

# The Economist

A journey down the Kapuas

Making migration work

Venezuela's magical thinking

Global cooling

AUGUST 29TH-31ST 2014

# Above the law?



# The Economist

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# The world this week

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KAL's cartoon.

## Politics this week



AFP

Aug 23rd 2018

Two of Donald Trump's closest former advisers were convicted in separate court cases on a raft of charges. **Michael Cohen**, the president's erstwhile personal lawyer, struck a plea-bargain deal with federal prosecutors and admitted that he had paid off two women claiming to have had affairs with Mr Trump. Damningly, he said he did this "in co-ordination and at the direction of" Mr Trump (who was not named directly in the case). **Paul Manafort**, Mr Trump's campaign manager until August 2016, was found guilty of tax fraud. He also faces trial on charges relating to his work for pro-Russian Ukrainians.

Duncan Hunter, a **Republican congressman** from California, was charged with misusing campaign funds for personal use. He is the second Republican to face criminal charges this month: Chris Collins, who represents a district in upstate New York, has been indicted for insider trading.

The Trump administration ditched the Clean Power Plan, which set federal guidelines for states to reduce their **carbon emissions**. Under the new

Affordable Clean Energy rule, states will be allowed to set less stringent standards and coal can once again be included in an “efficient” energy mix.

## Depreciating, fast

Venezuela’s president, Nicolás Maduro, announced a series of measures to shore up the economy, which is suffering from a deep depression and hyperinflation. He devalued the currency by 95% and replaced it with a new currency, the “sovereign bolívar”, which has five fewer zeroes. He admitted that hyperinflation had been caused by printing bolívares to finance a massive budget deficit and promised a “zero deficit”. The new currency is to be pegged to the petro, a unit of account backed by oil reserves. It began depreciating soon after its introduction. See [article](#).

As Venezuelans flee their country in the thousands, Ecuador introduced restrictions on Venezuelan migrants, saying they must hold a passport to enter. Around 4,000 Venezuelans are arriving at the Ecuadorean border each day, many en route to Peru and Chile. In Brazil a Venezuelan migrant camp was attacked and its occupants driven back over the border. See [article](#).

## The youth have their say



Protests erupted in Kampala, the capital of **Uganda**, following the detention of five opposition MPs, including Bobi Wine, who is also a popular singer. Mr Wine says the government is trying to kill him. At least one protester died when police fired tear gas and tried to remove barricades that have been erected across the city. See [article](#).

**Kofi Annan**, the seventh secretary-general of the UN, died after a short illness. Mr Annan, the first sub-Saharan African to lead the organisation, sparred with America over its war in Iraq. But many will remember him for drawing attention to the plight of the poor, the sick and the victims of conflict. See [article](#).

**Zimbabwe's** Constitutional Court heard a challenge from the opposition to the recent election of President Emmerson Mnangagwa. After a delay in publishing the results, the electoral commission declared Mr Mnangagwa the winner with 51% of the vote, but the opposition says “massive doctoring” of the ballot has taken place. It cited identical results at 16 different polling stations as part of its evidence.

Public prosecutors in **Saudi Arabia** sought the death penalty for five activists, including Israa al-Ghomgham, who has highlighted discrimination against Shias. She is the first female campaigner to face execution in the kingdom. The five are accused of inciting protest, among other things.

### No one is immune

The World Health Organisation warned of a “dramatic increase in infections and extended outbreaks” of **measles** in Europe. More than 41,000 children and adults contracted the disease in the first half of the year, well above the annual total for each year this decade. At least 37 people have died. Ukraine accounted for over half of those infected. See [article](#).

Following a damning report into child abuse by **Catholic** priests in Pennsylvania, Pope Francis issued a letter condemning the history of “atrocities” in the church. The pontiff acknowledged that “with shame and repentance...we were not where we should have been” when it came to supporting the victims.

**Italy's** hardline interior minister, Matteo Salvini, refused to allow 177 refugees off an Italian ship that had rescued them at sea. In his short time in office Mr Salvini has built a reputation for being tough on migrants. He said he would give permission for the refugees to disembark once he received assurances that they would be distributed among all European Union countries.

Britain's **Brexit** secretary, Dominic Raab, resumed talks with the EU's negotiator, Michel Barnier. Officials are increasingly gloomy about a deal being reached in time for approval by EU leaders at a summit in mid-October. The British government published its first batch of technical-advice papers on what would happen if there is no deal.

### A smaller circle of friends

El Salvador switched its diplomatic allegiance from **Taiwan** to China. The defection leaves Taiwan with formal relations with just 17 countries.

The **Chinese** Communist Party announced that it had taken measures against two senior officials in connection with a safety scandal at a vaccine-maker. A vice-governor in charge of drug safety in Jilin province, where the firm is based, has been sacked and a former deputy head of the country's food-and-drug regulator will be investigated for corruption. More than 40 government officials have also been implicated.

The Chinese foreign ministry lashed out at Andy Chan, a **Hong Kong** resident who has been campaigning for the territory's independence. It accused Mr Chan of "colluding with external forces" by calling for both China and Hong Kong to be expelled from the WTO because of a "rapid deterioration of freedoms".



EPA

The southern Indian state of Kerala was hit by the worst **monsoon** floods in a century. Over 370 people have died.

Malcolm Turnbull, **Australia's** prime minister, offered to stand aside if a majority of MPs from his party called for it. Three ministers are competing to succeed him. If he goes it will be Australia's fifth change of prime minister in a decade.

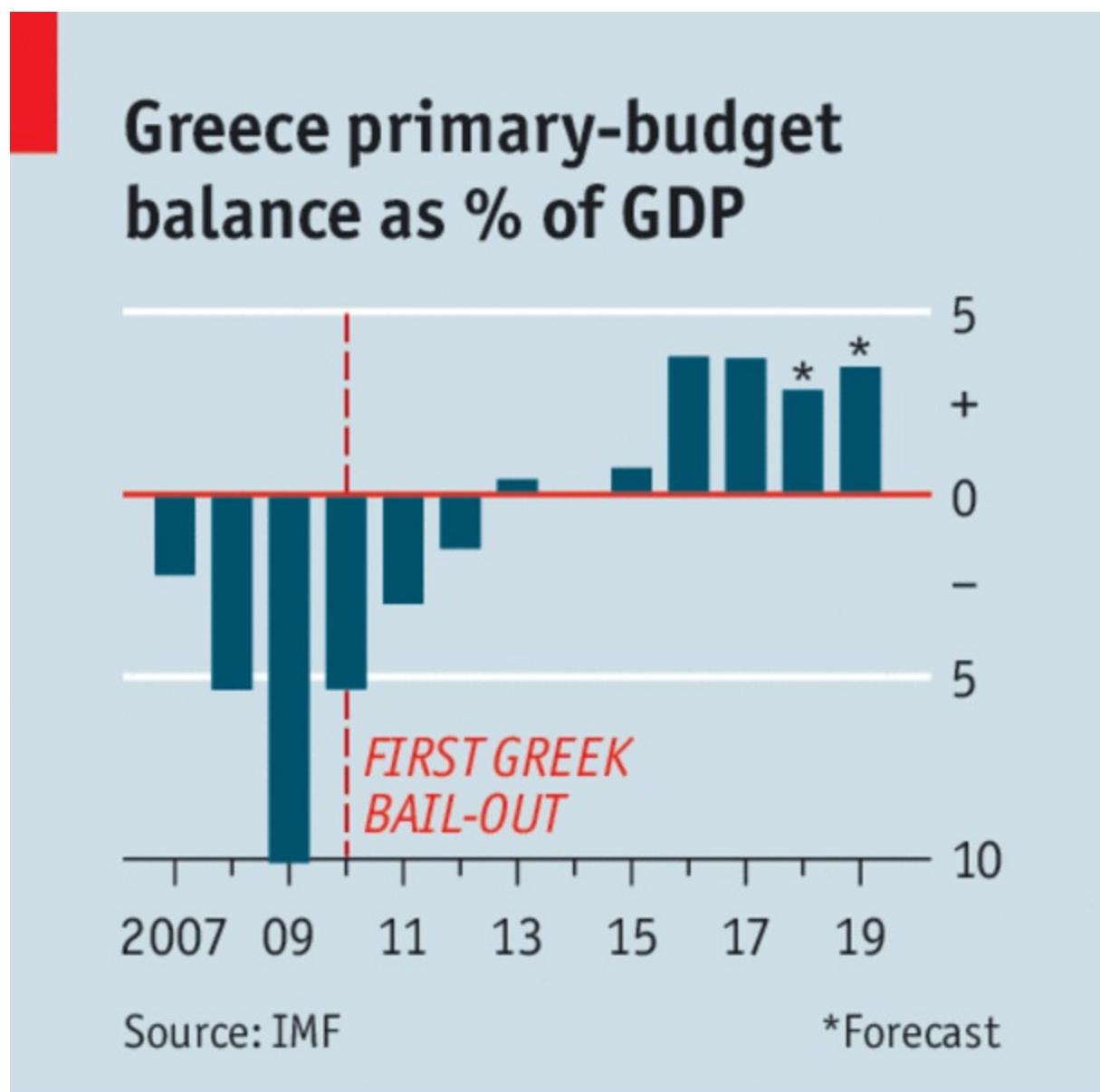
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## Business this week

Aug 23rd 2018



The Economist

Greece exited its third and final bail-out programme, bringing an end to eight years of economic oversight by the European Union and the IMF. Other

countries in the euro zone were also rescued during the debt crisis, but none compared to Greece, which received €326bn (\$378bn) in total emergency assistance. To service its huge debt pile, Greece has to achieve primary-budget surpluses far into the future, which will curb state spending for years to come.

**Qatar**'s central bank signed a \$3bn currency-swap arrangement with **Turkey** to provide "liquidity and support for financial stability". The Turkish lira has taken a battering in recent weeks, in part because of a political spat with America that has resulted in sanctions on Turkish officials.

The Saudi government denied a report that the proposed IPO of **Aramco**, the kingdom's state-controlled oil company, has been shelved, insisting that it would go ahead when the conditions are right. Investors are losing faith in that commitment. The government has made little progress in bringing what would be the world's biggest-ever IPO to market ever since the plan was first revealed in early 2016 and it is looking at other ways to boost state coffers. See [article](#).

### Aiming high

**Target**, an American retailer that two years ago was all but written off amid a slump in revenue and customers, reported its strongest growth in quarterly sales in 13 years. Customer traffic grew by 6.4% compared with the same period last year; digital sales soared by 41%. The company has restructured its business and redesigned its stores, but, like other retailers, it is also profiting from America's robust economy.

Australia banned **Huawei** and **ZTE**, two Chinese makers of telecoms equipment, from participating in the country's roll-out of 5G networks. Both companies also face severe restrictions in America based on concerns that their ties to the Chinese government pose a threat to national security, concerns which the companies say are unfounded.

**Microsoft** took control, through a court order, of six internet domains that were mimicking websites for the American Senate and two conservative think-tanks. The domains were created by a group, sometimes known as Fancy Bear, that is associated with the Russian government. One of the think-

tanks, the Hudson Institute, has often shone a spotlight on Russian corruption. In a separate crackdown on political-misinformation campaigns, **Facebook** removed fake pages, groups and accounts originating from Iran and Russia that had targeted users in Latin America, Britain, the Middle East and the United States.

### **Getting busy with the fizzy**

**PepsiCo** agreed to buy **SodaStream** for \$3.2bn, continuing its expansion into healthier soft-drink products. SodaStream's water-carbonating machines, with accompanying flavours, were popular in Britain during the 1970s and 1980s. It was bought by an Israeli company in 1998 and branded as a wholesome alternative to sugary drinks.

**Slack** was valued at \$7.1bn following its latest round of fundraising, up by 40% from its previous valuation nearly a year ago. The office messaging app is used by 8m people on a daily basis.

Following criticism from Chinese state media for not doing enough to delete banned content, **Apple** pulled apps from its App Store in China that offer gambling services. Betting apps are illegal in China.

In its first earnings report since going public in July, **Xiaomi** said revenue had increased by 68% in the second quarter, to 45bn yuan (\$6.6bn), helping it turn a net profit of 14.6bn yuan. The Chinese smartphone-maker is expanding overseas; international sales now account for over a third of revenues and it has overtaken Samsung to become India's biggest seller of smartphones. Its smart-devices business is also looking perky; sales of smart-TVs were up by 350%.

**Air France-KLM** found a new chief executive. The airline said that Ben Smith would take up the position, a job that has been vacant since May after the sudden departure of Jean-Marc Janaillac amid a protracted pay dispute with unions. Mr Smith, a Canadian, is the first non-Frenchman to run Air France. French unions balked at his appointment and threatened strike action.

### **A game of rounders**

The S&P 500 index chalked up 3,453 days without entering bear territory, defined as a drop of at least 20%. Many declared it a record for a stockmarket **bull run**. Others questioned that, maintaining that the market stayed just out of bear territory in 1990—and that the 4,494 days from December 1987 to March 2000 constitute the true record-holder.

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## KAL's cartoon



Economist.com

Kal

Aug 23rd 2018

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# Leaders

- **[Donald Trump: Is he above the law?](#)**

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Is Donald Trump above the law?. Revelations and convictions will eventually force America to confront a simple question.

- **[Hyperinflation in Venezuela: Maduro's magic money tree](#)**

[Fri, 24 Aug 00:29]

Hocus pocus economics in Venezuela. The socialist regime's plan to rescue the economy will probably fail.

- **[In praise of air-conditioning: Rebirth of the cool](#)**

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How to make air conditioning more sustainable. Better technology could keep people cool—without frying the planet.

- **[Traffic congestion: Rules of the road](#)**

[Fri, 24 Aug 00:29]

The right way to handle congestion. Capping the number of for-hire vehicles will do little to alleviate the problem.

- **[People and borders: A way forward on immigration](#)**

[Fri, 24 Aug 00:29]

The way forward on immigration to the West. Rich countries need better migration policies to avert voters' backlash.

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American politics

## Is Donald Trump above the law?

Revelations and convictions will eventually force America to confront a simple question



Getty Images/Forbes

Aug 23rd 2018

IT WAS the kind of moment that would crown the career of a reality-TV producer. While the president of the United States was on his way to a campaign rally, his former campaign manager, Paul Manafort, was found guilty of eight counts of tax and bank fraud; and his former lawyer, Michael Cohen, pleaded guilty to eight counts of tax evasion, fraud and breaking campaign-finance laws. Cable-news channels needed so many split screens to cover what was going on that they began to resemble a Rubik's cube. Amid the frenzy, however, something important changed this week. For the first time, President Donald Trump faces a formal accusation that he personally broke the law to further his candidacy.

Mr Manafort's conviction did not surprise anyone who had followed his trial, or his long career as a political consultant available for hire by dictators and

thugs. Mr Cohen's plea was more striking, because he was not just Mr Trump's lawyer; he was the guy who made his problems go away. This included making payments during the 2016 campaign to buy the silence of two women who appear to have had affairs with Mr Trump. (The president has denied the affairs and now says he learned about the payments later.) But Mr Cohen told a court under oath that the money was paid "at the direction of a candidate for federal office". In other words, that Mr Trump told Mr Cohen to break the law, then lied to cover it up.

Neither Mr Manafort's conviction nor Mr Cohen's plea is directly related to the allegations of collusion with Russia that have dogged the Trump campaign, and are being investigated by Robert Mueller, the special counsel. Yet neither case would have been brought without his investigation. This week's events mean that Mr Mueller now stands on firmer ground. It will be harder for the president to dismiss him without it looking as though he is obstructing justice. And in such cases, convictions often lead to more convictions as those found guilty look for ways to save themselves. The question now is whether, and how far, Mr Manafort and Mr Cohen will turn against their former boss in return for leniency. As the slow drip of revelations and convictions continues, Americans will have to confront a simple question: is Mr Trump above the law?

## **Follow the money**

Mr Cohen says Mr Trump asked him to make hush-money payments—something that is not illegal for ordinary citizens, but counts as an undeclared donation when done on behalf of a political candidate, as Mr Trump was at the time. So what? After all, America treats breaches of campaign-finance law much more like speeding tickets than burglary: they are often the result of filling in a form wrongly, or incorrectly accounting for campaign spending. There are good reasons for this indulgent approach. When voters elect someone who has bent the rules, it sets up a conflict between the courts and the electorate that is hard to resolve cleanly.

Mr Trump does not stand accused of getting his paperwork wrong, however, but of paying bribes to scotch a damaging story. That is a far more serious offence, and one that was enough to end the career of John Edwards, an aspirant Democratic presidential candidate, when he was caught doing

something similar in 2008. There is no way of knowing if Mr Trump would still have won had the story come out. Even so, the possibility that he might not have done raises questions about his legitimacy, not just his observance of campaign-finance laws.

What of the convention, which has been in place since the Nixon era, that the Justice Department will not indict a sitting president? Again, there are good reasons for this. As with breaches of campaign-finance law, such an indictment would set up a conflict between the bureaucracy and the president's democratic mandate that has no happy ending. The convention would doubtless be void if there were credible evidence that a sitting president had, say, committed murder. But the payment of hush money to avoid an inconvenient story about an extramarital affair falls a long way short of that.

The authors of the constitution wanted to allow the president to get on with his job without unnecessary distractions. But, fresh from a war against King George III, they were very clear that the presidency should not be an elected monarchy. If a president does it, that does not make it legal. The constitutional problem that America is heading towards is that the Justice Department's protocol not to prosecute sitting presidents dates from another age, when a president could be expected to resign with a modicum of honour before any charges were drawn up, as Nixon did. That norm no longer applies. The unwritten convention now says in effect that, if his skin is thick enough, a president is indeed above the law.

### **Drip, dripping down the drain**

This means the only solution to any clash that Mr Trump sets up between the courts and the voters is a political one. Ultimately the decision to remove a president is a matter of politics, not law. It could hardly be otherwise, as America's Founding Fathers foresaw. In "Federalist 65", Alexander Hamilton explained why it was the Senate, rather than the Supreme Court, that should sit in judgment on the president, for "who can so properly be the inquisitors for the nation as the representatives themselves?" No other body, he thought, would have the necessary "confidence in its situation" to do so.

Alas, that confidence has gone missing, leaving American democracy in a

strange place. Thus far Republicans in Congress have stood by the president. The only thing likely to change that is a performance in the mid-terms so bad that enough of them come to see the president as an electoral liability. Although Democrats may well win a majority in the House, a two-thirds majority in the Senate—the threshold required to remove a president—looks unachievable.

Mr Cohen's plea has made the president of the United States an unindicted co-conspirator in a pair of federal crimes. That makes this a sad week for America. But it is a shameful one for the Republican Party, whose members remain more dedicated to minimising Mr Trump's malfeasance than to the ideal that nobody, not even the president, is above the law.

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## Nicolás Maduro's magical thinking

### Hocus pocus economics in Venezuela

The socialist regime's plan to rescue the economy will probably fail



Aug 23rd 2018

NICOLÁS MADURO calls it “a really impressive magic formula”. His *paquetazo rojo* (big red package) features a new currency that lops five zeroes off the nearly worthless bolívar, a sharp increase in the price of fuel and a rise in the minimum wage of more than 3,000%.

Forget magic. The president's formula, even with some welcome new bits of realism, will almost certainly fail to rescue Venezuelans from their economic agony.

Venezuela has the world's worst-performing economy among countries not at war. GDP fell by more than a third between 2013 and 2017. Inflation could pass a million per cent this year, says the IMF. The country with the world's largest oil reserves cannot import enough food and medicine. Water shortages and blackouts plague cities. More than 2m Venezuelans have fled, unsettling

neighbours (see [article](#)).

Mr Maduro says this is the fault of “imperialist” powers like America, which are waging “economic war” on Venezuela. In fact, the catastrophe is caused by the crackpot socialism introduced by Hugo Chávez and continued by Mr Maduro after Chávez’s death in 2013. Expropriations and price controls have undermined private firms, depressing production. Corruption has subverted the state. Mismanagement of PDVSA, the state-owned oil company, has caused oil output to drop by half since 2014. Just as the regime has asphyxiated democracy, by rigging elections and governing without reference to the opposition-controlled legislature, so it has strangled the economy.

Belatedly, Mr Maduro has recognised the need for change. He has admitted for the first time that hyperinflation is caused by the unbridled creation of money to finance the budget deficit, which will exceed 30% of GDP this year, according to the IMF. By reducing fuel subsidies and raising taxes, he now aims for a “zero deficit”. His *paquetazo* devalues the currency from the official rate of 250,000 old bolívares to the dollar—available to a favoured few—to the market rate of 6m.

But Mr Maduro has set up his plan to fail. The new “sovereign bolívar” is supposedly pegged to the petro, a new unit of account that is ostensibly backed by oil reserves. But since no one knows how the petro will work and nothing binds the new currency to it, this peg inspires little confidence. In practice, the regime can still print as many bolívares as it chooses. The pledge to eliminate the budget deficit is undermined by a recent tax break for the oil industry and the rise in the minimum wage. This will swell the public-sector wage bill, stoke even more inflation and bankrupt firms. There is talk of tougher price controls, which would further discourage production.

### A hat with no rabbit

With somebody else in charge, Venezuela might still have a chance. A competent president would keep parts of Mr Maduro’s therapy, such as the devaluation, and add new remedies. Business would be freed from price controls and given legal security. The bolívar would be issued by a truly independent central bank, or perhaps replaced by the dollar. Venezuela would gain external credibility and financial support by negotiating an adjustment

agreement with the IMF. It would start serious negotiations to restructure its foreign debt.

All this would need the co-operation of the opposition and of the international community. It is hard to imagine any of it happening while Mr Maduro is president. Venezuela needs real reform, not hocus-pocus.

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## Rebirth of the cool

### How to make air conditioning more sustainable

Better technology could keep people cool—without frying the planet



Aug 23rd 2018

WHAT is the single most effective way to reduce greenhouse-gas emissions? Go vegetarian? Replant the Amazon? Cycle to work? None of the above. The answer is: make air-conditioners radically better. On one calculation, replacing refrigerants that damage the atmosphere would reduce total greenhouse gases by the equivalent of 90bn tonnes of CO<sub>2</sub> by 2050. Making the units more energy-efficient could double that. By contrast, if half the world's population were to give up meat, it would save 66bn tonnes of CO<sub>2</sub>. Replanting two-thirds of degraded tropical forests would save 61bn tonnes. A one-third increase in global bicycle journeys would save just 2.3bn tonnes.

Air-conditioning is one of the world's great overlooked industries. Automobiles and air-conditioners were invented at roughly the same time, and both have had a huge impact on where people live and work. Unlike cars, though, air-conditioners have drawn little criticism for their social impact,

emissions or energy efficiency. Most hot countries do not have rules to govern their energy use. There is not even a common English word for “coolt” (the opposite of warmth).

Yet air-conditioning has done more than most things to benefit humankind. Lee Kuan Yew, the first prime minister of Singapore, called it “perhaps one of the signal inventions of history”. It has transformed productivity in the tropics and helped turn southern China into the workshop of the world. In Europe, its spread has pushed down heat-related deaths by a factor of ten since 2003, when 70,000 more people than usual, most of them elderly, died in a heatwave. For children, air-conditioned classrooms and dormitories are associated with better grades at school (see [article](#)).

Environmentalists who call air-conditioning “a luxury we cannot afford” have half a point, however. In the next ten years, as many air-conditioners will be installed around the world as were put in between 1902 (when air-conditioning was invented) and 2005. Until energy can be produced without carbon emissions, these extra machines will warm the world. At the moment, therefore, air-conditioners create a vicious cycle. The more the Earth warms, the more people need them. But the more there are, the warmer the world will be.

## Too cool for comfort

Cutting the impact of cooling requires three things (beyond turning up the thermostat to make rooms less Arctic). First, air-conditioners must become much more efficient. The most energy-efficient models on the market today consume only about one-third as much electricity as average ones. Minimum energy-performance standards need to be raised, or introduced in countries that lack them altogether, to push the average unit’s performance closer to the standard of the best.

Next, manufacturers should stop using damaging refrigerants. One category of these, hydrofluorocarbons, is over 1,000 times worse than carbon dioxide when it comes to trapping heat in the atmosphere. An international deal to phase out these pollutants, called the Kigali amendment, will come into force in 2019. Foot-draggers should ratify and implement it; America is one country that has not done so.

Last, more could be done to design offices, malls and even cities so they do not need as many air-conditioners in the first place. More buildings should be built with overhanging roofs or balconies for shade, or with natural ventilation. Simply painting roofs white can help keep temperatures down.

Better machines are necessary. But cooling as an overall system needs to be improved if air-conditioning is to fulfil its promise to make people healthier, wealthier and wiser, without too high an environmental cost. Providing indoor sanctuaries of air-conditioned comfort need not come at the expense of an overheating world.

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## Rules of the road

### The right way to handle congestion

Capping the number of for-hire vehicles will do little to alleviate the problem



Getty Images

Aug 23rd 2018

THE rise of ride-hailing firms like Uber and Lyft has been a boon for passengers. But it hasn't been good for everyone. Licensed cabbies lament the extra competition. Drivers for the new services complain about inadequate benefits. The latest preoccupation is the impact of ride-hailing on congestion. Between 2013 and 2016, the number of such vehicles in London rose by 66%; rush-hour traffic in the city centre slowed by 20%. Manhattan has seen something similar.

Governments are right to worry about ride-hailing's impact on traffic congestion. INRIX, a traffic-information firm, estimates that between fuel bills, time wasted sitting around in traffic and increased shipping costs, congestion cost New York City and London a combined \$46bn last year. But the response of lawmakers is wrong-headed. On August 8th New York's city council voted to place a one-year moratorium on issuing new licences for

ride-hailing cars. Sadiq Khan, London's mayor, now says he wants to do the same.

### **Jam today**

A citywide cap on the number of ride-hailing vehicles will certainly have an impact. Because drivers for firms like Uber and Lyft have high attrition rates, a moratorium on new licences could lead to a sharp drop in the total number of such vehicles. But the effect will be to hurt people living in suburban areas, who have fewer transport options. Between 2014 and 2017, the combined number of taxi and ride-hailing trips rose by 350% in New York's outer boroughs, but by only 25% in Manhattan, where it is much easier to find a cab.

A far better way for big cities to reduce traffic jams is to implement road pricing. When people drive their cars during peak hours, they create a cost for everyone else in the form of increased congestion. Making drivers pay money when roads are busy compensates the rest of society for the inconvenience, and discourages people from driving during rush hour.

## Congestion

Average annual hours in heavy traffic per driver, 2017



The Economist

London already has a congestion charge (New York does not). But its scheme, which was introduced in 2003, falls badly short in three ways. Most obviously, congestion charges need to vary by time of day. Currently, drivers have to pay a flat fee of only £11.50 (\$14.75) to enter central London, which means they have little incentive to drive during off-peak hours. Singapore offers a better model. Cars there are fitted with electronic sensors; drivers are charged a fee every time they pass one of the city's gantries. By studying traffic flows, officials can set appropriate congestion charges based on time and location.

Second, governments should charge ride-hailing vehicles more than private ones. Like cabs, they can more easily absorb fees as part of the cost of doing business. They flit in and out of city centres repeatedly in the course of a day. Fix NYC, a task force formed by New York's state government, has proposed that taxis and ride-hailing cars pay a congestion surcharge for every

trip into the city centre. London does the opposite: such vehicles are, bafflingly, exempt from congestion charges.

Third, cities should recognise that traffic and pollution are different problems. One reason why London's congestion charge is losing its potency is because the city offers a number of exemptions for greener vehicles. Since both low-emission cars and gas-guzzlers contribute to traffic, both should pay congestion charges. Regulating to reduce emissions—or imposing a separate charge on high-emissions vehicles, as London plans to do next year—is the better way to tackle pollution.

Congestion imposes big economic costs. But the problem cities face is not simply a surplus of ride-hailing vehicles. They have too many cars, of all kinds, on the roads in rush hour. Smart tax policy, not a crude cap on licences, is the answer.

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## People and borders

### The way forward on immigration to the West

Rich countries need better migration policies to avert voters' backlash



Aug 23rd 2018

THE fear of immigration is poisoning Western politics. Donald Trump owes his job to it. Brexit would not be happening without it. Strident nationalists wield power in Italy, Hungary, Poland and Austria, and have gained influence elsewhere.

Even Sweden, long a country of refuge, has soured on migrants. The Sweden Democrats, a thunderingly anti-immigrant party, could win the most votes at an election on September 9th (see [article](#)). Though it will not form a government, it has already transformed Swedish politics as mainstream parties seek to halt migrants.

The West risks a backlash of the sort that ended the previous great age of mobility, before 1914. That would be a tragedy. Societies that close their doors to migrants will be poorer and less tolerant. Meanwhile, those to whom

the doors are closed will see increased suffering, unable to escape the poverty, climate change or violence that prompts them to move.

The stakes could not be higher. Yet advocates of liberal immigration, such as this newspaper, are losing the debate. They need to find better arguments and policies. That demands more honesty about the trade-offs immigration involves.

## **The walls of nations**

International law categorises migrants either as refugees, who are entitled to sanctuary, or as economic migrants, who have no right to go anywhere that does not want them. Yet the distinctions are blurry. Poor countries next to war zones receive huge influxes, while rich countries try to shirk their obligations. And since rich countries admit virtually no economic migrants from poor countries unless they have exceptional skills or family ties, many of them try their luck by posing as refugees. It does not help that states have different rules on who is a refugee. Or that they struggle to send home those who are denied asylum, not least because many of their countries refuse to take them back.

This mess feeds disaffection in the West, and it is a waste. The act of moving from a poor country to a rich one makes workers dramatically more productive (see [Briefing](#)). A world with more migration would be substantially richer. The snag is that the biggest benefits of moving accrue to the migrants themselves, while the power to admit them rests with voters in rich countries. Fair enough: democratic accountability is vested largely in national governments. Yet most Western countries, struggling with ageing populations and shrinking workforces, need more migrants. So they have to find ways to make migration policy work for everyone.

The first step is to recognise the causes of the backlash against newcomers. Several stand out: the belief that governments have lost control of their borders; the fear that migrants drain already-strained welfare systems; the perception that migrants are undercutting local workers; and the fear of being swamped by alien cultures.

Assuaging these concerns requires toughness and imagination. Start by

regaining control. Overhaul the outdated international systems for aiding refugees; at the same time, open routes for well-regulated economic migration to the West. This will require countries to secure borders and enforce laws: by preventing the hiring of illegal immigrants and deporting those denied asylum, for example. Where they do not exist, the introduction of ID cards can help.

Second, encourage all migrants, including refugees, to work, while limiting the welfare benefits that they can receive. In America, where the safety net is skimpy, labour rules are flexible and entry-level jobs plentiful, even migrants who dropped out of high school are net contributors to the public finances. Sweden, by contrast has a policy that seems designed to stir resentment, showering refugees with benefits while making it hard for them to work. Turkey does a better job at integrating refugees, even if it does not recognise them as such (see [article](#)).

A sensible approach would be to allow migrants to get public education and health care immediately, but limit their access to welfare benefits for several years. This may seem discriminatory, but migrants will still be better off than if they had stayed at home. An extreme illustration can be seen in the oil-rich Gulf, where migrants are ruthlessly excluded from the opulent welfare that citizens enjoy. The Gulf is not a model. Migrant workers receive too little protection against coercion and abuse. But because they so obviously pay their way, the native-born are happy to admit them in vast numbers. Elements of that logic are worth considering in the West.

Third, ensure that the gains from migration are more explicitly shared between migrants and the native-born in the host country. One way is to tie public spending, particularly on visible services such as schools or hospitals, more directly to the number of migrants in a region. Another, more radical idea might be to tax migrants themselves, either by charging for entry or, more plausibly, by applying a surtax on their income for a period after arrival. The proceeds could be spent on public infrastructure, or simply divided among citizens. The more immigrants, the bigger the dividend.

### **The needed and the needy**

Cultural objections to immigration are harder to assuage. Newcomers flavour

the host culture. And there will inevitably be people who resist that change. History suggests that over time more pluralist countries become more tolerant of immigration. They do so most easily when the flow of migration is smooth (to prevent the sudden surges that make host societies feel swamped) and when newcomers are integrated into the local culture. Ensuring that they work and learn the local language are two powerful levers for achieving that.

How much migration makes sense? The answer will vary from country to country. Belgium is not Canada. Done properly, migration brings economic dynamism. But the shortcomings of today's policies mean that most Western countries are far more closed than they should be, and they feed the rise of populism. That is both a colossal wasted opportunity and an unnecessary danger.

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# Letters

## **. [On Catalonia, Indian coal, Brazil, science fiction, mission statements: Letters to the editor](#)**

[Fri, 24 Aug 00:29]

Letters to the editor. On Catalonia, Indian coal, teaching, Brazil, science fiction, mission statements.

## Letters

### Letters to the editor

On Catalonia, Indian coal, teaching, Brazil, science fiction, mission statements

Aug 23rd 2018

Letters are welcome and should be addressed to the Editor at  
[letters@economist.com](mailto:letters@economist.com)



Getty Images

### Catalonia's politics

Your special report on Spain ([July 28th](#)) claimed that sometimes the Catalan independence movement is identity-based and “borders on racism”. That is untrue. Last year, Europe’s biggest demonstration in support of accepting refugees took place in Barcelona, with up to 500,000 marchers. The only far-right movements we have in Catalonia are unionist and almost always nostalgic for Franco. We see the Catalan language as a tool of integration in our multilingual society. We want to normalise the use of our language, which has been persecuted for centuries and still does not have official status throughout Spain. It is not even permitted in the Spanish parliament. In

Belgium, 80,000 German-speaking inhabitants have their language fully recognised, whereas 10m Catalan-speakers continue to be treated like second-class citizens.

It is unfair to portray our peaceful movement as having “an undertone of intimidation and intolerance”, particularly as more than 1,000 Catalan citizens are being prosecuted for organising the referendum on independence. Nine peaceful politicians and civil-society leaders have spent up to ten months (and counting) in prison without trial and seven have been forced into exile. By trying to crush the referendum, the Spanish state has ridden roughshod over fundamental constitutional liberties such as the freedoms of assembly, speech and the press. This explains the political prosecution being carried out by the Spanish justice system, which is motivated by revenge, with trumped-up charges and rulings based on fictitious violence.

Nor is the rise of political alternatives and the pro-independence movement in Catalonia a sign of “rancour”. Rather it demonstrates a profound disagreement over how Spain has been managed over the past few decades. We Catalans favour a modern, dynamic economy with a fairer distribution of wealth. We are willing to contribute to poorer regions in Europe, including the Spanish ones, but in a transparent and fair way. The Mediterranean corridor scheme has been blocked for years by Madrid. We are not even allowed to make decisions regarding Barcelona’s commuter trains, airport or harbour. Germany’s city-state of Hamburg can decide on all these issues, without incurring the wrath of Berlin.

ELISENDA PALUZIE  
Chair  
Catalan National Assembly  
*Barcelona*

Far from making “things worse”, as you claim, the Spanish Supreme Court’s proceedings have, for the first time in 40 years, given the defenders of the constitutional order in Catalonia the recognition they deserve. This has energised opposition to the corrupt entourage of Catalan nationalist cronies, in power since 1978, and resulted in an extremely lively and enthusiastic civil movement that favours continuing links with the rest of Spain.

This is a direct consequence of the dedication, care and hard work that Spain's top magistrates have shown in the face of tremendous political pressure. While our brand new prime minister has gone on holiday, the Supreme Court has decided to remain in post throughout the traditionally idle month of August.

PROFESSOR MAURICIO SUÁREZ  
Complutense University of Madrid



## Coal in India

“The black hole of coal” ([August 4th](#)) correctly argues that fossil fuels will persist in India. But India is likely to burn far less coal in the future than anticipated because it is building fewer plants. Credible estimates from just two years ago suggested India would build 243GW of new coal capacity. However, as your article notes, in fact 48GW, or one-fifth the earlier projected capacity, is in the construction pipeline. Government planners think this should be sufficient for India’s needs until 2027. Also, private investors are less interested in coal plants.

This does not mean that coal use will cease overnight in India. But a

necessary first step is to stop building new plants. India appears to be reaching this point faster than anyone thought likely a few years ago, and consequently will lock into less coal capacity.

PROFESSOR NAVROZ DUBASH

Centre for Policy Research

*Delhi*

\* You offered an alarming account of the harm caused by coal in India. However, not all fossil fuels are created equal and you overlooked the considerable economic, environmental and social opportunities afforded by a combination of natural gas and renewables.

Air pollution is killing 2.5m people in India each year. Displacing coal with natural gas is already reducing pollution, in power generation and industry, but also by replacing biomass in homes and substituting oil in the transport system. This will be increasingly important as 300m people move to cities in India over the next 25 years.

Natural gas is also playing a critical role supporting India's commitment to the Paris accord, emitting around half the greenhouse-gas emissions compared with coal when used to generate electricity. The flexibility of natural gas will also help India meet its commendable renewable-energy target, providing reliable support for the integration of an increasing share of variable wind and solar generation at lowest cost.

Even as new coal-fired power stations are being built, the average utilisation of existing coal-fired plants is decreasing, down 10% in the past four years. This raises the ugly prospect of stranded investments, an unwelcome economic risk as the country endeavours to lift 200m people out of energy poverty.

Natural gas is also helping to fuel India's rapid economic growth. India's Petroleum and Natural Gas Regulatory Board is targeting a fuel mix with a 20% share of natural gas by 2025, up from 6.5% today. It will require strong leadership to put in place the regulations and infrastructure to receive, transport and distribute the required natural gas, but India has the opportunity

to lead in the transition to a cleaner energy system in Asia.

PROFESSOR JOO-MYUNG KANG

President

International Gas Union

Barcelona



### No more teacher's dirty looks

\* I was amused to read two conflicting articles on the state of British schools. On the one hand, you argued that teacher retention is key to school improvement ("[In, out, in, out](#)", August 11th). Workload drives away good teachers and the demands in England are, you point out, beaten only by those in Japan and Singapore. The second article argues that long summer holidays ought to be abolished ("[School's out](#)", August 4th) and that we could pay for this by having bigger classes, like they do in Japan!

The idea that shorter holidays must be achieved by squeezing more out of teachers is wrong. It is symptomatic of a wider problem of perceiving education as a cost to the taxpayer rather than an investment in our nation's future. It took me four years to reach a stage at which I would describe myself as a good teacher. Having had a previous career outside education in

an elite occupation, I was surprised and humbled to have found teaching quite so extraordinarily difficult.

Next year will be my tenth year in teaching and the state will receive the benefit of nine years' worth of experience. It may be one of my last, however, since I have no intention of burning myself out for another decade. I am convinced of the value of a good education; I am not convinced that our nation wants to pay for it.

ANDY LAKE  
London



### In defence of Bolsonaro

Jair Bolsonaro, a presidential candidate in Brazil, is described by you as “a threat to democracy” (“Brasília, we have a problem”, [August 11th](#)). Yet Mr Bolsonaro is aligned with a liberal economist, Paulo Guedes. His supposed radicalism only reflects the wishes of the Brazilian people, who are tired of so much corruption, so much left-wing ideology and so much poverty and underdevelopment. The real threat is to have Luiz Inácio Lula da Silva, a convicted criminal, being considered as a candidate.

It is not true that Mr Bolsonaro is racist, homophobic and misogynist. He does want to be the saviour of the Fatherland. He wants to give Brazil a new purpose. In Brazil the leftist press censures and persecutes conservatives. Our journey will be long and difficult; Mr Bolsonaro may be our only chance to start the march out of the mud we are stuck in.

JOÃO CARLOS

*Rio de Janeiro*



### Climate change

\* You were right to criticise political inertia for holding back efforts to rethink and reshape existing energy networks (“[In the line of fire](#)”, August 4th). In Britain, 85% of homes rely on gas for cooking and heating. This means we must be innovative and bold in efforts to decarbonise gas, and it requires politicians, national and local, to push strongly for change.

This is why a cross-party group of parliamentarians in Parliament have formed an All-Party Parliamentary Group on Hydrogen. We will be working to bring industry, government, the unions and consumer groups together in an

effort to provide a framework to support large scale hydrogen conversion projects, such as switching the domestic gas grid from natural to hydrogen gas. A move such as this would cut Britain's carbon emissions by 30%, as well as create and sustain thousands of good jobs. It would also support a nationwide framework to support a hydrogen transport network.

Projects as the H21 Leeds City Gate and HyNet has demonstrated such steps are technically and economically feasible, and the government has started providing funds to further current research and pilot projects.

The APPG on Hydrogen therefore believes that large scale hydrogen conversion projects have a vital role to play in cutting carbon emissions and support technological innovation, not just in Britain but across the world.

ANNA TURLEY  
MP for Redcar  
Chair  
All-Party Parliamentary Group on Hydrogen  
House of Commons  
*London*



## The man with two brains

Charlemagne mentioned that Italy's prime minister, Matteo Salvini, does not use ghostwriters for his barrage of social-media posts, relying instead on a software programme, The Beast, that "monitors reaction to his output", allowing him to adapt his tweeting ([July 28th](#)). Science fiction has become reality.

In 1994 the authors known jointly as Stephen Bury (actually Neal Stephenson and George Jewsbury) wrote "Interface", in which an American presidential candidate has a microchip implanted in his brain that gives him access to the response of those listening to his speeches, enabling him instantaneously to adjust his rhetoric.

RANDI ELDEVIK  
Associate professor of English  
Oklahoma State University  
*Stillwater, Oklahoma*



## Think different

Bartleby is right in his analysis of the "verbiage" of mission statements

([August 4th](#)). They can serve well at times, but often are misunderstood. Some other notable gems from the past include this from Otis elevators: “We take people up and down”. And this simple value statement from Samuel Gompers, an American union leader: “More”.

STANLEY GOLDSTEIN

*Lewes, Delaware*

Bartleby should consider a sequel on slogans that got lost in translation, such as “Impossible is Nothing”, apparently an attempt by Adidas to paraphrase a meaningful statement by Muhammad Ali. Then there’s Audi’s “Truth in Engineering”, which sounds unfortunate in the fallout from the emissions scandal. Deutsche Bank’s “Passion to Perform” turned into “Performance that will make you suffer” when translated into German.

ALEXANDER WESSENDORFF

*London*

\* Letters appear online only

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# Briefing

## . **[Immigration: Crossing continents](#)** [Fri, 24 Aug 00:29]

Governments need better ways to manage migration. Migrants can make the world more prosperous, but voters need convincing.

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## Crossing continents

### Governments need better ways to manage migration

Migrants can make the world more prosperous, but voters need convincing



Aug 23rd 2018 | ABU DHABI, MALMO AND NEW YORK

IT WOULD be hard to imagine an immigrant more likely to succeed than Tarek. He has skills (a degree in economics) and experience (at a bank in Damascus). He has get-up-and-go, too. When the war in Syria grew too intense, he fled by car to Beirut, by plane to Turkey, by boat to Greece, by lorry to Denmark and by train to Sweden.

Yet after he applied for asylum in 2014, the Swedish government strove to prevent him from contributing to society. “For one and a half years I had to do nothing,” he recalls. He was sent to a refugee centre, where he was not allowed to work or take Swedish classes. Taxpayers gave him ample food and shelter. But he was barred from paying his way, and not working made it difficult to integrate, too. “It was very hard to connect with people,” says Tarek (who prefers not to give his last name).

From generous motives, Sweden has adopted policies towards refugees tailor-made to provoke a backlash. It has admitted huge numbers—for a while almost anyone arriving from Syria could get asylum. In 2015 the country let in 163,000, or 1.6% of the population. They received welfare benefits but most were not allowed to work. This has buoyed an anti-immigrant party, the Sweden Democrats, who might win the most votes in an election on September 9th (see [article](#)).

The rich world is gripped by a debate about what to do with newcomers from poor countries. In theory there are two completely separate categories: refugees from war or persecution, who have a right to safe haven, and economic migrants, who do not. In practice, however, many countries fail to honour their obligations to refugees, and plenty of economic migrants pose as refugees because they see no other legal way to enter a rich country.

For many voters, the two issues blur into one: what they care about is the number of foreigners arriving. According to Gallup, 700m people—14% of the world's adults—would like to move permanently to another country, usually a rich one. In sub-Saharan Africa the figure is 31%. The rich world clearly could not absorb so many newcomers at once. And this is one reason why the politicians who complain loudest about the huddled masses are either winning elections (as in Hungary, Italy, Austria and America), or forcing other parties to rethink their open-door policies (Denmark, Sweden, Germany, Britain).

“We can’t take care of everybody,” says Anders Olin, who is handing out leaflets for the Sweden Democrats outside Malmo station. “It’s a burden on the welfare state. [Refugees] become citizens after a couple of years. Then the whole family comes.” In the past ten years, adds Mr Olin, “we’ve had many problems with violence and shootings.” He admits, however, that Malmo is still nice, whatever Donald Trump says, and that he does not personally feel threatened.

Niels Paarup-Petersen, the leader of the liberal Centre Party in Malmo, says that Sweden mishandled the refugee crisis of 2015. Asylum claims were processed too slowly, he says. The state should not have lavished so much money on each newcomer. “We were treating refugees under the age of 18 the same way we would treat a vulnerable, homeless Swedish kid, spending

2,000 kronor (\$220) a night on giving them all kinds of nurturing. It wasn't sustainable." Rather than paying migrants to do nothing, Mr Paarup-Petersen thinks they should have been offered job training and language classes. "We have lots of vacancies for plumbers and welders," he points out. Like the rest of Europe, Sweden has tightened its borders since 2015. Asylum applications have fallen by five-sixths.

## Good migrations

For those who like their societies homogenous, almost any amount of migration is too much. However, the economic benefits of allowing a steady flow are potentially gigantic. An unskilled Mexican who moves to America raises his wages by 150%; a Nigerian, by 1,000%. Michael Clemens of the Centre for Global Development, author of the forthcoming book "The Walls of Nations", estimates that if everyone who wanted to move were allowed to do so, the world would be twice as rich.

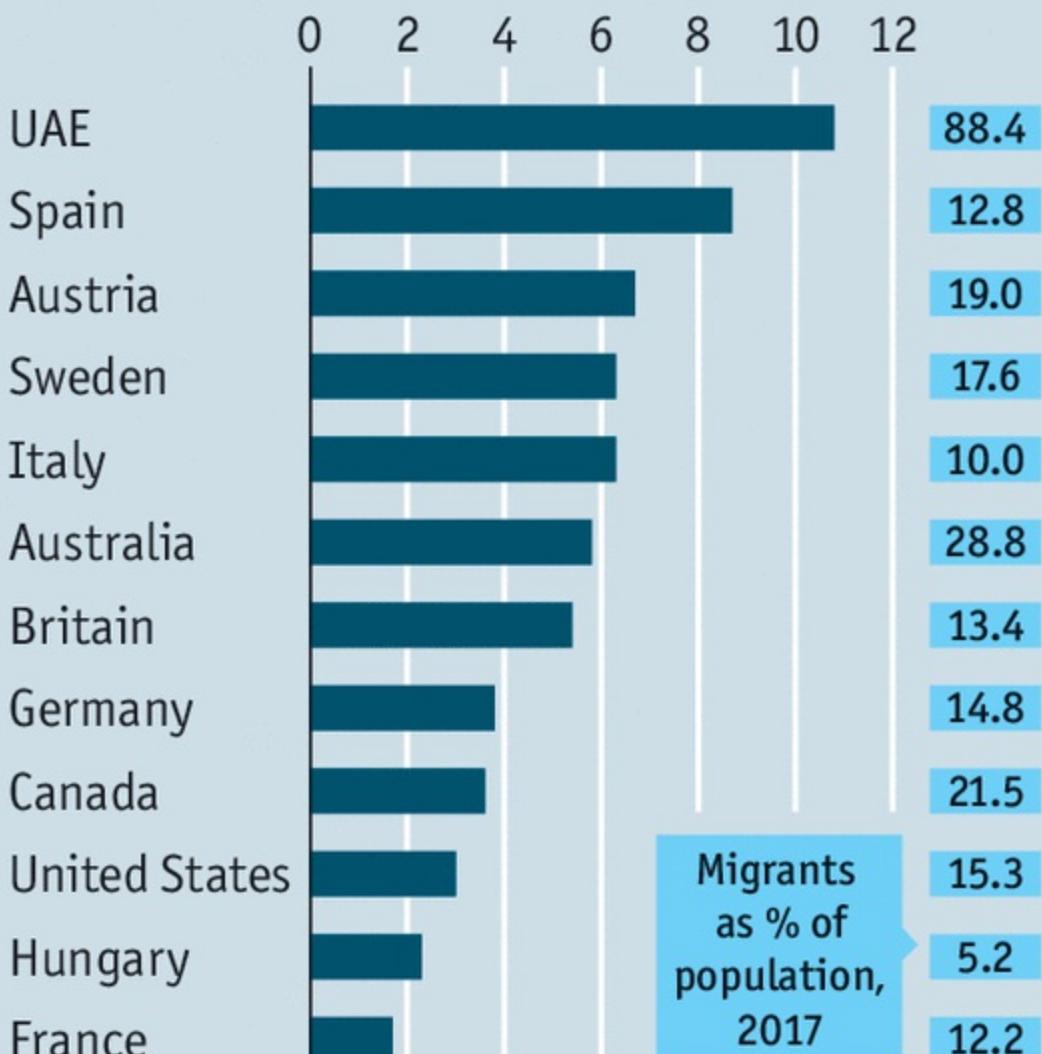
Could some of these gains be realised without too much disruption? Are there policies that would allow more long-term migration with the consent of native-born voters? As politicians scrabble for short-term fixes—a fence here, a holding pen there—few are asking these questions.

This article will focus on three rich places—Sweden, the United Arab Emirates (UAE) and America—and try to draw lessons from their different policies and experiences. In the United States, 13% of the population is foreign-born. In Sweden it is 18.5%. In both places this is roughly three times as high as in 1970, but in America's case it is a reversion to a historical norm, whereas in Sweden it is a huge change for a previously monochrome society. In the UAE, nearly 90% of residents are foreigners—another huge change within less than two generations (see chart 1).

## More than a trickle

1

Increase in proportion of international migrants  
2000-17, percentage points



Source: United Nations

The Economist

Sweden attracts surprisingly few highly skilled migrants from other rich countries, thanks to its cold weather and high taxes. Half of its foreign-born

population comes from outside Europe. Iraqis and Syrians are the largest groups after Finns. Many locals fear that culturally distant newcomers will not adopt Sweden's liberal values and will strain its generous welfare state.

Emiratis have no such fears. Foreigners cannot drain their welfare state because they have no access to it. They come to work, and are thrown out if they stop working. It is virtually impossible for a foreigner to become a citizen. And though some locals fret that aliens will sully their culture, few wish to do their own laundry.

America once had completely open borders—back when crossing the Atlantic took weeks and could be fatal. Now it lets in families of current residents, plus the skilled and those who are already rich. Unskilled migrants have almost no legal way in, though perhaps 11m immigrants live in America illegally.

America has more foreign-born residents in total than any other country (43m). But as a share of the population, at 13%, it has fewer than Australia (28%) or Canada (22%). America's current level is about what it was in the 19th century, but much higher than its nadir of 5% in 1970. It has not changed much in the past decade.

No country has a perfect system. But four policies can help maximise the benefits of immigration, minimise its costs and boost public support for it. First, the influx should be orderly and legal as well as humanely handled. This is not just because the rule of law matters. It is also because the perception of disorder fuels anti-immigrant sentiment. Public opinion in Canada (which borders only America) and Australia (an island with ruthless border security) is generally pro-migrant. A study by Allison Harell of the University of Quebec and others found that a strong predictor of people's attitudes to migrants was whether they felt in control of their own lives, and whether they felt their country was in control of its borders. Thus, to win voters' consent, any programme to let in more migrants must keep track of them.

The other three policies are all about integration. Migrants should be encouraged to work. They should be helped to fit in. And they should be seen to pay their way.

Migrants in the UAE obviously pay their way. They fill 99% of private-sector jobs, from designing skyscrapers to scraping dirty saucepans. Emirati citizens prefer to work for the state which, flush with petrodollars, pays fat wages for light work. Asked if he has ever seen an Emirati laying bricks in the scorching sun, a construction boss replies: “You know the answer.”

## I get around

Raffy Fermin moved from the Philippines to the UAE to fix cars. Locals love flashy vehicles, but would not be seen dead under one. So Porsche, a German firm, sponsors a school in Manila that teaches young Filipinos how to service its machines. When they qualify, Porsche offers them jobs in the Gulf.

Mr Fermin arrived in Abu Dhabi in 2013, when he was 21. He works on cool cars in a cool workshop. He earns twice what he would at home, tax-free, sending 70% of it home to support his widowed mother and invest in property. He plans one day to go home and set up a car-repair business. “I’m happy I came,” he beams.

Some migrants have it much worse. In Saudi Arabia and Kuwait, they are often tied to one employer, whose permission they need to switch jobs. This gives horrible bosses immense power. Some fail to pay wages on time, or at all. Some confiscate workers’ passports, trapping them. Domestic workers are particularly at risk, since they work out of sight.

Many Westerners decry the way Gulf states treat migrants. Some think it immoral to offer them no chance of citizenship. But there is a trade-off. Because migrants have fewer rights, Gulf citizens are willing to admit more of them, relative to population, than Western countries. Most of the migrants benefit and want to stay.

Whereas the Gulf states have admitted vast numbers suddenly but temporarily, America has done it gradually but permanently. Babies born on American soil are automatically citizens. So immigrant families, even if they arrive illegally, can become American in one generation.

America’s flexible labour market makes it easy for migrants to find entry-level jobs, and its meagre welfare state means they have to. The

unemployment rate for immigrants is 4% compared with 16% in Sweden, where benefits are fatter and unions have negotiated industry-wide pay scales that price unskilled migrants out of jobs (see chart 2). The National Academies of Sciences found that even immigrants who drop out of high school are net contributors to the public purse if they arrive in America before the age of 25.



The Economist

Migration has also made America the innovation hub of the world. Immigrants are twice as likely as natives to start a company; more than 40%

of the *Fortune* 500 were founded either by an immigrant or the child of one. Newcomers bring skills, connections and new ways of thinking.

Gordana Vunjak-Novakovic, for example, moved to America in 1993, as her native Yugoslavia was falling apart. An engineer with an interest in biology, she found a job at the Massachusetts Institute of Technology. She got a green card in three weeks. “That would be unheard of today,” she laments. Now at Columbia University in New York, she has helped to launch four companies, including Epibone, which uses stem cells to grow new bones.

It helps, she says, that New York mixes so many people from elsewhere, with such a wide range of perspectives and experiences. Two-thirds of the people she works with are immigrants or their offspring. She worries that the flow of foreign talent might be under threat. Just back from a trip to China, she notes that many students wanted to know if they were still welcome in America. The number of visas issued to foreign students fell by 40% between 2015 and 2017, to fewer than 400,000.

America’s visa system is, by rich-country standards, unusually biased against talent. Of the 1m green cards (permanent residence visas) issued each year, only 15% are granted because of the applicants’ skills, notes John Dearie of Startups USA, a pressure group; in Australia the figure is 68%.

Historically each wave of immigrants, once settled, has worried that the next one will ruin America. “Our almshouses are filled with foreigners,” grumbled the *Express* newspaper in 1855. Others lamented that the aliens were “prone to violence” and “wedded to the worst forms of superstition”. They were referring to Catholics from Germany and Ireland, in language that echoes that used today about Muslims and Mexicans. German-Americans are now so well assimilated that most, like Donald Trump, no longer identify as such.

It is possible that recent immigrants, unlike all previous waves, will fail to assimilate. But there is scant evidence of this. Looking at such things as jobs, schooling, English ability and intermarriage, Jacob Vigdor of the University of Washington finds that recent immigrants to America are assimilating at least as well as those a century ago. A study by the OECD finds that the children of immigrants to America earn as much as the native-born, and are

more likely to attend university.

Cultural assimilation is startlingly quick in America. Fully 60% of foreign-born Latinos speak mostly Spanish, but by the next generation this has fallen to 6%, according to the Pew Hispanic Center. Some 15% of newlywed foreign-born Hispanics in 2015 were hitched to non-Hispanics; among US-born Hispanics it was a whopping 39%. For Asians the figures were 24% and 46%. Five years after refugees arrive in Sweden, only 3% of women and 4% of men are in a relationship with a native Swede.

### **Don't worry, baby**

Studies probably underestimate assimilation. The reason is what demographers call “attrition”: when migrants have lived in America for a couple of generations, they often cease to identify as “Mexican-American” or “Hispanic”. In the first generation, 99% use such ethnic labels; by the sixth generation, only 6% do. One reason for this is intermarriage—those with only one Hispanic parent are much less likely to call themselves Hispanic. Since Hispanics who intermarry tend to be better educated than those who don’t, surveys that rely on self-identification (ie, most of them) probably greatly underestimate their progress.

Most of the benefits of migration go to the migrants themselves. And because so many voters object to cultural disruption, far less migration happens than would be optimal. Perhaps, then, ways should be devised to share some of the material benefits of migration with those voters, to persuade them to allow more of it.



Hanna Barczyk

The simplest way would be for migrants to pay to migrate. Several countries offer visas to those who invest a certain sum of money. Gary Becker, an economist, suggested auctioning them to the highest bidder. The money could then be used for popular causes such as shoring up public pensions or health care, or simply divided equally among citizens. Suppose that America accepted enough migrants to increase its population by a third, and each migrant paid \$6,000 a year for the privilege. A native-born household of four would earn about \$8,000 a year from such an arrangement, estimate Eric Posner and Glen Weyl, the authors of “*Radical Markets*”. Since the median income is about \$50,000, that would give them a hefty stake in more open borders. The migrants themselves would make similar absolute gains, even after paying the fees, and much more in percentage terms.

Mr Posner and Mr Weyl suggest an even bolder plan. What if each citizen could sponsor one migrant from a poor country, and take a cut of his earnings? This would create a direct personal link between newcomer and local. The migrant might stay in the citizen’s spare room. He would be free to quit and go home, but not to disappear and work in the black market. This system would require rules against hiring illegal workers to be strictly enforced.

Nearly every rich country has an ageing population and a shortage of workers to care for them. Yet surprisingly little effort has been made to train foreign workers to meet this demand. The German government, anticipating a huge shortfall of geriatric nurses, is training young Vietnamese in Hanoi in both nursing and the German language. But such examples are rare.

### **Wouldn't it be nice**

The biggest worry about immigration is that it might undermine the very thing that makes it attractive. Poor countries tend to have bad institutions. Rich countries have good ones—that is why they are rich. Poor people move to rich countries to enjoy the benefits of good institutions. But what if so many of them move that they swamp those institutions, replacing the norms of Switzerland, say, with those of Nigeria?

Another way of putting this is: how many newcomers can rich countries absorb? American history suggests: a huge amount, over time. Its population has swollen from some 5m (including 900,000 black slaves) in 1800 to 320m of many colours today. Mr Clemens and Lant Pritchett of Harvard devised a model to see how much immigration would be necessary to make rich-country institutions start to become more like those in poor countries, extrapolating from what can be observed today. Their answer was: far more migration than is currently plausible. The cultures of rich countries are both strong and attractive. Migrants typically move to the West because they like it. By and large, they obey its laws and adopt many of its customs, and its institutions remain strong.

In 2005 a Danish newspaper published 12 cartoons of the Prophet Muhammad. Riots erupted in several Muslim countries. Some 200 people died. It was the worst cultural clash between Danes and Muslim immigrants in recent times. Yet the country has moved on. Ahmad Akkari, one of the Danish Muslim leaders who toured the Middle East stirring up outrage, regrets having done so. “I was part of a movement that led to catastrophic events,” he says.

Shocked by the violence, he retreated and read Karl Popper’s “The Open Society and Its Enemies”, twice. He realised that he had taken Western freedoms for granted. “If I had protested over cartoons in Saudi Arabia or

Iran, they would have hanged me.” He adds that many Muslims who have grown up in Denmark “don’t realise how Danish they are”.

As for Tarek, the Syrian refugee in Sweden, eventually he was granted asylum and allowed to work. He found a job as a data analyst. He has brought his family over, and is much happier. He praises the way Christians and Muslims can live peacefully side by side in Sweden—though he says he would like to go back to Syria, if the war ends, to help rebuild his country. Meanwhile, he has a modest dream. “I’d love to take up golf,” he says.

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# United States

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Michael Cohen alleges that the president directed him to break the law. What happens now?.

- **[Lithuanian-Americans: The diaspora's capital](#)**

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Chicago is the second-biggest Lithuanian city. Many of the first wave of immigrants slaved away in the stockyards.

- **[The Coal Protection Agency: Smokestack lightening](#)**

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The Trump administration's latest plan to prop up coal. The EPA is dedicated to unpicking Obama-era policies, even those that are not in force.

- **[Transformational festivals: With spirits kaleidoscopic](#)**

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Sex, crystals and compost toilets. Welcome to the world of transformational festivals.

- **[Lexington: What is racism now?](#)**

[Fri, 24 Aug 00:29]

Like obscenity, you know racism when you see it. That makes the term uncomfortably subjective.

**Summer of scandal, continued**

**Michael Cohen alleges that the president directed him to break the law**

What happens now?



Aug 23rd 2018 | WASHINGTON, DC

ON THE afternoon of August 21st, Duncan Hunter, a Republican congressman from California, was indicted for filing false campaign reports and spending \$250,000 of campaign funds on personal expenses. There were family trips to Italy and Hawaii; shots of tequila at a bachelor party; and “Hawaii shorts” that his wife suggested he should buy at a golf pro shop, so they could disguise the purchase as “balls for the wounded warriors”. Ordinarily, juicy details such as these could occupy cable news for a cycle or two. But they barely rated a mention on Tuesday’s shows, because that was the afternoon on which Robert Mueller—the special counsel charged with investigating possible links between Russia and the Trump campaign—landed his hardest punches yet.

In Virginia a jury found Paul Manafort, President Donald Trump’s former campaign chairman, guilty on eight counts of filing false income-tax returns,

failing to disclose foreign bank accounts and bank fraud. He faces up to 80 years in prison, as well as a second trial on similar charges starting on September 17th.

But the bigger blow came in New York, where Michael Cohen (pictured above), Donald Trump's former personal lawyer and longtime fixer, pleaded guilty to eight counts of tax evasion, banking fraud and campaign-finance violations—which were in fact the payment of hush money to silence two women who claimed to have had affairs with Mr Trump. He paid Stephanie Clifford, better known as Stormy Daniels, \$130,000 directly. He also arranged for a tabloid to buy Karen McDougal's story for \$150,000 with no intention of publishing it. And under oath, in a federal courtroom, Mr Cohen says he made those payments at Mr Trump's direction “for the principal purpose of influencing the election”. If Mr Cohen's charge is true—and prosecutors would not have accepted his plea if they believed he was lying—then the president of the United States conspired to violate federal law.

America is now in largely, but not entirely, uncharted territory. John Edwards, a former senator, vice-presidential nominee and presidential candidate, was indicted in 2011 in a similar case: he solicited \$925,000 from two wealthy donors and used it to hide his mistress and their child from voters. Federal prosecutors said that because those funds were used to conceal the affair from voters, they amounted to illegal campaign contributions. Mr Edwards was acquitted, but the trial ended his once-promising political career. And, of course, Richard Nixon resigned from the presidency after the House Judiciary Committee approved three articles of impeachment against him, and after prominent congressional Republicans told him he had little support left in Congress.

Mr Trump has not yet reached that point: congressional Republicans continue to stand by him. After the convictions of Messrs Cohen and Manafort, Paul Ryan and Mitch McConnell, Republican leaders in the House and Senate, declined substantive comment. John Cornyn, a senator from Texas, said he did not think that the convictions “implicate [Mr Trump] at all, especially on the Russia investigation”—as though any crimes other than direct collusion with Russia are not worth noticing.

But Mr Mueller's mandate charges him not only with investigating any

connections between Mr Trump's campaign and the Russian government, but also "any matters that arose or may arise" from that investigation—as the crimes committed by Messrs Cohen and Manafort did. Congressional Republicans are thus no longer defending an unpolished, intemperate tribune of the forgotten man; they are defending someone who may well have been indicted on federal conspiracy charges if he were not president.

Their support may soften if Mr Trump leads the party to huge losses in November's mid-terms. Democrats have made corruption an increasingly large part of their campaign attacks. They may also argue that Mr Trump has broken faith with his voters: he came into office warning that Hillary Clinton was irredeemably corrupt and electing her president would bog down the country in scandal, whereas he was incorruptible (because he was rich) and committed to hiring "the best people" and "drain[ing] the swamp".

In fact, he has ably restocked the swamp. As for "the best people", his former campaign chairman, deputy campaign manager, personal lawyer, former national-security adviser and a foreign-policy adviser to his campaign have all pleaded guilty to or been convicted of federal crimes. His first two congressional endorsers—Mr Hunter and Chris Collins—have both recently been indicted. Two cabinet members have resigned amid ethical woes; scandals are nipping at the heels of several others. Mr Trump's base will not care—they chanted "Lock her up" at a rally in West Virginia on Tuesday night—but more traditional Republicans may.

As for Russian collusion, Mr Cohen's lawyer, Lanny Davis, said his client is eager to tell prosecutors what he knows—including whether Mr Trump had advance knowledge that Russians would hack into Democratic officials' e-mails and about "the obvious possibility of a conspiracy to collude and corrupt the American democracy system in the 2016 election."

Mr Davis also said his client would not accept a pardon from Mr Trump (Mr Manafort, facing a much longer sentence, has expressed no such refusal). Legally, Mr Trump's pardon powers are absolute, and he has used them to benefit supporters such as Joe Arpaio and Dinesh D'Souza. Cornered, Mr Trump could lash out in other ways, such as further security-clearance revocations, or even firing Mr Mueller. Even heretofore reticent Republicans may find sacking Mr Mueller a step too far. And they may not save the

investigation's targets: presidential pardons pertain only to federal crimes and Mr Mueller's team has reportedly worked closely with state attorneys-general.

As for Mr Trump, on the morning after he did what he often does: throw a Twitter tantrum. He praised a convicted criminal, Mr Manafort, and derided federal prosecutors. He said Mr Cohen's campaign-finance violations were "not a crime", which of course they were. And he repeated his claim that Mr Mueller's investigation was a "Witch Hunt". If that is true, then investigators are getting pretty good at finding witches—and they are inching ever closer to the White House.

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## Lithuanian-Americans

### Chicago is the second-biggest Lithuanian city

Many of the first wave of immigrants slaved away in the stockyards



Alamy

Aug 23rd 2018 | LEMONT

ONE of the artefacts on display at the Lithuanian World Centre, a vast community centre on more than 18 acres of land in Lemont, a leafy village on the outskirts of Chicago, is a wooden sculpture of Hitler and Stalin scalping a kneeling man. The man is Lithuania. The country suffered under Soviet, Nazi and again Soviet occupations for 50 years, and before that under tsarist rule. “We used to be the largest country in Europe and then we just disappeared from the map,” says Marijus Gudynas of the Lithuanian Foreign Office, in Vilnius. These traumas have left 1.3m Lithuanians (from a country of barely 3m) living abroad. Chicago is their undisputed capital. Around 100,000 residents still call themselves Lithuanian, though they are often third-or even fourth-generation immigrants. Valdas Adamkus, twice president of newly independent Lithuania, went back after living in Chicago for decades.

Lithuanian immigrants came to Chicago in three waves. At the turn of the

20th century thousands of Litvaks (Lithuanian Jews) fled the pogroms under Russian rule, while mostly blue-collar workers came for jobs in the stockyards. (The main character in “The Jungle”, Upton Sinclair’s portrait of the horrific working conditions in Chicago’s slaughterhouses, is Jurgis Rudkus, a Lithuanian immigrant.) After the second world war a second wave of refugees fleeing the Soviet occupation arrived via displaced-person (DP) camps in western Europe. And, following the collapse of the Soviet Union, a third wave of immigrants were drawn to Chicago because their compatriots sponsored them to come.

The unusual vibrancy of the Lithuanian community, says Linas Gyllys, president of the Lithuanian World Centre, who was born in a DP camp in Germany, comes from those second-generation immigrants, who were forced to leave a country they adored. Mr Gyllys’ family emigrated first to Australia and then to Chicago, because his mother, a writer, wanted to live in a place with a large community of Lithuanian speakers. At one point the Windy City was home to some 300,000 Lithuanians, 11 Catholic Lithuanian parishes, several schools and dozens of Lithuanian shops and restaurants making *kugelis* (potato pudding) and chilled borscht. *Draugas* (“Friend”), the world’s oldest continuously published Lithuanian newspaper, is based in Chicago, as is the Balzekas Museum of Lithuanian Culture, the biggest such museum outside Lithuania. America’s only Lithuanian-language Alcoholics Anonymous group gathers in Lemont. (According to the World Health Organisation, Lithuanians are the world’s heaviest drinkers.)

Second-wave immigrants usually did not allow their children to speak English at home. They sent them to Lithuanian Saturday school, Sunday mass and summer camps. They encouraged them to join Lithuanian choirs, dancing troupes and Scouts—and to date Lithuanian boys and girls. Arts, sports and the Catholic church glued the community together.

But however attached their elders may be to the homeland, few if any of the youngsters dribbling basketballs on the new court at the Lithuanian World Centre intend to return. Almost 1m Lithuanians have emigrated since 1990, draining the country of talent and youth. Yet as per capita income rises there, the trend seems to be reversing; in 2017 more Lithuanians returned than left. And the diaspora was more active than ever this year, the centenary of the

country's independence. Tens of thousands, many from Chicago, travelled to Vilnius for a week-long festival of dance and song. For a few days at least, history's traumas were forgotten.

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## **Smokestack lightening**

### **The Trump administration's latest plan to prop up coal**

The EPA is dedicated to unpicking Obama-era policies, even those that are not in force



Getty Images

Aug 23rd 2018 | WASHINGTON, DC

ONCE upon a time, back when America was great, coal was king. Then came Barack Obama. He laid the once-mighty industry low with onerous regulation, especially the hated Clean Power Plan (CPP). On August 21st President Donald Trump, before an appreciative crowd in Charleston, West Virginia, personally slew the offending policy.

So the legend goes. In fact the CPP, a sweeping regulation issued by the Obama administration's Environmental Protection Agency (EPA), has been bogged down in legal challenges and is yet to come into force. The woes of coal are due less to government interference in markets than the markets themselves. Natural gas is a cheaper and cleaner fuel, made abundant by fracking. Renewables, such as wind and solar energy, are now economically viable alternatives. Mining itself has become more automated. Today's

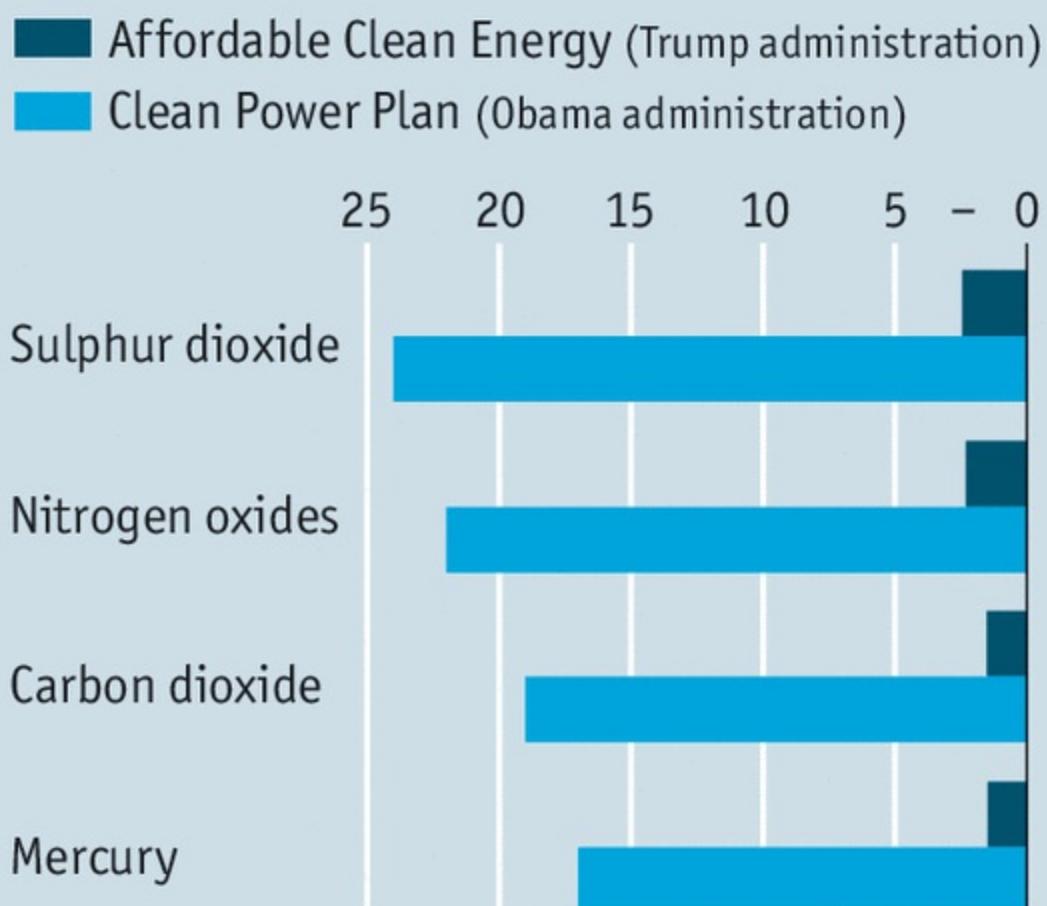
miners are three times as productive as miners were in 1980, so fewer are needed.

All the same, the Trump administration is committed to undoing the CPP—which sought to reduce carbon-dioxide emissions from power plants by 32% from their levels in 2005 by 2030—before it comes into effect. Its new proposal, the Affordable Clean Energy (ACE) rule, is much less ambitious because it would let states decide their emissions-reductions targets (including having none at all). Its name is Orwellian. The EPA's own analysis shows that retail electricity prices would be reduced by a mere 0.1%-0.2% by 2035—but that use of coal, a pollution-belching fuel, would shoot up by as much as 9.5%.

The costs, in terms of increased emissions, would be significant. Compared with 2005, America was emitting 14% less carbon by the end of 2016, thanks in part to its move away from coal. That will continue. But whereas the CPP would have reduced emissions by a further 19% by 2030, ACE achieves only a drop of 0.7-1.5%. Coal-fired power plants also produce a cloud of noxious gases. The CPP was expected to cut sulphur-dioxide and nitrogen-oxide emissions by more than 20%; the new plan will reduce them by only 1-2%. The EPA estimates the plan could cause 1,400 additional premature deaths per year by 2030.

## Whoo hoo

United States, reductions in emissions from the electricity sector, 2005-30, %



Source: Environmental Protection Agency

The Economist

“It’s revealing if you don’t think about this as a climate policy, but as a coal-subsidisation policy,” says Joseph Goffman, executive director of the Harvard Environment and Energy Law Programme and an architect of the CPP. A leaked set of White House talking-points given to *The Economist* confirms this. Climate change and global warming go unmentioned. “A diverse, reliable energy portfolio is essential to the president’s goal of energy

dominance,” the document reads. “Energy dominance is good for America and good for the world.”

The new proposal is no great surprise. The administration has tried its utmost to relax regulations for extractive industries. It has delayed rules limiting discharges of heavy metals, like lead, mercury and arsenic, from power plants. The EPA has also loosened rules on the storage of coal ash, a by-product of mining which can leach toxic metals into streams. Rick Perry, the energy secretary, has proposed out-and-out subsidisation of the coal industry; an independent regulatory commission rejected that idea. Two important officials driving environmental policy have close links to the coal industry.

The Republican Party’s concern for left-behind coal miners (and coalmine operators) can give a false impression of the industry’s importance, however. Just 53,000 Americans work in coalmining, according to the latest calculations from the Bureau of Labour Statistics—roughly 0.03% of the labour force. The outsize importance of coalminers in the American imagination has much to do with nostalgia. Republican calls for a resurgence in such tough-guy jobs play well with a white working-class base, even if they are impossible to deliver.

Tailoring climate-change policy to individual states also makes little sense. Republican-led places like Wyoming, Texas and Oklahoma, where much of the energy boom is concentrated, are unlikely to restrain carbon pollution. This counteracts whatever sensible policies would emerge in Democratic states, and makes climate change—which requires concerted global action—much harder to mitigate. “The whole purpose of the Clean Air Act is to establish a federal policy so that there isn’t a race to the bottom,” says Ann Weeks, legal director of the Clean Air Task Force, an advocacy group.

Finalising regulation takes time. Like the CPP, the Trump administration’s proposal will probably face lengthy lawsuits. Its cost-benefit analysis is particularly ripe for challenge. The proposed rule is unlikely to go into effect within two years. This means that Mr Trump would have to win re-election for his environmental agenda to be seen through. A greener president would probably seesaw back towards the CPP. But as Democrats and Republicans spend years shadow-boxing over the future of energy policy, climate change will continue unchecked.

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**With spirits kaleidoscopic  
Sex, crystals and compost toilets**

Welcome to the world of transformational festivals



Aug 23rd 2018 | TIDEWATER AND SANTA BARBARA

AMID wafts of incense and marijuana smoke, hordes of smiling folk in fairylike garb or, for a few, just body paint, dance in a patchwork of majestic forest glades near the town of Tidewater, Oregon. Others meditate in yoga postures. Some caress crystals or each other in gently writhing “snuggle puddles”. Colourfully painted signs read “Redesign the Paradigm”, “Make Love to the Mystery”, and, on paths to compost toilets, “Conscious Pooping This Way”. A speaker who replaces a DJ on the main stage proclaims that humans were “born to serve the Earth” and leads the flock, many with raised hands, in prayers to the four cardinal directions.

Thus began the Beloved Festival, at which some 2,500 people pitched tents or splurged for a luxury “glamping” yurt for four days of “sacred” activities that ended on August 13th. These included kundalini and “galactivated” yoga, Sufi soul singing, crystal-bowl sound healing, medicinal poetry, Thai

massage, Latino storytelling, native-American shamanism, gong meditation inspired by NASA data from deep space, grief rituals from Burkina Faso's Dagara tribe and rave-like takes on Oriental ecstatic dance. Astonishingly, your correspondent saw no one snap a selfie. The Beloved Festival is about community, not ego, says its founder, Elliot Rasenick, so anyone who comes should be comfortable making "deep eye contact with strangers". Tickets started at \$265.77.

Beloved is just one of a booming constellation of "transformational" festivals spreading from its stronghold in the western United States. Numbering dozens and with names like SoulPlay, Sonic Bloom, Kinnection Campout, Stilldream, Wanderlust and Symbiosis, they blend environmentalism with a pagan communal spirituality that some visitors cultivate with psychedelic drugs. Many of these festivals, Beloved included, ban alcohol sales. Tenets of this subculture include the exaltation of sexuality, participatory art and "radical self-expression", a term popularised by Burning Man, the granddaddy transformational festival, which opens its annual pow-wow to some 70,000 in the Nevada desert on August 26th. But because in the Trump era even leisure is political, many also endow the movement with additional purpose. The idea, says Mr Rasenick, is to "use celebration to create change" in a world racked by misdeeds.

Devotees of transformational festivals debate how best to bring about the desired political change. Many, however, say it begins with ushering in an alternative consciousness by "honouring" water, land, animals, organic food and clothing, oppressed peoples, and the like. Moss Kane, a Beloved visitor who works at Two-Spirit Shamanic Healing, a practice in Portland, Oregon, reckons that the boom in transformational festivals has already begun to chip away at the "crumbling power" of bad capitalism through the emergence of more people with older, wiser souls.

Others hope to effect political change with a more traditional lefty approach. Beloved hosts workshops on diversity, gender equality and using empathy to fight "divisive entitlement". Marji Marlowe, who ran Beloved's Care Circle Sanctuary this year, says a big part of her job is alerting visitors to the privilege whites enjoy but did not earn. Beloved also offers education on the misstep of "appropriating" cultures by, for example, donning feather

headdresses, says its community manager, Dez Ramirez. Given the cultural mishmash of Beloved's programme, this approach may perplex some, but other transformational festivals do the same. Lightning in a Bottle, an annual California jamboree that draws some 20,000, imposes a ban on "cultures as costumes", though plenty of visitors dress up fancifully anyway.

Few at Beloved are keen to discuss President Donald Trump. Could this be a sign that many visitors, demoralised by his rise, are increasingly choosing to retreat into the comfort of the transformational community, rather than stick it out with activism in the broader political arena? Mr Rasenick worries that this is indeed happening and that it is part of the growing political polarisation in America. Julian Reyes of Keyframe Entertainment, a producer of films, books and music on transformational culture based in San Francisco, reckons that the number attending such festivals has nearly doubled in little more than three years, a period that almost dovetails with Mr Trump's political ascent.

Other factors no doubt play a bigger role in swelling attendance at transformational festivals. For starters, they have benefited from a decline in urban raves, where police have cracked down on the taking of "club drugs" like ecstasy. By booking speakers, transformational festivals have attracted folks keen on TED, a popular conference series. Some transformational-festival enthusiasts have been turned off by the crass commercialism and fashion culture associated with big and beery music festivals like Coachella and Lollapalooza. Jonah Haas, head of marketing for Lucidity, a transformational festival for roughly 5,000 campers near Santa Barbara, California, which sells out every year, points to perhaps the biggest explanation for this flourishing. As far as religion goes, a quarter of American adults say that they are atheist, agnostic or "nothing in particular" according to the Pew Research Centre, a proportion that has increased sharply. This seems to have left lots of people craving for the experience of religious worship without any of the irksome beliefs associated with worship.

**Lexington: What is racism now?**

**Like obscenity, you know racism when you see it**

That makes the term uncomfortably subjective



Aug 23rd 2018

SINCE the publication of Omarosa Manigault Newman's book about her time in the Trump administration, the president's political opponents have been indulging in a charmingly old-fashioned debate. Ms Manigault Newman suggests she was fired because people in the White House thought she knew the whereabouts of a recording from the president's reality TV days in which he used the N-word. Given President Donald Trump's fondness for derogatory epithets, it would be mildly surprising if he had avoided this one. Yet to imagine that a tape of the utterance would damage him irrevocably would be to forget the past three years. The president's opponents, it seems, are condemned to be taught the same lesson over and over again.

The kind of epithets Mr Trump uses are nowhere near as shocking to many people as progressive Americans imagine. *The Economist* asked YouGov to do some polling on the use of the word "nigger". The results came in this

week, and they are that 35% of those who voted for the president report having used the word themselves. Perhaps more surprisingly, 24% of those who say they voted for Hillary Clinton have done so too. Subtract African-Americans, who have licence to use the N-word, from the Clinton numbers and the share drops, but only to 19%.

Using the N-word is hurtful for the same reason other casual insults are. When the president says that LeBron James, a basketball great, and the TV anchor interviewing him (both of them black) are stupid, or that Ms Manigault Newman is a “dog”, or that Mexican migrants are “rapists”, he hints at a style of thought with a murderous past. Racism, said Martin Luther King, “is the arrogant assertion that one race is the centre of value and object of devotion, before which other races must kneel in submission.” Yet in Mr Trump’s defence, the words he has used far too often are hints at something rather than the thing itself. They do not reach the threshold set by King’s definition.

This does not get the president off the hook, though, for the meaning of racism has shifted during his lifetime. It is no longer enough just to express admiration for civil-rights leaders, support for racially mixed education or a past opposition to the Ku Klux Klan for a politician to prove that he is on the right side of the line. Some proper sense of the violence perpetrated against African-and Native Americans for much of the past three centuries is required. An understanding of how that history still reverberates through American society, showing up in disparities in income, education, incarceration and welfare receipts is also necessary. Some familiarity with the copious literature on unconscious racial bias is a plus. All of which makes the new definition of racism much more subjective than the old one.

One way sociologists measure racist attitudes is by asking whites polling questions about whether black Americans are lazy. The share who say whites work harder than African-Americans fell from 65% in 1990 to 35% in 2015. Mixed-race marriage did not command the support of the majority of Americans until the mid-1990s. In the years since then, support has increased to nearly 90%. In 2010 the share of whites who say they feel equally close to blacks and other whites overtook the share who say they feel closer to whites. There is plenty more where this came from.

Some progressives, who find the idea that America has experienced racial progress over the past 50 years intolerable, have argued that what has really happened is that those cunning racists have just become better at concealing their prejudice. An alternative view, preferred by Barack Obama among others, is that America really has seen a lot of racial progress. If that is indeed the case, then what defines racism now?

At one extreme, white racism is considered to be ubiquitous and there is nothing that even well-informed, well-intentioned white people can do about it. John McWhorter, who teaches linguistics at Columbia University, has likened this view to a secular religion in which enlightened whites are forever seeking penance for history. “White privilege is the secular white person’s Original Sin, present at birth and ultimately ineradicable. One does one’s penance by endlessly attesting to this privilege in hope of some kind of forgiveness.” At the other extreme is the insouciance of the 77% of Trump voters who say that using the N-word and being a good president are compatible.

### **Say it loud**

Between these poles is a usable definition. Later on in her book, Ms Manigault Newman describes an exchange with Stephen Bannon, then the chief strategist to the president, which helps to refine it. “I had an interesting conversation with Bannon and asked him if the rumours of him being a racist were true,” she writes. “He said no. He explained, ‘The same way you are a proud African-American woman, I am a proud white man. What’s the difference between my pride and your pride?’”

White pride is taboo in American politics: the smells of burning crosses and Zyklon B cling to it still. White pride is troubling because of its association with a violent fringe movement that the FBI tracks assiduously. But it is also troubling because demands made by political majorities on the basis of race are more threatening than those made by minorities. White pride is scary; Irish pride is celebrated with marching bands and by dyeing the Chicago River iridescent green. It is only when Irish-Americans join with other whites to make political demands that this way of doing politics becomes alarming, because this larger group might have the power to impose its will on everyone else.

As America becomes a more racially mixed society and the pre-eminence of whites fades, a point which is still decades away, that objection to white pride could one day fall away. That does not mean that white Americans cannot be proud of their country or its history in the meantime. It means that organising politically around the idea of whiteness is, well, racist.

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# The Americas

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Nicolás Maduro tries to rescue Venezuela's economy. The president's plan is bold, but probably not bold enough.

- **[Venezuela's exodus: The Bolivarian wave](#)**

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A rude reception awaits many Venezuelans fleeing their country. BOGOTÁ AND SÃO PAULO  
Turmoil in Latin America is causing mass migration.

- **[Craft in Mexico: Copy that](#)**

[Fri, 24 Aug 00:29]

Practising an ancient craft in a village without men. Indigenous artisans in Mexico are trying to protect their designs.

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## Rethinking the revolution

### Nicolás Maduro tries to rescue Venezuela's economy

The president's plan is bold, but probably not bold enough



Aug 23rd 2018 | CARACAS

NICOLÁS MADURO'S address to his fellow Venezuelans on August 17th began like all his other "*cadena*" ("chain") appearances on state television. The country's president has made more than 100 such broadcasts this year, all of them carried (by government order) by all television and radio stations. Nearly half of viewers switch off or ignore their televisions when the mustachioed authoritarian appears to make a pronouncement, according to a survey published this month.

This one was worth staying tuned in for. Wearing a business suit rather than his usual tracksuit, and sniffing through a head cold, Mr Maduro made unexpected announcements. He appeared to jettison some of the economic practices that make Venezuela's "Bolivarian revolution" a uniquely destructive experiment in left-wing populism. Venezuela has suffered an economic contraction of more than a third since 2013; inflation that may

exceed a million per cent this year; shortages of food and medicine; and an exodus of people to neighbouring countries (see [article](#)).

Promising an economic miracle, Mr Maduro abolished the state-controlled exchange rate for the bolívar, introduced by Hugo Chávez, the revolution's founder, in 2003. The currency has been devalued from the official rate of 250,000 to the dollar to the black-market rate of 6m. A new currency with five fewer zeros, the sovereign bolívar, has replaced it. This is a volte face by a regime that had long insisted that the black-market rate was fraudulent.

As significant was Mr Maduro's unprecedented admission that the government has caused hyperinflation by printing bolívares to finance massive budget deficits. He promised to cut the deficit to zero (from an expected 30% of GDP this year), in part by raising value-added tax and by increasing the price of petrol, which now costs nearly nothing, to international levels. He plans to speed up tax collection, so that the value of revenues is not inflated away by the time they reach the treasury.

## **Brave new bolívares**

The new era began on August 20th, which Mr Maduro declared a public holiday to allow for the introduction of the sovereign bolívar. When banks reopened on the following day, people queued to make their first withdrawals. Although the president said Venezuela had ten times the cash it needed, ATMs restricted withdrawals to ten new bolívares, about 17 cents. Many Venezuelans regarded the exercise as a baffling maths test. "I had 9m old bolívares in my account. Can I take out 50 bolívares?" wondered Alberto Claudino, a customer at a bank in eastern Caracas.

Some elements in Mr Maduro's rescue package sound as if they were conceived in the boardroom of an international bank. In fact, that is close to what happened. As inflation accelerated this year, a team led by Tareck El Aissami, the vice-president for the economy since June, has been consulting financial advisers. A group from Ecuador, which adopted the dollar in 2000 after a bout of inflation, was spotted in Caracas last month. "We all heard [the government was] looking for suggestions from economists," says Pedro Palma, director of Ecoanalítica, a Caracas-based economic consultancy. "Some inside the government realised the situation was unsustainable."

Mr Maduro has suppressed the opposition, and stripped the powers from a legislature that it controls. Pressure on him is coming increasingly from within the regime itself. In July the congress of the ruling United Socialist Party (PSUV), held once every four years, became a forum for criticising him. Freddy Bernal, who runs a government programme that distributes subsidised food, challenged the regime's argument that its failings—including hyperinflation—are the result of an “economic war” waged by subversives and foreign powers. “We are 19 years into a revolution. Only we are responsible for the good and the bad,” he declared. On the meeting’s fringes, criticism of Mr Maduro was scathing, according to one delegate.

On August 4th he faced worse. At a military parade in Caracas, two drones laden with plastic explosives headed towards the podium where he was speaking. One exploded a few hundred feet from the president, the other hit a building. Viewers of the event, which was broadcast on television, saw national-guard conscripts run away. The cameras were abruptly switched off. Twenty-five people have been arrested in connection with the apparent assassination attempt, including three senior officers of the paramilitary national guard.

This episode helped convince Mr Maduro that he needed to present “a believable proposition” for ending the economic calamity, says Colette Capriles, a political scientist. He decided to add a more ambitious set of policies to the introduction of the new currency, already scheduled for August 20th. Just a few ministers knew the details in advance.

The rescue scheme mixes sensible ideas with Bolivarian barminess. “It’s like two economies, or two worlds—the Marxist and the monetarist,” says Ms Capriles. Ángel Alvarado, an opposition politician, calls the scheme “impossible... Utopian”. Mr Maduro’s promise to eliminate the budget deficit is hard to square with the plan to increase the minimum salary 35-fold, and to take over from small firms the extra cost of paying it for 90 days. The fiscal benefit from raising fuel prices will be reduced by a pledge to continue giving subsidies to some 17m holders of government-issued ration cards, more than half the population.

Mr Maduro made no mention of the external debt, on which the country is already in partial default. The government may still exert control over the

foreign-exchange market. The stability of the new currency is meant to come from its link to the petro, a “cryptocurrency” invented by the government that is supposedly backed by oil reserves. One petro has the same value as a barrel of oil (now about \$60), and the new bolívar is pegged to the new unit of account (at a rate of 3,600 to one).

This is supposed to bolster confidence in the sovereign bolívar. But there is little reason to think that the device will end the expansion of the money supply that causes inflation. “The petro is a fake, a way to get the central bank to inject money,” says Mr Palma. Many Venezuelans share that scepticism. “It’s a disguise,” said Beatriz Piñate as she queued for bread in Caracas. “All I know is I’m poorer this week than I was last week.”

The extra income from a higher minimum wage could soon be consumed by inflation, causing more misery and popular rage at the government. No sooner had the sovereign bolívar appeared than its value began to slip. DolarToday, a popular source of information on the black-market bolívar, quoted it at 1.4 cents on August 22nd, a further devaluation of 18%.

These are worrying omens for Mr Maduro, whose survival in office probably depends on the success of his economic plan. “If he fails, he will own the defeat, and bear the potential consequences,” says a source familiar with the PSUV’s inner workings. If a new president takes to the airwaves, fewer Venezuelans might switch off.

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### The Bolivarian wave

## A rude reception awaits many Venezuelans fleeing their country

BOGOTÁ AND SÃO PAULO Turmoil in Latin America is causing mass migration



Aug 25th 2018 | BOGOTÁ AND SÃO PAULO

PACARAIMA is a speck of a town in the Brazilian Amazon on the border with Venezuela. Recently, it has been the entry point for tens of thousands of Venezuelans fleeing hunger, violence and hyperinflation at home. Most continue by foot 220km (135 miles) on the motorway to Boa Vista, the capital of the state of Roraima, where they struggle to survive by unloading lorries, hawking crafts and selling sex. About 2,000 of the poorest have stayed in Pacaraima, pitching tents in the streets. That has strained the town's resources and the tolerance of its 12,000 inhabitants.

On August 17th several men, apparently Venezuelans, robbed and beat a shop-owner. At an anti-immigration march the next day, hundreds of locals threw stones at migrants' tents and set fire to their belongings. More than a thousand Venezuelans fled into the jungle or back over the border. Their

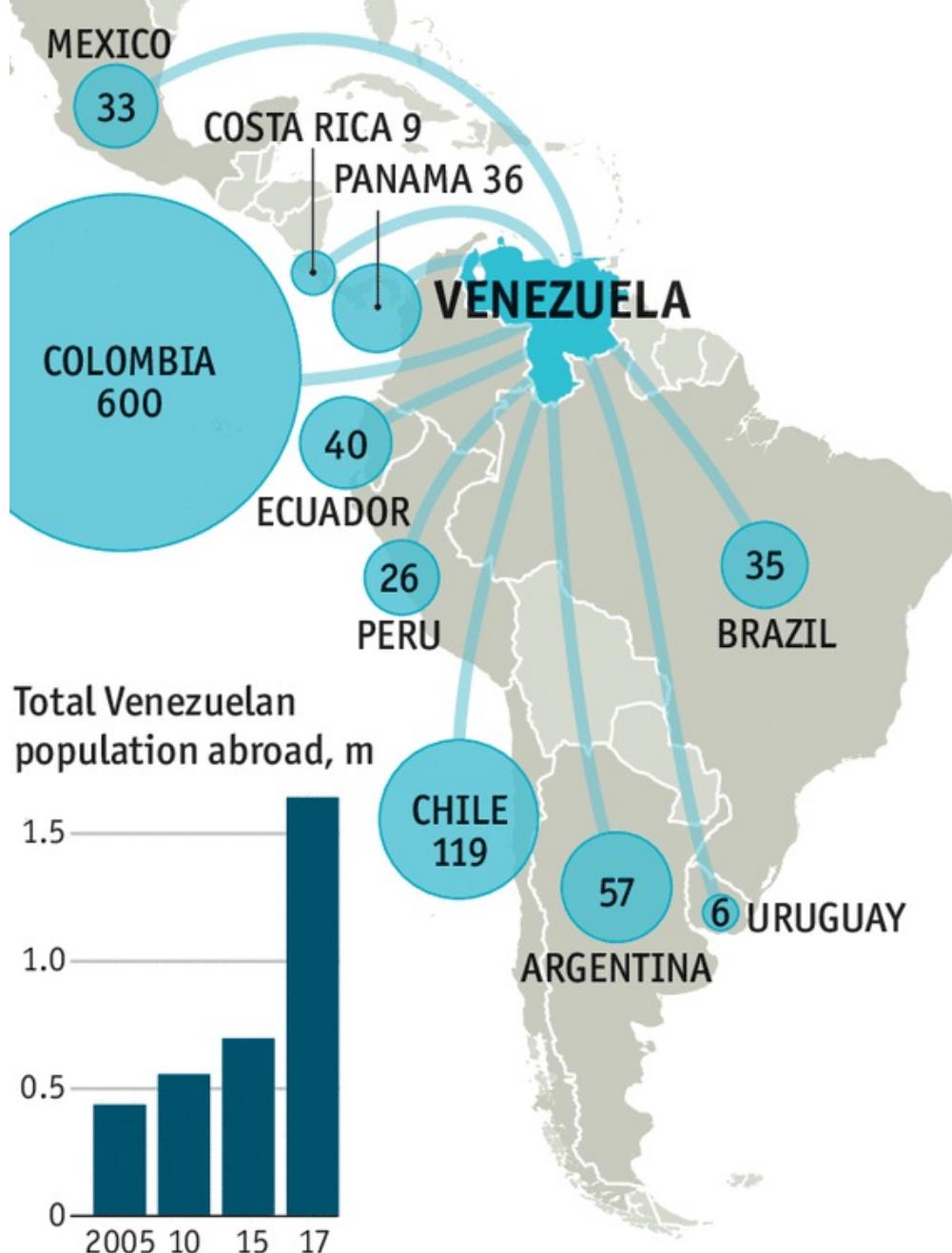
makeshift homes burned to the ground. Brazil's president, Michel Temer, sent 60 troops to restore order.

Though the Venezuelan exodus sometimes seems as invisible as tiny Pacaraima, it is the biggest movement of people in Latin America's recent history. Since Venezuela's economy began to slump in 2014 under Nicolás Maduro, a socialist strongman, perhaps 2.3m Venezuelans have sought refuge in neighbouring countries. The size of the exodus rivals those of war-ravaged Afghanistan and South Sudan.

Unlike many rich countries, which have been closing their doors to migrants from northern Africa and the Middle East, Latin American governments have mostly let people in. Left-wing governments in the early 2000s relaxed immigration laws, says Luisa Feline Freier of the Universidad del Pacífico in Lima, Peru. The right-of-centre governments that succeeded them in several countries maintained these policies as a rebuke to Mr Maduro's regime.

## Hypermigration

Population of Venezuelans, '000, 2017



Sources: International Organisation for Migration;  
UN Department of Economic and Social Affairs

The Economist

As Venezuela's crisis has worsened, the number of people fleeing has surged. Unlike those in earlier waves, the newer migrants tend to be poor rather than middle class. The exodus has prompted some countries to impose restrictions on their borders. Ms Freier fears that Latin American countries will soon become as wary of immigrants as many European ones.

On August 16th the government of Ecuador announced that it would turn away from its border Venezuelans not carrying passports, saying they posed a security risk. Most of these were heading towards Peru, which is receiving a record 5,000 Venezuelans a day. It imposed its own passport requirement with effect from August 25th and said it would not issue work permits to Venezuelans who arrive after October. Many do not carry passports. Because of a paper shortage and software problems, getting one can take two years. A bribe to jump the queue can cost up to \$1,000.

Venezuelans are not the only migrants provoking unease. In Costa Rica, the backlash is directed at Nicaraguans, who are escaping the repression by Daniel Ortega, Nicaragua's president, of opposition protests. From April to July 23,000 migrants sought asylum in Costa Rica, which has a tradition of generosity to refugees. On August 18th hundreds of protesters in San José, the capital, chased Nicaraguans in a park and set fire to their flag. The United Nations reprimanded the instigators.

Chile's strong economy makes it a magnet for migrants. The number of foreigners registered there has risen almost five-fold in a decade, to 750,000 last year (about 4.5% of the population). Perhaps 300,000 more were living in Chile illegally. Last year the number of Venezuelans in Chile grew by about 100,000. Many had sold all their belongings to pay for the 12-day bus trip. More than 100,000 also came from Haiti, the Americas' poorest country. A poll last year found that two-thirds of Chileans wanted to restrict immigration.

Sebastián Piñera, who became Chile's president in March this year, responded by tightening its relaxed immigration policies. He abolished a visa that immigrants could apply for after entering as tourists and placed restrictions on tourist visas for Haitians. Venezuelans are being treated more generously; they can get a "democratic responsibility" visa allowing them to

work.

The main holdout against the trend towards harsher treatment of migrants is Colombia, by far the largest destination for Venezuelans. Around 900,000 have moved there, a third of those this year alone. Juan Manuel Santos signed a decree that “regularised” 442,000 undocumented Venezuelans before he left office as president on August 7th. For the next two years they will be able to work, get health insurance and study—benefits that 1.5m other Venezuelans living illegally in Colombia and elsewhere have a hard time claiming. The new conservative president, Iván Duque, has not changed Mr Santos’s policy. Colombia’s “migration director” criticised the restrictions in Peru and Ecuador, and restated Colombia’s commitment to helping Venezuelans.

In part, Colombia’s generosity is a form of gratitude to Venezuela, which took in more than 700,000 Colombians during the country’s half-century war with the FARC guerrilla group. The war ended in 2016. Some 250,000 Colombians have now come back from Venezuela, adding to the strain of coping with migrants.

Activists and some politicians are trying to keep doors ajar. After Ecuador’s ombudswoman called its passport requirement “cruel” and filed a complaint with the supreme court, the government said it would not apply to children accompanied by parents who have passports. The UN High Commissioner for Refugees (UNHCR) said in March that many Venezuelans qualify as refugees under international law. It is urging governments to issue humanitarian visas and work permits. Aid from richer countries like the United States “could make the difference between Venezuelans being supported and Venezuelans being blocked at borders”, says Chiara Cardoletti-Carroll of the UNHCR. Ecuador has called a meeting of leaders from the region in September to discuss a co-ordinated response to the crisis.

But diplomacy may not ease tensions in the host countries. In Roraima, the army has taken over responsibility for providing shelter, food and health care to the Venezuelans. So far, though, the government’s policy of “interiorisation”—sending them to richer states with more jobs—has failed. Just 800 migrants have been moved.

One reason is “institutionalised xenophobia”, says a Roraima official. This is

sharpened by a general election due to take place on October 7th. On August 19th Roraima's governor renewed a plea to Brazil's supreme court to shut the border. That did not stop hundreds of Venezuelans from coming on August 20th. They had little choice, says Jesús López Fernández de Bobadilla, a Spanish priest who serves breakfast to 1,600 migrants. "Over here it's purgatory, but over there it's hell."

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**Copy that**

## Practising an ancient craft in a village without men

Indigenous artisans in Mexico are trying to protect their designs



Alamy

Aug 23rd 2018 | AGUACATENANGO

FOR nine months a year, no men are to be seen in Aguacatenango. They leave the village in the southern state of Chiapas to work elsewhere in Mexico and return in summer to harvest maize. It falls to the women to raise the children, chop firewood and make some extra money. On a recent Saturday 18 women huddled on a porch, chatting in a mix of Spanish and Tzeltal, an indigenous language, as they fashioned swatches of fabric into dresses whose flower-and-wheat design is unique to the village. The work does not pay much. An artisan can earn 120 pesos (\$6) in the 36 hours it takes to make one dress.

Out-of-the-way Aguacatenango was in the news last year when Zara, a Spanish seller of “fast fashion”, put on sale for 1,000 pesos a blouse strikingly like those made by the women of the village. In July this year Zara sold another outfit with a similar pattern. “It’s not fair. We were first,” says

Cristina Juárez, one of the artisans. Zara did not comment at the time.

Impacto, an NGO, has identified ten cases since 2012 of foreign merchants selling clothing based on indigenous Mexican designs without giving payment or credit. Almost all were based on local crafts of settlements in Chiapas and Oaxaca. These incidents sparked a debate over “cultural appropriation”, the use by a dominant culture of ideas and practices of a downtrodden one. Susana Harp, a singer from Oaxaca who was elected a senator in July, says she entered politics to stop brands from pilfering indigenous creations.

But the artisans have mixed feelings, and are more interested in income than in authenticity. The off-white blouse that Zara allegedly copied was designed to be sold to outsiders. The traditional version is frillier, harder to make and itself a cultural hybrid: it uses an embroidery technique practised in Europe in the 17th century.

A bigger problem than plagiarism is counterfeiting. In the markets of San Cristóbal, 47km (29 miles) away from Aguacatenango, real dresses from the village share shelf space with identical fakes made in Asia. “Piracy is worse [than plagiarism by brands], because it kills the industry,” says Ms Harp. Some of the seamstresses wear knock-offs of their own traditional dresses while they fashion the real thing for sale to others.

A first step towards fighting fakery and imitation would be to recognise indigenous designs as a form of intellectual property (IP). In July Tenango de Doria, a village in Hidalgo, a state in central Mexico, acquired a collective trademark for a logo that marks the village’s distinctive crafts. Winning international recognition of rights to protect the traditional designs themselves is hard. The principles underlying protection of IP, conceived in the 19th century, do not allow for the transfer of ownership of ideas from one generation to the next. Countries have been trying unsuccessfully for 17 years to devise a new definition of IP tailored to indigenous groups.

Globalisation may help solve the problems it causes. Mexican designers are working with artisans on new indigenous dresses that can be sold online or in high-end shops. A woman can earn 1,000 pesos for making a blouse that will sell for 2,000. As the designs are new, they are entitled to protection under

copyright law. Some traditionalists might call that cultural appropriation, but at least it pays.

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Australia's ruling party mulls sacking the prime minister—again. No leader has survived a full three-year term in more than a decade.

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Comparing India's two Hindu-nationalist prime ministers. Atal Bihari Vajpayee was less militant, and less successful, than Narendra Modi.

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Many Afghans are ready for an end to conflict. Is the region?. Pakistan, India, China and Iran are jockeying for influence but would benefit from peace.

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## Spill will

# Australia's ruling party mulls sacking the prime minister—again

No leader has survived a full three-year term in more than a decade



AFP

Aug 23rd 2018 | SYDNEY

WHEN it looked as if he might hold on to his job, Malcolm Turnbull, Australia's prime minister, insisted that for his fellow Liberal MPs, the bedrock of the governing coalition, "Unity is critical." At that point, on August 21st, he had just precipitated and survived a vote on his own leadership. But the challenger he wrong-footed, Peter Dutton, the home-affairs minister (pictured standing), refused to give up. He began circulating a petition for another vote within the Liberal caucus, and persuaded a series of allies to resign as ministers. When it became clear that his support was crumbling, Mr Turnbull changed tone.

"I've never given in to bullies," the prime minister declared at a press conference, while appearing to give in. He said he would resign if Mr Dutton produced a petition from a majority of Liberal MPs asking for a fresh vote—something Mr Dutton should be able to do, given all the resignations from the

cabinet. But Mr Turnbull laid several traps for Mr Dutton even as he conceded. First, he delayed the vote on the next leader until August 24th, giving potential rivals to Mr Dutton a little time to rally support. Second, he asked the solicitor-general for an opinion about whether Mr Dutton might be ineligible to serve in parliament, given that his family trust has interests in child-care centres that receive government subsidies. That could put him in breach of a constitutional ban on MPs profiting from the government they oversee. Third, Mr Turnbull said he would resign from parliament if the leadership challenge went ahead, prompting a by-election in his marginal seat. Since the government has a majority of one in the lower house (and a minority in the Senate), the new prime minister may not last long.

As *The Economist* went to press, Mr Turnbull seemed clearly on the way out. Mr Dutton may well prevail over the other candidates, Julie Bishop, the foreign minister, and Scott Morrison, the treasurer. For the fourth time in less than a decade, government MPs are turfing out a prime minister in search of electoral advantage.

The previous beneficiary of such a coup was Mr Turnbull himself, who unseated Tony Abbott as prime minister and Liberal leader in 2015. The opposition Labor party has also indulged in “spill motions”, as the leadership votes are known, first evicting Kevin Rudd in 2010 in favour of Julia Gillard and then reinstating him in 2013. That did not stop Labor denouncing the current upheaval as a shameful shambles and a betrayal of the people’s trust. On past precedent, the people are likely to see it that way too. None of the three previous changes of prime minister revived the electoral fortunes of the ruling party.

That raises the question of why Liberal MPs are so busily writing a political “suicide note”, as one of them put it. Personal grievances play a part. Mr Dutton’s support comes from a hard-right faction within the Liberal caucus. Their leading light is the vengeful Mr Abbott, who thinks Mr Turnbull has dragged the party too far to the left. Mr Abbott and his allies want more restrictions on immigration and fewer on burning coal. Given the government’s minuscule majority, his small band of rebels has been able to stymie the prime minister’s legislative agenda.

The rebels have grown louder as successive polls have shown that the

Liberal-led coalition is likely to lose the next election, due by May. The latest flashpoint was the government's unambitious proposal to trim greenhouse-gas emissions, in keeping with cuts that Mr Abbott himself approved by signing the Paris agreement on climate change. The insurrection forced Mr Turnbull to abandon the targets.

Mr Turnbull has proved a disappointing leader. He painted himself as a principled reformer, but has spent more time appeasing right-wing critics than fighting for his beliefs. By backtracking on climate change, an issue about which he professes to be passionate, he showed himself willing to jettison even his dearest policies.

### **Good cop or bad cop?**

Yet Mr Dutton, an ex-policeman, is an unlikely alternative. As the minister most recently responsible for incarcerating asylum-seekers in foreign processing centres, he has positioned himself as one of his party's most reactionary figures. He blames black Africans for inciting gang violence, and wants to offer white South African farmers a special category of humanitarian visa. When the prime minister of the day, Kevin Rudd, apologised ten years ago to the "stolen generation" of aboriginal children forcibly removed from their families, Mr Dutton walked out of parliament in disgust.

Australians are frustrated by stagnant wages, but they have never rallied behind right-wing populists. Polls suggest Mr Dutton is either disliked by or unknown to voters. His main appeal is tribal: he hails from Queensland, whose swing seats could determine the outcome of the election. A humiliating defeat in a by-election there last month sent Liberals into a frenzy. Mr Dutton's backers hope that his stance on immigration might win back some votes.

Yet even if they are right, the fad for spill motions makes Australian politics look alarmingly unstable. Not one prime minister has completed a three-year term since John Howard, another conservative, lost power in 2007. The new one is unlikely to buck that trend.

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**A mellower shade of saffron**

## Comparing India's two Hindu-nationalist prime ministers

Atal Bihari Vajpayee was less militant, and less successful, than Narendra Modi



Aug 23rd 2018 | NEW DELHI

THE Bharatiya Janata Party (BJP) has provided two of India's 14 prime ministers: Narendra Modi, the incumbent since 2014; and Atal Bihari Vajpayee, who held office in 1996 and again in 1998-2004. Both silver-haired, silver-tongued orators, who lived as avuncular bachelors and gave their younger years to quasi-monastic work for the Rashtriya Swayamsevak Sangh (RSS), a Hindu "volunteer" network, they sound like twins. They took office promising economic progress and a resurgence in cultural pride for the country's Hindu majority. When Mr Vajpayee died after long infirmity at the age of 93 on August 16th, Mr Modi said he had lost "a father figure". Yet many Indians dispute the inheritance.

"Impossible to fill the void", the headlines blared, paraphrasing Amit Shah, the BJP's current number two. In fact Mr Vajpayee had not been seen in

public in the past nine years, since suffering a stroke. Messrs Modi and Shah have felt no compunction about filling the void. Under their watch the BJP has become the country's largest party by membership and by far its best funded. They are happy, of course, for the public to be reminded of its fond feelings for Mr Vajpayee and his heyday in office. He presided not only over India's first nuclear test and a mini-war with Pakistan in Kashmir, but also over growth rates that began exciting investment bankers, after many years of disappointing economic performance.

But it is hard to dwell on Mr Vajpayee's time as party leader without noting some contrasts with Mr Modi's tenure. Mr Vajpayee was an accomplished poet and maintained an air of genteel concern even during moments of communal violence which the BJP had helped to stir up. Indeed, he was seen as making Hindu-nationalists, previously regarded as a violent fringe, electorally acceptable. He appeared torn by the destruction of the 16th-century Babri mosque by Hindu mobs in 1992, at one point apologising for it, even though the BJP had led a campaign for the mosque to be replaced with a Hindu temple.

Ten years later, when he was prime minister and Mr Modi was chief minister of the state of Gujarat, more than 1,000 people were killed in communal violence in Gujarat, most of them Muslims. Immediately afterwards, Mr Vajpayee went to a BJP conference in Goa determined to sack Mr Modi, according to Vinay Sitapati of Ashoka University. The RSS, which acts as both the activist base and spiritual progenitor of the BJP, got its allies in the government to talk him out of it. Mr Modi went on to campaign for multiple re-elections as a strongman who could save India from a vague but sinister Muslim threat.

Another contrast concerns economic management. Mr Modi has disappointed his policy-minded admirers by failing to follow Mr Vajpayee's lead in pushing through painful reforms. Mr Vajpayee created a ministry for privatisation; the one big sale under Mr Modi, of Air India, failed for lack of buyers. The man who ran Mr Vajpayee's ministry, Arun Shourie, has become one of Mr Modi's fiercest critics, questioning his belief in free markets. Together with one of Mr Vajpayee's finance ministers, Yashwant Sinha, he has accused the current government of corruption in the purchase of French

fighter jets, and with subverting democracy more broadly.

But voters do not seem as bothered by all this as are the chattering classes of Delhi. Mr Vajpayee's educated, upper-caste bearing was not necessarily an asset among humbler voters. Mr Modi, in contrast, is the BJP's first lower-caste leader, and harps on about his time as a *chaiwallah*, selling tea at a street stall. The BJP's best electoral performance under Mr Vajpayee saw it win 182 of the 545 seats in the lower house of parliament. Under Mr Modi it won 282 seats in 2014. Mr Modi is as buoyant in opinion polls as Mr Vajpayee ever was, and is the strong favourite in next year's election. Mr Modi may suffer by comparison to his predecessor in various ways, but it is hard to argue that Mr Vajpayee was the shrewder politician.

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## Ebb and flow

### Conservation v development along Indonesia's longest river

There is opportunity along the Kapuas, but not for fish



Alamy

Aug 23rd 2018 | PUTUSSIBAU

STON, the middle-aged owner of a brightly painted café on a raft, complains about the river on which his establishment floats. When he was young the water of the Kapuas was clear; in the dry season you could see to the bottom, a few metres below the surface. Now it has turned a murky green. He can no longer drink the water, even if he boils it. Nonetheless, the river still has its uses. Like many others, he bathes in it. It also provides a handy washing area for pots and pans. Rubbish, he adds, is not really a concern, flinging a tea bag into the water.

Ston is lucky. His café is near Putussibau, a town close to the source of the Kapuas, Indonesia's longest river. From there the river winds 800km down to Pontianak, the capital of the province of West Kalimantan, in the Indonesian part of Borneo (see map). The river and its tributaries support some 3m people, over half the province's population. For those living downstream, the

deterioration in water quality is even more pronounced.

One reason that the water is so murky is deforestation. Since the 1970s logging has enriched locals while stripping away the vegetation that held the soil in place. The Centre for International Forestry Research (CIFOR) found that between 1973 and 2010 over 100,000 square kilometres of forest was lost on Kalimantan, or a third of the original coverage. A national moratorium that began in 2011 has done little to still the axes. As a result, torrential tropical rains wash lots of loose earth into the Kapuas.

Illegal gold-mining compounds the problem. Locals tear up the riverbed with diggers or blast the banks with high-pressure hoses, then sieve the mud for gold. Mercury, which the miners use to separate gold from sediment, but which is poisonous to humans and fish alike, leaks into the river. A local suspects this caused many people in a nearby village to get sick last year. It is certainly putting the river's fish at risk, says Kiki Utomo, an environmentalist at Tanjungpura University in Pontianak.



## The Economist

Fishing is the main source of livelihood for the residents of Selimbau, a village on stilts, says Soptian Hadi, its head. But catches have declined in the past few years. Mercury is not the only problem. Silt reduces the amount of light reaching the algae on which some fish species feed. And the opaque water makes fish hard to spot.

Tourism suffers, too. Bona Ventura of Kompakh, a local NGO which helps villages generate income from ecotourism, says pollution puts off potential visitors. Moreover, it is hard to convince locals to build bamboo homestays

when gold mining is so much more lucrative.

There are a few other ways for ex-fishermen to earn a living. Some have turned to farming arowana, an ornamental fish sold to well-heeled Singaporeans and Chinese. The riverbank is punctuated with corrugated-iron towers, which emit birdsong from loudspeakers. These are designed to lure swiftlets, who make their nests with saliva. The nests are considered a delicacy and aphrodisiac by many Chinese. Deane, a shop owner, built his tower last December after seeing others do the same. He sells the nests to a wholesaler for about 15m rupiah (\$1,025) a kilogram.

In Penepian Raya, another village, piles of leaves from a *kratom* tree are drying on stilted walkways. Women in conical hats are packing them into bags. They will be used to make a pain-reliever or mild narcotic. A wholesaler collects the sacks and ships them to Pontianak for processing.

The villagers in Penepian Raya are also trying to clean up the river. Many complain about rubbish drifting down from upstream, but use the Kapuas as a tip themselves. Young men equipped with machetes are building bamboo bins for public use. Unfortunately the village is too remote for rubbish lorries. The waste will probably be burned or buried instead.

Isolation makes it hard to deliver other services. In Kapuas Hulu, an upstream district, half the population rely on the river for drinking water. A quarter have no toilet. Even where bathrooms do exist along the river, they are often floating cubicles with a hole in the floorboards. Cows and goats, living in wooden riverside cages, also defecate straight into the Kapuas.

Managing the river is made harder by Indonesia's many layers of government. Take the problem of silt. In some places in Kapuas Hulu, says Muhammad Sukri, head of the civil service there, deposits are heavy enough to impede boats, hampering trade and threatening local livelihoods. But he cannot do anything about it because the river is the jurisdiction of the provincial government in Pontianak. Demands from the central government in Jakarta, meanwhile, baffle local bureaucrats. One edict obliges districts to plant bamboo on river banks. Why? "I don't know," shrugs a frustrated official.

The confusion also creates problems on land. In 2014 researchers at Lembaga Gemawan, an NGO in Pontianak, totted up the amount of land in the province that officials had handed out in logging and mining concessions. The total was 30% bigger than the province itself, implying a wealth of overlapping claims. That is partly because different bits of the government dole out land based on different maps.

The Kapuas passes through seven districts. Midstream ones, such as Sintang and Sanggau, earn hefty tax revenues by encouraging palm-oil plantations. But downstream districts suffer from the resulting silt, traffic and run-off without receiving any of the benefits. The same problem occurs at a village level. Mr Hadi says that fishing by sprinkling poisonous leaves on the water (the stricken fish float to the surface) is forbidden but other village heads do not enforce the rules.

The Kapuas gradually snakes its way down to the town of Sintang, a hub for palm oil. Neat lines of palms line the riverbanks. Yellow lorries carrying palm nuts clog the only good road. The industry is thriving in West Kalimantan. Between 2010 and 2016 plantation coverage more than doubled to 18,000 square kilometres, about a tenth of the province's area. This is improving the lot of locals. A study by CIFOR on the income of villagers living near the Kapuas river found that the best-paid palm-plantation workers earned 50% more than the most successful fishermen. (Gold miners made three times as much—and spent more on education.)

But the environmental damage is plain to see. The river here is brown, clouded by silt. A study published in 2016 found that levels of phosphates in the water, from fertilisers and villagers washing themselves with soap, are highest near urban areas and palm plantations.

Down in Pontianak, the river water is darker still, occasionally brightened by oil slicks. Water bottles and instant-noodle packets cling together to form plastic islands. Bayou, the owner of a riverside bar, says that the littering got worse after a big mall opened upstream. Yet people still use the river to bathe, clean their pots and brush their teeth. Down the road, workmen are building a pipe to bring in clean water from elsewhere in the province.

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**Banyan**

## Many Afghans are ready for an end to conflict. Is the region?

Pakistan, India, China and Iran are jockeying for influence but would benefit from peace



Aug 23rd 2018

THIS week, to coincide with the Eid al-Adha, the Muslim feast celebrating the end of the *hajj*, Afghanistan's president, Ashraf Ghani, announced a ceasefire in the government's long, grim conflict with the insurgents of the Taliban. The Taliban appear to be open to a brief truce and talk of releasing prisoners, even if their sequestered leader, Haibatullah Akhunzada, has yet to give the nod. A fleeting ceasefire in June marking the end of Ramadan led to extraordinary scenes as the country erupted in joy. Taliban fighters with Kalashnikovs over their shoulder crossed frontlines to fraternise with government soldiers, eat ice cream and even take selfies with women.

The steep drop in violence over those days allowed an all-too-brief sense of normality in a war-ravaged country of 35m. The truce proved, as the International Crisis Group (ICG), a think-tank, puts it, that the domestic

constituency for peace runs deep. This year is the bloodiest, in terms of civilian casualties, since 2001, when an American invasion in search of Osama bin Laden toppled the Taliban, who were harbouring him. Civilian deaths rose sharply after a once-huge NATO presence was pared to the bone between 2013 and 2015. Social gains, such as higher school attendance, are in jeopardy.

Right after the last truce the Taliban resumed hostilities across the southern half of Afghanistan. Typically, the guerrillas use night-vision goggles, sniper rifles and motorcycles to attack outposts of the Afghan army or, more often, the less well-equipped police. The fighters will hold the ground for a few hours and then vanish. Earlier this month the Taliban put on one of their most brazen displays by attacking and briefly holding Ghazni, a city of 250,000 a mere 90 miles (150km) from Kabul, on the strategic road that links the capital with the south. The Taliban have long controlled the countryside in Ghazni province, and even openly collected taxes in parts of the city. On August 10th fighters shot their way to the city centre. By the time the government had regained a semblance of control, backed by American air power, up to 250 civilians were dead.

The attacks are designed to prove that the American “puppet government” under Mr Ghani has only a tenuous hold over the country. Certainly, the president does not believe he can defeat the Taliban in battle, or even by winning hearts and minds. The problem is not the much reduced level of Western military-led assistance. On the contrary, the hundreds of billions of dollars America and its allies poured into the country in the name of stability and development engendered a much resented kleptocratic state. As Theo Farrell of Wollongong University in Australia puts it in “Unwinnable”, his book on Britain’s war in Afghanistan: money flows upwards; every government position is bought; even promotions in the army and police depend upon patronage and purchase. So much Western money ended up (via unscrupulous local barons to whom logistics and other contracts were granted) helping the insurgents that a common myth in Helmand province in the south, where the British force was concentrated, was that Britain was working with the Taliban.

These days, so low are government morale and discipline that regional

commanders and other officials switch off their mobile phones at night so as not to receive calls to provide reinforcements. No wonder Mr Ghani has pushed for peace since he came to power in 2014 at the head of a “national unity” government offering unconditional talks with insurgent leaders.

By and large, the Taliban have rebuffed him—Americans are the real foe, they insist. But morale is not much better with them either. The Taliban may control much of the countryside, but they fail to hold provincial centres for long. For many fighters the war has gone on far too long, with too much slaughter and destruction. It was another matter when they fought a foreign enemy. Now the sense of a holy cause is lost, and loyalty to their unpopular and ineffective emir is frayed. To many, a ceasefire appeals.

If peace depended only on the will of government and insurgents, it might not be that hard to achieve. Yet for a century and a half Afghanistan’s destiny has been determined by outside powers in a long Great Game. In June a student-dominated “peace caravan” that had journeyed on foot from Helmand to the capital camped out in front of foreign embassies. In particular, protesters blamed Pakistan, Russia and Iran for deepening Afghanistan’s bloodshed. The criticism is fair. In a bid for “strategic depth” in its perpetual struggle against India, Pakistan’s generals have long maintained influence in Afghanistan by offering sanctuary to the Taliban. Iran and Russia have increased their support of the Taliban not only as a means to counter a common enemy, Islamic State, which is seeking a foothold in Afghanistan. Both countries also have thorny relations with America and wish to discomfit it.

Indeed, thanks to geopolitical tensions—between America and China, America and Russia and Iran, and India and Pakistan—a regional consensus over Afghanistan seems to some to be more elusive than ever. Russia, for one, appears to be trying to undermine tentative American contacts with the Taliban in Qatar, by holding rival peace talks of its own.

### **Game weary**

And yet, as Barnett Rubin of New York University argues, all the region’s powers would benefit enormously from peace in Afghanistan. China needs stability there if its huge investments in its Belt and Road Initiative are to

fulfill their potential. For India, Afghanistan is the route to Eurasia. For Iran, too, Afghanistan is an essential link to China and India. And Afghanistan has become a source of instability in Pakistan as much as the other way around.

All this argues for co-operation. And there is another reason. America's commitment to Afghanistan is hostage to its erratic president. And however bad things currently are, they would be worse if Donald Trump suddenly abandoned the place.

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# China

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China's ethnic-Korean enclaves have become less Korean. An exodus of Korean-Chinese has changed them.

- **[The China-North Korea border: Top of the rock](#)**

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Political rumblings under a volcano on the China-North Korea border. Korean nationalists dispute China's part-ownership of the sacred mountain.

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### The third Korea

## China's ethnic-Korean enclaves have become less Korean

An exodus of Korean-Chinese has changed them



Getty Images

Aug 23rd 2018 | YANJI

TALL jars filled with rice beer await customers by the riverside in Yanji, a city in north-eastern China close to the border with North Korea. Servers in aprons fork out spicy salads from rows of red plastic bowls. Atop a nearby trestle table a butcher has laid out three skinned dogs. The early-morning market exudes the distinctive character of Yanbian, an ethnic-Korean enclave of which Yanji is the administrative heart. Youngsters chatter in Mandarin and Korean. Shop hoardings are written in both languages.

Yanbian is the biggest of two ethnic-Korean areas on China's side of the border. But its Korean-ness has faded over the past three decades. A stallholder who gives his surname as Piao (Park in Korean) explains that his grown-up nieces and nephews have all moved to Japan or South Korea, where he thinks they can earn three times more money. He is sure that his young daughter, who is spending her summer holiday helping at the market,

will eventually choose to leave, too. The way things are going, he reckons, Yanbian's Korean community will one day disappear.

Koreans began moving into China in the second half of the 19th century. The early migrants were victims of floods and other disasters that had made northern parts of the peninsula unfit for farming. Later generations fled the Japanese occupation of Korea, which began in 1910. When the Japanese army eventually followed the refugees north—in 1932 it incorporated a large swathe of north-east China into a puppet state called Manchukuo—the colonial authorities encouraged more Koreans to move into sparsely populated areas of the new dominion.



The Economist

As it turned out, Korean militias played an important role in kicking the

Japanese out in 1945. Later they sided with the Chinese Communist Party in China's civil war. After it seized power in 1949, the party recognised Korean-Chinese as an ethnic minority and gave them special rights in their enclaves of Yanbian and the county of Changbai, both in Jilin province (see map). These included permission to use Korean as an official language and promote it in schools (pictured is a propaganda poster in Yanji, written in Korean and Chinese—the words mean “patriotism”). The two prefectures are officially designated as “autonomous” (in practice they are not at all so). Yanbian covers an area bigger than the island of Taiwan.

During the 1960s some Korean-Chinese moved back to communist-ruled North Korea, which for a while seemed alluring by comparison. Today Korean-Chinese are among the more prosperous of the country's ethnic minorities. A turning-point came in 1992, when China and South Korea opened full diplomatic relations. This encouraged big South Korean firms to set up operations in China. These often preferred to recruit Korean-speaking Chinese. A paper by Choi Woogill of Sun Moon University in South Korea says that many young people from Yanbian found white-collar jobs in such businesses, often in cities such as Beijing and Shanghai, far from their hometowns.

A far greater number of Korean-Chinese began heading abroad to seek their fortunes. Of around 1.8m of them, about 1m are living outside China, with as many as 700,000 in South Korea alone. Perhaps as few as half a million remain in China's north-east, which once was home to all but a handful of them.

The outflow proved an economic boon for Yanji. Money sent back by the migrants to their relatives in the city helped to make it livelier and more affluent than many other places in China's north-east, a centre of state-owned heavy industry that in recent years has often been described as a “rustbelt”. A taxi driver belonging to China's main ethnic group, the Han, says that there are now hardly any ethnic Koreans driving cabs. He guesses that they are no longer attracted by the possible earnings.

But while Korean-Chinese have been gaining in wealth, their enclaves have been withering culturally. The proportion of ethnic-Koreans in Yanbian has fallen from more than three-fifths in 1949 to slightly more than one-third

today. The exodus has been particularly evident in the countryside, where—as often across China—farmers have been abandoning the fields in favour of better-earning work in the cities. The number of Korean-language schools has been plummeting amid a shortage of teachers and students. The departures have split families. Some 60-80% of ethnic-Korean children in Yanbian live apart from at least one parent, according to Mr Choi.

For the government, this is a mixed blessing. Officials in Yanbian want the area to maintain its Korean character, which is an attraction for tourists. But the out-migration also helps to dilute the numbers of ethnic Koreans along the border. In their book “China on the Edge”, Carla Freeman and Drew Thompson describe how, in the 2000s, some Chinese officials were wary of attracting South Korean investors to Yanbian, fearing they were treating it as Korean territory. South Korean nationalists sometimes refer to the area as the “third Korea”.

The Communist Party is mindful of claims by fringe nationalist groups in South Korea that Yanbian is Korean territory that ought one day to be reclaimed. Such people argue that border agreements signed by China in 1909 with Japanese colonialists and in 1962 with North Korea should be annulled, because they were negotiated with illegitimate governments, as the nationalists see it (see [article](#)).

## No dual loyalty here

These opinions do not appear to be shared in Yanbian itself. Few Korean-Chinese residents there say there is any serious conflict between their Korean ethnicity and their loyalty to China, of which they are citizens. But the party probably worries that this view could change should Yanbian’s ethnic make-up be altered by a large influx of North Korean refugees—or if the bankrupt prison-state that lurks next door were to collapse and a unified, rich and attractive Korea were to emerge.

China’s anxieties about Korean nationalism may explain its efforts, beginning in the early 2000s, to establish the Chinese-ness of the border area by funding new research into its history. There ensued an arcane but fiery debate between Chinese and Korean experts over whether the kingdom of Goguryeo, the territory of which straddled northern Korea and north-eastern

China between the first and seventh centuries, was mostly Korean or Chinese in nature. Some nationalists in South Korea accused China of using its version of history to expand its territorial claims, perhaps to justify the grabbing of territory in North Korea to act as a buffer zone should the regime there fall apart.

For the moment, however, China's main worry on its side of the border is about the economy. Last year GDP growth in Yanbian was only 3.3%, less than half the national rate. If North Korea could resolve conflicts over its nuclear programme and become more open to foreign business, "every inch of soil" in Yanbian would "turn to gold", says Jin Qiangyi, a Korean-Chinese academic at Yanbian University.

Should this happen, plenty of far-flung Korean-Chinese would return to the border area. But few people in Yanji are holding their breath. An ethnic Korean relaxing in a park says any real change on the peninsula might take another 30 years or more. Such a scenario worries Mr Jin. By then, he says, China's globetrotting ethnic Koreans may have been gone too long to be tempted home at all.

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## Top of the rock

### Political rumblings under a volcano on the China-North Korea border

Korean nationalists dispute China's part-ownership of the sacred mountain



Imaginechina

Aug 23rd 2018 | CHANGBAI

FOR much of the year the lake in the crater at the top of Mount Changbai, a dormant volcano that straddles the frontier between China and North Korea, is covered with ice or hidden by clouds. On a recent weekend its waters, through which the border runs, shone a stunning azure blue. Sightseers on the Chinese side of the peak jostled for elbow-room at a busy cliff-top viewing point, grinning excitedly for selfies. Across the lake, in North Korea, there was not a soul to be seen.

On such a day it is easy to see how the mountain became not just a famous beauty spot but also a potent national symbol. The ethnic Manchus who founded China's last imperial dynasty, the Qing, claimed that their progenitor was conceived on its alpine slopes. Koreans, who call it Mount Paektu, have a similar myth. In their folklore, the mountain is the birthplace of the founder of the first Korean kingdom. North Korea eagerly exploits the peak's near-

sacred status in Korean culture. It claims that Kim Jong Il, the late father of the country's dictator, Kim Jong Un, was born in its foothills. The far more likely location was a refugee camp in Siberia.

So whose mountain is it? The debate has seemed mostly settled since the 1960s, when China and North Korea agreed on how to share its nearly 2,750-metre-high caldera. It is unclear, however, whether the two secretive countries have reached a clear-cut agreement on the border line or have simply agreed to fudge it. Nationalist groups in South Korea argue that neither North Korea's rulers nor the Japanese colonialists, who occupied the Korean peninsula and later north-east China before their defeat in the second world war, had any standing to draw up the boundary. Some South Koreans argue that, if the Koreas reunify, the new country should claim not only the whole volcano, but also Yanbian, a traditionally ethnic-Korean region of China that extends north and east of it.

It is hard to imagine such a realignment happening, especially while watching the endless stream of buses relaying Chinese tourists to and from the peak. In recent years Chinese firms have invested heavily in tourist facilities on their side, including luxury ski resorts. New hotels are still being built and the road to the volcano from Yanji, a city to the north-east, is being improved. The North Korean side is far more dreary. Many of its visitors are pilgrims being taken to pay homage at the supposed birthplace of Kim Jong Il in a guerrilla base used by his father, Kim Il Sung, the founder of the Kim dynasty, for staging attacks against the Japanese. A funicular railway to the summit often does not work because of power cuts, travel agencies warn.

Yet even though China and North Korea appear happy to coexist on the mountain, subterranean rumblings between 2002 and 2005 hint at a risk. An eruption at Changbai in the year 946 was one of the largest volcanic explosions in the past five millennia. Some wonder if another might be due. Volcanologists seem relieved that North Korea has for the moment stopped its underground nuclear tests, which take place in tunnels about 120km from the mountain. A few had started to ponder whether the big bangs could set it off.

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# Middle East and Africa

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All talk, no progress

## Will a flurry of diplomacy help Israel and the Palestinians?

Three sets of negotiations aim to bring the sides closer together



Getty Images

Aug 23rd 2018 | CAIRO

DIPLOMATS often lament that the Israelis and Palestinians are not talking. You wouldn't know it from the crowd of diplomats and spies parading around the region this summer. They shuttle between Jerusalem, Ramallah and Gaza, and Arab capitals from Cairo to the Gulf, for three tracks of negotiations. One is meant to avert a war between Israel and Hamas, the militant Islamist group that runs Gaza. A second aims to reconcile Hamas with its rival, Fatah, which governs the West Bank. And then there is Donald Trump's pursuit of "the ultimate deal" between the Israelis and Palestinians. Yet when all the gabbing is done, the result will probably look much like the status quo.

The truce talks involving Israel and Hamas are the most urgent. The two sides are closer to war than at any time since their last conflict in 2014. Tensions started to rise in March, when activists in Gaza organised protests

over the decade-long blockade of the strip by Israel and Egypt. At their peak, tens of thousands of people took part. Israeli troops killed more than 50 of them on a single day in May. Hamas stopped encouraging the protests, fearing they would get out of hand.

The crowds ebbed, but instead of the mostly peaceful rallies there is now escalating violence. Young Gazans have set fire to thousands of acres in Israel by flying burning kites and balloons across the border. Some used condoms as incendiary devices. Militant groups have fired hundreds of rockets at Israel, and Israel has dropped hundreds of bombs on Gaza. Each time the violence flares up diplomats scramble to broker a ceasefire. Their luck will not hold forever.

So Israel and Hamas are talking indirectly about a longer-term deal. Hamas will stop the pyrotechnic prophylactics in exchange for freer movement of goods and people. The leader of Hamas, Ismail Haniyeh, told Gazans that “we are on the path to ending the blockade.” They will probably be disappointed. Israel and Egypt have already relaxed restrictions at the borders. Since May about 33,000 Palestinians have used the Rafah crossing with Egypt, a nearly tenfold increase compared to the same period last year. Traffic at the Erez border with Israel is up 58%. This is a marked improvement, but hardly free movement for 2m people. Nor will Gaza’s shattered economy be reopened to the world (indeed, commercial traffic is down this summer).

Even this narrow truce is a political liability for the Israeli prime minister, Binyamin Netanyahu, who may call a snap election by spring (see [article](#)). His right-wing supporters are furious that Israel is negotiating under duress. A recent poll found that just 28% of voters in his Likud party support a deal with Hamas; 41% oppose it. The group holds the bodies of two Israeli soldiers killed during the war of 2014. Israel wants them back. (It also has two living Israeli prisoners, a Bedouin and an Ethiopian Jew, whose plight gets less attention.) Hamas views them as leverage.

The Palestinian president, Mahmoud Abbas, is also unhappy. His aides have been meeting Hamas officials in Cairo to discuss a deal that would see Hamas relinquish its control of Gaza. They signed a similar agreement in October. It was never implemented. Hamas gave up the bureaucracy, handing

Fatah the thankless task of providing public services in Gaza. But it refused to disarm its militias. Last year Mr Abbas slapped his own sanctions on Gaza to exert pressure on Hamas. Strange as it may seem, Israel is now urging him to lift the measures, fearing they will complicate its own efforts to make a deal with the group.

Ailing and 82 years old, Mr Abbas has kept the West Bank mostly quiet for a decade. His security forces work closely with their Israeli counterparts. He accepts the two-state solution. Yet he has nothing to show for it—not even the appearance of a peace process, let alone an actual deal. Israel spends more time negotiating (albeit indirectly) with Hamas, which it considers a terrorist group.

Mr Abbas takes little comfort from the Trump administration's fanciful efforts. The president's son-in-law, Jared Kushner, and his special envoy, Jason Greenblatt, have spent 18 months touring the region. Their long-promised peace plan is still shrouded in mystery. No one knows when (or if) it will be released. Mr Trump has already moved the American embassy from Tel Aviv to Jerusalem and cut funding for the United Nations Relief and Works Agency, which helps Palestinian refugees. In a speech on August 21st, Mr Trump said the Palestinians would "get something very good" as compensation. To say they are sceptical would be an understatement.

Veteran negotiators often treat the conflict as a problem of communication. If the parties would only come back to the table, they could make a deal. But those parties have talked for decades. Any Israeli or Palestinian can recite the details of a two-state solution. Hamas and Fatah have produced many reconciliation agreements. The issue is not a lack of talking. It is a lack of trust.

## What's the alternative?

Support for two-state solution, %



Sources: Palestinian Centre for Policy and Survey Research; Hebrew University of Jerusalem

The Economist

A deal between Israel and Hamas might bring quiet to the border. It will also leave Mr Abbas weaker, and Hamas less inclined to a real reconciliation. Mr Trump has squandered whatever goodwill he had among the Palestinians. Even allied Arab states like Jordan are angry with him. If he does unveil a peace plan, it will enjoy little support. A poll published on August 13th found that just 43% of Palestinians and Israeli Jews back a two-state solution, the lowest figure in nearly two decades (see chart). Twenty-five years after the Oslo accords, which were meant to end the conflict, it is a struggle just to stop things getting worse.

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**One eye on the clock**

## **When will Binyamin Netanyahu call an election in Israel?**

That may depend on whether he is indicted



Aug 23rd 2018

THE next general election in Israel does not need to be held until November 2019, but drive down the motorway in Tel Aviv and you will see campaign banners for Moshe Kahlon, the finance minister and leader of a centre-right party. On the radio you can hear Avigdor Lieberman, the defence minister, and Naftali Bennett, the education minister—both of whom lead right-wing parties—tearing into each other. Plainly, members of the government coalition sense that an election is near.

For his part, Binyamin Netanyahu, the prime minister (pictured), has been sending mixed signals. In July he told his ministers that he wanted the government to see out its term; a month later he warned of an imminent ballot. Some point to the rushed passage of a controversial law bowing to Jewish nationalism as proof that he is preparing to go to the polls.

The main consideration governing Mr Netanyahu's decision is his own legal predicament. He is the target of three investigations concerning his ties to businessmen and media owners. Investigators have questioned him 11 times. The police, armed with the testimony of three of his aides, have already recommended pressing charges against him for bribery and fraud.

The last and reportedly final round of questioning came on August 17th. The attorney-general, Avichai Mandelblit, must now decide whether to indict a serving prime minister for the first time in Israel's history. (Ehud Olmert, a former prime minister, was indicted and jailed for accepting bribes after he resigned in 2008.) Mr Netanyahu insists he will not resign. But if an indictment is handed down, the Supreme Court might weigh in on whether he can remain in office—that is, if his coalition partners don't abandon him.

Despite his troubles, polls show Mr Netanyahu's coalition beating the opposition in an election. Holding the vote now might bolster his case to remain in office even if he is indicted. Moreover, it would pre-empt the attorney-general's decision, allowing Mr Netanyahu to run a campaign that is not overshadowed by his legal affairs.

But he has two reasons to hesitate. The first is discord within his coalition. Under Mr Netanyahu, the Likud party has never held more than a quarter of the seats in the Knesset, putting him at the mercy of his partners. He could face a challenge from the right, which is upset by his decision to seek a ceasefire with Hamas, the militant Islamist group that controls Gaza.

Mr Netanyahu's second concern is his legacy. If he hangs on until July 2019 he will become Israel's longest-serving prime minister (at 13 years and four months), breaking the record of David Ben-Gurion, Israel's founding prime minister. He is determined not to let his political rivals or the police deny him his place in history.

### The inveterate diplomat

## Kofi Annan helped define the UN, in success and failure

But his vision depended on the support of big powers, which frustrated him



AFP

Aug 23rd 2018

THE secretary-general of the United Nations is sometimes described as a “secular pope”. The position is imbued with moral authority; the holder watches over an enormous flock; but he has no instruments of hard power. The title seemed to fit Kofi Annan, the seventh secretary-general, more than most. Soft-spoken and calm, Mr Annan had the demeanour of a monk. And with popish assuredness he set about trying to establish the UN as the world’s moral arbiter. But he was often frustrated by the countries on the Security Council, which wield the real power.

Mr Annan died on August 18th, aged 80. Many will remember him for drawing attention to the plight of the poor, the sick and the victims of war. He took over the UN in 1997, becoming the first sub-Saharan African to lead the organisation, and served two five-year terms. With his neatly-trimmed goatee and well-tailored suits, he was charming and eloquent. Many remarked on

how unflustered he always appeared, despite serving during a tumultuous decade that saw al-Qaeda attack America, and America attack Iraq. He was awarded the Nobel peace prize in 2001 (an award he shared with the organisation) for his work to revitalise the UN's institutions and renew its sense of purpose. For all his efforts, though, these days the UN feels all but marginalised in world affairs.

Mr Annan was an unlikely choice for secretary-general. Born in Ghana, he rose through the ranks of the UN, whereas past leaders had been prominent national politicians or diplomats. His four-year stint as head of peacekeeping operations was marred by bloody failures. The most shameful episode occurred in 1994 in Rwanda, where a small UN force was stopped by Mr Annan from taking action to prevent a genocide that left 800,000 people dead. Blame should be shared, said Mr Annan later. The bloodshed would have been difficult to stop and the world was reluctant to intervene. "All of us must bitterly regret that we did not do more to prevent it," he said.

UN peacekeepers were again criticised during the wars of the former Yugoslavia. When Bosnian Serb forces surrounded the UN-protected "safe haven" of Srebrenica in 1995, peacekeepers from the Netherlands handed it over without a fight, leading to a massacre of civilians. European powers opposed backing the troops on the ground with air strikes. In the end, Mr Annan sidestepped his boss, Boutros Boutros-Ghali, and approved a NATO bombing campaign against the Serbs. The forceful action endeared him to America, which was looking to replace Boutros-Ghali.

But America would later challenge Mr Annan's view of the UN as "the sole source of legitimacy" for foreign interventions. When NATO launched a bombing campaign in defence of ethnic Albanians in Kosovo in 1999, Mr Annan said it was "tragic that diplomacy has failed", while admitting "there are times when the use of force may be legitimate in the pursuit of peace."

A more serious test came in 2003. As America confronted Iraq over its alleged possession of weapons of mass destruction (WMD), Mr Annan pressed Iraq's dictator, Saddam Hussein, to give UN weapons inspectors access to his facilities and urged America to give them time. Any plans for military action must go before the Security Council, said Mr Annan (who knew that the council would vote against them). When America invaded

without UN approval, Mr Annan said the action was illegal, leading to a torrent of criticism from Republicans, who noted that the firm employing his son had benefited from UN contracts in Iraq before the war.

“The attacks [on Mr Annan] reflected the US at its worst, Kofi at his bravest, and the UN at its most vulnerable, trying to maintain international law against a lawless White House,” wrote Jeffrey Sachs, a former economic adviser to Mr Annan. No WMDs were ever found in Iraq. The war, though, also reflected the impotence of the UN. It was helpless in the face of Saddam’s brutality and America’s aggression.

Defenders of Mr Annan would often note that the big powers criticised the UN for inaction, then stopped it from acting, depending on their national interest. Little has changed. Mr Annan did not have troops under his command. He relied on America for much of the UN’s budget.

Mr Annan’s greatest achievement, he said, was getting all UN member states to agree on the Millennium Development Goals, a set of global targets for things such as reducing poverty and child mortality. Up until his death he continued to champion the cause of the downtrodden and seek peace in places such as Libya, Myanmar and Syria. He was a force for good, said António Guterres, the current secretary-general. But, his critics noted, not without flaws. “In many ways,” said Mr Guterres, “Kofi Annan was the UN.”

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## Hands up for the Ghetto President

### The arrest of Bobi Wine has shaken Uganda

The state risks turning the popular singer into a populist icon



AP

Aug 23rd 2018 | KAMPALA

THE video for his song “Freedom” imagines Robert Kyagulanyi, better known as Bobi Wine, trapped in a jail cell. Now the singer-turned-politician really is locked up. On August 13th the authorities in Uganda arrested Mr Wine, along with other MPs and activists. Ten days later he was charged with treason. He limped into court, unable to walk unaided; his lawyers say he was beaten by soldiers. Opposition politicians are often arrested on bogus charges. But Mr Wine’s detention has ignited public outrage and exposed the generational chasm in Ugandan politics.

Mr Wine has become the unofficial spokesman for young people disillusioned with Yoweri Museveni, Uganda’s ageing president. Calling himself the “Ghetto President”, Mr Wine rose to fame as a dreadlocked pop star who drove fast cars and dissed his rivals. He sang about girls, naturally, but also about mistreated street traders. He calls his songs “edutainment”,

music with a message. In 2015 other stars took money to record a campaign anthem for Mr Museveni. Mr Wine wrote his own hit, calling for peaceful elections and a handover of power.

Last year Mr Wine swept into parliament as an independent and, with other MPs, tried to stop a constitutional amendment that would let Mr Museveni extend his rule. “We want to take power back to the people,” he told *The Economist* at the time, his red tie wrapped like a bandanna around his head. A grenade was later thrown at his house. Undeterred, he campaigned for like-minded candidates in by-elections (they won) and joined protests against a new social-media tax.

This month Mr Museveni and Mr Wine were in the north-western town of Arua for another by-election. An army spokesman says a crowd threw stones at Mr Museveni’s convoy and that Mr Wine’s driver was shot dead in the ensuing “fracas”. The police later claimed to have found guns in the singer’s hotel room. Nearly all of this is disputed. Mr Wine, tweeting before his arrest, said the bullet that hit his driver was meant for him. The charge against Mr Wine of unlawful possession of firearms has already been dropped.

In the days after Mr Wine’s arrest young men lit fires in the streets of Kampala and demanded his release. On August 20th protests erupted across the city. Police and soldiers fired tear gas and bullets. Journalists and bystanders were beaten. One man was shot dead. The authorities forced hundreds of people to kneel on the street with their hands in the air.

In a little over a year Mr Wine has overthrown the conventions of Ugandan politics. For three decades the dominant figures in both the government and the opposition have been veterans of the bush war that brought Mr Museveni to power. Mr Wine was a toddler then. He speaks in a way that appeals to the restless young masses—the median age in Uganda is 16. “He sings about the situation a person faces: unemployment, poor health, poor education,” says one young man.

Mr Wine’s critics say he has no party, no ideas and that, until now, he has not experienced state brutality—a rite of passage for opposition politicians. Mr Museveni condescendingly calls him “our grandson, the indisciplined MP, Bobi Wine”. But the regime is rattled by him. By resorting to violence, the

state only accelerates his transformation from weed-smoking celebrity to populist icon. “When leaders become misleaders,” he sings, “then opposition becomes our position.”

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### Tragedy of the commons

## Land reform in South Africa has been slow and inept

It could get even worse



Getty Images.

Aug 23rd 2018 | ASHBURTON AND CAPE TOWN

ZABALAZA MSHENGU was born on a farm in Ashburton, in the east of South Africa, on January 11th 1914. Seven months earlier the government had passed the Natives Land Act, which marked out 90% of the country for whites, who made up just 21% of the population. It was among the first of many laws to codify segregation. From 1948, under apartheid, 3.5m blacks were forcibly moved to isolated reservations called “homelands”. Mr Mshengu, however, remained. He became a “labour tenant”, working without pay on a white-owned farm in exchange for untitled land at its edge. There he grew maize and herded goats. He buried his parents, then five of his seven children, on the land.

After the advent of democracy in 1994 the African National Congress (ANC) pledged restitution, usually in the form of land, for those expelled from their homes and for labour tenants. Mr Mshengu lodged a claim in 2000. In 2007

the Land Claims Court said he met the relevant criteria. Yet deeds never arrived. Despite many petitions the authorities failed to act on his claim. On August 13th Mr Mshengu died, aged 104. “He believed he would die a landowner,” says Mandla Mshengu, his youngest surviving son.

Cyril Ramaphosa, South Africa’s president, calls “the taking of land from indigenous people” the country’s “original sin”. The ANC has balked at Zimbabwe’s ruinous policy of forcibly seizing white-owned farms. But on July 31st Mr Ramaphosa said the ANC would propose an amendment to the constitution that clarifies when land could be expropriated without compensation. The ANC and the Economic Freedom Fighters (EFF), a far-left party, have the numbers in parliament to enact a change before elections due next year.

This has people worried. Some are misinformed. On August 23rd, after watching a Fox News segment, President Donald Trump tweeted about illegal “farm seizures”, which the ANC opposes, and the “large scale killing” of farmers, by which he presumably does not mean the black farm workers most likely to be victims of rural crime. But calmer heads are also concerned. While Mr Ramaphosa insists that land would be taken without harming the economy, investors are spooked. They fear an incremental assault on property rights.

So why do it? The ANC is fragile, weakened by nine years of misrule by Jacob Zuma, the kleptocratic former president who was elbowed aside in February. Today there are more unemployed than employed people in four out of nine provinces. Mr Ramaphosa is trying to quieten the left of the ANC and the EFF, which admires Zimbabwe’s land-grab.

The ANC is haunted by its own failings. After taking office in 1994 Nelson Mandela’s government identified three priorities for land reform: restitution for labour tenants and those dispossessed after 1913, a broader redistribution of farmland from whites to blacks, and tenure reform. It has made scant progress in all three areas.

## **Broken promises**

Restitution has been especially slow. Mandela’s government was

overwhelmed by the tens of thousands of claims. The authorities did not keep proper records of applications and lost many of the files. Based on the rate of processing so far it would take 709 years to finish the job.

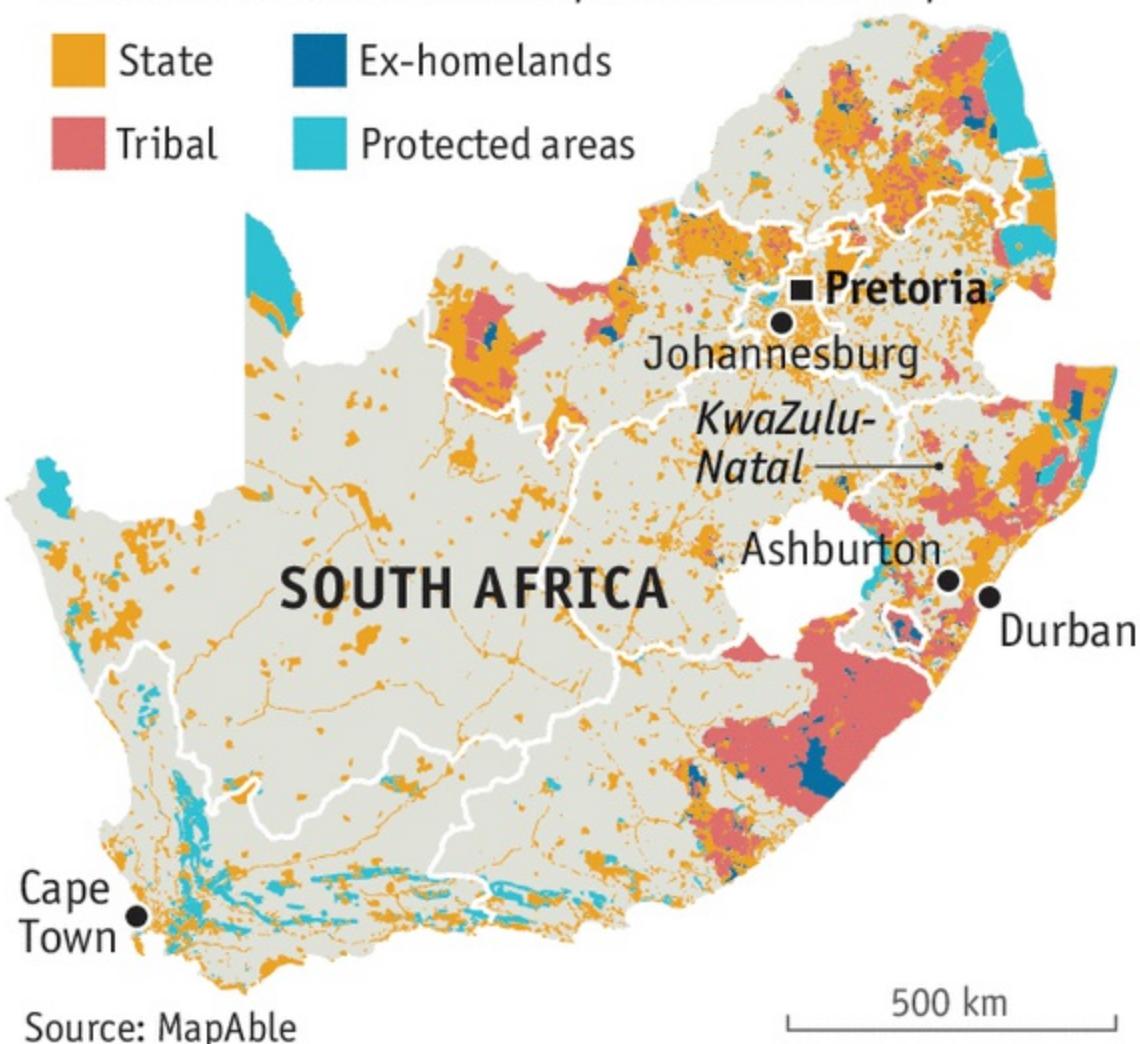
Things got worse after Mr Zuma took power in 2009, as communal authorities increasingly became the vehicles for receiving restitution. This led to corruption. Spurious claims were often given priority over those by people like Mr Mshengu.

The ANC's effort to increase the share of land owned by blacks has also been sluggish. It said it would give 30% of farmland to black South Africans by 1999, acquiring land on a "willing buyer, willing seller" basis, in order to. It has delivered a third of that target. Around 70% of the purchased land lies fallow—in part because new black farmers receive little help.

## Expropriate the state

South Africa, land not in private ownership

- State      ■ Ex-homelands
- Tribal      ■ Protected areas



Source: MapAble

The Economist

One way to accelerate redistribution would be to release state-owned land, which makes up about 11% of the total. A similar share is communal land under the control of tribal leaders such as King Goodwill Zwelithini, the Zulu monarch. More than half of KwaZulu-Natal province, where he reigns, is in effect state-owned. The king's support for the ANC helps explain why Mr Ramaphosa says expropriation will not happen on the Zulus' patch.

The fate of farmland understandably attracts attention. But it means that

other, more consequential areas of land reform are neglected. More than 60% of South Africans live in urban areas. Yet the country's cities are not especially dense; there are fewer people per square kilometre in Cape Town than in Woking, a commuter town in Surrey, England. Whites still predominate in the nicest parts of town. The average daily commute for a black South African is 88 minutes; for those living in informal settlements on urban fringes it can be four hours. Better public transport would help. So would living nearer work.

There is plenty of dormant state land that could be used for housing in cities. The armed forces and Transnet, the state transport utility, own prime sites in Cape Town. State land is often hard to sell—any government department can claim it before a tender is issued. But it can be done. The Western Cape government is releasing the site of a former hospital, for example, with the proviso that developers set aside half of new units for subsidised housing.

Another vital yet neglected area of land reform is tenure. In the former homelands and communal areas, where over a third of people live, individuals cannot own formal property titles. This thwarts social mobility, since people may not seek out opportunities in cities if they cannot raise funds by selling houses.

Fully 60% of South Africans have “off-register tenure”, meaning their titles are not lodged with the deeds office. There is a backlog of more than 1m titles that need to be processed for government-provided houses. Without a title it is hard to get a mortgage, or a loan for home improvements. A grey property market has emerged, where homes without official paperwork are sold for less than their full market value.

Apartheid deprived Mr Mshengu of a wage and a chance to earn title. The ANC has done too little to right those wrongs. But the best place to start helping poor blacks is to let them secure their full rights to land they already hold. Instead, the ANC is proposing a constitutional change that is pointless at best and dangerous at worst. When your correspondent pays his respects to the Mshengu family, Mandla is wearing a yellow ANC T-shirt with Mr Zuma’s gurning face. He got the free T-shirt at a rally years ago. “I no longer vote,” he says. He will, however, keep pressing his father’s claim. Zabalaza means struggle, he says. “It’s not over.”

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## Moving in, moving right

### Immigration worries loom over Sweden's election campaign

An anti-immigrant party with neo-Nazi roots may benefit



Aug 23rd 2018 | GOTHENBURG

“THEY take out the glass windscreens so people won’t shatter them,” says Karl Robbjens, nodding at a bare tram stop in Hjallbo, a poor suburb of Gothenburg. Mr Robbjens, who is of mixed Swedish and Libyan parentage, grew up on a housing estate in this immigrant neighbourhood. To an outsider it looks as immaculate as most of Sweden, with its carefully tended vegetation and flagstone-paved shopping square, but Mr Robbjens paints a rougher picture: “I used to get my ass kicked all the time.” He points out the school where his friends broke windows, and the apartment block where a friend’s sister was stabbed to death.

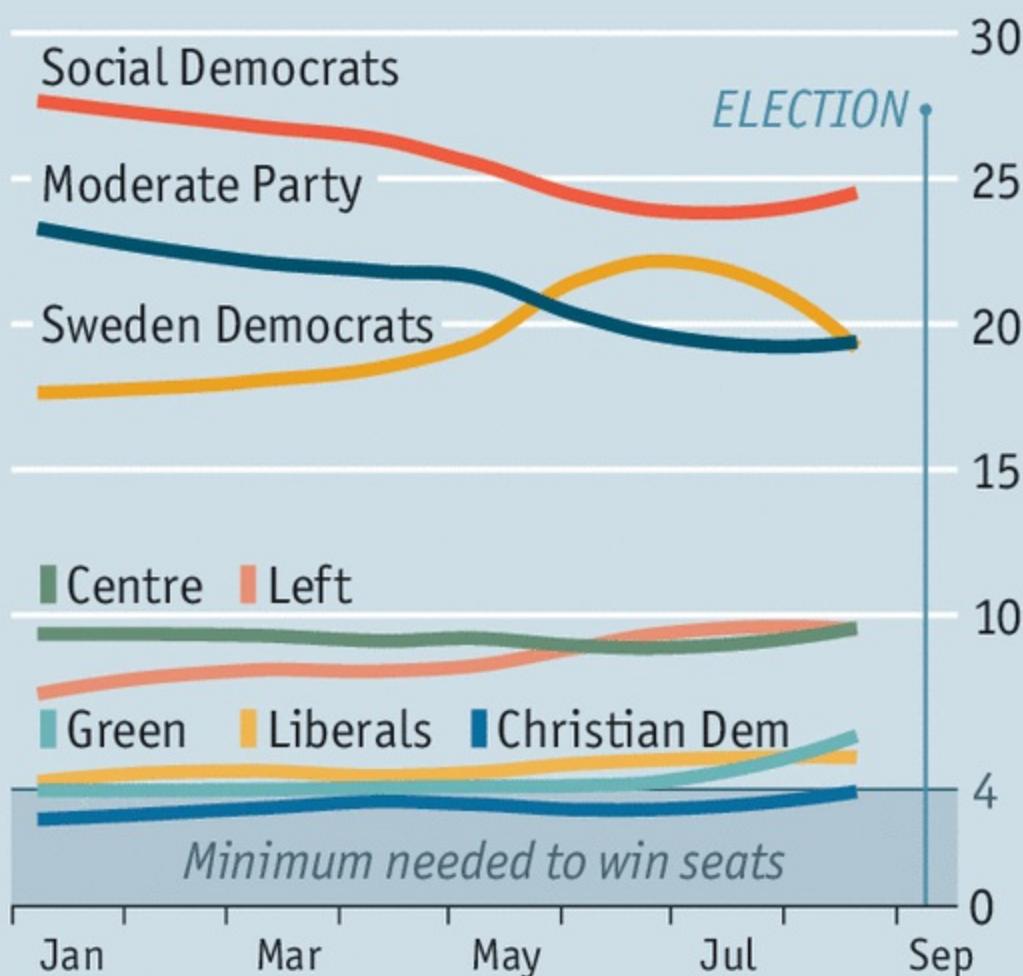
On August 13th some 20 cars were set on fire in Hjallbo, among nearly 100 burnt in the Gothenburg area that night. Two suspects were arrested. Another who fled to Turkey was picked up there. Swedish police think a Kurdish gang may be responsible. Torching cars is a hobby for young criminals in

Gothenburg; police say 172 have been burnt this year, down from 237 in the same period last year. But this attack was scarily co-ordinated, with groups of masked men fanning out to do the job.

Such incidents have kept immigration at the top of Sweden's political agenda as it prepares for elections on September 9th. During the migration crisis of 2015, 163,000 asylum-seekers streamed into Sweden before the country adopted border controls. The numbers have fallen to about 26,000 per year, but the issue preoccupies many voters. This has been bad for the governing Social Democrats and good for the Sweden Democrats, an anti-immigrant party with neo-Nazi roots. Though they have slid in recent weeks, polls put them anywhere from first to third with at least 20% of the vote, or just over 70 MPs.

## The ups and downs of populism

Sweden, general-election polling, 2018, %



Source: pollofpolls.eu

The Economist

One of those MPs will probably be Mr Robbens. Three years ago, he left the centre-right Moderate party for the Sweden Democrats. As a man of mixed race whose mother was deputy mayor of Tripoli, he seems an odd fit for a far-right party. But he is not against immigrants; he is against Sweden's failure to integrate them. He voices a common criticism, that because the country has not demanded that immigrants assimilate, too few consider

themselves Swedish and too many rely on social-welfare programmes.

Yet the newcomers' impact on Sweden is more nuanced than the Sweden Democrats suggest. A study by a finance-ministry economist in May estimated that refugees who arrived before 2014 would each cost the state about \$8,000 per year over their lifetimes. But regular immigrants, unlike refugees, must have private wealth or a job lined up before they come.

Immigrants commit a disproportionate number of crimes, but criminologists say they are not much different from Swedes with comparably low incomes. Despite lurid headlines, there is no clear upward trend in most categories of offence, though sexual assaults have risen in the past year. Dan Windt, a police chief in the Gothenburg area, says crime is somewhat lower this year than last.

Even the politics of immigration are subtler than they seem. A survey by Ipsos, a pollster, found that when voters were asked to rate their top three concerns, highest came health care, at 44%. Immigration came third (25%), barely above the environment (23%), which has won attention because of immense forest fires this summer, boosting the Greens.

But the Social Democrats split the health-care vote with other parties, including the Moderates and the Left Party. Voters who care most about immigration overwhelmingly favour the Sweden Democrats. "They have total ownership of the issue," says Henrik Oscarsson of Gothenburg University, who co-directs a study of Swedish voting.

Spurred by the Sweden Democrats' success, mainstream parties have shifted right. The Social Democrats have become more restrictionist—Stefan Lofven, the prime minister, says he wants to reduce refugee numbers by providing aid to the regions they come from, as have the Moderates. The Greens and the Left—Mr Lofven's potential coalition partners—are more welcoming, as is the Christian Democrat party.

The Sweden Democrats, meanwhile, have adopted a more restrained tone in hopes of winning centrist votes. The party's leader, Jimmy Akesson, acknowledges that the country will not be "blond and blue-eyed" for ever, and says he wants to focus on integration, which sounds like Mr Lofven. But

he is taking a hard line on asylum-seekers, demanding that Sweden accept only those fleeing oppression in neighbouring countries. Norway, Finland and Denmark are not very oppressive.

As in previous elections, every other party has vowed not to co-operate with the Sweden Democrats. That probably means a minority government. Current betting is on Ulf Kristersson, the Moderate leader, to become prime minister. Whoever forms a government will face a tough job putting together ad hoc majorities to legislate.

Many municipalities, like Gothenburg, are already in this situation. The city's 13-member executive is split between right and left; the odd seat was won by the Sweden Democrats in 2014. They are shunned by other parties. Besides ideology, says David Lega, the city's deputy mayor, there is a character issue: the Sweden Democrats' council member was expelled from his party for allegedly bullying subordinates.

Elsewhere in Scandinavia, anti-immigrant parties wield power. Norway's Progressives and Denmark's People's Party have joined or backed governments. Few see this happening soon with the Sweden Democrats. Other parties dismiss their pro-integration rhetoric. "They have shown no interest whatsoever in facilitating or supporting integration," says Ann-Sofie Hermansson, Gothenburg's Social Democratic mayor. But as Mr Robbjens's candidacy shows, many Swedes—including immigrants—think mainstream parties are guilty of this too.

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**Defeat from the jaws of Viktor**

## **Anti-immigrant populism wins votes in Slovenia, but not power**

Mainstream parties gang up to form a fragile blocking coalition



Aug 23rd 2018 | LJUBLJANA

JANEZ JANSA sits sullenly in Slovenia's National Assembly, scrolling through social-media posts on his phone and occasionally sending a sarcastic tweet. The parliament is debating the nomination of Marjan Sarec as the country's next prime minister. Strangely, Mr Jansa, leader of the largest opposition party, does not speak once during the debate. Stranger still is that Mr Jansa's Slovenian Democratic Party (SDS) is in opposition at all: it won a quarter of the votes in June's parliamentary election, twice as many as its nearest rival.

Mr Jansa, who has twice served as prime minister, is the only person to have sat in every Slovenian parliament since the country's independence in 1991. During past stints in power, he governed as a pro-market liberal. This time round he chose to rebrand himself as a populist, anti-immigrant outsider. Hungary's populist prime minister, Viktor Orban, came to his rallies.

Businessmen close to Mr Orban are also said to have financed pro-Jansa media outlets.

Anti-immigrant sentiment seems odd in a country that received fewer than 800 non-European migrants last year. But many Slovenians were shaken by the migration crisis of 2015, when half a million people traversed the country on their way to Germany, and some fear it could happen again. “They will all be stuck here if Austria and Italy close their borders,” says Darinka, a retired teacher who voted for Mr Jansa’s party.

Mr Jansa’s rightward shuffle bore fruit, with his share of the vote rising from 21% in 2014. But the SDS has been unable to form a coalition. Many parties refused even to talk to it. Instead, five smaller centre-left parties banded together to form a minority government with outside support from the hard left. Other politicians justify their decision to exclude the SDS by arguing that Mr Jansa is a divisive bully. “When someone attacks us so personally and so aggressively, he should expect to see the results during negotiations,” says Vojmir Urlep, Mr Sarec’s economic adviser. Luka Mesec, of Levica, a leftist party, accuses the SDS of “scary anti-migrant discourse.”

The SDS is crying foul at the outcome of the coalition talks. “There are interest groups in the deep state against democracy,” says Milan Zver, the party’s vice-president. “They are afraid of a strong government.” Tanja Staric, an analyst, says Mr Jansa is using his exclusion to gain sympathy, waiting in the wings for Mr Sarec’s fragile coalition to fall apart. But Mr Jansa, whose last government fell because of corruption charges against him, makes an unconvincing victim.

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## Home from home

# Syrian refugees find Turkey more welcoming than western Europe

Most of the 3.5m Syrians in Turkey can at least work, but the future is precarious



Getty Images

Aug 23rd 2018 | GAZIANTEP

RETURNING to Turkey from Germany with four children in tow was not easy for Faisl Alakrkh, a 36-year-old Syrian. He had to use a people-smuggler to retrace, in reverse, the route he had taken the year before. His younger brothers have remained in Germany and are studying at university, but he wanted to work, and complains that “I could not do anything there.” Turkey, by contrast, has made it easy for him to operate. He was able to register a company and set up a café in Gaziantep, a city close to the Syrian border. He has now been invited to become a Turkish citizen. His six-year-old son speaks a mixture of German, Turkish and Arabic.

Around 3.5m Syrians live in Turkey, the largest number of refugees anywhere in the world. Turkey is not fully signed up to the 1951 Refugee Convention so, although Syrians there get access to health care, education

and a small stipend, partly paid for by the European Union, they do not receive the many benefits that refugees in the EU get, such as accommodation and child benefit. Nevertheless, Turkey is proving a better refuge for many than Europe.

One reason is that Turkey is close to home for many of the refugees. Syrians flooded in to Gaziantep, a town around two hours' drive away from Aleppo, at such a rate in 2014 that its population reached its projected size for 2030 that year, says Onder Yalcin, the head of the migration office. Many knew the city from before the war, and that has helped them integrate. Gaziantep's old town resembles that of Aleppo. "I like Turkey because it is similar to Syria; they have the same streets," says Khaldoon Ibabede, a 19-year-old who moved back to Turkey after two and a half years in Germany, where he missed his family and wider sense of community.

The Turkish government's more informal approach means most Syrians there are not in ghettos, as they are in parts of Europe, nor in camps, as they are in Jordan and Lebanon. Only around 7% of those in Turkey are in camps; some 40,000 have been given Turkish citizenship.

Freedom to work is the biggest benefit that Turkey offers. A tiny share of the refugee population—around 14,000, according to one estimate—has work permits, but almost all Syrians work informally, mostly in factories.

According to the chairman of a garment-manufacturing company, Turkish shelves would be empty without Syrian workers. Mr Yalcin says Syrian workers are reintroducing some skills which were being lost in Turkey, such as copper-working and stone-carving. Some refugees are entrepreneurs.

Khaled Oukab has started a factory in Gaziantep that sends women's clothes to rebel strongholds in northern Syria and to Iraq. His brother has a business making denim for export.

Economic activity helps integration, yet the lack of formal schemes could pose problems in the long run. Although the number of Syrian children in Turkish schools has increased, around 38% are still not in school, according to the International Crisis Group, a think-tank, partly because older children work to support their families. And the Syrians' informal status could make them vulnerable. During the election campaign in June both President Recep Tayyip Erdogan and opposition leaders talked about sending them home.

Anti-immigrant feeling is growing. Last year 24 Syrians died in anti-refugee attacks. Others face low-level abuse or discrimination from those who perceive Syrians to be taking jobs, causing crime or increasing prices. “We create problems for the middle class,” says Abdul Fatah Alhmoui, who runs a sandwich and falafel shop in Gaziantep; his Turkish brother-in-law has complained to him about higher rents.

If there is a full-blown economic crisis in Turkey, or if more refugees cross the border with the fall of Idlib, then tensions are likely to increase. Yet for many Syrians, Turkey remains a better bet than Europe—or home. Inside a Syrian grocery shop in Gaziantep, Shadi Sankari, the 18-year-old son of the owner, looks nonplussed at the idea of going back. Next year he will go to university to do a business-studies course in Turkey. In Syria there’s “nothing for me to go back to”.

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## Russia's influence in Slovakia

### The Night Wolves, Putin's biker gang

The European headquarters of a pro-Putin biker gang causes controversy



Sergei Malgavko/TASS

Aug 23rd 2018 | DOLNA KRUPA

SURROUNDED by vast wheatfields, the camouflage-painted former pig farm just outside the village of Dolna Krupa looks both incongruous and menacing. A knock on the compound's metal gate goes unanswered, but a giant guard dog snarls back through a narrow gap. The high walls are studded with barbed wire. Small signs warn that photographs are forbidden; a larger one, somewhat implausibly, advertises the building as a "Museum".

In June Russian state media announced that this was the "European headquarters" of the Night Wolves, a Russian motorcycle club, with whom Vladimir Putin rode in 2011. The group is banned in Poland and subject to American sanctions for its involvement in the war in eastern Ukraine. Slovakian liberals were furious over reports that the Slovak Recruits, a right-wing paramilitary group, had conducted training exercises there using old military tanks. The owner of the site, Jozef Hambalek, a politically well-

connected businessman with an enthusiasm for motorcycles and nationalism, had acquired the equipment on loan from the defence ministry, claiming it was for a museum at the compound.

More than 200 intellectuals, politicians and activists have signed a letter calling on authorities to close the base and expel the Night Wolves. The country's president, Andrej Kiska, chastised authorities for not doing enough: "These are no ordinary motorcycle enthusiasts." Petar Lazarov, an interior-ministry spokesman, says the government is monitoring the Night Wolves and the Slovak Recruits, but cannot yet act against them because they have committed no crime. The defence ministry has asked for its equipment back.

But there are suspicions that the centre-right Smer party, which heads the ruling coalition, is dragging its feet. Grigorij Meseznikov of the Institute for Public Affairs, a think-tank, says that, although the party is officially pro-Western, many members are sympathetic towards Russia. Robert Kalinak, an influential former interior minister, is said to be friends with Mr Hambalek.

Juraj Smatana, an anti-corruption activist, likens the Night Wolves' presence to the Russian invasion of Czechoslovakia (of which Slovakia was once part) in 1968. The 50th anniversary of that event falls this week. His implication is that the authorities are complicit in the current invasion, just as they were in the last one. "We did not invite you here in 1968, we do not want you even in 2018," reads a billboard in the nearby town of Trnava.

Dolna Krupa's 2,000 residents are divided. A group of activists is urging authorities to enforce land-use regulations requiring that Mr Hambalek's land be exploited only for agriculture. Others do not see what the fuss is about. "We have no problem with the Night Wolves or with Russia," says Filip, an IT technician. "I think the USA is worse."

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## Vaccination falters

### Anti-vax fears drive a measles outbreak in Europe

Immunity rates in parts of Europe are lower than in some African countries



AFP

Aug 23rd 2018

EACH year, as the summer winds down across Europe, so do measles cases—which tend to peak in late spring. August is, therefore, a good time to take stock of the measles season for the year. The tally for Europe, published on August 20th by the World Health Organisation, shows that cases in the first six months of 2018 exceeded the annual total for each of the past five years. About half of the 41,000 cases this year were in Ukraine. Infection rates also jumped in Serbia, Greece and Georgia. In recent years big outbreaks have erupted in Italy, Romania, France and Germany.

None of this is a surprise. In the past decade, measles-vaccination rates in some European countries have often fallen below those in parts of Africa. Italy, France and Serbia, for example, have lower child-vaccination rates than Burundi, Rwanda and Senegal. In some years, vaccine shortages were to blame, especially in parts of eastern Europe. Both Ukraine and Serbia have

had irregular supplies of the MMR vaccine (which protects against measles, mumps and rubella) since 2014. Even after recent outbreaks, they were not able to procure enough doses to cover older cohorts, health-workers and other groups at risk of becoming infected.

## Stabbing pains

% of respondents disagreeing with the statement:  
*“Overall I think vaccines are safe”*

2016



Source: Vaccine Confidence Project

The Economist

But suspicion of vaccines is also partly to blame. Unlike America, Europe does not have an organised “anti-vax” movement, but in many countries fears are much higher. Two-fifths of people in France—a country whose people

pop antibiotics like sweets—believe that vaccines are unsafe. A quarter of Greeks and Ukrainians are also hostile. During recent outbreaks, some countries had dozens of health-workers coming down with measles—which suggest that they, too, may have a dim view of vaccines. A survey of French doctors in 2014, for example, found that nearly a quarter believed that some of the officially recommended vaccines were not useful.

Each country has “bespoke issues of concern”, says Heidi Larson of the London School of Hygiene and Tropical Medicine. In Serbia and Ukraine mistaken beliefs that the MMR vaccine is linked with autism have led some doctors to delay the first dose (usually given at six months of age) in order to be sure the child is developing normally. In some countries parents worry about several vaccines being given at the same time, so they space out jabs. France has a long history of vaccine rows. One reflected wrong ideas about the effects of the Hepatitis B vaccine. Some French doctors objected to a combined vaccine for infants, and to the HPV vaccine, which protects against cervical cancer.

Europe’s drive to end measles by 2015 was pushed back to 2020. Some hope.

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## Bagpipes and polenta

### The Tuscan hills are home to a little bit of Scotland

Scottish chippies celebrate their Italian roots



Alamy

Aug 23rd 2018 | BARGA

WITH an “Evening of Bagpipes and Polenta” (boiled cornmeal, popular in north and central Italy), the mountain town of Barga will on September 3rd launch one of Italy’s more unusual cultural festivals: its annual Scottish Week. This year it features the presentation of a book in Italian on Scottish football and another in English on Barga cathedral (though it has a population of barely 10,000, Barga is officially a city).

The weeklong festival celebrates an unlikely two-way traffic in people, tastes and ideas between this walled, medieval Tuscan town and faraway Scotland. Particularly in summer, when emigrant families come to renew their links, you are as likely to hear Glaswegian-accented English in Barga as Tuscan-inflected Italian. Blue-and-white Scottish flags abound. And to meet the needs of those who return to Barga to retire, there is a bakery offering porridge oats, shortbread from Aberdeenshire and Irn-Bru, a uniquely

Scottish beverage. Earlier this month Barga held a *sagra*: an event at which local people cook local delicacies for visitors. Barga's was devoted to *pesce e patate*, or fish and chips.

The origins of the relationship go back to the unification of Italy. For more than five centuries, Barga had been an exclave of, first, the Republic of Florence and later the Grand Duchy of Tuscany, encircled by a hostile Duchy of Lucca. To enable it to survive, the authorities in Florence granted it generous tax exemptions. When Italy was united in 1861, they were abolished, the economy collapsed and large-scale emigration ensued. Luca Galeotti, editor of the *Giornale di Barga*, says that by the 1960s, more than half his newspaper's subscribers were living abroad. Most were in Scotland and many were making their living frying fish.

One of two mysteries surrounding the *barghigiani* is why so many of those who emigrated from the city went to Scotland to improve their lives and, in some cases, achieve distinction. The Archbishop emeritus of Glasgow, Mario Conti, is descended from *barghigiani*, as is Paolo Nutini, an internationally successful singer-songwriter whose grandfather, Giovanni "Jackie" Nutini, ran a renowned fish-and-chip establishment in Paisley. That points to the second mystery: how come these mountain folk proved so adept at cooking fish? "Well," ventures Barga's mayor, Marco Bonini, "it was certainly better than working in the mines."

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**Francis visits Ireland**

## The pontiff will find a wounded flock in Ireland

Europe has been a driver of modernisation



Peter Schrank

Aug 23rd 2018

THERE is quiet excitement among a dozen sisters of the Redemptorist order as they gather for evening mass, along with 30 or so other devout souls, in a plain, modern chapel with a practical, circular design. A discreet row of flags heralds Pope Francis, due on August 25th for what promises to be a tumultuous weekend.

In the surrounding smoky terraces of north Dublin, papal bunting is absent. Posters celebrate other Irish rituals, like the imminent Gaelic-football final. The zeal that John Paul II's visit in 1979 generated is nowhere to be seen. Some 2.7m people, or 80% of the population, cheered him. These days, the nuns reflect a small and defensive subculture, almost as far from the mainstream as Dublin's Sikh or Buddhist minorities. In tonier parts of the city, there is equally little interest in say, Catholic teaching on marriage, and much more chatter about the impending divorce between Britain and the

European Union.

Like many a devout Hibernian over the centuries, the sisters cherish continental links: their order began near Naples in the 18th century. In earlier centuries, the very survival of Irish Catholicism owed much to the refuge offered in France and Belgium to Irish monastics. But today's Irish-European axis is different. Only a generation ago, Spaniards came here to learn English in a Catholic ambience. Now it is Ireland's secular hedonism that attracts young tourists.

As Dublin awaits an open-air papal mass, the biggest event in a packed programme, local reactions range from indifference to hostility to dismay over the fact that users of specially laid-on buses may still have to walk seven kilometres. The police tell people to wear stout shoes and consider whether they are well enough for the march. A temporary morgue awaits those who are not. It is true that 500,000 tickets were snapped up. But not all takers were pious. A group called "Say Nope to the Pope" urged people to get tickets and discard them.

The nay-sayers' rage reflects a dark side of Ireland's former theocracy whose horrors are still emerging. They include the back-breaking work imposed on "fallen" women and the neglect, sometimes fatal, of their offspring in church-run institutions; and the abuse and violence endured by boys in clerical schools. In Ireland as elsewhere, efforts by bishops to cover all this up provoke as much indignation as the actual misdeeds. For people who have been blighted, the World Meeting of Families, a triennial Catholic festival which brought Francis to Dublin, sounds like a joke, even though some participants are on the faith's liberal edge. Nor will Irish sufferers be impressed by the pope's belated vow to meet some of them, or by his 2,000-word reply to new revelations of crimes by clergy in Pennsylvania. They just want Ireland's clerics brought to book and made to pay compensation. Given the vast transformation that has taken place in the politics of religion in Ireland, they feel history is on their side.

### **Aeons of difference**

The island is still experiencing the dissolution of toxic bonds between church and state that were sealed in the 1930s. Catholic zeal had political traction for

an emerging nation. Catholics resented a small Protestant minority that controlled more than its share of land, banks and firms. Catholicism was presented as an answer to every problem in a way that students of the Muslim Brotherhood would recognise. The priesthood was a path to personal advancement which attracted many dubious types.

Over the past few decades, anger over clerical abuse combined with social modernisation to create a cascade of change. When John Paul came, gay sex was illegal; in 2015, Ireland voted overwhelmingly for same-sex marriage. In 1983 a ban on abortion was entrenched in the constitution; last May 66% voted to strike out that article. Church-going is still high by Western standards: one in three attends Mass. But in 1990 four-fifths did.

With the old church-state cronyism a fading memory, the question is how far the pendulum will swing. Some expect more battles, especially over schools, which at primary level are still dominated by the church. A law passed this year bars over-subscribed schools from favouring baptised Catholics. (Schools run by minorities, like Anglicans and Muslims, can still discriminate.)

Modernisers are now focusing on the content of state education. To devout Catholics, it seems that the religious gruel served to today's kids is thin. Powerful bodies like the Christian Brothers, at whose rough hands generations of Irish boys learned and suffered, have vanished. (Those Redemptorist nuns are an unusual case of a religious order which has downsized gracefully, by selling off land and handing an over-sized church to Egyptian Copts.)

But the tone of Irish primary education seems too Catholic for the liking of campaigners for religious neutrality. Preparing children for communion, a Catholic rite of passage, still features. Art and nature study have a devotional edge. Lobbying for reform is an odd coalition: a group called Atheist Ireland, plus the low-church Evangelical Alliance, and Ahmadi Muslims, who complain of bullying by Irish Sunnis.

In the long drive to modernise Ireland, the equality laws of the European Union, and the European Court on Human Rights (ECHR), have been vital. Reform of Ireland's laws on homosexuality began in 1988 with a ruling from

the ECHR that criminalisation violated a gay man's privacy. And in 2014, a woman who was abused by a school principal won a 30-year fight when the ECHR upheld her claim that the state was responsible. This made it harder for church and state to pass the buck over horrors that occurred at institutions which they had co-managed.

All this helps explain why, caught between Brexit Britain and the EU, Irish people prefer the latter. Their forebears may have looked to the continent, and Rome, for spiritual succour. Today's Irish see Europe as a bulwark against theocracy.

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Britain's political centre of gravity is moving left. A private prison's takeover by the state is a reminder that the public is wearying of the old neoliberal consensus.

## Dreaming of new spires

### British universities set up shop overseas

Middlesex in Mauritius, Westminster in Tashkent: foreign campuses are booming



University of Reading

Aug 23rd 2018 | JOHOR BAHRU AND KUALA LUMPUR

JOHOR BAHRU, a sprawling, gritty city in Malaysia, would once have been an unusual home for a British university. But just off one of the main roads out of town, past signs to Legoland, sits EduCity, a development which is home to three British institutions, each a humid five-minute stroll from the other. The University of Reading is filled with greenery and gleams in the sun. Newcastle transplants the architecture of the university's Tyneside home to Malaysia. Southampton completes the unlikely trio.

These outposts are part of a broader trend. Britain's 136 universities now have 39 foreign campuses abroad, educating 26,000 students, from Middlesex University's site in Mauritius to Glasgow Caledonian's branch in Bangladesh (see map). Only Australia, which has a much smaller higher-education system, can boast a similar ratio of home to overseas campuses.

In addition, there are many more students taking British degrees taught by foreign institutions. In these arrangements British universities provide a curriculum, and sometimes teaching staff, training and support, in return for a juicy fee. In all, in 2015-16 there were 703,000 students studying for a British higher-education qualification overseas. Including international students in Britain, British universities have 1.1m foreign students on their books, a number fast catching up with the 1.9m British students they are educating.

The universities' overseas footprint began to grow fast in the 2000s, as they rushed to meet demand in growing economies, mostly in Asia. "Like in any other industry, universities dipped their toes in the water, then took the plunge," says Vangelis Tsiligris of Nottingham Business School. High-ranking universities were the most likely to set up campuses, in the hope of attracting better staff and more students, both of which would help them up the international rankings. In the early days, less-fancy universities were happier letting local colleges teach their qualifications. Increasingly, the more prestigious universities prefer this approach too. All universities wax lyrical about the benefits of fostering international research links; in some cases it might even be true.



The Economist

The attraction for students is clear. A British degree holds a promise of quality, explains Mark, a local undergraduate at Sunway University, a

Malaysian institution just outside Kuala Lumpur. Studying at home allows students to avoid Britain's increasingly strict visa regime. It is also much cheaper. A joint Lancaster-Sunway degree costs around 28,000 ringgit (£5,300, or \$6,820) a year, compared with £9,250 for a Lancaster degree in Britain—which would also involve hefty travel and living costs. In the past five years, Sunway's student numbers have trebled, to 7,500. The offer of British qualifications has been crucial, says Graeme Wilkinson, its vice-chancellor—although, he adds, having a water park next door did no harm.

For countries like Malaysia, importing foreign universities offers a way to build institutional expertise quickly. Two decades ago, Malaysia began to position itself as a hub for higher education, seeking to attract students from around the region, as well as from farther-away Muslim countries, explains Sarah Deverall, head of the Malaysian branch of the British Council, which promotes British culture abroad. Malaysia now has more students studying for a British qualification than any country bar Britain itself. Others places have courted foreign universities for different reasons. Dubai, for instance, encouraged them to set up shop to cater to the children of its large expat population.

Despite support from host governments, dealing with a foreign higher-education system is hard work. Sam Weston, who works for the University of Reading in EduCity, admits that recruitment has been slower than hoped. “It’s early days,” she explains. “We’re still getting the word out.” Both Wolverhampton and Aberystwyth have closed campuses in Mauritius, after failing to attract students. Last year Warwick scrapped plans to build a campus in California, following difficulties in navigating local regulation. Others relied too heavily on the enthusiasm of individual university officials in Britain, and floundered when those people moved on.

Universities also have to adapt, sometimes uncomfortably, to local politics. In July an academic was removed from the management board of Nottingham's Ningbo campus—a joint venture with the Chinese government—after writing an essay critical of the 19th Party Congress, a meeting of government bigwigs. Restrictions in Malaysia mean there are no student unions on the British campuses there.

Partly as a result of these difficulties, most British universities selling their

qualifications abroad prefer to get a local institution to do the teaching. But this arm's length approach is not entirely trouble-free. Some worry that the quality of education is not always up to scratch. The Quality Assurance Agency, which helps regulate British universities (including their overseas empires) says that malpractice is rare. But some university officials privately doubt that teaching is always equal to that found in Britain, as is meant to be the case.

All of this means universities are beginning to tread more carefully. There has been a move away from the “hands-off model”, in which universities provide certificates and little else, to more genuine partnerships, says Janet Ilieva, a higher-education consultant based in Britain.

A number of governments in big markets are also growing more cautious. Two years ago, Malaysia banned any new links with universities not in the top 5% of a global ranking. At the same time, China reportedly halted approvals of new joint-venture campuses. Expansion is also kept in check by the fact that universities are reluctant to do anything that might water down their British character. David Willetts, a former higher-education minister, has complained that he was unable to convince any university to create a vehicle to list on the stock market to promote a global higher-education brand.

Last year growth in the number of students studying for British degrees overseas slowed, to just 1%. But university officials don't expect the lull to last long. Some British universities are considering setting up continental campuses after Brexit, in order to sidestep expected restrictions on immigration. A looming demographic dip in the number of British 18-year-olds, and threats by politicians to cut tuition fees at home, are also making universities look abroad. As demand for degrees grows around the world, it is likely that British universities will become ever more international.

### The scramble for students

## English universities compete harder for applicants

Some hand out scholarships, while others lower entry requirements



REX/Shutterstock

Aug 23rd 2018

ALMOST all university applicants now know where they will be going in the autumn. As recruitment winds down, two changes are apparent. The first is a rise in the proportion of candidates who found a university via “clearing”, having already received their A-level results, which is up to 9.2% from 7.5% at the same stage in 2013. The second is a big rise in the number of unconditional offers, where entry does not depend on obtaining certain grades. In 2013, just 1.1% of applicants received an unconditional offer. This year 22.9% did.

Together the changes indicate the growing power of students. Most funding now follows them, since they get government loans of £9,250 (\$12,000) a year to pay for tuition. From 2012 the Tory-Lib Dem coalition government gradually removed caps on the number of students universities could recruit. This allowed universities to expand, and thus to attract more students from

poor backgrounds.

It also forced them to compete harder for applicants. The government hoped this would drive up teaching standards and lower costs. As expected, universities have begun to pay more attention to student satisfaction and have invested heavily in their campuses. Students increasingly use clearing to gain entry to higher-ranked institutions if they outperform expectations. There are even signs that universities are beginning to compete on price—albeit surreptitiously, by offering more scholarships, rather than by cutting their tuition fees.

But universities are also competing in other, unexpected ways. Some are said to be offering inducements such as gym memberships and iPads. University advertisements are an increasingly common sight during the summer (including, this year, from Exeter University, a member of the prestigious Russell Group). This season Portsmouth University is advertising on the kit of its local football team.

The sharp rise in the number of unconditional offers suggests that universities are also competing by lowering their entry bar. “Giving out unconditional offers just to put ‘bums on seats’ undermines the credibility of the university system,” warned Sam Gyimah, the universities minister. It is not clear whether universities are making offers to students who are unsuited to higher education. But Mr Gyimah nevertheless has reason to be uncomfortable. Applicants with unconditional offers are 23% more likely to miss their predicted A-level results by more than two grades. Schools therefore dislike unconditional offers, because they make it more difficult to motivate their pupils.

The issue could turn into a test of the new higher-education regulatory system. Nicola Dandridge, chief executive of the Office for Students, the regulator, says she is concerned by the rise in unconditional offers, and will issue recommendations in the next couple of months after studying their impact. The government hopes that a new teaching ranking, which includes data on student satisfaction and graduate outcomes, will dissuade admissions staff from taking applicants who are not cut out for university.

Yet competition for students will only increase. A dip in the birth-rate at the

turn of the millennium means that from 2017 to 2020 the number of 18-to 20-year-olds will drop by 150,000. With a review of university funding coming up, the future for English institutions is uncertain. As one university official notes, “It is not clear how comfortable the public is with universities acting like businesses.”

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### The stench of failure

## Birmingham's prison scandal reopens arguments about privatisation

Too many drugs, too few staff, too much violence: just a few of the things wrong at G4S's jail



Getty Images

Aug 23rd 2018

LONG inured to the squalor and violence of Britain's prisons, Peter Clarke was still shocked by what he found in Birmingham on a visit in early August. The government's chief inspector of prisons observed filthy common areas with rubbish piling up; fleas, cockroaches and rats; blood and vomit left overnight; and cramped cells "not fit for habitation". Some prisoners refused to emerge from their cells for fear of violence. His inspection team's own cars were torched in a supposedly secure car park. On one occasion Mr Clarke was so overcome by the smell of drugs that he had to leave one of the wings. Overall, it was the worst prison he had ever seen.

Consequently, on August 20th the Ministry of Justice announced that it was taking back control of the jail from G4S, the private company that had run it since 2011. The crisis in Birmingham highlights the chronic problems

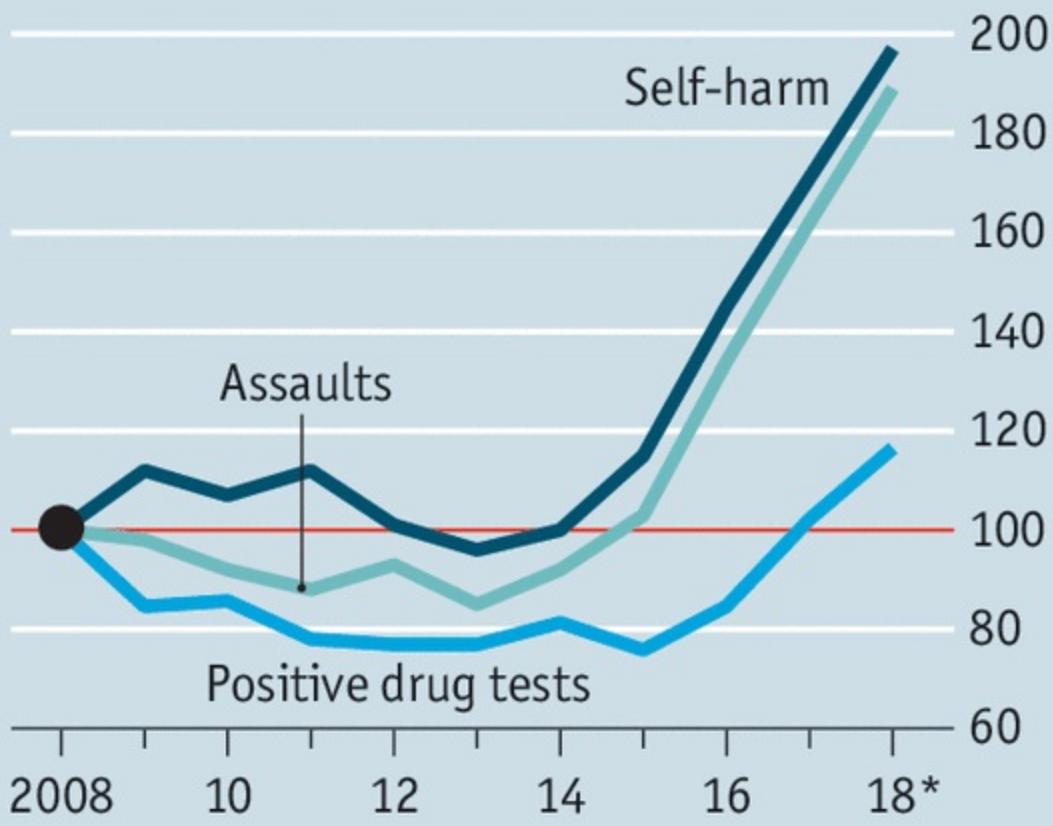
afflicting much of the country's crumbling prison estate. It has also reignited the debate about whether private companies should carry out core functions of the state (see Bagehot). The government plans to build six new prisons. A private contractor has already been chosen to build and run one of those. The fallout from Birmingham will help to determine whether it will be the last.

Birmingham may be the worst of the 117 prisons in England and Wales, but the dreadful conditions there reflect worrying trends throughout the system. After 2010, when David Cameron's coalition government began to cut prison budgets as part of an austerity programme, all the indicators began to point the wrong way (see chart). In the year to March 2018 there were 31,000 assaults in prisons, a record high. Self-harm rates are also at their highest since records began. Positive drug tests are 20% more common than a decade ago—and that doesn't account for new drugs such as "spice", a synthetic cannabinoid said to cause aggressive behaviour. Include that and the scale of the drug problem has more than doubled.

A lack of staff and surplus of prisoners are to blame for this dramatic deterioration. Between 2010 and 2015 the prison service's budget was cut by a quarter. It shed 27% of its staff during that period. But the prison population, now about 83,000, remained stable. After realising how badly the staff cuts had affected order in prisons, the government launched a recruitment effort, and has since rehired about half the number of staff originally laid off. A leaked government report into the causes of a riot in Birmingham prison in December 2016 found that officers were "worn down by the chronic staffing shortages."

## Jails break

Britain, incidents in prisons, 2008=100



Source: MoJ

\*To March

The Economist

Despite G4S's failure in Birmingham, there is little evidence that the 13 other privately run prisons in England and Wales perform worse than the government-run ones. Judging by the Ministry of Justice's annual performance ratings, they do pretty well. Most meet the majority of their targets. Two, Ashfield and Dovegate, are "exceptional performers". Of the government-run prisons, fewer than half meet their targets, and a smaller proportion are judged exceptional.

However, most of these privately run prisons have been built since the early

1990s, making them easier to manage than the ancient jails left to the public sector. Birmingham was one of the few older prisons in private hands. G4S was chosen to run it because it had made a decent job of managing its other jails; in its first three years in charge it seemed to be doing a good job. In the end, though, it proved incapable.

Its failure adds to the Ministry of Justice's dismal record of commissioning and managing big private-sector contracts. On July 27th the justice secretary, David Gauke, ended 21 contracts for outsourced probation services two years early, after the companies failed to meet their targets.

Rory Stewart, the ambitious new prisons minister, has promised to resign if conditions in prisons do not improve within a year. Perhaps he thinks that they can hardly get worse. Based on recent trends, he may yet be surprised.

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## The Brexit negotiations

### Britain's diplomatic delusions

As the deadline for a deal looms, Britain's bargaining power weakens



EPA

Aug 23rd 2018

LESS than two months are left until the October European Union summit that was meant to agree a Brexit deal. Yet the gap between the two sides remains wide. Theresa May proposed her Chequers plan for future relations only seven weeks ago. That made it wise for Dominic Raab, the Brexit secretary, and Michel Barnier, the European Commission's Brexit pointman, to agree in Brussels this week to continuous negotiations. It follows a flurry of diplomacy by Mrs May and her foreign secretary, Jeremy Hunt, aimed at averting too firm an EU rejection of the Chequers plan.

A big problem is that Mrs May and her ministers overestimate their negotiating strength. They have been egged on in this by Brexiteers ever since Michael Gove, now environment secretary, claimed in 2016 that, after a Brexit vote, Britain would "hold all the cards". A glance at the negotiations suggests this was wrong. Britain has slowly but steadily ceded ground to the

EU, not the other way round. Three current examples paint a similar picture.

The first concerns growing talk of a no-deal Brexit. Contingency plans from the EU and, this week, from the government confirm how disruptive this would be. They also show Britain suffering the most. Warnings keep mounting against a no-deal exit, from lorry-drivers, NHS trusts, power-suppliers in Northern Ireland and many others. Mr Hunt was right to call the idea a mistake that would be regretted for generations. Yet after criticism he recanted a day later, claiming to have meant that Britain would prosper, but Europe suffer.

This leads to the second diplomatic blunder, using the threat of no deal as a bargaining tool. It is true that neither side wants such a result. Yet Brussels knows it would be far worse for Britain than for the EU. Moreover, European diplomats think the real target of no-deal talk by Mrs May's ministers is domestic. The government needs to shore up rocky support at home for the Chequers plan by displaying the gory horrors of a no-deal alternative.

The third, related, example is repeated attacks on Brussels for an ideological intransigence that pushes towards a no-deal Brexit. Ministers like the tactic of getting around Mr Barnier and his team by negotiating directly with more pragmatic national governments. The notion that any problem London has with the EU can be solved by appealing to Berlin (and Paris) dies hard among British politicians, although it has seldom worked.

It also misses two other key points. Mr Barnier is operating under negotiating guidelines set by national governments, which he has consulted and kept closely informed throughout the process. And on the EU side he is the person with the most to lose if all goes wrong. A failed negotiation that led to a no-deal Brexit would badly damage Mr Barnier, who harbours hopes of being the next president of the European Commission. That should make him the ally of the British, not their enemy, in finding a mutually acceptable deal.

This does not mean there is no point talking to other heads of government, as Mrs May will do at an informal summit in Salzburg next month. Indeed, if Chequers is to have any chance, she must persuade them to soften Mr Barnier's guidelines. It is also true that some countries are more inclined to be kind to Britain than others. But her problem is that the two hardest-liners

are France and Germany.

The best way to soften them may be to stress the case for close co-operation in non-economic areas such as domestic security and defence. It is surely not to wave around no-deal threats, attack the European Commission and insist loudly on the indelibility of Britain's red lines.

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## Cutting edge

### As knife crime rises in England, police look to Glasgow

The “murder capital of Europe” has turned itself around. Can England?



REX/Shutterstock

Aug 23rd 2018 | GLASGOW

IN 2005 the World Health Organisation branded Glasgow the murder capital of Europe. The city’s gangs specialised in administering “Glasgow smiles”: cuts at each corner of a victim’s mouth, leaving scars running up their cheeks. But since then, knife crime has plummeted. The number of people admitted to the city’s hospitals for slashes and stab wounds fell by 65% between 2004-05 and 2016-17. These days, the trauma surgeon at Glasgow’s facial-surgery unit has so much spare time that he spends some of it removing wisdom teeth.

Those south of the border are taking a keen interest in Glasgow’s success. Knife crime in England and Wales has risen by 54% in the past three years. The homicide rate is also ticking up, after years of decline. Murders in London are at their highest in more than a decade. Alarmed, police and politicians in England are hoping to copy Scotland’s turnaround.

In the year that the WHO issued its damning verdict on Glasgow, the police there established a Violence Reduction Unit (VRU). Set up to focus on Glasgow, it soon expanded to the rest of Scotland. At first its approach was conventional, ramping up stop-and-search while toughening the law on knives. Between 2005-06 and 2014-15, the average sentence for carrying a knife more than tripled, to over a year. But the VRU combined this no-nonsense policing with a “public health” approach to violence. Officers saw that Glasgow’s roughest areas were also its poorest, with the highest rates of addiction, domestic abuse and teenage pregnancy. Violence was recast as a symptom of such ills.

Early intervention became the mantra of the VRU, which linked policing to social work, education and employment. The unit seeks out victims of violence in hospitals to help them find counselling and places to stay. It also partners with charities that teach children not to carry knives. New education policies, which reduced school exclusions, helped such work.

The VRU’s greatest feat, says Sir Harry Burns, Scotland’s former chief medical officer, has simply been finding listless young men things to do. In the beginning these included a night-time football league in Glasgow’s east end, held during the peak hours for gang violence. Today it helps them find jobs with businesses willing to take on workers with a criminal record. One such firm, set up by the VRU itself, is a fast-food joint called Street & Arrow.

The approach makes economic sense, says Iain Murray, a police inspector in the VRU. The long-term cost to society of each murder in Scotland is reckoned to be about £1.9m (\$2.4m), whereas the VRU runs on an annual budget of just £1.3m. Since it was set up, murders have more than halved. Callum, a worker at Street & Arrow, was admitted to hospital 17 times in 12 months, mostly for fighting. Today he is holding down a job and paying taxes for the first time. Scotland is far from cracking violent crime: Scots are still twice as likely to be assaulted as the English. But the gap is narrowing.

Would Scotland’s model work in England? Several English police forces have already been up to learn about it. A forthcoming report by MPs calls for a public health approach in England and Wales. Many of the VRU’s ideas were themselves borrowed from abroad, particularly America. With a bit of tweaking, says Mr Murray, they could work anywhere.

There are a number of obstacles. London is divided into 32 boroughs, each with its own police team. Joining the dots would be difficult, says John Poyton of Redthread, a youth charity in the capital. Sarah Jones, a London Labour MP, says budget cuts have stripped away the social workers and local bobbies needed for such an approach. And people trust the police more in Glasgow than in London, where perceptions of racism sour relations.

Back at Street & Arrow, Eddie, an ex-con who now works with the police to mentor young men, is convinced that Glasgow's model would work down south. More than anything, he believes, people caught up in violence need a space that allows them to confront their emotions. "I'll tell you what can take the sting out of anything," he says. "A cuddle".

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## Public opinion

### The strange survival of the focus group

Focus groups are anachronistic, inaccurate and yet indispensable



Aug 23rd 2018 | SUTTON COLDFIELD

ASKED to describe Boris Johnson, the eight Remain voters gathered around a table in a conference room in a shabby hotel in Sutton Coldfield do not hold back. “Troublemaker.” “Egotistical.” “Idiot.” “Laughing stock.” “Malicious.” Nor do the group of Leave voters who enter afterwards have a particularly high opinion of the former foreign secretary. “Goof.” “Joke.” “Buffoon.” “Selfish.”

Focus groups provide a bracing introduction to the great British public. In an era when voters are monitored, tracked and polled more than ever, they may seem anachronistic. Yet they thrive. Demand for focus groups has held up for a simple reason, according to industry executives. Wide-ranging surveys explain what the British public think, says Michelle Harrison, chief executive of Kantar Public, a pollster. Focus groups explain why they think that way.

On the face of it, focus groups have as much credibility as water dowsing. It is an unscientific exercise. A local recruiter rounds up between six and a dozen people, whose main qualification is a willingness to sacrifice an evening to discuss politics in exchange for about £40 (\$50) in cash or gift tokens. The politico or pollster leading the discussion will break the ice and then take them on a tour of British politics, gauging their reactions to slogans or politicians. “It’s about feel,” says one pollster. “Seeing the whites of their eyes.”

It is the mixture of large-scale surveys and smaller in-depth chats with voters that provides insight. Relying on only one leads to trouble. “If you do either on its own, you’re stuffed,” says one former member of the Vote Leave campaign. Attention has focused on Vote Leave’s online activities, which broke spending limits before the referendum, according to the Electoral Commission. But the campaign’s organisers hail more bog-standard techniques, including the relentless use of focus groups, in which their (and their opponents’) slogans and adverts were tested repeatedly.

Focus groups are far from perfect. Rory Sutherland, an advertising executive at Ogilvy, quotes his firm’s founder: “People don’t think what they feel, don’t say what they think and don’t do what they say.” The success or failure of a group is determined by the stewardship of its leader, says Sophia Gaston, a visiting research fellow at the London School of Economics. But focus groups’ strength is in teasing out answers to subtle questions of culture and identity, she adds.

Under Tony Blair, Labour was criticised for over-relying on focus groups, with political principles thrown out of the window at the behest of a small number of voters in Middle England swing seats. “They’re a relic,” says one organiser of Momentum, a left-wing Labour activists’ group. “A dialogue is what you want, not policy written for a small bunch of people in Hastings.” Yet even under the party’s new management, focus groups survive. For all Jeremy Corbyn’s insistence on a new politics, his team still uses focus groups to test slogans and certain phrases.

Rather than wither away, de facto focus groups may find themselves embedded into Britain’s constitution. In a bid to jazz up local democracy, the government is toying with the idea of “citizen juries”, small panels of voters

who would have a say on policy. After all, a dozen punters pulled off the street determine whether to send someone to jail. By comparison, asking their opinion on a political slogan or a new housing development is small fry. In an age of big data, small data still has a place. Mr Johnson can expect similar pastings in such groups for a long time yet.

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## **Smoke and mirrors**

### **Wood-burning stoves, the picturesque polluters**

The government wages a careful battle against a middle-class favourite



Getty Images

Aug 25th 2018

INTERIOR-DESIGN magazines and television programmes have in recent years fuelled a fashion for wood-burning stoves. About 7.5% of homes in Britain burn wood for ambience or warmth, according to a survey in 2015. By now the share is probably higher, since about 175,000 new stoves are sold each year.

The trouble is that the wholesome-looking burners are big emitters of fine particles, specks of dust and soot measuring less than 2.5 micrometres (0.0025 millimetres) which sink deep into the lungs and pass into the bloodstream, causing respiratory and heart diseases. Britain has made strides in reducing fine-particle pollution from most sources in the past few decades (see chart). But home wood-burning has rocketed, and now accounts for 38% of the particles emitted in Britain, more than twice the amount spewed by vehicles.

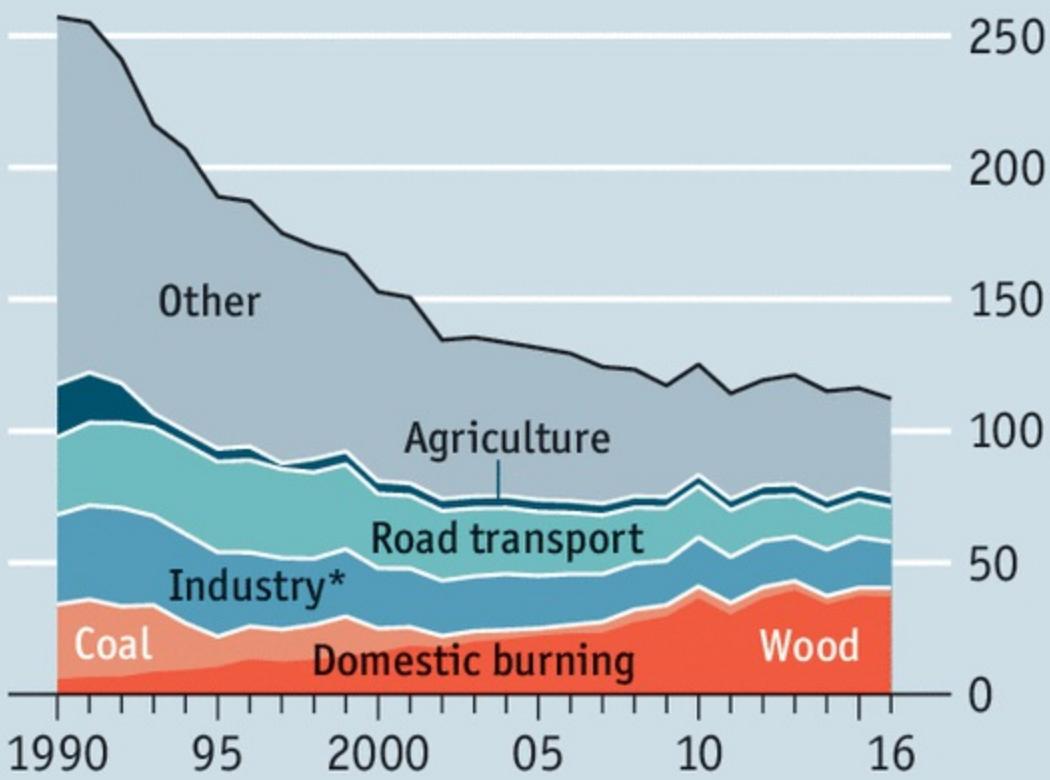
Wary of parting voters from the treasured centrepieces of their sitting rooms, the government is treading gently with its clean-air plan. On August 17th it proposed a ban on the sale of coal for home burning, as well as restrictions on the sale of recently felled wood, which is less energy efficient and emits twice as much smoke as the dry sort. But such a ban would apply to less than a fifth of the logs currently tossed into home wood-burners.

Earlier this year ministers also suggested that new stoves should face much stricter limits on emissions. Yet even the stoves that pass this new standard, labelled as eco-friendly, emit three times more particles per hour than a lorry. An article in the *British Medical Journal* called for a “polluter-pays” tax on new stoves, to equal the associated health costs, which it put at £889 (\$1,150) per stove each year in inner London.

## No smoke without fire

Britain, PM2.5 particulate matter emissions

By source, kilotonnes



Source: NAEI

\*Combustion only

### The Economist

The biggest problem is enforcing the rules in the smoke-control zones, such as central London. In theory, residents who use non-compliant stoves or burn the wrong fuel face a £1,000 fine. But unclear guidelines and local authorities' weak powers of enforcement mean that compliance is largely voluntary. The black smoke will continue to waft from the chimneys of well-to-do homes until wood-burners go back out of fashion.

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**Bagehot**

## Britain's political centre of gravity is moving left

A private prison's takeover by the state is a reminder that the public is wearying of the old neoliberal consensus



Miles Cole

Aug 23rd 2018

IN HIS speech to the Labour Party conference in Brighton last year, Jeremy Corbyn argued that British politics was moving inexorably leftward. With the neoliberal orthodoxy that had held for decades blown up by the financial crisis, Britons were demanding a more active role for government, in the name not just of fairness but also of efficiency. “It is often said that elections can only be won from the centre ground,” he told his adoring audience. “And in a way that’s not wrong—so long as it’s clear that the political centre of gravity isn’t fixed or unmovable, nor is it where the establishment pundits like to think it is.”

Jeremy Corbyn has done a dismal job of redefining the centre ground—dramatically worse than Margaret Thatcher did during a similar period of upheaval in the 1970s. Thatcher devoted her years as opposition leader to

moving the boundaries of the possible. Mr Corbyn, an intellectually lazy man with little interest in domestic policy, is devoting his to fighting fires lit by his long-standing habit of palling around with terrorists. Labour's summer has been consumed by a debate over whether he laid a wreath for members of the Black September group, who slaughtered 11 Israelis at the Munich Olympics in 1972. Yet the consensus is being redefined, regardless of Mr Corbyn's incompetence.

Thatcher dreamed of "rolling back the frontiers of the state", in a self-reinforcing programme of privatisation and cost-cutting. Today the frontiers of the state are rolling forward. This week the Ministry of Justice took back control of Birmingham prison from G4S, a private contractor, following revelations that the jail was plagued by violence and drugs. In January Carillion, another giant contractor, collapsed, costing the taxpayer £148m (\$191m). In June the government renationalised the East Coast Mainline.

Britain's leftward drift can be seen in one opinion poll after another. A survey published by Legatum in 2017 found that 83% of Britons favoured public ownership of water, 77% of electricity and gas, and 76% of railways. The British Social Attitudes Survey shows that the public is keener on raising taxes and public spending than at any time since 2006. It can also be seen in the changing dynamics of the Brexit debate. Leaving the European Union, a fantasy of Thatcherites who wanted to turn Britain into a European version of Singapore, has been redefined as a way of boosting spending on health and limiting immigration—"taking back control" rather than letting the market rip.

Privatisation is increasingly regarded as a problem rather than a solution. Train fares have increased by a third since 2010, while services remain overcrowded. The private utilities are fat monopolists or quasi-monopolists. Public dissatisfaction is partly because of the passage of time—harried commuters forget how bad nationalised British Rail was—but it is also because of administrative incompetence. The utility privatisations were driven by a desire to raise money, rather than improve services. Private companies have proved adept at milking their most loyal customers. Private-sector bureaucrats have taken on the customer-be-damned role once performed by public-sector bureaucrats.

At the same time the public is turning against austerity. The Conservative Party's enthusiasm for balancing the books has driven public sector net borrowing to its lowest in 11 years. But the costs of the policy are also becoming painfully visible. Rough sleeping is on the rise. Getting a doctor's appointment is becoming an art form. Northamptonshire County Council—once a Tory flagship—has declared bankruptcy and another 15 councils may follow suit.

Austerity and privatisation often combine to create a toxic mixture: the government privatises things in order to save money, but tight budgets then discredit privatisation. The debacle in Birmingham prison was partly the result of a 30% reduction in the Ministry of Justice's budget since 2010, a cut that has strained public prisons as much as private ones.

Exhaustion with privatisation and austerity coincides with a growing feeling that British capitalism is rigged in favour of insiders. The country's chief executives are masters of boosting their own pay by packing their boards with yes-men and awarding themselves generous share options. A new report by the High Pay Centre shows that the compensation of the average boss of a FTSE 100 company increased by 11% in 2017, to £3.9m, while the pay of the average worker failed to keep up with inflation. Banking in Britain is a game played by insiders who enjoy a large implicit subsidy from taxpayers, who have to bail them out if they get into trouble. The same banks have little connection with the real economy: only about 10% of their lending is to businesses outside commercial property. Global companies such as Amazon and Google get away with paying little tax by the ruthless use of tax havens and transfer pricing.

## **A fork in the road**

The Conservative Party has repeatedly shown that it recognises the need to tackle rent-seeking and insiderism, only to back down under pressure from its friends. Look at the way the Department of Business's green paper on corporate governance, which included measures like shareholder votes on remuneration, was turned into a damp squib of a white paper by business lobbying.

The question at the heart of British politics is not whether it moves to the left,

but what sort of left it moves to. Will it be a one nation Conservatism, committed to fixing capitalism from within, or the Venezuela-loving leftism long promoted by Mr Corbyn? To secure the first option, the Conservative Party needs to do more than take failing prisons into public control or increase spending on strained social services. It needs to demonstrate that it can reform capitalism even in the teeth of opposition from big business and Tory donors. Fluff that test and no amount of revelations about palling around with terrorists will keep Mr Corbyn out of Downing Street.

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# International

## • [Air-conditioning: Global cooling](#) [Fri, 24 Aug 00:29]

Air-conditioners do great good, but at a high environmental cost. The rapid growth in their use makes it urgent to limit the damage.

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### The cost of cool

## Air-conditioners do great good, but at a high environmental cost

The rapid growth in their use makes it urgent to limit the damage



Aug 23rd 2018

“AIR-CONDITIONING cannot be a grand success in the [American] South for the reason that the honest natives of the region recognise the natural summer heat as a welcome ally, in that it makes the inside of houses and offices agreeably uninviting.” In the annals of mistaken predictions, this one —made in 1935 by Clarence Cason, author of “90° in the Shade”—merits an honourable mention. In fact, air-conditioning soon became universal south of the Mason-Dixon line, turning the South into an engine of prosperity and even reshaping its politics by luring Republican migrants to a region that had once been a Democratic stronghold.

The stifling summer of 2018 in the northern hemisphere has been a banner season for air-conditioners and a reminder of how they have changed the world. Sales in France in the first three weeks of July were 192% higher than in the same period of 2017. In Japan, the government is helping schools

install coolers. In Texas, on the orders of a judge, the state government has been putting them into prisons.

At current growth rates, according to the International Energy Agency (IEA), which advises national governments, 1bn air-conditioners will be installed globally in the next ten years. That would increase the world's stock—1.6bn in 2016—by two-thirds (see chart). If you include refrigerators and systems that cool food, vaccines and data, the stock could be 6bn units in a decade. The growth in cooling will save lives, improve education and create wealth in the world's hottest countries. But it brings huge environmental risks, warming the planet even as it cools people.

## Chilling times

World, air-conditioning units, bn



Source: International Energy Agency

The Economist

Lee Kuan Yew, the first prime minister of Singapore, took the view that air-conditioning “changed the nature of civilisation by making development possible in the tropics... The first thing I did upon becoming prime minister was to install air-conditioners in buildings where the civil service worked. This was key to public efficiency.”

### When China became cool

In 1990 few Chinese households had air-conditioning. Twenty years later, the

country had just under one unit per household. It now accounts for 35% of the world's stock, compared with 23% for the United States. India and Indonesia are seeing rates of increase similar to China's in the 1990s. The population of the 800km long southern coast of the Arabian Gulf increased from 500,000 in 1950 to 20m now, thanks to air-conditioned vertical palaces. At current rates, Saudi Arabia will be using more energy to run air-conditioners in 2030 than it now exports as oil.

At the moment, only 8% of the 3bn people in the tropics have air-conditioning, compared with over 90% of households in America and Japan. But eventually, it will be near universal because so many trends are converging behind its spread: ageing, since old people are more vulnerable to heat stroke; urbanisation, since fields cannot be air-conditioned but offices and factories must be; and economic growth, since, after mobile phones, the middle class in emerging markets want fans or air-conditioners next. Even the proliferation of skyscrapers in the developing world's megacities encourages air-conditioners. Because tall buildings have different air pressures at top and bottom, they usually have to be sealed, and cooled in summer. Shopping malls, open-plan offices and data-processing centres are all inconceivable without air-conditioning.

Environmentalists fret about this. An article in the *Washington Post* excoriated "the deluded world of air-conditioning". Another in the *New York Times* castigated buildings so cold in summer that "I could preserve dead bodies in the office." Yet air-conditioning makes people, literally, healthier, wealthier and wiser. A study by Tord Kjellstrom of Australian National University found that, in South-East Asia, people without cooling could not work during 15-20% of working hours. It was too darned hot. Solomon Hsiang of the University of California, Berkeley calculated that, in the Caribbean and Central America, GDP falls by 1% for each degree above 26°C. In the tropics, cooling boosts productivity.

The same goes for learning. A recent study in *PLOS Medicine*, a weekly journal, by Jose Guillermo Cedeño of Harvard University, followed two groups of college students in Boston during the summer of 2016. Those living in air-conditioned rooms did significantly better in a variety of cognitive tests than their peers in uncooled digs. Studies in Denmark showed

that air-conditioning schools improved children's ability to learn mathematics and languages.

Most simply, cooling also saves lives. Western Europe suffered a withering heatwave in 2003; 11,000-17,000 more deaths than normal were attributed to it in France, mainly from cardiovascular and heart disease. There was a public outcry and the government brought in a range of reforms, including making air-conditioning mandatory in old-people's homes. This year France has been even hotter than in 2003 but excess deaths so far seem to have been much lower: the health minister recently said the number of hospitalisations this summer has been only slightly greater than normal. Europe, it seems, is learning to cope. In Spain, according to a study by Joan Ballester of the Barcelona Institute for Global Health, heat-related deaths fell between 1980 and 2015, though average summer temperatures rose almost 1°C and there were more old people. In south-west Germany, says Stefan Muthers of the German Weather Service, 2003 and 2015 were the two warmest summers in the past 50 years; 1,700 people died in 2003 but the death toll in 2015 was almost 20% lower.

Heatwaves take an even bigger toll in poor countries that are unable to protect themselves. The World Health Organisation (WHO) forecasts that, without adaptation (which is of course happening), over a quarter of a million extra deaths could be attributable to rising temperatures by 2050—about as many as the number of deaths in childbirth now.

If the definition of air-conditioning is widened to include cold chains for food, industrial processes or vaccines, the overall market increases—and so does its capacity for good. According to Toby Peters of Birmingham University in Britain, cooling for things such as industry, food and data storage uses only a little less energy than air-conditioning. Refrigerated transport is not far behind. These have as many benefits as cooling buildings.

## **Between farm and fork**

In many developing countries, half the food crop is lost to rats and insects after harvest. Reducing that through refrigeration in storage or transport could do more to boost overall food availability than a new green revolution. In the process, it would also limit the greenhouse-gas emissions from wasted

agricultural production. According to the WHO, 600m people fall ill at some point each year—and over 400,000 die—from eating contaminated food. A quarter of liquid vaccines are spoiled because they are not kept properly chilled. The death toll from diseases that could be vaccinated against but aren't, says the WHO, is 1.5m a year, more than die in road accidents. Better cooling would reduce all these harms.

However, as Homer Simpson, an American philosopher, said of alcohol, air-conditioning is the cause of, and solution to, many of life's problems. In “Losing Our Cool”, a book from 2010, Stan Cox, an agricultural scientist, listed some of its damages: “emission of greenhouse gases...ozone-depleting chemicals [and] a lever to open ecologically vulnerable parts of the country to reckless growth.” He even blamed it for obesity caused (he said) by sitting around in artificially cooled refuges. A recent article in *PLOS Medicine*, by David Abel and colleagues at the University of Wisconsin-Madison, calculated that, by 2050, there will be 17,000 excess deaths in the eastern half of the United States from an increase of ozone and PM2.5 in the atmosphere (pollutants with a diameter of 2.5 microns or less). Air-conditioning, the authors think, will be responsible for almost 1,000 of those deaths.

Air-conditioners produce greenhouse gases in two ways. First, they are responsible for a share of the CO<sub>2</sub> generated in the power stations that produce the electricity they run on. At the moment, according to the IEA, it takes about 2,000 TWhs (terawatt hours) of electricity to run all the world's cooling machines for a year. This produces 4bn tons of CO<sub>2</sub>, 12% of the total. Without drastic improvements in air-conditioners' efficiency, the IEA reckons, they will be burning up 6,000 TWhs by 2050.

On hot days in Riyadh, air-conditioners account for 70% of electricity demand during peak hours, usually the early evening. Peak hours matter because countries must build enough power stations to meet the maximum demand. But most of the time full capacity is not used, meaning firms earn nothing from it. So energy companies build peak capacity as cheaply as possible, which often means using coal or diesel. So demand for air-conditioning is pushing countries to build not just more power plants, but more polluting ones.

Second, air-conditioners use so-called “F gases” (such as hydrofluorocarbons, or HFCs) as refrigerants. When—as is common—the machines leak in use or on disposal, these gases escape, doing vast damage. HFCs trap between 1,000 and 9,000 times as much heat as the same amount of CO<sub>2</sub>, meaning they are much more potent causes of global warming. On this basis, Paul Hawken of Project Download, a think-tank, calculates that improving air-conditioners could do more than anything else to reduce greenhouse gases.

### **Hitting the fan**

Fatih Birol, the head of the IEA, calls the insatiable energy demands of air-conditioning “one of the most critical blind spots in today’s energy debate”. Slowly, that blind spot is being opened up. In 2017, the Lawrence Berkeley National Laboratory in California, a research centre, calculated the extra carbon emissions that could be saved if air-conditioners were better. If HFCs were phased out and all units were as efficient as the best ones, the world could be spared around 1,000 average-sized (500MW capacity) power stations by 2030. There would be many more air-conditioning units, but each would use less energy. In India, this would save three times as much in carbon emissions as the prime minister’s much-vaunted plan to install 100 gigawatts of solar capacity by 2022. In China, it would save as much as eight Three Gorges dams (the largest dam in the world).

Such gains will not be easy to achieve. A common way to improve energy efficiency is to impose minimum energy standards or energy codes for buildings. But these vary from country to country (they are stricter in Japan and Europe than in America, for example). And most poor, hot countries do not even have them.

Getting rid of toxic refrigerant gases also depends on regulation, in this case an international agreement called the Kigali amendment (after the Rwandan capital where it was approved). The deal sets a timetable for phasing down the toxic gases. The trouble is that, to win the backing of tropical countries, the agreement allows them more than a decade to phase the gases out. Since air-conditioners often have a useful life of more than ten years, it could take until 2038 before the full effects of the Kigali amendment come into force—a

long time to wait when demand for cooling is growing so fast. With the deal, argues Dan Hamza-Goodacre, boss of the Kigali Cooling-Efficiency Programme, a non-governmental organisation, air-conditioners can produce better health, higher productivity and more food while limiting the rise in global temperatures. In its absence, people cannot have those benefits without the environmental costs.

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**Rocky road ahead**

## How America's car industry is coping with trade disputes

A tour of car country reveals anxiety across automotive supply chains



Alamy

Aug 23rd 2018 | DETROIT, FLINT AND TRAVERSE CITY

THE Ford F-150 pickup truck has been America's bestselling vehicle for years. In Dearborn, a city near Detroit, a factory that once produced Henry Ford's Model A now cranks out one of these all-aluminium tributes to testosterone every 53 seconds. The F-150 is so profitable—*informed rumours suggest each adds nearly \$13,000 to Ford's bottom line*—that it is known around town as “the bank”.

It is also assembled in America with more American parts than most vehicles, and so about as impregnable as they come to President Donald Trump's trade policies. Even so, over 15% of each pickup comes from Canada and Mexico and another 15% from outside North America. “Tariffs on Canadian aluminium hit the F-150 hard,” confirms a top logistics manager. The tariffs in question are Mr Trump's duties of 10% on imported aluminium and 25% on imported steel, which took effect on June 1st. They are not the only source

of disruption to an industry responsible for \$522bn of exports and imports a year, more than one-tenth of America's trade.

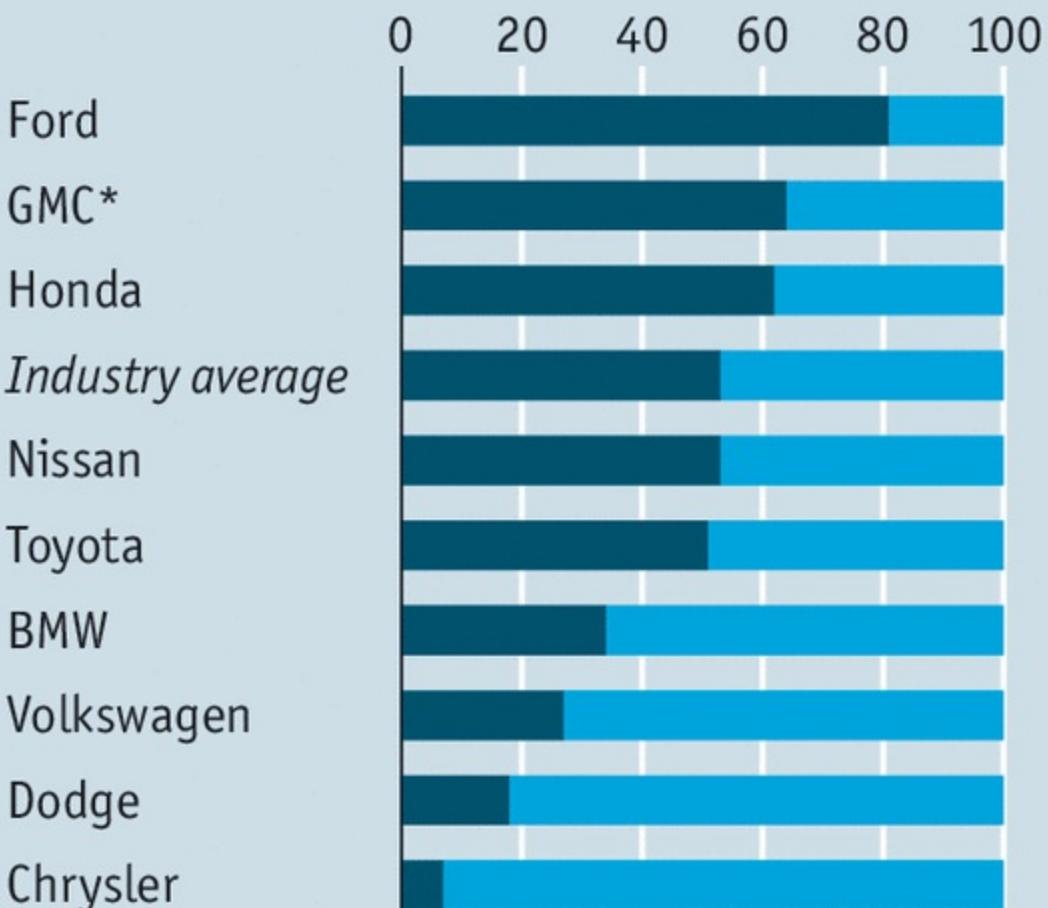
Earlier this year Mr Trump levied tariffs on \$34bn of Chinese goods, including one of 25% on cars (another \$16bn of goods were hit this week). China retaliated by raising its tariff on American cars from 25% to 40%. Partly to put pressure on Canada and Mexico to renegotiate the North American Free-Trade Agreement (NAFTA), the president has also threatened a 25% tariff on all car imports, invoking a provision of an old law which allows him to restrict trade to safeguard national security. That would immediately hit \$208bn of car imports, not counting parts, according to the Peterson Institute of International Economics, a think-tank. American marques would be hit, too: four in five Chryslers and Dodges are made abroad (see chart).

America's car industry, then, is on the frontline of Mr Trump's trade war—ostensibly its beneficiary, but also its victim. A tour of factories and watering holes across Michigan's car country reveals plenty of support for Mr Trump's aims. The UAW, a big union, recently endorsed his stance on trade. Near the F-150 plant, a white-collar autoworker confides over a beer that she thinks Mr Trump's policies are justified, even if they cause a bit of pain for her industry, because of Chinese protectionism and theft of intellectual property. Ron Harbour of Oliver Wyman, a consultancy, believes that "the president will come out with fair and equitable agreements."

## Not all American

United States, new vehicle sales by brand, 2017, %

■ US-produced      ■ Imported



Source: Cox Automotive

\* Owned by General Motors

The Economist

But even bosses sympathetic to Mr Trump's stated goals remain perplexed by his tactics. A survey conducted for this newspaper by the University of Michigan found that the metals tariffs are hurting the state's car-parts firms. "All prices are going up," says a supplier of valves. A steel-mill owner expects to charge customers more and urges those with cash to "carry some inventory". A machine builder who uses lots of steel fears that higher costs

could make his clients less competitive, crimping their production and in turn demand for his product—a “downward spiral for us and our customers”.

Travel up Ford’s supply chain from the Dearborn plant, and the vulnerabilities become apparent. Flex-n-Gate, a large maker of car parts, has invested \$160m in gleaming plant in a depressed part of east Detroit specifically to serve Ford trucks. “Costs have gone up dramatically,” complains its boss. Get off the Edsel Ford Freeway, meander past boarded-up churches, burned-out warehouses and a Dollar Store, and you arrive at Goodwill Automotive, which has made simple parts for Ford and others for decades. Its managers confirm that prices for steel inputs are up and its suppliers are scrambling to secure stock before they rise further. A crew leader sounds baffled by Mr Trump’s actions: “Why fix something that’s not broken?”

Drive a few hours to Grand Blanc, a suburb of Flint, and you find another Ford supplier with a story to tell. MacArthur Corporation makes permanent labels “for almost every vehicle sold in America”. Tom Barrett, a former Wall Street man, returned to his father’s firm and helped save it when the Lehman collapse pushed the auto industry to the brink a decade ago. He is again worried. He discerns an inflationary pressure not seen since the 1970s. Besides tools and hard dyes made of steel, the price of polypropylene film, which is derived from petroleum, is going up. So is the cost of paper, adhesives and freight. The firm has been unable to pass the increases on to big clients. “They are in cost-cutting mode, delaying planned investments, imposing travel bans and offshoring large non-manufacturing departments,” he says. “It’s like the early days of the Great Recession.”

Carmakers are indeed feeling the squeeze. General Motors (GM) confirmed recently that tariff-fuelled increases in commodity prices led to \$300m in extra expenses last quarter, compared with the same period in 2017. Ford has reported that tariffs cost it \$145m in the second quarter and forecast that trade tensions may cost \$500m-600m this year. For consumers, Mr Trump’s trade policies could inflate the price of a typical small car by between \$1,408 and \$2,057, according to the Peterson Institute.

That is because the industry is a paean to globalisation. Roughly half the cars sold in America today are imported. Of those made at home, nearly half are

made by foreign firms. All American carmakers depend on imported parts and cars. Only Chinese marques can afford to shrug about escalating tensions, ironic given Mr Trump's China-bashing. Besides a large factory in South Carolina which makes Volvos (owned by China's Geely), Chinese firms neither export cars to America nor make them there.

The nightmare scenario for carmakers is Mr Trump's threatened blanket tariff on cars, combined with the collapse of NAFTA. Mexico and Canada account for roughly half of all American auto imports. America's trade in cars and parts with the two has risen fourfold under NAFTA. GM depends on imports from Mexico and Canada especially for its highly profitable trucks and sports utility vehicles (SUVs). Even Ford, which is moving out of low-margin saloons often made abroad in order to focus on SUVs and pickups like the F-150, has reason to worry. Like GM, it has started bringing manufacturing and suppliers back from Asia to North America. This might help in a global trade war—but not in the event of NAFTA's collapse, because most relocated to Mexico or Canada.

NAFTA talks have made progress (see [article](#)). But success is not in the bag. If Mexico and Canada are slapped with the 25% tariff, a typical model assembled in America with 40% of its parts imported from those two countries would see supply-chain costs leap by over \$1.1bn, to \$19bn, according to LLamasoft, an analytics firm.

The ultimate cost could be higher still. The supply-chain boss of a global carmaker says his firm has prepared for NAFTA's demise. It would quickly unwind its current cross-border supply chains, which give it leverage over competing suppliers across North America. It would shift to local suppliers in Mexico for its Mexican plants, American suppliers for American plants and the same in Canada. Prices would inevitably go up, he says. With fewer rivals, vendors would gain pricing power. "My worry is oligopoly," he says.

His sense of fretfulness is shared. Every summer industry bigwigs and their families gather in Traverse City, a pleasant town on the shores of Lake Michigan. The nominal theme of this year's gathering, organised by the Centre for Automotive Research, an industry think-tank, was the future of mobility. The skunk at the garden party was the trade war.

## What's good for GM

Some insiders remained upbeat. Sales, especially of trucks and SUVs, are still strong in America; trade deals may yet be struck between the White House and other governments. Others worried that a senseless trade war would tip the industry into recession and force a massive redirection of investment from driverless cars to a defensive rejigging of supply chains. In a rare show of unity, industry associations representing domestic and foreign carmakers, parts suppliers and car dealers have jointly protested against Mr Trump's trade policies. One insider sums up the mood in Detroit with characteristic midwestern understatement: "Everyone is analysing exposure, everyone is concerned."

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## Stops and starts

### Talks to update NAFTA are chugging along

The outlines of a revamped deal appear close to being settled



Aug 25th 2018 | WASHINGTON, DC

AUGUST is normally a sleepy month in Washington, DC. Not this year, especially for politicians and lawyers (and politicians' lawyers). For trade negotiators, too, life is busier than ever. Talks to revamp the North American Free-Trade Agreement (NAFTA) are in full swing. As *The Economist* went to press, Mexican and American delegations were still haggling furiously, chiefly over new rules covering trade in cars. But a breakthrough looked possible.

Under NAFTA, cars from Mexico and Canada can be imported into America tariff-free as long as they meet criteria set out in the pact, known as rules of origin. By tweaking these rules, negotiators can shape supply chains.

The current agreement requires, for example, at least 62.5% of a car to come from within the region, which nudges carmakers towards North American

parts. This stage of the NAFTA talks has centred on just how much more onerous the revised deal's conditions should be. If the negotiators press too hard, they risk losing influence altogether as carmakers opt to ignore the new deal in favour of paying non-NAFTA tariffs.

As of August 22nd, the outline of the new rules had largely been settled. NAFTA-compliant cars will have to contain more North American content, made with a minimum amount of North American steel and aluminium. Some part of each car will also have to be built by workers earning a minimum wage. If a company meets two of the three criteria, the third will be relaxed. Finer details, and the speed of implementation, were still to be hashed out.



The Economist

Convergence on cars would represent serious progress. It may even pave the

way for a trilateral agreement in principle over the coming weeks. (A detailed final deal will take longer.) Robert Lighthizer, the United States Trade Representative, has floated a date of September 3rd, “if everybody wants to get it done”.

That they do. Mexico’s president, Enrique Peña Neto, leaves office on November 30th. Both he and his successor want Mr Peña to be the one to sign. The Canadians just want to end the uncertainty. Mr Trump’s Republican party could use a win ahead of November’s mid-term elections. But thorny issues remain unresolved, notably the American proposal for the deal to expire every five years. There is still work to be done.

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### Blurred Vision

## Saudi Aramco's stalled IPO will dent investor confidence

But Aramco's potential purchase of Sabic, a chemicals firm, could be good news



Aug 23rd 2018

IN THE Dhahran headquarters of Saudi Aramco, the world's largest oil company, it is all change. The bankers working on what was supposed to be the world's largest initial public offer (IPO) have not only gone home for the summer; they may never come back. In their place people are preparing for a possible takeover of Sabic, Saudi Arabia's biggest petrochemicals firm.

After a Reuters report on August 22nd that listing plans had been called off, the kingdom issued a statement saying the "speculation" was untrue, and that it remained committed to the IPO "at a time of its own choosing when conditions are optimum". But in reality the process is on hold for the foreseeable future.

Since Muhammad bin Salman (pictured), now the crown prince, revealed his

intention to part-privatise the kingdom's crown jewel to this newspaper in early 2016, it has always been touch-and-go whether he would succeed. He blundered by putting a \$2trn price tag on Aramco before anyone had a chance to test investor appetite for it. The palace could not decide whether it preferred a listing in New York, London or elsewhere, having failed beforehand to consider the ramifications of its choice. Nor did it do a good job of persuading Saudis that the sale was in their interests, says Jim Krane, an energy expert at Rice University. Saudi royals feared the transparency required by an IPO would expose the monarchy's inner workings.

Its logic, however, was sound. An IPO has been the cornerstone of Prince Muhammad's "Vision 2030", aimed at raising enough cash for the kingdom to invest in industries that could diversify the economy beyond oil. Much preparatory work has been done, such as making Aramco a joint-stock company and certifying reserves. Suspending the IPO, at least until Aramco has succeeded in taking over and absorbing Sabic, will make potential investors more cautious about the kingdom's transformation. Their confidence has already been dented by the detention of rich Saudis in a hotel in Riyadh last year and a high-profile crackdown on dissent.

The tie-up with Sabic, worth \$100bn, would be a second-best option. The aim is for Aramco to deposit up to \$70bn, probably raised in global debt markets, into the Public Investment Fund (PIF), the kingdom's official piggy bank, in exchange for the PIF's 70% stake in the petrochemical firm. The PIF would get less than the \$100bn that the Aramco IPO was meant to bring in, but a tidy sum nonetheless.

The risk is that it will fritter the money away on vanity projects that do little good to the kingdom's economy. That risk also exists with the proceeds of an Aramco IPO, but at least then, after the kingdom sold the first batch of shares, it could always raise more money by selling others.

Yet for Aramco, buying Sabic may turn out to be a good thing. Mr Krane says that for years the oil company was forced to provide Sabic with subsidised feedstock, essentially supporting a rival to its own downstream operations. The acquisition will create a more diversified energy giant, along the lines of an ExxonMobil or a Royal Dutch Shell. And with 30% of Sabic's shares possibly remaining listed on the Saudi stock exchange, could there be

# a back door, one day, to an Aramco listing?

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## Censors, censure and Google

### Plans for a return to China has many up in arms

Google would need to contend with other obstacles



Aug 23rd 2018 | SHANGHAI

WHEN Google announced in 2010 that it would no longer censor results on its Chinese service, a prerequisite for operating in the communist state, internet users laid flowers at the search giant's Beijing headquarters to mourn its exit. People outside China praised Google's decision, as it revealed attempts to spy on Chinese dissidents in Gmail, an assault on liberties that the company thought went too far.

So reports of secretive plans to return to China's search market, first revealed in August on the *Intercept*, a news site, outraged many, including Google employees. According to the *New York Times*, on learning of the plans more than 1,000 of them signed a letter demanding more transparency and asking to be included in ethical reviews of new products. Their fury is not the only obstacle to Google's prospects.

Known internally as “Dragonfly”, the proposed mobile search app would filter websites blocked by China’s “great firewall”, which the regime uses to wipe from search results topics such as Taiwanese independence or the Tiananmen protests. The extent of this blacklist is unknown, even to local internet firms, and it is constantly mutating. It includes social-media websites, like Twitter and Facebook, and news outlets (including *The Economist*). On Google’s mooted app, a search for any of these would prompt a notice that some results might have been removed.

Sundar Pichai, Google’s chief executive, reportedly said in an internal meeting last week that the company was “not close” to relaunching in China. The timing, say the *Intercept*’s sources, depends not only on Chinese approval—but also on whether Google decides that it can compete with Baidu, China’s search behemoth.

Neither is assured. Baidu carries out three in every four searches in China, according to StatCounter, a market-research firm. The second most popular engine, Shenma, attracts one in six, roughly the level that google.cn achieved before it ceased. Launched in 2001, Baidu has reeled in ever more users since Google’s departure through a suite of apps, among them Baidu Baike (similar to Wikipedia), Baidu Tieba (a social network) and Baidu Maps. It has invested heavily to ensure that most are pre-installed on Chinese smartphones. In a social-media post, Robin Li, its founder, responded with braggadocio to the Google news. Baidu would “fight and knock it out once again”, he wrote.

Baidu’s decade-long dominance has shaped the web-surfing habits of young Chinese. Li Jiapeng, a 25-year-old from Shanxi province who works at an internet café in Shanghai, says he used to visit only google.cn, because it was the default search engine on computers at his favourite haunt. Now he shrugs at the prospect of its return: “I’m used to Baidu now. Why change?” Many Chinese who use virtual private networks to scale the firewall view a censored Google as “meaningless”, as one café customer puts it.

Baidu is not invulnerable. Richard Kramer of Arete Research, a firm of analysts, says that the chief risk to Baidu is that its paid search results look bad alongside Google’s mix. Users already grumble about having to scroll through pages of ads before getting to search results. Google only has to take

a thin slice of savvier, richer users to dent Baidu's revenue, he adds.

China's 800m internet users, more than in any other country and seven times the number when google.cn was first launched in 2006, certainly look appetising. Since taking the helm in 2015 Mr Pichai has stepped up Google's Chinese activities. It is opening a centre dedicated to artificial intelligence in Beijing. It is also investing \$550m in JD.com, an online retailer. It has hundreds of staff in China to sell online ads that are shown in other countries. Search would deepen Google's presence.

If, that is, the government approves the return. It may dislike the idea of a foreign firm gaining insights into Chinese internet users to which it has no access. Earlier this year it forced Apple to transfer the iCloud data of Chinese users to a local data centre, where it can access them more easily. Such demands may be too much for Google's top brass. If not, Mr Pichai could have a proper rebellion on his hands.

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## Football's leaving home

### Spain's league wants to dominate the global game

La Liga's deal to play regular-season matches in America highlights its overseas ambitions



Reuters

Aug 23rd 2018

THE most ambitious signings this summer in Spanish football have been made not by the country's clubs but by its top league. On August 16th La Liga announced plans to hold a regular-season match between two as-yet-unnamed Spanish teams in America, as part of a 15-year deal with Relevant, an American sports promoter. Two days earlier it emerged that it had sold the rights to show its games in South Asia to Facebook.

Javier Tebas, La Liga's president, yearns to match the success of England's Premier League. English teams earn more, even though Spain's top clubs are superior on the pitch, winning the past five Champions League competitions, Europe's most prestigious tournament. The idea that the Premier League is more competitive is a bit of a myth: FiveThirtyEight, a statistics website, reckons Spain has 13 of the world's 40 best teams. England has six.

The Premier League enjoys several advantages over La Liga. Some 58% of British households have cable television, compared with 32% in Spain. Unlike Spain's evening games, its mid-afternoon kick-offs suit Asian fans. Its managers squabble in widely spoken English. Clubs were quick to court foreign stars and sponsors. And they joined forces to drive a harder bargain with broadcasters.

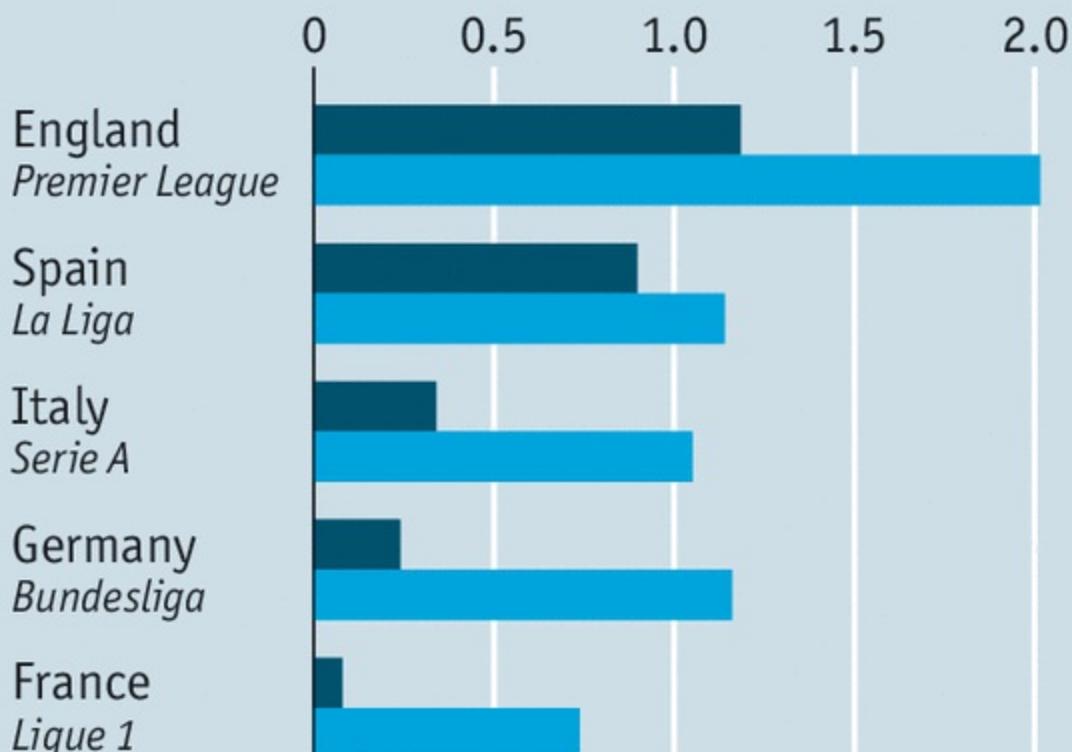
Some of that edge is being blunted. La Liga has tweaked its timings (though players may rue games in torrid Iberian afternoons). Spanish clubs feature players from 50 countries, not far behind the Premier League's 66. In 2015 they began to bargain collectively with broadcasters. The Premier League's first online offering, of 20 games to British viewers via Amazon, looks timid next to La Liga's Facebook deal.

## Away games

Football, annual broadcast revenue

Top divisions, latest contracts, €bn

International      Domestic



Source: Deloitte

The Economist

The Premier League's home-viewer advantage is harder to overcome. Hence Mr Tebas's foreign focus. Spanish clubs have already built huge international brands on the back of conventional TV deals and pre-season jaunts abroad. The American venture could deepen La Liga's appeal to football-obsessed Hispanic Americans.

The deal still requires consent from the Spanish and American football federations. FIFA, the global governing body, happily permits overseas

exhibition games but opposed the Premier League's plan to host competitive matches abroad in 2008 (on the ground that it would hurt the interests of English fans). It has yet to receive an application from La Liga and declined to comment. The Spanish players' union is upset about not being consulted. But if Mr Tebas can show that the deal is in everyone's interest, La Liga may even dislodge the Premier League in the global standings.

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## Political capital

### Samsung's \$161bn splurge may be about more than business

It also looks designed to burnish its image as a good corporate citizen



Aug 23rd 2018 | SEOUL

SAMSUNG rarely talks in public about its corporate strategy. So when South Korea's biggest *chaebol* (conglomerate) announced with much fanfare in early August that it would invest 180trn won (\$161bn) over the next three years, on top of another boost in spending last year, observers noted that it came days after a meeting between Lee Jae-yong, the group's de facto leader, and Kim Dong-yeon, South Korea's finance minister. Was Samsung trying to commend itself as a good corporate citizen to a government that has pledged to rein in the power of the *chaebol*?

Shovelling spare cash to research and development seems sensible enough for a company facing declining sales of smartphones, which have long been its cash cow. Both smartphones and semiconductors, another important source of profits, look vulnerable to competition from China, where rivals can count on generous government support. That explains why around 90%

of the extra money will go to Samsung Electronics, chiefly the chipmaking business. (Across the conglomerate, 25trn won has been set aside to dabble in artificial intelligence, biotechnology and other more speculative ideas.)

But investors, who have cooled on Samsung since May because of weak chip sales, appear unconvinced that the plan will reverse a slowdown in profit growth. The share price has kept sliding this month, to its lowest level in over a year.

This has fuelled suspicions that moneymen may not have been the plan's only, or even main, intended audience. Samsung's promise to add 40,000 new jobs over the next three years, which it claims may generate a further 700,000 in the wider economy, looks like a response to calls by South Korea's president, Moon Jae-in, for businesses to boost growth and create a fairer society. Unemployment is up and growth prospects have dimmed since Mr Moon's election a year ago. His approval ratings, buoyed to 83% in May thanks to a detente with North Korea, have sunk to 56%.

How much difference to the economy Samsung's plan will make in practice is debatable. Of the jobs the group says it will create directly, some may already exist: Samsung said it would turn several thousand subcontractors into employees. It has offered no details on how its investments would translate into the other jobs, let alone the 700,000 indirect ones. The government's own economy-wide target for job creation this year is 180,000.

Like other *chaebol*, Samsung has begun to unwind its opaque cross-shareholdings, under pressure from the government to increase transparency and strengthen shareholder rights. But Mr Lee retains control of the firm, despite a conviction for bribery a year ago. His prison sentence was suspended in February; he denies the charges and has appealed against his conviction.

A month before his meeting with Mr Kim, the finance minister, at a factory outside Seoul, he had briefly appeared alongside Mr Moon at the opening ceremony of a new mobile-phone factory in India. That was Mr Lee's first semi-public appearance after his release from prison. Samsung's splashy investment plan may make business sense. It can't hurt the rehabilitation of Mr Lee or his company, either.

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**Bartleby**

## History lessons for managers

Three national leaders from whom business executives could learn



Aug 23rd 2018

BUSINESS leaders often have a poor opinion of politicians, preferring to find their heroes elsewhere—in other boardrooms or on the coaching field. But running a country is an even greater test of leadership and character than running a corporation. Those who have passed through the fire surely have something to teach modern-day managers.

Take three of the most feted national leaders: Otto von Bismarck, Franklin Roosevelt and Winston Churchill. Many will object both to what they achieved and to the violence they used. But their successes and failures hold lessons for CEOs.

Bismarck was an old-school Prussian aristocrat. But he proved remarkably flexible and imaginative during nearly three decades in office. As a manager, he had a clear goal—to unite Germany under his king (who became Kaiser

Wilhelm I in 1871). This required him to overcome the suspicions of other German states, which he did by uniting them against a series of enemies, from Denmark through Austria to France—a merger strategy that allowed Germany to compete on equal footing.

Bismarck also proved flexible when it came to domestic policy. Though no social reformer, he worried about the danger of working-class support for socialism. So he pushed through a series of welfare measures in the 1880s, including old-age pensions and health insurance. He understood the benefits of social responsibility long before CSR departments became a thing.

Like many corporate empire-builders, however, he overreached—in his case by annexing Alsace-Lorraine from France. But his less capable successors were less disciplined still; it was they who led Germany down the path to disaster.

Where Bismarck built a successful conglomerate, Roosevelt proved to be a consummate turnaround artist. Like the Prussian, FDR showed plenty of flexibility. Although he campaigned for office on the promise of a balanced budget, he adapted when circumstances required it to become the first Keynesian leader. Economists will probably spend the rest of history debating the merits of his various policy measures. But like an executive who rescues a failing company, he showed the power of leaders to change the mood, notably with his inaugural declaration that “the only thing we have to fear is fear itself.”

As he took over the presidency, in 1933, unemployment started to fall and GDP began to rise; the latter rose by 9.5% a year in his first term of office. Although there was plenty of doubt about the route that Roosevelt took, there was no question about his desired destination, whether ending the Depression or winning the second world war. He communicated his message clearly and often—a lesson to modern bosses, even if they prefer Twitter to fireside chats on the wireless.

That made him popular enough with voters to remain at the helm for 12 years, until his death in 1945—twice as long as shareholders in America tolerate a typical chief executive today, and three times as long as they do in Britain. Although he was flexible on economic policy, he was unimpressed

by ideologies such as fascism and communism, and remained true to the core principles of the American enterprise. Many executives would do well to emulate Roosevelt's confidence in his own judgment and his ability to convey it (it helped that this confidence seldom proved unjustified).

Like Roosevelt, Churchill was supremely confident. His political career contained numerous mistakes and many episodes of poor judgment, not least when it came to his attitude towards citizens of British colonies. He would not have lasted long as a modern chief executive, given his bad temper, excessive drinking and eccentric working hours. He was never short of ideas but his subordinates learned to ignore most of them. Like Steve Jobs, a similarly mercurial figure, the first part of his career ended in failure.

But as with Apple's founder, Churchill's other qualities won out. His strategic insight was unrivalled, whether recognising that Hitler was a threat to the world in the 1930s or refusing a peace deal with Germany in the dark days of 1940. He was canny in using his charm to get aid from Roosevelt before America entered the war—and flexible when he accepted an alliance with Stalin's Russia, despite his lifelong anti-communism. His bulldog attitude and powerful speeches inspired after a succession of mediocre leaders.

Clear strategic goals, flexibility in tactics and an ability to inspire others. Those are three qualities that any executive or entrepreneur might usefully acquire. Bosses should read more history books.

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# Finance and economics

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Global unease, from commerce to currencies, rattles raw materials. Are the worst fears now priced in?.

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## Commodities

### Global unease, from commerce to currencies, rattles raw materials

Are the worst fears now priced in?



Alamy

Aug 23rd 2018

THEY make an intriguing posse: about 160 “scouts” in jeans and muddy boots, jumping out of cars with ropes in hand, plunging deep into corn (maize) and soyabean fields across the American Midwest. They are not just farmers. They include commodity traders and hedge-fund managers. Their quest: to predict this year’s harvest by using ropes as a measure and counting, to the last ear of corn and soyabean pod, the yield in a given area. “We have a really beautiful crop. I think this is going to be a record,” says Ted Seifried, a market strategist at Zaner Group, a commodities brokerage in Chicago, during a stop in Nebraska on August 21st. The mud on his boots is a reassuring sign of ample moisture in the soil.

But when he gets back into the car with others on the Pro Farmer Midwest Crop Tour, the talk turns to darker subjects, such as trade tensions, collapsing currencies and what he calls the start of an “economic cold war” between

America and China. “While we’re driving the 15-25 miles from field to field, we certainly have a lot to talk about. By and large the American producer thinks the fight with China is just. But it’s very much affecting the pocketbook.”

From the midwestern farm belt to the commodity markets of Chicago, New York, London and Shanghai, this is a tricky time to be producing and trading commodities. Americans may relish their stockmarkets soaring (see [article](#)). But a rising dollar, higher American interest rates, sliding emerging-market currencies and fears of a tariff-induced blow to exports to China have taken a toll on commodity prices in recent months (see chart 1).

In the background lurks climate change, fears of which have grown with the heat and drought battering Europe’s wheat crop this summer. European grain prices have surged as a result. But those of many other commodities are sagging. On August 22nd a pound of arabica coffee fell below \$1, less than the cost of a takeaway brew and the lowest in 12 years. Raw sugar was also at ten-year lows. Both have been hit by oversupply in Brazil, as well as a slide in the value of the real, the Brazilian currency, which makes it more compelling to sell crops, priced in dollars, rather than store them.

## Ore struck

1

Commodity prices

January 1st 2018=100, \$ terms



Sources: Bloomberg; Thomson Reuters

The Economist

The previous week, prices of copper fell into bear-market territory, down by more than 20% since June, on fears that protectionism would dampen global growth, especially in China, whose efforts to crack down on financial leverage are another drag on expansion. Oil prices have dipped for seven straight weeks, also because of concerns about lacklustre demand in emerging markets and because a strong dollar makes it dearer for those with weak currencies to buy crude. Gold has developed a strange habit of sliding in sync with the Chinese yuan.

American corn and soyabean prices, meanwhile, continue a long streak of weakness caused mainly by harvests that get more bountiful by the year. The Department of Agriculture is forecasting a record corn yield this year and the biggest harvest of soyabeans ever, something the crop tour is likely to validate, Mr Seifried says. But that is lousy timing, given that China, which was America's biggest buyer of soyabeans, raised retaliatory tariffs on the crop in July. Farmers hope to sell more in Europe, where soyameal for animal feed is in high demand because of the high cost of wheat. But the slide in the real also makes Brazilian soyabeans more competitive.

Optimism flickers from time to time. Many commodities rallied in the run-up to the latest trade talks between American and Chinese officials, which were due to end after *The Economist* went to press. The dollar fell, bolstering some commodities, after President Donald Trump said in an interview with Reuters on August 20th that he was “not thrilled” with the Federal Reserve’s policy of raising American interest rates. Progress in talks on the North American Free-Trade Agreement would also be good news (see [article](#)).

But BHP, the world’s biggest miner, issued a blunt assessment of the longer-term dangers to its products during its otherwise promising year-end results on August 21st. It said protectionism was “exceedingly unhelpful” for broad-based global growth, adding that Sino-American trade tensions could weaken both countries’ GDP growth by a quarter to three-quarters of a percentage point, absent counter-measures. Both America and China imposed another tranche of tariffs, on a further \$16bn-worth of each other’s goods, on August 23rd.

Analysts point to two main ways in which these tensions hurt commodity prices. The first is because of the rising importance of emerging markets to demand. In a report in June, the World Bank calculated that almost all the growth in the past 20 years in global metal consumption, two-thirds of the increase in energy demand and two-fifths of the rise in food consumption came from seven countries: Brazil, China, India, Indonesia, Mexico, Russia and Turkey. This group now exceeds the Group of Seven industrial nations in consumption of coal and all base and precious metals, as well as of rice, wheat and soyabeans. Commodity prices are therefore far more sensitive to these countries’ fortunes than they used to be. Hence their walloping last

week when the plunging Turkish lira gave a shock to other fragile currencies.

The second is speculation. Ole Hansen, head of commodities strategy at Saxo Bank, says that fears of a trade war have clobbered prices of the most globally traded commodities, notably copper, as short positions by speculators have surged (see chart 2). China accounts for half the world's demand for copper, the same share as its consumption of steel. Yet steel prices have fared much better because the most liquid steel contract is in China, which is much more affected by domestic supply and demand factors than big global bets. A steel-futures contract in Shanghai touched a seven-year high on August 22nd.

## Back to earth

2

Copper

Price, \$'000 per tonne



Futures positions\* by managed money funds

'000



Source: CFTC

\*Contracts of 25,000 pounds

As ever, demand from China remains the biggest swing factor for commodities. BHP reckons China will use fiscal and monetary expansion to help offset the impact to its exports from the trade conflict, which could benefit commodities. But even if the worst is now priced in, plenty of volatility lies ahead. As Mr Seifried quips from the cornfields of Nebraska, “predicting the future is a son of a bitch”.

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**Buttonwood**

## Are you a stock or a bond?

Why the ideal portfolio depends on the business you are in



Satoshi Kambayashi

Aug 23rd 2018

IMAGINE two college friends whose careers have taken different paths. Simon is an investment banker. He works long hours, especially when his bank is advising on a big merger. His pastimes include potholing and skydiving. Chris works as a senior civil servant. Early each evening the lights in his office dim to remind his colleagues of the importance of work-life balance. His spare time is spent on long country walks, playing golf and going to the theatre.

How should they invest their money? More specifically, how much of their savings should go to bonds and how much to shares? Textbook theory says it depends on how tolerant Simon and Chris are towards risk. If either can bear the sometimes violent ups-and-downs of stockmarkets, he should hold more shares, which have higher rewards to go with the extra risk. Should such price swings keep him awake at night with worry, he should tilt the mix of

his investments towards safer government bonds.

A risk-lover such as Simon is happy to own mostly shares. If you think skydiving is fun, you probably will not lose sleep if the value of your portfolio goes down from time to time. By the same logic Chris, who prefers a quiet life, is content to hold a bigger slug of bonds than Simon. Yet on a broader reckoning, both friends would be better advised to go against their inclinations. Simon, the banker, should buy mostly bonds. Chris, the bureaucrat, should buy mostly stocks.

If that seems paradoxical, consider the nature of each friend's line of work. Simon's professional fortunes are tied to the stockmarket. When share prices are booming, the general appetite for business risk is high. Investment projects are approved. Deals are done. The demand for the services of investment banks is strong. Simon's bank makes pots of money and his bonus surges. His fortunes are changeable, though. When the stockmarket is down, the bank's profits plunge. So his returns are high, but also volatile—like a stock. To hedge against the stock-like returns of his occupation, Simon should own bonds. In contrast, Chris enjoys a bond-like career. His salary is lower but steadier. His job is not at risk in downturns. So he can afford to take bigger risks with his investments. He should own stocks.

## **Your job is your down-payment**

This is not to say that preferences about risk do not matter to investment choices. They do. It is that wealth should be looked at in the round. A proper reckoning would include not only financial assets but human capital—a person's knowledge, skills and talents. This has a big influence on earnings over a working life. Young people, with few savings and decades of employment ahead, have most of their lifetime wealth embedded in their human capital. It has a payoff, just like a stock or a bond. It makes sense to take account of that when deciding what to hold as financial wealth.

This way of thinking comes more naturally to people who work in finance. There are fund managers with most of their professional portfolio in stocks but all of their personal wealth in three-month bills. If the bets on stocks turn bad, they might find themselves out of a job. They do not want to put all their personal savings at risk as well.

But most people do not think like this. The available evidence suggests that households do not attempt to hedge their employment income. In fact, they typically “anti-hedge”, by holding a disproportionate fraction of their savings in the shares of their employer or of companies in the same industry or locality.

A paper, published in 2003, by James Poterba of the Massachusetts Institute of Technology discovered that an average of more than 40% of the value of the 20 largest company-pension plans in America was invested in the firm’s own shares. The dangers of such a strategy had recently become apparent. When Enron failed, its employees had over 60% of their retirement savings in company stock. Another study based on Swedish data by Massimo Massa, of INSEAD, and Andrei Simonov, now of Michigan State University, also found that households tend to invest in stocks that are closely related to their employment income.

People stick to what they know for understandable reasons. Investment can seem like an aggressive sport, the preserve of bulls and bears or Wall Street wolves. Yet it would be more helpful to think of investment as self-insurance. People save and invest to protect themselves from contingencies. The best way to guard against some sorts of risks is often to embrace a different kind. The kind of insurance you will need ultimately depends on who you are.

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## Intangible assets

### The business of insuring intangible risks is still in its infancy

Companies' value lies mainly in assets that are tricky to insure



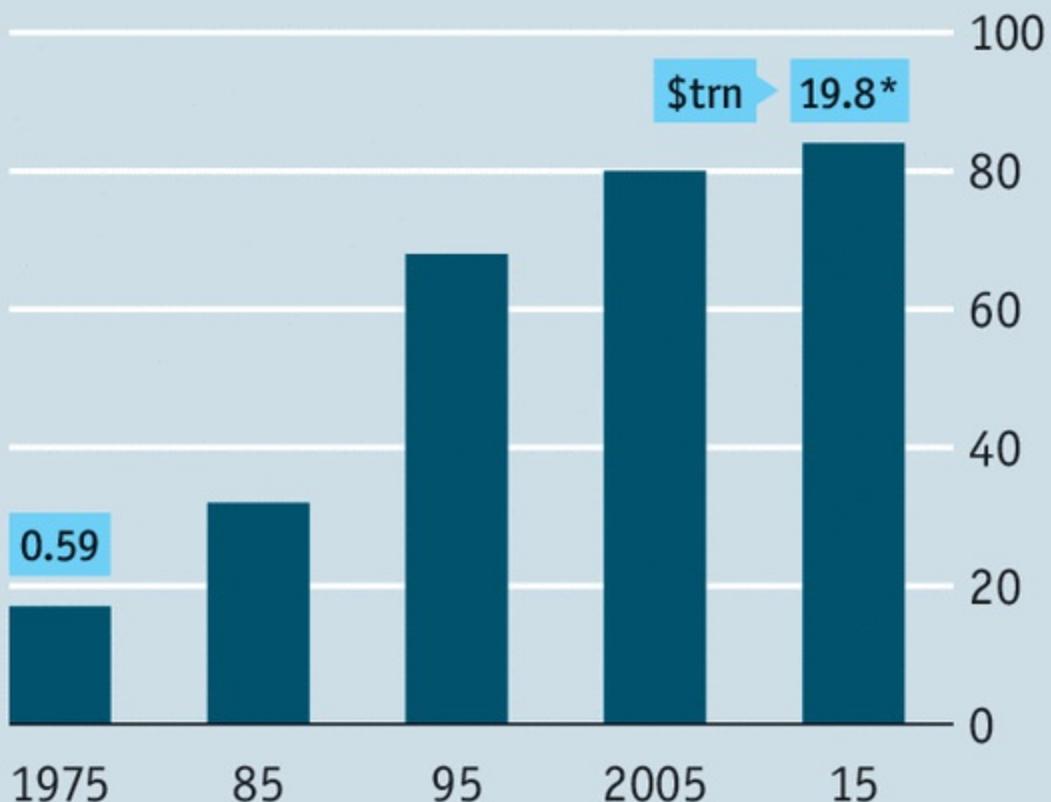
Aug 23rd 2018

THE development, hundreds of years ago, of ship and cargo insurance was revolutionary. It marked the start of commercial insurance; protection against loss from looting, fire and the perils of the high seas fostered global trade. But in the 21st century the value of companies consists less of solid objects, such as boats and buildings, than of weightless, intangible elements, such as intellectual property (IP), data and reputation. “Today the most valuable assets are more likely to be stored in the cloud than in a warehouse,” says Inga Beale, chief executive of Lloyd’s of London.

## Can't touch this

S&P 500, market value of intangible assets

% of total



Sources: Ocean Tomo; Aon

\*2018

The Economist

As Western economies have shifted from making things to providing information and services, the composition of companies' assets has shifted too. Intangible assets can be hard to define, let alone translate into dollars (under international accounting standards they are defined as "identifiable non-monetary asset[s] without physical substance"). Yet their growth has been undeniable. In 2015, estimates Ocean Tomo, a merchant bank, they accounted for 84% of the value of S&P 500 firms, up from just 17% in 1975 (see chart). This does not merely reflect the rise of technology giants built on algorithms; manufacturers have evolved too, selling services alongside jet

engines and power drills, and crunching data collected by smart sensors.

As the importance of intangibles has grown, so has companies' need to protect themselves against "intangible risks" of two types: damage to intangible assets (eg, reputational harm caused by a tweet or computer hack); or posed by them (say, physical damage or theft resulting from a cyberattack). However, insurance against such risks has lagged behind their rise. "The shift is tremendous and the exposure huge," says Christian Reber of the Boston Consulting Group, "but the insurance industry is only at the early stage of finding solutions to close the gap."

Examples of potential damage are not hard to find. In February a tweet by Kylie Jenner, a celebrity with over 25m followers, rhetorically asking whether anyone still used Snapchat, coincided with a drop of 6% in the share price of Snap, the messaging app's owner. NotPetya, a widespread ransomware attack last year, is likely to have cost companies more than \$3bn. One of the first events to awaken corporate America to intangible risks, a hack in 2013 of Target, a retailer, resulted in the theft of data on 70m customers, falling sales and profits, and litigation costing millions.

Companies are not oblivious. Respondents to a survey last year by Aon, an insurance broker, ranked reputation as their top risk (up from fourth in 2013) and cyber-risk as their fifth (from 18th). But there is a big difference between how risk managers perceive such risks and how boards do. And if firms do seek insurance against some of these risks, insurers have not exactly been inundating them with novel products. "Even when policies are labelled 'innovative' it's usually to insure physical assets in the sharing economy rather than intangibles," says Magda Ramada of Willis Towers Watson, another broker. But in a world where Airbnb, in effect the world's largest hotel chain, owns no hotels and Uber, its largest taxi firm, owns no cabs, such policies are of limited use. Those that do protect assets such as data, IP and reputation are often expensive and bespoke, and include strict exclusions and limits.

Insurers' caution is understandable. Intangible risks are not only new and complex. "They're a bit like not-yet-set jelly," says Julia Graham of Airmic, a trade body. "Their shape constantly changes." Underwriters like to look at past data on events' frequency as well as clients' current exposure—which

may be next to impossible when assessing the risk and impact of a cyberattack, a sexual-harassment scandal, which would have been very differently priced even a couple of years ago, or a celebrity's throwaway tweet. (Snap's share price has fallen by more than one-third in six months, suggesting deeper troubles than Ms Jenner's disapproval.) "The problem with intangible assets is that they have fuzzy boundaries, and for insurance to work you want crispness," says David Teece, of the University of California.

But some underwriters are starting to come up with more suitable policies. One is parametric cover, which pays a fixed amount automatically after a defined event, such as a hack. The advantage of such policies is that they can provide cash quickly, meeting an immediate need after misfortune strikes. The downside is that these products tend to cover only a share of damages.

Some once-uninsurable risks can now be at least partly insured thanks to advances in modelling, indemnity structures and other areas, says Thomas Holzheu of Swiss Re, a reinsurer. Examples include business interruption, cyber-risks, product recalls, damage to reputation and energy prices. A study by Swiss Re points to cover for hoteliers against a drop in occupation after widespread travel disruption or a pandemic, and a flight-cancellation policy for airlines triggered by severe events which do no harm to airports or aircraft but stop air traffic.

Most of the action has been in cyber-insurance. Early policies dealt merely with the immediate costs of an attack—paying to restore a data centre or for crisis management—but insurers now also offer “holistic” cover, which includes knock-ons such as physical damage, loss of revenue and litigation costs. But at the same time, insurers have become more aware of their “silent” exposure to cyber-risks under existing policies. Increasingly they are excluding them from conventional policies, such as property cover, or selling cyber bolt-ons. A huge gap in coverage remains. Cybercrime caused around \$550bn in losses last year, according to Aon. Companies are covered for only 15% of potential cyber-risk losses, against 59% for property, plant and equipment losses.

Companies also have to do more to protect themselves. Just as insurance was only part of the answer to fire and maritime risk, it is only part of the answer to modern perils. “Instead of buying insurance against a damaged reputation,

firms should be looking at preventing it in the first place," says Richard Wergan of Edelman, a communications-marketing firm. Plenty of cyber-breaches could doubtless have been avoided if software had simply been kept up to date. Insurers need to catch up with the intangible age; but so do their clients.

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**Bully for shares**

## America's stockmarket passes a milestone

Record or not, America's bull market keeps going



Aug 23rd 2018

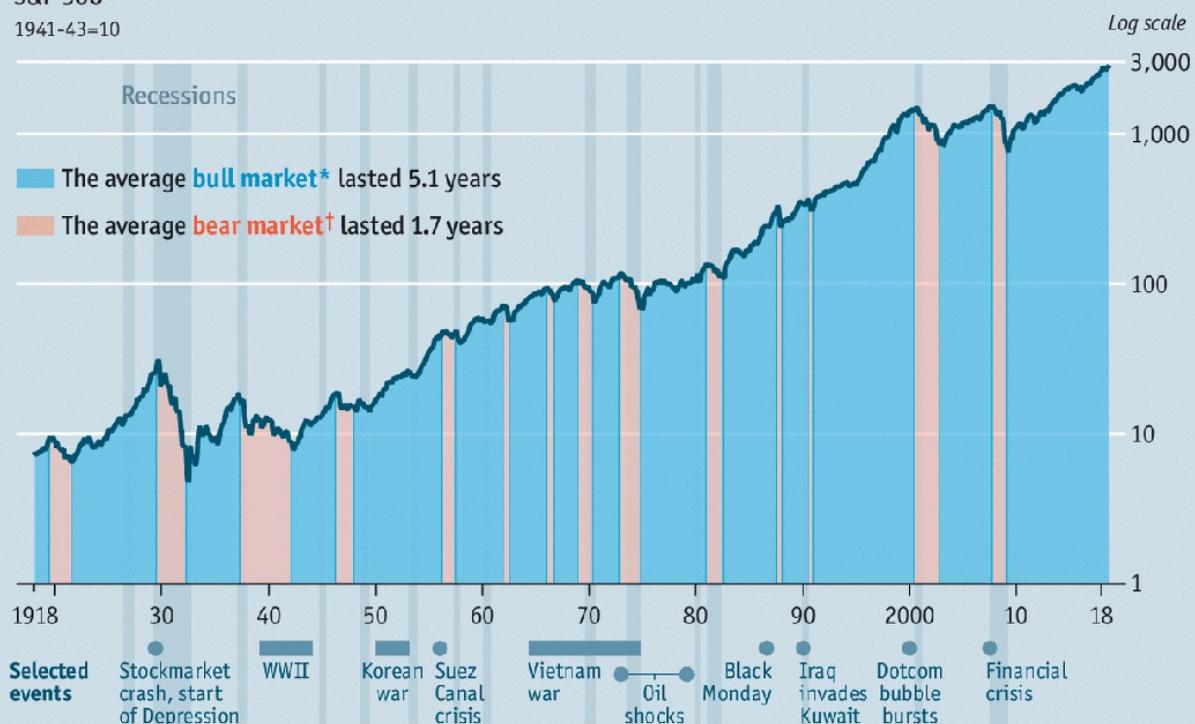
ON AUGUST 22nd America's bull market in equities turned 3,453 days old. Since hitting a low of 666 in March 2009, the S&P 500 index has increased more than fourfold, driven by strong corporate profits, low inflation, stable economic growth and a boatload of central-bank stimulus. Despite five corrections of at least 10%, the index has never entered bear territory, defined as a drop of at least 20%. Most commentators are declaring this to be the longest bull market in history.

Whether it is a record-breaker is disputed. Some contend that because a fall of 19.9% in 1990 did not quite reach the technical threshold, the bull market that ended in 2000 actually lasted a whopping 4,494 days and is the true champion. Others note a drop of 19%-plus in 2011 (and declines of 20%-plus in other share-price indices).

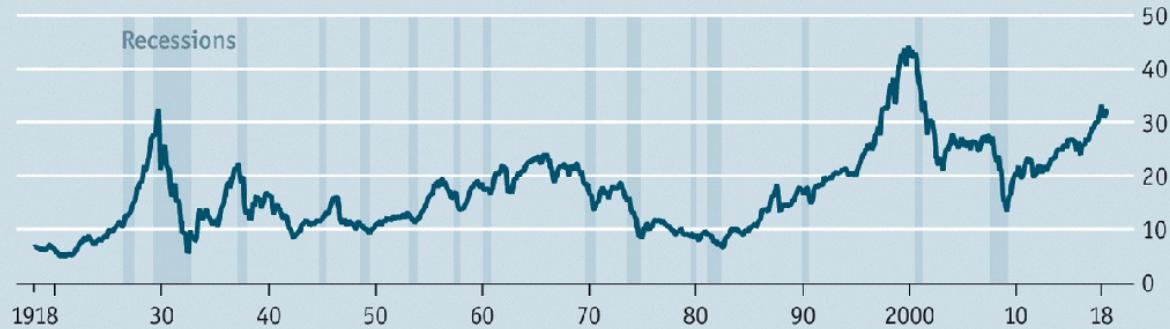
## Horns v paws

S&P 500

1941-43=10



Cyclically adjusted price-earnings ratio‡



\*Dated from the lowest point after a fall of at least 20%

†When the index closes at least 20% down from previous high

‡Based on inflation-adjusted earnings from previous ten years

Sources: Robert Shiller; CFRA Research;  
S&P Dow Jones Indices; *The Economist*

The Economist

Whatever its precise status, the bull market is curiously unloved by investors. Ken Fisher, a fund manager, has called it the “most joyless” in history. In the boom of 1990-2000 the S&P 500 rose by 417%, or by 19% per year. In the current run the index has clocked up a gain of 323%, or 16.5% per year. What this market lacks in vim, however, it has made up for in steadiness. In 2017 the VIX index, a measure of market volatility, recorded more days

below ten than in the previous 26 years combined.

Some believe that shares are overvalued. The S&P 500's price-to-earnings ratio is 25, and on a cyclically adjusted basis is higher still. On past form, average returns turn negative once the ratio tops 20, according to State Street Global Advisors, a money manager. Yet the warning bells about which investors fret most, such as widening credit spreads and bubbly asset prices, are not sounding loudly enough to suggest that the next bear market is imminent. Analysts at Goldman Sachs put the probability of a bubble in American shares at less than one in five. This bull may yet have room to run.

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## Free exchange

### What a rising current-account surplus means for the euro area

A question of balance

Aug 23rd 2018



The Economist

GREECE'S third bail-out programme came to an end on August 20th. A look at the causes of the country's near-decade of crisis illustrates how external imbalances can reflect underlying troubles. Gaps in public finances, as well as investments in property, were financed by borrowing from Germany and other northern European countries. Wages and costs were pushed up, making exports less competitive—within the euro zone, there can be no currency devaluation—and further widening Greece's current-account deficit. When foreign lending seized up, the government needed bailing out and the banks crumbled. Portugal (chiefly because of its public finances), Spain and Ireland (blame private-sector housing bubbles) have similar tales to tell.

As those four countries have stabilised or recovered, they have wholly or partly reversed their current-account deficits (see chart). But if the periphery has adjusted, the same is not true of the euro area's creditor countries. Surpluses in Germany and the Netherlands have grown. As a consequence,

the euro zone in total has a substantial current-account surplus. In the year to June it was 3.6% of GDP (the same as the record for a calendar year, set in 2016). Growth is likely to have been hurt.

In 2017, according to the IMF's External Sector Report, published last month, the euro area had the world's biggest absolute current-account surplus, \$442bn. Germany has the largest of any single country. China's once-vast surplus has narrowed: in the first half of this year, indeed, China reported a deficit. America's deficit remains the world's biggest, \$466bn last year. Corporate-tax cuts, interest-rate rises and the associated dollar appreciation could widen it further.

Current-account imbalances are not always a cause for concern. As a matter of arithmetic, they measure the gap between domestic savings and investment. The euro area is an economy with an ageing population: it should save more than it invests. As a result, it should have a current-account surplus. America's deficit partly reflects the more attractive investment opportunities available there than elsewhere in the world. Imbalances become more worrying, however, if they are larger than economic fundamentals might suggest or financed by short-term inflows.

The crises in the periphery of the euro zone were reflected in deficits caused by a surfeit of unproductive spending. But excess surpluses, too, can have drawbacks. The IMF reckons that the euro area's aggregate current-account surplus is now stronger than would be justified by structural factors and the business cycle alone. Growth in the zone relies too much on that of its largest trading partners, including America; worthy investment projects at home—in German infrastructure, say—go unfulfilled.

Surpluses also have political consequences outside the bloc. President Donald Trump sees Europe as a “foe” because of its bilateral trade surplus with America. He has slapped tariffs on European steel and aluminium, and threatened them on cars; the European Union has retaliated. The two sides are negotiating, but trade tensions are likely to keep simmering.

## **Internal strife**

The current-account deficits in the euro zone's crisis countries were of the

worrying kind. That they have shrunk or reversed is comforting. This has happened largely through increases in exports, suggesting that competitiveness has improved. (Much of Ireland's huge surplus reflects multinationals domiciling their intellectual property in the country to take advantage of its low corporate taxes, boosting its exports.) In Greece, where eight years of crisis and austerity have squeezed consumption and investment, imports have borne a greater part of the adjustment. They are more than 25% lower than in 2007.

The adjustment was particularly painful because, as members of a single-currency bloc with low inflation, crisis-hit countries had to devalue their real exchange rates by cutting wages and domestic demand and employment. And the zone's growing aggregate surplus points to another exacerbating factor: Germany's excess of saving over investment kept rising, as it increased lending and exports to countries outside the zone.

If instead Germany had expanded domestic demand, others' relative price adjustments could have been less painful. A paper by Olivier Blanchard, Christopher Erceg and Jesper Linde, published in 2015, finds that higher German inflation could make other countries' goods and services relatively cheap, making it easier for crisis countries to adjust. The effect is particularly strong when interest rates have to remain low to stimulate the economy. Some German economists, notably at the Bundesbank, have long argued that this is irrelevant: it is up to profligate southerners, not prudent Germans, to adjust; and fiscal expansion will not boost demand for euro-area imports directly.

Still, this uneven adjustment in the euro area could explain why both demand and inflation, once energy and food prices are excluded, have been stubbornly low. Since crisis countries still need to reduce their stocks of external liabilities (ie, the accumulation of past current-account deficits) and public-sector debt, that looks set to continue.

John Maynard Keynes recognised the risk of such asymmetry in the 1940s: "The process of adjustment is compulsory for the debtor and voluntary for the creditor. If the creditor does not choose to make, or allow, his share of the adjustment, he suffers no inconvenience." Keynes wanted to tax countries that hoarded trade surpluses. In 2011 the European Commission set up a

“macroeconomic-imbalance procedure” to tackle the problem. But the process appears to place less weight on surpluses than on deficits and lacks the means to enforce its recommendations.

Another way of dealing with imbalances would be to encourage greater risk-sharing through fiscal and (deeper) banking union. The euro zone would become more like America, where inter-state imbalances are not even recorded. But that too seems politically infeasible. The euro area’s long slog will carry on, and debtor countries will bear the burden.

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# Schools brief

## • **[Schumpeter, Popper and Hayek: The exiles fight back](#)** [Fri, 24

Aug 00:29]

Hayek, Popper and Schumpeter formulated a response to tyranny. Their lives and reputations diverged, but their ideas were rooted in the traumas of their shared birthplace.

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### The exiles fight back

## Hayek, Popper and Schumpeter formulated a response to tyranny

Their lives and reputations diverged, but their ideas were rooted in the traumas of their shared birthplace



Aug 23rd 2018

AS THE second world war raged, Western intellectuals wondered if civilisation could recover. George Orwell, the most brilliant of the pessimists, wrote “Animal Farm” and began work on “1984”, which saw the future as “a boot stamping on a human face—forever”. Among the optimists were three Viennese exiles who launched a fightback against totalitarianism. Instead of centralisation, they advocated diffuse power, competition and spontaneity. In Massachusetts Joseph Schumpeter wrote “Capitalism, Socialism and Democracy”, published in 1942. In New Zealand Karl Popper wrote “The Open Society and its Enemies” (1945). Friedrich Hayek wrote “The Road to Serfdom” (1944) in Britain.

Vienna, their original home, had been devastated. In 1900 it was the capital of the Habsburg monarchy, a polyglot, fairly liberal empire. In short order it

faced two world wars, the empire's collapse, political extremism, annexation by the Nazis and Allied occupation. Graham Greene visited in 1948 and described the former jewel of the Danube as a "smashed, dreary city".

War and violence "destroyed the world in which I had grown up," said Popper. Schumpeter viewed Austria as just a "little wreck of a state". "All that is dead now," said Hayek, of Vienna's heyday.

Yet the city shaped them. Between 1890 and the 1930s it was one of the brainiest places in the world. Sigmund Freud pioneered psychoanalysis. The Vienna Circle of philosophers debated logic. The Austrian school of economics grappled with markets; Ludwig von Mises made breakthroughs on the role of speculation and the price mechanism. Von Mises mentored Hayek, who was a cousin of the philosopher Ludwig Wittgenstein, who went to school with Adolf Hitler, who stood at the Heldenplatz in 1938 to welcome "the entry of my homeland into the German Reich".

The three wartime thinkers had different backgrounds. Schumpeter was a flamboyant adventurer born into a provincial Catholic family. Popper's family was intellectual and had Jewish roots; Hayek was the son of a doctor. But they had common experiences. All three attended the University of Vienna. Each had been tempted, and then repelled, by socialism; Schumpeter was finance minister in a socialist government. He also lost his fortune in a bank collapse in 1924. He then left for Germany, and, after his wife died, emigrated to America in 1932. Hayek left Vienna for the London School of Economics in 1931. Popper fled Austria just in time, in 1937.

Each was troubled by the Anglo-Saxon countries' complacency that totalitarianism could never happen to them. Yet warning signs abounded. The Depression in the 1930s had made government intervention seem desirable to most economists. Now the Soviet Union was a wartime ally, and criticism of its terror-based regime was frowned upon. Perhaps most worryingly, in Britain and America war had brought centralised authority and a single collective purpose: victory. Who could be sure that this command-and-control machine would be switched off?

Hayek and Popper were friends but not close to Schumpeter. The men did not co-operate. Nonetheless a division of labour emerged. Popper sought to blow

up the intellectual foundations of totalitarianism and explain how to think freely. Hayek set out to demonstrate that, to be safe, economic and political power must be diffuse. Schumpeter provided a new metaphor for describing the energy of a market economy: creative destruction.

## The hotel years

Start with Popper. He decided to write “The Open Society” after Hitler invaded Austria and described it as “my war effort”. It begins with an attack on “historicism,” or grand theories dressed up as laws of history, which make sweeping prophecies about the world and sideline individual volition. Plato, with his belief in a hierarchical Athens ruled by an elite, gets clobbered first. Hegel’s metaphysics and his insistence that the state has its own spirit are dismissed as “mystifying cant”. Popper gives a sympathetic hearing to Marx’s critique of capitalism, but views his predictions as little better than a tribal religion.

In 1934 Popper had written about the scientific method, in which hypotheses are advanced and scientists seek to falsify them. Any hypothesis left standing is a kind of knowledge. This conditional, modest concept of truth recurs in “The Open Society”. “We must break with the habit of deference to great men,” Popper argues. A healthy society means a competition for ideas, not central direction, and critical thinking that considers the facts, not who is presenting them. Contrary to Marx’s claim, democratic politics was not a pointless charade. But Popper thought that change was only possible through experimentation and piecemeal policy, not utopian dreams and large-scale schemes executed by an omniscient elite.

Hayek shared Popper’s view of human knowledge as contingent and dispersed. In “The Road to Serfdom” he makes a narrow point ruthlessly: that collectivism, or the longing for a society with an overarching common purpose, is inherently misguided and dangerous to liberty. The complexity of the industrial economy means it is “impossible for any man to survey more than a limited field”. Hayek built on von Mises’s work on the price mechanism, arguing that without it socialism had no way to allocate resources and reconcile millions of individual preferences. Because it is unable to satisfy the vast variety of people’s wants, a centrally planned economy is innately coercive. By concentrating economic power, it

concentrates political power. Instead, Hayek argues, a competitive economy and polity is “the only system designed to minimise by decentralisation the power exercised by man over man”. Democracy was a “device for safeguarding” freedom.

Schumpeter is a puzzle. (In his history of neoliberalism, Daniel Stedman Jones picks von Mises as his third Viennese thinker instead.) His previous book, a tome on the history of business cycles, flopped in the 1930s. It is fashionable now to describe his follow-up, “Capitalism, Socialism and Democracy”, as one of the greatest works of the 20th century. But it can be turgid and long-winded; parts are dedicated to prophecies of the kind Popper thought nuts. Schumpeter’s contention that socialism would eventually replace capitalism—because capitalism anaesthetised its own acolytes—is sometimes thought to be tongue-in-cheek. Yet, like a gold nugget amid sludge, the book contains a dazzling idea about how capitalism actually works, rooted in the perspective of the businessman, not bureaucrats or economists.

Until John Maynard Keynes published his “General Theory” in 1936, economists did not really concern themselves with the economic cycle. Schumpeter emphasised a different sort of cycle: a longer one of innovation. Entrepreneurs, motivated by the prospect of monopoly profits, invent and commercialise products that trounce their antecedents. Then they are trounced in turn. This “perennial gale” of birth and death, not planners’ schemes, is how technological advances are made. Capitalism, while unequal, is dynamic. Firms and their owners enjoy only limited windows of competitive advantage. “Each class resembles a hotel,” Schumpeter wrote earlier; “always full, but always of different people”. Perhaps he was recalling his own wild ride in Vienna’s banking industry.

Taken together, in the 1940s Hayek, Popper and Schumpeter offered a muscular attack on collectivism, totalitarianism and historicism, and a restatement of the virtues of liberal democracy and markets. Capitalism is not an engine for warmongering exploitation (as Marxists believed), nor a static oligarchy, nor a high road to crisis. Accompanied by the rule of law and democracy, it is the best way for individuals to retain their liberty.

## **Serfdom revisited**

The reception of their work varied. Popper struggled to get his book published (it was long and paper was still rationed). By 1947 Schumpeter's was hailed as a masterpiece; his battered reputation soared. Hayek's work had little impact until it featured in Reader's Digest in America, turning him into an overnight sensation there. And, over time, the three men's paths diverged. Popper, who moved to Britain in 1946, returned to focus on science and knowledge. Schumpeter died in 1950. Hayek moved to Michigan, becoming a luminary of the Chicago School of free-market economists and a shrill critic of all government.



But their combined stature grew. By the 1970s Keynesianism and nationalisation had failed, leading a new generation of economists and politicians, including Ronald Reagan and Margaret Thatcher, to emphasise markets and individuals. The collapse of the Soviet Union in the 1990s vindicated Popper's searing attack on the stupidity of grand historical schemes. And Silicon Valley's continual reinventions, from the mainframe and PC to the internet and mobile phones, vindicated Schumpeter's faith in entrepreneurs.

The three Austrians are vulnerable to common criticisms. The concentration

of their intellectual firepower on leftwing ideologies (rather than Nazism) can seem lopsided. Schumpeter had been complacent about the rise of Nazism; but for Popper and Hayek, the devastation unleashed by fascism was self-evident. Both argued that Marxism and fascism had common roots: the belief in a collective destiny; the conviction that the economy should be marshalled to a common goal and that a self-selected elite should give the orders.

Another criticism is that they put too little emphasis on taming the savagery of the market, particularly given the misery of unemployment in the 1930s. In fact Popper was deeply concerned about workers' conditions; in "The Open Society" he lists approvingly the labour regulations put in place since Marx wrote about children toiling in factories. He thought pragmatic policies could gradually improve the lot of all. In the 1940s Hayek was more moderate than he later became, writing that "some minimum of food, shelter and clothing, sufficient to preserve health and the capacity to work, can be assured to everyone". The economic cycle was "one of the gravest problems" of the time. Schumpeter showed fewer signs of compassion yet was profoundly ambivalent about the social impact of creative destruction.

Today the Austrians are as relevant as ever. Autocracy is hardening in China. Democracy is in retreat in Turkey, the Philippines and elsewhere. Populists stalk the Americas and Europe: in Vienna a party with fascist roots is in the ruling coalition. All three would have been perturbed by the decay of the public sphere in the West. Instead of a contest of ideas, there is the tribal outrage of social media, leftwing zealotry on America's campuses and fearmongering and misinformation on the right.

Together the trio shine a light on the tension between liberty and economic progress, now exacerbated by technology. In the 1940s Hayek and Popper were able to argue that individual freedom and efficiency were bedfellows. A free, decentralised society allocated resources better than planners, who could only guess at the knowledge dispersed among millions of individuals. Today, by contrast, the most efficient system may be a centralised one. Big data could allow tech firms and governments to "see" the entire economy and co-ordinate it far more efficiently than Soviet bureaucrats ever could.

Schumpeter thought monopolies were temporary castles that were blown away by new competitors. Today's digital elites seem entrenched. Popper and

Hayek might be fighting for a decentralisation of the internet, so that individuals owned their own data and identities. Unless power is dispersed, they would have pointed out, it is always dangerous.

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# Science and technology

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Future helicopters will fly in new ways. Pilots will be optional.

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Machine learning can control tsetse flies. And thus reduce sleeping sickness.

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**Whirlybirds are go**

**Future helicopters will fly in new ways**

Pilots will be optional



Aug 23rd 2018

UNLIKE a helicopter, aeroplanes are inclined to fly, Harry Reasoner, a veteran American newsman, wryly observed after watching choppers in action during the Vietnam war. He wrote:

A helicopter does not want to fly. It is maintained in the air by a variety of forces and controls working in opposition to each other, and if there is any disturbance in the delicate balance, the helicopter stops flying, immediately and disastrously.

Despite their mechanical complexity and the need for piloting skills akin to riding a unicycle, a helicopter's idiosyncrasies can quickly be forgiven. It does things aeroplanes cannot. The ability to take off and land vertically, and to hover, have made helicopters indispensable to the military since their first mass deployment by America in Vietnam, where the ubiquitous UH-1

“Huey” led to that conflict becoming known as “the helicopter war”. Civilian roles are just as vital, from rescuing people stranded on mountains to use as air ambulances, from putting out wildfires to carrying people and presidents to and from places where there are no runways.

The helicopter, though, has a new rival. Some drones also take off and land vertically, and with rotors powered by electric motors, they are mechanically more straightforward. Drones are also quieter, cheaper and easier to fly because they operate largely autonomously, and can be controlled by someone on the ground and who does not need a pilot’s licence.

Unsurprisingly, drones are already taking work away from helicopters, in military tasks like reconnaissance and in civilian ones such as filming, surveying and delivering goods. They are also being developed to carry passengers. The differences between helicopters and drones are vanishing.

For now, companies that make helicopters think their machines have a long life ahead of them. Batteries are currently unable to provide electric rotorcraft with extended flight times or the ability to carry heavy loads. And many helicopter missions are still likely to require crew on board—think of winchmen for an air-sea rescue. Nor would most hovering drones stand a chance in the intense storms and blizzards that helicopters sometimes have to fly into. But that does not mean helicopters of the future will still fly in the same way, or that they will always have a pilot.

A number of new ideas for future helicopters are whirring. Among them are the “X2” technology, which is being developed by Sikorsky, a Connecticut-based firm founded by Igor Sikorsky, who produced the first practical helicopter in 1939. The V-280 Valor (pictured above), which is a striking “tilt-rotor” design, is being championed by Bell, the Texas-based producer of the old Huey. Both companies aim to overcome one of the helicopter’s inherent shortcomings: a limited top speed.

## Pulling on the collective

A helicopter’s speed is restricted by the way it flies. An aeroplane obtains lift by air passing over the aerofoil shape of its wing. The blades of a helicopter have a similar shape and work like a revolving wing. The trouble is that, in forward flight, the airflow over the blade advancing into the oncoming air is

greater than that over the blade that is retreating. This produces a lopsided amount of lift, which is compensated for by adjusting the angle of the blades as they rotate to achieve an equal amount of lift on both sides. Once the speed exceeds about 280kph (174mph), increasing the angle of the retreating blade any more results in a “stall”, which produces no lift at all. By then the helicopter is likely to be vibrating dangerously and it could flip over.

A tilt-rotor overcomes this problem with a pair of counter-rotating rotors mounted on a set of wings. This arrangement effectively converts a helicopter into an aeroplane for faster forward flight, by tilting the rotors forward, and then back into a helicopter to land and take-off vertically by pointing the rotors upwards. Bell’s V-280 tilt-rotor can nip along at 520kph (280 knots, hence the name) and has a range of almost 1,500km, even when weighed down by four crew and 14 fully-kitted combat troops.

An older and bigger tilt-rotor called the V-22 Osprey is produced by Bell in partnership with Boeing. This too is faster and can travel farther than a standard helicopter. It is used by the US Marines. The V-22, however, tilts both its rotors and engines. The V-280 simplifies this design and reduces the amount of weight that has to be rotated by having the engines remain in place and tilting only the driveshafts and rotors.

The new design could be scaled up to produce much bigger craft, says Vince Tobin, Bell’s head of military business. Bell is also looking at electric flight systems for sometime in the future.

### **Look, no hands**

The V-280 will be “pilot optional”. Some passengers might be happier with a human in the cockpit, but much depends on the mission. “If picking up a downed pilot in a hostile situation, they’ll take any ride out, manned or unmanned,” says Mr Tobin, a former US Army helicopter pilot. In civilian use a tilt-rotor opens up all sorts of travel opportunities with their speed and range, he adds. That could be from roof tops to heliports, saving on land occupied by conventional airports.

Sikorsky’s X2 system uses two rotors mounted on the top of the helicopter, one above the other but turning in opposite directions. This so-called coaxial

arrangement has long been employed by some Russian helicopters because it makes the tail rotor redundant, which is useful when flying in and out of tight spots. On a conventional helicopter the tail rotor counters “torque”, a twisting force induced by the main rotor. Coaxial rotors (and counter-rotating tilt-rotors) cancel out torque.

Where the design differs from previous coaxial helicopters, is that Sikorsky fits a propeller at the rear to push the helicopter along much faster. Another difference is that the four blades on each rotor are made much stiffer than is usual so that the rotors can be placed closer together without their blades colliding. The result is that at high speeds retreating-blade stall is overcome because there is always a blade advancing in the direction of travel on either side of the helicopter to provide a balanced lift.



Sikorsky

Such an arrangement makes a helicopter faster and more manoeuvrable. It is also quieter because the rear propeller can be used for most of the forward thrust, allowing the rotors to run more slowly, says Chris Van Buiten, head of Sikorsky innovations. The company has two versions using the technology. One, the S-97 Raider (pictured above), carries six passengers and can fly at more than 400kph. A bigger model being developed with Boeing, the SB-1 Defiant, is due to begin test flights later this year. It can carry a dozen troops.

Civilian versions of both are planned

All these new helicopters will be made easier to fly using computerised flight controls. Sikorsky, for instance, is working on a system in which pressing a single button is all that is required to take-off and hover. This level of automation makes autonomous operations possible. That could be for pilotless missions or as a back-up for single-pilot use, allowing a helicopter to return to base if that pilot was incapacitated, says Mr Van Buiten. When Sikorsky began experimenting with autonomous flight systems some ten years ago, the entire cabin of a test helicopter was filled with computers. Now the required kit is the size of a toaster. Whether they end up carrying people or not, the difference between drones and helicopters is starting to narrow.

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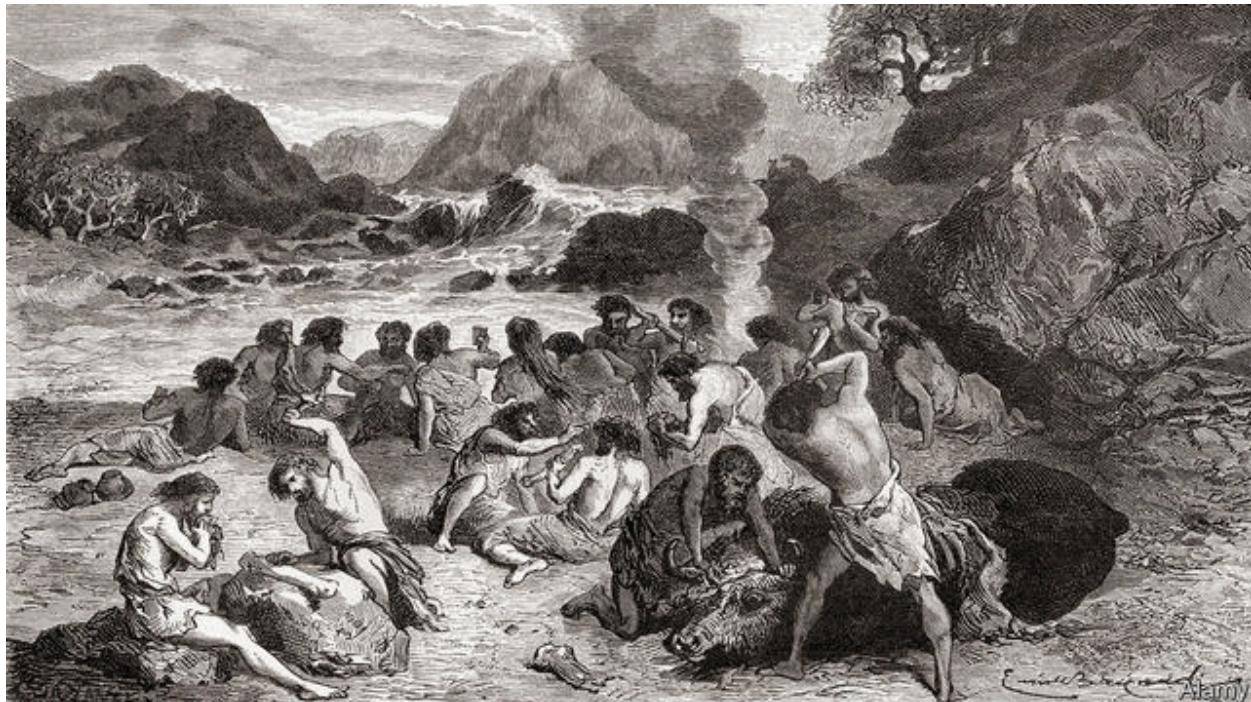
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## Kissing cousins

### Neanderthals and Denisovans regularly interbred

Evidence found in a tiny fossil



Aug 23rd 2018

SET aside romantic sentiment. Sex is a biological insurance policy. By chaotically mixing their genetic information, animals generate extraordinary diversity. In general, the more different the genomes of the partners are, the greater the diversity in their offspring and the more likely it is that some of the combinations will survive. Early humans had no inkling of evolutionary theory. But the discovery of a teenage girl with a Neanderthal mother and a Denisovan father shows they were happily participating in the practice.

A team led by Viviane Slon and Svante Pääbo of the Max Planck Institute for Evolutionary Anthropology, in Leipzig, Germany, carried out genetic analysis on a fragment of bone, more than 50,000 years old, found in a cave in Russia. It came from a girl, aged about 13, who seemed to belong to the Denisovans, a poorly understood cousin of modern humans who evolved in Eurasia around 390,000 years ago and then were driven into extinction some

40,000 years ago.

An analysis of a Denisovan fossil carried out in 2013 revealed that their genes differed substantially from those of modern-day humans. Yet what really surprised researchers at the time was the discovery of a little Neanderthal DNA mixed in. Neanderthals are known to have successfully mated with humans because they permanently inserted some of their DNA into the human genome. The discovery that the genetically distinct Neanderthals and Denisovans had also reproduced with one another raised the question of whether their interbreeding had been a regular affair.

The results of the new study, published this week in *Nature*, show that, instead of having just a little Neanderthal DNA mixed in with lots of Denisovan DNA, the girl's remains contain a much more balanced split: 38.6% of the DNA fragments matched versions of genes that clearly belong to the Neanderthal genome, and 42.3% to the Denisovan one. There was no clear match for the remainder.

Furthermore, the fossil had Neanderthal mitochondrial DNA. This is passed from mother to child, which meant that either the teenager was the daughter of a Denisovan father and a Neanderthal mother or had come from a population with an extensive mix of traits, and had been born to parents who were, in effect, hybrids.

Biologists know that animal populations of mixed ancestry who are undergoing little evolutionary change show signs of this equilibrium in their genes. Drs Slon and Pääbo looked for just such markers in the genes of their Denisovan teenager and found none. That ruled out the idea that she came from mixed ancestry.

They did, though, find that each chromosome pair the girl carried had one chromosome that was entirely Neanderthal in origin and one that was almost entirely Denisovan. This signified that she had one parent from each group. Knowing that the mother was a Neanderthal from the girl's mitochondrial DNA, means that her father must have been a Denisovan.

The 2013 analysis of the Denisovan fossil also showed interbreeding, albeit of a more distant sort. Add in this latest research, and although Neanderthals

and Denisovans may not have met very often, sex between them is likely to have been more common than was previously realised. The implication is that modern humans are likely to have a messier genetic heritage than once thought.

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## Archaeology

### The secret in the world's oldest cheese

It shows the ancient Egyptians suffered from brucellosis



University of Catania and Cairo

Aug 23rd 2018

IN 1885 tomb raiders in ancient Egypt discovered the final resting place of Ptahmes, a powerful mayor of Memphis, who ruled between 1290BC and 1213BC. Shifting sands buried the tomb once more until it was uncovered again in 2010 by a team led by researchers from Cairo University. The raiders seem to have ignored what may be its most valuable treasure: the world's oldest cheese.

Found in a store room among a number of broken jars, the solidified whitish mass was initially barely recognisable. It appeared to be entirely composed of sodium carbonate, the basis of soap, although it was covered with a bit of fabric that resembled a cheese cloth. Enrico Greco of the University of Catania, in Italy, theorised that if the substance had once been cheese, it had reacted with the exceptionally dry, salty and alkaline environment to turn the fats it had contained into soap.

As he reports in *Analytical Chemistry* this week, Dr Greco and his colleagues dissolved samples in acid to liberate any proteins and then analysed these using mass spectrometry. This revealed the presence of more than 90 proteins that had unquestionably come from animals. Further study showed these proteins closely resembled those produced in goat, sheep, cow and water-buffalo milk. Dr Greco suggests that the cheese was made from a mixture of several milks. At 3,200 years old, it is the oldest solid cheese to have ever been discovered.

But that is not the only thing that was found. Hiding amid all the biochemical remnants were peptides that belonged to *Brucella melitensis*, the bacterium responsible for causing brucellosis, which causes a fever that nowadays is treated with antibiotics. Brucellosis is spread through the consumption of infected dairy products that have not been pasteurised. Archaeologists have long suspected that brucellosis was rampant in ancient Egypt; the bacterium in the cheese seems to prove the case.

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## Tropical diseases

### Machine learning can control tsetse flies

And thus reduce sleeping sickness



Aug 23rd 2018 | NEW YORK

FEMALE tsetse flies mate for life. Or, to put it more accurately, they mate once in a lifetime. That gives those who would control these pests an opportunity. A female that mates with a sterile male will have no offspring. Arrange for enough such matings to occur and the result will be fewer tsetse flies—and, with luck, less sleeping sickness, a disease spread to people and cattle by the flies.

A project under way in Senegal suggests this works. For the past five years, male tsetse flies sterilised using gamma rays have been dropped three times a week over infested areas. This has pushed the local fly population down by 98%, with a concomitant fall in sleeping sickness. But projects like this require huge numbers of sterile males to be bred and delivered in a timely manner. And that is hard.

One problem, since breeding males necessarily involves breeding females, too, is sorting the sexes, so that only males are irradiated and released. (Simply irradiating both sexes is problematic; a higher radiation dose is required to sterilise females, for example, which risks killing or disabling the males.) To sort the tsetses means waiting until the flies emerge from their pupae, chilling them to reduce their metabolic rates and therefore their activity, and then separating males from females by hand, with a paint brush. Male flies can be identified by external claspers that make them distinguishable from clasperless females. This process is effective, but time-consuming and labour-intensive. Zelda Moran, of Columbia University, thinks she has a better way.

In 2014 Ms Moran, who was then a researcher at the entomological laboratory of the International Atomic Energy Agency, in Vienna, which does a lot of this work, noticed that female and male tsetse pupae develop differently. Adult flies emerge from their pupae 30 days after pupation. Although tsetse-fly pupal cases are opaque, Ms Moran found that in certain lighting conditions, such as infrared, it was possible to observe that the insects' wings began to darken beforehand. In the case of females, this happens around 25-26 days after pupation. In the case of males it happens later: 27-29 days after pupation. In principle, that gives a way to sort the flies before they emerge from their pupae.

Acting on these observations had to wait until a chance meeting Ms Moran had with Szabolcs Márka, an astrophysicist at Columbia. At the time, Dr Márka was using machine learning, a form of artificial intelligence, to find patterns in large sets of astrophysical data. He suggested applying a similar process to the sexing of pupae.

First, Dr Márka and his colleagues used an infrared scanner to create images of large numbers of pupae. Then, they employed these images to train a computer algorithm to decide whether a pupa being scanned is male, female or unidentifiable. It can also tell dead pupae from living ones. That done, it is a simple matter to automatically sort the living male pupae from the rest, with a machine using puffs of air or jets of water to blow the unwanted pupae away. Thus isolated, the male flies can be irradiated and shipped off for release.

This should simplify the production of sterile males for projects such as the one in Senegal. It might work on other species, too. If sex-sorting by machine learning could be applied to insects like mosquitoes, illnesses such as malaria and dengue might also come under tighter control.

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## Books and arts

- **[Identity and respect: Find out what it means to me](#)**

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Francis Fukuyama and Kwame Anthony Appiah take on identity politics. Two leading thinkers explore the deep roots of populism and resentment in the West.

- **[Dirty tricks and conspiracy theories: The hand of Moscow](#)**

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Russian election-meddling—the prequel. The rumpus over the Zinoviev letter offers lessons on the impact of conspiracy theories today.

- **[The literature of Trieste: Tales of the city](#)**

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**Find out what it means to me**

## **Francis Fukuyama and Kwame Anthony Appiah take on identity politics**

Two leading thinkers explore the deep roots of populism and resentment in the West



Matt Withers

Aug 23rd 2018

**Identity: The Demand for Dignity and the Politics of Resentment.** By Francis Fukuyama. *Farrar, Straus and Giroux; 240 pages; \$26. To be published in Britain by Profile Books in October; £16.99.*

**The Lies That Bind: Rethinking Identity.** By Kwame Anthony Appiah. *Liveright; 256 pages; \$27.95. Profile Books; £14.99.*

ONE of the most remarkable recent developments in Anglo-American politics is the reification of the white working class. Google Trends, a website that tracks how often particular words or phrases are typed into the search engine, shows a huge spike in interest in that group when Donald Trump won the presidential election in 2016. Interest has never quite

subsided since. What is more, the white working class has gone from being mostly ignored to being assumed to have a consistent set of views, even a political agenda.

Many of the books published after Britain's vote to leave the European Union and Mr Trump's election tried to explain why this group in particular had turned on the political establishment. For example, "Us vs Them" by Ian Bremmer and "WTF" by Robert Peston found the answer in the travails of former industrial towns and the arrogance and selfishness of elites. Now come two more reflective takes. "Identity" and "The Lies That Bind" suggest that Western countries not only have deep economic and social problems, but philosophical ones too. People are looking at themselves and others in the wrong ways.

Francis Fukuyama's account begins in the distant past. Ancient Greek philosophers conceived of people (or, at least, privileged people) as having a longing for recognition and respect, which they called "thymos". In the 16th century Martin Luther drew a distinction between people's inner lives and their behaviour, the former being more important. By the 18th century European and American thinkers had added the idea that everyone not merely wanted but deserved to be treated with dignity. These ideas have since been stirred together and spiced with resentment.

What has happened recently, Mr Fukuyama argues, is that many people have concluded that society does not adequately value their inner worth. That is society's fault, not their own. So the world must change and grant them more respect. Mr Fukuyama spies this craving in many groups, from the working-class whites who are drawn to populism in Europe and America to the Arabs who rebelled against their rulers in 2010. The women who launched the #MeToo movement are impelled by a similar desire for respect; so even are Islamists.

Some of these movements are more admirable than others, Mr Fukuyama finds. But he is troubled by even the worthiest ones, because they so often begin by claiming that a group has been done down. To demand justice for one marginalised group is often to overlook the higher goals of equality and respect for all. Besides, right-wingers have learned to play the grievance game just as well as left-wingers, leading to an endless cycle of claim and

self-righteous counter-claim.

His chief cure for this disease of identity politics is the nation. Though left-wingers may deride national identities, and right-wingers twist them to racist ends, they are the best hope for unifying people and giving them a broad sense of purpose. Mr Fukuyama favours national identities based on creed, like the American one, rather than identities based on race or heritage. He is keen on national service and suspicious of dual citizenship. Still, he does not seem entirely confident that countries can steer away from a politics of resentment that has been many years in the making.

### **The ladder and the mountain**

Kwame Anthony Appiah shares some things with Mr Fukuyama. He lives in a liberal coastal city of America. He, too, dislikes both right-wing populist nationalism and identity politics at both ends of the spectrum. He also suspects that the present political turmoil in countries such as Britain and America is rooted in long-developing habits of mind. But whereas Mr Fukuyama drives to the heart of the problem, Mr Appiah rises above it.

“The Lies That Bind” ranges even more widely in time and space than “Identity”, and has fewer signposts for the reader. Among other things, it takes in the Epistles of St Paul, medieval Arab philosophy, 18th-century English novels, Michael Young’s book “The Rise of the Meritocracy” and Mr Appiah’s upbringing in Ghana. It quotes from the Bible (as he puts it) “more or less at random”. Several pages are devoted to an African, Anton Wilhelm Amo Afer, who was plucked from his home in 1707, aged five, and sent to Europe. After a top-notch education, he became a philosopher.

The point of this entertaining, meandering journey is that identities are less solid than is frequently thought. Religions change constantly, rethinking old traditions and incorporating new doctrines. Many widespread ideas about race derive from 19th-century distinctions between negroes, caucasians and orientals, which have been discredited by science (Amo Afer is interesting because he was born before those racial categories had hardened). Social class is less like a ladder than a mountain, with many routes to the top.

Nobody has a single identity, Mr Appiah adds, being only middle-class, only

a woman, only British or only white. All of our identities are refracted through our other ones. Nor do people's identities truly dictate their thoughts or behaviour. "In general", he writes, "there isn't some inner essence that explains why people of a certain social identity are the way they are." Identities are not inherited like genes. Rather, they are worn and styled, like hair.

It is not clear what Mr Appiah would change, if he had power—though, like Mr Fukuyama, he is keen on national identities built on creeds. His book implies that people should study history more, and be more careful when lumping themselves and others into groups. Both are splendid ideas, though they resemble pea-shooters against the bombast of Donald Trump, Hungary's Viktor Orban and their ilk. What if populist nationalism and the various kinds of identity politics appeal to people not despite their gross simplifications and errors, but because of them?

There is another way of thinking about Brexit, Trumpism and other political convulsions, which does not fill a book. It is to remember that history does not travel in a straight line. Nations can become divided; groups of people can grow resentful; demagogues can gain power; ruinous political decisions can be made. But the reverse can happen, too, when conditions are right and a talented politician appears. Just look at France. Liberal democrats who fear that populism is on the march, and their ideals will never again prevail, should recall that the opposite was once common wisdom.

As it happens, that was partly thanks to Mr Fukuyama. He is best-known for arguing, in "The End of History and the Last Man", published in 1992, that the world was heading towards liberal democracy. China's rise and democratic backsliding in Russia and elsewhere scotched that hope. The episode does not show that Mr Fukuyama was foolish, just that the future is hard to predict. It is devoutly to be wished that he will also be proved wrong about the ascent of intolerant identity politics.

## The hand of Moscow

### Russian election-meddling—the prequel

The rumpus over the Zinoviev letter offers lessons on the impact of conspiracy theories today



Aug 23rd 2018

**The Zinoviev Letter: The Conspiracy That Never Dies.** By Gill Bennett. *Oxford University Press; 368 pages; £25. To be published in America in November; \$34.95.*

AMID surging tension between Russia and the West, the balance of power in a leading democracy is suddenly tilted by an allegation of subterfuge dreamed up in Moscow. While the Russians deny all wrongdoing, interested parties on the Western side squabble furiously. They argue over whether any interference really occurred, and if so at whose ultimate behest and for whose benefit.

If all that sounds familiar, it also describes events in 1924, when British politics was upended by the publication of a letter seemingly dispatched by

the Soviet elite. On October 25th of that year the *Daily Mail* published a missive apparently sent by Grigory Zinoviev (pictured), head of the international Marxist movement known as the Comintern, to his British comrades. It anticipated the “revolutionising” of the British proletariat, assisted by a new Anglo-Soviet trade accord. In an election four days later Britain’s first socialist government fell.

In her vivid account of her bid to ascertain the real origins of the Zinoviev epistle, Gill Bennett, formerly chief historian of the British Foreign Office (FCO), provides many fascinating new details of this tangled episode. In 1998 she was assigned by Robin Cook, then foreign secretary in a Labour government, to investigate thoroughly a matter which had left a trail of rancour and grievance. On the political right, the Zinoviev affair was long remembered as proof that British lefties were in league with sinister foreigners; on the left it was recalled as a dirty trick by the establishment that strangled Britain’s first, mild experiment with socialism.

In her effort to settle the matter, Ms Bennett and one of the FCO’s top Russia hands went to Moscow, where they were received by senior archivists and presented with sensitive material in apparent good faith. She concluded that the Zinoviev letter—an English “translation” for which no original ever emerged—was probably a forgery cooked up by anti-Bolshevik Russians and then passed to the British intelligence service. To be precise, the English text was sent by the service’s outpost in Latvia, where anti-Bolshevik agitation was seething, and received at intelligence headquarters in London on October 9th 1924. It reflected a penchant for forgery that was widespread in the revolutionary era.

British bigwigs, including some intelligence officers, put the document to opportunistic use; some of those who made political capital out of it probably knew it was dodgy. In Ms Bennett’s view, the original idea of concocting the letter is unlikely to have come from anyone in London—though British spooks in Riga may well have been freelancing in collaboration with their White Russian associates.

She considers the possibility that the letter really did originate in the Soviet leadership, and that it reflected some arcane power struggle in Moscow. But she is satisfied that the senior Reds were genuinely bewildered when they

received a formal British protest over the matter.

## The enemy within

Still, despite the furore it caused, the letter was probably not a decisive factor in Britain's election. The Labour vote held up fairly well; it was the collapse in the Liberal share that enabled Stanley Baldwin's Conservatives to take power. But the Anglo-Soviet trade pact which Labour had negotiated was a genuine casualty: dropping it was one of the first acts of the incoming Tory administration. So if the letter was authentic, it was a colossal Soviet own goal.

Though she does not draw them herself, many readers will inevitably look for parallels between Ms Bennett's narrative and the allegations of collusion between Vladimir Putin and Donald Trump. The similarity is limited: the Zinoviev letter was a forgery, whereas it is widely accepted that the Russians did meddle in America's election (the big outstanding questions are about how far the Trump campaign cooperated, and how much difference the meddling made). If the Zinoviev farrago has modern lessons, they instead concern the way ordinary citizens react to the spectre of external machination in their politics. Once conspiracy theories take hold, this case study suggests, they can influence the political climate for generations.

People find it impossible to assess such accusations in good faith; they excuse their own side, and are easily persuaded that their opponents are not just misguided but treacherous. That undermines the bedrock trust required for democracy to function. Another malign effect is that conspiracy theories can obviate self-examination.

Some British historians maintain that the Labour Party neglected to study its own mistakes because it thought dark forces, in the domestic establishment or beyond, had thwarted its chances in 1924. That is another warning for Americans and others to ponder. Public life suffers if the idea takes hold that wicked Russians (and their accomplices) are responsible for beaten politicians' failings.

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## Tales of the city

### The beauty, horror and stories of Trieste

A new addition to the canon of literature inspired by the cosmopolitan port, Joyce's "miniature Europe"



Alamy

Aug 23rd 2018

**A Perfect Mother.** By Katri Skala. *Hikari Press; 224 pages; £15.*

ON NOVEMBER 3rd 1918 the *Audace*, a warship, moored in the harbour of Trieste. It came to claim the cosmopolitan free port of the dying Austro-Hungarian Empire for Italy. The fabled city, which sits on the Adriatic coast east of Venice and beside the border with Slovenia, has long attracted artists as well as conquerors. From their grandiose harbour-front HQs, shipping and insurance firms once linked the empire to the world; generations of literary exiles and nomads have flowed in, and made Trieste their own.

James Joyce, who taught English in Trieste before the first world war, finished "A Portrait of the Artist as a Young Man" there, and wrote

“Dubliners” and parts of “Ulysses”. His friend and pupil Italo Svevo—the Jewish director of a family painting business, whose real name was Ettore Schmitz—set his rueful comic classic “Zeno’s Conscience” in the tolerant, bourgeois home city he adored. On nearby cliffs in 1912, while staying with his aristocratic patron at Duino Castle, the visionary poet Rainer Maria Rilke heard a voice that asked: “Who, if I cried, would hear me among the angelic/Orders?”

Thus were born Rilke’s “Duino Elegies”, which changed the course of European verse. The great Italian poet Umberto Saba lived, wrote and ran a bookshop in the city. Dasa Drndic, an outstanding Croatian novelist who died earlier this year, explored its darkest wartime chapters in her masterpiece, “Trieste”.

Now Katri Skala—a British-American author with Viennese ancestry—has joined this chorus of Trieste-smitten mavericks with her debut novel, “A Perfect Mother”. Shadowed by its past, this becalmed former melting pot, with its “medley of histories”, begins and ends a story that subtly links the legacies of collective and individual trauma. Ms Skala’s protagonist is Jacob, a divorcing, middle-aged journalist from London. He goes in search of a Viennese Jewish great-grandfather who vanished in the Trieste of the 1930s.

While seeking to “excavate the wounds of his ancestors”, Jacob meets and begins to love an alluring, troubled Englishwoman, Charlotte. The half-buried tragedies of her own life—an abusive childhood, a baby lost to a cot death—are counterpoints to Trieste’s city-scale combination of glamour and horror. Individuals, like their homelands, bear imperfectly hidden scars from “the vicissitudes of power and dislocation”. Cities, even handsome, cultured ones, “like families, like nations, like lovers are never only solid surfaces”. Secrets, and stories, always lie beneath. Ms Skala conveys the shadowed charm of these story-haunted stones. Her Trieste is never an abstraction, but it becomes a potent metaphor for the mask of beauty that violence may wear.

In her book about the place she has cherished since a first visit in 1946, Jan Morris, an illustrious travel writer, calls Trieste the “natural capital” of “the nation of nowhere”; a haven for the wandering spirit. “Ethnically ambivalent, historically confused”, the hybrid city had passed from Austrian into Italian hands, fallen under German, Yugoslav and joint Allied control, then reverted

in 1954 to Italy. Many of its Jews perished in the Holocaust: the San Sabba rice mill became Italy's sole death camp. The "easy inter-racial jumble" of the Habsburg era (as Ms Morris puts it) faded. A brief phase of Yugoslav command in 1945 included massacres that are still disputed. Sizeable Slavic minorities continue to live in the area.

No single narrative can account for this past. Still, a century after the *Audace* docked, the ideal of a free and open Trieste remains seductive. "Citizens of nowhere, unite!" Ms Morris exhorts. "Join me in Trieste, your capital." As Ms Skala's novel shrewdly shows, reality does not always match the ideal. These days the Trieste region votes heavily for Italy's anti-migrant Northern League. Yet at a time when politicians pour scorn on "citizens of nowhere", the dreamy enclave that Joyce dubbed "Europiccola"—a miniature Europe—still casts a melancholy spell.

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**The children of Gomorrah**

## Mini-mafiosi run amok in Naples in Roberto Saviano's novel

Under sentence of death from the Camorra, the author has turned to fiction



Alamy

Aug 23rd 2018

**The Piranhas: The Boy Bosses of Naples.** By Roberto Saviano. Translated by Antony Shugaar. *Farrar, Straus and Giroux; 368 pages; \$27. Picador; £14.99.*

THE weeks before the feast of the Assumption of the Virgin on August 15th are shakedown time in Naples: one of three moments in the year when traders can expect their neighbourhood mobsters to collect protection money. Earlier this month, four armed gangsters walked into a shop in the suburb of Monterusciello and demanded €5,000 (\$5,800). When caught by police, the youngest turned out to be aged 14; the oldest was 19.

That is the grim reality behind the first novel by Roberto Saviano—author of “Gomorrah”, a bestselling exposé of the Camorra, the Neapolitan mafia

network. “The Piranhas” recounts the misadventures of a fictional “baby gang”, a bunch of unpleasant louts captained by one Nicolas Fiorillo, alias Maraja. Like most of its real-life counterparts, the gang operates under the auspices of the Camorra—a branch of which has sentenced Mr Saviano to death.

The author knows that readers of gangster novels like to be shocked and disoriented. A “city like Naples, or Mumbai, or Kinshasa”, as he sardonically puts it, is ideal for the purpose. In Mr Saviano’s Naples, not even the playgrounds are safe. The youngest member of the gang arranges for some Roma children to raid one: “taking the littlest kids off the rides and the seesaws, shoving other kids so they fell on their faces, frightening them and making them cry”. He and some accomplices shoo out the Romas—before demanding five euros a head from the mothers to ensure that they do not return.

To begin with, Mr Saviano strains to be literary. But as he relaxes, his prose improves. This is how he describes the two youngest boys in the playground sting:

No grown-up, since the day they were born, had judged any truth, fact or behaviour unsuitable for their ears. In Naples there are no paths to growing up: you’re born straight into reality, into the thick of it, you don’t get a chance to discover it a little at a time.

Mr Saviano skilfully depicts Nicolas’s transformation from surly adolescent into ruthless boss. He introduces a university graduate who remains wedded to the mores of the Camorra because of her family’s involvement: “you can’t exactly claw the blood out of your veins, can you?”

Still, for all its insiderish details, “The Piranhas” has flaws. The other members of the gang are ciphers, distinguishable only by their physical characteristics and lurid nicknames, like Lollipop and Drone. With the possible exception of Nicolas’s upstanding parents, there is not a single character with whom readers can sympathise. Instead they wind up identifying with the amoral (if not psychopathic) anti-hero.

The book’s biggest failing, however, is that, like the TV series inspired by

“Gomorrah”, it implies the Camorra runs Naples undisturbed. The police seldom feature, and when they do it is as victims or worse: some are too busy listening to a football match to notice, or perhaps care, that a hoodlum has brushed a stroller with his speeding scooter, sending it careering into a wall and leaving the child inside sobbing.

This is doubly unjust. The reason “baby gangs” appeared was to fill a vacuum left by the arrest of so many older mobsters. And if it were not for 24-hour police protection, Mr Saviano might well be dead.

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**Johnson**

## Classifying languages is about politics as much as linguistics

The nationalism of small linguistic differences



Nick Lowndes

Aug 23rd 2018

CROSS the boundaries of the former Yugoslavia and you face a few hassles. Heading from the mountains of Slovenia to the beaches of Croatia you encounter the Schengen border, which separates the European Union's passport-free area from those EU countries which are not members of it; in holiday season this can mean an hour-long queue on the motorway. Cross from Croatia into Serbia or Bosnia-Herzegovina, and you leave the EU entirely; here you find customs checks as well as passport controls. In each new country you have to change your money.

The one thing you might not even notice is a difference in language. In Slovenia, the tourist might pick up *dobrodosli*, *dober dan* and *hvala*, “welcome”, “hello” and “thank you”. In Croatia, these are *dobrodosli*, *dobar dan* and *hvala*. Not everything is the same, by any means: *prosim* for “please” becomes *molim*. But Croatians and Slovenes can largely understand

each other's languages. This being the case, why are they considered two distinct languages at all?

Yugoslavia was cobbled together from territories mostly populated with speakers of southern Slavic tongues. It was dominated by a language called, at the time, Serbo-Croatian. Serbians wrote it with the Cyrillic alphabet, and Croats, Muslims and Montenegrins preferred the Latin one. But a few minor dialectal differences aside, they all clearly spoke the same language, its varieties closer even than Slovenian and Croatian are. Macedonians spoke another closely related language; a minority also spoke Albanian, a non-Slavic language.

But when Yugoslavia broke up and the republics went to war, not only the state but the language of Serbo-Croatian was dismantled. Nationalists in the successor republics insist today that they speak Croatian, Serbian, Bosnian and Montenegrin. Croats, in particular, started trying to purify their version of "foreign" borrowings, coining new words to replace them. Last year liberal intellectuals gathered in Sarajevo to affirm that Serbs, Croats, Montenegrins and Bosniaks speak a single "polycentric" language like English (with its standard British, American and other varieties). Nationalists howled.

Max Weinreich, a linguist, made famous the wry remark that "a language is a dialect with an army and a navy." The usual criterion for what is a separate language, and not a mere dialect, is that speakers of two languages should find it difficult or impossible to understand each other. But factors that have nothing to do with language often supersede the linguistic ones.

Those who try to tally up the world's languages are either "lumpers", who would treat mutually comprehensible tongues as single languages, and "splitters", who focus on the differences. A lumper would say that Macedonian is really Bulgarian. (Many such lumpers can be found in Bulgaria.) Macedonian splitters angrily retort that this is an attempt to obliterate their identity.

Lumper-splitter controversies can be found around the world. Swedes, Danes and Norwegians can understand each other pretty well too, but few say that they simply speak "Scandinavian". Meanwhile Swiss-German dialects and even many dialects within Germany are more different from High German

than Slovenian is from Croatian. The same could be said of Italian's many local varieties. But most of these lack any official status.

While lines on the map are influential, other loyalties play a role too. Lumpers once recognised a language called Hindustani; its disparate speakers have no trouble conversing. But a splitter would point to the two different writing systems of Hindi and Urdu, as well as communal preferences—Muslims speak Urdu; Hindus, Hindi—and say they are two languages. Urdu is a language of India as well as Pakistan; the boundary is less territorial than religious, with the writing system a visible marker (Urdu's Arabic script connects it to Islam, Hindi's Devanagari links to Sanskrit and Hinduism).

In other words, the messy facts of the real world complicate the simple narratives some see as necessary for community-building. Nationalists don't like to talk about the awful things their forebears did. They tend to assume that their country's most expansive borders are the natural ones—though these inevitably overlap with their neighbours' border claims. Languages are no different. A phrase beloved of some journalists is even truer of nationalists: never let the facts get in the way of a good story.

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# Obituary

## . [Aretha Franklin: A deeper love](#) [Fri, 24 Aug 00:29]

Aretha Franklin died on August 16th. America's undisputed Queen of Soul was 76.

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**A deeper love**

## Aretha Franklin died on August 16th

America's undisputed Queen of Soul was 76



Getty Images

Aug 23rd 2018

AT POINTS in her concerts, which enthralled America for 50 years, Aretha Franklin would fling her arms out wide. Sometimes it was to shrug her strong shoulders out of some satiny or feathery dress, or to throw away her long fur coat, like any diva (though she was the ultimate diva) who by the end of her career had won 18 Grammys and sold 75m records. Sometimes it was to embrace America, all colours, as when she sang “Precious Lord” at Martin Luther King’s funeral, or gave her rapturous version of “My Country ’tis of Thee” in a big-bow-statement hat at Barack Obama’s inauguration. Or possibly those arms just demonstrated how her voice, the whispering or crying height of it and drop-jaw depth of it, seemed to pass any limit that people might imagine.

Open arms suggested love, but more often Everywoman’s frustration, black or white. For every super-sharp man she daydreamed of, *Turns me right on*

*when I hear him say/Hey baby let's get away, there would be ten who let her down: You're a no-good heartbreaker/You're a liar and you're a cheat/And I don't know why/I let you do these things to me.* They messed with her mind, as she fumed in the Blues Brothers film in 1980, pummelling her palms into her big man's stupid chest: *Just think/Think about what you're tryin' to do to me.* After all, *it don't take too much high IQs.* Men in general didn't begin to give her what she wanted, *just a little respect when you get home...R-E-S-P-E-C-T/Find out what it means to me.* This, her most famous song, wasn't just about a put-down woman and a do-wrong man; it became the anthem of every liberation movement because of her roof-raising style. It was her personal anthem, too. She wished to be called "Ms Franklin", to be paid cash and to be spared air-conditioning. *All I'm askin', honey.*

Those wide arms also showed how her whole body sang. When she accompanied herself on the piano, big rampaging chords picked up from Oscar Peterson and Art Tatum, she sang with the stomach as well as heart and head. As a child of ten she'd understood that, hiding her chronic shyness behind the instrument while she sang "Jesus be a Fence Around Me" with the voice of an angel, or a grown woman. That was the age she decided to be a singer, when she saw the great gospeller Clara Ward cast away her hat as she performed in church. One gesture settled it; she would do the same. Some said her father, the nationally famous pastor of New Bethel Baptist Church in Detroit, forced her into it, but it wasn't so. The musical world of the time, Smokey Robinson, Mahalia Jackson, Lionel Hampton, Marvin Gaye, blues and jazz as well as gospel, passed through their house. Music opened her out, drew her into some other place, and it was she, not her father, who went off to New York to seek record contracts and who told would-be producers, frankly, "I want hits."

### Covering the bruises

For a while she sang almost anything, but that didn't work. She had to bear witness to what she had been through, including her mother leaving home when she was six, having babies by two different men before she was 15, and at 19 marrying a slick pimp from Detroit, later her manager, who beat her up. Pain and fame grew together. The golden decade of hits, fostered by her move to Atlantic Records and Jerry Wexler in 1967, graced by her face on

the cover of *Time*, was miserable at home. But soul music, as it always had, let her turn both suffering and sexual yearning into one freedom cry. Between sacred and secular she moved to and fro without effort. Her biggest-selling album, “Amazing Grace” (1972) was recorded at a church service 14 years after her first album, “Songs of Faith”, when her father was her manager. On that record, her young voice scraped on the high notes. In the interim her rough life had taught her smooth soaring.

She was proud to be “The Queen of Soul”. Rivals to her crown were tartly taken down. Once she had sung a song she owned it, and that was that. Yet the last thing she wanted, offstage, was stardom. Young Aretha hid behind drinking and smoking; mature Aretha retreated to her kitchen to find comfort in banana pudding, wrapping her ballooning body in ever more satiny and sparkly gowns. She did crochet, and refused to fly. *I've been in the storm too long*. All she thought and felt was on display on stage. No one needed to climb the wall she'd built around herself.

Someone, though, could see through that wall. He knew the things about her others only kept guessing at, such as the multiple causes of her sadness. He saw the bruises she covered up. When she teased journalists that she didn't understand when they said her songs were raunchy, she wasn't lying. The delivery might sound sexy, but they weren't about a man. In her music she slipped into the zone, just as she had when she began at New Bethel Baptist, wobbling on her little chair. When she sang *You make me feel like/A natural woman*, head arched proudly back, one hand patting her hair, she was singing to God, just as when she screamed out her passion as a sinner cleansed by the blood of the Lamb: *When my soul was in the lost and found/You came along to claim it*. And when she threw out her arms wide under the spotlights, it was not to thank the fans who clamoured for her as much as to say, *Precious Lord, take my hand*.

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# Economic and financial indicators

- **[Output, prices and jobs](#)** [Fri, 24 Aug 00:29]  
Output, prices and jobs.
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Household income.
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Markets.

## **Output, prices and jobs**

Aug 23rd 2018

## Output, prices and jobs

% change on year ago

	Gross domestic product				Industrial production latest	Consumer prices			Unemployment rate, %
	latest	qtr*	2018†	2019†		latest	year ago	2018†	
<b>United States</b>	+2.8 Q2	+4.1	+2.9	+2.5	+4.2 Jul	+2.9 Jul	+1.7	+2.4	3.9 Jul
<b>China</b>	+6.7 Q2	+7.4	+6.6	+6.3	+6.0 Jul	+2.1 Jul	+1.4	+2.1	3.8 Q2§
<b>Japan</b>	+1.0 Q2	+1.9	+1.2	+1.2	-0.9 Jun	+0.7 Jun	+0.3	+1.0	2.4 Jun
<b>Britain</b>	+1.3 Q2	+1.5	+1.3	+1.4	+1.2 Jun	+2.5 Jul	+2.6	+2.4	4.0 May††
<b>Canada</b>	+2.3 Q1	+1.3	+2.3	+2.2	+3.8 May	+3.0 Jul	+1.2	+2.2	5.8 Jul
<b>Euro area</b>	+2.2 Q2	+1.5	+2.1	+1.9	+2.5 Jun	+2.1 Jul	+1.3	+1.7	8.3 Jun
<b>Austria</b>	+3.4 Q1	+9.7	+2.9	+2.2	+6.2 May	+2.1 Jul	+2.0	+2.2	4.7 Jun
<b>Belgium</b>	+1.3 Q2	+1.2	+1.6	+1.6	+2.9 May	+2.2 Jul	+1.8	+2.0	6.0 Jun
<b>France</b>	+1.7 Q2	+0.6	+1.8	+1.8	+1.7 Jun	+2.3 Jul	+0.7	+1.9	9.2 Jun
<b>Germany</b>	+1.9 Q2	+1.8	+2.1	+2.0	+2.5 Jun	+2.0 Jul	+1.7	+1.8	3.4 Jun‡
<b>Greece</b>	+2.3 Q1	+3.1	+2.0	+2.0	+1.2 Jun	+0.9 Jul	+1.0	+0.7	19.5 May
<b>Italy</b>	+1.1 Q2	+0.7	+1.2	+1.2	+1.7 Jun	+1.5 Jul	+1.1	+1.3	10.9 Jun
<b>Netherlands</b>	+2.9 Q2	+2.8	+2.7	+2.4	+3.5 Jun	+2.1 Jul	+1.3	+1.6	4.7 Jul
<b>Spain</b>	+2.7 Q2	+2.3	+2.7	+2.2	-2.0 Jun	+2.2 Jul	+1.5	+1.7	15.2 Jun
<b>Czech Republic</b>	+3.4 Q1	+2.0	+3.5	+3.0	+3.4 Jun	+2.3 Jul	+2.5	+2.2	2.4 Jun‡
<b>Denmark</b>	-1.4 Q1	+1.2	+1.6	+1.9	-1.8 Jun	+1.1 Jul	+1.5	+1.0	3.9 Jun
<b>Hungary</b>	+4.6 Q2	+3.6	+4.0	+2.9	+3.1 Jun	+3.4 Jul	+2.1	+2.7	3.6 Jun§††
<b>Norway</b>	+0.3 Q1	+2.5	+1.9	+1.8	+0.6 Jun	+3.0 Jul	+1.5	+2.3	3.8 May††
<b>Poland</b>	+5.2 Q1	+3.6	+4.4	+3.5	+10.3 Jul	+2.0 Jul	+1.7	+1.8	5.9 Jul§
<b>Russia</b>	+1.8 Q2	na	+1.7	+1.7	+3.8 Jul	+2.5 Jul	+3.9	+3.0	4.7 Jul§
<b>Sweden</b>	+3.3 Q2	+4.2	+2.8	+2.3	+5.4 Jun	+2.1 Jul	+2.2	+1.9	7.2 Jun§
<b>Switzerland</b>	+2.2 Q1	+2.3	+2.2	+1.9	+9.0 Q1	+1.2 Jul	+0.3	+0.8	2.6 Jul
<b>Turkey</b>	+7.4 Q1	na	+4.3	+3.3	+2.9 Jun	+15.8 Jul	+9.8	+12.8	9.7 May§
<b>Australia</b>	+3.1 Q1	+4.2	+2.9	+2.8	+4.3 Q1	+2.1 Q2	+1.9	+2.2	5.3 Jul
<b>Hong Kong</b>	+3.5 Q2	-0.9	+3.4	+2.7	+1.0 Q1	+2.4 Jul	+1.9	+2.1	2.8 Jul††
<b>India</b>	+7.7 Q1	+10.1	+7.2	+7.4	+7.0 Jun	+4.2 Jul	+2.4	+4.6	5.6 Jul
<b>Indonesia</b>	+5.3 Q2	na	+5.3	+5.4	+1.0 Jun	+3.2 Jul	+3.9	+3.5	5.1 Q1§
<b>Malaysia</b>	+4.5 Q2	na	+5.7	+5.4	+1.1 Jun	+0.8 Jun	+3.4	+0.8	3.4 Jun§
<b>Pakistan</b>	+5.4 2018**	na	+5.4	+5.0	+0.6 Jun	+5.8 Jul	+2.9	+5.3	5.9 2015
<b>Singapore</b>	+3.9 Q2	+0.6	+3.2	+2.9	+7.4 Jun	+0.6 Jun	+0.5	+0.6	2.1 Q2
<b>South Korea</b>	+2.9 Q2	+2.8	+2.8	+2.8	-0.4 Jun	+1.5 Jul	+2.2	+1.7	3.7 Jul§
<b>Taiwan</b>	+3.3 Q2	+1.6	+2.6	+2.0	+0.5 Jun	+1.7 Jul	+0.8	+1.6	3.7 Jul
<b>Thailand</b>	+4.6 Q2	+4.1	+4.0	+3.6	+4.7 Jun	+1.5 Jul	+0.2	+1.2	1.1 Jun§
<b>Argentina</b>	+3.6 Q1	+4.7	+1.3	+2.0	-2.9 Jun	+30.9 Jul	na	+24.2	9.1 Q1§
<b>Brazil</b>	+1.2 Q1	+1.8	+1.6	+2.4	+3.5 Jun	+4.5 Jul	+2.7	+3.9	12.4 Jun§
<b>Chile</b>	+5.3 Q2	+2.8	+3.7	+3.6	+5.0 Jun	+2.7 Jul	+1.7	+2.4	7.2 Jun§††
<b>Colombia</b>	+2.5 Q2	+2.3	+2.7	+3.1	+1.3 Jun	+3.1 Jul	+3.4	+3.3	9.1 Jun§
<b>Mexico</b>	+2.7 Q2	-0.4	+2.2	+2.2	+0.2 Jun	+4.8 Jul	+6.4	+4.6	3.4 Jun
<b>Venezuela</b>	-8.8 Q4~	-6.2	-15.7	-5.9	na	na	na	12,592.5	7.3 Apr§
<b>Egypt</b>	+5.4 Q2	na	+5.4	+5.6	+3.8 May	+13.5 Jul	+33.0	+16.1	9.9 Q2§
<b>Israel</b>	+3.8 Q2	+2.0	+3.9	+3.3	+1.5 Jun	+1.4 Jul	-0.7	+1.3	3.9 Jun
<b>Saudi Arabia</b>	-0.9 2017	na	+1.0	+2.0	na	+2.1 Jun	-0.5	+2.6	6.1 Q1
<b>South Africa</b>	+0.8 Q1	-2.2	+1.5	+2.0	+1.3 Jun	+5.1 Jul	+4.6	+4.8	27.2 Q2§
<b>Estonia</b>	+3.6 Q1	-0.5	+3.4	+3.3	+2.6 Jun	+3.5 Jul	+3.6	+3.1	5.1 Q2§
<b>Finland</b>	+2.8 Q1	+2.0	+2.3	+1.8	+5.4 Jun	+1.3 Jul	+0.6	+1.2	6.5 Jul§
<b>Iceland</b>	+6.6 Q1	+4.4	+4.1	+3.5	na	+2.7 Jul	+1.8		2.2 Jul§
<b>Ireland</b>	+9.1 Q1	-2.3	+4.5	+3.6	+8.3 Jun	+0.8 Jul	-0.2	+0.6	5.1 Jul
<b>Latvia</b>	+4.0 Q1	+5.4	+4.0	+3.7	+0.4 Jun	+2.6 Jul	+2.7	+2.5	7.7 Q2§
<b>Lithuania</b>	+3.7 Q2	+3.5	+3.7	+3.3	+2.6 Jun	+2.5 Jul	+3.9	+2.9	8.2 Jul§
<b>Luxembourg</b>	+5.1 Q1	+8.0	+3.9	+3.3	+3.8 Jun	+1.5 Jul	+1.9		5.5 Jul§
<b>New Zealand</b>	+3.0 Q1	+1.1	+3.0	+2.1	+1.4 Q1	+1.5 Q2	+1.7	+1.6	4.5 Q2
<b>Peru</b>	+3.2 Q1	+5.6	+3.7	+4.0	+10.5 May	+1.6 Jul	+2.9	+1.4	6.6 May§
<b>Philippines</b>	+6.0 Q2	+5.3	+6.6	+6.1	+17.9 Jun	+5.7 Jul	+2.4	+5.0	5.5 Q2§
<b>Portugal</b>	+2.2 Q2	+2.0	+2.2	+2.3	-0.8 Jun	+1.6 Jul	+0.9	+1.4	6.7 Q2§
<b>Slovakia</b>	+4.1 Q2	+7.5	+3.7	+3.8	+2.1 Jun	+2.6 Jul	+1.4	+2.5	5.5 Jul§
<b>Slovenia</b>	+4.6 Q1	na	+4.5	+3.7	+0.6 Jun	+1.9 Jul	+1.0	+2.1	7.9 Jun§
<b>Ukraine</b>	+3.6 Q2	+4.9	+3.0	+2.8	+2.9 Jul	+8.9 Jul	+15.9	+10.5	1.2 Jul§
<b>Vietnam</b>	+6.8 2017	na	+6.9	+6.5	+14.3 Jul	+4.5 Jul	+2.5	+3.8	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**

Aug 23rd 2018

## Trade, exchange rates, budget balances and interest rates

	Trade balance latest 12 months, \$bn	Current-account balance		Currency units, per \$		Budget balance % of GDP 2018 <sup>f</sup>	Interest rates	
		latest 12 months, \$bn	% of GDP 2018 <sup>f</sup>	Aug 22nd	year ago		3-month latest	10-year gov't bonds, latest
United States	-832.6 Jun	-465.5 Q1	-2.7	-	-	-4.6	2.31	2.83
China	+363.0 Jul	+68.3 Q2	+0.6	6.85	6.66	-3.7	2.88	3.48 <sup>gg</sup>
Japan	+42.7 Jun	+201.8 Jun	+3.7	110	109	-3.8	-0.03	0.07
Britain	-184.2 Jun	-106.3 Q1	-3.5	0.77	0.78	-1.8	0.80	1.33
Canada	-23.4 Jun	-53.8 Q1	-2.6	1.30	1.25	-2.3	1.92	2.26
Euro area	+274.5 Jun	+476.8 Jun	+3.4	0.86	0.85	-0.7	-0.32	0.34
Austria	-6.2 May	+9.5 Q1	+2.3	0.86	0.85	-0.4	-0.32	0.57
Belgium	+25.1 Jun	+0.2 Mar	nil	0.86	0.85	-1.1	-0.32	0.72
France	-75.3 Jun	-10.2 Jun	-0.6	0.86	0.85	-2.4	-0.32	0.66
Germany	+292.0 Jun	+323.5 Jun	+7.8	0.86	0.85	+1.3	-0.32	0.34
Greece	-22.3 Jun	-2.6 Jun	-1.3	0.86	0.85	-0.3	-0.32	4.22
Italy	+56.2 Jun	+57.3 Jun	+2.6	0.86	0.85	-2.0	-0.32	3.06
Netherlands	+61.5 Jun	+91.3 Q1	+9.6	0.86	0.85	+1.3	-0.32	0.44
Spain	-32.3 May	+20.7 May	+1.4	0.86	0.85	-2.7	-0.32	1.27
Czech Republic	+18.8 Jun	+0.9 Q1	+0.5	22.2	22.2	+0.9	1.48	2.17
Denmark	+5.9 Jun	+19.5 Jun	+7.4	6.43	6.32	-0.7	-0.30	0.32
Hungary	+9.0 May	+4.6 Q1	+2.2	279	258	-2.6	0.19	3.36
Norway	+25.3 Jul	+22.8 Q1	+7.4	8.35	7.91	+5.4	1.02	1.71
Poland	-2.1 Jun	-0.1 Jun	-0.4	3.69	3.64	-2.2	1.51	3.18
Russia	+146.4 Jun	+64.6 Q2	+4.0	67.8	59.0	+0.3	6.24	8.71
Sweden	-3.1 Jun	+16.8 Q1	+3.3	9.07	8.11	+1.1	-0.36	0.49
Switzerland	+29.9 Jul	+72.9 Q1	+8.9	0.98	0.97	+0.8	-0.73	-0.06
Turkey	-83.7 Jul	-57.4 Jun	-5.9	6.04	3.50	-2.8	23.1	22.0
Australia	+10.1 Jun	-36.8 Q1	-2.5	1.36	1.26	-1.0	2.14	2.54
Hong Kong	-67.5 Jun	+14.3 Q1	+3.9	7.85	7.83	+1.9	1.94	2.18
India	-170.5 Jul	-48.7 Q1	-2.4	69.8	64.1	-3.6	6.81	7.83
Indonesia	+1.4 Jul	-24.2 Q2	-2.4	14,580	13,343	-2.6	7.15	7.77
Malaysia	+28.3 Jun	+11.2 Q2	+2.9	4.10	4.28	-3.3	3.67	4.04
Pakistan	-37.7 Jul	-18.1 Q2	-5.8	124	105	-5.4	7.93	10.0 <sup>ttt</sup>
Singapore	+44.8 Jul	+64.6 Q2	+17.2	1.37	1.36	-0.7	na	2.40
South Korea	+78.6 Jul	+72.5 Jun	+4.8	1,119	1,134	+1.0	1.66	2.40
Taiwan	+17.2 Jul	+84.5 Q2	+13.4	30.7	30.3	-0.9	0.66	0.84
Thailand	+10.6 Jul	+50.3 Q1	+9.4	32.8	33.3	-2.9	1.21	2.58
Argentina	-11.0 Jul	-33.8 Q1	-4.7	30.3	17.2	-5.7	32.5	9.68
Brazil	+58.5 Jul	-13.9 Jun	-1.0	4.09	3.15	-7.0	6.58	9.47
Chile	+9.9 Jul	-3.6 Q2	-1.6	659	641	-2.0	0.36	4.46
Colombia	-5.0 Jun	-9.8 Q1	-2.8	2,964	2,986	-1.9	4.54	6.82
Mexico	-12.4 Jun	-15.9 Q1	-1.7	18.8	17.6	-2.3	8.11	7.81
Venezuela	-36.2 Oct-	-17.8 Q3-	+5.0	248,409	10.4	-15.5	14.5	8.24
Egypt	-40.3 Jun	-7.7 Q1	-2.4	17.9	17.7	-9.6	19.4	na
Israel	-22.1 Jul	+9.7 Q1	+2.2	3.63	3.62	-2.4	0.09	1.92
Saudi Arabia	+87.3 2017	+19.9 Q1	+7.4	3.75	3.75	-3.3	2.61	na
South Africa	+3.7 Jun	-12.2 Q1	-3.2	14.3	13.2	-3.6	7.02	8.95
Estonia	-2.2 Jun	+0.8 Jun	+1.8	0.86	0.85	-0.4	-0.32	na
Finland	-2.8 Jun	+0.3 Jun	+0.9	0.86	0.85	-0.7	-0.32	0.54
Iceland	-1.6 Jul	+0.8 Q1	+4.1	108	106	+1.2	4.70	na
Ireland	+57.0 Jun	+35.4 Q1	+9.3	0.86	0.85	-0.2	-0.32	0.87
Latvia	-3.0 Jun	+0.1 Jun	-0.3	0.86	0.85	-1.2	-0.32	na
Lithuania	-2.9 Jun	nil Q1	+0.8	0.86	0.85	+0.6	-0.32	1.20
Luxembourg	-7.4 May	+4.6 Q1	+5.3	0.86	0.85	+1.2	-0.32	na
New Zealand	-2.9 Jun	-5.7 Q1	-2.9	1.49	1.37	+1.0	1.91	2.62
Peru	+7.9 Jun	-2.9 Q1	-1.5	3.28	3.24	-3.1	3.31	na
Philippines	-35.7 Jun	-1.9 Mar	-1.3	53.4	51.3	-2.8	3.13	6.43
Portugal	-17.9 Jun	nil Jun	+0.1	0.86	0.85	-1.0	-0.32	1.80
Slovakia	+3.8 Jun	-2.0 Jun	-1.2	0.86	0.85	-0.9	-0.32	0.97
Slovenia	nil May	+4.1 Jun	+6.1	0.86	0.85	+0.5	-0.32	na
Ukraine	-7.0 Jun	-2.8 Q2	-5.0	27.8	25.5	-2.6	17.5	na
Vietnam	+8.0 Jul	+6.4 2017	+1.2	23,275	22,729	-6.3	4.60	5.10

Source: Haver Analytics. <sup>f</sup>The Economist poll or Economist Intelligence Unit estimate/forecast. <sup>g</sup>2015 5-year yield. <sup>ttt</sup>Dollar-denominated bonds.

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## The Economist commodity-price index

Aug 23rd 2018

# **The Economist** commodity-price index

2005=100

	Aug 14th	Aug 21st*	% change on one month	% change on one year
<b>Dollar Index</b>				
All Items	141.0	140.3	-1.4	-2.6
Food	145.4	143.9	-0.7	-1.5
<b>Industrials</b>				
All	136.4	136.6	-2.1	-3.8
Nfa <sup>†</sup>	133.4	135.7	-1.1	+4.1
Metals	137.7	137.1	-2.5	-6.8
<b>Sterling Index</b>				
All items	201.1	198.4	+0.8	-2.9
<b>Euro Index</b>				
All items	154.2	151.5	+0.2	-0.5
<b>Gold</b>				
\$ per oz	1,197.7	1,187.9	-3.2	-7.7
<b>West Texas Intermediate</b>				
\$ per barrel	67.0	65.8	-3.9	+38.2

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

<sup>†</sup>Non-food agriculturals.

The Economist

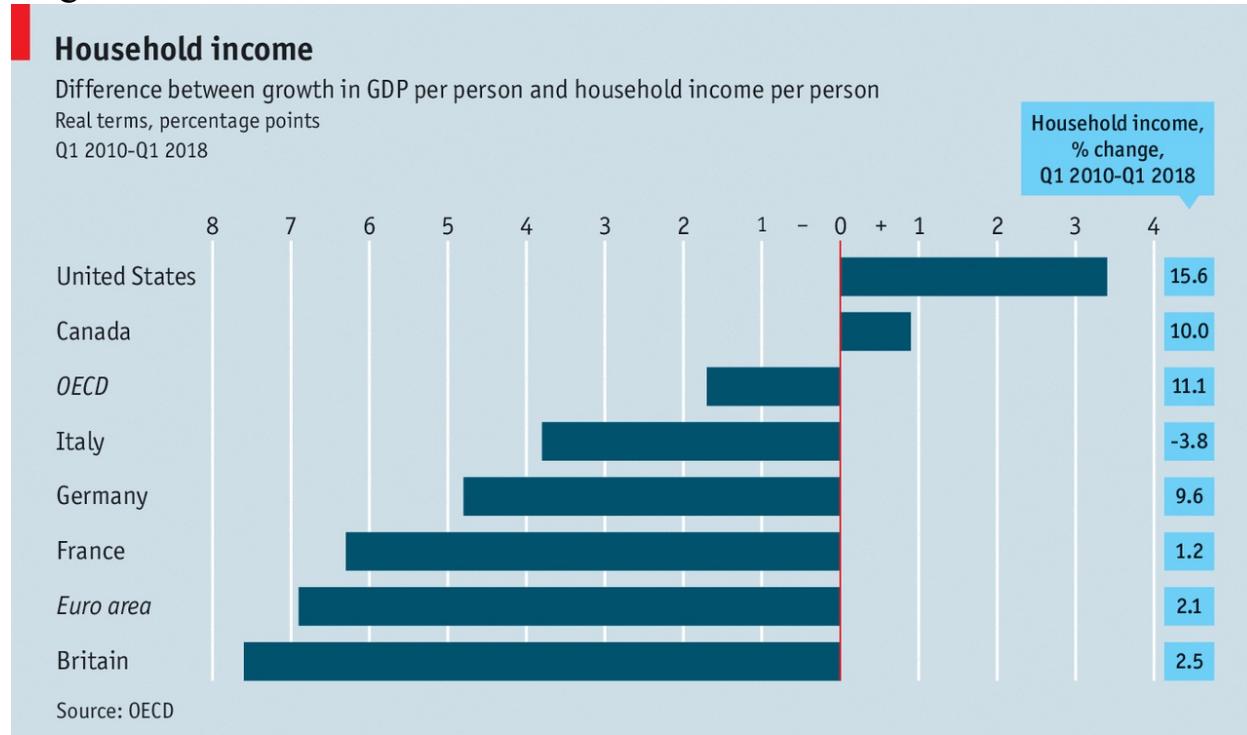
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## Household income

Aug 23rd 2018



The Economist

Growth in GDP is the most common measure of economic performance. But household income can provide a better picture of people's material well-being. That is because some of the income that counts towards GDP goes to non-residents, firms and governments. Over the past eight years GDP growth has outpaced that of household income in the OECD, a mostly rich-country club. The gap is big in Britain, where household incomes fell in real terms at the start of the decade, even as GDP expanded. In America growth in household income per person has outpaced GDP per person by 3.4 percentage points since the first quarter of 2010, in part because of low household taxes.

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## Markets

Aug 23rd 2018

## Markets

	Index Aug 22nd	% change on			
		one week	Dec 29th 2017 in local currency terms	in \$	
United States (DJIA)	25,733.6	+2.3	+4.1	+4.1	
United States (S&P 500)	2,861.8	+1.5	+7.0	-7.0	
United States (NAScomp)	7,889.1	+1.5	+14.3	+24.3	
China (Shanghai Comp)	2,714.6	-0.3	-17.9	-22.6	
China (Shenzhen Comp)	1,454.5	-1.8	-23.4	-27.8	
Japan (Nikkei 225)	22,362.6	+0.7	-1.8	+0.2	
Japan (Topix)	1,698.4	nil	-6.6	-4.7	
Britain (FTSE 100)	7,574.2	+1.0	-1.5	-7.7	
Canada (S&P TSX)	16,347.3	+1.2	+0.9	-4.0	
Euro area (FTSE Euro 100)	1,190.3	+1.7	-1.6	-7.3	
Euro area (EURO STOXX 50)	3,420.2	+1.8	-2.4	-8.0	
Austria (ATX)	3,296.5	+0.3	-3.6	-9.2	
Belgium (Bel 20)	3,800.1	+1.1	-4.5	-10.0	
France (CAC 40)	5,420.6	+2.2	+2.0	-3.9	
Germany (DAX)*	12,385.7	+1.8	-4.1	-9.7	
Greece (Athex Comp)	719.5	-0.1	-10.3	-15.5	
Italy (FTSE/MIB)	20,699.7	-1.0	-5.3	-10.8	
Netherlands (AEX)	559.2	+1.2	+2.7	-3.3	
Spain (IBEX 35)	9,580.2	+2.1	-4.6	-10.1	
Czech Republic (PX)	1,073.0	+0.4	-0.5	-7.3	
Denmark (OMXCB)	934.1	+2.1	+0.8	-5.2	
Hungary (BUX)	36,365.9	+1.5	-7.6	-17.0	
Norway (OSEAX)	1,028.2	+2.8	+13.4	+9.4	
Poland (WIG)	59,546.1	+0.7	-6.6	-15.4	
Russia (RTS, \$ terms)	1,065.3	+1.0	-7.7	-7.7	
Sweden (OMXS30)	1,643.5	+3.1	+4.2	-7.5	
Switzerland (SMI)	9,048.2	+1.4	-3.6	-5.5	
Turkey (BIST)	90,185.9	-0.1	-21.8	-51.0	
Australia (All Ord.)	6,373.8	-0.7	+3.3	-4.1	
Hong Kong (Hang Seng)	27,927.6	+2.2	-6.7	-7.0	
India (BSE)	38,285.8	+1.1	+12.4	+2.7	
Indonesia (IDX)	5,944.3	+2.2	-6.5	-13.1	
Malaysia (KLSE)	1,798.1	+0.7	+0.1	-1.3	
Pakistan (KSE)	42,425.1	-0.1	+4.8	-6.3	
Singapore (STI)	3,199.9	-1.1	-6.0	-9.0	
South Korea (KOSPI)	2,273.3	+0.6	-7.9	-12.6	
Taiwan (TWI)	10,804.2	+0.8	+1.5	-2.1	
Thailand (SET)	1,698.3	+1.3	-3.2	-5.3	
Argentina (MERV)	26,844.4	-0.6	-10.7	-43.9	
Brazil (BVSP)	76,902.3	-0.2	+0.7	-14.9	
Chile (IGPA)	26,638.5	nil	-4.8	-12.2	
Colombia (IGBC)	12,161.9	+1.8	+6.0	+3.6	
Mexico (IPC)	49,880.3	+2.7	+1.1	+2.5	
Peru (S&P/BVL)*	19,457.1	-0.4	-2.6	-5.0	
Egypt (EGX 30)	15,273.4	-0.5	+1.7	+0.8	
Israel (TA-125)	1,452.2	+3.5	+6.4	+0.2	
Saudi Arabia (Tadawul)	7,867.2	nil	+8.9	+8.9	
South Africa (JSE AS)	58,126.0	+4.5	-2.3	-17.5	
Europe (FTSEurofirst 300)	1,502.3	+1.1	-1.8	-7.5	
World, dev'd (MSCI)	2,156.0	+1.9	+2.5	+2.5	
Emerging markets (MSCI)	1,050.6	+2.7	-9.3	-9.3	
World, all (MSCI)	518.4	+2.0	+1.1	-1.1	
World bonds (Citigroup)	937.1	+1.1	-1.4	-1.4	
EMBI+ (JP Morgan)	786.3	+1.1	-6.0	-6.0	
Hedge funds (HFRX)	1,262.3 <sup>b</sup>	+0.4	-1.0	-1.0	
Volatility, US (VIX)	12.3	+14.6	+11.0 (levels)		
CDSs, Eur (iTRAXX) <sup>c</sup>	66.7	-6.8	+47.8	+39.2	
CDSs, N Am (CDX) <sup>c</sup>	59.8	-4.5	+21.7	+21.7	
Carbon trading (EU ETS) €	19.8	+10.0	+143.4	+129.3	

Sources: IHS Markit; Thomson Reuters. \*Total return index.

<sup>a</sup>Credit-default-swap spreads, basis points. <sup>b</sup>Aug 21st.

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