The Economist

American democracy's built-in bias

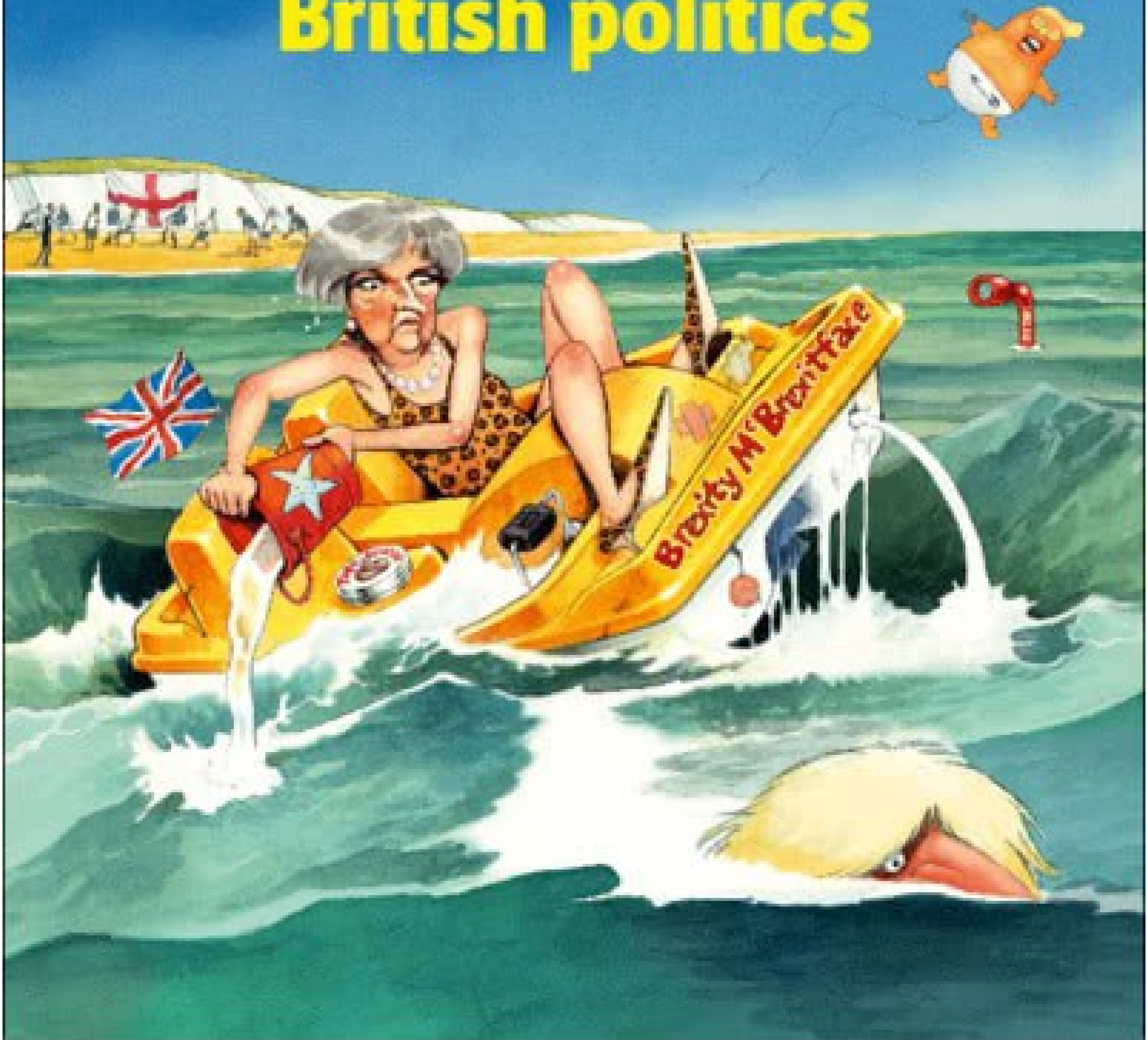
Islamic State's new HQ

Does WeWork?

Robochefs conquer the kitchen

JULY 14TH - 20TH 2018

Just another week in British politics



The Economist

2018-07-14

The world this week

Politics this week

Jul 12th 2018

Theresa May, **Britain's** prime minister, hoped that a deal struck at a cabinet summit would enable her to take an acceptable proposal to Brussels for leaving the European Union. The deal split hardline and more pragmatic Brexiteers. Two cabinet ministers resigned in protest: Boris Johnson (above), the foreign secretary, and David Davis, the Brexit secretary. Mrs May defended the proposals, taking aim at potential challengers by saying "to lead is to decide".

The resignations forced Mrs May into a hasty **cabinet** reshuffle. Jeremy Hunt is the new foreign secretary. Dominic Raab will lead negotiations with the EU as the new Brexit secretary. He holds a black belt in karate. See article

One of the two people recently exposed to the **Novichok** nerve agent in Britain died in hospital, prompting police to launch a murder inquiry. Authorities said that the possibility that the incident is linked to the poisoning in March of a former Russian spy is a "clear line" of their investigation.

Shifting to the right

Donald Trump nominated Brett Kavanaugh to be Anthony Kennedy's replacement on the **Supreme Court**. Mr Kavanaugh is an appeals-court judge who once worked for Kenneth Starr's investigation into Bill Clinton. Democrats vowed to block his appointment, though a change to the rules means that Supreme Court picks can no longer be filibustered. See article

Andrew Wheeler, a former lobbyist for the coal industry, took over as acting head of the Environmental Protection Agency following the resignation of **Scott Pruitt**. Mr Pruitt was facing over a dozen federal investigations into allegations of unethical behaviour, and had run up a huge travel bill from flying first class.

A bloody year

In **Nicaragua**, at least 20 people were killed in a day of protest against the government of Daniel Ortega, the president. Over 300 people have been killed since protests began in April. They started as a demonstration against the government's slow response to a forest fire and grew when it cut pensions. A dialogue between opposition groups and the government mediated by the Catholic church has been suspended. See article

A judge on weekend duty at an appellate court in Porto Alegre, a city in southern **Brazil**, ordered the release from prison of Luiz Inácio Lula da Silva, a popular former president who is serving a 12-year sentence for corruption, but his decision was overturned. The appellate court's president ruled that there were no legal grounds to free Lula.

Andrés Manuel López Obrador, **Mexico**'s president-elect, said that Marcelo Ebrard, a former mayor of Mexico City, will be foreign minister in his government. Mr López Obrador is a leftist, but Mr Ebrard is thought to be a moderate.

Into the light

Divers succeeded in rescuing 12 boys and their football coach from a cave in **Thailand** where they had become trapped by a flash flood. One Thai navy diver died in the operation.

Torrential rain caused flooding and landslides in south **Japan**, claiming some 200 lives.

Mike Pompeo, America's secretary of state, said that talks with **North Korea** about surrendering its nuclear weapons had gone well. But North Korea said America's demands were "gangsterish", prompting fears that it was already back-pedalling on its commitment to disarm.

Liu Xia, the widow of **China's** Nobel peace laureate, Liu Xiaobo, was freed from house arrest and allowed to fly to Germany. Ms Liu had been detained for most of the time since her imprisoned husband, who died a year ago, won the prize in 2010. Meanwhile, a court sentenced a prominent dissident, Qin Yongmin, to 13 years in prison for subversion.

One giant step forward

Ethiopia and **Eritrea** declared peace, ending a state of war that had lasted two decades. Ethiopia is to give back the town of Badme, whose disputed ownership was a cause of the war, and should gain access to Eritrea's Red Sea ports. The deal has won plaudits for Ethiopia's dynamic new prime minister, Abiy Ahmed, whereas Eritrea's ultra-repressive leader, Isaias Afwerki, may find it harder to keep his grip.

Duduzane Zuma, the son of **South Africa's** former president, Jacob Zuma, appeared in court on charges relating to bribery. The charges are the first in relation to a series of scandals that led to Mr Zuma being forced out of office.

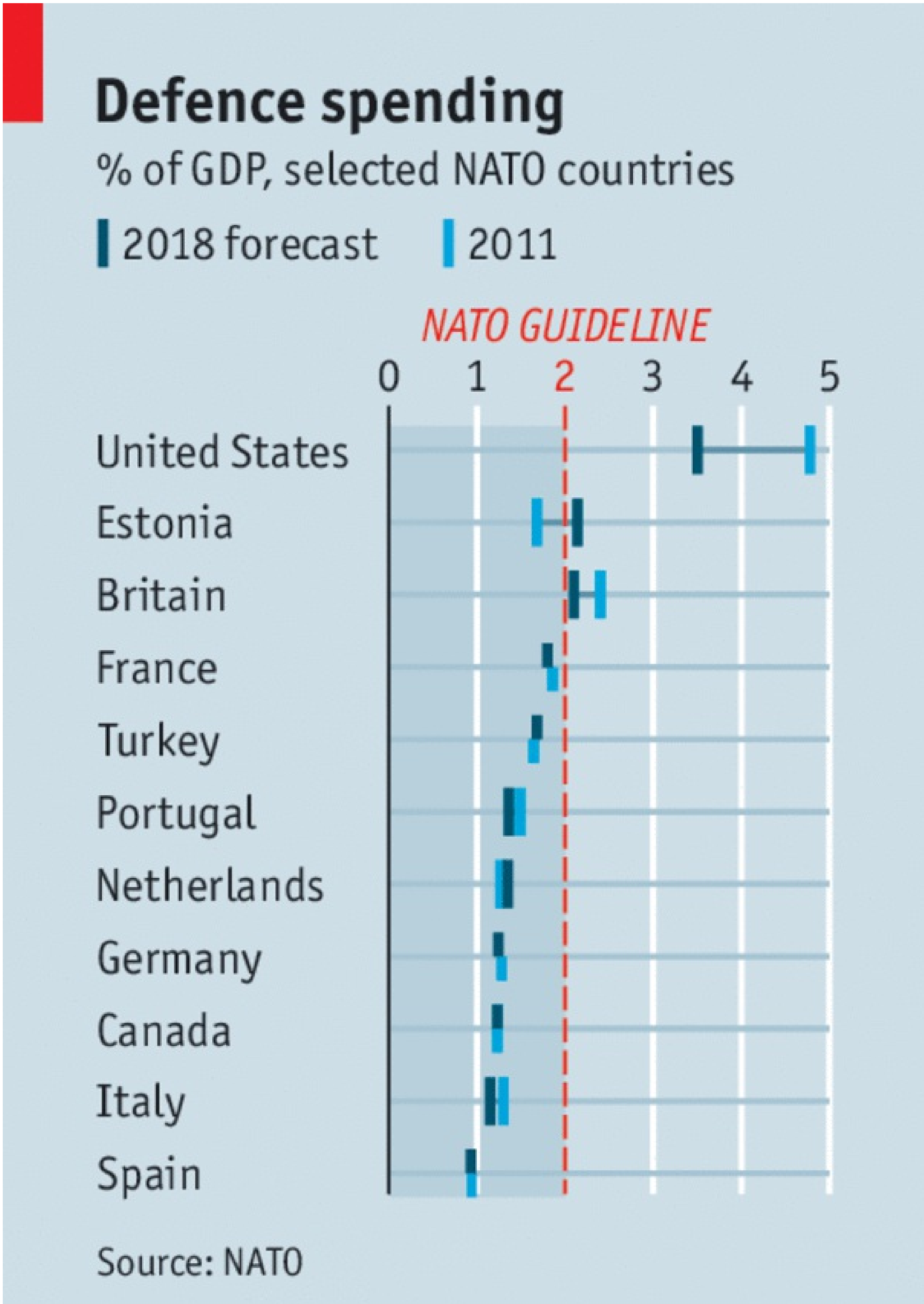
The UN said that **South Sudan's** army may have committed war crimes, including mass rapes and the murder of civilians during an offensive. The country has suffered a brutal civil war since 2013.

Aided by Russia, **Syria's** army recaptured the Nassib crossing with Jordan as it advanced on rebel-held enclaves. Jordan feared another refugee influx but welcomed the anticipated reopening of what had been the main land route from Turkey to the Gulf after three years of closure.

Autocratic transmission

Recep Tayyip Erdogan was re-inaugurated as **Turkey's** president. He appointed his son-in-law as finance minister, leading to a sharp fall in the value of the lira, and also dropped from his cabinet the minister considered the most market-friendly. The government fired another 9,000 police officers, 6,000 military personnel and hundreds of teachers for alleged links to terror groups.

Italy's Europe minister, Paolo Savona, also rattled the markets, by declaring that Italy needed to be prepared for "all eventualities" concerning its membership of the euro.



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At a **NATO** summit in Brussels, Donald Trump scolded European countries for failing to spend enough on defence. European NATO countries collectively contribute just 1.5% of their GDP to defence, well below NATO's 2% guideline; only four European members meet that mark. America is by far the biggest spender, but since 2011 its spending has fallen in real terms by 15%, whereas NATO Europe's has increased by nearly 10%. After battling with NATO, Mr Trump visits Britain, to be greeted by mass protests, and Helsinki, where he should get a warmer welcome when he meets Vladimir Putin.

Business this week

Jul 12th 2018

The Trump administration intensified its **trade war** with China, threatening to impose tariffs on a further $200bn-worth of goods, including tuna, chemicals and handbags. This came a few days after America fired its first salvo, levying duties on $34bn-worth of Chinese industrial exports, to which China retaliated with tariffs on an equivalent value of American goods. America's latest round of duties will not come into force until after a consultation process. Some who support targeting China's trade practices question the broad imposition of tariffs, fearing it will drive up American consumer prices. See article

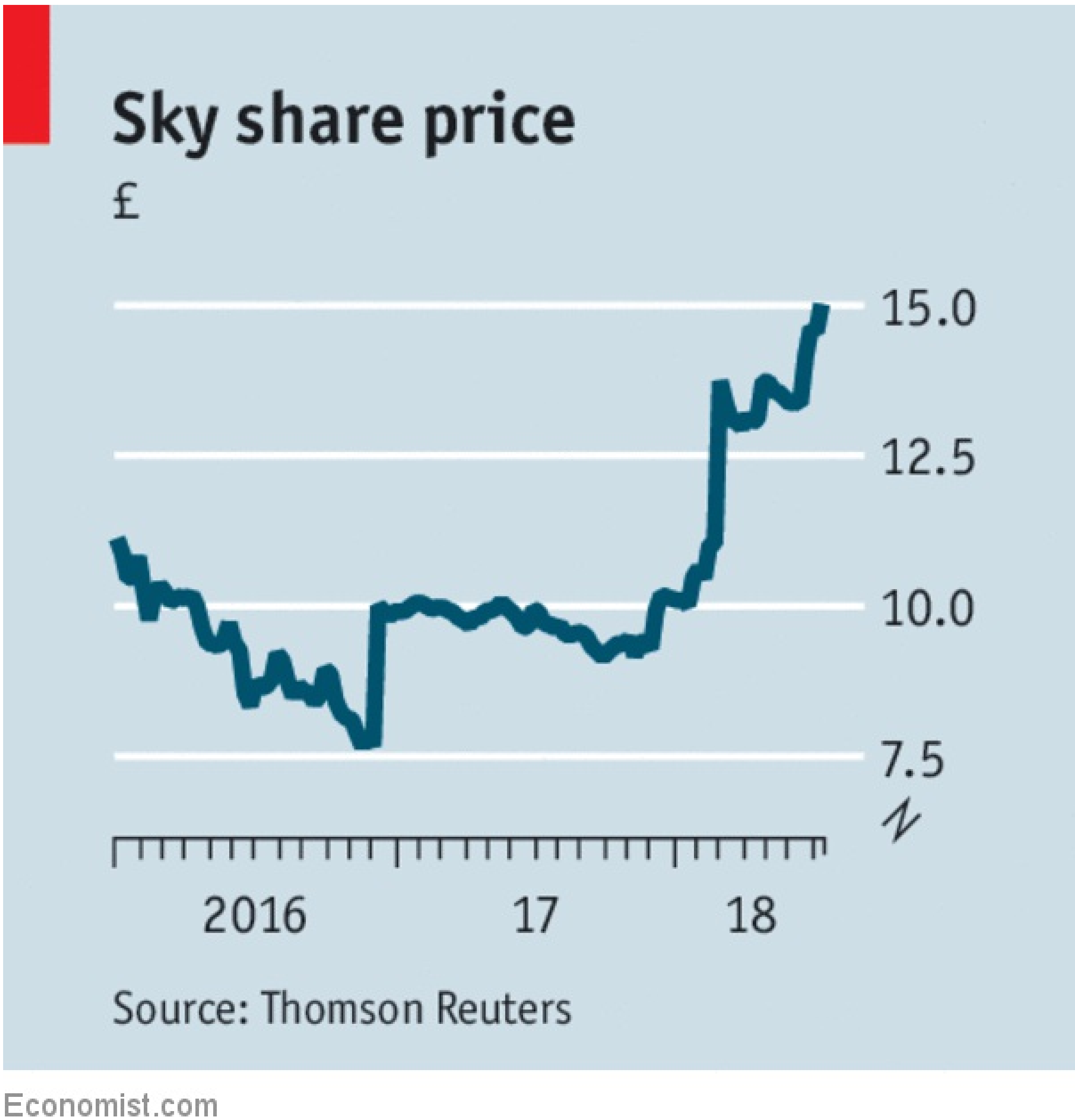
One way to get around tariffs

Following China's decision to loosen restrictions on foreign carmakers, **Tesla** signed a memorandum of understanding with the authorities in Shanghai to build a factory there. Once the project obtains the necessary permits, Tesla thinks it will take two years to build the plant, its first outside America, which will eventually make half a million cars a year. Tesla has had to raise the price of its electric cars in China to offset the cost of the government's retaliatory tariffs on American vehicles.

Xiaomi's IPO was a damp squib. The share price of the Chinese smartphone-maker closed just below the offer price of HK$17 ($2.17) on the first day of trading in Hong Kong. But it climbed by 13% on the second day after news that the company is to be included in the Hang Seng stockmarket index. That will allow mainland Chinese investors to buy shares in Xiaomi through a scheme that connects the Hong Kong and Shanghai exchanges.

In a surprise move, **Broadcom** agreed to buy **CA Technologies** for $18.9bn. Broadcom is one of the world's biggest chipmakers. Its acquisition of CA Technologies takes it into a new market, for infrastructure software. Earlier this year Broadcom's hostile bid for Qualcomm, another chipmaker, was blocked by the White House. It has since completed the relocation of its domiciled headquarters from Singapore to San Jose, which should spare this deal from such close scrutiny.

Samsung said it expects to make an operating profit of 14.8trn won ($13.2bn) in the second quarter. It had chalked up four consecutive quarters of record profits, something the electronics giant may find hard to repeat given waning sales of its flagship Galaxy S9 smartphone and falling prices for its flash memory chips.



The bidding escalated in the battle for **Sky**, Britain's premier subscription-TV broadcaster. A day after **21st Century Fox** submitted a proposal that valued Sky at £24.5bn ($32.5bn), **Comcast** upped its offer, to £26bn. Fox is bidding for the 61% of shares in Sky it doesn't already own in order to sell the lot to Disney, along with Fox's other entertainment assets. Comcast has muddied the waters with a rival offer for Fox's assets.

The bully pulpit

After a stern dressing-down from Donald Trump, **Pfizer** said it would reverse the recent price rises it introduced on about 40 drugs and wait for the president's plan to reduce the cost of medicines. The company also reorganised itself along three business lines: innovative medicines, established brands and consumer health care.

Norwegian, a low-cost airline that wants to disrupt the market for transatlantic travel, made a net profit of NKr296m ($37m) in the second quarter, confounding analysts' forecasts that it would report a big loss. The carrier's sales rose by 32% compared with the same three months last year.

After completing the first leg of a fundraising round, **Juul**, which dominates the e-cigarette market in America, was valued at $15bn. That is half the market capitalisation of Imperial Brands, which counts Golden Virginia tobacco among its assets, and makes Juul one of America's most valuable startups. Once promoted as an aid to quit smoking, vaping has become trendy. Juul's sales have risen by 800% over the past year.

Britain's information commissioner handed **Facebook** a £500,000 ($660,000) fine for failing to protect users and for a lack of transparency over the data obtained via the social network by Cambridge Analytica, a political consulting firm. It was the biggest penalty allowed under British data-protection laws. The regulator also slapped a fine on an advice site for new parents, which shared personal data with the Labour Party.

The last straw

Starbucks announced that it will phase out disposable **plastic straws** by 2020, the biggest development so far in a campaign to ban single-use plastic utensils in the fast-food industry. The coffee chain is also trying to reduce the number of disposable cups (six billion) it issues to the chai-latte-sipping classes each year.

KAL’s cartoon

Jul 12th 2018

Leaders

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- **Security in Africa: Jihad's new base** [Thu, 12 Jul 20:59]
- **Reforming the welfare state: Back to basic liberalism** [Thu, 12 Jul 20:59]
- **Electricity in the developing world: Light-bulb moment** [Thu, 12 Jul 20:59]
- **Brexit: Just another week in British politics** [Thu, 12 Jul 20:59]

Voting reform

American democracy's built-in bias towards rural Republicans

Its elections no longer convert the popular will into control of government

Jul 12th 2018

EVERY system for converting votes into power has its flaws. Britain suffers from an over-mighty executive; Italy from chronically weak government; Israel from small, domineering factions. America, however, is plagued by the only democratic vice more troubling than the tyranny of the majority: tyranny of the minority.

This has come about because of a growing division between rural and urban voters. The electoral system the Founders devised, and which their successors elaborated, gives rural voters more clout than urban ones. When the parties stood for both city and country that bias affected them both. But the Republican Party has become disproportionately rural and the Democratic Party disproportionately urban. That means a red vote is worth more than a blue one.

The X factor

The consequences are dramatic. Republicans hold both the houses of Congress and the White House. But in the three elections in 2012-16 their candidates got just 46% of the two-party vote for the Senate, and they won the presidential vote in 2016 with 49%. Our voting model predicts that, for Democrats to have a better than 50% chance of winning control of the House in November's mid-term elections, they will need to win the popular vote by around seven percentage points. To put that another way, we think the Republicans have a 0.01% chance of winning the popular vote for the House. But we estimate their chance of securing a majority of congressmen is about a third. In no other two-party system does the party that receives the most votes routinely find itself out of power (see Briefing).

This imbalance is partly by design. The greatest and the smallest states each have two senators, in order that Congress should represent territory as well as people. Yet the over-representation of rural America was not supposed to affect the House and the presidency. For most of the past 200 years, when rural, urban and suburban interests were scattered between the parties, it did not. Today, however, the 13 states where people live closest together have 121 Democratic House members and 73 Republican ones, whereas the rest have 163 Republicans and just 72 Democrats. America has one party built on territory and another built on people.

The bias is deepening. Every president who took office in the 20th century did so having won the popular vote. In two of the five elections for 21st-century presidents, the minority won the electoral college. By having elected politicians appoint federal judges, the American system embeds this rural bias in the courts as well. If Brett Kavanaugh, whom President Donald Trump nominated this week, joins the Supreme Court, a conservative court established by a president and Senate who were elected with less than half the two-party vote may end up litigating the fairness of the voting system.

This bias is a dangerous new twist in the tribalism and political dysfunction that is poisoning politics in Washington. Americans often say such partisanship is bad for their country (and that the other lot should mend their ways). The Founding Fathers would have agreed. George Washington warned that "the alternate domination of one faction over another, sharpened by the spirit of revenge…is itself a frightful despotism".

As a component of partisanship, the built-in bias is obviously bad for Democrats. But in the long run it is bad for America as a whole, including Republicans. When lawmaking is paralysed, important work, such as immigration and entitlement reform, is too hard. The few big laws that are approved, like Barack Obama's health-care reform or Mr Trump's corporate-tax cuts, pass on party-line votes. That emboldens the opposition to reverse or neuter them when they take power. Meanwhile, the task of resolving the most divisive political issues often falls to the courts. The battle over Mr Kavanaugh's confirmation will be a proxy war over issues, like abortion and health insurance, better suited to the legislature.

Some may ask why Democrats do not return to positions that appeal to rural voters (see our special report). Recall how Mr Obama won the presidency opposing gay marriage and Bill Clinton built a coalition in the centre-ground. But rancorous political disputes—over guns, abortion and climate change—split so neatly along urban-rural lines that parties and voters increasingly sort themselves into urban-rural tribes. Gerrymandering and party primaries reward extremists, and ensure that, once elected, they seldom need fear for their jobs. The incentives to take extreme positions are very powerful.

Bitter partisanship, ineffective federal government and electoral bias poison politics and are hard to fix. Changing the constitution is hard—and rightly so. Yet the voting system for Congress is easier to reform than most people realise, because the constitution does not stipulate what it should be. Congress last voted to change the rules in 1967.

Second thoughts about first-past-the-post

The aim should be to give office-seekers a reason to build bridges with opponents rather than torch them. If partisanship declined as a result, so would pressure on voters to stick to their tribe. That could make both parties competitive in rural and urban areas again, helping to restore majority rule.

One option, adopted in Maine this year and already proposed in a bill in Congress for use nationwide, is "ranked-choice voting" (RCV), in which voters list candidates in order of preference. After a first count, the candidate with the least support is eliminated, and his or her ballots are reallocated to those voters' second choice. This continues until someone has a majority. Candidates need second-and third-choice votes from their rivals' supporters, so they look for common ground with their opponents. Another option is multi-member districts, which were once commonplace and still exist in the Senate. Because they aggregate groups of voters, they make gerrymandering ineffective.

Voting reform is not the whole answer to partisanship and built-in bias, but it would help. It is hard, but not outlandish. To maintain the trust of all Americans, the world's oldest constitutional democracy needs to reform itself.

The new Caliphate

Jihadists are trying to take over the Sahel

The West should help local governments hold the line

Jul 12th 2018

THERE has been no “Mission Accomplished” moment celebrating the defeat of Islamic State (IS) in Syria and Iraq. But the American and other allied troops who helped crush IS are quietly heading home, and their generals are packing away their counter-insurgency field manuals. They deserve credit for a job bravely done. However, IS’s brutal ideology is not dead. A form of it is taking root in and around the Sahel.

Even at the best of times this arid, sparsely populated belt of land that runs along the southern fringe of the Sahara desert is poor and badly governed. Some countries broadly along this belt, such as Somalia or the Central African Republic, have not seen peace for decades. In the past few years the sparks of jihad have been struck in this tinderbox. In lethality, the jihadists in Africa have already overtaken their Iraqi comrades. Last year they killed some 10,000 people, mostly civilians. That compares with about 2,000 civilian deaths in Iraq and Syria. They are also more numerous. Islamic State West Africa Province (ISWAP), a Nigerian jihadist group aligned with IS, has some 3,500 fighters—probably more than the original IS now has in Iraq and Syria. It is trying to build a "caliphate" in remote border towns (see Middle East and Africa section).

To Sahel and back

War-weary Western voters have little appetite for fresh entanglements in distant conflicts. And so far, the threat the Sahel poses to Western interests is limited. But it is growing. Jihadists connected to al-Qaeda and IS have attacked Western embassies, hotels and oil facilities in the Sahel. Some with ties to the region have struck in Europe, too. A suicide-bombing in 2017 that claimed 23 lives in Manchester has been linked to Libya. So too was an attack on a Christmas market in Berlin in 2016 that killed 12 people. The risks of more such attacks will grow if jihadists are allowed to hold territory and establish camps, as al-Qaeda did in Afghanistan before September 11th 2001. Moreover, jihadism in the Sahel destabilises countries with some of the world's fastest-growing populations. If they fall into chaos, Europe can expect millions more refugees.

The rise of jihadism in Africa is rooted in bad governance, exacerbated by population pressure and climate change. When the state is corrupt and predatory, the insurgents' promise of religious justice can sound appealing. There is not much outsiders can do to fix this. Africa's governments need to step up to their responsibilities.

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However, outsiders can help contain the jihadists, stopping them conquering turf or building anything resembling a state. This can be done with a light touch, by modest forces, at a reasonable cost. France already has about 4,500 troops in Africa; America has about 6,000. These are not many boots on the ground in so vast a region. Yet they are having an outsize effect by training, supporting and providing crucial intelligence to the African armies that are doing almost all the fighting.

Western forces are helping to hold a fragile region together. Alas, that appears not to be a priority for President Donald Trump. Since the deaths of four American soldiers in Niger in October, American troops have been ordered to take fewer risks. Their commanders have been told to plan for a possible cut of up to 50% in the number of special forces assigned to the region. The signs are that Mr Trump is about to repeat Bill Clinton's mistake. Mr Clinton pulled out of Somalia in 1993, as soon as dead Americans appeared on television. Somalia later collapsed into anarchy and became a haven for jihadists and pirates. Stopping the Sahel from falling apart would be easier than putting it back together. Western troops are insurance against disaster. Keep paying the premiums.

Back to basics

Capitalism needs a welfare state to survive

But welfare must be reformed to cope with ageing and immigration

Jul 12th 2018

IN THE mythologies of both left and right, the welfare state is a work of socialism. Yet the intellectual tradition it owes most to is liberalism. The architect of its British version, William Beveridge, did not want to use the power of the state for its own sake. The point was to give people the security to pursue the lives they chose. And liberal reformers believed that by insuring people against some risks of creative destruction, welfare states would bolster democratic support for free markets.

In the decades since Beveridge published his seminal report in 1942, welfare states have spread, grown larger, more complex and, often, less popular (see article). This shift has many causes. But one is that welfare states have often diverged from the liberal principles that underpinned them. It is these principles that must be reaffirmed.

As countries become richer they tend to spend higher shares of national income on public services and benefits. Spending on “social protection”, such as pensions, unemployment insurance and assistance for the hard-up, has risen from an average of about 5% of GDP in rich countries in 1960 to 20% today. Include spending on health and education and those shares roughly double. For some, the sheer scale of these welfare states is reason enough for reform.

But what the welfare state does is perhaps more important than its size. It should seek to allow individuals to make their own choices, whether through support for parents to return to work as in Scandinavia, personal budgets for disabled people to select their own provision as in England, or Singapore-style learning accounts so that the jobless can acquire new skills.

Everyone needs enough to live on. Many of those who drop out of the job market, or who work in the gig economy, struggle to get by. And too often, help for the poor comes in ways that are cruel, inefficient, paternalistic or complex. In some rich countries, the unemployed face marginal tax rates of over 80% when they begin a job, because of the loss of benefits.

Any welfare reform entails trade-offs between the cost of a scheme and its effects on poverty and incentives to work. No scheme is perfect. But a good basis is the negative income tax, which subsidises workers below an earnings threshold, while taxing those above it. Negative income tax can be combined with a minimum income for everyone. It is a relatively simple, efficient way of targeting poverty while maintaining incentives to work, so long as the tax rate is not too high.

Reform, however, also requires taking on two challenges that did not cause Beveridge much concern. The first is ageing. The ratio of working-age people to the retired in rich countries is projected to fall from about four to one in 2015 to two to one by 2050. And as countries grey, welfare spending becomes more biased towards the elderly. To mitigate rising intergenerational inequality, it would make sense to cut the cushiest benefits for the elderly and steadily raise retirement ages.

Refusing the wretched

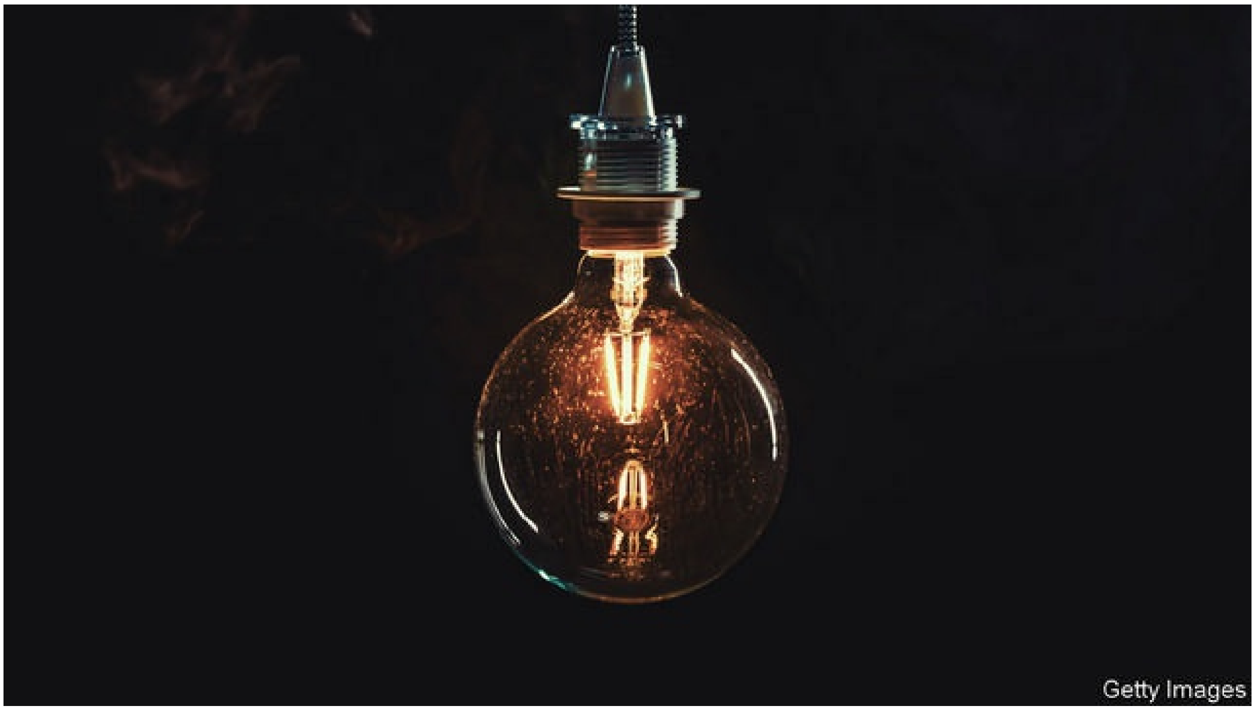
The second challenge is immigration. Across Europe, “welfare chauvinism” is on the rise. This supports a generous welfare state for poorer, native-born people—but not immigrants. Populists argue that, if migrants from poor countries immigrate freely to rich ones, they will bankrupt the welfare state. Others argue that liberal migration policies depend on curbing access to it: build a wall around the welfare state, not the country. Polls suggest that few native-born Europeans want to deprive new arrivals of instant access to health care and schools for their children. But some restrictions on cash benefits, like those already in place in America and Denmark, may be necessary.

As liberals such as Beveridge realised, the best way to secure support for free markets is to give more people a stake in them. The welfare state must be seen as more than providing shoes and soup for the poor, and security in old age. In a democratic society it is also crucial to the case for capitalism.

Light-bulb moment

Mini-grids may be the best way to illuminate the "bottom billion"

Governments need to rethink what is meant by a national grid

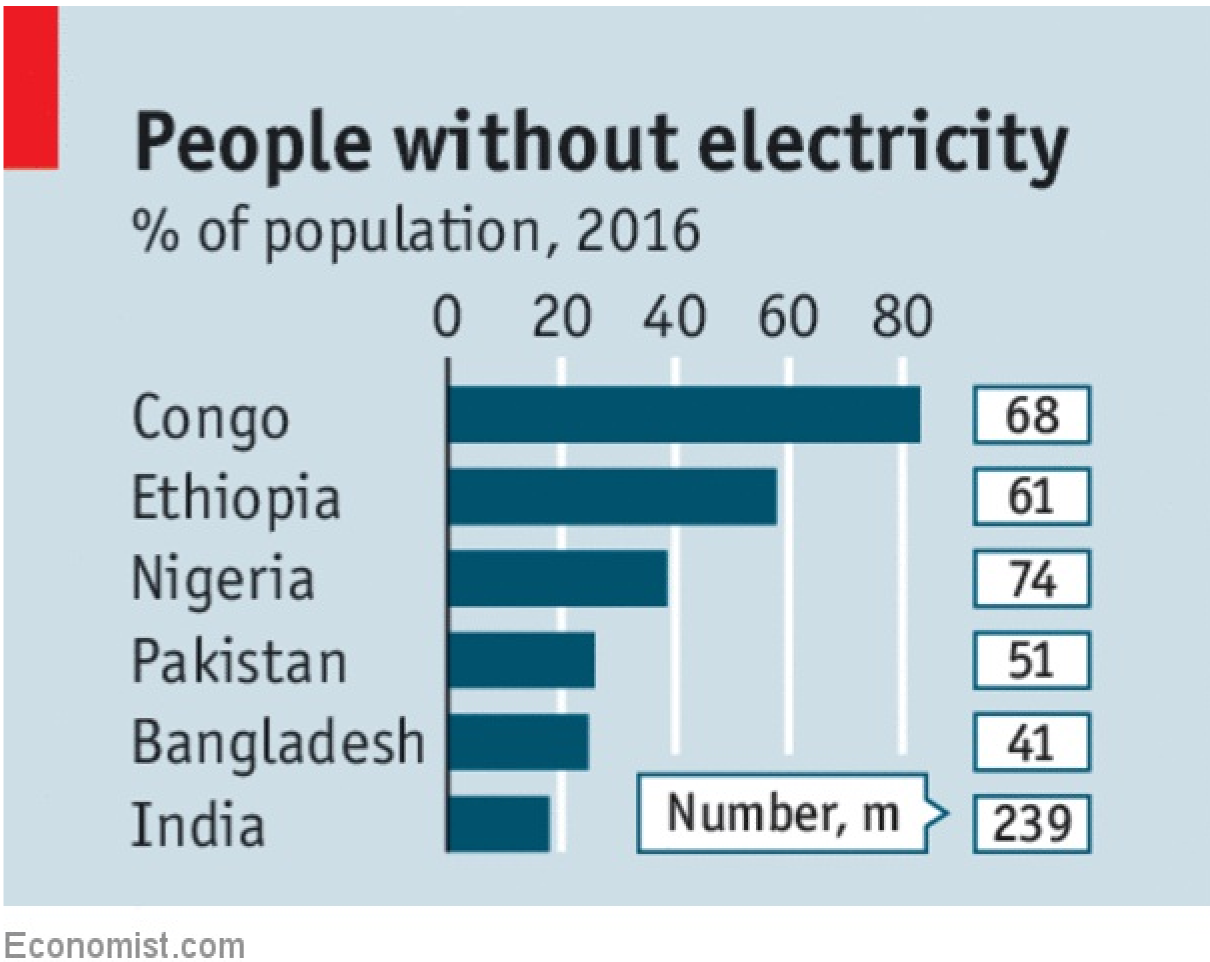

Getty Images

Jul 12th 2018

ELECTRICITY powers growth, boosts education and improves lives. Yet about 1.1bn mostly rural dwellers in Asia and Africa remain stuck in the dark. They have no electric light, rely on kerosene and diesel for power, and struggle to irrigate their crops. The good news is that people can be connected to clean, reliable power faster than ever before. But to realise the potential, governments need to rethink the role of utilities.

Typically, countries connect citizens with vast grid-extension programmes. Big grids make perfect sense for populous places. They can cheaply supply power generated far away to millions and, as they incorporate more wind and solar energy, they are becoming greener. But in remote places, the economic case for grids becomes hard to make.

Many utilities are short of cash, if not bankrupt. The cost of taking power to those least able to afford it adds to their debts. China and Thailand took 20 years to improve electrification rates from about 30-40% to 85-90%. Reaching the remaining sliver took a further 20 years; China managed it only in 2015. And universal electrification, a slogan beloved of politicians, is frequently less than it seems. In April India celebrated the electrification of its last village, yet about 240m people remain without power and connections are often unreliable.



Enter mini-grids, which can operate independently of national grids, and are a way for private companies to offer services more quickly and reliably than frequently state-owned incumbents. Mini-grids are banks of batteries often charged by solar arrays. Unlike "rooftop" solar systems, which are increasingly common in parts of Africa but provide little juice, mini-grids provide round-the-clock electricity capable of powering machinery, irrigation systems and freezers, as well as lighting. Although they are expensive, mini-grids are likely to become cheaper as they grow more common. In the interim, providers are using specialists in rural development and microfinance to teach people how to set up businesses that benefit from a lot of power (see Finance section). They find that if people learn how to make money from electricity, they willingly pay for it.

Network effects

The International Energy Agency, a forecaster, reckons mini-grids could account for $300bn of investment by 2030, making them the most important means of achieving universal access. Yet for that to happen, governments must embrace them. Officials are often loth to decentralise the power supply for fear of losing political control. For their part, mini-grid providers fear being left in the lurch if the main grid suddenly arrives in one of their markets.

Both problems can be solved if governments see mini-grids not as autarkic outposts, but as part of a master plan. Mini-grids and rooftop solar systems can one day be hooked up to the main grid; they should not compete as paths to rural electrification. The more strategic planning of this sort there is, the less risk that mini-grids will end up as "stranded assets". Governments could reallocate the subsidies available for extending grids to lower the cost of expanding mini-grids. They would be able to promote mini-grids across neighbouring villages, improving the economies of scale for developers. Countries like Nigeria are already pioneering such initiatives. Call it enlightened thinking.

Just another week in British politics

A new Brexit plan creates fresh depths of chaos

And the worst is yet to come

Jul 12th 2018

A REALLY sensible government would have drawn up a plan for how to leave the European Union before calling a referendum on whether to do so. A sane one would have devised a strategy before triggering exit negotiations. Britain, by contrast, announced its departure plan on July 6th, when three-quarters of the time it has for talking to Brussels had already been used up. And even then the long-overdue reckoning with reality sent the government reeling.

Two cabinet ministers and two Conservative Party vice-chairmen have quit; the foreign secretary, Boris Johnson, said in his resignation letter that the Brexit “dream is dying”. Those abandoning ship are furious that Theresa May has dropped a hard separation from the EU for a softer deal, preserving many legal and economic ties. For now, the prime minister seems unsinkable (wooden objects tend to be). But her belated move towards a realistic Brexit has just begun. As the truth sinks in, more turmoil is in store. The task for Mrs May and the EU is to ensure that the Brexit project does not descend into anarchy.

Men overboard

Mrs May's Brexit plan marks a decisive shift. Her approach had previously consisted mainly of ruling things out: no single-market membership, no free movement of labour, no obedience to foreign judges. Now she has said what she wants. She proposes that Britain remain, in effect, in the single market for goods, and in a looser system of mutual recognition for services. In return she promises not to undercut EU standards for the environment, social policies or state aid. She proposes a dispute-resolution mechanism that implies a role for the European Court of Justice. And she suggests that Britain stay in a customs union with the EU until a clever new tariff-collection mechanism can be set up (which may well mean for ever).

This is Mrs May's most realistic plan so far, and yet European leaders will demand that she go further. They say she has still not made clear how Britain plans to avoid a hard border in Ireland, something they insist is settled before any deal can be signed. Britain is likely to be told that, if it wants the benefits of the single market for goods, it must seek membership of the whole thing—which in turn means observing other rules, including free movement of labour. The EU will probably want ongoing payments into its budget, too (see article).

This will lead to a Brexit that satisfies almost nobody. Hardline Brexiteers already feel betrayed. This week Mr Johnson complained that Britain would be subject to EU laws without having a say in how they were made, and that obeying these rules would make it harder to do trade deals with other countries. That is true, and adding in budget payments and free movement will surely prompt further cabinet resignations and backbench rebellions.

Remainers are hardly jubilant, either. Many, including this newspaper, see ending up in a situation similar to Norway, bound to the EU but with little say in how it works, as the best Brexit possible—and certainly less bad than the hard sort, which would cause enduring harm to the country's prosperity. But a soft Brexit is so obviously worse than what Britain has today as a member of the EU that it would underline more clearly than ever the folly of leaving.

As a result Mrs May might struggle to get a deal through Parliament, even though most MPs probably favour a soft Brexit. Although pragmatic Brexiteers and Remainers may back her, hardliners may be tempted to hold out for either a harder deal or for stopping Brexit altogether. Her task will be further complicated by Labour under Jeremy Corbyn, which has yet to produce its own coherent plan. It is likely to put party before country by voting against whatever deal Mrs May brings home, in the hope of bringing down the government. That means even a small rebellion by Tory hardliners could be enough to defeat the plan.

Where does this leave Britain? Do not look to Brexiteers for answers. Although they complain that the people have been betrayed, they have still not explained how Britain could cut all ties with the EU while preserving trade links to what is by far Britain's largest market. Mr Johnson did not even mention Ireland in his resignation letter this week. It is as if Brexiteers have spent so many years in opposition attacking the EU that they are flummoxed by the idea of coming up with a workable plan. While Mrs May at last faces up to the painful trade-offs that Brexit always required, those who condemned her this week prefer to indulge their fantasies.

The EU could help—and has reason to. It is reluctant to give Britain a bespoke deal, for fear that its other restless members will angle for special treatment, too. This is why Eurocrats solemnly vow that nothing must undermine the single market.

But if the Brexit negotiations fail, and Britain crashes out without any deal at all, it would cause grave damage across Europe and beyond. And in some areas the EU has an incentive to offer concessions. The most glaring is security, where its hardline position is self-defeating. Britain is one of Europe's two big military and intelligence powers. Limiting its role in projects such as the Galileo geolocation system, at a time when America is wavering on its NATO commitments and Russia is stirring up trouble, endangers all Europeans. Bending rules such as freedom of movement is harder. But the EU can help give Mrs May the cover she needs to sell the deal at home. If she wants to replace free movement with a "mobility framework" that does much the same thing, let her. If she wants market alignment on goods but not on services, so what?

Throw her a lifebelt

And if Mrs May cannot win a Brexit vote? Then the EU should be prepared to grant Britain more time, to avoid it crashing out without a deal. To break the parliamentary impasse, Mrs May might have to go back to the people, either with yet another election or even a second referendum, setting out a concrete plan for Brexit rather than the vague, incompatible promises put before voters the last time round.

That Britain has at last set a course for a soft Brexit is welcome. Getting there will be a very rough crossing indeed.

Letters

- **On trade, Bernie Sanders, the NHS, gentrification, China, “Jurassic Park”: Letters to the editor** [Thu, 12 Jul 20:59]

Letters

Letters to the editor

On trade, Bernie Sanders, the NHS, gentrification, China, “Jurassic Park”

Jul 12th 2018

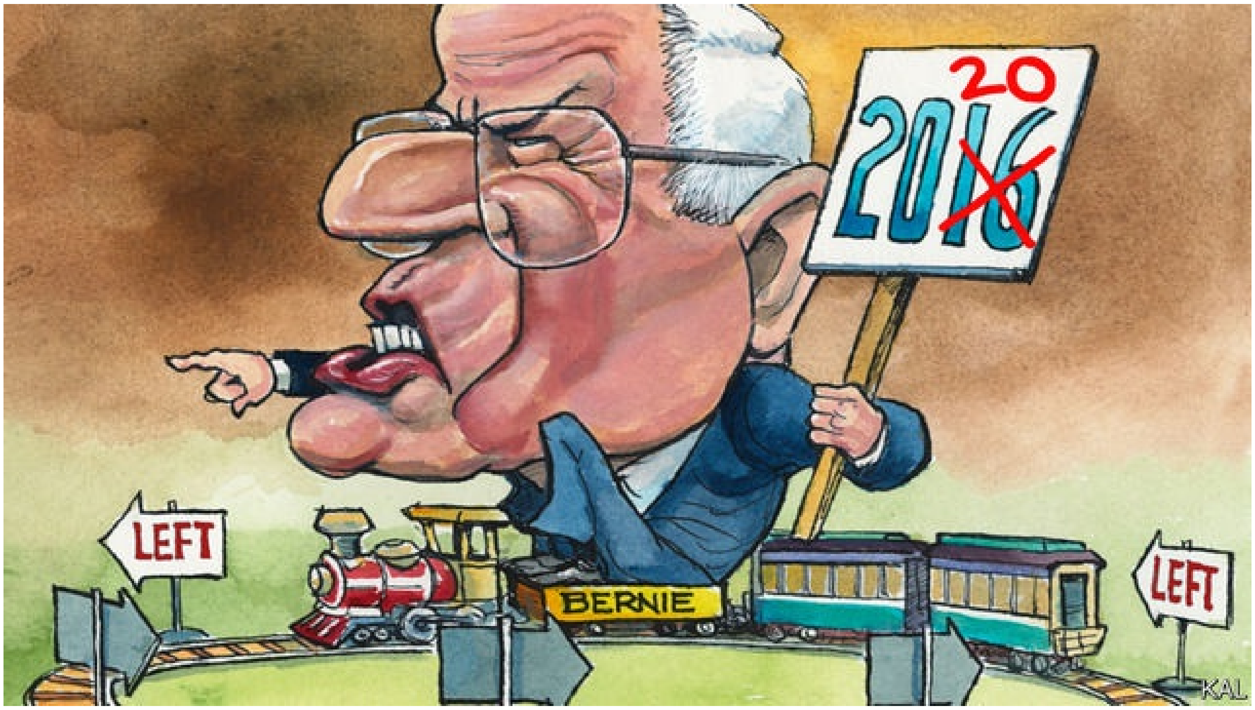
Letters are welcome and should be addressed to the Editor at letters@economist.com

Trade wars in history

President Donald Trump's attack on Canada over trade has historical precedents ("Breaking a few eggs", June 16th). Congress abrogated the reciprocity agreement between the United States and the British North American colonies in 1866. In 1922 America passed the Fordney-McCumber tariff. One of Canada's leading retailers at the time noted that "Canada is the best customer of the United States, although it is treated the worst by the tariff laws."

When Congress was debating the Smoot-Hawley tariffs in 1930, a Canadian MP noted that "History tells us that the markets for our agricultural products in the United States are never of a permanent nature…we must realise that self-preservation is the first law of nature." In September 1930 a special session of the Canadian Parliament raised tariffs across the board. Neither Smoot-Hawley nor Canada's reaction to it were helpful. No two countries suffered more than Canada and the United States from the Smoot-Hawley-led Great Depression. Both suffered more than Austria and Poland, the two hardest-hit European economies. Mr Trump's stand on trade is not helpful to the United States, never mind Canada, nor will it help the global economy.

JOE MARTIN
Director of Canadian Business History
University of Toronto



Sandernistas on a roll

Lexington remarked that, if the Democrats pick Bernie Sanders as their presidential candidate, “it would not be for his ideas, which have little support within their party, let alone America” (June 9th). According to a Pew poll in August 2016, 52% of Americans support raising the minimum wage to $15. A poll from Morning Consult in September 2017 found that 63% back tuition-free college. And in March this year a Kaiser Foundation survey reported that 59% want Medicare for all. I, for one, am still “feeling the Bern”; it may be turning into a chronic disease.

JASON ALLEY
Billerica, Massachusetts

Popping pills

Bagehot's excellent column on the myths of Britain's National Health Service suggested that any discussion of boosting its revenue "by charging patients a nominal sum for visiting the doctor" is off the cards because of the Labour Party's desire to "demonise Conservative reforms" (June 30th). An alternative view is that bitter experience has taught the public that nominal fees soon begin to grow at an exponential rate to painful levels, charges for prescription drugs being a good example. "Free at the point of delivery" is a red line that voters of all persuasions know must be held at any taxation cost.

PAUL CORSER
Selborne, Hampshire

Bagehot created some of his own myths about the NHS. Edwardian health reforms did not provide the roots for legislation that created the NHS in 1948. Medical inspections of schoolchildren were precisely that: to tell parents that their child needed a doctor. Treatment still had to be paid for. Free (or subsidised) medical care appeared much later. And national health insurance, "employer-and government-subsidised health care", offered only minimal general-practice care to a minority of the working population, namely lowwaged blue-collar workers. Maternity care aside, the scheme offered nothing to their wives.

The Edwardian health reforms were aimed at promoting the physical well-being of the male workforce and armed services. The principles of the NHS were different, based on equality. Why else would you dedicate equivalent medical resources to post-menopausal women? Moreover, thanks to the Treasury's parsimony, national health insurance never developed in Britain the way it did in Germany. There, a Bismarckian health-insurance scheme expanded to provide universal cover, the foundations of German health care today.

PROFESSOR NOEL WHITESIDE
Institute for Employment Research
University of Warwick
Coventry

The way we do things around here

* I would like to underscore the importance of a vibrant safety culture as a necessary condition, indeed the foundation, for improving patient safety in any health-care organisation ("Physician, heal thy systems", June 30th). I once read that "culture eats systems for breakfast". A safety culture is analogous to a human body's immune system in fending off diseases, which in this context, includes not following life-saving procedures, work arounds, cutting corners, cover ups, taking unreasonable risk with patient care, preventing and fighting off infections, and so on.

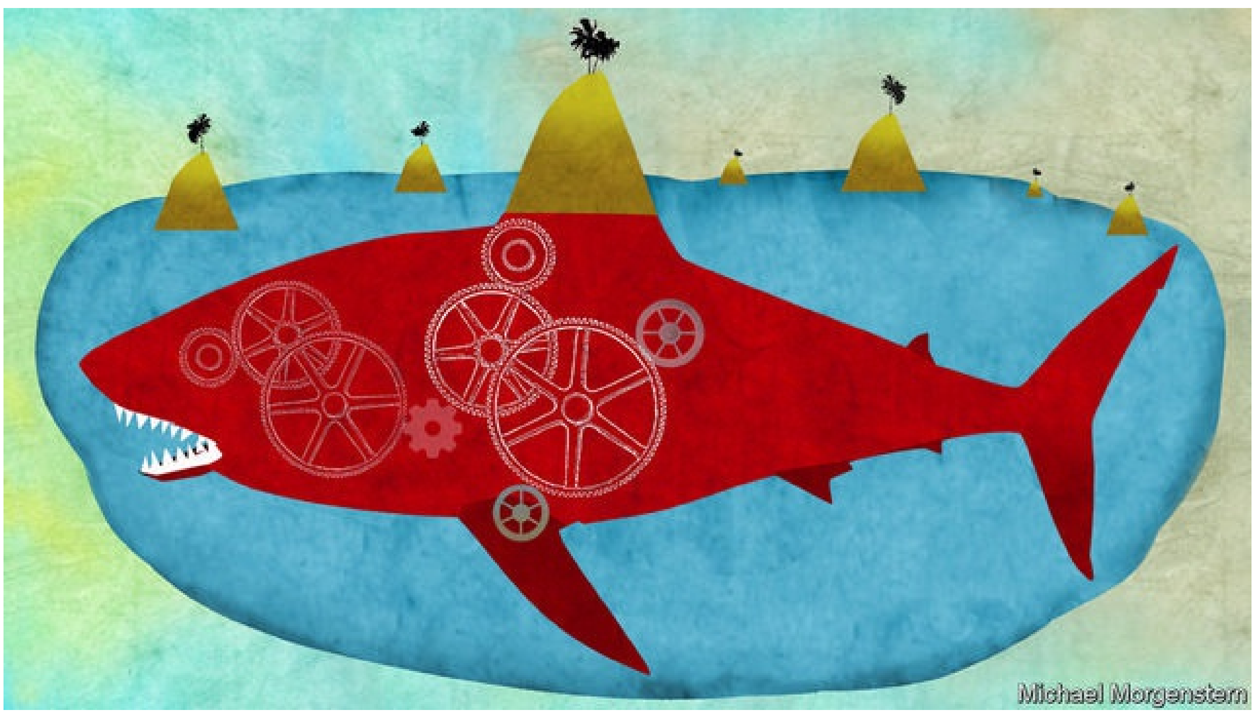
NAJMEDIN MESHKATI
Professor of engineering
University of Southern California
Los Angeles

Protective palisades

"In praise of gentrification" (June 23rd) demolished some of the negative urban myths about rich whites moving into minority neighbourhoods. However, even in areas where long-established residents are protected from displacement by rent controls, saving for retirement or education becomes more difficult when the $1-a-slice pizza shop transforms into a $9-kombucha bar. Those wanting to buy a home or whose apartments are not rent-controlled do even worse.

It is too easy to hate the hipsters; they are not to blame. Instead, those who push urban redevelopment away from their own rich neighbourhoods and into poorer ones should be held to account. Developers are increasingly barred from building in rich areas by regulations designed to “preserve” a neighbourhood’s character, forcing them to build in adjoining, poorer areas. If the benefits of urban change were that great, the well-off would not make such strenuous efforts to avoid it.

BERT MARTINEZ
Miami



The South China Sea

Banyan accused China of having “militarised” the South China Sea (June 23rd). The reality is that China is exercising its sovereign right under international law to build necessary civil and defence facilities on its own islands, which is consistent with the practice of all countries. These facilities, while safeguarding the sovereignty and security of China, also help ensure the openness and safety of shipping and flight routes throughout the region.

Some countries have been sending naval vessels and aircraft to the South China Sea and flexing their military muscle, even in the air space of, and territorial waters adjacent to, the Chinese islands. This is in total disregard of China's sovereignty and security or the peace of the region.

The South China Sea is calm and the region is in harmony, thanks to the efforts of all regional partners who have returned to the correct track of resolving disputes through negotiation. They have maintained close communications in order to manage their differences properly, enhance mutual trust and engage in maritime co-operation. Consultations on the South China Sea Code of Conduct are also progressing steadily.

ZENG RONG
Spokesperson of the Chinese embassy
London

Life finds a way

I was amused to see you use quotes from Dr Ian Malcolm, a character from "Jurassic Park" played by Jeff Goldblum, in your briefing on Donald Trump's foreign policy ("Present at the destruction", June 9th). "The pirates don't eat the tourists" and "They didn't stop to think if they should" were relevant to your analysis, but you missed the home run of "Boy, do I hate being right all the time".

ANTHONY CATTERSON
Harpenden, Hertfordshire

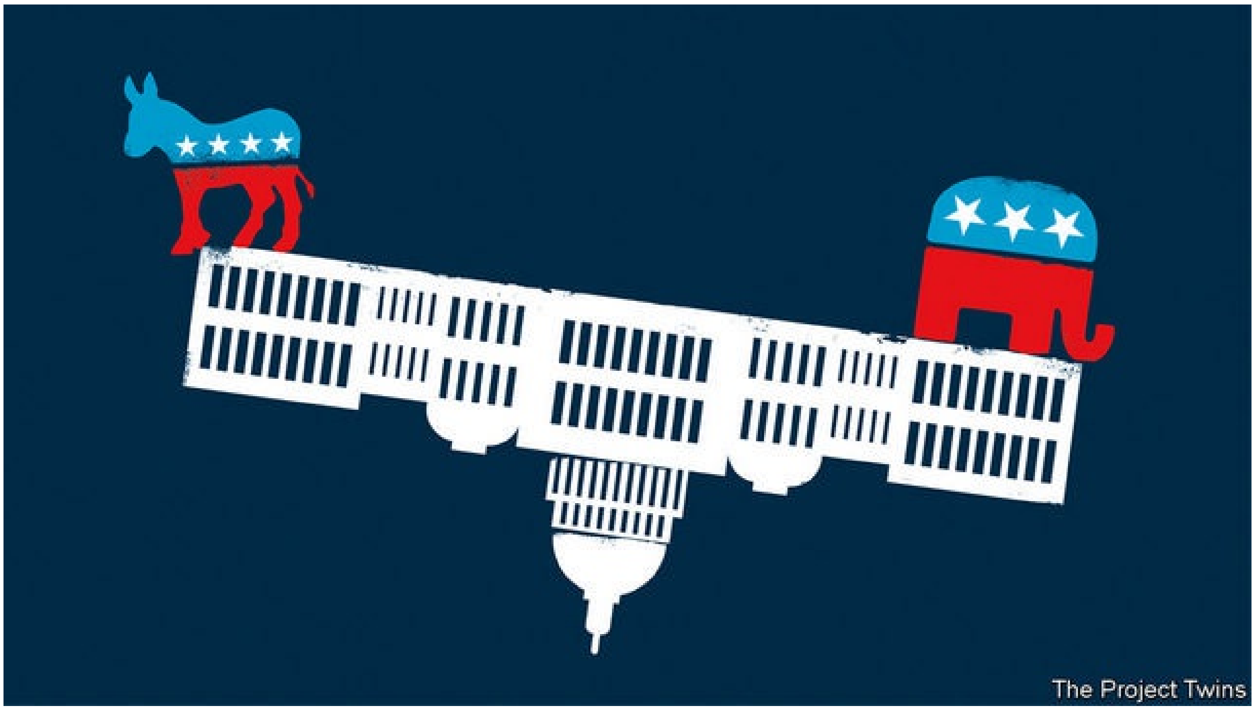
* Letters appear online only

Briefing

The minority majority

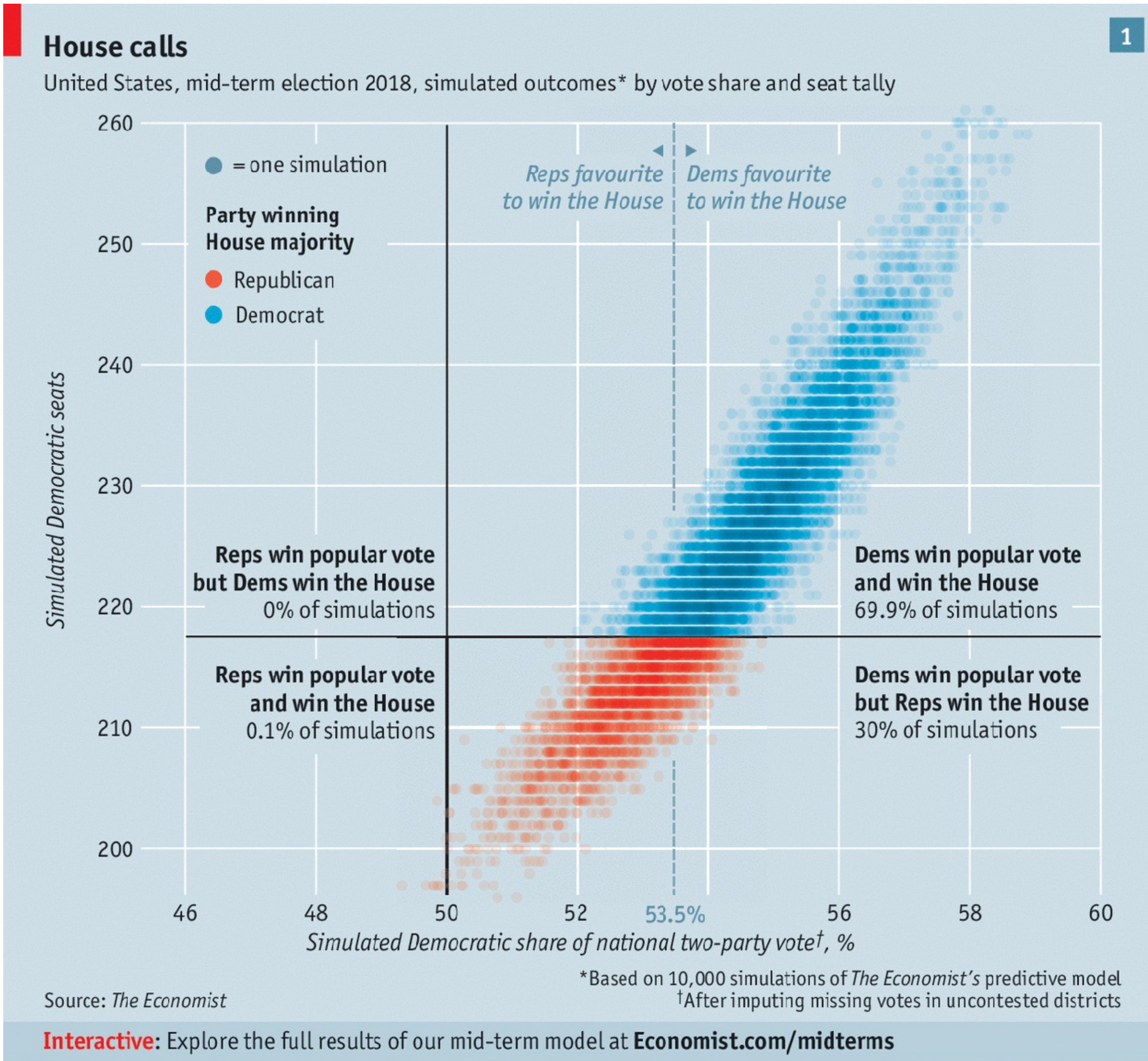
America’s electoral system gives the Republicans advantages over Democrats

The constitution was not designed for the two-party politics it unwittingly encouraged



Jul 12th 2018 | WASHINGTON, DC

WHEN pollsters ask Americans which party they plan to vote for in the elections for the House of Representatives this November, those preferring the Democrats lead those preferring the Republicans by around seven percentage points. But this does not mean the Democrats are a shoo-in to win the House. *The Economist*’s statistical model of the race for control of the House of Representatives—which uses this sort of “generic ballot” polling, along with other data—currently says that, although the likelihood of a Democratic majority in the popular vote is a remarkable 99.9%, the Republicans still have a 30% chance of holding on to the House (see chart 1).



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The source of this discrepancy is that Democrats will win their seats with big majorities in fewer districts, whereas Republicans will prevail by narrower margins in a larger number of districts. In 2016 Democrats who beat Republican opponents won an average of 67.4% of the two-party vote in their districts, whereas Republicans who defeated Democrats received an average of 63.8%. This imbalance is partly due to deliberate attempts to create districts that provide such results, and partly just down to the fact that Democrats tend to live more tightly bunched together in cities. Together, these two factors put up quite an obstacle. According to our model, the Democrats need to win 53.5% of all votes cast for the two major parties just to have a 50/50 chance of winning a majority in the House.

If this imbalance were limited to a single chamber of the legislature, or a single election cycle, the Democrats' frequent carping about a stacked electoral deck might sound like sour grapes. All electoral systems have their oddities. But changes in where Americans live and contradictions in their constitution—a document designed to work with many weak factions that has instead encouraged and entrenched an increasingly polarised two-party system—have opened gaps between what the voters choose and the representation they get in every arm of the federal government. In recent decades these disparities have consistently favoured the Republicans, and there is no reason to think that trend is going to change on its own.

In the past three House elections, Republicans' share of House seats has been 4-5 percentage points greater than their share of the two-party vote. In 2012 they won a comfortable 54% of the chamber despite receiving fewer votes than their Democratic opponents; in 2014 they converted a 51% two-party-vote share into 55% of the seats.

Such comparisons are harder for the Senate, where only a third of the 100 seats are contested in any election. But adding together all the votes from the most recent election of each senator, Republicans got only 46% of them, and they hold 51 of the seats. According to research by David Wasserman of the Cook Political Report, an electoral-analysis site, even if Democrats won the national vote by six percentage points over a six-year cycle, they would probably still be a minority in both houses.

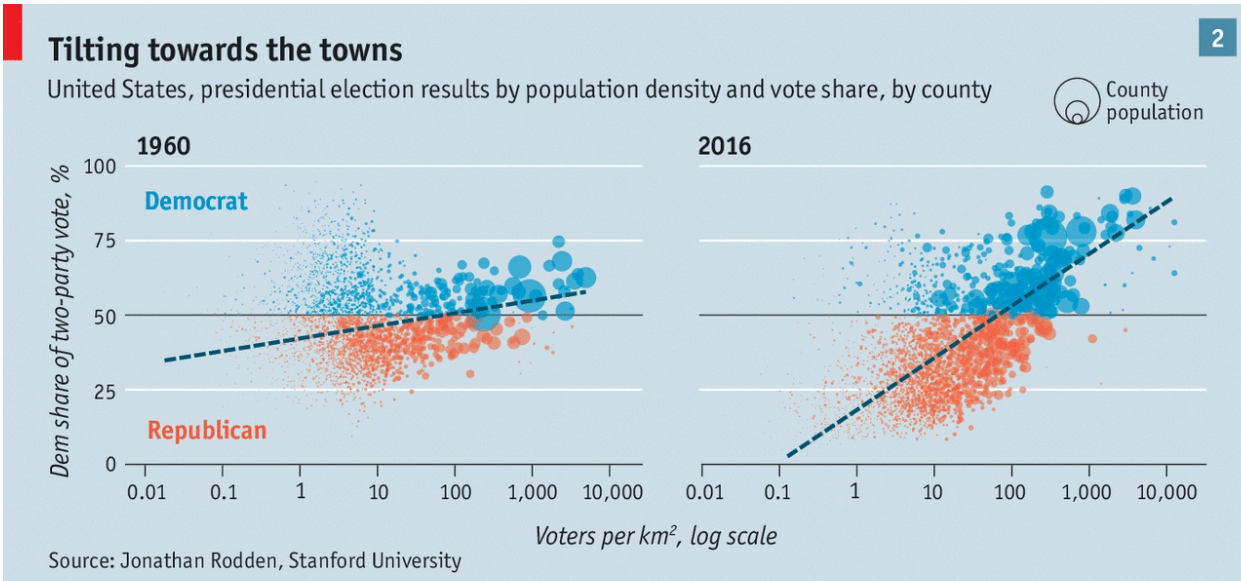
That the Senate should be disproportionate would not have disappointed the men who wrote America's constitution. They wanted it to represent places, not people, and there is a case for that; other constitutions, such as Germany's, look to ensure regional representation in their upper house. But when it comes to its presidency, America stands alone.

In all the world's other 58 fully presidential democracies—those in which the president is both head of state and head of government—the winning candidate gets the most votes in the final, or only, round of voting. But due to the "electoral college" system that America's founders jury-rigged in part to square the needs of democracy with the demography of slavery, this does not hold true for America. States vote in the college in proportion to their combined representation in both houses of Congress. This set-up means that a candidate who wins narrowly in many small and smallish states can beat one who gets more votes overall, but racks most of them up in big majorities in a few big states.

During almost all of the 20th century this did not matter much; the candidate who got the most votes won every election from 1896 to 1996. But both of the past two Republicans to win the presidency have received fewer votes when first elected than their Democratic opponents did. In the contest between Al Gore and George W. Bush in 2000, this margin was a modest 0.5 percentage points. In 2016, however, it was substantial: Hillary Clinton's lead of 2.1 percentage points was larger than those enjoyed by the victorious John F. Kennedy in 1960, Richard Nixon in 1968 and Jimmy Carter in 1976.

Is a dream a lie if it don't come true?

America's various disproportional representations are the result of winner-takes-all voting and a two-party system where party allegiance and geography have become surprisingly highly correlated. Places where people live close together vote Democratic, places where they live farther apart vote Republican (see chart 2). Under some electoral systems this would not matter very much. Under America's it has come to matter a lot, in part because of an anti-party constitution.



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America’s founders wanted power to be hard to concentrate, and for people who held some powers to be structurally at odds with those who held others. To this end they created a system in which distinct branches and levels of government provided checks and balances on each other. They hoped these arrangements would be sufficient to hobble any factions which sought to co-ordinate their actions across various levels and branches of government. The first two presidents, George Washington and John Adams, both warned that a two-party system, in particular, would be anathema to the model of government they were trying to build.

Aware that they could not solve the problem of parties altogether, the founders thought the constitution would at least ensure that they were reasonably numerous and ineffectual. But some of the features they built into it inadvertently encouraged politicians to concentrate themselves into just two blocs. And some of the mechanisms they put in place to guard against other concentrations of power went on to exacerbate the problems that such a two-party system can cause.

Take the Senate. To make sure the largest states do not dominate the rest, the constitution provides equal representation for all the states, large and small alike. This builds in an over-representation for people in small or sparsely populated places.

For most of the country's history, that bias had only a modest impact. The parties the founders feared competed strongly with each other in both urban and rural areas. Recently, however, population density has become a strong proxy for political preferences. Today the 13 most densely populated states have 121 Democratic House members and 73 Republican ones; the remainder have 163 Republicans and 72 Democrats. According to data compiled by Jonathan Rodden of Stanford, nearly half the variance in the county-level vote shares in the presidential election of 2016 could be explained solely by their number of voters per square kilometre. Now that the rural has a party, a constitution that favours the rural favours that party.

The constitution's tipping of the scales towards small states was not limited to those with small populations in absolute terms. It also applied to those with a small number of voters compared with the size of their population: that is, states in which much of the population was enslaved. These states argued that their slave populations should count towards their allocation of seats in the House and the weight given to their preferences when choosing a president; the other states resisted. A compromise was struck whereby, when it came to the assignment of political power, a slave counted for three-fifths of a free man or woman.

This odious arithmetic required the creation of an electoral college for the presidency, since it divorced the power of a state's votes from the number of people actually casting them. And the founders required an absolute majority in the college to elect a president—if no candidate received over 50% of electoral votes, the choice fell to the House. This created an incentive for the formation of nationwide parties whose candidates could win the necessary majority, thus encouraging the development of a two-party system.

The constitution does not specify how states must allocate their electors—conceivably, states could have split their votes according to the proportion of the vote cast in that state for each candidate. But in order to maximise their influence over the final result, all but two of the states wound up casting their electoral votes on a winner-takes-all basis. As a result smaller parties could not amass any electoral votes at all, which locked in the two-party model.

The hard edge that you’re settling for

After the civil war, population and voting were, in principle if not in Jim Crow practice, aligned. But the electoral college persisted, and with it a second formal bias towards low-population states, though not as marked as the one in the Senate. As of the census of 2010, the five most rural states wielded about 50% more electoral votes, and three times as many senators, per resident as the five most urban ones did.

True to the ideal that power should be dispersed, the constitution makes the drawing of districts for House elections a matter for the states. But once there were national parties that competed for state office, too, governors and state legislatures lost little time in drawing up districts specifically designed to improve their party’s chances on the national stage. This gerrymandering is not a new phenomenon; it got its name in 1812.

In the run-up to an election held in 1841, the Democrats running Alabama chose to use a voting system in which all five representatives would be elected statewide, ensuring an all-Democrat delegation. Fearful of similar setbacks elsewhere, the Whig majorities in both houses of Congress passed a law requiring all states to use winner-takes-all, single-member districts. In 1932 a Supreme Court ruling enabled states to reinstate statewide elections for House members, and many did. But in order to prevent southern states from denying representation to black voters Congress restored the single-member-district requirement in 1967.

As a party of the cities, today’s Democrats would find themselves at a disadvantage in any geographically based winner-takes-all electoral system in which receiving 99% of the vote is no better than getting 51%. But gerrymandering adds to the disadvantage. Republicans run more state governments than Democrats do, in part because in state legislatures, too, the Democrats concentrated in cities tend to win bigger majorities in fewer districts. That gives the Republicans more opportunities to game the system: in the 2012 redistricting cycle, the boundaries of 48% of House districts were drawn entirely by Republican officials, compared with just 10% by Democratic ones.

One response to all this is to say that the problem is the Democrats’ to solve.

They used to appeal outside the cities, towns and denser suburbs; if they were to do so again the constitutional bias towards less populated places would no longer trouble them. But although this may seem like sound politics, it is more to wish away, or paper over, the problem than to solve it. The distribution and make-up of America's population really has changed. More people live in cities than have ever done so before, and they want, and believe in, different things from those who don't. Adapting policies to appeal to an ever-shrinking share of the population—just 19% of Americans lived in rural areas in 2016, down from 25% in 1990 and 36% in 1950—against the wishes of the party's urban base cannot be a stable long-term strategy. Nor is it a recipe for a healthy democracy.

An alternative would be to try to make the system equitable given today's aligned ideological and geographical polarisation. This is not easy. Creating a directly elected presidency or restructuring representation in the Senate would require changing the constitution, and just now the idea of an amendment aimed at either of these goals receiving assent from two-thirds of both houses of Congress is implausible. That said, there is another mechanism for tabling an amendment: a constitutional convention called by two-thirds of the states. This route has never been used, but activists for a balanced-budget amendment have signed up 28 of the 34 states they need for such a convention. If it were ever to be held, other amendments might possibly be tabled there, too, including perhaps some that reform the voting system.

Absent that wild card, though, most efforts at reform are aimed below the constitutional threshold. On the electoral college, activists think they have found paths to abolition that not only fit within the constitution's constraints, but do not even require action by Congress.

One of these runs through the courts. A campaign led by Lawrence Lessig, a law professor at Harvard, and David Boies, an eminent trial lawyer, has filed suits in four states arguing that the winner-takes-all allocation of their electoral-college votes is unconstitutional. If all a state's electoral-college votes go to a candidate supported by just 51% of that state's voters, they argue, the other 49% have in effect been disenfranchised. How this argument fares has yet to be seen. But to achieve its goals it would need to be upheld by the Supreme Court. Invalidating the voting procedure used for most of American history by the vast majority of states would be a big step for the court—especially given its current conservative make-up.

A path that may prove easier makes use of state legislation. In 2007 Maryland passed the National Popular Vote Interstate Compact (NPVIC), a law that obliges the state's presidential electors to vote for the winner of the nationwide popular vote rather than the victor in their state—so long as states representing an overall majority of the electoral college have approved an identical bill. Eleven states have since followed Maryland's lead. The NPVIC now has 172 electoral votes committed, over halfway to the magic number of 270—a majority in the college.

Just cut it loose

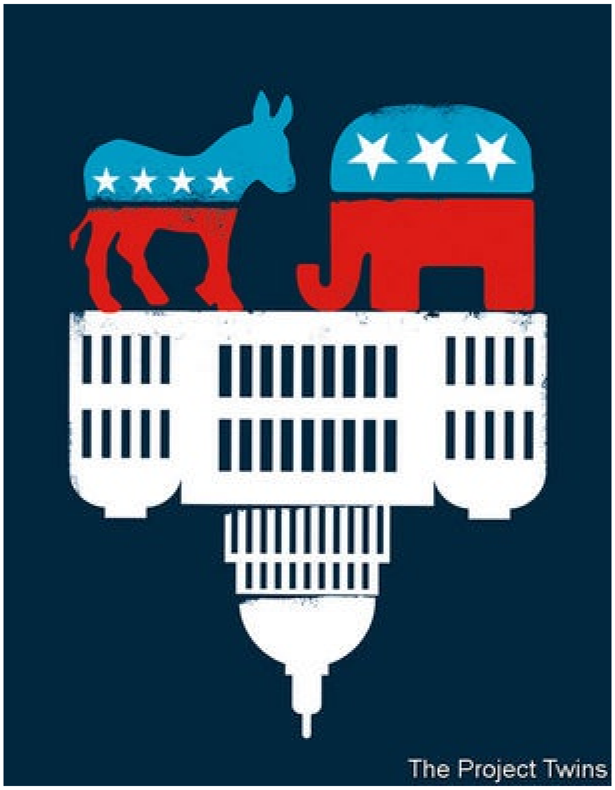
So far, the compact has become law only in states with Democratic legislatures. But some Republicans see its merit, too. In the presidential elections of 2004, 2008 and 2012, the disposition of states in play meant that the Democratic candidate would have won the electoral college had the national popular vote been tied, and a "blue wall" of northern and coastal states was said to give Democratic candidates an inbuilt advantage. The holes Donald Trump kicked in the rusty northern bit of that wall, and his coupling of an electoral-college win with a popular-vote defeat, has understandably dampened Republican enthusiasm. But John Koza, the leader of the NPVIC effort, says that as of last year 153 of the 156 Republican state legislators who sponsored NPVIC bills in 2016 are still on board. Last year Saul Anuzis and Michael Steele, the former chairmen of the Michigan and national Republican parties, wrote that the NPVIC was "an idea whose time has come".

The House, too, could be reformed without any constitutional amendment. Again, the legal route looks hard. The Supreme Court sent challenges to various forms of gerrymandering back down to the lower courts in its recent term, rather than issuing a firm ruling. Brett Kavanaugh, Mr Trump's recently announced nominee to the court, would probably, if confirmed, be less likely to restrict the practice than the departing Anthony Kennedy was.

But this has been a banner year for anti-gerrymandering ballot initiatives which bypass governors and legislatures and their party allegiances. In May, Ohio voters approved a measure making it harder for the state legislature to draw up partisan districts. In November voters in Colorado, Michigan, Missouri and Utah will be able to vote for reforms that either make redrawing districts a bipartisan business or outsource it to non-partisan commissions.

A more ambitious initiative, if one that is less likely to see short-term success, has been introduced in the House. Don Beyer, a Democratic congressman, has sponsored a bill mandating the nationwide adoption of multi-member districts and ranked-choice voting (RCV), a system used in Australia, Ireland and Sri Lanka. Under Mr Beyer's proposal, voters would not choose a single candidate, but rank the candidates standing by order of preference until reaching someone whom they did not want to support under any circumstances. When the ballots were counted, the contender with the fewest first-choice votes would be eliminated, and his or her support reallocated to those voters' second choices. This would then be repeated until the field was reduced to the required size—between three and five representatives, depending on the seat. The system is broadly, though not entirely, proportional. It also tends to ensure that candidates acceptable to a broad swathe of voters are rewarded for that breadth.

Mr Beyer says he knows his bill will not pass in today's Congress. But in June Maine became the first state to use RCV for primaries for Congress and the governor's race. Various cities—including, recently, San Francisco—have started to use it. In Utah, one of the most Republican states in the country, the lower chamber has passed a bill mandating RCV in elections, though it failed to get out of committee in the state senate. It is hardly a groundswell of support—but it is more than there was.

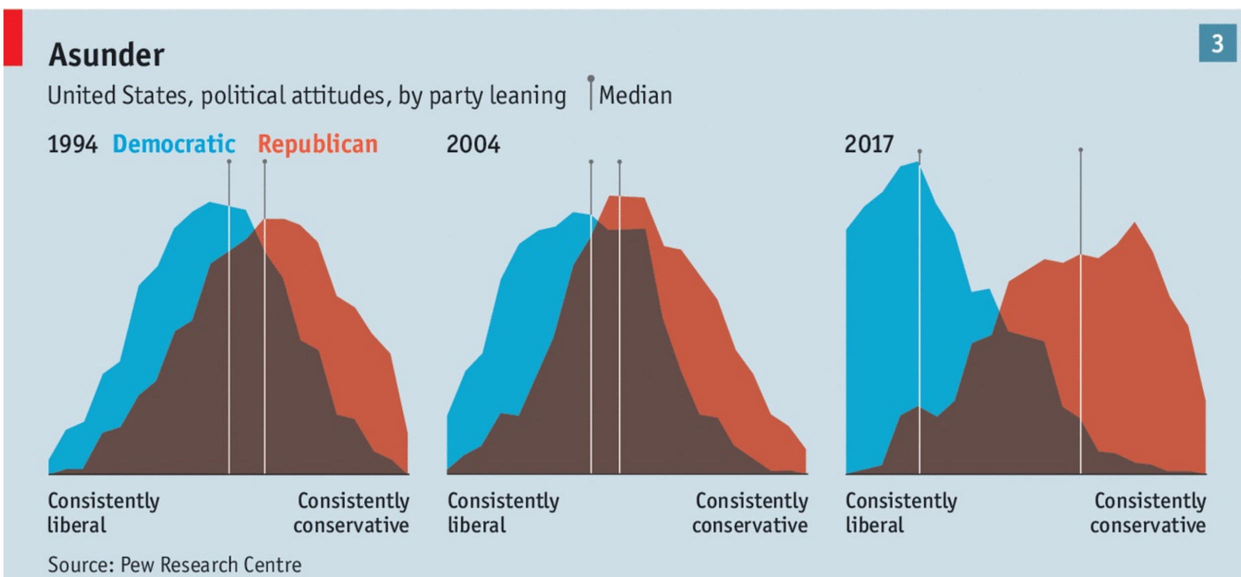


And unlike other proposals for making voting more representational, RCV might go some way to dampening down the dynamics that have made American politics so partisan. The way in which the voting system fails in a country where party and geography align is, after all, just one part of a bigger problem: a constitution that was set up to work with something other than the two-national-party system that the founders wanted to avoid but which, due in part to the voting rules they imposed, captured their country.

The founders wanted to ensure that laws would command broad consensual approval: two powerful houses of Congress and the president had to agree on them, the Supreme Court had to underwrite their constitutionality. In a two-party system consensus is not highly valued, and ways of thwarting it are easily found. If government is divided between the two parties, they can use the checks and balances the founders provided to veto each other's proposals, preventing policies from being enacted even if they might, on their merits, draw consensual support. If one party secures unified control, it can ignore the checks and balances and impose its will on the temporarily powerless opposition, consensus be damned.

When parties are broad churches, and when there are causes that, for at least some of their members, matter more than party unity, these problems are minimised. And that is how it was for much of American history. In the early 19th century both Democrats and Whigs were divided into pro-and anti-abolition factions, which made bipartisan alliance easier. After the civil war white Southerners blamed Abraham Lincoln's Republicans for laying waste to their homeland, refusing to vote for them over the subsequent century. That filled the Democratic Congressional delegation with segregationist and conservative Southerners, producing two parties with considerable ideological overlap. According to Sarah Binder of George Washington University, in the mid-20th century the voting records of over 30% of federal legislators were closer to the overall centre than they were to the midpoints of those representatives' political parties.

But in the 1960s the Democratic Party embraced racial equality. Over the generation which followed, the Republicans were able to take the South from it. By 2010 congressional delegations from white districts in the South were uniformly Republican. The realigned parties became much more ideologically distinct (see chart 3). The voting record of the most liberal Republican is now far to the right of that of the most conservative Democrat. Ms Binder's numbers show that the "moderates" in Congress can now be counted on one hand.



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The result has been a great deal of gridlock—aided, in the Senate, by filibusters that used to be rare and are now the norm. Congress has approved around 40% fewer laws per session since 1994 than it did from 1975-94. The baleful equilibrium is punctuated, when control of the various branches aligns, by spurts of partisan lawmaking. At present, the main check on the Republican use of that dominance is their internal division. Since 2010, majority-party leaders have generally refused to bring legislation to the floor that does not command a majority of their own party. As William Connelly of Washington & Lee University writes, "intra-party factionalism curbs the excesses of inter-party factionalism"—but it exacts a cost in stasis.

Poking that dog with a stick

This is not a situation open to easy reform; nor would all want to reform it. Parties try to become strong, and remain strong, for perfectly understandable political reasons. Strong parties can be a boon, though the balance of benefit to risk is better in a system designed with them in mind. And American society is divided in ways it was not before; its partisan politics are in part a cause of that—but in part, too, a consequence of it.

An electoral system that has its thumb on the scales, though, is harder to defend. And measures to redress that electoral bias through greater proportionality in the voting system might also help with the broader issues of political division. Systems with elements of proportional representation, such as that sought by reformers of the electoral college or House districts, not only provide bulwarks against charges of illegitimacy. They also have a tendency towards consensus of the sort the founders wanted. There is a reason why, when choosing their own constitutions, no other country has for long survived with a replica of the American model—and why when guiding the design of constitutions for others, as they did in post-war Germany and Japan, Americans have always suggested solutions quite unlike the one under which they live.

United States

Labour party

Worker shortages could heal America's economy

Why a scarcity of labour is probably something to celebrate

Jul 12th 2018 | WASHINGTON, DC

SINCE 2015 many hawks have continually suggested that the American economy is at or close to maximum sustainable employment. They have some explaining to do. Fully 5.8m more Americans are in work than in December of that year, when the Federal Reserve began raising interest rates. That is two-thirds as many as lost their jobs during the Great Recession. In May the unemployment rate fell to 3.8%, its lowest for 18 years (it has since risen back to 4%). Yet the economy has not yet overheated. Only recently has inflation hit or exceeded 2%, the Fed's target, for three straight months—and that is partly because of a worldwide recovery in oil prices.

Nevertheless, the hand-wringing has continued. The latest supposed problem is a labour shortage. For the first time since data began to be collected in 2000, there are more job openings than there are unemployed workers (see chart). Nearly 90% of small businesses who are hiring or trying to hire workers report that there are few or no qualified applicants, according to the National Federation of Independent Business. The shortage is reaching a "critical point", read one recent CNBC headline. A lack of applicants for blue-collar jobs such as trucking and construction has received particular scrutiny, as have states like Iowa where the unemployment rate is especially low (it is just 2.7% in the Hawkeye state).

But portraying widespread labour shortages as an economic problem is misguided. While they may be bad for firms, they are a boon for society—so long as inflation remains contained. In fact, a labour market in which firms must compete for workers, rather than workers competing for jobs, should help resolve three of America's biggest economic problems.

The first is inadequate wage growth. From mid-2009 to the end of 2017, wages and salaries grew by only 2% a year on average. That outpaced inflation, but mainly because petrol prices slumped in 2014. Today, however, paycheques are fattening faster. In the year to the first quarter of 2018, wages and salaries grew by 2.9%—equal to the average growth, though hardly the quickest, seen during the 2000s.

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Plenty of outside opportunities give workers negotiating power even without labour unions, which have been in near-terminal decline. In May 2.4% of workers quit their jobs, the highest figure since 2001—good news in an economy that has been plagued by falling dynamism. Job-switchers are banking median pay rises of nearly 4%, according to the Atlanta Fed. In the jobs boom of the late-1990s, overall wage and salary growth reached 4.3%.

At that time, fast productivity growth enabled wages to boom without provoking inflation. Yet the second benefit of economy-wide labour shortages is that they may precipitate faster productivity growth, which has been disappointing in America—and in other rich countries—since the financial crisis. If less profitable firms have to fold because they cannot pay enough to attract workers, their labour and capital can be put to better use. A similar process can take place within firms. Plagued by resignations, Dunkin' Donuts, a purveyor of starch, sugar and caffeine, recently asked its ex-employees which tasks they disliked most, and then automated the dullest, such as writing labels and checking the quality of coffee grounds. Less prosaically, worker shortages might encourage firms to adopt path-breaking technologies such as artificial intelligence.

A labour shortage is also likely to reduce inequality. As wages stagnated, corporate profits—and stockmarkets—touched record highs. That has contributed to a feeling that the economy has tilted towards capital and away from labour. From 2000 to 2014 labour's share of national income fell from just over 57% to below 54%. If rising wages reduce profits, labour's share could yet rebound. Moreover, the biggest wage gains in a tight labour market tend to accrue to the poorest workers. Full-time employees at the 10th percentile of the income distribution are earning almost 4% more than a year ago.

Firms are also reaching into untapped pools of labour. For years policy wonks have worried about rising disability rolls. Today nearly 10% of disabled workers who were outside the labour force a year ago are employed, a figure that has been steadily rising. There have been scattered reports of firms hiring more ex-convicts. Even a 30-year-old jobless man who recently gained notoriety after his parents went to court to evict him was offered work by a pizza chain as a publicity stunt.

Some labour shortages are worth worrying about even while inflation is contained: those caused by restrictions on labour supply. Such barriers to entry are usually found at the top of the labour market rather than at the bottom. For example, extensive licensing requirements have shielded many higher-earning occupations from competition from immigrants. Foreign-born workers fill nearly two in five jobs in farming, fishing, forestry, building, groundkeeping and maintenance, but make up only 7% of lawyers and paralegals and 15% of skilled health-care workers. Burdensome rules needlessly require the involvement of American-trained professionals in simple processes. As a result, their jobs are unduly lucrative. Health care and law account for around one-quarter of the top 1% of earners.

Whereas labour shortages spurred by a hot economy—while it lasts—may increase equality and boost productivity, restrictions on the supply of professionals act as a permanent regressive tax. To find a labour shortage worth worrying about, look in the hospital, not on the building site.

Strange love

What Donald Trump and Vladimir Putin ought to talk about in Helsinki

As arms-control treaties expire, both America and Russia want to build more low-yield nuclear weapons

Jul 12th 2018

FECKLESS freeloaders they may be, but none of America's NATO partners has displayed graphics of missiles raining down on Florida, or designed a torpedo which could cover the west coast in radioactive sludge, rendering it uninhabitable. Vladimir Putin's Russia has done both. To judge by Russia's rhetoric and declared intentions, and by the increasing role of nuclear weapons in both countries' strategic calculations, the meeting between Mr Putin and President Donald Trump in Helsinki comes at a fateful time, though there is little evidence that such thoughts are uppermost in Mr Trump's mind. He likes strongmen, thinks America and Russia should do business and does not care for Ukraine. He has already shaken hands with Kim Jong Un, so why not Mr Putin? However, there is a lot that America and Russia ought to be talking about.

For people who still believe in negotiated disarmament, the summit is a last chance. Kingston Reif of the Arms Control Association, a think-tank, says the Helsinki meeting is a “unique opportunity to reduce the risk from nuclear weapons, probably the best opportunity in the president’s current term.”

In particular, Mr Trump and Mr Putin need to consider whether to extend New START, a treaty that sets limits on the number of strategic warheads that each country may deploy, and provides for regular inspections. The accord, which came into full effect only a few months ago, will expire in three years unless the two presidents exercise their right to extend it until 2026. Letting the treaty lapse would send an ominous signal, because every other part of the bilateral arms-control regime left over from the cold war is either dead or crumbling. Nor can the extension prudently be left to the last moment. The expiry date of February 5th 2021 will come just days after the start of the next presidential term.

There are plenty of other things that two presidents should be talking about. One is nuclear doctrine, an area where each country sees the other as growing more gung-ho. Another, closely related question is the appetite of both countries for more and better “low yield” nuclear warheads which might be used in situations short of Armageddon.

The Pentagon seems to have succeeded in its effort to persuade Congress to fund the development of a low-yield warhead for submarines. This required intensive lobbying by James Mattis, the defence secretary, who has been much more open than Mr Trump in identifying the threat from a resurgent Russia.

Mr Mattis has argued that, judging both by its declared philosophy and its growing arsenal, Russia could in certain situations resort to “battlefield” nuclear weapons in the belief that America would not want to respond to the use of a low-yield nuclear weapon by annihilating Moscow. It follows that America needs to be able to match Russia at every level of escalation.

This thinking has been contested by an impressively broad array of sceptics, ranging from Jerry Brown, the governor of California, to Bill Perry, a former defence secretary, and Richard Lugar, a retired Republican senator. In a joint letter on May 23rd, they said America had plenty of low-yield weapons at its disposal, and that adding more could mean “starting down this slippery slope to nuclear war”. The signatories note that America is already committed to a “modernisation” of its nuclear arsenal that could cost $1.7trn over 30 years.

What this argument reflects, in part, is one of the brainteasers of nuclear theology. Hawks say that, in order to have a deterrent effect, a bomb must be plausibly usable. Doves worry that a “usable” weapon might actually be used.

To the assertion that America has an ample supply of battlefield nukes, Mr Mattis counters that one of the main low-yield options now available (an air-dropped bomb known as the B61) could be foiled by Russian air defences. NATO’s doomsday plans call for squeamish European allies, such as Germany, to help drop those bombs. That could be another reason for the Trump administration to wonder about the credibility of such a deterrent.

The Finnish line

Boosting the low-yield arsenal is one of the cheaper and simpler of the practical steps laid out in America’s Nuclear Posture Review, published in February. Much more ambitious is the proposal to build a nuclear-tipped, sea-launched cruise missile. But the review states that this might not be necessary if Russian behaviour were to change. If, for example, Russia conforms to its arms-control obligations, cuts its stock of battlefield nuclear weapons and “corrects its other destabilising behaviours”, then America “may reconsider” its plans.

That carefully constructed bargaining position ought to give Mr Trump and Mr Putin something to talk about. Of the two leaders, it is Mr Putin who has shown the most public enthusiasm for developing new kinds of deadly weapon, almost regardless of what America does. But neither country has infinite resources to spend on instruments on annihilation.

That currently mooted figure of $1.7trn for nuclear “modernisation” over the next three decades reflects a costing of the Obama administration’s plans, plus an estimate for inflation. It assumes that New START, or some future equivalent, will remain in place. If that treaty dies, and the way is open for an uncontrolled race to build weapons of every description, the budgetary consequences would be terrifying, though not quite as terrifying as the consequences for humanity.

The arc of justice

Brett Kavanaugh could shape the law for the next 40 years

Donald Trump's second Supreme Court nominee is sceptical about abortion rights and will rein in regulatory agencies

Jul 12th 2018

BRETT KAVANAUGH, President Donald Trump's second nomination to the Supreme Court in as many years, enjoys coaching girls' basketball and feeding the homeless. He has twin degrees from Yale. He clerked for three judges, including Anthony Kennedy, the man he will probably replace. Since 2006 he has been a judge on the second-most powerful tribunal in America, the Court of Appeals for the District of Columbia Circuit. Mr Kavanaugh is highly qualified, an unremarkable choice for a Republican president. Jeb Bush or Marco Rubio might have picked him.

Yet Mr Kavanaugh is also a political animal. He worked for Kenneth Starr, the independent counsel charged with investigating Bill Clinton's liaison with Monica Lewinsky and the suicide of Vince Foster, a friend and colleague of the Clintons. Mr Starr's report, partly written by Mr Kavanaugh, set out the case for impeachment. Mr Kavanaugh then worked in George W. Bush's White House. Mr Bush rewarded this service by nominating Mr Kavanaugh to the DC circuit (his confirmation was delayed for years because Senate Democrats considered him to too partisan a choice). Mr Kavanaugh has insisted that judges must always put party politics aside. His installation on the Supreme Court will test whether that is really possible.

He has been vetted and vaunted by the Federalist Society, the conservative legal organisation that has cultivated talent since early in the Reagan administration, identifying candidates in law school and preparing them to enter the nation's courts and stem the liberal tide. The nearly 300 opinions Mr Kavanaugh wrote as an appellate judge contain few surprises. Since the DC circuit court hears mainly regulatory and separation-of-powers cases that tend not to make front-page headlines, he has taken only occasional and often oblique positions on divisive political questions.

In a case that touches on one of the biggest questions likely to come before the court, over the legal status of abortion, Mr Kavanaugh's opinion included a telling line. *Garza v Hargan* concerned a 17-year-old girl who was pregnant when she arrived illegally in America in September 2017 and then sought an abortion. The DC circuit court sided with the girl, provoking a dissent from Mr Kavanaugh.

The decision to allow the girl to have the abortion was "based on a constitutional principle as novel as it is wrong", he wrote. His colleagues had wrongly invented "a new right for unlawful immigrant minors in US government detention to obtain immediate abortion on demand". The scare-phrase ("abortion on demand") and redundant adjective ("immediate") contained a message. By arguing that it is no "undue burden" to require a girl who is 16 weeks pregnant to wait another fortnight for an abortion, Mr Kavanaugh also signalled that he had interpreted *Planned Parenthood v Casey*, a case from 1992, as permitting the kind of onerous regulations used to shut down abortion clinics.

In his dozen years as an appellate judge, Mr Kavanaugh has shown a willingness to curtail federal agencies. His has been a consistent vote to rein in the authority of the Environmental Protection Agency (EPA), for example. In 2012, he wrote that the EPA had exceeded its charge in policing greenhouse gases under the Clean Air Act. Two years later he said the agency had erred in failing to consider costs when regulating power plants. In 2016, Mr Kavanaugh wrote that because the Consumer Financial Protection Bureau—established by Congress in 2011 in the wake of the financial crisis—had a director who could not be fired without cause, it unconstitutionally interfered with the president's power. Independent agencies, he wrote, exert "massive power" in the "absence of presidential supervision" and thus "pose a significant threat to individual liberty".

Mr Kavanaugh's views on the structure of government and the powers of presidents may have led Mr Trump to give the late addition to his shortlist a closer look. With Robert Mueller's special-counsel investigation into ties between the Trump campaign and Russia inching towards a conclusion, the Supreme Court could be called upon to resolve several critical questions in the coming months.

After playing an integral role in several investigations of Bill Clinton, Mr Kavanaugh had a change of heart. An article published in the *Georgetown Law Journal* in 1998 had him wondering "whether the constitution allows indictment of a sitting president". That question is "debatable", he wrote. Eleven years later, he asked Congress to consider "exempting a president—while in office—from criminal prosecution and investigation, including from questioning by criminal prosecutors or defence counsel". But if Mr Trump is hoping Mr Kavanaugh will serve as an insurance policy against Mr Mueller, he should think again. Congress has not acted on Mr Kavanaugh's suggestions, and nowhere has the nominee indicated that courts could step in to save presidents from indictment.

If Democrats are to have a hope of defeating the Kavanaugh nomination, they will have to achieve unanimity in their Senate caucus (no easy feat, with a few Democrats facing tough re-election battles) and persuade Republican senators Susan Collins of Maine or Lisa Murkowski of Alaska to defect. The chances that either Ms Collins or Ms Murkowski will vote against Mr Kavanaugh seem remote. Both supported Neil Gorsuch, the president's first nominee. Neither opposed Mr Kavanaugh when he was up for his appellate judgeship in 2006. He is 53, meaning that once confirmed in the autumn he could sit on the court for the next 40 years.

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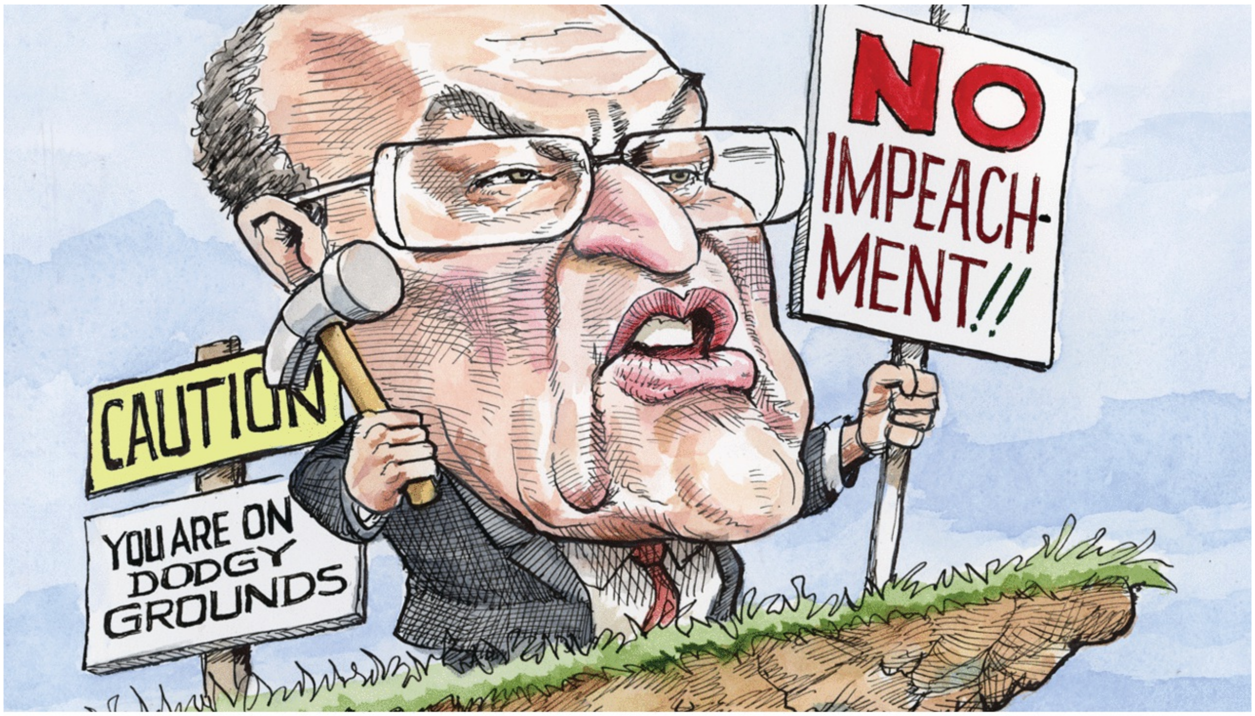
Lexington

The case against impeachment

There are good reasons not to impeach Donald Trump. Alan Dershowitz peddles a bad one



Economist.com

Jul 14th 2018

ALAN DERSHOWITZ has had a pair of alternative covers mocked up for his new book, “The Case Against Impeaching Trump”. On one, which the celebrity legal scholar means to brandish as proof that his pre-emptive defence of President Donald Trump is apolitical, the word “Trump” has been replaced with “Clinton”. A lifelong Democrat who voted for Hillary Clinton in 2016, the 79-year-old Harvard man says he is “still devastated” that she lost the election and would be making the same constitutionally grounded argument on her behalf had she won. The other option is a humorous acknowledgment that not many in Mr Dershowitz’s thinning crowd of liberal friends and admirers are likely to be impressed by that. To encourage at least furtive reading of his book, the second mock-cover is a plain brown paper wrapper, “like they used to use to cover pornography”.

No one need feel sorry for him. Mr Dershowitz, once a brilliant scholar and defender of celebrity clients, including Claus von Bülow and O.J. Simpson, has long been better known for his provocative turns on cable news shows. The fact that he has lately emerged as Mr Trump's most dogged volunteer legal defender —even though Mr Dershowitz says he disagrees with all the Republican's policies except his recognition of Jerusalem as Israel's capital —adds to the whiff of opportunism that surrounds him. Nor do his tales of the retribution he has suffered in defending the president's civil liberties wring the heart. "I never thought I would see McCarthyism come to Martha's Vineyard," he lamented, citing the reduced number of invitations he has received at his holiday home. Even so, Mr Dershowitz is an intellectual heavyweight, a beguiling maverick, and his effort to immunise Mr Trump against demands for his impeachment is illuminating.

The noisy impeachment talk, pro and anti, mainly reflects Mr Trump's legal worries. The president is, among other things, being sued for allegedly profiting from his office and investigated for allegedly obstructing justice. Robert Mueller, who is leading the obstruction probe, is not known to have pinned anything on him. Yet there is a sober argument that Mr Trump's melding of business and politics could already fulfil the criteria for impeachment of "high crimes and misdemeanours". And with the Democrats gunning to retake the House of Representatives in November, both parties have weaponised the issue. Some Democratic candidates are running on a pledge to impeach Mr Trump. Republicans, in a bid to rally their more dispirited voters, are exaggerating the extent to which this is Democratic policy.

It is also notable, as a mark of a deeper malaise, that both parties are practised at this. Though impeachment proceedings are rare—Andrew Johnson and Bill Clinton are the only presidents to have endured one—threatening impeachment has become as commonplace in America's hyper-polarised system as brawling in the Taiwanese parliament. In another recent book two other Harvard legal scholars, Laurence Tribe and Joshua Matz, note that every president since 1992 has been threatened with impeachment. They and other experts on the subject respond by urging caution. Impeachment is a blunt political tool, liable to inflame underlying disagreements. Democracy provides less traumatic political means of excising a cancer, including elections. Mr Dershowitz takes a different tack. He argues that impeaching Mr Trump would be wrong constitutionally, not politically. Yet the unintended lesson of his book is that Mr Tribe et al are spot-on.

That starts with the dubiousness of Mr Dershowitz's argument, which rest on two points. First, that evidence of a serious crime is required to justify impeachment. This would leave Congress powerless to punish many egregious executive abuses—including all the current allegations against Mr Trump. Colluding with Russia, which Mr Trump is rumoured to have done during his election campaign, would, according to Mr Dershowitz, be merely a "political sin", hence unimpeachable.

It is an interesting theory, but academic. That is because enforcing such a narrow definition of impeachment would rest on Mr Dershowitz's second claim—that impeachment proceedings may be subject to judicial review. In fact, the Supreme Court has signalled its unwillingness to interfere in impeachment proceedings. Mr Dershowitz says that could change, for example if a president refused to leave office after being found guilty by the Senate. But there is no reason to think the court would seek to adjudicate in such a crisis by reaching for Mr Dershowitz's stringent constitutional interpretation.

In another way, however, his argument could turn out to be far from academic. It is the sort of superficially coherent, yet flawed defence of Mr Trump that Republican congressmen would mobilise almost whatever he were impeached for (so long as their voters still loved him). And if respected pundits such as Mr Dershowitz would echo their line on Fox News, as of course some would, so much the better. The conservative media have become much more adept at sheltering their audience from reality over the past two decades. This is another reason why impeaching Mr Trump might be even more divisive than the impeachment of Mr Clinton was.

Appetite for Dershtruction

What is Mr Dershowitz about? His contrarian nature seems an insufficient explanation for the support he is giving Mr Trump. It is too consistent. He has previously offered similarly controversial, Trump-friendly interpretations of obstruction laws, presidential-pardon powers and the legal basis of the

Mueller investigation. It is a curious pattern. But now he has outdone himself. He has not, as he claims, provided a constitutionally rigorous understanding of impeachment to stand against the prevailing political one. He may instead have furnished Mr Trump's supporters with the political excuse for defying the constitution on impeachment that they may one day require.

The Americas

- **Digital media: Yes to a free online press** [Thu, 12 Jul 20:59]
- **Inflation in Venezuela: You look a million bolívares** [Thu, 12 Jul 20:59]
- **Bello: A second Venezuela?** [Thu, 12 Jul 20:59]

A freer press online

Latin America’s new media are growing up

As feisty news startups mature, the established media they set out to challenge are becoming more like them

Jul 14th 2018 | BUENOS AIRES AND SÃO PAULO

DURING Nicaragua’s current unrest, the president, Daniel Ortega, tried a tactic that had worked before. In León, a stronghold of government support, thugs loyal to his Sandinista regime tried to put university students onto buses heading for Managua, the capital, to use them to help suppress protests there. The students refused. They had seen videos of police beating demonstrators and wanted no part of it. Their resistance, reported on independent news websites, inspired more protests.

After Mr Ortega was elected in 2006 he sold half of the state broadcasting channels, put his children in charge of the other half and let his wife (who is also his vice-president) drone on for 20 minutes a day on national television. But a proliferation of social-media pages are covering the protests, while more established outlets, like 100% Noticias, a TV news channel, have stopped censoring themselves. “People are no longer interested in news provided by the regime,” says Carlos Fernando Chamorro, the owner of *Confidencial*, an independent newspaper.

In many Latin American countries the traditional media have done a reasonable job of holding governments to account. Newspapers in Brazil, Argentina, Peru and Guatemala have probed corruption and helped to bring down presidents or ministers. In Colombia *Semana*, a news magazine, has a long tradition of denouncing abuses by the security forces. Many newspaper and radio journalists, especially in far-flung provinces, have been murdered because of their work, often by drug-traffickers or other local potentates.

But Latin American media markets tend to be small and dominated by tycoons with other businesses, who prize cosy relationships with governments. They are being shaken up by digital media. Without the need to buy or rent printing presses, digital publishers can start with “sweat equity alone”, says Janine Warner of SembraMedia, an NGO that helps Latin American journalists become entrepreneurs. Its directory lists more than 770 sites in 19 countries that “serve the public interest” and do not rely on a single corporation or party for revenue.

In dictatorships they are the only independent media voices. Venezuela’s *Efecto Cocuyo* (Firefly Effect) reports facts that the regime tries to hide, including murder counts and the black-market exchange rate (see article). In Cuba startups like *El Estornudo* (the Sneeze) and *Periodismo de Barrio* (Neighbourhood News), though cautious about challenging the legitimacy of the regime, are reporting critically about the state of the country.

In freer places, upstarts are challenging oligopoly as much as officialdom. According to a report by UNESCO, in most of Latin America one firm controls around half the market in each category of media. In Chile two newspaper companies, El Mercurio and Copesa, have more than 90% of readers. In Colombia three conglomerates have almost 60% of the print, radio and internet audience. In Mexico the government of Enrique Peña Nieto, whose term ends in December, has kept newspapers and television stations quiet by buying lots of advertising. Concentration and bias provoke mistrust. Just a quarter of Latin Americans think that the media are independent of powerful interests, according to polls by Latinobarómetro.

The new breed of journalists has produced some impressive scoops. Reporters at *Aristegui Noticias*, a website, uncovered some of the biggest scandals of Mr Peña's government, including the purchase of a mansion by his wife with help from a government contractor. In April 2015 the site reported that federal police had killed 16 civilians earlier that year in Apatzingán, a city in central Mexico. *El Universal*, a big newspaper, had reportedly declined to publish the story.

Chequeado, Latin America's first fact-checking site, embarrasses both the left and the right. It has reported that the election campaign of Mauricio Macri, now Argentina's centre-right president, got contributions from firms that had won government contracts in Buenos Aires while he was mayor. It has also revealed that construction firms at the centre of Brazil's *Lava Jato* corruption investigation had won at least $9.6bn worth of overvalued contracts in Argentina during the earlier left-wing governments of Cristina Fernández de Kirchner and her husband, Néstor Kirchner. In 2015 Chequeado was the first media outlet in Latin America to fact-check a presidential-election debate while it was happening. "Our goal is to raise the cost of a lie," says its founder, Laura Zommer.

In Brazil most of the revelations from *Lava Jato* have been given to mainstream newspapers by prosecutors. New media focus on neglected subjects. *Jota* dissects the judiciary; *Nexo* specialises in explanatory journalism with lots of graphics and timelines. *Agência Pública*, which concentrates on human rights, has revealed abuse of young black men in favelas by police and a secret deal between the government and mining companies to hold down compensation to the families of 17 people who died after a dam collapsed in 2015.

The upstarts are bringing about change. When *Animal Político*, a website, accused the former governor of Veracruz of diverting millions of dollars to phantom companies, he fled from Mexico. After a six-month manhunt across at least three continents, he was captured in Guatemala and faces trial. The digital publications also had a hand in a big reform in Argentina. It was largely thanks to their efforts that a bill to decriminalise abortion was passed last month by the lower house.

Scoops have brought accolades, including a share in a Pulitzer prize for

Aristegui Noticias and Colombia's *Connectas* for their role in reporting on the Panama papers, which revealed tax evasion by powerful people across the globe. They have also brought reprisals. Of the 14 journalists murdered in Mexico last year, almost all worked for independent outlets. Nearly half of 100 publishers surveyed by SembraMedia said members of their staff had suffered threats or blackmail, and more than half had lost advertising.

More dash than cash

The upstarts are financially vulnerable, however. Just over a quarter of the sites surveyed by SembraMedia had revenues of more than $100,000 in 2016 and half lost money. Idealistic about journalism, many websites ignore the bottom line. Few of them track how many readers they have or collect demographic information that would help them get advertising.

The most successful try to reconcile their idealism with the need to pay the bills. Some supplement revenue from advertising with other income, such as grants. Chequeado, which has more than tripled its budget since 2013 to $770,000, is choosy about advertisers but takes money from foreign NGOs and governments. *La Silla Vacía*, Colombia's third-most-influential news source, according to a recent survey, receives 57% of its revenue from grants and 28% from advertising and sponsorships. The rest comes from crowd-funding and a platform on which academics can publish scholarly papers. Journalists at *El Faro* in El Salvador, which was founded 20 years ago, recently started using tools like Google Analytics to understand and expand their audience. In December Natalia Viana, who founded *Agência Pública* seven years ago with a group of other women, gathered her staff to write the outlet's first business plan.

As the upstarts mature, the old media are becoming more like them. Part of Chequeado's revenue comes from offering training courses in fact-checking to newsrooms across Latin America. Three fact-checking sites have started up in Brazil over the past two years, including Truco, which is part of *Agência Pública*. Their work has in turn prompted giants like Globo and *Estado de São Paulo*, a newspaper, to create fact-checking teams.

Old and new media are collaborating, too. Joint investigations and syndication deals have become common. Journalists shuttle between the two.

Agência Pública, which co-publishes all its stories with other media groups, gets a dozen reprints on average on blogs and newspapers like *Folha de S. Paulo* and the *Guardian*. Such cross-fertilisation is improving Latin American journalism overall, even in Nicaragua. The gusto shown by independent sites forced establishment outlets to "start doing journalism or risk losing viewers", says Mr Chamorro. The upstarts may be small, but their impact is sizeable.

You look a million bolívares

Venezuelan cash is almost worthless, but also scarce

The money supply has expanded too much, and the cash supply too little

Jul 12th 2018 | CARACAS

VENEZUELAN hawkers on the border with Colombia call it “money art”. The handbags, purses and hats they sell are made from nearly new Venezuelan banknotes and sold as mementos. Payment is in “real money”, meaning Colombian pesos. The handicrafts cost the equivalent of $5 or so. The raw material—banknotes in denominations of two, five and even 100 bolívares—are still legal tender in Venezuela. But inflation is so high they are worth more folded up into origami objects than as cash. The free-market exchange rate is about 3.5m bolívares to a dollar.

The worthlessness of Venezuela’s currency is the result of inflation, 46,000% a year, which in turn is largely caused by the printing of money to finance the government’s deficit of 30% of GDP. But there is also a shortage of banknotes. In the looking-glass world of Venezuela’s economy, cash itself trades at a premium to its face value, making it slightly less worthless than bolívares in other forms.

Banknotes, like other necessities, are mostly imported. Four foreign firms—including Crane from the United States and De La Rue, a British firm—print the bulk of them. The central bank's own printer, near the city of Maracay, produces less than 5% of cash. Two years ago the bank's then-president, Nelson Merentes, predicted that Venezuela would become an exporter of banknotes, but that never happened. The printer can barely keep enough workers to fulfil its modest domestic order book, probably because they are paid in the same near-worthless currency they print.

Domestic or foreign, the printers are losing the race against inflation. In December 2016 Venezuela's president, Nicolás Maduro, decreed that the 100-bolívar note, then the largest in circulation, would cease to be legal tender within three days. Venezuelans thronged the banks to get rid of the notes, but the promised larger denominations never showed up. The government had put in the order late and paid late. Queues formed again outside banks, this time to withdraw the notes that had been given a stay of execution.

Days later, official television broadcast live the arrival of new 500-bolívar notes on emergency flights, along with commentary suggesting this would save the economy. Alas, too few came and inflation had already eroded the value of each note to 20 cents. By mid-2017 banks restricted withdrawals to the equivalent of a dollar a day.

In November last year 100,000-bolívar notes finally arrived, but not enough to meet demand. So, even as their value plummets, traders sell bundles of assorted banknotes for up to three times their face value. Consumers still need them for bus fares and coffee, among other things. A similar thing occurred in Zimbabwe in 2007, which also suffered a cash crunch.

Much of Venezuela's economy now runs on debit cards and bank transfers. But tills with small screens cannot handle the billions of bolívares needed to buy, say, a television. Mr Maduro's latest wheeze is to replace the "strong bolívar" (introduced in 2008) with a "sovereign bolívar", worth a thousand times more. The new currency will fit more easily on screens, but will do little for the cash shortage and nothing for inflation. Again the government placed the order with the printers too late for the original launch date of June 4th. By the time sovereign bolívares appear, supposedly in August, they, too, will be nearly worthless. The biggest-value note in the new currency—500 sovereign bolívares—would be worth about 15 cents now.

Venezuelans' misery has at least boosted business at foreign printers, who seem stunned by the windfall. "They just keep ordering more and more. Billions of notes. It never stops," said a source close to one of them. Sadly, they will soon be more useful for making purses than purchases.

Bello

Daniel Ortega is causing a bloodbath in Nicaragua

Could Nicaragua go the way of Venezuela?

Jul 12th 2018

IT BEGAN three months ago with a protest against cuts in pensions decreed by Daniel Ortega, Nicaragua's president. Now his Central American country is witnessing a full-blown civil insurrection with mass casualties. Although it has received far less attention, Nicaragua is following the script of Venezuela, in which an elected dictator clings to power though repression and at the cost of economic destruction. And as in Venezuela, restoring peace and democracy is a task for which outsiders seem to lack both the will and the tools.

Some 300 people have been killed since April in a country of 6.2m according to human-rights groups, almost all of them unarmed protesters at the hands of paramilitary thugs acting in cahoots with Mr Ortega's police. Among the latest victims were at least 20 killed on July 8th when the paramilitaries cleared opposition barricades from two small towns south of Managua, the capital.

That conforms to the pattern of this unequal struggle. Students and other young people in the broad opposition movement have thrown up improvised barricades across the country, initially as a means of protest and now in self-defence against the paramilitaries. This month Mr Ortega began a drive to remove them. “He has retaken territory through terror,” says Edmundo Jarquín, an opposition leader. “But to think he can return to authoritarian stability and economic growth is impossible.”

The irony in all this is that Mr Ortega was a leader of the left-wing Sandinista revolution which in 1979 toppled the cruel dynastic dictatorship of Anastasio Somoza. Many of his opponents now are former comrades. And Mr Ortega is aping the repression of the Somozas.

Having been defeated in an election in 1990, Mr Ortega was voted back into office in 2006. Through an unholy alliance with a corrupt former president of the right and by packing the supreme court, he overturned the constitution’s term limits. In the mould of contemporary strongmen worldwide, he has kept the outward trappings of democracy while gutting its content. He was elected for a third consecutive term in 2016 by the expedient of banning the main opposition candidate.

Mr Ortega and his wife, Rosario Murillo, who rule as a couple, seemed to have hit on a successful formula. They allied with the private sector and the Catholic church, and avoided fights with the United States, while using Venezuelan aid for social projects which kept poorer Nicaraguans quiescent. But then Venezuela cut its aid, and the government’s fiscal problems were exacerbated by corruption.

To try to calm the protests, Mr Ortega beat a tactical retreat. He withdrew the pension cut, agreed to talks brokered by the church and invited the Inter-American Commission on Human Rights to investigate the violence. The church, the business association and the United States proposed a plan under which the general election due in 2021 would be brought forward to next March.

Now Mr Ortega has gone on the offensive again. His officials claim, in a further echo of Venezuela, that he is the victim of an attempted "coup" against the constitution (which he himself has perverted). They insist, against the evidence, that the violence comes from both sides and say that the government will not negotiate while the barricades remain. Mr Ortega now says he plans to stay until 2021.

Just as in Venezuela, the government appears to be using talks to play for time, and to try to divide the opposition. Yet so far Mr Ortega's actions seem to have unified it. This week his paramilitaries roughed up two bishops when they went to the aid of opponents of the government who were sheltering in a church. The private sector plans a second one-day general shut-down on July 13th.

There are some contrasts with Venezuela. Mr Ortega has no oil and his economy is more vulnerable (it will shrink by 6% this year, according to a private-sector forecast). He may be more susceptible to pressure from the United States, which this month imposed sanctions against three Nicaraguan officials. The critical factor is the army. Although Mr Ortega brought it under his formal control, it is more independent than its Venezuelan counterpart and is not colonised by Cuban spies. There are calls for it to intervene to disarm Mr Ortega's death squads, but so far it has remained above the fray.

The next few weeks will be crucial. Venezuela shows that a regime which is heedless of the human cost can survive sustained national protests and international pressure. Nicaraguans can only hope that their country will indeed prove to be different.

Asia

- **Agriculture in India: Slim pickings** [Thu, 12 Jul 20:59]
- **Politics in Pakistan: From villain to victim** [Thu, 12 Jul 20:59]
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Slim pickings

India's government claims to subsidise farmers, but actually hurts them

Barriers to exports cost them more than they gain from state benefits

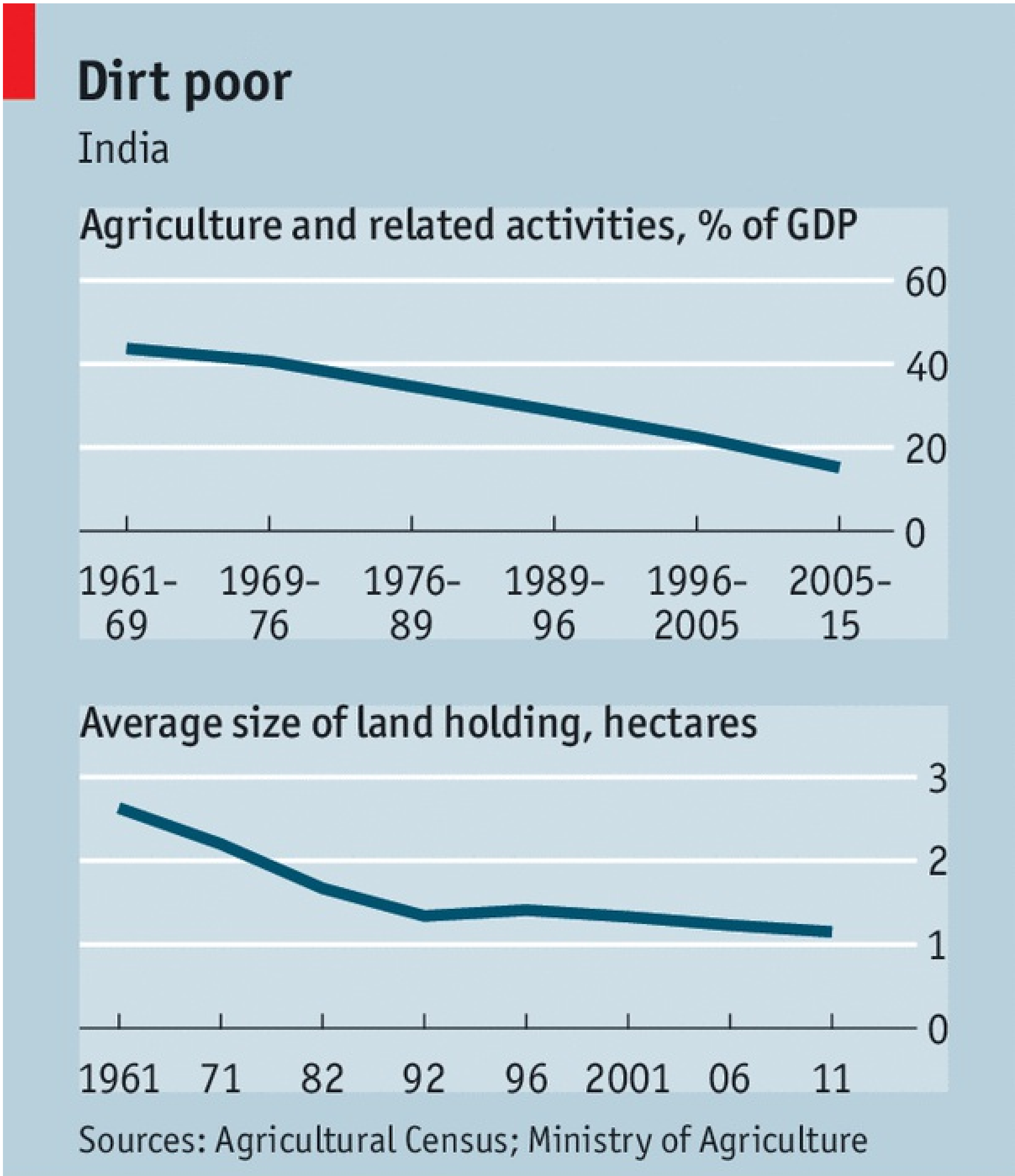
Jul 12th 2018 | DELHI

INDIA'S farmers should be the happiest in the world. For decades governments have showered them with perks including a blanket tax exemption; subsidies on fertiliser, seeds, energy and water for irrigation; low-interest loans; cheap crop insurance; high tariffs to block food imports; and price supports for more than 20 crops. Lately, the authorities have become more generous still. Since 2014 no fewer than eight states have waived a total of well over $25bn in farmers' debts.

Narendra Modi, the prime minister, for whom elections loom, has promised to double farm incomes by 2022. Recently he announced a fresh bonanza. Sharply raising support prices for the coming harvest, he vowed that henceforth the government would pay growers 150% of the cost of their inputs, guaranteeing a healthy profit.

How can it be, then, that experts speak of a chronic and deepening crisis in agriculture, that polls show mounting rural anger and that farmers are protesting ever more forcefully? Last year, for instance, growers from Tamil Nadu in the far south mounted a dramatic sit-in near the parliament in Delhi, the capital. To underline their desperation some took off their clothes, others waved skulls and bones they said belonged to debt-burdened farmers who had killed themselves in despair.

Sadly for the 90m Indian households that rely on farming for most of their earnings, it is the bleak picture and not the rosy one that rings truer. Despite rising yields that have made India the world’s top producer of milk, pulses, cotton, jute, bananas and mangoes, as well as number two for both rice and wheat, farming still carries dangerously high risks and, for all but a fraction of cultivators, brings miserably low returns. Farm incomes average barely a third of non-farm incomes. Even though roughly half of all Indians still toil on the land, agriculture’s share of GDP has steadily shrivelled (see top chart).



Economist.com

There are many reasons for this. Since land reform broke up big estates in the 1950s, even-handed inheritance laws have kept shrinking the size of farms. Since the 1960s the average landholding has withered from 2.6 hectares (6.4 acres) to 1.1 (see bottom chart)—about one and a half football pitches. In addition, heavy reliance on variable monsoon rains makes yields unusually volatile.

A third explanation is that all too often, farmers' produce fetches miserably low prices. There were hopes that speedier information brought by the spread of mobile phones would help farmers make better decisions about what to plant, but just as often it has made too many farmers bet on the same crops. Last year the government of Telangana state suggested that farmers grow chili because the price was high; so many took the advice that it collapsed.

Indeed, in one way or another much of the government's apparent helpfulness fails to help. The exemption from taxes, for instance, is less an incentive than a reflection of the reality that nearly all farmers earn less than the minimum taxable income. Taxes on the sale of land, in contrast, are hefty, which is one reason for the failure to consolidate landholdings. Subsidies have led to overuse of fertiliser, prompting soil depletion and water pollution.

Loans and crop insurance have tended to flow to better-off, more literate farmers, leaving others at the mercy of moneylenders. Surveys show that in much of India, only a small proportion of farmers are even aware that such insurance exists. Most farm loans are short-term, suggesting they are widely used for household expenditures before harvest rather than investment. As for loan waivers, villagers at Puntamba in the state of Maharashtra say that eight months after filling in all the relevant forms, they are still waiting to hear from the bank. Needless to say, such state-ordained munificence is in any case not the ideal system of incentives.

Minimum prices also cut several ways. Though on paper they cover a range of commodities, in reality the government is able to act as a buyer of last resort for only a handful of crops—mainly rice, wheat, cotton and sugarcane—and only in select locations. Its stockpiles are already too big and it lacks the administrative capacity to do more. Balasaheb Chouhan, a smallholder in Puntamba, says the paperwork for selling to the state is fiendish, and then typically there are week-long queues of farmers waiting to unload their goods, followed by weeks more of waiting to be paid. Most farmers prefer to sell for less to a private trader, but get paid promptly.

Price supports also encourage the cultivation of the few crops that the state really does buy. Rice, wheat and sugarcane are thirsty, a serious matter in a country with precarious supplies of water. The water table in Punjab, a state that soaks up an inordinate share of price-support subsidies, has been dropping by about a metre a year. There is also the uncomfortable fact that while the government has concocted elaborate formulas to come up with largely notional support prices, recent research sponsored by the OECD, a club mainly of rich countries, shows that for the past two decades even those prices have nearly always been lower than international ones.

In other words, even as the Indian government lavishes subsidies on farmers, it has also suppressed their earnings by hampering exports, through outright bans for some crops, as well as a failure to invest in the needed infrastructure and administrative caprice. Shifting rules on cows, for instance, have taken a big bite out of beef exports. Applying the same formula used to calculate state support to farmers in 22 OECD countries, the researchers found that, although India spends around $30bn a year on direct aid to agriculture, it also deprives farmers of $40bn, given the difference between international and domestic prices for the same crops. OECD governments spent the equivalent of 18% of farm income to support producers, on average. India, in effect, confiscated 6%. And whereas OECD countries charged consumers roughly 8% of farm income by artificially raising food prices, India instead paid consumers the equivalent of 25% of farm incomes, not only by depressing crop prices but by distributing lots of subsidised food.

Not all that governments have done hurts farmers. Mr Modi’s has boosted investment in rural roads and electricity, which will help preserve more goods and get them to market. It has also pushed Aadhaar, a national identity scheme which should make it easier to target state benefits better. Some state governments have also responded to farmers’ needs more responsibly. Telangana, for instance, has introduced direct cash payments to landholders, a project that could lead to the phasing out of less efficient subsidies.

To make this work, however, the state had first to update and digitise its land register, a feat that remains a far-off prospect in much of India. Shoddy records are one reason why Indian farmers have largely not, as in other countries, simply sold up or rented out and moved to cities: they cannot prove title to their land. Because of the poverty of state education, they are also largely unqualified to do other jobs, and because of the government's failure to promote other industries, there are few other jobs available anyway. "No one cares about us farmers," says Raju Patil, who farms 4.5 acres in the state of Maharashtra. "Whatever we reach for, we get shit."

From villain to victim

Pakistan’s former prime minister embraces jail to rally his party

His return home despite a prison sentence may swing this month’s election

Jul 12th 2018 | ISLAMABAD

WHEN Nawaz Sharif recently announced that he would return to Pakistan, not everyone believed him. On July 6th the National Accountability Bureau (NAB), an anti-graft court, had sentenced the 68-year-old former prime minister to ten years’ imprisonment. In such circumstances, Pakistani politicians usually head *to* London, rather than leave it. Moreover, Mr Sharif’s wife is on a ventilator in a London hospital. Yet as *The Economist* went to press, Mr Sharif continued to insist that he would board a flight back to Lahore, his home town, on July 13th. His advent could alter the course of national and state elections on July 25th.

That the NAB, pronounced “nab”, convicted Mr Sharif had come as little surprise. In part, it was because he did not satisfactorily explain how his family came to own four luxury apartments on Park Lane, a posh street in London. The ownership of the flats was made public by the leak in 2016 of the Panama Papers, a trove of documents from a law firm. Mr Sharif claimed that a Qatari investment fund gave the family the properties, to repay a debt owed to Mr Sharif's father. But the main corroboration of this hazy explanation came in the form of a letter from a shy Qatari prince, which was derided as a "joke" by Imran Khan, the leader of Pakistan's main opposition party, the Pakistan Tehreek-e-Insaf (PTI). The NAB clearly agreed.

The family's lawyer, Khawaja Haris, says they will launch an appeal. The conviction rested heavily on the NAB's unusual rules, in which the defendant is assumed guilty unless proven otherwise. The true ownership of the apartments was "difficult to establish", the 174-page ruling frankly admitted. There were procedural anomalies, too. Mr Haris briefly quit, saying that the NAB's arbitrary rush to reach a judgment—handily, for Mr Sharif's enemies, just before the election—was undermining the integrity of the proceedings. The case against Mr Sharif was "illogical and full of holes", argues Junaid Jahangir, a barrister.

Mr Sharif claims the judiciary is working in tandem with the army to remove him from the political stage. The NAB has become "a puppet of the establishment", says one lawyer, who did not want to be quoted by name. The bureau's chairman drew ridicule during Mr Sharif's trial by launching an investigation into whether the ex-PM had laundered almost $5bn through India as prime minister. The case was prompted by a wildly erroneous newspaper article. Even opponents of Mr Sharif acknowledge that the NAB, like the rest of the Pakistani judicial system, has appeared relentlessly focused on him and other members of his party, the PML-N. The NAB arrested Mr Sharif's former private secretary last week (in order to "pull out each of his fingernails to compromise Mr Sharif", says the unnamed lawyer), and earlier this month collared a PML-N candidate just hours after he announced he would contest the election against Chaudhry Nisar Ali Khan, a former senior lieutenant who has since split with Mr Sharif.

Mr Sharif's return snuffs out any hope of a reconciliation between the PML-N and the armed forces. His younger brother, Shahbaz, the chief minister of Pakistan's most populous province, Punjab, has long argued for one. In an apparent sop to the army's presumed preference for a weak government, he has said the PML-N would build a coalition even if it won an outright majority. His response to his brother's conviction was muted. The older Mr Sharif, in contrast, is driving his conflict with the generals "to a new level", says Syed Talat Hussain, a television anchor. He has explicitly accused a general in the Inter-Services Intelligence, an army-dominated agency, of running a campaign to induce or coerce PML-N candidates to defect to the PTI. Such openness is unheard of: typically, politicians refer coyly to the army as the "establishment" and mutter darkly about "angels" instead of invoking the ISI by name.

All this sets up an almighty clash on July 25th. Mr Sharif's absence from the campaign trail seems to have hurt the PML-N. The latest sounding by Gallup, a polling firm, suggests the PTI has closed a previously sizeable gap and is now level pegging with Mr Sharif's party. Credit Suisse, a bank, puts the chance of Mr Khan leading a coalition government after the election at 75%.

But Mr Sharif's return may change things. The rank and file of the PML-N are fired up again. His arrest will inevitably be a tense moment: some speculate that his flight will be diverted away from his legions of supporters in Lahore; others that he will be handcuffed on the plane, to avoid a potentially violent scrum with sympathisers in the airport. Whatever happens, Mr Sharif and his daughter are likely to acquire an air of martyrdom. Even if the PML-N still loses the election, by submitting to prison Mr Sharif will have transformed his image from tax-dodger to self-sacrificing campaigner for democracy. That is a result the army would surely rather have avoided.

Party on

The president of Kazakhstan throws himself a modest birthday bash

As he turns 78, the showpiece capital he built turns 20

Jul 12th 2018 | ASTANA

IT WAS in June of 1998 that oil-rich Kazakhstan officially inaugurated its purpose-built capital, Astana. But when the 20th anniversary of the city’s founding rolled round this year, the government decided to mark the occasion a few weeks late, on July 6th, as it has in previous years. That, after all, is the birthday of a much older fixture in the country’s life: the president, Nursultan Nazarbayev, who has run it since it became independent in 1991.

On the day, a colourful cascade of fireworks illuminated Astana’s gleaming space-age facades. There was also a tournament of *kokpar* (a traditional game played on horseback with a dead goat instead of a ball) and a circus featuring elaborate shows of horsemanship. The latter ended with an acrobatics display in which the performers’ costumes fanned out to send the turquoise and yellow of the Kazakh flag rippling across the stage.

At Bayterek Tower, a 97m-tall folly topped with a golden egg which is supposed to represent the cycle of life, revellers enjoyed a public concert and tucked into free ice cream. There was a star-studded gala at the Palace of Peace and Reconciliation, a vast glass pyramid designed by Norman Foster, a British celebrity architect. Buzzing holiday crowds thronged the tent-shaped shopping mall opened on Mr Nazarbayev's 70th birthday, in 2010, with its internal monorail and indoor river.

A few monuments were constructed in honour of this year's double birthday, including a space museum, a botanical garden and a fish-shaped bridge across which crowds swarmed snapping selfies. The space museum and bridge were among "gifts" presented to the city by Kazakhstan's provinces, which ignored Mr Nazarbayev's half-hearted injunction not to give the city presents. All told, they donated amenities worth $17m, ranging from the practical (cycle tracks and a children's nursery) to the whimsical (a musical fountain and "wall of peace" that showcases Kazakhstan as a force for good). In total, the celebrations cost about $55m.

A few spoilsports asked whether the government had its priorities straight, given that many of the country's villages still lack running water. Grumbling is tolerated, as long as it is not too vocal, but the handful of party-poopers who tried to stage tiny demonstrations during the celebrations were swiftly arrested.

To be fair, Mr Nazarbayev is not one to overdo it. He continues to decline suggestions that Astana, which means "capital" in Kazakh, should be named after him. The airport does bear his name, as does a mountain near the former capital, Almaty, which 5,000 devoted citizens climbed to commemorate the big day. But then Kazakhstan has never had any other presidents after whom to name things.

Spelunky-dory

Deliverance for Thailand’s cave-trapped footballers

The rescue is also a reprieve for the hapless military regime

Jul 12th 2018

RELIEF engulfs Thailand. After 17 days, ten of them without food or medicine, the last of 12 Thai boys and their football coach emerged from the Tham Luang cave on July 10th. The Wild Boars team became trapped 4km into the complex after heavy rains flooded it while they explored together. Hundreds of divers, rescue workers, doctors and officials worked to bring them to safety. Even Elon Musk, a Silicon Valley luminary, turned up to offer his services and a mini submarine (which, while appreciated, the Thai government carefully explained, was not what was needed). The team eventually swam through the flooded tunnels individually or in pairs using scuba gear. Guide ropes and professional divers helped them find their way through the dark waters.

Heroic tales abound. Saman Kunan, a former Thai Navy SEAL, died after delivering air tanks to the team on July 5th. Thailand’s king announced shortly afterwards that he would receive a sumptuous funeral paid for by the crown. Ekkapol Chantawong, the young coach, had been a Buddhist monk for several years and reportedly kept the boys calm by teaching them meditation. He also gave them his share of the scant provisions they had packed for the original expedition and was the last to leave. Cave-diving experts flew in from several countries to help with the rescue.

The outcome prompted joy around the world: Donald Trump tweeted his congratulations. The team were offered tickets to the final of the World Cup, but will not be well enough to travel. The British club they support, Manchester United, has also invited them to visit.

Thailand's military rulers could not resist basking in all the goodwill. Prayuth Chan-ocha, the general who heads the ruling junta, was able to show a softer side on a visit to monitor the rescue efforts. And the long drama diverted public attention from the country's sluggish economy and political muddle "to something that the government could take action on", says Pavin Chachavalpongpun of Kyoto University. Every one of the four years it has been in power, the junta has promised to hold elections, only to change its mind and delay them. It recently pushed them back from February to May. Its leaders seem increasingly hapless and aloof. But this time, at least, they showed they can get things done.

Banyan

On the hanging of Shoko Asahara, Japan’s nerve-gas guru

His case festered in the justice system for 23 years

Jul 12th 2018

ON THE morning of March 20th 1995 your columnist arrived at work to see the pavements outside his office covered with poisoned commuters. Some were unconscious. Some were twitching or choking, like soldiers in a Wilfred Owen poem. Men in hazmat suits were everywhere. Office workers sat in a nearby park repeating like a mantra: “It’s so terrifying.”

It was the worst terrorist attack in modern Japanese history. Members of Aum Shinrikyo, an apocalyptic cult, had released nerve gas on the Tokyo subway. Their targets were crowded trains that converged on Kasumigaseki, in the heart of Japan’s government district. The aim was to kill officials on their way into work, and somehow hasten the end of the world. Twenty-three years later, on July 6th, Shoko Asahara, the bearded guru who masterminded this atrocity, was hanged, along with six accomplices.

He was the first truly modern terrorist. As David Kaplan and Andrew Marshall note in “The Cult at the End of the World”, Aum was the first group without state patronage to make biochemical weapons on a large scale. “A college education, some basic lab equipment, recipes downloaded from the internet—for the first time, ordinary people can create extraordinary weapons.”

Mr Asahara’s followers included scientists and engineers, one of whom worked for Mitsubishi Heavy Industries, an arms manufacturer, and helped the cult steal secrets from it. Aum built a weapons factory inside its compound near Mount Fuji, where it stockpiled the ingredients for enough sarin (a nerve agent) to kill millions. It was due only to incompetence that the death toll on the subway was just 13, with more than 6,000 injured. The terrorists used bags of liquid sarin, which they pierced with sharpened umbrellas. The liquid took time to evaporate and spread, giving thousands a chance to escape. The attack made policymakers around the world fret that an equally homicidal but more effective terrorist group might one day obtain weapons of mass destruction—a fear that contributed to the Iraq war in 2003.

Mr Asahara’s teachings were plainly loopy. He took a mish-mash of Buddhist and Hindu precepts, stirred in a bit of Nostradamus, added a huge dollop of reverence for himself and charged acolytes their life’s savings for devotional tapes, books and guidance. He made them fast until they were weak, drink his bathwater until they felt sick and wear electrode caps on their heads to jolt them into enlightenment. He often predicted the end of the world, by sarin or an American nuclear strike on Tokyo.

At its peak, Aum had perhaps 10,000 members in Japan (and more overseas). Some people wonder: why did so many bright young Japanese fall for such an obvious charlatan? Mr Asahara, a former seller of quack medicines, ordered his followers to subsist on boiled vegetables while he gorged on prawn tempura and drove a white Rolls-Royce. Sociologists speculated that there was something unique about the empty materialism and stifling conformity of Japanese society that drove youngsters to look for an alternative. The guru’s teachings may have been utter nonsense, but was modern Japan “able to offer…a more viable narrative?” asked Haruki Murakami, an angstful novelist.

A terrorist Tartuffe

Yet there is not much uniquely Japanese about Aum. Human beings, once they are rich enough not to worry where the next meal is coming from, often fret about the meaning of life. Charismatic gurus offer answers. “The Master Asahara is like Buddha,” a believer told Banyan after the nerve-gas attack. “He feels other people’s pain more than any other human being. He can teach you to escape from the pain that is caused by human desires.”

All countries have cults, and being well schooled is no protection against brainwashing. The techniques that Aum used—isolating people in cells, subjecting them to physical duress and sleep deprivation, making them shave their heads and cast off their old identities, telling them to empty their minds and endlessly repeat mystical chants—have been used by countless other groups throughout history to break down resistance to the leader’s will. And once they have submitted, true believers can sometimes be convinced to commit appalling crimes: think of the 276 children murdered by the Jim Jones cult, of Islamic State drowning infidels in cages, or of centuries of atrocities perpetrated in the names of Jesus, Allah and even the Buddha.

The most distinctively Japanese part of Mr Asahara’s story is how he was brought to justice. At first, he wasn’t. Mindful of how the old military regime persecuted the pious, Japan’s police long treated religious groups with kid gloves. They left Aum alone even as evidence mounted that it was kidnapping people and murdering critics. The subway attack came as the cops were belatedly poised to take action, and was partly aimed at stopping them. (The National Police Agency is near Kasumigaseki.)

When the police finally moved, they did so with overwhelming force. Two days after the subway attack, 2,500 of them raided a dozen cult properties with riot gear, gas masks and caged canaries. (With a straight face, a spokesman said they were investigating a kidnapping.) They arrested Aum acolytes for jaywalking and bicycle theft, and questioned them for weeks to find out where Mr Asahara was hiding. (Suspects can be held for 23 days without charge in Japan.) They eventually found him in a crawl-space in a building they had already raided several times.

It then took 23 years to hang him. The outcome of his trial was never in doubt: the conviction rate in Japanese courts is over 99% and there were literally warehouses full of evidence against him. Yet his first trial lasted seven years—like many in Japan, it was not held on consecutive days. His appeals dragged on until 2006. He lingered another 12 years on death row, never knowing each morning whether he would be hanged that day. This is how Japan treats the condemned. It is not how anyone should be treated, not even a monster like Mr Asahara.

China

- **Human rights: Freedom for one** [Thu, 12 Jul 20:59]
- **Trade conflict: War is peace** [Thu, 12 Jul 20:59]

Freedom for one

China frees the widow of a Nobel peace-prize winner

It shows no sign of easing up in its treatment of other human-rights advocates

Jul 12th 2018 | BEIJING

LIU XIA, the widow of China's most renowned dissident of the 21st century, Liu Xiaobo, had been facing the grim prospect of commemorating the death a year ago of her husband while herself still having to endure house arrest in Beijing. But on the morning of July 10th, three days before the anniversary, the authorities allowed Ms Liu to board a Finnair flight to Helsinki for a connection to Berlin, where she has friends (she is pictured during her stopover in Finland). Germany had taken the lead among the many Western countries that had been pressing for her release. China's prime minister, Li Keqiang, happened to be visiting Germany when news broke of Ms Liu's long-awaited freedom.

Her confinement began in 2010, days after her husband, then a year into an 11-year sentence for subversion, won the Nobel peace prize. Though never formally charged with any crime herself, she was usually prevented by security agents from leaving their apartment in Beijing, except under escort to buy groceries. She was allowed only limited access to telephone and internet services. Journalists who tried to visit were turned away.

Officials said Ms Liu, 57, had gone abroad to seek medical treatment. This is often the reason given for allowing people in political disfavour to leave the country. Sometimes it is merely a face-saving excuse for freeing someone whose release could help China's diplomatic efforts (in this case a likely aim was to butter up Germany as a potential ally in China's battle with America over trade). "Thank you, Germans. Sorry for having delighted in your [World Cup] football loss," wrote a blogger in Beijing to her nearly 50,000 followers on Weibo, a Chinese social-media platform. Censors deleted the message.

But Hu Jia, a prominent dissident in Beijing, says Ms Liu's medical needs are real. He says she has been suffering badly from stress and depression. In May a Berlin-based friend of Ms Liu released a recording of his phone call with her in which she sobbed and spoke of wanting to die. She was, the friend wrote then, approaching "the brink of mental collapse".

It is remarkable that the authorities devoted so much effort for so long to silencing Ms Liu. She was not an activist herself, preferring other passions: art, photography and poetry. It was her husband who had angered the government with his long history of criticising the Communist Party's rule. He was first jailed after being labelled a "black hand" behind the Tiananmen Square protests of 1989. His most recent incarceration was for organising the distribution of Charter 08, a manifesto that called on the party to respect human rights and allow truly democratic elections. His death was the first in custody of a Nobel peace-prize winner since that of an anti-Nazi dissident in 1938.

Ms Liu's release may remove an irritant in China's relationship with Germany, but it will do nothing to convince it or other Western countries that China is easing up in its treatment of dissidents. A day after Ms Liu was freed, a court in the central city of Wuhan sentenced another dissident, Qin Yongmin, to 13 years in prison for subversion. It was one of the toughest punishments imposed for this offence in recent years. Mr Qin stayed silent throughout his trial, knowing what he faced. He has already spent 22 years behind bars for demanding democracy.

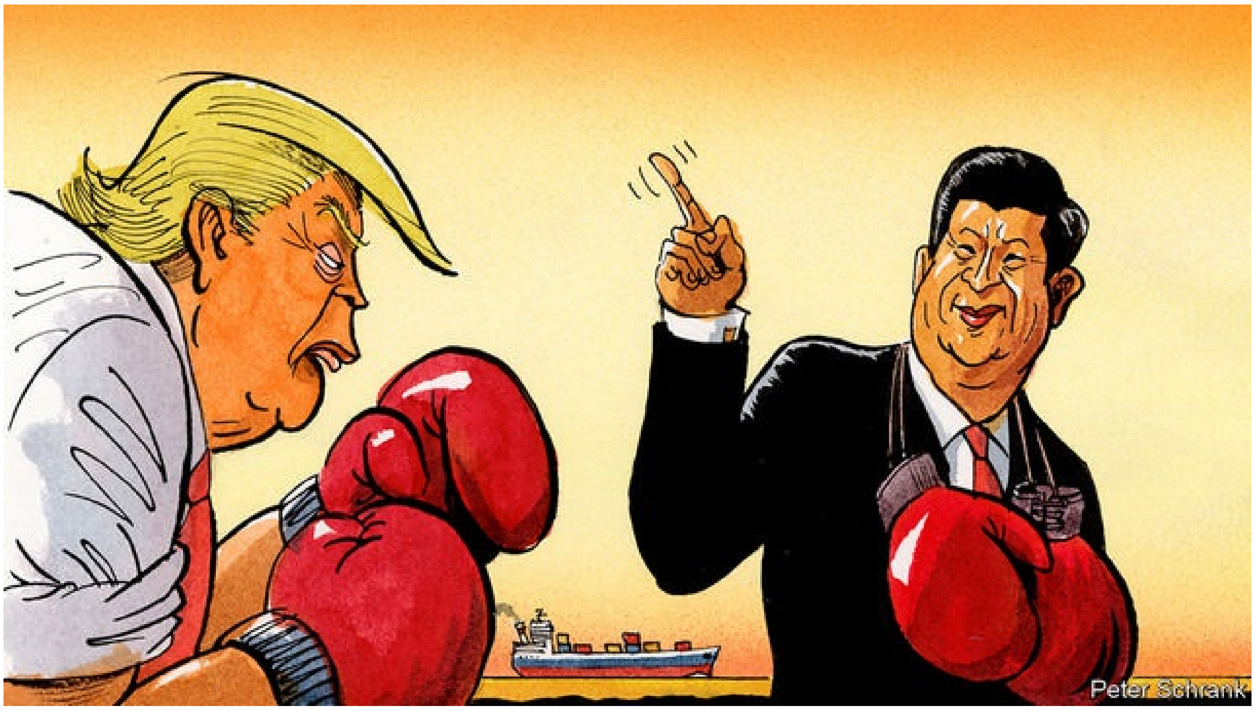
The anniversary this week of the “709” crackdown of 2015, named after the date when hundreds of civil-rights lawyers and other activists were rounded up, was a reminder of how tough life remains not only for political dissidents, but even for those who try to use China’s laws to defend people against abuses of power. Many of those detained remain in custody. Even members of their families are sometimes harassed by officials.

Such suffering, merely for kinship with someone disliked by the government, is unlikely to be over for Liu Xia’s family. She has left two brothers in Beijing. The younger one, Liu Hui, has been repeatedly jailed on fraud charges in recent years. Activists believe the real reason for his punishment is simply his ties with her. Hu Jia says the brother will be used as a hostage to ensure that Ms Liu minds her tongue in exile.

War is peace

In its trade war with America, China dials down the hype

Xi Jinping is worried that anti-Trump rhetoric could be counter-productive



Jul 12th 2018 | HONG KONG

JUST a week into what could prove a long and grinding trade war launched against China by the United States, a curious feature of the conflict has already emerged: China will not, for now at least, dip into its traditional armoury of rhetorical bluster and belligerence. That marks a break with usual Communist Party propaganda, and even with its rhetoric of a few weeks ago.

Then, the language was much more uncompromising. And as recently as June, according to the *Wall Street Journal*, in a meeting with a score of mainly American and European executives, President Xi Jinping promised a bare-knuckle approach in countering President Donald Trump's punitive tariffs, the first of which, on $34bn of imported Chinese machinery and electronic parts, kicked in on July 6th. "In the West you have a notion that if somebody hits you on the left cheek, you turn the other cheek," he reportedly said. "In our culture we punch back."

In terms of trade responses, China is now bearing that assertion out. It has imposed tariffs on an equivalent value of American goods, including sports-utility vehicles, pork and soyabeans. It promises tough responses to further American moves—this week the Trump administration released details of possible tariffs of 10% to be imposed on another $200bn of Chinese goods.

Yet in terms of language, including what the state allows Chinese netizens to say online, a shift has occurred. Triumphalism and jingoism are out. One scrap of evidence came on July 6th. As the noon tariff deadline loomed, Chinese social media were gripped by the progress of *Peak Pegasus*, a ship with a consignment of American soyabeans steaming to reach Dalian port before the deadline. Much of the commentary was lighthearted, urging the hapless soyabeans on. But censors were quick to delete anti-American sentiment. In the event, the vessel arrived too late.

More substantive are the instructions issued to media outlets by China's propaganda authorities. China Digital Times, a California-based website, reports one such directive. In it, publications are told not to attack Mr Trump's "vulgarity", nor to engage in "a war of insults". It repeats high officials' calls for "calm and rationality". Other diktats caution against conveying any sense of Chinese superiority, or claims that China can easily crush America in a trade war. Yet other instructions urge the press to play down China's plan for global dominance in various technological sectors, known as "Made in China 2025". It is almost as if officials are promoting a return to the late Deng Xiaoping's dictum that China should keep a low profile.

There are several possible reasons for this shift. Financial and economic vulnerability is the most obvious one. A trade war need not be disastrous. China's economy depends less on exports than it used to, and the proportion of China's total trade threatened by tariffs remains relatively small (see chart). Yet China's indebted economy was already slowing before the trade war. Jitters leading to capital outflows could threaten a financial crisis. On no account, say the leaked instructions, should falls in the stockmarket be linked to the trade conflict. Keep calm and carry on. Accentuate the positive.

Economist.com

A related motivation must surely be to avoid a staple of Chinese economic warfare: consumer boycotts. These erupted against Japanese businesses in 2012 and against a South Korean supermarket chain last year, both preceded by belligerent signalling in state propaganda. A large-scale anti-American boycott now would greatly raise political tensions. And given how interconnected the two economies are, it would hurt plenty of Chinese firms, too. For example, a Chinese state entity controls McDonald’s franchises in the country.

Overseas, China wishes to win allies in its war by appearing statesmanlike, an image that would be undermined by shrill rhetoric—or too many reminders, in the shape of “Made in China 2025”, that it is bidding to overtake America. Yanmei Xie of Gavekal Dragonomics, a research firm in Beijing, says China wants to be seen as the defender of the global trade order and so claim the moral high ground.

Chinese officials will play that card at a summit next week in China’s capital with the European Union. They hope to peel away America’s European allies (see article). The Europeans are also targets of Mr Trump’s trade offensive. But whether they will oblige China is another matter. They resent Mr Trump’s attacks on them, and disagree with his approach to China. But they are as frustrated as America is with China’s barriers to investment and its plundering of Western technology.

There is another factor, only rarely hinted at: the hallowed status in China of Mr Xi himself. For months and months the country’s dictator has been built up not only as a domestic superhero, but as an international statesman of genius. Last autumn government employees across the country were ordered to watch a six-part television series about China’s emergence as a world power. In it Mr Xi, in the starring role, gets fawning praise. Robert Mugabe, before his fall from power in Zimbabwe, calls him “a God-sent person”. Mr Trump talks of his “great chemistry” with Mr Xi. In an article published at the same time, the foreign minister, Wang Yi, declared that his boss had “blazed new trails and gone beyond traditional Western international-relations theory of the past 300 years.”

In May a journal put out by the Central Party School ran a lead article titled “Extraordinary Leader: A Study of the International Praise for the Super-Strong Leadership of Xi Jinping in the New Era”. The journal called for systematic study of the accolades Mr Xi had earned—a School of Sycophantology, as David Bandurski, co-director of the China Media Project at the University of Hong Kong, puts it.

China’s fear may now be that if frictions worsen with America, Mr Xi could be blamed at home for mishandling a crucial relationship. Criticising America too fiercely, as Yun Sun at the Stimson Centre, a think-tank in Washington, puts it, would suggest to ordinary Chinese that China had failed to outmanoeuvre Mr Trump. That, she says, means the finger points at Mr Xi —“not a happy scenario”.

Also unwelcome would be the public tongue-lashings Mr Xi might face from an American president who is currently all sweetness and light in his personal expressions towards China’s leader. Hence the warnings against over-confidence and pleas for a humble demeanour. Early this month the *People’s Daily* railed against “repeated boastfulness and arrogance…which have hurt the credibility of the media” and “twisted the national psyche”. The paper attacked online articles that “exaggerate and generalise and shout” about China’s accomplishments. Yet it failed to point out that encouragement to do so had long come from the very top. And, as Mr Bandurski puts it, the genie of hype and triumphalism may not in the end be so easy to coax back into the lamp.

Middle East and Africa

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Jihad's next battleground

The fight against Islamic State is moving to Africa

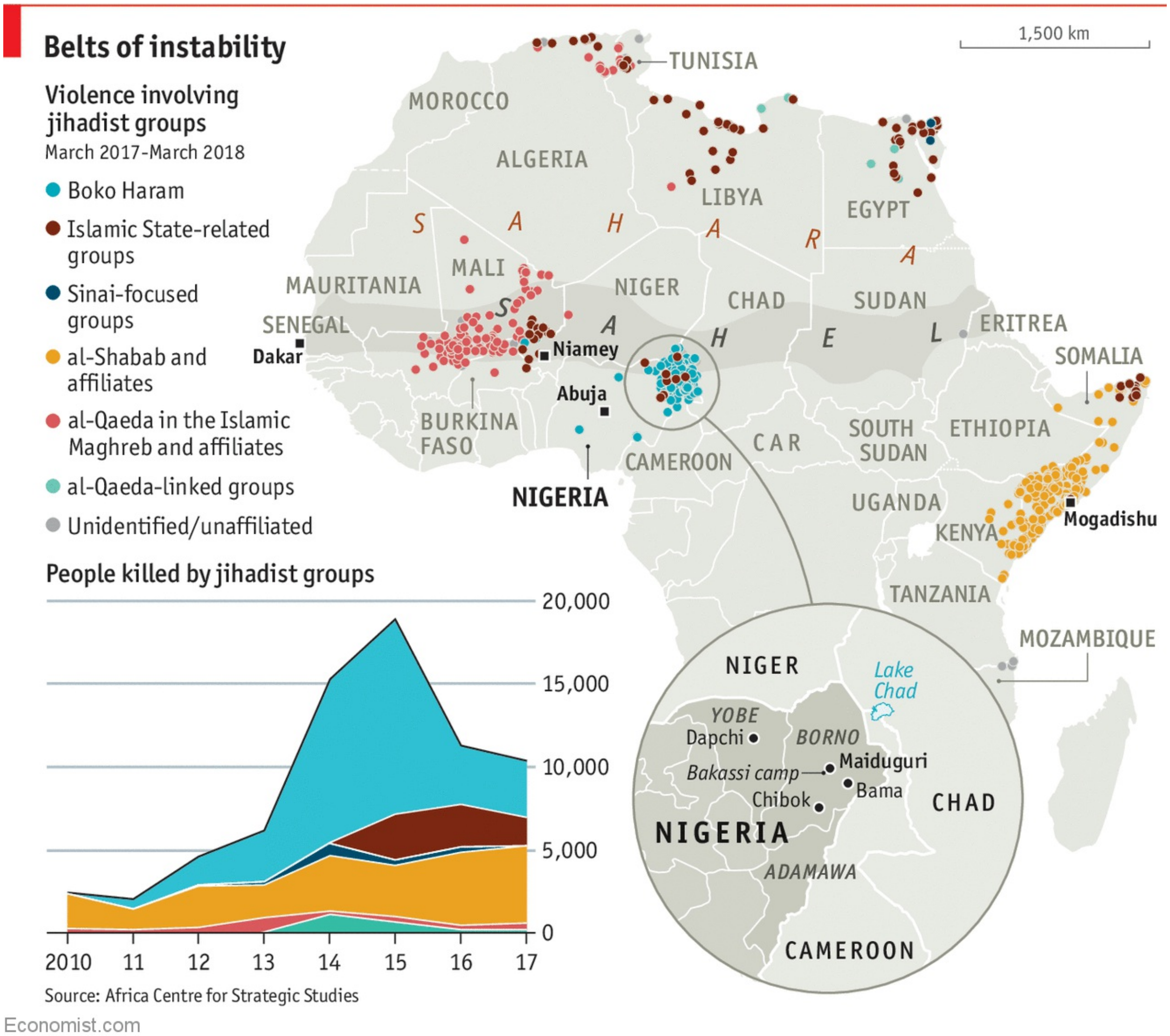
Violent Islamist groups are gaining strength in the Sahel. A report from Nigeria and Niger

Jul 14th 2018 | MAIDUGURI AND NIAMEY

THEIR hair tightly braided, two young girls sleep head-to-toe in matching pink dresses with gold trim—a sight to gladden the heart were it not for the startling white bandages around their arms and legs. The beds in this ward are overflowing with patients, the rounded stumps of their amputated limbs pointing at the ceiling. Colour-coded tags hang near the door to sort casualties: red for the most urgent cases, black for those beyond help. They attest to the grim efficiency of the surgeons from the International Committee of the Red Cross (ICRC), gained from dealing with the unrelenting flow of bomb and gunshot victims. Their clinic is, perhaps, the only thing that works well in Maiduguri.

Nigeria's main north-eastern city is at the centre of a series of jihadist campaigns stretching in two broad belts across Africa on either side of the

Sahara. The northern one hugs the Mediterranean, from Egypt through Libya and Tunisia to Algeria. The southern one extends from Somalia and Kenya in the east through Nigeria and Niger and on to Mali, Burkina Faso and Senegal in the west (see map). Such vast distances separate the different battlefields, that Dakar, in Senegal, is almost as close to Miami as it is to Mogadishu in Somalia.



Much of the conflict is barely reported on, even though last year it claimed more than 10,000 lives, almost all of them civilian. It also involves a battle against what General Mark Hicks, the commander of American special forces in Africa, calls "probably the largest card-carrying group" of Islamic State (IS) members outside Iraq and Syria. The war has drawn in troops from America, France, Britain and Germany, and is attracting remnants of IS.

African blues

Worryingly, it is a war that the jihadists seem to be winning. General Bruno Guibert, who commands the French counterterrorism effort in the region, Operation Barkhane, which has about 4,500 troops, claims that the campaign is making significant progress: “I can’t say the situation is getting worse, actually it is getting better.” Yet the statistics suggest otherwise: the number of violent incidents involving jihadist groups in Africa has increased by more than 300% between 2010 and 2017; the number of African countries experiencing sustained militant activity has more than doubled to 12 over the period, according to the Africa Centre for Strategic Studies, which is part of America’s Defence Department. Many Western officers are despondent. Without more troops “there is no question we will lose”, says a senior French officer.

In the potpourri of jihadist groups, many pledge their loyalties to al-Qaeda or IS. They include al-Shabab in Somalia, Boko Haram and its factions in Nigeria, and Jama’a Nusrat al-Islam wal-Muslimin in Mali. In each country, conflict may be fuelled largely by local grievances. But the insurgents share some ideological traits. Many have been strengthened by the breakdown of Libya after the downfall of Muammar Qaddafi’s regime in 2011. Weapons spilled out of Libya’s armouries, and smuggling networks for everything from people to drugs developed across the Sahara. There are signs that the jihadists are learning from one another and sucking money and support from militant groups in the Middle East. Emmanuel Macron, France’s president, warned: “The challenge for us is to manage the conflicts … and stop them joining together.”

The most important of the battles is Nigeria’s campaign against Boko Haram. With a land mass about as big as France and Germany combined, Nigeria is Africa’s most populous country (with perhaps 180m people) and its biggest economy. If a country with such resources cannot contain the jihadist virus, what hope for Africa’s poorer and less capable states? A retired general who once held a senior post at AFRICOM, America’s military command for Africa, puts it thus: “If Nigeria goes down it would make a giant sinkhole that would suck in six or seven other countries.” Nigeria’s difficulties, moreover, offer sobering lessons to many other African countries, and their Western allies.

The Nigerian government insists that the war has already been won. “Boko Haram has been defeated,” says Tukur Buratai, Nigeria’s top-ranking general. Yet his assurance sounds hollow in the village of Kiribiri, about 20km (12 miles) from Maiduguri, where the limit of government-controlled territory is marked by a shallow ditch. A policeman points to the scrub beyond: “There is insecurity there,” he says. “That is Boko Haram’s.”

Maiduguri was the birthplace of Boko Haram, whose factions make up the world’s deadliest terrorist group. It is so extreme that it sickens even IS and al-Qaeda. The group was founded by the followers of a charismatic Islamic preacher, Mohammed Yusuf, who had started a religious school and mosque in Maiduguri in 2002. “He was very convincing,” says one man who attended Yusuf’s sermons as a police informer. “He made me agree with everything he said.”

Going Boko loco

Yusuf exhorted his followers to reject the state (since it is created by man, not God) and “any type of knowledge that contradicts Islam”, including such notions as the world being round or that rain comes from evaporation. Although Nigeria’s northern states have long enforced sharia, or Islamic law, their interpretation was not strict enough for Yusuf. Among his demands was a ban on secular schooling (the group’s name, Boko Haram, means “Western education is a sin” in Hausa).

By 2009 Yusuf’s men were attacking the police and army, and killing clerics who disagreed with his interpretation of Islam. The Nigerian police arrested and then killed Yusuf in front of a crowd outside the police headquarters in Maiduguri (the government insisted he was shot while trying to escape). Yusuf’s followers went into hiding before emerging under the command of Abubakar Shekau. In 2011 they blew up the headquarters of the Nigerian police and a UN building in Abuja, Nigeria’s capital. By the end of 2014 they had overrun large parts of three states in north-eastern Nigeria, gained international notoriety after kidnapping almost 300 schoolgirls from Chibok and were fighting their way into Maiduguri. Nigeria’s army, hollowed out by corruption, was in disarray. Units were filled by ghost soldiers whose pay was being pocketed by their commanders. One Western officer recalls how a company that should have had 100-150 soldiers consisted of just 20 men.

Unlike IS in Syria and Iraq, which established civil administrations to run its self-proclaimed caliphate, Boko Haram did not at first try to govern. It preferred chaos. It bombed mosques and markets, massacred villagers and abducted women and children. Some girls were enslaved and sold. Others were pressed into being human bombs. A study by the Combating Terrorism Centre at West Point, a military academy, found that more than half of 434 such human bombs the group used between April 2011 and June 2017 were female.UNICEF, the UN children's agency, says that last year Boko Haram strapped bombs to at least 135 children.

Such wanton violence probably reflects the state of mind of Mr Shekau, an enigmatic figure known through videos of his rambling monologues. In one, he justifies selling into slavery the girls kidnapped in Chibok: "Allah says I should sell. He commands me to sell." A man who attended his sermons says childhood acquaintances recall him as a recluse with an explosive temper. "Even when reciting the Koran, he shouts at the top of his voice," he says. "He was very aggressive and abusive."

Mr Shekau's brutality proved too much even for IS, to which he had sworn allegiance in 2015, changing Boko Haram's name to Islamic State West Africa Province (ISWAP). In 2016 IS named Abu Musab al-Barnawi the leader of ISWAP, splintering the group into two factions.

Meanwhile, thousands of villagers and residents of Maiduguri took up machetes or handmade muskets and joined a self-defence militia, the Civilian Joint Task Force (CJTF), that held the gates of the city. The new president of Nigeria, Muhammadu Buhari, a northerner and former military dictator, ordered his generals to move their headquarters to Maiduguri. Neighbouring states such as Chad, Niger and Cameroon contributed troops to a multinational force. Within months the army had recaptured most big towns, pushing the insurgents into forests or Lake Chad, a mass of swamps where the borders of four countries meet.

Since then, though, stalemate has set in. The army controls the main towns and some of the roads between them; insurgents hold sway over the countryside and villages. The Americans reckon that Mr Barnawi commands about 3,500 fighters (Mr Shekau probably has 1,500), meaning he may be in charge of the world's largest IS force. There are thought to be only a few thousand IS men left in Syria and Iraq.

ISWAP has learned how to make roadside bombs and has become more skilled in conducting attacks. Many think it is getting training and advice from other jihadist groups, including IS. Foreign fighters are also being spotted among its ranks. “We see people from Mali, we see people from Libya,” says Abba Kalli, a commander of the 26,000-strong CJTF. Just how adept ISWAP had become was shown in February when its men mounted a long-distance raid to kidnap 110 schoolgirls from Dapchi, a town in neighbouring Yobe state. “They moved out about 250 miles to conduct a raid and retreat again,” says a Western officer. “That’s not something the Nigerian army is capable of doing.”

School? You must be joking

The army, although vastly more effective than it was in 2015, is overstretched and suffering from low morale. About half of its total infantry force of about 70,000 is deployed in the north-east. It does not give figures for its losses, but people familiar with the number say that more than 300 Nigerian soldiers were killed and 1,500 wounded last year. Having deployed such a high ratio of troops, it cannot rotate men or units out of the fight to rest and retrain. One special-forces soldier says he has been on operations constantly for four years. The emotional toll of this can be seen in the glazed, red eyes of one of his comrades, who looks back from a marijuana haze.

Unlike the old Boko Haram, which did not bother to govern, ISWAP is consolidating control of border villages. It levies “taxes” on locals and erects roadblocks to extort money from passing traffic. ISWAP offers security and its own brand of justice in areas that have fallen beyond the control of the state. Although it cannot hold territory in a stand-up fight with the Nigerian army, it is building a proto-caliphate. “You can see the black flag [of IS] draped over huts in the villages,” says one army officer.

Nigeria’s generals talk about “winning hearts and minds” but they are doing the opposite. The army has systematically cleared people from the countryside, burning their villages and packing them into squalid camps in Maiduguri and other “garrison towns”. In all, some 2.4m people have been displaced by the fighting in Nigeria and neighbouring countries. The army argues that it is necessary to move people away from the fighting to protect them and to deny the jihadists food and shelter. “There are no innocent people in the bush,” says Mr Kalli of the CJTF.

Most observers think that indiscriminate killings by the army and the forcing of people into garrison towns are fuelling the insurgency. There are almost no jobs in the camps. Access is through checkpoints manned by the army and CJTF, who demand bribes. Amnesty International, a human-rights group, says many women and girls have been raped in the camps and that hundreds if not thousands of people confined in them have died of starvation or a lack of medical care. “It feeds right into the recruitment strategy of ISWAP, which is that the Nigerian government doesn’t give a shit about them,” says an aid worker. “It is like a factory for jihadis.”

The Nigerian state’s failure extends far beyond the camps. In areas affected by Boko Haram almost no one gets schooling, health care or other public services. In Bama, a town that was once home to more than 250,000 people, the general hospital is a camp for displaced people. Aid workers reckon that the Nigerian government has posted no more than two civilian administrators to the town. In effect, Nigeria’s north-east is a failed state within a dysfunctional one.

The UN Development Programme found that 71% of people who joined jihadist groups in Africa did so in response to brutality by the security forces. Most were uneducated and came from poor areas. What few services there are in the camps are provided by groups such as Médecins Sans Frontières (MSF) or the World Food Programme (WFP), which is helping to feed some 2m people. This is not enough. At an MSF clinic in Maiduguri, more than half of the beds are filled with stick-thin children, some with hair turned brittle and orange by starvation.

Yet, even amid the destitution, there are glimmers of economic development. In Bakassi, a large camp for displaced people, Hajja Kale Muhammad smiles broadly as she holds up a handbag stitched on a sewing machine bought with a grant from the ICRC. Mrs Muhammad fled Boko Haram with her four children three years ago. She now has a business that earns some 50,000 naira ($139) a week, a tidy sum in a country with a minimum wage of 18,000 naira a month. The ICRC, which last year devoted about 60% of its resources in northern Nigeria to providing emergency food aid, now allocates that share to development. The WFP, similarly, is trying to get farmers and fishermen back on their feet by giving them packs of seeds and fishing nets. This sort of work even has a new buzzword: the "triple nexus" of providing emergency aid, development assistance and security all at once in the hope that they will reinforce one another.

Notably absent is the Nigerian government. It published an impressive four-volume plan to rebuild the north-east two years ago, but has abdicated almost all humanitarian and development work to international organisations. "They've handed us the baby and now we're stuck holding it," says an aid worker.

Such lassitude worries Western armies, which are reluctant to get sucked into another war. America and Britain train Nigerian troops and provide advice and intelligence. American special forces also go on joint patrols with the army in Niger, and France conducts extensive operations across the Sahel. Western powers are bankrolling the G5, a regional counterterrorism force with troops from Burkina Faso, Chad, Mali, Mauritania and Niger.

But they are loth to take a more direct role in fighting ISWAP in Nigeria, such as that being undertaken in Somalia, where America has some 500 troops on the ground and conducts raids and drone strikes to kill or capture jihadists. (It lost a soldier in June.) This is partly because, for now at least, ISWAP poses little direct threat to Western countries. Lake Chad is inaccessible, so few foreign fighters can get in or out. It is also horribly poor, and therefore unattractive to the Western-born jihadists who complained that life in Iraq and Syria lacked material comforts. Other jihadist outfits in the region have proved able to attack Western targets locally, such as hotels. But only IS in Libya has successfully staged attacks in Europe in recent years.

The death of four American soldiers in an ambush in Niger last October is already raising doubts about the scale of America's involvement in Africa. That incident was America's biggest loss of lives in combat in Africa since 18 men were killed in Mogadishu 25 years ago, which prompted the withdrawal of its forces.

A similar rethink may be taking place after the ambush in Niger. American soldiers in Africa have been ordered to go on fewer missions and to take fewer risks. Earlier this year the Pentagon told AFRICOM to plan for a possible 50% cut in the number of special forces in Africa over three years. To fill that gap, Britain, France and their allies would have to put more of their troops on the ground.

A line in the sand

Some think that, far from cutting back the military effort, it needs to be stepped up. A Western air campaign could inflict heavy casualties and knock back ISWAP's ability to organise by a year or more. But air strikes alone would probably not be enough to defeat the group. "We could knock out the leadership, but would that make things any better?" asks one British officer. Western officers talk of the need for a long-term commitment to train, equip and assist local forces, and to give them air support when needed.

General Hicks compares the rise of jihadism in Africa to that of the Taliban in Afghanistan in 1993. The threats they pose to the West "are still in a nascent stage and can be dealt with at a price that's affordable in both blood and treasure," he says. Leaving the danger to fester might allow the threat to grow until Western forces are compelled to intervene directly and massively. But the experience of the West in Afghanistan since 2001 holds another lesson: military intervention alone cannot solve the problem. It can disrupt jihadists and buy time to win back the allegiance of the disgruntled and marginalised. For the most part, that is a job for Africa's beleaguered rulers—

if they are up to it.

Dig deeper

Transcript: Interview with General Hicks

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Fatwa is a feminist issue

Saudi women want more sway in religious affairs

Female religious scholars are demanding equality with men

Jul 12th 2018 | RIYADH

TO KEEP women quiet, Saudi Arabia's clerical hierarchy once damned their voices as *awra*, an Arabic word for genitalia. The late Sheikh Abdelaziz Bin Baz, the kingdom's top official cleric, opined that women should stay at home to reduce the risk of adultery. In 1994 he ordered the kingdom's withdrawal from a UN conference because its support for equality between the sexes was "against God's law".

Two decades on Saudi female scholars are widely heard. They are penetrating the courts, mosques and universities, and can be heard giving sermons online. Nawal al-Eid, a preacher with her own women's centre in Riyadh, has 5m followers on Twitter, more than almost any male cleric. "As long as you are qualified, you can speak up," says Noura al-Hassawi, the director of research at Princess Nourah University's Islamic Sciences department, the kingdom's largest for women. "As a scholar, my opinion is equal to a man's."

Secular Saudi feminists won international attention in June when Muhammad bin Salman, the reform-leaning Saudi crown prince, ended the kingdom's ban on women driving. But beneath their *niqabs*, or face-coverings, their conservative counterparts may be making even more ground. Female religious scholars have added the feminine Arabic suffix, *ah*, to a host of once-male posts, including *da'yiah* (preacher), *alimah* (Islamic scholar) and *muftiyah* (legal expert). "Women, instead of asking a man…call a more understanding *muftiyah*," advises an online directory listing Saudi women qualified in sharia.

Their rise is the result of a surge of Islamic-study programmes for women initiated—ironically—by the male clergy, many of whom were opposed to education for girls. They sanctioned female attendance at primary schools in the 1960s, only on condition that they could oversee the teaching (and budget). Today, female university graduates in Islamic studies outnumber male ones.

Many women graduates used to go into teaching, but now aspire to men-only jobs. This year the prosecution service began training its first intake of female investigating magistrates. The all-male Islamic affairs ministry says it is planning a women's section. And on July 3rd the justice ministry began recruiting female assistants for its male judges.

Some want to go further. They cite the Koran and examples from the first generation of Muslims (whom Saudi traditionalists profess to follow) to argue that women can lead prayers or even countries.

Change is underway. Judges now let female lawyers speak. They have revoked the right of male guardians to manage a woman's wealth, veto her marriage and keep custody of her children. The growing sway of women in religious affairs makes some liberals nervous. "We don't want more fanatics," says an official. She fears conservative women could derail the prince's programme of modernisation.

The Shura Council, the kingdom's quasi-parliament, is also concerned. Last September, it ruled that aspiring *muftiyahs* require a government licence. Prince Muhammad has muzzled the more independent ones. Ruqayya al-Muharib, a *muftiyah*, had been expected to become the first woman on the

Council of Senior Scholars, the kingdom's top religious body, but was detained in September.

Nor are conservatives happy. Women keep demanding (and getting) more space in the mosque, complains an official of Islamic affairs. "A generation ago," he huffs, "they would have stayed at home."

The long legs of the law

Why a mayor in Lebanon has dressed policewomen in hot pants

The marketing stunt has caused a stir

Jul 12th 2018 | BROUMANA

THE mayor of Broumana, Pierre Achkar, has a problem. Rich tourists from the Gulf, who spend big and stay long, no longer holiday in his mountain town. The mayor wants to entice tourists from the West to plug the gap, but Lebanon's reputation for violence and instability keeps them away, he says. His solution: to hire young women as police officers and dress them up in black hot pants.

"People in the West don't visit Lebanon because they think it's a country of Islamic extremism," explains Mr Achkar. "We want to show that we have the same way of life as the West. You wear shorts and we wear shorts. We have democracy. Our women are free." The mayor's stunt has caused a stir and split opinion. Some are pleased, but others say it exposes the young women to sexual harassment, or worry that they will distract drivers and cause road accidents. The mayor is undaunted. "Why would we hire ugly girls?" he asks.

The new hires direct traffic rather unconvincingly along the town's restaurant-lined thoroughfare. Locals say they have done little to ease congestion. But the town's police chief, who likens them to flowers, says his female subordinates have soothed motorists. Men are more likely to wear their seat belts and drive cautiously when told to do so by a pretty woman, he says. Chloe Khalife, a newly badged 19-year-old, says she is an example of Lebanon's open society.

Feminists disagree. Until recently, rapists could marry their victims to escape punishment. Some still can if the girl is aged 15-17. Religious courts, which rule on divorce and child custody, discriminate against women and make it difficult for them to leave violent husbands. Some allow girls as young as nine to marry. Women cannot pass on their nationality to their children. Sexual harassment is not a crime. "It's a cheap PR exercise that only serves as a reminder of how far from equality, rights and respect we really are," says Lina Abirafeh, director of the Institute for Women's Studies in the Arab World.

The Ministry of Tourism has marketed the country using skimpily dressed women before. It took out an advert in *Playboy* magazine, before the civil war erupted in 1975, showing a bikini-clad woman and promising tourists their own "Arabian Nights fantasy". Another campaign in 2011 featured a man hypnotised by memories of Lebanese women in bikinis. That video drew similar howls of disapproval.

Lebanon's tourism industry, a mainstay of the struggling economy, badly needs a boost. The war next door in Syria, political turmoil, terrorism and anger at Iran's rising influence in the country mean fewer tourists are coming. Hot pants will not bring them back.

Europe

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Jupiter humbled

Emmanuel Macron's popularity hits a new low

Despite his many achievements, he felt obliged to sound humble this week

Jul 12th 2018 | VERSAILLES

A YEAR ago, as a young freshly elected president eager to look the part, Emmanuel Macron summoned a joint sitting of both houses of parliament in the former royal palace at Versailles, and spoke loftily of grandeur and destiny. On July 9th, for his second speech to Congress, it was a more humble head of state who stepped into the chamber. "I know that I can't do everything," he declared, "I know that I won't succeed in everything." The setting was unchanged, but the tone was markedly different. A chastened president, it seems, is trying to recover his touch.

In a stiflingly hot chamber, as parliamentarians fanned their moist faces, Mr Macron sent two broad messages. First, that the president, so often accused of arrogance, is in fact listening. He spoke of voters' anger and fear, of those who feel they are "ignored, held in contempt", and struggle to make ends meet. Results, he warned, could take time to come through. But he would keep trying. Jupiter, in other words, may still be sitting on the republican throne, but he is not deaf to his critics, nor the concerns of ordinary folk.

His second message had less to do with style than philosophy. Mr Macron's detractors accuse him of lacking ideology, or political clarity. He campaigned as neither on the left nor right, and invented a centrist party, which dominates the National Assembly, from nothing. Some one-time supporters on the left consider that the decisions taken in his first year—cuts to corporate and wealth taxes, a focus on curbing the budget deficit to below 3%, an increase in social charges on pensions—prove that the former Socialist minister has turned into a right-winger and "president of the rich".

In response, and with an unspoken nod to Amartya Sen, John Rawls and Nordic welfare models, Mr Macron reiterated his core beliefs. First, that social policy should be measured not—as traditionally in France—by the level of benefits paid, but by investment in individuals, in education and training, to help "emancipate" them from poverty. Second, that he is not out to help the rich, but those who create wealth. "If we want to share out the pie," he said, "we have to make sure that there is a pie" to share. Mr Macron promised to unveil an anti-poverty programme in September, as part of a redesign of France's welfare state for the 21st century. The point, he stressed, was "not to enable the poor to live better, but for them to climb out of poverty."

Economist.com

Mr Macron needs a boost. His approval ratings have fallen to new lows, touching 41% in July, according to Ifop, a polling group, down from 66% after his election last year. Fully 58% of voters consider that he defends French interests well abroad, but only 29% think he is close to the preoccupations of ordinary people. A series of misjudged remarks, some recorded and publicised by his own staff, have contributed to an impression of regal self-importance. He publicly scolded a teenager in a crowd, who addressed Mr Macron colloquially as “Manu”, and instructed him to say “Monsieur le Président”. News that the Elysée Palace has ordered a pricey new dinner service, and is building a swimming pool at the presidential summer fort on the Mediterranean coast, were gifts to his opponents. This week, Unsubmissive France, a far-left party whose deputies boycotted the president's address to Congress, ran a social-media campaign against him under the hashtag #MacronMonarc. Abroad, he has failed to get anything out of Donald Trump over Iran, and very little from the EU on euro-zone reform.

That Mr Macron's political opponents remain hostile is no surprise. A sharper critique emerged from a trio of economists who helped to write his election manifesto, among them Jean Pisani-Ferry, who co-ordinated the campaign programme. In a note to the president, leaked to *Le Monde* last month, they warned Mr Macron that his government came across as "indifferent" to social issues, and neglectful of the "struggle against unequal access" that had been a cornerstone of his campaign. There was a perception among his own supporters, they stressed, that the government was drifting to the right. This seemed only to be confirmed by Mr Macron's failure recently to offer to let the *Aquarius*, a migrant-rescue ship, dock in France. Such an impression is particularly risky ahead of tough upcoming decisions over public spending, which have been delayed because of their political sensitivity.

The president, says one insider, "has listened" to such messages. Hence his speech in Versailles. It remains to be seen whether Mr Macron really can tame his inner monarch, not least because he believes that the French presidency should be "Jupiterian". Yet the paradox is that he is faltering at a time when he has, in reality, clocked up some impressive successes. In the face of strikes and protests, he has pushed through a series of reforms, from the labour market to the railways. He has made nursery school compulsory from the age of three, redesigned the university-entrance process and cleaned up parliamentary expenses. Unemployment is on course to be 8.8% by the end of 2018, down from 10.1% in 2016. France has even made it to the World Cup final. Mr Macron's touch is not what it was. But his luck may not have run out yet.

Tetchy Trump

The American president lambasts his allies

But at least he endorses a tough communique

Jul 12th 2018 | BRUSSELS

DONALD TRUMP’S bark may be worse than his bite, but the bark is a very nasty sound. America’s NATO allies were left with that feeling after a summit in which the American president showed startling rudeness, but in the end raised no objection to a stout pledge of common defence against Russia and other adversaries.

Diplomats had issued careful warnings about the likelihood of robust exchanges at the gathering in Brussels on July 11th-12th, but nobody was quite prepared for the tirade against America’s “delinquent” allies, and Germany in particular, which Mr Trump unleashed on arrival, venting his spleen in front of Jens Stoltenberg, the NATO secretary-general.

The president accused the Germans of being “controlled by Russia.” He complained that billions of dollars a year were flowing from Berlin to

Moscow under a new gas-pipeline deal, while Germany had the nerve to expect American help with warding off Russian threats. Angela Merkel, Germany's chancellor, gave a dignified response, saying she had experienced Soviet domination as a child in East Germany and was glad her united country was now free to make its own decisions.

Mr Stoltenberg, a Norwegian whose job is to act as a kind of lightning-rod for storms raging inside NATO, tried hard to accentuate the positive. He stressed after the main summit meeting that all allies were on track to reach the target of spending at least 2% of GDP on defence. As he spoke, it emerged that Mr Trump had demanded that his allies adopt a target of 4% (which even America itself does not satisfy). Earlier, while the 29 NATO leaders were supposedly incommunicado, a tweet came from the president claiming that he was protecting American farmers from the disastrous effects of European trade policies.

Dazed as they were by Mr Trump's antics, America's allies came away with a sense of relief that he had joined them in approving a toughly worded common statement which reaffirmed NATO's core principle: "Any attack against one ally will be regarded as an attack against us all." Mr Trump had earlier hinted that NATO members might forfeit this protection unless they boosted their defence spending.

The statement unequivocally rebuked Russia for a long list of old and new misdeeds. These included the "illegal and illegitimate annexation of Crimea and ongoing destabilisation of eastern Ukraine" and the use of a military-grade nerve agent in an assassination attempt in England.

Russia was also taken to task for engaging in provocative activities, such as airspace violations and large exercises held without notice, along with "irresponsible and aggressive nuclear rhetoric" and military build-ups in Crimea and the enclave of Kaliningrad. The allies insisted, however, that they remained open to a meaningful dialogue with Moscow.

All this was, at least some optimists hope, an implicit reassurance to NATO's European partners that Mr Trump was not about to make a deal over their heads with his Russian counterpart, Vladimir Putin. But as he headed first to Britain before meeting Mr Putin in Helsinki on July 16th, it could all be undone with a single irate presidential tweet, perhaps triggered by British protests. And the meeting in Helsinki could throw up literally anything.

The NATO members also reaffirmed their commitment to a series of costly new initiatives of which James Mattis, the American defence secretary, is the main architect. These include the establishment of new NATO commands in the United States (to guard Atlantic shipping lanes) and in Germany, along with fresh efforts to shore up the Baltic states, Poland and Romania against any Russian misbehaviour.

Mr Stoltenberg summed up the new NATO mood by saying: “For a quarter of a century, many of our countries have been cutting billions from their defence budgets. Now, they are adding billions.” Still, given that NATO is a club of democracies, electorates will also have to be persuaded that this is the right use of their money. And Mr Trump’s outbursts will probably not be much help in winning over European hearts, minds or wallets.

After Mutti, Vati?

An interview with Germany’s finance minister, Olaf Scholz

Germany’s cautious Social Democrat positions himself as a new Angela Merkel

Jul 12th 2018 | BERLIN

FOLLOWING a dismal campaign, the centre-left Social Democrats (SPD) fell to their lowest post-war result in Germany’s general election last September. Early this year they quarrelled over whether to enter another coalition with Angela Merkel. Lefties warned that without a spell in opposition to formulate more distinct policies, the party would be doomed. But the leadership won over members at a vote in March with promises of renewal within government, greater distance from the centre-right, investment increases and, most of all, a “European awakening” beside Emmanuel Macron, the French president.

As the new SPD finance minister and vice-chancellor, Olaf Scholz has more power to enact that plan than anyone else. He is widely tipped to be the party’s candidate for chancellor at the next election, which is due to take place in 2021 but may come sooner. Yet talking to *The Economist* in his office in the finance ministry, the centrist former mayor of Hamburg advances a different strategy.

There are words of reassurance for comrades anxious that he is “Olaf Schäuble” or a new incarnation of Wolfgang Schäuble, his skinflint centre-right predecessor. Mr Scholz distances himself from projections of a flat federal investment rate over the parliament. “We have some investment headroom and we are willing to use it,” he says, hinting that infrastructure, science and defence will be his priorities. On Europe he offers full-throated support for Mr Macron’s notion of “European sovereignty”, a call for common action to improve the resilience of the European social model. More solidarity in the euro zone is needed, he says: “I really underline Macron’s idea that there is no time to waste.”

But he really wants to talk, though rather vaguely, about the bigger picture. That Western workers lack the optimism felt by their counterparts in rising Asian economies helps explain the votes for Donald Trump and Brexit: “Imagine you’re a trucker and proud of your job as a tough man and…you see in the news that in 15-20 years that there may be no more truckers because there will be self-driving trucks.” Winning back such voters will take a rigorous focus not just on “foreign policy, security, defence, Europe” but also everyday matters: “creating jobs and dealing with the problems of modern life…of the 2020s and 2030s.” Deepening the euro zone should not come at the expense of progress on security and migration; Franco-German collaboration should not weaken the EU’s overall cohesion; at home the SPD should pursue a balanced budget, debt reduction and ever-higher employment.

To match such down-to-earth policies, Mr Scholz prescribes a down-to-earth style. He reckons the SPD needs clear, consistent messages rather than “tactical” manoeuvres: “We want to be true-hearted in what we do, but also a pragmatic left-of-centre party that could be elected by many people who are not classical SPD voters.” If this cocktail of reassurance, material progress, non-ideological managerialism and a healthy disregard for identity politics seems familiar it is because it closely resembles Mrs Merkel’s formula. Mr Scholz seems to be styling himself as a reassuring father of the nation, a

“Vati” (dad) to the chancellor’s “Mutti” (mum).

That may be a wise strategy. Mrs Merkel’s centre-right alliance has been consumed by infighting over immigration in recent weeks and may well lurch to the right after she steps down, which she is expected to do before the next election. That would help Mr Scholz, who seems to be preparing to occupy her territory by styling himself as the natural heir to her low-key, centrist style of politics.

Germany could do worse than a new chancellor who is able to combine Mrs Merkel’s unflappable maturity with a greater willingness to think ahead to the 2030s. But Mr Scholz still has much to prove. His buzzwords about technological change, his caution about Germany’s debt, his unhurried approach to badly needed investment, the absence of any real “European awakening”—it all sums up not just the positive aspects of the current chancellor but also the negative ones, such as her passivity, her vagueness and her reluctance to risk unsettling reforms. The finance minister’s acolytes reckon he will develop bolder ideas and proposals over the coming years. He had better; there is not much sign of them yet.

Can you dig it?

The Dutch underground bicycle-park arms race

As citizens cycle ever more, the places to park their bikes grow ever larger

Jul 12th 2018 | UTRECHT

THE trilling of spokes, cyclists rounding the bend in unison: no, this is not the Tour de France. It is the new underground bicycle park at Utrecht Central railway station, which opened last year. Three storeys deep, with electronic monitors indicating where spaces are available, it has room to park 7,500 bicycles. “It’s a bit of a maze,” says Xander Staal, who takes a picture of his bike’s berth as an *aide-memoire* each morning before commuting to Amsterdam.

The Netherlands is experiencing an underground bike-park boom, as cities race each other to build the largest. The Hague had hoped to overtake Utrecht this spring with a new park with 8,500 places, but that has been delayed by construction problems. Later this year Utrecht’s park will expand to 12,500 slots, surpassing a 9,400-space one in Tokyo to become the largest in the world. Amsterdam is playing catch-up: a 4,000-space garage is to be built next to its central station in what is now the river IJ. Railway stations will need over 140,000 more spots by 2030, many underground.

The Dutch are already the world's cycling champions, with an estimated 1.3 bicycles per person. Yet pedal-powered travel is still growing, especially in combination with trains, says Wim Bot of the powerful cyclists' union. The proportion of trips to railway stations made by bike (rather than foot, bus or car) has risen from 36% in 2005 to 45% today.

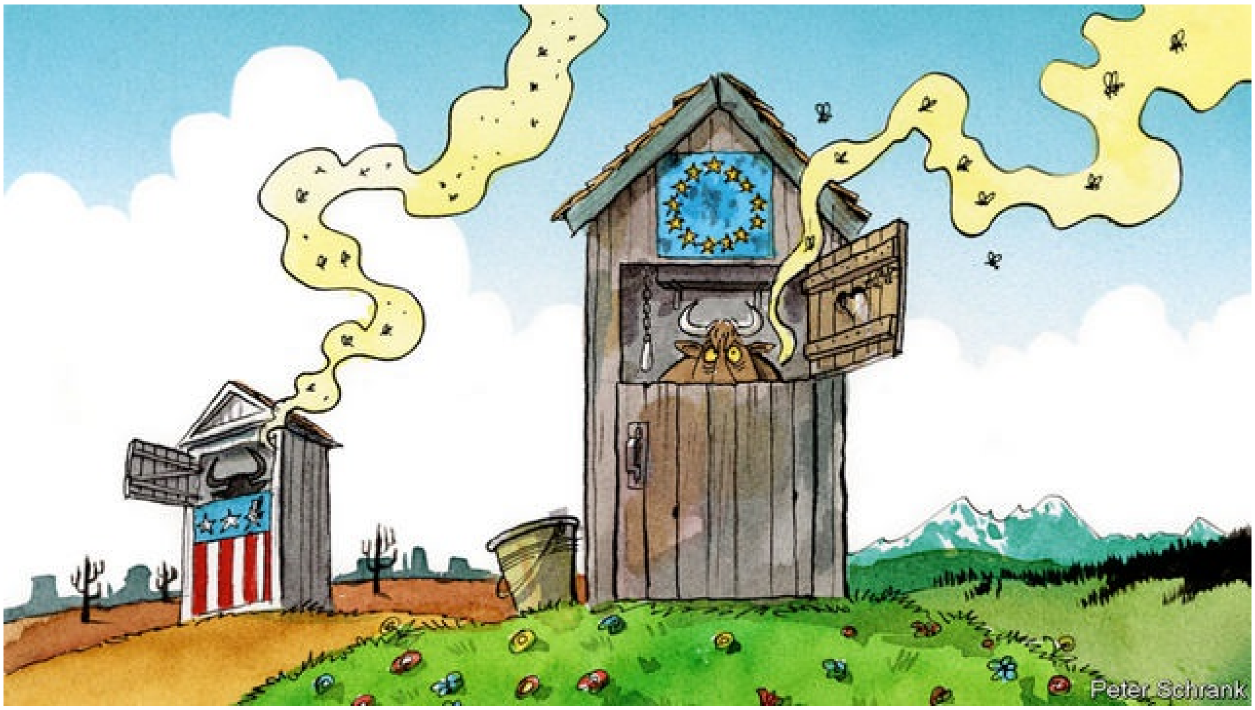
That threatens to turn the space around stations into a sea of aluminium. Police are removing illegally parked bikes faster. Spots underground in Utrecht are free for 24 hours to draw commuters in, but €1.25 per day after that to prevent them being used for storage.

Yet even as private bicycles move underground, new invaders are clogging Dutch pavements. The country now has at least nine commercial bike-sharing schemes, which often allow users to leave their wheels anywhere once they are done with them. Last year Amsterdam announced it would remove any share-bikes dumped outside designated zones. Meanwhile, the national government's latest cycling plan, released last month, envisions spending €250m to the end of 2022 on new paths and parks. The aim is to lure 200,000 motorists to switch to cycling, and to increase annual bike travel by 3bn bicycle-kilometres in 2027. Time to dig some more garages.

Charlemagne: Political displacement activity

How policy debates in Europe become untethered from reality

Symbolic rows blaze while real ones are ignored



Jul 12th 2018

IN 2016 the election of an American president with a wilful disregard for the truth inspired some observers to return to “On Bullshit”, a monograph on hot air written in 1986 by Harry Frankfurt, a philosopher. Europeans delight in this sort of thing. They enjoy contrasting the “fake news” and “alternative facts” that characterise the Trump administration with their own, more honest, brand of politics. Yet they should not be so sanguine. Worryingly, bovine waste seems to be spreading in Europe.

Take the recent spat in Germany, where Horst Seehofer, the interior minister, came close to blowing up the coalition between his Bavaria-based Christian Social Union and Angela Merkel’s Christian Democratic Union. Although migrant arrivals in Germany have plummeted, Mr Seehofer wanted to turn back from the southern frontier asylum-seekers registered in other countries, an action that could have triggered a domino effect of border controls elsewhere. Denied by Mrs Merkel, Mr Seehofer resigned, unresigned, huffed and puffed, and finally struck a compromise to accelerate screening procedures which, by one measure, might apply to fewer than ten migrants a day. His strutting had nothing to do with managing immigration and everything to do with boosting the CSU's standing before Bavarian elections in October. (Polls suggest his gambit has backfired.)

Mr Seehofer's psychodrama troubled the rest of the European Union, too; a mini-summit was arranged to help resolve it. "It cannot be that some Bavarian party decides how Europe works," sniffed Luxembourg's prime minister. But other Europeans should not be too haughty about Germany's debate, for their own rows on asylum are barely more rational. For three years the EU's leaders have locked horns over how to distribute asylum-seekers across the EU. The contest has become a pure power play, decoupled from the reality of irregular migration. One estimate is that a realistic relocation proposal would have applied to a mere 16,000 asylum-seekers over two years. "Do you really want to break Europe for this?" asks a frustrated official.

Another case in point is a new proliferation of ambiguous phrases designed to paper over political disagreements. To add to its already-impressive lexicon, the migration debate has lately thrown up "control centres", "regional disembarkation platforms" and "transit centres". The purpose of such proposals is rarely elaborated, the details never worked out. That means leaders can all provide their own interpretations and claim victory at home, while hapless officials are left to work out how to transmute the empty phrases into meaningful policy. When they inevitably fail, the political argument returns, usually in fiercer form.

European politicians have developed a habit of turning thorny substantive debates into poisonous symbolic ones. France recently came close to torpedoing the start of EU membership talks for Macedonia and Albania. Its fine words about corruption and the rule of law were really cover for fears of handing nativist French politicians a vote-winning argument before next year's European elections. On the debate over euro-zone reform, which has momentum for the first time in years, the German and Dutch parliaments groan with deputies who threaten to blow up deals over a "transfer union" that no one is proposing.

To a degree this is nothing new. Insoluble domestic disputes have long been outsourced to “Europe”, or simply dumped on neighbours (Austria was infuriated not to have been consulted about the Seehofer-Merkel deal, which assumed that it would take back Germany’s rejected migrants). But in a more fractured electoral landscape, politicians have bigger incentives to wage largely symbolic battles. These in turn are boosted on social media, riling the base and drowning out moderate voices.

And Europe’s posing leaves real casualties. French intransigence means Macedonia’s government will find it harder to win a tricky autumn referendum on the deal it recently struck with Greece to rename itself. The euro-zone debate may yet be derailed or diluted by restive parliaments in creditor countries battling ghosts of their own imagination. On Europe’s migration rules, no one pretends a solution is easy. But governments are wasting precious political capital on disputes that succeed only in setting them against each other.

Enter the expert

As for Mr Trump, his particular brand of baloney is now affecting Europe. At this week’s NATO summit he launched a fusillade against America’s allies, especially Germany, for not meeting their promise to spend 2% of GDP on defence. But if Mr Trump genuinely cared about this he would parade the growth in defence budgets across NATO as a personal triumph, rather than berate allies for not doing more. His real gripe is America’s trade deficit with the EU; military free-riding just offers an excuse to press his case that America is being stiffed. “The bullshitter is faking things. But this does not mean that he necessarily gets them wrong,” writes Mr Frankfurt. Mr Trump is indeed right that Germany should spend more on defence.

But that should be the start of the debate, not its conclusion. The nature of the security threat to Europe is changing, and America has growing commitments in Asia. This should lead to a serious discussion in Europe over how the allies can best pool military resources, spread risk and exploit national specialisms to take more responsibility for their own defence. Germany is well overdue a national debate over its security strategy. Instead, the discussion has been eclipsed by a fixation on a number that is a poor proxy for how NATO allies should share military burdens.

The challenge posed by Mr Trump demands a clear-eyed and unified response. Instead, Europe finds itself bogged down in squabbles that have become increasingly untethered from reality. If Europe has had enough of Mr Trump's nonsense, it might help to stop peddling so much of its own.

Britain

In somewhat turmoil

What doesn’t kill her makes Theresa May stronger

But can she use her new strength to deliver a workable Brexit?

Jul 12th 2018

IT HAS been a week of chaos. Two cabinet ministers resigned, and several junior ministers and party functionaries followed them. Tories muttered about “coups” and “betrayal”. Emily Thornberry, the shadow foreign secretary, compared watching the Conservative Party to watching “Reservoir Dogs”, remade by the Chuckle Brothers. And after all this, Theresa May could look forward to entertaining Donald Trump, who was due to arrive on July 12th for a visit that included meetings with the prime minister and the queen.

The immediate reason for Britain’s “somewhat turmoil”, as Mr Trump helpfully put it, was a meeting of the cabinet at Chequers, the prime minister’s country residence, on July 6th to hash out a British negotiating position on Brexit. Downing Street initially trumpeted the agreement as a triumph. But two days later, just before midnight, David Davis resigned as Brexit secretary, in protest at Mrs May’s move towards a “soft” Brexit that would maintain close ties to the EU. Boris Johnson, the foreign secretary, followed him out of the door the next day.

It is easy to see why so many people concluded from this that the government was on the ropes and Mrs May on her last legs. The European question destroyed the previous three Tory prime ministers. But perhaps the most extraordinary thing about this extraordinary week was that Mrs May ended it stronger than she began.

The simple fact of surviving such turmoil enhanced her position. She faced down her critics on both sides of the House of Commons by giving a spirited defence of her plan on July 9th. Members of the powerful 1922 Committee of Tory MPs declared their support. For all their bluster, her Brexiteer critics couldn't muster the 48 votes necessary to trigger a vote of no confidence in the prime minister, let alone the 159 necessary to defeat her.

Missing you already

Mrs May also ended the week with a much better cabinet than she started: not just more united, but more competent and dynamic. Mr Johnson was one of the worst foreign secretaries the country has had. Mr Davis is a 69-year-old maverick who loves threatening to resign. Their successors, Jeremy Hunt and Dominic Raab, are highly competent. This week's turmoil has forced Mrs May to sideline the blow-hards and has-beens at the top of her party and promote the talented members of the 2010 intake, something she should have done long ago.

By contrast, the Brexiteers had a bad week. They not only lost their most powerful voices at the top of government, including Steve Baker, Mr Davis's number two and a rather more formidable figure. They also began to fragment. Mrs May has co-opted the likes of Michael Gove, the environment secretary, and Andrea Leadsom, the leader of the House, from the ranks of the hardliners. The ultras did themselves no favours by failing to suggest their own solutions to the complex problems that the Chequers compromise took on. Neither Mr Johnson nor Mr Davis even mentioned the problem of the Irish border in their lengthy resignation letters.

Mrs May's oddly successful week puts her in a good position to start selling the Chequers compromise. She is engaged in a charm-offensive with European leaders. But she still faces a daunting set of problems. The most obvious one comes from the EU. A nit-picking response to her plan could irritate moderate Tories, shifting the balance of power within the party towards the hard-Brexiteers. There are signs that the Europeans recognise the delicacy of the situation (see article). Angela Merkel, Germany's chancellor, called the new plan "a solid step forward".

Yet things could easily fall apart. Mrs May's proposals, which have already tested many Tories' loyalties to breaking point, will inevitably be made even harder to swallow in the course of the negotiations. Mrs May's position depends on a fudge: insisting that Britain formally leaves the customs union and the single market, while doing her best to make sure that "leaving" means as little as possible. But the EU is a legal construct which likes words to have precise meanings.

The second problem comes from the Brexiteers. They are moving quickly to recover lost ground, putting down several amendments to a trade bill being debated next week. The Brexiteers resemble a party within a party. The European Reform Group, a Eurosceptic caucus, has 80 members, many of whom think that Brexit trumps everything else, including keeping Labour out of Downing Street. Mr Johnson is likely to be much more troublesome as an unhappy backbencher than he was as foreign secretary. He knows how to stir the populist pot better than anyone in Parliament and has a lot of discontent to work with. A YouGov poll shows that only 14% of voters think that the Chequers deal is good for Britain, compared with 33% who think it is bad—and that is before the EU modifies the deal even further.

Mrs May's biggest problem will be parliamentary arithmetic. She has to get her Brexit bill though the House of Commons without a working majority on her side, and with a significant minority of her party opposed to the policy. Working in her favour is the fact that most MPs are in favour of a soft Brexit. Working against her is the remorseless logic of party politics. The Labour Party leadership is more interested in bringing down the government than solving a problem that is of the Tory party's making. Supporting Mrs May would be a career-ending move for Labour MPs, whose party is dominated by activists bent on rooting out "traitors". Some Labour MPs might be willing to do this to keep Britain in the EU. But they would not be willing to do so to support a dog's dinner of a scheme that has been designed to keep Mrs May alive.

All this means that the Labour Party is beginning to prepare for an autumn election. The somewhat turmoil of the past week could yet grow, bigly.

The view from Brussels

The EU digests Britain’s new Brexit plan

The Irish border remains the biggest obstacle to a deal

Jul 12th 2018 | BRUSSELS

THE reaction in Brussels to the Chequers proposals this week was muted, partly because of the political turmoil in Britain and partly because the EU was waiting to see the details in the government’s Brexit white paper, which was due to be published as we went to press. But European negotiators are relieved that Theresa May seems at last to have acknowledged that Brexit implies trade-offs. They will have something to get their teeth into when talks resume next week, and especially when ministers from across the EU convene to discuss Brexit on July 20th.

That will be the first test for Britain’s proposal to, in effect, retain membership of the EU single market for some traded goods. The European Commission insists that the single market’s freedoms are indivisible. Not every government may take such a tough line. Some are less wedded to ensuring that their workers retain the right to move to Britain after Brexit than is often realised. A bigger concern is ensuring that deregulation in Britain does not undercut European firms.

Yet officials say the Chequers proposal is unlikely to fly as it is. The British request still looks like cherry-picking. In sophisticated manufactured products, the relative value of goods and services, such as maintenance contracts, are often tricky to disentangle. Who would determine which products would fall under Britain's proposed "common rule-book"? And there are questions over governance of the proposed arrangement. Some in Brussels argued for shooting down the goods-only proposal even before it was agreed at Chequers.

Nor do Britain's nightmarish politics help. Some Tory politicians have said that Chequers represents the limit of the concessions they can accept. The EU has no wish to see Mrs May toppled. The concern is that having battled so hard to convince her cabinet to unite behind a softer form of Brexit, shedding ministers along the way, it will be impossible for the prime minister to make the necessary further concessions.

The EU has two possible tactics. One is to adopt the right tone. Its objections to Chequers will be carefully telegraphed and discreetly expressed in order not to hand further ammunition to Mrs May's enemies. The second is to delay. Britain's withdrawal agreement, which is supposed to be signed in October or soon afterwards, need cover only the principles of the future trade and migration relationship. The details will be negotiated after Britain has formally left the EU next March, by when the political temperature may have cooled.

Amid all the talk about the future relationship, a more urgent issue is being overlooked. Last December Mrs May agreed that Northern Ireland would retain regulatory and customs alignment with the EU unless another way could be found to forestall a hard border with Ireland. But to conclude the withdrawal treaty, Britain and the EU must agree on language that gives this "backstop" legal form. And that looks hard. Mrs May reiterated to Parliament this week that she would not accept regulatory divergence between Britain and Northern Ireland, implying that the backstop must apply to the United Kingdom as a whole. But the EU fears that would allow Britain partial membership of the single market via the back door.

Michel Barnier, the EU’s Brexit negotiator, has tried to defuse the issue by arguing that stepping up existing checks on goods at ports and airports between Northern Ireland and the mainland hardly amounts to erecting a border in the Irish Sea. But that claim is unlikely to sway this British government, or any other. The two sides are stuck. Without a deal on the backstop there can be no withdrawal treaty, and Britain will tumble off the Brexit cliff edge on March 29th 2019. This, more than anything else, should concentrate minds.

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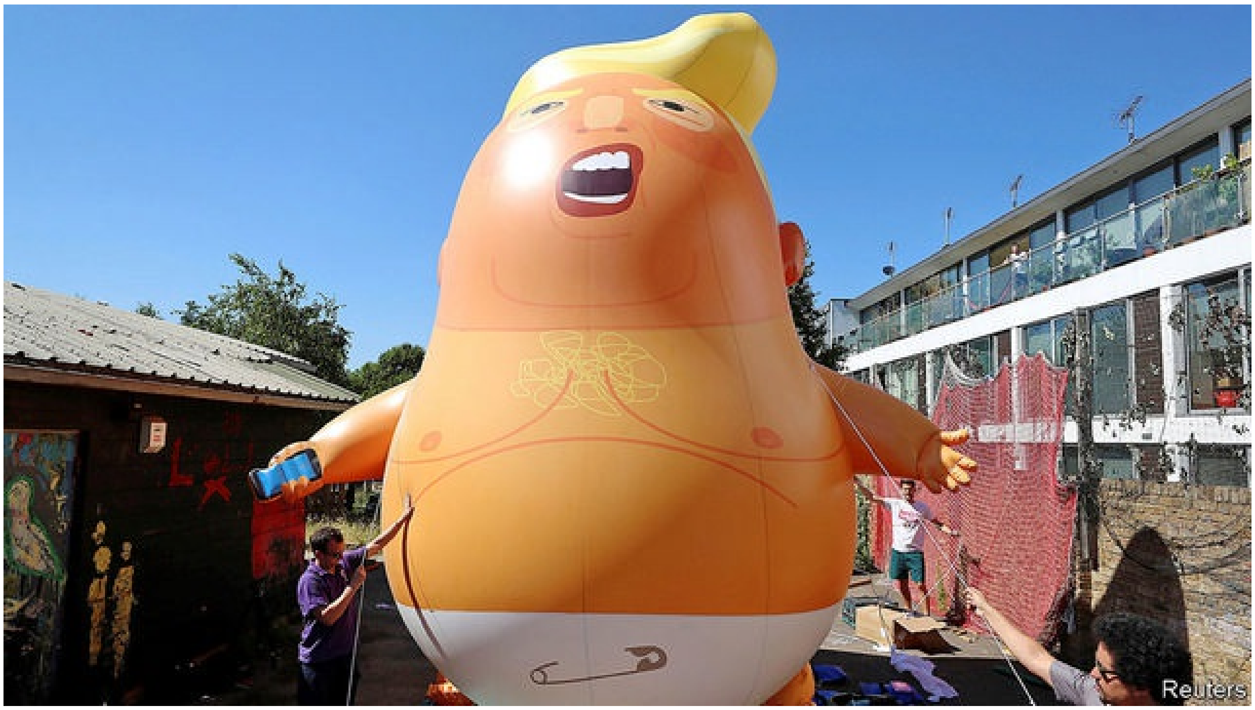
Oversized and over here

London gives a warm, orange welcome to Donald Trump

Protesters gather as the president heads to Britain



Jul 12th 2018

A GIANT, inflatable “Trump baby”, snarling and clutching a smartphone in its tiny orange hand, is ready to greet America’s president during his visit on July 12th-15th. The authorities in London have given protesters permission to fly the blimp over Parliament Square. But Mr Trump will spend hardly any time in the capital, instead meeting the prime minister at her country house, Chequers, and seeing the queen at Windsor Castle, before heading to Scotland for a spot of golf. American officials may be keen to spare Mr Trump’s blushes in front of protesters. He is more likely to embarrass his hosts: before leaving America the president predicted, extraordinarily, that his forthcoming meeting with Vladimir Putin would be the easiest stop on his trip to Europe.

britain-london-gives-warm-orange-welcome-donald

Three lions in their hearts

English or British? Football highlights an enduring identity crisis

The English are supposed to be British, but the two are at odds with each other

Jul 12th 2018

“ENGLAND is perhaps the only great country whose intellectuals are ashamed of their own nationality.” George Orwell’s perception is just as true today as it was when he wrote it in 1941; for though excitement drowned out more complex feelings during two blissful hours on July 11th when England might have beaten Croatia to go through to the final of the World Cup, one of the facets of Britain’s multi-faceted identity crisis is the ambivalence many English people feel about the flag under which their team plays.

Football is one of the few vehicles for the expression of Englishness. Unlike Britishness, which is grounded in a state, Englishness has no political institutions. So whereas Britishness is about ideas of citizenship, liberty and democracy, Englishness is rooted in the soil, and a history that stretches way back beyond the formation of the modern state—hence the three-lion arms of the medieval Plantagenet kings on the football team's shirt.

Like so many neglected identities, Englishness is reasserting itself. That started two decades ago, when the Euro '96 football tournament—in which England played Scotland and fans south of the border dumped the union flag in favour of the St George Cross—coincided with the devolution of power to Scotland, Wales and Northern Ireland. "People started to say: 'If they're them, who am I?'" says John Denham, a former Labour minister who is now director of Winchester University's Centre for English Identity and Politics. The proportion of people in England describing themselves as primarily English rose, and is now significantly higher than those who describe themselves as primarily British.

That matters, because of the difference between the two. The "English", a YouGov survey found, are older and associate England with "history, tradition and pageantry". Young people and Londoners are more likely to see themselves as British than English, and to regard England as "a diverse place, home to people from many backgrounds". A small group—7% overall, more of them young, Labour or Lib Dem—were embarrassed to identify as English. "This anti-English fraction is over-represented within the institutions of government, within the leadership of the public sector, within the media, within corporate capitalism and in academia—in short, a large part of what is sometimes called the elite," said Mr Denham in a recent lecture.

This hostility has its roots in the successful refashioning of Britishness as an outward-looking identity which espouses multiculturalism. Englishness, by contrast, is increasingly regarded as insular and atavistic. The nomenclature of the country's far-right party neatly illustrates the shift: 20 years ago, the big noise in small-time fascism was the British National Party; now it is the English Defence League.

It is not just on the fringes of politics that Englishness is making an impact. It showed up in a Labour spat three years ago which would have been baffling to those unversed in the nuances of nationalistic symbolism. While campaigning at a by-election in a poor part of Kent, Emily Thornberry, a London MP and shadow cabinet minister, tweeted a picture of a modest terraced house with a white van and three St George flags in front of it. No explanation was provided, but it was widely understood to say: "OMG! Look at these awful bigots who live in this godforsaken place.” She resigned.

Englishness helped the Conservatives win the 2015 election. Their campaign in England exploited fears that if Labour won, it would ally with the Scottish National Party. And Englishness played a big part in the referendum, too: 73% of those who defined themselves as English voted to leave, and 66% of those who defined themselves as British voted to remain.

The English have, thus, had their revenge on those contemptuous intellectuals, but the hostility has harmed the country. For the two to be reconciled, Mr Denham believes, England must be given a parliament to match those in Britain’s peripheries. And perhaps football will do its bit: it is hard to cheer England’s black, brown and white players, lions proudly displayed on their chests, and insist that Englishness is steeped in racism.

Spelunking’s coming home

A cave rescue in Thailand shows Britain’s skill at spelunking

An IT consultant from Bristol and a retired fireman from Coventry saved the day

Jul 12th 2018

“WHERE have you come from?” asked one of the boys, as two figures with head-torches loomed before them. “England, UK,” replied one of the divers, to bemused murmurs. Specifically, the frogmen who had found the 12 Thai children and their football coach after nine days in a flooded cave system (see Asia section) were Rick Stanton, a retired fireman from Coventry, and John Volanthen, an IT consultant from Bristol.

Despite their unremarkable day jobs, they are among the world’s most revered spelunkers. They hold the record for the farthest dive into a cave and have been summoned for rescues in France, Norway and Mexico. Their team in south Wales is one of 15 that comprise the British Cave Rescue Council (BCRC), which was called in when Thailand’s navy realised it would need help to locate the boys within a cave system that is 10km (6 miles) long.

In a grim reminder of the operation's dangers, Saman Gunan, an experienced former Thai navy SEAL, drowned while supplying air tanks. Overall about 90 divers, including 50 foreigners from around the world, helped to bring the boys and their coach home and dry. The American armed forces and Australian police provided several helpers, but the mission appears to have been led by the BCRC amateurs, who eventually numbered seven.

It might seem strange that British hobbyists are the first port of call for such high-stakes operations. Yet they, along with French enthusiasts, invented spelunking. A history of Derbyshire in 1777 mentions an early explorer who almost drowned while seeking a hidden cave. Britons created the brass diving-helmet in the 1820s, and vied with the French for underwater supremacy for the next century. British cave-divers improvised underwater breathing equipment with a bicycle pump and garden hose in the 1930s, and broadcast a BBC radio programme from an underwater cavern in Somerset. But it was Jacques Cousteau who pioneered modern scuba diving in 1943 with the aqua-lung, using a regulator to breathe compressed air from a metal cylinder.

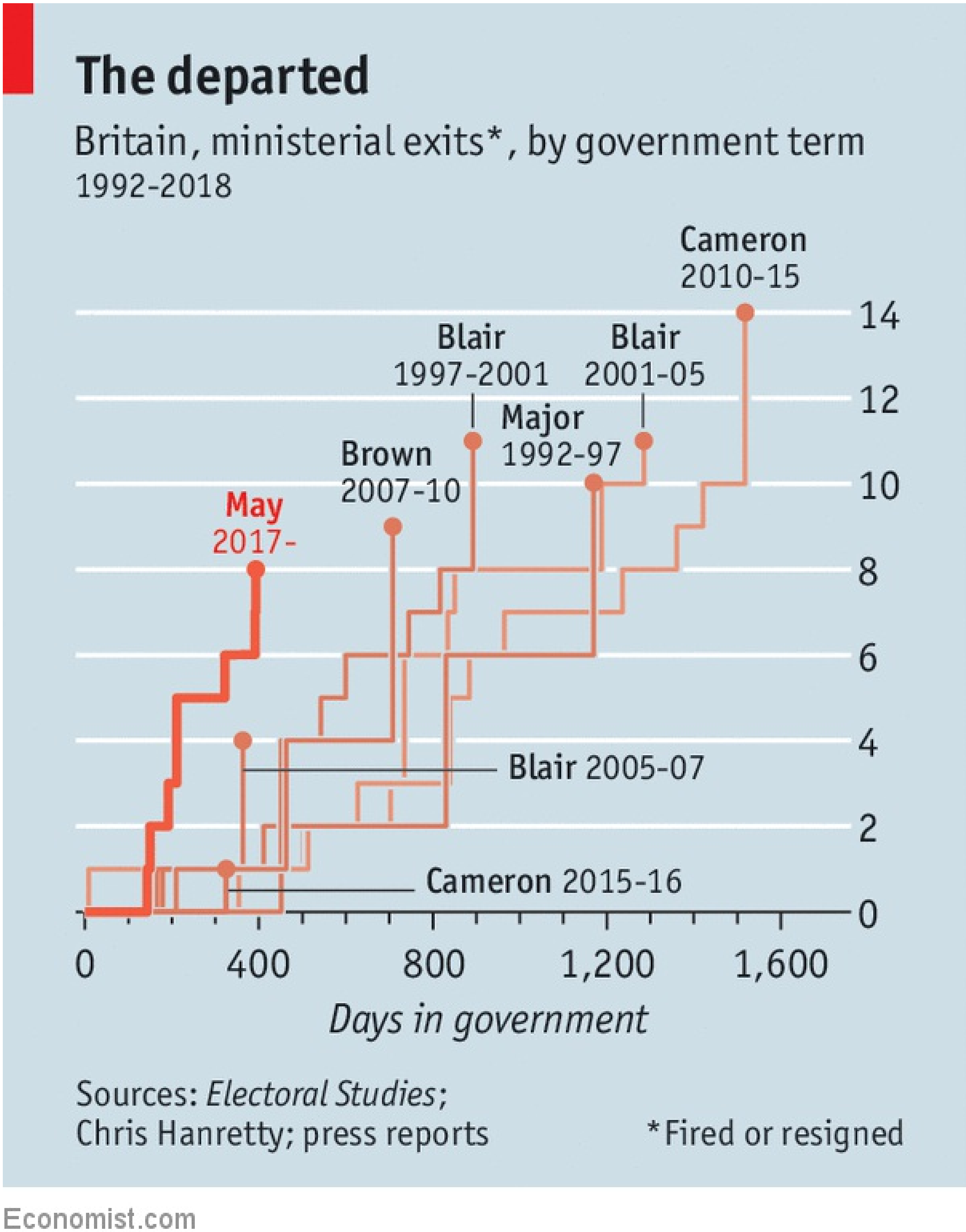
Today 28,000 people belong to the British Sub-Aqua Club. Though they have plenty of caves and mines to explore at home, many have ventured overseas. Indeed, the BCRC notes that Britons have spent years surveying Thailand's vast network of caves. The group's latest expedition will make a particularly memorable entry in the logbook.

Ministerial merry-go-round

A quiet revolution in Theresa May’s cabinet

Beneath the Brexit bluster, the top ranks of government have a very different outlook

Jul 12th 2018



THE cabinet casualty list is a long one: Theresa May has lost seven ministers in the past nine months. The departures of Boris Johnson, the foreign secretary, and David Davis, the Brexit secretary, this week were only the noisiest revolution of a ministerial carousel that has been spinning since the end of last year (see chart). The result is a cabinet filled with people of a very different outlook to those they replaced.

Bluster and blagging are out. The new foreign secretary, Jeremy Hunt, who was previously in charge of health, is a technocrat with a quiet radicalism—the direct opposite of Mr Johnson, who preferred rhetoric to detail. Dominic Raab, the new Brexit secretary, has similarly Eurosceptic views to his predecessor, but a rather different attitude to work. Colleagues commend Mr Raab's productivity, which was not a compliment often paid to Mr Davis. The cabinet is now "a much more professional outfit", points out one aide, tartly.

The careful balance of ministers based on their Brexit views has gone. Remainers now rule, grumble Brexiteers. The four most senior members of the government—prime minister, chancellor, home and foreign secretaries—backed Remain, even though they have all since converted to the Brexit cause. As important, the cabinet is now dominated by those with pro-business instincts. Philip Hammond, the chancellor, made pots of cash before becoming an MP. Sajid Javid, who was made home secretary in April, was a banker. Mr Hunt set up a PR consultancy and a publishing house (after an ill-fated attempt to export marmalade to Japan). In one of many undiplomatic statements, Mr Johnson reportedly declared: "Fuck business." Similar outbursts from his successor are unlikely.

Likewise, Messrs Hammond, Hunt and Javid share a view on immigration. The new home secretary merrily tramples on the prime minister's target of getting net migration below 100,000 a year. One of his first actions was to team up with Mr Hunt to make it easier for medics to immigrate. This liberal worldview will be boosted by the promotion of Matt Hancock, who now rules the health department and has similar instincts. Before becoming an MP, Mr Hancock was chief of staff to the then-shadow chancellor George Osborne, a leader of the Tories' liberal wing.

Mrs May has tried to stamp that liberalism out of the party. Indeed, whereas those around the prime minister may be unashamedly pro-business and pro-migration, Mrs May herself is wary of both, cautions one MP. Yet a hobbled, distracted Downing Street means that departments with a little wherewithal can do what they like, points out one cabinet minister.

In any case, the cabinet clear-out has left it fresher. Old-timers such as Mr Davis, who was an MP under Margaret Thatcher, have been replaced. Fifteen of the 29 people who crowd around the coffin-shaped table in Downing Street were elected only in 2010.

Blooding newish MPs is key to the Conservatives' post-Brexit future. The party has a talented crop of MPs elected in 2015 and 2017 who are stranded on the backbenches. These bright sparks make a stark contrast to the remaining bed-blockers in the cabinet, whose records are poor.

An attempt to freshen up the cabinet in January flopped, when Mrs May proved too weak to force some dud ministers out of their jobs. Now, however, some of the deadwood has at last been cleared. "She botched the reshuffle in January," says one former Downing Street adviser. "But we seem to be getting there somewhat accidentally anyway."

The policies don’t work

Welsh prisons are much harsher than England’s on opioid treatment

The difference is putting inmates’ lives at risk

Jul 12th 2018 | CARDIFF

OPIOID-USE disorder, the result of the misuse of drugs including heroin and prescription painkillers, is a well-studied medical condition. In the prison system, however, it isn’t always treated like one. Whereas jails in some parts of Britain offer effective treatment for opioid addicts, others run far more spartan regimes. This variation is endangering prisoners, who are frequently shuttled between the starkly different systems.

The Ministry of Justice is responsible for most aspects of prison policy in both England and Wales (Scotland and Northern Ireland have their own regimes). Matters of health, however, were devolved to the Welsh government in 1998. So whereas England’s National Health Service is in charge of health policy in English prisons, its rules do not cover Welsh jails.

In 2010 NHS England oversaw the launch of a drug-treatment programme in line with the most widely recommended method of treating opioid addiction. New prisoners are assessed for addictions on the day they are locked up. If found to be habitually using opioids, they are offered treatment in the form of low doses of methadone or buprenorphine, weak opioid substitutes that help users to taper off the stronger stuff.

The strategy is imperfect. The prescription of an opioid substitute can merely make the patient dependent on a different drug. But according to a report by the prisons inspectorate in 2015, the approach has “greatly improved drug treatment”. Overall, it found that “prison-based drug treatment services have improved dramatically in England over the past ten years.”

The Welsh system, however, provided “a considerably less safe service”. An updated report published on July 11th found that it “continued to create poorer outcomes.” Unlike English prisons, Welsh ones oblige opioid-dependent newcomers who have not already been prescribed opioids to withdraw from the drugs upon admission, and typically do not prescribe substitutes later in their sentence. The exception is Parc prison, in Bridgend, which is privately managed by G4S.

The symptoms from immediate opioid detoxification, which include nausea, shaking and abdominal pains, can last up to ten days. In October 2015 Benjamin Thomas couldn’t stand it that long. On the second day of his 20-week sentence, he hanged himself in his cell at Cardiff prison. He had not been offered opioid substitutes.

Another common withdrawal symptom is relapse itself. Studies have shown that patients pushed to quit before they are ready are likely to fall back into old habits. In prisons, this encourages the illicit drug trade and exposes users to needle-transmitted diseases such as HIV. Upon release, detoxed prisoners who have lost tolerance to drugs are more likely to overdose than those who have been maintained on opioid substitutes. Since 2009 Welsh jails have been giving departing prisoners Naloxone, an antidote for overdose, to curb this effect. But fatalities remain high.

English prisoners, who make up about 14% of inmates in Wales, may be most at risk. Inmates are constantly shuffled from prison to prison: last year there were more inter-prison transfers than there were individuals in the prison system. Those who move from an English prison to a Welsh one may find that they do not have the same access to opioid-replacement drugs.

The inspectorate has called for drug-treatment policy to be the same across the prison estate. But Wales shows little sign of changing. Its government has not provided specific funding for an English-style policy. Parliament's Welsh Affairs Committee was told that the decision not to revamp the drugs programme was "based on funding", according to Tonia Antoniazzi, a Labour MP on the committee. The cost of such frugality is prisoners' health.

Nothing, beside remains

Dry weather is helping archaeologists discover ancient sites

Crops planted over ancient sites grow taller and greener in droughts, giving away their location

Jul 12th 2018

AS A heatwave sends most Britons scuttling to beaches and pub gardens, the country's archaeologists have been busy, taking to the skies to identify ancient sites that are not visible for most of the year. Aerial investigators from the Royal Commission on the Ancient and Historical Monuments of Wales have discovered a Roman fortlet beneath a field in Magor, along with the ruins of an ancient farm not far away in Langstone. Historic England, another public body, has dispatched aerial reconnaissance teams from bases in York and Swindon to scour the country for Roman villas and prehistoric forts.

They are on the hunt for "crop marks", differences in plants' colour or height that are caused by what lies beneath the surface. Natural and man-made grooves in the subsoil or bedrock hold more moisture than the undisturbed ground around them and are usually filled with richer soils. This means that, in fields levelled by ploughing, crops growing over archaeological remains have access to more water and better nutrients. When pastures are parched, as now, they stay greener and grow taller—as seen in the photograph below of a prehistoric settlement near Eynsham, in Oxfordshire. Conversely, crops growing over old stone walls struggle to find water and wilt in the heat, to form what are known in the jargon as “negative” crop marks.

By getting up in the air during dry weather, archaeologists can use crop marks to identify the patterns of buried ditches or walls that once defined settlements, field boundaries or funerary monuments, explains Helen Winton, Historic England’s aerial investigation and mapping manager. It has become the main way in which archaeologists find new sites. By some estimates, more than half of all known archaeological remains in Britain have been discovered by spotting crop marks from the sky in the past 70-odd years. Partly for this reason there are fewer known archaeological sites in western Scotland, which is mainly pasture, than in the country’s drier eastern districts, which support more arable farming, according to Bill Hanson and Jane Drummond of Glasgow University.

Archivists also pore over old aerial photographs in search of clues to the whereabouts of archaeological remains. Each year Historic England discovers and logs around 6,000 new sites in this way.

Thanks to the lack of rain, for archaeologists this has been one of the most fruitful summers in the past couple of decades, says Toby Driver, an aerial investigator in Wales. He plans to keep scouring the landscape before the crops ripen or the rain returns. Ms Winton from Historic England agrees, describing 2018 as “the first potential bumper year we have had in what feels like a long time”. In 2011, when the weather last held off for a particularly long time, her investigators discovered more than 1,500 new sites, mostly in the clay lands of eastern England. Could this summer yield similar results? “Fingers crossed.”

Bagehot

The Conservative Party has trashed the basic principles of conservatism

With Brexit, the Tories are pursuing the art of the impossible

Jul 12th 2018

THE Conservative Party likes to think of itself as the natural party of government. Whereas continental conservatives might die in the ditch to protect the landed aristocracy or the established church, the Tories embrace change in order to manage it. Robert Peel abolished the Corn Laws, which provided subsidies to land owners. Benjamin Disraeli called for an extension of the franchise. R.A. Butler helped to build the post-war welfare state. The party that produced Britain's first Jewish and female prime ministers puts the disciplined exercise of power above mere dogma.

Yet the party of government is busy rendering Britain ungovernable. The Conservatives first unleashed the horror of Brexit because they couldn't stop "banging on about Europe", and then made a complete and utter hash of implementing it. This week's turmoil at the heart of government could look tame compared with what will happen later this year when Parliament has to legislate. The best that Britain can hope for is a deal that leaves the country in a worse position than it is currently in. The nightmare option of crashing out of Europe without a deal is looking more likely with every tick of the clock. There is only one party that is responsible for this shambles: the Conservatives.

There are lots of reasons why the party of government has become the party of anarchy. The whips have forgotten the art of keeping order. The brightest right-wingers have abandoned national politics for global business. A band of fanatics have sold themselves as Conservatives. But one thing above all others explains the current mess: the Conservative Party, or large chunks of it, has forgotten the basic principles of conservatism. It has ceased to think like a conservative party, and it won't recover its governing ability until it relearns that difficult art.

The first principle of conservatism is to be sceptical of pie-in-the-sky schemes. John Stuart Mill liked to mock Tories as "the stupid party". Walter Bagehot replied that stupidity was a virtue rather than a vice—the Tories succeeded precisely because they preferred common sense to "remote ideas", and pragmatic compromise to ideological principles. Butler summed up the Conservative approach to politics when he described politics as "the art of the possible". Michael Oakeshott, a philosopher, said that to be conservative "is to prefer the familiar to the unknown, to prefer the tried to the untried, fact to mystery, the actual to the possible, the limited to the unbounded, the near to the distant, the sufficient to the superabundant, the convenient to the perfect, present laughter to Utopian bliss."

The Brexit wing of the Conservative Party is the party of pie in the sky. It has reversed every one of Oakeshott's phrases. Britain has been a member of the European Union for 45 years and was the leading architect of the single market. But the Brexiteers have decided to dump half a century of history, bought at the cost of hard negotiation and compromise, in favour of airy talk of "sovereignty" and "control". They sold Brexit to the British people without specifying what it might mean, making Utopian promises about having cake and eating it while making effortless trade deals hither and yon. Boris Johnson, the foreign secretary, used a revealing phrase in his resignation letter this week when he said that the Brexit "dream is dying". At its best, conservatism is about doubt and deliberation, not dreams.

The second principle of conservatism is to put country before party. Peel split the Tories over the Corn Laws because he thought that free trade was in the national interest (tellingly, Jacob Rees-Mogg, a leading Brexiteer, has taken to condemning Peel for this decision). Margaret Thatcher risked doing the same because she thought the country faced a choice between radical change and rapid decline. But over Europe, Conservatives have done the opposite. David Cameron did a reverse-Peel, calling a calamitous referendum in order to settle a civil war within his party. He then piled ignominy upon idiocy by rewarding party hacks who had contrived to lose an unlosable campaign with ambassadorships and lordships galore. Theresa May's worst decisions have all been driven by a desire to appease the Brexit wing of her party. She announced her decision to trigger Article 50 exit negotiations during a party conference speech designed to delight the party faithful, in perhaps the most expensive applause line in history.

Conservatives' third principle is to rely on the judgment of a governing class that adopts talented people into its ranks. Belief in the untutored wisdom of the masses is the stuff of socialist fantasies. Conservatives believe in disciplining democracy through constitutional restraint and handing day-to-day decision-making to people who are skilled in the exercise of power. Thatcher rightly denounced referendums as devices of "demagogues and dictators". But the Brexit faction of her party has abandoned conservatism for Jacobinism, denouncing the House of Lords and the judiciary for frustrating the "will of the people" and badmouthing civil servants such as Olly Robbins, the prime minister's Brexit adviser.

The natural party of opposition

There are encouraging signs that the Conservative Party is relearning its conservative principles. The pragmatic faction of the party—always the majority of Tory MPs—is learning to fight with the same ruthlessness that the Brexiteers have brought to their cause. Theresa May is pursuing a quintessentially conservative policy of managed disillusionment, forcing the Brexiteers to confront the real world of hard choices and difficult trade-offs. Responsible members of the party are reasserting control after the populist frenzy unleashed by the referendum. It is by no means certain that the British voters will forgive the Conservatives for the disaster they have unleashed over the past few years. But if they do, it will be because the party has rediscovered, after a period of madness, what it means to be a conservative.

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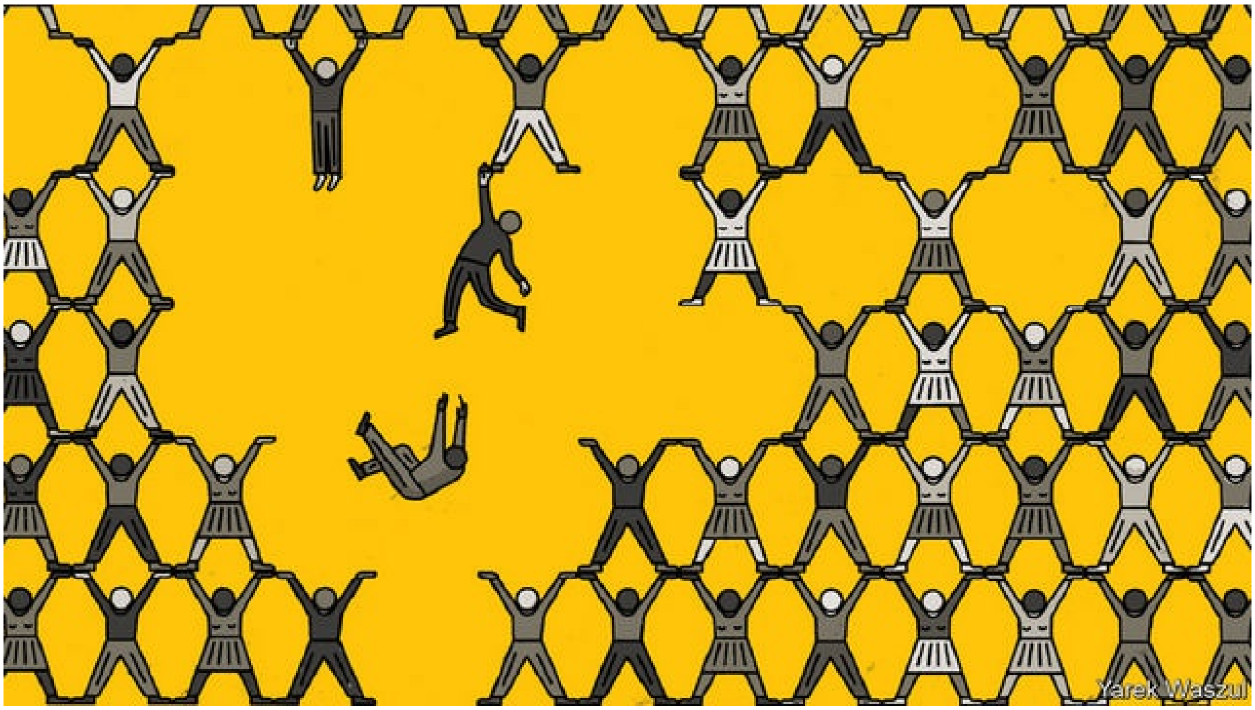
International

- **Welfare states: Repairing the safety net** [Thu, 12 Jul 20:59]

Repairing the safety net

The welfare state needs updating

Its designers did not foresee ageing populations, mass immigration or the gig economy



Jul 12th 2018

IN JUNE 1941 William Beveridge left the office of Arthur Greenwood, a British cabinet minister, with tears in his eyes. A well-known academic and civil servant, Beveridge had sought a big job in the war effort. The 62-year-old was brilliant, but also obsessive, vainglorious and prim. To sideline him, Greenwood proposed what seemed a thankless task: reviewing Britain’s social-insurance schemes.

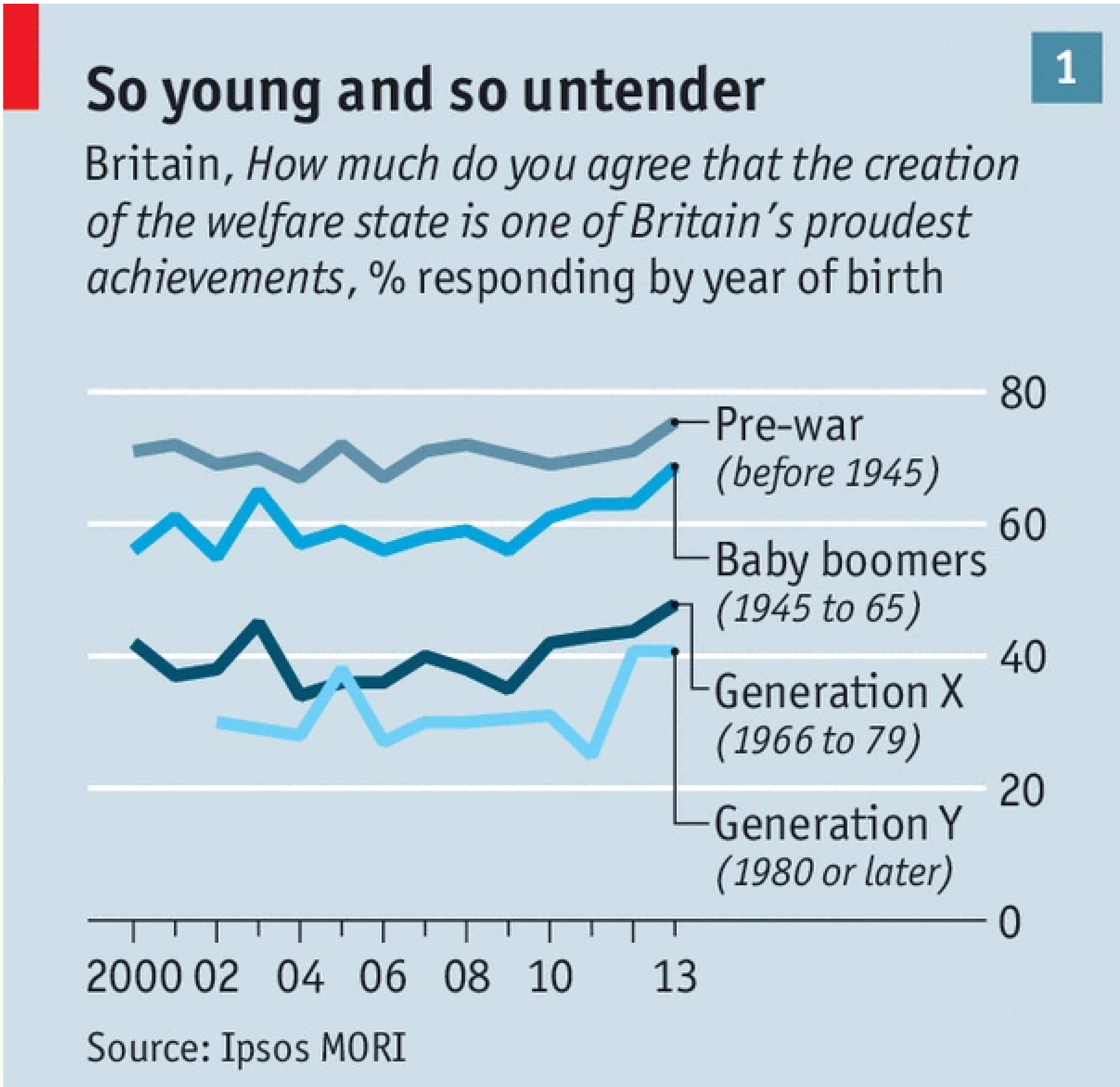
What emerged was a blueprint for the modern welfare state. In December 1942, having stretched his brief to the point of bursting, Beveridge published his account of the “Five Giants”: disease, idleness, ignorance, squalor and want. He proposed new benefits for the retired, disabled and unemployed, a universal allowance for children and a nationwide health service.

On the night before publication a long queue formed outside the publishers. Polls found majorities of all social classes backed its proposals. It was translated into 22 languages and the Royal Air Force dropped summaries on Allied troops and behind enemy lines. Two copies, heavily annotated, were found in Hitler's bunker.

Such zeal for the welfare state is rare these days. On the right, critics accuse it of sucking the dynamism from capitalism and individuals alike. For Paul Ryan, the outgoing Republican speaker of the House of Representatives, it is not a safety-net but "a hammock" that "lulls able-bodied people to lives of dependency and complacency". Peter Sloterdijk, a German philosopher, calls it a "fiscal kleptocracy".

The left, as seen in the grainy nostalgia of politicians such as Jeremy Corbyn, leader of Britain's Labour Party, lays claim to the welfare state as a left-wing creation, and thinks it is under unceasing threat. It does indeed face profound challenges: from ageing populations, immigration and the more varied nature of work, none of which Beveridge had to worry about.

Public support has flagged. Data from the British Social Attitudes survey, for example, show successive generations taking less pride in the welfare state (see chart 1). In America views are increasingly partisan. In the late 1980s and early 1990s most Republicans agreed with the idea that government should ensure citizens have enough to eat and a place to sleep. Today most disagree, according to data from Pew, a pollster.



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The name may be part of the problem. In Sweden it is known as *Folkhemmet* (people's home), in Germany *Sozialstaat* (social state), but in the Anglophone world "welfare state" has stuck. Beveridge hated it, for implying a "Santa Claus" state at odds with his belief in personal responsibility. "Welfare" historically has a broad meaning, but is often associated with aid to the poor, especially in America. Yet this is only a small part of what a welfare state does.

Indeed its origins and aims are widely misunderstood. It is not so much a left-wing creation as a product of an intellectual coalition, in which the critical strand was liberalism. Liberals such as Beveridge believed that people should take more responsibility for their own lives, but that government should support them. They saw it not as industrialised charity, but as a complement to free-market capitalism.

The welfare state predates the modern form that emerged in the late 19th century. Ancient Rome gave out “doles” of grain to the hungry. In Renaissance Europe towns such as Ypres collected alms to pay for ways of putting paupers to work. During the Industrial Revolution, England built workhouses where the destitute broke stones and untangled rope in return for food and a bed.

Hard times

By mid-century the rise of unfettered markets brought demands for protection against their effects. Charity and churches were seen as failing to cope with poverty, as mass urbanisation weakened traditional social bonds. Pressure came from the left. But conservatives responded, too. Otto von Bismarck introduced the first social-insurance schemes in the 1880s. Worried about the fitness of “degenerate” masses to fight wars, European leaders backed improvements in public health and education. So the welfare state was also entwined with rising nationalism.

But as Chris Renwick, a historian at York University, explains in “Bread for All”, the early welfare state “owes most to liberalism”. “New liberals” such as John Stuart Mill and Leonard Hobhouse, argued that freedom meant ensuring that people had the health, education and security to lead the life they wanted. Some of these ideas underpinned early state-pension schemes and unemployment insurance in New Zealand, Australia and, in the first decade of the 20th century, Britain.

The development of welfare states was hastened by the Depression and the second world war. War brought people of different backgrounds together, fostering a sense of unity against a common enemy. And as middle classes shared these risks, their demands for support meant the welfare state became about more than just looking after the poor. Writing his report in this atmosphere, Beveridge tackled some of the tensions that still strain debate about the welfare state. When is a benefit a right and when is it conditional on your behaviour? When do benefits erode the incentive to work? How much can the state afford?

The balance Beveridge struck was a liberal one. He argued there should be "bread for all…before cake for anybody". But people "should not be taught to regard the state as the dispenser of gifts for which no one needs pay."

The post-war government implemented much of his plan, and reforms soon followed elsewhere. By 1954 the core institutions of the welfare state were in place across the rich world—social-insurance schemes, means-tested support for the poorest, free or subsidised health care, social work and employment rights. That year President Dwight Eisenhower said that if any politician tried to dismantle social security, "you would not hear of that party again in our political history."

Welfare states have always differed from country to country. But from the 1970s, approaches diverged further. In 1990 Gøsta Esping-Andersen, a Danish sociologist, described three varieties of "welfare capitalism". First were the "social democratic" versions in Scandinavia, with high public spending, strong trade unions, universal benefits and support for women to stay in the workplace. Second, "conservative" welfare states, such as Germany's, were built around the traditional family and had a strong contributory principle. Finally, Anglo-American welfare states put greater emphasis on guaranteed minimums than universal benefits.

Perhaps the commonest charge against mature welfare states is that they have created a culture of dependency. So policymakers have made programmes more "conditional", forcing recipients to look for work, for example. To help them, many countries expanded "active labour-market policies" such as retraining.

Yet the welfare state has not shrunk in recent decades. In a paper published in 2011 Paul Pierson of the University of California, Berkeley, described a "frozen landscape". For several sorts of benefit—unemployment, disability and state pensions—he showed that their generosity had risen until the 1980s, then barely changed since.

If the shrinking welfare state is a myth, so is the notion that it is mainly about redistribution from rich to poor. Nicholas Barr of the London School of Economics points out that its role is more to allow people to smooth consumption over their lifetimes, in effect shifting money from their younger selves to their older selves.

Another misunderstanding is about how welfare spending relates to economic growth. As countries become wealthier, public spending increases as a share of GDP (see chart 2). Spending on “social protection” (pensions, benefits and the like) in the OECD club of countries has increased from 5% in the 1960s to 15% in 1980 to 21% in 2016. In a paper published in 2011, two economists, Andreas Bergh and Magnus Henrekson, estimated that a ten-percentage-point increase in the size of the state in rich countries is associated with a fall in the annual rate of GDP growth of 0.5 to one percentage point.

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Nevertheless, since 2000, Canada and some Scandinavian countries, for example, have combined high levels of public spending with high rates of economic growth. Peter Lindert of University of California, Davis, describes this phenomenon as the "free-lunch puzzle".

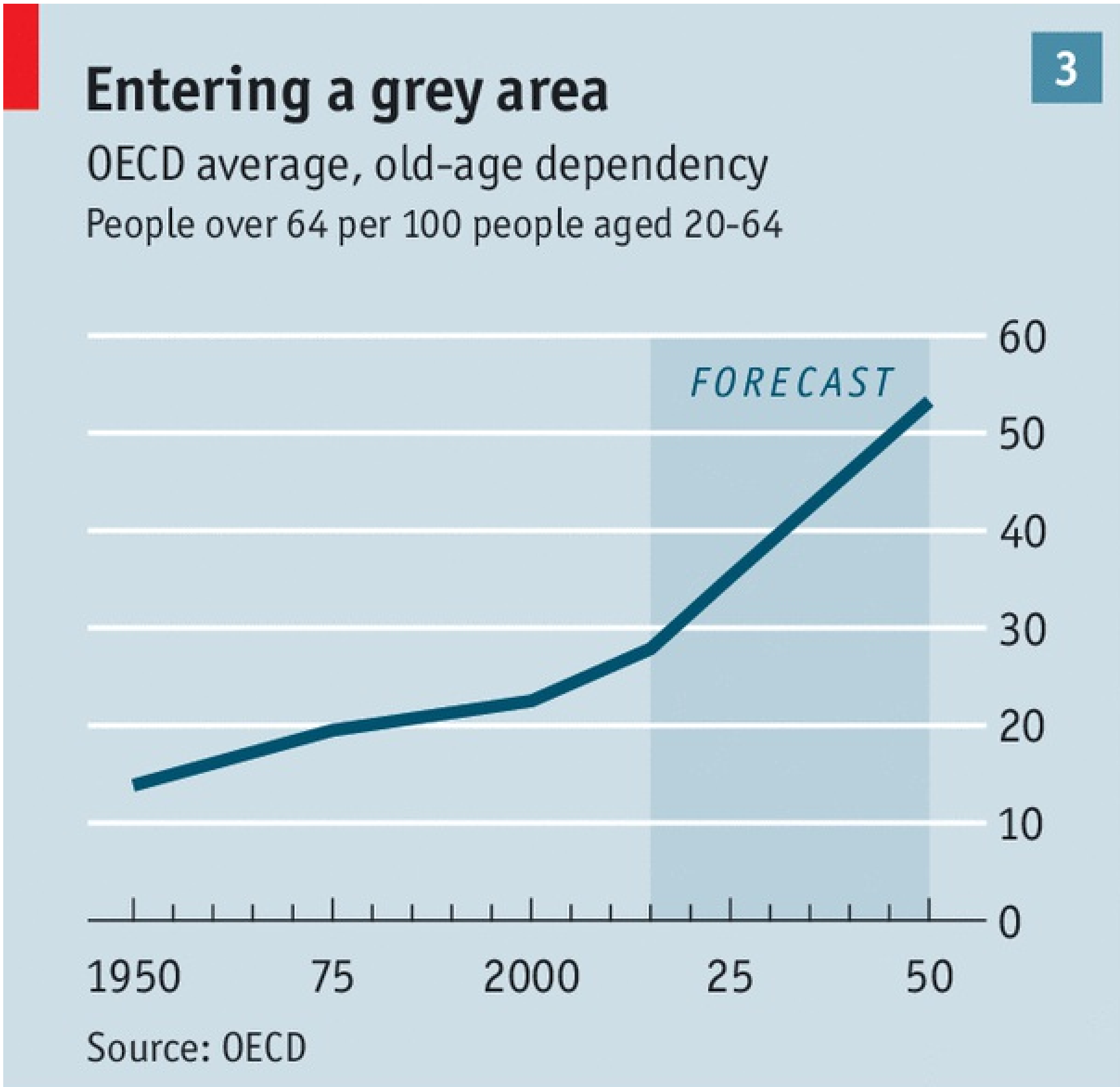
This is a misnomer. Taxpayers still pay for those lunches. But Mr Lindert is correct that the effects of welfare depend not just on how much is spent but how. Subsidised child care, which helps (mostly) women stay in the labour market, is more growth-friendly than pensions, say. The introduction of the

Children’s Health Insurance Programme in the United States in the late 1990s increased the rate of parents opening their own businesses.

Growth also depends on other areas of policy. Since the 1990s Scandinavian countries and Canada have liberalised their economies, selling public monopolies, cutting regulation and reducing trade barriers, although most have maintained high levels of public spending. According to Will Wilkinson of the Niskanen Centre, a think-tank in Washington, DC, (an occasional contributor to *The Economist*), “big welfare states needed to become better capitalists to afford their socialism.”

That may be too cute. But the difficulties faced by welfare states in rich countries are about more than just their size. The three main ones relate to demography, migration and changing labour markets.

The first is the ageing of the population. In the OECD longer life-expectancies and, since 1990, stagnant fertility rates, have raised the ratio of adults over 65 to those of working age (see chart 3) from 19.5 in 100 in 1975 to 27.9 today. Welfare spending is increasingly tilted towards the elderly. On average, as the median voter in OECD countries ages by one year, the share of GDP spent on pensions increases by 0.25 percentage points. The same applies to health spending. Today the share of state spending that goes on public pensions averages 8.2% of GDP across the OECD. In France it is 14%; in Italy, 16%.



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This threatens the implicit contract between generations. In Britain baby-boomers can expect to receive in benefits and services over a fifth more than they paid in tax, reckons the Resolution Foundation, a British think-tank. But today's workers face rising taxes. To maintain current welfare provision, the Office for Budget Responsibility, a fiscal watchdog, estimates that spending as a share of GDP would need to increase by seven percentage points by 2066, to over 45%, meaning higher taxes.

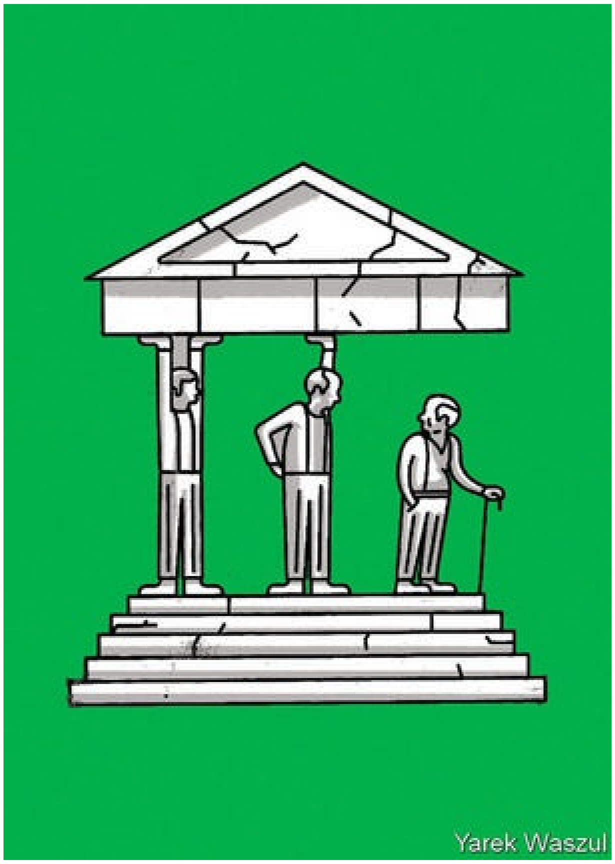
Denmark and Finland, among others, have linked state retirement ages to life expectancy. In 2022 so will the Netherlands. In Germany, Japan, Portugal and Sweden pension levels are adjusted according to the ratios of workers to non-workers. Yet elsewhere reform has proved difficult. Of the six countries in the OECD that changed their retirement ages in the past two years, three cancelled previously planned rises.

Immigration poses another challenge to the welfare state. In 1978 Milton Friedman argued that you could have open borders or generous welfare states open to all, but not both, without swamping the welfare system. Moreover, taxpayers are more tolerant of benefits that are seen to look after “people like them”.

Experimental evidence suggests that there is a tension between diversity and generosity. Studies have found, for example, that Swedes are more reluctant to give to Bulgarians than to Dutch migrants. Another study published in 2017 using survey data from 114 European regions found a correlation between areas with higher shares of migrants and a lack of support for a generous welfare state.

Or rather, a lack of support for immediate generosity to “outsiders”. A survey of changing attitudes in European countries between 2002 and 2012 found both rising support for redistribution for “natives” and sharp opposition to migration and automatic access to benefits for new arrivals. Pandering to such views is a core part of the appeal of populists such as the National Rally in France, the Sweden Democrats, and the Danish People’s Party, which has been instrumental in Denmark’s curbing of rights to benefits for non-EU migrants since 2002. But Denmark is not alone in pursuing “welfare chauvinism”. Bill Clinton’s reforms in the 1990s limited illegal immigrants’ access to benefits. More recently, Sweden has limited paid parental leave for new immigrants and cut support payments to some asylum-seekers.

Other research suggests that the nature of the benefit influences attitudes. Christian Larsen of Aalborg University found that a small majority of Danes thought immigrants should have immediate access to health care and public education; few thought that generosity should extend to unemployment or child benefit. Moreover, attitudes towards immigrants are volatile and swayed by the political climate. In 2011, for example, 40% of Britons said immigrants “undermined” the country’s cultural life, and just 26% said they enriched it. By last year, in the wake of the Brexit vote, only 23% went for undermined, compared with 44% for “enriched”.



And if immigration is a second challenge to the welfare state, it may also offer a partial solution to the first one: ageing. Economic research from Britain and Denmark, has found that since at least 2002, EU migrants have contributed much more in taxes than they have cost in public services.

The third issue is adapting to changing labour markets. “The welfare state developed in an era of big government, big companies and big unions,” writes Andrew Gamble of Cambridge University in “Can the Welfare State Survive?” In most countries it was assumed that there would be full male employment. Today this no longer holds. Recent research by the OECD in seven of its members estimated that 60% of the working-age population had stable full-time work. Of the other 40%, no more than a quarter met the typical definition of unemployed: out of a job but looking for one. Most had dropped out of the labour market or worked volatile hours.

The causes are complex and overlapping. But they include the incentives and disincentives to work that complex benefits systems produce. In many countries when the jobless do find work, their benefits are withdrawn in such a way as to create a high effective marginal tax rate. Nearly 40% of the unemployed in the OECD face a marginal rate higher than 80% on taking a job. Welfare recipients also often suffer from bureaucratic traps. For example, some have to wait weeks between losing a job and receiving benefits. (Long enough to throw many on the mercy of loan sharks.)

Universal basic income (UBI) may be one way to avoid such problems. It takes many very different forms, but at its heart it replaces a plethora of means-tested benefits with a single, unconditional one, paid to everyone. Scotland and the Netherlands are running experiments involving UBI and many others are set to follow. But in no country is it yet the foundation of the benefits system for working-age adults.

The OECD recently modelled two forms of basic income. Under the first, countries' spending on benefits was divided equally among everyone—a revenue-neutral reform. Under the second, everyone would receive benefits equal to the current minimum-income guarantee, and taxes would rise to pay for it, if necessary.

Eternal triangles

The results, as ever in welfare policy, reveal a "trilemma": between the overall cost, how much it alleviates poverty and its effect on work incentives. They also show that the effects of introducing basic income vary hugely based on what welfare system it would partly replace. Countries such as Italy, Greece, Spain, Austria and Poland all spend more on welfare for the richest 20% than for the poorest. For them, spreading benefits more evenly would benefit the poor, even under a revenue-neutral model. But in countries that target welfare spending on the poor (such as Britain), UBI would either lead to large tax rises, to maintain a minimum income for everyone, or see benefits cut for the worst-off.

A more realistic alternative for many countries may be a negative income tax (NIT). Championed by Friedman, the NIT means that, below a certain income threshold, the taxman pays you. As you earn more, tax kicks in, tapering your income. The effect is similar to a basic income, especially since most UBI models assume that rich people would have to pay more tax to afford them. A NIT, however, is more efficient in that it does not give the rich a stipend only to take most of it back in tax.

Versions of a NIT have been part of welfare policy in Britain and America for decades, in the form of tax credits that are paid to those working on low incomes. Britain's Universal Credit, a (sputtering) attempt to merge six working-age benefits into one, takes the approach further. A recent analysis by the OECD finds this a better way at targeting the poor than UBI.

A paper published in 2015 by Luke Shaefer of the University of Michigan, and colleagues, suggested that money from current welfare programmes such as food stamps and housing subsidies could be replaced with a NIT that ensured no American had an income below the federal poverty line. The marginal tax rate it assumed (50%) is high, but the work shows that a NIT may not be out of reach, at least in a country with a weak safety net.

What would Beveridge have made of ideas such as basic income? He believed that "complete idleness, even on an income, demoralises", so would probably have scoffed at some forms of UBI. But he also thought reform had to take account of "the modern social risks". The welfare state should not get stuck in the past.

Special report

Special report

Left, behind

Donald Trump is causing change in the Democratic Party too

It could bring the party closer to political power, or send it into the wilderness, says John Prideaux

Jul 12th 2018

BEFORE THE 2016 presidential election, Kirsten Hirsch was so lawabiding that she had never received so much as a parking ticket. In the months since then, she has been arrested four times for protesting on Capitol Hill. Before her first arrest, Ms Hirsch recalls, she was nervous. She had travelled from her home in suburban Denver, leaving a husband and two children at home, with the intention of getting herself slung in jail. The night before that protest, which was against attempts by Republicans in Congress to overturn the Affordable Care Act, she and her fellow activists were put up around town by volunteers organised by church groups. On the day itself the Capitol Police gave them three warnings so those who did not want to be arrested could leave (the officers were “fantastic”). After the third warning Ms Hirsch and her new acquaintances were taken to a paddy wagon, then driven to a makeshift pen at a vehicle maintenance depot (the city jail did not have enough space for them all). “I made some really good friends in there,” she says.

Something unusual is happening in left-of-centre politics. Mass political meetings were supposed to be going out of style as Americans bowled alone and communed with their smartphones, yet one in five adults has attended a protest or political rally in the past two years, the vast majority of them hostile to the president (less than 5% of voters went to a Trump or Clinton rally in 2016). Two years ago, 28 Congressional seats were so safe that Republican candidates ran unopposed; in November’s midterms Democrats will contest all but four House districts. So many people have volunteered to stand for the party this year that its primaries have become rowdy. The national leadership has intervened, sometimes clumsily, on behalf of the candidates it thinks most likely to win, infuriating some activists.

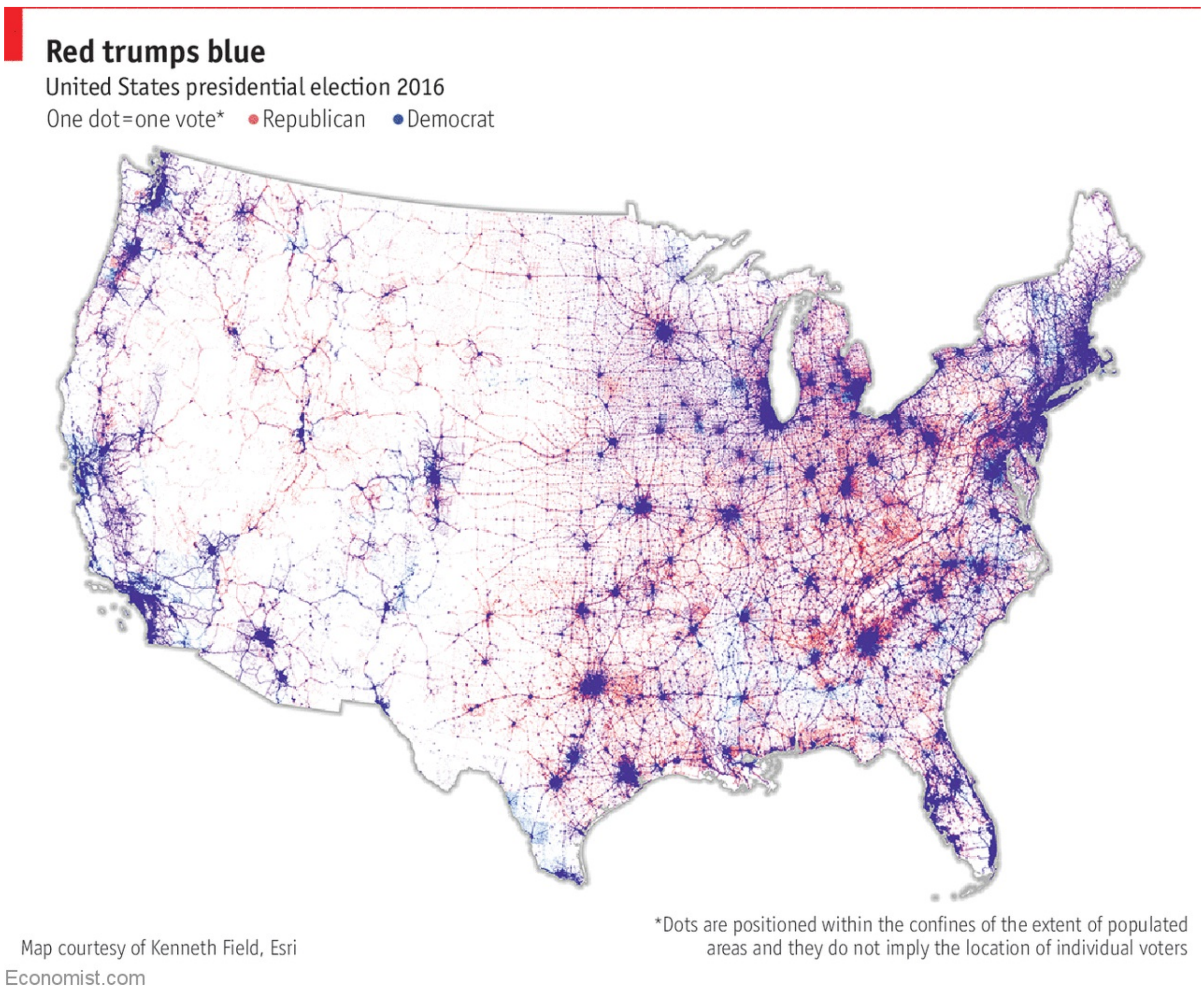
The incredulity and anger on the left that followed Mr Trump’s election resulted in nearly 150% more women putting themselves forward for congressional primaries this year than in the equivalent races two years ago. In the two years before the presidential election in 2016, Emily’s List, which exists to help elect female Democrats to office, was contacted by 900 women who wanted to run. Since Mr Trump became president 36,000 have put themselves forward. The wars in Afghanistan and Iraq created the largest group of female veterans in the country’s history and several of the party’s candidates are drawn from this pool. They include Amy McGrath, the first female marine to fly an F-18 in combat, and Abigail Spanberger, a former CIA officer.

All this civic-mindedness is uplifting, especially when academics and newspapers regularly declare American democracy to be on the fainting couch. Enthusiasm will not be enough, though. The task of translating this upswell into a movement for winning power falls to the Democratic Party, which is not making the most of the moment.

Why is this? American politics moves in cycles, and the country is barely two years into a revolution. The economy is strong. Partisanship has kept the president’s approval ratings close to 90% among Republicans. Democrats face a structural disadvantage (see article). Yet plenty of liberals think that many of their party’s problems are of its own making.

“The Republicans have successfully persuaded much of the public they are the party of Joe sixpack and Democrats are the party of Jessica yogamat,” writes Mark Lilla, a historian of ideas, in “The Once and Future Liberal”. Mr Lilla attributes this to a Democratic tendency to make narrow political appeals to small groups of disadvantaged people, such as transgender Americans or undocumented migrants, rather than to a universal sense of the public good. Others point towards the success of a campaign begun by Newt Gingrich in the 1990s and then amplified on talk radio and on Fox News. For those given to alliteration, Mr Gingrich’s list of words sent out in a memo to potential Republican candidates for use against their opponents suggested that the letter D stood for “destroy, destructive, devour, disgrace”. Democrats have tried to return fire, painting the Republicans as wild-eyed fanatics, obsessed with gays, God and guns, and probable racists to boot. This campaign has not worked so well, perhaps because the impulses it mocks are shared by so many.

The task for Democrats seems simple: unite around a shared purpose and a set of ideas with broad appeal, then begin to claw back territory lost during Barack Obama’s presidency. Putting that into practice is harder than it sounds because the party is tugged in different directions by its constituent parts. The Republican Party is built out of a few large blocks. The Democratic Party resembles a mosaic, made up of many small pieces that cohere only when viewed from a distance.

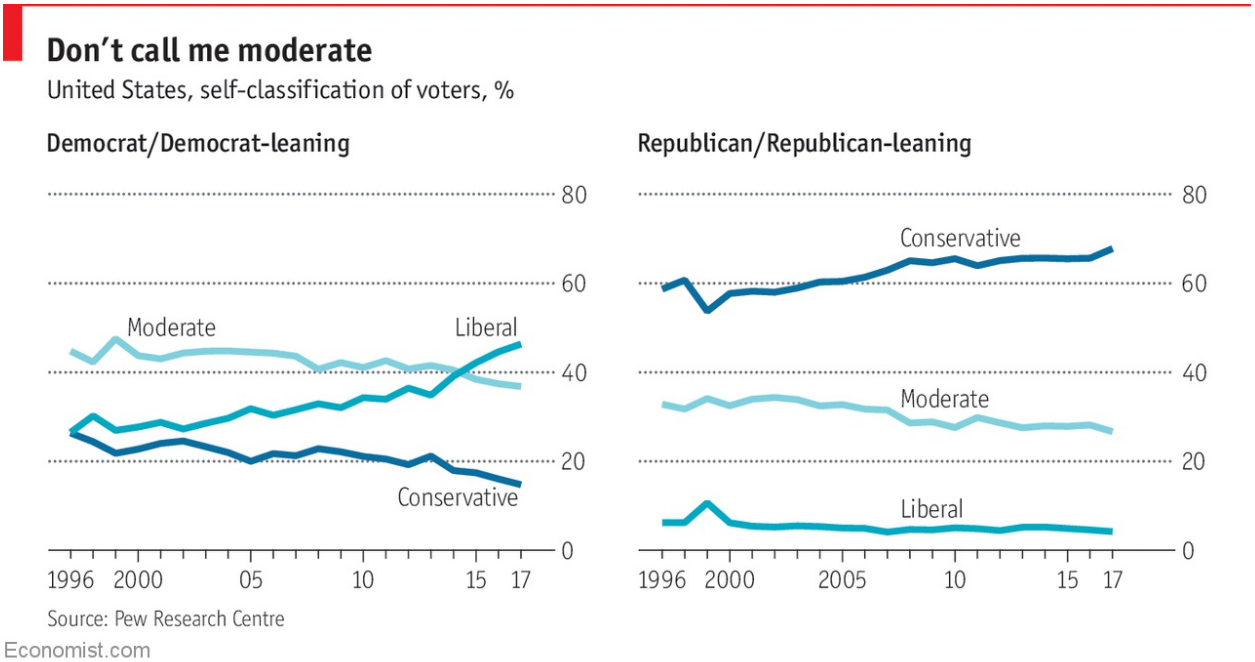


How did this come about? The Democratic Party in its current form is half a century old this year: its creation story was written at the Chicago convention in 1968. In the late 1960s the coalition which had delivered the New Deal under Franklin Roosevelt was falling apart. The passage of the Civil Rights Act in 1964 sparked the movement of white, conservative southerners out of the party. They passed a smaller group of African-Americans on the way in. This exchange turned the party from the dominant force in American politics, the victor of seven of the previous nine presidential elections, to a dissenting minority that would win just one of the next five. The loss of power came with an upside: the party had a chance to stand for something more coherent than just the accumulation of power. What that something would be was literally fought over at the convention in 1968, where one faction enlisted the Chicago police to hit the other over the head with batons.

Subsequent conventions would see more tussles between the “hair” faction, made up of social movements forged by opposition to the Vietnam war, and the “cigar” faction, made up of blue-collar, more socially conservative union bosses. The two sides eventually found a way to work together, helped by the decline of union power and by changing the party’s rules to accommodate the social movements of the 1960s. Since 1968 Democratic activism has consisted of a loose alliance between these groups: intellectuals, union leaders, feminists, environmentalists, gay people, the disabled and the remnants of the civil-rights movement. In demographic terms the party is a rainbow coalition of college-educated whites with Hispanics and African-Americans; of the poor with the rich.

Managing such a fragmented coalition requires lots of formal rules and unwritten norms. The guidance for selecting delegates for the convention in 2016 told state parties that, when choosing whom to send to Philadelphia to nominate Hillary Clinton, they should be careful not to discriminate on the basis of “race, sex, age, colour, creed, national origin, religion, ethnic identity, sexual orientation, gender identity, economic status or physical disability”. This way of speaking is easy to mock but hard for the party to give up, because it is a roll call of interest groups which are not obviously bound together by a larger idea. The need to keep peace between factions also leads Democrats in Congress to be more respectful of party seniority, argues David Karol of the University of Maryland. Replacing a party grandee means a fight between interest groups. Choosing by seniority avoids that. This helps explain why a party that thinks of itself as more appealing to younger voters has a leader in the Senate (Chuck Schumer) who is 67 and a leader in the House (Nancy Pelosi) who is 78.

Partly because their party is a loose collection of smaller groups, Democrats are less fussy about ideology than Republicans. But while the 45th president has transformed his own party, he is also changing the opposition. Democrats are still much less likely to call themselves liberal than Republicans are to say they are conservative. But the proportion that does so has shot up since 2016 (see chart). Republicans used to feel more animosity towards Democrats than the other way around. That is changing, too.



"I could not imagine disliking any president more than I disliked George W. Bush," says one longtime Democratic activist. "But if Bush became president tomorrow I would dance in the street." Angry people vote, goes the adage, and there is plenty of political science to support the notion that dislike of the other side, or "negative partisanship", is the most powerful force today in American politics. "Politics as a practice…has always been the systematic organisation of hatreds," wrote Henry Adams, a 19th-century historian. That seems more true now than at any point since the decades right after the civil war.

The two parties are not mirror images of each other, though. When it comes to choosing candidates, Democratic voters still say the thing they want most is a winner; Republicans say they want a true believer (though Mr Trump has moved the definition of what that is in a darker direction). Yet among the Democratic elites—the elected officials, party hacks and movement activists—there is a fierce debate under way about what being a winner looks like in 2018 and beyond, which is really a debate about what the party should stand for, and therefore about ideas. Answering it correctly will be the difference between constraining the president and a noble, self-righteous failure. Democrats need to knit a sprawling multiracial, rich/poor coalition together, while working out which of the old rules of politics still apply and which Mr Trump has torn up. So far, there has been "an abject laziness and unwillingness to do the hard work" that involves, says a Democratic senator from a swing state.

The morning after the election of 2016, the much-arrested Ms Hirsch sat around the kitchen table with her family, talking about what to do next. The eldest of her two children was born after the school shooting nearby at Columbine in 1999. For Ms Hirsch, fears about the president have now become mixed together with pre-existing fears about her children's safety. "It feels very possible every time I send them out that they might not come home," she says. Some version of her dread visits a lot of Democrats in the hours before dawn. Mr Trump has handed their party an opening, but also a heavy responsibility that brings its own anxiety: what if they screw it up?

Correction (July 12th): *A previous version of this piece said that* The Economist*'s midterm model suggested that the Democratic party had just over a 50% chance of winning the House in November. Our model now suggests that number is closer to 70%.*

→ Majority, minority: Democrats face a systemic disadvantage in winning power

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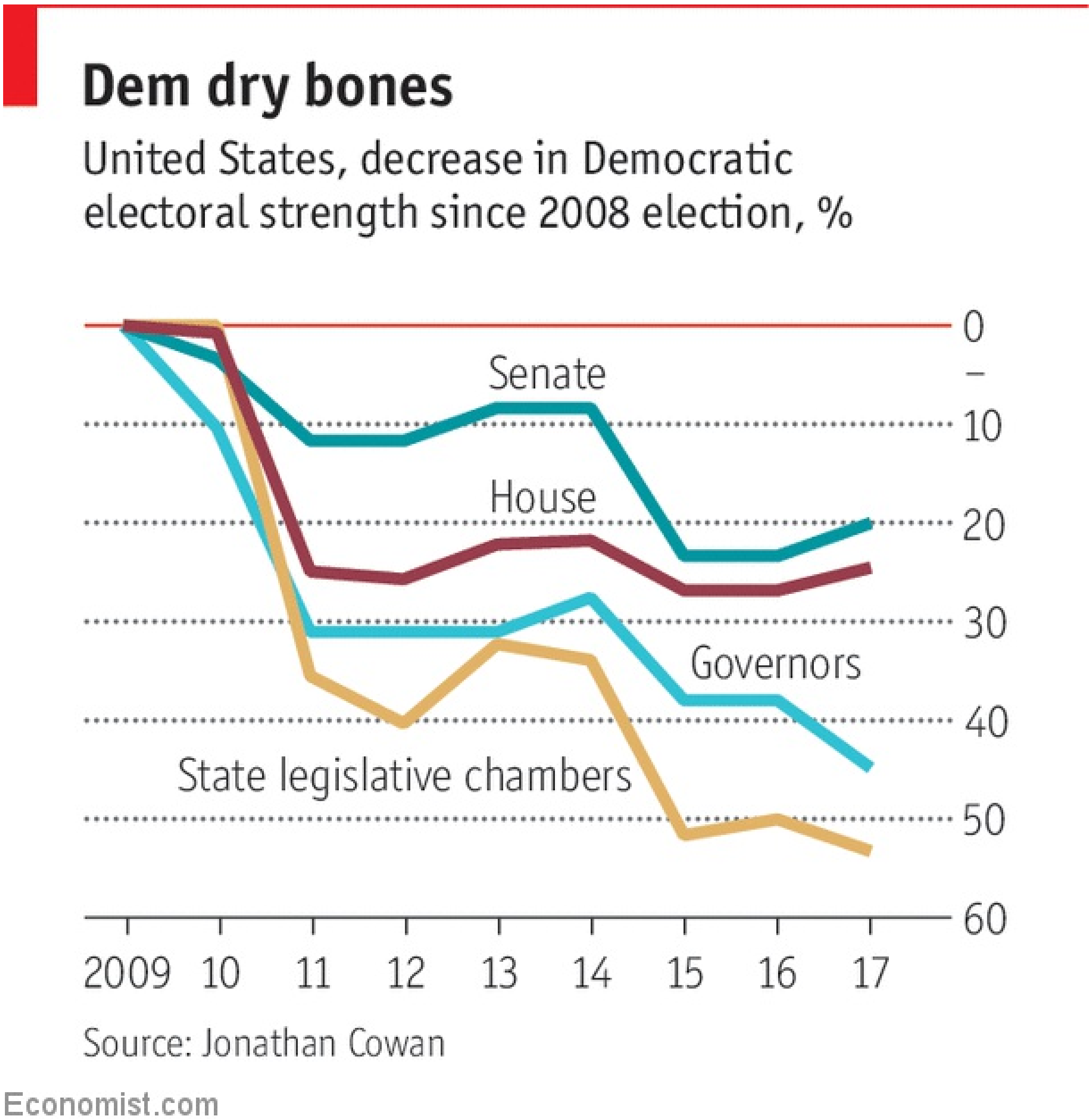
Special report

Majority, minority

Democrats face a systemic disadvantage in winning power

Winning votes and winning office are not the same thing

Jul 12th 2018



WHEN POLITICAL PARTIES find themselves in the wilderness, being out of power can force them to change. This pressure is not as noticeable as it should be in the Democratic Party, probably because so many of its activists do not feel that they are actually losing. The party lost many federal and statewide offices during Barack Obama's tenure as president (see chart). It holds only 16 of 50 state governorships. Now it seems likely that liberals will be in the minority on the Supreme Court for decades. Yet Democratic mayors run many of the big cities where most activists live. Democratic presidential candidates have won the popular vote in four of the past five presidential elections. Democrats have an advantage in fundraising so far in 2018. Crisis? What crisis?

The confusion is possible because in America's political system winning votes and winning office are not the same thing. Federal elections give more power to rural voters than to urban or suburban ones. When it comes to picking a president, California has one electoral-college vote per 720,000 people. In Wyoming the ratio is one per 190,000. The disparity is much greater in the Senate, since California (population 39.5m) and Wyoming (population 580,000) both elect two senators.

The House of Representatives is more balanced, but even there Democrats can win a majority of votes and end up with fewer seats. *The Economist*'s own model suggests that Democrats need to win by seven points to have a greater than 50% chance of gaining a majority in the House. Gerrymandering is partly to blame. But the Democratic vote is also inefficient: its candidates pile up votes in districts they win by a landslide. The Republican vote is more thinly spread, so its candidates can win more seats with fewer votes.

Democratic pessimists point out that the party holds fewer federal and statewide offices than at any time since the 1920s. Optimists respond that the previous low was followed by decades of Democratic dominance after the 1930s. Yet it took the Depression to bring about that change. Short of a repeat, or a rewrite of the constitution, Democrats must come to terms with the way that America's political system, designed before mass urbanisation, rewards the party that holds the most territory rather than the one that wins the most votes. Until they do, they will keep winning electoral majorities that do not translate into political power.

[→ The L word: Who is a Democrat?]

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Special report

The L word

Who is a Democrat?

Democratic voters are less liberal than party activists think they are

Jul 12th 2018

AMONG THE 45th president's many achievements has been his role as muse to a new literary genre: the redneck safari. Putting aside the numbers suggesting that Donald Trump's victory was delivered by people who lived in the suburbs and were, on average, wealthier than those who voted for his opponent, scores of amateur anthropologists travelled to dilapidated parts of rural America with two questions in mind: who are these people? And why would they vote for that man?

There have been far fewer attempts made to treat Democrats as a foreign tribe, to eat their food and understand their folkways. Sociologists have written about the civil-rights movement, the environmental movement, the women's movement and the decline of unions, says Amy Binder, a sociologist at the University of California, San Diego and author of a study of conservative students on campus. But not about liberals or Democrats as groups. That may be because they seem so unexotic to the people who do this kind of work. Americans with postgraduate degrees overwhelmingly vote Democratic. Academics are even more predictable in their allegiances. To see what is in front of one's nose, George Orwell wrote, needs a constant struggle.

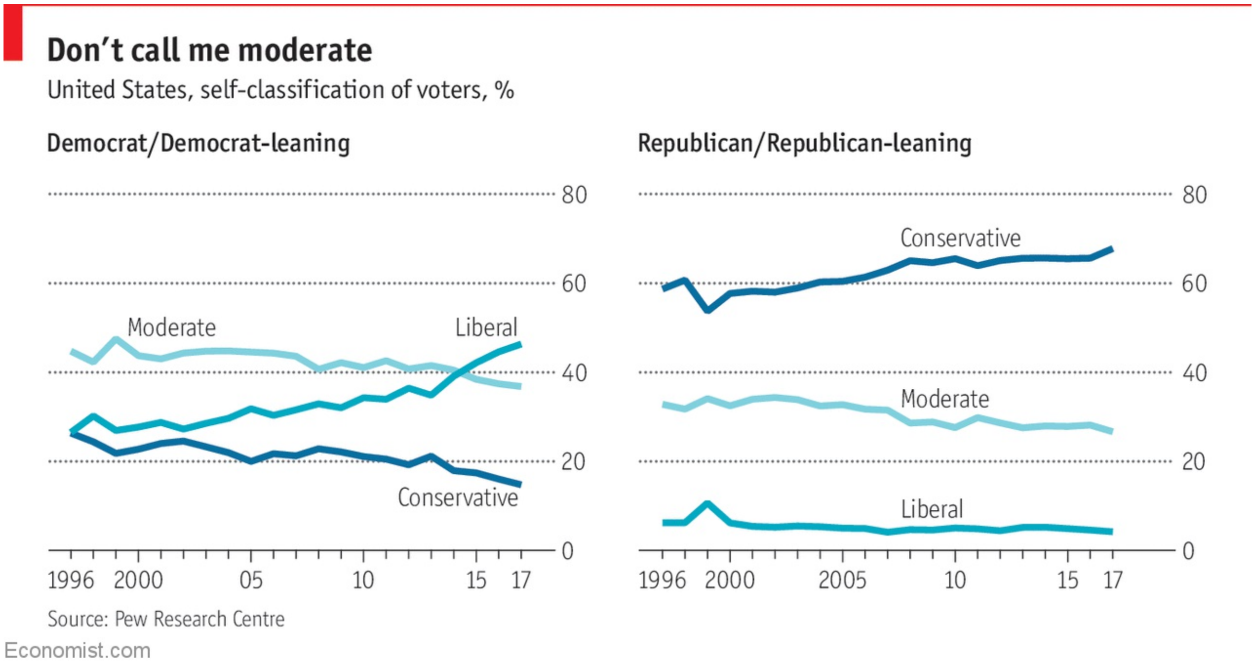
Any attempt to write a "Hillbilly Elegy" about liberal America quickly runs up against the problem that it is easier to generalise about Republican voters because the groups that make up the party are bigger and have more in common with each other, in terms of ideology and identity. Heavily Democratic areas include, for instance, white, wealthy, liberal Santa Monica in California—a land of electric scooters, poké restaurants and dogs with their own Instagram pages—and the more socially conservative, African-American heart of the Mississippi delta, one of the most concentrated areas of rural poverty in the country. Native American reservations lean Democratic, as do Hispanics in rural California, middle-class black professionals in suburban Atlanta and white college professors in Iowa. No single place can capture this variety. It is a good thing that the Democratic Party appeals to such a diverse bunch; it also makes it considerably harder to define who or what the party stands for.

New York's 15th congressional district is the safest Democratic seat in the House of Representatives, according to the Cook Political Report, which analyses elections. That makes it to Democrats what rural Alabama is to Republicans. Hillary Clinton received 94% of the vote in this part of the Bronx, a result that was a few points down on Barack Obama's practically Belarusian score of 97% four years earlier. NY-15 is urban but shares some of the characteristics of the Mississippi delta. Median household income is less than $30,000—half the nationwide number. The district contains pockets of concentrated poverty where half the residents spend at least 50% of their income on rent (the federal government considers anything over 30% to be untenable). Housing advocates report families doubling up, with several households in a space designed for one. Numbers from New York's public schools corroborate this: 80,000 children educated by the city report having no fixed abode.

Because NY-15 is only a short subway ride away from the Guggenheim museum and some of the city's most expensive housing on the Upper East Side of Manhattan, property developers have been eyeing it up. An effort to rebrand the South Bronx, a name which still suggests bonfires in the streets to New Yorkers over 40, as SoBro or the Piano District, has alarmed many who live there. "This is ground zero for the conflict within the Democratic coalition between professionals and poor minorities," says Ritchie Torres, a city councilman whose ward overlaps with the 15th congressional district. Alexandria Ocasio-Cortez won the Democratic primary in June in the 14th district next door, advocating a brand of democratic socialism that aims to take power away from the rich Democrats who dwell in lower Manhattan. Ms Ocasio-Cortez also argues for abolishing the federal Immigration and Customs Enforcement agency (ICE), which is charged with rounding up and deporting undocumented migrants—a position gaining popularity on the left of the party.

Bring up politics on the streets of the Bronx and you will be met with shrugs. Around Prospect Avenue, however, where public housing built in an eccentric neo-Tudor style nestles alongside Dominican bakeries, and stout women stand on the pavement selling books about God's grace, most people have an opinion on the president. The owner of a long-standing soul-food joint brought up Mr Trump's summit with Kim Jong Un only an hour after a White House announcement on the subject.

Unlike upscale white Democrats, people in NY-15 do not often talk about themselves as liberals (used here in the American sense, which implies left-wing, rather than in the classical sense, which implies an enthusiasm for limited government). They also use different words when describing the president. College-educated Democrats say he is a racist; non-whites without a college degree more often say they find him disrespectful. This is not the only difference in how the liberal half and the non-liberal half of Democrats talk about politics. Those who describe themselves as liberals, who are more likely to be white and wealthier, are much more hostile to Mr Trump than other Democrats are. The Pew Research Centre reports that 99% of what it calls "solid liberals" disapprove of the president, a figure that drops to just 60% for "devout and diverse" Democrats, who tend to be non-white, poor and religious.



Liberal and non-liberal Democrats also have different ideas about the relationship between success and luck. There is a big difference in this between well-off members of each party. Wealthy Republicans are more likely to believe that, with hard work, anyone can become a millionaire, according to Pew. By contrast, three-quarters of upscale liberals say that hard work and determination do not guarantee success for most people. But there is also a difference here between rich, liberal Democrats and poor, non-liberal ones. On average, the less fortunate a Democrat is in dollar terms, the more likely he or she is to believe in the American dream. Wealthier Democrats tend not to believe that the dream exists.

Self-described liberals look much more favourably on government regulation than other Democrats do. They are also more internationally minded, embracing free trade and rejecting the notion that America should pay less attention to the world beyond its borders and concentrate on what is happening at home. They also have a set of feelings about the flag, about Muslims, immigrants, atheists and gay people that are not always shared by the half of all Democrats who do not describe themselves as liberal.

Rank-and-file Democrats share their enthusiasm for active government but are less united on cultural issues, where a sizeable minority hold on to the traditional values downplayed or even rejected by most party leaders, writes

Larry Bartels of Vanderbilt University. For example, in 2016 half of all white Democrats believed that to be truly American it is important to have been born in America, according to the American National Election Studies survey, a view more commonly associated with the president's supporters.

The flowering of Democratic political activism that is taking place under Mr Trump is largely confined to the party's liberal side. Half the "solid liberals" identified by the Pew Research Centre have given money to a political candidate or organisation in the past year. Jonathan Haidt's work on political intuitions helps explain how the president enrages them. Mr Haidt argues that political reasoning is like riding an elephant. The jockey, who represents reason, may think he is in charge, but he sits on top of a more powerful beast, moral intuition, that goes where it will.

There is some complementary overlap here with Daniel Kahneman and Amos Tversky's work on fast and slow systems of thinking. Feelings about politics usually engage the fast, judgmental system rather than the slow, deliberative one. This is why, for voters, feelings about faith or the flag often overwhelm more deliberate thoughts about policies towards the deficit or single-payer health care. Republican elites have an emotional advantage here that is hard for Democrats to match, since they more often lean towards the view that politics is about policies.

Hands up if you’re a Democrat

Mr Haidt divides political morality into pairs of opposing instincts: loyalty and betrayal, authority and subversion, liberty and oppression, sanctity and degradation, care and harm, fairness and cheating. He and his colleagues devised an online morality test at YourMorals.Org based on these pairs that has been taken by more than 375,000 people. (Other studies have also found links between apolitical activities and either liberal or conservative thoughts. One of the weirder ones is between cleanliness and conservatism: people who have recently washed their hands are more likely to express conservative views.) Unlike conservatives, whose feelings seem spread evenly across all the positive values tested at YourMorals.Org, liberals focus overwhelmingly on just two of them: care and fairness. When the president calls countries “shitholes”, gang members “animals” or undocumented migrants “rapists”, the care and fairness alarms in the mind of a typical liberal light up.

Eiko Browning, a doctor in Denver, fits the description of the newly mobilised liberal. She volunteered for the Obama campaign while at university but did not do anything for the Clinton campaign in 2016. She now protests outside her congressman’s office near her home every Tuesday at midday. Some of these protests have been creative. At one point Dr Browning bought five dozen Easter eggs, labelled them with the names of what she calls “Russian collaborators” and hid them near the congressman’s office. “I got a call from his staff to say Easter eggs were not an appropriate form of communication.” Dr Browning has also started to give money to Democratic candidates: “Anybody who is any good gets $45 from me in honour of the 45th president,” she says.

Tanya Luken, a chartered accountant who lives in a suburb of Phoenix, Arizona is another first-time activist. Before Mr Trump won, she describes herself as “a good voter”. “There was one primary I didn’t vote in and I felt guilty for two months. But I’m Catholic so that comes with the territory.” She strains to be fair to the other side: “I know and respect a lot of Republicans, especially in Arizona. My closest friend is a conservative Republican. The things that I think are the worst about the president—those people don’t support them.” She also cares deeply about fairness as it applies to strangers: the tax bill signed by the president offended her idea of social justice. Activism has its frustrations. “We’re so busy accommodating everyone’s feelings that we don’t get anything done. I go to forums and we have to spend 45 minutes talking about our feelings,” she says. Nevertheless, politics has become so important to Ms Luken that she says she will leave the country if Mr Trump is re-elected in 2020.

“This will not look like a far-left reinvention of Tea Partiers…It will look like retired librarians rolling their eyes at the present state of affairs, and then taking charge.”

A third and final specimen of the newly energised liberal is Stephanie Brook Chavez, who works in commercial insurance. Ms Chavez’s sense of fairness has also been stomped on by the president and his supporters. “My mind is boggled by what conservatives allow with this administration. I’m convinced with Obama that they just hated the black man. Look at what they used to say about him playing too much golf!” Ms Chavez, who moved to Colorado from Texas, has fallen out with old friends over politics. Discussions on Facebook that had nothing to do with the subject would turn ugly if she shared something political. Some called her a “libtard” or a “jezebel”.

All three of these women are members of Indivisible, one of many political organisations that sprang up as part of the self-styled resistance to Mr Trump.

The group is dominated by what Dr Browning calls “a lot of suburban, pissed-off, educated women”. Theda Skocpol, a political scientist at Harvard, and Lara Putnam, a historian at the University of Pittsburgh, have done fieldwork on this group. “The metropolitan advocates to whom the national media turn to explain the ‘newly energised grassroots’ at times exaggerate the left-progressive focus of the activists under way and overestimate their own importance in co-ordinating it,” they write. “This will not look like a far-left reinvention of Tea Partiers or a continuation of Bernie 2016. It will look like retired librarians rolling their eyes at the present state of affairs, and then taking charge.”

They belong not just to the liberal half of the party, but to a particularly well-informed subset of the most educated, switched-on part. And even they are not particularly left-wing. “Most Americans are indifferent to or mystified by liberalism and conservatism as political ideas,” argue Donald Kinder and Nathan Kalmoe in a recent book on the ideological innocence of American voters. Given this, it is far from obvious that the answer to the Democratic Party’s problem is to become ever more liberal. Democrats must find some other way to increase the size of their coalition, and many of them think that other thing has something to do with race.

→ Demography is not destiny: Building a multiracial coalition is more difficult than it seems

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Special report

Demography is not destiny

Building a multiracial coalition is more difficult than it seems

Democrats need the non-whites and the college-educated whites to come together

Jul 12th 2018

HOUSTON, A DRIVE-THRU megalopolis of nearly 7m people, is sometimes sneered at by residents of other big cities for being flat (true), hot (also true) and ugly (somewhat true). Yet if you are the sort of person who thinks human variety is appealing rather than threatening, then the city, which spreads over an area in east Texas the size of Massachusetts, is exceptionally beautiful. Even in a nation of immigrants, it is astonishingly diverse. The largest group, by a whisker, is Anglo (as non-Hispanic whites are known in Texas), followed by Hispanics, then African-Americans and Asians. No single group dominates. Houston elected an African-American Democrat as mayor and an Anglo Republican as the county judge. It is a welcoming, tolerant place which accepts more refugees for resettlement than any other city in the country. This is America as Democrats would like it to be.

The party is obsessed with Texas, and rightly so. Any Democratic presidential candidate who could pick up its 38 electoral college votes and add them to those of California, New York and Massachusetts would open up many possible paths to the White House. Texas, though, is not obsessed with Democrats. The state last chose one as governor in 1990, as senator in 1988 and as president in 1976. There have been false dawns in this long losing streak, and many declarations that this time will be different. Turning Texas blue is rather like nuclear fusion: a transformational idea in theory that in practice is always a few years away.

Democrats probably do have a better chance of changing this story in November than at any time in the past 25 years. The least bad set of results for the party in recent years came in 2006, also a mid-term year in which Republicans held both houses of Congress and the presidency, when the appeal of negative partisanship was strong. The result in 2006 came despite the fact that the president himself was a Texan. President Donald Trump's approval rating in Texas (39% according to Gallup) is lower than in North Carolina or Florida, both perennial swing states.

A further cause for Democratic optimism comes in the form of a floppy-haired tech entrepreneur and former bass player from El Paso. Beto O'Rourke, a congressman running in November against Ted Cruz, one of the state's senators, is considered by many politicos to be the best candidate the party has put up statewide in decades (the most recent poll still has him down by five points). "I watched Kennedy, Reagan, Clinton and Obama campaign," says Richard Murray of the University of Houston. "Beto is in that kind of class."

Then there is the downright weirdness of the state's Republican leadership. Texas was once synonymous with the expansive version of Republicanism pursued by the Bushes and Rick Perry, a strand more concerned with taking care of business than with fighting culture wars or kicking out immigrants. Now the party's leadership seems obsessed with the private lives of others, and the attorney-general, Ken Paxton, has been under indictment for securities fraud since 2015. "I think people want a return to normalcy," says his Democratic opponent in November, Justin Nelson, munching on a rib of beef served by a man dressed like Johnny Cash who, in typical Houston fashion, speaks seven languages, including Armenian and Farsi.

So far, though, Texas has mainly been proof that demography is not destiny. According to projections by Robert Griffin, Ruy Teixeira and Bill Frey, a trio of eminent demographers, a majority of eligible voters in Texas will be non-white by next year. Since non-whites lean heavily Democratic this ought to be decisive, and yet it is not. Texas Democrats sometimes make themselves feel better about that by pointing to voter suppression or gerrymandering by Republicans. These things do not help, but the uncomfortable truth is that in low-turnout electoral politics, a smaller, cohesive, motivated group can go on outvoting a larger, disparate, apathetic group for a long time.

One reason so many Democrats go missing on polling day is that propensity to vote increases with income, and many would-be Democrats are poor. Another is that different bits of the coalition do not share interests. This is especially visible in the Democrat-on-Democrat fights in California. Golden State Democrats are mostly progressive, but since just 15,000 tax-filers already provide a quarter of income taxes, they often find it hard to pay for the pro-poor policies they advocate. How much taxes can go up without pushing the super-rich out of California is an oft-discussed topic. “There are diminishing returns to raising taxes after a certain point, we just don’t know where that point is,” says Anthony Rendon, the speaker of the state assembly.

On housing, too, wealthy Californian liberals compete with poorer, non-white Democrats, a competition that is particularly ferocious in cities like Los Angeles and San Francisco where planning laws make it hard to increase the housing supply. California’s example is extreme, but something like it has taken place across urban, Democratic America. Nathaniel Baum-Snow of the University of Toronto and Daniel Hartley of Chicago’s Federal Reserve looked at city centres between 1980 and 2010 and concluded that members of the Democratic Party’s affluent wing are taking over at the expense of poorer, often non-white Democrats.

Houston is unusual among big cities in which Democrats cluster because it is not subject to these constraints. The long oil boom that started at nearby Spindletop bequeathed Houston a freewheeling spirit and a pathological suspicion of zoning laws. Four votes to introduce them failed, undermined by property developers who considered such planning laws bad for business and voters convinced they were a step on the road to serfdom.

As more people arrived, more city was built. Migration to Houston has gone into overdrive in the past 15 years largely because the absence of zoning laws has kept housing comparatively cheap. Most American cities are surrounded by towns incorporated a century ago that cannot be gobbled up. Houston has authority to grab anything within five miles of its boundary, a point that has moved ever outwards. This is how its metropolitan area has come to spread over an area nearly the size of Belgium. The process has now slowed: the last annexation took place more than a decade ago and was controversial enough that city officials have since become more cautious. Houston is one of the fastest-growing cities in the country and has added more people since 2000 than either New York or Chicago have.

Mr Obama's approval rating among black voters stayed high throughout his term but fell among Latinos and whites

Cheap housing attracted African-Americans from northern cities; it also attracted immigrants from Jamaica and Nigeria. Hispanic families who had been in Texas since before it was part of the Union came to Houston, as did recent arrivals from Central America. Vietnamese tailors mixed with Indian petrochemical engineers. Democrats need these disparate tribes to cohere into a single group—the non-whites—and ally with college-educated whites and then turn out in large numbers.

Yet even in Houston, which probably has less intense competition for housing and less racial tension than any other large American city, this is not a given. Because it is so sprawling the city's different tribes tend to live apart. "Houston is segregated by income rather than ethnicity," says Stephen Klineberg, who tracks the city's changing demography. "We're not threatened by each other, but we don't get to know each other either."

Fort Bend county, a suburb to the south-east, has a claim to be the most diverse place in the whole country, and therefore in the world: it is close to being a quarter Hispanic, a quarter Asian, a quarter Anglo and a quarter African-American. It offers a tantalising glimpse of what a prosperous, post-racial America might one day look like. Even here, though, racial categories persist. The public schools have self-sorted: Anglo and Asian children in one group, African-Americans and Hispanics in the other. Across Texas, Democratic primary results usually break down in predictable ways according to what can be inferred about a candidate's ethnicity from their surname.

Anti-racism is the adhesive that keeps a coalition of upscale whites together with poor minorities. But anti-racism might not be a substitute for a kind of solidarity that costs money, such as paying higher taxes, or status, such as sharing out places at a city's better schools. Nor is anti-racism the force in the party that college-educated liberals assume. About 30% of white Democrats told the American National Election Studies in 2016 that it is either "extremely" or "very" important for whites to work together to change laws that are unfair to whites, an attitude that many upscale Democrats would consider highly racist. Pitted against the passions and prejudices that the president can tap into when he talks about banning Muslims, or of Latino gangs destroying the country, anti-racism is overpowered.

Race to the bottom

One way of thinking about the Democrats' conundrum on race is to picture a bucket. At the beginning of the 21st century when Mr Teixeira and John Judis wrote "The Emerging Demographic Majority", the Democrats' bucket was filling up with non-white voters in a way that looked sure to deliver electoral victory. At a certain point, though, around the time of Barack Obama's victory in 2008 (and the timing is unlikely to be a coincidence), whites started to flow out of the bucket as fast as non-whites flowed in. In 2015 Mr Judis updated his prediction in an article for the *National Journal* called "The Emerging Republican Advantage". To win elections, he wrote, Democrats still need 36-40% nationally of the white working-class vote—which, in practice, means totals in the teens or 20s in the south, and near-majorities in many northern and western states.

Pick a non-white candidate and non-whites may turn out in record numbers but these poorer whites may flow out. Pick a white candidate and non-whites may not flow in. Studies of mayoral elections, which throw off enough data to make general observations, suggest that Hispanic voters often fail to get behind African-American candidates and vice versa. Mr Obama's approval rating among black voters stayed high throughout his term but fell among Latinos and whites. Racial categories are maddeningly stubborn. A multiracial coalition can easily become less than the sum of its parts.

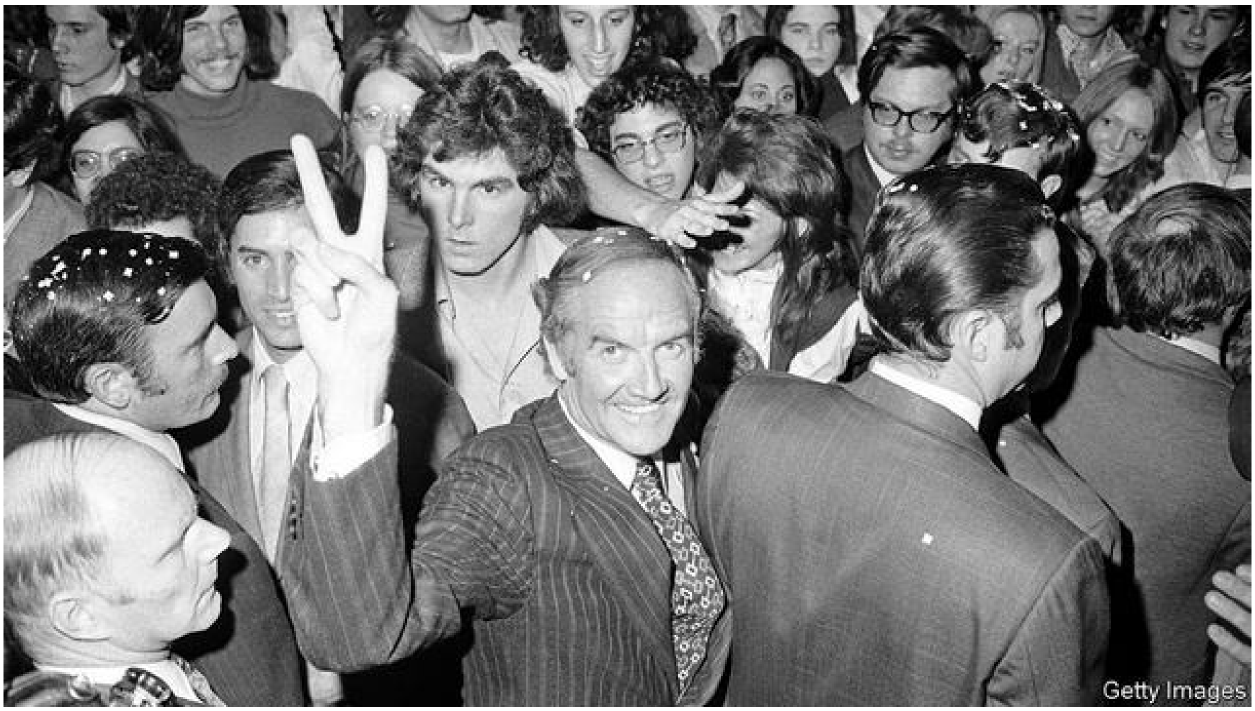
→ Fork in the road: Should the party move to the left or to the centre?

Special report

Fork in the road

Should the party move to the left or to the centre?

Some activists say the party needs to learn from Bill Clinton



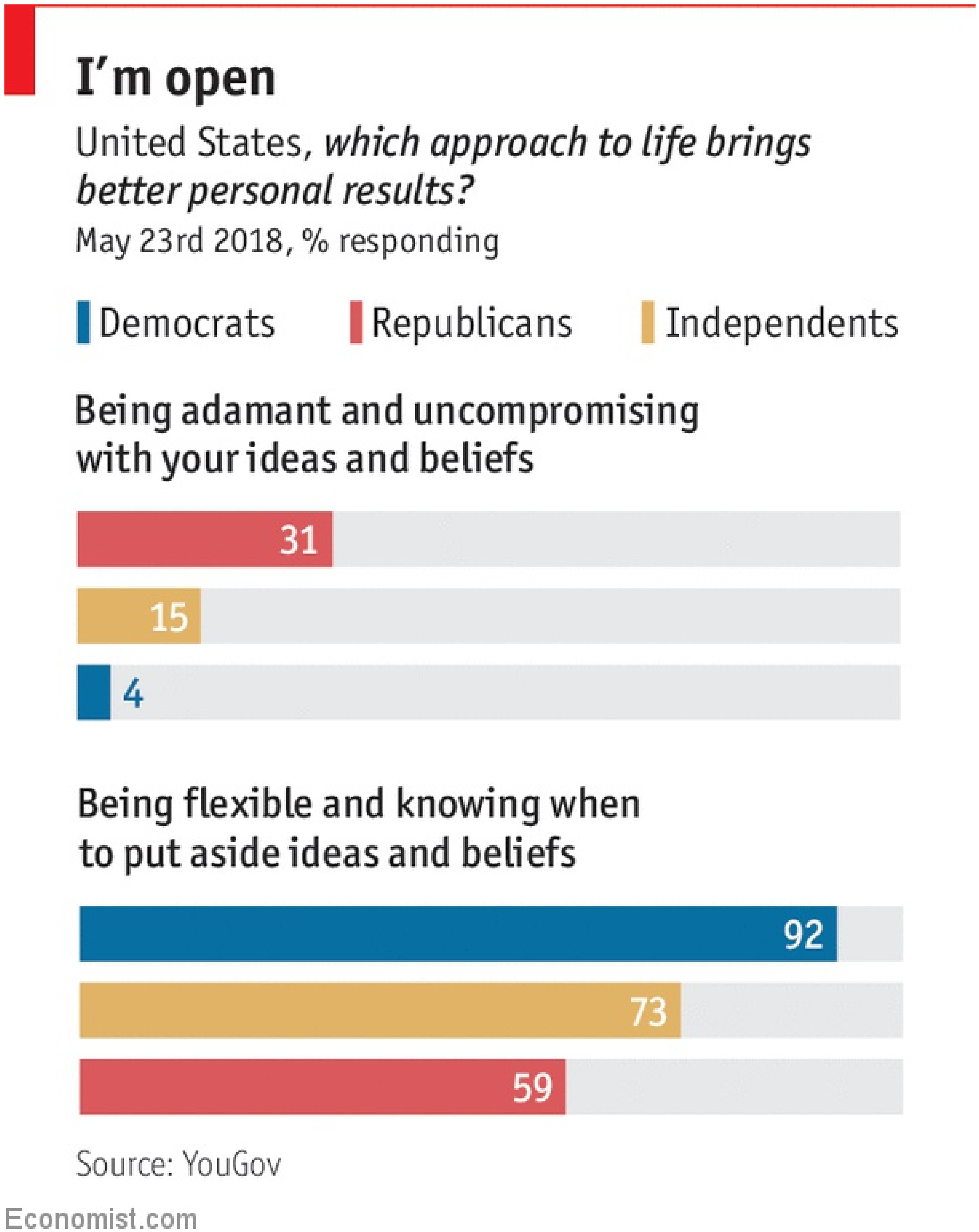
Jul 12th 2018

LOSING THE PRESIDENCY in 2016 to someone most Democratic activists consider unfit for the office even on a good day was terrifying, because it suggested they did not understand the country they aspired to govern. It was also a little exciting. Ever since the Reagan revolution, Democrats have had a sickening feeling that their core idea about government is unsellable. “I’m from the government and I’m here to help” still sounds comforting to many of them, but they suspect they are not allowed to say it. The lessons of Bill Clinton’s victory in 1992 and the backlash against Barack Obama’s attempts to fix health care seemed to be that the country is as hostile to big government as ever. Then Donald Trump ran, without making any of the usual conservative promises to starve the beast, and won. Before 2016 liberals thought they were fighting an idea. Now, it seemed, they were fighting a man. Perhaps the old rules no longer applied.

The sense of possibility that came with this has been a tequila shot for those trying to push the Democratic Party leftwards. One prominent effort to do so is being masterminded from the top floor of an art-deco building in downtown San Francisco. This is where Tom Steyer oversees NextGen America, which he calls the largest grassroots political organisation in the country. Mr Steyer, a former fund manager, and his wife have given $30m to Democratic and liberal causes in this election cycle according to the Centre for Responsive Politics, making them the most generous political donors in the country. But Mr Steyer has a fractious relationship with the Democratic Party's leadership, which he views as weak-kneed. He funded an advertising campaign that called for impeachment of the president. Party grandees hated it. Mr Steyer thought this hypocritical. "Every Democratic politician thinks Donald Trump has met the standard for impeachment, they just can't say it," he says. "Telling the truth and standing up for our values is important in and of itself."

Doing so, Mr Steyer believes, is also good politics. The Democratic leadership tends to divide candidates into centrists, who can win in marginal districts, and lefties, who are fine in safe seats but will lose otherwise winnable ones. This makes intuitive sense, but it is an idea that political scientists have found hard to stand up. The "median-voter theorem" once held that the party that hews closest to the views of the median voter usually wins. It was taught to this generation of academics as akin to the law of gravity, but has since become the political-science equivalent of believing Earth to be flat. When politics is so polarised, people no longer cluster in the ideological middle. And besides, the belief that voters are calculating machines who carefully weigh policies before opting for whoever offers them the best deal, is hard to sustain. That strengthens the arguments of those pushing for boldness. "The idea that there is a trade-off between pleasing the base and winning is completely false," says Mr Steyer. "Turnout in elections is pathetic; the strategy of trying to talk to both sides simply doesn't work."

Almost all Democratic candidates now favour raising the minimum wage and also endorse universal health care and criminal-justice reform. The disagreement is over how to get there. Lee Drutman looked at the division between Clinton and Sanders supporters in the Democratic primary of 2016 for the Democracy Fund, a bipartisan foundation, and found few disagreements on policy, except for a slight difference over the benefits of foreign trade. Larry Bartels of Vanderbilt University concurs. The notion that Clinton and Sanders supporters were divided by ideology, he writes, is starkly contradicted by statistical analysis.



Within activist circles, though, this division is real. What might look to outsiders like small policy differences reveal a larger philosophical difference. Candidates who favour incremental changes are signalling that they are basically happy with the country as it is, says Karthik Ganapathy of MoveOn, one of the largest pressure groups on the left. More uncompromising candidates are signalling that they know that something is fundamentally wrong with American society, he says. Thus differences over whether the federal government should offer a public health-insurance option or introduce a single-payer system can become litmus tests for the party's progressive wing.

Democratic senators have recently proposed plans for universal single-payer health care, free college tuition, a national $15 minimum wage and a federal jobs guarantee for those unable to find employment. This last measure alone could increase the federal government's payroll tenfold. The senators usually spoken of as contenders for the party's presidential nomination in 2020—Kamala Harris, Cory Booker, Elizabeth Warren, Kirsten Gillibrand, Bernie Sanders—have all endorsed some or part of this. Twenty years ago a Democratic president declared that the era of big government was over. Now it seems to be back.

Donkey in elephant's clothing

Contrary to popular belief, there is some evidence for the idea that Americans might quite like some more government. Another consistent finding in political science is that voters are ideological conservatives but operational liberals. Small government is more popular than big government in theory, but voters do not like spending cuts. "The public mostly agrees with the Republicans in philosophical terms and with the Democrats in policy terms," write David Hopkins and Matt Grossmann in "Asymmetric Politics", the best recent book about how the two parties became what they are. This is not just an unwillingness to choose between two good things. Even when voters are told that spending will require higher taxes or budget deficits they still want it, according to Messrs Grossmann and Hopkins. A survey taken a year after Mr Trump won found that 55% of Republicans thought government should make sure everyone has access to good health care and 60% of Republicans thought the government should provide a decent standard of living for those unable to work. Perhaps, these numbers suggest, Democrats are not so out-of-tune with the country after all.

This is wishful thinking, confusing what activists are hankering for with what marginal Democratic voters might want. Most of the new proposals from Democratic senators, which in fact are resuscitated versions of old ideas, come from politicians who hail from safely Democratic states. Voters in Massachusetts, New York and California probably do want single-payer health care. Colorado, where voters rejected a ballot-initiative to introduce it by a margin of 80-20 two years ago, does not. Democrats need more votes in places like Colorado, not ever-greater winning margins in California and Massachusetts. Barry Goldwater on the right in 1964 and George McGovern on the left in 1972 both ran presidential campaigns testing activists' theory that the country wanted more ideological purity. Both were trounced.

For those who played a part in the transformation of the Democratic Party from the low of Walter Mondale losing all but Minnesota and Washington, DC in 1984 and Bill Clinton's victory in 1992, the argument activists are having now is horribly familiar. By the end of Ronald Reagan's presidency, Democrats viewed the Gipper as a celebrity lightweight who had hypnotised the rubes. Once he was gone, in 1988, they expected to take back the White House, a hunch that hardened into a certainty when polls showed their nominee, Michael Dukakis, 17 points up five months before the election. Left-leaning pundits argued then that the increasing diversity of the electorate was good for Democrats, and that the country was ready for a counter-revolution.

"Nothing shocks a political party more than losing a national election it expects to win," says Bill Galston, now at the Brookings Institution, a think-tank, and then an influential thinker about how Democrats could revitalise. After that defeat, Mr Galston wrote an essay called "The Politics of Evasion", in which he argued that Democrats were ignoring what voters were telling them. The party was not trusted on the economy and was associated with stances on welfare, gay rights and the death penalty that too many voters found strange or threatening.

This insight lay behind many of the Clintonian instincts that Democrats, looking back, now find unforgivable: interrupting the campaign to fly back to Arkansas and oversee the execution of Ricky Ray Rector; tough-on crime sentencing; deregulating Wall Street and cutting welfare spending. "Clinton was tolerated and respected by the base," recalls Mr Galston, "but the terms of his success always stuck in the craw of the party." Asked what the equivalent of those welfare cuts—an idea that is hated by the party but makes sense to much of the country—might be in 2018 or 2020, Mr Galston identifies immigration. "If Democrats are determined to go down fighting defending the principle of sanctuary cities [in which local jurisdictions decline to co-operate with federal officers in enforcing immigration laws], Republicans will be only too happy to let them."

When trying to explain what happened to American politics, many Democrats tell themselves a story about how the Republicans became ever more extremist while their own party stayed more or less where it had always been. There is truth in this: Republicans are more ideological than Democrats. Yet Democrats have not stood in the same place for the past 20 years.

As recently as 2007, trade unions and a large chunk of the party's congressional wing were hostile to immigration reform. Senator Sanders voted against a bill in 2007 that would have given a path to citizenship for 12m undocumented people, on the basis that the proposal also allowed companies to bring in guest workers, undermining unions. On gay marriage, too, as recently as 2008 neither Hillary Clinton nor Barack Obama were prepared to endorse a position that is now so thoroughly mainstream for Democratic candidates that they seldom mention it.

Perhaps because these attitudes changed so quickly, many in the activist wing of the party seem to imagine there is no elastic limit to where they can take the party and still win national elections. They subscribe to a folklore that views history since the 1960s as a series of victorious social movements—civil rights, feminism, environmentalism, gay rights—and the role of activists and politicians as being to lead these movements, dragging America with them, even against its will.

Sometimes this really is how it happened. In 1963, 60% of respondents told Gallup that they viewed the March on Washington unfavourably, saying it would cause violence and not achieve anything. Martin Luther King's "I have a dream" speech, delivered on the National Mall, now sits alongside the Declaration of Independence as one of America's sacred texts. Shortly before

Lyndon Johnson signed the Civil Rights Act, 78% of white people told Gallup they would move out of their neighbourhoods if black people moved in. He did it anyway.

More often, though, successful politicians exploit changes in social attitudes that are already happening, rather than causing them by decree. “In the very long run,” says Mr Galston, “politics can award medals for bravery.” In the short run, which usually means the time between now and the next important election, “politics is about a quest for the power to pursue the national interest in the way you choose to define it.” This kind of argument always raises the question of whether you are advocating a craven capitulation to public opinion, he adds. “But if you define the national interest in a way that precludes winning power, then what are you really doing?”

→ What’s left?: To win back power, Democrats must do things that make them uncomfortable

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Special report

What’s left?

To win back power, Democrats must do things that make them uncomfortable

They must relearn the language of American civil religion

Jul 14th 2018

JERRY BROWN, California’s governor, is once again pondering the decline of Western civilisation. Mr Brown is sitting in his San Francisco office, having spent part of the morning at a conference where business people were discussing how to use artificial intelligence to sell more cosmetics. “I’ve never heard the word ‘experience’ so often…the ‘make-up experience’…all that brain power, a massive mobilisation of talent and capital, and for what?” The governor will step down at the start of next year after a second two-term stint in Sacramento (his first was 1975-83), making him both the longest-serving governor in the state’s history and a reliquary of the changes the Democratic Party has undergone in the past half century.

In a state synonymous with cloudless skies, Mr Brown always seems to be expecting the next storm. He is something of a fiscal conservative, cutting spending and raising taxes, and will bequeath his state both a budget surplus and a full rainy-day fund when he goes. He was a serious environmentalist 30 years before protection of the environment became one of his party's main purposes, and he was railing against the distorting effects of large campaign donations long before the Supreme Court's *Citizens United* decision made that position fashionable on the left. But he is also the veteran of three failed presidential bids, proof that being correct in politics is not the same as winning.

Politicians are usually obliged to pretend that they can command the sea to part when they can really only surf on the waves. "The economy is the most important thing, and it's the thing we can't control," muses Mr Brown. What they can do is be ready when a sufficient number of voters decide they want a change. At that point, the party or candidates who are not in power must be able to persuade people that they share their worries, are on their side and, at some level, are like them. Voting is partly an exercise in narcissism. People want to be able to look at a candidate and see something of themselves.

When your party does this, it is called empathy. When the other side tries, it is called identity politics. President Donald Trump's hostility to immigrants who are not high-cheekboned Slovenian models suggests to a large number of white Americans that he cares about them and will put their interests ahead of other people's. Democrats cannot do this kind of identity politics. What they can do, however, is avoid the wrong kind of identity politics. That would mean not speaking to the different bits of their mosaic coalition as if each had separate interests that are opposed to those of the population at large.

Because Democratic candidates are so aware of the need to bring a fragmented coalition together, their speeches can resemble lists, and any sizeable Democratic political event must feature speakers who are black, brown, white, male, female, gay, straight, natural-born citizens, immigrants and undocumented. The instinct behind this is noble: America is becoming more diverse and its future success depends on the acceptance of that.

But, whereas in the 1960s, identity politics on the left was about big issues such as free speech and racial segregation, now all too often it emphasises questions that affect very few people directly, such as transgender equality.

The Democratic platform in 2016 contained 20 mentions of LGBT rights and almost no mention of illegal immigration. “There’s a whole set of parents in the country who just don’t get it,” says Lynn Vavreck of UCLA.

Democrats do not need to abandon small, vulnerable groups; but they cannot build a winning coalition out of them alone. Better identity politics requires playing down identity, not playing it up. “As a New Yorker, I am a Muslim. I am a Jew. I am black. I am gay,” Andrew Cuomo, the state’s governor, announced last year. “I am a woman seeking to control her body.” It would have been enough to say that everyone is welcome in New York, regardless of how they look, what they believe or whom they love, so long as they extend that tolerance to others. It ought to be possible to talk about the large numbers of black men murdered every year and the large numbers of rural whites dying of heroin overdoses in the same breath, as a sad waste of human potential, without getting into an argument over white privilege. It should also be possible to welcome into the party with equal passion women who are against abortion and those who oppose the president.

At its worst, putting identity first can become a way to close down debates that Democrats need to have. After supporters of Bernie Sanders were removed from key committees on the Democratic National Committee (DNC) in 2017, for reasons that really had to do with the senator from Vermont and his supporters speaking a language that many found too revolutionary, the DNC denied that it had retaliated against Mr Sanders’s allies, and said the changes were intended to increase diversity. The new additions included a black, millennial transgender woman and a child of undocumented migrants, as if the real problem with Mr Sanders’s people was that they were not oppressed or gender fluid enough. One Sanders supporter bruised by the experience describes this focus on oppression as “the misery Olympics”. The temptation to suggest that people’s views are a product of their skin colour, gender or sexuality is bad enough. As a principle for unifying a party as diverse as the Democratic Party, it is a disaster.

Many Democratic politicians deeply dislike what Mr Trump’s success reveals about their country. Yet in a political system where winning the popular vote does not necessarily result in gaining political power, they may need to wrap themselves in the flag and become as grounded in what Governor Brown calls “this Americana business” as the president is.

“Children do not respond well to scolding and neither do nations,” writes Mark Lilla in “The Once and Future Liberal”. “It just puts their backs up. They become better only when they are told they are already good and therefore can improve.” The spectacle of the president taking policy advice in the Oval Office from Kim Kardashian, a fellow star of reality TV, might convince Democrats that the demise of Western civilisation feared by Governor Brown is already here. They must put such thoughts aside and relearn the language of American civil religion: self-evident truths; a shining city upon a hill; life, liberty, the pursuit of happiness. And, above all, *e pluribus unum*: out of many, one.

Business

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The capitalist kibbutz

Big corporates’ quest to be hip is helping WeWork

Sceptics abound, but there may be more to the startup than meets the eye

Jul 12th 2018 | NEW YORK

WITH his flowing locks and hip clothes Adam Neumann, co-founder and chief executive of WeWork, looks less like a property baron than the frontman of a rock group. He speaks expansively on the subjects of character, destiny and God. His four-year-old daughter wanders through his office during an interview with *The Economist*. Yet Mr Neumann, a veteran of the Israeli navy, also has a reputation for being an intense and demanding businessman. Both sides to his character come together in WeWork. Mr Neumann thinks of his property startup as a profit-making version of Israel’s famed communal farms—a sort of “capitalist kibbutz”.

Shaking up the market for commercial offices globally is the firm’s mission. WeWork’s “co-working” offices, in more than 250 locations and over 70 cities worldwide, are a blend of small private spaces and large public areas designed to encourage a sense of community among its users. The firm rents huge chunks of space from landlords, kits them out and charges clients a membership fee starting at a few hundred dollars a month. Customers rent anything from one desk to whole buildings and range from tiny startups to giants such as General Motors and Samsung.

In the eight years since its founding WeWork has become the largest private-sector occupier of offices in central London, and the second-largest in Manhattan. Its expansion is being fuelled by SoftBank's near-$100bn Vision Fund, which last year put several billion dollars into the firm, valuing it at $20bn. This is more than most big property companies, even though it is not yet profitable. SoftBank is expected shortly to invest another $3bn into the company in a deal that could lift its valuation to $35bn.

Big questions nonetheless swirl. Sceptics wonder about the model's viability in an unsentimental, margin-driven property industry that is prone to painful ups and downs. As a result, they scoff at its valuation. WeWork's top brass talk of its becoming a $100bn firm; others regard a tag of $20bn as already extremely stretched.

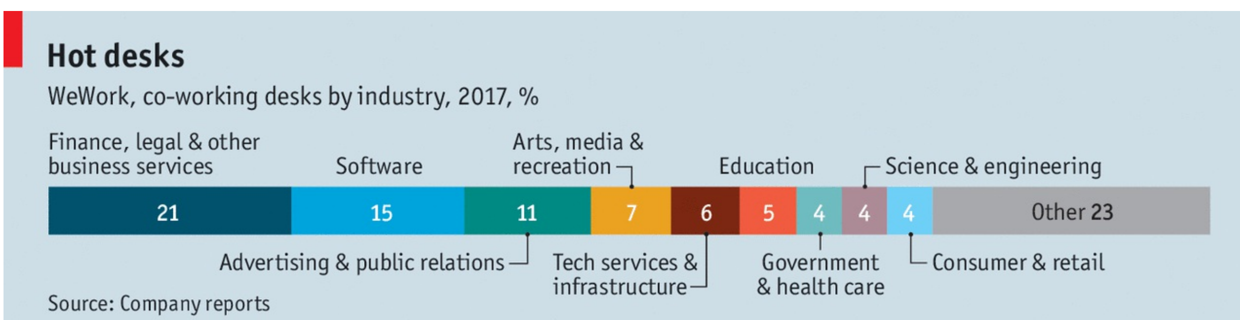
Suite smell of success

WeWork does deserve credit for reimagining the conventional corporate office. It has spread design innovations from tech companies such as Google. A large common area with sofas and work desks, fruit-infused water and open lines of sight welcomes visitors to every location. Each is manned by a concierge who gets to know "members" and curates events ranging from yoga classes to investor talks. The halls and stairways are deliberately made narrow as a way of encouraging people to interact. In lounges music is played loud enough to prevent eavesdropping. The firm uses a mixture of anthropological research, sensors and data analytics to hone and customise office designs.

At its location near Grand Central Station in midtown New York, a member working at an advertising startup says his old ad agency was so full of politics and corporate silos that he rarely socialised with colleagues. In his new co-working space he often enjoys beers or plays video games with people from other firms. Down the hall, a boss of an Icelandic yogurt firm says running instant focus groups on new flavours in the lounge speeds product development.

Research suggests that employees are happier in co-working environments like those run by WeWork. But the firm's real genius is that it is also far cheaper for their employers. Property experts estimate that firms typically spend anywhere between $16,000 and $25,000 per employee on rent, security, technology and related office expenses. Mr Neumann insists they can get all of that from WeWork starting at $8,000 per worker. Efficient use of space is one reason. Ron Zappile of Colliers, a property-services firm, reckons that typical corporate offices use some 185 square feet (17 square metres) per employee. WeWork members get by on 50 square feet per head.

WeWork has more than 250,000 members from a range of industries (see chart) and expects to double revenues this year for the ninth straight year. Last year it made $886m in revenue, 93% of which came from memberships. Artie Minson, its chief financial officer, reckons the firm would need about 1.3m members to reach $10bn in revenues. "On our current course and speed, it's very achievable," he says. The firm says it is going after only a slice of the $2.5trn that firms spend worldwide on office-related services.



Economist.com

WeWork's net losses also roughly doubled, however, from $430m in 2016 to $884m last year. As with many fast-moving startups, it explains its lack of profitability by pointing to big investments. It will open 15 new offices a month worldwide for the foreseeable future. Its bonds issued in April were rated as junk.

What worries observers is its similarity to Regus (now known as IWG), a pioneer of the serviced-office market. IWG expanded wildly during the dotcom boom, taking on piles of debt. Its American division was driven to bankruptcy when the tech bubble burst, and the firm was left with lots of rent to pay and too few tenants to cover outgoings. Mark Dixon, IWG's long-time boss, says that the chief lesson he learned is that "you have to have a matched book or you will die. It's not a question of whether but when." WeWork is on the hook for about $1.9bn worth of leases (typically 15 years in duration, with no more than 7% falling due each year) but its members are tied in only for short periods. A crash could mean lots of empty desks.

WeWork has devised ways to tackle this mismatch. Its leases are held in special-purpose entities specific to one property, so the parent is somewhat insulated from blow-ups. The firm is increasingly using revenue-sharing leases. This gives away some upside to landlords in good times, but it means the firm bears less risk during a downturn. Buying buildings with outside money is another hedge. WeWork recently bought the former Manhattan flagship of Lord & Taylor, a troubled retailer, and is likely to buy more buildings using external capital. It has some $2bn in cash, with more soon to come from SoftBank. Unlike the old Regus, it has relatively little debt even after its $700m offering in April.

Yet the most important source of stability may well be a shift in its customers, from startups to big firms. A few years ago, WeWork's business was comprised almost entirely of small fry. In the year to September the enterprise segment (firms with over 1,000 staff) grew by around 370%. As of June, big firms accounted for about a quarter of its membership and revenues. More than 1,000 companies now take anything from one to 12,000 desks. In June, Facebook asked WeWork for an entire building for several thousand workers.

The average enterprise lease is close to two years and many new ones are three to five years long. Whereas big firms, used to conventional office leases of 10-20 years, see WeWork's contracts as flexible, the firm itself sees them as commitments that will help it weather a downturn.

As for the firm's dizzying valuation, WeWork has devised a measure of profitability that it calls "community-adjusted EBITDA", which strips out the costs associated with expansion but retains the costs of running existing locations. Despite the hippy-dippy name, analysts regard it as a reasonable measure, akin to the distinction made between "same-store" sales and new-store sales in analysing retailers. In 2016 WeWork's established locations had community-adjusted EBITDA margins of 22%, which rose to 27% last year thanks to higher occupancy and improved economies of scale. Mr Minson expects it to reach 30% by year-end.

The cost of expansion is also coming down. One measure WeWork uses is the net capital expenditure involved in opening new space. This has declined from $10,888 per desk in 2015 to $5,631 per desk in 2017, and is expected to reach roughly $4,000 per desk this year. This downward trend can be explained by growing economies of scale and vertical integration. Visit its forthcoming office space at 750 Lexington Avenue in Manhattan and you will find a surprisingly high-technology building site, featuring 3D-laser scanning of raw space and real-time online tracking of global construction activity. "We can systematically say how many desks we'll open in a city in the future," says Jennifer Berrent, the firm's chief operating officer. The firm can go from lease-signing to tenancy in four months; old-fashioned landlords take six months to a year.

Mr Neumann thinks this in-house expertise will ignite new sources of revenue. He reckons that most growth will come from new products such as Powered by We, a service that brings WeWork's design and operational capabilities to a customer's site, where it revamps existing offices. So far it has attracted 30 enterprises.

WeWork also wants to advise firms on improving corporate culture. A forthcoming product, described in a case study prepared by Harvard Business School, envisages WeWork helping firms transform by applying its methods (which it calls its "Culture OS"). Mr Neumann observes that firms are often much better at taking care of their customers than they are at looking after their employees. In addition, WeWork offers a range of services for members, such as third-party health insurance for startups, which make up a small but growing part of revenues. It has acquired America's Flatiron School, and offers its computer-coding classes to members. It recently launched WeWork Labs, whose services for startups include mentorship from seasoned entrepreneurs, matchmaking with big firms and other benefits.

The firm's ambitions do not stop at the office. Mr Neumann is currently bidding against Elon Musk, the boss of Tesla and SpaceX, for the right to develop a large tract of public land near San Francisco's Golden Gate Bridge. In addition to co-working space, the complex would house WeGrow, a network of schools for young children that WeWork has designed, and WeLive, a "co-living" style of housing it is working on. The first such school, on the third floor of the firm's New York headquarters, will start classes this autumn. Two residences are already open, one near Washington, DC, and the other on Wall Street.

Some investors reckon that such initiatives are a distraction from its core business. The startup's stratospheric valuation is partly a matter of faith. Yet established corporates' growing interest is also a sign that the firm can endure. In the WeWork building west of Times Square in New York, the penthouse floor is occupied by employees from Nasdaq—just two blocks from the stock exchange's own spacious offices. Eric Folkemer, a manager, says that it wanted to attract talent from Silicon Valley firms, but that recruits were put off by its old-fashioned facilities. "It's a lot easier to get them to work for us in this building."

Bartleby

A welcome upgrade to apprenticeships

University degrees for manufacturing apprentices erode an old class divide

Jul 12th 2018

THE Advanced Manufacturing Research Centre (AMRC) in South Yorkshire, England, looks like the very model of a modern industrial site—bright, shiny, airy and clean. In June 1984 it was the site of a traumatic moment in British history—the Battle of Orgreave, when picketing miners clashed with police as they tried to stop lorries collecting supplies from a coking plant. The incident symbolised Britain's post-war record of industrial decline and bitter strikes.

The old coking plant is long gone. In its place is a promising attempt to create jobs for a new generation of workers, and to tackle an ancient and ridiculous British class divide. An important part of this divide is that universities have long been seen as a place for academic subjects, calling for essays and equations. People who got their hands dirty making stuff did not go to college. But as of last autumn apprentices at the AMRC have been able to study for degree courses. When they graduate they will have an engineering degree from Sheffield University in mechanical manufacture, maintenance engineering or manufacturing technology.

The centre is one element of an attempt by the British government to overhaul the apprenticeship system by mimicking German success. More than half of young Germans take an apprenticeship qualification. The youth-unemployment rate in Germany is much lower than in other European countries; its manufacturing prowess is widely envied.

The results of the British effort have been mixed so far. The number of Britons taking apprenticeships has dropped by 28% in the year since a complex new levy on businesses was introduced. But turning apprenticeships into degrees has been a success: around 100 colleges and universities are now offering the option.

The idea of manufacturing research centres is copied from Germany's Fraunhofer institutes. As well as the AMRC in Sheffield, Britain has a range of high-value-added manufacturing centres, part-funded by the government, including sites at Coventry in the Midlands and Strathclyde in Scotland. American policymakers are also intrigued: they adopted the idea in 2012.

The Sheffield centre was established in 2001 with Boeing as the founding partner. Leading manufacturing firms such as Rolls-Royce and Airbus are also involved. The centre is not just a pipeline for young talent; it also acts as a problem-solving institute for member companies. One item on display in Sheffield is a Trent fan disc for a Rolls-Royce engine; the centre reduced the component's production time by 50%. The AMRC has over 100 member companies, with those in the top tier paying £300,000 ($397,000) a year and getting a seat on the board.

Nikki Jones, who runs the apprentice programme, says that the centre works with employers to make sure the apprenticeships meet their needs. To take one example, employers said trainees needed to be taught both hydraulics and pneumatics. Over 300 firms send apprentices to be trained at the site, with 195 on a course at any given time. Around 1,000 have passed through the site; the first 14 degree apprentices will qualify in 2021.

The draw for the youngsters is clear, too. They go back to their employers regularly to hone their skills. When they finish the course, 98% of trainees stay in their jobs. Ms Jones works hard to find a diverse bunch of recruits. Teams visit local schools to tell the children about apprenticeships, and over 30% of trainees come from disadvantaged areas.

A focus on sophisticated apprenticeship programmes is a long-overdue change in Britain. The question is whether it is enough. Ms Jones says she would happily double the number of trainees at the site, but that would still be a drop in the bucket when half a million children leave school each year.

Perhaps more important than the numbers is the change in attitude that the degree apprenticeships represent. The British enthusiasm for "academic" subjects has always smacked of the Victorian era, when young gentlemen were expected to get a well-rounded education so they could keep up a conversation in polite society. To the extent that vocational education was promoted, it was in professions like law and medicine. Work in manufacturing was something for the lower classes.

In the long run, that attitude has produced too many graduates in subjects such as PPE (politics, philosophy and economics) and not enough engineers. That may help explain a lot, from Britain's poor productivity record to the Brexit mess. Too much theory, not enough practice.

See it before it leaves theatres

MoviePass's useful financial horror show

The firm may inspire more subscription models and revive cinema-going

Jul 12th 2018 | NEW YORK

EVEN by the standards of Hollywood, it sounds an unlikely pitch—an app that offers almost unlimited access to cinemas for $10 a month. The service, called MoviePass, pays cinemas full price for nearly every ticket that filmgoers use. By design, it loses more money the more people use it. The ending seems to be predictable. But might it have a twist?

MoviePass has burned far more cash even than its executives anticipated since introducing the unlimited plan in August last year. It has attracted more than 3m subscribers and will lose "at least" $45m this month, according to a filing to the Securities & Exchange Commission on July 10th by Helios & Matheson, a data firm which bought a majority stake in MoviePass last year and now owns 92% of it. Helios & Matheson reported it had lost $242m in the nine months to June 30th and that its monthly losses would increase as the service becomes more popular. The firm wants to issue more shares and warrants to stay afloat, but that could be a hard sell considering that its share price has collapsed from $32.90 on October 11th to 18 cents.

Yet MoviePass does have imitators. In June AMC Theatres, America’s largest chain of cinemas, introduced a similar programme but priced at $20 per month, a model which may be prove to be more sustainable since the higher price limits the downside risk.

The reason to look afresh at cinema subscriptions is that the old model is struggling. Filmgoing in America and Canada declined by 30% on a per-person basis between 2002 and 2017. Cinema chains have relied instead on sprucing up theatres and jacking up prices—to $9.16 per ticket this year, and even higher in big cities. Only 12% of Americans and Canadians go to the cinema frequently (meaning once or more a month); these dedicated filmgoers account for about half of all tickets sold.

Mitch Lowe, chief executive of MoviePass (and a former Netflix executive), professes to be undaunted by the losses. He says that the most frequent cinema-goers have taken up MoviePass subscriptions first, driving up costs. As more casual filmgoers sign up, losses should abate. The service also recently announced some add-ons to help defray costs further, including “surge pricing” at times of peak demand. He hopes to get the cash burn of the core ticketing service down to $1 per subscriber, with a projected 5m subscribers by the end of the year. He plans to get MoviePass into the black by such means as advertising, for example by promoting films to users in exchange for fees from studios. That is, if the money lasts.

MoviePass can already shift the box office. It buys 6% of all film tickets in America, according to Helios & Matheson’s SEC filing. Overall, national box-office receipts are up: from the start of the year to July 9th, they totalled $6.6bn, 8.8% higher than in the same period in 2017, according to Box Office Mojo. Mr Lowe reckons that MoviePass can be credited for boosting ticket sales by 3%. In Hollywood that sounds like the makings of a blockbuster, even if on Wall Street it is seen as a flop.

Working it out

Despite falling foul of the #MeToo movement, Lululemon is soaring

The “athleisure” firm is outclassing most other retailers globally

Jul 12th 2018 | NEW YORK

BOSS wanted for firm with tarnished reputation in troubled industry. On the face of it, the vacancy to become chief executive of Lululemon doesn’t ooze appeal. It is a clothing company, an industry that has been battered in recent years. And its previous two bosses have both left under a cloud.

In February its chief executive, Laurent Potdevin, resigned for conduct that the firm said fell short of its standards on integrity and showing respect for all employees. Industry observers considered his sudden departure to fit into a succession of corporate resignations sparked by the #MeToo movement against impropriety in the workplace. Mr Potdevin’s exit came three years after Lululemon’s founder, Chip Wilson, left the firm after more than a decade running it. Mr Wilson won notoriety for his on-air proclamation in 2013, after the company had to recall nearly a fifth of its yoga pants for being too sheer, that some women’s bodies “just don’t actually work” for the product because their thighs rub through the fabric.

Look closer, however, and the brand that Messrs Wilson and Potdevin left behind is booming. Demand is strong for “athleisure” products, meaning exercise clothes that double as running-about-town garb. Lululemon’s share price has more than doubled in the past 12 months. In the second quarter of 2018 gross margins expanded above 50% and sales at its 400-or-so stores surged by 25%, to nearly $650m. That is about $1,500 per square foot, one of the highest figures in retailing (Gap averages $340).

Three executives have been running the firm during the search for a new boss. Under them the Canadian company has embarked on a three-pronged growth strategy. First, it is branching out beyond its chiefly female customers and selling men’s athleisure wear; sales of these grew by double digits last quarter. Second, it is expanding beyond North America. Asian and European sales grew by 53% from the same quarter a year earlier; Lululemon will open 15-30 stores across both continents this year. Third, it is revamping its website. All of which should help it to reach a goal of $4bn-worth of revenue by 2020.

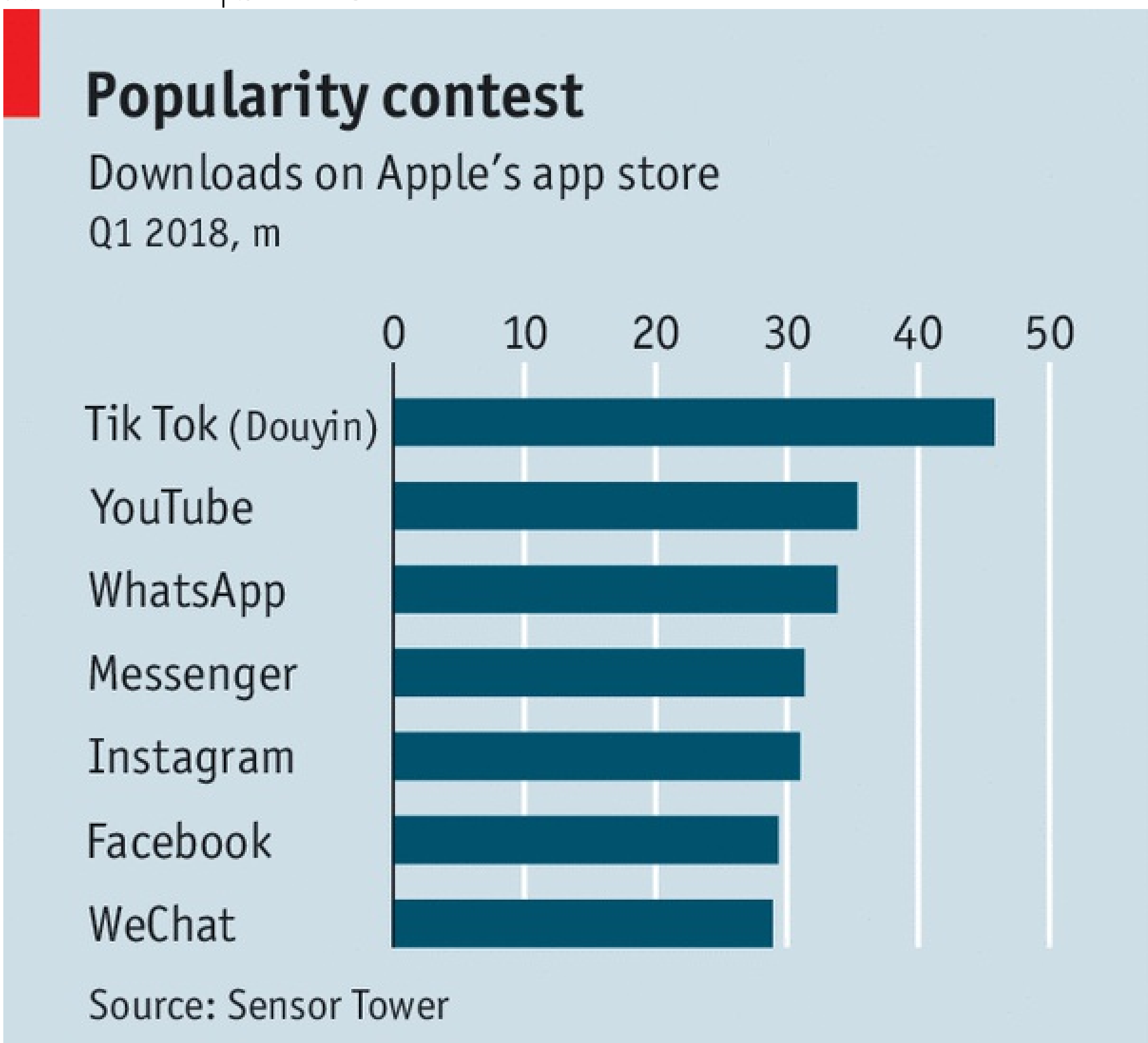
The next boss will nonetheless come under close scrutiny. Mr Potdevin’s successor, says Jennifer Redding of Wedbush Securities, an investment firm, should be a strait-laced professional willing to keep his or her head down. Others disagree. Lululemon’s customer base does not contain many wallflowers, points out Pam Quintiliano of SunTrust Robinson Humphrey, a bank. The brand needs a leader of either gender with a strong personality, she says. Above all, it needs a spell without bad publicity. According to one of its thousands-strong group of fitness and health professionals, who serve as brand “ambassadors”, the firm is just one more public misstep away from her calling it quits.

Trill-seeker

A Chinese music-video app is making WeChat sweat

Tik Tok has become the world’s most downloaded iPhone app, barring games

Jul 12th 2018 | SHANGHAI



Economist.com

A PUBLIC spat between two warring and wildly popular Chinese apps has had the feel of a teenage dance-off. “Sorry, Douyin Fans”, ran an article from the short-video app on its WeChat account, in which it accused the mobile-messaging service of disabling links to Douyin’s most popular videos. “All hail Douyin the drama queen,” retorted Tencent, WeChat’s parent, which said it had acted because the content was “inappropriate”.

On June 1st Tencent sued Douyin’s parent company, Bytedance, for 1 yuan (15 cents) and demanded it apologise for its accusations—on its own platforms (and presumably without the snark). Tencent also alleged unfair competition. Within hours Douyin counter-sued for 90m yuan. Bytedance and Tencent later swapped accusations of tolerating smear campaigns against the other on their apps, and filed police reports about defamatory posts.

Rarely has an upstart so piqued Tencent, a Chinese gaming and social-media titan which in November became Asia’s first company worth over half-a-trillion dollars. At first blush WeChat and Douyin (which translates as “trill”) appear to inhabit distinct worlds. The former is a super-app in which more than 1bn users not only chat but also order food, give to charity and pay utility bills. Douyin is a bottomless, eclectic feed of looped 15-second videos, a cross between Snapchat, Vine (now defunct) and Musical.ly, which Bytedance bought in November. The clips, shot by users, range from a dexterous noodle-maker in Chongqing to a shimmying peacock in a bamboo grove, all set to music.

Different though the services are, Bytedance’s use of artificial intelligence to create tailored offerings for each viewer on Douyin—and on Toutiao, a newsfeed—is winning attention. According to QuestMobile, a data vendor, in early 2017 users began to spend more time on Toutiao, Douyin and two other Bytedance video apps, Xigua and Huoshan, than they did on Tencent’s news and video offerings.

In the first quarter of this year Tik Tok, an international version of Douyin that launched in late 2017, became the world’s most downloaded iPhone app, excluding games (see chart)—a rare feat for a Chinese social app. It has done well in Indonesia and Thailand. At home it led app-store rankings from January to May. It claims to have a user base of 300m in China, more than Kuaishou, another short-video app in which Tencent has a stake. Its appeal has prompted Communist Party outfits to set up accounts, and, on one occasion, state censors to place restrictions on it.

All of which has provoked Tencent into providing a “defensive product”, notes Xue Yu of IDC China, a consultancy. In April Tencent resuscitated its short-video app, Weishi, a year after closing it. Its angst may stem from the fact that every firm wants “a top-of-mind app”, says Anu Hariharan of Y Combinator, a Silicon Valley startup school, and a personal investor in Toutiao.

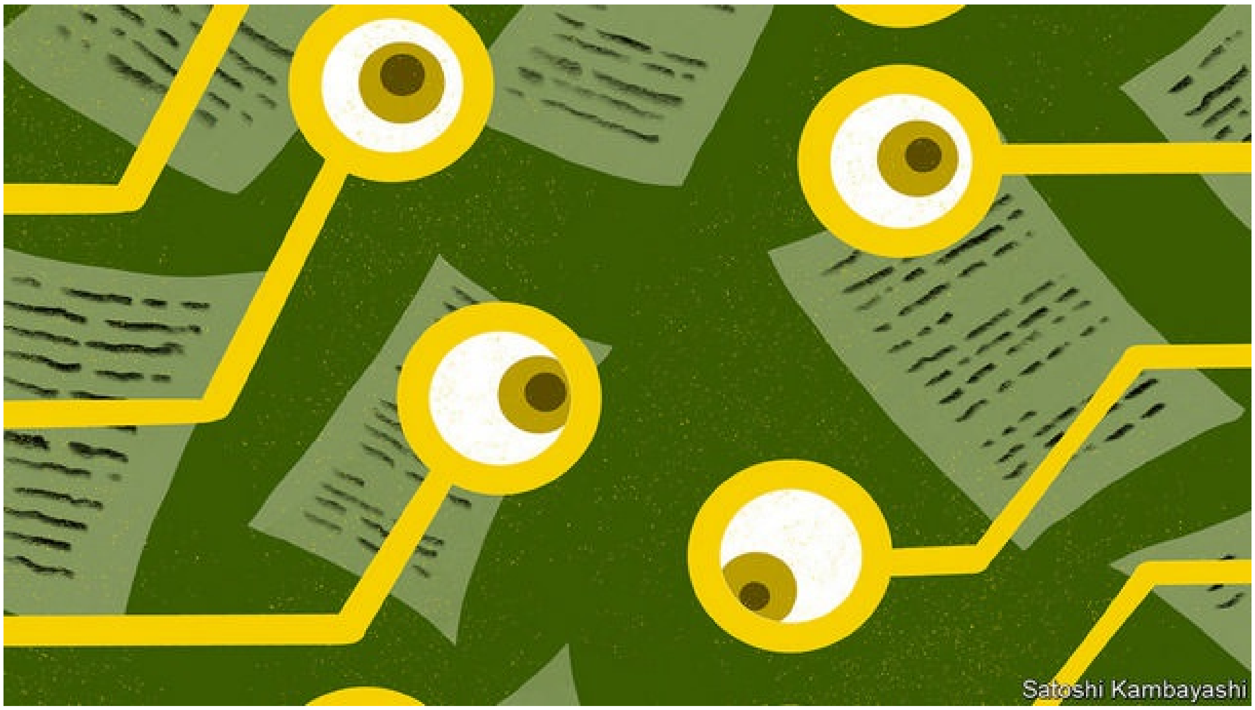
WeChat has hardly lost its oomph. A state agency recently reported that WeChat made up 34% of China’s total mobile-data traffic in 2017. To advertise, Douyin still relies on users sharing its videos on WeChat’s public feeds (hence its ire over the blocked videos). Still, the share of time spent by Chinese mobile users on messaging slipped from 37% to 32% in the year to March, says QuestMobile, while that spent on watching short-form video has risen from 1.5% to over 7%. Meanwhile, Douyin has introduced its own private-messaging function, further challenging WeChat.

In May an essay put out on WeChat by a former tech journalist lit up social media. In “Tencent Doesn’t Have a Dream” he argued that the firm had become chiefly an investment firm buying up other startups and had lost its innovative edge. One bit of evidence was that by the time Tencent had registered Douyin’s rise, its window for a counter-attack had all but closed. The naysayer claimed his treatise drew 1m views. Still, his readers all came to WeChat.

Diligence disrupted

Law firms climb aboard the AI wagon

Algorithms could relieve some of the legal profession's tedium



Jul 12th 2018

LONG hours have been the bane of the legal profession for ages; few of them involve thrilling courtroom antics. As a junior corporate lawyer at Davis Polk & Wardwell, a law firm in New York, John Bick remembers spending most of his waking hours poring over contracts looking for clauses that could complicate or kill off a deal. Even once he became a partner he still had to pitch in on due diligence for large transactions. In 2015 nearly a third of British lawyers were looking to leave the profession, according to the job searches of more than 1,000 of them by Life Productions, a career-change consultancy, perhaps because of the drudgery.

Such dissatisfaction may recede in future. Now on his firm's management committee, Mr Bick is drafting in artificial intelligence (AI) to do the gruntwork—like many others at top law firms in New York and London. The shift could transform lawyers' work and slash costs for clients.

Prestigious firms make their money by throwing large numbers of bodies at huge stacks of paperwork. During discovery, a pre-trial procedure in America, for example, both sides exchange heaps of documents that must be combed through for evidence. Junior lawyers dig up and compare judges' decisions on similar cases, or arguments previously made by opposing counsel, to prepare for litigation.

A growing number of legal startups now apply machine-learning techniques to these tasks. The algorithms can process much more paperwork than humans in a fraction of the time. They recognise clauses and point out anomalies. They might highlight contracts where liability is unlimited rather than limited. They can even point out contracts where key clauses are absent. The latter is something that humans do not always reliably do, says Noah Waisberg, a former corporate lawyer who founded Kira Systems, a software tool that uses machine learning to review contracts.

The potential gains are large. Due diligence can be so time-consuming that it typically accounts for as much as half of the fees that lawyers charge for advising on deals. Many firms, including Davis Polk, as well as Freshfields and Clifford Chance in London, use Kira to help with document review. The firm's software is trained on a set of documents to recognise more than 450 clauses, such as "change-of-control" provisions which specify the termination of a contract in the event one of the parties is taken over. Lawyers can then tinker with it further to recognise more obscure clauses, or even those in different languages. Other software firms that use AI to review documents include Luminance and RAVN, both of which are based in London and count big law firms as customers.

Machine learning can also help prepare for trial. It speeds up discovery, and assists lawyers in drawing up a litigating strategy. Lex Machina, a Silicon Valley startup now owned by Lexis Nexis, a legal-information provider, uses court documents from previous cases to make predictions about a particular case, such as its time to trial, its likelihood of success in various jurisdictions, and the damages it could win.

Some tech firms are aiming at full disintermediation, developing "robot lawyers" to deal with certain tasks. LISA, a British AI tool, helps people draw up non-disclosure agreements, removing the need for expensive human lawyers to be apprised of confidential (and perhaps embarrassing) details. Others aim to help people appeal against parking tickets or draw up rental leases without incurring legal expenses.

The savings from using machine-learning software are often hard to predict. It is early days and every case is different, says Isabel Parker, chief legal innovation officer at Freshfields. But the time spent on document review can fall by as much as 80%, which is likely to translate into lower fees for clients.

Will legal employment eventually shrink? The jury is still out. Some firms expect to employ fewer graduates. But others argue that cheaper services could encourage clients to consult their lawyers more. And although some tasks are automatable, many others rely on human judgment. AI might pinpoint atypical clauses in contracts, for example, but it cannot decide if the anomaly is a deal-breaker. In any event, lawyers should start to find their work more interesting.

Schumpeter

Life as you know it is IPOver

An open letter to bosses preparing for an initial public offering

Brett Ryder

Jul 12th 2018

DEAR chief executive. First, congratulations. You have decided to float your firm's shares on the stockmarket. After years of toil behind the scenes, it's time for the big stage. You probably feel pretty good right now, especially after those insightful bankers from Goldman Sachs said that your firm is one of the most impressive that they have ever seen in their careers and that they are generously going to give you a discount on their normal fee and charge you only 4% of the IPO proceeds. Unfortunately, though, things will now get much worse before they get better. An IPO is like having children: months of waiting, an agonising delivery and afterwards your world is never the same again.

At least you are not alone. American IPO volumes are at their highest level for three years. In New York Dropbox and Spotify recently listed. Even Michael Dell, who took his computer firm private in 2013 and grumbles about the myopia of stockmarkets, is taking his firm public again, through a merger. In China a slew of tech stars are expected to float after Xiaomi pulled it off this week, including an online-services platform, Meituan Dianping. All told, $200bn could be raised globally this year. More whoppers, among them the likes of Uber, Saudi Aramco and Ant Financial, Alibaba's financial affiliate, could take the plunge next year.

Your immediate nightmare is the flotation process, which is a cross between an election campaign, a show trial and an Ironman event. You have six months to put in place a suitable board of directors, nail down your strategy, and prepare the legal and financial documents. After that you have to sell the story. Expect to visit up to 100 fund managers in a few weeks. Train yourself to say the same thing ten times a day and to look profoundly interested as 30-something MBAs pick apart your life's work.

Unless there is a stockmarket crash this year, you will almost certainly succeed at listing your firm, although the valuation may be less than you hoped for—Xiaomi was floated at $54bn, not the $100bn it wanted. Nonetheless, the real shock will take place after you have gone public.

Time will vanish: block out a quarter of your diary for financial-results days, speeches at investor conferences and meetings with portfolio managers, "buyside" analysts at asset-management firms and "sellside" analysts at investment banks. These encounters will seem outrageously asymmetric. You have to be consistent and calm. Lawyers will vet what you say to ensure you do not break laws on disclosing sensitive information. It is a serious breach of etiquette for you to comment on the level of your own share price or to criticise the financiers. When Elon Musk, the boss of Tesla, called analysts boring boneheads on a conference call in May, investors saw it as a lack of self-control.

The investors, on the other hand, can do what they like. They talk rubbish sometimes and switch jobs constantly. They don't have to reveal their agenda (are they long or short your shares?) and try to tease out gossip with which to speculate. If they own your stock they may sell at any time, in mercenary fashion. They justify all this by piously invoking "shareholder rights".

Even with thoughtful shareholders, you will have to articulate yourself in a new way. You are used to being visionary, passionate and profane. Your new financial friends will be abstract, obsessed with numbers and keen on comparing you with your competitors. Karl Popper, the philosopher, said that scientific knowledge progressed through the falsification of hypotheses. Often it will feel like you are advancing hypotheses about your firm's opportunities, and they are just shooting them down.

You will have a new, intimate relationship in your life—with your share price. Contrary to the cliché, you will not be a slave to its short-term gyrations. Financial markets are much more sophisticated than that. But nor can you just run the firm and "let the share price take care of itself". Lots of staff will own shares or have stock options; they will follow it closely. Your non-executive directors will use it as a rough gauge of how you are performing.

The share price will subconsciously alter the way you think. You are used to taking strategic decisions, to which your team then commits. Jeff Bezos, the boss of Amazon, puts it best: those who dissent should "disagree, then commit". But the share price makes dynamic judgments about the long term that will cause you to doubt yourself like never before. Think of Evan Spiegel, the boss of Snap, who redesigned how the social-media platform worked this year only to see the share price fall by 16% in a single day in May. You have to have a thick skin.

Finally, your authority will be weakened. Your old buddies—the ones with weird hair but brilliant ideas and total loyalty, will have to be hidden in the basement. Slick subordinates who establish a rapport with investors may start acting like your equals. Activist shareholders can pounce, spitting libellous criticisms and demanding that all the cash that you have stashed away for a rainy day should be blown on a share buy-back. Later you might face a hostile takeover, which will feel like a violent coup d'état.

Yours is the Earth and everything in it

One way to protect yourself is to keep voting control. But even then it pays to do more. Find trusted subordinates who can speak to the markets on your behalf. Attract blue-chip funds, such as Baillie Gifford in Scotland or GIC in Singapore, to act as anchor investors. Think deeply about your plan and stick to it. In time you will see the advantages of being listed. You can use shares to buy rivals or raise more capital. You can more easily tap the vast information machine of financial markets to gather intelligence. You will learn to judge when your critics have a point. Processes, governance, discipline and consistency are things that firms have to master if they are to grow up. With luck your private kingdom will evolve into an institution, with its own identity. So when you ring the bell at the stock exchange, remember to smile—and that what doesn't kill you makes you stronger.

Finance and economics

Empowering villages

Mini-grids could be a boon to poor people in Africa and Asia

When allied with microfinance, "green grids" can boost economic activity

Jul 12th 2018 | NAROTOLI, INDIA

A FORESTED village in Jharkhand state, eastern India, Narotoli is home mainly to adherents of Sarna, a nature-worshipping tribal religion. In more ways than one, it has long been off-grid. Drive past a police checkpoint a few miles away and you are in territory loyal to "the guys", a euphemism for Maoist guerrillas. That makes Narotoli more marginalised than most places. A few months ago it became one of the last in India to benefit from a push by Narendra Modi, the prime minister, to supply electricity to all the country's villages. But the power lines are so "reliably unreliable", says an Indian executive, that they might as well be washing lines.

Two years before the grid arrived, however, Mlinda, a social enterprise, had set up a "mini-grid", a bank of batteries charged by solar panels and hooked up to homes, to guarantee round-the-clock power independent of the national network. Mini-grids are different from the rooftop solar panels and batteries (sometimes linked up in “micro-grids”) increasingly used in poor countries to provide LED lighting and to charge mobile phones. Narotoli’s 22.5-kilowatt mini-grid provides lighting to scores of homes linked by its poles and wires, as well as powering a seed-crushing machine for cooking oil, irrigation in the dry season and power for a poultry farm—all of which engender economic activity.

The power generated by the plant is expensive (though it costs less than villagers often pay for alternatives such as kerosene for lighting and diesel for irrigation pumps). The worry is that demand for electricity may not be enough to justify the installation cost. As one Indian official recently scoffed: “Why provide a Ferrari to people who need a bullock cart?”

But Mlinda and other mini-grid installers see them as more than a way to satisfy existing demand for electricity: they are a way to catalyse development. The installers advise villagers on irrigation, farming and marketing to help them develop businesses that require reliable electricity, which in turn justifies the expense of installation. Vijay Bhaskar of Mlinda says a big mistake in development has been to assume that, once people are hooked up to electricity, businesses will automatically flourish. People have to be taught how to make the most of power, he says. “Bringing energy is the easy part. The hard part is finding productive ways to make use of it.”

This understanding is spreading throughout rural parts of South Asia and Africa, where mini-grids are increasingly seen as one of the most promising ways of connecting the 1.1bn people in the world who still lack access to electricity. The World Bank says users of mini-grids may need microfinance and vocational training to make best use of it. According to one British expert, “mini-grid operators are not sellers of kilowatt-hours; they are stimulators of rural development.” Jaideep Mukherjee, the boss of Smart Power India, an NGO supported by the Rockefeller Foundation, says their job is to “demonstrate the benefits, train and then propagate”.

Talk to Havil Bilung, a farmer in Narotoli, and the potential is clear. He says that with help from Mlinda, increased access to electricity has allowed him to use irrigation pumps to grow an extra harvest of pumpkin and okra in the pre-monsoon months, boosting his income. More crops have cut the number of young men seeking itinerant employment in the cities during the dry season.

Women make mustard-seed cooking oil, which sells in Kolkata. An independent study for Mlinda found that GDP per person in eight villages with mini-grids rose by 10.6% on average over the first 13 months, compared with 4.6% in a group of similar villages without them.

Power pose

It is still early days. Mlinda struggles to teach business concepts (Mr Bhaskar notes that the local language does not even have a future tense). But the village is prepared to fork out 55,000 rupees ($800) on average a month—a small fortune—to keep the mini-grid running. In contrast, villagers say it is not worth paying the local utility for the unreliable grid, which they rarely use.

Mini-grids are being set up at the rate of just 100 or so a year, from Myanmar to Mozambique. But the International Energy Agency (IEA), a forecaster, says hundreds of thousands of them could connect 440m people by 2030, with the right policies and about $300bn of investment.

African countries used to focus almost exclusively on expanding national electricity networks. Now some, including Nigeria and Togo, have started to prioritise mini-grids. Nigeria, which has the second-largest number of people without electricity after India, recently secured help from the World Bank for a $330m programme to encourage private firms to build 850 mini-grids, serving 300,000 households and 30,000 small businesses. It includes subsidies for initial outlays, and auctions to encourage lowest-cost bidders. Other promising markets include Kenya and Tanzania.

The experience of Engie, one of several big European power companies testing mini-grids in Africa, helps illustrate their impact. Juan Garcia Montes, the head of Engie's mini-grid project, PowerCorner, which has 3,500 clients supplied by eight mini-grids in Tanzania, says his customers have not used access to electricity to start new businesses but to make existing ones, such as carpentry and milling, more competitive. Engie provides soft loans for energy-efficient machinery and teaches people how to use it (it was shocked to learn, for instance, that customers unplugged their fridges each night). About 20% of clients consume 80% of the electricity, indicating the importance of a few "anchor" users.

It can take seven years or more to recover the investment in a mini-grid, so developers need long-term certainty about electrification policies. They need information on licensing requirements, on tariffs and subsidies, and on planning—all of which can be political minefields.

Firstly, standard licensing rules help with scale. If mini-grid projects need bespoke environmental-impact assessments or health-and-safety approvals, they become unviable. Secondly, developers need clarity about how much they will be able to charge their customers. If they are allowed to bill enough to cover their investment, that would usually mean poor villagers paying more than city folk for electricity. One way to equalise city and country tariffs would be to redirect the subsidies that utility companies get for extending the grid.

Thirdly, mini-grid operators need to be informed well in advance of plans to extend the grid, to reduce the risk that their installations are left useless when the grid finally arrives. They also need clarity about technical specifications to enable mini-grids to connect to the grid if one day that becomes feasible. All this can be hard to arrange, because state-controlled utilities often see mini-grids as a threat to their monopolies and subsidies. It is helpful to have a government master plan such as the one in Nigeria, setting out where it is and isn't feasible to extend the grid. William Brent of Power for All, an NGO, says that some large mini-grid developers, such as hydro-powered Rift Valley Energy in Tanzania, are linked by power lines to the national grid. He thinks that this model may become more common.

Most mini-grids are green, unlike diesel, kerosene and coal-and gas-fired electricity. That is a welcome feature, though not the main aim, since the contribution of places like Narotoli to global warming is minuscule. Mlinda says it is during weddings that the locals most appreciate their new, reliable power. Near Narotoli, your correspondent saw a wedding and a funeral one evening, on the same street, powered by a mini-grid. As the sun set, electricity meters outside the houses cast an atmospheric green glow—the light of progress.

Complex and clever

Development-impact bonds are costly, cumbersome—and good

Payment by results increased the impact of a charity educating Indian girls

Jul 12th 2018

IF A girl in a poor country goes to school, she will probably have a more comfortable life than if she stays at home. She will be less likely to marry while still a child, and therefore less likely to die in childbirth. So, not surprisingly, there is an Indian charity that tries to get girls into school and ensure they learn something, and there are Western philanthropists willing to pay for its work. What is noteworthy is how they have gone about this transaction.

On July 13th the Brookings Institution, a think-tank, presents the results of the world's first large development-impact bond, which paid for girls' education in the northern Indian state of Rajasthan. In this novel way of funding charitable work, a financial institution gives money to a charity, which tries to achieve various specified outcomes. If a neutral arbiter rules that it has succeeded, a donor or philanthropist repays the investor, plus a bonus. If it fails, the investor loses some or all of its money.

This is more convoluted than the usual way of funding charitable projects, in which a donor gives money to a charity, which spends it according to a pre-agreed plan. The donor tries to ensure the money is not wasted by keeping track of inputs—the number of solar panels installed or vaccinations given, say. Often, no one knows whether the intervention did much good.

In this case, the more complicated approach did achieve something. Educate Girls, the charity, identified 837 out-of-school girls aged 7-14 in the villages where it was active, and enrolled 768 of them. By using volunteers to teach both boys and girls in village schools for a few hours a week, it managed to raise test scores substantially relative to a control group. So the investor, UBS Optimus Foundation, will be repaid by the Children's Investment Fund Foundation.

For Safeena Husain, who runs Educate Girls, the process was as satisfying as the results. Instead of having to send tedious reports to a donor about how she was spending money, she concentrated on solving problems. Educate Girls found, for example, that many pupils could not do long division because they did not understand the concept of place value. So its workers taught remedial classes. IDinsight, the independent assessor, found that the main boost to children's test scores came in the third year of the programme, when Educate Girls hit its stride.

Creating the development-impact bond was also complicated and time-consuming. Staff from several organisations spent months pinning down what Educate Girls would aim to achieve, how progress would be measured and what would be repaid. Outside experts were drafted in. The randomised controlled trial that IDinsight used to assess the teaching was, like many such trials, neither simple nor cheap.

More development-impact bonds are now under way or under discussion, some involving big donors like the World Bank, USAID and DfID (America's and Britain's aid agencies). But they will probably remain infrequent oddities in the aid landscape. Not only are they complex, ponderous and costly; they also offer small returns to investors. And, as Emily Gustafsson-Wright of Brookings points out, no one can yet say for certain that they are better than other ways of delivering aid.

They are useful, even so. The problem with much aid (and social spending in general) is that inputs are scrutinised more closely than results. Experimenting during a project is hard or impossible. It would be good if development-impact bonds teach donors to give charities freer rein and to focus on outcomes. Rajasthani girls are not the only people with lessons to learn.

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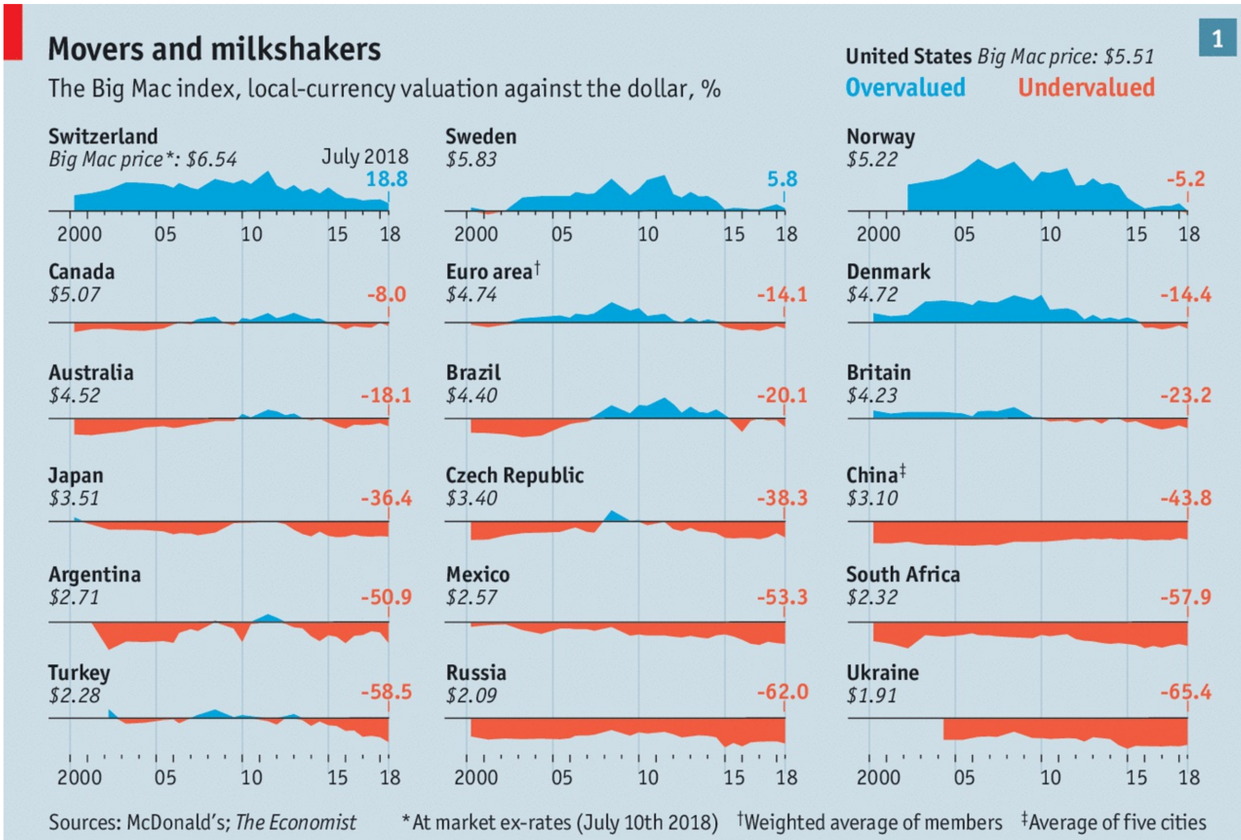
Watch your BMI

Investors are gorging on American assets

An update to the Big Mac index



Economist.com

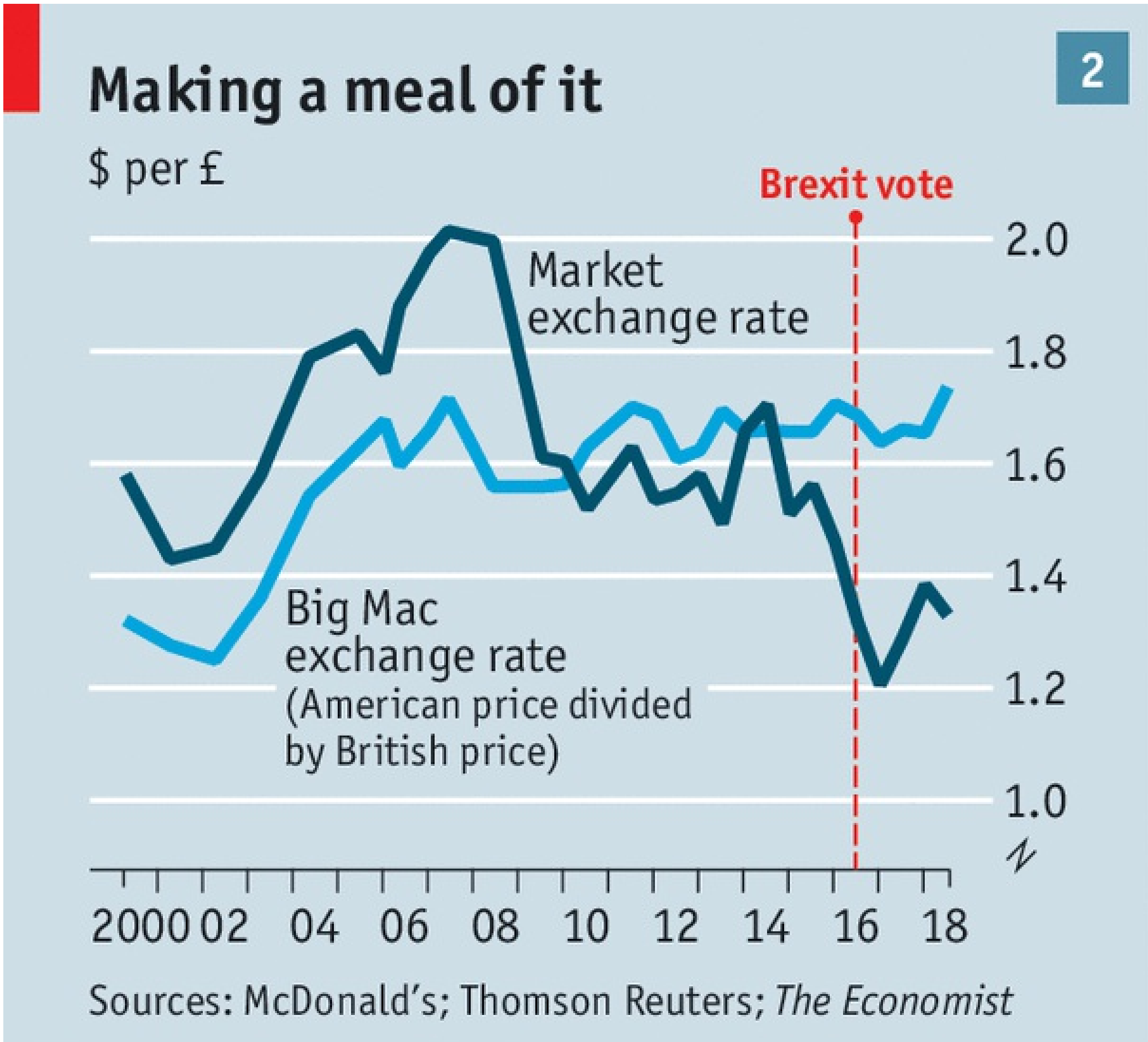
Jul 12th 2018

ECONOMISTS think prices, like spilt ketchup, are sticky. They move only slowly as firms digest economic conditions. Financial markets are an exception. Computerised trading by thousands of participants means prices, especially of currencies, can move in a McFlurry.

Since *The Economist* last updated the Big Mac index (BMI), our lighthearted guide to currency valuation, burger prices have remained constant in 19 of 44 countries. But every currency has shifted in value (see chart 1). Our index uses a nugget of economic wisdom called purchasing-power parity: currencies should adjust until goods cost the same everywhere. If, once converted into dollars, Big Mac prices vary, one or other currency looks dear. Big movements in exchange rates, without similarly supersized shifts in burger prices, can send a currency up or down the index.

That explains why the Argentine peso has been the biggest mover since January. Then, it looked 25% undervalued compared with the dollar; today, that has swelled to 51%. The peso tumbled on fears of a debt crisis and inflation. For similar reasons, two other emerging-market currencies, the Turkish lira and Brazilian real, are also big movers. Only the valuation of Norway's krone has moved much on account of purchasing power. A 14% fall in the dollar price of a Norwegian Big Mac has taken the krone from looking 18% overvalued in January to 5% undervalued now. This shift should be taken with a pinch of salt, however; burgers may be getting cheaper, but overall Norwegian inflation is a bland 2.6%.

Sometimes, currency traders foresee long-term changes that have yet to move domestic prices. That may be true in Britain, where the pound has been particularly cheap since the Brexit vote in 2016 (see chart 2). It now looks 23% undervalued. At other times, currencies deviate from fundamentals because of temporary disparities in risks and short-term interest rates. America's economy is sizzling and the Federal Reserve is raising rates, but growth has flattened off elsewhere. That has made the dollar as strong as a bull. Almost every currency in the index has weakened relative to the greenback since January. Only two, the Swiss franc and the Swedish krona, now look overvalued against it.



Economist.com

One beef with the BMI is that burgers cannot easily be traded across borders. Neither can some inputs to production, such as land and labour. To take account of this, we also produce another version of the index, which adjusts Big Mac prices for GDP per person. You can binge on both at economist.com/bigmac.

Model workers

Is North Korea the next Vietnam? Don’t count on it

Market reforms invite comparisons, but North Korea’s path is more fraught

Jul 12th 2018

AS AMERICA presses North Korea to abandon nuclear weapons, it has pointed to Vietnam as an example of the prosperity that awaits the isolated state. “It can be your miracle in North Korea as well,” Mike Pompeo, the secretary of state, said on July 8th, on a visit to Hanoi. It is not the first time Vietnam has been held up as a model for North Korea. Over the years, officials from the two countries have discussed lessons from Vietnam’s reforms. North Korea sees Vietnam as less threatening than China and more of a peer, making it a more welcome mentor. But North Korea’s economic path is likely to be more fraught.

Yes, there are similarities. Like North Korea’s economy today, Vietnam’s used to be largely collectivised. The Vietnamese Communist party’s ability to retain power at the same time as freeing markets must appeal to Kim Jong Un, North Korea’s dictator, who has vowed to improve his country’s economy. In 1985, on the eve of Vietnam's *doi moi* liberalising reforms, its GDP per person was a mere 1% of America's. In 2015 North Korea was in an identical position relative to America, according to UN figures (rough estimates, since North Korea publishes few statistics).

Diplomatically, the comparison also makes sense. Vietnam shows that a country can go quite quickly from being a sworn enemy of America to a close trading partner. Vietnam's normalisation of relations came in 1995, just two decades after the two countries ended their war. America is now the biggest destination for Vietnamese exports. The shift could be faster for North Korea: its propagandists may have described America as its arch-enemy until recently, but it has been more than six decades since they fought.

Doi moi, meet juche

Nevertheless North Korea is different from Vietnam in three ways that could hurt. In Vietnam's south, its economic heartland, collectivisation of farms and factories lasted just ten years before private ownership was restored. People who had previously run businesses were able to get quickly back in the game. After 65 years of *juche*, the national ideology of self-reliance, North Koreans are starting from scratch. The growth of informal food and goods markets in recent years shows some entrepreneurship, but the learning curve for big firms will be much steeper.

The structure of North Korea's economy also complicates matters. More than 70% of the workforce in both Vietnam in the mid-1980s and China in the late 1970s (when its economic reforms started) was in agriculture. Simple changes to incentives—letting farmers profit from the sale of their own crops, for example—led to a surge of agricultural productivity. And the exodus of workers from farms generated a pool of cheap labour for factories, fuelling the rise of export industries.

By contrast, more than 60% of North Korea's population already lives in cities. For big productivity gains, the government will need to overhaul moribund industries. In that respect North Korea resembles eastern Europe after the Soviet Union's demise, says Marcus Noland of the Peterson Institute for International Economics, a think-tank in Washington. "There will be losers," he says. Unemployment might soar. Privatisation could increase already-rampant corruption even further. Sitting between China, South Korea and Japan, North Korea should find it easy to attract capital to create jobs. But its record for foreign investors is poor: it seized South Korean assets at their showpiece joint industrial park in 2016 when relations deteriorated.

Another weakness for North Korea is demography. When Vietnam and China embarked on reforms they were both young countries, with median ages of about 20. They had many workers and few elderly dependent on them. In North Korea, the median age is already 34, making it even older than Vietnam today. As China ages, officials worry that it will get old before it gets rich. In North Korea the risk is that it will get old while it is still impoverished. All the more reason for Mr Kim to get cracking on economic reform. He may have little hope of building the next Vietnam. But better that he look to the outside world than keep North Korea entombed.

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Buttonwood

Even stockmarket bulls are more cautious than at the start of the year

Will being a bear save you money as well as make you sound clever?

Jul 12th 2018

Economist.com

BEARS sound clever; bulls make money. This piece of financial acumen, imparted by a trader to a colleague, is hard to beat for brevity. It also makes a good point. There is something about market pessimism that endows bears with an aura of wisdom that is not always deserved. The cautious sound clever because they appear to have weighed the odds. Optimists seem heedless by comparison. Yet it is only by taking on risk that investors can hope to make money.

So it is telling that even bulls are now sounding cautious. The economy and stockmarket in America have had a good run, after all. The expansion, which started in 2009, is now the second-longest on record. Unemployment is low. The Federal Reserve is hawkish. This mix tends to kill a bull market sooner rather than later. The question is how much further stocks can rise. Is there still time for bulls to make money? Or will being a bear save you money as well as make you sound clever?

In this debate, each side has a distinctive way of looking at things. Put crudely, the pessimists believe that markets drive the economy. In their view, near-zero interest rates and quantitative easing, or QE, pushed investors out of government bonds and into risky assets. Now that such policies are reversing, stocks and corporate bonds are vulnerable—and so is the economy. The optimists, by contrast, believe that markets are led by the economy. Only when it shows weakness, and profits slump, is it time to get out.

At the start of 2018 the optimists had the better case. Then, for a while, things looked more balanced, with the pattern of returns providing ammunition for both sides (see chart). Now, though the most recent data favour the optimists, they seem to be losing conviction. The strength of the bearish case suggests that, when the market turns, it will be dramatic.

Consider the pessimists' case. If markets lead the economy, notes Matt King of Citigroup, trouble can strike suddenly. In this view, the sell-off in emerging markets and jitters in the rich world, such as the sudden drop in American stocks in February and turbulence in Italy in May, have a common cause. For David Bowers, of Absolute Strategy Research, they indicate a "rolling liquidity crisis" caused by tighter Fed policy. He sees the steep falls in the shares of big banks in Europe and China as another worrying sign.

Does the body rule the mind?

The optimists see things differently. Though the broad American stockmarket has been flattish, the Nasdaq index of technology stocks and the Russell 2000 index of small firms have done well. That is to be expected in a maturing business cycle. Bull markets tend to narrow with age, as investors double down on stocks that have served them well. Late-cycle economies also favour small, left-behind stocks. Shares in Europe and Japan have fared badly because of a temporary loss of economic momentum there. Emerging markets have suffered, but that reflects local troubles: botched reforms in Argentina; fiscal laxity in Brazil; inflation in Turkey.

Moreover, strong jobs growth in America last month was more of a spur to the labour supply than to wage inflation. Europe's economy is perking up. Trusted signs of financial distress are absent. The yield curve has an upward slope. In the past, when the gap between short-term and long-term rates has turned negative (that is, the yield curve has "inverted"), recession has often followed. Another signal, says Ed Keon of QMA, a quantitative equity manager, is a widening spread in corporate-bond yields over Treasuries. But that light is not flashing red either.

Even so, the bulls are becoming less bullish. In part this is because they worry that Donald Trump's trade spat could all too easily develop into a damaging trade war. (The boom in the shares of small, less globalised firms owes something to such fears.) Concerns are growing that the Fed might trip up. It has no guiding example of reversing QE and quitting a zero-interest-rate policy. Tax cuts in America complicate the Fed's task. Higher barriers to trade will add to inflation and hurt GDP, but to an extent that is hard to fathom.

Can the optimists and pessimists be reconciled? A minor irony is that both tend to favour American assets—the bulls because they reckon a booming economy will keep delivering fast-growing profits; the bears because America is where capital goes when investors are scared. There may well be a final upward leg to the bull market in stocks. The worry is that the bears will also be proved very right, very suddenly. If such worries are borne out, it will be a lot harder to pick the bottom of the bear market than it was to pick the top of the bull market.

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Fumbling in the dark

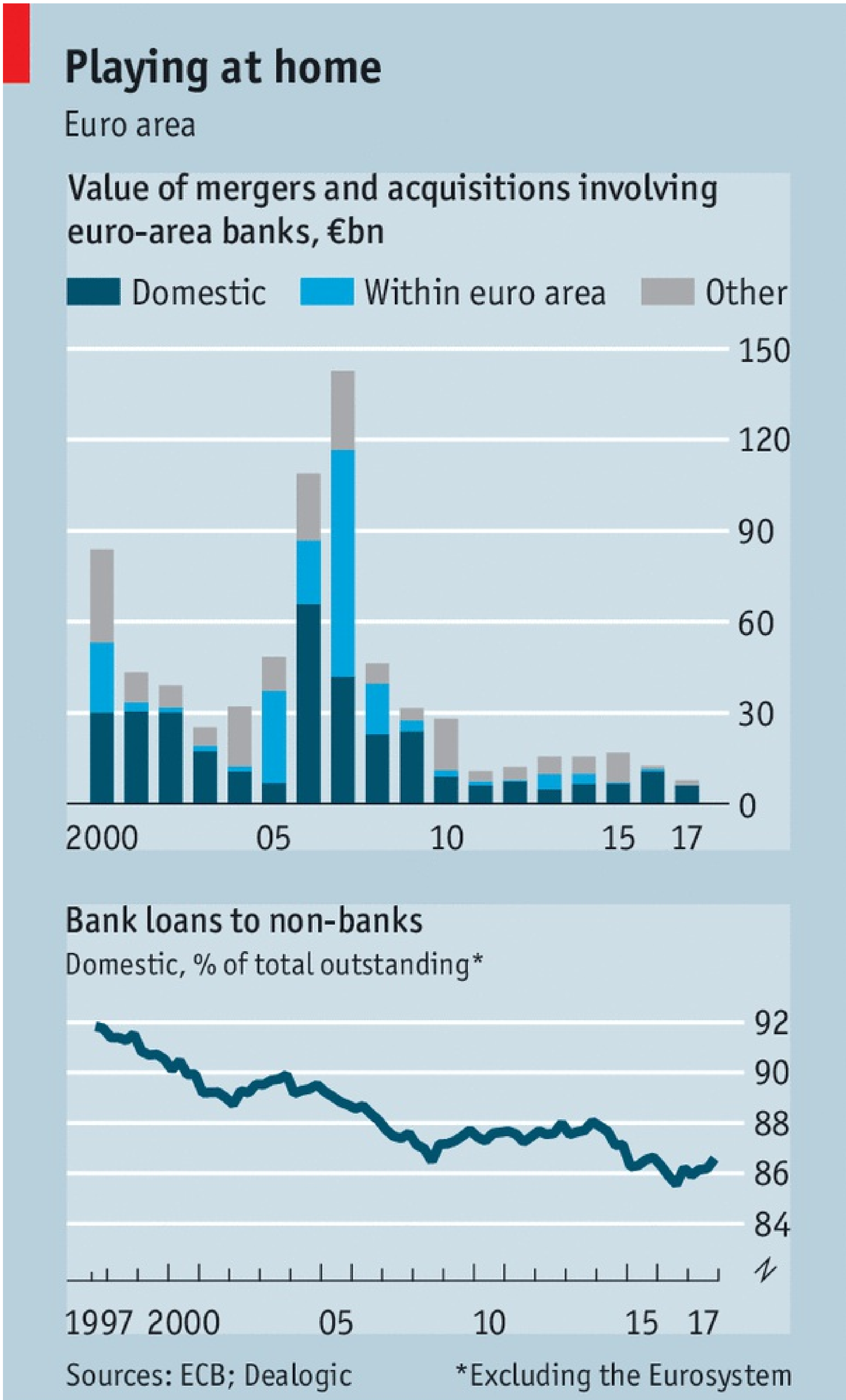
Why the euro zone hasn't seen more cross-border bank mergers

And why you shouldn't hold your breath waiting

Jul 12th 2018

MERGERS of euro-area banks from different countries, a banker jokes, are "very much like teenage sex. There's a lot of talk, but little action. And when it does happen, there's a lot of disappointment." In recent months gossip has linked each of France's three biggest banks (BNP Paribas, Crédit Agricole and Société Générale), as well as UniCredit, Italy's largest, with Commerzbank, Germany's second-biggest listed bank. Lately chatter has connected UniCredit and Société Générale. But no big, cross-border takeover is imminent.

A stream of deals in the 2000s—notably UniCredit's purchase of HypoVereinsbank, another leading German lender, in 2005—has slowed to a trickle (see chart, top panel). Policymakers at both the European Commission and the European Central Bank (ECB) would like the flow to revive. The euro area's banking markets are still essentially national ones. "European banking remains as fragmented today as it was in 2012," notes Magdalena Stoklosa of Morgan Stanley. Domestic lending still accounts for seven-eighths of the total (see lower panel). Three-fifths of banks' holdings of corporate and government bonds are from their home countries.



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Policymakers believe that pan-zonal banks would be more resilient because the fates of lenders and national governments would be less tightly intertwined in a "doom loop". In Spain's property and banking crisis in 2008, an official points out, internationally diversified Santander and BBVA fared far better than purely domestic lenders. Cross-border mergers would bring scale without harming competition within national borders. They would deepen the zone's capital markets. And bigger euro-area banks would be better placed to take on Wall Street's big five, which have come to dominate European investment-banking league tables. Just one European bank is in the world's top ten by market capitalisation: Britain's HSBC, which does half its business in Asia.

To the banks, the chief appeal of a merger is scale, as fixed costs are reduced and spread across greater output. But as Jernej Omahen of Goldman Sachs notes, "banking is fully scalable, as long as it is within a single jurisdiction". When banks cross borders, "complexity increases quite sharply", offsetting the benefits of greater scale.

Bankers say regulators need to do more of the groundwork first, by completing Europe's banking union—a single market, with a single set of rules. It is still only part-built. The euro zone has a single supervisor, the ECB, watching over its most important banks, and a single resolution board, to deal with failing banks. But it still lacks a common scheme for insuring deposits, which would in effect allow, say, German savings to be used to finance Italian loans, and is unlikely to have one soon. "Removing that obstacle would significantly change the equation," says Nicolas Véron, of the Peterson Institute for International Economics in Washington, DC, and Bruegel, a think-tank in Brussels. Mr Véron says that the "real bottleneck" is banks' concentrated exposure to their home governments' bonds. The euro zone lacks a common safe asset to break this doom loop.

In fact, not even supervision and resolution are truly unified. Danièle Nouy, the head of the ECB's supervisory arm, has complained that European rules allow dozens of national exemptions from common standards. For example, 11 countries (including Germany) have reserved the right to set their own rules for large exposures to single borrowers. Variations in national bankruptcy laws mean that different procedures can apply when winding up stricken banks in different countries.

In addition, “globally significant” banks, of which the euro area has seven (of the world’s 30), face extra capital requirements under international rules. Mergers, by making them bigger, may mean higher surcharges. The same rules treat the euro zone’s 19 members as separate jurisdictions, not as a single one, which raises the minimum requirements for big cross-border banks (though probably not by enough to halt a merger of healthy lenders). European finance ministers would like those rules to be amended.

Yet even if all the regulatory obstacles were magicked away, banks might not hurry to hook up. In domestic mergers, costs can be cut by closing neighbouring branches and slimming down duplicated product lines. In recent retail-banking takeovers in Italy and Spain, Ms Stoklosa says, buyers have identified savings of 20-30% of the target institutions’ costs. It is much harder to find such savings when branch networks do not overlap and differences in products, accounting systems and languages cannot be avoided.

Friends, no benefits

Stuart Graham of Autonomous Research argues that the need to upgrade banks’ old, cumbersome computing systems is another barrier. “The last thing you want to do is to redeploy your scarce tech people from developing whizzy apps for customers to sort out different lots of legacy spaghetti,” he says. And banks in some countries are still weighed down by bad loans of uncertain quality, making them hard to value as acquisition targets.

Domestic consolidation, moreover, is far from finished. Deutsche Bank may be a likelier partner for Commerzbank than any foreigner is for either. Germany has 1,600 banks, most of them small publicly owned or co-operative lenders. Despite a wave of mergers since the crisis, Spain still has some whittling to do. So does Italy.

Meanwhile banks are making inroads into foreign territory without making big purchases. Organic growth, or smaller deals, look more attractive for now. ING, of the Netherlands, has become the third-biggest retail bank in Germany (by number of customers) by building on a digital bank it bought in 1998, and has set up online operations in Spain and elsewhere. BNP Paribas is nabbing corporate clients in Germany without yet seeing a need to buy Commerzbank. Société Générale recently agreed to acquire Commerzbank's equity-markets and commodities unit for an undisclosed sum.

For all that, one deal could spark another. "Banks are herd animals," Mr Graham says. If two banks join forces, others may respond (much gossip is rooted in models of such defensive mergers). But the lack of a single market is a big obstacle. Until it is cleared away, Europe's great banking merger wave will be slow to get going.

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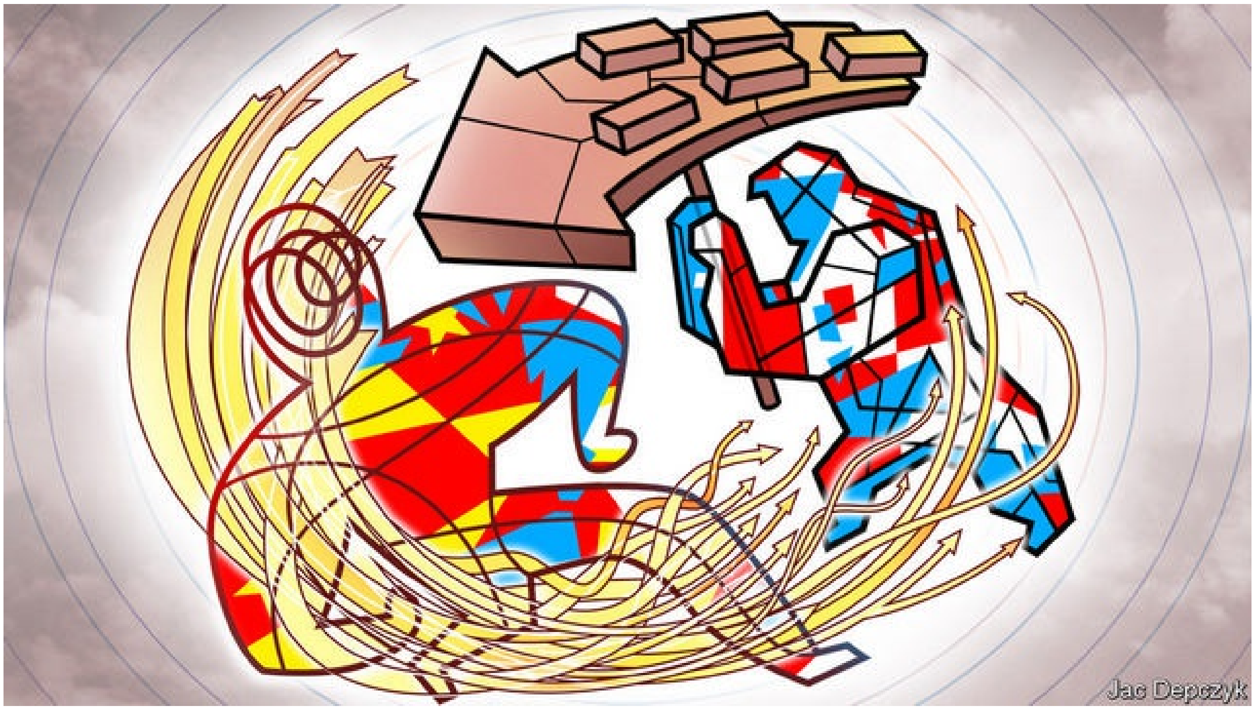
Free exchange

Donald Trump insists on trade reciprocity. But what kind?

Quid pro quo does not necessarily mean like-for-like tariffs, as all trade negotiators know



Jul 12th 2018

IN THE sixth episode of "The Apprentice", a reality-television show first broadcast in 2004, Donald Trump, as always, fired a contestant vying for a job in his company. She was, he said, the worst negotiator. And she had failed to fight back when belittled by her teammate. The episode was entitled "Tit For Tat".

That same principle of reciprocity guides Mr Trump's trade policy as president. And it is animating his tariff war with China. On July 6th America imposed 25% duties on Chinese imports worth about $34bn. (Another $16bn-worth will be hit in due course.) China responded by slapping tariffs on a similar amount of American goods (including a cargo of soyabeans aboard the *Peak Pegasus* that arrived at the port of Dalian mere hours later).

The two sides disagree, however, about which is tit and which tat. China believes it is responding dollar-for-dollar to American aggression. But America too believes it is retaliating: punishing China for trade and investment transgressions, including the theft of American technology. In Mr Trump's view, China's new tariffs are not a reprisal, but a fresh affront, to which he must respond. On July 10th America gave notice of its intention to place 10% tariffs on another $200bn-worth of Chinese goods, including swordfish, magnifying glasses, vacuum cleaners and red dye.

Mr Trump's view of trade reciprocity is simple. If America imposes a 2.5% tariff on China's cars, China should levy something similar on America's. If China has been charging 25%, America's trade representatives must have been poor negotiators who, presumably, would not have survived past episode six of his show.

Trade negotiators take a broader view of reciprocity. Yes, countries must give and take. But what is given and taken is political gain and pain. A government will not expose a politically sensitive industry to fiercer foreign competition unless the deal provides commensurate political rewards. And so a reciprocal deal may leave all sides sheltering equally sensitive, but entirely different, sectors. America, for example, charges tariffs of 27.3% or more on a variety of textiles, including polyester suits and T-shirts.

Sometimes the pain or gain does not work out as expected. Developing countries did not have to reciprocate the cuts in manufacturing tariffs that America and the European powers negotiated with each other in successive rounds of post-war trade talks. At the time, it was not thought that poor countries would gain much from the rich world's liberalisation and were not required (or prepared) to offer much in return.

But China did not join the World Trade Organisation until 2001. By then, its manufacturing potential was easier to foresee. It was forced to forswear many of the perks that similar developing countries enjoyed. It agreed, for example, not to raise its tariffs above a ceiling of 10% on average. The equivalent ceiling for Brazil, a founding member of the system, is 31.4%; for India, 48.5%.

In the opening scenes of "The Apprentice" Mr Trump explained the quid pro quo at the heart of the show. After enduring a season's worth of trials, the successful contestant would be rewarded with a job in Mr Trump's company and, more important, the chance to "learn enough so that maybe they too can become a billionaire someday". "As the master," Mr Trump said, "I want to pass on my knowledge to somebody else."

This kind of bargain is common to all apprenticeships. Aspirants toil eagerly, and often cheaply, in return for the know-how they will acquire on the job. An analogous kind of reciprocity has also been at work in China's economic relationship with America. Its aspiring firms have learned a great deal from serving American customers and working with American firms. One attempt to quantify how much they have learned was recently published by Kun Jiang of Nottingham University and her co-authors, who looked at the performance of international joint ventures from 1998 to 2007. These ventures, which were often created at government insistence, were 30% more productive than otherwise similar Chinese companies.

What did China give in return for this knowledge? Some American commentators seem to think: nothing at all. They believe American industry passed on knowledge entirely under duress and without recompense. But that misses the other side of the grand bargain that America implicitly struck with China. Like an apprentice, China provided cheap, but dedicated, labour. The benefits accrued to American companies and consumers (though some of the workers who voted for Mr Trump lost out). Thanks to China's entry into the WTO, the price of manufactured goods in America fell by 7.6% in 2000-06, according to Mary Amiti of the Federal Reserve Bank of New York and her co-authors.

Tit for tech

When China joined the WTO it promised to stop making American firms pass on their knowledge as a condition for doing business in the country. Americans complain, with some justice, that it has breached the spirit of that agreement and sometimes the letter. They also point out that the WTO is ill-equipped to adjudicate complaints about unofficial and implicit obstacles to investment. But foreign investors, unlike exporters, have a straightforward remedy of their own. If the conditions China imposes on foreign multinationals are too onerous, they can refuse to invest.

Apprentices have always dreamed of surpassing their master. In the 1780s, for example, Samuel Slater served as an apprentice in Derbyshire at one of the first water-powered cotton mills. He memorised the factory's designs and procedures, decamped to America and helped set up rival mills in New England. After this devastating misappropriation of cutting-edge technology, his compatriots called him "Slater the traitor". The Americans, however, celebrated him as the father of their Industrial Revolution. None of the contestants on Mr Trump's show achieved the glory he described in the programme. China may do better. Sometimes the future plays tit for tat with the past.

Science and technology

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- **Biometrics: Love the way you walk** [Thu, 12 Jul 20:59]
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Automating cookery

The rise of the robochef

Cooking bots are fast, reliable and don't swear at their underlings

Jul 12th 2018

CREATOR, a new hamburger joint in San Francisco, claims to deliver a burger worth $18 for $6—in other words, to provide the quality associated with posh restaurants at a fast-food price. The substance behind this claim is that its *chef-de-cuisine* is a robot.

Until recently, catering robots have been gimmicks. "Flippy", a robotic arm that flipped burgers for the entertainment of customers at CaliBurger in Pasadena, near Los Angeles, earlier this year is a prime example. But Flippy could perform only one task. Creator's bot automates the whole process of preparing a burger. And it is not alone. Other robot chefs that can prepare entire meals are working, or soon will be, in kitchens in other parts of America, and in China and Britain.

Creator's burger bot is a trolley-sized unit that has a footprint of two square metres. Customers send it their orders via a tablet. They are able to customise everything from how well-done the burger will be to the type of cheese and toppings they want. The robot grinds the meat, forms the patties, griddles them (a process tracked by 11 thermal sensors), chops tomatoes and grates cheese for those who want such accoutrements, slices, toasts and butters the bun, and dispenses seasoning and sauces. It then assembles and bags the finished product, so that it is ready to go.

Listed like that, the process sounds rather quotidian. In fact, it took eight years to perfect. As far back as 2012, a mere two years into the project, the machine was described as "95% reliable", but that is not enough for a busy kitchen. Chopping tomatoes was a particularly tough challenge, but even details like the paddle which packs the burger into a bag without squashing it were tricky to master. Only now, with a machine they claim can turn out, reliably, 120 burgers an hour, do Alex Vardakostas, the engineer behind the project, and his co-founders, a mixture of technologists and caterers, feel confident enough to open their first restaurant.

Burgers and chips

What works for one sort of fast food can work for others. Though the business of pizza-making has not yet been robotised completely, Zume Pizza, also based in California, is getting close. It has a team of "doughbots" that speed up stretching the dough from 45 seconds to just nine. The toppings still have to be made the conventional way, but the firm has robotised the dispensing and spreading of them, and also the moving of topped pizzas into and out of ovens.

Over on America's east coast, in Boston, a restaurant called Spyce offers more fashionable robot-created fare. Customers order from a touchscreen menu and can watch the robot measure, mix and cook dishes ranging from "Latin" (black beans and roasted chicken with chilli and avocado on brown rice) to "Hearth" (balsamic-glazed sprouts and sweet potato with kale on quinoa) in an inductively heated wok. Woks stand in a row beneath a conveyor belt, which automatically delivers the correct ingredients to each. They are then mixed and cooked before a human server adds toppings. As with Creator's robot, speed is of the essence. Spyce's bot can prepare dishes in three minutes.

In China, meanwhile, Li Zhiming, an entrepreneur, has developed a robot that can cook any of 40 recipes from Hunan province. Much of Hunan's cuisine involves heating food rapidly in oil, a process that is difficult to mechanise because of the number of different ingredients which have to be cooked "just so". Mr Li has spent four years developing robots that can do this. They work in a similar way to Spyce's, by dispensing precise quantities of each ingredient from a series of hoppers in sequence, then stirring them in a wok over a gas flame at an exact temperature for a specific, recipe-dependent time. When a meal is complete, the robot serves it into a bowl, then cleans out the cooking pot ready for the next order.

Mr Li opened his first robot-catered restaurant in May, in Changsha, Hunan's capital. Its kitchen is staffed by three bots and two human beings. Normally, he says, a restaurant of this size, offering that sort of variety, would have a kitchen staff of eight. Mr Li's ambitions, moreover, reach far beyond Hunan. He thinks the main reason such delicious dishes as clay-pot rice with vegetables, pepper-fried pork and cumin-beef stir fry are not better known outside their native province is a lack of trained chefs. He hopes his robots will overcome that difficulty and make Hunan's cuisine as easy to franchise as fried chicken and hamburgers—and as popular.

Get out of my kitchen

For fast-food restaurants, in which the cooking is something akin to an assembly-line, robotic kitchens with limited repertoires (burgers, pizzas, grain bowls, Hunan dishes and so on) look like a promising innovation. For real foodies, though, a robot that can turn its hand to almost anything culinary would be the acme of automation. And Moley Robotics, a British firm, aspires to do just that. Its robot chef is intended to emulate a real one—not only in the quality of the meals, but also by being able to learn to cook almost any recipe.

This project is a more complicated proposition than an assembly-line robot and is, it must be said, behind schedule. The firm had hoped to launch it last year. They now say it will be available later this year. It features a pair of arms with human-like hands. These manipulate ingredients, utensils and heat sources in a well-equipped kitchen. The robot draws on a databank of recipes that are records of the actions of a human master chef collected by a motioncapture system, so that the machine can copy them exactly—whisking eggs, slicing onions or frying bacon like a pro. A robot like this could therefore cook thousands of different recipes, on demand.

Moley's target appears to be the luxury domestic market, rather than the restaurant trade. If it is successful in the houses of the rich, though, sous-chefs everywhere might understandably get nervous about how much of their work could be automated. The catering industry is known for low pay, so automation is not an obvious cost-saver. It is probably, however, a quality and reliability enhancer, and in a field with fickle customers, and competitors around every corner, that could count for a lot.

Love the way you walk

The way people walk can be used for ID and health checks

A lot can be learnt from monitoring footsteps

Jul 12th 2018 | MANCHESTER

LISTEN carefully to the footsteps in the family home, especially if it has wooden floors unmuffled by carpets, and you can probably work out who it is that is walking about. The features most commonly used to identify people are faces, voices, finger prints and retinal scans. But their "behavioural biometrics", such as the way they walk, are also giveaways.

Researchers have, for several years, used video cameras and computers to analyse people's gaits, and are now quite good at it. But translating such knowledge into a practical identification system can be tricky—especially if that system is supposed to be covert. Cameras are often visible, are fiddly to set up, require good lighting and may have their view obscured by other people. So a team led by Krikor Ozanyan of the University of Manchester, in England and Patricia Scully of the National University of Ireland, in Galway have been looking for a better way to recognise gait. Their answer: pressure-sensitive mats.

In themselves, such mats are nothing new. They have been part of security systems for donkeys' years. But Dr Ozanyan and Dr Scully use a sophisticated version that can record the amount of pressure applied in different places as someone walks across it. These measurements form a pattern unique to the walker. Dr Ozanyan and Dr Scully therefore turned, as is now commonplace for anything to do with pattern recognition, to an artificial-intelligence system that uses machine learning to disentangle and recognise such patterns.

It seems to work. In a study published earlier this year the two researchers tested their system on a database of footsteps trodden by 127 different people. They found that its error rate in identifying who was who was a mere 0.7%. And Dr Scully says that even without a database of footsteps to work with the system can determine someone's sex (women and men, with wide and narrow pelvises respectively, walk in different ways) and guess, with reasonable accuracy, a subject's age.

A mat-based gait-recognition system has the advantage that it would work in any lighting conditions—even pitch-darkness. And though it might fail to identify someone if, say, she was wearing stilettos and had been entered into the database while wearing trainers, it would be very hard to fool it by mimicking the gait of an individual who was allowed admission to a particular place.

The latest phase of Dr Ozanyan's and Dr Scully's project is a redesign of the mat. The old mats contained arrays of individual pressure sensors. The new ones contain grids of optical fibres. Light-emitting diodes distributed along two adjoining edges of a mat transmit light into the fibres. Sensors on the opposite edges (and thus the opposite ends of the optical fibres) measure how much of that light is received. Any pressure applied to part of the mat causes a distortion in the fibres and a consequent change in the amount of light transmitted. Both the location and amount of change can be plotted and analysed by the machine-learning system.

Dr Ozanyan says that the team have built a demonstration fibre-optic mat, two metres long and a metre wide, using materials that cost £100 ($130).

They are now talking to companies about commercialising it. One application might be in health care, particularly for the elderly. A fibre-optic mat installed in a nursing home or an old person's own residence could monitor changes in an individual's gait that presage certain illnesses. That would provide early warning of someone being at greater risk of falling over, say, or of their cognition becoming impaired.

Gait analysis might also be used as a security measure in the workplace, monitoring access to restricted areas, such as parts of military bases, server farms or laboratories dealing with hazardous materials. In these cases, employees would need to agree to their gaits being scanned, just as they would agree to the scanning of their faces or retinas for optical security systems.

Perhaps the most intriguing use of gait-recognition mats, though, would be in public places, such as airports. For that to work, the footsteps of those to be recognised would need to have been stored in a database, which would be harder to arrange than the collection of mugshots and fingerprints that existing airport security systems rely on. Some people, however, might volunteer for it. Many aircrew or preregistered frequent flyers would welcome anything that speeded up one of the most tiresome parts of modern travel.

The Iceman's last supper

A mummy's final meal adds to an ancient mystery

It consisted mainly of deer and ibex fat

Jul 12th 2018

HOW to prepare for a trip to the mountains concerned hikers five millennia ago as much as it does today. That is the conclusion of the latest study of the mummy dubbed "Ötzi the Iceman", who perished 5,300 years ago in the Alps, near what is now the border between Austria and Italy. An analysis of the Iceman's remains suggests that his meal before he set off on what was to turn out to be a fatal trip was high in protein and fat, and composed mainly of meat.

The Iceman's remains were discovered in 1991. After a diplomatic tussle over which side of the border his resting place was, they ended up in a museum in Bolzano, Italy. Subsequent analysis told a tantalising tale. An initial investigation suggested he had died of exposure during a winter storm. Later CT scans, however, revealed an arrowhead lodged in his left shoulder. This had severed a vital artery. Closer examination showed a deep cut to his right hand, suggesting that he had recently been in a fight. That led to imaginative stories about a fugitive fleeing a lynch mob.

If so, he was a well-prepared fugitive. Frank Maixner and Albert Zink, two researchers at the Institute for Mummy Studies, in Bolzano, have just published details of his stomach contents in *Current Biology*. They speak of someone who had had enough time to eat a nourishing meal before departing.

A unique specimen such as the Iceman is not cut open lightly. But Dr Maixner and Dr Zink knew, from scans, that his stomach was full when he died and therefore that useful information could be gleaned from doing so. Initial examination under a microscope of the sample taken revealed numerous chunks of meat and animal fat jumbled up in a mixture of plant fragments. To identify which species these materials had come from, the two researchers carried out a chemical analysis.

This revealed phytanic acid (frequently found in the fat and milk of ruminants), azelaic acid (common in wholegrain cereals) and gamma-terpinene (typically found in herbs like coriander). There was also a lot of iron, calcium, zinc, magnesium and sodium—substances consistent with the consumption of red meat or dairy products. DNA analysis of the materials showed the sources of the meat and fat to be ibex and red deer, and that the plant fragments came mainly from einkorn, an early form of domesticated wheat.

The real surprise was the proportion of the Iceman’s stomach contents that was animal fat—46% by weight. The only people nowadays who eat so much fat are those preparing for strenuous physical activities in harsh conditions. Dr Maixner and Dr Zink suggest that the Iceman’s contemporaries had worked out the value of fat in these circumstances, and that the Iceman himself, rather than being a spontaneous fugitive, had been planning on venturing into the mountains and had loaded up with high-fat foods in anticipation. The mystery of his death deepens.

Crops and pollution

A cheap way to save rice plants from the effects of acid rain

Bacteria in the soil act as sensors for problems

Jul 12th 2018

ACID rain damages crops. In particular, it damages rice, because many rice-growing countries, which are predominantly in Asia, do not have in place the pollution-control mechanisms that are now routine in the wheat-growing continents of Europe and North America. A rice crop soaked by acid rain can be saved if it is rinsed with clean water. But it is not always obvious when that needs doing, for rainfall varies in its acidity and is not always acidic enough to cause harm.

What is needed is a cheap and reliable way of finding out whether a particular set of plants have actually been stressed by a fall of acid rain. And Wang Xin of Nankai University, in Tianjin, China, thinks he has one. It relies on the reaction of soil bacteria to molecules secreted by plant roots.

Dr Wang knew from the botanical literature that most plants secrete from their roots a mixture of carbohydrates, amino acids and fatty acids that are food for microbes. He also knew, from previous experiments, that some of these microbes generate a weak electric current while they are feeding, and that monitoring this current reveals their level of activity. With all of this in mind, he theorised that acid rain would disrupt metabolic activity in leaves, decrease the flow of organic compounds from the leaves to the roots, and thereby alter the behaviour of soil microbes enough to generate a signal that could warn farmers that their crops were in need of a rinse.

Tests proved him right. Spraying experimental rice plants with artificial acid rain immediately cut their release into the soil of three relevant bacterial foodstuffs—fumaric acid, galactose and glucose. The bacteria responded as expected. The electric current they generated dropped by an average of 300 microamps within two minutes of the plants being sprayed.

That, as Dr Wang describes in *ACS Sensors*, is a change easily measurable using cheap electrodes. And by wiring those electrodes to a transmitter, the plants' cries of distress can be texted instantly to the farmer tending them, who can then arrange for a second shower, this time of clean water, to restore them to health before any permanent damage occurs.

Books and arts

Brothers in Arms

The siren call of separatism

A distinguished historian compares the secessionist movements in Scotland and Catalonia

Jul 12th 2018

Scots and Catalans: Union and Disunion. By J.H. Elliott.*Yale University Press; 360 pages; £20. To be published in America in August; $30.*

NOWHERE was the referendum on Scotland’s independence in 2014 followed more closely than in Catalonia. And few people have offered more solidarity than the Scots to the separatist Catalan politicians who face jail and extradition for their illegal declaration of independence from Spain last year. Both territories have long been integral elements of larger states. But both are also self-proclaimed nations with a sense that their history and culture are distinct. In the 21st century, in an age of uncertainty over identities prompted by globalisation, assertive nationalists have taken power in both places and sought to break away from the advanced European democracies of which they form part.

This dual phenomenon deserves examination. Since nationalists look selectively to the past in making their case for a different future, the fluctuations of national sentiment are a good starting-point. Sir John Elliott traces those trajectories in “Scots and Catalans”, a pioneering and scrupulously even-handed comparative history. The foremost historian of the politics of the Spanish Golden Age of the 16th and 17th centuries, he wrote his doctoral thesis on the Catalan Revolt of 1640 and speaks Catalan. He admits that Scotland was “unknown territory” for him, but comparative history is not. His previous book was a masterly study of the American empires of Britain and Spain.

Sir John identifies many more parallels between Catalonia and Scotland than might be expected by readers accustomed to thinking of European history in terms of discrete nation states. But there are big differences, too. One of the biggest lies in their medieval pasts. By the late 13th century Scotland was a unified and independent kingdom, recognised as such by other European monarchs. More than a century earlier, the Count of Barcelona had, by marriage, merged his feudal principality of Catalonia into the Kingdom of Aragon. Thus, unlike Scotland and in contradiction of current separatist propaganda, Catalonia “had never been an independent sovereign state in any modern definition of the term”.

With the succession of James VI to the English throne, and the earlier marriage of Spain’s Catholic Kings, Ferdinand and Isabella, Scotland and Aragon (and thus Catalonia) went on to form part of “composite monarchies”—a term Sir John popularised in earlier work—in which they preserved a large degree of traditional self-government. Both would fight to preserve those liberties in the 17th century, before succumbing to “incorporating unions” in very different circumstances. Under the more or less voluntary union of 1707, Scotland kept its legal system and universities. After their victory in 1714 in the War of the Spanish Succession, in which most of the Catalan elite had ended up backing the losing Austrian side, the victorious Bourbons imposed an absolute and unitary monarchy.

Whatever their sense of political humiliation, both places thrived, with new access to colonial markets eventually driving industrialisation. In both, the

Romantic movement and liberalism would bring about a revival of cultural nationalism in the 19th century, prompting a “dual patriotism” of simultaneous identification with the immediate homeland and the broader nations of Britain and Spain.

Then the stories diverge again. In Britain, England was always the preponderant partner. But the union was consensual, and Scots played a full part in British political life. By contrast, Catalonia’s economic strength generated bigger tensions with Madrid, and was never matched by political clout: Spanish governments between 1875 and 1931 included only 18 Catalan ministers in total. In Spain’s long history of political instability, Catalan problems and demands often met a heavy-handed response, culminating in that of the Franco dictatorship of 1939-75. Franco imposed rigid centralisation and banned the public and official use of Catalan (though over time his regime relaxed its grip, tolerating publications in the language).

With the restoration of democracy, Catalonia achieved the home rule that had long been the limit of its political ambition. That would come to Scotland with devolution in 1999. Yet in neither case did extra autonomy sate nationalist appetites. These thrived on the collapse of support for national political parties, and on a sense that contemporary national governments were insensitive to Scottish and Catalan concerns. “Separatism appeared to offer an easy answer to those who felt that they had lost control over their own lives,” writes Sir John. In that, it is another face of the anti-elitist populism that has taken root more widely.

Though Scotland’s nationalist leader, Nicola Sturgeon, has been cautious about the prospect of a second referendum, her Catalan counterparts have recklessly disregarded democratic and constitutional norms in their push for independence. Sir John paints a bleak picture of Catalonia’s plight: “A prosperous, friendly and outward-looking society, fully engaged with the rest of Spain and the world…turned inward and began to tear itself apart.”

Steeped as he is in Spanish history, at times his treatment of Scotland feels a little perfunctory. An effort to keep up with the latest events in Catalonia has prompted several small mistakes. It is not true—at least not yet—that the drive for independence has affected economic growth in Catalonia or Spain, for example. And, in a world in which nationalism is proliferating, many readers might wish the author had drawn more general lessons from his account of these two experiences.

He limits himself to highlighting the nationalists' exploitation of a mythologised past, and notes that national sentiment waxes and wanes with circumstance. Occasionally, he observes, opponents of separatism may unwittingly aid it: "All too often governments in Britain and Spain dismissed or failed to take seriously issues that were sometimes felt deeply by many Scots and Catalans but which looked relatively insignificant when viewed from London and Madrid." Others might question whether devolution should include the right to impose customised versions of history, which in turn can lead to tragic miscalculations. Sir John's book is an elegant corrective to those distortions.

Off the map

Not all borders make sense. But changing them is dangerous

A journalist asks why some would-be countries make the cut and others founder

Jul 12th 2018

Invisible Countries: Journeys to the Edge of Nationhood. By Joshua Keating. *Yale University Press; 296 pages; $26 and £20.*

VIT JEDLICKA spent five years trying to reshape Czech politics in his own libertarian image before he had a better idea. Why change his country when he could just create a new one? Thus the Free Republic of Liberland was born, on 2.7 square miles (7 square km) of riverbank between Croatia and Serbia. Liberland has a constitution (taxes are optional), an ersatz embassy and an online citizenship application form. So what makes it different from the United States, or Bangladesh, or Malta? Joshua Keating, an American journalist, visited several aspiring countries to understand which make the cut, and why.

For much of human history, boundaries were temporary, shifting as empires rose and fell. But since 2000, only a handful of countries have joined the world map. This status quo is imperfect, to say the least. “It locks in the decisions made by colonists in the 19th century in both Africa and the Middle East,” Mr Keating writes in “Invisible Countries”. “And it contains ambiguities and prolonged stresses that can be exploited by both non-state actors like ISIS and revisionist powers like Vladimir Putin’s Russia.”

As evidence, he points to places such as Somaliland, officially part of impoverished, fractious Somalia. Somalilanders say their link to Somalia is tenuous, a fluke of a border drawn decades ago. Somaliland boasts all the trappings of statehood, including a flag, a currency, diplomatic missions and a border. It is much safer than Somalia; yet because it is unrecognised, it cannot obtain international aid and resources. It struggles to recruit doctors and teachers. “Nobody should be denied access to health, human rights and development because of the name of their country,” Edna Adan, an activist, complains.

Akwesasne, a Native-American community of 12,000 nestled between America and Canada, faces a similar struggle. Because its neighbours do not recognise its sovereignty, entering the territory can involve long waits. “Trying to operate an ambulance service in three jurisdictions is challenging,” says Grand Chief Abram Benedict of the Mohawk Council of Akwesasne. Police pursuing fugitives “can’t come over here and arrest someone because they’re in another country.”

Despite the wrinkles, though, the current dispensation may be irreplaceable. Most of the world’s land belongs to someone; shifting borders would mean violence and instability. And the record of new countries is patchy. South Sudan declared independence in 2011, with the support of powerful allies and the UN. But it foundered. A political feud escalated into civil war, which has killed tens of thousands and displaced millions more.

Mr Keating offers few answers, but he raises good questions. As secessionist movements flourish in Europe, and climate change threatens to obliterate littoral states, the issue of what it means to be a nation is acquiring new salience. “They say Liberland is a virtual country,” Mr Jedlicka observes, “but so are all the other ones.”

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Heaven built on hell

A gripping tale of Sodom sliding towards its bloody end

Paul French tells the stories of two men who rose and fell with Old Shanghai

Jul 12th 2018

City of Devils: The Two Men Who Ruled the Underworld of Old Shanghai. By Paul French. *Picador; 320 pages; $28. Riverrun; £16.99.*

EVEN during its heyday in the 1930s, the Shanghai of legend seemed to live under a premonition of death. After all, the treaty port was born of a monstrous crime: it was the prize foreigners claimed after the Qing dynasty resisted Britain's efforts to force opium down Chinese lungs. The legend died after Pearl Harbour, engulfed by Japan's total war. Everyone in Shanghai had seen the storm clouds gathering: Depression in the United States, fascism in Europe, Japanese aggression eating into China. Yet, for a while, these woes seemed to be chances for the city to prosper—and to party as if there were no tomorrow.

Gone by then was all talk of Shanghai as a light to lead China out of heathen darkness. By the early 1930s international Shanghai was, as Paul French puts it, “a festering goitre of badness”. It was the fifth-biggest city on Earth, a babel of tongues, and a sanctuary for White Russian beauties who preferred prostitution to Bolshevism, Englishmen who had failed at home, American grifters, and Jews from central European shtetls fleeing anti-Semitism. Its religion was money and the getting of it. Beyond the International Settlement and the French Concession, but largely out of mind to their denizens, stretched satanic textile mills full of toiling Chinese. The elites they enriched swilled champagne in the countless cabarets. Also coursing through Shanghai’s veins was opium, the original sin, and attendant vices—gambling, the sex trade and gun-running to feed China’s growing political violence.

This Shanghai already has notable historians in Robert Bickers and the late Frederic Wakeman. Now, in Mr French, who has spent years chasing Shanghai’s ghosts, it has its champion storyteller. “City of Devils” is based on real people and events. With a fabulist’s flair, Mr French supplies whatever details were withheld by the archives he has ransacked.

His tale is of two men who more than anyone shaped the city’s reputation, and whose destinies became fatally entwined in Old Shanghai’s last days. “Dapper Joe” Farren was born Josef Pollak in a Vienna ghetto and came to Shanghai as an exhibition dancer, gliding on the city’s sprung floors with Nellie, his wife, whom men could not take their eyes off. In time he ran the best chorus lines in the swishest nightclubs; he was Shanghai’s own Flo Ziegfeld. “Lucky Jack” Riley had also changed his name and identity—more than once. Brought up in a Tulsa orphanage, he was a prison fugitive and American seaman before he came to Shanghai, where he started as a bouncer and rose to become the undisputed slots king, controlling every one-armed bandit in the city.

Both men saw their chance of the big time after Japanese forces attacked Shanghai’s Chinese districts in 1937, leaving the international concessions as islands in a sea of panic and devastation. At least temporarily, it suited all authorities—Japan’s fearsome Kempeitai (military police) and its thuggish Chinese puppet government included—to turn a blind eye to the no-man’s-land that evolved west of those concessions. In these “Badlands”, Farren and

Riley joined forces to found the biggest and ritziest nightclub and casino that Shanghai had ever seen—while all around were destitution, squalor, cruelty and violence.

“City of Devils” is the story not only of the duo’s rise, but of their spectacular fall, which mirrored Shanghai’s. It is a tale of shrinking options, in which, according to “the Badlands’ law of supply and demand”, a gun came to cost the same as a catty of rice.

The story is brought alive by Mr French’s Shanghai-noir telling, which echoes Dashiell Hammett and James Ellroy:

> Illicit hooch becomes a lethal blend…and drunks stagger and collapse on the Avenue Haig. Mike and his Music Masters dust off the old ‘Jake Walk Blues’ and lampoon the poor lushes outside, but nobody’s laughing much now. A backfiring car has the remaining punters and the bar staff ducking involuntarily; a slamming kitchen door gets everyone tense.

The dragon is the city’s symbol, Mr French reminds us, “but the rat is Shanghai’s future.” He grips his reader to the end.

The big sleep

Ottessa Moshfegh’s second novel is as arresting as her first

“My Year of Rest and Relaxation” displays her mordant wit and inimitable style

Jul 12th 2018

My Year of Rest and Relaxation. By Ottessa Moshfegh. *Penguin Press; 304 pages; $26.00. Jonathan Cape; £12.99.*

IN “EILEEN”, Ottessa Moshfegh’s dark and suspenseful first novel, the heroine reflected on how her 24-year-old self was coaxed into committing foul deeds. “This is the story of how I disappeared,” she explained at the outset, before recounting her journey from solitary misfit to co-opted accomplice. Ms Moshfegh’s second novel, “My Year of Rest and Relaxation”, is the story of how another 24-year-old woman disappeared, this time not from a crime scene but from the world at large.

It is the year 2000 and the unnamed narrator has decided to go into hibernation for a year, to forget the past and “sleep myself into a new life”. At first glance, there is nothing wrong with her current one. She is a Columbia graduate, looks like “an off-duty model” and lives in Manhattan off a sizeable inheritance. But it becomes clear that she has endured some cruel blows: her parents are dead, she has lost her job and her boyfriend has ditched her. So she locks herself away and loses herself in sleep and videos, having contact only with a credulous psychiatrist (who prescribes a cocktail of pills), her bulimic best friend (who drops by to share her woes) and the Egyptian staff of her local bodega.

To some readers, Ms Moshfegh’s premise may seem fey and slight. At first the narrator’s passivity can be wearing, as are the samples from her dream journal (or “book of nightmares”) and her stultifying routine: “Sleeping, waking, it all collided into one grey, monotonous plane ride through the clouds.” Eventually, though, the author injects colour and drama into her constricted scenario.

When medicated blackouts leave the narrator with no recollection of either sleepwalking or sleep e-mailing, she is forced to sift receipts, photographs and call-histories to retrace her steps and account for her actions. A rare outing to attend a funeral triggers vivid memories of her father’s death and her mother’s decline. As she sinks further into despair and self-degradation, she begins to worry less about her need to be reborn and more about her chances of survival.

A steady supply of mordant wit and snappy dialogue help sustain momentum, as does Ms Moshfegh’s memorably original phrasing: “I felt myself float up and away, higher and higher into the ether until my body was just an anecdote, a symbol, a portrait hanging in another world.” Even readers who anticipate the final sting will still be affected by the poignant end-note. A study of alienation and dislocation, Ms Moshfegh’s compelling novel is filled with warped desires and reckless pursuits, but also with wisdom and warmth.

Once upon a time in the West

On stage, the saga of the Lehman brothers is a parable of America

Sam Mendes brings “The Lehman Trilogy” to London’s National Theatre

Jul 12th 2018

ITALIANS have long been inspired by the opening up of America. In the 1960s, for example, no year went by without a fresh serving of “spaghetti” Westerns, with their vulpine heroes, their vistas and their villains. Now, half a century after Sergio Leone brought “Once Upon a Time in the West” to the screen, the National Theatre in London is hosting a different kind of Italian Western—a grand morality tale about God, greed, conquest and family, featuring bankers instead of gunslingers.

Part of “The Lehman Trilogy” by Stefano Massini, a Florentine playwright, was performed in Paris in French in 2013. By the time Sam Mendes saw a five-hour Italian version directed by his mentor, Luca Ronconi, in Milan two years later, it had also been translated into German and rewritten by Mr Massini as a novel. The challenge for Mr Mendes, a distinguished stage director who has overseen two James Bond films, and the text’s adapter, the

National’s Ben Power, was to extract and hone the many themes that had obsessed the Italian author over the decade he spent working on the story. Their aim, Mr Power says, was to create a distilled English version that would speak to a London audience, many of whom will have an intimate knowledge of the financial crisis that is the drama’s inevitable denouement.

And its beginning. The play, which opened this week, begins on September 15th 2008, the day Lehman Brothers collapsed. Immediately, though, it jumps back to September 11th 1844, when Hayum Lehmann (played by Simon Russell Beale, pictured centre), the son of a Bavarian cattle merchant, steps off the boat in New York, wearing the new shoes he has kept for the occasion. At the dock he becomes Henry Lehman; he settles in Montgomery, Alabama, where he opens a modest shop. His two brothers, Emanuel (Ben Miles, right) and Mayer (Adam Godley, left), follow him. The Lehmans become cotton factors; in the late 1850s they open an office in New York and launch a bank. “Three brothers. Travellers. Immigrants. They arrived with nothing and they built an entire universe.”

Tracing the fortunes of the family and the firm through the civil war and the Wall Street crash, this is a saga about the making of modern America wrapped in a story of finance. But fundamentally “The Lehman Trilogy” is also about the alchemy of theatre. When Hayum/Henry disembarks at the start of the play, he steps right into the debris of the ruined modern bank. Cardboard storage boxes, of the kind familiar from footage of the crisis, litter the set; in subsequent scenes they become podiums, desks, steps and the columns of the New York Stock Exchange. Over three hours, the three actors play many different roles. Minimalist props—a pair of glasses, a hat—help differentiate between them. But mostly it is subtle gestures that transform Mr Russell Beale from an aged rabbi into a snivelling boy, or turn Mr Godley into a rich divorcee or a bawling toddler in a Nebraska diner.

The trio narrate the story as they enact it. Much of the language is as rich as their performances. The Italian original was steeped in Jewish tradition (Mr Massini speaks Hebrew), a flavour that Mr Power retains. “Baruch HaShem,” Henry repeatedly intones: “Thank God.” Over time the pieties and Jewish observances thin. When the family first sit *shiva* at the death of a relative, they mourn for a week; the second time, they sit for three days. Finally, the bank is closed for three minutes.

The good, the bad and the ugly

Mr Power uses rhythm and repetition to give the play a distinctive liturgical quality. The looping language conveys one of its main insights: that families, businesses and countries are made of the DNA of generations. They evolve beyond recognition but they also repeat themselves. Sons escape the shadow of their fathers, but cleave to them even as they strain to pull away. A tightrope walker on Wall Street in the 1920s foreshadows Philippe Petit stepping out on the high wire between the Twin Towers in 1974. The crash of 1929 adumbrates the crash of 2008. Wall Street, after all, is a place “where every day, men walk on air”.

The retention throughout of the brothers’ mid-19th-century costumes and their *mitteleuropäische* accents underlines this sense of continuity; the original Lehmans are spectrally present until a conclusion the audience foresees, even if the characters cannot. That daring combination of simplicity and dexterity make this an extraordinary piece of stagecraft. Despite the different subject matter, it is reminiscent of the National’s “War Horse”—a first-world-war adventure in which the magic of art, and the audience’s suspension of disbelief, were as much the meaning as the method, as they are in “The Lehman Trilogy”. The main flaw lies in the portrayal of the antebellum South and of the civil war: cotton means slavery, yet though the format finds room for bereft plantation owners, bemoaning their fate in the manner of “Gone With the Wind”, the slaves and freedmen are strangely absent.

The final message is that virtue and vice are entwined; unlike spaghetti Westerns, the play has no straightforward goodies or baddies. Rise leads to fall, ambition to hubris. The work ethic that inspires the Lehmans morphs into greed and brings the bank low. Its investments are ever-more ephemeral, progressing from commodities to movies to arbitrage. The financial system, and America, gorge themselves on their own ingenuity and appetites.

“Baruch HaShem,” Henry Lehman says when he reaches New York. By the end of the play, divine providence is much harder to discern.

Obituary

Evoking the Holocaust’s tremors in the present

Claude Lanzmann died on July 5th

The film-maker and director of “Shoah” was 92

Jul 12th 2018

WHAT did “Shoah” mean? After Claude Lanzmann had spent almost 12 years making the film he was most famous for, recording 350 hours of interviews in 14 countries, sitting in his shirtsleeves across the table from greying, cautious, sometimes angry people, unsparingly coaxing out of them their memories of the Holocaust, he often met that question. The simple translation was “destruction”. But as a secular Jew, brought up in central France with no sense of Jewish culture and no Hebrew, he had no idea, at first, what it meant. The word seemed just an utterance, a sound, without associations. It might have been the wind in the trees, or a moan of pain. That suited his purposes, because he wanted to give his work no name at all.

His theme was death, and at its most extreme. The subject, especially the moment of death, had obsessed him from childhood, when he had acquired that slight crouch, protecting his neck from the shining blade of the guillotine that might slice through. In middle age he could not turn away from Goya's depictions of bayonettings; in old age he watched without flinching as Islamist terrorists, on video, crudely sawed off the heads of their victims. He found himself transfixed by the look, the dazed or vacant stare, of those who knew they were about to die. By witnessing it, he joined them in their awful loneliness.

So the task he assumed was to be a witness to the mass-death of the Holocaust and to draw witness out of others. But he wanted no images from the camps, no newsreel footage, since those were sacrilege. "Shoah" was not history and not a documentary, as he would shout when ridiculous people said so. It was an evocation through revenants, ghosts, of how memories of the Holocaust went on pulsing through the present, like the slow ripples of the river on which one Polish interviewee rowed and sang a Prussian song; or like the laboured clunking of a train in which an old railwayman stood, remembering how he had drunk vodka to mask the smell of burning bodies; or the rote recitation of railway stations by the German who ran the Department of Special Trains, still proud of ensuring that they got to Treblinka in time. In one scene Abraham Bomba, the Jewish barber who cut women's hair as they huddled in the gas chambers, chirpily clipped and reminisced in his Tel Aviv salon before Mr Lanzmann, with determination, made him break.

He took great pride in his film, comparing it to a symphony, an epic, or the works of Shakespeare, and from a man who knew little about cinema or film-making. But it was a strange route to fame for an alpha male who otherwise romped through life, an acclaimed journalist, a doughty pilot, an excellent skier, an intrepid traveller and an all-round bon vivant. From the 1950s he was at the centre of France's intellectual left, hobnobbing with its poets (Aragon, Breton, Éluard), writing and debating at Jean-Paul Sartre's side at the *philosophe*'s own magazine, *Les Temps Modernes*, of which he became editor-in-chief, and living for seven years with Simone de Beauvoir, "Castor", as he called her, the beautiful aristocrat whose nostrils drove him wild. Women flung themselves at him, of course, and in his masterly way he could dispense with any billing and cooing, going straight for "the thing" itself.

For him the world divided easily into left, right, black, white, wise men and fools. “Shoah” was not some brooding return to his own past, though it was part of his regret for the teenage anti-Semitism that made him hate his mother’s “enormous” nose and fear to be seen with her. His compulsion to evoke the Holocaust came from far beyond. If he or any of his family had been in the camps he could not have been a perfect witness, standing both inside and outside. In fact his war had been in the Auvergne, running guns and laying ambushes with the Resistance, while his family moved carefully in and out of hiding. Everyone survived. The blade did not fall.

Sartre, with that riveting certainty of his, thought death was an absurd conundrum. Mr Lanzmann believed it was inexplicable, as evil was, and also a scandal to be challenged. As he became more fervently Jewish through his life, he willed that resistance on his people. His film “Sobibor: October 14, 1943” exulted in the escape of Jews from an extermination camp, and two other films celebrated Israel, both its founding and, in “Tsahal”, its defence forces, which he saw through a lens of proud joy at their youth, beauty, massed weaponry and reappropriation of violence. Jews, too, could be fierce.

The hares of Birkenau

They could also deceive death, that great deceiver. He loved hares, remembering how, in Patagonia, the dash of one across his path had made him feel astonishingly alive, and how when shooting “Shoah” at Birkenau two hares, initially bewildered, had skilfully contorted their way through the dense barbed wire, as prisoners had failed to. He hoped his people would choose to come back as hares.

As it was, the very presence of those silent creatures at Birkenau underlined a great absence. “Shoah” was full of images of emptiness, whether railway wagons, or roads, or forests, or simply the eyes of interviewees suddenly remembering and staring fixedly at the camera, as at the face of death. Through them, he was staring too.

Economic and financial indicators

Output, prices and jobs

Jul 12th 2018

Output, prices and jobs

% change on year ago

	Gross domestic product				Industrial production	Consumer prices			Unemployment rate, %
	latest	qtr*	2018[†]	2019[†]	latest	latest	year ago	2018[†]	
United States	+2.8 Q1	+2.0	+2.8	+2.4	+3.5 May	+2.8 May	+1.9	+2.5	4.0 Jun
China	+6.8 Q1	+5.7	+6.6	+6.3	+6.8 May	+1.9 Jun	+1.5	+2.2	3.9 Q1[§]
Japan	+1.1 Q1	-0.6	+1.1	+1.1	+4.2 May	+0.6 May	+0.4	+1.0	2.2 May
Britain	+1.2 Q1	+0.9	+1.3	+1.4	+0.8 May	+2.4 May	+2.9	+2.4	4.2 Mar[††]
Canada	+2.3 Q1	+1.3	+2.3	+1.9	+5.2 Apr	+2.2 May	+1.3	+2.2	6.0 Jun
Euro area	+2.5 Q1	+1.5	+2.2	+1.9	+1.7 Apr	+2.0 Jun	+1.3	+1.6	8.4 May
Austria	+3.4 Q1	+9.7	+2.9	+2.2	+5.9 Apr	+1.9 May	+1.9	+2.1	4.6 May
Belgium	+1.5 Q1	+1.3	+1.7	+1.6	+2.9 Apr	+2.1 Jun	+1.6	+1.9	6.0 May
France	+2.2 Q1	+0.6	+1.9	+1.8	-0.9 May	+2.1 Jun	+0.7	+1.9	9.2 May
Germany	+2.3 Q1	+1.2	+2.1	+1.9	+3.1 May	+2.1 Jun	+1.6	+1.8	3.4 May[‡]
Greece	+2.3 Q1	+3.1	+1.8	+1.9	+0.9 May	+1.0 Jun	+1.0	+0.7	20.1 Mar
Italy	+1.4 Q1	+1.1	+1.3	+1.2	+2.1 May	+1.4 Jun	+1.2	+1.2	10.7 May
Netherlands	+2.8 Q1	+2.3	+2.6	+2.4	+3.2 May	+1.7 Jun	+1.1	+1.5	4.8 May
Spain	+2.9 Q1	+2.8	+2.7	+2.3	+1.6 May	+2.3 Jun	+1.5	+1.7	15.8 May
Czech Republic	+3.4 Q1	+2.2	+3.5	+2.9	+1.4 May	+2.6 Jun	+2.3	+1.9	2.3 May[‡]
Denmark	-1.4 Q1	+1.8	+1.8	+2.0	-1.7 May	+1.1 Jun	+0.6	+1.1	4.0 May
Hungary	+4.4 Q1	+4.9	+4.0	+2.8	+3.8 May	+3.1 Jun	+1.9	+2.5	3.7 May[§††]
Norway	+0.3 Q1	+2.5	+1.9	+1.8	-5.7 May	+2.6 Jun	+1.9	+2.3	3.7 Apr[‡‡]
Poland	+5.2 Q1	+6.6	+4.4	+3.5	+5.3 May	+1.9 Jun	+1.5	+1.7	5.9 Jun[§]
Russia	+1.3 Q1	na	+1.7	+1.7	+3.7 May	+2.3 Jun	+4.4	+2.9	4.7 May[§]
Sweden	+3.3 Q1	+2.9	+2.7	+2.2	+3.7 May	+1.9 May	+1.7	+1.8	6.5 May[§]
Switzerland	+2.2 Q1	+2.3	+2.2	+1.9	+9.0 Q1	+1.1 Jun	+0.2	+0.8	2.6 Jun
Turkey	+7.4 Q1	na	+4.2	+3.5	+5.1 Apr	+15.4 Jun	+10.9	+12.1	10.1 Mar[§]
Australia	+3.1 Q1	+4.2	+2.9	+2.7	+4.3 Q1	+1.9 Q1	+2.1	+2.2	5.4 May
Hong Kong	+4.7 Q1	+9.2	+3.4	+2.7	+1.0 Q1	+2.1 May	+2.0	+2.1	2.8 May[‡‡]
India	+7.7 Q1	+10.1	+7.3	+7.5	+4.9 Apr	+4.9 May	+2.2	+4.7	5.7 Jun
Indonesia	+5.1 Q1	na	+5.3	+5.4	+1.0 May	+3.1 Jun	+4.4	+3.5	5.1 Q1[§]
Malaysia	+5.4 Q1	na	+5.6	+5.5	+4.5 Apr	+1.8 May	+3.8	+1.5	3.3 Apr[§]
Pakistan	+5.4 2018**	na	+5.4	+5.0	+4.3 Apr	+5.2 Jun	+3.9	+5.0	5.9 2015
Singapore	+4.4 Q1	+1.7	+3.2	+2.9	+11.1 May	+0.4 May	+1.4	+0.8	2.0 Q1
South Korea	+2.8 Q1	+4.1	+2.9	+2.8	+0.9 May	+1.5 Jun	+1.9	+1.7	3.7 Jun[§]
Taiwan	+3.0 Q1	+0.8	+2.7	+2.0	+3.1 Mar	+1.3 Jun	+1.0	+1.6	3.7 May
Thailand	+4.8 Q1	+8.1	+4.1	+3.6	+3.2 May	+1.4 Jun	nil	+1.2	1.0 May[§]
Argentina	+3.6 Q1	+4.7	+1.7	+2.2	-0.8 May	+26.4 May	na	+27.1	9.1 Q1[§]
Brazil	+1.2 Q1	+1.8	+1.7	+2.6	-6.7 May	+4.4 Jun	+3.0	+3.5	12.7 May[§]
Chile	+4.2 Q1	+4.9	+3.7	+3.6	+3.6 May	+2.5 Jun	+1.7	+2.6	7.0 May[§‡‡]
Colombia	+2.8 Q1	+2.8	+2.5	+3.1	+10.4 Apr	+3.2 Jun	+4.0	+3.3	9.7 May[§]
Mexico	+1.3 Q1	+4.6	+2.3	+2.2	+3.8 Apr	+4.6 Jun	+6.3	+4.4	3.2 May
Venezuela	-8.8 Q4~	-6.2	-16.0	-4.9	na	na	na	12,615.2	7.3 Apr[§]
Egypt	+5.3 Q4	na	+5.4	+5.6	+5.5 Apr	+14.4 Jun	+29.8	+17.5	10.6 Q1[§]
Israel	+4.0 Q1	+4.5	+3.7	+3.3	+3.8 Apr	+0.5 May	+0.8	+1.7	3.9 May
Saudi Arabia	-0.9 2017	na	+1.0	+2.0	na	+2.3 May	-0.8	+4.4	6.1 Q1
South Africa	+0.8 Q1	-2.2	+1.6	+2.1	-1.6 Apr	+4.4 May	+5.4	+4.7	26.7 Q1[§]
Estonia	+3.6 Q1	-0.5	+4.0	+3.5	+3.0 May	+4.0 Jun	+2.9	+3.5	6.8 Q1[§]
Finland	+2.8 Q1	+5.1	+2.3	+2.1	+3.5 May	+1.0 May	+0.8	+0.9	9.3 May[§]
Iceland	+6.6 Q1	+4.4	+4.1	+3.5	na	+2.6 Jun	+1.5		2.2 May[§]
Ireland	+8.4 Q4	+13.3	+4.5	+3.6	+7.4 May	+0.4 May	+0.2	+0.8	5.1 Jun
Latvia	+4.0 Q1	+5.4	+3.3	+3.9	-1.1 May	+2.8 Jun	+3.0	+2.5	8.2 Q1[§]
Lithuania	+3.7 Q1	+3.6	+3.7	+3.3	+4.9 May	+2.6 Jun	+3.6	+2.9	8.3 Jun[§]
Luxembourg	+5.1 Q1	+8.0	+3.4	+3.1	+3.1 May	+1.4 Jun	+1.5		5.3 May[§]
New Zealand	+3.0 Q1	+1.1	+3.1	+2.1	+1.4 Q1	+1.1 Q1	+2.1	+1.8	4.4 Q1
Peru	+3.2 Q1	+5.6	+3.7	+4.0	+20.3 Apr	+1.4 Jun	+2.7	+1.7	7.0 Mar[§]
Philippines	+6.8 Q1	+6.1	+6.4	+6.3	+19.8 May	+5.2 Jun	+2.5	+5.1	5.5 Q2[§]
Portugal	+2.1 Q1	+1.8	+2.3	+2.1	-2.7 May	+1.5 Jun	+0.9	+1.0	7.9 Q1[§]
Slovakia	+3.6 Q1	+3.4	+3.7	+3.8	+4.1 Apr	+2.7 May	+1.1	+2.4	5.4 May[§]
Slovenia	+4.6 Q1	na	+4.5	+3.7	+9.3 Apr	+2.1 Jun	+0.9	+1.8	8.3 Apr[§]
Ukraine	+3.1 Q1	+2.6	+3.0	+2.8	+2.5 May	+9.9 Jun	+15.6	+11.0	1.2 May[§]
Vietnam	+6.8 2017	na	+6.9	+6.7	+12.3 Jun	+4.7 Jun	+2.5	+4.6	2.3 2016

Source: Haver Analytics. *% change on previous quarter, annual rate. [†]*The Economist* poll or Economist Intelligence Unit estimate/forecast. [§]Not seasonally adjusted. [‡]New series. ~2015 **Year ending June. [††]Latest 3 months. [‡‡]3-month moving average.

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Trade, exchange rates, budget balances and interest rates

Jul 12th 2018

Trade, exchange rates, budget balances and interest rates

	Trade balance latest 12 months, $bn	Current-account balance latest 12 months, $bn	Current-account balance % of GDP 2018†	Currency units, per $ Jul 10th	Currency units, per $ year ago	Budget balance % of GDP 2018†	Interest rates 3-month latest	Interest rates 10-year gov't bonds, latest
United States	-829.8 May	-465.5 Q1	-2.7	-	-	-4.6	2.34	2.85
China	+382.7 May	+115.1 Q1	+0.7	6.62	6.80	-3.5	3.63	3.38§§
Japan	+40.6 May	+199.5 May	+3.8	111	114	-3.8	-0.04	0.01
Britain	-185.2 May	-106.3 Q1	-3.6	0.75	0.78	-1.8	0.72	1.38
Canada	-25.4 May	-53.8 Q1	-2.7	1.31	1.29	-2.2	1.83	2.15
Euro area	+283.9 Apr	+484.4 Apr	+3.3	0.85	0.88	-0.7	-0.32	0.32
Austria	-5.8 Apr	+9.5 Q1	+2.3	0.85	0.88	-0.6	-0.32	0.39
Belgium	+24.7 Apr	+0.2 Mar	-0.4	0.85	0.88	-0.9	-0.32	0.68
France	-72.9 May	-9.9 May	-0.8	0.85	0.88	-2.4	-0.32	0.58
Germany	+291.7 May	+321.7 May	+7.7	0.85	0.88	+1.1	-0.32	0.32
Greece	-22.6 Apr	-2.9 Apr	-1.2	0.85	0.88	-0.3	-0.32	3.84
Italy	+56.1 Apr	+55.7 Apr	+2.5	0.85	0.88	-2.0	-0.32	2.68
Netherlands	+62.7 Apr	+91.2 Q1	+9.6	0.85	0.88	+0.8	-0.32	0.48
Spain	-31.3 Apr	+21.3 Apr	+1.5	0.85	0.88	-2.2	-0.32	1.26
Czech Republic	+19.1 May	+0.9 Q1	+0.5	22.1	22.9	+0.9	1.17	2.20
Denmark	+5.9 May	+20.2 May	+6.3	6.36	6.53	-0.7	-0.30	0.35
Hungary	+9.2 Apr	+4.6 Q1	+2.4	276	270	-2.6	0.28	3.35
Norway	+21.8 May	+22.8 Q1	+7.4	8.04	8.34	+5.4	1.04	1.73
Poland	-1.3 Apr	-1.2 Apr	-0.6	3.69	3.72	-2.2	1.50	3.20
Russia	+133.1 Apr	+64.6 Q2	+3.5	62.1	60.3	+0.3	5.85	8.13
Sweden	-2.2 May	+16.8 Q1	+3.3	8.75	8.44	+1.1	-0.35	0.51
Switzerland	+31.6 May	+72.9 Q1	+8.7	0.99	0.97	+0.8	-0.73	-0.04
Turkey	-86.6 Jun	-57.6 May	-5.9	4.71	3.61	-2.8	19.6	17.6
Australia	+9.0 May	-36.8 Q1	-2.6	1.34	1.32	-1.0	2.29	2.63
Hong Kong	-66.8 May	+14.2 Q1	+3.3	7.85	7.81	+1.9	2.00	2.19
India	-161.1 May	-48.7 Q1	-2.5	68.8	64.5	-3.6	6.48	7.90
Indonesia	+3.1 May	-20.9 Q1	-2.3	14,360	13,398	-2.5	7.35	7.29
Malaysia	+29.1 May	+12.2 Q1	+2.7	4.02	4.30	-3.3	3.68	4.10
Pakistan	-36.5 May	-16.7 Q1	-5.8	121	105	-5.4	6.96	9.10†††
Singapore	+47.3 May	+61.7 Q1	+20.4	1.36	1.39	-0.7	na	2.42
South Korea	+82.9 Jun	+72.0 May	+4.8	1,116	1,149	+0.9	1.68	2.56
Taiwan	+18.1 Jun	+84.8 Q1	+13.4	30.4	30.6	-0.9	0.66	0.92
Thailand	+11.3 May	+50.2 Q1	+9.7	33.2	34.1	-3.0	1.24	2.59
Argentina	-11.3 May	-33.8 Q1	-4.7	27.7	17.0	-5.3	31.4	8.42
Brazil	+60.9 Jun	-13.0 May	-1.0	3.84	3.26	-7.1	6.54	9.02
Chile	+10.4 Jun	-3.1 Q1	-1.2	652	667	-2.0	0.34	4.58
Colombia	-6.6 Apr	-9.8 Q1	-3.0	2,874	3,065	-2.0	4.60	6.58
Mexico	-11.5 May	-15.9 Q1	-1.8	19.1	18.0	-2.3	8.10	7.70
Venezuela	-36.2 Oct~	-17.8 Q3~	+2.4	119,850	9.99	-15.5	14.6	8.24
Egypt	-37.0 Apr	-7.7 Q1	-3.2	17.9	17.9	-9.6	17.6	na
Israel	-20.1 May	+9.7 Q1	+2.4	3.63	3.55	-2.4	0.12	1.93
Saudi Arabia	+87.3 2017	+21.6 Q1	+7.0	3.75	3.75	-4.4	2.61	na
South Africa	+3.4 May	-12.2 Q1	-2.9	13.4	13.4	-3.5	6.96	8.68
Estonia	-2.2 May	+0.7 Apr	+2.3	0.85	0.88	-0.3	-0.32	na
Finland	-3.0 May	+1.5 Apr	+1.0	0.85	0.88	-0.7	-0.32	0.53
Iceland	-1.7 Jun	+0.8 Q1	+4.1	107	105	+1.2	4.70	na
Ireland	+53.0 Apr	+42.8 Q4	+7.8	0.85	0.88	-0.2	-0.32	0.83
Latvia	-3.0 May	-0.2 Apr	-0.2	0.85	0.88	-1.2	-0.32	na
Lithuania	-2.8 May	nil Q1	+0.8	0.85	0.88	+0.6	-0.32	1.15
Luxembourg	-7.5 Apr	+4.6 Q1	+5.7	0.85	0.88	+1.1	-0.32	na
New Zealand	-2.6 May	-5.7 Q1	-2.9	1.46	1.38	+1.0	1.95	2.90
Peru	+7.2 May	-2.9 Q1	-1.6	3.27	3.26	-3.5	3.36	na
Philippines	-34.3 May	-1.9 Mar	-1.2	53.5	50.7	-1.8	3.23	6.35
Portugal	-17.0 May	+0.5 Apr	+0.1	0.85	0.88	-1.0	-0.32	1.77
Slovakia	+3.6 May	-2.2 Apr	-1.2	0.85	0.88	-0.9	-0.32	0.97
Slovenia	nil Apr	+3.8 Apr	+5.7	0.85	0.88	+0.2	-0.32	na
Ukraine	-6.7 Apr	-2.5 Q1	-4.4	26.2	26.0	-2.6	17.0	na
Vietnam	+8.0 Jun	+6.4 2017	+2.2	23,040	22,750	-6.3	4.60	4.84

Source: Haver Analytics. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. ~2015 §§5-year yield. †††Dollar-denominated bonds.

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The Economist commodity-price index

Jul 12th 2018

The Economist commodity-price index

2005=100

	Jul 3rd	Jul 10th*	% change on one month	% change on one year
Dollar Index				
All Items	146.0	144.9	-7.3	-0.1
Food	145.2	145.8	-6.0	-8.3
Industrials				
All	146.8	144.0	-8.6	+10.2
Nfa†	140.6	141.6	-4.4	+8.3
Metals	149.4	145.0	-10.2	+11.0
Sterling Index				
All items	201.5	198.7	-6.6	-3.3
Euro Index				
All items	155.8	153.7	-6.7	-2.7
Gold				
$ per oz	1,254.7	1,254.5	-3.4	+3.6
West Texas Intermediate				
$ per barrel	74.1	74.1	+11.7	+64.5

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

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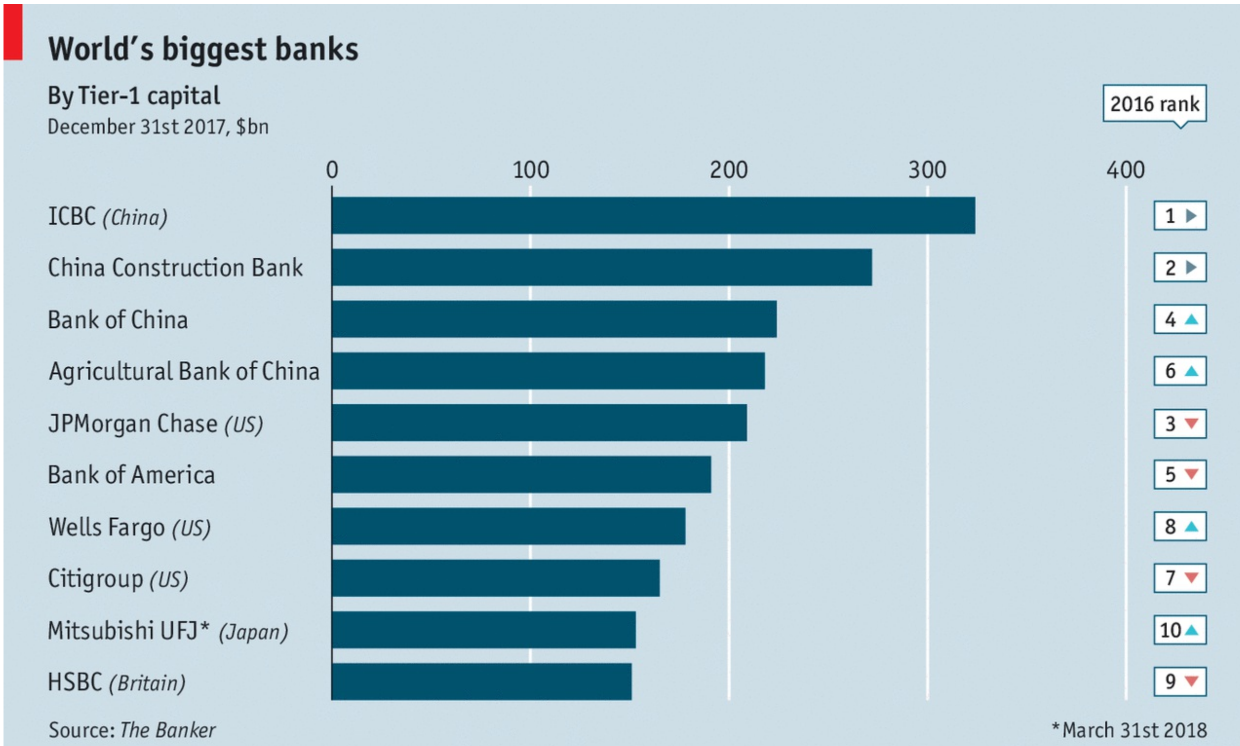
World’s biggest banks

Jul 12th 2018



Economist.com

For the first time Chinese banks rank as the biggest four in the world in terms of Tier-1 capital, according to an annual league table from *The Banker*, a trade publication. ICBC held the top spot for the sixth year running; its capital grew by $43bn in 2017. The gap between American banks, whose capital did not budge much, and Chinese ones continued to widen. European banks notched up some rare good news last year—their share of global profits grew from 13% to 20%. The Italian and British banking sectors were among those to enjoy strong rises in profits. India’s banks had a much grimmer time of it, posting a $9.2bn loss, the world’s biggest.

Markets

Jul 12th 2018

Markets

	Index Jul 11th	% change on one week	Dec 29th 2017 in local currency	in $ terms
United States (DJIA)	24,700.5	+2.2	-0.1	-0.1
United States (S&P 500)	2,774.0	+2.2	+3.8	+3.8
United States (NAScomp)	7,716.6	+2.9	+11.8	+11.8
China (Shanghai Comp)	2,777.8	+0.7	-16.0	-17.4
China (Shenzhen Comp)	1,554.6	-0.5	-18.1	-19.5
Japan (Nikkei 225)	21,932.2	+1.0	-3.7	-1.8
Japan (Topix)	1,701.9	+0.5	-6.4	-4.6
Britain (FTSE 100)	7,592.0	+0.2	-1.2	-3.6
Canada (S&P TSX)	16,417.3	+0.7	+1.3	-3.5
Euro area (FTSE Euro 100)	1,190.6	+0.6	-1.6	-4.6
Euro area (EURO STOXX 50)	3,422.3	+0.3	-2.3	-5.3
Austria (ATX)	3,252.1	-0.1	-4.9	-7.8
Belgium (Bel 20)	3,779.8	+1.6	-5.0	-7.9
France (CAC 40)	5,353.9	+0.6	+0.8	-2.3
Germany (DAX)*	12,417.1	+0.8	-3.9	-6.8
Greece (Athex Comp)	746.7	+0.3	-6.9	-9.8
Italy (FTSE/MIB)	21,708.1	+0.1	-0.7	-3.7
Netherlands (AEX)	553.3	+0.7	+1.6	-1.5
Spain (IBEX 35)	9,733.6	-0.2	-3.1	-6.0
Czech Republic (PX)	1,088.3	+1.0	+0.9	-4.1
Denmark (OMXCB)	904.8	+1.3	-2.4	-5.4
Hungary (BUX)	35,063.1	-4.2	-11.0	-17.7
Norway (OSEAX)	1,018.3	+1.4	+12.3	+13.2
Poland (WIG)	56,544.1	-0.7	-11.3	-18.1
Russia (RTS, $ terms)	1,186.4	+3.4	+2.8	+2.8
Sweden (OMXS30)	1,526.3	+0.3	-3.2	-9.8
Switzerland (SMI)	8,682.9	+0.2	-7.4	-9.2
Turkey (BIST)	91,289.4	-6.1	-20.8	-35.8
Australia (All Ord.)	6,300.2	+0.4	+2.2	-3.3
Hong Kong (Hang Seng)	28,311.7	+0.2	-5.4	-5.7
India (BSE)	36,265.9	+1.7	+6.5	-1.1
Indonesia (JSX)	5,893.4	+2.8	-7.3	-12.3
Malaysia (KLSE)	1,688.8	nil	-6.0	-6.0
Pakistan (KSE)	39,586.8	-1.9	-2.2	-11.1
Singapore (STI)	3,249.1	+0.1	-4.5	-6.5
South Korea (KOSPI)	2,280.6	+0.7	-7.6	-11.2
Taiwan (TWI)	10,676.8	-0.4	+0.3	-2.1
Thailand (SET)	1,636.6	+0.5	-6.7	-8.3
Argentina (MERV)	27,254.1	-1.6	-9.4	-38.9
Brazil (BVSP)	74,398.6	-0.5	-2.6	-17.3
Chile (IGPA)	26,821.3	+0.9	-4.1	-9.8
Colombia (IGBC)	12,311.5	-0.8	+7.3	+10.1
Mexico (IPC)	49,025.2	+3.6	-0.7	nil
Peru (S&P/BVL)*	19,710.6	+0.2	-1.3	-2.8
Egypt (EGX 30)	15,952.4	-2.2	+6.2	+5.7
Israel (TA-125)	1,376.9	+0.8	+0.9	-4.0
Saudi Arabia (Tadawul)	8,388.7	+1.7	+16.1	+16.1
South Africa (JSE AS)	57,231.0	-0.6	-3.8	-13.2
Europe (FTSEurofirst 300)	1,492.6	+0.3	-2.4	-5.4
World, dev'd (MSCI)	2,135.9	+2.6	+1.5	+1.5
Emerging markets (MSCI)	1,076.2	+1.9	-7.1	-7.1
World, all (MSCI)	515.5	+2.5	+0.5	+0.5
World bonds (Citigroup)	942.7	+0.1	-0.8	-0.8
EMBI+ (JPMorgan)	798.3	+1.2	-4.5	-4.5
Hedge funds (HFRX)	1,272.5‡	+0.4	-0.2	-0.2
Volatility, US (VIX)	13.4	+16.1	+11.0	(levels)
CDSs, Eur (iTRAXX)†	68.1	-6.5	+50.8	+46.3
CDSs, N Am (CDX)†	62.3	-7.5	+26.9	+26.9
Carbon trading (EU ETS) €	16.3	+5.1	+100.7	+94.7

Sources: IHS Markit; Thomson Reuters. *Total return index.
†Credit-default-swap spreads, basis points. ‡Jul 9th.