas and Finote Gijsman of the Smithsonian Tropical Research Institute, in Panama, have discovered, the moral of this particular tale is that laziness pays.

Acacias are a widespread group, but one member in particular, *Vachellia collinsii*, is famous for its symbiotic relationship with ants. The ants attack herbivorous insects which eat the tree's leaves, remove encroaching vegetation, and also protect it from disease by distributing antibiotics synthesised by bacteria living on their legs. In return, the tree rewards ants with food in the form of protein-rich Beltian bodies (the white objects in the picture above) and sugar-rich nectaries, and with secure housing inside hollow thorns that have evolved specifically for the purpose.

A cosy arrangement, then. But, like all bargains, one that is subject to negotiation. One of the best known ant symbionts of acacias is *Pseudomyrmex spinicola*. Members of this species do everything expected of them and help the plants to thrive. *Crematogaster crinosa*, by contrast, are less desirable tenants. They are lazy defenders against herbivores, fail to clear encroaching vegetation and are not known to spread antibiotics. Given the different services these species provide, Dr Amador-Vargas and Ms Gijsman wondered whether the plants paid them different wages. And, as they write in the *Science of Nature*, they found that they did. But not in a way that Aesop would have approved of.

For three months, the researchers monitored specimens of *V. collinsii* at two sites, one of which supported both types of ant and the other only *P. spinicola*. They paid particular attention to the trees' thorns, Beltian bodies and nectaries, but also collected evidence of leaves having been chewed by herbivores. For comparison, they looked at acacias lacking ant colonies.

The quality and quantity of accommodation provided was, they discovered, the same in all circumstances. Even when ants were absent, acacias grew similar numbers of hollow thorns. The food rewards on offer, however, varied a lot.

In particular, trees with ants sported 75% more nectaries than those without. This came as no surprise. But the plants also treated the two types of tenant differently. Though the distribution of Beltian bodies remained unchanged, acacias supporting colonies of *P. spinicola* only produced nectaries along the bases of their leaves. Those supporting *C. crinosa* did this too, but also sported such structures at the tips of their leaves, encouraging otherwise recalcitrant workers of that species to traverse the leaves to reach an extra reward. That brings these ants into contact with pests they might not otherwise have encountered, driving those pests away. But from an anthropomorphic point of view it hardly seems fair on the industrious workers of *P. spinicola*, which need no such bribe to achieve the same goal.



*A version of this article was published online on July 7th 2021*



## **How tea gets its flavour**

# Micro-organisms play a bigger part in tea-making than was realised

*That may lead to new, bespoke varieties*

Jul 8th 2021



TEA IS FAMILIAR around the world. People drink more than 2bn cups of it each and every day. Even so, it can pull surprises, as Ali Inayat Mallano and Jeffrey Bennetzen of Anhui Agricultural University, in China, have just shown.

Tea producers long assumed that the flavours of the most widely drunk varieties of this beverage, so-called black teas like Darjeeling, Assam and English Breakfast, were a consequence of some of the chemicals in tea leaves being oxidised while those leaves were being dried. Dr Mallano and Dr Bennetzen suspected, however, that, like the flavours of more expensive and rarefied “dark” teas such as kombucha, Pu-erh and anhua, black-tea flavours are at least partly a product of fermentation. This would mean they could be manipulated by tweaking the mix of micro-organisms doing the fermenting.

To test their hypothesis they obtained some leaves from the Dongzhi tea plantation in Anhui province. As they explain in the *Journal of Agricultural and Food Chemistry*, they then sampled the microbes thereon before sterilising half of the leaves in mild bleach for five minutes. After that (having washed the sterilised leaves thoroughly, to get rid of the bleach) they processed both the sterilised and the unsterilised leaves in the normal way. In other words, they withered, rolled, oxidised and dried them. They then tested them all for microbes once more. They also tested the result of all this treatment in a more time-honoured manner, by brewing numerous cups of tea.

If oxidation were the main cause of chemical change in black-tea leaves as they were processed, the sterilisation would have made little difference either to the chemistry or the taste of the final product. But this was not the case. Black tea brewed from unsterilised leaves had, as per normal, lots of catechins and theanine, both of which made it flavourful. Tea made from sterilised leaves did not, and its taste suffered as a consequence. Black tea, then, seems to get its flavour in the same way that dark tea does.

The next job, which Dr Mallano and Dr Bennetzen are now engaged in, is to identify the bugs involved. Once they have done that, tweaking the microbial mixture to produce novel flavours should become possible. And that is good news for tea snobs everywhere. ■

*A version of this article was published online on July 5th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/science-and-technology/2021/07/08/micro-organisms-play-a-bigger-part-in-tea-making-than-was-realised>

## **Books & arts**

- [Social skills: The comfort of strangers](#)
- [A private-equity scandal: All that glitters](#)
- [Mediterranean history: Under the volcano](#)
- [Contemporary art: To the lighthouse](#)

## Social skills

# The vital art of talking to strangers

*Three books explain why it matters—and can easily be lost*

Jul 10th 2021



Hello, Stranger. By Will Buckingham. *Granta*; 336 pages; £16.99

The Power of Strangers. By Joe Keohane. *Random House*; 352 pages; \$28. *Viking*; £16.99

Fractured. By Jon Yates. *Harper North*; 348 pages; \$28.99 and £20

ATTITUDES TO STRANGERS tend to follow a familiar pattern. Children are taught never to speak to unknown grown-ups, especially those regarded by their parents as untrustworthy. The onset of adolescence and young adulthood brings a bursting desire to interact with all sorts of people, particularly the kind who might not elicit family approval. Whether the resulting encounters are sexual or social, they confer a thrilling frisson of escape.

Social circles generally narrow again as people find life-partners, form households and produce offspring of their own. Time becomes scarce; new

friendships are often based on sharing the burden of child care. Some people never recover the youthful zest for unforeseen liaisons. Professional duties swell even as parental ones diminish, and the inclination sags. In old age, even if curiosity and charisma remain undimmed, frailty makes new serendipitous connections harder to establish.

But that is not the whole story. In mid-life and beyond people can still experience the joy of a random meeting, however short, which somehow touches a nerve. That might involve nothing more than a smile, or a chance remark that hits an emotional spot; or it might be an unexpectedly deep conversation on a plane or train, a surge of mutual understanding that is life-affirming even if the interlocutor is never seen again. This aspect of the promise and peril of strangers has enticed storytellers—from the rapture of “Brief Encounter” and “Before Sunrise” to the ruin of “Strangers on a Train”. The knowledge that the exchange will be a one-off can permit a delicious, uninhibited frankness.

In the age of covid-19 and Zoom, the chronological pattern has been warped. Instead of their hazy possibilities and risks, strangers have assumed an all-too-literal role as a looming source of infection. During lockdowns they are officially to be avoided. Yet youngsters still long, dangerously, for the ecstasy of communion, not just with edgy individuals but anonymous crowds. People of all ages have come to miss the human stimulation of busy high streets or trains, or the comforting sense of fellowship in a cinema or theatre audience.

So this is an apt moment for three books about meeting strangers. Will Buckingham has written a moving memoir of finding solace, after the death of his life-partner, in travelling and talking in lands such as Myanmar that are culturally distant from his native England. Joe Keohane, an American journalist, argues that communicating empathetically with strangers is vital and potentially life-changing. Jon Yates, who runs a youth charity based in London, frets that deep fissures in Western societies are making it impossible for people to reach, even casually, between classes, religions, ethnicities and generations.

All three authors make sweeping generalisations about the evolution of human society, from hunter-gatherers to the age of Homer and beyond. But

they are more interesting when they reflect, using personal experience or scientific research, on how people live and communicate now. In different ways, they all make two separate but related points. First, interacting meaningfully with a new person can bring huge rewards—but it is a skill that must be cultivated and can easily be lost. Second, the self-segregation of modern Western societies means that, for many people, conversing with some fellow citizens seems pointless, undesirable or outlandish. The second problem exacerbates the first: if you consider others beyond the pale, why make the effort to get to know them?

As both Mr Keohane and Mr Yates emphasise, in Britain and America political divisions have ossified into tribal ones. Supporters and opponents of Brexit live in discrete clusters; Republicans and Democrats see each other as bad people, not fellow Americans whose opinions happen to differ. These opposing sides have become strangers to one another. Mr Buckingham focuses on the pleasures and pitfalls of encounters in remote places where the stakes are lower because the acquaintanceships are bound to be temporary—in a holiday flat-share in Helsinki or while travelling through the Balkans. But, like the other two, he notes that wariness of unfamiliar people is neither new nor insuperable.

### **Faces look ugly when you're alone**

Mr Keohane and Mr Yates offer tips on befriending strangers. Mr Keohane describes exercises in which groups of Republicans and Democrats were, with great difficulty, coaxed to overcome stereotypes and see one another as rounded individuals. They were trained to ask each other good questions and avoid name-calling. Mr Yates discusses the case for a kind of national social service that would encourage youngsters to mix with other groups and generations. Both have homely micro-solutions that readers can apply in daily relations—assume the best of others, remember that most have stories they are longing to tell, react philosophically when a friendly approach is rebuffed.

A telling point that none of the books captures is a paradoxical one: some of the most sophisticated forms of interaction between strangers occur in societies that are chronically divided. Think, for example, of rural Northern Ireland, or of parts of the former Ottoman Empire, such as Lebanon, where

residents have lived in separate communal silos. In ways impenetrable to outsiders, the denizens of such places develop perfect antennae for the affiliation of a stranger and adjust their remarks accordingly. The ensuing exchanges occur within well-understood parameters—including a sense that social categories are resilient and pleasantries will not change them. But tact allows people from antagonistic camps to have amicable encounters and transactions.

All three authors are inclined to overstate the ability of brief interactions to stave off conflict. Yet at least this much is true: a capacity to engage with new people in civilised, humane and meaningful ways is a necessary condition for social peace, even if it is not a sufficient one. That points up a half-hidden cost of covid-19. Children educated on screen; teenagers bouncing off the walls; adults working at home; lonely pensioners: more or less everyone's social skills have been atrophying, with consequences not only for individuals but, perhaps, for the fabric of society.

As lockdowns lift, people are now stumbling back into a world of accidental collisions, some eagerly, some queasily, most with an odd sensation of novelty after a year of hibernation. The lesson of these books is that the easing of restrictions is not just a coveted opportunity to reconnect with those you love and resemble. It also restores a freedom, long taken for granted even if little used, to come to know the profoundly different. ■

---

A private-equity scandal

# The spectacular rise and fall of an investors' darling

*“The Key Man” tells the dramatic tale of Arif Naqvi and the Abraaj Group*

Jul 10th 2021



Eyevine

**The Key Man.** By Simon Clark and Will Louch. *Harper Business;* 352 pages; \$29.99. *Penguin Business;* £20

AT THE HEIGHT of his success, Arif Naqvi liked to remind colleagues that “Today’s peacock is tomorrow’s feather duster.” That ended up being an apt description of his own fate. As head of the Abraaj Group, the Pakistan-born financier spread his wings and attracted billions of dollars from global investors, only to end up being plucked by prosecutors as the alleged perpetrator of one of the largest corporate frauds in history—charges he denies.

Abraaj never became a household name. In its heyday in the mid-2010s, however, it claimed to be the world’s largest private-equity group focused on emerging markets. Within a decade of founding the firm in 2002, Mr Naqvi had earned a reputation as a swashbuckling empire-builder, propelled by

cheeky deals and a talent for self-promotion; he was one of Davos's keenest flesh-pressers. He burnished his image with bursts of philanthropy. At one point he was even tipped as a future prime minister of Pakistan.

For the investors needed to plump up Abraaj's private-equity funds, the biggest attraction was that Mr Naqvi seemed to be a master of "impact investing", according to "The Key Man", an account of his rise and fall by Simon Clark and Will Louch of the *Wall Street Journal*. This more caring form of capitalism, which involves trying to make a profit and do good at the same time, was right for the era. Mr Naqvi "was sought out by billionaires and their millennial heirs who enthusiastically adopted the idea of impact investing and the feel-good veneer it gave to the old game of making money". Among those who invested in Abraaj's funds were the Bill & Melinda Gates Foundation, the World Bank, and Western and Middle Eastern governments.

Academics and journalists lapped it up, too. A prominent Harvard professor became a cheerleader for Abraaj. *Institutional Investor*, an industry publication, crowned Mr Naqvi "The Gulf's Buy-out King". (The firm's headquarters were in Dubai, a fitting base given the emirate's reputation as a freewheeling financial centre.)

The seeds of Abraaj's downfall, say the authors, were the breakneck expansion of the business and Mr Naqvi's increasingly lavish lifestyle, which left the firm struggling to cover its costs, including salaries. To keep things going, Mr Naqvi and some of his lieutenants allegedly started to sweep more and more of the available cash in Abraaj's funds into secret bank accounts that they controlled, thereby breaking a cardinal rule of asset management: that investors' funds should never be commingled with the firm's own money. The more investors' cash was diverted in this way, says the book, the more elaborate was the extra financial juggling required to make it look to them and the rest of the outside world as if nothing was awry. The strain appears to have pushed Mr Naqvi's finance chief, a pious Pakistani accountant, to the edge of a nervous breakdown.

The alleged jiggery-pokery began to unravel when the Gates Foundation noticed discrepancies in a health-care fund it had invested in.

Whistleblowers came forward; investigations were launched. Abraaj collapsed into liquidation.

American prosecutors have charged Mr Naqvi with running a criminal enterprise that “corrupted” Abraaj between 2014 and 2018. He faces a long jail sentence if convicted. Having lost his battle against extradition, he is in effect under house arrest in London on £15m (\$20.7m) bail—a British record—while he appeals. In 2019 a former senior Abraaj executive pleaded guilty in New York to fraud and racketeering. Later that year Mr Naqvi himself was convicted of fraud in the United Arab Emirates, and sentenced to three years in prison, over loans from an airline allegedly used to plug a gap in Abraaj’s accounts.

“The Key Man” is impeccably researched and sumptuous in its detail. But sometimes the authors are too keen to share everything they have gleaned—for instance, in pages and pages on the takeover of an electrical utility in Pakistan, or on Mr Naqvi’s bail hearings. A jump back in time for a long description of the Gates Foundation’s early involvement with Abraaj, just as things were getting really tense in 2016, is peculiar. The book would have been better without such diversions, at two-thirds the length.

For the most part, though, it is a page-turner, built around a riveting portrait of the key man of the title. Mr Naqvi comes across as a teeming mass of contradictions: a charming and generous figure who inspired great loyalty, but was also bullying and self-important. “He talked about his love for democracy but his employees experienced a dictatorship,” the authors conclude. He told anyone who would listen that he was on the board of Interpol, when his role was actually at a foundation linked to it. He liked to compare himself to heroes from history, real and imagined, from Moses to Sinbad.

The book is also a timely reminder that it is when financial firms offer services that seem to suit the zeitgeist, and grow rapidly as a result, that scrutiny of them is most needed. The list of those too mesmerised by Abraaj’s profit-with-purpose mantra to ask serious questions is uncomfortably long. With money, as with missiles, trust but verify. ■



**Mediterranean history**

# Longing to travel? A chronicle of Sicily will make it worse

*The island, writes Jamie Mackay, has always seemed both alluring and perilous*

Jul 10th 2021



Getty Images

**The Invention of Sicily.** By Jamie Mackay. *Verso;* 304 pages; \$24.95 and £16.99

SICILY BEGUILLES. It offers coves with limpid water; Greek temples, such as those at Agrigento and Segesta, that are among the best preserved in the Mediterranean; a Roman amphitheatre at Taormina still used for its original dramatic purpose; grandiose Baroque *palazzi*; bustling street markets; some of the best food to be had in Italy; an expanding range of fine wines at reasonable prices; and a cathedral in Palermo that is a riot of eclecticism. Etna on a spring morning, still capped with snow and belching smoke, is among Europe's greatest sights.

The ancient Greeks saw Sicily as rich and fertile yet “dangerous and unpredictable”. For Jamie Mackay, author of this brief and pacey history of

the island, their perception reflected a dual view of Sicily that would be expressed in different forms up to the present day. In Mr Mackay's telling, a tipping-point arrived at the dawn of the 14th century after several hundred years of relatively enlightened rule by Byzantine Greeks, Arabs and Normans. The uprising that came to be known as the Sicilian Vespers sparked a war that led to the expulsion of the island's French rulers. But it is only too characteristic of Sicily's ill fortune that this popular victory should ultimately have had such dismal effects.

Sovereignty over an ethnically and religiously diverse island passed, via the rulers of Aragon and Catalonia, to those of a newly unified Spain, obsessed with confessional uniformity and, by implication, racial purity. Sicily became an outlying territory in an empire that favoured traditional social arrangements and a profoundly conservative form of Catholicism. For almost 400 years, Mr Mackay notes, Sicily had been governed by an urban elite in Palermo. "Following the Vespers, though, power moved progressively away from these individuals, and into the hands of rural landowners and church authorities."

A strand of popular heterodoxy endured, half-surfacing as superstition, the secret worship of polytheistic deities and even the practice of magic. But among the results of Sicily's incorporation into the Spanish Empire was that it was barely affected by Renaissance humanism. Being part of the empire did, however, shield it from the worst effects of the decline in Mediterranean trade prompted by the colonisation of the Americas. And, after Sicily became part of the Kingdom of Naples, it got a whiff of the Enlightenment, thanks to the Bourbon monarch who would become Charles III of Spain. A second apparent liberation, by Giuseppe Garibaldi and a small army of Italian nationalists, again turned sour: Italy's new, Piedmontese rulers bungled the peace that followed, and Sicily's nascent Mafia exploited the chaos.

Mr Mackay is at his best when he weaves concise descriptions of customs, social changes, legends and cultural glories through this tumultuous narrative. Artistically, Sicily's historical relationship with the Italian mainland bears some similarity to Ireland's with Britain: an island with a disproportionately small middle class, sandwiched between a vast, uneducated peasantry and a landowning aristocracy largely indifferent to

culture, which nevertheless produced a string of literary, artistic and musical giants. Vincenzo Bellini, Giovanni Verga, Luigi Pirandello, Leonardo Sciascia, Renato Guttuso, Giuseppe Tomasi di Lampedusa and, most recently, Andrea Camilleri, were all Sicilians.

The author is at his worst when he fails to check his facts and verify his assertions. He appears to take as historically reliable the legendary founding date of Rome, describes the Benedictines and Jesuits as “sects” and makes Oscar Luigi Scalfaro prime minister of Italy, a post Mr Scalfaro never held. These are unfortunate missteps in an enjoyable canter across a history, and a place, which are entrancing and disturbing by turns. ■

---

This article was downloaded by [calibre](#) from <https://www.economist.com/books-and-arts/2021/07/10/longing-to-travel-a-chronicle-of-sicily-will-make-it-worse>

**Contemporary art**

## Cristina Iglesias makes liquid sculptures by the sea

*Her piece in San Sebastián's lighthouse is a haunting comment on nature and time*

Jul 10th 2021 | SAN SEBASTIÁN



ON A ROCKY outcrop overlooking a Norwegian fjord she created a wall of aluminium leaves, making each of their gently curved shapes distinct. At the outdoor sculpture park of the Inhotim museum in southern Brazil she built a magical labyrinth lined with replica vegetation. In Baja California she fashioned a delicate sculptural monument that sits on the ocean floor, 14 metres beneath the surface. Fish swim in and out of the lettering she carved through the reinforced concrete. The only way to see the work, a tribute to marine preservation, is by scuba-diving.

Much of Cristina Iglesias's art has been commissioned as public monuments for specific sites. She spends months, sometimes years, honing the individual character of each piece—yet they are all connected. She often draws inspiration from the fragile relationship between humanity and the natural world. She mixes the real with the imagined, the seen with the

remembered. Typically, she took a long time to decide what she wanted to make for her home town by the sea, which she left at 18 but never forgot.

The city of San Sebastián in the Basque country of Spain had asked her several times for a sculpture; the initial request came in 1998, when Ms Iglesias put on an exhibition at the nearby Guggenheim Bilbao. Conscious that San Sebastián already boasted monumental pieces by Jorge Oteiza and Eduardo Chillida, two 20th-century Basque masters, as well as numerous religious statues that stand in the hills overlooking the Atlantic Ocean, she wanted to do something different.

And then it came to her. In the middle of the bay, around which San Sebastián hugs the ocean, is a small island called Santa Clara. No more than a few hundred metres from the shore, it is nonetheless remote from the daily rhythms of the city, observes Ms Iglesias's longtime collaborator James Lingwood of Artangel, an art-promoting charity. In bygone times this was where victims of the plague were taken to die. Over the decades a small lighthouse flashed out both a warning and a welcome.

As a child Ms Iglesias used to gaze at it as she fished from the mainland. "Santa Clara was always part of the landscape for us," she says; at 16 she swam across to the island with her brothers. But none of them had ever been inside the lighthouse. Creating an artwork within the building, which had been derelict since the mid-1960s, would, she decided, be her gift to the city.

The journey there is part of the experience. Visitors step into a small boat to cross the glassy sea. The shrieks of gulls fill the air. A narrow stone track curves up the hill, enclosed on both sides by ash trees, laurel, tamarisk and Japanese pittosporum. It is not until you reach the clearing near the top that you see the square lighthouse that has guarded the bay since the middle of the 19th century. When you open the door you are confronted by Ms Iglesias's creation.

## Creatures of the deep

After that, it is hard to look away. From a narrow platform just inside the entrance you gaze down at an undulating floor, cast in bronze but with the shape and texture of rock. Every few minutes the sea pounds in, flinging

spray into the air before receding into the depths. There is something mesmerising about watching the water emerge, withdraw and return, a sensation intensified by the changing sight and sound of the sculpture as you follow the platform that snakes along the interior wall to consider it from new angles.

Learning how the extraordinary work was made enhances its theatrical power. Ms Iglesias's team excavated a nine-metre hole in the rock beneath the lighthouse, then installed a hydraulic system through which the sea-spray is pumped up onto the bronze rock. The floor itself, curved to convey the eroded layers of sediment that emerge from the sea around the island—"the Earth's ribs", as Ms Iglesias calls them—was cast in a foundry and slowly winched into place from a helicopter. It was "one of the biggest challenges of my career", says Hugo Corres, the structural engineer behind the project.

The result is a feeling of something, or everything, being swallowed and carried away to the void. It echoes the human peril in the story of Jonah and the whale, at the same time hinting at the vulnerability of marine animals. Ms Iglesias wanted the sculpture to have a name that would bring out what Mr Lingwood calls its "dark enchantment". She enlisted the help of Beñat Sarasola, a young poet who, using an etymological dictionary, discovered an old Basque word he hadn't known before: "Hondalea", which roughly translates as "marine abyss". "As soon as I heard it," the artist says, "I knew it was perfect."

Among her muses is Rachel Carson, an influential American conservationist who called the seashore "a place of unrest". Carson's book, "The Rocky Coast", which Ms Iglesias read and reread while she worked on "Hondalea", ends with the writer standing on a rock, thinking about the place where the deep time of geology meets the twice-daily movement of the tides, advancing and receding, covering and revealing. Ms Iglesias's sculpture captures the same mood of transience and eternity, peril and fate. It grips your senses on the island and, back on the mainland, swirls and swells in your memory. ■

# Economic & financial indicators

- [Economic data, commodities and markets](#)

# Economic data, commodities and markets

Jul 10th 2021

## Economic data 1 of 2

	Gross domestic product % change on year ago: Jan to Mar quarter <sup>a</sup> 2021†	Consumer prices		Unemployment rate Jan to Mar 2021‡
		% change on year ago: Jan to Mar 2021	Index Jan = 100	
United States	0.4 Q1	5.4	60	5.9 May
China	18.3 Q1	2.4	83	1.2 May 1.6
Japan	-1.6 Q1	-3.9	72	-0.1 May -0.2
Britain	6.1 Q1	-6.2	58	2.1 May 3.0
Canada	0.3 Q1	5.6	54	3.9 May 2.3
Euro area	-1.3 Q1	-1.3	44	1.9 Jan 1.7
Austria	-5.5 Q1	-12.6	34	2.7 Jan 2.2
Belgium	-0.5 Q1	4.5	43	1.5 Jan 1.5
France	1.2 Q1	-0.4	55	1.5 Jan 1.6
Germany	-3.1 Q1	-7.5	53	2.3 Jan 2.5
Greece	-1.4 Q1	-6.9	54	0.1 May 0.1
Italy	-0.6 Q1	0.6	46	1.3 Jan 1.3
Netherlands	-2.4 Q1	-3.1	34	2.1 May 2.3
Spain	-4.2 Q1	-1.7	59	2.7 Jan 1.5
Czech Republic	-7.6 Q1	-1.4	36	2.9 May 2.6
Denmark	0.9 Q1	-3.9	20	1.7 May 0.7
Norway	-1.4 Q1	-2.5	26	2.7 May 2.9
Poland	-1.3 Q1	4.5	46	4.4 Jan 4.1
Russia	0.7 Q1	na	12	6.5 Jan 5.5
Sweden	-0.1 Q1	3.4	35	1.8 May 1.6
Switzerland	-0.5 Q1	-7.5	30	0.9 Jan 0.3
Turkey	7.0 Q1	na	19	17.5 Jan 14.5
Australia	1.1 Q1	7.3	44	1.1 Q1 2.1
Hong Kong	7.9 Q1	23.5	49	0.9 May 1.6
India	1.6 Q1	6.0	10.6	6.3 May 5.2
Indonesia	-0.7 Q1	na	39	1.3 Jan 2.4
Malaysia	-0.5 Q1	na	44	4.4 May 2.4
Pakistan	4.7 2021**	na	38	9.4 Jan 9.0
Philippines	-4.2 Q1	1.2	51	4.1 Jan 4.2
Singapore	1.8 Q1	13	45	2.4 May 1.8
South Korea	1.9 Q1	7.1	38	2.0 Jan 2.0
Taiwan	8.8 Q1	12.3	50	1.2 Jan 1.6
Thailand	-2.6 Q1	0.7	29	1.2 Jan 2.1
Argentina	2.5 Q1	11.0	70	48.8 May 47.3
Brazil	1.0 Q1	4.9	48	8.1 May 6.8
Chile	0.3 Q1	13.4	67	3.6 May 3.4
Colombia	2.0 Q1	11.9	78	3.6 Jan 3.1
Mexico	-3.6 Q1	3.1	59	5.9 May 4.5
Peru	3.8 Q1	8.3	101	3.3 Jan 2.9
Egypt	2.9 Q1	40	13	4.8 May 5.2
Iraq	-1.0 2020	-5.2	42	1.8 May 1.5
Saudi Arabia	-4.1 2020	na	2.2	5.7 May 2.9
South Africa	-3.2 Q1	4.6	30	5.4 May 4.0

Source: Haver Analytics. <sup>a</sup>% change on previous quarter/annual rate. <sup>b</sup>The Economist Intelligence Unit estimate/forecast. <sup>c</sup>Not seasonally adjusted. <sup>d</sup>New series. <sup>e</sup>Year ending June. <sup>f</sup>Lates 3 months. <sup>g</sup>3-month moving average.

The Economist

## Economic data 2 of 2

	Current-account balance of GDP, 2021†	Budget balance of GDP, 2021†		Interest rates	Currency units
		% of GDP, 2021†	% of GDP, 2021†		
United States	-3.0	1.5	1.2	88.6	
China	2.8	-4.7	2.9	88	12.0 6.6 8.7
Japan	3.5	-8.9	nil	-8.6	11.1 -2.8
Britain	-4.5	-11.5	0.8	56.0	0.73 9.6
Canada	-2.0	-8.8	1.3	79.0	1.25 8.8
Euro area	3.3	-4.6	-0.3	14.0	0.85 4.7
Austria	3.0	-7.6	0.1	13.0	0.85 4.7
Belgium	-0.7	-4.6	nil	10.6	0.85 4.7
France	-1.3	-8.7	0.1	24.6	0.95 4.7
Germany	6.8	-3.6	0.3	14.0	0.95 4.7
Greece	-3.7	-5.8	0.8	-36.6	0.85 4.7
Italy	3.2	-11.8	0.7	-55.0	0.85 4.7
Netherlands	10.3	-1.7	0.3	3.0	0.85 4.7
Spain	1.3	-8.7	0.4	-3.0	0.85 4.7
Czech Republic	2.6	-5.6	1.8	101	21.9 8.2
Denmark	7.4	-1.3	nil	31.0	6.30 4.8
Norway	2.5	-1.0	1.4	76.0	8.73 8.3
Poland	7.2	-4.9	1.6	36.0	3.84 3.1
Russia	3.7	-1.7	7.2	112	7.45 4.6
Sweden	4.3	-2.3	0.3	32.6	0.64 5.9
Switzerland	7.4	-4.0	-0.3	10.6	0.93 1.1
Turkey	-2.2	-2.8	17.0	493	8.70 21.1
Australia	1.6	-5.9	1.4	46.0	1.34 5.7
Hong Kong	3.6	-4.1	1.1	48.0	7.77 -0.3
India	-1.0	-7.2	6.2	37.0	74.6 0.4
Indonesia	-0.1	-5.7	6.5	-90.0	14,483 -0.3
Malaysia	4.7	-5.9	32	26.6	41.6 2.9
Mexico	-2.0	-7.1	9.8	11.9	15.9 8.1
Philippines	-1.1	-7.5	30	102	86.8 -0.6
Singapore	17.8	-4.4	1.4	56.6	1.35 3.0
South Korea	4.6	-32	2.0	65.6	1.128 5.1
Taiwan	15.5	-4.6	0.4	-6.0	28.0 5.3
Thailand	3.7	-6.5	14	29.0	32.3 -3.2
Argentina	1.6	-5.9	na	na	95.9 28.2
Brazil	-0.2	-7.3	9.3	275	5.26 1.1
Chile	-0.2	-7.1	4.9	255	754 5.1
Colombia	-3.6	-8.9	7.1	127	3,825 -5.1
Mexico	-1.4	-7.3	6.8	126	20.0 10.3
Peru	-0.2	-5.8	5.6	175	3,935 -10.1
Egypt	-3.1	-8.1	na	na	15.7 -2.4
Israel	3.8	-7.7	11	44.0	3.77 5.2
Saudi Arabia	3.4	-2.1	na	na	3.75 nil
South Africa	1.5	-9.4	8.9	-79.0	14.4 18.9

Source: Haver Analytics. <sup>a</sup>5-year yield. <sup>b</sup>Dollar-denominated bonds.

The Economist

## Markets

in local currency	Index Jul 7th	% change on:		
		one week	one month	Dec 31st 2020
United States S&P 500	4,338.1	1.4	16.0	
United States Nascomp	10,651	1.1	13.8	
China Shanghai Comp	3,553.7	-1.0	7.3	
China Shenzhen Comp	7,447.0	-0.8	5.0	
Japan Nikkei 225	28,367.0	-1.5	3.4	
Japan Toxx	1,937.7	-0.3	7.4	
Britain FTSE 100	7,151.0	1.6	16.7	
Canada SAP TSX	20,200.6	0.6	16.4	
Euro area STOXX 50	4,078.5	0.4	14.8	
France CAC 40	6,527.7	0.3	17.6	
Germany DAX	15,922.7	1.0	14.4	
Austria FTSI-HIB	25,250.0	0.7	13.9	
Netherlands AEX	7,377.6	1.1	18.1	
Spain IBEX 35	8,854.5	0.4	9.7	
Poland WIG	67,917.3	2.8	19.1	
Russia RTS, \$ terms	1,641.4	-0.7	18.3	
Switzerland SMI	12,065.5	1.2	12.9	
Turkey BIST	1,390.6	2.5	-5.8	
Australia All Ord.	7,599.3	0.2	10.9	
Hong Kong Hang Seng	27,906.0	-3.0	2.7	
Thailand SET	53,030.8	1.1	11.1	
Indonesia IDX	6,944.0	1.0	1.1	
Malaysia KLCI	1,538.0	-0.2	-6.0	
Pakistan KSE	47,474.9	-0.2	8.0	
Singapore STI	3,141.6	0.4	10.5	
South Korea KOSPI	3,265.3	-0.3	14.3	
Taiwan TWI	17,830.7	0.5	21.2	
Thailand SET	1,576.6	-0.7	8.8	
Argentina MERV	63,383.2	1.6	23.7	
Brazil Ibovespa	127,018.7	0.2	6.7	
Mexico IPC	50,093.6	0.5	1.0	
Egypt EGX 30	10,277.3	0.2	-5.2	
Israel TA-125	1,773.6	0.5	13.1	
Saudi Arabia Tadawul	10,938.6	-0.2	26.1	
South Africa JSE AS	68,806.4	0.8	12.5	
World, dev'd MSCI	3,049.7	1.1	13.4	
Emerging markets MSCI	1,340.7	-2.5	3.8	

US corporate bonds, spread over Treasuries	
base points	base points Dec 31st 2020
Investment grade	112 136
High-yield	334 429

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

The Economist

## Commodities

### The Economist commodity-price index

2015=100	Jun 29th	Jul 6th*	% change on	
			month	year
<b>Dollar Index</b>				
All Items	181.9	185.4	-1.5	67.1
Food	128.8	127.9	-7.7	40.6
<b>Industrials</b>				
All	231.4	239.0	1.9	84.4
Non-food agriculturals	151.7	153.0	-6.7	65.9
Metals	255.1	264.5	3.5	88.0
<b>Sterling Index</b>				
All items	200.7	204.9	0.9	52.2
<b>Euro Index</b>				
All items	169.4	173.8	1.4	59.4
<b>Gold</b>				
\$ per oz	1,758.5	1,803.0	-4.8	0.5
<b>Brent</b>				
\$ per barrel	75.0	74.7	3.2	73.0

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

The Economist

## **Graphic detail**

- [Elections and the pandemic: Stamped out](#)

## Stamped out

# In-person voting really did accelerate covid-19's spread in America

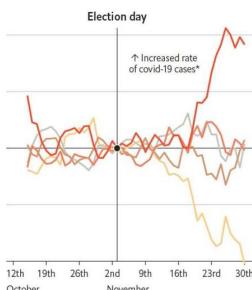
*Cases in November rose faster in counties with lots of in-person voting than in similar parts of the same states*

Jul 10th 2021

United States, change in county's covid-19 cases per 100,000 people\*, compared with election day 2020. By share of population voting in person on election day\*, in 20 states with available data, 7-day moving average

Population-based quintiles of in-person voting rates

— 5th — 4th — 3rd — 2nd — 1st



20 % of counties<sup>†</sup> with the highest in-person voter turnout\*  
Eg. Sumter, FL (The Villages retirement community) and Navajo, AZ

20% of counties with the lowest in-person voter turnout\*  
Eg. Philadelphia, PA and Miami-Dade, FL

\*Relative to the state average    †20% of population living in counties with their states' highest in-person voting rate

JUST AS COVID-19 has upended daily life, so has it changed civic rituals. Historically, Americans have mostly voted in person. But in 2020 many states made postal voting easier, to reduce the risk of the virus spreading. The share of ballots cast by mail duly soared to 46%, from 21% in 2016.

Nonetheless, some 85m people still voted in person. Did this contribute to America's surge of covid-19 cases late last year?

Data from earlier in 2020 are inconclusive. In Wisconsin 450,000 people voted in person in a primary election in April. Two studies later that month did not detect any unusual increase in covid-19 cases; a third, released in May, found a large effect.

The general election in November offered richer data. So far, 20 states have published the number of ballots in each county cast by each method. Overall, places where a high share of votes were cast in person on election day—distinct from both postal ballots and votes submitted in person before the election—also had high covid-19 rates. However, this pattern could arise for reasons besides polling queues.

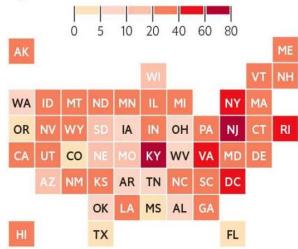
To help rule out alternative explanations, we studied changes in the incidence of covid-19 within states over time. First, we compared each county's case rate with its state's average. Many factors can make the disease more or less common throughout a state, such as super-spreader events or mask mandates. Examining the gap between a county's numbers and those of its state strips out the impact of such events.

Next, we tracked how these disparities changed between the pre- and post-election periods, a method known as “difference in differences”. Suppose that people who would not have been infected otherwise did catch the virus at polling places. If so, then covid-19 cases in the counties with the most in-person voting in a state should either have risen unusually quickly or declined unusually slowly after the election.

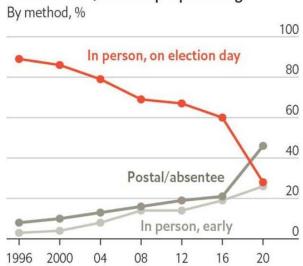
The data display just such a pattern. From mid-October to early November, covid-19 cases in counties with their states' highest in-person turnout fluctuated similarly to those in areas with the lowest in-person voting rates. But a week after the election, positive tests became more common in places with the most in-person turnout on election day. The gap was biggest after 20-25 days, shortly after official data would include people infected by people who caught the virus while voting.

This divergence does not prove that polling sites were at fault. Places with lots of in-person voting on election day tended to share other attributes as well, such as having relatively low levels of income and education and having voted in 2016 for Donald Trump, a sceptic of masks and social distancing. Such characteristics could also have caused the striking “difference in differences” in the incidence of covid-19.

Decrease in in-person voting by state, 2016-20  
% points



United States, share of people voting



To isolate the impact of in-person voting, we built a model to predict each county's post-election change in covid-19 rates, relative to state averages. We tested 22 variables, such as population density and the pre-election growth rate of covid-19 cases.

Many of these factors did affect the spread of the virus. Yet after accounting for all of them, in-person voting still had a statistically significant effect. Holding other variables constant, the gap in in-person voting on election day between the state with the highest rate in our data (Alabama, at 41% of the population) and the lowest (Arizona, at 6%) was associated with an extra 173 cases per 100,000 people. This implies that if no one had voted in person on election day, 220,000 fewer people would have been diagnosed with covid-19.■

Sources: State electoral data; Townhall; Health Resources & Services Administration; US Census Bureau; Survey of the Performance of American Elections; *New York Times*

# **Obituary**

- [Donald Rumsfeld: Stuff happens](#)

**Stuff happens**

## Donald Rumsfeld died on June 29th

*America's secretary of defence in both the cold war and the modern era was 88*

Jul 8th 2021



REX Shutterstock

AS HE SAT in the Pentagon on September 11th 2001, Donald Rumsfeld felt the table tremble. It had once been used by General William Tecumseh Sherman; no trembler he. At the same moment, the whole building shook. Running out across the grass, he saw a huge blackened gash in the west side, figures scrambling out of it, dense smoke and flames. He ran towards the fire to help. His staff tried to hustle him to safety, but he wouldn't have it. The terrorists were not going to win on his watch. The Pentagon, he declared on TV, would be back in business in the morning.

This was the closest he had come to terror since, in Lebanon as Ronald Reagan's envoy in 1984, he had been blown across a shack by a rocket hitting an SUV outside. That was a near one. But enemies of some form or other lurked on every side. Some, like the Soviet Union, were fundamental and existential. Others, like the Republican old bulls he wrangled with over his four terms in Congress, were just obstructive. At the Pentagon, as

defence secretary under Gerald Ford in 1975-77 and George W. Bush in 2001-06, it was jackass bureaucrats who maddened him, as well as the hidebound, turf-obsessed military top brass. Then there was the press, eager to splash the slightest misstep all over the *Washington Post*.

He didn't believe in a defensive crouch. He had seen enough of that in the Nixon White House, where he stripped down the Office of Economic Opportunity: enemies lists, walls of lies and ever-smaller protective circles huddled round the president. Skilfully, he got away (to Brussels, as ambassador to NATO) before Watergate blew up. So, no crouch. Instead he faced opponents with his eyes narrowed and his smile darting dangerously, prepared to strike.

His method with sluggish staff was a blitz of memos, on yellow paper ("yellow perils") or white ("snowflakes"), carrying stray thoughts and reprimands he had barked into his Dictaphone. They were treated, too—as were colleagues in the firms, G.D. Searle and Gilead Sciences, where he later made fortunes—to "Rumsfeld's Rules", aphorisms collected since boyhood. A favourite came from Al Capone, another tough talker from Chicago: "You'll get more with a kind word and a gun than with a kind word alone."

Political opponents he could beat, too. He wore most down gradually. In Congress, as a reformist spirit, he led a group called "Rumsfeld's Raiders", who delayed bills they disliked with repeated quorum calls. In his first turn as secretary of defence, deep in the cold war, he steadily talked up the Soviet threat to get a bigger budget for new tanks, B-1 bombers and missile systems to range against it. The best defence was deterrence. Detente, which involved curbing America's cruise missiles, gave an impression of weakness. So he neatly pulled the rug from under Henry Kissinger, then secretary of state, at the SALT II talks, and scuppered them. They needed to beat the Soviets, not make nice.

September 11th 2001 brought another enemy to the fore. If the contest with the Soviet Union had been like his wrestling bouts at Princeton, entwined hulks grappling slowly, the new threat from violent Islamism was more like the avid games of squash he played with staff, hardballs bouncing anywhere. But he could deal with it. His Doctrine, already drawn up in his second tour

at the Pentagon, replaced the lumbering old army divisions with small, mobile combat brigades. A counter-strike, therefore, could be almost immediate. On October 7th America invaded Afghanistan, and could do more. An aide had caught his thought, a mere five hours after the attacks: “Best info fast. Judge whether good enough [to] hit SH @ same time...Go massive. Sweep it all up.” In 2003, claiming that Saddam Hussein had weapons of mass destruction, America invaded Iraq. Allies and the UN objected, but he waved them off: this was “anticipatory self-defence”. Like his childhood hero, the Lone Ranger, he would take the fight to the enemy. If you cocked your fist, you’d better be ready to throw it.

The two wars tested his Doctrine fully. His new flexible brigades became the norm in both Iraq and Afghanistan, reinforced by half-hidden special forces. Too many men would make too many targets. Helped in Afghanistan by the local Northern Alliance and in Iraq by the melting of Saddam’s army, they made quick progress. There was no long-term plan. That was unnecessary, since they would destroy the terrorist havens, deter violent Islamists everywhere, and come home. They were not in the business of nation-building. These poor, broken societies were not America’s to fix. He had not reckoned on the Islamist “dead-enders” regrouping so quickly, nor on the growing need to protect civilians; nor on the fact that, with such lean forces, that job was too big. Tricky.

Now, as well as violent extremists, he faced his old enemy the press. Against their knee-jerk opposition he posed complexity and conundrums. Hadn’t America gone into Iraq on a false premise, weapons that were not there? “Absence of evidence is not evidence of absence.” Why had they seemed blind to conditions on the ground? “There are known knowns...known unknowns...[and] unknown unknowns”, he said defiantly: complete shocks, as 9/11 had been. Another unknown unknown was the abuse and sexual degradation of detainees in the prison at Abu Ghraib outside Baghdad. He offered to resign over that and, for once, apologised. But freedom was untidy and, as he yelled at the press, “Stuff happens.”

Staying in both Iraq and Afghanistan was hard. Quitting, though, was worse. In 1975, as Gerald Ford’s chief of staff, he had watched the last American marines being winched from the embassy roof in Saigon. That image hurt, and emboldened his country’s enemies. Many Americans might want to

consider graceful exits from the agonies of combat, but the enemy thought differently. They were just waiting, regrouping. That conundrum, stay or go, was for others to solve. In either case, though, there were positives in his ledger. In both Iraq and Afghanistan elected governments had replaced tyrannical regimes. Violent extremism, if not eliminated, had been deterred. No secretary of defence had ever again had to pick his way through mangled metal and bodies on the Pentagon lawns. All that, in his book, added up to success. ■

*A version of this article was published online on July 6th 2021*

---

This article was downloaded by [calibre](#) from <https://www.economist.com/obituary/2021/07/06/the-many-enemies-of-donald-rumsfeld>

# Table of Contents

[TheEconomist.2021.07.10 \[Fri, 09 Jul 2021\]](#)

[The world this week](#)

[安利一个优秀的英文原著阅读器](#)

[Politics this week](#)

[Business this week](#)

[KAL's cartoon](#)

[Leaders](#)

[Global growth: Fault lines in the world economy](#)

[America's longest war: Abandoning Afghanistan](#)

[Chinese capitalism: Hit and run](#)

[The mayor of New York: New cop on the beat](#)

[Penal reform: Pointlessly punitive](#)

[Letters](#)

[Letters to the editor: On literacy, military reserves, working days, Kenneth Kaunda, historical fiction](#)

[Briefing](#)

[Inflation: Boom and doom?](#)

[Asia](#)

[Afghanistan after America: Peace out](#)

[Human rights in India: Father, who art in prison](#)

[Banyan: The Myanmar trap](#)

[Japanese politics: Tokyo drifts](#)

[South Korea's work culture: \( ; —, —\)](#)

[The South China Sea: Hark! The herald angels say “buzz off”](#)

[China](#)

[Bitcoin mining: There was gold in them thar hills](#)

[Party history: De-Maoification](#)

[Chaguan: For-profit patriotism](#)

[United States](#)

[Patriotism and polarisation: The history wars](#)

[New York's next mayor: Adams's Apple](#)

[Travel returns: Baby, you can't drive my car](#)

[Green-on-green battles: Dammed if you do](#)

[Religious affiliations: None of the above](#)

[Conspiracies: Wrestling with common sense](#)

[Lexington: What a way to spend \\$2trn](#)

## [Middle East & Africa](#)

[The Iran nuclear deal: Enriching talks](#)

[Lebanon: Begging for help](#)

[Cannabis in Morocco: High in the mountains](#)

[Eswatini: The king's reply](#)

[South Sudan: Unhappy birthday](#)

## [The Americas](#)

[Haiti: A presidential assassination](#)

[Urban malaise: Quitting the city](#)

[Colombia: Blocking the schoolhouse door](#)

[Bello: The clash in Peru](#)

## [Europe](#)

[Covid-19 in Russia: How not to do it](#)

[Turkey: Scandals galore](#)

[The Catholic church: Vatican rocked](#)

[Folk festivals: After the plague, the revelry](#)

[Charlemagne: The surreptitious socialist](#)

## [Britain](#)

[Hospital queues: The mystery at the heart of the NHS](#)

[Lockdown: The strange myth of liberal England](#)

[A fintech share listing: Direct transfer](#)

[Morrisons: Price war](#)

[Local news: Night crawlers](#)

[Romance: Tall, handsome—and darker](#)

[Carmaking: Pedal to the metal](#)

[Bagehot: Band of brothers](#)

## [International](#)

[Life sentences: Retrieving the key](#)

## [Business](#)

[Sino-American tech tensions: In the grip of anxiety](#)

[Alcohol-free beer: Buzzkill](#)

[Conversational commerce: Chat-up lines](#)

[Amazon: The Jassy age](#)

[The airline business: Dark skies and silver linings](#)

[Schumpeter: Keeping it in the ground](#)

## Finance & economics

[Quantitative easing: The quest to quit QE](#)

[Buttonwood: Classic convertible](#)

[Oil markets: Division over the spoils](#)

[Company buyouts: Frenemies](#)

[Investment in Africa: Links in the chain](#)

[Free exchange: Stabilité, libéralité, égalité](#)

## Science & technology

[Automating programming: The software software engineers](#)

[Copper gushers: Brine mines](#)

[The origin of songbirds: The sweet taste of success](#)

[Symbiosis: Ants, acacias and shameless bribery](#)

[How tea gets its flavour: Milk, sugar and microbes, please](#)

## Books & arts

[Social skills: The comfort of strangers](#)

[A private-equity scandal: All that glitters](#)

[Mediterranean history: Under the volcano](#)

[Contemporary art: To the lighthouse](#)

## Economic & financial indicators

[Economic data, commodities and markets](#)

## Graphic detail

[Elections and the pandemic: Stamped out](#)

## Obituary

[Donald Rumsfeld: Stuff happens](#)