

The Economist

Why the global suicide rate is falling

The Trump and AMLO show

Going, going, Ghosn

Emerging-market currencies' comeback

NOVEMBER 23RD-29TH 2018

The truth about a no-deal Brexit



The Economist

2018-11-24

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

The world this week

- **[Politics this week](#)** [Fri, 23 Nov 11:21]

Politics this week.

- **[Business this week](#)** [Fri, 23 Nov 11:21]

Business this week.

- **[KAL's cartoon](#)** [Fri, 23 Nov 11:21]

KAL's cartoon.

Politics this week



Getty Images

Nov 22nd 2018

The hard Brexiteers in Britain's Conservative Party opposed to Theresa May's **Brexit** deal with the EU struggled to get enough support to depose her. The deal will have a rough ride in Parliament. In a warning shot, Northern Ireland's Democratic Unionist Party, which Mrs May relies upon for a governing majority, voted against her government on budget measures, claiming she had broken promises about the treatment of the province under the deal. The focus switched to Brussels, where Mrs May engaged in some shuttle diplomacy to iron out the details of her agreement ahead of an EU summit. See [article](#).

Russia tried to get its nominee chosen as the new head of **Interpol**, the international policing organisation. After last-minute opposition by many countries, a South Korean was elected instead. The main objection to having Vladimir Putin's man in the job was that Russia often tries to use Interpol to arrest blameless critics abroad.

The European Commission ruled that **Italy's** budget for next year violates its

fiscal rules, and proposed a process that could lead to sanctions under its excessive-deficits procedure. Europe's leaders must approve the move before it goes any further, possibly at a summit in December.

Restraining order

A judge in America temporarily blocked an order by Donald Trump that would deny **migrants** who enter the country illegally the opportunity to claim asylum. The judge said Mr Trump had tried to "rewrite the immigration laws". Mr Trump criticised the ruling, which he said had been made by an "Obama judge". That earned a rare public rebuke from John Roberts, the chief justice of the **Supreme Court**, who said "we do not have Obama judges or Trump judges" but "dedicated judges".

A private American firm, Ocean Infinity, found the wreck of an **Argentine submarine**, the *San Juan*, that disappeared in November 2017 with 44 crew members on board. Argentina's defence minister said the government did not have the equipment to raise the submarine from its resting place, some 900 metres below the surface of the Atlantic Ocean.

Alan García, a former president of **Peru**, sought asylum in Uruguay's embassy in Lima. A judge barred Mr García from leaving the country while prosecutors investigate allegations that he took bribes. Mr García says he is a victim of political persecution.

Undermining his intelligence

"Maybe he did and maybe he didn't!" said Donald Trump, dodging the question of whether Muhammad bin Salman, the crown prince of **Saudi Arabia**, ordered the killing of Jamal Khashoggi, a dissident Saudi journalist. The CIA reportedly concluded that Prince Muhammad is responsible for Khashoggi's death. Ignoring his own intelligence agency, Mr Trump said America would remain a "steadfast partner" of the kingdom.

A British PhD student was found guilty of spying and sentenced to life in prison in the **United Arab Emirates**. Matthew Hedges denies the charge; his family says he was made to sign a confession he could not read. See [article](#).

Gunmen shot and wounded several children and kidnapped an Italian woman

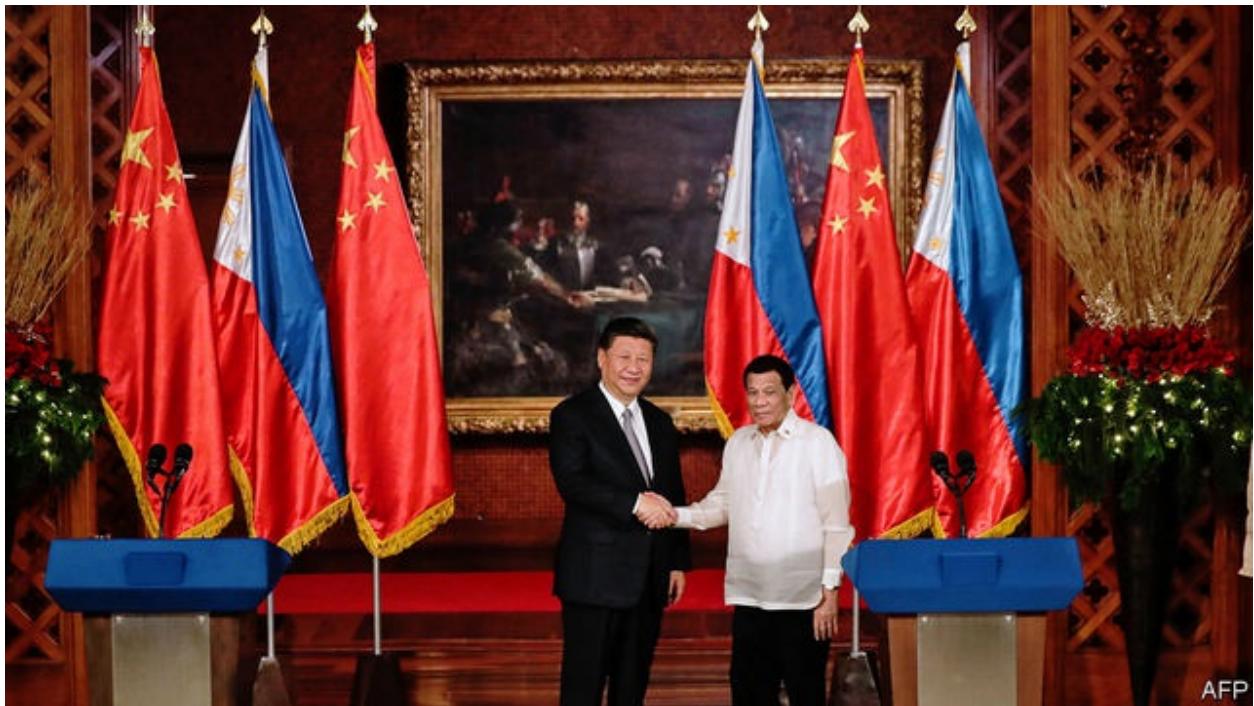
who was doing voluntary work with a charity in **Kenya**. It was the first abduction of foreigners in six years. The incident occurred on the southern coast, raising concerns that a jihadist insurgency may be reigniting after several years of quiet.

America killed 44 fighters from al-Shabab, a jihadist group in **Somalia**, in several air strikes. African Union forces backed by American jets have been battling al-Shabab for more than a decade. The insurgents still control much of the country.

Eight UN peacekeepers were killed fighting rebels in the **Democratic Republic of Congo** in a part of the country affected by an outbreak of Ebola. Fighting has made it difficult for health workers to contain the spread of the virus.

APEC headache

The annual **Asia-Pacific Economic Co-operation** summit was marred by tensions between America and China. Mike Pence, America's vice-president, represented the United States at the gathering in Papua New Guinea. The rivalry between the two powers was evident in the decision by America to help Australia build a naval base in Papua, a move intended to curb China's growing influence in the region.



After the APEC summit Xi Jinping paid a visit to the **Philippines**, an ally of America that has been gradually shifting its allegiance under the presidency of Rodrigo Duterte. Mr Duterte said China and the Philippines were developing a “deepening trust”. During Mr Xi’s trip the two sides signed an agreement on energy exploration in the South China Sea. See [article](#).

In **Hong Kong** activists in the pro-democracy Umbrella movement went on trial for causing a public nuisance.

Two leaders of the former Khmer Rouge regime in **Cambodia** were found guilty of genocide, the first time that senior members of the Marxist dictatorship have been convicted of that crime, and possibly the last. Nuon Chea and Khieu Samphan were judged at a UN-backed tribunal for trying to wipe out ethnic Vietnamese and Cham groups. The mass killings of allegedly bourgeois Cambodians for such things as wearing a watch have been treated as crimes against humanity rather than genocide.

At least 55 people were killed in **Kabul** when a suicide-bomber targeted a meeting of clerics who had gathered to honour the birth of the Prophet Muhammad.

The latest results

After a manual recount, Rick Scott, a Republican, won **Florida's** Senate race, snatching the seat from a Democratic incumbent of 18 years. Ron DeSantis, another Republican, won the governor's race. In **Georgia** Stacey Abrams acknowledged that her Republican opponent, Brian Kemp, had won the governorship, but claimed that the election had been neither free nor fair.

Other final counts from the mid-term elections showed that Democrats had won every congressional district in California's **Orange County**, until recently a Republican bastion.

The White House restored the accreditation of Jim Acosta, a **journalist** from CNN who annoyed President Trump. A judge had earlier temporarily overturned the decision to ban Mr Acosta from press conferences, citing press freedom.

Julian Assange, a prolific leaker of state secrets who has been holed up inside the Ecuadorean embassy in London for eight years, has been charged by America's Justice Department. With what, is unclear.

This article was downloaded by **calibre** from <https://www.economist.com/the-world-this-week/2018/11/24/politics-this-week>

Business this week



AFP

Nov 22nd 2018

Under increasing pressure about the serial management mishaps at **Facebook**, Mark Zuckerberg said he would not relinquish his title as chairman and that investors who wanted him to step down from the position and focus on being chief executive were misguided. (As the controlling shareholder he cannot be forced from the job.) He also stood by Sheryl Sandberg, Facebook's beleaguered chief operating officer. The latest scandal to envelop the social network centres on its contract with a consultancy to dig up dirt on its detractors. Mr Zuckerberg and Ms Sandberg both say they were unaware of Facebook's relationship with the firm. See [article](#).

Fasten your seat belts

The global car industry reacted with shock to the arrest of **Carlos Ghosn** in Tokyo. Mr Ghosn forged, and heads, the alliance between Nissan and Renault that was later joined by Mitsubishi. He is being detained at the behest of Japanese prosecutors after Nissan alleged that he had understated his earnings and misused company assets. Before his arrest Mr Ghosn's push for

deeper integration between Nissan and Renault had reportedly met some stiff resistance from Nissan's board. See [article](#).

Israel's minister for tourism warned that he would seek to impose a punitive tax on **Airbnb**'s operations in the country, after the firm delisted properties located in Israeli settlements in the West Bank. The home-rental platform acted in response to a campaign by activists to scrub the settlements from its website.

A campaign to attain severance pay for staff at **Toys "R" Us** who lost their jobs when the company declared bankruptcy resulted in the creation of a \$20m hardship fund by Bain Capital and KKR, two private-equity firms. Both were involved in the buy-out of the retailer in 2005, and have been blamed by workers' groups for its demise. Other firms have been asked to contribute. The workers say the fund needs to reach \$75m to cover payments promised to them.

Boston Scientific agreed to buy **btg** for £3.3bn (\$4.2bn). The deal enhances Boston Scientific's business in interventional medicine. BTG, for instance, produces small glass microspheres that deliver radiation directly to liver tumours. BTG started life as a research division of the British government. It also has a pharmaceutical arm that focuses on antidotes; its bestselling product is a treatment for rattlesnake bites.

Pfizer announced price increases for around 10% of its drugs, starting in the new year. In July it had pledged to postpone price rises in response to Donald Trump's rebuke of the pharmaceutical industry for alleged price-gouging. A drug-pricing plan that the president introduced in May remains largely unaccomplished.

A sovereign-wealth fund in **Abu Dhabi** launched a lawsuit against **Goldman Sachs** for losses it incurred linked to the 1MDB scandal in Malaysia. America's Justice Department recently laid charges against two former employees of the bank. Goldman insists it knew nothing about their activities, but has acknowledged that it may face severe penalties.

American regulators fined **Société Générale** more than \$1.3bn for facilitating dollar transactions with several countries between 2003 and 2013 in violation

of sanctions. It is the second-largest penalty to be levied on a bank for breaching American sanctions, behind the \$8.9bn imposed on BNP Paribas, another French bank, in 2015.

Following a nine-hour meeting of its board, the **Reserve Bank of India** reached a compromise with the government and said it was willing to review both its transfer of surpluses to the public coffers and the rules that restrict lending at distressed state-controlled banks. This came after a month of politicking in which the government, facing an election next year, had put pressure on the central bank to intervene in the economy.

The FAANGs lose their bite

Stockmarkets had another choppy week as the broad sell-off in technology shares gathered steam, pushing the NASDAQ and S&P 500 indices closer to their lowest points of the year. Apple's market value has fallen dramatically since early August, when it broke the \$1trn mark for the first time. It is now worth around \$840bn. See [article](#).

Cryptocurrencies also took a hammering, fuelled by speculation that regulators are preparing to clamp down on the digital-currency market. **Bitcoin** shed 10% in a day. It is now 80% below the peak of \$19,800 it hit last December.

Britain's **best-paid chief executive** just got richer. Denise Coates, who turned her family's betting firm in her home town of Stoke-on-Trent into Bet365, a private online gambling giant, is thought to have received £265m (\$352m) in total annual compensation, last year according to the firm's accounts. That amounts to around 40% of the entire budget for Stoke city council.

This article was downloaded by **calibre** from <https://www.economist.com/the-world-this-week/2018/11/24/business-this-week>

KAL's cartoon



Nov 22nd 2018

This article was downloaded by **calibre** from <https://www.economist.com/the-world-this-week/2018/11/24/kals-cartoon>

Leaders

- **[Brexit: The truth about no deal](#)**

[Fri, 23 Nov 11:21]

The truth about a no-deal Brexit. Time to bust the last great Brexit myth.

- **[Taxes on homebuyers: Stamp them out](#)**

[Fri, 23 Nov 11:21]

The case for scrapping stamp duty. Taxes on homebuyers are inefficient and unfair.

- **[The killing of Jamal Khashoggi: See no evil](#)**

[Fri, 23 Nov 11:21]

Why Donald Trump is wrong to ignore the murder of a Saudi journalist. America First is hurting America's interests in the Middle East.

- **[UN regulatory bodies: Agency problems](#)**

[Fri, 23 Nov 11:21]

Some international regulators have been captured by producer interests. They should be reformed to put consumers first.

- **[Suicide: Staying alive](#)**

[Fri, 23 Nov 11:21]

Why suicide is falling around the world, and how to bring it down more. Urbanisation, fewer forced marriages and more curbs on the means of self-destruction.

Britain and the EU

The truth about a no-deal Brexit

Time to bust the last great Brexit myth



Nov 24th 2018

THE BRITISH body politic is again convulsing. Theresa May has appointed new ministers, including her third Brexit secretary and counting, following another round of cabinet resignations. The prime minister's own backbenchers are feverishly (if ineptly) plotting to bring her down. The Labour opposition's position is hopelessly unclear. The cause of this chaos is that those with long-standing delusions about what Brexit would mean have been forced to swallow a dose of reality.

With negotiating time almost up, Britain has the imperfect deal that it was always going to get. Promises of having cake and eating it have given way to a less appetising offering. Yet among Brexiteers, one hopeful fantasy lives on: the idea that, if all else fails, Britain can prosper outside the European Union without signing a deal at all. The idea's proponents tout a no-deal Brexit as a way to avoid giving ground, or money, to Brussels. They dismiss

objections as another round of the alarmist “Project Fear” that Remainers deployed before the referendum.

They are gravely mistaken. It is time to debunk the last, and most dangerous, of the Brexit fantasies.

The notion that Britain should leave the EU without agreeing on exit terms or paying its tab has gained currency. Perhaps two dozen Tory MPs want such an outcome, now that a cake-and-eat-it deal is off the menu. Given the government’s wafer-thin majority, this small band has undue clout (see [article](#)). Assurances by level-headed ministers that Parliament would block a no-deal exit are constitutionally questionable. The public, meanwhile, are worryingly relaxed about no deal. Polls find that many voters would rather do a runner from the EU than accept the compromise that Mrs May has struck.

The reality is that no deal amounts to a very bad deal, as our [briefing](#) this week spells out. It would rip up 45 years of arrangements with the continent that in living memory has gone from existential threat to vital ally. It would swap membership of the EU’s single market for the most bare-bones trading relationship possible. Reneging on £39bn (\$50bn) in obligations to the EU would devastate Britain’s international credibility. Reaching no deal on the Irish border would test the Good Friday Agreement that ended a serious armed conflict. And the violent dislocation of nearly every legal arrangement between Britain and Europe would affect daily life like nothing outside wartime.

The myth has taken hold that no deal simply means no trade deal. Proponents of a no-deal exit say it will involve Britain trading with the EU on the standard terms used by other members of the World Trade Organisation (WTO). No-dealers argue, correctly, that Britain could eventually adjust to this. It would be painful, but the economy could move beyond industries like carmaking, which would be ruined by the 10% tariffs that the EU would impose on British exports. Consumers would gain if the government took the highly unlikely step of abolishing all tariffs, as no-dealer economists recommend. But protected sectors, particularly agriculture, would wither. And many Leave-voters might be surprised that the price of exit was the collapse of much of Britain’s high-end manufacturing and the demise of farming.

More important, no deal would mean not just no trade deal, but the rupture of a whole corpus of legal arrangements with the EU. Britain would be left without rules to govern the trade in radioactive materials, international electricity markets, financial-contract clearing, aviation, medicines regulation, immigration control and much else. What some Brexiteers describe as a “clean break” from Europe would in fact be horrifically messy.

No-deal proponents counter that Britain and the EU would quickly sign side-deals to mitigate the worst of the chaos—allowing flights to carry stranded citizens home, for instance. But it is unlikely that the EU would do more than the minimum if Britain defaults on its debts. What little goodwill remains would turn to dust. Brexiteers say that shortages could be avoided if Britain threw its borders open to EU products without checks. But eschewing any sort of regulation would be an odd way for Britain to “take back control”, as the Leave campaign promised.

If Mrs May wonders how this dire outcome has come to be more popular than her hard-won deal, she should start by re-reading her own speeches. Her mantra that “no deal is better than a bad deal” was supposed to persuade the EU to give Britain better terms. It didn’t work. But it struck a chord at home. David Davis, her first Brexit secretary, compared the talks to buying a house: “You don’t walk in and say, ‘I’m going to buy the house, now what’s the price?’ So why should it be any different in a big negotiation like this?” The answer is that not buying a house means sticking with the status quo, whereas not signing a Brexit deal means swapping the status quo for a new, very bad alternative. The house-buying analogy works only if the buyer has burned down their existing home and is negotiating to buy the only one on the market.

Advocates of no deal brim with the same misplaced confidence with which they approached the Brexit talks. The grim warnings of what would happen after the referendum have turned out to be overblown, they point out. Britain has not fallen into recession, as Remainers forecast, though its performance relative to other advanced economies has declined. Might the impact of no deal turn out to be less bad than feared?

Perhaps. But the disruption caused by an unmediated exit would be far more dramatic than the economic harm caused by the Brexit vote. The public

cannot easily see what they have lost as a result of Britain's slip from being the fastest-growing member of the G7 to one of the slowest. A no-deal Brexit, by contrast, could have highly visible effects. Essentials drying up, travellers stranded, motorways gridlocked: these things bring down governments and undermine faith in democratic politics. In 2000 Tony Blair's administration was plunged into crisis when protesting lorry-drivers blockaded oil refineries. The protests lasted barely a week but still forced supermarkets to ration bread and milk, and the government to deploy army ambulances.

It is hard to imagine any government surviving the chaos of a no-deal Brexit, let alone one as weak as Mrs May's. So far the decision to quit the EU has slowed Britain down, rather than derailing it. Leaving with no deal, however, could result in a wreck.

This article was downloaded by **calibre** from
<https://www.economist.com/leaders/2018/11/24/the-truth-about-a-no-deal-brexit>

| [Section menu](#) | [Main menu](#) |

Stamp them out

The case for scrapping stamp duty

Taxes on homebuyers are inefficient and unfair



Nov 22nd 2018

IN RECENT YEARS many rich-world politicians have at last woken up to the blight of expensive housing. Theresa May, Britain's prime minister, describes pricey houses as “the biggest domestic policy challenge of our generation”. Justin Trudeau, Canada's prime minister, has promised a “robust, comprehensive, life-changing” impact on the housing market. Australia's new prime minister has fretted that youngsters are putting off parenthood while they save up for homes. Recognition is growing that rapid house-price inflation has caused intergenerational inequity, destabilised finance and constrained economic growth.

If only the rhetoric was matched by action. Dysfunctional government policies, which have coincided with lower real interest rates, have pushed prices up (see [article](#)). The fundamental mistake is excessive regulation of house-building in and around successful cities. But a second senseless

distortion makes things worse: taxes on property transactions.

Such levies, or stamp duties as they are often called, are common. Many European countries have them, including France, Germany and Sweden, where house prices have grown particularly rapidly in recent years. All but 12 American states levy charges, typically around 1%, when property changes hands. Some countries are much more aggressive. In Australia the top rate of stamp duty reaches 7%; in Britain the figure is 12% for the most expensive properties. Even an average terraced house in London attracts tax of over £15,000 (\$19,000) every time its ownership changes, a year's earnings at the minimum wage.

First-time buyers are often partially exempt from stamp duties. Yet that barely limits the damage. The problem is that a wedge between what buyers pay and what sellers receive slows the pace at which properties change hands. By one estimate for cheaper houses, a 1% increase in stamp duty reduces annual churn in property ownership by 3.5%. When fewer moves mean fewer job switches, the labour market becomes less efficient. Productivity growth may slow. Thankfully, transaction taxes tend to bite hardest only for expensive homes. But gumming up the top of the housing market has knock-on effects. Those who would occupy mansions stay in cheaper homes instead.

The taxes also discourage downsizing, a particularly unwelcome effect in ageing societies. More than two-fifths of British housing equity is owned by over-65s, many of whom are sitting on large, empty nests. More than a third of Britain's owner-occupied houses have two or more spare bedrooms. People are entitled to hold on to their houses if they wish. But the tax system should not encourage them to do so—especially when high prices have left many families wanting more space.

There is an obvious replacement for transaction taxes: higher annual levies on property values or, ideally, on land values. Such taxes target wealth, and can be just as progressive as stamp duty, but they do not distort markets much. In a transition from one system to the other, the obvious losers would be those who do not intend to move in future: settled property owners, many of whom have enjoyed windfall gains as house prices have soared. True, some would be poorer old people, who could not afford an annual levy to stay in their homes. But the taxes could be deferred until their houses are sold upon their

deaths.

This suggestion may sound like a long shot. That a tax as boneheaded as stamp duty can persist reveals the apparent emptiness of politicians' commitment to fix housing markets. Yet change is not impossible. The region containing Canberra, Australia's capital, has begun a 20-year process to phase out stamp duty and replace it with a residential land-value tax. Countries that still tax property transactions, especially those that do so swingingly, cannot claim to be serious about reversing decades of housing-policy errors until they follow suit.

This article was downloaded by **calibre** from
<https://www.economist.com/leaders/2018/11/24/the-case-for-scrapping-stamp-duty>

| [Section menu](#) | [Main menu](#) |

See no evil

Why Donald Trump is wrong to ignore the murder of a Saudi journalist

America First is hurting America's interests in the Middle East



AFP

Nov 22nd 2018

FEW POLITICAL murders are as gruesome and well recorded as that of Jamal Khashoggi. The exiled Saudi journalist was throttled, dismembered and probably dissolved in acid in the Saudi consulate in Istanbul last month. Turkish intelligence has leaked the faces and names of the 15-man hit squad sent from Riyadh on private jets. Western spooks have listened to audio recordings of Khashoggi's last excruciating moments.

After weeks of lies, the Saudi government has admitted the guilt of its goons. The only question is whether the crown prince, Muhammad bin Salman, personally ordered the hit. President Donald Trump appears not to care. "Maybe he did and maybe he didn't!" he announced in a remarkable statement on November 20th, adding that America would remain a "steadfast partner" of Saudi Arabia. He sees the kingdom as a useful ally against Iran and Islamist extremism, an oil supplier that can keep prices low and a

splendidly huge buyer of American weapons. The distortions and many exclamation marks suggest that Mr Trump drafted the statement himself. It starts and ends with “America First!”

At first blush, Mr Trump’s position is strikingly candid. His transactional attitude to diplomacy with Saudi Arabia looks like the realpolitik of past American presidents in dealing with the Al Sauds, minus the cant about human rights. In reality, Mr Trump’s glossing over the murder of a peaceful critic is an alarming departure for America. It helps to create a world that is more dangerous, not safer.

Previous presidents have sought to balance moral values and national interests. Mr Trump has given up almost all pretence at defending morality; his sanctions on 17 Saudi officials are designed to protect the crown prince, not punish him. Mr Trump has thus abandoned an important tool of American power—its role as a model of democracy. In repeating the absurd Saudi claim that Khashoggi was an “enemy of the state”, Mr Trump has given licence to autocrats everywhere to kill journalists and dissidents. He has also shown, once again, that he prefers the word of an autocrat to that of the CIA, which believes the crown prince is to blame for Khashoggi’s murder.

Even in narrow geopolitical terms, Mr Trump is wrong. The crown prince is turning Saudi Arabia into a force for instability, and so is helping Iran extend its influence. His war in Yemen is unwinnable and causing widespread hunger and disease; it is hurting Saudi Arabia and its Western allies more than Iran. His feud with Qatar has pushed it closer to Iran. Even though it co-operates in the fight against jihadist groups, Saudi Arabia still feeds their ideology through textbooks that promote the view that Jews, Christians, Shia Muslims and others are infidels. What about oil and arms sales? Saudi Arabia wants to raise, not cut, the price of oil. And it has signed contracts for only \$14.5bn of the \$110bn-worth of arms purchases that Mr Trump likes to tout.

There are many reasons for the West to keep Saudi Arabia close. It is crucial to Islam and to regional stability. However, working with the Al Sauds should not mean doing whatever they ask. They need America more than it needs them. America should tell the Saudis to get out of the war in Yemen and make up with Qatar. Above all, it should tell them that rule by fear is no recipe for stability at home.

It does not take a CIA report to know that ultimate responsibility for Khashoggi's murder lies with Muhammad bin Salman. His reputation as an economic and social reformer, who allowed cinemas to open and women to drive, has transmogrified into that of an old-fashioned Arab tyrant: insecure, brutal and rash.

There are few angels in Arab palaces. But Khashoggi's blood is a permanent stain on the crown prince. It is increasingly hard to imagine him being a stable and reliable monarch. The stories of disquiet among the Al Sauds are growing. King Salman would be wise to start sharing power more widely—starting with the appointment of a new crown prince.

This article was downloaded by **calibre** from
<https://www.economist.com/leaders/2018/11/24/why-donald-trump-is-wrong-to-ignore-the-murder-of-a-saudi-journalist>

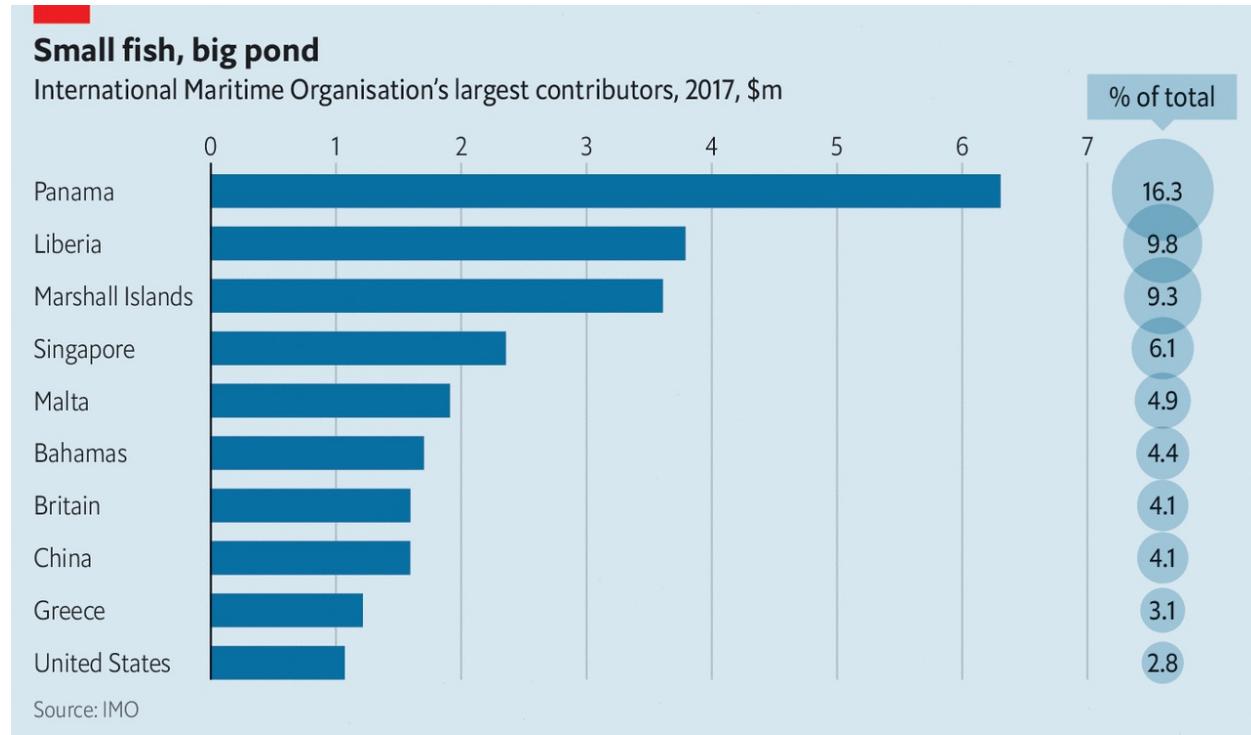
| [Section menu](#) | [Main menu](#) |

Agency problems

Some international regulators have been captured by producer interests

They should be reformed to put consumers first

Nov 24th 2018



The Economist

IT IS A lesson straight from undergraduate economics. Do not give the regulated power over the regulators, unless you want consumers to lose out and producers to game the system. The merger of water suppliers and their regulators in Britain in 1973 provides a good example. Water companies fiddled their pollution targets; Britain's rivers and beaches became the dirtiest in Europe. After the separation of firms and supervisors in 1989, Britain soon had some of the cleanest rivers on the continent.

That lesson has been learned in many places around the world. National regulators are increasingly independent of the firms they regulate. But international ones still have further to go—and none further than the specialised agencies of the United Nations, such as the International Maritime Organisation (IMO) for shipping, the International Civil Aviation Organisation

(ICAO) for airlines and the Universal Postal Union (UPU) for postal services. These bodies regulate the cross-border aspects of their industries, from safety and pollution to technical harmonisation between different countries. They are also clubs that protect producer interests.

Those interests are upheld in several ways. The first is the distribution of voting rights between countries. At the IMO, for example, Panama and Liberia, with populations of just 4m and 4.8m respectively, can automatically get seats on its decision-making body as they have the world's biggest merchant fleets.

The second is the assignment of those voting rights by individual countries. Remarkably, many governments have handed voting rights to private-sector firms. At the UPU, for instance, Britain has assigned its vote to Royal Mail; Germany has done the same with Deutsche Post. These firms stand accused of using their votes to sustain low fees for the delivery of their post in foreign countries. The IMO is worse still. At least 17 countries have assigned their voting rights to flag registries operated by private firms, reckons Transparency International, an anti-corruption group; that adds up to about a tenth of delegates. At an IMO environmental-committee meeting last year, almost a third of countries were represented, at least in part, by business interests.

The third way in which producer interests are protected is through a spectacular lack of transparency. The agenda of the IMO's council this week in London is available only to those with a password. Journalists are forbidden to report what delegates say or how they vote. There are no rules on the suitability or conflict of interests of delegates. In 2014 St Lucia appointed a Saudi billionaire without previous shipping experience as its IMO representative; a court in London judged in 2016 that the appointment was obtained in order to gain diplomatic immunity against divorce proceedings. There are no limits on the amount of gifts that can be showered on representatives. Goodies put on top of desks at an IMO assembly meeting last year were so heavy that they broke 137 sets of headphones underneath.

Such swappiness matters. The IMO and the ICAO are responsible for limiting emissions from ships and planes, which were excluded from the Paris climate deal. Green groups say, for instance, that the ICAO's new "CORSIA" rules on

carbon offsets could cause an increase in carbon emissions.

Some countries are interested in reform. At the IMO council meeting this week Australia proposed allowing journalists to report on its meetings as a first step. The Marshall Islands has taken back some of its votes from the private firm that runs its flag registry. But more radical change is needed. Countries should send civil servants, not private actors, as their representatives. The UN's rules on conflicts of interest should be imposed. And voting rights should be allocated with the interests of consumers in mind. These lessons have been widely absorbed within borders. They ought to cross them, too.

This article was downloaded by **calibre** from
<https://www.economist.com/leaders/2018/11/24/some-international-regulators-have-been-captured-by-producer-interests>

| [Section menu](#) | [Main menu](#) |

Staying alive

Why suicide is falling around the world, and how to bring it down more

Urbanisation, fewer forced marriages and more curbs on the means of self-destruction



Nov 24th 2018

“YOU KNOW,” says a trader in “Margin Call”, a film about the crash of 2008, as he stands high on a building above Wall Street, “the feeling that people experience when they stand on the edge like this isn’t the fear of falling—it’s the fear that they might jump.” Suicide fascinates us. It is at once appalling and yet, in the darkest places in our minds, appealing. It is the most damaging sort of death. A child’s suicide is a parent’s worst nightmare, and a parent’s marks their children for life. It is a manifestation not just of individual anguish but also of a collective failure: if society is too painful to live in, perhaps we are all culpable.

The suicide rate in America is up by 18% since 2000. This is not merely a tragedy; it matters politically, too. The rise is largely among white, middle-aged, poorly educated men in areas that were left behind by booms and

crushed by busts. Their deaths are a symptom of troubles to which some see President Donald Trump as the answer. Those troubles should not be ignored.

Nonetheless, beyond America's gloomy trend is a more optimistic story: that at a global level, suicide is down by 29% since 2000 (see [article](#)). As a result, 2.8m lives have been saved in that time—three times as many as have been killed in battle. There is no one reason. It is happening at different rates among different groups in different places. But the decline is particularly notable among three sets of people.

One is young women in China and India. In most of the world, older people kill themselves more often than the young, and men more than women. But in China and India, young women have been unusually prone to suicide. That is decreasingly the case. Another group is middle-aged men in Russia. After the collapse of the Soviet Union, alcoholism and suicide rocketed among them. Both have now receded. A third category is old people all around the world. The suicide rate among the elderly remains, on average, higher than among the rest of the population, but has also fallen faster since 2000 than among other groups.

Why are these people now less likely to take their own lives? Urbanisation and greater freedom have helped. Accounts of those who attempt suicide, and of the relatives of those who succeed, suggest that many young Asian women were driven to despair by violent husbands and overbearing in-laws. As people move to cities and the grip of tradition loosens, women have more choice about whom they marry or live with, making life more bearable. Leaving the village helps in another way, too. Because farming involves killing things, rural folk are likelier to have the means to kill themselves—guns, pesticides—to hand.

Social stability is also a factor. In the turbulence that followed the collapse of the Soviet Union, many middle-aged people saw their sources of income and status collapse. Unemployed people kill themselves at around two-and-a-half times the rate of those in work. The financial crash of 2007-08 and the resulting recessions are reckoned to have caused an extra 10,000 or so suicides in America and western Europe. As crises recede and employment rises, so suicide tends to ebb. And falling poverty rates among the old, which have declined faster than among other groups globally, are reckoned to have

contributed to the drop in the number of elderly suicides.

But the decline is not just the consequence of big social trends. Policy plays a role, too. When Mikhail Gorbachev restricted the production and distribution of booze in the mid-1980s, both drinking and suicide fell sharply. The collapse of the Soviet Union swept those regulations aside, and both drinking and suicide shot up again. Restrictions introduced by Vladimir Putin in 2005 are reckoned to have contributed to the recent decline.

Governments can also help limit the consequences of social and economic turbulence. Active labour-market policies, which help re-train jobless workers and ease them back into work, prevent many suicides. And spending on health services, especially those that most benefit the old and sick, can make a big difference: fear of chronic pain is one of the things that leads people to seek a quick way out. The remarkable recent fall in suicide among elderly Britons may have happened in part because Britain's palliative-care system is the best in the world.

Efforts to curb access to the means to kill oneself can help, too. Suicide is surprisingly impulsive. A study of young Chinese women who had tried to kill themselves showed that three-fifths had been contemplating suicide for less than two hours, and one in ten for less than a minute. Of 515 people who had survived the leap from San Francisco's Golden Gate bridge between 1937 and 1971, 94% were still alive in 1978—which suggests that a suicide postponed is likely to be a suicide prevented.

Governments can do a lot to put self-slaughter a little further out of reach. The most toxic pesticides account for one-seventh of suicides. When South Korea outlawed paraquat in 2011, it saw a decline in suicides but no drop in agricultural output. Requiring potentially lethal medicines to be sold only in small quantities, as some countries have done with aspirin and paracetamol, has also been shown to help. But the most effective measure of all is limiting access to guns. Half of all Americans who commit suicide shoot themselves, and the overall rate in America is about twice that in Britain, which has strict gun controls. The difference in gun ownership largely accounts for the state-by-state variation in suicide rates.

The media can also do their bit. Suicide is strangely contagious. When Robin

Williams, an actor, killed himself in 2014, his method and motives were reported in great detail. Researchers calculated that there were 1,800 more suicides than would otherwise have been expected in the next four months, often using the same method. Journalists should cover such tragedies in less detail, and with more restraint.

For a few people—those who are terminally ill, in severe pain and determined to die—suicide may be the least terrible option. In such circumstances, and with firm safeguards, doctors should be allowed to assist. But many of the 800,000 people who kill themselves each year act in haste, and more could be saved with better health services, labour-market policies and curbs on booze, guns, pesticide and pills. America, in particular, could spare much pain by learning from the progress elsewhere.

This article was downloaded by **calibre** from
<https://www.economist.com/leaders/2018/11/24/why-suicide-is-falling-around-the-world-and-how-to-bring-it-down-more>

| [Section menu](#) | [Main menu](#) |

Letters

. **[Letters: Letters to the editor](#)** [Fri, 23 Nov 11:21]

Letters to the editor. On the first world war, Italy, individualism, tax data, synagogues, Brexit.

Letters

Letters to the editor

On the first world war, Italy, individualism, tax data, synagogues, Brexit

Nov 24th 2018

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

The peace line

Charlemagne's ruminations on the 100th anniversary of the armistice concluded that it was "political twists in Berlin, not crushing defeat on the battlefield" that pushed Germany to sue for peace in 1918 ([November 10th](#)). This calls to mind the infamous *Dolchstoss*, or stab-in-the-back myth, through which the Nazis and their extreme-right predecessors sought to blame socialists and Jews for Germany's defeat in the first world war.

In reality, the political twists in Berlin came about almost entirely because of the dire military situation facing Germany after the failure of the German spring offensive on which the high command had staked all, the worsening food and materials shortage caused by the Allied naval blockade, the surrender of key German allies, and a string of Allied victories on the Western Front. The high command, led by Paul von Hindenburg, knew in November 1918 that the army was incapable of withstanding further Allied attacks. On November 10th 1918 Hindenburg instructed Matthias Erzberger, a minister in the civilian government, to sign the armistice on Germany's behalf, whether or not he was able to gain any concessions from the Allies. No concessions were made, and Erzberger signed, albeit under protest.

DAVID ELLIS

Queen Mary, University of London

The German army was in full retreat by the autumn of 1918, having been forced from its powerful defensive positions. The Allied powers captured thousands of prisoners daily, the British army taking some 100,000 in October alone. The military situation was so desperate that it caused the

mental collapse of General Erich Ludendorff, one of the leaders in the German high command. It was military defeat that forced German commanders to seek an armistice.

JONATHAN MOORE
London

Debt atonement

The Free exchange column on Italy posits that mutualisation of the country's debt throughout the EU would "relieve young Italians of doing penance for their forebears' sins" ([November 10th](#)). There are four inseparable requirements for absolving sins: self-examination; regret for having done the sinful act; a frank confession of the guilt; and a strong commitment to act wisely in future. Only the completion of these four processes makes the absolution rational, otherwise the culture of sinning is sure to continue happily. Something for Italian economists and the EU's politicians to consider.

JERRY CZARNECKI
La Habra, California

In praise of individualism

Your reviews of John Gray's "Seven Types of Atheism" ("The valley of the shadow", [November 10th](#)) and Paul Collier's "The Future of Capitalism" ("The old ways", November 3rd), correctly identified the absence of any positive recommendation of a morality that could serve as a guide for living in the 21st century. You pointed instead to the fact that the secular moralities of duty and utility, which rose to supremacy during the Industrial Revolution, defend the same virtues preached by every variety of theism, especially the sacrifice of the individual to some "higher" authority.

What 21st-century capitalism needs, as Ayn Rand argued over 60 years ago, is not a morality that apologises for the system, but one that celebrates the virtues responsible for the astounding improvements in human life that capitalism has created; the virtues of rationality, productivity and pride in individual achievement. When Professor Collier insists that the state must be able to harness markets to an ethical purpose, he is implicitly denying that the

dynamic, productive activity of individuals pursuing their own values is ethical. Here again, we see an attempt to defend capitalism while stubbornly adhering to a pre-capitalist, indeed anti-capitalist, morality.

You conclude, “it will be hard to turn the clock back on individualism”. One can only hope, but politicians the world over are doing their very best to do so, aided and abetted by those “illiberal liberals” in the academy, as Professor Gray rightly calls them.

JAMES LENNOX

Professor emeritus of history and the philosophy of science
University of Pittsburgh

OECD rules on data safety

You seemed perplexed by Switzerland’s refusal to swap tax data with countries such as Russia, China and Pakistan on data-safety grounds, “even though the OECD considers those countries safe to exchange information with” (“Elmer thud”, [October 20th](#)). The governments of Russia, China and Pakistan are well-known for their official arbitrariness and grave human-rights violations. We should expect that they would abuse Swiss data to pursue people standing in the way of their political ends. The tax authorities in Russia, for example, have made life hard for those who support liberal causes. This tells us more about the shortcomings of the OECD’s assessment than about the safety of tax data in the assessed countries.

ALFRED STEYRER

Basel, Switzerland

Wearing religion with pride

I was heartened to see *The Economist* devote space to the topic of anti-Semitism in the United States and Europe (“The mourning that never ends”, [November 3rd](#)). However, I was dismayed by your remark that the Kehilath Jeshurun congregation in Manhattan “flaunts its Jewishness”. The synagogue bears the Hebrew letters of its name underneath stained-glass windows displaying Stars of David. Would you find that a church with a sign bearing its name and a stained-glass window of the cross was “flaunting” its Christianity? Is Kehilath Jeshurun “flaunting” its Jewishness, or is it merely

existing as a house of worship?

I take issue with the unfortunate word because it implies that the proper conduct for a synagogue is to become unmarked. On the contrary, American Jews and our temples have long enjoyed a visible presence across the United States, even in the face of violence. Now is not the time to run and hide.

SARAH TISHLER
New York

Brexit humour

Johnson proposes “divorce” as a metaphor for Brexit ([November 3rd](#)). May I suggest a better analogy would be “open marriage”. It is not a complete break that is being sought, so much as contemporaneous relationships with other parties and a lowering of contributions, while still maintaining access to the original partner.

BEN AVELING
Sydney

As a reader of *The Economist* for two decades, it has taken me a while to adjust to your new layout, which I am now enjoying. However I must point out one oversight. Surely post-Brexit your newspaper needs to move the Britain section to a place that will properly reflect that country’s new-found status in the world? After the Obituary seems appropriate.

JOHN FLOCKHART
Lund, Sweden

Last week’s cover noted that this is now “Brexit’s endgame”. In Samuel Beckett’s “Endgame” there are four characters. One cannot stand, another cannot sit, and the other two live in dustbins.

Sounds about right.

MALCOLM CORBOULD
Horsham, West Sussex

<https://www.economist.com/letters/2018/11/24/letters-to-the-editor>

| [Section menu](#) | [Main menu](#) |

Briefing

• [A no-deal Brexit: Free falling](#) [Fri, 23 Nov 11:21]

What to expect from a no-deal Brexit. The terrifying consequences if nothing is sorted.

Free falling

What to expect from a no-deal Brexit

The terrifying consequences if nothing is sorted



Nov 24th 2018

TO STAND ON the white cliffs of Dover is not merely to reflect on British isolation, splendid or otherwise, or on the remarkable Cretaceous geology beneath your feet, or even to wonder at the perennial lack of bluebirds. It is to look down at a marvel of frictionless trade in action. Dover is Britain's ninth-busiest port in gross tonnage, but in terms of roll-on-roll-off traffic, the sort that keeps the country's economy tightly coupled to its neighbours beyond the narrow sea, it is far and away the biggest (see chart). Ships like the *Pride of Kent* and the *Calais Seaway* pass through its seawalls ten times a day; as many as 10,000 lorries snake slowly but uninterruptedly in and out of the port. About £120bn (\$150bn) of traded goods pass up and down Jubilee Way to and from the port each year, 17% of Britain's total. A lot of it is needed urgently.

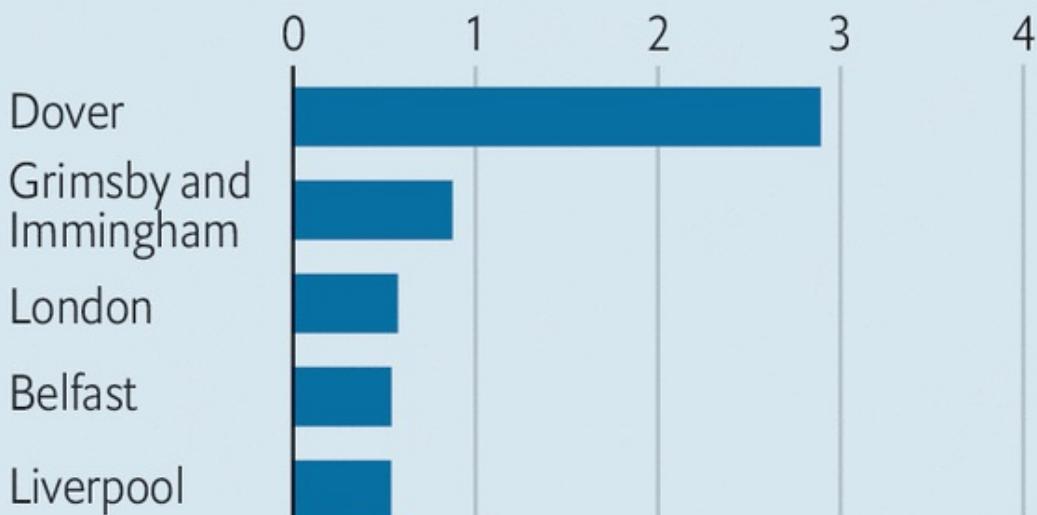
If no new actions intervene, the view will be quite different on March 30th

next year. On March 29th, Britain's withdrawal from the EU under Article 50 of the EU Treaty, set out two years previously, will become a fact of European law; in Britain the European Communities Act of 1972 will be automatically repealed under the terms of the European Union (Withdrawal) Act of 2018. If the current draft deal on Brexit is accepted by a majority in the House of Commons and by all the other EU governments, its terms will then come into force, and an orderly transition period will get under way. If the deal is not agreed, and if no action is taken to change the timing of withdrawal under Article 50, Britain will go its Brexit way with no deal.

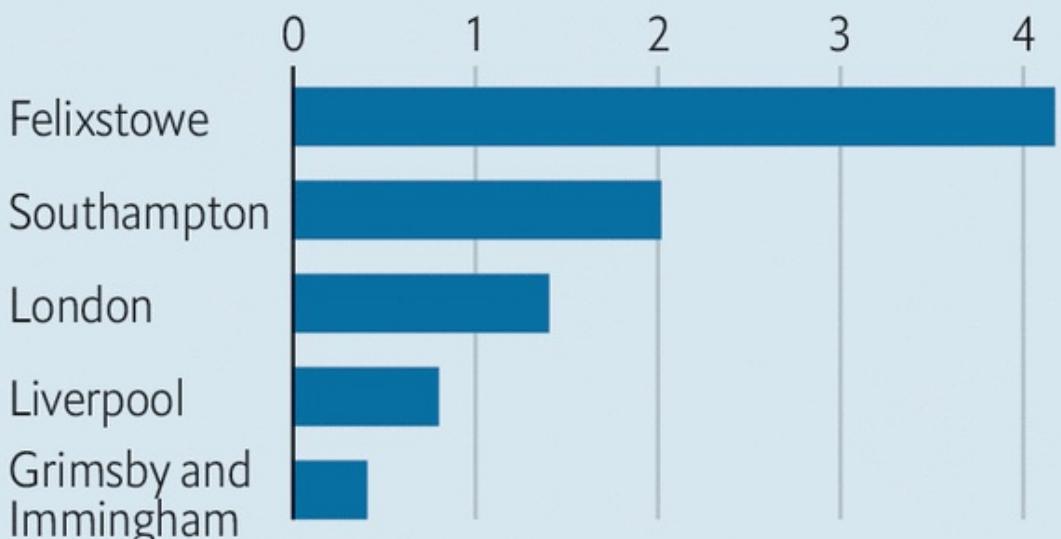
Ports in a storm

Britain, major ports, 2017

Roll-on-roll-off, freight units, m



Containers, 20ft equivalent, m



Source: Department for Transport

Britons who favour Brexit come-what-may like to portray this as simply a change of trade rules from those of the EU to those of the World Trade Organisation (WTO). They say that with goodwill and astute bargaining most of the difficulties could be easily overcome, and that worries about food rationing or medicine shortages are the second coming of “Project Fear”—the term they used for the predictions of economic woe made by people arguing for Remain during the referendum campaign of 2016. They insist that no deal is greatly preferable to the deal now on the table, in which they perceive unacceptable constraints on British sovereignty.

Continental drift

This is triply disingenuous. Changing to WTO rules is about more than tariffs and will affect large swathes of the economy. A no-deal Brexit is about a lot more than trade—it would see many legal obligations and definitions lapse immediately, potentially putting at risk air travel, electricity interconnections and a raft of financial services, and throwing into doubt the status of EU citizens in Britain and British citizens in the EU. And goodwill may be in very short supply after a deal has foundered. Instead, expect acrimony—both within whatever rabble then runs Britain and between it and the EU.

According to the Confederation of British Industry, a lobbying group, EU exports to Britain would face a trade-weighted average tariff of around 5.7% the day after a no-deal Brexit. Goods going the other way would face tariffs of 4.3%. The WTO’s rules mean that the two parties could not simply lower tariffs on each other. To lower tariffs within the WTO you must either enter into a fully fledged trade deal or lower them for all-comers: no playing favourites. Trade beyond the EU would be affected, too, since all the trade deals Britain currently benefits from were negotiated through the EU and lapse on Brexit. Countries with such free-trade agreements currently account for 16% of British exports by value. Some countries are arguing over the terms of Britain’s membership of the WTO itself, since it joined as a member of the EU. This could lead to formal trade disputes in time. But in the short term trade on WTO terms should be able to carry on.

Some Brexiteers favour a radical response: get rid of all tariffs on imports, as Hong Kong, Macao and Singapore have done. Extravagant assumptions

about the benefits of this explain why some pro-Brexit economists see no deal as much less damaging than most of their colleagues. But tariff abolition would have huge effects on agriculture and some types of manufacturing. The government has no plans for such an extirpation.

Come-what-may-ers who accept this say that even if tariffs remain they can all be dealt with frictionlessly on the internet. But a study by Britain's National Audit Office recently found that 11 of the 12 IT projects critical for such streamlining are at risk of not being delivered by the end of March. And tariffs are not the only thing changing. There are also excise duties and health checks for food, plants and animal products—much harder to replace with a webpage. For EU goods these currently tend to affect just 2% of shipments; but for third parties they can cover up to 50%.

Even if the British were to relax some of these requirements—which would in some cases need changes to the law—the French show no indication of wanting to. They have contingency plans to recruit an extra 700 customs officers and impose checks on food, plants and livestock which will require new facilities at many ports (claims by no-deal minimisers that the WTO's “trade-facilitation agreement” prohibits such new checks are incorrect).

Such cares taken by the French could be bad news for British farmers and fishermen, who export a lot. More than 50% of fish caught by British boats end up elsewhere in the EU. If the export mechanism grinds to a halt the newly exclusive access to British waters enjoyed by the country's fisherfolk may bring them little joy.

The odd rotting fish on the quayside apart, what harm do a few more lets or hindrances at the border do? A lot. Small delays add up to large tailbacks. Researchers at Imperial College London have calculated that two minutes more transit time per lorry at Dover and the Channel Tunnel translates into a 47km traffic jam. The British government has contingency plans for turning a 20km stretch of the M20, the motorway which runs through Kent to Dover, into a multi-lane lorry park. France has published a draft law that would grant the government emergency powers to implement measures that could minimise the disruption in the event of no deal: it makes for sobering reading. British ports themselves seem to expect a permanent move away from roll-on-roll-off; those that deal with containerised shipping have been making

plans for expansion.

Gas pipelines and electricity interconnectors are not subject to border checks or tariffs. But they are subject to law. “In a pure no deal,” says Alex Harrison of Hogan Lovells, a law firm, “the strict legal position is that there would be no legal basis for electricity to flow.” But stop-gap “alternative access rules” are likely. Britain provides most of the gas that keeps Irish homes warm; Northern Ireland, which has only one interconnector to mainland Britain, gets enough of its electricity from the Republic for the possibility of an interruption to be somewhat disconcerting. “Everyone has an incentive to be sensible,” Mr Harrison says.



Sensible—but not necessarily accommodating. Britain might well end up with no access to the EU’s “market coupling” mechanism, which enables countries to pre-plan electricity imports. This could push up prices, says Georgina Wright of Chatham House, a think-tank, who also notes that Britain’s zero-carbon-energy plans require four times its current interconnection capacity.

The WTO’s rules provide particularly threadbare cushioning for trade in

services—31% of Britain’s trade with the EU and 35% of its trade with the world. Reducing trade barriers on services requires regulatory harmonisation, which the 164 WTO members find very hard. The lack of WTO rules means that the EU could easily block or hinder British firms offering services on the continent

Passport to danger

Many banks and financial-services firms operating out of London have had to establish new bases in other EU countries because in a no-deal Brexit they will suddenly lose the “passports” that allow them to serve clients in any EU country from Britain. Barclays, a big British bank, is planning to consolidate all its EU27 branches in a subsidiary in Dublin, with £224bn in assets (around a quarter of the group’s balance-sheet). Other big banks have chosen Frankfurt or Paris—inconvenient, perhaps, but not a game-changer. One banker says that he is much more concerned about the broader economic effects of a no-deal Brexit on his clients than the direct effect on his industry.

The status of some financial contracts is a bigger source of worry. According to The CityUK, a trade body, the end of British passporting could call into question about £26trn in derivatives. London is easily Europe’s biggest centre for trading and clearing these contracts. As the rules stand, clearing in London would no longer be available for clients in the EU after a no-deal Brexit—bad for the City, worse for many EU investors. Clearers may apply for approved “third country” status, bringing them back within the pale—but only after Britain becomes a third country on March 29th. The European Commission has promised to treat British exchanges and clearers as equivalent to those in the EU on a “temporary and conditional” basis. But the future of clearing remains unclear.

Tariffs and restrictions on exports of goods and services will reduce British companies’ profits; imposed on imports they will increase prices. That is one of the reasons why a no-deal Britain would see inflation rise. The other is the unavoidable fall in the pound. This could be steady or vertiginous, depending on how markets see things; it could also start well before no-deal day, perhaps increasing Britain’s appetite for last minute stop-gaps. The pound currently hovers at around \$1.30. Traders are banking on it falling to below \$1.20 in the event of no deal. It could drop a lot further; some talk of it

reaching parity with the euro, or even the dollar.

Britain borrows a lot more than it saves: it has a current-account deficit equal to 4% of GDP. Since the referendum Britain has largely financed this deficit with short-term financial flows, such as deposits to banks. That money can vanish in a trice, pushing the pound's value down a long way. A rule-of-thumb among economists says that a 10% fall in sterling translates into an eventual 2% rise in the consumer-price index. Parity with the dollar would thus mean inflation above 5%.

Higher inflation and interest rates would cause pain for businesses borrowing money and for citizens in receipt of working-age welfare payments, most of which are frozen in cash terms from 2016 to 2020. It would also cut the purchasing power of salaries.

Emptying the shelves

Such purchasing power matters most when there are things to purchase. In the days and weeks after a no-deal Brexit that will sometimes not be the case. Lorries gridlocked across Kent and the Pas-de-Calais will not be the only logistical problem. British lorries can currently carry goods between any two points in the EU. After a no-deal Brexit haulage would instead be subject to the Vienna Convention on Road Traffic of 1968. (It was for this express reason that Britain bestirred itself to ratify the convention last March.) This will allow Britain to issue up to 1,224 of the country's 75,000 lorries with permits for travel between Britain and the EU every year. To avoid a spectacular failure of the transport infrastructure Britain will need unilaterally to allow EU lorries into Britain, which will not please its native hauliers. Even so, prices will go up and capacity will shrink.

Britain's big supermarket chains hold as little as one-and-a-half days' worth of fresh food in their supply chain at any given time, and say they have no capacity to hold more. With the country in a logistical seizure that suggests a dearth of at least some things in some areas. A few in the industry are speculating that the government might take control, as the Labour government did in the face of blockades at oil refineries in 2000, working with the industry to allocate petrol to stations in areas with large populations. Industry leaders could conceivably work with the government to determine

which areas should be given priority for food deliveries and distribute the food accordingly. In those circumstances, some form of rationing would be almost inevitable, reckons one big supermarket.

A no-deal Brexit would also disrupt the supply of medicines and medical devices. Mike Thompson, head of the Association of the British Pharmaceutical Industry, says the industry has been on notice since July to accelerate its preparation for no deal. Stocks of medicines have been increased; Novo Nordisk, a Danish firm, is doubling the insulin it has on hand to guarantee a 16-week supply. But in October MPs were told there were simply not enough cold-chain warehouses to ensure supplies of drugs that need a constant temperature from manufacture to injections. Drug companies working with the government have recently been prevented from talking about the planning needed by strict gagging clauses. That may make it easier for commercially sensitive information to be shared between government and industry, but it limits the scope for scrutiny or reassurance. What is clear is that the various factors at play will drive up costs for the NHS. The Nuffield Trust, a think-tank, has estimated that no deal would cost the NHS an additional £2.3bn by 2020.

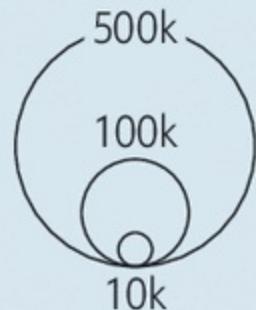
Another business which will be thrown off-kilter is the car industry (see map), on which more than a million jobs depend. The lean manufacturing that Toyota, Nissan and Honda introduced when they made Britain a manufacturing base requires supply chains which criss-cross the country and the EU—and now make the industry vulnerable.

Engines of trade

Britain, car production

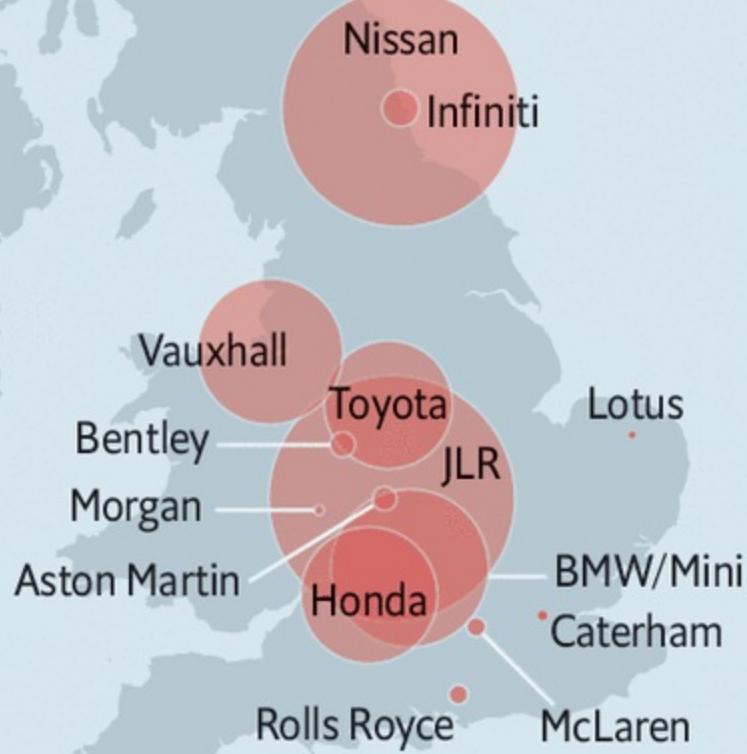
2017, units

Total 1.67m



1,100 trucks
deliver car
parts daily

79% of
components
come from
the EU



Sources: SMMT;
company reports

Consider the plant in Oxford where BMW churns out 1,000 Minis a day. Each is made up of 4,000-5,000 parts. Bringing 4m parts to the factory on 200 lorries every day is a “significant logistical challenge”, says Graham Biggs, the firm’s communications director. Three-fifths of them come through Dover or the Channel Tunnel; their contents are unloaded directly onto the apposite part of the production line. Reconfiguring its supply chains to circumvent hold-ups and tariffs would take years if it were possible at all. Many of its suppliers have no facilities in Britain, and the industry’s worsening prospects—cars exported to the EU27, as 54% of the 1.3m exports made in 2017 were, will face 10% tariffs—would hardly encourage them to relocate. Thus the short-term effects of no deal would build into a chronic and perhaps terminal problem.

Some proponents of Brexit come-what-may say that such businesses need to stop moaning and start stockpiling. For the car industry this is pretty much a non-starter, given the complexity of the challenge. And even for simpler trades there is a problem: no room at the warehouse. Britain had precious little spare warehousing capacity even before the new demands of Brexit. According to Savills, a property company, vacancy rates for warehousing have been falling steadily since 2011, and are now as low as 6% nationally and 4.6% in London and some parts of the south-east. There is some speculative warehouse building—but nowhere near enough. (Disclosure: *The Economist* is stockpiling around 30 tonnes of the paper on which the covers of our British edition are printed, which comes from the Netherlands.)

With ships and trains there is at least good reason to believe that goods would still get through, even if the pace is glacial. In theory, that is not necessarily the case with aircraft. If Britain left the EU with no deal, airlines would no longer be able to fly between the two without some new agreement. This prospect is so dire that most EU diplomats believe an agreement on air travel would be made either before the fact or very quickly afterwards.

Such an agreement, though, might easily see British carriers forbidden from flying between destinations within the EU27, and EU airlines refused access to internal routes in Britain. And neither British airlines nor European ones would necessarily be able to fly from Britain to America: the open-skies agreement between America and the EU would cover neither post-Brexit

British companies nor European airlines flying to America from a non-EU country.

And what of the people who come into Britain by plane, or ship, or tunnel? One of the strengths of the proposed deal is that it gives clear rights to British citizens in the EU27 and their continental and Irish counterparts in Britain. The 3.7m EU27 citizens in Britain would have the right to remain, to work, to leave and return, and to bring some family members to live with them. Britons in EU countries get similar rights, so long as they arrive before 2021.

Leave to remain

Without a deal, free movement would end as soon as new immigration systems were in place—what would happen before that is anybody's guess. The greatest worry in the medium term is that the rights that ex-pats in Britain and the rest of the EU would enjoy under the deal would be whittled away. France says that, legally speaking, all Britons living there after a no-deal Brexit would need work permits, and that employers with Britons lacking such permits on the payroll would be criminally liable. Its draft law covering a no-deal Brexit recalls the legal requirement for retirees and others to apply for long-stay visas. Different countries would probably take different approaches, making it monumentally confusing for multinational employers.

If EU governments introduce obstacles for Britons wanting to visit, live or work there, the British government would face pressure to trim further the rights of EU nationals in Britain. If this cut Britain off from trained workers, the country would run into trouble. From road haulage to universities, many British enterprises depend on foreign nationals. Ian Cumming, who is in charge of medical training in England, estimates that it would take 10 to 12 years to become self-sufficient in training medical staff. And what staff there are may face a larger caseload. There are 190,000 Britons living in the EU who get the same access to health care as locals thanks to agreements a no-deal Brexit could end. Some, poor and elderly, would move back to Britain rather than pay for new insurance.

Law and disorder

Goodwill could forestall some of those issues; but there are some areas where

it is helpless without legal instruments. Co-operation on policing and security in Europe depends on a legal framework that will not apply in a no-deal world. Britain would fall out of the EU's crime-fighting agencies, be denied access to databases containing criminal records, fingerprints and DNA data, and lose the right to use the European Arrest Warrant.

Britain's police forces searched for criminal records on the Schengen Information System 539m times last year. Britain requested 278 arrests in other EU countries, while receiving 16,837 requests coming the other way. Falling out of the warrant system would not only make it harder for Britain to seek criminals overseas—it would make it harder for Europe to get its hands on those in Britain. In the 1960s criminals from Europe seeking to evade extradition often settled safely in Franco's Spain; a no-deal Brexit could see them descend in their masses on Britain.

Obviously, not all the damage of a no-deal Brexit would be done to Britain. The IMF estimates that though Britain would lose about 5% of GDP by the end of the five subsequent years the Dutch, Danes and Belgians would also see losses of 1% or more—and the Irish would stand to lose 4%. If Britain leaves the EU without any deal, both EU and WTO rules would require the enforcement of a hard border between the Republic of Ireland and the six counties of Northern Ireland, with associated checks and controls. The British Northern Ireland secretary said as much this week, as have Philip Hammond, the chancellor, and Leo Varadkar, the Irish taoiseach.

Devotees of Brexit come-what-may note that the British and Irish governments have made commitments not to enforce the border. They suggest seeking a waiver from WTO rules in the matter. Given the open border's importance to the peace process, they suggest, a national-security exemption might be in order. But this is not convincing other than in the very short term. After a no-deal Brexit, Ireland and Northern Ireland would be in different customs, regulatory and food-safety regimes. The European Commission has said that health and food-safety checks would have to be applied to all farm trade. There may be scope for operating some of these controls away from the border itself, but the risk of smuggling and organised crime in a place with a long history of both would be great. Brussels is clear that it could not allow a long-term hole in its external border to be created by

a failure to apply physical customs and regulatory controls.

The practical implications worry businesses in Northern Ireland. Giving evidence to the House of Commons last month, the Northern Irish Freight Transport Association noted that 4.6m commercial vehicles cross the border every year. The Northern Ireland Food and Drink Association pointed out that 30% of the province's milk and 40% of its sheep go south for processing. Both Guinness and Bailey's Irish Cream cross the border for canning, bottling and export.

And this only begins to touch on the longer-term problems. British scientific research is intimately tied up with that of its European counterparts; without ways to continue those ties, both will suffer. Military co-operation, too, will become far harder after a no deal—if, for example, Britain finds itself excluded from the EU's Galileo satellite-navigation system.

What will markets make of such woes? The big short-term effect would be the fall in the pound—bond markets and stockmarkets may at first do fine. Government bonds are a safe-haven asset for traders, and are in constant demand from pension funds. More than 70% of the earnings of firms in the FTSE 100 index come from overseas, and the weakened pound would increase the value of these foreign earnings, and thus of the companies. It is also possible that cheap sterling might spur on exporters. But the big fall in the pound's value after the referendum has had no such effect. British exporters compete on quality and customer service not only price.



But shrinking real wages, a bitter pill for Britons already paid less in real terms than they were a decade ago, are likely to damage overall economic growth pretty quickly. If recession loomed, as it is easy to imagine it would if five percentage points of growth are sacrificed in just a few years, the Bank of England might cut interest rates, as it did to steady nerves after the referendum. But rates are already near an all-time low of 0.75%, and the inflation rate is above the bank's 2% target.

The government might have a nice nest-egg with which to boost public spending. The deal on the table sees Britain paying £39bn to the EU—a sum often called the “divorce settlement” in Britain, while seen as “the money you committed yourself to spending on stuff we all wanted back then” in the EU. It is inconceivable that Britain would pay all of that out in the case of a no-deal Brexit. It is at the same time likely that the EU would pursue some of what is not paid through an international court.

Dealing with reality

None of this stills the come-what-may-ers. But worries about the consequence of a no-deal Brexit are rising in the cabinet, especially among

ministers in charge of departments that will be at the sharp end. It is notable that Michael Gove, a leader of the Leavers, is in his current role as farming and environment secretary sticking with the prime minister, Theresa May, and the deal that his erstwhile comrades excoriate. His department has been given extensive briefings on the cost of no deal in terms of supermarket prices and food shortages.

The public, though, has not benefited from such briefings, which are said to have included the national nightmare of a Mars Bar shortage. Polls show a majority currently favours remaining; but among the hefty number still in favour of Leave, a no-deal Brexit is more popular than the draft deal on the table. And the mood in Brussels is apparently closer to acrimony than fellow feeling; if there is no deal, extra efforts to help Britain are unlikely, say diplomats, even if small moves by the EU would confer large benefits on Britain. At this stage, you might think, they would say that, wouldn't they. But when you are on the edge of a cliff, even one as picturesque as those above Dover, it is well to take threats seriously.

This article was downloaded by **calibre** from
<https://www.economist.com/briefing/2018/11/24/what-to-expect-from-a-no-deal-brexit>

| [Section menu](#) | [Main menu](#) |

United States

- **[The birth rate: Baby bust](#)** [Fri, 23 Nov 11:21]

What explains America's mysterious baby bust?. Hispanic Americans are having fewer babies, as are city-dwellers.

- **[Falling carbon emissions: The green House effect](#)** [Fri, 23 Nov 11:21]

Democrats and a climate-change dilemma. Should Democrats pursue the best policy, or the one that does them least political damage?.

- **[Poverty and public policy: Extra credit](#)** [Fri, 23 Nov 11:21]

The Earned Income Tax Credit almost pays for itself. The policy that reduces unemployment, boosts wages and costs a pittance.

- **[Border maths: The original big, beautiful wall](#)** [Fri, 23 Nov 11:21]

The big, beautiful border wall America built ten years ago. And why it did more harm than good.

- **[Gentrifying mancamps: Lapdances to lattes](#)** [Fri, 23 Nov 11:21]

A North Dakotan oil-boom city softens. From lapdances to lattes in Williston.

- **[Lexington: Nixon had it harder](#)** [Fri, 23 Nov 11:21]

Donald Trump is attacking the rule of law and may well get away with it. Nixon had it harder.

- **[The Economist: Our Charlottesville cover](#)** [Fri, 23 Nov 11:21]

Our Charlottesville cover. Awards time.

The stork exchange

What explains America's mysterious baby bust?

Hispanic Americans are having fewer babies, as are city-dwellers

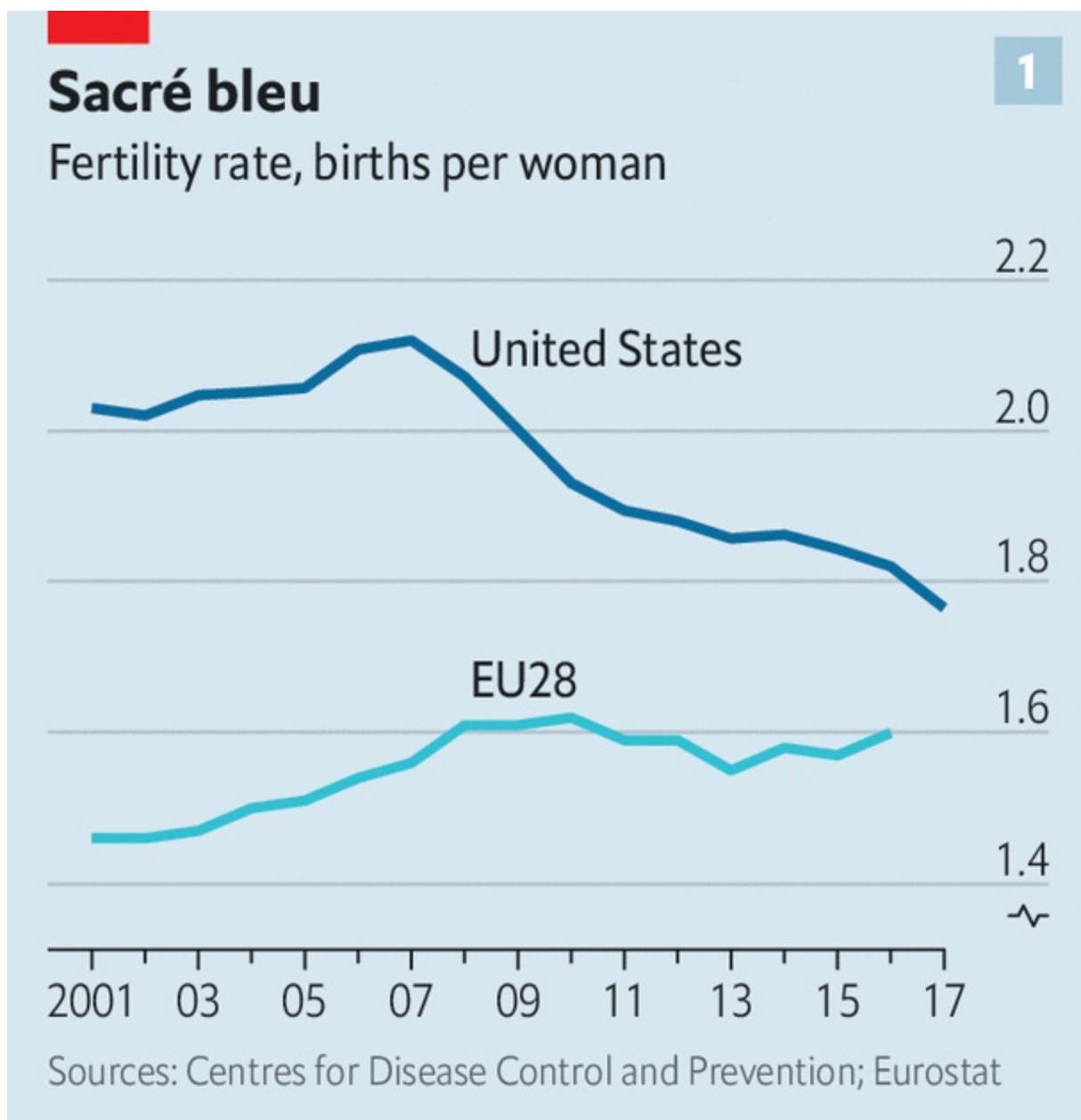


Nov 24th 2018

IN SOME WAYS, the Atlantic Ocean seems unusually wide at the moment. Polls by the Pew Research Centre show that western Europeans take an increasingly dim view of America, and not just its president. On the other side of the ocean, conservatives think that a clinching argument against universal health care is to call it European. Yet in other, more intimate, ways the two continents appear to be converging. American families are increasingly hard to distinguish from European ones.

Soon after the great recession hit America, in 2007, the birth rate began to fall. Many people lost their jobs or their homes, which hardly put them in a procreative mood. But in the past few years the economy has bounced back—and births continue to drop. America's total fertility rate, which can be thought of as the number of children the average woman will bear, has fallen from 2.12 to 1.77. It is now almost exactly the same as England's rate, and

well below that of France (see chart 1).



The Economist

Although getting into Harvard will be a little easier as a result, this trend is bad for America in the long run. A smaller working-age population makes Social Security (public pensions) less affordable and means the national debt is carried on fewer shoulders. America could admit more immigrants to compensate, but politicians seem loth to allow that. The baby bust also strikes a blow to American exceptionalism. Until recently, it looked as though pro-

natalist policies such as generous parental leave and subsidised nurseries could be left to those godless Europeans. In America, faith and family values would ensure a good supply of babies.

What changed? One possibility is that the drop is little more than a mathematical quirk. The total fertility rate is calculated by adding up the proportions of women in each year of life who had a baby in the previous year. It is affected by changes in birth timing. Suppose that all American women have exactly two children. If a cohort of women move to have those children later, the fertility rate will temporarily fall below two. This happened in the late 1970s, when the rate dipped to 1.74 before recovering.

To some extent, history is probably repeating itself. In 2017 the mean age of a first-time mother was 27, up from 25 in 2007. The teenage birth rate has halved in the past ten years—something that Power to Decide, a campaign group, attributes to less sex and better contraception. Colleen Murray, its senior science officer, says that Obamacare has made long-acting contraceptives like IUDs available to more young women. The trend of Americans giving birth at ever older ages could run for a while. In Europe, women's mean age at first birth is 29. In Japan it is 31.

Still, comparisons with Europe and Japan are not exactly reassuring—both countries have smaller families than America. And with every passing year the drop in American fertility seems less temporary. Some data suggest that people have come to desire small families. The large National Survey of Family Growth shows that 48% of American women with one child expect not to have a second.

Some religious conservatives fear that a broad cultural shift is under way. According to Gallup, a pollster, the share of Americans who never go to church has risen from 10% to 27% since 2000. That could be connected to falling fertility. Churches tend to be in favour of children—more so than the other places where people hang out on the weekend, such as gyms and bars. But it is hard to disentangle cause from effect. What is clearer is that America's fertility rate is being pulled down by two specific groups of people: Hispanics and urbanites.

Hispanic women still have more children, beginning at a younger age, than

non-Hispanic whites, blacks or Asians. But their fertility rate is falling exceptionally quickly. Between 2007 and 2017 it dropped from three to two, pulling down the national average. William Frey, a demographer at the Brookings Institution, a think-tank, points out that the recession hit them hard. Many Hispanics worked in the construction business, which collapsed, and lost their own homes to foreclosure. Hispanics are also increasingly American. Two-thirds were born in the country, and the proportion is rising because immigration from Latin America has slumped. They have probably adopted American small-family norms.

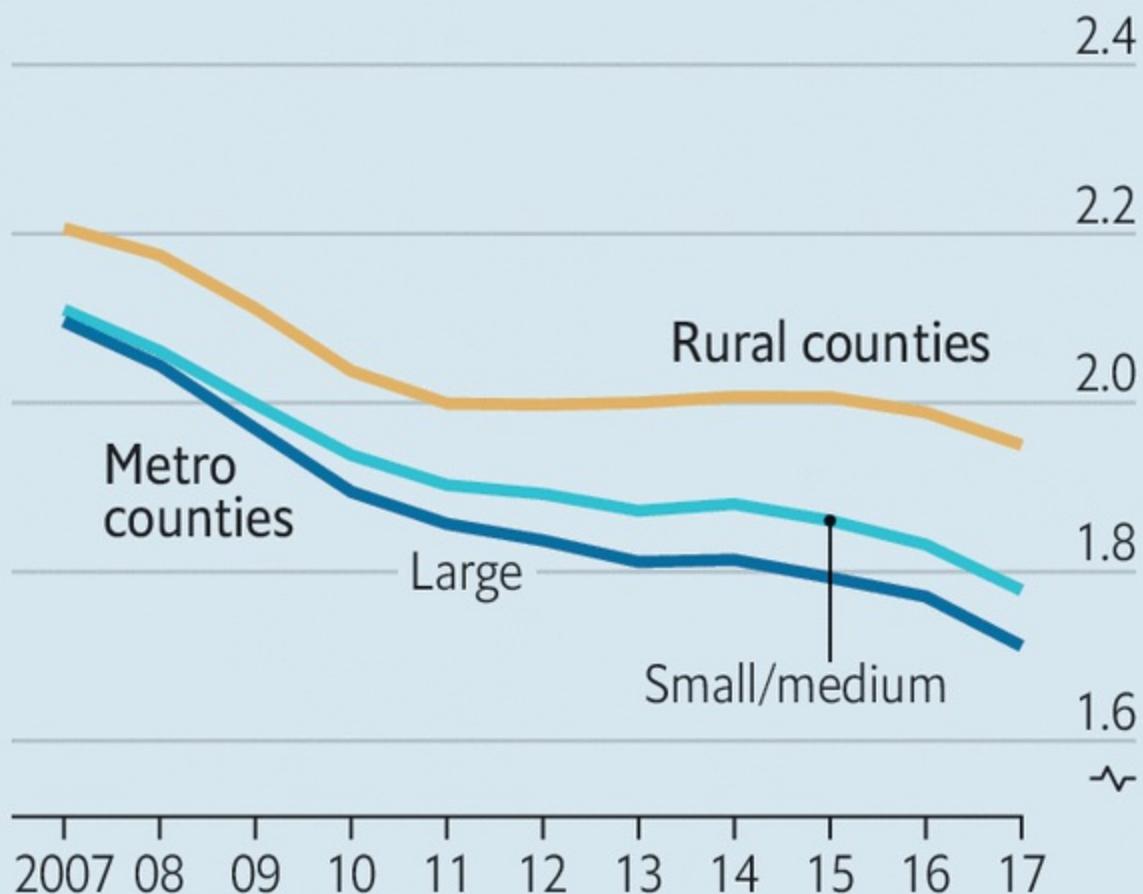
The fertility rate has fallen more sharply in large cities than in smaller cities or rural areas (see chart 2). Rents and prices have soared, making it harder to afford an extra bedroom. Lots of properties are being built in city centres—but many of these are tiny flats in towers. In 2006 only 27% of newly completed apartments had fewer than two bedrooms. In 2017 fully 48% did.

Nir Shoshani of NR Investments, a property developer in Miami, says some of this change is driven by demography. People are staying single and childless for longer, so there is more demand for small flats. But the towers are also rising because politicians and officials want them to rise. As in other cities, Miami's zoning laws have changed to favour little boxes. A recent reform allows builders to create homes of just 275 square feet.

Country music

2

United States, fertility rate, births per woman



Source: Centres for Disease Control and Prevention

The Economist

It is possible that cities like Miami are not only accommodating the growing ranks of single and childless people, but are actually creating more of them. Hill Kulu, a demographer at the University of St Andrews in Scotland, has found that in England and Finland suburbanites and small-town-dwellers have more children than you would expect from looking at other aspects of their lives. It is almost as though extra bedrooms and child-friendly neighbourhoods make children. Perhaps the American family is becoming

more European because its cities are looking a little denser and a little less suburban—that is, a little more European.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/what-explains-americas-mysterious-baby-bust>

| [Section menu](#) | [Main menu](#) |

The green House effect

Democrats and a climate-change dilemma

Should Democrats pursue the best policy, or the one that does them least political damage?



Nov 22nd 2018 | WASHINGTON, DC

CLIMATE POLICY in America has always been an up-and-down affair. But few reversals have been as dramatic as the replacement of Barack Obama with Donald Trump. Unlike his predecessor, the current president is sceptical about climate change and loves “beautiful, clean” coal. The environmental agencies are stocked with former lobbyists for coal, fracking and chemicals companies. And yet according to the Environmental Protection Agency (EPA) the amount of greenhouse gases emitted in America dropped by 2.7% in his first year of office. This was the biggest reduction anywhere in the rich world.

Andrew Wheeler, the former coal lobbyist who now heads the EPA, has been quick to praise “President Trump’s regulatory reform agenda” for this. In fact, the decline has little to do with the president’s policies. America’s

carbon dioxide emissions have been on a downward trajectory since 2007, mostly because power plants have been switching to cheaper, cleaner natural gas and away from Mr Trump's beloved rock. According to the Energy Information Administration, a government agency, America guzzled nearly equal quantities of coal and natural gas in 2007. Today natural gas provides twice as much energy as coal. Energy from renewable sources, like wind and solar, now make up just over 10% of America's energy consumption.

Since 2010 nearly 40% of the country's coal-generating capacity has either been shut down or designated for closure. This is mostly because rival fuels were cheaper, rather than the Obama administration's Clean Power Plan, which was much derided but never actually went into effect. Even under Mr Trump, coal plants are expected to shut down 11.4GW of capacity this year, the most since 2015. No American utility plans to build a new coal-fired plant; most of the existing ones are at least 40 years old. The environmental regulations that the Trump administration is trying to undo will not restore the coal industry to its glory days, though they might slow its decline.

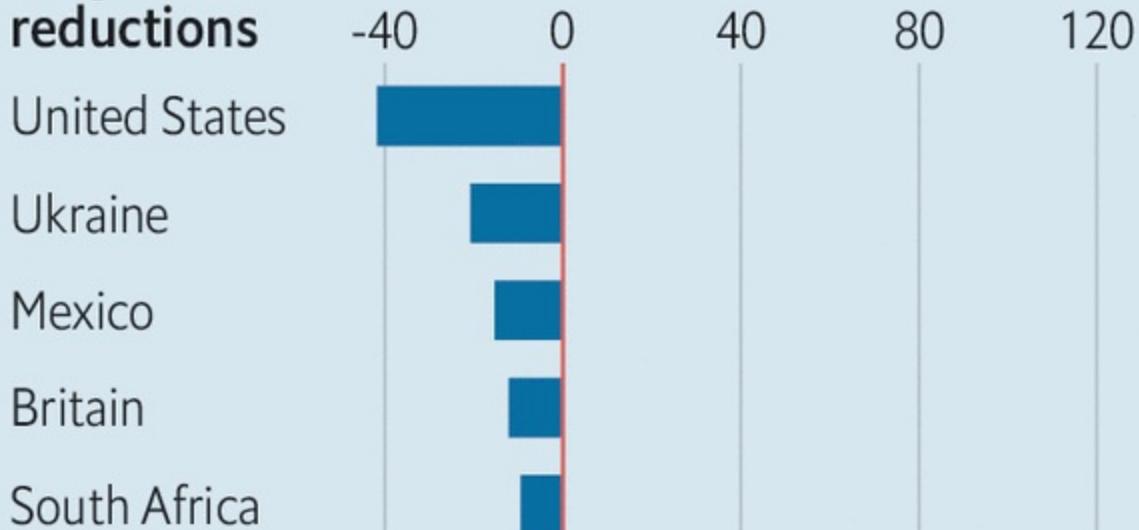
That is because America's relative success at decarbonisation is mainly a result of market forces. Though these will continue to operate, the dent in emissions will be smaller than if the federal government joined in too. On current trends, carbon dioxide emissions will be 17% lower in 2025 than they were in 2005, some way short of the 26-28% reductions envisaged in the Paris Agreement, which Mr Trump withdrew from, or the Clean Power Plan. This improvement is too gradual to avoid the disastrous consequences predicted by the Intergovernmental Panel on Climate Change of a world that is 2°C warmer.

For those reasons, if there is a struggling power sector the administration wishes to foster, nuclear would be a worthier candidate than coal. Done with enough determination, propping up coal could stall progress towards decarbonising the economy. Nuclear energy, on the other hand, produces little carbon dioxide (though uranium mining and milling does have a small effect). Yet capacity has been stuck since 2000, and plants have floundered financially because gas is cheap and there is no reward for the absence of pollution which is nuclear's main selling point.

A big, beautiful fall

Change in CO₂ emissions, 2016-17, tonnes m

Largest reductions



Largest increases



Source: BP Statistical Review of World Energy, 2018

The Economist

The best policy to rectify this would be a carbon tax, yet carbon taxes are

easily denounced as energy taxes, which voters do not much appreciate. That leaves Democrats, soon to take power in the House of Representatives, in a bind. With Republicans still controlling the Senate and the White House, a vote for a carbon tax looks like a self-defeating political strategy and a self-defeating climate strategy, because it could lose the Democratic majority, says Paul Bledsoe, a former climate adviser to Bill Clinton. If House Democrats want to pass bills, they will find that Republicans representing districts with nuclear plants or wind turbines like tax credits for those technologies, says Matthew Nisbet of Northeastern University.

Which path Democrats pursue will depend on their choice of leader. Nancy Pelosi, who is drumming up support to be named Speaker of the House once again, is a pragmatic tactician who is unlikely to bring risky votes to the floor. But Ms Pelosi faces an open rebellion to her rule. At the same time, a coalition of newly elected Democrats is agitating for a green New Deal that would make America carbon neutral within ten years. The most famous of the band, Alexandria Ocasio-Cortez, spent her first day in Washington as a member-elect joining a sit-in of environmental protesters. Their chosen venue was not the White House, but Ms Pelosi's office.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/democrats-and-a-climate-change-dilemma>

Extra credit

The Earned Income Tax Credit almost pays for itself

The policy that reduces unemployment, boosts wages and costs a pittance



Nov 22nd 2018

DEMOCRATS AND Republicans can sometimes agree that splashing water on things might make them wet, but not on much else. How remarkable, then, that the Earned Income Tax Credit (EITC), which tops up the earnings of low earners, is beloved by politicians of all stripes. EITC is one of the most effective government programmes. Analysis from the Centre on Budget and Policy Priorities, a think-tank, finds that it boosts the income of around 28m Americans every year, lifting 9m of them above the poverty line. A new working paper finds the programme might be even better than was previously realised, because it costs so little to administer.*

The study, written by Jacob Bastian, a post-doctoral researcher at the University of Chicago, and Maggie Jones of the Census Bureau, points to two reasons why the EITC costs taxpayers less than is generally understood. First, the EITC, unlike many other welfare programmes, is designed to encourage

more people to work, since only the employed can receive benefits. This results in a bigger pool of people paying income tax. Second, the EITC raises incomes of the poor, which means fewer are dependent on other forms of welfare. Mr Bastian and Ms Jones find that once you take these two factors into account, every dollar the government notionally spends on the EITC costs taxpayers just 13 cents on net.

Although the EITC is generally well-regarded, it does have some kinks. A single person without children can only receive benefits if they earn less than \$15,270 a year, or roughly the federal minimum wage. They also can only receive up to \$519. By contrast a parent with one child can receive up to \$3,461. A single parent with one child can claim benefits if they earn less than \$40,320, while a couple with one child can claim benefits if they earn less than a combined \$46,010.

This means the programme has a bigger impact on the behaviour of some than on others. Research has found single mothers are the most likely to join the workforce because of the EITC. The tax credit has little effect on the employment rates of fathers since they are more likely to have jobs anyway. The EITC also has some downsides. Married women who are not their families' chief breadwinners are actually discouraged from working if their households are near the eligibility threshold.

The fact that the EITC makes people richer, and hence less likely to be eligible for other kinds of welfare programmes, might mean some of its reported benefits have been overstated. But past research has found that beyond its impact on household finances, the EITC has also been shown to lower crime rates for women, and to improve health and education. Mr Bastian reckons the EITC might have further positive effects: single mothers who are nudged into work, might serve as better role models for their kids, for instance.

The EITC does have one glaring shortcoming: it does little to help the childless. America's labour-force participation rate is below that of many other rich countries, including Britain, Canada and Germany. Closing this gap would be a boon for the economy. But convincing a discouraged worker to start looking for jobs again will probably take more than \$519 a person.

*“Do EITC expansions pay for themselves? Effects on tax revenue and public-assistance spending,” by

Jacob E. Bastian and Maggie R. Jones.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/the-earned-income-tax-credit-almost-pays-for-itself>

| [Section menu](#) | [Main menu](#) |

Construction

The big, beautiful border wall America built ten years ago

And why it did more harm than good



Getty Images

Nov 22nd 2018 | WASHINGTON, DC

IN OCTOBER 2006 George W. Bush signed the Secure Fence Act into law. It sailed through Congress with big bipartisan majorities. Among the Democratic senators voting in favour were Joe Biden, Hillary Clinton and Barack Obama. Over the next four years the law added 548 miles of fencing along the border with Mexico—five times the previous length—built at an over-budget cost of \$2.3bn. A further \$450m was incurred in maintenance costs, which will continue to grow.

President Donald Trump's pledge to put up a “big, beautiful wall” along the rest of the 2,000-mile southern border helped take him to the White House. Now he is threatening to trigger a partial government shutdown on December 7th unless Congress stumps up for his pet project. (“This would be a very good time to do a shutdown”, he mused recently.) Mr Trump's wall would be much larger than the last attempt. He wants \$5bn in this fiscal year. An

earlier deal struck with Democrats allocated only \$1.6bn for border security. The cost of a full wall could be \$25bn (and no, Mexico will not be paying for it).

So what effect did the first 550 miles have? Not much, suggests an analysis by economists at Dartmouth and Stanford Universities. Arrests at the southern border dropped after the fence was built, but this cannot be attributed completely to the wall, since those years also saw a deep recession. Still, by using a confidential data source—the ID cards issued by the Mexican government, through its consulate, to its citizens living as immigrants in America, many of them illegally—the economists have isolated the effect of the new fencing on migration flows. And they calculate that it reduced the number of Mexican citizens living in America by only 0.6%.

But perhaps it shored up American wages? Sadly, no. College-educated Americans came out worse, losing about \$4.35 per person in annual income. Low-skilled workers without a college education came off only slightly better—gaining 36 cents of income—because of reduced competition in the labour market. This is a pittance next to the \$7 per person paid for the wall’s construction (to say nothing of the big maintenance and personnel bills to come). Because of lost workers, American GDP probably shrank by \$2.5bn (0.02%) overall.

Mexicans immigrate to America illegally because of the lure of high-paying jobs. Policies that increase wages in Mexico tend to drive down migration. Cross-border trade costs more than trade within America over the same distance due to tariffs and border delays. The authors simulate the effects of a 25% reduction in cross-border trade costs and find that migration would have shrunk more than under the Secure Fence Act (by an additional 34%). Yearly benefits for both uneducated and educated American workers would increase—by \$59 per head and \$81 per head, respectively.

All this suggests that Mr Trump’s approach—jeopardising trade relations with Mexico while also agitating for a larger wall—is inconsistent if he aims to reduce illegal immigration from Mexico. If the aim is just to make many voters feel better, there are cheaper ways of doing that, too.

* “Border Walls” by Treb Allen, Cauê de Casto Dobbin and Melanie Morten, NBER working paper.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/the-big-beautiful-border-wall-america-built-ten-years-ago>

| [Section menu](#) | [Main menu](#) |

The Mild West

A North Dakotan oil-boom city softens

From lapdances to lattes in Williston



Alamy

Nov 22nd 2018 | WILLISTON

WILLISTON IS LOOKING good these days. On the back of oil fracking, wages are soaring. Firms are fighting to invest there. The traffic jams and rutted roads of recent years have gone, replaced by gleaming tarmac. Efforts to draw in more youngsters have been slow, but new brew-pubs and decent coffee bars are helping. Costly living still deters some, but prices have fallen from their previous Manhattan levels.

There are still problems to solve, though. Take the fire brigade. Before North Dakota's oil boom brought a gush of wealth and population, volunteers had to put out fires in the sprawling, low-rise city. Then its footprint grew threefold between 2009 and 2016, and the number of public employees increased from 75 to 315. Williston chose to get a new fire station with professional staff, but keeping them has proved hard. A firefighter's annual pay of around \$62,000 badly lags behind that of a skilled oil worker. "They

get trained in safety, then take a better paid job on an oilfield,” grumbles David Tuan, the city administrator.

It is a similar tale for other public-sector jobs. No sooner does the city train a fork-lift driver, say, than an oil firm scoops him up. Perhaps as many as 2,000 jobs, public and private, are vacant in a city of just 26,000. Service-focused firms are most stretched. Supermarkets want to expand but cannot fill shifts. Starting wages in local shops are a hefty \$17 an hour.

Williston’s challenge is to manage abundance. The city is in a remote spot near the Badlands national park. It has seen booms before, and knows they can go wrong. A rush for oil in the early 1980s ended with a bust—“It was catastrophic, very painful,” says a resident—as jobs went and an indebted city struggled with a falling population. The current fracking expansion also saw a two-year, localised slowdown that ended in 2017.

Most investors, city officials and others nonetheless bet on good times lasting, helped by ever-better extraction techniques. Williston sits on a huge reserve, the Bakken, with billions of barrels of recoverable oil that will take decades to tap. So much gas is flared from oil rigs in the vicinity that the sky glows orange at night, blurring the stars. Gradually more of that gas is being trapped, liquefied, piped and sold.

The city’s difficulty, environmental damage aside, is how to take long-term advantage. Early this decade Williston won an ugly reputation as a Wild West sort of place. It was the main hub for transient, cash-rich young men who toiled on oil rigs, drove lorries and bunked in Portacabin mancamps. Inevitably it also drew sex workers and drug dealers, and saw a spate of crime, including shootings, especially in bars. “The town was kinda rough,” says James Hammon, an engineer from Utah who moved in, with his family, in 2013.

That image threatened to put off non-oil business and also to deter female migrants. So the city is trying hard to rebrand from Wild to Mild West. Residents remain young and rich, with a median age of 31 and average household income of \$90,900. But the strip clubs are gone—instead a trampoline park is a much-hyped popular attraction. Mancamps have been banished beyond city limits (to the fury of firms that invested in them) and

new hotels have popped up. Williston's outskirts are getting new housing; downtown is getting restaurants, schools, shops and parks. City officials dream of attracting big brand retailers, tapping hydropower from the Missouri river to run data centres, or using natural gas to power manufacturing plants.

Almost everything, however, is a bet on oil. The city is paying \$240m for a new airport next year to cope with the flow of oil workers. The present terminal, built in 2005, anticipated 7,000 passengers a year. That number now travel every month, says its manager, Anthony Dudas. (He adds that it was tricky to lay down the new runway between the oil rigs in the fields nearby.) City officials have paid over \$100m for a new sewerage system and landfills as the population grows towards 50,000 people.

The result, however, is that public debts are soaring again. Mr Tuan says he worries about servicing them. His sums add up if oil sells for \$50 a barrel or more—and so far this year it has been comfortably above that. But there is fragility in relying so heavily on a single industry. Oil pumps nod in almost every field nearby. And for hours, as you drive on through North Dakota at night, rigs dazzle like bases on the moon.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/a-north-dakota-oil-boom-city-softens>

Lexington

Donald Trump is attacking the rule of law and may well get away with it

Nixon had it harder



Nov 22nd 2018

ON THE EVIDENCE available, most Americans do not think President Donald Trump has committed a high crime or misdemeanour. Only a third of voters say he should be impeached over his alleged complicity in Russia's election-hacking and alleged effort to stop the Justice Department investigating it. The matter was hardly discussed in the mid-terms, and the most prominent Democrats who aired it—such as Beto O'Rourke in Texas's Senate race—lost.

Yet Mr Trump's alleged misdemeanours may already have met the standard for impeachment set by Richard Nixon. That was the implication of a remarkable article published on the Lawfare blog this week by the FBI's former general counsel, Jim Baker.

Mr Baker and his co-author, Sarah Grant, made their point, without referring

to Mr Trump specifically, by drawing on a newly released trove of evidence from the Watergate investigation. They focused on Nixon's effort to lean on a Justice Department official, Henry Petersen, who was overseeing it at the time. Nixon repeatedly asked whether he was under investigation. After Petersen informed him that two of his senior aides were, and should be sacked, the president defended them as "fine, upstanding guys". As an effort to derail the investigation in order to save himself, Nixon's action represented, according to one of the three impeachment articles he later faced, a "disregard of the rule of law".

The parallels between then and now are unmistakable. Mr Trump badgered James Comey to say whether he was under investigation in the Russia probe that the then FBI director was leading. After the acting attorney-general, Sally Yates, informed the administration that Mr Trump's national security adviser, Mike Flynn, had had secret communications with Russian officials and lied about them, Mr Trump sought to protect him. According to Mr Comey, the president urged him to lay off Mr Flynn because he was a "good guy". After Mr Comey refused, Mr Trump sacked his FBI director. Significantly, Mr Baker was one of half a dozen FBI officials briefed by Mr Comey on these developments at the time.

Whether Mr Trump's alleged transgression was as bad as Nixon's may depend, in another Watergate parallel, on what he knew about the Russian plot and when he knew it. Robert Mueller, to whom the president's lawyers dispatched a long-awaited list of written responses to questions this week, is trying to ascertain that. The special counsel is reported to be probing what Mr Trump knew about the Russians' effort to hack his Democratic opponent's emails, shortly after he had urged them to do so, and what he knew about a meeting of his senior advisers with a group of well-connected Russians who were promising dirt on Hillary Clinton. Perhaps, in the absence of a smoking gun, the special counsel will find Mr Trump has no case to answer. But either way he seems unlikely to suffer Nixon's fate.

That is partly because the tribal loyalties that might have saved Nixon are fiercer now. On the day he resigned, after being informed that Republican congressmen would not defend him, half his party's voters still backed him. With the benefit of stronger partisanship, weaker politicians and a 24/7

propaganda machine in Fox News, Mr Trump could count on stiffer Republican protection.

Another reason he appears likelier to lower the standards of his office than to be held accountable to them relates to the peculiarities of his political persona. Nixon was a committed rule-breaker who pretended not to be. When the evidence against him emerged, it was therefore damning. By contrast, Mr Trump has consistently promised even more dramatic rule-breaking than he has delivered—almost no matter what Mr Mueller may find.

He vowed to jail Hillary Clinton. Yet after being advised by his White House counsel to drop that idea, it was reported this week, he did so. He has threatened to shut down Mr Mueller’s investigation since it was launched. In that context, his allegedly improper remarks to Mr Comey might seem modest; or at worst consistent with what he has been saying openly. Mr Trump has in this way scrambled expectations of presidential behaviour.

The favourite mantra of Trump apologists—“Take note of what the president does, not what he says”—is illustrative of that. It makes sense only when measured against the most dramatic, and indeed unimaginable, of his threats. That is in part because the president’s words also have impacts. Over the course of his near-daily attacks on Mr Mueller’s investigation and the Justice Department, Republican trust in those institutions has collapsed.

It is also nonsense because, while not following through on his biggest threats, Mr Trump is making good on a lot of lesser ones, which would in normal times be considered beyond the pale. “I measure a president’s sensitivity to the rule of law by his actions, not his off-the-cuff comments, tweets or statements,” huffed one of his most shameless defenders, Leonard Leo of the Federalist Society, this week. This rather skated over the fact that Mr Trump had just sacked his attorney-general, Jeff Sessions, and appointed in his place an inexperienced and possibly illegitimate acting successor, Matthew Whitaker. And that he did so, a reasonable understanding of his words suggests, in a bid to derail Mr Mueller’s investigation into himself and his closest family members.

What the Framers feared

If the special counsel survives that manoeuvre, he will not recalibrate his view of the rule of law as Mr Leo has. That is why the president fears him. Yet any damning verdict on Mr Trump by Mr Mueller would be effective only if there is political will to enforce it. That is why the president's assault on the dignity of his office and Congress's related unwillingness to constrain him is so serious. There is a reasonable view that, to instigate a constitutional crisis, he would have to defy a court order or subpoena. An alternative view is that the corrosive effect of his lesser but relentless war on the political system will ensure that the need for such high-risk defiance will never arise.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/donald-trump-is-attacking-the-rule-of-law-and-may-well-get-away-with-it>

| [Section menu](#) | [Main menu](#) |

The Economist
Our Charlottesville cover

Awards time



Nov 24th 2018

GRAEME JAMES, who designs our covers, has won the British Society of Magazine Editors' cover of the year, for the issue of August 19th 2017 that featured Donald Trump's reaction to the Unite the Right rally in Charlottesville.

This article was downloaded by **calibre** from <https://www.economist.com/united-states/2018/11/24/our-charlottesville-cover>

The Americas

. [**Mexico and the United States: Not-so-distant neighbours**](#)

[Fri, 23 Nov 11:21]

Mexican-American friendship in the age of AMLO and Trump. Ties between the two countries are strong. Will their nationalist presidents loosen them?.

. [**Bello: The difficulty of being Duque**](#)

[Fri, 23 Nov 11:21]

The difficulty of being Iván Duque. Beset with problems, Colombia's new president shows little sense of direction.

Not-so-distant neighbours

Mexican-American friendship in the age of AMLO and Trump

Ties between the two countries are strong. Will their nationalist presidents loosen them?



Nov 22nd 2018 | WASHINGTON, DC

MEXICO DOES not exactly rush to get a new president into power after an election. Andrés Manuel López Obrador won in a landslide on July 1st, yet he takes office only on December 1st. The five-month transition has left ample time for fretting about the prospects for the relationship between Mexico and the United States when a right-wing nationalist is in charge north of the border and a left-wing populist leads in the south. A lot is at stake. The border is nearly 2,000 miles (3,200km) long; 1m people cross it each day. Some 35m people of Mexican origin live in the United States. Vital economic ties depend on good neighbourliness, as does co-operation on sensitive topics from controlling immigration to combating drugs-trafficking.

President Donald Trump's enthusiasm for building a wall along the border and his talk of "rapists" arriving from Mexico fire up his supporters at home

but appal his neighbours. Nowhere has approval of the United States fallen as much as in Mexico. In 2016, at the end of Barack Obama's presidency, 66% of Mexicans had a favourable view of the United States, according to the Pew Research Centre's polling; this has dropped to 32%. Just 6% of Mexicans have confidence in Mr Trump. In April, in reaction to the Trump administration's separation of migrant children from their families, the Mexican senate called for an end to co-operation on security and migration.

Then Mexicans elected the country's most left-wing leader in decades. Mr López Obrador, who is often called AMLO, has a largely domestic agenda and little experience of, or apparent interest in, the United States. Diplomats on both sides reckon that relations between the two countries, already damaged by Mr Trump, could deteriorate further. How real are those worries?

History casts a shadow over the way the two countries see one another. Mexico lost half its territory to the United States in a war in 1846-48. For the best part of a century the relationship was confrontational and distrustful. Relations improved during the second world war, when Mexico took the side of the Allied powers. But the countries remained "distant neighbours", as a book published in 1985 described them. They clashed over Central America, and in 1985 over the abduction, torture and murder in Mexico of an American undercover anti-drugs agent, Enrique Camarena, the hero in Netflix's latest series of "Narcos".

Then came a sharp shift. It started with market reforms in Mexico and negotiations from 1991 on a North American Free Trade Agreement (NAFTA) with the United States and Canada. NAFTA came into effect in 1994. After the 9/11 terrorist attacks in 2001, the two countries began to co-operate more on security. "An understanding started to develop that there was a true strategic connection between Mexico and the United States," says Arturo Sarukhan, a former Mexican ambassador to Washington.

The Mérida Initiative of 2007 saw tackling drug-trafficking as a "shared responsibility" (a vivid example today is the trial in a Brooklyn courtroom of Joaquín "El Chapo" Guzmán of the Sinaloa drug gang). The two countries worked increasingly closely on fighting organised crime, and on strengthening law-enforcement and justice institutions in Mexico. They now share passenger data on flights between them. Senior officials from the two

administrations took to meeting every six months or so on a wide range of issues. Even military ties, unthinkable since 1848 and still sensitive in Mexico, started to develop. “Never before in the history of these two countries had they worked together so closely in so many areas,” says Anthony Wayne, a former American ambassador to Mexico.

It is this intensity of interaction that is now under threat. The first 18 months of the Trump presidency were a “really dark period” for relations, says one American critic. The regular high-level meetings of officials petered out, provocative rhetoric roared in. Now Mexico will have a nationalist in power, too. Yet there are reasons to believe that the close ties will prove resilient.

First, the relationship between Mr Trump and Mr López Obrador has got off to a surprisingly positive start. They exchanged warm letters. Mr López Obrador stressed that both of them had fought the establishment and won. Mr Trump is said to refer to him privately as “Juan Trump”. “As long as they don’t think they’re going to become friends, they may get along well,” says Andrew Selee, author of a recent book, “Vanishing Frontiers”, on the forces driving Mexico and the United States closer together. Mr López Obrador has been careful to avoid provoking Mr Trump. It helps that Mr López Obrador was such a clear winner and that his party, Morena, secured majorities in both chambers of congress.

Mr Trump likes winners. In New York on September 27th, commenting on a new trade deal with Mexico, he did not mention the man who is still Mexico’s president, Enrique Peña Nieto, but his elected successor: “Mexico was totally—I mean, they were great,” Mr Trump said. “By the way, the new president has been great.”

That trade pact is a second reason to hope that relations between the neighbours are not about to enter a new dark age. As long as a threat hung over NAFTA, which Mr Trump called “the single worst trade deal ever approved”, there was a chance of a rupture. But Mr López Obrador was keen to get the issue out of the way before taking office. That an accord came first with Mexico—before Canada—was striking.

The relabelled United States-Mexico-Canada Agreement (USMCA), due to be signed on November 30th, will need ratification by America’s new Congress

next year (not a foregone conclusion). For Mexico, some of its provisions bring constraints: a rule that 40-45% of final car assembly must be done by workers earning an average of at least \$16 an hour may discourage investment in Mexico. But the USMCA is a lot better than no deal at all.

It will preserve a relationship that is more interdependent than many Americans realise. Trade has blossomed (see chart 1). For the United States, Mexico is the second-largest export market, behind only Canada. American exports to Mexico are worth more than sales to Brazil, Russia, India and China combined. About 80% of Mexico's exports go to the United States. Many of these goods contain American content heading back after processing. Intricate supply chains link the two countries. Under NAFTA, foreign direct investment (FDI) boomed: the stock of American investment in Mexico grew from \$17bn in 1994 to \$110bn in 2017. From a much lower base the stock of Mexican FDI in America rose more than eight-fold.



The Economist

Trade has helped Mexico modernise, with big implications for a third area of the relationship: migration. Illegal migrants crossing the border are no longer mainly Mexicans. In 2000, of the 1.6m migrants apprehended, 90% were Mexican. There were just 311,000 apprehensions in the year ending in September 2017; and well under half involved Mexicans (see chart 2).

...fewer coyotes

2

United States, total border apprehensions, m

By country of origin



Source: US Customs and Border Protection

The Economist

More illegal migrants are now Central Americans who make their way through Mexico. The migrant “caravan” that began in Honduras and headed slowly north towards the American border during the recent mid-term election campaign reflects this new reality. Mr Trump ostentatiously dispatched more than 5,000 troops to the border (though he notably avoided strong criticism of Mexico). On November 19th, after the caravan arrived in Tijuana, the United States briefly shut the busy San Ysidro border crossing in

California.

Amid the noise it is easy to miss the turnaround story of the past decade that “has not at all been grasped by the general public”, says Doris Meissner, a former commissioner of the United States Immigration and Naturalisation Service, now at the Migration Policy Institute in Washington, DC. Not only have the migration numbers tumbled and the share of Mexicans among them dwindled. More Mexicans are now returning to Mexico than are coming to the United States illegally.

The reasons for this shift are a combination of deterrence (investments in border protection), demography (population growth, which spurred emigration from Mexico, has been slowing) and development (greater economic opportunity at home encourages Mexicans to stay, or return). Mexico’s modernisation is also attracting migrants from its southern neighbours. So it is now at once a sending, transit and destination country. Whereas Mexico once criticised the United States for its harsh treatment of its nationals, it is learning what it means to be a magnet for migrants. It is upping enforcement efforts along its southern border, with the help of American money and technical support.

The next step could be a “safe third-country agreement” between the two countries, suggests Mrs Meissner. It would enable migrants who come via Mexico to be sent back for processing there. The Trump administration reportedly plans to force asylum-seekers to stay in Mexico during screening if they are not deemed to face persecution at home. That looks premature. Mexico needs more American help to build a robust asylum system and to keep migrants safe.

That is but one example of the sort of collaboration that will be needed if the two countries are to avoid a return to the more distant relationship of the past. “The seeds of both are there,” says Mr Wayne: the good green shoots and the weeds that could take over if relations are not properly tended to. Things could go wrong in several ways.

One is a lack of bureaucratic bandwidth. Mr López Obrador’s incoming administration lacks experience in dealing with the United States (though he has picked a sensible foreign minister, Marcelo Ebrard). His effusive letter to

Mr Trump may have gone down well with the president, but it did not please some Democrats, whose support will be needed to get the USMCA through Congress. On the American side Mr Trump made his son-in-law, Jared Kushner, his point person on Mexico, but key diplomatic posts remain vacant. Roberta Jacobson, who resigned as ambassador to Mexico in May (and is yet to be replaced), recently described in the *New York Times* the “disarray” of diplomacy under the Trump administration.

Another potential pitfall is that policies clash. Mr López Obrador’s decision to invite Venezuela’s leftist dictator, Nicolás Maduro, to his inauguration points to one area of disagreement. The Mexican president-elect is focused on domestic policies, such as reducing crime, corruption and poverty. Even before taking office his populist decisions (cancelling Mexico City’s partly built airport, for example) have created fears of unpredictable interventions, especially in oil. It is not hard to imagine other initiatives—his party’s push for the legalisation of recreational cannabis, say—creating tensions with America.

And there is the perennial risk from impetuous presidential rhetoric. So far Mr López Obrador has been pragmatic and restrained. But he promised during the campaign to stand up to Mr Trump, and in office there may be occasions when he feels compelled to respond in kind. If so, the danger is of a ratcheting-down of co-operation. For example, Mexico could be tempted to relax its security at its southern border, allowing more migrants through to head north, especially since Mr López Obrador is sympathetic to their plight.

A breakdown is not inevitable. The forces driving the United States and Mexico towards a closer relationship will not go away. They include cultural and family connections as well as links between mayors and border regions. And if their intricate government ties can survive the severe tests they have been undergoing, and will surely continue to experience in the Trump-AMLO period, then the relationship could even emerge stronger than ever.

Bello

The difficulty of being Iván Duque

Beset with problems, Colombia's new president shows little sense of direction



Nov 22nd 2018

FOR 35 YEARS Sandra Ramírez was a member of the FARC, Colombia's largest guerrilla group. Of peasant origin, she was the lover of Manuel Marulanda, the FARC's founding leader, and worked as a radio operator. Now she serves, under the name of Criselda Lobo, as a senator in Colombia's congress, one of ten FARC parliamentarians designated under a peace agreement that in 2016 ended half a century of conflict. She is getting used to a radically different life, and some in congress are getting used to her. "We are treated with respect," she says, although not by everyone.

Those who do not offer respect are from the Democratic Centre (CD), a conservative party which opposed the peace deal and whose candidate, Iván Duque, became Colombia's president in August. His victory prompted fears abroad that the agreement with the FARC, which is backed by the UN, the

United States and the European Union, was in jeopardy. In fact, the early signs are that Mr Duque's government is faithfully implementing the accord struck by his predecessor, Juan Manuel Santos. "It is a government that understands that the peace process is by and large a necessity," says a foreign diplomat in Bogotá.

Of the 13,000 or so guerrillas who demobilised last year, only 10% have dropped out, drifting into criminal outfits that plague parts of the country (including the ELN, another guerrilla group). Of the rest, some remain in camps and others have moved to cities. Mr Duque visited a camp on October 13th and assured its residents of his support provided they obey the law. His government this month approved funds for some 500 ex-guerrillas to set up co-ops.

Emilio Archila, Mr Duque's head of post-conflict affairs, is trying to create a single implementable plan from the multitude of plans, agencies and acronyms left by Mr Santos's team for the parts of the country scarred by conflict. If there is less money for all this than promised by the Santos administration, that "will not be the result of a political decision", says Mr Archila. It will be because "the money that was programmed was merely dreamed." "We need to have patience," says Ms Lobo, who adds that the FARC leadership has "no regrets" over signing the peace deal.

Nevertheless, the new government faces broader problems, many inherited from Mr Santos but some of its own making. Mr Duque is a moderate technocrat. He has named a government in his own image. It has a lot on its plate and has run into political difficulties. Mr Duque's approval rating has slumped to just 27%, from 54% in September, according to a survey this month by Invamer, a pollster.

For a start, his government must cope with the arrival over the past two years of more than 1m Venezuelans, who are fleeing their country's chaos. Then there is the economy. To cut both the fiscal deficit, which is 3.5% of GDP, and the corporate-tax rate (from 33% to a still-high 30%), Mr Duque proposed to levy value-added tax (VAT) on previously exempt items such as staple foods, while compensating poorer Colombians. The difficulty is that he and the CD campaigned on a promise to cut taxes. Under pressure from the party he is backing away from extending VAT. "If we extend VAT the left will win

everything [in next year's municipal elections] and Duque won't be able to govern," says Paloma Valencia, a CD senator.

Then there is the issue of violence in the areas vacated by the FARC. These are mainly close to Colombia's borders, where cocaine production and illegal gold-mining are rife. The security forces should have occupied them. In practice they have not. That is one reason why the murder rate is ticking up after falling for many years: there were 9,360 murders in Colombia between January and October of this year, up from 8,754 in the same period last year. Those killed include village leaders and activists.

The army, still vital for internal security, is disgruntled by a special tribunal set up under the peace deal, which is supposed to judge war crimes by both the FARC and the security forces. The tribunal, some of whose judges are human-rights activists, "isn't seen as legitimate by half the country", says Ms Valencia. She is negotiating in congress to add judges with experience of military matters. The government is leaving the politicians to sort this out. This adds to the tension between Mr Duque's team and its political base.

The new president has talked vaguely about wanting "fairness, justice and enterprise". This gives Colombians only a vague idea of where he wants to take their country. Many would like to know.

This article was downloaded by **calibre** from <https://www.economist.com/the-americas/2018/11/24/the-difficulty-of-being-ivan-duque>

Asia

- **[The Korean peninsula: Road to nowhere](#)**

[Fri, 23 Nov 11:21]

America's nuclear-disarmament talks with North Korea are stuck. He wrote "beautiful letters" to Donald Trump, but Kim Jong Un shows no sign of giving up his nukes.

- **[The Rohingyas: No way home](#)**

[Fri, 23 Nov 11:21]

Rohingya refugees in Bangladesh refuse to go back to Myanmar. Myanmar has done nothing to convince them they will be safe.

- **[Banyan: Piqued in Papua New Guinea](#)**

[Fri, 23 Nov 11:21]

Superpower rivalry blows the APEC summit to smithereens. Mike Pence and Xi Jinping show how differently they see the world.

- **[Ahmedabad: Sprawls well](#)**

[Fri, 23 Nov 11:21]

How one Indian city cracked the problem of urban sprawl. A hundred-year-old colonial law comes in handy.

Road to nowhere

America's nuclear-disarmament talks with North Korea are stuck

He wrote “beautiful letters” to Donald Trump, but Kim Jong Un shows no sign of giving up his nukes



Reuters

Nov 22nd 2018 | SEOUL

IT HAS BEEN nearly six months since Donald Trump, America’s president, fantasised about the real-estate potential of North Korea’s pristine beaches at a summit in Singapore with Kim Jong Un, the North’s dictator. Mr Trump promised that Mr Kim would gain all manner of riches if he agreed to give up his nuclear programme. Shortly afterwards, Mr Trump declared in a tweet that his deal with Mr Kim had solved the problem: there was “no longer a Nuclear Threat” from Mr Kim’s regime.

If that upbeat meeting was any guide, North Korea should long ago have made its first strides towards the nuke-free sunlit uplands that Mr Trump envisaged. But not much has happened. North Korea continues to expand its nuclear programme, in violation of several UN resolutions.

Attempts to establish regular working-level talks to flesh out the agreement between Mr Trump and Mr Kim have led nowhere. The latest such meeting, scheduled for earlier this month between Mike Pompeo, America's secretary of state, and Kim Yong Chol, the North's nuclear negotiator, was cancelled by the North at the last minute. Rather than trying to turn his country into a beach paradise, Mr Kim seems determined to keep it a poverty-stricken, nuke-wielding "people's paradise".

What has gone wrong? America and North Korea disagree about how to interpret the vaguely worded Singapore deal. The text commits North Korea to working towards the "complete denuclearisation of the Korean peninsula" in return for American security guarantees. It also requires the two countries to establish "new" relations and build a "lasting and stable peace regime" on the peninsula.

America says this means that North Korea must first give up its nuclear programme, or at least take irreversible steps towards this goal, before receiving anything substantial in return. North Korea says the priority is to establish normal relations. It claims that it has already made several important concessions to show its good will—such as a freeze on nuclear testing that preceded the Singapore summit, its claimed dismantling of the Punggye-ri nuclear test site (which was about to close anyway) and the return of some bones of American soldiers who died in the Korean war of 1950-53. The North says it is now America's turn to match these gestures, ideally by lifting some sanctions.

The disagreement has been obvious since Mr Pompeo's first post-Singapore trip to Pyongyang in July, when North Korea rebuffed his attempts to discuss a timeline for dismantling nuclear facilities, or the possibility that the North might provide a list of them to America. The two Koreas, meanwhile, have continued their rapprochement, most notably at a symbolism-rich summit between Mr Kim and Moon Jae-in, the South's president, in Pyongyang in September. (In line with an accord reached on that occasion, the North has blown up some of its guard posts in the demilitarised zone that divides the two Koreas—see picture). But America and North Korea have been stuck in a rut since June.

The lack of progress in the nuclear talks has begun to hinder the inter-Korean

rapprochement, too. Mr Moon is unlikely to achieve his goal to declare an end to the Korean war before the year's end. And although South Korean peaceniks have staged flower-waving performances in the centre of Seoul to encourage Mr Kim to visit the city, no date for such a trip has been scheduled. Neither have the two sides agreed when they will implement their leaders' pledge to re-establish inter-Korean rail links. On November 20th Mr Pompeo warned South Korea not to race ahead to improve ties with the North. He said that the process should run in parallel with his own's country's efforts to do so.

The North is angry about this. Earlier this month, after America and South Korea said they would set up a group of officials to coordinate their North Korea policies, the North condemned American "interference" in inter-Korean rapprochement. It threatened to return to nuclear- and missile-testing if America did not lift sanctions and help with a peace treaty. In a speech at the UN in September, Ri Yong Ho, the North's foreign minister, bemoaned America's "coercive methods, which are lethal to trust-building".

America may have hoped to "backfill" the Singapore agreement in subsequent working-level talks, says Scott Snyder of the Council on Foreign Relations in Washington. But North Korea has shown little interest in doing so. It has constantly tried to sideline officials such as Mr Pompeo and John Bolton, Mr Trump's national security adviser, who have been much less upbeat about the North's intentions than Mr Trump himself. Stephen Biegun, who was appointed as America's special representative for North Korea in August, has yet to meet his North Korean counterpart. Even Mr Trump has begun to share the scepticism of his advisers.

There are rays of hope. When Mr Pompeo visited Pyongyang in October for the first time since July, he returned with an offer from North Korea to allow inspectors to visit Punggye-ri. Mr Kim has also offered to close down Yongbyon, one of its main nuclear facilities, in return for "corresponding measures" by America (though many experts doubt that Yongbyon, a decades-old facility, still has much value for the North—secret uranium-enrichment programmes are probably far more useful). On November 15th Mike Pence, America's vice-president, suggested that another summit between Mr Trump and Mr Kim could take place next year, even if the North

does not produce a list of its nuclear facilities before then. This appeared to be a hint that America remains willing to try to find a way of breaking the impasse, even though it is unlikely to make big concessions up front.

Mr Trump, it is safe to assume, still wants to be seen as a master dealmaker. So he may decide to meet Mr Kim again and offer some symbolic gestures should Mr Kim agree to let in inspectors. That might enable the two sides to begin working on a more comprehensive deal. Time is not entirely on Mr Kim's side, given that Mr Trump's and Mr Moon's successors are unlikely to be as enthusiastic about engaging with his regime. If Mr Kim does not budge, America and its allies may respond by trying to secure a more rigorous enforcement of sanctions. But it may be difficult to persuade China, through which most of North Korea's external trade passes, to agree to that. The trade war between China and America is hardly conducive to co-operation. The risk of another nail-biting escalation of tension between America and North Korea is still high.

This article was downloaded by **calibre** from
<https://www.economist.com/asia/2018/11/24/americas-nuclear-disarmament-talks-with-north-korea-are-stuck>

Hellbound buses

Rohingya refugees in Bangladesh refuse to go back to Myanmar

Myanmar has done nothing to convince them they will be safe



Nov 22nd 2018 | UNCHIPRANG

FOR THE Rohingya refugees in camps in southern Bangladesh, it was a frightening moment. On November 15th a line of buses pulled up outside camp 22, in Unchiprang. The Bangladeshi army was there to take the first batch of them back to Myanmar, from where some 700,000 have fled since August last year. But hundreds of the Rohingyas staged protests (some are pictured). They demanded guarantees of citizenship and security before they return. At the end of the day, the buses drove off empty. Bangladesh's government has delayed repatriation plans for now. The Rohingyas' future remains as uncertain as ever.

Last month a plan to move 100,000 of them from camps near the port of Cox's Bazar to Bhasan Char, an island about 30km offshore, was postponed indefinitely. A plan for voluntary repatriation stalled when not a single Rohingya volunteered. On November 18th Abul Kalam, Bangladesh's

refugee commissioner, said the government was still committed to voluntary repatriation. But he also promised a reappraisal after Bangladesh's general election on December 30th.

A Muslim minority in Myanmar, where they are brutally persecuted, the Rohingyas were last year driven out of Rakhine state, which borders Bangladesh. Myanmar's army is accused of systematically burning Rohingya villages and torturing, raping and killing the inhabitants. A UN report calls it genocide.

Unlike Rohingyas still in Bangladesh who arrived after earlier waves of repression in the 1970s and 1990s, the latest arrivals have not been given refugee status by Bangladesh's government. Instead it calls them "forcibly displaced Myanmar nationals", which supposedly means something different. Building fixed structures in the camps is not allowed, as is anything else that might imply permanency.

At first Bangladeshis welcomed the Rohingyas, but public opinion has turned. Many feel that there are too many of them (around 900,000) to accommodate indefinitely. Hosting them costs Bangladesh at least \$15m each year. Ahead of next month's election, the ruling Awami League is keen to show it is listening to popular concerns. Some speculate that the abortive repatriation operation was intended by the party as a vote-winning stunt.

The ominously named "island plan" has gained popularity. The idea of settling Rohingyas on an island in the Bay of Bengal was first mooted years ago. But Bhasan Char is not an obvious island to choose: formed in the past 20 years, it is prone to flooding and vulnerable to cyclones. (Bangladeshis, including officials, retort that their compatriots, too, lack adequate flood defences and that their lives and property are often threatened by cyclones.)

Aid agencies and human-rights groups have other worries. The island has row upon row of housing and communal ponds for fishing. But it is not clear how the Rohingyas would make a living there, or how they would fit in. The island is too small for all of them to live on.

Repatriation is even harder. The UN has warned there is no plan in place to ensure effective monitoring of how those who return are treated. Nor has the

situation in Rakhine state changed much in the past year. Tens of thousands of Rohingyas in the state are still confined to detention centres. Myanmar's government still does not accept the Rohingyas as citizens. It has offered no guarantees of their safety.

The Rohingyas are understandably reluctant to return. Before the planned repatriation attempt, many of the 2,200 on a list approved by the Myanmar government fled their shelters and hid in other camps or the nearby forest. Aid agencies note that, ahead of the exercise, fewer refugees used their services, fearing that registering for these might cause their names to be added to repatriation lists.

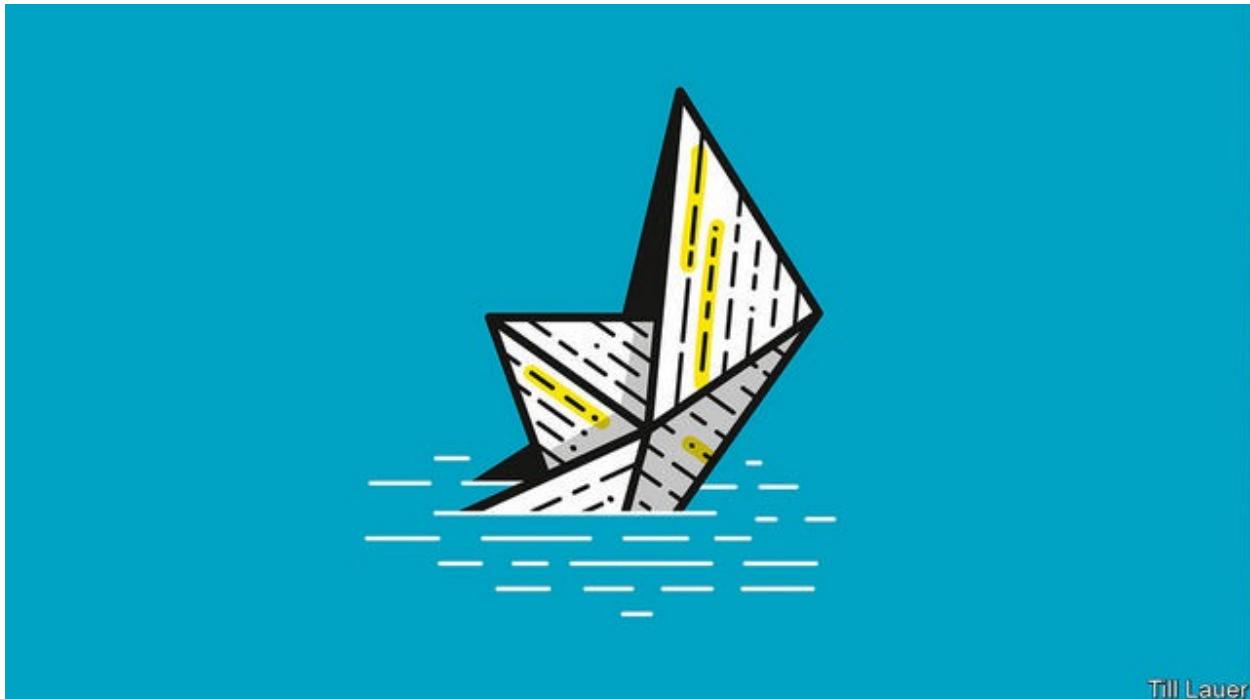
“We won’t be going back,” says Hamida, a 47-year-old Rohingya, pointing out that if those in Myanmar are still not being allowed identity documents, they have little hope of getting them. The UN’s refugee agency has made clear that any repatriation must be voluntary. But many fear Bangladesh’s government will not wait for ever for the Rohingyas’ consent—especially since the aid money that sustains them is running out. The UN is trying to raise \$951m to support the Rohingyas. So far it has nearly three-quarters of that. But the patience of the outside world with the Rohingyas’ plight is not to be relied upon.

This article was downloaded by **calibre** from
<https://www.economist.com/asia/2018/11/24/rohingya-refugees-in-bangladesh-refuse-to-go-back-to-myanmar>

Banyan

Superpower rivalry blows the APEC summit to smithereens

Mike Pence and Xi Jinping show how differently they see the world



Till Lauer

Nov 24th 2018

NO ONE HAS ever before accused APEC of holding a drama-filled summit. An Australian foreign minister once described the body's full name, Asia-Pacific Economic Co-operation, as "four adjectives in search of a noun"; others have called it "A Perfect Excuse to Chat". The final communiqué put out by the 21 member economies is intended as a pistil of platitudes. So the failure to agree on a statement this year, in Port Moresby, Papua New Guinea, was significant.

Holding APEC in the capital of the Pacific-island country always promised to be interesting. The scarcity of hotels and the violence of its "raskol" gangs meant delegates and the press pack were lodged on cruise ships in the bay. At least the top deck afforded a view of the growing geopolitical battle for influence in the region. To seaward, the rigid inflatables of America's armed coastguard left a sense of security in their wake. On shore, the 23-storey

Noble Centre was conspicuous. The Chinese state-owned company that built it called it the city's "modernest" edifice. A hint of American might, and of China's love of concrete.

Indeed, a \$50m splurge financed by China produced a separate convention centre in time, plus a new road linking it to the airport. Banners along the way proclaimed the promise of the Belt and Road Initiative (BRI), a pet project of China's president, Xi Jinping. With a rare unpotholed road now at its disposal, APEC's poorest member flew in 40 Maserati saloons and three Bentley Flying Spur for delegates' use.

On a cruise ship, Mr Xi insisted the BRI was not "an exclusive club closed to non-members", nor "a trap, as some people have labelled it". Mike Pence, America's vice-president, begged to differ. He offered another idea: a "free and open Indo-Pacific", or FOIP, as Japanese supporters of the idea have taken to calling it. Drowning partners "in a sea of debt" was not America's approach, he said. "We don't coerce or compromise your independence... We do not offer a constricting belt or a one-way road."

In his speech, the vice-president mentioned "Indo-Pacific" two-score times and "Asia-Pacific" not once. It was as if to emphasise the size of the canvas on which America was preparing to counter China's growing influence with economic engagement of its own. American-promised money, admittedly, remains puny in comparison with the amounts touted in connection with the BRI. The BUILD Act, passed by Congress in October, creates a new agency, the US International Development Finance Corporation, to foster private development and public accountability in poor countries. But the size of its commitment (\$60bn) is small—China has pledged more to one country, Pakistan. At least Papua New Guinea got a boost: America, Australia and Japan will join forces to provide electricity to 70% of the country's homes by 2030—only 13% of them have electricity today.

Development is welcome, but APEC members wonder where superpower rivalry is heading. America also announced it was helping Australia expand a naval base on Papua New Guinea's Manus Island that the Americans first built during the second world war to counter Japan, then the region's aspiring hegemon. That has reassured those Australian strategists who worry that Papua New Guinea is slipping into China's orbit. But it has also miffed

China.

Above all, countries fret about the deepening trade fight between China and America. At APEC Chinese officials, in a bout of tantrum diplomacy, stymied attempts to produce a joint statement. Their main objection was American-backed phrasing, presumably aimed at China, that called for members to fight protectionism and unfair trade practices. Chinese diplomats invaded the Papua New Guinean foreign minister's office to get the line taken out. When their filibuster of the final APEC session ended in the summit's failure, the Chinese delegation broke into applause.

Such boorishness—which also included officials barring non-Chinese journalists from Mr Xi's meeting with Pacific-island leaders—hardly helps China's cause. The region's smaller countries hate being caught between two squabbling superpowers. They are not all pleased by America's new hard, anti-China line. But they would hate it even more were America not present at all.

As for Port Moresby itself, after the APEC circus left, dozens of security guards employed for the summit ransacked parliament, demanding unpaid wages. All in all, some might quip, A Perfect Excuse to Cancel next year?

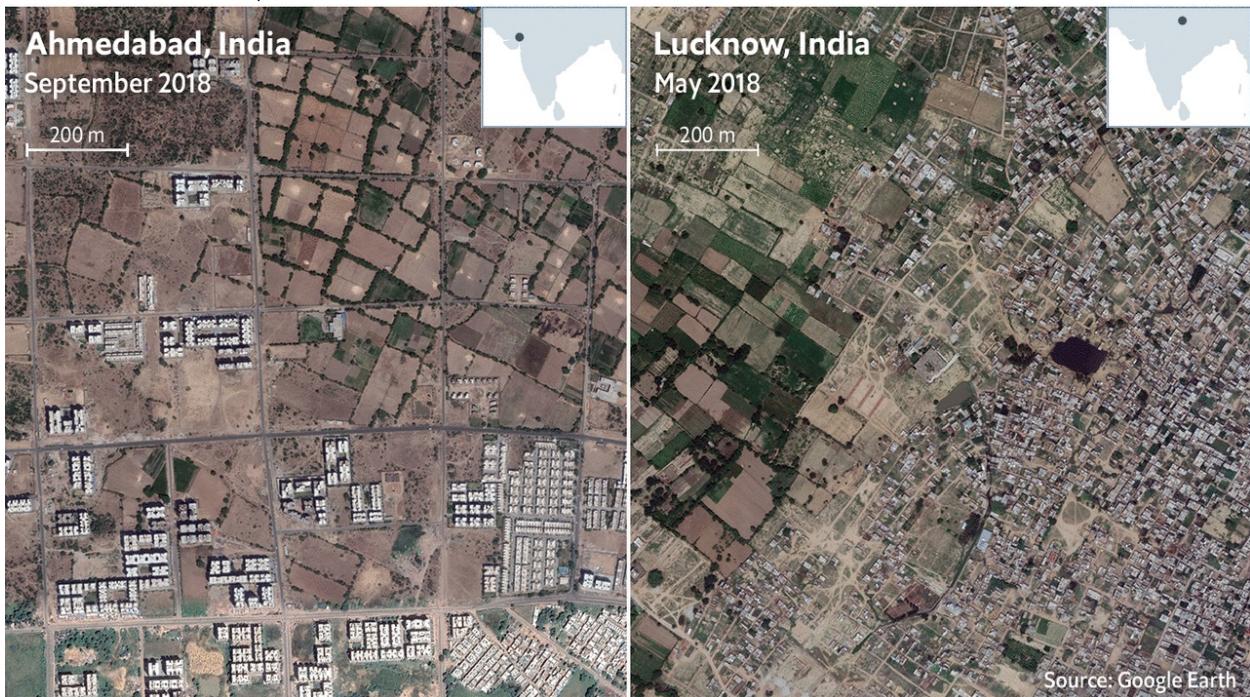
This article was downloaded by **calibre** from
<https://www.economist.com/asia/2018/11/24/superpower-rivalry-blows-the-apec-summit-to-smithereens>

Sprawls well

How one Indian city cracked the problem of urban spread

A hundred-year-old colonial law comes in handy

Nov 24th 2018 | AHMEDABAD



The Economist

A FEW MILES west of Ahmedabad, in the state of Gujarat, a smiling patriarch named Shivaji still farms the land around the small redbrick home where he was born. But the city is creeping towards him. Mr Shivaji has already sold about a quarter of his land to a speculator (he hid the money in a hole before India suddenly cancelled most banknotes two years ago, forcing him to come up with a better plan). Slicing through his farm is a wide, straight strip of grass on which the municipal government will eventually build a road. Under it, a sewer has already been installed.

Ahmedabad, which contains 6m people, is growing by about 2% a year, both in population and in size. In that sense, it is a typical Indian city. But whereas most Indian cities—and indeed most of them in the emerging world—sprawl haphazardly, Ahmedabad is spreading in an orderly way. Many farms close

to the metropolis, like Mr Shivaji's, already contain the ghostly outline of a rectilinear road grid. This is gradually being filled with homes, offices and parks (see picture, which shows part of Ahmedabad's urban fringe and one edge of Lucknow, a city in Uttar Pradesh). In some ways Ahmedabad is more like 19th-century Barcelona or New York than a modern Indian city. It is also a model for the future.

It is hardly surprising that most Indian cities are so messy, says Bimal Patel, an architect and planner who is president of CEPT University in Ahmedabad. When European and American cities were swelling quickly, in the 19th and early 20th centuries, they were surrounded by large farms that could be turned into fully-formed suburbs. By contrast, most Indian farms are tiny. A builder who buys a plot of land on the outskirts of an Indian city usually has just enough space to squeeze in a few homes. He will throw them up without sparing a thought for where any major roads or other infrastructure might go. Slum developments do not even have underground sewers.

Ahmedabad does things differently. Two municipal authorities—one for the central city, the other covering a much larger area around Ahmedabad—identify large blocks of land to develop. On the fringes of the city, they usually claim about two-fifths of the land area for roads, schools, parks, social housing and so on. Rather than claiming land only from farmers who happen to be in the path of roads, though, the authorities take the same proportion from everyone in the block.

Then, using a century-old town-planning law introduced by the British former rulers, Ahmedabad's officials reorganise all land holdings in the block so that they align with the new road grid. Field boundaries that once curved and twisted become straight. The authorities pay farmers for the land that they seize, and charge them for infrastructure improvements. Usually, the land jumps so much in value that everybody comes out well ahead.

This process can be fraught, and is not entirely clean. Pankaj Patel, the man who bought land from Mr Shivaji, lists some of the many things that go wrong. To begin with, he says, people whom he calls “land grabbers” hear that an area is slated for development and try to snaffle as much as they can—sometimes by fibbing to the farmers by telling them that the government will seize their land and give them almost nothing. Everybody complains that

their reorganised land parcels are less well situated than their neighbours'. Some bribe officials to give them a better deal. Rich, powerful people who own country estates in the targeted districts find various ways to gum up the works.

Not one of these problems is fatal, however. Whereas attempts to seize land under eminent-domain laws are frequently paralysed by protests, the town-planning schemes trundle along. Crucially, the development authorities can ban building along the paths of roads even while arguments rage over the new land parcels. The town-planning schemes have proved flexible. To acquire land for a 76km ring road, Ahmedabad created 47 schemes and built the road in just four years.

The result is a tidy city, which can become much larger before it begins to suffer from the usual diseconomies of scale. Usually, the fringes of developing-world cities are messier than the middles. But the *Atlas of Urban Expansion*, a project based in New York University, estimates that roads built in Ahmedabad after 2000 are 8.5m wide, on average, compared with 7.2m for roads built earlier. Roads also take up more of the land area in the newly developed suburbs. Because wide roads can carry more cars and buses, future suburbanites in Ahmedabad ought to be spared the awful traffic jams that frustrate large Indian cities such as Delhi and Mumbai.

How to charm a farmer

The same system works elsewhere in Gujarat. The city of Bhuj, which was devastated by an earthquake in 2001, has been rebuilt using town-planning schemes. Town planning is being revived in the neighbouring state of Maharashtra (Gujarat and Maharashtra both used to belong to a huge state known as Bombay). Other states are interested, too. JICA, the Japanese aid agency, has tried to spread knowledge of town planning to other Asian countries, including Thailand.

Mr Patel of CEPT University says he is sometimes told that the technique would work less well outside his state. Gujaratis have a reputation for being industrious and pragmatic; perhaps that explains why farmers are willing to submit to the shrinkage and reorganisation of the lands they used to cherish. Nonsense, he says. They agree to it because it has repeatedly been shown to

work for people like them. Planning laws have made Gujaratis rational, not the other way around.

This article was downloaded by **calibre** from
<https://www.economist.com/asia/2018/11/24/how-one-indian-city-cracked-the-problem-of-urban-spread>

| [Section menu](#) | [Main menu](#) |

China

- **[Human rights: Out of the closet, quietly](#)**

[Fri, 23 Nov 11:21]

China's gay-rights advocates have a bit more freedom than others. The Communist Party does not fear them so much.

- **[Private education: Testing the waters](#)**

[Fri, 23 Nov 11:21]

China's first privately run research university is a risky venture. He wants its students to be risk-takers, too.

- **[Chaguan: Rights and wrongs](#)**

[Fri, 23 Nov 11:21]

The West begins to stir over China's massive abuse of Muslims. Foreign governments' worries about Xinjiang reflect a deeper angst about China.

Out of the closet, quietly

China's gay-rights advocates have a bit more freedom than others

The Communist Party does not fear them so much



Nov 22nd 2018 | QINGDAO

ON A WOOD-PANELLED wall above the judge's bench hangs a red seal featuring the scales of justice. Smaller chairs and tables, for the legal teams, face each other across the room. Another row of seats is reserved for observers. These remain empty. Justice in China is rarely open for all to see, no matter how much officials insist that proceedings are public. But restricted access to this room, on the third storey of a nondescript building in Qingdao, a coastal city in Shandong province, has done nothing to diminish the attention focused on a recent hearing there. Gay-rights activists, a small but increasingly vocal group, see the case as a landmark one for their cause.

The plaintiff is a 32-year-old teacher who claims he was unjustly fired by the kindergarten in Qingdao where he worked. He goes by the pseudonym Ming Jue. Mr Ming says his bosses confronted him after seeing a message he had posted on social media about a gay-pride event he had attended. They

claimed that parents objected to the employment of a gay teacher, and said their business would suffer if Mr Ming remained at the school. Mr Ming says that he had tried to nurture the right values among his pupils. “I’ve always taught my students the importance of honesty,” he says. “When they asked if I was gay I acknowledged it.”

Justice in China is not only opaque: it also rarely involves much argument. Mr Ming only got one 90-minute hearing. He will hear nothing more until the court issues its ruling, probably by the end of November. Mr Ming says that if he wins, it will send a signal that bigotry against gay people is unacceptable. “And if we lose, it will show that this society still has more to do to overcome prejudice and discrimination, and I will continue to struggle.”

Since Xi Jinping took over as the country’s leader in 2012, activists of any kind have found it increasingly difficult to pursue their causes openly in China. In 2015 the authorities made it even tougher by rounding up hundreds of independent lawyers and members of their staff—people who had played a vital role in bringing cases to court involving abuses by officials. In the past few weeks the authorities have arrested dozens of university students who have been campaigning on behalf of workers at a factory in the southern city of Shenzhen who want to form a trade union.

LGBT activists struggle on, helped by a gradual change in public and official attitudes. Several cases involving gay rights have come to court in recent years. Rulings have often been unfavourable to the complainants. One suit was lodged in Shenzhen in 2014 by an employee who was fired from an interior-design company after being outed as gay in an online video. He lost the case and his appeal was rejected. But in 2016 a transgender worker who was dismissed from a job at a clinic in Guiyang, another southern city, won partial compensation, despite failing to convince the court that the firing itself was illegal. Last month a judge in Beijing ruled against a challenge to the government’s ban on gay content online. But earlier this year Weibo, a Twitter-like platform, bowed to the demands of activists and gave up plans for a “clean-up” of gay-related material.

Despite some setbacks in court, campaigners see progress of sorts. That gay-rights court cases are heard at all is a small step forward, they believe. So too is the debate surrounding them that bubbles up on social media—censorship

of traditional media had previously meant that such discussion was stifled. A graduate law student in Beijing, who is the co-founder of an LGBT advocacy group, compares the approach of activists like herself to that of counterparts in America who, in recent decades, have advanced their cause through the courts. “We don’t know if it will work here, but we are learning and trying to copy this strategy,” says the student, who uses the pseudonym Joan.

One reason why China’s gay activists appear to have more room to manoeuvre than other kinds of campaigners may be that the Communist Party does not see them as a political threat. (So long as they do not try to form a nationwide movement—the party fears anything national that it does not control.) Unlike environmental activists, advocates for sexual minorities do not face opposition from powerful vested interests, such as polluting industries and the local governments that profit from them. Joan, the activist in Beijing, contrasts the tactics used by her group with those of the students who have been riling the authorities with their campaign for labour rights. “Those guys are much more radical. We work quietly and carefully within the law,” she says.

However, next year could be a tougher one for activists of every stripe. The party will be on guard against anything that could mar official celebrations of China’s 70th anniversary as a Communist dictatorship. Campuses will be watchful for any unauthorised attempt to mark the 100th anniversary of the May Fourth movement involving nationalist protests by students that led to calls for democracy. In 1989 commemorations of that movement fuelled nationwide pro-democracy unrest. No gay-pride celebration has ever been allowed on the capital’s streets (the picture on the previous page shows a small display of pride in a park). If any parade is permitted next year, it is far more likely to involve tanks, missiles and goose-stepping troops.

This article was downloaded by **calibre** from
<https://www.economist.com/china/2018/11/24/chinas-gay-rights-advocates-have-a-bit-more-freedom-than-others>

Testing the waters

China's first privately run research university is a risky venture

He wants its students to be risk-takers, too



Westlake University

Nov 22nd 2018 | HANGZHOU

HANGZHOU, A CITY south-west of Shanghai, is freighted with meaning for Shi Yigong. His grandmother, a Communist, was jailed there by the Nationalist government in the 1930s and died 18 days after giving birth to his father in prison.

Personal links drew Mr Shi to Hangzhou when he chose a location for the first private research university in China. He called it Westlake, after the scenic body of water for which the city is famed. The local government's enthusiasm also helped. Hangzhou, though rich and historic, compares unfavourably with Beijing and Shanghai in terms of its intellectual endowment. Keen to host a top-class university, it offered Mr Shi tempting terms. Last month he presided over Westlake's founding ceremony. The university's first cohort of research students is around 140 strong. It hopes, eventually, to have thousands of students, including undergraduates.

China already has around 700 private institutions among its 3,000-or-so universities, but most are vocational colleges which do not aspire to compete with the research universities at the top of the global tree. Westlake University does. Mr Shi, a former professor of molecular biology at Princeton who still holds senior posts at Tsinghua, a leading university in Beijing, has Caltech as his model. “This is the first ever research university supported by both government and the private sector in the People’s Republic of China,” he says. “We’re making history.”

Westlake, for now in temporary premises, will move into a grand purpose-built campus (its design is pictured) in three years’ time. It is private in two ways. One is its governance. Mr Shi stresses that the Communist Party will have a big role in the university. Three of the 12 seats on the managing council are taken by party officials who will play a “significant” part in decision-making. But the idea is that, unlike in other universities, the board of governors will have ultimate authority. Westlake is also partly privately financed. Although the local government is paying to build the new campus, the university also has private donors, including Pony Ma, the founder of Tencent, a tech giant, and Wang Jianlin, the founder of Dalian Wanda, a property-based conglomerate.

The point of Westlake is in part to carry out more ambitious research than happens in state universities. “I was very moved by Shi Yigong’s dream,” says Hongyun Tang, a researcher who previously worked in America. “The academic culture is like the States. We’re all dreaming of doing something big.” His colleague, Xu Li, another returnee from America, says of other Chinese universities: “They are chasing good publications but not meaningful research.” Mr Li says Westlake’s founder wants researchers “not to focus on small things, but to make big discoveries.”

Mr Shi’s ambitions reach beyond the bounds of the university. His aim is to make China more innovative by adding a dimension to the current educational system. Mr Shi laments that China’s contribution to science and technology in the past 400 years has been vastly below what it could have achieved. “There’s something etched into our brains: by the time we get to college, students have lost a major portion of their innovative potential,” he says. Mr Shi believes that if elite universities select students on the grounds

not just of their test scores, but also of their intellectual maturity and social responsibility, this will influence the way pupils are taught at school, and change the way they think. “Westlake is the first such elite university in China. Our future success will result in the establishment of many more.”

As the dean of a department at Tsinghua—as high up the Chinese academic ladder as you can go—Mr Shi has a lot to lose if Westlake does not work. In his favour is the explicit endorsement of the venture by China’s leader, Xi Jinping. Mr Xi has form in allowing experiments in higher education. From 2002-07 he was the party boss of Zhejiang province, of which Hangzhou is the capital. During that time Mr Xi invited an American college, Kean University in New Jersey, to Zhejiang. Its campus is now up and running. Mr Xi wants China to become an intellectual power as well as an economic one. Against Mr Shi is the rivalrous nature of academia and China’s tradition of conservatism. “Everybody is watching him to see if he succeeds or fails,” says a colleague. “It’s a big risk.”

This article was downloaded by **calibre** from
<https://www.economist.com/china/2018/11/24/chinas-first-privately-run-research-university-is-a-risky-venture>

Chaguan

The West begins to stir over China's massive abuse of Muslims

Foreign governments' worries about Xinjiang reflect a deeper angst about China



Nov 22nd 2018

FEW GOVERNMENTS send ambassadors to China to be brave about human rights. Envoys to Beijing are scholars of realism, their fine minds applied to a delicate task: managing profitable relations with a deep-pocketed, unapologetic dictatorship.

It is, therefore, a big deal that at least 14 ambassadors from Western countries, led by Canada, have come together to confront China over its mass detentions of Muslims in the far-western region of Xinjiang, most of them ethnic Uighurs. Officials say the purpose is to stamp out extremism. In a letter leaked to Reuters, a news agency, the ambassadors have asked to meet Chen Quanguo, the Communist Party's boss in Xinjiang. A hardliner transferred from Tibet, Mr Chen oversees a gulag into which perhaps a million Uighurs have been sent for "transformation-through-education",

many for indefinite periods without trial.

Millions more endure surveillance by facial-recognition cameras, smartphone scanners and police patrols at every turn. Some must host officials as houseguests, sent to assess their loyalties. China calls these measures vital after terrorist attacks carried out in recent years by Uighur fanatics.

It is revealing that China seems startled to find itself under ambassadorial scrutiny. It has some reason to be. Chinese officials cynically believe—and will say in private—that Western leaders and envoys raise human rights out of a sense of reluctant obligation, in order to placate activists and public opinion back home. This time, however, the charge is being led by ambassadors, not the public. Envoys in Beijing admit that most people in their countries have never heard of Xinjiang or the Uighurs. They also concede that some folk back home might have mixed feelings were they to learn that the Uighurs stand accused of terrorist leanings.

Protesting Muslim bans, wherever they are found

Xinjiang's agonies are hardly a vital national interest for the first countries to sign the draft letter—Australia, Belgium, Britain, Canada, Denmark, Estonia, Finland, France, Germany, Ireland, the Netherlands, Norway, Sweden and Switzerland, joined by the European Union. Instead, a Western diplomat sees a stark test of principle, asking: if we do not protest when a million people are detained without trial, when will we speak out?

That points to another reason for China to be startled. It is years since human rights seriously disrupted Chinese foreign policy. China won a big victory in 1994 when America's then president, Bill Clinton, abandoned his previous commitment to make China's access to American markets conditional on its human-rights record. "We have reached the end of the usefulness of that policy," Mr Clinton mumbled, before expressing hopes that China would be changed by engagement with the world. For reasons both selfish and noble, other governments fell in line behind that same plan: a bet that a prosperous China would surely converge with an international order crafted by Western powers after the second world war, based on global trade, universal rights and the rule of law.

China has not converged. In the meantime, the post-war rules-based order has rarely felt so fragile, thanks in part to the election of populists such as President Donald Trump. That fragility explains why once-meek governments are finding their voices. It is why Xinjiang crashed onto the agenda of the Stockholm China Forum, a twice-yearly gathering of American, Chinese and European ambassadors, diplomats, scholars, politicians and business leaders, hosted recently by Sweden's foreign ministry and the German Marshall Fund of the United States, a think-tank. A speaker predicted that Xinjiang's woes would "explode in public opinion".

Normally dispassionate, the forum saw sharp exchanges about Xinjiang. Speakers described hearings in Washington at which farm-state senators, who once cheered trade with China, used phrases like "Orwellian" and "concentration camps". It was noted that China's high-tech police state appals Europeans, who dread government surveillance, especially in Germany. Defenders of China accused the West of hypocrisy, saying: "This is not Guantánamo." (True: there are only 40 inmates in Guantánamo.)

To be sure, the West is not united over how to defend the rules-based order. EU signatories to the ambassadors' letter are mostly from northern Europe. From the China-led "16 plus one" grouping of former communist countries in Europe, the only signatory at the time of publication was Estonia. Australia, a big exporter to China, signed. New Zealand, another big exporter, did not.

America's position is hard to predict. In a recent China-pounding speech, Vice-President Mike Pence was stern about Xinjiang. A bipartisan group of members of Congress wants Chinese officials to face sanctions under the Global Magnitsky Act, a law targeting human-rights abusers. But America's envoy in Beijing did not sign the Canadian-drafted letter. Nobody can guarantee that Mr Trump will uphold his government's line when he sees his counterpart, Xi Jinping, later this month at a G20 meeting in Argentina, rather than beam that China is smart to be tough on Muslim terrorists.

The wider world is not united. Turkey, which feels bonds of kinship with Uighurs, a Turkic people, was the only Muslim country to rebuke China at a recent meeting of the UN Human Rights Council in Geneva. Other Muslim countries, many of them recipients of Chinese loans, praised China's human rights.

Global argument over Xinjiang is likely to get fiercer. Horrible things are happening. International investors are growing jumpy about stakes in firms selling security kit used there. It matters that China's talking points are outrageously cynical. Chinese lines tested in Stockholm include the claim that the camps protect the rights of Uighurs raised in remote, mainly Muslim areas. The camps offer modern employment skills, it was explained, and the right—guaranteed in China's constitution—to choose your own religion or to believe in none. More propaganda like that, and ambassadors will not be the only ones asking hard questions.

This article was downloaded by **calibre** from
<https://www.economist.com/china/2018/11/24/the-west-begins-to-stir-over-chinas-massive-abuse-of-muslims>

| [Section menu](#) | [Main menu](#) |

Middle East and Africa

- **[The United Arab Emirates: Putting the bookish behind bars](#)** [Fri, 23 Nov 11:21]

A British academic is jailed for life in the United Arab Emirates. The country presents itself as a cheerful, cosmopolitan place, but it offers little space for intellectuals.

- **[Jihadists in Nigeria: Boko Haram gets even nastier](#)** [Fri, 23 Nov 11:21]

Boko Haram is becoming even more extreme. A slightly more moderate leader of Nigeria's most brutal terrorist group is killed by his fanatical followers.

- **[Pentecostalism: God will make you prosper](#)** [Fri, 23 Nov 11:21]

God wants Ethiopians to prosper. The prime minister and many of his closest allies follow a fast-growing strain of Christianity.

- **[War crimes in Syria: The documents men](#)** [Fri, 23 Nov 11:21]

Will smuggled files lead to justice for the Assad regime's victims?. Western prosecutors are using the documents to issue arrest warrants. Trials are another matter.

- **[Israeli politics: Still on top](#)** [Fri, 23 Nov 11:21]

Binyamin Netanyahu has overcome one challenge. Bigger tests await. With the slimmest of majorities, the prime minister is at the mercy of the right.

- **[Bahrain: Miffed in Manama](#)** [Fri, 23 Nov 11:21]

An unfair election in Bahrain will not satisfy the Shia majority. As their political freedom shrinks, the lot of Shias grows worse.

Bookish and behind bars

A British academic is jailed for life in the United Arab Emirates

The country presents itself as a cheerful, cosmopolitan place, but it offers little space for intellectuals



EPA

Nov 24th 2018 | BEIRUT

AFTER FIVE months in solitary confinement, his final court appearance lasted barely five minutes. On November 21st a court in Abu Dhabi convicted a British academic of espionage and sentenced him to life in prison. Matthew Hedges, 31, is a doctoral candidate at Durham University. He travelled to the United Arab Emirates (UAE) earlier this year to study its internal security policies. He became an unwilling participant in his own research in May when police arrested him at Dubai's airport.

The UAE has not offered a shred of evidence, nor even named the state for which Mr Hedges (pictured, with his wife) was supposedly spying. But the case is thought to be connected to neighbouring Qatar, which the UAE and three other Arab states have kept under an 18-month embargo. Mr Hedges's wife says he was not allowed access to a lawyer until mid-October, and that

his appointed counsel did not speak fluent English. He was also allegedly made to sign a confession in Arabic, which he does not read. He has 30 days to appeal against the verdict.

British officials have raised the case with the Emiratis. Compared with other cases of Britons jailed in the region, however, they have been oddly tight-lipped in public. The foreign secretary, Jeremy Hunt, said little beyond expressing his “shock and disappointment” at the verdict. Just a week earlier the minister of state for trade was in the UAE.

With its “happiness ministry” and tourist attractions, the UAE presents itself as a cheerful, cosmopolitan corner of the Gulf. It has also built a vast surveillance state to keep tabs on citizens and visitors. Government critics and human-rights activists have received long jail terms for social-media posts. The climate grew even more repressive last year. “Showing sympathy” to Qatar is punishable by up to 15 years in prison and a 500,000 dirham (\$136,000) fine.

In 2010 New York University (NYU) started offering classes in Abu Dhabi, one of several Western universities to open campuses in the region. Administrators promised the same freedoms as its American parent. Academics say otherwise. Andrew Ross, an NYU professor who has criticised labour practices in the Emirates, was barred from travelling to the country in 2015. The UAE is not alone in this practice: a graduate student doing similar research at Georgetown University, which has a campus in Doha, was denied a visa by Qatar last year.

Cultural institutions steer clear of controversy. Booksellers in Dubai’s shiny malls do not have politics sections. Professors of English literature might see parallels with the sort of happiness Aldous Huxley satirised in “Brave New World”. But they would do well not to make that comparison in the UAE.

This article was downloaded by **calibre** from <https://www.economist.com/middle-east-and-africa/2018/11/24/a-british-academic-is-jailed-for-life-in-the-united-arab-emirates>

Brother against brother

Boko Haram is becoming even more extreme

A slightly more moderate leader of Nigeria's most brutal terrorist group is killed by his fanatical followers



AFP

Nov 22nd 2018

FEW NIGERIANS will have mourned the death of Mamman Nur, a senior figure in Boko Haram, one of the world's most brutal terrorist groups. A capable field commander, Nur is thought to have trained with al-Qaeda cells in the Sahara and with al-Shabab in Somalia. He favoured a pan-African jihad to replace sinful secular regimes with the rule of God.

Three months ago he was killed by his own followers. Nigeria's security chiefs were delighted. However, they should hesitate before celebrating. His death is a hint that the jihadist group—already known for kidnapping schoolgirls and turning children into human bombs—is becoming bloodier still.

For all his grand vision, Nur was slightly more moderate than the longtime

leader of Boko Haram, Abubakar Shekau (pictured), who rejoices in enslaving girls and “killing anyone God commands me to kill”. Under Mr Shekau’s command the group has bombed markets and mosques alike.

Nur, by contrast, suggested that Boko Haram should only attack military targets and that using children as human bombs might not be an act of unblemished piety. His motives may have been tactical. By not engaging in acts of needless cruelty, the jihadists would be more likely to win support, or at least acquiescence, in the remote areas of north-eastern Nigeria where they operate. But Nur also had a theological disagreement with Mr Shekau over who was a Muslim and who could be declared an infidel and therefore killed.

Mr Shekau thinks that everyone not loyal to him or fighting for his group is an infidel. Nur and Abu Musab al-Barnawi, the son of Boko Haram’s late founder, thought this too broad a definition. In mid-2016 they split away and swore allegiance to the jihadists of Islamic State in Syria and Iraq (who also thought Mr Shekau too extreme).

They formed a new group: Islamic State West Africa Province (ISWAP). Since then the two factions of Boko Haram have fought largely separate insurgencies. ISWAP, which became the dominant faction, has operated largely to the north of Maiduguri, the main city in the region: Boko Haram has kept to the south and east (see map). Now ISWAP’s policy of sparing civilians has changed.

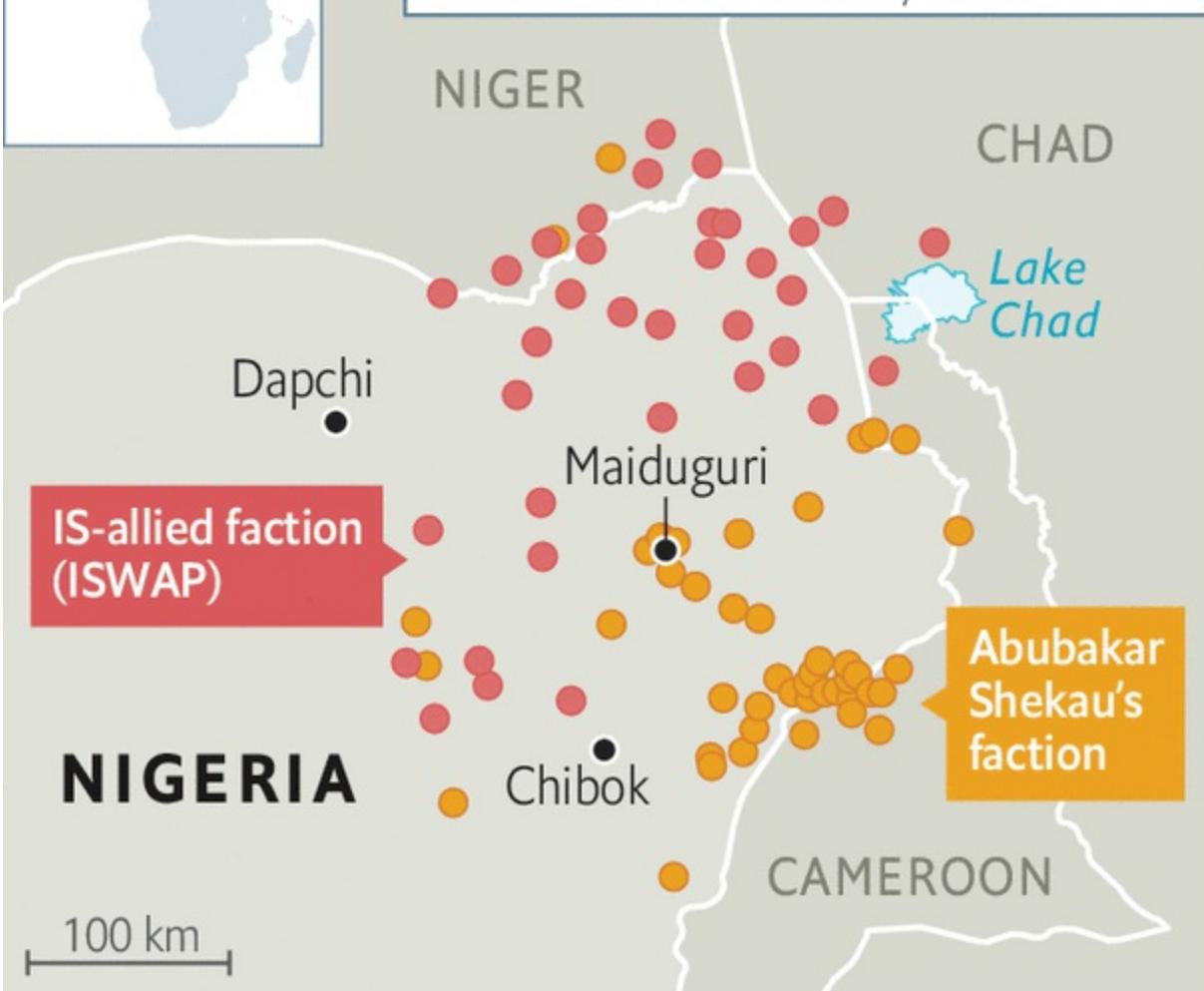


Boko Haram attacks

Claimed or attributed, selected locations

August 2016–November 2018

Source: Institute for Security Studies



The Economist

The circumstances of Nur's death are unclear. Some people say he was killed in a falling-out over ransom payments for the release of 110 schoolgirls kidnapped early this year in Dapchi. A likelier explanation is that he was killed by younger, more extreme members of ISWAP who disagreed with his slightly more moderate stance.

There is certainly evidence of growing brutality. A video released by ISWAP showed the murder of a kidnapped aid worker, Hauwa Mohammed Liman.

She was bound, forced to kneel and shot. A colleague, Saifura Hussaini Ahmed Khorsa, was murdered in September, three weeks after Nur's death. ISWAP said the two Muslim women, a midwife and a nurse, deserved to die because they worked for the Red Cross, which it argued proved that they were apostates.

The growing influence of ultra-extremists, some of whom are thought to be French-speaking foreign fighters, has disrupted ISWAP's chain of command. Mr Barnawi himself may also be in danger. Nur's death has caused "fragmentation" in the ranks, says a negotiator who was involved in trying to secure the release of the two murdered aid workers (and a third captive, from UNICEF, who may still be alive). "In the history of Boko Haram there has not been a period where they have killed female hostages in this fashion," he said. "But now the fighters are in charge rather than the clerics."

Observers worry that the likelihood of freeing other hostages, including 112 girls still missing after a mass kidnapping from a school in the town of Chibok in 2014, has diminished. "I doubt many more are coming back," says another hostage negotiator.

Meanwhile the government's struggle against both jihadist factions has suffered serious setbacks. Army outposts and operating bases have been overrun in recent months. Attacks have spread into neighbouring Nigerian states.

Some fret that Nigeria's army may not be able to hold the ground it liberated in 2015, when Boko Haram controlled an area about the size of Belgium before being pushed out of most towns. Casualties among frontline troops have been high and morale is poor. More than 70 soldiers are facing court martial after a mutiny in Maiduguri in August, when they protested against being redeployed to an area that is a Boko Haram stronghold, near the border with Niger.

Such military setbacks cast a shadow over presidential elections scheduled for February. Muhammadu Buhari, Nigeria's president and a former general, won power in 2015 partly by promising to be tougher on Boko Haram than his predecessor, Goodluck Jonathan, had been. Having claimed last year that the army had crushed Boko Haram in its "last enclave", he may fail to

convince voters that he can do better if given a second term.

Next year will see the conflict enter its second decade. More than 20,000 people have been killed; 2.1m have been displaced. If Mr Buhari cannot defeat the jihadists, Nigerians are wondering who can.

This article was downloaded by **calibre** from <https://www.economist.com/middle-east-and-africa/2018/11/24/boko-haram-is-becoming-even-more-extreme>

| [Section menu](#) | [Main menu](#) |

Pentecostalism in Ethiopia

God wants Ethiopians to prosper

The prime minister and many of his closest allies follow a fast-growing strain of Christianity



Getty Images

Nov 22nd 2018 | ADDIS ABABA

“THE REASON why we are poor is inside us,” cries Nigusie Roba, his face sweating with emotion. “It is not the fault of God.” The pastor’s youthful congregants rise, palms open wide. Nigusie’s voice grows louder: “Tonight you will go home anointed by God.” In the far corner a young woman drops to the floor, her body writhing as she screams.

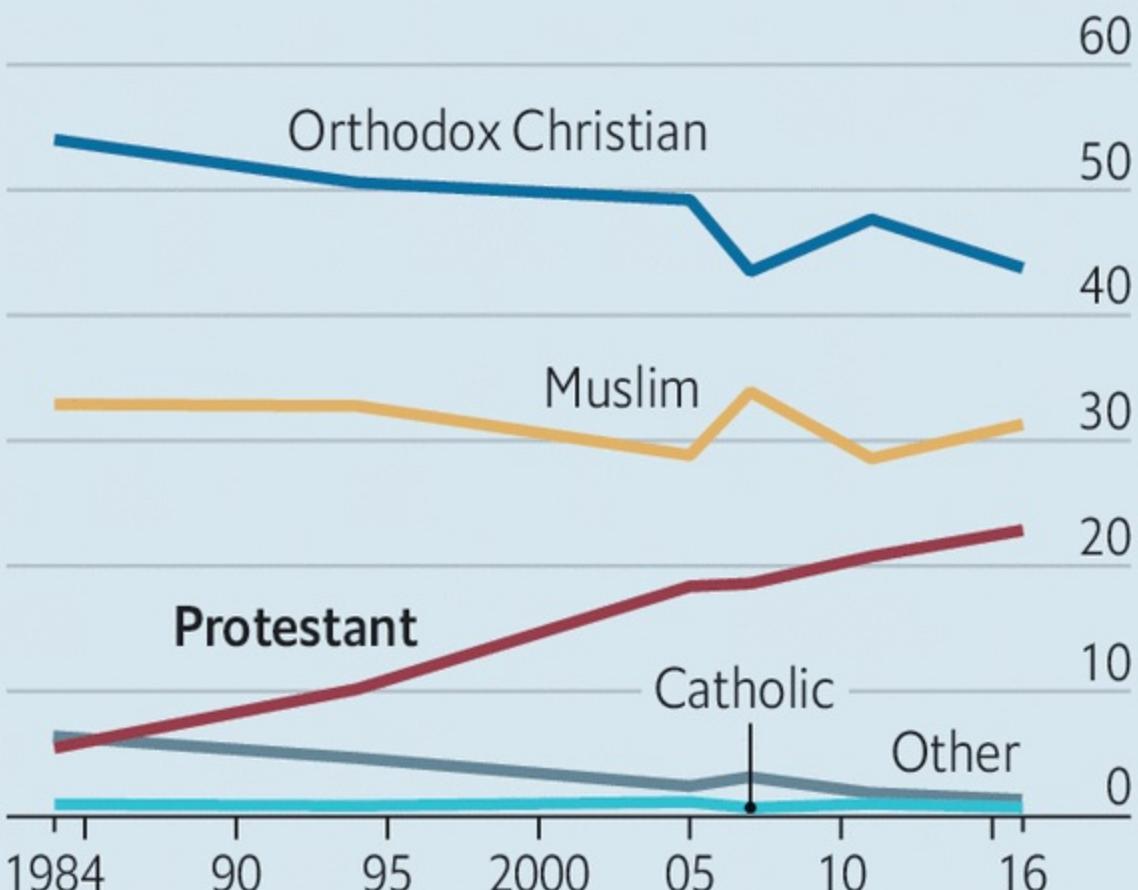
Preachers like Nigusie—sharply dressed, charismatic, and renowned for exorcising demons from the bodies of the faithful—represent a strain of Christianity not widely associated with traditionally Orthodox Ethiopia. For centuries national identity was entwined with the conservative ritual and hierarchy of the continent’s oldest church. But “Pentes”, as both Pentecostals and more staid Protestants are known in Ethiopia, are on the march.

Ethiopia's new prime minister, Abiy Ahmed, is a devout Pentecostal. So was his predecessor, Hailemariam Desalegn. Lemma Megersa, the prime minister's closest ally and president of Oromia, Ethiopia's most populous region, is a board member of Assemblies of God, the church which hosted Nigusie in Addis Ababa in October. The rise of the Oromo wing of the ruling coalition, the Ethiopian People's Revolutionary Democratic Front (EPRDF), has brought even more Pentes into the highest ranks of government. Most of the executive committee of Abiy's Oromo faction have been followers of Pastor Gemechis Desta, a Pentecostal preacher, even though Pentes are probably still outnumbered in Oromia by both Muslims and Orthodox Christians.

In the 1960s Pentes were less than 1% of the national population. Today they may be as much as a quarter, packed into cities and among the fast-growing rural populations in the south and west. Most of this growth has come at the expense of the Orthodox Church (see chart).

Less Orthodox

Ethiopia, religious breakdown, % of population



Sources: Jörg Haustein; national statistics

The Economist

Before the EPRDF introduced freedom of religion in 1995 the Pentes were fiercely persecuted by the Orthodox establishment and its allies in government. When Abiy's church, Full Gospel Believers, tried to register in 1967, its application was rejected by the then emperor, Haile Selassie. Arrests and beatings followed, worsening under the communist regime known as the Derg. In 1979 some church members were publicly flogged as punishment for not chanting socialist slogans. Popular hostility was rife, too. When one of

Nigusie's children died in infancy, some of his neighbours in southern Ethiopia dug up the grave and hung the corpse on a post as a warning to others.

Even during those dark times Pentecostalism won converts. In much of Oromia it has also grown with the rise of Oromo nationalism, in part because sermons are conducted in the local language, Afan Oromo, rather than Ge'ez, the ancient language of Orthodox liturgy (akin to Latin for Catholics). Most of the founders of the Oromo Liberation Front, a secessionist rebel group, were Pentes.

Today the faith's modern image explains its rise better than politics. In the Assemblies of God chapel upbeat pop music welcomes Nigusie on stage. A new wave of charismatic pastors known as "Prophets" attract huge crowds by telling followers that God will make them prosper. Suraphel Demissie, who grew up as an orphan, has a 24-hour satellite television channel, tens of millions of YouTube views, a large office in Addis Ababa and an international following. "The beguiling feature of Pentecostalism ...[is] the idea that nothing is impossible," says Andrew DeCort of the Ethiopian Graduate School of Theology.

Ideas like these can be revolutionary. Dena Freeman, an anthropologist, found how a large majority of people in a rural district in Ethiopia's southern highlands converted to Pentecostalism in the early 2000s. The individualism taught by the religion encouraged a boom in businesses, in part because it freed people from traditional obligations to share their wealth.

The former guerrillas who used to run the EPRDF drew a sharp line between religion and state when they came to power in 1991. But religion seems slowly to be returning to the public sphere. Although there are few signs that Abiy favours Pentes at the expense of other faiths, religion seems to have shaped his politics. Many of his sermon-like speeches about love and forgiveness invoke God. Moreover, many of his followers see him as being on a divine mission. He seems to agree, having said that as a child his mother prophesied his rise.

| [Section menu](#) | [Main menu](#) |

The documents men

Will smuggled files lead to justice for the Assad regime's victims?

Western prosecutors are using the documents to issue arrest warrants. Trials are another matter



Nov 22nd 2018 | BEIRUT

WHEN REBELS seized the Syrian city of Idlib in 2015, a teacher called Mouhtar (not his real name) broke into a government intelligence office and stole thousands of files. Using a makeshift raft, he smuggled copies of the documents across the Orontes river and into Turkey. The originals he wrapped in plastic bags and stashed in a farmhouse. The files, says Mouhtar, reveal the inner workings of the government's security apparatus, which has been accused of numerous atrocities.

Since the start of Syria's civil war in 2011, activists like Mouhtar have smuggled hundreds of thousands of documents and photographs out of the country. Those files are now being used by prosecutors in the West to link Syrian officials, including President Bashar al-Assad, to war crimes.

This month France said it had issued international arrest warrants for three Syrian officials, including Ali Mamlouk, Mr Assad's security adviser, and Jamil Hassan, the air force intelligence chief. These resulted from a case involving two French-Syrians who were arrested in Syria in 2013 and disappeared. Germany, which claims universal jurisdiction over war crimes, meaning it can prosecute offences committed abroad, has also issued a warrant for Mr Hassan, who is accused of ordering the torture and murder of detainees.

Both investigations relied on tens of thousands of pictures taken by a photographer, known as Caesar, working for the Syrian military police. He smuggled them out of his office on USB drives hidden in his shoes. The photos (one is pictured) show thousands of corpses of Syrian detainees, many bearing signs of torture and murder.

Caesar worked with Syrian opposition groups. Other Syrians are working with the Commission for International Justice and Accountability (CIJA), an NGO set up by Bill Wiley, a Canadian war-crimes investigator. CIJA receives money from Western governments and has a secret headquarters in Europe, where it stores over 800,000 documents (including some that incriminate Syrian opposition groups). Its files are being used by the family of Marie Colvin, which is suing the Assad regime in America. They are said to show that Colvin, a journalist killed in Syria in 2012, was targeted by the regime.

CIJA has built cases against dozens of officials. A UN body is slowly bringing smuggled documents and other evidence under one roof for use by prosecutors. But the pursuit of justice on a grand scale has been blocked by China and Russia, which have vetoed attempts by the UN Security Council to refer the Assad regime to the International Criminal Court. Even in countries that have issued warrants, trials are unlikely. Syrian officials would have to be foolish enough to travel to a country willing to arrest them.

More documents await collection, hidden in homes, caves and pits inside Syria. But with Mr Assad on the verge of winning the war, some countries are normalising relations with his regime. Mr Mamlouk visited Italy in January to meet officials. Despite all the evidence, Mr Assad and his henchmen may never face justice.

This article was downloaded by **calibre** from <https://www.economist.com/middle-east-and-africa/2018/11/24/will-smuggled-files-lead-to-justice-for-the-assad-regimes-victims>

| [Section menu](#) | [Main menu](#) |

Still on top

Binyamin Netanyahu has overcome one challenge. Bigger tests await

With the slimmest of majorities, the prime minister is at the mercy of the right



Nov 22nd 2018 | JERUSALEM

BINYAMIN NETANYAHU is not only the prime minister of Israel. For the past four years he has been its foreign and health minister. And on November 18th, following the resignation of ministers from the ultra-nationalist Yisrael Beiteinu party, he added the defence and immigration ministries to his bulging portfolio.

Mr Netanyahu is confident that he can handle all these jobs (though he may eventually give up some). He also thinks he can dictate the timing of next year's election—and win it. But the tactics he used to see off the challenge by Avigdor Lieberman, the leader of Yisrael Beiteinu and former defence minister, betray vulnerabilities.

Citing intelligence that “simply cannot be revealed at this point”, Mr

Netanyahu justified his defence policies and hinted at vague threats. He thus implored the remaining members of his government to stick with him. And so they did, even Naftali Bennett, the leader of the nationalist-religious Jewish Home Party, who had demanded the post of defence minister. Mr Bennett accused the prime minister of scaremongering and issued a scathing assessment of his policies. But in the end he succumbed to pressure from rabbis and settlers not to bring down the coalition, which now has a one-seat majority.

Mr Netanyahu has led one of the most hawkish and religious governments in Israel's history. In July he signed a law affirming Israel's Jewish nationalist identity, to the fury of Arab and Druze minorities. Even so, Israeli nationalists are sceptical of his commitment to their cause. He has not expanded settlements as much as they would like; nor has he hit Hamas, the militant group that rules Gaza, with enough force, in their opinion. Mr Lieberman cited a recent truce with Hamas as the reason for his challenge. Now, with the slimmest of majorities, Mr Netanyahu is at the mercy of his right-wing allies. If the conflict with Hamas escalates again, he will be under enormous pressure to go to war.

But Mr Netanyahu's next big challenge may come at home. The attorney-general is expected to bring charges of corruption against him early next year. There is no precedent for a prime minister serving while on trial; but there is no law requiring him to resign. Mr Netanyahu denies the allegations. He has said in private that he would fight the charges in court, while running the country—a move that would undoubtedly be contested in the Supreme Court.

The legal process will take months. Israel must hold an election by November next year. Mr Netanyahu is in no rush, but he may eventually want to show that a majority of voters are behind him, regardless of his legal problems. Though his popularity has declined because of the truce, polls still show him in good shape. His party, Likud, would handily win a plurality were an election held today. Keeping his allies on board, now and after charges are filed, will be the tough part. His legal troubles give them even more leverage.

The nationalists, though, also depend on Mr Netanyahu. They appreciate his uncanny ability to win elections—and fear the prospect of a centre-left government that might cede territory to the Palestinians, which the prime

minister has not done. Few of his potential rivals have dared to challenge him. Many on the right still think Israel would be worse off without Mr Netanyahu's leadership.

This article was downloaded by **calibre** from <https://www.economist.com/middle-east-and-africa/2018/11/24/binyamin-netanyahu-has-overcome-one-challenge-bigger-tests-await>

| [Section menu](#) | [Main menu](#) |

Miffed in Manama

An unfair election in Bahrain will not satisfy the Shia majority

As their political freedom shrinks, the lot of Shias grows worse



Reuters

Nov 22nd 2018 | MANAMA

ASK OFFICIALS in Bahrain about their parliamentary election and they are eager to tout the numbers. Around 350 candidates will compete for 40 seats on November 24th. A record 44 are women. Many are running as independents rather than representing the hidebound religious parties. One statistic is omitted from the list: the number of opposition parties is zero.

In 2010 nearly half the parliament was controlled by al-Wefaq, an opposition group that catered to the disgruntled Shia majority. Then came 2011, when Bahrainis joined the wave of Arab spring protests, demanding political freedoms and greater equality from the Sunni monarchy. The government crushed the uprising with the help of troops from its Gulf neighbours. Nearly 50 people were killed.

Now al-Wefaq is banned and its leader, Ali Salman, is in prison on trumped-

up charges of spying for Qatar. A secular leftist group, Wa'ad, was also dissolved. Former members of al-Wefaq and Wa'ad are not permitted to stand for election. Sunni Islamist parties are still free to operate, but they hold few seats in parliament. International election monitors are banned.

As political freedom shrinks, inequality has been exacerbated by an economic crisis. Though the non-oil sector generates 80% of GDP, oil provides 70% of government revenue. When prices crashed earlier this decade Bahrain's fiscal deficit soared, hitting 18.4% of GDP in 2015. The government has since cut spending. Electricity and water subsidies were reduced for expats and wealthy Bahrainis. An early-retirement scheme, launched last month, aims to trim the public payroll. More than 9,000 workers have applied for it.

These measures have helped, though this year's deficit is still projected to be 8.9% of GDP. A new 5% value-added tax, due to be introduced in January, will raise more revenue. But it will also strain families already struggling to pay their bills. Wages are almost flat and the median monthly private-sector income, 416 dinars (\$1,106), is 41% below its public-sector counterpart. The higher-paying government jobs tend to go to Sunnis. Shias are mostly excluded from the security forces.

Shias, who often live in poorer areas, also bear the brunt of Bahrain's housing shortage. One minister has proposed importing cheap prefabricated homes. But there is little money for that. Public debt has soared to 88% of GDP and foreign reserves, at \$2.3bn, are barely enough to cover a month of imports. In October Saudi Arabia, Kuwait and the United Arab Emirates (UAE) had to step in with \$10bn in aid.

But as they give, they also take away. Bahrain has thrived as a banking hub and a tourist trap for Saudis. Both Qatar and Saudi Arabia are now trying to build up their own financial centres (Dubai, in the UAE, already has one). The Saudi crown prince, Muhammad bin Salman, has allowed movie theatres, concerts and other diversions in a bid to keep Saudi tourists (and their money) at home.

Bahrain's banks still employ 14,000 people, most of them nationals. Saudi Arabia's new nightlife cannot compete with that of Manama, where bars serve alcohol and the sexes mingle freely. But firms are nervous. Bahrain has

long relied on its wealthier neighbours for business and charity. Now they are also competition.

One thing is certain. The people of Bahrain will have little say over how it deals with these economic challenges.

This article was downloaded by **calibre** from <https://www.economist.com/middle-east-and-africa/2018/11/24/an-unfair-election-in-bahrain-will-not-satisfy-the-shia-majority>

| [Section menu](#) | [Main menu](#) |

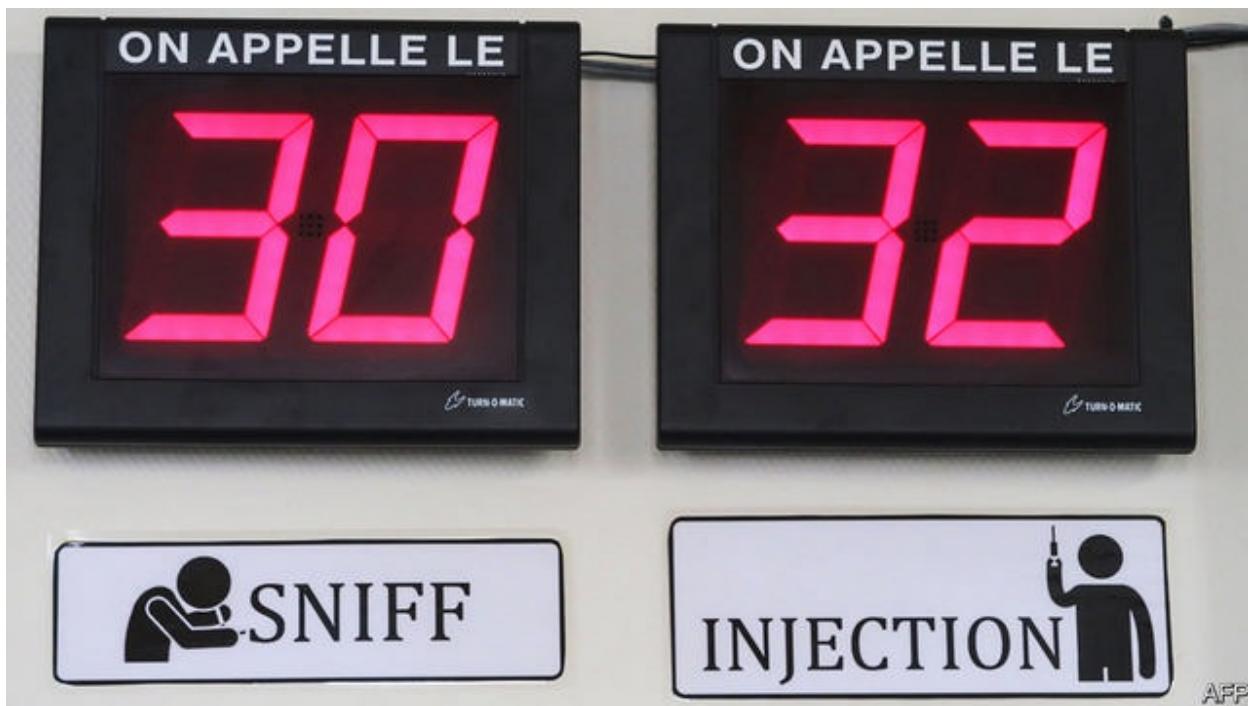
Europe

- **[Drugs in Europe: Chill pill](#)** [Fri, 23 Nov 11:21]
Harm reduction is the right way to treat drug abuse. Europe should re-embrace an approach it pioneered.
- **[Germany: Less gravy](#)** [Fri, 23 Nov 11:21]
A slowdown in Germany's economy. That means less cash for political dealmaking.
- **[Russia: Baron Sobyanin](#)** [Fri, 23 Nov 11:21]
Moscow's mayor squashes competition but transforms his city. Sergei Sobyanin has turned his city around.
- **[Italy: On the rocks](#)** [Fri, 23 Nov 11:21]
A heroic sailor faces expulsion from Italy's Five Star Movement. Captain Gregorio De Falco shows the cracks within the ruling coalition.
- **[Charlemagne: The power of fish](#)** [Fri, 23 Nov 11:21]
The power of fish. What the poisonous politics of les poissons means for Brexit.

Chill pill

Harm reduction is the right way to treat drug abuse

Europe should re-embrace an approach it pioneered



Nov 22nd 2018 | LISBON AND AMSTERDAM

TWENTY YEARS ago Lisbon's Casal Ventoso neighbourhood was the biggest open-air drug market in Europe. But since 2001, when Portugal decriminalised most drug use, the number of addicts has plummeted, and these days one has to know where to find them. One recent evening, three outreach workers from CRESCER, a charity that helps drug users, trudged up a hillside carrying bags of clean syringes, saline solution and pastries. In a grove of cane plants, half-a-dozen people were smoking crack or injecting heroin. A gaunt man leant over a friend's face, helping him plunge a needle into his neck.

Marta Correia, a psychologist at CRESCER, is friendly with many of Casal Ventoso's drug users, but the thin fellow was unfamiliar. "Call me John Doe," he joked, grinning. He had been shooting heroin for 25 years, since he was 15, he said. Ms Correia gave him a pastry and some syringes, accepting

used ones in return. Other users got sheets of tinfoil for their pipes, and were encouraged to enter treatment.

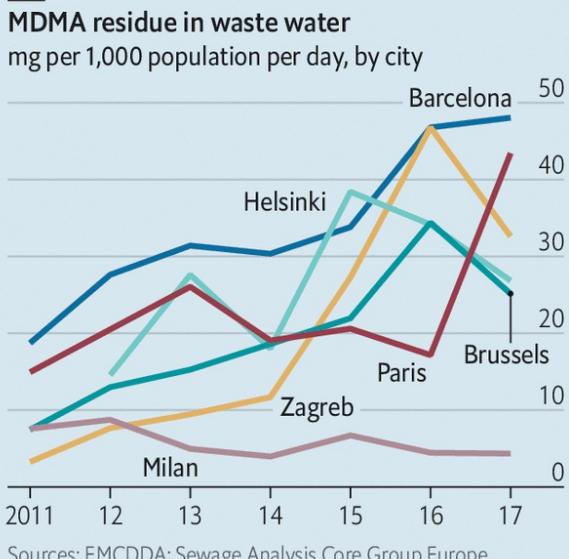
At the height of the epidemic in the 1990s, authorities estimated that about 100,000 Portuguese, or 1% of the population, were heroin users. “It cut across all social classes. Nearly every family had someone,” says Dr João Goulão, head of SICAD, the agency that directs Portugal’s addiction programmes. That generated the political will to take the fight against drugs out of the justice ministry and give it to the health ministry. Under the law of 2001, illegal drugs remain illegal and dealers are prosecuted. But possession for personal use is an administrative offence, not a criminal one. Anyone caught with a 10-day supply or less is ordered to visit the local Commission for Dissuasion of Drug Addiction. Rehabilitation programmes and opiate substitutes, such as methadone, are available to all users who want to quit.

First, do no harm

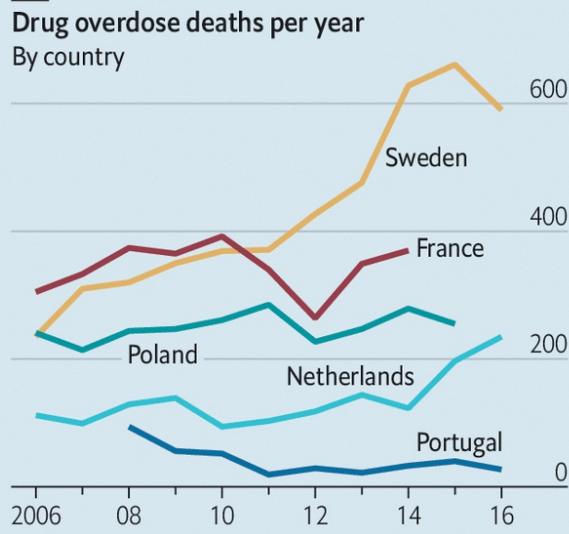
Since then, the number of problem heroin users has fallen to about 33,000. The government can claim only partial credit; drug epidemics tend to fizzle. But decriminalisation and treatment helped cut Portugal’s overdose rate to one of the lowest in Europe. As for America, in 2016 it had 63,600 fatal overdoses. In Portugal there were 27.

Portugal’s policies are based on “harm reduction” approaches pioneered in countries such as Switzerland in the 1980s. The idea is to emphasise treatment and prevention more than punishment, says Brendan Hughes of the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA). Most European countries now have some form of harm-reduction policy, though the east is more conservative.

Uppers and downers



Sources: EMCDDA; Sewage Analysis Core Group Europe



The Economist

Some countries take things further. Many have safe injection rooms, supervised by medical professionals who check the drugs for safety. In Germany, the Netherlands and Switzerland, addicts who repeatedly fail methadone programmes may even receive free, government-prescribed heroin. “Heroin-assisted treatment” has been shown to reduce crime and deaths. And it appears not to recruit new users: shooting up at a government facility under a nurse’s gaze is hardly glamorous.

But lately Europe is facing different drugs. Cocaine use is up; in Barcelona, residues in wastewater suggest it more than doubled between 2011 and 2018. Most overdose deaths in the Netherlands are caused not by opiates but by party drugs like amphetamines or synthetic cannabinoids, or by ecstasy, which can cause dehydration. The drug GHB raises your libido, but can knock you out; it accounted for two-thirds of Dutch drug-related emergencies in 2016.

For stimulants like these, notes the EMCDDA’s Andrew Cunningham, “there are no substitute treatments like methadone”. The same goes for methamphetamine, rare in most of Europe but common in the Czech Republic and Slovakia. (They are still known there as “Pervitin”, a brand of amphetamines distributed to Nazi soldiers.) In the past few years Czech meth

has spread across Germany, mainly in paste form. The more dangerous crystal variant has popped up as well, often sold at t-shirt stands along the German border.

Resistance to decriminalisation can come from many sides. Moralistic Sweden has tough laws against even small quantities of drugs. That is one reason, critics say, why its overdose death rate is the second-highest in Europe after Estonia's: users are afraid to call for help. Poland has needle exchanges, but under its present conservative government, the number of syringes distributed mysteriously dropped by half in 2016. In Copenhagen last summer police repeatedly raided the anarchist community of Christiania, where cannabis dealing had long been unofficially tolerated.

Getting tough on cannabis seems strange at a time when countries and American states are legalising it. Harm reduction began with cannabis in the 1970s, when the Dutch government began tolerating retail reefer sales in designated "coffee shops". But tellingly, it never decriminalised the business of supplying the coffee shops, so the wholesale trade stayed illegal. "It makes no sense at all," says Peter Schouten, a Dutch lawyer who hopes to become one of the country's first legitimate marijuana farmers when a pilot programme is launched next summer.

Many of Europe's decriminalisation and harm-reduction efforts remain unfinished. Américo Nave, head of CRESER, criticises Portugal's government for failing to create safe injection rooms and barring outreach workers from carrying the drug naloxone, which can save heroin users who have overdosed. Last December, Ms Correia says, she watched a man die, knowing that naloxone might have saved him. Still, that is one of just a few dozen such deaths in Portugal in the past year. In Sweden, there may be ten times as many.

This article was downloaded by **calibre** from
<https://www.economist.com/europe/2018/11/24/harm-reduction-is-the-right-way-to-treat-drug-abuse>

Less gravy

A slowdown in Germany's economy

That means less cash for political dealmaking



AP

Nov 24th 2018 | BERLIN

“TRULY A GREAT achievement...real triumph!” Thus did Olaf Scholz, Germany’s finance minister, this week hailed the imminent dip in his country’s public debt to below 60% of GDP, the limit set by euro-zone rules. Mr Scholz was unveiling his budget for 2019, the sixth consecutive year in which Germany will meet its “black zero” preference of no net borrowing. Building strong fiscal buffers, he boasted, prepares Germany for financial storms that may be brewing elsewhere.

The Teutonic obsession with fiscal probity grates in parts of Europe. But beyond the protection they provide, surpluses help oil the rusting wheels of Germany’s coalition politics. Mr Scholz’s Social Democratic Party (SPD), sinking in the opinion polls, is unhappy about its junior role in Germany’s government. But it was surprisingly constructive during budget talks. The coalition deal it signed last year with Angela Merkel’s Christian Democratic

Union (CDU) contains a long wishlist of spending priorities. In exchange for such prizes as a system of pension guarantees until 2025, the SPD even overcame its traditional resistance to spending more on defence.

But what happens when the good times end? Germany's economy contracted by 0.2% in the third quarter of this year. That was largely because new emissions standards for carmakers temporarily slowed production; most analysts expect a robust rebound in the last quarter. Yet amid the uncertainties of Donald Trump's protectionism, Italy's rogue government and Brexit, forecasts for German growth next year are steadily being cut to something closer to 1.5%. That would hardly mean a fiscal crunch, but it will limit the finance ministry's ability to hand out sweeteners.

Losing momentum

Germany, GDP, % change on a year earlier



Source: German Federal Statistical Office

The Economist

Meanwhile, the contest to succeed Mrs Merkel as head of the CDU, which comes to a head in early December, could cause wider political ruptures, including the collapse of the current coalition. Talks on forming a new government will be harder with less cash to splash around.

The role of windfall revenues in keeping government going should not be exaggerated, says Jeromin Zettelmeyer, a former official in Germany's economy ministry now based at the Peterson Institute for International

Economics in Washington, DC. For years, governments have feared that Germany's boom may be nearing its end. They have moderated their promises accordingly.

The problem with Germany's success, notes Mr Zettelmeyer, is that it has allowed governments to avoid tackling structural inefficiencies. Germany's recent boom has been in part the product of good luck, says Christian Odendahl at the Centre for European Reform: strong global demand for its exports, a weak euro and low interest rates. But it has not exploited the opportunity to introduce more competition to its protected service sector, improve its woeful record on digitisation or reform taxes, let alone rebalance its economy away from exports. Like the euro-zone countries it likes to lecture, Germany seems to reform only under pressure.

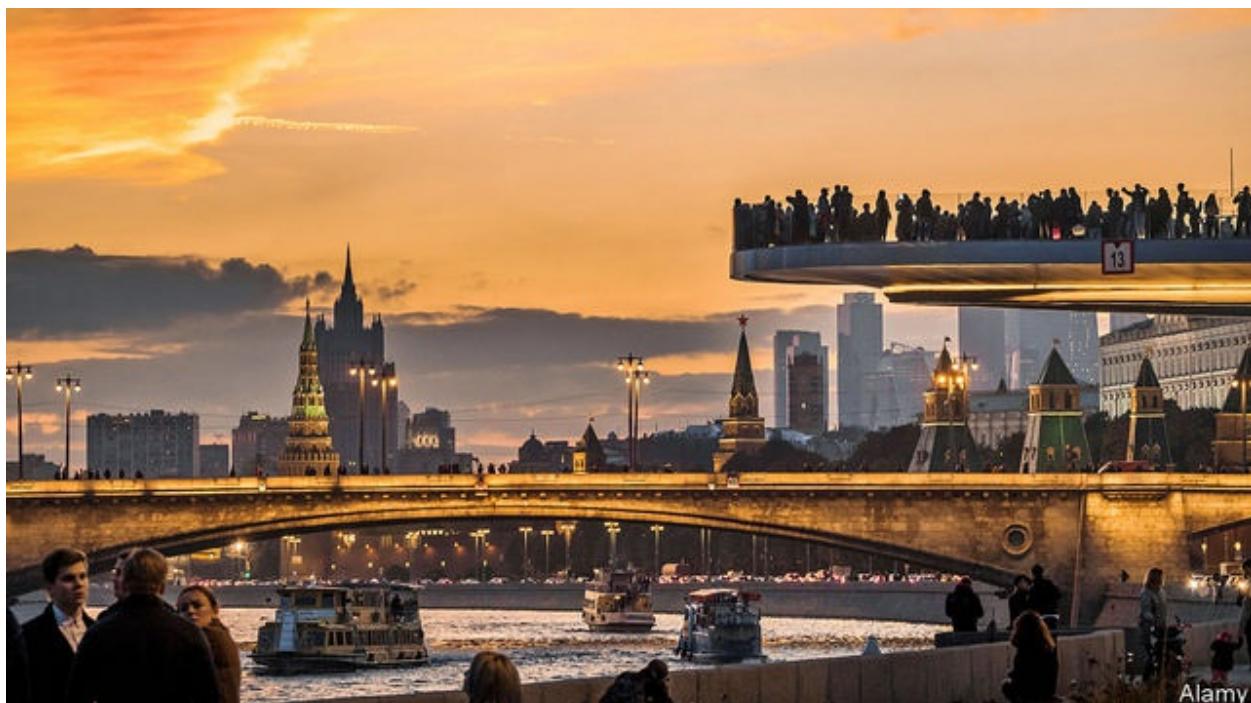
Rather than back more reform, Germany's coalition politicians now seem keener to differentiate themselves from their rivals. The SPD talks of scrapping Germany's "Hartz IV" reforms, passed in 2003 by an SPD-led government and credited with keeping unemployment down ever since. It has also proposed locking in expensive pension guarantees until 2040. For its part the CDU wants to axe the "solidarity" charge, introduced in the 1990s to help the ex-communist east. Such proposals, often uncosted, contribute to a sense of a government without direction. Little wonder voters are tuning out.

This article was downloaded by **calibre** from
<https://www.economist.com/europe/2018/11/24/a-slowdown-in-germanys-economy>

Baron Sobyanin

Moscow's mayor squashes competition but transforms his city

Sergei Sobyanin has turned his city around



Alamy

Nov 22nd 2018 | MOSCOW

THROUGHOUT ITS 900-year history, Moscow has been called many things. “Stench, stones, luxury, poverty,” was Tolstoy’s assessment in 1881. Travellers and residents alike have long remarked on the city’s blend of glamour and gore, the sacred and the profane. In the Soviet era, it was seen as massive, grey and forbidding; amid the oil boom of the 2000s, as gaudy and unlivable. Yet in recent years, some unexpected descriptions have joined the list: pleasant and functional. Or as Vladimir Putin declared in September at the re-inauguration of his handpicked mayor, Sergei Sobyanin, Moscow has become “hospitable and comfortable”.

Mr Putin’s gratitude is genuine. Throughout a period that has seen mass protests, grinding recession and international tensions, Mr Sobyanin has provided steady stewardship to a city that accounts for nearly one-tenth of Russia’s population and roughly one-fifth of its GDP. Since his appointment in

2010, he has also overseen the most sweeping transformation of the capital since the Stalin era. Armed with a budget that brings in some 20% of all regional revenues, he has refurbished scores of parks, repaved hundreds of streets, built dozens of metro stations and erected a new light-rail line. Public services have leapt into the digital era. Europe's largest city has become one of its fastest changing. Yuri Saprykin, a cultural commentator, argues that Mr Sobyanin will go down as a figure like Baron Haussman, who oversaw the renovation of Paris under Napoleon III.

That transformation has cemented Mr Sobyanin's status in Mr Putin's court. As Andrei Kolyadin, former head of the Kremlin's regional politics department, puts it: "He is one of the Kremlin towers." While serving as Mr Putin's chief of staff in 2005-2008, Mr Sobyanin was mentioned as a possible successor. His handling of Moscow has put him on the shortlist for prime minister, were Mr Putin ever to jettison his longtime sidekick, Dmitry Medvedev.

In Russia's hyper-centralised system, Moscow plays an outsized role, even for a capital, serving simultaneously as the centre of government, finance, media and culture. The city reaps revenues from big national companies and well-paid employees based there, generating an imbalance that breeds resentment from other regions. The World Bank reckons that, while Moscow has a GDP per person around that of the Netherlands, Russia's poorest region languishes closer to that of Honduras.

The previous mayor, Yuri Luzhkov, had ruled Moscow as a medieval fief since 1992, developing a reputation for corruption and crass taste. Historic buildings came crashing down, glitzy shopping malls popped up and traffic ground to a halt; in the meantime, his wife, a construction magnate, became the country's richest woman. Mr Sobyanin set out to break with the Luzhkov era. He told potential hires that he wanted to "build a new Moscow with new people," recalls a former senior city official.

The new mayor focused on urban planning and public space. If earlier eras saw cities fight "for territory" or "for factories", Mr Sobyanin has said, today they must fight "for people". Residents can now cruise wide pavements, on city-sponsored bikes and scooter-sharing programmes. Less visible, though no less important, has been the modernisation of government services. "One-

window” hubs have streamlined bureaucratic processes that used to require trips to separate offices.

Critics charge that the changes have been cosmetic. New streets have come at the cost of lower social spending. Mr Sobyanin’s demolition of small street kiosks, and hasty plans to raze ageing housing stock and resettle residents, betrayed a troubling disregard for private property. Improvements in quality of life have come with tighter limits on political freedom. In this year’s mayoral election, Mr Sobyanin ran virtually unopposed; Alexei Navalny, Russia’s leading opposition politician, who nearly forced a run-off against Mr Sobyanin in the 2013 election, spent election day behind bars. “Sure we have bike paths, but people get beaten with truncheons on them,” says Lyubov Sobol of Mr Navalny’s Anti-Corruption Foundation.

Still, much of Moscow’s liberal intelligentsia, often highly critical of Mr Putin, has come to acknowledge Mr Sobyanin’s work at the city level. As Alexei Venediktov, editor-in-chief of the Echo of Moscow radio station, says, “Through gritted teeth, people admit that things were worse and became better.”

This article was downloaded by **calibre** from
<https://www.economist.com/europe/2018/11/24/moscows-mayor-squashes-competition-but-transforms-his-city>

On the rocks

A heroic sailor faces expulsion from Italy's Five Star Movement

Captain Gregorio De Falco shows the cracks within the ruling coalition



Nov 22nd 2018 | ROME

SELDOM HAS the morale of Italians fallen as low as in 2012 when the *Costa Concordia*, a cruise ship, was wrecked near the Tuscan coast and abandoned by its Italian captain. Thirty-two passengers and crew died. The giant capsized hulk seemed to symbolise the failure of a country that months earlier had almost sunk the euro. But one man preserved Italy's self-respect. Recordings surfaced of a coast-guard officer, Gregorio De Falco, furiously rebuking the skipper. His (unheeded) order to Captain Francesco Schettino to "Get on board, for fuck's sake" became a national catchphrase.

Captain De Falco has since entered politics. In March he was elected a senator for the anti-establishment Five Star Movement (M5S), which has pledged to clean up Italian politics. Yet barely eight months on, this national hero is facing expulsion from the movement's group in the upper house, having twice put his conscience ahead of his party. On November 7th Mr De

Falco was among five M5S senators who refused to vote for a decree on security and immigration backed by the government, a coalition between M5S and the hard-right Northern League.

The decree passed, but a week later the mutinous captain supported in committee an opposition amendment to another government decree. This time, his vote was decisive: it inflicted the coalition's first parliamentary defeat since it took office in June.

Mr De Falco's objection was that the decree includes a planning amnesty for the island of Ischia, off Naples. It applies to buildings constructed or modified illicitly and damaged in an earthquake in 2017, and could permit rebuilding in areas where houses would mar the landscape or where their inhabitants would be at risk from natural hazards. Mr De Falco argues it clashes with core party principles such as respect for legality and the environment. It will nevertheless be popular in the south, where unauthorised construction is widespread and the M5S gets much of its support.

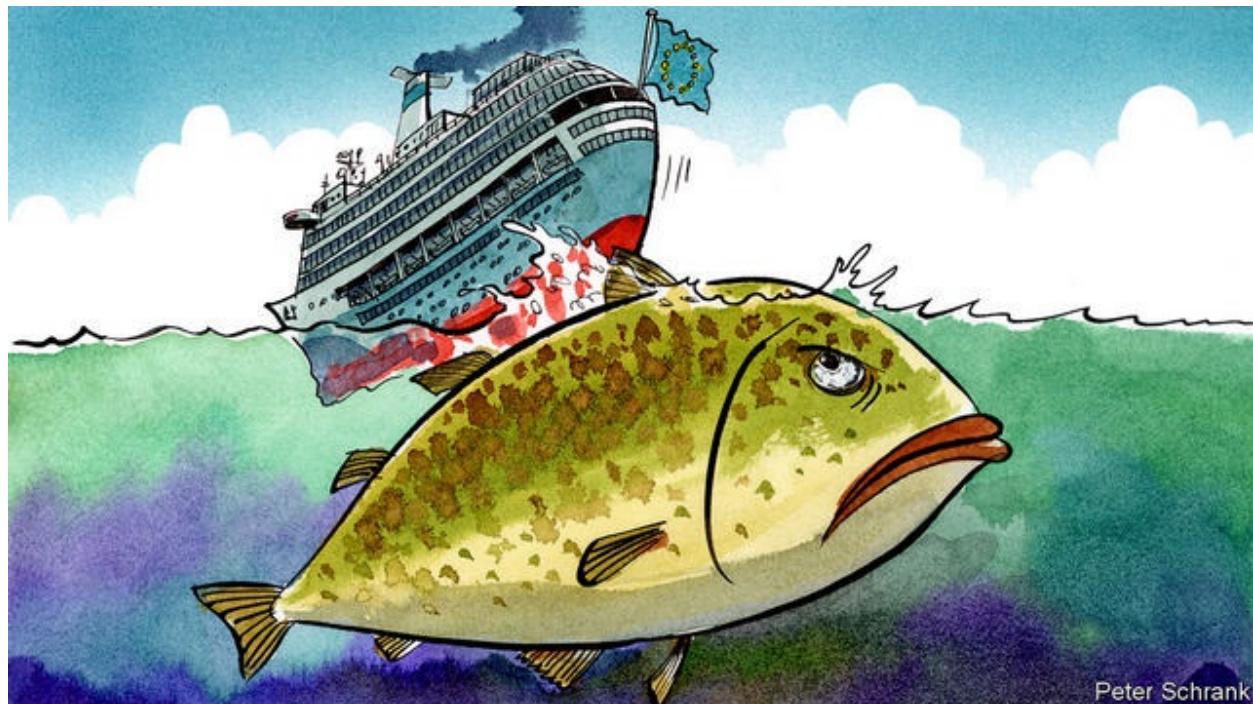
Mr De Falco's misgivings about the government's hardline immigration policy, driven by the League's leader and interior minister, Matteo Salvini, are widely shared in the M5S. Many of its lawmakers lean leftward, and 18 backed a batch of amendments to the immigration and security decree—the latest of several signs of strain in a coalition that is starting to look unseaworthy.

This article was downloaded by **calibre** from
<https://www.economist.com/europe/2018/11/24/a-heroic-sailor-faces-expulsion-from-italys-five-star-movement>

Charlemagne

The power of fish

What the poisonous politics of les poissons means for Brexit



Nov 22nd 2018

ON DECEMBER 11TH 1975 an Icelandic coastguard vessel came across a group of British ships sheltering from a storm in a fjord and ordered them to leave. The minesweeper collided with one of the British boats. Shots were fired; first blanks, then live ammunition. London sent in a frigate force. Reykjavik took the incident to the UN. And all because of fish. The incident, more evocative of 18th-century gunboat diplomacy than modern relations between liberal democracies, played out at the height of the “cod wars” over fishing rights. Rival trawlers frequently rammed each other. The conflict even affected the cold war: Britain felt itself obliged to divert naval ships from patrols of the North Atlantic to guard North Sea trawlers. Iceland ultimately got its way by threatening to leave NATO.

The European fishing industry is a minnow. In the EU it contributes about 0.1% of GDP. Even in the regions most reliant on fishing (Scotland’s

highlands and islands, Spain's Galicia, Greece's Ionian islands) the proportion is little more than 2%. Yet the industry exerts an outsized pull on the continent's politics, affecting even giant geopolitical matters. The latest example is Brexit. At a summit on November 25th leaders from the 27 remaining member states will discuss and, it is expected, approve the withdrawal agreement drafted by the British government and the European Commission, as well as a political declaration on the future relationship between Britain and the EU. One of the main bones of contention will be fish.

European fishing policies helped motivate the Leave vote: Brexiteers demanded the freedom to exclude foreign trawlers from British waters, where they catch eight times as many fish as Britons do in foreign waters. A flotilla of fishing boats on the Thames in June 2016 was one of the campaign's most memorable events. One EU diplomat was struck, on the morning after the vote, to be called first not by his country's foreign or finance minister but by its fisheries minister. In Brexit, fish matter.

British and EU negotiators had to leave the subject out of the withdrawal agreement. It is now due to be resolved by summer 2020, ahead of the end of the post-Brexit transition period. That incensed Brexiteers and Remainers alike. Last week Conservative MPs from pro-Remain Scotland wrote to Theresa May objecting to any settlement short of "full sovereignty over our waters". But governments of other coastal states, including France, Belgium and Portugal, want assurances that their trawlers will retain access to British waters. France wants a future trade deal to depend on such a guarantee. The common ground is narrow, so negotiators have to find a vague form of words to keep the deal alive. And all that for some 6,000 fishing jobs on the continent and a sector that contributes about as much to the British economy as logging or the manufacture of leather goods.

What makes fishing so politically sensitive? Unlike widgets, say, fish are a limited, ecologically sensitive resource. They also migrate between competing national jurisdictions, and their movements are growing more complicated as global warming drives shoals in the North and Atlantic seas northward. Divvying up rights and quotas is tricky. Resentments emerge easily and die hard. Bad blood between Spanish and Irish fishermen, for example, has lingered for decades. The Irish navy once sank a Spanish vessel.

Such disputes have often ended up at the European Court of Justice, generating some of the case law underpinning fundamental EU principles like non-discrimination between member states, the primacy of European law and clear dividing lines between EU and national competences.

Another factor that makes fishing touchy is that it is intensely geographically concentrated. In some European ports it generates more than 30% of local output and more than 50% of jobs; more if associated activities like transport, shipbuilding and fishmongering are included. If the industry suffers, the effects are starkly visible. Some of the poorest parts of north-west Europe are fishing towns whose trade has withered. Grimsby, on England's east coast, is so down-at-heel that Sacha Baron Cohen set a film there. Concentrated deprivation creates political pressure.

A bigger scale

Fishermen have the tools and sense of common purpose to make their grievances heard. Boats can be used to ram rival boats—a method that featured heavily in the “scallop wars” earlier this year, as French fishermen tried to prevent Cornish competitors from circumventing local ecological restrictions. Boats can also be used to create wider disruption. In January it took just a dozen trawlers to shut down the port of Calais, in protest at the Dutch use of electric pulses to release fish from the seabed. Irish, French and Spanish fishermen have all used such blockades over the years to extract government support on fuel costs. The industry is just as pushy in Brussels. Last year the Corporate Europe Observatory revealed that a number of fish lobbyists had used press passes to enter the EU Council building during ministerial deliberations about fishing quotas.

In the corridors of Brussels a simpler explanation is the most cited: “People just like fishermen,” says one insider. Europeans feel an almost Proustian connection to their food and landscapes that does not readily express itself when the widget industry is in trouble. To voters and politicians in coastal states, fishing ports are part of the national identity; they feature regularly in children’s books. And jeopardised fishermen suggest jeopardised *bouillabaisse* or *matjes*. Such emotional considerations may yet force the hand of Brexit negotiators, notes Rem Korteweg of the Clingendael Institute, a Dutch think-tank. Without agreement by 2020, Britain’s fish exports (some

two-thirds of its catch) will dry up, devastating fishing ports. As on so much else, the Brexiteers may not have thought this one through.

This article was downloaded by **calibre** from
<https://www.economist.com/europe/2018/11/24/the-power-of-fish>

| [Section menu](#) | [Main menu](#) |

Britain

- **[Conservative rebels: They were the future once](#)** [Fri, 23 Nov 11:21]
A rebellion in the Conservative ranks fizzles out. A botched coup suggests Tory Eurosceptics hold less sway than they thought.
- **[The Democratic Unionist Party: DUPed?](#)** [Fri, 23 Nov 11:21]
Theresa May runs into trouble with her Northern Irish allies. The DUP fires a warning shot, voting with the opposition on the finance bill.
- **[Police reform \(1\): Syncopated beats](#)** [Fri, 23 Nov 11:21]
England's surge in violent crime revives talk of merging the police. Do England and Wales really need 43 separate forces?.
- **[Police reform \(2\): Getting the band back together](#)** [Fri, 23 Nov 11:21]
Scotland's national police force finds its feet. Five years after a bumpy launch, there are signs that the merger is working.
- **[Education: Teach whenever](#)** [Fri, 23 Nov 11:21]
A shortage of teachers prompts Teach First to change tack. It is six years since the government met its annual recruitment target.
- **[Crowdfunding court cases: The price of justice](#)** [Fri, 23 Nov 11:21]
Crowdfunding is opening up Britain's justice system. Online donations help small charities and campaign groups get to court.
- **[The Gurkhas: Mountains to climb](#)** [Fri, 23 Nov 11:21]
What happened after thousands of Gurkhas moved to an English town?. After a bumpy start, Aldershot's Nepalese are finding their feet.
- **[Bagehot: Crisis? What crisis?](#)** [Fri, 23 Nov 11:21]
How does Brexit compare with other great crises?. This is Britain's worst domestic mess of the democratic era.

They were the future once

A rebellion in the Conservative ranks fizzles out

A botched coup suggests Tory Eurosceptics hold less sway than they thought



Nov 24th 2018

“MY LITTLE CHILDREN let us not love in word neither in tongue but in deed and in truth.” The biblical verse carved in stone in a converted church in Westminster contained a lesson for the band of ageing revolutionaries gathered below on November 20th. Deed and truth have been lacking in an attempted coup by Tory MPs against their leader, Theresa May. Plenty had promised to send in one of the 48 letters needed to trigger a confidence vote in the prime minister. But almost a week after the young fogey in charge of the revolt, Jacob Rees-Mogg, announced the rebellion, not enough actually had.

It was not supposed to be like this. For months, breathless reports from anonymous MPs suggested that just a few more letters were necessary. Mr Rees-Mogg and his allies in the European Research Group (ERG) of Eurosceptic Tory MPs were said to have a gun held to the prime minister’s

head, and be willing to pull the trigger if they did not like the Brexit deal she had brought home from Brussels. In the end, they fired a blank.

Hardline Tory Brexiteers are loud in voice, but small in number. They are dwarfed by a more pragmatic wing of the party, which includes the bulk of Conservative MPs, though it generates less press coverage. “ERG leaders are ideologues,” says one former minister. “Most Conservatives, including most Leavers, are not.” The fight is between pragmatists, happy to compromise for the sake of power, and a minority who have an ideological commitment to reclaiming every last scrap of sovereignty from the European Union, he says.

Unfortunately for Mrs May, an abundance of pragmatic MPs does not make her life much easier. Her main problem in the next few weeks will not be fending off half-baked leadership plots, but pushing her Brexit deal through Parliament. Although the ideologues are few, the government’s majority is even smaller. Mrs May depends on the support of Northern Ireland’s Democratic Unionist Party, which is wobbling ([see article](#)). Mr Rees-Mogg’s band of Brexiteers might struggle to bring down the prime minister, but they may well stop her deal.

A small tail of Europe-obsessed MPs has wagged the Conservative Party dog for decades. In the last few years of David Cameron’s government, Eurosceptic MPs were cast as crack guerrillas. Under the stewardship of Steve Baker, one of those behind the attempted coup against Mrs May, they forced Mr Cameron to retreat over the terms of the Brexit referendum, bullying him into enforcing purdah (when the government stops introducing new measures during election campaigns). After the referendum was won, Mr Baker boasted of having read “The 33 Strategies of War”, a self-help book which claims to distil the wisdom of Napoleon, Clausewitz and Alexander the Great. Now the ERG is more often compared to “Dad’s Army”, a sitcom about a hapless platoon of volunteers in the second world war.

On the opposite side of the Tory party, Remainer MPs are making trouble. Earlier this month Jo Johnson, a brother of Brexiteer Boris, resigned as transport minister and called for a second referendum, to pit Mrs May’s deal against the alternatives of remaining in the EU and leaving without a deal. Tory MPs complain that their inboxes are deluged with demands for both extremes: a “People’s Vote” on one hand, or a no-deal Brexit on the other.

(Emails about more mundane topics, like delayed trains, still outnumber both.)

Most Conservative MPs want neither a leadership contest nor a second referendum. Getting Brexit over with is more important. To them, the deal is good enough, and they suspect voters will feel the same. Though two cabinet ministers, including the Brexit secretary, Dominic Raab, resigned over Mrs May's deal, the rest, notably Michael Gove, environment secretary and leading figure in the Leave campaign, have swallowed their concerns. After all, some Brexit is better than no Brexit, which Mrs May threatens could be the result if Parliament rejects the deal. "Most people are not idiots and do not expect the moon on toast," says one MP whose constituency voted narrowly to leave.

In the grassroots, it is another story. As the party's membership has shrunk, it has become more extreme in its views. Today's Conservative members are much more interested in Brexit than bake sales, worry MPs and aides. An increasingly Eurosceptic membership has caused some MPs to look at the rise of the Tea Party in the Republican ranks in America, where radical activists dragged the party to the right.

The threat to Mrs May is not over. Some 26 MPs publicly claim to have put in letters. Another handful may have done so secretly. It would not take many more for Mrs May to face a confidence ballot. If Parliament rejects her Brexit deal, a confidence vote may be in the offing, predicts one backbench Machiavelli who steered clear of Mr Rees-Mogg's plot. In that context, Tory MPs could say they were acting in the national interest—changing the prime minister in order to get a Brexit deal through—rather than engaging in a bout of regicide for internal reasons.

At the moment, Downing Street fancies a fight. Mrs May has won the grudging respect, if not the affection, of voters. A poll by YouGov finds that 46% want her to stay in the job, compared with 33% a week ago. The spectacle of unserious MPs trying and failing to remove her suits the prime minister's aides, who like to portray her as a serious woman getting on with a difficult job. If MPs do stumble over the 48-letter threshold, Mrs May would probably win the confidence motion. Under party rules, another vote could not be held for a year.

Still, nothing is guaranteed. Public pledges of support can turn into something else in the privacy of a voting booth. As Mr Rees-Mogg found out, word and deed do not always match in the Tory party.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/a-rebellion-in-the-conservative-ranks-fizzles-out>

| [Section menu](#) | [Main menu](#) |

DUPed?

Theresa May runs into trouble with her Northern Irish allies

The DUP fires a warning shot, voting with the opposition on the finance bill



Getty Images

Nov 22nd 2018

AS IF REVOLT on both wings of her own Conservatives were not enough, Theresa May faces rebellion from the Northern Irish party that props up her government. Because the prime minister lost her majority in the election she unwisely called in June 2017, she was forced into a “confidence and supply” agreement with the Democratic Unionist Party. The DUP’s ten MPs promised to vote with the government on confidence matters, Brexit and the budget in exchange for a bung of £1bn (\$1.3bn) extra spending in the province.

The deal was widely criticised. A former Treasury permanent secretary noted that the DUP had “previous” when it came to extracting bribes from Westminster. Until two weeks ago the party was at least reliably delivering its votes for Mrs May. Since she unveiled her Brexit deal, however, that reliability has come into question. This week the party exerted its power by abstaining or even voting with the opposition on amendments to the finance

bill.

The DUP's gripe is the Northern Irish "backstop" in the Brexit deal. This would bind the province more tightly into EU single-market rules than the British mainland. The party's leader, Arlene Foster, says this breaks Mrs May's promise that, after Brexit, Northern Ireland will not be treated differently from the rest of the United Kingdom and there will be no border in the Irish Sea. She is not reassured by Mrs May's response that there will be no customs controls and no new regulatory barriers to Northern Irish exports to the mainland. For that leaves open the idea of extra regulatory checks, however discreetly they may be done, on goods that go from Britain to Northern Ireland.

After the DUP's finance-bill rebellion, the Labour opposition crowed that the confidence and supply agreement was over and Mrs May's government was "in office but not in power". Yet the DUP was careful not to cause fiscal damage and says the agreement is not dead. More problematic for Mrs May is its threat to vote against the Brexit deal when it comes to the Commons next month. With as many as 70-80 Tory MPs also promising to vote the deal down, the extra DUP votes seem to doom any chance she may have had of winning parliamentary approval for it.

Like the Tory rebels, the DUP is demanding that Mrs May renegotiate the Brexit withdrawal agreement, which includes the backstop. Yet it is clear that the EU is not prepared to reopen the legal text of that agreement. This week it was fleshing out the accompanying political declaration about future relations, giving countries like France and Spain the chance to raise grievances about fisheries and Gibraltar, respectively. Changes to the declaration at the EU summit due on November 25th could make it even harder for Mrs May to win approval for the deal at home.

The government has not given up on winning over the DUP. Over half the £1bn bung remains to be spent, after all. And though the party hates the Brexit deal, there are things it may dislike even more. It would not welcome a no-deal Brexit that led to a hard border in Ireland. It does not support a new referendum on Brexit. And it certainly does not want political chaos that could lead to another election. That could not only end its powerful position backing Mrs May's government but also put into power Labour's leader,

Jeremy Corbyn, whom unionists see as an inveterate republican sympathiser.

Ministers hope such fears will soften the DUP's hostility to the Brexit deal. But experience shows that, unlike Tories, Northern Irish rebels are not easily turned.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/theresa-may-runs-into-trouble-with-her-northern-irish-allies>

| [Section menu](#) | [Main menu](#) |

Syncopated beats

England's surge in violent crime revives talk of merging the police

Do England and Wales really need 43 separate forces?



REX/Shutterstock

Nov 22nd 2018

HEADLINES ON NEWS-STANDS up and down England make for grisly reading. On November 16th a man was stabbed on the seafront of Weymouth, a quiet town on the south coast. Two days later a 16-year-old boy was knifed at a house in Birmingham. On the same day in London a gang of ten men stabbed four others sitting in a car on a residential street; one of the victims had been shot at less than 24 hours earlier.

Rising violence is leading to calls for the police to be given more money. Squeezed budgets have cut the number of officers by 15% since 2010. But the crime wave has also revived talk of police reform. England and Wales have 43 forces, from London's mammoth Metropolitan Police (with 31,075 officers) to Warwickshire's tiny constabulary (with 823). Some argue that encouraging them to merge, or at least work more closely together, could save money and improve their ability to tackle violence.

A recent change in the illegal-drugs market to a model known as “county lines”, where gangs in big cities like London and Liverpool muscle into provincial towns, has sparked turf wars fought across police boundaries. Constabularies are struggling to co-ordinate their response. Small forces in coastal towns are seeing spikes in violence fuelled by drugs networks hundreds of miles away, says Tim Champion, a detective at the County Lines Co-ordination Centre, a national body set up in August. “They don’t have the scope to deal with it,” he says. Rolling out national initiatives like his takes time, as they must be agreed by the chief constables and commissioners in each district—86 people in total.

Some forces are working more closely together, though mainly to save costs. Five constabularies in the East Midlands have merged their back offices and share units for major crimes like murder. It was once hoped that such arrangements might kick-start a process of amalgamation. But alliances are breaking up. Last month West Mercia Police pulled out of its partnership with Warwickshire, complaining that it shouldered too much of the burden. A few days earlier Devon and Cornwall Police scrapped plans to merge with Dorset, owing to a row about funding.

Talk of mergers meets stiff local opposition, not least from the elected commissioners who govern each force. John Apter of the Police Federation, which represents officers, is wary of regionalisation. Bigger forces might struggle to forge relationships with local communities, he says.

Others believe they would find it easier. Merging forces saves money and would therefore reduce the number of officers lost to future cuts, says Rick Muir of the Police Foundation, a think-tank. And diverting complex crimes like online fraud to national bodies staffed by specialists would take pressure off regular bobbies and help them to get back on the streets.

Mergers would not solve every problem, warns Simon Cole, chief constable of Leicestershire. Like most police, he says extra funds are also needed. But Scotland merged its eight forces into one in 2013 and is seeing better results for less money (see [article](#)). As violence continues to climb south of the border, the English could do worse than look north.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/englands-surge-in-violent-crime-revives-talk-of-merging-the-police>

| [Section menu](#) | [Main menu](#) |

Growing pains

Scotland's national police force finds its feet

Five years after a bumpy launch, there are signs that the merger is working



Nov 22nd 2018 | GLASGOW

IN 2013 THE residents of sleepy Highland villages noticed something odd. Armed police had started popping up on their streets. Cops with guns were spotted at a bakery in Brora, a fishing village, sparking alarm. Others queuing in a supermarket caused a stir down the road in Inverness. Police vans clad in anti-riot gear cruised through remote moorlands.

That year, Scotland's eight regional police forces became a single national squad. Merging was intended to save money by ending the duplication of HR departments, call centres and so on. It was also meant to improve policing. National units would investigate rare crimes like murder, leaving local bobbies to get on with bread-and-butter stuff.

The fledgling force had a bumpy start. Small constabularies saw it as a takeover by Strathclyde Police, the biggest of the bunch. The spread of armed

officers was one aspect of “Strathclydisation”, where tough Glaswegian tactics were rolled out to the sticks. Use of stop and search also increased. Methods that work on inner-city gangs are unsuited to places where duties include rescuing cats from trees, says Willie Rennie, leader of the Scottish Liberal Democrats. His party argues that amalgamation has eroded local policing.

Governing such a large force has proved hard. Claims of bullying and of spying on journalists have dogged its top brass. A new watchdog lacks a clear mandate and is leant on by ministers, says Ali Malik, a criminologist. And the force’s high profile means that policing has become a bigger political issue. The force’s blunders are used as a stick with which to bash the Scottish Nationalist government that set it up.

But there are signs that the merger is bearing fruit. Although the force lumbers on with a mismatch of computer systems inherited from its predecessors, costs have fallen by 18% since 2012-13. Whereas belt-tightening has led to a drop in officers south of the border, numbers in Scotland have remained stable, at just over 17,000—though many have been stuffed into back-office roles, replacing civilians who were sacked instead. Armed police are once again a rare sight in the Highlands, and reforms are under way to improve accountability.

Scottish policing was shambolic before the merger, says Niven Rennie, an ex-head of the Association of Scottish Police Superintendents. Competition between forces hampered decision-making, and their ability to deal with complex crimes varied wildly. Centralisation has brought consistency. Rape cases, for example, are now handled by specially trained officers. Victims’ experience has improved significantly, says Sandy Brindley of Rape Crisis Scotland. The police have also got better at going after organised criminals, who do not respect constabulary boundaries.

A popular new chief constable, Iain Livingstone, must now convince a sceptical public that the merger is working. “Merging was the right decision,” says Nick Fyfe of Dundee University. “But people underestimated how complicated it would be.”

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/scotlands-national-police-force-finds-its-feet>

| [Section menu](#) | [Main menu](#) |

Teach whenever

A shortage of teachers prompts Teach First to change tack

It is six years since the government met its annual recruitment target



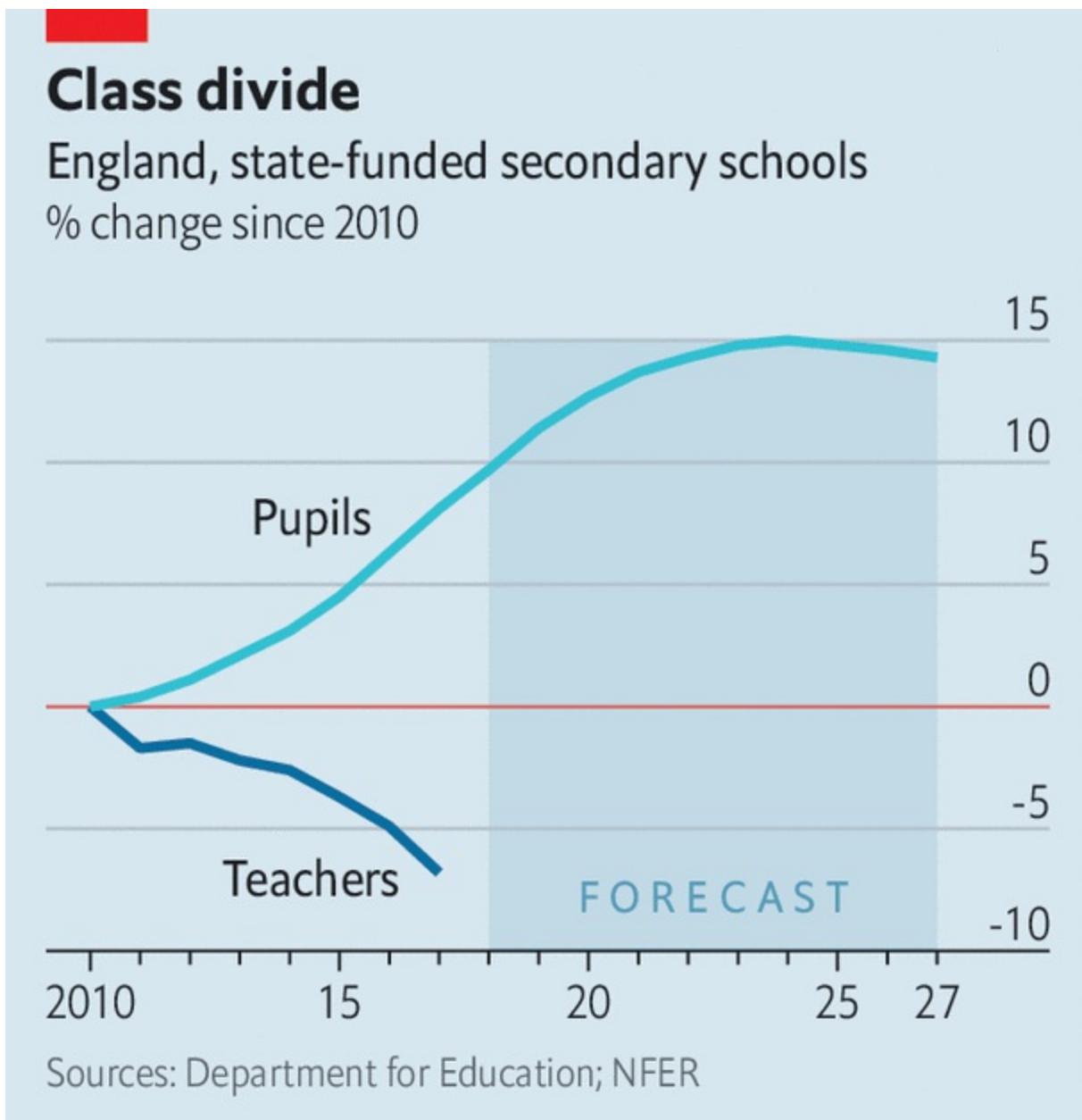
Getty Images

Nov 24th 2018

IN 2002 BRETT WIGDORTZ, a young consultant, left McKinsey to set up Teach First. The idea was simple: to lure high-flyers, often from elite universities, to tough schools with the promise of networking, quick training and good career opportunities for those who left after a few years. Since then the charity has worked with the government to train around 10,000 teachers, many of whom have gone on to big jobs in the education system.

Now Teach First is branching out. On November 20th it announced that it would establish three new strands. One will be aimed at those contemplating a change of career, another at those teachers who have quit the profession, and the third at classroom assistants who want to train as fully fledged teachers. Russell Hobby, the organisation's new boss, reckons that in five years these new routes could account for a third of Teach First's intake.

The need for more teachers is pressing enough to justify the wider focus. The government has failed to meet its recruitment targets for the past five years. Last year it fell short by 20%. The proportion of secondary-school teachers leaving the profession early has crept up, from 10.8% in 2010-11 to 11.8% in 2014-15. Worse, the Department for Education's forecasts suggest that the number of pupils will shoot up over the next decade (see chart).



The Economist

Although all the groups being targeted were already eligible to join Teach

First, the new schemes are adjusted to meet their needs. Returners will be offered help finding flexible work, since many will be parents going back to teaching after a break to look after their own children. Career-changers will be paid while they train, unlike other Teach Firsters. One hope is that older recruits will be more willing than recent graduates to work outside big cities. To avoid replicating the efforts of Now Teach, a similar organisation that seeks to hire greying professionals, Teach First will focus on those under 40.

The expansion will be expensive. It costs much more to train a teacher through Teach First than other paths, and those recruited are more likely to leave the job. According to a report in 2016 by the Institute for Fiscal Studies, a think-tank, the cost per teacher still in school five years after training is more than £60,000 (\$80,000) for a Teach First graduate, compared with £25,000-44,000 for those who enter the job by other routes. (Teach First says its costs quoted here include recruitment, whereas others' do not.)

The advantage of Teach First is that it attracts those who might not otherwise have considered teaching, and then directs them to schools with lots of children from poor families, where teacher shortages are most acute. Some old hands remain snooty about the organisation, which they believe too often brings in callow types lacking commitment to the job. Soon, at least, some of Teach First's high-flying new recruits will not be quite so inexperienced.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/a-shortage-of-teachers-prompts-teach-first-to-change-tack>

The price of justice

Crowdfunding is opening up Britain's justice system

Online donations help small charities and campaign groups get to court



Satoshi Kambayashi

Nov 22nd 2018

CHRIS DAY'S first Twitter post was fairly standard. "It feels good to tweet," he wrote. He got two likes. A week later he posted a second time, about a legal challenge to protect junior doctors' whistleblowing rights. Hundreds of people retweeted it. Soon, he marshalled an "army" of 3,000-odd backers, who chipped in more than £200,000 (\$256,000) to his cause. In 2016 the government wrote the right into junior doctors' contracts. It really did feel good to tweet.

Class-action lawsuits have a long history, especially in America. But websites that allow folk to crowdfund legal cases are a new phenomenon. They allow scores of people without a direct interest in a case to cover a proportion of its costs. Some of Mr Day's backers were fellow doctors who benefited from having their rights confirmed; others were merely sympathisers.

CrowdJustice, the only big player in Britain, set up shop in 2015 and is growing quickly. Though the website is used to fund only a small proportion of court applications, it is increasingly being used in high-profile cases. This week the Parole Board ruled that John Worboys, who was convicted of assaulting 12 women in 2008, should stay in prison, after the High Court overturned its previous decision to release him. Next week the European Court of Justice will hear a case that will determine whether Britain could unilaterally decide to stay in the EU. The cases respectively raised £66,000 and £176,000 on CrowdJustice.

Until recently, judicial reviews were typically brought by a relatively small bunch of non-governmental organisations such as Liberty, says Joseph Tomlinson of King's College London. "The same few organisations appear again and again," he wrote in a paper earlier this year. Smaller organisations would be put off by the complexity of mounting a case and the cost, which runs from about £20,000 to £200,000. CrowdJustice allows litigants to spread the burden. Jolyon Maugham, a barrister, used the site to mount cases for a small trade union and a charity that would not otherwise have been able to bear the financial risks. CrowdJustice is also used to raise cash for humdrum cases in more lowly courts and tribunals, such as immigration and employment disputes.

Some of the cases on CrowdJustice would have been brought anyway, possibly bankrolled by a few rich people. But wealthy backers risk accusations of riding hobby horses or using the law for their own ends. And arriving at court backed by thousands of online donors might increase the perceived legitimacy of the cause. "The judge sometimes equates the public interest with whether the public are interested," says Mr Maugham.

Sceptics claim that the site amounts to a popularity contest for legal funding, in which only those with the most retweets succeed. "You have to go off with a huge bang," says Sam Walton, a peace campaigner who raised £12,000 to fight a criminal-damage charge successfully.

The most common criticism is that the site acts as a sticking plaster for the dwindling legal-aid budget, which has fallen by a quarter since 2010. The proportion of state-funded judicial reviews has dropped from more than one in four in 2000-04 to fewer than one in 20 in the past two years. Some argue

that the success of CrowdJustice might encourage further cuts.

Yet plenty of cases never qualified for legal aid. Users are often middle-class professionals who have the know-how to run campaigns, says John Halford of Bindmans, a law firm. “They’re not poor enough to qualify for legal aid but not rich enough to litigate.” If crowdfunding helps some of them to get to court, it will expand, rather than shrink, the scope of justice.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/crowdfunding-is-opening-up-britains-justice-system>

| [Section menu](#) | [Main menu](#) |

Mountains to climb

What happened after thousands of Gurkhas moved to an English town?

After a bumpy start, Aldershot's Nepalese are finding their feet



Alamy

Nov 22nd 2018 | ALDERSHOT

“LITTLE KATHMANDU” is how some locals refer to Aldershot, south-west of London. A walk down the high street shows why. Some road signs have been translated into Nepalese. Shopfronts bear notices in the same language, including Namaste Travel and Tours, which advertises cheap shipping to the Himalayas. The quiet Hampshire town and its surroundings are home to more than 6,000 Nepalese, mostly the families of former Gurkhas, recruited from Nepal by the British army.

The Gurkhas have fought for Britain for more than 200 years. In that time they have lost more than 50,000 men in combat and earned 26 Victoria Crosses, the highest award for gallantry. Widely regarded as fearsome and skilled soldiers, 3,300 serve in the British army; others soldier for Brunei, as well as Nepal.

Many of those in Aldershot arrived following a successful campaign in 2009 to let Gurkhas who had retired before 1997 move to Britain with their families. The campaign's figurehead was Joanna Lumley, an actress whose (British) father was a colonel in the 6th Gurkha Rifles. Since the campaign's aim was achieved, the number of Nepalese-born people in Britain has more than doubled, to 65,000. Many have made a beeline for Aldershot, which has been the base for the Gurkha Brigade since 1997, when Hong Kong, its previous home, was handed back to China.

It has not been easy going. With no previous experience of Britain, some Nepalese were thrown by everything from the weather to traffic lights. Locals who were once enthusiastic about the Gurkhas became less keen as their numbers increased. Two years after the influx began, Aldershot's MP at the time, Gerald Howarth, warned that it had placed "very considerable burdens" on local services. Complaints and rumours were spread via Facebook groups with names like "Joanna Lumley has fucked up Aldershot and Farnborough". Some Nepalese have grown disillusioned, too. "After my children have finished their education, I think I will move back to Kathmandu," says one ex-Gurkha.

But there are signs that Aldershot's Nepalese are settling in. The Centre for Nepal Studies UK, a research organisation run by Nepalese in Britain, reports that the community in Aldershot is "charting the pathways" of social mobility. "There is an obvious improvement," believes Chandra Laksamba, co-author of a study of the community in nearby Farnborough. He found that second-generation Nepalese were increasingly getting managerial-level jobs and places at university.

There has been more cultural integration, too. Tanka Rana, who owns a grand local restaurant, the Palace, is from a family of Gurkhas. After living in England for 18 years, he and his family have adopted local customs, swapping Nepalese dress for jeans and t-shirts, and celebrating Christmas. Each year Mr Rana's uncle and aunt roast a turkey for the family—they taught themselves to cook it properly, he says, with all the trimmings.

Fighting between gangs of Nepalese and British teenagers used to be common. In 2007 Alderwood school, attended by many Nepalese children, was considered by the schools inspectorate to be merely "satisfactory"

(translation: it “used to be a dump”, in the words of one local parent). It is now judged “outstanding”. The school says that the performance of Nepalese students has improved and that racist incidents between pupils have become rarer. In 2013 there were ten such incidents; in the past year there have been three.

Sport has helped to bring residents together. A few years ago Richard Cooper, a local social worker, created United Rushmoor, a group for residents of all nationalities in the borough to play football. The group has since disbanded as it is no longer needed, Mr Cooper says. An annual football tournament in Aldershot, the Gurkha Cup, also aims to promote integration. Yoz Gurung, a volunteer, claims that it attracts around 15,000 spectators a year, most of them Nepalese.

Not all is rosy. In July 2017 Gamar Gurung, a 78-year-old who had retired from the Gurkhas in 1969 and moved to Aldershot in 2010, committed suicide. The inquest heard that he had felt homesick. Some British locals are still hostile to the newcomers. Last year a sticker reading “We’re having a party when Lumley dies” was left on a train. Yet the council says such incidents are rarer. Aldershot’s new MP, Leo Docherty, says that despite “teething problems” his Nepalese constituents represent a “tremendous success story”. Britain’s retired Gurkhas may be marching towards better days.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/what-happened-after-thousands-of-gurkhas-moved-to-an-english-town>

Bagehot

How does Brexit compare with other great crises?

This is Britain's worst domestic mess of the democratic era



Nov 22nd 2018

THE ONLY rule of British politics for the coming weeks is that nobody knows anything. The prime minister doesn't know who will resign next. The factions don't know their relative strengths. Nobody knows what is bluff and what is in deadly earnest.

But one thing that is increasingly clear in the fog of Brexit is that this is the most serious domestic crisis Britain has faced in the modern democratic era. In the statement that accompanied his resignation as transport minister earlier this month, Jo Johnson accused his own government of "a failure of British statecraft on a scale unseen since the Suez crisis". Others have compared the current debacle to the IMF's bail-out of Britain in 1976 or the gold-standard crisis of 1931. In fact it is worse than anything else Britain has endured in peacetime. The political system is all but paralysed, the country is divided into warring ideological tribes, the civil service is overwhelmed and, in the

event of no deal, Britain would be staring into the abyss.

Suez is a compelling comparison because it resulted from Britain's failure to adjust to its diminished status in the world. The crisis paralysed the government for months and forced Anthony Eden to resign. But so what? The Tory party quickly replaced Eden with a much better prime minister, Harold Macmillan, and went on to win the next general election with an enhanced majority. The Brexit crisis has taken a far higher toll on the Conservatives than Suez: the head of one prime minister, David Cameron; the loss of the party's majority in a botched election; and the resignation of a clutch of senior ministers.

A more apt comparison might be the 1976 episode with the IMF. This was a crisis of a political regime rather than merely a crisis of statecraft. The "Butskellite" consensus that had held sway since the second world war was consumed by stagflation and excessive wage demands. In 1976 James Callaghan, the Labour prime minister, decided that there was no alternative but to ask the IMF for a loan. The decision almost tore the government apart, as left-wingers such as Tony Benn pressed the case for a siege economy. But the crisis produced long-term benefits. Margaret Thatcher was waiting in the wings with a radical plan to address Britain's most pressing problems, such as ossified industrial practices and over-mighty trade unions. Brexit may well do the opposite. The man waiting in the wings is Benn's disciple, Jeremy Corbyn, who wants to roll back the Thatcher era. Thanks to Brexit, Britain could end up with the siege economy that it managed to avoid in 1976.

And whereas the IMF crisis was limited to economic management, the current one extends to the unity of the British state. The four nations voted differently in the referendum, with England and Wales voting to leave and Northern Ireland and Scotland to stay. The Good Friday Agreement deferred the Irish question, which had plagued British politics for centuries, by establishing mechanisms for shared oversight of the North by Britain and Ireland, "partners in the European Union". Brexit has put the Irish question back at the centre of British politics.

Another comparison is with the gold-standard crisis. Britain's return to the gold standard in 1925 at an unrealistic rate led to a succession of political dramas, as the gold straitjacket squeezed the life out of the economy. A

“national government” of all the parties, led by a Labour politician, Ramsay MacDonald, but dominated by Conservatives, tried to build consensus for economic orthodoxy. But the turmoil intensified. Unemployment soared, strikes spread, a naval base mutinied, capital fled and, on September 21st 1931, Britain abandoned gold. That shook the establishment to its core. But it nevertheless proved salutary in the long run, restoring businesses’ animal spirits and burnishing the reputation of gold’s most prescient critic, John Maynard Keynes. Leaving the EU is unlikely to have any of these beneficial effects. If Mrs May gets her way, Britain will remain closely tied to Europe, a non-voting member of a trade bloc; if she fails to get her way, and Britain drops out without a deal, the consequences will be catastrophic.

You broke it, you own it

What makes the current mess so deadly is that, whereas many past crises were imposed on the British people by the British state, this one was imposed on the British state by the British people. Some Remainers comfort themselves with the illusion that the referendum’s outcome was the result of Russian machinations or Brexiteers’ lies. There is no doubt that the Russians machinated and the Brexiteers lied. But that does not explain why 17m people voted Leave, despite the unanimous advice of the global establishment. They voted in part because they wanted to take back control from an undemocratic Europe, and in part because they considered the British establishment a collection of self-dealing incompetents.

Profound crises demand profound solutions. It will not be enough to change a misguided policy, as happened when Britain abandoned the gold standard or when it withdrew its troops east of Suez. There may be a case for having another vote on Brexit. But that is only the beginning of any serious attempt to deal with the current predicament. The EU must reconsider its indifference to popular worries, particularly about migration. The British establishment must tackle the profound causes of economic frustration and populist rage.

This calls for rethinking that is just as deep as that which followed the IMF crisis. The problem with EU politicians is that they treat their isolation from popular anxiety almost as a badge of pride. The problem with British ones is that they are so preoccupied by crisis management—getting the deal over the line if you are Mrs May, engineering a general election if you are Mr Corbyn,

or salvaging “true Brexit” if you are a Brexiteer—that they haven’t got any time to think about what actually caused the crisis. The greatest tragedy of Brexit is that it is consuming the solutions to the problems that caused the vote to leave in the first place.

This article was downloaded by **calibre** from
<https://www.economist.com/britain/2018/11/24/how-does-brexit-compare-with-other-great-crises>

| [Section menu](#) | [Main menu](#) |

International

. **[Suicide: Defeating despair](#)**

[Fri, 23 Nov 11:21]

Suicide is declining almost everywhere. Thank urbanisation, greater freedom and some helpful policies.

. **[Suicide prevention: From the abyss](#)**

[Fri, 23 Nov 11:21]

Japanese volunteers curb suicide, with kindness and pancakes. Gradually, governments are beginning to provide some support.

Defeating despair

Suicide is declining almost everywhere

Thank urbanisation, greater freedom and some helpful policies



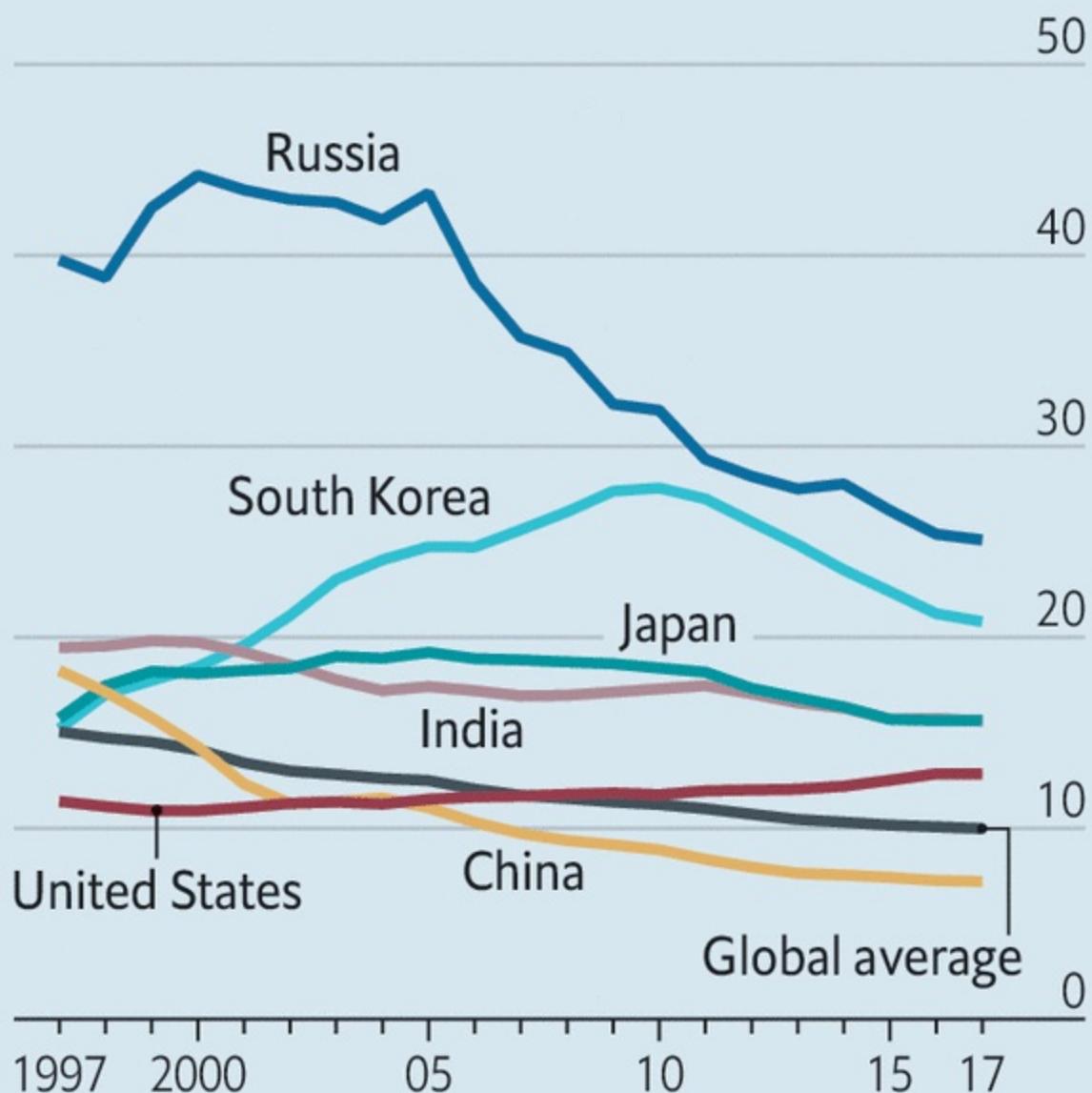
Nov 24th 2018 | BEIJING, DELHI, MOSCOW AND SEOUL

ZOZH IS A Russian neologism, born of an acronym for a healthy lifestyle. It is visible on Instagram, where millions of posts celebrate newly toned bodies; in the boom in health clubs in Russia's cities; in the proliferation of cafés where the young sip soft drinks and munch muesli. It is so popular that Russia's most famous rock band, Leningrad, has satirised it: "They say drinking isn't trendy, the trend is some sort of *zozh*. Before he was a drunk, and now he's muscleman." The video of the song depicts men dying gruesome deaths while exercising.

For a band that trades on degenerate cynicism, *zozh* may be laughable, but for the rest of Russia it is great news. It is part of a social transformation that has helped banish Russia's demons. As exercise and smoothies have replaced despair and alcohol, the suicide rate in Russia has crashed. And this trend is not unique to Russia (see chart).

A happy decline

Suicides* per 100,000 people



Source: Institute for Health Metrics and Evaluation

*Age-standardised

The Economist

Globally, the rate has fallen by 38% from its peak in 1994. As a result, over

4m lives have been saved—more than four times as many people as were killed in combat over the period. The decline has happened at different rates and different times in different parts of the world. In the West, it started long ago: in Britain, for instance, the male rate peaked at around 30 per 100,000 a year in 1905, and again at the same level in 1934, during the Great Depression; among women it peaked at 12 in 1964. In most of the West, it has been flat or falling for the past two decades.

In other parts of the world, rates have dropped more recently. China's started to come down in the 1990s and declined steadily, flattening out in recent years. Russia's, Japan's, South Korea's and India's rates, still high, have all fallen.

America is the big exception. Until the turn of the century the rate there dropped along with those in other rich countries. But since then, it has risen by 18% to 12.8—well above China's current rate of seven. The declines in those other big countries, however, far outweigh the rise in America.

Although America's numbers are probably reliable, there is reason to treat some of these data with caution. Some countries where powerful religions forbid suicide have historically underreported the act; some still do so. For example, a recent study in Iran of attempted suicides came up with a rate ten times higher than the health ministry's figure. But the trends are probably broadly correct. Experts mostly reckon data are getting better rather than worse, which (given past underreporting) would tend to push rates up rather than down, yet the opposite is happening. Why?

Half the sky

One big reason seems to be an improvement in the lot of Asian women. In most countries, men are more likely to kill themselves than women, and older people more than younger ones. But in both China and India the suicide rate among young women has long been unusually high.

That has changed. Among Chinese women in their 20s, the rate has dropped by nine-tenths since the mid-1990s; that group accounts for around half a million of those 4m lives saved.

Greater social freedom is one of the reasons, suggests Jing Jun, a professor at Tsinghua University in Beijing: “Female independence has saved a lot of women.” In a study in 2002 looking at high rates among young rural women, two-thirds who attempted suicide cited unhappy marriages, two-fifths said they were beaten by their spouses and a third complained of conflict with their mothers-in-law. Professor Jing explains: “They married into their husbands’ families; they’d leave their home town; they’d go to a place where they knew nobody.” These days, scarcity may enhance the value and power of rural women: in Chinese villages, among 30- to 34-year-olds, there are three unmarried men for every unmarried woman.

There may be something similar going on in India. “Young women face particularly challenging gender norms in India,” says Vikram Patel of the Harvard Medical School. If parents disapprove of a relationship, they will tell the police their daughter has been abducted. The cops will then take a 21-year-old away from a consensual relationship. So, he concludes, many suicides in India “are related to the lack of agency for young people to choose their own romantic partners”. As social mores have liberalised, that is changing. Rates among young women have fallen faster than among any other group since 1990; Mr Patel believes they will continue to improve as social liberalisation continues.

Urbanisation has probably helped in both China and India. That seems counter-intuitive since it is associated with the weakening of the social bonds which, according to Emile Durkheim, a 19th-century sociologist and theorist of suicide, helped protect people against suicidal urges. Yet all over the world, suicide rates tend to be higher in rural areas than in urban ones. Social bonds sometimes constrain people as well as sustaining them; escaping an abusive husband or tyrannical mother-in-law is easier in a city than in a village. And the means to kill oneself are harder to come by in a town than in the countryside.

While the demographic oddity in China and India was the high rate among young women, that in Russia was the high rate among middle-aged men. They, it seemed, were the victims of the huge social dislocation that happened after the collapse of the Soviet Union. The period is brought to life by “Second-Hand Time”, an oral history by Svetlana Alexievich, a Nobel-

prizewinning author, notable for a bleak pattern: its characters keep killing themselves.

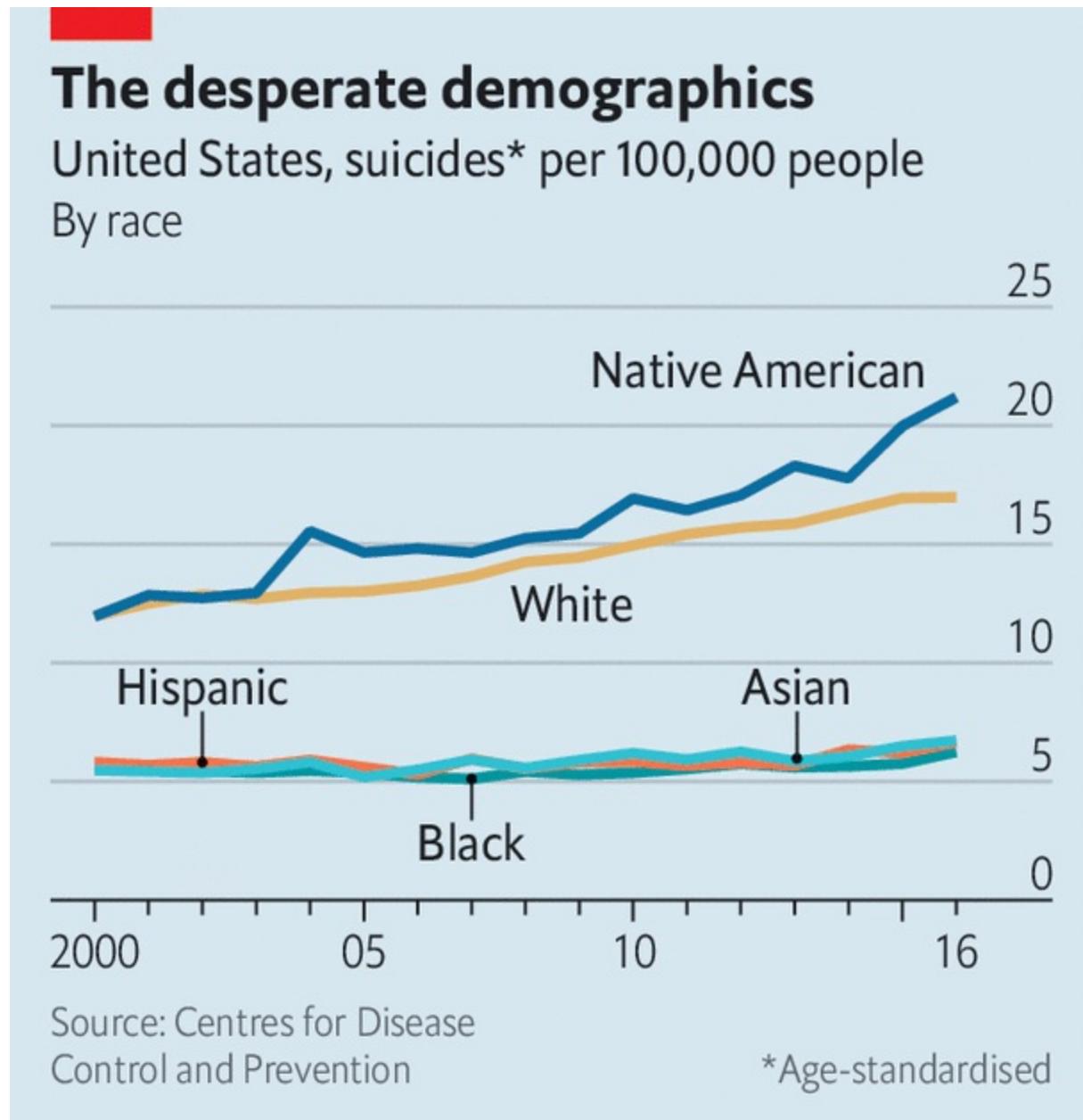
Worn down by hunger and poverty, one man set himself on fire in his vegetable patch. An ageing veteran survived the second world war, only to throw himself under a train in 1992. An officer who took part in the attempted coup against Mikhail Gorbachev in 1991 later hanged himself in the Kremlin. “Everything I heretofore considered to be the meaning of my life is being destroyed,” he wrote in a suicide note.

Hyperinflation, falling incomes and rampant unemployment in the first years of transition left many facing misery and want. The 1998 financial crisis, when the Russian government defaulted on its debts, wiped out many families’ savings. Since the early 2000s, however, the trends have been reversing. Russia’s suicide rate now sits at 25—very high by global standards, but down by half from its peak. The decline has happened disproportionately among middle-aged men, the group that suffered most in the 1990s.

A big reason is probably that society is settling down after the upheaval of the post-Soviet era. According to Olga Kalashnikova, a psychologist at the suicide and crisis-psychiatry department of Moscow City Hospital No 20, “Now people know how to get by, and how to get by without the state.” Since 2000 GDP per head has nearly doubled. Wages recovered their losses from the 1990s and more. Unemployment is below 5%. Relatively high current levels of suicide among males in rural areas, which tend to be less well-off, reinforce the socioeconomic hypothesis. Ilnur Aminov, a demographer, points out that nearly 40% of all suicides in his home region of Bashkiria are by unemployed people.

There are parallels between the rise in suicide in post-Soviet Russia and the “deaths of despair” in America identified by Anne Case and Sir Angus Deaton, economists at Princeton University. Suicide rates among white Americans are higher, and have risen faster since 2000, than among any other group except native Americans (see chart). The same trend can be seen among the middle-aged. At the turn of the century, older people were much more likely to kill themselves than those in their 50s, but that is no longer true. Rates among people in rural areas are higher, and have been increasing

faster, than those among people in towns and cities.



The Economist

It is hard to conclude that the explanation is a simple economic one of stagnating median incomes and falling employment rates. Blacks and Hispanics have faced similar economic problems to whites, and employment rates among the young tend to be lower than those among the middle-aged. Ms Case and Sir Angus put it down to “familiar stories about globalisation and automation, changes in social customs that have allowed dysfunctional

changes in patterns of marriage and child-rearing, the decline of unions, and others. Ultimately, we see our story as about the collapse of the white working class after its heyday in the early 1970s, and the pathologies that accompany this decline.”

The increase in the American suicide rate predated the economic crash, but accelerated in the recession that followed it. Research suggests that, after the global economic crisis, an uptick in suicide rates in Europe, America and Canada led to 10,000 more deaths between 2007 and 2010. Debt, foreclosure and unemployment are all implicated in suicide: unemployed people kill themselves at a rate 2.5 times higher than those in work. A spike of suicides in South Korea followed the Asian financial crisis of 1997-98.

Policy can mitigate the effects of recession. According to research by David Stuckler of Bocconi University in Milan, Sweden saw no increase in suicide in either its recession of 1991-92 or after 2007. Mr Stuckler attributes this in part to better health services—unemployment is less daunting where health care is available to all than in countries such as America where it is linked to employment—and government efforts to get people back into the workplace. A study of 26 European countries showed suicide rates to be inversely correlated with spending on active labour-market policies. Japan’s suicide-watchers attribute the decline there in part to the success of Abenomics in bringing down unemployment. Michiko Ueda of Waseda University thinks the economy is the “number one reason” for the decline in suicide.

Also clearly linked to suicide is alcohol—at least in “dry drinking” cultures, such as Russia, eastern Europe and Scandinavia, where people drink to get drunk, though not in “wet drinking” places such as southern and central Europe, where people drink socially over a meal. In Russia, drinking and suicide have risen and fallen in tandem. Alcohol consumption halved between 2003 and 2016; by then, Russians were drinking less per head than French or Germans. As Russians adopt healthier lifestyles, beer’s share of the market has been rising and that of spirits falling.

Suicide and drinking do seem to go together—but both might be the effect of social turbulence. Evidence from before the collapse of the Soviet Union, however, suggests that, to some extent at least, alcohol leads to suicide. In 1985 Mr Gorbachev imposed tough regulations on the production and

distribution of alcohol. Vodka sales fell by half between 1984 and 1986. Over that period, the male suicide rate dropped by 41% and the female rate by 24%. When the Soviet Union collapsed, the state's alcohol monopoly was abolished and the regulations were ripped up. Alcohol consumption and suicide both soared.

State intervention is probably in part responsible for the recent fall in suicide, too. In 2006 new rules on alcohol production and distribution pushed up prices. Statistical analysis suggests that those restrictions led to a 9% decline in male suicide, which saved 4,000 lives a year; a similar policy in Slovenia in 2003 led to a 10% decline.

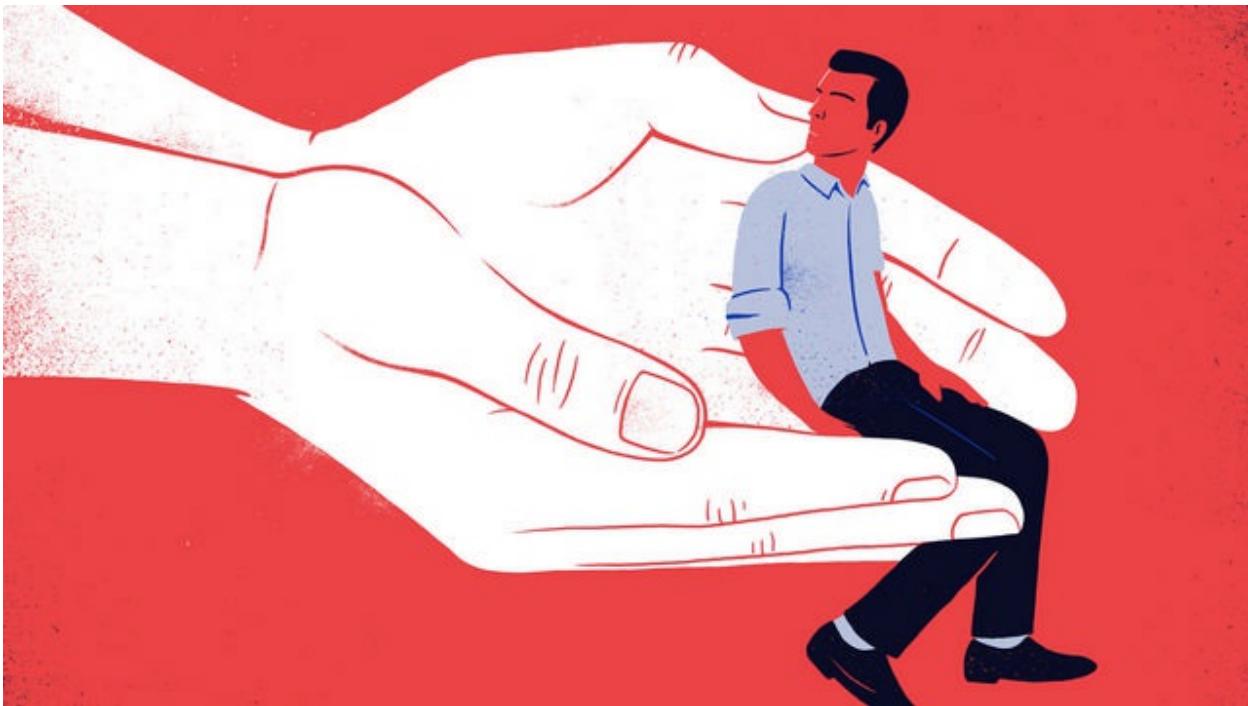
Improvements in the lives of the elderly are also believed to have helped bring down suicide rates. Globally, the rate among the old has tended to be higher than among the young and middle-aged, but in most places it has also fallen faster.

One reason may be that, as Diego de Leo, former head of the Australian Institute for Suicide Prevention and Research, points out, across the world poverty rates among the old (often the poorest group in society) have been declining faster than those among other groups. Better health services, used by the old more than the young, may be another reason. Long-term sickness is a common reason for suicide, and efforts to ease patients' pain can make a big difference. Britain's palliative-care system, regarded as the best in the world, helps explain a remarkable fall in the suicide rate among old people.



Home care, too, can cheer up the elderly. Mr de Leo points to the influx of *badanti*, migrant care workers, in Italy. Italian children are reluctant to consign their parents to old people's homes, but also often have neither the time nor the inclination to look after the elderly themselves. Migrant workers, says Professor de Leo, have brought "a massive improvement". (Too much so, grumble some middle-aged Italians, aghast at their aged parents' hooking up with supposedly gold-digging migrants.)

Tsinghua University's Jing Jun believes that China also needs to focus on reducing suicides among the old. He blames the Chinese tradition of responsibility for parental care. With the one-child policy, there are too few children to bear the burden, and if there is more than one, parents may find themselves causing conflict. "In the West, your children are bickering only about the time they're spending with you. In China they're fighting over the money they're spending on you." But he says things are moving in the right direction: rates among the old have come down as pension and health-care provision have improved.



Restricting access to the means to kill oneself can also make a big difference. Suicide is a surprisingly impulsive act, especially among the young.

According to that 2002 study of young Chinese women who had tried to kill themselves, three-fifths had been thinking of suicide for two hours or less, including two-fifths who had been thinking of it for ten minutes or less, and one in ten for just a minute. Reaching for the rat-poison—88% of them had used agricultural pesticides—is likely to lead to many more deaths than, say, grabbing a bottle of pills. That may help explain why the decline in rates among Chinese women has been sharper than among men. In urban areas, men favour violent means such as hanging or jumping off buildings, whereas women tend to favour medication, which is less likely to kill them. So moving away from rural areas tends to save more women than men.

Better never than late

People tend to believe that those who intend to kill themselves are very likely to end up doing so. In a survey carried out by Matthew Miller of Harvard University, 34% of respondents thought that all or most of those who jumped from the Golden Gate Bridge would have found another way of killing themselves if a barrier had stopped them; a further 40% thought most would have. But a study of 515 people who had survived the leap between 1937 and

1971 showed that 94% were still alive when the study was carried out in 1978, which suggests that suicide is often a fleeting impulse rather than a settled intention.

Britain in the 1960s offers a sharp illustration of what can happen if access to an easy means of killing oneself is foreclosed. When the country switched from toxic coal gas—the favoured means of suicide among women and elderly men—to harmless North Sea gas, rates among those groups crashed. At the time, rates were rising among young men, lending support to the idea that the gas switch played a role.

That was the fortuitous consequence of an energy find, but deliberate policy can play a role in restricting access to the means of suicide. A series of bans in Sri Lanka—most recently of paraquat, in 2008-11—helped bring the rate down from 45 in the early 1990s to 20 now. When South Korea banned paraquat in 2011, the reduction in suicide deaths is reckoned to have contributed half of the overall decline in suicides over the next two years. Paraquat is now banned in the EU; China has said it will ban it; distribution is restricted in America; but in many parts of the world it remains freely available.

In western Europe, where pesticides are no longer a serious risk, the focus has been on limiting access to dangerous pills. In Britain, for instance, a law was passed in 1998 to limit the number of aspirin and paracetamol that could be sold in a single pack. In the following year, aspirin suicides were down by 46% and paracetamol ones by 22%. Blister packs help, too, because pills must be pushed out tediously one by one, allowing a would-be suicide time to reconsider. In America, alas, paracetamol is still sold loose in bottles, so 50 pills can be chugged in one go.

But the main means of suicide in America is guns. They account for half of suicides, and suicides account for more firearms deaths than homicides do. Guns are more efficient than pills, so people who impulsively shoot themselves are more likely to end up in the morgue than in the emergency ward. According to Matthew Miller of Harvard University, gun-ownership levels largely explain the variation in suicide rates, which range from 26 per 100,000 in Montana to five in Washington, DC. If America gave up its guns, suicides would crash.

Self-restraint on the part of the media can also play a role. Even in death, people are influenced by celebrities. This is known as the “Werther effect”, after the rash of suicides that followed the publication in 1774 of a novel by Goethe which ends with the eponymous hero’s suicide. Particularly common in Asia, the phenomenon has been observed all over the world. After Robin Williams, an American comedian, hanged himself in 2014, researchers calculated that there were 1,841 more suicides—a 10% increase—than would have been expected during the next four months. The rise in hangings, and among the middle-aged, was particularly marked.

Suicide experts criticised the sheriff of Marin County for describing in detail the method that Williams had used. Reporting clearly makes a difference. Paul Yip of Hong Kong University points to trends in the territory after a front-page story in 1998 on the suicide of a woman who had killed herself by sealing up a room and burning charcoal, thus poisoning herself with carbon monoxide. Within a year, charcoal-burner suicides had gone from zero to 10% of the total. When Ahn Jae-hwan, a South Korean actor, killed himself in his car with a charcoal-burner in 2008, the method went from less than 1% of South Korean suicides to 8% in 2011, accounting for most of the overall rise in the rate in that period.

Many countries have media guidelines, which basically say the same things: don’t write about suicides in a heroic light and don’t report the location or method in detail. Media restraint seems to make a difference. After a spate of suicides on the underground in Vienna, when people were killing themselves at a rate of nine every six months, newspapers were persuaded to stop reporting suicides or at least to keep them off the front page. Numbers went down to one to four every six months. But in some countries media guidelines are widely ignored. A study of South Korean suicide-reporting earlier this year showed that three-quarters of articles gave details of method and location, and half revealed the contents of the dead person’s suicide note. Readers’ prurient fascination with the gory details of suicide trumps responsible journalism.

Faced with the horror of a suicidal friend or relation, people feel scared and impotent. Yet just as individuals can make a difference—talking, listening, helping people through a difficult time—so can societies. Giving women

more control over their lives, cushioning the impacts of social change, providing better care for the elderly, restraining the way that suicide is reported, restricting access to the means of killing oneself: all these things can make life a little more worth living, or at least persuade the desperate to hold onto it until it seems that way.

This article was downloaded by **calibre** from
<https://www.economist.com/international/2018/11/24/suicide-is-declining-almost-everywhere>

| [Section menu](#) | [Main menu](#) |

Jump-stop

Japanese volunteers curb suicide, with kindness and pancakes

Gradually, governments are beginning to provide some support

Nov 22nd 2018 | TOJINBO

WEARING A WHITE surgical mask hiding half her face, a young woman walks into a suicide-prevention centre by the Tojinbo cliffs. She has been crying. Yukio Shige and Misako Kawagoe swing into a practised routine. They greet her at once; Mr Shige lets a shelter know that a guest will be staying for a couple of nights; Ms Kawagoe readies rice pancakes with grated radish —*oroshi mochi*—a local speciality.

For the past 14 years these two have taken turns from morning to night to patrol Tojinbo—sheer, jagged cliffs near a sleepy Japanese resort, Mikuni. Sometimes, they encounter people who have overdosed on pills before a planned jump. Or they spot people carrying ropes, to hang themselves from the cliffs. Mr Shige and Ms Kawagoe bring potential jumpers back from the edge—640 of them so far. They have helped to reduce the number of suicides at Tojinbo from about 26 a year at the beginning of the century to fewer than ten.

Mr Shige rescued his first potential suicides before he retired from his job as a policeman: an elderly couple whose hotel business had failed, forcing them into debt and to sell their home. Recent encounters include a man who lost his job when his employer discovered he was HIV positive. About 70% of the centre's visitors are men. Most are driven to contemplate suicide by family or work problems or bullying.

Around the world, volunteer groups such as the Samaritans try to curb suicide by providing a listening ear. Such initiatives help push down suicide rates. But they tend, initially, to receive little or no government support.

“Politicians thought that suicide was a personal problem,” says Mr Shige. For the first few years after he left the police, he and Ms Kawagoe paid for the suicide-prevention centre they founded from their own pockets. They even

rented apartments as shelters. To make ends meet, Ms Kawagoe would work at the centre in the day, and clean bathtubs in a nearby *onsen* (hot-spring resort) at night. For her, suicide is a personal pain. Her parents took their own lives when she was a teenager, a grief she did not share with anyone until she was in her 50s.

Suicide is not only a social problem; it is the country's responsibility, says Mr Shige. He was one of the main lobbyists behind a law passed in 2006, which for the first time made public entities responsible for suicide prevention.

Much is still to be done. In the meantime, Mr Shige guides the desperate from the cliffs. They tried giving them coffee. But, says Mr Shige, it was "too impersonal". So he helps them re-examine their problems over a traditional, nurturing bowl of *mochi*. "There's nothing in this world", he says, "that can't be solved."

This article was downloaded by **calibre** from
<https://www.economist.com/international/2018/11/24/japanese-volunteers-curb-suicide-with-kindness-and-pancakes>

| [Section menu](#) | [Main menu](#) |

Business

- **[The Renault-Nissan-Mitsubishi alliance: Going, going, Ghosn](#)** [Fri, 23 Nov 11:21]

A giant of the car industry is accused of financial misconduct. After Carlos Ghosn, will the Renault-Nissan-Mitsubishi alliance endure?.

- **[Facebook's future: The new Yahoo?](#)** [Fri, 23 Nov 11:21]

Facebook should heed the lessons of internet history. Its business model is threatened by lower usage and advertiser discontent.

- **[Bartleby: Take a break](#)** [Fri, 23 Nov 11:21]

Americans need to take a break. Working longer hours has many drawbacks.

- **[Segway-Ninebot: Torque of the town](#)** [Fri, 23 Nov 11:21]

How a Chinese robotics company made Segway (almost) cool. Ninebot makes over 90% of the e-scooters on America's streets.

- **[Tobacco companies: Here comes the governmint](#)** [Fri, 23 Nov 11:21]

The FDA turns its attention to menthol cigarettes. Concerned about their appeal to children, the FDA wants to ban minty smokes.

- **[Schumpeter: The indispensability problem](#)** [Fri, 23 Nov 11:21]

Key-person risk is alive and kicking in global business. Carlos Ghosn's downfall points to a wider problem.

Going, going, Ghosn

A giant of the car industry is accused of financial misconduct

After Carlos Ghosn, will the Renault-Nissan-Mitsubishi alliance endure?



Nov 24th 2018 | TOKYO

RUNNING A VAST global company, with offices and factories spread across the planet, means that jumping on and off a corporate jet is an everyday occurrence. But the welcome committee that greeted Carlos Ghosn at Tokyo's Haneda Airport on November 19th was anything but normal. The chairman of Nissan and Mitsubishi, and chief executive and chairman of Renault (as well as of the alliance that ties the three carmakers together), was met by a troop of dark-suited prosecutors. They had come to arrest the man who had rescued Nissan from bankruptcy in 1999 and in so doing become a superstar of Japanese business.

The extent and suddenness of Mr Ghosn's fall from grace is astonishing. The French-Lebanese-Brazilian businessman once came seventh in a poll that asked Japanese people who should run the country, and was the hero of a series of manga comics. But after an internal investigation at Nissan,

prompted by a whistleblower, the company said that it had uncovered evidence of “significant misconduct”. Such was its seriousness, insisted Nissan, that Mr Ghosn was immediately sacked along with Greg Kelly, another executive—a decision that was expected to be confirmed by the company’s board when it met in Yokohama on November 22nd, as *The Economist* went to press.

Renault’s executives expressed support for Mr Ghosn but its board suspended him from his positions at the French carmaker while the investigation continues, and appointed Thierry Bollore, a Ghosn loyalist, as its interim boss and Philippe Lagayette, an independent director, as stand-in chairman. Mitsubishi is expected to follow suit.

Mr Ghosn has not been heard from since his arrest; on November 21st it was reported that he would be held in custody for a further ten days. He is accused of under-reporting his pay to regulators and in stockmarket filings by around ¥5bn (\$51m) over a five-year period from 2011. Another accusation is that he broke the law by failing to declare his use of properties owned by Nissan in several cities, including Beirut, as a perk. Shortly after his arrest the firm’s chief executive, Hiroto Saikawa, who took over when Mr Ghosn relinquished that role in 2017, used a press conference to attack his erstwhile chairman. He dismissed much of Mr Ghosn’s role in Nissan’s revival and called his “concentrated power” a “negative aspect of the long regime”.

Mr Ghosn had indeed accumulated huge power in his multiple roles, and used it to build a group that had become the world’s biggest carmaker—it is set to make 11m vehicles this year. If he did abuse that power to overstep the mark, questions will be asked about Nissan’s governance, and about the oversight provided by its board. There has been no word from Mr Ghosn since his arrest.

But several analysts have suggested another interpretation for this week’s events—that activities which were known about and once attracted a blind eye have now been used against Mr Ghosn. Japan has never indulged in the stratospheric executive pay common in the West. A ruse by Mr Ghosn to downplay his true total pay might have been considered politic. In Japan lower pay is often compensated for by plenty of fringe benefits that customarily go unreported.

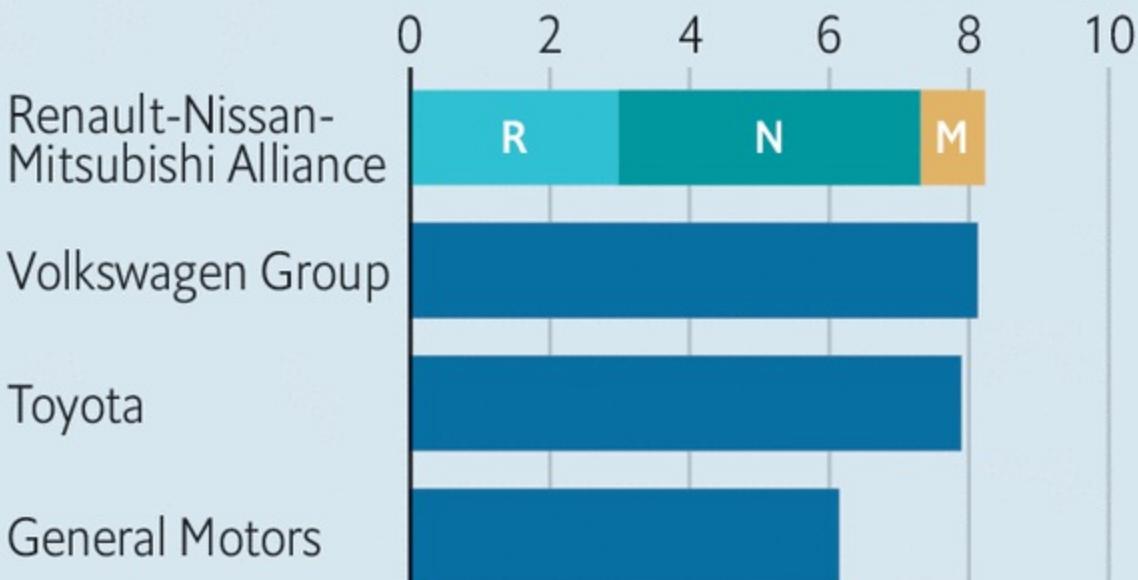
Why might Nissan have wished to use these transgressions against Mr Ghosn now? One explanation may be that the company wanted to take advantage of a new Japanese law that encourages companies to expose wrongdoing in return for more lenient treatment. Another is that an anti-Ghosn faction at Nissan, increasingly angered at his autocratic management style and his loyalty to Renault, tipped off the authorities about internal matters. “A stitch-up” is how one person close to the situation describes Nissan’s actions.

This hypothesis—that Mr Ghosn was downed by a corporate coup—rests on resentment within Nissan of the French carmaker. The Renault-Nissan-Mitsubishi alliance is composed of a series of cross-shareholdings, whereby Renault owns a controlling 43.4% of Nissan, and Nissan has merely a non-voting 15% stake in Renault (Mitsubishi is controlled by Nissan through a 34% stake). Renault, 15% owned by the French state, has the upper hand even though most of the revenues, volumes and profits come from Japan. Nissan’s role as Renault’s cash-cow is a matter of considerable bitterness.

Driverless vehicles

Global car and light-vehicle sales

January-September 2018, units, m



Source: Company reports

The Economist

Worse still for Nissan was the looming prospect of a French takeover. While other carmakers have, sometimes disastrously, attempted full mergers with rivals, the alliance has let Nissan and Renault share some functions, such as purchasing, while remaining independent. But this has not brought the full rewards of the cost-cutting allowed by a merger. Mr Ghosn wanted to make the alliance “irreversible”. He planned far more co-operation and probably had the backing of the French government for a merger. That prospect horrified senior people in Nissan, who had become disillusioned with Mr Ghosn, and also worried the Japanese government, which faced the prospect of a huge domestic firm being run from Paris. Mr Ghosn’s exit could signal the re-Japanisation of Nissan.

What will become of the world’s biggest carmaking group? Both the French

and Japanese have pledged fealty to the alliance but the plunging share prices of both Renault and Nissan are testament to Mr Ghosn's energy and force of character, which kept the complex structure on track. Finding a suitable replacement at the alliance will be tough. Another aspect of Mr Ghosn's entrenched power was a lack of succession planning.

If the alliance breaks down, it will leave two separate car firms with weak mass-market brands and insufficient scale for the huge investments in electrification and autonomy that all carmakers need to make. Even if it drifts on in its present form, without the advantages of a full-scale merger, it will not be as competitive as the other giants of carmaking—Volkswagen, resurgent after the diesel crisis, and a buoyant Toyota. Mr Ghosn's departure may well be shown to be justified. But it leaves the alliance in a state of huge uncertainty at a time of seismic change in the car industry.

This article was downloaded by **calibre** from
<https://www.economist.com/business/2018/11/24/a-giant-of-the-car-industry-is-accused-of-financial-misconduct>

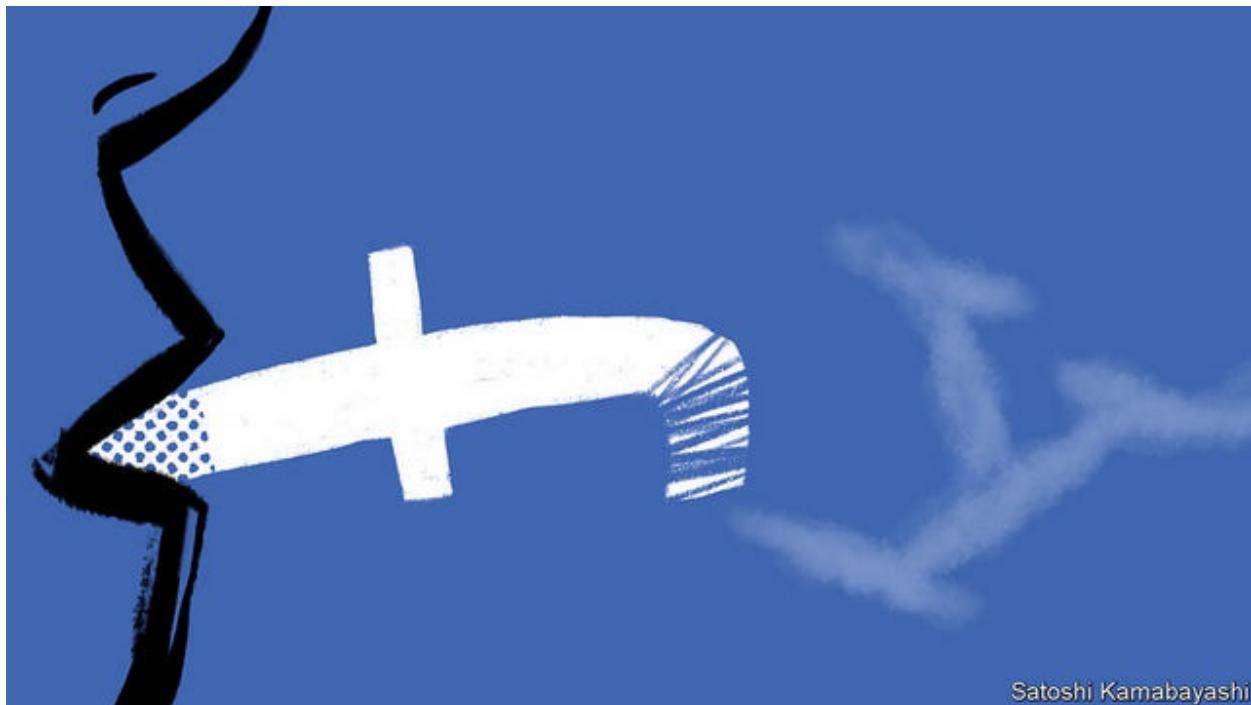
| [Section menu](#) | [Main menu](#) |

| [Next](#) | [Section menu](#) | [Main menu](#) | [Previous](#) |

The new Yahoo?

Facebook should heed the lessons of internet history

Its business model is threatened by lower usage and advertiser discontent



Nov 22nd 2018 | SAN FRANCISCO

“BIG TOBACCO” is what the bosses of several large technology firms have started calling Facebook in private and in public. The company has spent the past year fending off critics who claim it is addictive, bad for democracy and overdue for a regulatory reckoning. Being compared to the tobacco giants is one of the business world’s more toxic insults, but it is not the only unflattering analogy circulating. A lower blow is the suggestion that Facebook may become like Yahoo, the once high-flying internet firm that plunged.

Even a year ago the idea would have been unthinkable. The social-networking giant, which runs Instagram, WhatsApp and Facebook Messenger as well as its own core service, was thriving. But since January it has become mired in a series of controversies, misjudgments and missteps. It became clear that it had done too little to stop Russian interference in America’s election in 2016. It had to admit that it had shared the personal data of 90m

users with outside firms without permission. It later suffered a data breach affecting 50m users.

The past week has brought more bad news. Mark Zuckerberg, Facebook's chief executive, has been forced onto the airwaves to defend his second-in-command, Sheryl Sandberg, after the *New York Times* on November 14th published a report alleging that they had tried to downplay the extent of Russian electoral interference to the firm's board of directors, and hired lobbyists and the kind of "opposition-research" firms commonly used in political campaigns, to deflect blame onto other firms and to tarnish critics. The revelations have cemented the idea that Facebook is "grossly mismanaged", says an advertising executive. Its shares have fallen by 27% since the start of the year.

The comparison to Yahoo is imperfect. Even at its peak Yahoo never boasted a business as large and profitable as Facebook's. And the competitive landscape was different. One of the main reasons Yahoo declined is because it lost out to a powerful rival, Google, in online search; Marissa Mayer, its boss from 2012 until its sale to Verizon last year, was unable to restore advertisers' or employees' confidence as users left. Today there is no company that truly competes with Facebook's suite of apps, partly because it has hoovered up competitors such as Instagram, the wildly successful photo app that is at the centre of its future plans.

But people who watched Yahoo's collapse see ominous similarities. Executive turnover was a leading indicator of its decline; before Ms Mayer was hired it went through four chief executives in three years. Mr Zuckerberg, who controls the majority of Facebook's voting shares, is not leaving, but many top executives are. This year several have announced their departures, including Instagram's founders; the boss of Oculus, a virtual-reality acquisition; a co-founder of WhatsApp; and Facebook's general counsel and its chief security officer. "The number of senior people who have left publicly and denounced the company going out the door is unprecedented. This is Yahoo pre-Marissa Mayer," says a senior digital-advertising executive.

In another echo, the run of negative headlines is harming employee morale. "Horrible" is how one employee describes the atmosphere at Facebook on

Blind, an app where people discuss work. That raises two risks. Star performers may leave to work at less controversial companies, and Facebook could end up paying dearly for mediocre employees to stay on (as its share price falls, it has to hand out more in stock-based compensation to keep people).

How might things play out? Facebook is still strong but it is precariously balanced at the top of the industry, facing several big challenges in the coming year. Above all, it must grapple with the changing ways that people use its products, which could have a huge impact on its profits. Adults over the age of 18 are spending 31% less time on Facebook's core social network compared with two years ago, which will translate into fewer opportunities to sell ads.

A big part of Facebook's answer to this is Instagram, which executives see as a saviour. It is quickly ramping up the number of adverts users see there. Disagreements about how strongly to push advertising on Instagram are part of the reason that the photo app's founders unexpectedly departed in October. Now ads are around one-fifth of all posts that users see on Instagram, which is probably double what it was a year ago. This could irk people, who may choose to spend less time on Instagram in future, just as they have done with Facebook itself.

Already users are spending more time on products that do not offer the same opportunities for advertising. "Stories", the concept of posting sequential photos and videos of users' days and experiences that Snap, a messaging app, pioneered and Facebook copied, are popular both on Instagram and on Facebook. But there is less space for advertising within people's personal "stories" than there is on the conventional landing pages (called "newsfeeds") where people scroll through posts and ads are interspersed.

Messaging apps such as WhatsApp are also growing in popularity but currently lose money. Facebook will inevitably roll out ads (which is again the reason why WhatsApp's co-founders left), but it knows that it needs to be cautious about introducing ads in an environment where people go for private communication.

This transition away from public consumption of content on social networks

to more private interactions is a substantial vulnerability for Facebook's business. Mr Zuckerberg has acknowledged as much, comparing this transition to Facebook's earlier shift from desktop computers to mobile and predicting that making money from stories and messaging "will take some time, and our revenue growth may be slower". It is unproven whether these new products can ever be as lucrative as Facebook's core offerings.

Facebook's political controversies have not yet dented advertisers' enthusiasm for its platforms but that may also change in the coming year. Many advertisers have long felt that Facebook is arrogant. Marketers with massive budgets are told to travel to its headquarters in Menlo Park, rather than staff volunteering to come to them, as is typical in the ad-sales world.

Such gripes aside, the marketing industry has two principal complaints. One is that Facebook is not working as well for them as it used to in terms of users engaging with their ads (even though it is raising its prices). The second is that it misleads its customers. Brian Wieser of Pivotal Research in New York, for example, has pointed out to the company that it was incorrectly promising advertisers that it could reach more 18-34-year-olds in America than actually exist there. Facebook has still not removed the claim, despite a class-action lawsuit against the firm for allegedly padding its audience numbers.

A senior marketer for a large American bank says Facebook has made mistakes on measuring engagement, reach, views and other data for no fewer than 43 products. All of the mistakes, he notes, worked in the social-networking giant's favour. "If these were true errors, wouldn't you expect at least half to benefit marketers?" he asks. He expects to reduce how much his firm spends on Facebook and predicts that other marketers will do the same next year.

At the same time that advertisers' faith in Facebook has been shaken, politicians in Washington are running out of patience with the company. It seems unlikely that a new law will be introduced that significantly curbs Facebook's activities. But lawmakers' scrutiny of the firm is causing it to be more cautious about how it uses data for targeting advertisements and about what information it makes available to outsiders. That will further diminish its attractiveness in the eyes of marketers.

Mr Zuckerberg and Ms Sandberg are under pressure to prove to users and advertisers that Facebook is not only trustworthy but worthy of their time and money. If they cannot do so, and the company's share price continues its slide, it is possible that Ms Sandberg will be replaced in the next year. Mr Zuckerberg controls the majority of voting shares and is unlikely to go. He will doubtless have thoughts about Yahoo's sorry tale. The onus is on him to show employees, advertisers and shareholders that Facebook won't repeat it.

This article was downloaded by **calibre** from
<https://www.economist.com/business/2018/11/24/facebook-should-heed-the-lessons-of-internet-history>

| [Section menu](#) | [Main menu](#) |

Bartleby

Americans need to take a break

Working longer hours has many drawbacks



Nov 22nd 2018

AMERICANS CELEBRATE Thanksgiving on November 22nd, and having gorged on turkey and cranberry sauce, will take the next day off as well to do some Christmas shopping. That represents a rare break in what, by global standards, is a Stakhanovite regime. In a typical year the average American works 100 more hours than a Briton, 300 more than a French employee and 400 more hours than a German.

The gap with Europe is partly explained by the number of days' holiday that Americans take each year. In 2017 the average American took 17.2 days of vacation. That was a slight rise on the 16 days recorded in 2014 but still below the 1978-2000 average of 20.3 days. Around half of all workers do not take their full allotment of days off, which averages around 23 days. In effect, many Americans spend part of the year working for nothing, donating the equivalent of \$561 on average to their firms.

In the European Union workers are guaranteed by law a minimum of 20 paid days of holiday each year, with public holidays in addition to that (there is no mandatory minimum in America). The workers who can put their feet up for longest are those in Spain and Sweden, who get 36 days of holiday each.

It is true that Americans do well in terms of public holidays; they have ten, two more than workers in Britain. But that doesn't make them relaxing. In both 2015 and 2016 the Sunday after Thanksgiving was the busiest day of the year for air travel. After a cramped flight and a long wait in the security line, workers may end up feeling worse than if they had never left the office.

Americans also put in more hours per week. This was not always so. In 1870 the average European worker toiled for almost 66 hours a week, and those in America averaged 62. By 1929 there was little difference between the continents, with European hours at 47.8 and American ones at 48. By 2000 American males were well ahead, grinding out 43.3 hours against a European average of 39.2 (the female gap was smaller, at 37.2 to 36.1 hours).

At some point after the war Europeans decided to take more time off, while Americans opted (or were persuaded) to keep their shoulders to the wheel for longer. A survey by Project Time Off found that the main reason why Americans are reluctant to take all their vacation is fear of being replaceable. Other factors are heavy workloads and lack of cover from fellow employees. One useful feature of public holidays is that workers worry less about bunking off if everyone else does the same.

Forgoing holiday time does not always please the boss. A study by the *Harvard Business Review* in 2016 found that those who took 11 or more days off a year were almost twice as likely to get a raise or a bonus as those who took ten days off or fewer (although the causation could be the other way around; star workers may feel they can afford to take a break).

Nor do extra hours automatically lead to higher productivity. An analysis of figures from the OECD, a club of mostly rich countries, in 2013 found a negative correlation between GDP per hour and the number of hours worked across member countries. Again, the causation is unclear—workers in richer nations may feel they can take more time off. But there is plenty of other evidence. A study of munitions workers in the first world war found that their

output per hour tended to decline once they spent over 50 hours a week toiling. The Institute for Employment Studies in Britain reviewed academic research on the subject and concluded that “long hours working [more than 48 hours a week] was associated with (but was not proved to cause) various negative effects, such as decreased productivity, poor performance, health problems, and lower employee motivation.”

The danger is that long hours simply lead to wasted effort. C. Northcote Parkinson, a management theorist, wrote that “work expands to fill the time available”. Every editor knows that many journalists only deliver their articles when the deadline is imminent. Workers may be staring at their computers, but how many have disappeared down the rabbit hole of Twitter spats?

The modern world is supposedly moving in a direction where routine tasks are automated, leaving the more creative processes to the humans. And humans are undoubtedly more creative when they are not feeling tired or jaded. So enjoy the break, American workers, and maybe take the next week off as well.

This article was downloaded by **calibre** from
<https://www.economist.com/business/2018/11/24/americans-need-to-take-a-break>

| [Section menu](#) | [Main menu](#) |

Torque of the town

How a Chinese robotics company made Segway (almost) cool

Ninebot makes over 90% of the e-scooters on America's streets



Getty Images/TASS

Nov 22nd 2018 | CHANGZHOU

THE TESTERS zip past boxes of desiccants, packing crates and mounds of small rubber wheels, wearing helmets and pads on their knees and elbows. They drive the latest batch of electric kick-scooters past the assembly lines and into a pen surrounded by protective nets and multicoloured bunting, over speed bumps and cobblestones, down steps and up ramps. One rider tests around 450 e-scooters a day.

Once each has clocked up 1km doing laps of the 1,200-worker factory in Changzhou, a city in Jiangsu province, they are shipped. On a recent visit three models, each with small customisations, rolled off conveyor belts. One was for Xiaomi, a domestic maker of smartphones and gadgets. The two others were for Bird, an American app-based rental service for scooters which was valued in June at \$2bn; and Grin, a new scooter-sharing startup in Mexico. Soon production will begin on a similar fleet for SEAT, a Spanish car

company.

Ninebot, which owns the factory, claims to have made over nine-tenths of the e-scooters now gliding through American cities. These scooters carry sleek designs with bright colours (green for Lime, orange for Spin, two other thriving firms) and minimalist four-letter names (Goat and Skip). But thanks to Ninebot, most also bear an older brand on their handlebars—“powered by Segway”.

Set up in 1999, Segway invented the over-engineered self-balancing scooter of the same name. It languished under its initial owners (one of whom died after riding the two-wheeler off a cliff). But Segway has been rallying under the direction of Ninebot, which acquired it in April 2015 for an undisclosed sum—shortly after Segway sued it for patent infringement.

It took Segway a decade to hit its initial 13-month target to sell 100,000 units of its original two-wheeler. In 2018, just three years into production, Segway-Ninebot will sell 1m scooters, up from sales of 600,000 last year. Ninebot’s factory in Changzhou builds over 5,000 scooters a day. The firm’s backers, which include Xiaomi, valued it at \$1.5bn in its latest funding round.

At its headquarters in the tech hub of Zhongguancun in Beijing, scooters are propped up against desks and helmets are strewn about. Still, Gao Lufeng, its chief executive, says the booming scooter-sharing business is only “a fraction” of Ninebot’s work. Its scooters account for one-fifth of its total revenue, almost all of which comes from its range of personal transporters, which include self-balancing unicycles (one is pictured) and e-skates, using Segway-Ninebot’s balancing technology.

Mr Gao has especially high hopes for delivery businesses. In five years’ time he wants unmanned delivery vehicles called Loomo, currently being trialled by its robotics arm with Meituan-Dianping, an online-services giant, to account for over half of Ninebot’s total revenue. Using artificial intelligence Loomo can wheel goods from the gate of a compound into lifts then up to office doors, and, as costs come down, could take them straight to workers’ desks, says Mr Gao.

The new venture gives a sense of Ninebot’s ambition. It launched its first

scooters within months of buying Segway, but the idea was older. Although Ninebot insists it developed its own self-balancing technology before the merger, Segway brought with it over 400 patents. Importantly, the acquisition let Ninebot drive its cheaper, sleeker products into an American market from which Segway had hoped to bar it. “Segway is like Lamborghini,” says Mr Gao, “and Ninebot is like Volkswagen”, the owner of the luxury carmaker.

The Segway brand has helped Ninebot expand beyond America, too. It expects competition in the scooter-rental business to heat up next year, as the likes of Bird and Lime battle with local contenders in Europe and elsewhere. Spin (bought this month by Ford for \$100m) and Lime say they will design and build their own scooters, though Ninebot doubts they will match its production costs in the near future. Mr Gao thinks electric scooters may “disrupt even the old bicycle, because they appeal to our lazy nature”. Ninebot, at least, will not be standing still.

This article was downloaded by **calibre** from
<https://www.economist.com/business/2018/11/24/how-a-chinese-robotics-company-made-segway-almost-cool>

| [Section menu](#) | [Main menu](#) |

Here comes the governmentt

The FDA turns its attention to menthol cigarettes

Concerned about their appeal to children, the FDA wants to ban minty smokes



Getty Images

Nov 22nd 2018

THE FIGHT against smoking is, by his own admission, deeply personal for Scott Gottlieb, head of the Food and Drug Administration (FDA), an American regulatory agency. Having worked as a doctor and survived cancer, he has seen its effects up close and is determined to get Americans to quit tobacco. On November 15th he announced widely expected measures to restrict the sale of flavoured vaping products. More surprising was a proposed ban on menthol cigarettes.

The minty smokes represent 35% of the American tobacco market. In only a few other countries, such as Hong Kong, Singapore and Thailand, are they as popular. Even as overall rates of smoking in America have been declining recently, consumers' preference for menthol cigarettes has increased slightly. The FDA laid out no time frame for its potential ban but its announcement sent

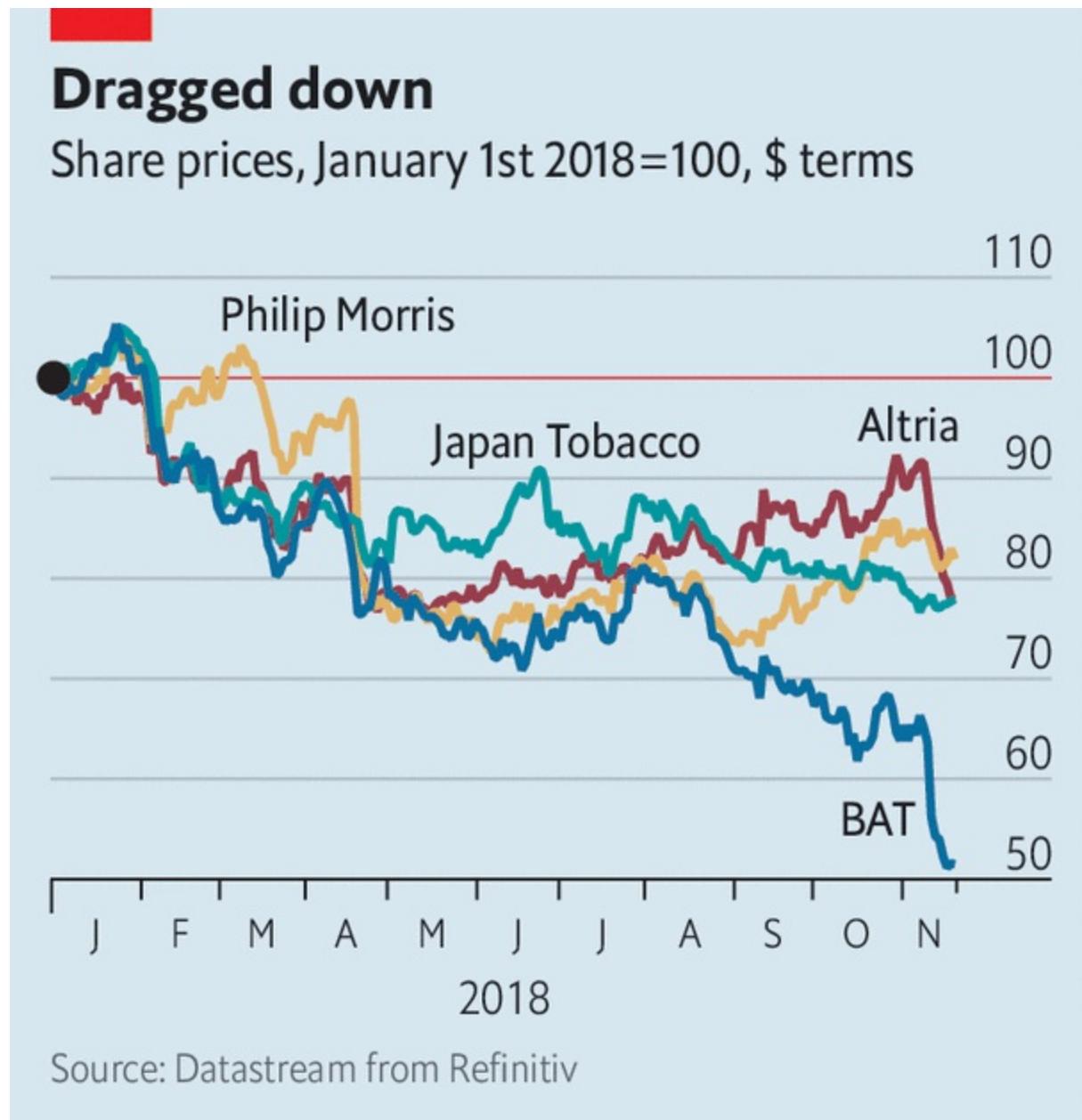
big tobacco companies' share prices plummeting nonetheless. British American Tobacco (BAT), the second-largest non-state producer, was worst hit. It owns RJ Reynolds, which makes Newports, America's biggest-selling brand of menthols. Around 55% of Reynolds's sales in America are menthol cigarettes, according to Wells Fargo, a bank. BAT's shares have fallen by 20% since talk of a ban began. Canada's federal government banned the menthol variety last year.

In America mint-flavoured cigarettes are particularly popular with two groups: black smokers and young ones. Over 80% of African-American smokers puff on menthol cigarettes, according to national drugs surveys. That is a result of marketing by tobacco companies. Philip Morris, one of the biggest, commissioned research in 1953 that showed that although only 2% of white Americans preferred Kools, a brand of menthol smokes, 5% of black Americans did. This slight difference was then seized upon by advertisers and exploited. Elston Howard, a black baseball player, became a spokesman for Kools. "Papa's got a brand new bag", a hit by James Brown, was used to advertise Newports in the late 1970s. Tobacco companies became sponsors of such events as the "Kool Jazz Festival".

Just over half of all smokers aged between 12 and 17 also plump for menthols, compared with less than a third of those over 35. For young people, the appeal of such cigarettes is explained by menthol's capacity to mask the flavour of smoke and soothe the irritation that novice smokers often experience. As such, the FDA sees them as a dangerously appealing route into smoking. Previous research by the regulator have shown that although there is little evidence to show that menthol cigarettes are more or less toxic than any other kind, smokers appear to be more heavily addicted to them and less likely to give them up.

The agency's proposals will prompt a fierce pushback from the industry, reckons Dennis Henigan of the Campaign for Tobacco-Free Kids in Washington, DC. He expects that tobacco companies will challenge the argument that menthol cigarettes pose a distinct public-health risk. BAT argues that "the science today does not support treating them differently from other cigarettes". Tobacco companies may also argue that a ban will lead to a boom in illicit sales. The counter-argument is that it is far-fetched to think

that any illegal trade would be so extensive as to undercut the public-health gains. Producing mentholated cigarettes illegally on such a scale without being detected would be hard.



The Economist

Analysts, however, are sceptical that the ban will be enacted any time soon. The tobacco firms' arguments are convincing, many reckon. The scale of their legal challenge could prevent it. Such a move would go much further than previous efforts to deter Americans from smoking. Cigarette packets do

carry written warnings about the dangers of smoking but a law from 2009 mandating graphic health warnings has not yet been implemented.

Still, the pressure on tobacco companies is unlikely to ease. Mr Gottlieb wants to reduce the amount of nicotine permitted in cigarettes, cutting it to non-addictive levels. In future the big firms plan to rely increasingly on new products such as IQOS, a “heat-not-burn” smokeless device produced by Philip Morris International but not yet authorised for sale in America. The firm hopes it will become the first tobacco product the FDA allows to be advertised as less harmful than cigarettes. But if such innovations do not reduce the number of young people smoking, Mr Gottlieb has made it clear that he will not hesitate to take more aggressive steps.

This article was downloaded by **calibre** from
<https://www.economist.com/business/2018/11/24/the-fda-turns-its-attention-to-menthol-cigarettes>

| [Section menu](#) | [Main menu](#) |

Schumpeter

Key-person risk is alive and kicking in global business

Carlos Ghosn's downfall points to a wider problem



Nov 22nd 2018

FEW CHIEF executives experience as hard a fall as Carlos Ghosn just has. On November 16th he was the long-standing chairman of Renault, Nissan and Mitsubishi Motors, three car firms, and famed for his Napoleonic manner. By November 20th he was in police custody in Japan, having been accused by Nissan of under-reporting his pay to regulators by around \$45m over five years. At least Mr Ghosn can console himself with a different set of figures about how much he is worth. After the news broke the three car firms' combined market value dropped by \$5bn, or 7%. Investors fret that he is the only mortal who can manage the complex alliance between the three companies. Mr Ghosn is at once disgraced and probably impossible to replace.

Key-person risk occurs when an individual's presence, absence or behaviour disproportionately affects a firm's value. It might seem counter-intuitive amid

the spread of artificial intelligence and a tendency for bosses to be more self-effacing, but this risk is rife. The Renault-Nissan-Mitsubishi alliance is just one of several examples this year. Shares of WPP, the world's largest advertising firm, have sunk by 27% since the acrimonious exit of Sir Martin Sorrell, its founder, in April. Tesla's shares fell by 14% on September 28th after regulators said Elon Musk, its boss and co-founder, had made misleading statements on Twitter.

Of the world's 20 most valuable firms, Schumpeter reckons that eight have key-person risk, including Amazon, Berkshire Hathaway and JPMorgan Chase. Some 66% of firms in the S&P 500 would be materially harmed if their chief executive, or in some cases other key executives, were hit by a bus, according to the statements of risks that they file with American regulators each year.

It wasn't meant to be this way. In the 1960s and 1970s the corporate king was heading for extinction, replaced by bland executives like those in the film "The Graduate", who thought the key to life was "one word...plastics". In 1967 John Kenneth Galbraith, an economist, published "The New Industrial State", arguing that American industry was run by a faceless, benign technocracy. Modern finance theory emerged, seeing managers as functionaries who could be controlled using incentives.

In the 1980s the individual came roaring back. In "Wall Street", a film released in 1987, a fictional tycoon bends firms to his will. By 2000 the imperial chief executive, typified by Jack Welch at General Electric and Sandy Weill at Citigroup, was in his pomp. Then came crises at WorldCom and Enron, and later at Lehman Brothers and Bear Stearns, showing the danger of firms run by charismatic bosses. Governance gurus urged boards to limit executive power.

As a matter of etiquette, contemporary bosses are expected to rein in their swagger and talk up their team. Some, like Satya Nadella at Microsoft, even project vulnerability, not invincibility. Yet despite this, key-person risk has risen. The tech boom means that lists of the largest firms are full of founder-led companies—six of the biggest 20 fall into this camp. The governance revolution only went so far—only 28% of S&P 500 firms have independent chairmen. And after a decade of rising profits and share prices, CEOs are more

entrenched. Last year outgoing bosses at S&P 500 firms had run things for an average of 11 years, up from seven in 2009.

The resulting key-person risk comes in three flavours. The hardest to swallow is when a flawed individual has near-absolute power owing to their control of a firm's voting rights. This is the predicament Facebook finds itself in after multiple scandals, with Mark Zuckerberg out of his depth but unwilling to appoint more effective subordinates or a credible board. With its share price down by 37% since July, investors may not be reassured by his suggestion on November 20th that he would be in office "for decades".

A second flavour is when a firm is judged to be so complex that only one maestro can keep all the plates spinning. Mr Ghosn is an example. Renault, Nissan and Mitsubishi are linked by cross-shareholdings and by an opaque, jointly owned venture that manages bulk purchases and co-ordinates collaboration, which he is chairman of. Masayoshi Son, the head of SoftBank, a Japanese conglomerate that invests in telecoms and tech, has created a financial structure that is so indebted and complex that were he to leave suddenly, investors would panic even though Mr Son has given them poor returns for half a decade.

The most benign kind of key-person risk is when a boss is excellent at their job. At Apple Tim Cook has thrived at the nearly impossible task of succeeding Steve Jobs, while JPMorgan Chase is the world's best-performing big bank over the past decade in no small part thanks to its boss, Jamie Dimon. Yet even this kind of dependence can be uncomfortable—how long will the magic last? Mr Dimon has gone to lengths to promote plausible successors such as Marianne Lake, the bank's finance chief. But he says he plans to remain at the helm until 2023, which would be a 17-year reign.

Locked in

Several lessons on dealing with key-person risk emerge. When firms have unequal voting rights, investors should demand a discount to buy their shares as compensation for the risk that the individual in control starts making bad decisions. Financial complexity is a trap, allowing managers to become hard to remove even when they are not performing well. And lastly, even the best-performing chief executives must be subject to an expiry date.

It is here that the past 24 months have presented some good news as well as bad. On September 10th Jack Ma announced that he would step down in 2019 as the chairman of Alibaba, the e-commerce firm he co-founded. In the private-equity industry, not famed for its humility, three of the largest listed firms, Blackstone, KKR and Carlyle, have each put in place plans for their founders to take a more back-seat role. Mr Ghosn might look at Renault's and Nissan's share prices as evidence that he is indispensable. But the best bosses do not regard that as an achievement.

This article was downloaded by **calibre** from
<https://www.economist.com/business/2018/11/24/key-person-risk-is-alive-and-kicking-in-global-business>

| [Section menu](#) | [Main menu](#) |

Finance and economics

- **[Emerging markets: Glimmers of light](#)** [Fri, 23 Nov 11:21]

Emerging markets' currencies have staged a comeback. But threats to growth remain.

- **[Buttonwood: The big bank theory](#)** [Fri, 23 Nov 11:21]

For Europe's stockmarkets to recover, bank shares need to rally. Investor sentiment has curdled from indifference into something closer to hatred.

- **[Stockmarkets: No exception](#)** [Fri, 23 Nov 11:21]

A retreat in share prices finally reaches tech stocks. Anxieties about trade war and a slowing world economy take their toll.

- **[Company audits: Quality assurance](#)** [Fri, 23 Nov 11:21]

British regulators mull the future of audit. After high-profile company failures, breaking up the Big Four is on the table.

- **[Holiday hires: Spirit of Christmas yet to come](#)** [Fri, 23 Nov 11:21]

As firms struggle with seasonal hiring, Amazon turns to automation. The holiday sales surge meets the lowest unemployment rate in 48 years.

- **[Double-taxation treaties: Tit for tax](#)** [Fri, 23 Nov 11:21]

Treaty-shopping is about to get more expensive. Mauritius vows to make it harder for multinationals to use it as an investment conduit.

- **[India's central bank: The man who would be king](#)** [Fri, 23 Nov 11:21]

The person who is doing most to undermine the Reserve Bank of India. Swaminathan Gurumurthy represents everything India's liberal economists fear.

- **[Free exchange: Home economics](#)** [Fri, 23 Nov 11:21]

There is more to high house prices than constrained supply. Low interest rates and innovations in the mortgage market may also be to blame.

Is the worst over?

Emerging markets' currencies have staged a comeback

But threats to growth remain



Alamy

Nov 24th 2018 | PORT MORESBY

AFTER DUSK men from Lea Lea, a village in Papua New Guinea, wade into the Coral Sea to spear fish sleeping near the seabed. Their torches twinkle in the darkness. But they are easy to miss against the riot of illumination from a \$19bn liquefied natural gas plant. Built by ExxonMobil, it stores natural gas from the country's highlands, which is piped to tankers at the end of a jetty over a kilometre in length.

When the plant was opened in April 2014, the oil price was well over \$100 and gas was similarly valuable. Energy prices have since plummeted, but Papua New Guinea's currency, the kina, has been allowed to fall only gradually. Its strength has hurt the country's other exports, including coffee, tourism and fish. And because foreign exchange is underpriced, the central bank has been forced to limit its availability. A decline in Papua New Guinea's currency would, then, be a relief for many.

That sets the country apart from many developing countries, including several represented at the Asia-Pacific Economic Co-operation (APEC) summit in Port Moresby, the country's capital, last week. Their currencies have already fallen quite enough this year, thank you. Russia's rouble has declined by over 20% from its highest point of the year to its lowest. Other APEC currencies have also suffered, including Chile's (which declined by over 15% from its peak to its trough), Mexico's (over 13%), and Indonesia's (over 12%).

At the gathering Malaysia's prime minister, Mahathir Mohamad, recalled the speech he gave at the same summit 20 years ago. Back then, amid Asia's financial crisis and Russia's default, emerging markets were "thrown into utter disarray by currency speculators [who] were laughing all the way to the bank", he said. But this year speculators have not had things all their own way.

Few of the big emerging markets still offer foreign-exchange traders anything resembling a one-way bet. The "extreme currency misalignments" that prevailed at the start of the year have now been largely corrected, according to the Institute of International Finance (IIF), a think-tank. Better-aligned currencies have also begun to work their magic on trade imbalances. Turkey's exports were 22% higher this September than last. Its current-account balance could turn to surplus by the end of 2018, according to the IIF. In Argentina, meanwhile, falling imports helped the country post a trade surplus in September.

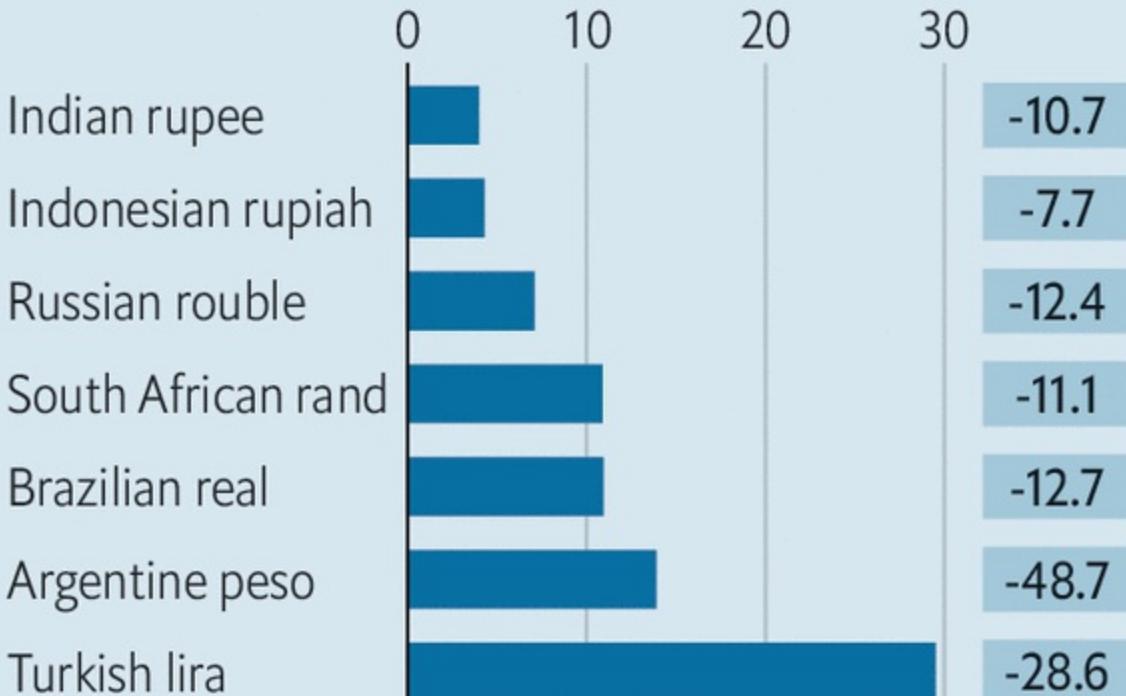
Indeed, many of the emerging-market currencies that suffered most in the summer have staged partial rebounds—enjoying a snigger, if not quite a laugh, at speculators' expense. Turkey's lira bottomed out in August and has since gained over 25%. The currencies of Argentina, Brazil, Russia and South Africa hit bottom the following month and have climbed substantially since. Those of India and Indonesia fell less sharply and bottomed out less quickly. But even they have eked out gains against the dollar in recent weeks (see chart).

Re-emerging

Currencies against the dollar, Nov 21st 2018

% increase since 2018 low

% fall since January 1st



Source: Haver Analytics

The Economist

Floating currencies can change direction as quickly as the fish in the Coral Sea. Other macroeconomic forces turn more slowly. In Turkey and Argentina, inflation and growth are still heading in an unwelcome direction. Prices rose by more than 45% in Argentina in the year to October, and by 25% in Turkey. Reining inflation in will require a painful slowdown in activity. And that is what is under way. Industrial production in Argentina fell by 11.5% in September, compared with a year earlier. Car sales in both countries are collapsing.

Elsewhere, however, inflation remains remarkably contained. In both India and Indonesia it is below 4%, and in Brazil below 5%. Cheaper oil should help reduce price pressure even further. That will weaken one rationale for hiking interest rates and thus reduce one obvious threat to growth. Taken as a group, emerging markets grew faster in 2017 and 2018 than in the two prior years, according to Capital Economics, a consultancy. The sell-off has slowed that recovery but not yet reversed it. And despite the trade war being waged by America's president, Donald Trump, exports have been surprisingly strong.

This strength may reflect buyers of Chinese goods racing to place orders before American tariffs rise. Many emerging markets worry that if the trade war escalates, China will let its currency weaken in response, with unknown consequences for investor sentiment. The yuan may be the only major emerging-market currency that has not reached its low for the year. Testy exchanges between the two superpowers during the APEC events in Papua New Guinea will have done little to calm nerves.

For the host country's entrepreneurs, the trade war must seem an extraordinary indulgence. They face two adversaries, poverty and geography, that are more devastating than protectionism to trade. Long distances and patchy infrastructure mean that the cost of shipping local handicraft to the outside world can double the price. Crystal Kewe, a 20-year-old self-taught computer programmer in Port Moresby, won APEC's backing to launch an e-commerce site for bilum, traditional string bags in which Papuans carry infants, food and much family pride. But the cost of shipping keeps export markets out of reach for now. She aims instead to sell to tourists and other visitors, who pay to ship themselves to the product.

The bags are laden with symbolism, according to Sharlene Kylie Gawi, owner of Bilum Culture, a local bilum business. Each loop is like a member of society. Some bear a lot of weight, others less. Some threads add colour; plainer ones allow the patterns to stand out. But each loop is connected to the others. Thus described, the bags could also represent emerging markets. Argentina and Turkey have stood out this year, yet remained bound to other markets through threads of sentiment. But it is China, as ever, that carries the most weight.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/emerging-markets-currencies-have-staged-a-comeback>

| [Section menu](#) | [Main menu](#) |

Buttonwood

For Europe's stockmarkets to recover, bank shares need to rally

Investor sentiment has curdled from indifference into something closer to hatred



Nov 24th 2018

NOT SO LONG ago, a stockbroker trying to interest an American fund manager in European shares would be met with an eye-roll. But sentiment is fickle and attitudes change. These days the likely response is a hard stare. Over the years in which stockmarket returns in America pulled ahead of everywhere else, any residual feelings for old-world shares had slowly turned to indifference and then curdled into something like hatred.

For what is there to like? The Euro Stoxx 50 index of euro-zone shares is lower than it was 20 years ago. Earnings forecasts have been steadily cut this year. Political risk—from Brexit to Italy's budget stand-off with the European Union—is never far away and, seemingly, never resolved. “Call me when it’s over,” is the refrain of many American investors. Do not get them started on Europe’s structural defects: its ageing populations, scarcity of

world-class digital firms and fragmented markets.

The category of stocks that captures the prevailing euro-misery best is banks. They have everything that makes investing in Europe such a wretched experience. In a dispiriting year for European markets, the shares of banks and financial firms have been among the worst-performing. Even after the selling, they are a fifth of the MSCIpan-European index. The gloom is now so deep that it would take just a few rays of sunshine to give bank shares a lift.

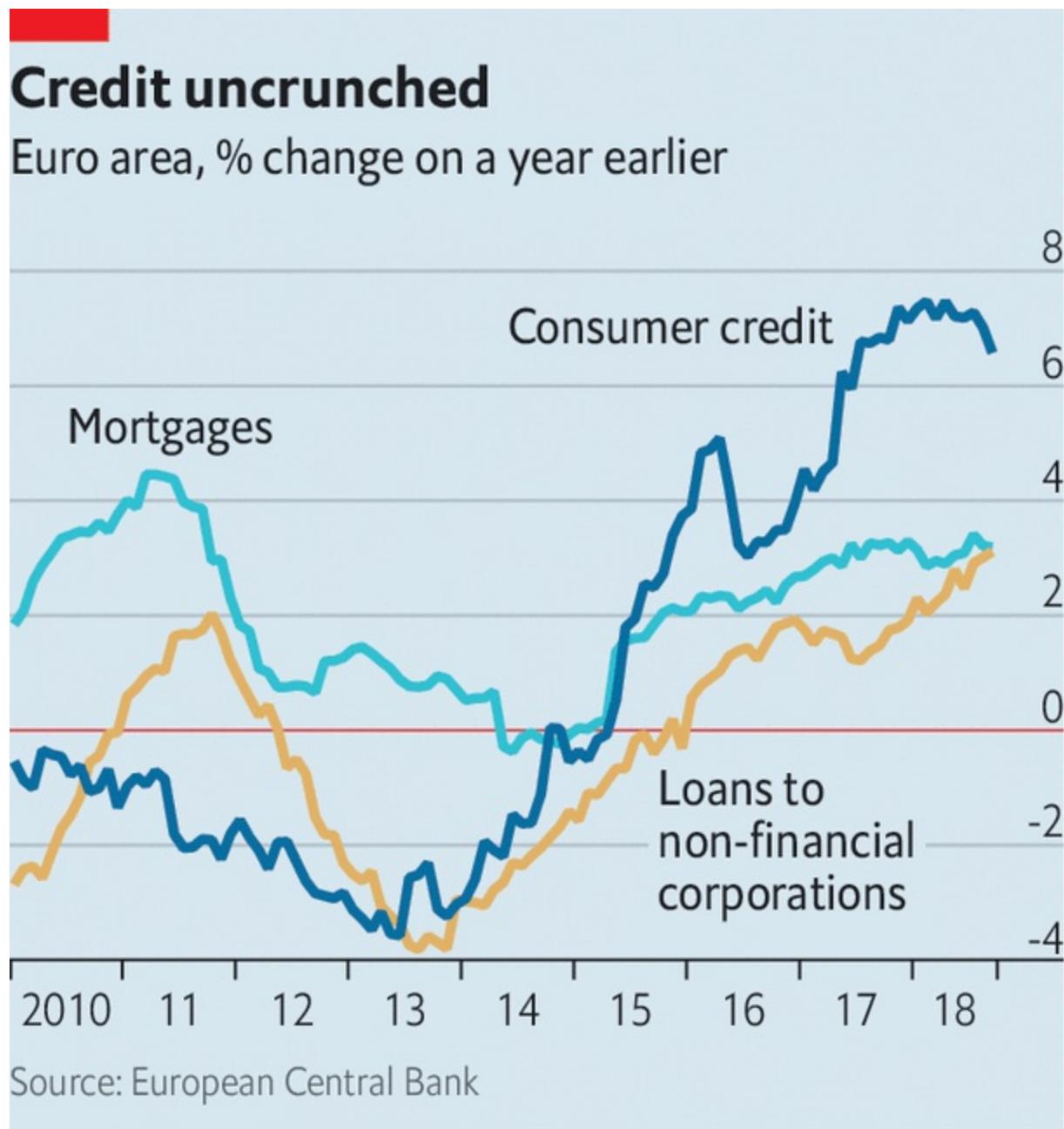
For now, though, the news is relentlessly bad. GDP in the euro area grew at just 0.2% in the third quarter. The purchasing managers' index of activity fell in October to a two-year low. Exports have wilted, notably to emerging markets, where firms listed in Europe earn a third of their profits. A weak economy defers the day when Europe's central banks can tighten monetary policy. The delay hurts banks, whose profits depend on the interest rates they charge on loans.

Europe's cyclical failings are entwined with a host of other flaws. Its people are ageing and its businesses seem outmoded. It is not just the preponderance of banks. Stockmarket indices are loaded with makers of cars, chemicals and capital goods—the machine technology of the early 20th century, not the digital tech of the 21st.

Nor is Europe a truly continental market in the way that America is. Banking is essentially national. Its capital markets are puny. And it lacks a single set of fiscal-policy tools to go with its single currency. The euro area has no shared deposit protection or unemployment insurance. There are more signs of Europe pulling apart than of it pulling together. One big country, Britain, is going through a messy divorce from the EU. Another, Italy, is feuding with the EU over fiscal rules. The larger these political risks loom, the harder bank shares fall.

Is there anything positive to say about them? European banks are a leveraged play on Europe and also on the global economy, says Luca Paolini of Pictet, a Swiss wealth-management group. That cuts both ways. They are hurt badly by bad news; but they can also rally hard on good news. The starting-point is that shares are cheap—banks are priced for something like a calamity. Yet after foot-dragging for a decade on bad loans and capital-raising, their

balance-sheets are in decent shape. Bank credit in the euro zone is growing again (see chart).



The Economist

A lot of Europe's political fog would have to clear before its banks could deliver more than a short-term bounce. A softish Brexit would help, of course. So would a truce over Italy's budget. The euro zone's structural weaknesses are not going to be fixed quickly. But there has been more

progress than is generally recognised.

France and Germany recently agreed on a proposal for a European budget. It falls well short of the kind the recession-fighting fund requires. But once it is in place, it might grow in size and flexibility—just as the makeshift rescue of Greece in 2010 evolved into lasting backstops for troubled countries, such as the European Stability Mechanism, a €410bn (\$470bn) bail-out fund. The chance that policymakers move towards fiscal integration in this way is around 30%, according to strategists at Morgan Stanley. This would benefit financial stocks most, they reckon.

There is one other thing, perhaps a little strange, to say in favour of European stocks, particularly banks: that few investors have anything favourable to say about them. They are a contrarian bet—the antithesis of American tech stocks, which are suddenly out of favour. You buy them when everyone else has given up on them. Isn't that right now?

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/for-europes-stockmarkets-to-recover-bank-shares-need-to-rally>

| [Section menu](#) | [Main menu](#) |

No exception

A retreat in share prices finally reaches tech stocks

Anxieties about trade war and a slowing world economy take their toll



Nov 22nd 2018

STOCKMARKET BOOMS tend to narrow with age, as investors double down on the shares that have served them well. Throughout 2017 and into the early weeks of this year, a handful of favoured technology stocks, known as FAANG (Facebook, Amazon, Apple, Netflix and Google, part of Alphabet), were the motor for a rapid rise in the S&P 500 index of American stocks (see chart). In this year's choppier markets, they seemed like a refuge. But this week FAANG and other tech stocks were at the centre of a broader sell-off in global stockmarkets.

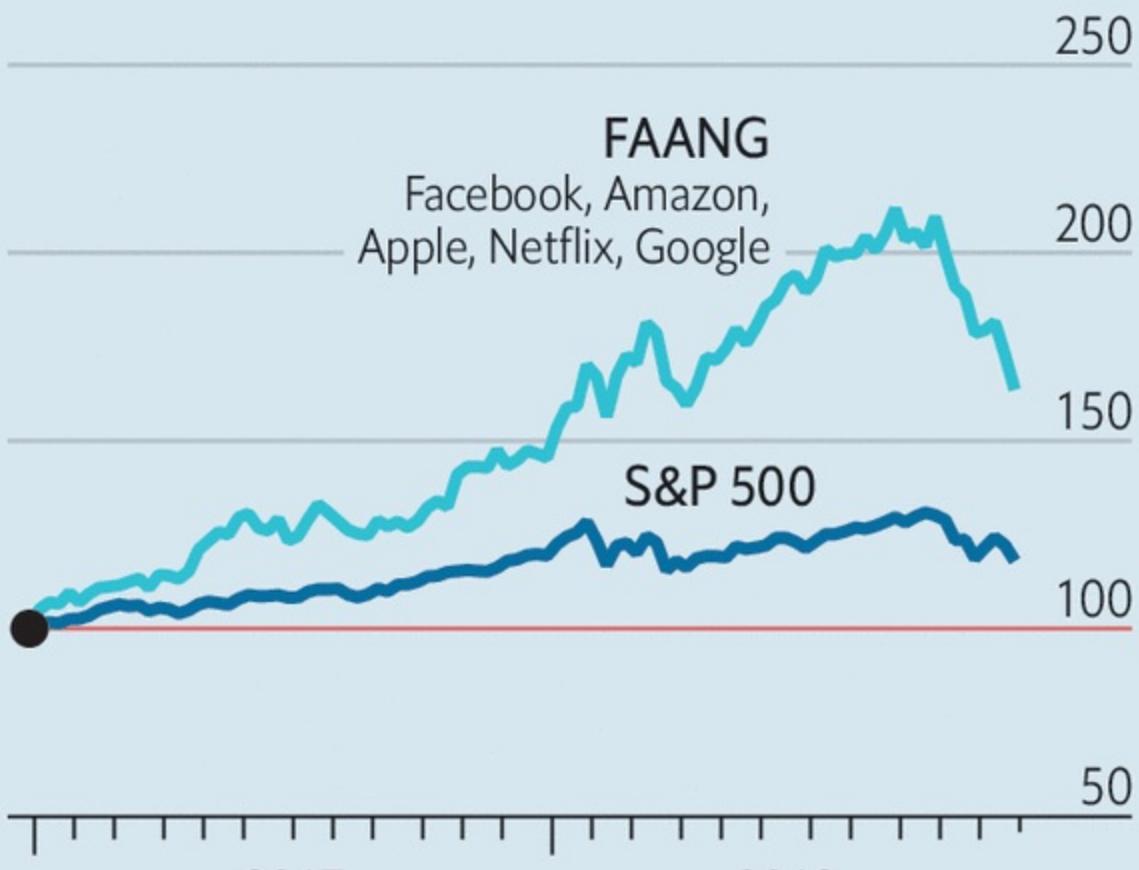
Over two trading days, on November 19th and 20th, the FAANG stocks retreated further from the peaks they each achieved earlier this year. At their lowest point all five were down by more than 20% from their pinnacle. Billions of dollars in stockmarket value have evaporated. Apple, which had reached an equity capitalisation of \$1trn in early August, was valued at

\$840bn by the time New York's stockmarket closed on November 20th. The market capitalisation of Amazon, which fleetingly hit the \$1trn mark a month later, had dwindled to \$731bn.

The rout in technology stocks was part of a broader retreat in share prices. The S&P index is now barely up over the year. The world's other big stockmarkets are deep in the red, with China's worst-hit, down by a fifth since January 1st. Specific factors weigh on the prices of tech shares, such as new concerns about rising capacity in chipmaking. But it would be closer to the mark to say that the anxieties that have undermined the rest of the stockmarket, such as signs of weaker global GDP growth and the trade war between America and China, have caught up with tech.

FAANGs for the memories

Share prices, January 1st 2017=100



Source: Datastream from Refinitiv

The Economist

There were early tremors last month when a clutch of semiconductor firms endured a rout in share prices. The pattern was repeated when third-quarter results from Nvidia, which makes chips used in digital gaming, fell short of expectations. Its share price plunged. That in turn gave form to latent doubts about the outlook for Apple. Reports that its suppliers were cutting output were enough to send Apple's share price down by 8.6% over two days. As the economy slows, goes the reasoning, people will be slower to upgrade

their handsets. Similarly, businesses would delay non-essential spending, such as advertising, the source of revenue for Google and Facebook. So their shares fell, too.

America's trade dispute with China can only amplify such concerns. A statement this week by China's trustbusters that it had evidence of price-fixing by the three largest makers of DRAM chips, used in computers and smartphones, is a new focus for tech jitters. The move was seen by some as a warning shot in the trade wars. Two of the firms are South Korean, but one of them, Micron Technology, is American.

For the FAANG group of stocks, gravity is also at work. So spectacular was their rise that they were bound to fall back sooner or later. Nobody could be sure precisely when or why. But the hopes of many investors that they would be invulnerable to worries about the economy have been dashed. America's GDP growth seems destined to slow next year as the impetus from tax cuts fades and the Fed's rate rises bite harder. If anxieties about the world economy are to be assuaged, signs of more solid growth in other parts of the world are needed. A lot now depends on how the tug-of-war in China between policy stimulus and the drag from American tariffs plays out.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/a-retreat-in-share-prices-finally-reaches-tech-stocks>

Quality assurance

British regulators mull the future of audit

After high-profile company failures, breaking up the Big Four is on the table



Otto Dettmer

Nov 22nd 2018

AUDITS EXIST to shore up trust in financial statements. Investors look to professionals to tell them whether companies' managers are squandering their money. What happens when trust in auditors evaporates? Britain provides an illustration.

The country has seen a spate of high-profile company failures in the past year, most notably that of Carillion, a construction firm with many public-sector contracts. Angry lawmakers want to know why auditors did not raise the alarm. The result has been a number of official reviews. The Competition and Markets Authority (CMA), Britain's antitrust agency, is assessing ways to improve the audit market. A separate review is looking at the Financial Reporting Council, the audit regulator. Both will publish initial findings by the end of the year. Three more reviews—by MPs, the opposition Labour Party and an accountants' trade body—are also in the works.

The case against auditors is that the industry is cosy and conflicted. Listed companies must, by law, be audited, and the auditors are paid by the companies whose books they review. The market for auditing large listed firms is dominated by four accounting networks, Deloitte, PWC, EY and KPMG, which earn most of their revenue from consultancy. They are barred from providing many consulting services to audit clients. But the suspicion is that they may go easy in audits in the hope of netting more lucrative work in the future.

Not all extra work for audit clients is barred, and Karthik Ramanna of the University of Oxford suspects that audit staff are expected to do what they can to flog such services. Last year the Big Four made £329m (\$424m) from selling these additional services to big clients. That amounts to 39% of their audit fees. Perhaps anticipating stricter rules, KPMG said on November 8th that it would stop providing large audit clients with extra services.

Regulators have tried to inject competition and enforce independence—with mixed success. European Union rules require companies to tender for a new auditor every ten years, and to switch after 20. Though churn has gone up, the Big Four have become more dominant, however. In 2016-17 they audited 97% of the FTSE 350. The Financial Reporting Council found that audits stopped improving in 2017.

The CMA's most radical option would be to force the Big Four to separate their auditing and consulting arms. That would reduce conflicts of interest—and could increase choice: accounting firms cannot tender to audit a company they are consulting for. But it would make for weaker firms: auditing is a low-margin business.

Another option would be to cap auditors' market share. That could guarantee smaller firms much-needed experience, and over time increase the number of serious players. But in the meantime some big firms would be forced to use smaller auditors. It is not clear that multinationals, in particular, could be properly scrutinised by an auditor with limited global coverage.

Also on the table is a change to how auditors are hired. If an independent body were to match auditors and companies, that could stop auditors from going easy in order to be reappointed. This option is backed by Grant

Thornton, a smaller audit firm. But it has had a tepid reception from the others, who say that it would distance the auditor from a company's board and from the investors it represents.

The CMA must try to minimise costs while maximising benefits. But for now at least its calculations ignore a basic question: whether auditors' job descriptions are still fit for purpose. Research by the Association of Chartered Certified Accountants, a professional body, finds that the public expects auditors to do more to detect fraud and to stop companies failing than is required in their professional standards. Mr Ramanna thinks that reforming accounting standards—for instance, to encourage prudence—would give auditors more clout when challenging company managers. But such rules are multilateral, and there is little appetite for change in America or continental Europe. The overarching lesson from Britain may be that reforming audit is fiendishly difficult.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/british-regulators-mull-the-future-of-audit>

| [Section menu](#) | [Main menu](#) |

Spirit of Christmas yet to come

As firms struggle with seasonal hiring, Amazon turns to automation

The holiday sales surge meets the lowest unemployment rate in 48 years



Reuters

Nov 22nd 2018

TO BE HIRED as Santa Claus at Boscov's, a department store in Pennsylvania, you will need to "be tolerant of unexpected behaviours from children". But what really sets an applicant apart is a "natural white beard". The insufficiently hirsute can apply for one of over 880,000 other holiday vacancies across America. The number of positions in retail is the highest since 2014. With consumer confidence close to an all-time peak, the National Retail Federation expects retailers to sell 4.3-4.8% more than last year in real terms, up from an average rise for the past five years of 3.9%.

Shops are looking for hordes of temporary staff to stock shelves, gift-wrap merchandise and say "ho ho ho" in the foyer. Among the biggest bricks-and-mortar retailers, a record number of 120,000 people are to be hired at Target. Macy's is hiring 80,000. Since online sales are expected to be a fifth higher than last year, UPS, FedEx and DHL are recruiting furiously, too.

The tightest jobs market in over a decade means more disposable income, and therefore more consumption. But it also makes it harder to find temporary staff. At the end of the summer there were over a million more open positions nationwide than people looking for work. Kohl's, a retailer, started hiring holiday workers in June to get a head start. UPS has hosted its first one-day hiring blitz to enlist 40,000 temporary workers, with interviews and driving-test sign-ups in nearly 170 locations. J.C. Penney, a department-store chain, is luring seasonal workers by entering them in a raffle for gifts and holidays. Amazon is hiring hourly workers via an online form, without résumés or interviews.

Rising wages across the economy help make seasonal work more worthwhile. Amazon is in the vanguard: it raised its hourly minimum to \$15 from November 1st. Following the announcement, says Pawel Adrjan of Indeed, the world's most-visited jobs site, the number of searches for jobs with Amazon in America tripled. It has stayed high since.

Temporary summer jobs, many of them in agriculture, are often taken by migrants who return home afterwards. Temporary winter jobs, by contrast, more often go to locals. The difference is in part because winter work usually requires language skills and is less likely to be covered by special visa schemes, says Andrew Chamberlain of Glassdoor, an employer-review site.

All this points to a merry Christmas for job-seeking Americans. But the tight jobs market is speeding up a longer-run trend, which may in time flatten seasonal spikes in demand for labour. That is automation. Amazon is ahead of the pack here, too. It is hiring 20,000 fewer workers in America this winter compared with last year, which Mark May, an analyst at Citigroup, attributes to greater use of robots in the retail giant's fulfilment centres.

Since many retail and delivery tasks are ripe for automation, this trend could terminate swathes of holiday jobs. That would make the season less of a scramble for employers. But the economy as a whole could lose out in a less obvious way. Many people need extra cash over Christmas, and the annual hiring binge means they can easily find work. Some decide to continue, even if that had not been the original plan. UPS says that it ends up hiring a third of its seasonal package-handlers for permanent jobs. Holiday work thus acts as a path from economic inactivity into the labour force. At least robots cannot

grow beards.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/as-firms-struggle-with-seasonal-hiring-amazon-turns-to-automation>

| [Section menu](#) | [Main menu](#) |

Tit for tax

Treaty-shopping is about to get more expensive

Mauritius vows to make it harder for multinationals to use it as an investment conduit



Nov 22nd 2018

MBIZA, A BUSINESS that grows berries in Zambia and South Africa, and Niel Finance and Services, which owns the Central African Republic's largest mobile firm, would seem to have little in common. But both have headquarters in Mauritius, an island of 1.2m people 2,000km off the mainland. The country, which tops the World Bank's "ease of doing business" ranking for sub-Saharan Africa, has a robust legal system and amenities that make it an attractive place to set up shop. Perhaps a bigger draw, though, is a 15% corporate-tax rate, falling to as little as 3% on foreign income.

Mauritius also boasts an extensive tax-treaty network with many sub-Saharan African countries. It has ratified 15 since 1992; only South Africa arranged more over the period. Twelve more are in the works. Double-taxation treaties

(DTTs) specify the rate applied by source countries on cross-border income, such as royalties or service fees. Over time Mauritius has secured advantageous terms, typically low or zero rates of withholding taxes—those deducted at source. Since it also has treaties with developed markets and other low-tax countries, multinationals with Mauritian intermediaries can repatriate the proceeds of African investments at minimal cost.

DTTs are supposed to encourage foreign direct investment (FDI) by making sure income is not taxed twice. But in a recent paper Sebastian Beer of the IMF and Jan Loeprick of the World Bank find that Mauritius's DTTs have not channelled new investment towards co-signatories. Rather, they have led to “treaty-shopping”, with firms merely rerouting existing flows of money. That has deprived African treasuries of tax revenue: in countries with such treaties the corporate-tax take was on average 15% lower than in similar countries without them.

Some countries have balked. A handful, including Rwanda and South Africa, have renegotiated their treaties with Mauritius to raise withholding rates on interest payments and royalties. But the most forceful efforts to clamp down on treaty-shopping have been led by the OECD, a club of mostly rich countries, under its “Base Erosion and Profit Shifting” initiative.

In July it introduced a mechanism that will automatically update applicable DTTs. Rules will be tightened on beneficial ownership and on “principal purpose”—ie, whether the main motive for incorporating in a jurisdiction is to obtain tax benefits. Although Mauritius signed up, it initially excluded its African treaties. No public announcement has been made but it has now yielded to pressure and agreed to include all its African DTTs (except that with Cape Verde, which is not yet finalised).

In order to count as tax-domiciled in Mauritius, companies will soon have to employ more staff and spend more locally, says Rama Sithanen, a former finance minister and deputy premier. Pascal Saint-Amans, the OECD's top tax official, reckons it should take no more than two years to revamp the DTTs. “Treaty-shopping is dead,” he says. Others are less sanguine. The automatic update mechanisms do not cover withholding taxes. As long as rates remain low or zero, some multinationals will continue to net a bargain.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/treaty-shopping-is-about-to-get-more-expensive>

| [Section menu](#) | [Main menu](#) |

The man who would be king

The person who is doing most to undermine the Reserve Bank of India

Swaminathan Gurumurthy represents everything India's liberal economists fear



Nov 22nd 2018 | MUMBAI

SOMETIME IN THE 1990s Jagdish Bhagwati, one of India's most distinguished economists, encountered Swaminathan Gurumurthy, a financial commentator associated with the Rashtriya Swayamsevak Sangh (RSS), a Hindu-nationalist organisation. Mr Gurumurthy was making the case that globalisation, brought in by well-connected financiers, was destroying India. Mr Bhagwati came to a caustic conclusion. If RSS ideologues like Mr Gurumurthy were economists, then Mr Bhagwati was a "Bharatnatyam dancer", he said (referring to a traditional dance from Tamil Nadu performed by women).

Over 20 years later, Mr Gurumurthy's beliefs have changed little. But today he is one of the most influential members of the board of the Reserve Bank of India (RBI), the country's central bank, to which he was appointed by the government in August. He has led demands that the RBI loosen restrictions on

India's rickety state-run banks and hand more of its reserves to the government. Other than Narendra Modi, the prime minister, he is perhaps the man India's liberal economists most fear.

Mr Gurumurthy had never before held a government position. A chartered accountant by training, he says he took the RBI position "under some pressure". But he admits that he has long offered "advice" to government. Plenty of people think that advice is taken extremely seriously, especially by Mr Modi, who shares his background in the RSS. "He's really a fixer, he gets things done in Delhi," says Mohan Guruswamy, a former government economist who has often clashed publicly with him.

The biggest thing Mr Gurumurthy is thought to have helped get done is demonetisation in 2016, when 86% of bank notes by value were abruptly withdrawn from circulation in an attempt to crack down on undeclared "black money". This, he argues, prevented an economic collapse (most Indian economists reckon it almost caused one). He is also thought to be behind a scheme to expand lending to small businesses, and a rejigging of the government's economic-planning department.

Mr Gurumurthy believes, as he put it in a speech last year, that the "the subject of economics is collapsing" and should be replaced by an Indian economics based on Swadeshi (self-reliance). Foreign capital should be kept out; the government should manage finance directly and small businesses should be prioritised over big ones. Western-educated economists who disagree need a "correction" of the mind.

Since joining the RBI board Mr Gurumurthy has turned its monthly meetings into day-long slogs, as he puts forward these ideas, seemingly with the backing of the government. "His being on the board is not merely some symbolic thing," says Vivek Dehejia of IDFC Institute, a think-tank. His appointment was followed in October by the squeezing out of Nachiket Mor, an American-educated economist who had been attacked by the RSS. Weeks later Viral Acharya, one of the bank's four deputy governors, warned that the government was undermining the bank's independence.

A paragraph-long statement after the latest board meeting, on November 19th, said that the bank would direct more money to small businesses but

fudged the biggest question: whether it would hand more cash to the central government. With an election approaching, few think that fight is over. If the government wins, more demands are likely to follow. And one man is sure to be at the front making them.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/the-person-who-is-doing-most-to-undermine-the-reserve-bank-of-india>

| [Section menu](#) | [Main menu](#) |

Free exchange

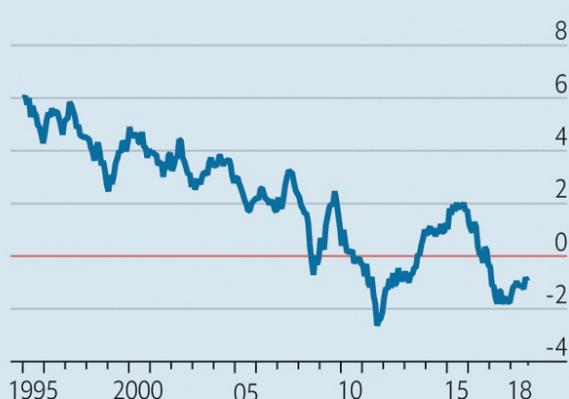
There is more to high house prices than constrained supply

Low interest rates and innovations in the mortgage market may also be to blame

Nov 22nd 2018

Concrete problems

Britain, real interest rate*, %



Sources: Bloomberg; Datastream from Refinitiv; ONS; Land Registry

Jan 2005-Sep 2018, % change

Real terms █ England █ London



*Ten-year government-bond yield adjusted for consumer-price inflation [†]Full-time employees

The Economist

To GET HOUSE prices down, increase supply. The logic seems unarguable. Britain's house prices have inflated hugely in recent decades: by 161% in real terms since 1996. Barriers to construction, such as the green belt—zones of protected countryside around cities—are clear to see. If politicians were to remove them, overcome nimbyism and build more houses, more people could afford to buy. That would arrest a decline in home ownership that has been particularly sharp among young people. In 1991, 67% of British 25- to 34-year-olds owned property; today only 37% do.

So goes the conventional wisdom. But even as policymakers have at last begun to embrace building, a new school of thought has gained prominence. Its advocates, the most vocal of whom is Ian Mulheirn of Oxford Economics, a consultancy, say high prices have little to do with supply shortages. They put the blame somewhere else: global financial markets.

Most studies of Britain's housing market link a 1% increase in the number of houses to a fall of around 2% in prices. If that is accurate, supply constraints cannot explain a boom as big as Britain's. Applying these numbers, Mr Mulheirn calculates that had Britain built 300,000 houses per year since 1996, rather than around 200,000, adding 9% to Britain's housing stock, prices would still have risen by about 134% in real terms in 1996-2017.

The true explanation, the argument goes, is found by viewing a house as a financial asset. It produces implicit income: the saving on rent achieved by owning the property rather than renting it (or equivalent digs) from a landlord. Like all streams of income, this can be valued using an interest rate. And just like the dividends offered by stocks, or the coupons offered by bonds, monthly savings on rent, capitalised as house prices, have soared in value as global real interest rates have tumbled (see chart).

Another version of the same argument says that house prices should be bid up until the cost of home ownership—which includes mortgage interest, as well as the lost opportunity to invest in something else—is about equal to rent. Over two decades the real cost of capital has roughly halved, says Mr Mulheirn. So you would expect prices to have roughly doubled.

To bid prices up to the point where rental yields are comparable to bond yields, households need sufficient access to mortgage credit. That might not have been available, were it not for the “financialisation” of housing—the liberalisation of mortgage lending, sometimes funded by foreign capital, in the 1980s and 1990s. One such reform was the advent of buy-to-let mortgages in 1996, which made it easy for individual investors to speculate on property by becoming landlords. Foreign investors may also have contributed to the frenzy.

If financial conditions can move house prices so much, how to tell if there is a housing shortage? One way is to look at rents, which measure only the supply and demand for a place to live, without any financial component. They paint a startlingly different picture. Since 2005 English rents have fallen in real terms. Even in pricey London, they are up by less than 4%.

Some caveats are necessary. Falling real interest rates are a global phenomenon. Yet housing trends and rental yields vary widely, even within

countries. In posh bits of north London they are below 3%; in, say, parts of Liverpool they can exceed 10%. Many globally successful cities have seen rents rise hugely. In San Francisco, for example, where planning regulation is forbidding, rents are 31% higher in real terms than in 2005. Such places would benefit greatly from more supply, with knock-on effects on national economies. High house prices in London may reflect an expectation that building constraints will bite harder in future as the city continues to thrive, causing rents to accelerate.

The historical link between interest rates and house prices is weak. That is because predictions of future capital gains tend to be what inflate and shrink property-market bubbles. America, Ireland and Spain experienced huge property-price booms in the mid-2000s, even as interest rates rose. Decades of low rates have not restored Japanese house prices to the high they reached amid the speculative fervour of the late 1980s and early 1990s.

That is to build on Mr Mulheirn's logic, however, not to demolish it. In fact, you might argue that the risk of speculative overheating is another reason not to focus on supply. Those countries that built freely during the 2000s had bigger crashes after the financial crisis, leaving behind ghost towns of vacant homes in places like Nevada and many parts of Spain.

You can't handle the roof

Suppose financialisation and low interest rates are to blame for high prices. What, then, should policymakers do? Countries with greater restrictions on mortgage lending, such as Germany, have seen house prices grow much less over the long term than Britain has. But they also have lower rates of home ownership. That would not appeal to politicians in Britain, where "getting on the property ladder" is seen as crucial to financial security. Buy-to-let investors can be discouraged—indeed, Britain has hit them with much higher taxes in the past couple of years. But that will have only so much impact, since professional firms with large portfolios and access to capital markets can replace individuals. Increases in government subsidies for homebuyers will only inflate prices further.

A sensible approach would be to build more where rents are rising, make life easier for tenants—and abandon the notion that buying a home is a rite of

passage. Attitudes could shift naturally if housing were to underperform for a while. Indeed, an implication of the financialisation thesis is that rising interest rates could put the decades-long housing boom into reverse.

Sure enough, housing markets in rich countries have begun to look wobbly as global interest rates have crept up. In London, where the prospect of Brexit is also hitting demand, real house prices have fallen by over 2% during the past year. Perhaps young people trying to scrape together towering deposits to buy their first home should hope that the supply sceptics are right. If so, the problem of high house prices might disappear on its own.

This article was downloaded by **calibre** from <https://www.economist.com/finance-and-economics/2018/11/24/there-is-more-to-high-house-prices-than-constrained-supply>

| [Section menu](#) | [Main menu](#) |

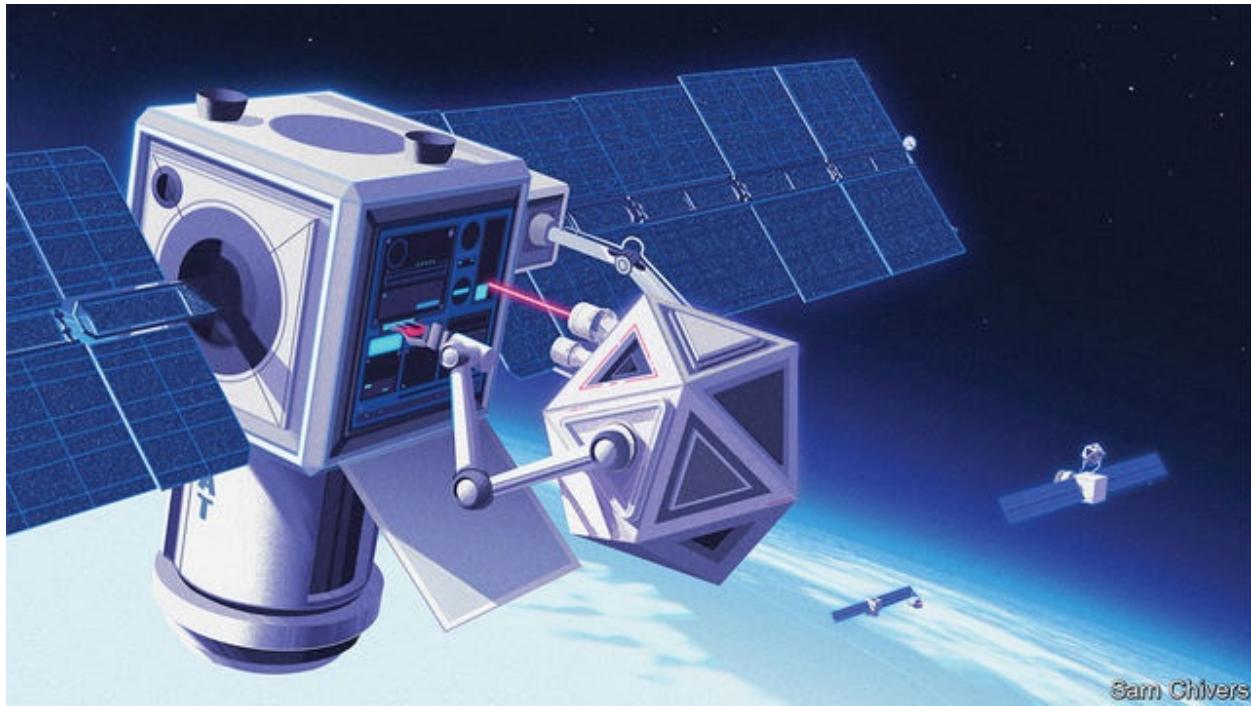
Science and technology

- **[Engineering in space: Celestial grease monkeys](#)** [Fri, 23 Nov 11:21]
It will soon be possible to send a satellite to repair another. Or to destroy it.
- **[Planetology: Deep insights](#)** [Fri, 23 Nov 11:21]
The latest Mars-bound craft arrives in a few days' time. It will probe the planet's interior.
- **[Aerospace: Ioning out flight](#)** [Fri, 23 Nov 11:21]
The first journey of an aircraft with an ion drive. How to fly silently, and without any moving parts.
- **[Cat grooming: Groovy](#)** [Fri, 23 Nov 11:21]
The microscopic structure of a cat's tongue helps keep its fur clean. The secret is in the grooves.
- **[Education versus work: What ivory towers actually defend](#)** [Fri, 23 Nov 11:21]
Going to university does not broaden the mind. But going straight from school to work narrows it.

Coming, ready or not

It will soon be possible to send a satellite to repair another

Or to destroy it



Sam Chivers

Nov 22nd 2018

JET PACKS for satellites. According to Daniel Campbell, the boss of Effective Space, the British and Israeli firm which is building them, that is the way to think of the robotic spacecraft his company plans to start launching in 2020. The purpose of Effective Space's devices, which it calls SPACE DRONES, is to prolong the lives of communications satellites (com-sats) that would otherwise be decommissioned for lack of fuel for station-keeping—in other words, for maintaining their proper orbits.

At the moment, about two dozen big geosynchronous com-sats (those with orbits exactly 24 hours long, which thus hover continuously over the same spot on Earth) are retired each year, most commonly because of fuel exhaustion. Mr Campbell proposes to do something about that. In partnership with Israel Aerospace Industries, a government-owned firm, he plans to build the first two SPACE DRONES in Tel Aviv, for launch in 2020. Once itself in

geosynchronous orbit, at an altitude of 36,000km, each drone will slowly approach and clamp onto such an exhausted com-sat, giving it a new set of thrusters with which to manoeuvre—and thus, since the thrusters should last 15 years, a new lease of life. If this works, dozens more drones should follow. According to Mr Campbell, Effective Space already has one contract, worth \$100m, for such repositioning work.

Nor is Effective Space alone in its endeavours. Next year SpaceLogistics, a subsidiary of Northrop Grumman, an American engineering giant, will launch its first such “mission extension” spacecraft. MEV-1, as it is named, will handle station-keeping for Intelsat-901, a big com-sat that is currently low on fuel. SpaceLogistics reckons its docking system can clamp onto 80% of today’s geosynchronous satellites. And NASA, America’s space agency, is planning something similar for launch in 2020. This has two robotic arms and is intended to refuel Landsat-7, an Earth-observation satellite that was launched in 1999.

These projects are no small undertakings. But even more sophisticated ideas are in the pipeline. For an inkling, consider a programme called Robotic Servicing of Geosynchronous Satellites (RSGS) that is being run by DARPA, a research arm of America’s defence department.

In April 2021 DARPA plans, in collaboration with Space Systems Loral (SSL), a firm in Silicon Valley, to launch an RSGS spacecraft that has two dexterous robotic arms and thrusters sensitive enough to accelerate or slow orbital velocities by as little as a centimetre per second. Over a lifetime of 15 years or so this craft could inspect and service as many as 30 satellites. Besides refuelling them, it could do such things as plugging in electronics upgrades, extending jammed telescopic antennae and unfolding arrays of solar panels that had not deployed properly.

That last fix would, for example, solve a predicament that has halved the transmission capacity of Estrela do Sul-2, a geosynchronous satellite built by SSL that has been in orbit since 2011. Moreover, according to Richard White, the firm’s government-liaison officer, if a close-up inspection reveals the need for a tool not carried on the servicing spacecraft, it could be sent up via a small-payload “orbital delivery system” which SSL successfully tested for the first time this year.

Advances in space robotics have also led to efforts to develop kit that might be used to capture pieces of defunct spacecraft zipping around Earth. Such junk is abundant in low orbits (those with an altitude of less than 2,000km), and is threatening not only because of the damage it can do to individual satellites, but also because such collisions themselves beget debris, creating the risk of a chain reaction of impacts.

In 2016 China launched a small spacecraft named *Aolong* (“Roaming Dragon”), reportedly to test a robotic arm designed to capture debris. Chinese officials have suggested that more such vehicles are in the pipeline. Earlier this year, a European consortium also launched a spacecraft designed to test ways of capturing junk. RemoveDEBRIS, as it is called, fired a net on September 16th and successfully caught an object it had released to simulate space junk. This was a world first. In February it will attempt another, by firing a harpoon designed to skewer a chunk of composite material brought along for the test.

Dark stars

These advances in what engineers call “rendezvous and proximity operations” have elated many. But they have a dark side. Something that can grab or dock with objects in space might also be used to destroy them. As William Shelton, a former head of the American air force’s space command, puts it, the difference between a service spacecraft and a weapon is merely “a change of intent”. According to Mr Shelton, in the past decade China and Russia have made “stunning” progress with such systems. At least one Chinese satellite has bumped into another one, perhaps in a test of the feasibility of such attacks.

Attack by service spacecraft is certainly not the only threat to orbiting satellites. Cyber-invasion of their software is an obvious way to try to neutralise them. They might also be blasted by powerful lasers. And they can surely be knocked out by interceptors launched from the ground. But such “kinetic” attacks generate debris, as a test conducted by China in 2007 showed. Since that debris would threaten other satellites indiscriminately, it would put the attacker’s assets at risk as well as those of its opponent. A service-spacecraft attack could avoid that by emptying a rival’s satellite of fuel, severing its antennae or spray-painting its lenses and solar panels.

At least five Russian spacecraft, called “space-apparatus inspectors” by the country’s defence ministry, have already conducted rendezvous and proximity operations in both geosynchronous orbits and orbits close to Earth. Speaking in September, France’s defence minister, Florence Parly, pointed to the troublingly close approach of a Russian military spacecraft named Olimp-K to a French and Italian military satellite as evidence that satellites “are becoming prey, targets”. France recently decided to equip its future Syracuse military satellites with surveillance systems that will monitor approaching spacecraft.

Other countries, too, are adapting to the threat. President Donald Trump’s space strategy, unveiled in March, states specifically that America will “counter threats” to its assets in space. American satellites are now being fitted with special thrusters designed for evasive manoeuvres, says Omar Lamrani, a military analyst at Stratfor, a geopolitical consultancy in Austin, Texas. Spacefaring states, America included, are dividing their assets between larger numbers of smaller satellites and also building more redundancy into their systems. Erwin Duhamel, who was until earlier this month head of security strategy at the European Space Agency (ESA), observes that officials in several places are now studying the idea of defending important satellites with “bodyguard” spacecraft. Mr Duhamel reckons ten or so satellites crucial to Europe’s security are in particular need of such protection.

How such sentinels should defend their charges is debated. They might block the approach of an attacking satellite, or serve as a shield against a laser strike. They could also be armed themselves, with lasers or small “kinetic kill” missiles—basically, sophisticated bullets. Fighting fire with fire in this way does run into the orbital-shrapnel problem, but according to Roy Lindelauf, an expert on satellite protection at the Dutch defence ministry, there is a way around that, at least for attacks on satellites in orbit close to Earth. Blast a hostile spacecraft from above, he says, and the wreckage will be forced downward to fiery doom in the atmosphere below.

For itself, ESA plans to launch, in 2023, a mission dubbed e.Deorbit. This craft’s first job will be to push into the atmosphere a derelict Earth-observation satellite called *Envisat*. ESA has yet to settle on the best way for

e. Deorbit to capture such a “non-co-operative” object (*Envisat* weighs nearly eight tonnes, and is tumbling as it travels), but reckons that grabbing it with robotic arms or catching it in a tethered net are the most likely options. Either would be a classic piece of dual-use technology that could also be deployed to “neutralise” an inconvenient military satellite belonging to a hostile power.

America may be planning something yet more effective—capturing enemy satellites for inspection rather than destroying them. Two unmanned American air force space planes, OTV-1 and OTV-2, have spent years in and out of orbit since 2010. The programme is classified but a former adviser to Barack Obama, who prefers to remain nameless, says the space planes’ cargo bays could be used to remove seized satellites from orbit.

One consequence of all these developments is that a proposed ban on weapons in space that has long been pushed by Russia and China makes no sense, says Brian Chow, a space-policy expert who recently retired from Rand, a Californian think-tank. Potential weapons are already arriving in space, even if they are not officially labelled as such. A better approach, Mr Chow says, would be to prohibit unauthorised approaches, by declaring sensitive satellites to be surrounded by appropriately sized “no go” bubbles.

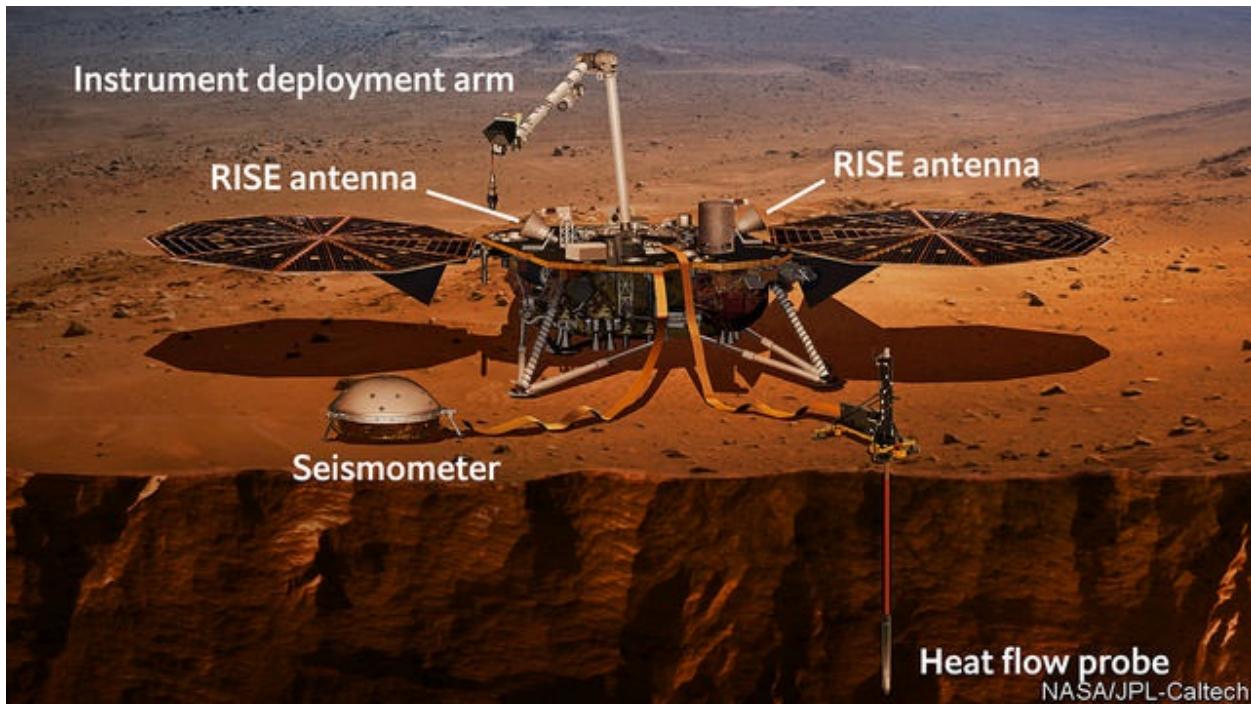
Some people reckon this would be illegal. The Outer Space Treaty of 1967, of which America is a signatory nation, states that space is not subject to national appropriation. But, half a century on, that treaty may be in need of revision.

This article was downloaded by **calibre** from <https://www.economist.com/science-and-technology/2018/11/24/it-will-soon-be-possible-to-send-a-satellite-to-repair-another>

Planetology

The latest Mars-bound craft arrives in a few days' time

It will probe the planet's interior



Nov 22nd 2018

ALL BEING well, November 26th will see the touchdown of the latest mission to Mars. *InSight*, an American craft, is intended to examine the planet's interior. Once it has landed it will use a robotic arm to deploy a seismometer and a probe designed to measure the heat beneath Mars's surface.

The seismometer will record any Marsquakes that happen during the Martian year (two terrestrial years) that the mission is planned to operate for. It will also record meteorite impacts. The number of Marsquakes will indicate how geologically active the planet is. Analysing the vibrations those quakes and meteorites generate will give clues about the composition of the Martian interior.

The heat probe is a mechanical mole that will drill to a depth of five metres, to take Mars's temperature. A planet's interior heat—some left over from its

formation, the rest the product of the decay of radioactive isotopes—helps determine its geological activity, for example by causing volcanoes to form.

A third set of equipment, known as the rotation and interior structure experiment (RISE), will remain on the lander itself. RISE will rebroadcast signals sent from Earth, in a process akin to using radar. This will permit wobbles in Mars's axis of rotation to be measured, which will help determine the state of Mars's iron core. A liquid core will cause bigger wobbles than a solid one.

The *InSight* mission will also test two other devices, but these will remain in space. Marco-A and Marco-B are the first “CubeSats” to leave Earth orbit. A CubeSat is a box of standardised dimensions (multiples of a 10cm cube) that can be fitted with whatever its owner wishes and then launched on a rocket. Marco-A and Marco-B (both 10cm x 20cm x 30cm) went up on the same launcher as *InSight*, but are travelling independently of it. They are fitted out as radio relay stations, and will pick up signals from *InSight* and transmit them to Earth.

This is just a test. *InSight* has other channels of communication with Earth, and in any case the two CubeSats are fly-by craft that will quickly disappear off into the deeper solar system and be lost. But if they work, they will add to the ammunition of those who think the future of space exploration may involve lots of small, cheap craft, as well as big, expensive ones like *InSight*.

This article was downloaded by **calibre** from <https://www.economist.com/science-and-technology/2018/11/24/the-latest-mars-bound-craft-arrives-in-a-few-days-time>

Ioning out flight

The first journey of an aircraft with an ion drive

How to fly silently, and without any moving parts



Nov 24th 2018

IT IS NOT unusual for technologies from science fiction to join the real world, with examples ranging from video phones, via artificial intelligence, to self-driving cars. The ion drive is another such. Ion drives purportedly propelled the evil Empire's TIE (twin ion engines) fighters in the original "Star Wars" movie. Real ion drives now reposition satellites and send space probes on interplanetary journeys. Surprisingly, according to a paper published this week in *Nature*, they may have an earthly role, too. For the first time an aeroplane has flown powered by an ion drive.

The reason for surprise is that an ion drive delivers only a tiny amount of thrust. This does not matter in the vacuum of space, because without friction to hold a spacecraft back, speed builds up gradually to a decent rate. On Earth, however, it had long been assumed that the atmosphere is too dense for an aircraft using an ion drive to get off the ground.

To be fair, the five-metre-wingspan model aircraft that Steven Barrett and his colleagues at the Massachusetts Institute of Technology (MIT) flew with an ion drive was launched with the aid of a bungee. Nevertheless, in a series of ten test flights (a time-lapse picture of one of which is shown above) it successfully traversed a 60-metre indoor sports track. This distance is comparable to that of the first flight, in 1903, of the powered heavier-than-air plane built by the Wright brothers—although theirs had a 12.3 metre wingspan and had also to carry the weight of a pilot.

Unlike the *Wright Flyer*, and all powered aircraft since, the use of an ion drive means the MIT craft contains no moving propulsion parts in the form of propellers or jet engines. It can fly silently and without direct emissions from burning fossil fuels. It works by using electrodes to ionise a gas in such a way that the resulting ions (charged particles) create thrust. In space, the gas to be ionised, usually xenon, has to be carried by the craft. The MIT aircraft, however, ionises nitrogen from the air.

The ion drive itself consists of strips of parallel electrodes suspended in a rack below the craft's wing. These electrodes are powered by a pack of lithium-ion batteries. The nitrogen ions generated interact with neutral molecules in the air to form what is known as an ionic wind. The direction of this wind depends on the arrangement of the electrodes. In Dr Barrett's design, the wind is directed backward, meaning that Newton's third law of motion (to every action there is an equal and opposite reaction) carries the craft forward—and, crucially, does so at a speed sufficient for its wings to provide lift.

Scaling the design up will, admittedly, be tricky. Though the level of thrust generated is sufficient to fly Dr Barrett's 2.5kg prototype, it is less than 1% of what would be required to keep an airliner airborne. There are, though, other sorts of aircraft which, with further development, ion drives might power. The MIT team reckon these include unmanned drones and high-altitude research craft.

Such devices might be built in entirely new ways. Although the test model used a conventional tail plane to provide stability and steering, Dr Barrett thinks future designs could do without it. Instead, the electrodes would shape the ionising electric fields in different ways, to control the direction of flight.

Moreover, he adds, it might be possible to incorporate the electrodes into the skin of the aircraft so that there appears to be no distinctive power system. One day, this could result in something that looks a bit like a saucer, which could hover silently or zip through the air. Then another piece of science fiction would become science fact.

This article was downloaded by **calibre** from <https://www.economist.com/science-and-technology/2018/11/24/the-first-journey-of-an-aircraft-with-an-ion-drive>

| [Section menu](#) | [Main menu](#) |

How cats groom themselves

The microscopic structure of a cat's tongue helps keep its fur clean

The secret is in the grooves



Nov 24th 2018

T.S. ELIOT'S MYSTERY cat, Macavity, besides being a criminal mastermind able to evade the combined ranks of British law enforcement, had a coat that was "dusty from neglect". Criminality is one thing, but this truly strains the imagination. Real cats are champion groomers.

Of the ten hours a day that a domestic cat deigns to remain awake, it spends a quarter licking dirt, fleas, blood and loose hairs from its fur. Cats' tongues, specialised for this task, are covered in hundreds of backward-facing keratin spines. But exactly how these cone-shaped protuberances, called filiform papillae, work to give the animals such mastery over their cleanliness has remained unknown until now.

To crack the mystery Alexis Noel and David Hu, a pair of engineers at the Georgia Institute of Technology, in Atlanta, examined the grooming

mechanisms of six feline species—from domestic pets and bobcats to snow leopards and lions. Studying the activity of tongues inside the mouths of living creatures proved tricky, so instead Dr Noel and Dr Hu built an automated grooming machine fitted out with tongues and furs from animals whose lives had ended at places such as the Tiger Haven in Tennessee, a sort of retirement home for rescued big cats. They attached the tongues to a mechanical arm and made them “lick” the furs. High-resolution cameras and scanners took pictures.

The two researchers found that the filiform papillae were shaped not, as had previously been thought, like solid cones. Rather, they resembled tiny scoops. Each had a small groove—named a cavo papilla by the team—at its tip.

This structure permits surface tension to wick saliva from a cat’s mouth and release it into the farthest recesses of the animal’s fur. During each lick, about half of the saliva on the tongue is so transferred. Saliva serves as a multi-purpose cleaning agent and the cavo papillae also assist the absorption, for the return journey, of any dirt or blood that needs removing. The cat’s tongue therefore “acts like a loofah and a sponge at the same time”, says Dr Hu.

The pair’s findings, just published in the *Proceedings of the National Academy of Sciences*, could inspire new ways to clean complex hairy surfaces. The authors themselves demonstrated one such application, which they call the tongue-inspired grooming (TIGR) brush. To make this they employed 3D printing to create structures, shaped like cat papillae, attached to a silicone base. The TIGR brush pulled on cat hairs and fur with less force than existing brushes, and was easier to clean. Such a brush could also be used to spread medicines deep into a cat’s fur or onto its skin, without the usual distressing practice of having to shave the animal first.

This article was downloaded by **calibre** from <https://www.economist.com/science-and-technology/2018/11/24/the-microscopic-structure-of-a-cats-tongue-helps-keep-its-fur-clean>

Education versus work

Going to university does not broaden the mind

But going straight from school to work narrows it



Getty Images

Nov 24th 2018

GOING TO UNIVERSITY is supposed to be a mind-broadening experience. That assertion is presumably made in contradistinction to training for work straight after school, which might not be so stimulating. But is it actually true?

Jessika Golle of the University of Tübingen, in Germany, thought she would try to find out. Her result, however, is not quite what might be expected. As she reports in *Psychological Science* this week, she found that those who have been to university do indeed seem to leave with broader and more inquiring minds than those who have spent their immediate post-school years in vocational training for work. However, it was not the case that university broadened minds. Rather, work seemed to narrow them.

Dr Golle came to this conclusion after she and a team of colleagues studied the early careers of 2,095 German youngsters. During the period under investigation (the system was modified slightly this year), Germany had three

tracks in its schools: a low one for pupils who would most probably leave school early and enter vocational training; a high one for those almost certain to enter university; and an intermediate one, from which there was a choice between the academic and vocational routes.

The team used two standardised tests to assess their volunteers. One was of personality traits (openness, neuroticism, conscientiousness, agreeableness and extroversion). The other was of attitudes (realistic, investigative, artistic, social, enterprising and conventional). They administered both tests twice—once towards the end of each volunteer's time at school, and then again six years later. Of the original group, 382 were on the intermediate track, and it was on these that the researchers focused. University beckoned for 212 of them. The remaining 170 opted for vocational training and a job.

When it came to the second round of tests, Dr Golle found that the personalities of those who had gone to university had changed not a statistically detectable jot. Those who had undergone vocational training and then got jobs were not that much changed in personality, either—except in one crucial respect. They had become more conscientious.

That sounds like a good thing, certainly compared with the common public image of undergraduates as a bunch of pampered layabouts. But changes in attitude that the researchers recorded were more worrying. In the university group, again, none were detectable. But those who had chosen the vocational route showed marked drops in interest in tasks that are investigative and enterprising in nature. And that might restrict their choice of careers.

Some investigative and enterprising jobs, such as scientific research, are, indeed off limits to the degreeless. But many, particularly in Germany, with its tradition of vocational training, are not. The researchers mention, for example, computer programmers, finance-sector workers, estate agents and entrepreneurs as careers requiring these attributes. If Dr Golle is correct, and changes in attitude brought about by the very training Germany prides itself on are narrowing people's choices, that is indeed a matter of concern.

| [Section menu](#) | [Main menu](#) |

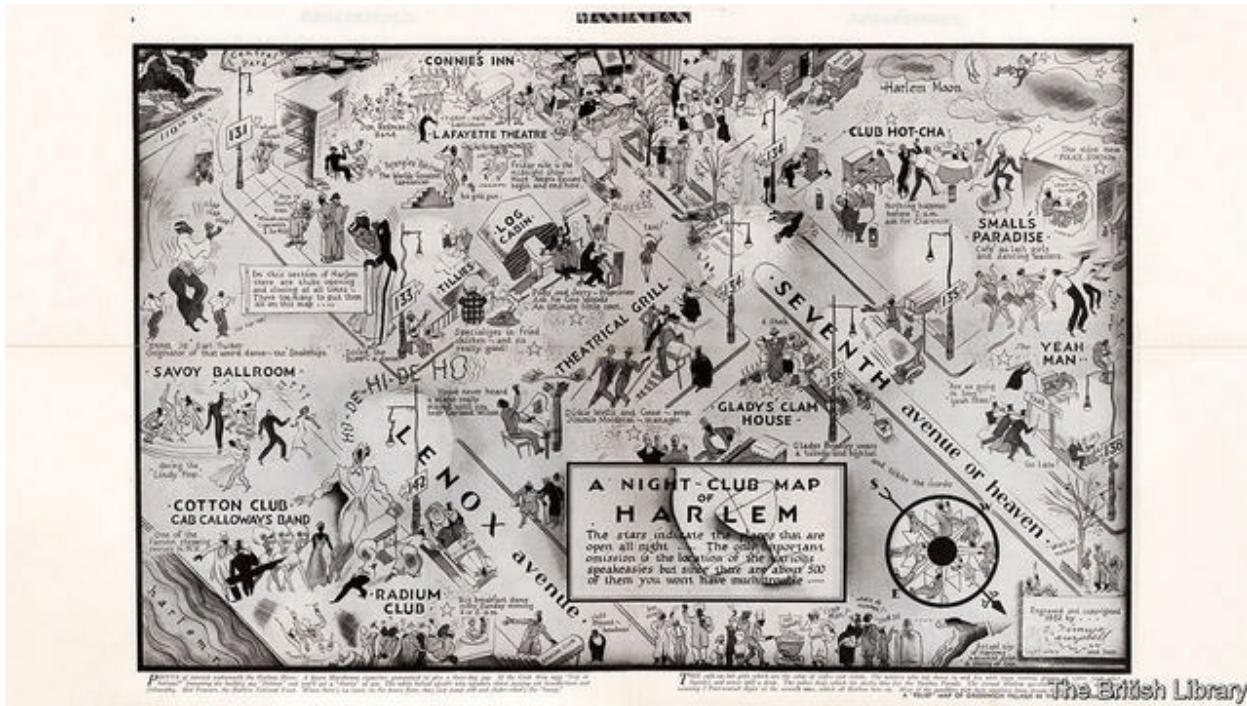
Books and arts

- . **[Cartography and destiny: How the West was drawn](#)** [Fri, 23 Nov 11:21]
Mapping the making of America. An imaginative history of the country shows what has and hasn't changed.
- . **[Hollywood noir: The fixer](#)** [Fri, 23 Nov 11:21]
The story of the mob's man in Hollywood. Johnny Rosselli was a go-between for Al Capone.
- . **[The history of blood: Liquid of life](#)** [Fri, 23 Nov 11:21]
The history and heroes of blood. In "Nine Pints" Rose George explores its science and mystery.
- . **[Brexit in fiction: This blessed plot](#)** [Fri, 23 Nov 11:21]
Jonathan Coe's new novel grapples with Brexit. In "Middle England" he brings characters from his previous books into the fractious present.
- . **[The impermanence of all things: Into thin air](#)** [Fri, 23 Nov 11:21]
The world of ice and a history of mirages. They have more in common than it might seem.

How the West was drawn

Mapping the making of America

An imaginative history of the country shows what has and hasn't changed



Nov 22nd 2018

A History of America in 100 Maps. By Susan Schulten. *The University of Chicago Press; 256 pages; \$35. British Library; £30.*

WHEN GENERAL WILLIAM SHERMAN was ordered to strike at the heart of the Confederacy during America's civil war, he first asked for a map of Georgia and Alabama. The document he received, coloured like a patchwork quilt, was like none produced before it. Officials had annotated it county by county with data from the 1860 census: the population of whites, slaves and men of military age, heads of livestock and acres of crops. Charging towards Atlanta, Sherman knew exactly where to supply his Union army, which fields of sugar and cotton to burn, and crucially, where resistance would be thin on the ground. Without this data-rich map, he later wrote, his mission would have "been subjected to blind chance, and it may be to utter failure".

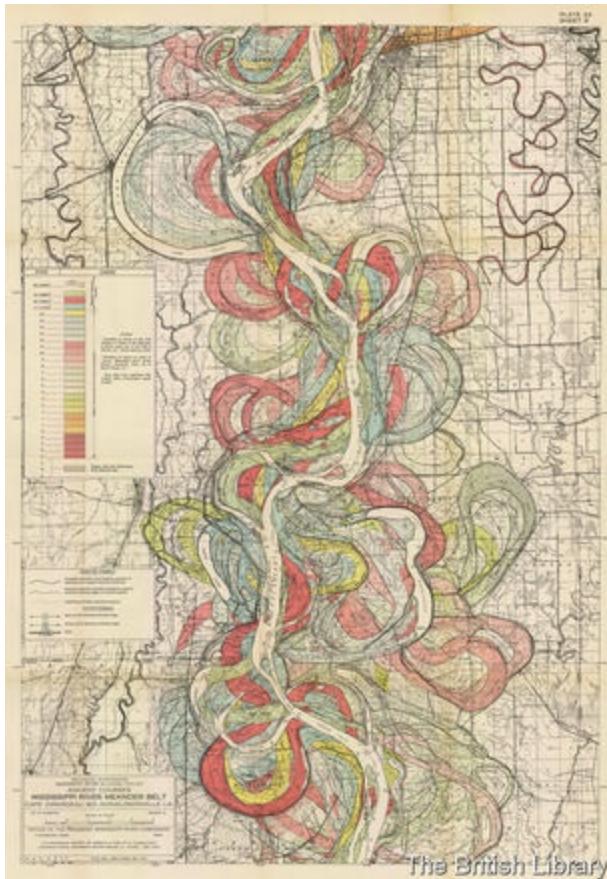
Maps are often thought of as records of facts and terrain rather than actors in history. But Sherman's experience, and that of legions of explorers, colonists and native peoples in North America, suggests otherwise. A map does not merely illustrate the lie of the land, says Susan Schulten, a historian at the University of Denver who unearthed Sherman's data trove and much more besides for "A History of America in 100 Maps", a lavish and fascinating atlas. It is also an instrument of persuasion and sometimes of conquest.

For example, 16th-century European explorers sought a route west from America to China, so they invented waters spanning the continent to convince monarchs to pay their way. John Smith, a founder of the colony of Virginia in 1607, blatantly rewrote reality a decade later by naming a vast swathe of the eastern seaboard "New England", replacing native villages with fictitious English towns. Well into the 18th century, meanwhile, California was pictured as an island, a state of affairs that many Californians might cheerfully favour today. Beautiful and strange, this parade of visualisations reclaims the American story from the textbooks and makes it vivid and new.

Like a giant, grown-up flip-book, it demonstrates, step by step, how America came into being. "Wildly erroneous" and intentionally deceptive though the earliest of the maps Ms Schulten includes may be, like contemporary letters and diaries they are snapshots of how cartographers and their sponsors thought, and how a new country forms. To name territory is to claim it, enticing settlers, fostering a sense of nationhood, erasing the indigenous population and bison that lie in the way. Yet there was "nothing inevitable about the eventual English domination of North America", Ms Schulten writes. Santa Fe (Spanish), Jamestown (English) and Québec (French) were all founded at roughly the same time. Until the mid-19th century the continent was a stewpot of conflicting imperial aims, from Russian and British fur traders to French explorers to the Spanish who once dominated the south-west.

The book is a brilliant rebuttal to the myth of "manifest destiny", replacing the idea of a single historical narrative with something messier and more true: the sheer contingency of events that might easily have gone another way. History, it shows, is as malleable and fluid as the meanders of the Mississippi river, the varying courses of which are pictured over thousands of years (see

image below), or the grim heat maps of a rapidly spreading AIDS epidemic. Data is easily manipulated to engineer or reinforce social segregation. Minority neighbourhoods of Cleveland were “red-lined” as “hazardous” credit risks in 1936; the “vice” of San Francisco’s Chinatown was charted shop-by-shop in 1885. By contrast, the nightlife of Harlem in 1932 (above) was a raucous blend of different races and booze.



Alongside the curiosities, Ms Schulten weaves in eye-popping facts of sharp contemporary relevance. In 1813 the governor of Massachusetts, Elbridge Gerry, approved an electoral district resembling a salamander, inspiring the term “Gerry-Mander” for what became an enduring political ruse. The United States was fortunate to capture California from Mexico just months before gold was discovered at Sutter’s Mill. The first red-blue electoral map appeared in 1880; it is discombobulating until the reader grasps that the colours are reversed (the Republicans of Abraham Lincoln’s Grand Old Party were once shaded blue). Maps of the colony of Virginia help to show the centrality of enslaved Africans to the growth of the tobacco economy.

Ms Schulten is a historian, not a geographer. Her aim, she says, is to amplify seldom heard voices, particularly those of African-Americans and native peoples silenced by the headlong rush of westward expansion. But neither does she shortchange America's fabled can-do spirit, spotlighting the engineering audacity of the Erie and Panama canals and the voyage to the Moon. Strikingly, the cleavage between North and South runs like a fault line through the development of slavery and women's suffrage to the politics of today.

Still, at a time when the country's tectonic plates grind ever more fiercely against one another, this book is a reminder that little in its destiny is truly fixed. Like the mighty Mississippi, the American experiment continually overflows and reshapes its banks.

This article was downloaded by **calibre** from <https://www.economist.com/books-and-arts/2018/11/24/mapping-the-making-of-america>

| [Section menu](#) | [Main menu](#) |

The fixer

The story of the mob's man in Hollywood

Johnny Rosseli was a go-between for Al Capone



Los Angeles Public Library Herald-Examiner Collection

Nov 22nd 2018

Handsome Johnny: The Life and Death of Johnny Rosseli: Gentleman Gangster, Hollywood Producer, CIA Assassin. By Lee Server. *St Martin's Press; 516 pages; \$29.99. Virgin Books; £9.99.*

JOHNNY ROSELLI was the gangster equivalent of the title character in Woody Allen's "Zelig", a mysterious shape-shifter who kept bumping into the 20th century's biggest figures. During the bootlegging years, Rosseli rode the train between Los Angeles and Chicago, delivering messages from the two cities' respective kingpins, Jack Dragna and Al Capone. When the mob muscled in on the movie business, Rosseli was in Hollywood to keep the unions under mafia control; but he also found time to romance Jean Harlow, a starlet; to dine out with Harry Cohn, a studio boss; and to clink cocktail glasses with Edgar Rice Burroughs, creator of Tarzan. Turning to Las Vegas in the 1950s, he schmoozed Frank Sinatra and negotiated with Howard

Hughes. And when the CIA hatched a plan to assassinate Fidel Castro, Rosseli was invited to Miami to make the arrangements.

According to Lee Server's exhaustively researched biography, Rosseli lived out a quintessentially American success story. He was a patriot who volunteered to serve in the second world war, and professed to have come from Chicago. But he was actually born in primitive Esperia, in rural Italy, in 1905. As a boy named Filippo Sacco, he joined his father in Boston, but, as Mr Server points out, the country was "a tricky place" for immigrants. "It needed its foreigners but it hated them too."

The teenage Sacco's drift into crime was perfectly timed. Prohibition became law in 1920, turning petty crooks into tycoons. Previously law-abiding citizens handed their money to racketeers, the racketeers used it to build empires, and those empires lasted long after the Eighteenth Amendment was repealed in 1933.

By that stage, Rosseli was a fixture among the hoods. Having changed his name and moved to Los Angeles in 1924, he ran shipboard casinos that got around gambling and drinking restrictions by ferrying their glamorous clientele out to international waters. But that wasn't his only job. He was personable, intelligent and discreet enough, as well as sufficiently handsome, to become the confidant of gangsters and celebrities—and, in the case of Capone, a gangster who was also a celebrity.

Written in the snappy style of a hardboiled detective novel, Mr Server's 500-page tome functions as an in-depth history of the growth, development and eventual decline of organised crime in America. The author argues that without the mobsters, America might have done a lot less growing and developing itself. According to this telling, nothing much happened in the middle decades of the last century without crooks facilitating or profiting from it, from Marilyn Monroe's stardom to John F. Kennedy's presidency. Rosseli was usually on hand to grease the wheels.

Cash aside, what did he get out of it all? The reason he is not more famous—not the anti-hero of a Martin Scorsese film or an HBO mini-series—is that he was a go-between, a fixer and a troubleshooter: a supporting character in the sagas of underworld godfathers and Hollywood moguls. It is not clear

whether he had any dreams of his own beyond keeping the money flowing. This Zelig-like slipperiness, which kept him in favour and out of prison for many years, makes it possible to enjoy his colourful biography without ever quite getting to know him.

This article was downloaded by **calibre** from <https://www.economist.com/books-and-arts/2018/11/24/the-story-of-the-mobs-man-in-hollywood>

| [Section menu](#) | [Main menu](#) |

Liquid of life

The history and heroes of blood

In “Nine Pints” Rose George explores its science and mystery



Getty Images

Nov 22nd 2018

Nine Pints: A Journey Through the Money, Medicine and Mysteries of Blood. By Rose George. *Metropolitan Books; 368 pages; \$30. Portobello Books; £14.99.*

EVERY THREE seconds someone in the world receives a transfusion of a stranger’s blood. The journey of a pint, roughly the amount in a typical donation, from a donor’s vein to the recipient is intricate and fascinating. So is the history of blood science, from the existence of different types to the medicinal use of leeches (now employed in the niche business of alleviating blood congestion in plastic surgery), to lifesaving treatments for major injuries. In “Nine Pints”—the quantity of blood in the human body—Rose George surveys the trials, errors and happenstance that shaped blood’s role in modern medicine.

Her narrative is a lively mélange of stories about people, culture and science, recounted in sparkling prose. Ms George tours places as varied as Europe's biggest blood-processing facility (near Bristol), an operating theatre in London, an HIV-ridden slum in South Africa and remote villages in Nepal where women are banished to outdoor sheds when they menstruate.

The book's characters come from all walks of life. They include ardent volunteers such as Percy Oliver, a civil servant in London, and his wife Ethel, who in 1921 set up the first register of voluntary blood donors in their home. Their recruits dashed to hospitals when someone needed a transfusion. Sporting pearls and a fashionable hat, Lady Dunstan, an elderly aristocrat, drove an ice-cream van during the Blitz, packed with blood-filled milk bottles —a cog in the wheels of one of the world's first national blood banks. More recent heroes include Arunachalam Muruganantham, a school dropout from rural India. He invented a low-cost manufacturing process for sanitary pads, which women in developing countries often struggle to afford. To test his prototypes, he carried a balloon filled with goat's blood under his clothes.

There are villains, too. They include the bureaucrats who ignored warnings about risky, paid blood donors in the 1970s and 1980s, when tens of thousands of haemophiliacs were infected with HIV and Hepatitis C from tainted plasma, the protein-rich yellow liquid left after red blood cells are sifted out. A page-turning chapter delves into the workings—and ethics—of the plasma business, which is dominated by four companies. America, which has been called “the OPEC of plasma”, earns nearly as much from exporting it as from medium-sized cars. That is largely because, unlike most other countries, it allows people to be paid for the stuff. Many donors are desperately poor.

Much about blood remains a mystery. The purpose of blood types, for example, is still unknown; likewise why menstruation is monthly, a frequency that seems inefficient. At the same time blood is becoming even more of a centrepiece in medicine. “Liquid biopsies”, which can diagnose cancers and other diseases with a simple blood test, are among the most promising recent medical developments.

“Our knowledge of blood is wide yet unfinished,” concludes Ms George. “Nine Pints” is a superb tour of what is already known about the wondrous

liquid that pulses through each body, and what still awaits discovery.

This article was downloaded by **calibre** from <https://www.economist.com/books-and-arts/2018/11/24/the-history-and-heroes-of-blood>

| [Section menu](#) | [Main menu](#) |

This blessed plot

Jonathan Coe's new novel grapples with Brexit

In “Middle England” he brings characters from his previous books into the fractious present



Nov 22nd 2018

Middle England. By Jonathan Coe. *Viking; 432 pages; £16.99. To be published in America by Knopf in August 2019.*

IN HIS RIOTOUS coming-of-age novel “The Rotters’ Club”, Jonathan Coe followed a group of boys navigating the trials of school and adolescence in the 1970s. A sequel, “The Closed Circle”, caught up with them as older but not necessarily wiser 40-somethings, and chronicled their mid-life crises and exploits in the first decade of this century. The title of that second book carried a note of finality; but 14 years later Mr Coe has returned with a third instalment that ranges from 2010 to the present. “Middle England” sees the fictional circle widening to incorporate a richer, more diverse cast grappling with both personal and political angst.

Two familiar characters are the main protagonists: Benjamin, now in his 50s and still at work on a colossal musical and literary project; and Sophie, his art-historian niece. Over the course of eight years Benjamin finds a new flame, winds up on the Man Booker prize longlist, and comes to realise where and with whom he would prefer to see out his days. For her part, Sophie makes a name for herself professionally, but rows with Ian, her husband, about Brexit; some misconstrued remarks to a student jeopardise her career.

Secondary characters supply political bite. Benjamin's friend Doug is a left-leaning journalist who writes articles from his Chelsea mansion and embarks on a relationship with a Conservative MP—much to the disgust of his firebrand daughter, Coriander. Meanwhile, Ian's mother Helena quotes Enoch Powell (a fulminator against immigration), scorns political correctness and harks back to a foreigner-free England.

Once again Mr Coe artfully blends fiction with fact. Coriander takes part in the London riots of 2011; several characters pass comment on the opening ceremony of the Olympics of 2012, many more opine on Brexit. Sophie's mother is devastated by the murder of Jo Cox, a politician killed during the referendum campaign. After the vote, Sophie and Ian attend "Post-Brexit counselling". This contemporary Britain is fractured and intolerant, a far cry from the "cohesive, united, consensual place" that Benjamin remembers from his childhood.

At times Mr Coe delivers hammer-blows instead of his trademark satirical swipes, and soapbox speechifying instead of dialogue. His brilliantly funny set pieces are more subtle and successful; similarly, he is more incisive when tracing gradual decline rather than convulsive change. Although the narrative flits between Birmingham and London, this is no tale of two cities. "Middle England" is a compelling state-of-the-nation novel, full of light and shade, which vividly charts modern Britain's tragicomic slide.

Into thin air

The world of ice and a history of mirages

They have more in common than it might seem



Nov 24th 2018

The Library of Ice. By Nancy Campbell. *Scribner*; 320 pages; £14.99.

The Waterless Sea: A Curious History of Mirages. By Christopher Pinney. *Reaktion Books*; 184 pages; \$29 and £18.

HUMAN BEINGS are fond of certainty. They trust their own senses to report what is true about the world, and are mildly outraged when their eyes or ears play them false. They also, often unreasonably, want things to last. Though creation is in flux all around them, from the atoms that make up everything to global weather and the stockmarket, from Moon and tides to the daily flakes and spasms of bodily decay, they like to think that things will stay as they are. Stability is the comforting illusion by which people try to organise their lives.

And also extend them. Mortals cling to the hope that they will leave some permanent trace of themselves behind. They prefer to think that houses will not crumble and that works, on canvas or paper, will endure. The grandiose or tyrannical put up monuments; writers make sure their books are deposited in libraries; the multitude order gravestones and label photographs, though all this floats in impermanence too.

Two new books grapple with this paradox by considering phenomena that symbolise instability itself. In “The Library of Ice” Nancy Campbell, a young poet, embarks on a quest to understand the relationship between ice, which is now melting faster than ever, and the fleeting written and spoken word. In “The Waterless Sea” Christopher Pinney, an anthropologist at University College London, considers the history and meaning of mirages.

Ms Campbell, a penniless but intrepid traveller, braves miserable bus journeys, freezing rain, dark and intense cold, but still manages to write rapturously of the beauties of the Arctic. Mr Pinney has gone no further than various libraries, but through the words of generations of desert travellers he paints the shimmering heat, the dazzling sand and the strange visions hanging in the sky. He reproduces fascinating postcards, engravings and photos of floating ships and castles, palm trees and palaces that “possess every possible stability”, including one alleged photograph of a skyscraper city emerging from the Muir Glacier in Alaska. For ice, too, makes mirages, as light refracts through the different temperatures and densities of air.

There are other unexpected similarities. Walking on the Vatnajokull glacier in Iceland (and sometimes lying on it, to lick up glacial water), Ms Campbell looks down into a world of fissured glass in which bubbles are trapped, as in the toy snow-domes she knew as a child. In historical descriptions of mirages, too, the images seem cut into facets, or viewed through thicknesses of inferior glass with bubbles trapped inside. Ms Campbell notes that all she sees is blue. Blue was also all one writer saw in a Japanese silk-painter’s depiction of a mirage over the sea, “blue vision of depth lost in height”. And the blue of the ocean is itself an illusion created by the rods and cones in the eye, like the blue sky above.

Ice is mostly very quiet. But Ms Campbell, eager to link transitory frozen water to transitory frozen words, and delighting in Inuit terms for ice that is

too thin, too slippery or frost-flowered, hears anything it has to say. The ice on ponds whoops, bangs and fizzes; glaciers “chatter” as they grind over different kinds of rock. The sound of melting ice has even been turned by Carmen Braden, a Canadian, into a score for ice, piano and strings. Mirages, though mostly silent, can seem to talk, too. In 1834 Alexander Kinglake heard the church bells of home as he dozed in the Near Eastern desert. Some have speculated that, because the images vibrate, they must produce a sound which, somewhere, can be heard.

The most obvious distinction between ice and mirages is that ice has been used for centuries to preserve what would otherwise decay; whereas mirages seem to show what may exist, in some dreamlike future. Though ice melts away—though nothing remains, save disappearing scratches, of even the most perfect routines of figure skaters—it melts slowly, preserving not only bananas and butter but human habitations and records. Ms Campbell tells the story of the burned-down National Library of Greenland, whose charred books were shipped out, encased in ice, to save them from further damage; and in one especially poignant passage she leafs through the ice-preserved notebook of George Murray Levick, the photographer on Scott’s *Terra Nova* expedition, noting how his pencil had to dig through the ice-film of his breath on each page. Inevitably she visits Ötzi, the 5,000-year-old traveller preserved by the snows of the Tyrol, with his stomach full of ibex meat and an arrowhead still embedded in his scrawny shoulder.

But mirages, too, can seem to preserve things. They can appear as long-vanished, astonishingly detailed cities of the dead, or as panoramas of paradise that hold the memories or speculations of ancient tribes—or, in Japan, of clam-monsters. They can even become prisms that crystallise passing moral or political prejudices, such as the supposed illusions (to Western minds) of Islamic teachings, or (to Protestants) the visual trickery of the Catholic church. Mr Pinney enjoys this sharper political aspect of his misty subject. Most cruelly, mirages seem to preserve water that may in fact have shone there, before the desert swallowed it. They encapsulate vain hope; they are real, but they are not true.

At the end of her wanderings, which are simply but beautifully related, Ms Campbell returns to her few belongings in storage in London. Nothing much

remains; treasures have broken; all is in flux, like the heaving, disappearing icebergs she has left behind, with their fragile cargo of human remains. Mr Pinney concludes with Plato's thought that nothing made or seen on this Earth can be more than a poor representation of the beautiful Ideal. Might a mirage be that elusive original? Do some truths exist that ordinary vision cannot grasp? Both authors seem to feel that, by exploring the impermanence of human thoughts and observations, they may have brushed against something more lasting.

This article was downloaded by **calibre** from <https://www.economist.com/books-and-arts/2018/11/24/the-world-of-ice-and-a-history-of-mirages>

| [Section menu](#) | [Main menu](#) |

Economic and financial indicators

. **[Economic data, commodities and markets](#)** [Fri, 23 Nov 11:21]

Economic data, commodities and markets.

Economic data, commodities and markets

Nov 24th 2018

Economic data

1 of 2

	Gross domestic product				Consumer prices			Unemployment rate	
	% change on year ago:		latest	quarter*	2018†	% change on year ago:		latest	2018†
United States	3.0	Q3	3.5	2.9	2.5	Oct	2.5	3.7	Oct
China	6.5	Q3	6.6	6.6	2.5	Oct	2.1	3.8	Q3§
Japan	0.3	Q3	-1.2	1.1	1.4	Oct	0.9	2.3	Sep
Britain	1.5	Q3	2.5	1.3	2.4	Oct	2.4	4.1	Aug††
Canada	1.9	Q2	2.9	2.3	2.2	Sep	2.3	5.8	Oct
Euro area	1.7	Q3	0.7	2.1	2.2	Oct	1.7	8.1	Sep
Austria	2.3	Q2	-4.0	2.9	2.2	Oct	2.1	4.9	Sep
Belgium	1.7	Q3	1.6	1.5	2.8	Oct	2.2	6.3	Sep
France	1.5	Q3	1.7	1.7	2.2	Oct	2.1	9.3	Sep
Germany	1.2	Q3	-0.8	1.9	2.5	Oct	1.8	3.4	Sep‡
Greece	1.8	Q2	0.9	2.0	1.8	Oct	0.8	18.9	Aug
Italy	0.8	Q3	0.1	1.1	1.6	Oct	1.4	10.1	Sep
Netherlands	2.4	Q3	0.8	2.8	2.1	Oct	1.7	4.6	Oct
Spain	2.5	Q3	2.4	2.7	2.3	Oct	1.8	14.9	Sep
Czech Republic	2.7	Q2	1.6	3.0	2.2	Oct	2.3	2.2	Sep‡
Denmark	1.5	Q2	2.8	1.3	0.8	Oct	1.1	3.9	Sep
Norway	1.1	Q3	2.3	1.6	3.1	Oct	2.9	4.0	Sep††
Poland	5.1	Q2	7.0	5.0	1.8	Oct	1.8	5.7	Oct§
Russia	1.3	Q3	na	1.6	3.5	Oct	2.9	4.7	Oct§
Sweden	2.4	Q2	3.1	2.7	2.3	Oct	2.0	5.5	Oct§
Switzerland	3.4	Q2	2.9	2.7	1.1	Oct	1.0	2.5	Oct
Turkey	5.2	Q2	na	3.8	25.2	Oct	15.3	11.1	Aug§
Australia	3.4	Q2	3.5	3.2	1.9	Q3	2.1	5.0	Oct
Hong Kong	2.9	Q3	0.3	3.4	2.7	Oct	2.4	2.8	Oct‡
India	8.2	Q2	7.8	7.4	3.3	Oct	4.6	6.9	Oct
Indonesia	5.2	Q3	na	5.2	3.2	Oct	3.4	5.3	Q3§
Malaysia	4.4	Q3	na	5.0	0.3	Sep	0.8	3.3	Sep§
Pakistan	5.4	2018**	na	5.4	7.0	Oct	5.4	5.9	2015
Philippines	6.1	Q3	5.7	6.2	6.7	Oct	5.5	5.4	Q3§
Singapore	2.2	Q3	3.0	3.5	0.7	Sep	0.6	2.1	Q3
South Korea	2.0	Q3	2.3	2.8	2.0	Oct	1.6	3.5	Oct§
Taiwan	2.3	Q3	1.9	2.6	1.2	Oct	1.6	3.7	Sep
Thailand	3.3	Q3	-0.1	4.1	1.2	Oct	1.2	1.0	Sep§
Argentina	-4.2	Q2	-15.2	-2.3	45.5	Oct	33.6	9.6	Q2§
Brazil	1.0	Q2	0.7	1.5	4.6	Oct	3.8	11.9	Sep§
Chile	2.8	Q3	1.1	3.9	2.9	Oct	2.5	7.1	Sep§##
Colombia	2.6	Q3	0.9	2.7	3.3	Oct	3.3	9.5	Sep§
Mexico	2.6	Q3	3.6	2.1	4.9	Oct	4.8	3.3	Sep
Peru	5.4	Q2	12.5	4.1	1.8	Oct	1.3	6.1	Sep§
Egypt	5.4	Q2	na	5.3	17.7	Oct	17.0	10.0	Q3§
Israel	3.1	Q3	2.3	3.4	1.2	Oct	0.9	4.0	Sep
Saudi Arabia	-0.9	2017	na	1.5	2.1	Sep	2.6	6.0	Q2
South Africa	0.4	Q2	-0.7	0.7	5.1	Oct	4.8	27.5	Q3§

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

Economic data

2 of 2

	Current-account balance % of GDP, 2018†	Interest rates		Currency units	
		10-yr govt bonds change on latest, %	year ago, bp	per \$ Nov 21st	% change on year ago
United States	-2.6	3.14	80.0	-	
China	0.5	3.21§§	-68.0	6.94	-4.5
Japan	3.8	0.14	10.0	113	-0.5
Britain	-3.4	1.41	6.0	0.78	-2.6
Canada	-2.6	2.36	44.0	1.33	-3.8
Euro area	3.4	0.37	3.0	0.88	-3.4
Austria	2.2	0.57	-5.0	0.88	-3.4
Belgium	-0.3	0.87	26.0	0.88	-3.4
France	-0.9	0.78	7.0	0.88	-3.4
Germany	7.9	0.37	3.0	0.88	-3.4
Greece	-1.3	4.65	-66.0	0.88	-3.4
Italy	2.4	3.49	172	0.88	-3.4
Netherlands	10.1	0.51	6.0	0.88	-3.4
Spain	1.1	1.60	6.0	0.88	-3.4
Czech Republic	0.8	2.07	26.0	22.8	-4.7
Denmark	7.2	0.35	-9.0	6.55	-3.0
Norway	8.5	1.91	33.0	8.54	-3.6
Poland	-0.5	3.20	-22.0	3.78	-4.8
Russia	5.1	8.83	110	65.9	-10.2
Sweden	3.8	0.56	-16.0	9.05	-6.7
Switzerland	9.9	0.04	14.0	1.00	-1.0
Turkey	-5.7	17.37	436	5.32	-25.6
Australia	-2.6	2.69	14.0	1.38	-4.3
Hong Kong	3.8	2.30	57.0	7.83	-0.3
India	-2.4	7.79	90.0	71.5	-9.2
Indonesia	-2.6	8.16	157	14,605	-7.3
Malaysia	2.2	4.17	19.0	4.19	-1.2
Pakistan	-5.9	12.20†††	427	134	-21.3
Philippines	-2.2	7.30	187	52.4	-3.1
Singapore	17.4	2.45	35.0	1.37	-1.5
South Korea	4.5	2.21	-33.0	1,132	-3.2
Taiwan	12.8	0.93	-8.0	30.9	-2.7
Thailand	8.1	2.48	12.0	33.0	-0.6
Argentina	-4.3	11.26	562	36.3	-51.7
Brazil	-1.0	7.91	-112	3.79	-14.0
Chile	-2.0	4.45	-3.0	669	-4.8
Colombia	-2.7	7.06	42.0	3,202	-6.3
Mexico	-1.8	9.09	186	20.2	-6.9
Peru	-2.1	5.72	66.0	3.38	-4.1
Egypt	-2.0	na	nil	18.0	-1.7
Israel	1.6	2.33	57.0	3.73	-5.6
Saudi Arabia	8.0	na	nil	3.75	nil
South Africa	-3.5	9.05	-40.0	13.9	0.6

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

Markets

	Index Nov 21st	% change on:	
		one week	Dec 29th 2017
United States DJIA	24,464.7	-2.5	-1.0
United States NAScomp	6,972.3	-2.3	1.0
China Shanghai Comp	2,651.5	0.7	-19.8
China Shenzhen Comp	1,386.4	0.6	-27.0
Japan Nikkei 225	21,507.5	-1.6	-5.5
Japan Topix	1,615.9	-1.5	-11.1
Britain FTSE 100	7,050.2	0.2	-8.3
Canada S&P TSX	15,095.0	-0.3	-6.9
Euro area EURO STOXX 50	3,153.9	-1.6	-10.0
France CAC 40	4,975.5	-1.8	-6.3
Germany DAX*	11,244.2	-1.5	-13.0
Italy FTSE/MIB	18,731.6	-1.8	-14.3
Netherlands AEX	517.3	-1.9	-5.0
Spain IBEX 35	8,960.6	-1.6	-10.8
Poland WIG	56,451.9	-0.7	-11.4
Russia RTS, \$ terms	1,127.4	0.9	-2.3
Switzerland SMI	8,841.5	-1.0	-5.8
Turkey BIST	92,707.9	-0.6	-19.6
Australia All Ord.	5,722.1	-1.7	-7.2
Hong Kong Hang Seng	25,971.5	1.2	-13.2
India BSE	35,199.8	0.2	3.4
Indonesia IDX	5,948.0	1.5	-6.4
Malaysia KLCI	1,695.4	0.4	-5.6
Pakistan KSE	41,419.2	1.0	2.3
Singapore STI	3,038.7	-0.1	-10.7
South Korea KOSPI	2,076.6	0.4	-15.8
Taiwan TWI	9,741.5	-0.5	-8.5
Thailand SET	1,617.3	-2.1	-7.8
Argentina MERV	30,262.9	3.0	0.7
Brazil Bovespa	87,268.8	1.5	14.2
Mexico IPC	41,499.9	-2.0	-15.9
Egypt EGX 30	13,731.1	1.8	-8.6
Israel TA-125	1,456.8	-1.2	6.8
Saudi Arabia Tadawul	7,514.4	-1.9	4.0
South Africa JSE AS	51,318.7	-1.3	-13.8
World, dev'd MSCI	1,984.7	-1.5	-5.6
Emerging markets MSCI	975.0	0.7	-15.8

US corporate bonds, spread over Treasuries

		Dec 29th
Basis points	latest	2017
Investment grade	168	137
High-yield	475	404

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

*Total return index.

Commodities

The Economist commodity-price index			% change on	
2005=100	Nov 13th	Nov 20th*	month	year
Dollar Index				
All Items	135.8	136.3	-2.4	-7.3
Food	141.8	142.0	-2.3	-5.7
Industrials				
All	129.6	130.5	-2.5	-9.0
Non-food agriculturals	118.3	116.6	-6.0	-11.1
Metals	134.4	136.4	-1.1	-8.2
Sterling Index				
All items	190.1	193.4	-1.2	-4.4
Euro Index				
All items	149.7	148.6	-2.0	-4.8
Gold				
\$ per oz	1,204.3	1,224.2	-0.7	-4.5
West Texas Intermediate				
\$ per barrel	55.7	53.4	-19.6	-6.0

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

The Economist

This article was downloaded by **calibre** from <https://www.economist.com/economic-and-financial-indicators/2018/11/24/economic-data-commodities-and-markets>

| [Section menu](#) | [Main menu](#) |

Graphic detail

. [Television in America: The end of channel surfing](#)

[Fri, 23 Nov

11:21]

TV's golden age is real. But for every Breaking Bad, more shows are just bad.

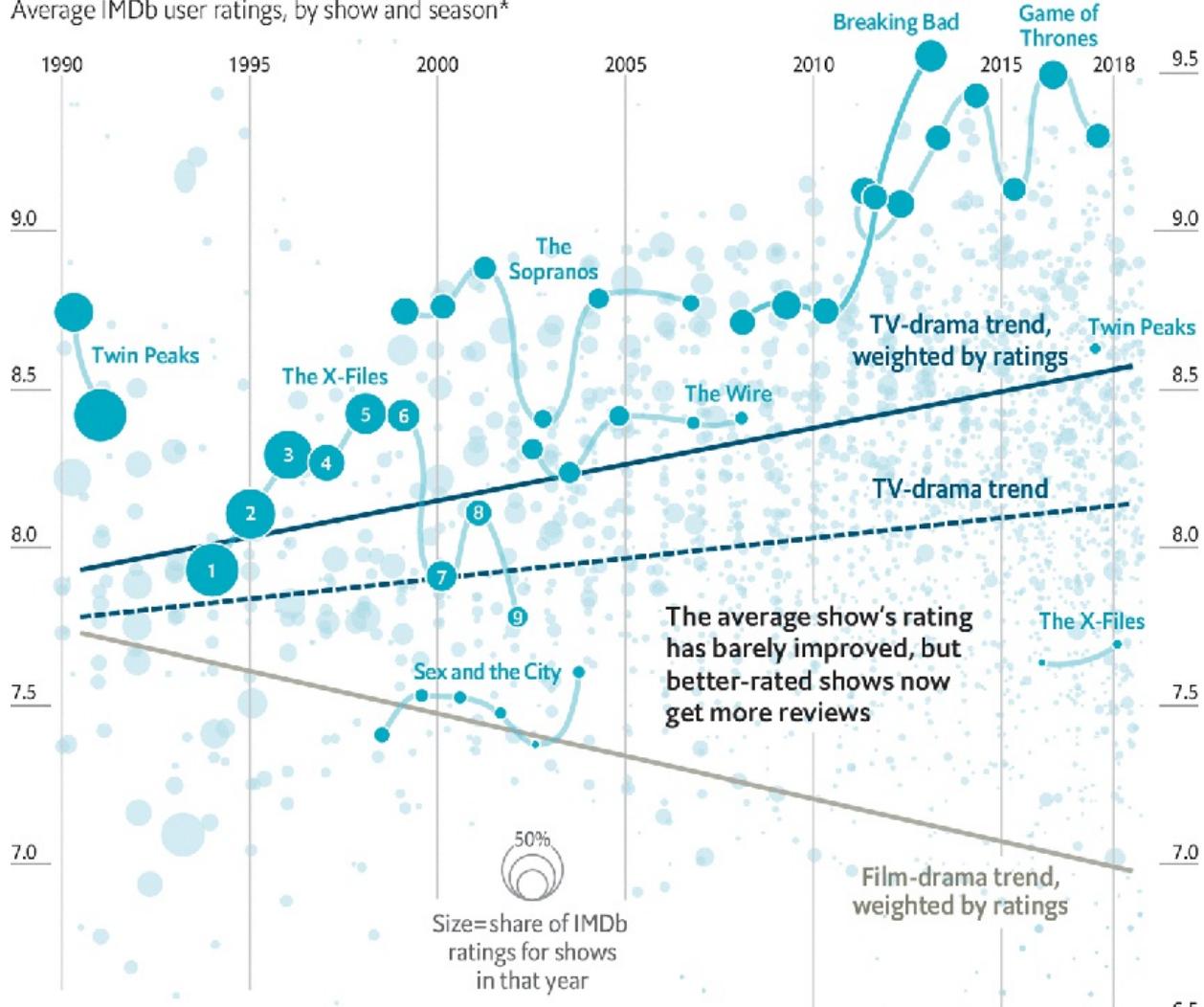
| [Next section](#) | [Main menu](#) | [Previous section](#) |

**The end of channel surfing
TV's golden age is real**

But for every Breaking Bad, more shows are just bad

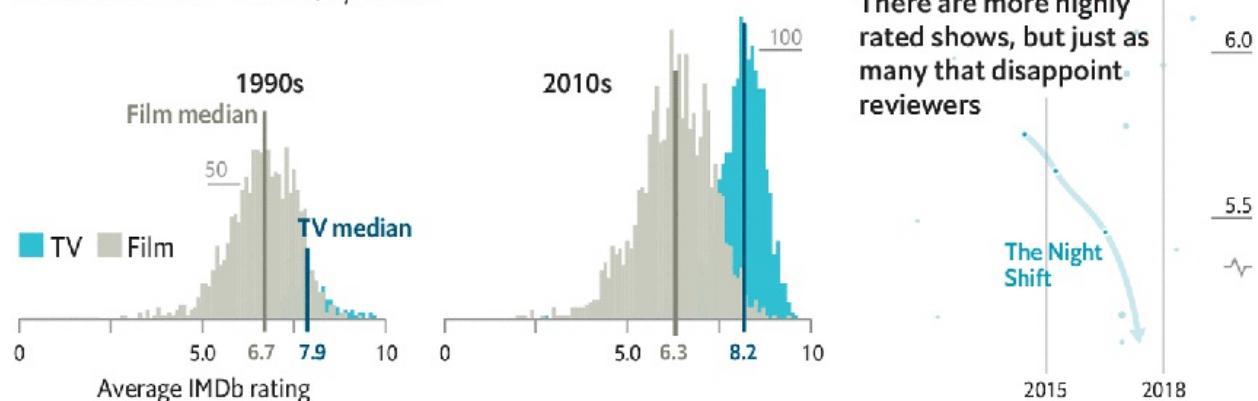
TV dramas shown in America

Average IMDb user ratings, by show and season*



Distribution of ratings

Number of films/TV seasons, by decade



Sources: IMDb; OMDb; *The Economist*

*Seasons with at least 100 ratings on average

The Economist

Nov 24th 2018

IN 2011 ALEXIS PICHARD, a French academic, declared that American television was enjoying a “new golden age”, marked by vast improvements in cinematography and storytelling. Although critics disagree over when TV emerged as a serious art form, there is consensus that shows like “The Wire” and “Breaking Bad” have brought new sophistication to the small screen.

The picture that emerges from viewers—or at least those who post reviews on IMDB, an online database—is a bit fuzzier. Among dramas from the 1970s with at least 100 ratings, the median show that aired in America had an average score of 7.85 out of ten. In the 1990s, this figure was the same. And since 2010, it has risen to 8.17—a tiny gain. If you were to choose at random one drama from the 2010s and one from the 1990s, the modern one would score worse than the older one 37% of the time.

Does this paltry pace of progress mean that the much-touted golden age of television is much ado about nothing? Not necessarily. In IMDB users’ opinions, far more great TV is made today than ever before. Since 2010, 73 different seasons of dramas have exceeded an average rating of 9.0. In the 1990s, only 11 did. The reason why the average has barely budged is that the onslaught of new shows includes plenty of rubbish. For every brilliant “Game of Thrones”, chronic disappointments like “The Night Shift”, a mediocre medical drama, are only a few clicks away.

Fortunately for audiences, streaming platforms make avoiding such duds far easier. These services’ recommendation systems guide viewers to content they are likely to enjoy. Sure enough, the highest-rated shows now get the most reviews. From 1993 to 2013, the average IMDB rating of a typical show rose by just 0.26 points. But the average weighted by the number of ratings climbed much more, by 0.89 points. That suggests viewers are finding shows they like far more often today than in the past.

This upward trend may also result from changes in the reliability of the data. Most dramas reviewed on IMDB are modern, and many ratings of older ones were posted years after the shows aired. Yet even if TV’s golden age is over-hyped, the medium is still viewers’ best bet. IMDB users give the average film drama a rating nearly as bad as those of the worst dramas on TV.

Sources: IMDb; OMDb; *The Economist*

This article was downloaded by **calibre** from <https://www.economist.com/graphic-detail/2018/11/24/tvs-golden-age-is-real>

| [Section menu](#) | [Main menu](#) |

Obituary

. **[Stan Lee: Prepare to be astonished!](#)** [Fri, 23 Nov 11:21]

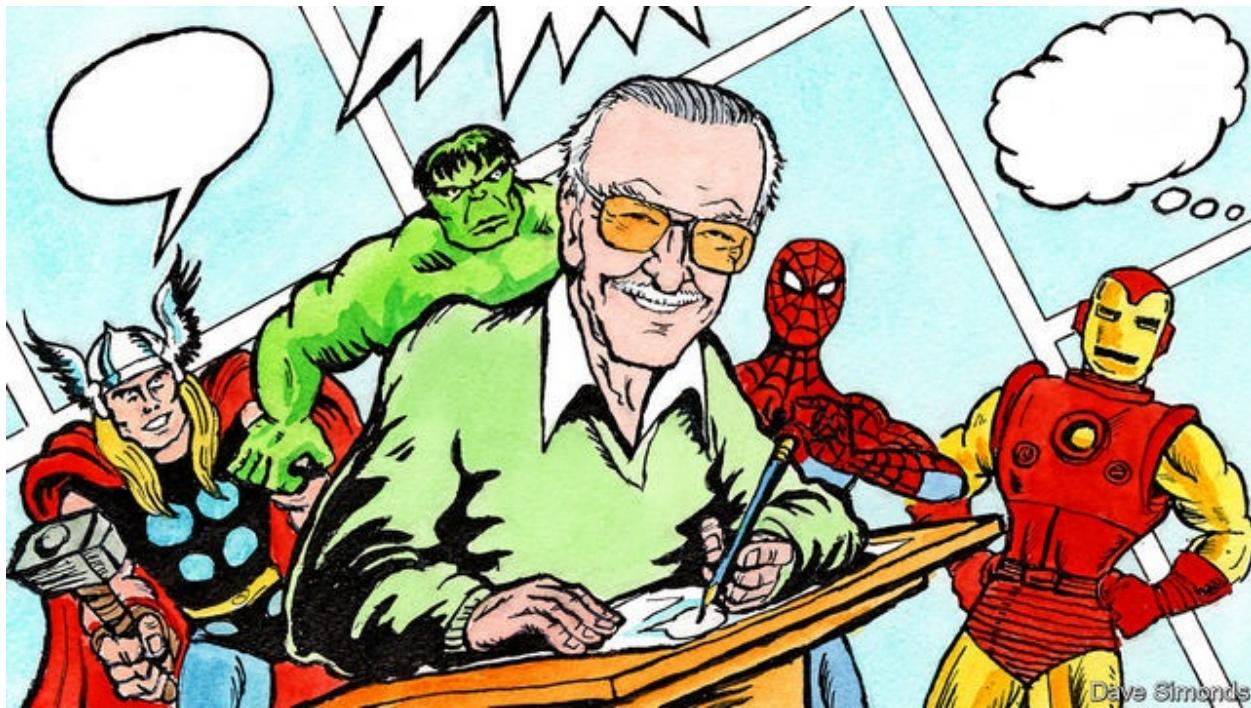
Obituary: Stan Lee died on November 12th. The creator-writer of Marvel Comics' pantheon of heroes and villains was 95.

| [Main menu](#) | [Previous section](#) |

Prepare to be astonished!

Obituary: Stan Lee died on November 12th

The creator-writer of Marvel Comics' pantheon of heroes and villains was 95



Nov 24th 2018

PERHAPS HE WASN'T born with superhero powers, like the X-Men—or the god Thor, for that matter. Perhaps he didn't acquire them from a radioactive-spider bite (Spider-Man) or from studying the mystic arts (Doctor Strange). All the same, Stan Lee certainly had them! In his autobiography, graphic of course, they dazzled like *sun-rays* round his head. (He needed those tinted glasses he wore.) Waves of energy shook from his shoulders. For he was the man who had thought up those characters. He had brought Marvel Comics back from the dead, and with it the whole industry of comics, so that far from being something cheap and childish, which your parents didn't want you to read, they became grown-up too! And *wildly popular!* And took over Hollywood, and with it the whole of American pop culture, earning revenues in the *billions and billions* of dollars! Phe-ee-ew.

But then his superheroes, and his supervillains too, had problems and lived in

the real world, unlike the cut-out cardboard creatures that ruled the genre until he chanced along. In fact you might not notice they had powers at all. Like Reed Richards of the Fantastic Four, a nerdy scientist, who when pitted against Doctor Doom and his robot army could spool out into *any length and shape!* Or Peter Parker, just another adolescent worried about spots and girls, who when the Green Goblin loomed was suddenly Spidey, scaling skyscrapers and running across ceilings! Or Ben Grimm, a Jewish scrapper from Yancy Street who became the rocky orange bruiser known as the Thing, yelling “*Clobberin’ time!*”

So you would never have suspected anything of Stanley Leiber as he was growing up poor in Manhattan, with his father out of work, living on hot dogs and wandering the streets alone in summer while his friends were away at the camps his parents couldn’t afford. But he could feel that *inner strength* stirring! It came from words. He read and read and read. Adventure tales, Mark Twain, Jules Verne, Zola, Dickens, Shakespeare. He loved the sound of words, the music of vowels and consonants jostling each other. Inside him, he really believed, lay the Great American Novel!

Yet he stumbled into comic-book writing instead, at Timely Comics, Marvel as it became. And wallowed in embarrassment! People scorned him for his silly trade. On the literary totem pole in New York Stanley Lieber was the lowest of the low. Yet they did not know—even *he* did not know!—that as soon as he had signed himself “Stan Lee” on his first bit of text-filler in 1941, hiding himself as he thought, he was putting on his *superhero clothes!* Once the bright beams of his new ideas had dazzled his boss at Marvel (it took a while), nothing stopped him! Pulse-pounding characters flowed from him all the time. He could write five books a week. Sales of Marvel’s titles rose from 18.7m in 1961 to 32m in 1965 until DC Comics, and Superman and Batman, were *stunned* and *reeling!* Stan Lee’s legions of fans and true believers were exhorted to march onwards, shouting his watchword “*Excelsior!*” *To the highest!*

He revelled in his powers. These creations were not only living, breathing people, with the thought-balloons he had invented bubbling from their troubled heads. They also had their own words, their own melody, from the poetic turns of that sleek spacefarer, the Silver Surfer (“I, too, sense the icy

touch of dread *disaster!*") to the Shakespearean tones of Thor ("Whither goest thou?") He resurrected Captain America, an old favourite, pulling him out of the Arctic ice cap to save the world again. He defied the massed sniffing prudes of the Comics Code Authority by writing about racism and drug abuse, until they *capitulated!* The X-Men, erupting in his brain in 1963, spoke for all outcasts, black, gay, disabled, who felt like mutants. But he challenged hippies and peace-marchers just as much by making them love Iron Man, a billionaire arms-maker, as a *hero* and not a villain! (That would have been too easy.) He had heroes who fought against *themselves*, like Dr Bruce Banner, who became that livid green monster, the Incredible Hulk! And tried to cure himself, but the Hulk didn't agree! Right out of a Greek tragedy. Or maybe Freud.

Of course, there were trials to overcome. Two of the best artists, Jack Kirby (Fantastic Four, Silver Surfer) and Steve Ditko (Spiderman, Doctor Strange), felt uncredited and fell out with him. (Well, he was certainly grabbing *most of the attention!* And who said heroes always got on with one another?) Marvel's fortunes fell in the 1980s and early 1990s, like those of comic books generally. His attempts to put his characters on TV mostly failed, because directors made them too one-dimensional. An internet company ended badly. It was Hollywood, and the Spider-Man and X-Men series in particular, that turned his luck *right round* again!

If there was a supervillain in his story, it was that other Green Goblin, *dollar bills!* Commercial worries often held back his ideas. He was careless with money, and Marvel gave him no royalties. He held no rights to his characters until, in 2001, he set up POW! (Purveyors Of Wonder!) Entertainment. Even so, he spent too much of his last years in lawsuits over percentages from TV and films. He wasn't *poor*, of course! Just wanted his powers to be recognised.

No wonder he loved to take cameo parts in the hugely grossing films that featured his creations! While they fought to the death in the vicinity he played a FedEx delivery man, or a security guard, or a man watering his lawn, or a passenger reading "The Doors of Perception" on a city bus. He was the most *ordinary* person you could imagine! And yet, through his ideas, superheroically immortal.

This article was downloaded by **calibre** from
<https://www.economist.com/obituary/2018/11/24/obituary-stan-lee-died-on-november-12th>

| [Section menu](#) | [Main menu](#) |