The Economist

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Emmanuel Macron’s movement came first with 32% of the vote in the first round of **France’s** legislative elections. The result puts the president’s party, La République en Marche!, on track for the largest majority ever in the National Assembly after the second round on June 18th. The centre-right Republicans came second, while the far-right National Front led by Marine Le Pen was sidelined.

Hundreds of people were arrested in protests held in dozens of cities across **Russia**. They were organised by Aleksei Navalny, an anti-corruption activist who plans to run against Vladimir Putin in presidential elections next year. Mr Navalny was subsequently arrested and sentenced to 30 days in jail. See article.

Coalition negotiations in the **Netherlands** collapsed after the GreenLeft party refused to support restrictive asylum policies that seemed to contravene the international Convention on Refugees. The Liberal, Christian Democrat and D66 parties started the search for another partner.

The more moderate half of the Finns Party, **Finland's** far-right populist party, split off into a new faction after the membership elected a hardliner as leader. The moderates will continue as junior coalition partners in government.

Ireland's new prime minister was sworn into office. Leo Varadkar is half-Indian, gay and, at 38, the youngest man to have held the job.

Checks, lies and audiotapes

Hearings in the Senate shed little light on the allegations swirling around Washington. Jeff Sessions, the attorney-general, said any notion that he had colluded with Russia was a "detestable lie". A few days earlier, James Comey said the arguments put forward by the **Trump administration** for his sacking as FBI director were "lies, plain and simple", and that he hoped Mr Trump had indeed recorded their conversations. See article.

Steve Scalise, a senior Republican **congressman**, was one of four people wounded by a gunman during a practice session for Congress's annual baseball game. The gunman, who died after a shoot-out with police, was an anti-Trump fanatic. See article.

Puerto Rico held a non-binding referendum on whether to become an American state. A row over the wording on the ballot led to calls to boycott the vote. Turnout was therefore low, at 23%. Among those who did vote, 97% said yes to statehood. In any case, Congress decides whether the territory can become a state.

He remains in office

Brazil's supreme electoral tribunal acquitted the president, Michel Temer, on charges of accepting illegal donations to be re-elected as vice-president in 2014. The court's decision also cleared Dilma Rousseff, who was re-elected as president that year and eventually impeached. See article.

Panama cut diplomatic relations with **Taiwan** and recognised China as the one legitimate Chinese state. Taiwan still has full diplomatic relations with 20 countries, half of them in Central America and the Caribbean. See article.

The chief of **Venezuela's** national defence council resigned in protest against a plan by the president, Nicolás Maduro, to hold a constituent assembly to write a new constitution. The opposition regards the assembly as a device for consolidating the authoritarian regime's hold on power.

Still over there

Donald Trump delegated to the Pentagon the authority to decide the number of American soldiers in **Afghanistan**. The generals had requested up to 5,000 more troops. Meanwhile, an Afghan soldier shot dead three American ones.

North Korea released Otto Warmbier, an American student arrested in 2016 and sentenced to 15 years' hard labour for stealing a propaganda poster. Mr Warmbier was reported to be in a coma.

Hundreds of people staged a rare protest in **Shanghai**. They were angry about a decision to implement an often-ignored planning regulation that bans the use of office buildings for residential purposes. The move had caused the values of the demonstrators' homes in such buildings to plummet.

China's Communist Party accused officials in parts of two northern provinces, Jilin and Inner Mongolia, of falsifying economic data. It gave no details of when or how they had done this. Earlier this year another province in the north, Liaoning, was accused of having faked its fiscal revenue between 2011 and 2014.

The state of the union

The parliament of **Zambia** suspended 48 opposition MPs for failing to turn up to a speech by the president, a sign of the country's worsening political oppression.

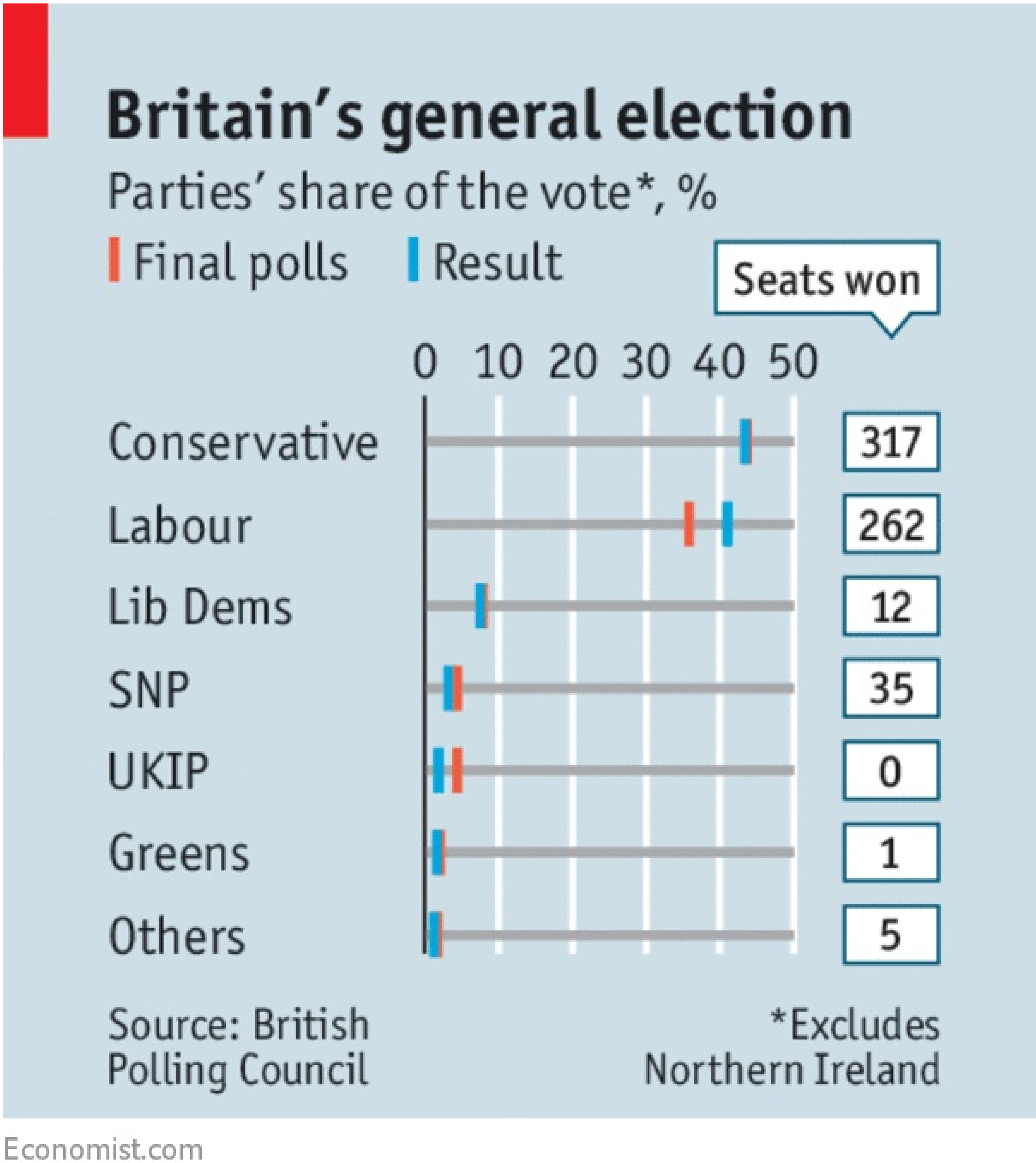
Nigeria's anti-corruption agency said it was investigating the Speaker of parliament, an encouraging sign that a government-led crackdown on graft is in earnest.

The stand-off between **Qatar** and its fellow Gulf states, Saudi Arabia, Bahrain and the United Arab Emirates, continued. But Egypt said it would let airlines and aircraft that are not registered in Egypt or Qatar use its airspace to fly to and from the country. See article.

Saif Gaddafi, a son of the deposed and executed leader Muammar, was freed from a militia's prison in **Libya**. The International Criminal Court called for his arrest.

Not strong, not stable

The election in **Britain** called by Theresa May ended in catastrophe for her Conservative Party. The prime minister had hoped to increase her seats in Parliament, but a flawed campaign resulted in the Tories losing their majority, as Labour, surprisingly, gained seats. Since she still had the most seats, Mrs May was given the first option to form a government. Her reliance on the Democratic Unionists from Northern Ireland to prop up her party makes it unlikely that her administration will last a full five-year term.



Another election, another question-mark over Britain's pollsters, and soul-searching among the pollsters. Most polls got the Tories' share nearly spot-on, but the Labour Party's vote was significantly underestimated and the UK Independent Party's demise was even more striking than the polls had suggested. UKIP was supported by 13% of voters in 2015, but less than 2% this time. It was no surprise that its leader quit after the result, but it was a shock when Tim Farron, the leader of the pro-European Liberal Democrats, also stood down.

Londoners were shocked by the extent of a fire that engulfed a residential block of social housing in which around 500 people are thought to have lived.

With many people unaccounted for, the initial death toll of 12 was set to increase. The inferno happened in a neighbourhood where poor and rich live in proximity. Questions were asked about a recent refurbishment of the exterior of the flats. See article.

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Business this week

Jun 15th 2017

In what the company said was a planned succession, Jeffrey Immelt decided to retire as **General Electric's** chief executive and chairman, to be replaced by John Flannery, who runs its health-care division. Mr Immelt took over the reins at GE from Jack Welch in 2001. He reconstructed the unwieldy conglomerate, selling off most of GE Capital, which had been a money-spinner until the financial crisis. But GE's share price is today worth a third less than when Mr Immelt took charge. See article.

War and peace

Travis Kalanick announced that he would step aside as **Uber's** chief executive for an unspecified period of time, as the firm endorsed the recommendations from an independent review into its abrasive corporate culture. These include appointing an independent chairman and a committee to oversee reforms to Uber's turbocharged management style, which has been blamed for a series of PR disasters, mostly related to sexism. In a nod to this gentler approach, the name of Uber's main meeting place will change from the "war room" to the “peace room”.

The **Federal Reserve** lifted the range for its benchmark interest rate to between 1% and 1.25%. It was the second increase this year; the central bank has suggested that it will raise rates three times in 2017. The Fed also laid out plans for the gradual “normalisation” of its balance-sheet after soaking up $3.5trn in bonds and other assets as part of its quantitative-easing programme.

The central bank in **Iceland** cut its main interest rate by a quarter of a percentage point, to 4.5%. It was the second consecutive cut by the bank following an unexpected contraction of GDP in the first quarter.

Britain’s rate of **inflation** rose to 2.9% in May, up from 2.7% in April and the highest level in four years. Retailers’ import costs have jumped because of the fall in the pound, and they are starting to pass those costs on to consumers. With household incomes falling in real terms, the new government is under pressure to do more for JAMs (families who are “just about managing”).

America’s Treasury Department published its proposals on **financial regulations**. The changes would rip up some of the edicts introduced under the Obama administration, reduce the powers of the Consumer Financial Protection Bureau and dilute, but not overturn, the Volcker rule, which stops big banks from making certain kinds of risky speculative bets. Banks welcomed the measures. The Treasury thinks 80% of them can be passed by executive fiat, rather than through Congress.

Microsoft announced a revamp of its gaming console, the Xbox One, at E3, the industry’s annual showcase. Competing with Sony’s PlayStation 4, the new **Xbox One X** aims to improve performance at the high end of the gaming industry. The hitch: it costs $100 more than the updated PS4 Pro that was launched late last year. Microsoft is forecast to ship 36m consoles by the end of the year, about half as many as Sony, according to IHS Markit, an industry analyst.

The Germans are coming

Aldi and **Lidl**, two big discount supermarket chains loved by frugal shoppers throughout Europe, are expanding in the United States. Lidl opened its first stores this week and Aldi, which has been operating in America since 1976, announced plans to open 900 new premises. The German merchants have been a disruptive force in retailing. Walmart beware. See article.

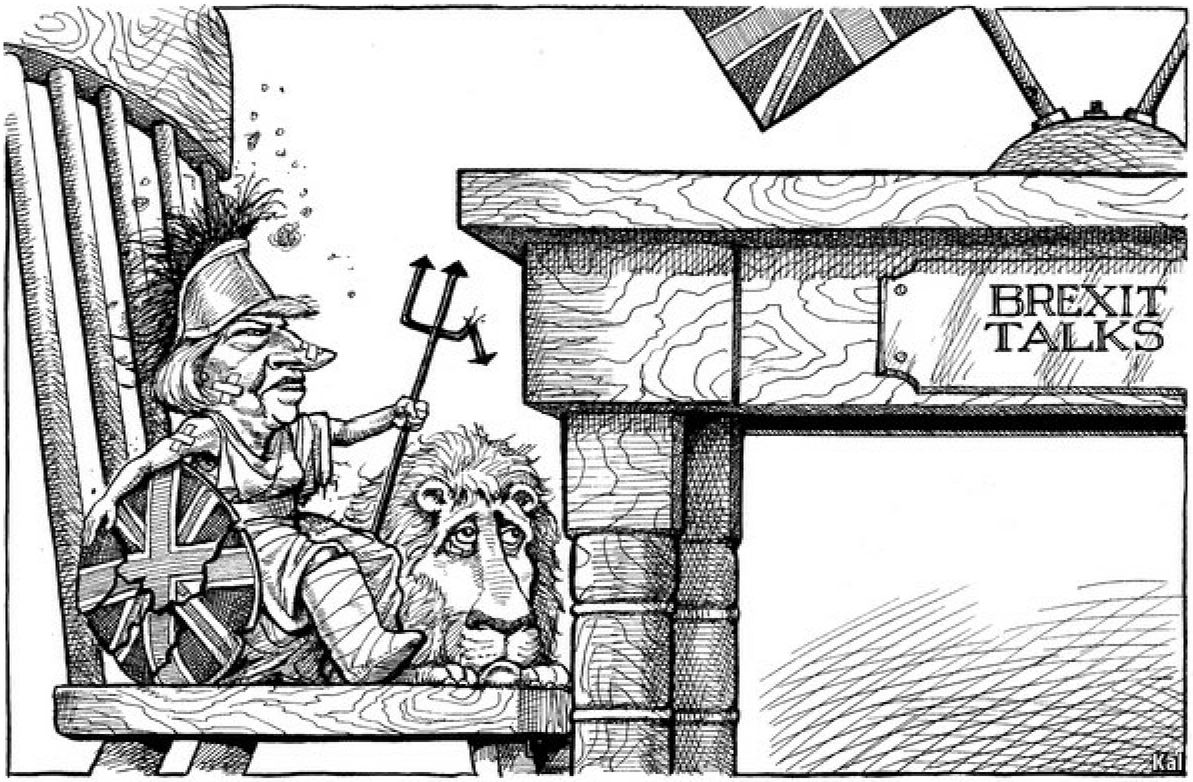
Wu Xiaohui, the boss of **Anbang**, one of China's biggest financial-services companies, was reportedly detained by officials investigating alleged financial crimes. The firm said he was "temporarily unable to fulfil his role for personal reasons". Anbang was recently admonished by regulators for causing market "havoc" by pushing risky financial products. See article.

Oil prices plunged to their lowest in seven months after data showed that the stockpile of crude in America is falling by much less than had been expected. The International Energy Agency reported that because American output had risen the worldwide glut in oil will not ease this year. Brent fell to $47 a barrel.

Changing tack

The world's best sailors prepared to compete on its fastest boats in Bermuda in the final stage of the 35th **America's Cup**. The hydrofoiling catamarans are to normal sailing boats what Formula 1 racing cars are to family cars. Basically, nothing like them. Shore-based engineers assess data from hundreds of sensors throughout the boat and helmsmen use multi-function steering wheels to fine-tune hydrofoil and rudder settings during a race. Sailors talk about lift, trim tabs and rake, sounding more like pilots than salty sea dogs.

KAL’s cartoon



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Leaders

Emmanuel Macron

Electoral victory will make France's president a potent force

But he will still have to face down a challenge from the street

Jun 17th 2017

FLORENCE LEHERICY is a nurse, but on Monday she is likely to start a new career as a parliamentary deputy for Calvados, in northern France. Jean-Marie Fiévet, a fireman, will join her from a constituency in Deux Sèvres in the west. Both are political novices. They belong to La République en Marche! (LRM), the movement behind Emmanuel Macron, who last month also won his first ever election—and duly took control of the Elysée Palace. Welcome to the revolution.

Across France people have risen up against a political class that failed them (see article). The first round of voting for the legislature, on June 11th, suggests that LRM, which Mr Macron created only 14 months ago, will win at least 400 of its 577 seats. The Socialists will lose 90% of their deputies, including their leader who did not even make the run-off. The Republicans will hang on to more, but they expected to win this election—until a few weeks ago, when

LRM’s victory became as inevitable as the blade sliding down the guillotine.

Mr Macron offers a fresh answer to the popular discontent that has swept through Western democracies. He promises a new politics that ditches divisions between left and right. He wants to restore dynamism and self-belief to France and, with Germany’s help, to the European Union. And he is being watched from abroad by politicians who, in their own countries, cannot seem to make themselves heard above the din. For his revolution to succeed, he needs to have good ideas and the ability to carry them through. Does he?

A different kind of rebel

Mr Macron is the right man at the right time. Voters tired of France’s stale politics wanted an outsider. Although he comes from the establishment—he is a graduate of an elite college, an ex-banker and an economy minister under his predecessor, François Hollande—Mr Macron has never been a party man. He has designed LRM to act as a break with the past. Half of its candidates are new to politics. Half are women. It has campaigned against corruption. In the outgoing assembly the most common age is 60-70; the average of LRM’s novices is 43.

Whereas most populists cleave to right and left, the Macron revolution is to the centre. He steals policies without prejudice—from the right, a desire to free up markets and businesses to create jobs and wealth; from the left, a belief in the role of government to shape, direct and protect. In the battle between open and closed, Mr Macron is broadly for open in both trade and immigration. In French terms, he is an economic liberal.

And, crucially, he is an optimist. For decades France has suffered from the morose belief that politics involves struggle, but no real solutions. That sabotages reform: why give up what you have today for something worse tomorrow? Elsewhere in Europe, democracy often seems a joyless transaction in which voters are asked to endorse politicians’ empty promises in exchange for benefit cuts and shoddy public services.

Somehow, Mr Macron has convinced the French that progress is possible. He has hit back against populist taunts that free markets are a concession to the bankers and the globalists with refreshing patriotism—whether by crushing the hand of Donald Trump or restoring pomp to the presidency. Against warnings about immigrants and foreign competition, he asserts that both will invigorate France, not enfeeble it. To Eurosceptics who accuse Brussels of sucking the life out of the nation, he insists that, no, the EU magnifies French power.

Good ideas are not enough. Mr Macron must also break the habit of 30 years in which France's reforms have been blocked by the hard left. Success rests on early, visible progress in two areas—employment and relations with Germany.

French unemployment is double what it is in Germany. For the under 25s, it is stuck above 20%. Firms are reluctant to create permanent jobs because of high social charges and because redundancy and dismissal are expensive and difficult. Mr Macron wants to lower employment taxes and to make workplace bargaining more flexible. Success in the labour market will help him win over Germany, which has lost faith in France's ability to keep up. So will getting a grip on France's public spending and its army of bureaucrats. Germany, often standoffish, should give Mr Macron the benefit of the doubt. He is the best, and possibly last, chance to create the impetus for the euro zone to shore up the structure of the single currency.

LRM's landslide makes this programme more likely to succeed. Mr Macron has been lucky. His chief opponent on the mainstream right, François Fillon, was fatally damaged by allegations of corruption. LRM's victory will be flattered by France's two-round voting system. A strong EU economy will create jobs (if he is not to jeopardise that, he needs to go easy on the budget cuts). As Theresa May, Britain's hapless prime minister, can attest, firm control of the assembly will cement his good fortune (see article).

However, resistance will move to the streets. Already, the *ancien régime* is warning that the election leaves Mr Macron dangerously powerful, and that the turnout of under 50% has deprived him of a mandate. Militant hard-left unions are threatening to fight his labour-market reforms all the way.

They must be faced down. The French president is indeed powerful—but in recent years the problem has been the weakness of the Elysée, not its dominance. The turnout was low, but it has been falling for years and is not much lower than in America or Canada. The unions speak for only the 8% of workers who are their members. That is no mandate. It is what ordinary citizens like Ms Lehericy and Mr Fiévet have been elected to sweep away.

Renaissance man

Plenty could go wrong. Expectations of Mr Macron are sky high. Though LRM has experienced politicians to keep order, it could prove chaotic and amateurish. There will be strikes and marches. As the pain bites, the French public will need to hear again and again why reform will benefit the nation.

These risks are obvious. More remarkable is the revolution that Mr Macron has already achieved. The hopes of France, Europe and centrists everywhere are resting on him.

Taxi for Travis

Why Uber's boss must go

The ride-hailing giant must fix its reputation. It cannot properly do so with Travis Kalanick still in charge

Jun 15th 2017

IT HAS been a wild ride. Seven years ago Uber launched itself as an app connecting well-heeled users with nearby limousines. It has since become the most prominent tech startup in the world, with a valuation of $70bn. The company's hard-charging culture—embodied in Travis Kalanick, Uber's co-founder and boss—was celebrated, not questioned.

No longer. The firm is fending off accusations of stealing autonomous-car technology. It is being investigated for allegedly designing software to identify and evade transport regulators. Most toxic are charges of rampant sexism. Mr Kalanick and his band of brothers created a workplace more reminiscent of a bar than a business. For months a law firm has investigated what are believed to be more than 200 claims of misconduct, including sexual harassment, discrimination and bullying.

Uber is belatedly making efforts to fix things. As a result of the inquiry into sexual harassment, more than 20 employees and executives have been dismissed. Uber is going to strengthen its board, which has been under the thumb of Mr Kalanick and two others, who together control a majority of the voting rights; an independent chairman is planned. The firm will do other things differently, too: more performance reviews, less booze and no sex between a manager and an underling.

So far, so bleeding obvious. The big question is over Mr Kalanick himself. He said this week that he will take an indefinite leave of absence, in part to grieve for his mother, who was killed in a recent accident, and in part to "work on himself". Uber is searching for a chief operating officer to help him to run the firm when he returns. It hopes all this will be enough to reboot its culture and its reputation. In truth, that is possible only with Mr Kalanick's permanent departure.

At any normal company, he would have been fired by now. He is culpable for its failings; its culture was created in his image. But Mr Kalanick will not go unless he and his two co-majority shareholders so decide. He can marshal arguments that Uber continues to thrive: it reported record revenues in the first quarter of this year. Yet if he cares for Uber's, and his own, long-term financial health, a clean break makes more sense.

The firm's problems have started to take a toll. In the past five months Uber's market share in America, its most important market, has declined by 7%; even investors in the firm admit to feeling embarrassed getting into an Uber vehicle. Uber is having to work harder to recruit the best engineers.

The spectre of the past will continue to loom large, thanks to litigation and government probes. Dirty laundry keeps coming out. Another executive, who had obtained the confidential health records of a woman who had been raped by an Uber driver in India, was fired this month after media questioning. At the very board meeting called to draw a line under Uber's sexist culture, a director resigned after joking that women talk too much. Yet more scandals almost certainly lurk. Each one will reinforce the idea that Uber cannot change so long as Mr Kalanick remains in charge.

Frat's your lot

Uber's culture is not unique; it has lessons for the rest of Silicon Valley, too. One is that a tolerance of casual sexism can inflict real commercial damage. Another is to be wary of the power handed to founders. The right person to lead a young company may not be the best one to oversee it when it has grown up. A third lesson concerns the benefits of going public. Uber's missteps would have become clear much sooner with better governance and a visible share price. Mr Kalanick has said he needs to grow up. Leaving the firm he created, and letting it go public as soon as possible, would show genuine maturity.

Storm clouds and silver linings

How to turn a chaotic election result into a better Brexit

Britain's hung parliament presents an opportunity to change the course of exit negotiations

Jun 17th 2017

THERESA MAY called a snap election two months ago to build a "strong and stable" government. How those words will haunt her. On June 8th voters decided that, rather than transform her small majority into a thumping one, they would remove it altogether. The result is a country in an even deeper mess. Mrs May is gravely wounded but staggering on. If and when she goes, yet another election may follow—and its plausible winner would be Jeremy Corbyn, of Labour's far-left fringe. On the eve of the Brexit referendum's first anniversary, the chaos it has unleashed rumbles on unabated.

With negotiations due to begin in Brussels in days, the circumstances could hardly be less promising. Yet the electoral upset has thrown up a chance for Britain and the European Union to forge a better deal than the one which looked likely a week ago. Because Mrs May's drastic "hard Brexit" has been rejected by voters, the question of what replaces it is back in play.

That rejection has at least made clear what Brexit does not mean (see article). Mrs May planned both to end the free movement of people between Britain and the EU and to slash overall net migration by nearly two-thirds. She ruled out membership of the single market and customs union. Worst of all was her dictum that "no deal is better than a bad deal", which threatened to crash Britain out of the EU if Brussels failed to make a good enough offer. Many factors were to blame for the Tories' failure, not least an insipid campaign. But big boosts for Labour in Remain-voting areas suggest that Brexit motivated many; we calculate that it was responsible for about half the Tory swing to Labour (see article). Mrs May beseeched voters to endorse her extreme approach. Voters have delivered their verdict and it is damning.

Since the government lacks a majority, deciding what Brexit means will fall to Parliament, as it always should have done. The close election merely underlines the need to find an approach that reflects the close referendum. Moderate Tories, including Philip Hammond, the chancellor, and Ruth Davidson, who led the party to success in Scotland, are speaking up for an exit that keeps Britain open to trade and migration—provoking fury among some hardline Brexiteers. Others are mellowing for fear of losing their seats, following the loss of solid Tory constituencies like Kensington.

The Democratic Unionists, a Northern Irish party on which the government will depend in key votes, want to minimise problems at the border with the republic, which may mean staying in the customs union. The business lobby, previously frozen out by Mrs May along with everyone else, is arguing for a softer exit, too. The upheaval empowers civil servants, who privately favour the least-disruptive Brexit possible.

Negotiations will be hamstrung by the government's precariousness. The talks will last until late 2018, perhaps beyond Mrs May's sell-by date. So Britain needs to reach a cross-party agreement on the basic principles of Brexit, and then find a way to make the consensus stick, whoever is in power. Several senior Tories, as well as the Liberal Democrats, have proposed a commission to draw up a negotiating mandate, rather as the EU government have for the European Commission. The main obstacle is Labour, which sees no reason to make life easier for the Tories. Yet such a commission may be in its interest.

Nailing down the principles of Brexit now would save it from having the argument later in office; Mr Corbyn, who has never shown much interest in the subject, would be free to focus on his revolution at home.

The EU can improve the chances of a sensible outcome. It does not want Britain to emerge with a better deal than it had as a member, in case that gives ideas to Eurosceptics in other countries. But the risk of anyone envying Britain in its current lunatic state is slight. The EU should recognise that there remains a grave risk of "no deal", and do what it can to avert that outcome, which would be catastrophic for Britain and very bad for everyone else. There have been encouraging comments from Emmanuel Macron, France's president, and Wolfgang Schäuble, Germany's finance minister, that Britain would be welcome back if Brexit were reversed. But that is still unlikely; the focus should be on limiting Brexit's damage.

Meeting half way

Reaching a good deal will require time. So both sides should agree on a long transition, in which Britain lives under today's terms until a trade agreement is struck. It will also require flexibility. The issue most likely to scupper a mutually beneficial deal is freedom of movement. Britain cannot expect special treatment, but offering it a minor get-out, of the sort already enjoyed by countries such as Norway and Switzerland, would allow a better single-market deal for all. If European leaders refuse any compromise, they will make their own citizens poorer. That is no way to build support for the principle of free movement.

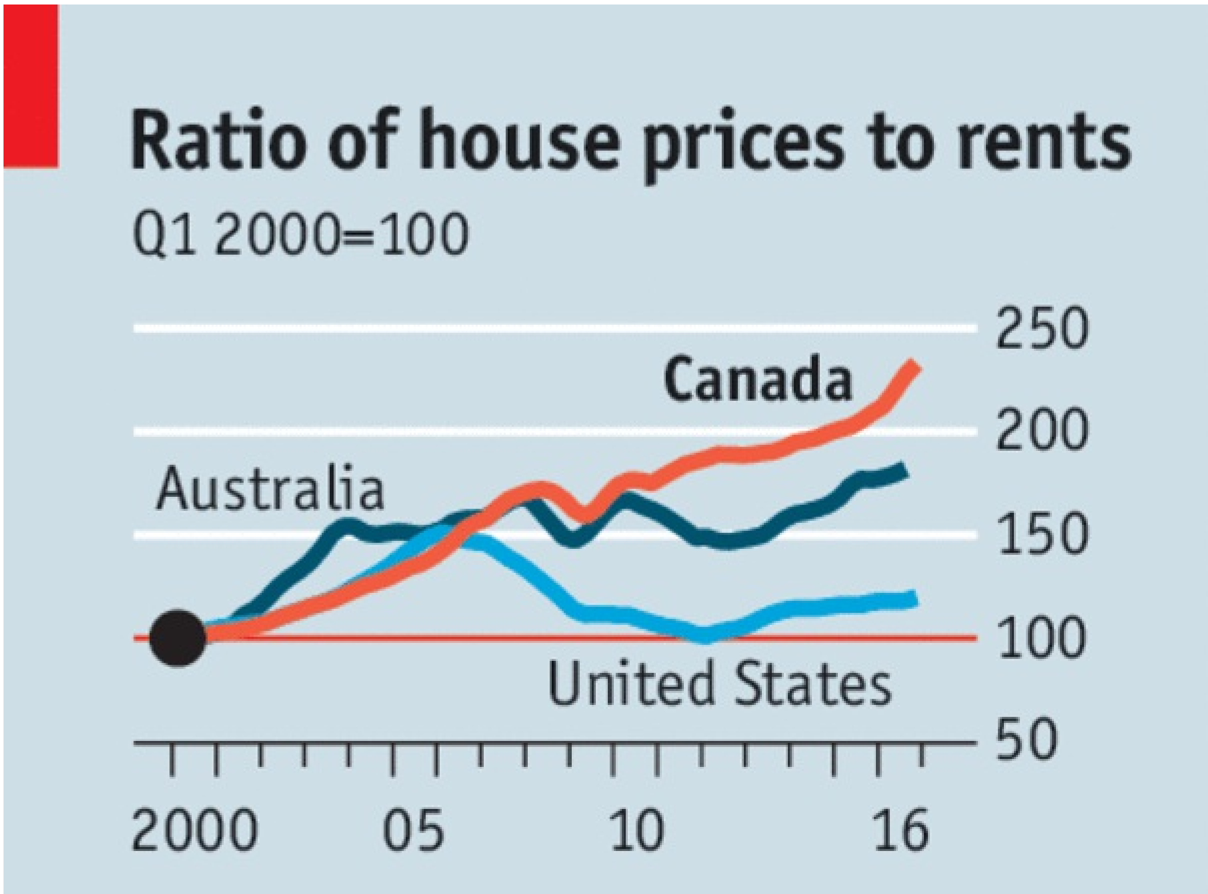
Britain's position is appallingly weak. The negotiations are as likely as ever to blow up before they get going. But the chaos in Westminster presents a rare opportunity to change the course of Brexit. Both sides should seize it.

Maple grief

The lessons from Canada's attempts to curb its house-price boom

Demand for safe assets from emerging markets creates a headache for policymakers

Jun 17th 2017



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IN MATTERS of finance, if not climate, Canada is usually temperate. It was barely moved by the economic storms that blew the roof off America and Europe in 2008-09. Its banks were steady, it was argued, in part because they were shielded from the ferocious competition for market share that pushed banks elsewhere into hazardous loans. For all that, in its housing market Canada has lately become a place of extremes.

Household debt has climbed to almost 170% of post-tax income. House prices rose by 20% in the year to April. Looked at relative to rents, they have deviated from their long-run average by more than any other big country *The Economist* covers in its global house-price index. In Toronto, one of two cities, along with Vancouver, where the boom has been concentrated, rental yields are barely above the cost of borrowing, even though interest rates are at record lows. In its twice-yearly health-check on the financial system, published this month, the Bank of Canada concluded that “extrapolative expectations” are a feature of the market. In other words, people are buying because they hope, or fear, that prices will keep rising.

Canada is not alone. House prices also look high relative to rents in Australia, where a few cities, notably Sydney and Melbourne, are booming. Prices in some American cities, such as Seattle and San Francisco, have been rising much faster than the national market, which looks reasonably priced.

Common to all these cities are buyers from emerging markets, notably China, who have helped to drive a wedge between the price of homes and the local fundamentals of incomes and rental payments. They are willing to pay above the odds to secure a safe place for their savings. Though fairly small in number, their presence is enough to inflate bubbles.

Canada’s housing market thus opens a window on a tragic flaw in the global economy. In only a few decades China has mastered the manufacture of high-quality goods. But it takes far longer to be able to manufacture safe stores of value. Instead, their affluent citizens seek out rich-country assets, including houses. This fundamental mismatch limits the ability of policymakers to stop bubbles from inflating.

Raising interest rates, which stand at just 0.5% in Canada, might seem the obvious answer. The economy is recovering and this week the Bank of Canada’s deputy governor has hinted that rates might climb. But several rises in succession might be needed to cool the housing market and that would probably send the economy into recession.

The authorities have instead attempted to deal with the problem at its source. Last summer Vancouver imposed a 15% tax on foreigners’ house purchases. The city’s property market has since cooled. But one effect of this extra tax has been to shift housing demand to other places, such as nearby Victoria, and to Toronto, where house-price inflation is above 30%. The province of Ontario imposed a similar tax in April, prompting fears of a price surge in Montreal. To improve the supply of rental properties, Ontario has also permitted cities to slap a tax on vacant homes. That will help, but it will not solve the problem. There are tentative signs that prices in Vancouver are reviving, suggesting that the tax there has only deterred foreign buyers temporarily. In any event, some foreign owners hope to settle in Canada soon, and so will be entitled to claim a rebate.

There is no fail-safe administrative tool for curbing house-price booms. The best course is to insure against the fallout from a house-price bust. Canada has been more active in this than most countries. People with mortgages above 80% of the value of the home on which it is secured are obliged to pay for insurance against default. The underwriting standards on such mortgages have been steadily tightened. Canada's biggest banks have some protection against potential storms. They are highly profitable and exceed international benchmarks for capital (see article).

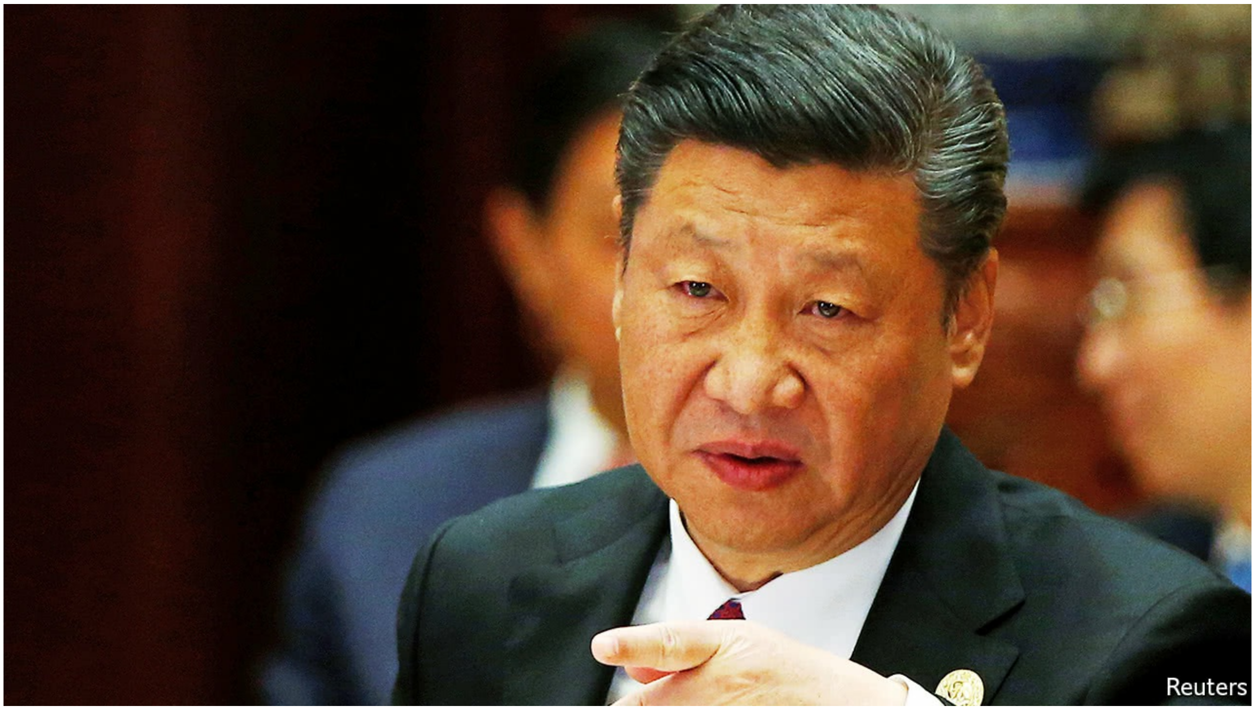
Strong foundations

Even so, a further tightening of such macroprudential measures would be wise, not because it would do much to slow the rise in house prices but as insurance against their eventual fall. The demand from emerging markets for safe assets will not soon diminish. Recent history shows that big run-ups in property prices often reverse suddenly. Better to batten down the hatches now in case the weather turns bad.

Champions chained

China’s crushing of independent lawyers is a blow to rule of law

Why Xi Jinping fears the experience of uppity Taiwan



Jun 15th 2017

SHORTLY after he took over as China’s leader in 2012, Xi Jinping had some encouraging words—at least, so they seemed to some of China’s eternally beleaguered liberals. It was essential, said Mr Xi, “to ensure that all citizens are equal before the law, to respect and guarantee human rights, and to enable citizens to enjoy extensive rights and freedoms in accordance with the law.” His exhortation was aimed at the rapidly growing middle class that wanted the Communist Party to rule with a lighter and fairer touch. Without their support, officials feared, the party’s grip on power would be in jeopardy.

But it turns out that Mr Xi is even more fearful of giving the middle class freer rein than he is of upsetting them. Three years later, in 2015, he launched a sweeping clampdown on hundreds of legal activists, the boldest of whom state media label *sike* lawyers. The term literally means “death bashing”, suggesting they are activists willing to fight to the death in defence of society’s underdogs, such as farmers and the urban poor. Reports suggest the authorities are not just jailing and harassing legal practitioners and their relatives, but also subjecting some of them to appalling torture (see page 60).

Mr Xi still stresses the importance of the "rule of law", but it is clear he means to apply the term mostly to businesses, and other parts of civil law. Some officials recognise that it is better to give victims of land grabs, corruption and bureaucratic incompetence redress in court, rather than have them protest on the streets. Standards at China's law schools are improving, courts are becoming more independent from local governments and judges better qualified. But there are limits to such change. Someone accused of "subversion"—a charge often levelled at people who do nothing more than persistently criticise the authorities—can still expect short shrift in the dock. More alarming for the party is that the same lawyers who defend farmers' land rights often take up the cases of those whose political or religious beliefs the party abhors, among them house-church Christians, devotees of Falun Gong and dissidents. To Mr Xi, the lawyers look like an organised, liberal-minded force that could challenge the legitimacy of Communist rule.

Straitened by Taiwan

Mr Xi worries about the precedent of nearby Taiwan in the 1970s and 1980s, when independent lawyers led a movement against its then dictatorship. But such lawyers—fearless of power and dogged in their defence of society's weakest members—are essential if China is to build the rule of law it needs.

In a Communist country the boundary between the party and non-political civil and commercial suits is blurred. As the Chinese become richer, more of them will face situations where they want to challenge a decision by the state. The perception that there is one law for citizens and another for the party will lead to feelings of unfairness and resentment.

When people know that the law does not protect them, unrest is inevitable. In a rare demonstration on June 10th in the heart of Shanghai hundreds of homeowners protested at a sudden change in planning regulations that would lower property values. Anxious officials arrested ringleaders; censors scrubbed mentions of the protest from the internet.

To a ruler such as Mr Xi the choice may seem stark. Restoring China's greatness requires a predictable, well-run legal system. But the rule of law will strengthen independent lawyers. He would do well to follow the logic of his rhetoric in 2012. Uppity lawyers will sometimes take on the party. But as the economic boom fades, the greater threat to Mr Xi is the anger of citizens who feel not only that the party is failing to make them richer, but also that it is using the law to bully them.

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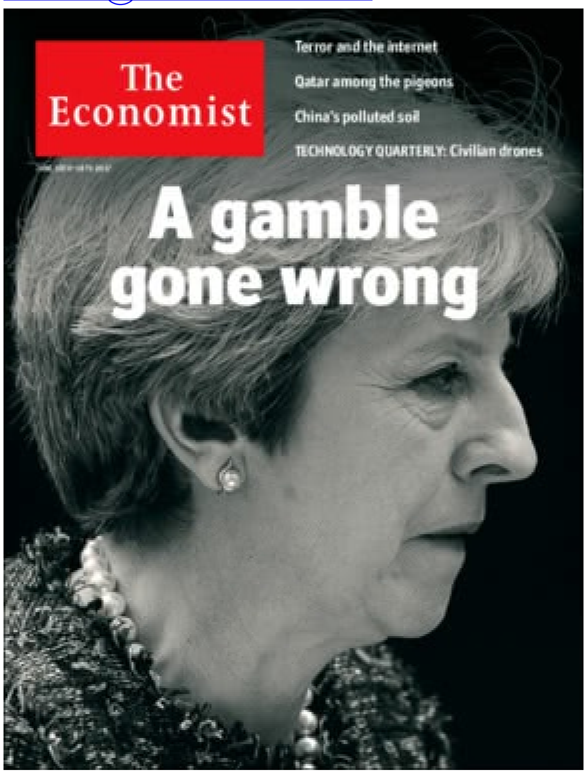
Letters

Letters to the editor

On the British election, France, Bangladesh, economics

Jun 15th 2017

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



What was that all about?

The Economist routinely describes the Labour Party's programme as "hard-left" and "socialist" ("A gamble gone wrong", June 10th). Some party members might well wish that were true, but Labour's election manifesto did not seriously challenge the market economy. It contains phrases about business that would never be found in a truly socialist document, such as describing small- and medium-sized enterprises as "the backbone of our economy". It also makes the statement, in bold type, that, "The majority of businesses play by the rules: they pay their taxes and their workers reasonably and on time, and they operate with respect for the environment and local communities. That is why it is vital that government ensures that businesses doing the right thing are rewarded rather than undercut or outbid by those unscrupulous few that cut corners."

Labour's proposals for renationalisation relate only to natural monopolies, where previous governments have invented exotic devices to mimic market mechanisms. The progressive restoration of greater public control over health, transport, the utilities and local services hardly amounts to a socialist programme. The commanding heights of the economy, as well as most of its foothills, would remain firmly in private hands.

PETER RAMAGE
London

My team and I were thrilled when *The Economist* backed the Liberal Democrats in the election ("Britain's missing middle", June 3rd). In Kensington, the problem for us began when tactical-voting sites started declaring for Labour. The Lib Dems' poor result in 2015 damned us because of the simplistic historical methodology used by these sites. Voters who had committed to us drifted away in the final week because they had heard our message, wanted to hold the sitting MP to account, but the tactical sites told them to vote Labour, never mind the party's hard-Brexit stance and fairy-tale economics.

These sites pose a significant challenge to the development of centrist, liberal politics. Their methodologies stifle change and promote the most regressive instincts of party tribalism because they give a false sense of support. Yet, the election in Kensington demonstrates that when a case is taken to voters they will respond. With the larger parties thrashing about at the extremes, it is ever more important that we hold elected officials to account.

ANNABEL MULLIN
Liberal Democrat parliamentary candidate for Kensington
London

There is another reason why Britain has ended up with second-rate politicians (Bagehot, June 10th), and that is our broken electoral system. First-past-the-post is a winner takes all gladiatorial system. Yet society is more diverse and accepts shades of grey. Worse, the system is unfair. The Scottish Nationalists won half the votes of the Liberal Democrats but received three times as many MPs. The Lib Dems' vote was almost the same as in 2015, but it gained seats.

JON BURDEN
London

I know it goes against the grain, but vote Jeremy Corbyn in and we get Keir Starmer as our negotiator on Brexit. Who better? And he meets Bagehot's criteria of being in the political "first eleven" team.

PETER GRIFFITHS
Southend-on-Sea, Essex

The election saw parties that will honour the decision to leave the EU take over 80% of the vote, yet illiberal non-democratic Remainers still whinge on. Northern Ireland's DUP wins fewer votes than the Greens, yet it gets ten seats to their one and ends up holding the balance of power. There's nothing like democracy in the UK. No wonder it's the envy of the world.

PETER CAIN
Trier, Germany

My own definition of Mayism: a catastrophic decision resulting from a lack of consultation and diversity of points of view among one’s advisers.

ANDREW SHEARD
Hong Kong

The French labour market

Free exchange (May 27th) conveyed a frequent misunderstanding about unemployment statistics in France, especially concerning the young. The youth unemployment rate (15- to 24-year-olds) reached 24.6% in 2016, but the rate gives a measure of the unemployed-to-active population ratio. Other statistics, such as the youth unemployment ratio (9% in France compared with 3% in Germany and 8% in the euro area as a whole), or data on the ratio of young people neither in employment nor in education and training (12% in France compared with 7% in Germany and 12% in the euro area) are preferable when looking at the young in the labour market. These figures are still high and raise legitimate concerns about worklessness among young people. But just focusing on the unemployment rate does not give a fully true picture of the situation.

JEAN-LUC TAVERNIER
Director-general
French National Institute of Statistics and Economic Studies
Paris

Politics in Bangladesh

You incorrectly characterised Bangladesh's prime minister, Sheikh Hasina, and her government as being "pro-Muslim" ("Sheikh Hasina's folly", June 3rd). The prime minister is a Muslim, but she and her government are proudly secular and endorse the effort to bring Muslim *madrassa* students into the country's tolerant, democratic mainstream.

Nor has she "pursued a dogged vendetta" against a political rival. Bangladesh is committed to the rule of law. When evidence arises that individuals are responsible for vicious crimes such as fire-bombings, law-enforcement officials charge them with those crimes.

You also made the false assertion that the government is trying to dismember Jamaat-e-Islami. Bangladesh's war-crimes tribunal tried and convicted people for atrocities they had committed during Bangladesh's war of liberation from Pakistan in 1971, regardless of their political position. That some of those people who were convicted were affiliated with the Jamaat party is beside the point. No one is above the law.

The governing Awami League was elected in 2014 in a fair and open election. BNP boycotted that election to try to rob it of legitimacy, rebuffing numerous attempts by the prime minister to persuade BNP to participate. The BNP cannot both boycott an election and declare it to be invalid because it didn't participate.

NAZMUL QUAUNINE
High Commissioner for Bangladesh
London

The road to rehabilitation

* Thank you for the coverage of our failing prisons ("Turning villains into neighbours", May 27th). When I was on the board of directors of the Prisoners' Rights Union in California, I spoke to several ex-prisoners who were productive members of society after serving at least ten years being locked up.

One of them pointed out that most prisons are places in which your entire day is directed by others, you have no choices to make, and you soon learn that whoever controls the hardest force will win.

This makes it impossible for a person to thrive in the outside world, where we make choices every day, and where success depends upon teamwork. Every prisoner who does not die inside will be released to someone's neighbourhood. Prisons that increase recidivism rather than productivity are ripping off the taxpayers and making all of us less safe.

DAVID ALTSCHUL
Nashville, Tennessee

Gluttonary policy

Reading about the European Central Bank backtracking on the tapering of quantitative easing ("He still has your back", June 3rd) reminded me of one of the film versions of "A Christmas Carol". Mr Fezziwig chides his wife for eating a pie, "I thought you were on a diet!"; "Yes", she says, "but I need this to give me the strength to go on with it."

ANDREW HORN
San Francisco

* Letters appear online only

Briefing

The French election

Emmanuel Macron’s democratic revolution

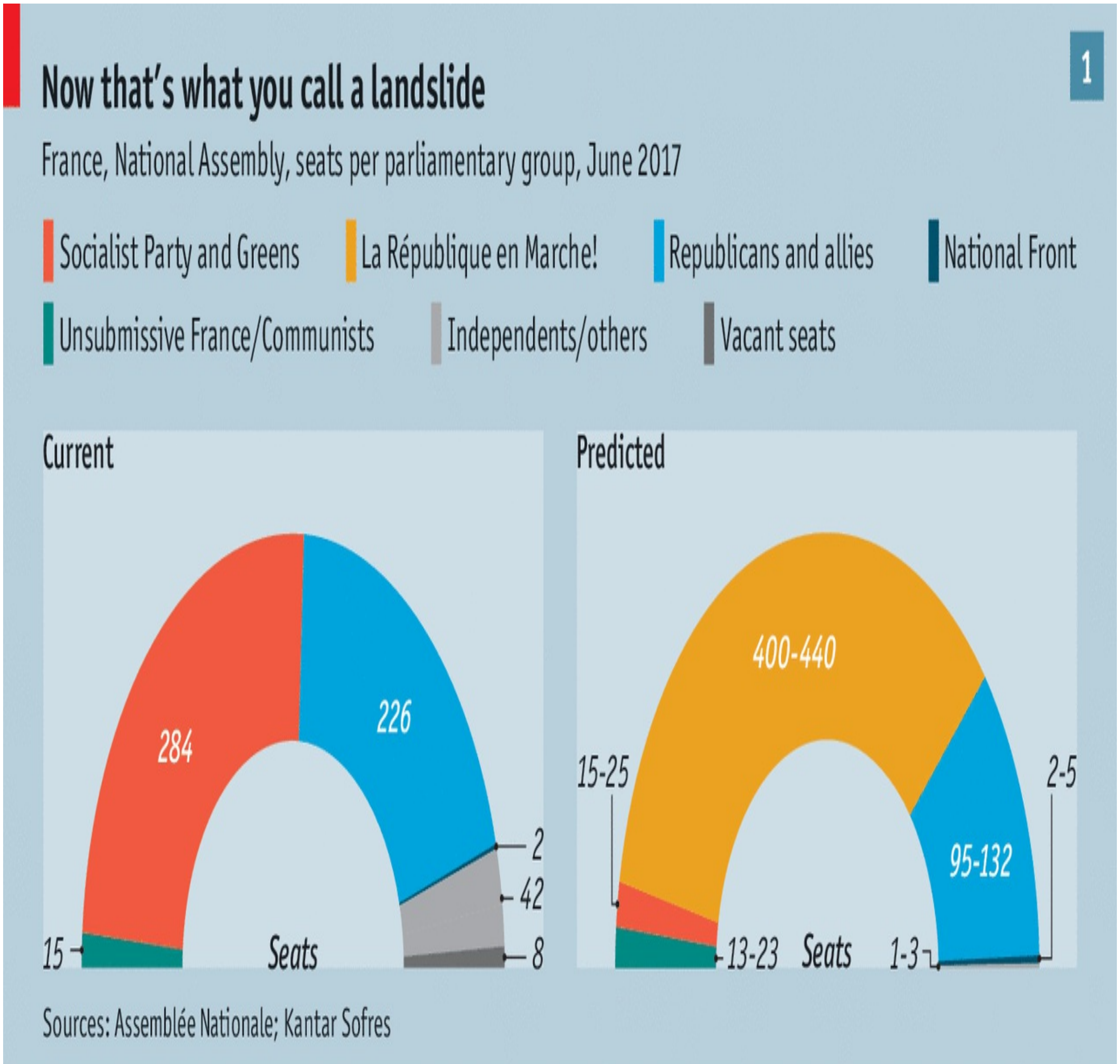
After defying expectations by transforming French politics, his next task is to do the same with economic reform

Jun 17th 2017 | LE TOUQUET

WITH its nautical boutiques, trim lawns and tennis club, the seaside town of Le Touquet is the weekend refuge for the bourgeoisie of northern France. Set in deep conservative country, the town is run by a centre-right Republican mayor, Daniel Fasquelle, and voted overwhelmingly for François Fillon, the Republican candidate defeated in the first round of the presidential election earlier this year. For ten years, Mr Fasquelle has also been a parliamentary deputy. Back in January, the town expected to bring a welcome end to five years of Socialist rule in France, and a return to conservative order.

Yet at a first-round ballot on June 11th for a new parliament, the good folk of Le Touquet put an unknown entrepreneur, Thibaut Guilluy, into the lead, pushing their mayor into second place and a run-off vote on June 18th. Mr Guilluy belongs to an army of novice candidates standing for President

Emmanuel Macron's party, La République en Marche! (LRM) who, without pike or pitchfork, are mounting a peaceful revolution in democratic politics.



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Mr Macron's political movement, created just 14 months ago, took 32% of the vote, ten points ahead of the Republicans. This puts it on course to win a crushing majority at the run-off with more than 400 of the 577 National Assembly seats (see chart)—one of the biggest under the Fifth Republic—that would squeeze the Republicans, sideline the far right and far left, and all but wipe out the Socialist Party, which could lose 90% of its seats.

For Le Touquet, which considers Mr Macron a local son, this would be a particularly symbolic victory. He and his wife, Brigitte, have a second home in the resort, were married there and are regular visitors. The presidential jet landed on Le Touquet's small airstrip so that he could vote at the town hall. "Everyone knows him here," says a local by the sea front: "He's never arrogant; people want to give him a chance." The family link does not stop there. Mr Guilluy's deputy, Tiphaine Auzière, is Mr Macron's stepdaughter.

The entrenched

On a blustery afternoon, Mr Guilluy can be found inland in the red-brick village of Rang-du-Fliers, beside his yellow campaign bus. He is joined by Ms Auzière, a local lawyer, who turns up on a bicycle. The pair are up against entrenched centre-right voting habits and networks, as well as a resilient far-right in rural parts. Farther east, Marine Le Pen, leader of the nationalist National Front (FN), topped voting in Hénin-Beaumont, where she is running for parliament. "This constituency is on the right, and everyone said it wasn't winnable," says Ms Auzière: "But we've had an incredibly warm welcome on the ground."

Before Mr Macron was elected, many wondered how he could ever hope to govern. The party had no deputies. The presidential campaign was focused on his personality and political preferences, and it was not obvious that this could transfer into a party vote. Yet, on a wave of *dégagisme*, or desire to kick the old lot out, the French are proving the doubters wrong. First-round turnout, at under 50%, may have been lower than usual, but the result was unambiguous. LRM has already felled a forest of old-timers, including Benoît Hamon, the Socialists' defeated presidential candidate, and Jean-Christophe Cambadélis, the party leader. Neither made the parliamentary run-off.

The implications could be far-reaching and a case study in political change. A 39-year-old former Socialist economy minister and one-time investment banker, who had never stood for elected office, Mr Macron has already defied all the unwritten rules to become president at first try. Three other consequences could now follow: the reshaping of French party politics; the reinvention of political representation; and the construction of a new dynamic for reform.

Mr Macron's new politics were not directly inspired by theorists of the "radical centre". But his thinking shares some of that, notably the value of borrowing ideas freely from left and right, and the need to remake democratic politics. His underlying idea is that the big forces shaping the future—technology, the freelance economy, the environment—no longer fall neatly into the old ideological divide between left and right. By seeking out like-minded people across the spectrum, he has sought to realign politics along a new fault line: between those in favour of an open society, trade, markets and Europe; and, on the other side, nationalists advocating protectionism and identity politics.

Mr Macron is not the first to try to forge a radical centre in France. Past attempts were made by Jean Lecanuet, a justice minister who, in a neat twist, campaigned for the presidency in 1965 with the slogan "une France en marche"; Jacques Chaban-Delmas, prime minister from 1969-72, advocated a centrist "new society"; or François Bayrou, a centrist former presidential hopeful who is now Mr Macron's justice minister. But these all began on the centre-right, failed to gain traction, and were usually framed as a quest for a middle path between Gaullism and Socialism.

Mr Macron, by contrast, has roots on the left. He believes in a strong role for government, particularly on investment and education (though he wants an overall reduction in public spending). And, like his former mentor, Michel Rocard, centre-left prime minister in 1988-91, he seeks to work across the party divide. His ambition is not to create a middling alternative to the left and right, but to force a party realignment. Attitudes to Europe measure this new split. A recent poll asked if voters would regret the end of the European Union. As Gérard Grunberg, a political scientist, points out, a majority of Socialist, LRM and Republican supporters said they would; most of the far left and far right would not. The former, drawn from across the party divide, make up the backbone of Mr Macron's post-partisan support.

So overwhelming is Mr Macron's expected victory that worries are turning to how to curb excessive power. This week *Le Monde* ran an editorial entitled "The challenges of hegemony", fretting about the "non-existent" opposition. Parliament's newcomers, say some, will lack the experience to hold the executive to account. Concerns about the solidity of opposition over the next five years, though, risk masking a more positive renewal. When the debutants step into the National Assembly for the first time, floor plans in hand, the face of parliament will be transformed.

For years, the country has lamented its inability to break the ageing, pale, male grip on parliament. The most common age band among outgoing deputies was 60-70. Some 17% were over 70. The average age of the 281 LRM deputies seeking office for the first time is as low as 43. After selection hearings based on 19,000 online applications, it picked a total of 525 candidates. Half are women. A fair few are of immigrant origin, including Mounir Mahjoubi, a digital entrepreneur standing in Paris, or Hervé Berville, a Rwanda-born economist running in Brittany. Novice candidates include business people, teachers, doctors, 11 farmers, two firemen, a fighter pilot, a mathematician and a hairdresser.

On social media

This rinsing out of the old political class was a deliberate attempt by Mr Macron to combat political extremes. Dismayed by politicians' failure to curb the rise of Ms Le Pen's FN, he argued that confidence in mainstream politics would be restored only by closer, more meaningful links between deputies and voters. "What doesn't work anymore is the party system," he told *The Economist* last year: "We need to find far more direct forms of exchange with people." He launched En Marche! last April to that effect, using social media to spread the movement, drawing people into politics who had previously been put off by the sect-like approach to party activism.

The huge inflow of newcomers is cleansing, but will bring its own difficulties. They will soon have to learn the grubby, and necessary, art of compromise. And this may disappoint voters. Tensions in such a broad movement are bound to emerge too, testing its unity. For now, though, the rejuvenated political line-up appeals, and in no small measure due to the Macron effect. It is not by chance that unknown candidates have pasted photos of themselves with the new president on campaign billboards all over France. Mr Macron's first month, marked by much diplomatic summitry, has gone down well. His muscular handshake with Donald Trump, his tough talk in front of Vladimir Putin and the dignified way he has represented France, have won plaudits. Some 70% think that he is improving France's image. "He walks on water!"

laughs Mickaël Littiere, an En Marche! organiser, with only a hint of irony.

A philosophy graduate, Mr Macron has thought hard about the nature of presidential office. As a former adviser to François Hollande, his hapless Socialist predecessor, he also watched at close quarters how to get it wrong. What is missing in France, Mr Macron told *Le 1*, a newspaper, in a rather astonishing interview in 2015, "is the figure of the king, whose death I fundamentally believe the French people did not want." The empty feeling at the centre of French democracy, he argued, was only occasionally filled by great leaders, such as Charles de Gaulle. "After him", said Mr Macron, "the normalisation of the presidential figure has reinstalled an empty chair in the heart of political life."

Up to a point, Mr Macron can hope to restore confidence at home by occupying that seat and representing the country with aplomb abroad. His response to Mr Trump's decision to pull out of the Paris climate agreement, for instance, was cleverly judged: a plea, in English, to "Make Our Planet Great Again". Yet the real test of Mr Macron's promise to make a difference will be his domestic reforms. He vows to pass a labour law before the end of the summer, using presidential orders, for which he will seek parliamentary approval in July.

Economist.com

The underlying problem is high joblessness, particularly among the young (see chart 2). France's unemployment rate has stood for five years at 10%, more than twice that of Germany; for the under 25s, it reached 25% in 2016. Labour costs have been curbed, chiefly with lower social charges. But firms are still deterred from creating jobs by a 3,000-page labour code which protects permanent jobs, and ties employers up in knots of complexity and uncertainty. As Mr Macron repeatedly reminded voters, 80% of new contracts for young people are short-term. They often spend years in temporary work, which firms use to secure the flexibility the law generally denies them.

To encourage job creation, Mr Macron's labour law will protect individuals rather than jobs. He wants his first reform to bring about three changes: to devolve more bargaining over pay and hours to firms, within national limits; to merge different works councils into one; and to cap redundancy awards for unfair dismissal. Further reforms, of unemployment benefits, training and pensions, will follow.

Efforts to reform the labour market have defeated many. Most attempts at introducing flexibility are regarded as an assault on rights, and an unpardonable gift to capitalist bosses. "Shameful and miserable regression to the 19th century" was how Aurélie Filippetti, a Socialist ex-minister, described Mr Macron's labour-market plans in a tweet. Great skill will be needed to persuade union leaders, whose clout depends on their ability to draw protesters on to the streets. The summer may be quiet, but demonstrations could well mark the return to work in September.

Mr Macron and his centre-right prime minister, Edouard Philippe, are treading a perilous line. Their efforts will be keenly watched by Germany, to see whether Mr Macron can restore French credibility on economic reform. In their favour, a moderate union, the Confédération Française Démocratique du Travail, is now France's biggest. Led by Laurent Berger, and for the first time since it was originally founded in 1919, it has overtaken the hardline Confédération Générale du Travail. Mr Macron also made a deft appointment in naming Muriel Pénicaud, a former human-resources director at Danone, a food company, to be labour minister.

The context is more favourable too. Mr Macron's own election spoke of popular exasperation at the *immobilisme* of the past two decades. Economic growth has begun to pick up, forecast at 1.4% for this year and 1.7% next, according to the European Commission. Business confidence in May reached its highest level for six years. Conversations in the boardroom and around dinner tables have turned from lamenting French decline to a sort of stunned delight at finding the country the object of international admiration.

Nothing is guaranteed, even for Mr Macron. The hard slog of reform will test his skills, and his country's new goodwill towards him. But the French have been in a form of collective depression, which has diminished their own expectations. "Ever since I was old enough to listen to political speeches, I've heard that France is in crisis," wrote Mr Macron in a book published last year. They have already surprised the world at the ballot box. On paper at least, Mr Macron's reform plans sound promising too. "Finally we're not having the finger pointed at us for failing to try what other countries have already done," says Ludovic Subran, chief economist at Euler Hermes, an insurer.

A year ago, only the touchingly optimistic believed that Mr Macron could take his political adventure anywhere. It has succeeded, if anything to excess. The young president's legacy will be secured if he can defy the sceptics on economic reform too. That would be a real French revolution.

The age of Merkron

Restarting the Franco-German engine

What Emmanuel Marcron could mean for Paris-Berlin relations

Jun 15th 2017 | BERLIN

FOR Germany, Emmanuel Macron was the dream candidate. Where his far-left and far-right rivals for the presidency bashed Berlin, he defended it. During his two campaign visits he was, to quote one German official, "pitch perfect" on his country's problems. Several of Mr Macron's inner circle are German-speakers with close links to Berlin. Withered Franco-German ties are already showing new signs of life. Or as Angela Merkel put it, quoting the author Hermann Hesse, at their first press conference together in Berlin on May 15th: "There's a little magic in every beginning."

That is as well, as Mr Macron has big plans. He wants to use domestic economic reform and concessions to Berlin's calls for progress on defence integration to regain Germany's trust, leading to a "new deal" between the euro zone's creditors and debtors. It would include a common budget, parliament and finance minister. "Expensive Friend" warned a recent cover of *Der*

Spiegel.

Can he do it? German politicians are divided. Sceptics include the free-market FDP, right-wing AfD, the Bavarian CSU and most of Mrs Merkel's CDU, including Wolfgang Schäuble, her finance minister. Supporters include the Greens, the socialist Left party, the Social Democrats (particularly Sigmar Gabriel, the foreign minister) and Europhiles in the CDU. The chancellor is somewhere in the middle, like public opinion: a poll conducted by Forsa in May found 49% in favour of "actively supporting" Mr Macron's plans and 42% for "holding back".

A Franco-German ministerial summit on July 13th is expected to generate bilateral projects on things like education and energy. Nothing big will happen before the German election in September. But then, if Mrs Merkel obtains the solid victory that polls predict, she will have political capital to spend and, probably, her departure date in mind. Mr Schäuble is not expected to hold on to the finance ministry, which could fall to the SPD or Greens (a coalition including the FDP would be more hawkish). Thus, says Henrik Enderlein of the Jacques Delors Institute in Berlin, winter coalition talks could be a "historic moment, a chance to open doors to real euro zone reform."

The institute has a plan, "Repair and Prepare", illustrating what might happen next. It starts with "first aid" measures to stabilise the euro by strengthening the European Stability Mechanism, its rescue fund, and introducing risk-sharing to some national deposit-insurance schemes. Next would come a wave of co-ordinated structural reforms, to labour markets for example, combined with a joint investment fund. And finally, perhaps some years later, a "federal moment": treaty change creating a monetary fund, budget, finance minister and parliament for the euro zone, as well as a common deposit-insurance scheme.

If Mr Macron cannot win over the Germans, it's hard to imagine a president who could. But that may be his greatest strength: Berlin is aware that Marine Le Pen is down, but not yet out.

United States

The Department of Justice

Jeff Sessions is already leaving his mark on America

If you think the Trump administration is too distracted to do anything, think again

Jun 15th 2017 | MEMPHIS

TO HEAR Jeff Sessions and Donald Trump tell it, American cities are becoming "war zones"; and Memphis, Tennessee is one of them. Visiting last month, Mr Sessions lamented a 43% rise in murders in 2016, to a record annual total. Heroin-related deaths were soaring too, he noted. The attorney-general omitted the fall in property crime, and the nationwide decline in violence that preceded the recent spike. Still, he had a point: news in Memphis is a grisly drumbeat of shootings, including, this week, that of a two-year-old girl. He spoke longingly of communities in which "law-abiding citizens can live without fear."

In some American cities, the fear he described is real. But in Memphis as elsewhere, another kind is abroad, too: fear of Mr Sessions's unforgiving views on crime and immigration. Advocates of criminal-justice reform worry that he will fill up prisons and build new ones, justifying draconian punishments with massaged statistics and fallacious reasoning. Activists worry about voting rights and police oversight. Immigrants are laying plans for their children's care in case they are deported.

Until recently, at least, some of Mr Trump's critics consoled themselves that his administration would be too disorganised to have much impact on American lives, or too distracted by scandal—such as the *Washington Post*'s report, on June 14th, that the president himself was under investigation for possible obstruction of justice. Mr Sessions's brief stewardship of the Department of Justice (DOJ), in which the demagoguery of Mr Trump's campaign is turning into action, is Exhibit A in the case against such wishful thinking.

Scandal distracted Mr Sessions this week, when he appeared before the Senate Intelligence Committee. No, he insisted, his recommendation that James Comey should be dismissed as director of the FBI did not violate his recusal from inquiries into the election (of the kind Mr Comey oversaw). He offered no comment on Mr Trump's awkward admission that Mr Comey was fired because of "this Russia thing". As for that recusal, it was to adhere to departmental regulations, not because of Mr Sessions's contacts with the Russian ambassador. Mr Comey has hinted at further, opaque reasons for the move: "There are none," Mr Sessions averred. The idea that he colluded with the Kremlin was an "appalling and detestable lie".

Read his lips

Mr Sessions kept shtum about the content of several private chats with the president; there was much he claimed not to remember. A striking feature of his day job, by contrast, is his recall and consistency. As attorney-general, he is doggedly pursuing policies he has espoused for decades.

Take criminal justice. Last month Mr Sessions instructed federal prosecutors almost always to bring the gravest charges, and to secure the longest sentences they can. That is a reversal of a directive from Barack Obama's presidency—opposed by Mr Sessions—that advised against seeking harsh penalties for petty offences. The earlier advice contributed to a reduction in the federal prison rolls; Mr Sessions is undoing that trend, enmeshing more defendants in mandatory minimum sentences. His method, exemplified in Memphis, is to highlight an emotive crime, then deploy outrage as a dragnet to sweep up piffling, often nonviolent criminals. “Are we making the streets safer?” asks Doris Randle-Holt, the federal public defender for the Western District of Tennessee. Small-time drug-dealers, she says, “get eaten alive” in prison and come out hardened crooks. She fears the knock-on effect on rehabilitation budgets of locking up more people.

If the DOJ were a state, points out Inimai Chettiar of the Brennan Centre for Justice, a think-tank, its prison population—13% of the national total—would be the largest of any. Yet the real import of Mr Sessions’s approach could lie in its example. “The risk”, Ms Chettiar says, “is that this is going to stall the bipartisan momentum that has built over the last ten years to reduce mass incarceration”—including in Republican-controlled states that had come to see the old regime as unaffordable. There may be more to come. A crime task-force, led by Steve Cook, a fierce former prosecutor, is considering marijuana offences, another bugbear of the attorney-general’s. A change in federal marijuana guidelines might lead to clashes with states where its use has been legalised, plus many more imprisonments.

In Mr Sessions’s rhetoric, if only thinly in fact, violent crime and the drug trade elide with his other big preoccupation: immigration, the issue that brought him and Mr Trump together, and on which, as a senator, he took the chamber’s hardest line. Much of the immigration system is outside the DOJ’s purview; but Mr Sessions wants prosecutors to pursue more immigration offences—including re-entry after a deportation—in federal courts. “If you charge them with felonies,” asks Ms Randle-Holt in Memphis, “where are we going to put them?” Privately run prisons may be part of the answer, after Mr Sessions ditched an inherited commitment to reduce their role.

The gentleman from Alabama

The DOJ also runs the immigration courts. The new judges Mr Sessions intends to hire will have to materialise quickly if the backlog of cases is to be cut. On current form, calculates TRAC, a valuable data project at Syracuse University, some will not be heard until after Mr Trump’s (first) term ends. The average wait for a hearing in Memphis, says TRAC, is 628 days: astronomical, but lower than the 1,820 days in Chicago. Mr Sessions, moreover, helps to set an official tone which, in Memphis—home to perhaps 30,000 undocumented immigrants—is petrifying. Casey Bryant, legal director of Latino Memphis, a social-services organisation, tells of a client hit by a car who was too nervous to make a fuss. Some Latino women are said to be too fearful to report domestic abuse. Meanwhile, DOJ funding for the representation of unaccompanied immigrant minors in the South is set to be lost.

Memphis, according to its mayor, Jim Strickland, is a "welcoming" city, where police are "not in the business of enforcing federal immigration policy". Mr Trump and Mr Sessions have said they will punish that sort of stance; how and whether they can is in dispute. In a different guise, however, Memphis has welcomed scrutiny of its police. In the wake of the killing of a young black man by an officer in 2015, it entered into a collaborative review with the DOJ. That is a milder instrument than "consent decrees", policing reform plans that are brokered by a court, of which the previous administration enforced over a dozen. Ronal Serpas, chief of police in New Orleans when it negotiated a consent decree, says it has been "a positive force".

Mr Sessions thinks such tools emasculate the police. All such reviews, including the kind under way in Memphis, are themselves now under review. In Baltimore the DOJ tried to delay a decree bequeathed by his predecessor, even though it had the support of the mayor and police chief. It went ahead, but Mr Sessions could ensure that old agreements wither and new ones are unforthcoming. That, says Ms Chettiar, might "embolden police in the use of force". (Deidre Malone, of the Memphis NAACP, is concerned for the fate of a deal between the local juvenile court and the DOJ, after a probe found discrimination.)

The department's duty to protect civil rights transcends policing. Under Mr Obama it vigorously upheld voting rights when, for instance, state voter-ID laws threatened to disenfranchise some minority citizens. Always sceptical of intrusions into state voting rules, Mr Sessions seems unlikely to monitor them so zealously. Already, on his watch, the DOJ has dropped its previous claim that a Texan law was intentionally discriminatory (the court found that it was anyway). Then there are gay and transgender rights, of which he has never been an advocate. He has junked Obama-era guidance on the treatment of transgender pupils in schools: "A major blow," says Sarah Warbelow of the

Human Rights Campaign, a lobby group.

One of the questions on which Mr Sessions declined to comment this week was whether he had discussed his recusal with the president. Mr Trump is said to be displeased by it; he has lashed out at the DOJ over the debacle of his "travel ban". Mr Sessions is said to have offered to resign. That would be startling. He has allies—such as Stephen Miller, a White House adviser, and Rick Dearborn, a deputy chief of staff—ensconced in key posts. And he is avidly implementing cherished goals. As one long-term Sessions-watcher says, "On the issues he cares about, he's running the administration's policy."

Free news

America’s answer to Russian propaganda TV

Current Time broadcasts in Russian from Capitol Hill

Jun 15th 2017 | WASHINGTON, DC

IGOR TIHONENKO, green-eyed, with sandy blond hair and a trim beard, looks into the camera and intones, “I took his words as a direction.” He is paraphrasing the explosive testimony of the former FBI director, James Comey, about President Donald Trump. Mr Tihonenko, a native of Belarus, is broadcasting live in Russian on the day of the Comey hearing to an audience in Russia and the states on its periphery. Shortly afterwards his Russian colleague, Roman Mamonov, checks in with a correspondent at one of the Washington bars that opened early to allow political junkies to drink along with the testimony. The hearing was broadcast in its entirety on the network (and on Facebook) in simultaneous Russian translation.

This is American state television, beamed from a studio beside Capitol Hill. Mr Tihonenko and Mr Mamonov are two of the youthful faces of Current Time, America’s answer to Russia Today (RT), the Kremlin’s propaganda network.

The Broadcasting Board of Governors (BBG), which oversees Voice of America and Radio Free Europe/Radio Liberty, has started a 24-hour Russian-language TV channel to counter the rise of RT and Sputnik, another pervasive Russian broadcaster. Viewers of Current Time in Russia proper cannot be many—it started quietly in October, and is available there only online or by satellite. No cable providers will carry it.

Current Time reflects something of a return to cold-war thinking: for the first time since the collapse of the Soviet Union, Russian-language broadcasting is the priority for American counter-information efforts. Russia's annexation of Crimea in 2014 and its aggressions in Ukraine, followed by the Kremlin's disinformation campaigns to obscure or justify those incursions, jolted the leadership of Voice of America and Radio Free Europe/Radio Liberty into action. In addition to news, Current Time features documentaries from independent filmmakers depicting people's lives inside Russia. The two services have also set up a fact-checking unit to correct Russian official statements, called Polygraph. At present it is available only in English, but its backers hope to get funding to offer it in Russian and other languages.

It is unclear what Mr Trump thinks about this. His administration is said to have considered replacing the CEO of BBG, John Lansing, with an ally of the president. Mr Lansing has not had a chance to brief senior White House officials on the new initiative. But congressional leaders seem to approve. The BBG will spend $22m this fiscal year on Current Time; information warfare is politically in vogue. "We're trying to fill the void" of real news and information left by Russia, Mr Tihonenko says. Just do not liken it to Russian propaganda, the Americans say.

Russia's slickly produced English-language version of RT, featuring American and west European presenters and guests, could pass at times for a non-Russian channel, save for the messages the channel delivers (many of them, in 2016, attacking Hillary Clinton and supporting Mr Trump). The network is just one stream of what RAND Corporation, a think-tank, calls Russia's "firehose of falsehood". People do not even have to trust Russia's propaganda outlets for this saturation strategy to work. Detektor Media, a Ukrainian NGO, found in a survey that only 1.3% of Ukrainians trusted Russian TV channels for news about the conflict in the country's Donbas region. Yet in the same poll, more than a third of respondents believed the official Russian line on it.

It is in places like Ukraine—where the media are more open and competitive—that Current Time could get some traction with viewers. The channel is available there on cable TV as well in all the Baltic states, Poland, the Czech Republic, Turkey, Georgia, and Moldova. The BBG is running surveys to measure viewer numbers in these markets, and in Russia itself. In May Current Time videos were viewed 40m times online.

Current Time could provide a template for broadcasting in other places: plenty of congressmen and officials want to broadcast into North Korea. But even in more open Russia, getting large numbers to watch Current Time (mostly through the internet) will be difficult. These are not Soviet days, when Western government radio services could reach up to 25% of the population in a given week. People have more options for information about the West, including social media. Also, under American law, Current Time must provide objective journalistic coverage, on topics consistent with American policies and values. Many Russian viewers will not be clamouring for that. But in the age of RT and Sputnik, the bet in Washington is that at least some of them will be.

Congress under attack

The shooting of Steve Scalise has a horribly familiar feel

As do the arguments over gun control and whether hyper-partisanship is to blame

Jun 17th 2017 | WASHINGTON, DC

“WE ARE united in our shock, we are united in our anguish,” proclaimed Paul Ryan, the Republican Speaker of the House of Representatives, after a gunman fired on a group of Republican congressmen and their staff at a baseball practice in northern Virginia on June 14th. But that was not quite true even as Steve Scalise, a congressman from Louisiana who was shot in the hip, was being rushed into the operating theatre.

The shooting, which injured four people in all, was carried out by a 66-year-old man from Illinois called James Hodgkinson, who lived in a nearby van, hated Donald Trump and was shot dead by police. The attack, though distressing, was not unusual. Later in the day a 38-year-old man shot dead three people, then himself, at a UPS delivery centre in San Francisco. Reports suggest he had recently complained to the company about doing too much overtime.

In both Virginia and California it is possible to buy firearms without a permit. Not illogically, campaigners for stricter gun ownership laws responded to the Virginia attack by suggesting the need for tighter controls. Pro-gun campaigners were as quick to argue that, had Mr Hodgkinson's victims been armed, as they were catching fly-balls or warming up on deck, they would have been better able to defend themselves. Congressman Tom Garrett of Virginia, a Republican, noted that legislation he has proposed to make it easier for people to carry guns in Washington, DC, where many of the players live, should help answer that.

When a Democratic congresswoman from Arizona, Gabrielle Giffords, was shot and maimed in 2011, in an attack that claimed six lives, Democrats suggested the hostility Republicans had been stirring against Barack Obama was to blame. Now it was the turn of Republicans, bolstered by revelations that Mr Hodgkinson had volunteered to campaign for Senator Bernie Sanders, to make the same argument. "The hyperbolic vitriol from the left has spurred threats and now action without historical parallel," Mr Garrett tweeted.

Both sides have a point. The hatred millions of Americans express towards President Trump, four months into his term, may be unprecedented. Then again, no one has done more to coarsen political debate than him: recall the "lock her up" chants at campaign rallies last summer, or the offer to pay the legal costs of someone who beat up a protester. But intemperate political debate is not incitement to violence. Some are cynically confusing legitimate efforts to hold a rule-breaking president to account with the hostility of left-leaning voters and activists, including violent extremists like Mr Hodgkinson. That approach is likely to stir even more hatred—and to make lawmakers, who have been badly shaken by the shooting of Mr Scalise, less safe.

Emolumental

The number of parties keen to see the president in court multiplies

Donald Trump now faces four different lawsuits over his conflicts of interest

Jun 15th 2017

THE signature cocktail at the bar of the Trump International Hotel, in the Old Post Office building in Washington, is a $100 vodka potion served with oysters and caviar. It is called "The Benjamin" after Benjamin Franklin, America's first postmaster-general. "You can see anyone from Rudy Giuliani to foreign dignitaries to businessmen from Dubai here," says a bartender, who serves drinks under a vast American flag on loan from the Heritage Foundation, a conservative think-tank. She likes her job for the "exposure" it affords. Franklin, a signatory to the constitution, may not have been so impressed.

Over the 230 years since then, no court has had occasion to weigh in on the meaning of two so-called "emoluments" clauses in America's founding document. One says presidents may receive only their salary, and no other payment, from the federal government or the states. The other bans federal officials from receiving "any present, emolument, office, or title, of any kind whatever" from a foreign state without the approval of Congress.

Donald Trump handed control of the Trump Organisation to his sons and a trustee in January. President Trump's lawyer said back then that he would turn "leadership and management" of his global business empire over to his sons, but he continues to be its primary owner, and the handover was anything but blind: with updates at least every quarter, Eric Trump keeps his father well apprised of how his businesses are faring.

Since the election, the governments of Bahrain and Kuwait have both held events at the Washington hotel, cancelling their reservations at other venues. The embassy of Azerbaijan partied in its "Lincoln Library". Saudi Arabia went on a $270,000 splurge, lobbying against legislation that allows Americans to sue foreign governments over terror attacks. After a visit in April Kaha Imnadze, Georgia's ambassador to the UN, tweeted: "Great hotel and so far the best service I've seen in the United States! Keep it up!" Mr Trump promised to donate all hotel profits from foreign governments to the Treasury. Last month the Trump Organisation put out a strange brochure clarifying that it would not require foreign guests to identify themselves, as that would "diminish the guest experience of our brand".

The hotel is just the tip of the iceberg, says Richard Painter, a law professor at the University of Minnesota who served as George W. Bush's ethics lawyer. According to a financial disclosure report, the president owns or controls 500 businesses in two dozen countries. Some have already become politically entangled. Take Mr Trump's deal in Turkey. Incensed by Mr Trump's comments last year, the president, Recep Tayyip Erdogan, threatened to strip his name from Trump Towers Istanbul, a licensing deal worth several million dollars. After Mr Erdogan backpedalled, Mr Trump lavished him with praise and welcomed him to the White House. The Philippines' president, Rodrigo Duterte, made the head of the company that built Trump Tower Manila a special trade envoy to America.

Mr Trump, a fan of seeing people in court, now faces four different lawsuits over his conflicts of interest. One filed by the Democratic attorneys-general of Maryland and the District of Columbia, accuses the president of violating both anti-corruption rules. Another, filed by nearly 200 Democratic Congressmen, argues that the president has failed to seek Congress's permission before accepting foreign gifts, as the Emoluments clause says he must.

The Department of Justice has already responded to a challenge from Citizens for Responsibility and Ethics in Washington (CREW), a watchdog group, by urging the court to dismiss charges. CREW does not have the right to sue, the administration argued, and courts have no authority to stop presidents carrying out their "official duties". This back-of-the-hand response will be harder to support in the suit brought by the states, which features sovereign entities as plaintiffs and which, according to Joshua Matz, a lawyer, and Laurence Tribe, a professor of law at Harvard, has an "exceptionally powerful" justification for legal standing. Mr Matz and Mr Tribe, who helped design the lawsuit, point to cases where Republicans turned to state governments as plaintiffs to challenge Barack Obama's agenda.

The challenge to Mr Trump's business interests, which the administration dismissed as a merely partisan attack, will not be resolved in a flash. The administration has 60 days to file its first response. If the court then permits the case to move forward—not a certainty, given the novel constitutional claims at stake—the clash will turn to whether the plaintiffs may force Mr Trump to hand over tax returns as evidence of his business ties. That struggle alone could consume the judiciary for some time, perhaps eventually involving the nine justices of the Supreme Court.

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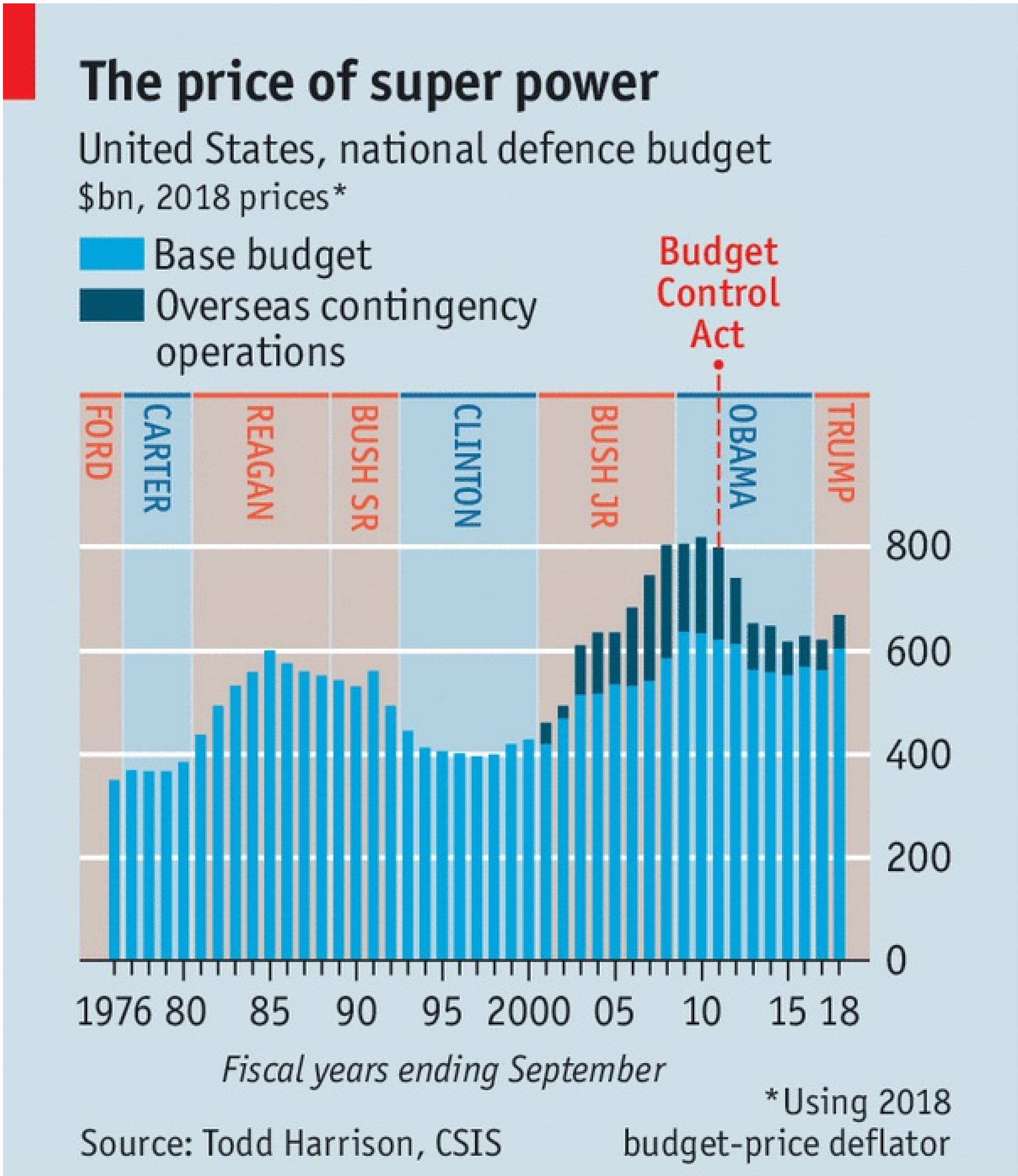
The $600bn question

Donald Trump has talked big about his military build up

It is not going to happen

Jun 15th 2017



Economist.com

SPEAKING in the White House Rose Garden in May, Donald Trump described the $19.9bn increase in defence spending for 2017 (agreed upon seven months late after much wrangling) as "massive and badly needed". It would soon be followed, he promised, by further boosts to the Pentagon's funding. “We’re going to have the finest equipment of all types—whether it’s aeroplanes, or ships or equipment in general—that we’ve ever had in the history of our country,” he said. Mr Trump has promised to expand the navy from 275 ships to 350, the army from 476,000 active-duty soldiers to 540,000 and to give the air force hundreds of additional fighter jets.

As Jim Mattis, the defence secretary, and General Joseph Dunford, chairman of the joint chiefs of staff, went in to fight for next year’s defence budget before a clutch of congressional committees, a different picture emerged. The president’s budget request for fiscal 2018, which begins in October, has been pitched at $603bn (with a base budget for the Pentagon of $575bn). That is $54bn above the caps mandated by the 2011 Budget Control Act (BCA), which started to bite in 2013, but only 3.3%, above Barack Obama’s defence plans.

The increase has to cover two spending lines in the 2017 budget passed by Congress that were higher than the Obama request: 16,000 additional troops for the army, and a 2.1% pay increase instead of 1.6%. About half the extra $19bn would thus be absorbed by the extra personnel costs and the higher operational and maintenance costs that are the consequence of a larger force. In terms of equipment, it will mean one more destroyer ordered, but not a single extra aircraft above the Obama request. Mr Mattis admitted to the House Armed Services Committee on June 12th that the budget submitted would not go far beyond “filling in holes”. By that he meant improving what he sees as the poor state of readiness resulting from four years of budget caps, sequestration (automatic across-the-board cuts when the caps were exceeded) and continuing resolutions (to meet funding needs when Congress could not reach a longer-term agreement).“Congress as a whole has met the present challenge with lassitude, not leadership,” he said.

The Republican leaders of the House and Senate Armed Services Committees, Mac Thornberry and John McCain agree, and also regard Mr Trump’s budget request as inadequate. They compare the plight of the armed services today with the post-Vietnam “hollow force” of the 1970s, and would like to see a base budget this year of $640bn, rising to $740bn by 2022. Mr McCain wants $60bn allocated annually to cover “overseas contingency operations” (OCO). He rightly complains that the money for this, which should be largely for fighting current wars, has been abused as a slush fund to get around the budget caps.

There is slim chance that the $603bn requested by the president will materialise, let alone the larger military build-up envisaged by Senators McCain and Thornberry. Defence will get more only if non-defence discretionary spending gets less, says Todd Harrison of the Centre for Strategic and International Studies, a think-tank. The president's budget already banks deep cuts elsewhere, especially to the State Department, overseas aid and the Environmental Protection Agency. The only way to get even close to Mr Trump's budget request would be to repeal or amend the BCA. Repeal seems improbable—Mr Trump's budget director, Mick Mulvaney, is a deficit hawk who loves it. But after a summer of legislative gridlock, there may eventually be a compromise amendment of the kind that has passed three times before. Mr Harrison reckons defence will end up getting only a few billion dollars more than Mr Obama wanted. "This is not", he says, "a defence build-up."

Nor are subsequent years likely to be different. Mr Mattis talks hopefully about 3-5% a year "top-line" growth. "In Washington, you have to get your big increases in early when you have political capital," says Mackenzie Eaglen of the American Enterprise Institute, another think-tank. Unfortunately for Mr Trump, many in Congress believe he has already exhausted what little capital he started out with.

Does this matter? Michael O'Hanlon of the Brookings Institution likes bits of the McCain/Thornberry plan, but he questions their claims of a "huge readiness crisis". Mr O'Hanlon notes that "the military is not in dire straits", and that Congress "should be pushing harder to see what the services can do to manage the force better". The present strain could be eased by reducing expensive rotational deployments to places such as South Korea, Okinawa (Japan) and Poland, in favour of longer tours with families in tow. Ships could stay on station for several years if one crew relieved another every six months, making a much bigger navy unnecessary.

Including overseas contingency funding, this year's defence budget, adjusted for inflation, will actually be slightly higher than the peak of the much-vaunted Reagan build-up (see chart). It is true that today's all-volunteer force has become more expensive and that costs such as health care absorb more of the budget. It is also true that automatic spending cuts have hampered planning and resulted in some dysfunction. But with a little more creativity at the Pentagon, $600bn or so could still be made to go quite a long way.

Don't forget meth

The focus on opioids overshadows another worsening drug plague

Methamphetamine has become cheaper and more potent. Deaths from overdoses have risen fast

Jun 15th 2017 | BOZEMAN, MONTANA

THE bucolic highways that connect Montana's capital, Helena, to the leafy college town of Bozeman are cluttered with billboards that advertise motels ("Stay where the cowboys stay!"), religious hotlines and all-you-can-eat buffets. Then, in front of a cattle ranch, appears a more surprising sign. The red- white-and-blue face of Uncle Sam glares down at drivers next to text that reads, "I want you to end Meth."

Drug-related deaths outnumber those from car crashes, suicides or firearms. Opioids account for over two-thirds of the total. The alarm over painkillers and heroin is justified, but it has overshadowed another worsening drug problem: methamphetamine.

Bryan Lockerby, who heads Montana's Division of Criminal Investigation, says he has never seen the state more awash with meth. Infants are being born hooked on it, and the parents of nearly a third of children in Montana's foster-care system are methamphetamine users. Between 2009 and 2015, drug-related arrests in the state increased by 62%.

This problem is not confined to the Treasure State. According to the National Drug Threat Assessment for 2016, nearly a third of American law-enforcement agencies ranked methamphetamine as the biggest drug threat in their areas. And the problem seems to be growing. In 2016, 43% of law-enforcement agencies in the south-east and 71% in the south-west listed methamphetamine as the biggest drug threat locally, compared with 23% and 57% respectively in 2009.

Before 2005, methamphetamine was often made by picking up a few common-cold medicines from the pharmacy and mixing them with other chemicals in sheds, kitchens and barns. To deal with this meth plague, which ravaged rural communities in the late 1990s and early 2000s, Congress passed a law in 2005 to restrict medicines, such as ephedrine, which were being used to make it.

Instead of disappearing, however, methamphetamine production migrated south to Mexico, where today chemists produce mammoth batches of the drug in professional labs. Nearly all the meth consumed in America today is smuggled in from Mexico, often liquefied and disguised creatively in gas tanks or resealed iced-tea cans.

High levels of methamphetamine production in Mexico partly explain why the drug is spreading: it is cheaper than ever before. According to the Drug Enforcement Agency (DEA), in late 2007 the drug cost $293 per pure gram; by early 2016 its price per pure gram had plummeted to $66. In the same period, purity increased from 40% to above 90%, allowing users to enjoy a more potent high.

Although deaths from methamphetamine are harder to track than those from heroin or cocaine, evidence suggests that they are increasing. The Centres for Disease Control and Prevention recorded 4,298 psychostimulant deaths in 2014—up 229% from 2004, at the height of the previous meth epidemic. Between 2010 and 2014, 85-90% of psychostimulant deaths mentioned methamphetamine on the death certificate. Local studies in Oregon and Texas also show deaths from meth increasing sharply, largely because it is more potent now.

Drug users are far less likely to overdose on meth than on opioids, which kill people by slowing or stopping their breathing. But the drug's surge is frightening for other reasons. Meth is a stimulant that increases energy, libido and— if used at high levels or for long periods—paranoia and aggression. A study in Sydney in 2010 suggested that meth users were almost twice as likely as heroin users to have committed violent acts in the previous year. And, in contrast to opioid dependency, no medical treatment yet exists for meth addiction.

Lexington

Donald Trump's need for flattery is trashing reputations

This is not Shakespearean drama: the penalty for characters who stand up to the king is too small for that

Jun 17th 2017

AS A rule, it is not ideal for a presidential administration to remind onlookers of a feuding, villain-haunted Shakespearean tragedy. Yet that was a widely shared reaction when the first full meeting of President Donald Trump's cabinet, on June 12th, began with an extended flattery contest.

Vice-President Mike Pence set the tone, confiding that serving a president "who's keeping his word to the American people" is "the greatest privilege of my life". As Mr Trump clenched his jaw, nodded and threw in an occasional "good job" of encouragement, his cabinet secretaries—who include former governors, retired four-star generals and more than one billionaire—mostly followed suit. They variously reported that his presidency has "thrilled" crime-fighters, excited the world with its "international flair" and inspired "love" in Mississippi. "My hat is off to you!" swooned the energy secretary, Rick Perry, who in 2015 called Mr Trump a "cancer on conservatism". For as long as cameras whirred this surge of praise rolled round the room like a bureaucrats' Mexican wave, peaking with a testimonial from Reince Priebus, the White House chief of staff. Unabashed by speculation that he is to be sacked, Mr Priebus declared: "We thank you for the opportunity and the blessing to serve your agenda." The verdict of a Twitter-user from Toronto, "This is actually the start of 'King Lear'," went viral, pinging around the political internet.

No secretary quite filled the role of Cordelia, the princess whose principled refusal to flatter King Lear in the opening scene of that tragedy ("I cannot heave/My heart into my mouth") helps to precipitate her father's descent into madness and the play's plunge into eye-gouging, several murders and a small war. A few came close, notably James Mattis, the defence secretary and a thoughtful former four-star Marine general. Rather than fawn, Mr Mattis used his turn to praise troops and to express a core plank of his philosophy: that America maintains potent armed forces so that its diplomats "always negotiate from a position of strength".

As Mr Trump basked in congratulations, then hailed himself as the most "active" and productive president since Franklin D. Roosevelt, it was understandable if some recalled Shakespeare's tragedies. For those works often explore how sycophancy clouds the judgment of great men, especially when pride prevents them from seeing that they are being gulled. As he divides his kingdom between three daughters, Lear confuses flowery words with love. It is fawning that lures Julius Caesar to a fatal ambush in the Capitol, as a conspirator predicts: "But when I tell [Caesar] he hates flatterers,/He says he does, being then most flatterèd."

In a further demonstration that Shakespeare's works pack a political punch more than 400 years on, Mr Trump's cabinet meeting was held on the very day that a production of "Julius Caesar" opened in New York at an outdoor theatre in Central Park, in which the Roman dictator is played by a blonde, Trump-like figure in a suit and red tie. That staging, including a graphic stabbing, prompted anger from conservative news outlets and from the president's son, Donald Trump junior, who asked on Twitter: "I wonder how much of this 'art' is funded by taxpayers?" As some corporate sponsors withdrew support and the

National Endowment for the Arts, a federal agency, denied having funded the play, its director argued that Shakespeare's drama does not incite violence but in fact explores the terrible costs of trying to preserve a republic through undemocratic means.

For all that, those drawing parallels between Shakespeare's tragedies and the Trump administration need to be sure that they are comparing like with like. The present White House may be uncomfortably reminiscent of a medieval court, with its cliques and coerced displays of fealty, all taking place under the watchful gaze of a ruling family—as cabinet members cringed this week, an impassive Jared Kushner, Mr Trump's son-in-law and senior counsellor, could be seen monitoring their tributes from a seat behind the president.

But Mr Trump is no King Lear, whose choleric old age was preceded by a long and fruitful reign. Nor is he a Julius Caesar, whose grandeur renders him incautious around flatterers: just before his assassins strike, Caesar sniffs that he is unmoved by their "base spaniel fawning". Instead Mr Trump is a boastful, thin-skinned praise-addict. Lacking a governing record after squandering the start of his presidency, he used his first full cabinet meeting to stage a televised display of loyalty. He knew full well that the powerful men and women in the room were flattering him—and relished their humiliation. He is more bully than tragic hero.

Robes and furr'd gowns hide all

Shakespeare understood bullies. The tragedies are filled with demagogues: orators with a genius for stirring up divisions and stoking grievances to turn decent citizens into angry, vengeful followers. During the election Mr Trump called rivals "disgusting" or said they "choked like a dog". This week he called the news media both fake and "dirty" and said they pursue "their agenda of hate". Shakespearean populists—men like the plotters in "Julius Caesar" or the crowd-pleasing tribunes in "Coriolanus"—also dehumanise opponents. They call their foes wolves, or an elitist "enemy to the people", liable to pay commoners no more heed than dogs that are "beat for barking".

The fact that Mr Trump is a smaller, shallower figure than most Shakespearean heroes (or villains, come to that) makes the craven behaviour of his cabinet secretaries and other Republican enablers even harder to explain. Unlike courtiers in a Jacobean tragedy, they risk neither execution nor banishment. No invading army or witches’ curse impels so many members of Team Trump to sell their reputations and dignity cheap: merely ambition, and the comforting fiction that they are indispensable. Serving Mr Trump is a modest test of character, by Shakespearean standards. It is one which too many underlings are failing.

The Americas

The white gold rush

A battle for supremacy in the lithium triangle

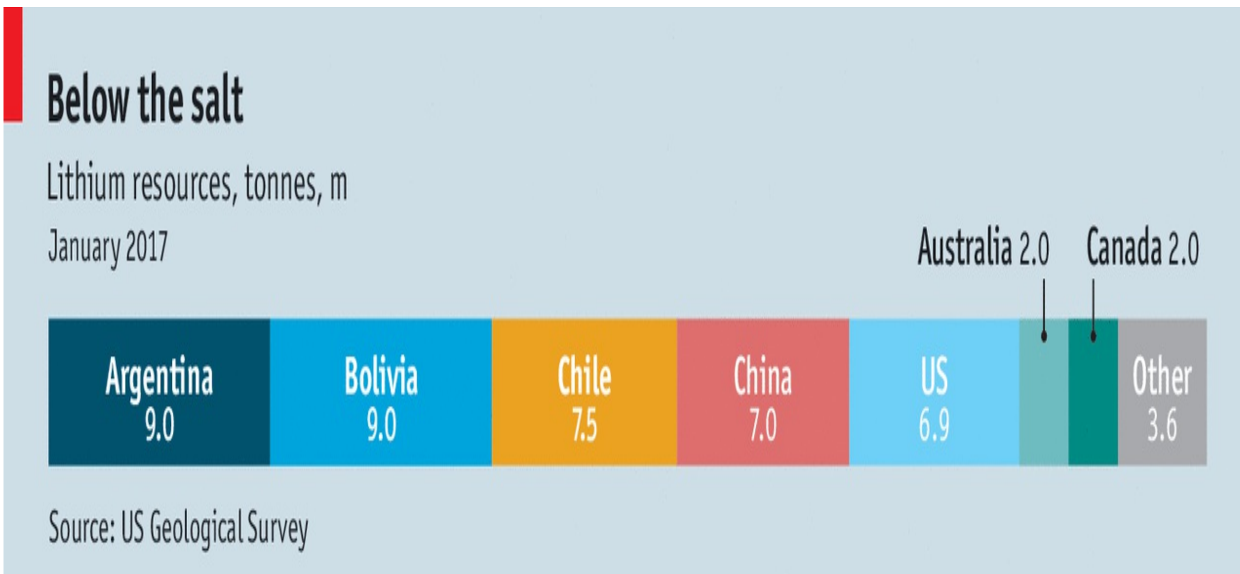
Three South American countries have much of the world’s lithium. They take very different approaches to exploiting it

Jun 15th 2017 | LA PAZ, SAN SALVADOR DE JUJUY AND SANTIAGO

THE Olaroz salt flat sits nearly 4,000 metres (13,000 feet) above sea level at the end of a road that snakes through the Andes mountains. The loudest sound in the featureless expanse is a mechanical one, made by untended pumps. They extract lithium-bearing brine from wells sunk deep below the salt crust and deposit it in evaporation pools. The concentrate will be taken to a nearby plant for processing into lithium carbonate. The operation in Argentina’s Jujuy state, an Argentine-Australian-Japanese joint venture, is one of the country’s two working lithium mines. Last year it produced 11,845 tonnes of lithium carbonate, about 6% of the world’s output. This year Sales de Jujuy plans to make 17,500 tonnes.

Economist.com

Lithium is a coveted commodity. Lithium-ion batteries store energy that powers mobile phones, electric cars and electricity grids (when attached to wind turbines and photovoltaic cells). Joe Lowry, an expert on the lightest metal, expects demand to nearly triple by 2025. Supply is lagging, which has pushed up the price. Annual contract prices for lithium carbonate and lithium hydroxide doubled in 2017, according to *Industrial Minerals*, a journal. That is attracting investors to the "lithium triangle" that overlays Argentina, Bolivia and Chile (see map). The region holds 54% of the world's "lithium resources", an initial indication of potential supply before assessing proven reserves (see chart).



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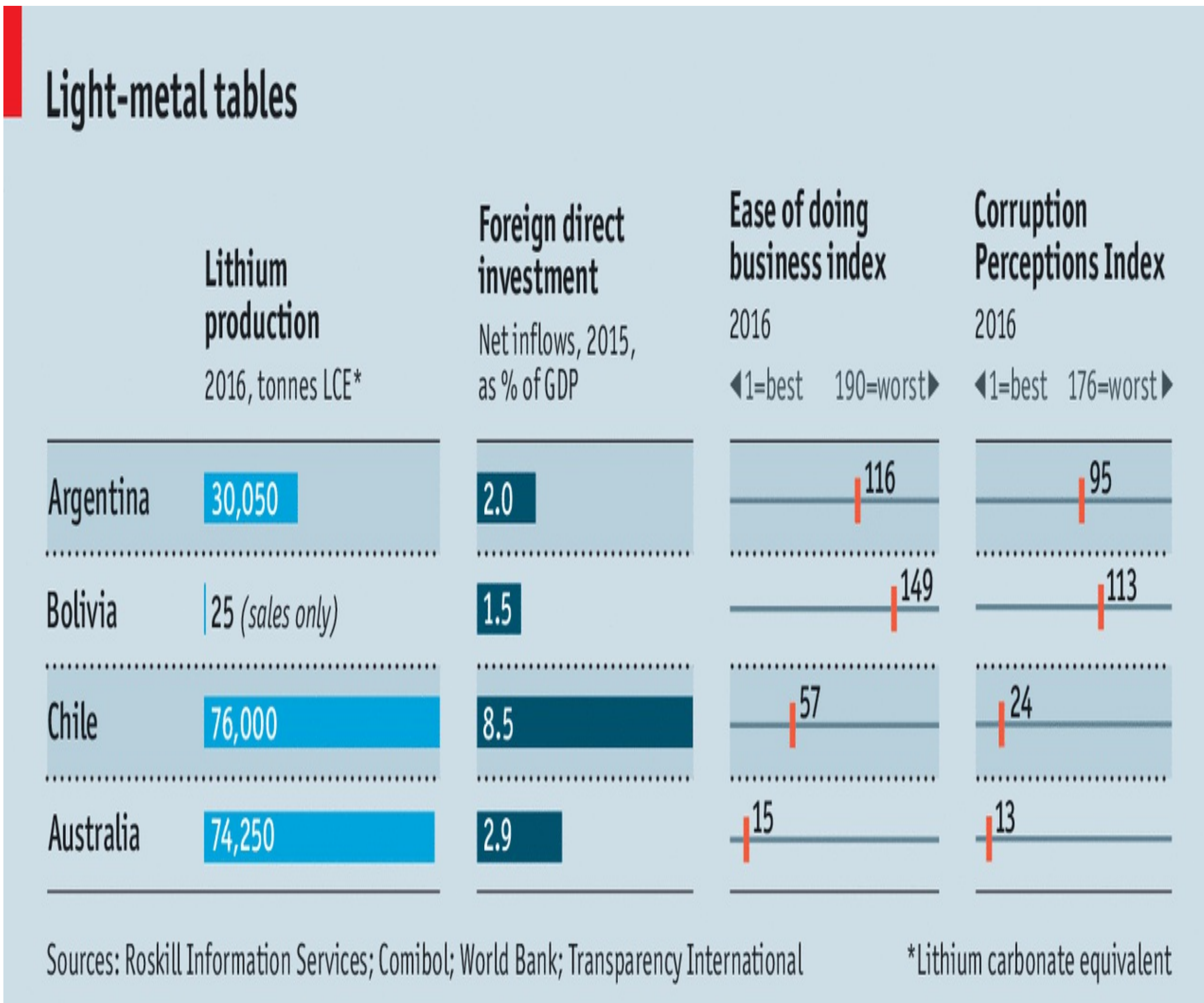
The three countries have not been equally eager to seize the opportunity. Market-friendly Chile has a big head start. Argentina is hastening to make up lost ground, as the activity on the Olaroz salt flat suggests. Bolivia, whose resources are as large as Argentina's, has barely begun to exploit them. Those differences suggest much about how the South American trio treat enterprise and investment more generally. They face a formidable challenger in Australia, where lithium must be expensively crushed out of rock and shipped to China for processing, but investment conditions are friendlier.

The regional champ

Chile dominated the world lithium markets for decades. The Atacama salt flat has the largest and highest-quality proven reserves. The desert's blazing sun, scarce rainfall and mineral-rich brines make Chile's production costs the world's lowest. Allied to this is the region's most benign investment climate. Chile is far ahead in rankings of ease of doing business, levels of corruption, and the quality of its bureaucracy and courts (see charts). Its lithium deposits are close to Antofagasta and other Chilean ports; the lithium carbonate that is produced in Jujuy passes through them.



Economist.com

But growth has flattened, allowing Australia to threaten Chile's position as the world's top producer. This is mainly because, when it comes to lithium, Chile is less liberal than it is with respect to copper, the country's biggest export.

Fortunately, that problem can be easily fixed.

Laws enacted in the 1970s and 1980s classify lithium as a “strategic” material on the ground that it can be used in future nuclear-fusion power plants. There is little prospect that Chile will soon build one of these, but controls on lithium production remain as a way of protecting the desert’s fragile ecosystem.

Just two companies, Chile’s SQM and Albemarle of the United States, are allowed to extract brine under leases that were signed in the 1980s. In addition, they are subject to quotas on the lithium they can produce from the brine, which also yields other minerals. The government wants to raise production. But the Economic Development Agency (Corfo), which holds the lithium reserves, is now engaged in a legal dispute with SQM, and so has refused to raise its quotas, which the company is likely to use up by 2021.

Chile is looking for other ways to increase output. In January Codelco, the state-owned copper company, invited private firms to invest in the Pedernales and Maricunga salt flats, lithium-rich areas that it controls. This year Corfo struck a new deal with Albemarle, which extends its mining lease to 2044 and gives it an additional quota. Albemarle agreed to sell a quarter of its output at preferential prices to Chile-based firms that propose to make value-added products, starting with cathodes for batteries.

Staying on top

With higher quotas, the Atacama salt flat alone could more than quadruple production to 350,000 tonnes a year without extracting more brine, says Eduardo Bitran, Corfo’s chief executive. That would help secure Chile’s spot at the top of the global lithium league table. Ending the metal’s strategic status and getting rid of quotas would make still more sense. So would improving Chile’s institutions and infrastructure. Although they are the region’s best, they lag behind those of Australia. “Chile is going in the right direction, but more is needed,” says Daniela Desormeaux of signumBOX, a market-research company based in Santiago. For SQM, this progress is still too slow. It has turned to Argentina.

That would not have happened two years ago. It has been decades since anyone thought of Argentina as business-friendly. Cristina Fernández de

Kirchner, a populist who governed until December 2015, made things harder. Currency controls to prop up the peso stopped foreign companies from repatriating dividends. Export taxes reduced profits and import controls made it hard to bring in machinery. Investors had to apply to the tax authority for permission to import, and then to the central bank for hard currency, which dwindled as Ms Fernández's administration wore on. "It would usually take months to get drilling equipment and pumps into the country," says David Sidoo, chief executive of Advantage Lithium, a Canadian firm.

Under the constitution, provinces, not the federal government, own the country's minerals. Mining firms had to find their way through a confusion of provincial rules and regulations. "It was like the Tower of Babel," says Daniel Meilán, the country's current mining secretary. Investors found it difficult to work out which companies had already been awarded concessions, while provincial governments often muscled their way into projects. JEMSE, a mining firm owned by the province of Jujuy, demanded an equity stake of 20% in Sales de Jujuy before settling for 8.5%, financed with a loan from the company.

Argentina's newish president, Mauricio Macri, has tried to unblock investment, including that in lithium. In his first week in office the former businessman eased currency controls and started to scrap export taxes. His entrepreneurial zeal has influenced provincial governments, which are approving permits for exploration and extraction much more quickly. "It's much faster to get equipment into the country now," says Mr Sidoo. Jujuy's government has created a database to make it easier for investors to figure out who holds mining concessions.

The federal government is trying to harmonise provincial regulations. It has hammered out agreement on a standard royalty (3% of revenue, plus 1.5% to improve local infrastructure), which must now pass through provincial and federal legislatures. Mr Macri has ambitious plans to improve the country's lousy infrastructure, although that will take more time.

These advances have started to unfreeze investment in lithium. In 2016 the sector attracted $1.5bn; production rose by nearly 60%. "We're in expansion mode," says Alex Losada-Calderón, the chief operating officer of Sales de Jujuy, which is investing $160m in new equipment. The country expects to produce 145,000 tonnes of lithium carbonate in 2022, five times last year's output. But Mr Meilán remains cautious. Argentina lost the confidence of investors over many years, he says. "It will take more than a day to recoup it."

Creature from the white lagoon

The 16th-century escutcheon of Potosí, a city on the high Andean plain in southern Bolivia, declared it the "treasure of the world, king of all mountains and envy of kings". Its silver mines bankrolled Spain's empire. Today's prospectors are eager to exploit the area's lithium deposits, but Bolivia's democratic government is less welcoming than the imperial one.

The country's investment regime suffers from "lack of legal security, weak rule of law, corruption and murky international arbitration measures", according to the American State Department. Under the left-wing government led by President Evo Morales since 2006, Bolivia has pulled out of numerous bilateral investment treaties, denying investors access to international arbitration. His government has nationalised parts of the oil and gas industries, along with the biggest telecoms company and most of the electricity sector.

The government keeps an even tighter grip on lithium than it does on gas, its biggest export. YPFB, the state-owned natural-gas company, at least enters into joint ventures with private-sector firms. Since 2010 the right to extract lithium brine has been reserved for the state. Private firms can now do no more than gaze longingly upon the Uyuni salt flat near Potosí, the largest in the world.

The state's foray into lithium extraction is not going well. It has not yet calculated how Uyuni's resources translate into exploitable reserves, which normally happens before anyone sinks a well. Even so, it has built a pilot extraction operation and is pressing ahead with plans to construct a full-scale lithium-carbonate plant capable of producing 30,000 tonnes a year. The venture is behind schedule, well over budget and hobbled by a lack of expertise and technology, says Juan Carlos Zuleta, an economist who specialises in lithium.

Like Chile, Bolivia hopes to form partnerships with private firms to make value-added products, including batteries and electric cars, through a new lithium enterprise, Yacimientos de Litio Bolivianos. But the government's insistence on keeping a controlling stake is discouraging potential investors. In 2016 Bolivia sold 25 tonnes of lithium carbonate to China, pocketing a princely $208,000.

The government's attitude towards private investment may be softening. A mining law enacted in 2014 permits new contracts between private firms and the state (though not in lithium). An investment law, passed in the same year, sets out a framework for bringing foreign investors into the country. Another recent measure lays down rules for arbitrating disputes between foreign investors and the state, which could lessen the uncertainty caused by Bolivia's withdrawal from bilateral treaties. Together, these have piqued investors' interest, says Fernando Aguirre, a lawyer. Bolivia has a long way to go before it challenges Chile and Argentina for lithium-triangle supremacy. If it continues to open up, Potosí could someday return to glory.

Bello

Who will survive Brazil's political cull?

Scandal opens opportunities for newcomers

Jun 15th 2017

KNOWN, like Donald Trump, as the presenter of a local version of "The Apprentice", a reality-television show, João Doria entered Brazil's political firmament last year when he was elected mayor of São Paulo by a huge margin over his nearest rival.

He has the smooth charm of a professional communicator and, with his lithe build and V-necked navy-blue cashmere sweater, a metrosexual air. He is a workaholic who sleeps little. He recently received Bello at the city hall at 8.15pm, with two further meetings ahead.

"I am in politics, but not of politics," he says. "I am a manager." In his first five months in office he cut waiting lists at hospitals by persuading them to schedule tests and operations around the clock. His education policy consists of putting computers in schools by cadging donations from tech firms. He sent demolition teams to clear out Cracolândia, an area where drug addicts lived on the street. Critics say he merely dispersed the problem.

At best, this is no more than a possibly promising start. Yet Mr Doria is already being talked about as a serious contender in Brazil's presidential election in October 2018. That says much about the way in which corruption investigations and an economic slump have mown down the political class like a line of harvesters scything through a prairie of soyabeans.

Several former leaders are in jail; on June 13th Sérgio Cabral, an ex-governor of Rio de Janeiro, received 14 years. More than 80 politicians are being investigated, suspected of benefiting from a scheme under which big businesses funnelled bribes to them in return for favours. Luiz Inácio Lula da Silva, who was wildly popular when he left the presidency in 2010, faces five charges of corruption, which he denounces as politically motivated. His left-wing Workers' Party was ousted from office by the impeachment of Dilma Rousseff last year, for fiscal misdemeanours. Aécio Neves of the centre-right Party of Brazilian Social Democracy (PSDB), whom she defeated in the election in 2014, faces corruption accusations (which he denies).

Michel Temer, Ms Rousseff's vice-president and successor as president, is clinging tenaciously to office. He received a boost on June 9th when the electoral tribunal opted (by four votes to three) not to overturn the election result despite evidence that their campaign received bribes. Mr Temer, who has pulled the economy out of its deep recession, faces other investigations. Nevertheless, he may survive until the presidential election next year.

No wonder polls show that Brazilians have little respect for their politicians. When it comes to political renewal, "the problem isn't demand but supply," observes Cláudio Couto, a political scientist at the Fundação Getulio Vargas, a university. At this early stage, the opinion polls for 2018 show Lula with a lead. But he has a low ceiling and has lost the support of centrist voters, says Ricardo Sennes, a political consultant, who doubts whether Lula will run for president even if he is legally free to do so.

The election could become a contest among outsiders, with the risk of a populist candidate exploiting the political vacuum. That risk would rise, argues Luiz Felipe d'Avila of the Centre for Public Leadership, a think-tank, if congress fails to approve reforms to pensions and other measures backed by Mr Temer. These are needed to ensure that the economy revives before the election.

The traditional political class may not be dead yet. Ironically, that is in part because in 2015 the electoral tribunal banned campaign donations by companies (but not by individuals). In response, congress is likely to approve a reform to increase public campaign financing. It may well tack on more measures, such as a German-style threshold of votes for parties to gain seats in congress and a requirement that parties form the same coalitions locally as they do nationally. All these proposals would strengthen the bigger parties, and established politicians, at the expense of proliferating small rent-a-parties and newcomers.

Under these conditions someone like Geraldo Alckmin, the powerful and moderate PSDB governor of São Paulo state who is Mr Doria's political mentor, is a contender. But there is a caveat. Almost anyone who has been in politics in Brazil for a while runs the risk of being ensnared in scandal because undeclared donations were the norm. That is why Mr Doria—who is both an insider and a political novice—has a chance, frail though his credentials may be. So do several other young state governors who have yet to make an impression on the national stage. As Mr Couto puts it, in Brazil today "the unpredictable is probable".

Asia

No man’s land

Property disputes are Vietnam’s biggest political problem

The Communist party does not know how to handle them

Jun 15th 2017 | Hanoi

FOR years residents of Dong Tam, a village on the edge of Vietnam’s capital, have fought for the right to continue tending farms on land earmarked for military development. Their patience evaporated in April, when authorities arrested a group of elders whom they had chosen to press their case with the government. The villagers overpowered dozens of policemen who had been sent to secure the settlement, holding them captive in a municipal hall (pictured above). Supporters blocked nearby lanes with rubble, and at least one hothead threatened to set the hall on fire.

The week-long siege that followed marked a new escalation in Vietnam’s endless battles over land—the primary cause of complaints in the country and one of the ruling Communist Party’s biggest headaches. Vietnamese followed the drama on social media and, eventually, in the state press. But just as startling was the government’s capitulation, negotiated in person by Hanoi’s mayor. Authorities secured the hostages' release by promising not to prosecute the villagers, and by pledging to re-examine their complaint.

Vietnam's zippy economy, growing at more than 6% annually, demands ever more room for roads, bridges, dams and industrial parks. Each year swelling cities must find space for a million new arrivals. The total area of farmland lost to development over the past two decades is difficult to quantify. One certainty is that it far exceeds the acreage that changed hands during violent upheavals in the 1950s, when the Communist rulers of North Vietnam forcibly redistributed farmland.

Transformation on this scale would provoke ire anywhere, but it is especially problematic in Vietnam, a one-party state where the government grants usage-rights but insists all land belongs to the state. Compensation for forcible acquisitions is far below market rates. Consultations can be superficial, and courts rarely entertain appeals. Evicted residents sometimes complain of collusion between local officials and developers. Spotty registries make it hard to adjudicate competing claims, as seems to be the case in Dong Tam.

Paddy-bagging

These foibles distort Vietnam's development. For one thing, the cheap price of land on the fringes of cities has encouraged sprawl. Last year the World Bank warned that by building outwards rather than upwards urban authorities are raising the cost of providing public services, and negating efforts to build zesty business clusters. But far more worrying for the party is the visceral anger that forced relocations and weak land rights can unleash. Official figures suggest that land disputes of one sort or another lie behind more than two-thirds of all the complaints made to bureaucrats. Unhappiness among country-dwellers undermines support for the Communist Party in its core constituency.

Too often authorities have resorted to roughing up hold-outs in land disputes, even when resistance is peaceful. In September a court in the capital handed a 20-month jail sentence to Can Thi Theu, a well-known land-rights campaigner who has been banged up once before. But lately the party has also been re-examining its rules. A new land law passed in 2013 failed to recognise private ownership but did extend by 50 years a slew of leases that were about to expire. It re-centralised some decision-making over land use (in part to restrain corrupt provincial officials) and required party bigwigs to use stricter tests when evaluating projects that would require mass displacements. It also gave officials more discretion over compensation, to allow more generous settlements.

The results are mixed. An annual survey published by the UN finds that the total number of land seizures has fallen over the past three years. But a third of those affected still report receiving no compensation, and another quarter think their pay-outs unfair. Cadres in Hanoi have been slow to issue the guidelines needed to make the new rules effective. John Gillespie of Monash University says that so far the reforms have added up to "very little".

Petitioners are at least finding it ever easier to draw the public's attention to their problems. Although journalists in Vietnam remain shackled by censorship, the party has neither the will nor the wealth to sanitise social media. Facebook has become an outlet for popular anger about all sorts of unfairness (posts on the platform are still helping to sustain outrage over a toxic spill that poisoned miles of coastline last year). Had the dispute in Dong Tam happened ten years ago "no one would have heard about it", says a local. The government's surrender was probably inevitable given online attention.

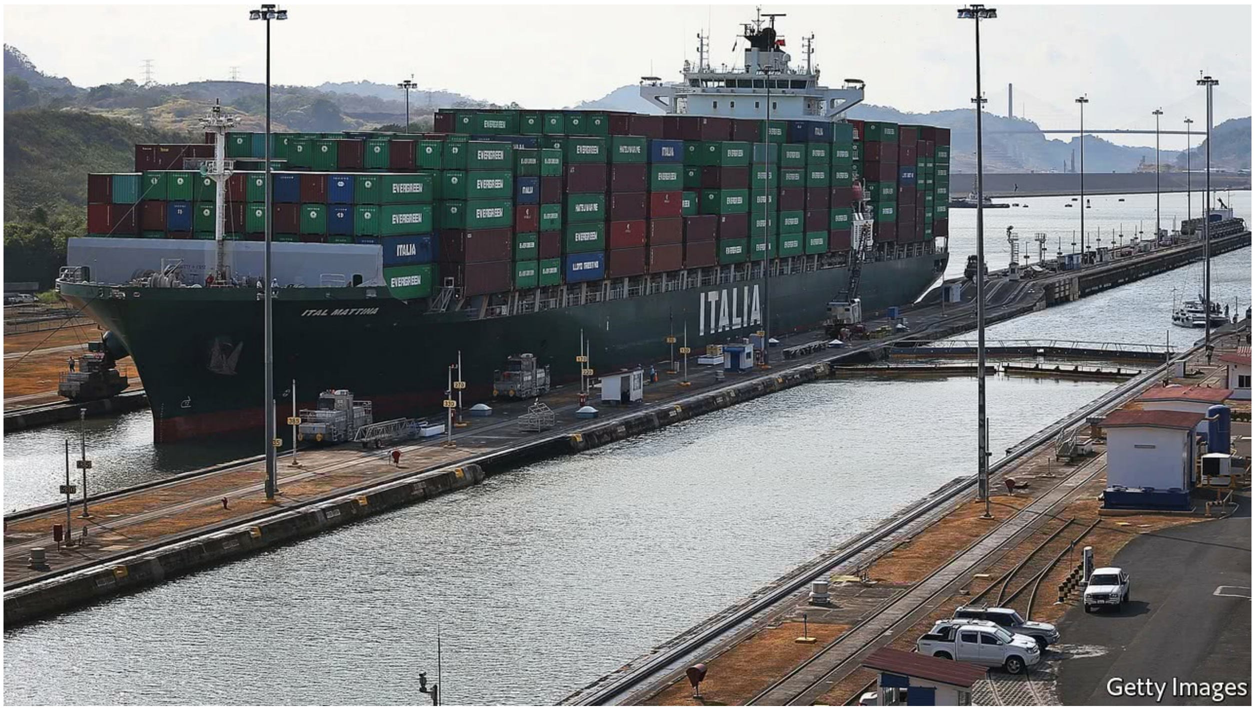
Two months on, the government is still trying to close the case without setting precedents it may regret. Inspectors have yet to release their report into the villagers' claims, which they had promised within 45 days. Campaigners lambasted what looked like a U-turn on June 13th, when police announced that they would, after all, mount cases against some of Dong Tam's residents. The party has presumably decided that doing nothing risked encouraging other aggrieved citizens to resort to attention-grabbing violence.

One theory in the capital is that the courts will pass relatively lenient sentences, and that some kind of quiet compromise will be found to save face. But even if the government finds a fudge for the dispute in Dong Tam, lots more farmland will be paved over before Vietnam's galloping urbanisation runs its course. Expect more battles to come.

War by other means

China persuades Panama to break diplomatic ties with Taiwan

The latest sign that the diplomatic truce across the Taiwan Strait has ended



Jun 15th 2017 | Taipei

THAT there is only one China, and that Taiwan is merely a renegade province of it, has long been the official doctrine of China's Communist Party. It follows that no country can have diplomatic ties with both China and Taiwan, and that those which recognise Taiwan must be made to switch allegiances. This diplomatic warfare was suspended from 2008 to 2016, when Ma Ying-jeou was president of Taiwan, since he vaguely affirmed the idea that the two sides might eventually become one. But Tsai Ing-wen, his successor, has refused to do so. As a result China has ended the truce. This week saw the biggest skirmish yet, as Panama broke diplomatic ties with Taiwan.

In December the tiny African state of São Tomé & Príncipe defected to the Chinese camp. Last month rowdy Chinese delegates forced Taiwan's representatives out of a meeting about conflict diamonds in Australia. Earlier this year Taiwan failed to secure an invitation to the World Health Assembly, a big UN powwow, for the first time in eight years.

Only 19 countries, plus the Vatican, now officially recognise Taiwan, the majority of them in Latin America and the Caribbean. The concern among Taiwanese is that Panama's change of heart will spur further defections in the region. The Chinese authorities pointed out that there was a global consensus around the "one-China principle", and that Ms Tsai should take note.

But China's campaign may not have the desired effect in Taiwan. Mr Ma's party, the Kuomintang, is in a weakened state. Many in Ms Tsai's Democratic Progressive Party, meanwhile, think that she has been too emollient with China and should take steps to assert Taiwan's independence. They point to the breaking of the truce as proof of China's malign intentions. Ms Tsai has complained that China is disrupting the status quo and said that Taiwan will not bow to threats: "Our sovereignty cannot be challenged, and cannot be traded away."

Still, Ms Tsai is not one for confrontations. Instead of flinging Taiwan into a losing battle with China, her government says it is looking for ways to build stronger, albeit unofficial, ties with friendly countries such as Japan and America.

Meddle kingdom

Australia battles Chinese political influence

It will be an uphill struggle

Jun 15th 2017 | SYDNEY

WHEN Malcolm Turnbull, Australia’s prime minister, urged China earlier this month to respect “the sovereignty of others”, many took it as criticism of China’s expansive territorial claims in the South China Sea. But the comment might just as easily have been a reference to Australia’s political parties. All of them face questions about donations from businessmen linked to China’s government. A parliamentary inquiry in March called for a ban on political donations from foreign sources. Mr Turnbull has endorsed the idea, as has Labor, the main opposition.

Yet on June 5th, three days after Mr Turnbull’s speech, a report by the Australian Broadcasting Corporation (ABC) reinflamed the controversy. Two years ago both Labor and the Liberal-National alliance, which Mr Turnbull heads, are said to have ignored a warning from the domestic spy agency against accepting donations from two Chinese property developers: Chau Chak

Wing and Huang Xiangmo. Mr Chau is an Australian citizen and Mr Huang has applied for citizenship. Both have links to China's Communist Party, although both say they do not represent the Chinese government.

Last year Sam Dastyari, a Labor senator, quit a party post, but not parliament, after the disclosure that he had accepted money from Yuhu Group, which Mr Huang heads, to pay for travel and legal advice. Mr Dastyari had called on Australia to "respect" China's claims in the South China Sea. The ABC claims that Mr Huang had promised Labor a donation of A$400,000 ($303,000) before the federal election last year, but withdrew the offer after the party's defence spokesman publicly criticised China's actions in the South China Sea. Mr Huang also donated almost A$2m to help launch the Australia-China Relations Institute, a think-tank in Sydney. Bob Carr, its head and a former Labor premier of New South Wales, pooh-poohs the idea that China might be seeking to buy political influence through such gifts.

Former politicians taking jobs with Chinese firms are another source of controversy. Andrew Robb, a Liberal minister who negotiated Australia's free-trade deal with China, started working for Ye Cheng, a Chinese billionaire with extensive interests in Australia, after he left parliament last year.

China is Australia's biggest trading partner and its second-biggest source of immigrants (after India). Almost 160,000 Chinese students study in Australia; rich Chinese also see the country as a haven for investment. All this, argues Rory Medcalf of the National Security College in Canberra, gives China's authorities a natural desire to influence Australian policy and in particular to weaken its ties with America.

James Clapper, a former American intelligence chief now at the Australian National University, sees "striking parallels" between Russia's meddling in America's politics and China's "potentially nefarious foreign interference" in Australia. As well as supporting the proposed ban on foreign donations, Mr Turnbull ordered a review of espionage laws earlier this month, to strengthen defences against foreign meddling. John Fitzgerald of Swinburne University in Melbourne wonders if these moves will suffice. Australia's leaders, he says, have been "blind to risks" that come with closer commercial ties with China.

Doom and groom

Sri Lanka debates its antiquated Muslim family laws

Girls of any age can wake up married, without having given their consent

Alamy

Jun 15th 2017 | COLOMBO

TO AVOID being married at 17 to a stranger, the Muslim schoolgirl from Sri Lanka's north-west tried to commit suicide by swallowing a bottle of her mother's diabetes pills. While she was recovering in hospital, her parents went ahead and registered the marriage. The union took place under the version of Sri Lanka's family law that applies only to Muslims. It does not require the bride's consent and does not specify a minimum age for marriage. Instead, it merely stipulates that children under 12 can only be married with the approval of a *quazi*, or Muslim family judge. The penal code, helpfully, exempts Muslims from prosecution for statutory rape providing the victim is married to the perpetrator and is 12 or older.

Unions of other Sri Lankans fall under the General Marriage Registration Ordinance, which sets the minimum age at 18. Muslim marriages and divorces, and interfaith ones involving a Muslim, are governed by the Muslim Marriage and Divorce Act, which also permits a man to commit polygamy without the acquiescence or knowledge of other wives he may have. Husbands can get quick divorces without having to offer any explanation. By contrast, a wife endures a long process that requires her to produce witnesses and attend hearings.

The law is administered through courts set up in 1951 "for the Islamic people to conduct their judicial activities according to their customs". Representation by lawyers is not permitted. Women are barred from being *quazis*. And *quazis* routinely order women to keep quiet during proceedings.

Activists have recently begun a vigorous campaign to change the law. They believe that Muslim girls are often forced to leave school to marry. But they admit that gathering data is difficult. Parents or guardians often lie about the age of children they are giving in marriage, says Hasanah Cegu Isadeen, one of the authors of a report on the negative consequences for women of Muslim personal law. Some marriages are not even registered.

The All Ceylon Jamiyyathul Ulama, a union of (male) Islamic scholars, maintains that child marriages are rare. But Ms Cegu Isadeen found that in 22% of marriages registered in 2015 in Kattankudy, a Muslim town in eastern Sri Lanka, the woman was 17 or younger. The previous year, it was 14%.

Some conservative Muslims say the Koran permits child marriage. They insist that Muslims must continue to be exempt from secular family law. A *quazi* in Colombo told researchers that girls had to be married between 15 and 17 because their "value" decreased as they got older. Some present child marriage as a way to make teenage pregnancy less of a problem.

Opponents of child marriage are divided on how to change all this. One camp wants the government to set 18 as the minimum age of marriage for all Sri Lankans. Another feels that, for reform to be effective, the Muslim community must embrace it. That would mean winning over conservative theologians.

A government committee appointed in 2009 to propose changes to Muslim personal law is trying to do just that. But its chairman, a former supreme-court judge, is struggling to reconcile divergent positions. Proposals that do not enjoy broad consensus will never be implemented, he says.

House whine

A feud erupts between Singapore's prime minister and his siblings

The former home of their father, Lee Kuan Yew, is at the centre of the row

Jun 15th 2017

"WE FEEL big brother omnipresent. We fear the use of the organs of state against us," declared Lee Wei Ling and Lee Hsien Yang, two of the three children of Lee Kuan Yew, who was Singapore's prime minister for 31 years, in a statement announcing Lee Hsien Yang's intention to move away from the city-state. They say he is leaving because of a rift with their brother, Lee Hsien Loong, Singapore's current prime minister, over their father's will. They accuse their brother of misusing his position and harbouring political ambitions for his son; they say they "worry for Singapore" as a result. Lee Hsien Loong, in a brief statement released shortly after that of his siblings, denied the claims.

The dispute centres on the house in which Lee Kuan Yew lived from 1945 until his death in 2015. He wanted his daughter, Lee Wei Ling, who was living in it at the time of his death, to stay there for as long as she wished, and for it to be demolished thereafter, largely for fear that it would otherwise be made a monument to him. His two younger children allege that their brother, while publicly supporting his father's wish, has in practice tried to frustrate it, in an effort "to milk Lee Kuan Yew's legacy". Lee Hsien Loong responds in his statement, "I will do my utmost to continue to do right by my parents. At the same time, I will continue serving Singaporeans honestly and to the best of my ability."

Lee Wei Ling last year accused her brother of exploiting their father's memory, but Lee Hsien Yang has never before publicly criticised his brother. A former head of SingTel, the state-controlled former telecoms monopoly that is the most valuable firm listed in Singapore, and the current chairman of the Civil Aviation Authority, he is a pillar of the establishment. Singaporeans are agog at the unprecedented rebuke of the prime minister from such a senior figure.

Some posted responses to the prime minister's statement on Facebook, urging him to sue his siblings for libel. Lee Hsien Yang says he is ready to face a lawsuit. He says the purpose of his statement was to make it harder to thwart his father's wishes. But Lee Hsien Loong says it is his siblings' airing of the family dispute that "has hurt our father's legacy". The late Mr Lee was much more hard-nosed about such things. One reason he gave for demolishing the house was the high cost of maintaining it.

Banyan

Why North Korea is testing so many missiles

There are all sort of theories—none of them comforting

Jun 15th 2017

IT IS as if Kim Jong Un wants to be seen to be flinging his explosive toys about with ever more abandon. In recent months his rocketmen have fired off missiles in one test after another, often with the young, overfed dictator gleefully looking on. During his first two years in power (2012 and 2013), North Korea launched just eight missiles in total. Over the following three years, there were 15 tests a year on average. The tempo has risen again this year, with five firings since May 10th, when Moon Jae-in was inaugurated as president of South Korea. Rumours of a fresh underground nuclear test, which would be North Korea's sixth, are growing. Korea-watchers are increasingly wondering what's behind the ballistic frenzy.

A simple answer is that only vigorous testing can advance a country's missile programme—and that Mr Kim sees the ability to launch nuclear-tipped missiles as the key to his regime's survival in the face of American hostility.

Rocket failures can be as important in what they teach you as successes, and North Korea has had plenty, with many missiles blowing up at launch or soon after.

But the successes are striking, too. Last year the North fired what is thought to have been a solid-fuel missile from a submarine, a first. A similar missile was launched in February by land. Analysts think this to be a big advance on North Korea's previous liquid-fuel rockets. Land-based missiles with solid propellants can be readied for launch much faster, before enemy satellites or drones spot them. They may in future give Mr Kim a more credible land-based missile force, able to lurk in caves and then "pop up to fire when ordered," says Peter Hayes of the Nautilus Institute, an American think-tank.

The North's missiles have a range of up to 1,200 kilometres or roughly 750 miles—enough to hit South Korea and Japan, both of which host American bases, but not to reach the American mainland. But in a new-year speech Mr Kim promised an inter-continental ballistic missile (ICBM), capable of crossing the Pacific. He is not there yet. The North has enough fissile material for up to 20 nuclear weapons. But it has not mastered putting them on a warhead and accurately delivering them.

A second interpretation is that the tests are mainly intended as propaganda. Apocalyptic threats go hand in hand with missile and nuclear development. "South Korea will be submerged in a sea of fire, Japan will be reduced to ashes and the US will collapse." thundered *Rodong Sinmun*, the ruling party's chief mouthpiece, last month. At home, such bombastic language, learned from the Soviets, is intended to rally the country behind the regime in the face of perceived threats. And since no peace treaty ever ended the Korean war of 1950-53, the government can more easily convince North Koreans that they are on a war footing. Abroad, the intent is to hide North Korea's immense weakness: no credible nuclear deterrent yet despite the recent progress, a backward army, a decrepit economy and a small, underfed population. Hannah Beech in the *New Yorker* likens North Korea's prickliness to a hedgehog's evolutionary strategy of showing its spines to protect its pink underbelly.

It is all of a piece with the notion, to which Western commentators frequently pander, that the Kim family regime is unpredictable and even irrational—handle with care! Yet both Kim Il Sung, the regime's founder, and Kim Jong Il, his son, died of peaceful causes—testament to some good sense. Meanwhile, Kim Jong Un has defied predictions of a short reign at the time the callow heir succeeded to the throne. Ruthlessness is all. Sending all potential challengers including your uncle to be executed is a rational approach to staying in power in the mafia world of North Korean politics. If outsiders see all this as a sign of lunacy, so much the better: in the asymmetric warfare between North Korea and the outside world, a fearsome reputation can only be helpful.

There is a third possible explanation for the increased tests. Mr Kim may sense that they give him the best possible hand before American and Chinese pressure force North Korea back to the negotiating table. Donald Trump's administration has been enlisting China to squeeze its wayward ally. In response to Mr Kim's ICBM boast, the American president tweeted, "It won't happen!" This week his defence secretary, James Mattis, declared North Korea, with its nuclear programme, to be the "most urgent and dangerous threat to peace and security". Administration officials say that the threat has forced America to end years of "strategic patience" and consider riskier strategies. It remains hard to imagine, in the absence of an imminent threat, that America would launch a pre-emptive strike on North Korean missile sites. That would risk a devastating war on the Korean peninsula and be firmly opposed by South Korea. So the tests are likely to continue. But America may find ways to throttle the regime's income from a global network of front companies peddling weapons and military technology in defiance of international sanctions, or—better yet—persuade China to curb North Korea's oil imports. Mr Kim's moment of maximum advantage may be now.

Who's the crazy one now?

There is yet another possibility. What if Mr Kim sees the American government as crazy and capricious? He would not be the only one to view Mr Trump in that way. And Mr Trump has boasted about America's recent missile strikes against a Syrian air base and the deployment of the world's biggest conventional bomb against the Taliban. As Mark Fitzpatrick of IISS-Americas, a think-tank, writes, the rhetoric of deterrence "is a double-edged sword if it increases Pyongyang's sense of paranoia". It is perhaps alarming that the only American to whom Mr Kim talks is Dennis Rodman, an erratic former basketball star who visited Pyongyang this week. With the two sides communicating mainly through rhetoric and military signalling, what on earth, Mr Fitzpatrick asks, could go wrong?

China

Party rules

China is torturing civil-rights lawyers

So much for strengthening the rule of law

Jun 15th 2017 | BEIJING

THE transformation of Li Heping from a dark-haired, full-bodied healthy man to a gaunt, greying one with poor eyesight took less than two years. In July 2015 he was seized by police, as were some 300 other civil-rights lawyers, support staff and activists. Most of them were soon released, but around 40 were kept in custody. They included Mr Li (pictured, left, on a mobile phone held by his wife during her dogged campaign for his release). His jailers did not use his name: as “Number 108” he spent six months in solitary confinement on military bases. For eight weeks he was made to stand each day in a single stress position. Beatings were common. He was forced to take pills, purportedly for high blood pressure (a condition he does not suffer from), that left him drowsy and gave him muscle pain and blurry vision. In the end Mr Li was lucky—he received a suspended sentence for “subversion of state power”, and was set free last month.

Since he took over as China's leader in 2012, Xi Jinping has often pledged to improve the rule of law. There have been some positive results. Professional standards have improved in some spheres, particularly in commercial law. Lower-level courts have gained greater independence from local governments. In May 2015 a new procedure made it far easier to file suits. Since then, the number of court cases has increased by a third compared with the previous two years, say state media.

But in any area where the rule of law is in contest with the power of the Communist Party, it is the party that wins. It has no truck with people like Mr Li, who has not only represented the weak and dispossessed, such as farmers thrown off their land, but also people whose beliefs the party finds threatening: house-church Christians and followers of Falun Gong, a banned religious sect. Other rights lawyers have found themselves in court for offending officials. The party demands that the legal system shore up the party's control. In January China's highest-ranking judge denounced the idea of an independent judiciary as a "false Western" one.

In Mao's day people like Mr Li would have been shot or sent to labour camps. Now the party is trying to appear more respectable. In recent years it has abolished the once standard practice of sending lesser offenders to labour camps without trial. It has also tightened rules on obtaining evidence through torture. But that has had little effect. In February 2016 the UN said the use of torture was "deeply entrenched" in China's criminal-justice system, which it said relied too much on confessions rather than evidence. China, unconvincingly, has rejected allegations of torture by Mr Li and several of his fellow lawyers. It calls their accounts "fake news".

As the second anniversary of the round-up of legal activists approaches, the government appears close to wrapping up their cases. Only four of them remain in custody. They face serious charges, including of subversion. Officials are refusing to allow visits to one of them, Wang Quanzhang (whose photograph is displayed by his wife on the right of the picture).

Those who have been released remain under intense scrutiny. Police guard the entrance to Mr Li's door round the clock and monitor all his communications. Some lawyers have been forced to move to different cities with their families. Most of them have been disbarred.

Rights lawyers are used to harassment by police. Now their families have to endure similar treatment. Mr Li's seven-year-old daughter finds that no school will accept her. Mr Wang's four-year-old son is similarly shunned by kindergartens. The two men's wives are often detained; Mr Wang's says that on one occasion she was hit by police and later forced to strip naked and told to say "hello" into cameras. Mr Li's relatives cannot renew their identity cards or passports. Some rights lawyers who remained free in 2015 are not allowed to leave the country.

Still feisty

The government has launched a public campaign to discredit the lawyers and their families. State media have accused them of causing serious social disorder, with financial backing from abroad; lawyers' confessions, almost certainly given under duress, have been aired on national television. (A foreign diplomat says that in conversations with him, some Chinese officials refer to the lawyers as "scum").

But the lawyers and their families are not entirely cowed. Though police warn relatives to keep quiet about those detained, some family members have formed a strong, outspoken group which is campaigning for legal reform in China. In May four wives testified to America's Congress about what they called China's "war on law".

That war is making it more difficult to defend civil rights in court. It is part of a wider campaign to silence those who fight for labour rights, organise resistance to polluting factories, or who fight expropriation of their land. Each year thousands of such people are harassed or detained.

Sporting their detained husbands’ names

Under Mr Xi, the space for loyal dissent has been shrinking. Now even those who do not directly challenge the party’s right to rule (the lawyers rarely do) risk being treated as subversives. And the government is using the law to crush them. In the past two years it has published a raft of security-related legislation, including a proposed version released in May of what is called the National Intelligence Law. These bills offer a vague and extremely broad definition of behaviour that threatens national security. One civil-rights lawyer in Beijing says he is still free to practise but finds it hard to imagine a legal system in China that offers true protection for the rights of individuals. Rule of law is an “empty slogan”, he says: “The law is a tool of the authorities.”

A decade ago some observers in China were more optimistic. Rights lawyers were emerging as a powerful new voice in defence of those who felt marginalised and downtrodden. Officials’ tolerance of such lawyers suggested they were becoming more enlightened. Repressing them has extinguished many people’s hopes that the party might allow itself to be held to greater account before the law.

A not-so-golden age

China has been poorer than Europe longer than the party thinks

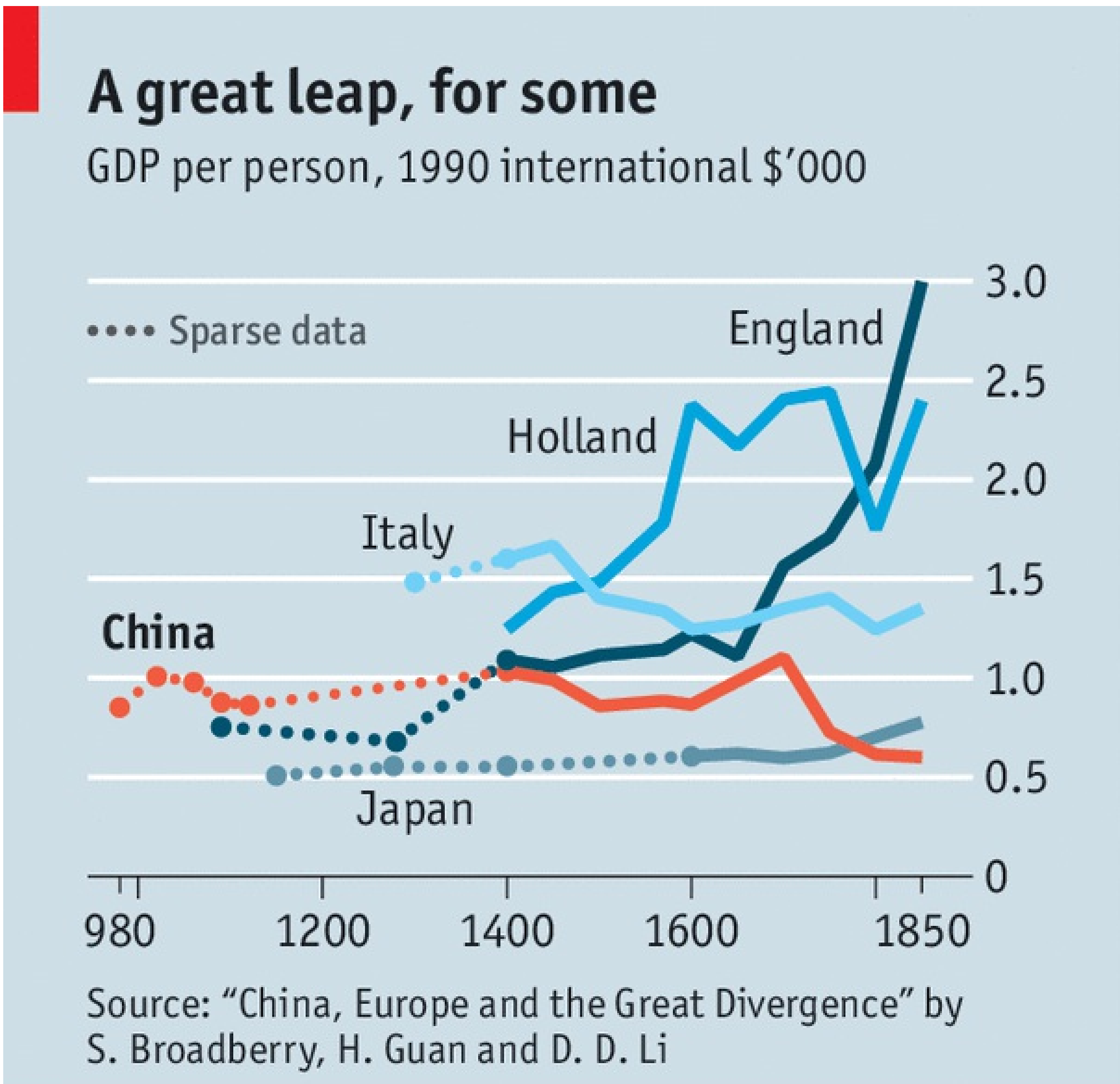
How will this affect Xi's "Chinese dream"?

Jun 15th 2017 | BEIJING

XI JINPING, China's president, likes to talk of his "Chinese dream". He says it involves "the great rejuvenation of the Chinese nation". To him this means that under the Communist Party, China will again be the world's richest, most powerful country as it was before the "hundred years of humiliation"—the economic disasters and territorial grabs by foreigners during the century after the first opium war of 1839-42. By extension the party's legitimacy will rest on this rejuvenation. But what if China was not the world's richest country before 1839? What if it has lagged behind Europe not for 175 years but for 675? Would Mr Xi's Chinese dream be so compelling?

A new study by Stephen Broadberry of Oxford University, Hanhui Guan of Peking University and David Daokui Li of Tsinghua University in Beijing argues that China has indeed lagged behind Europe for centuries. It compares levels of GDP per person in China, England, Holland, Italy and Japan since around the year 1000. It finds the only period when China was richer than the others was during the 11th century. By that time China had invented gunpowder, the compass, movable type, paper money and the blast furnace.

But according to Mr Broadberry and his co-authors, Italy had caught up with China before 1300, and Holland and England by 1400. Around 1800 Japan overtook China as the richest Asian country. Chinese GDP per person fell relentlessly during the Qing dynasty (1644-1912). In 1620, it was roughly the same as it had been in 980. By 1840, it had fallen by almost a third (see chart).



Economist.com

These findings challenge a hitherto common belief that China and Europe had similar living standards for centuries until the West's industrial revolution began in the late 18th century: a point often referred to by historians as the "great divergence". This view, promoted by Kenneth Pomeranz of the University of Chicago, lends more support to the party's understanding.

Researchers used not to be able to work out GDP from 1,000 years ago. Angus Maddison, an economic historian, was among the first to try. But the research by Mr Broadberry and his colleagues, which scales up local and private records to generate national accounts, offers greater detail. The first study of Britain's historical GDP using this technique appeared in 2008. It was followed quickly by other ones focusing on Holland, Italy and now on China.

Doubts remain about the quality of the Chinese data. A recent study by Kent Deng and Patrick O'Brien of the London School of Economics argues they are too fragmentary. It is hard enough comparing the living standards of different countries today, let alone doing so in the distant past with far less precise statistics. Mr Broadberry responds that China's historical sources are no worse than those available for medieval England. He also notes that imperial China and early-modern Europe both used silver as a unit of value, facilitating comparison.

But there remains a vital difference of scale. Italy and the Holland were the richest parts of Europe in the 14th and 15th centuries. It might be better to compare them not with China as a whole but with its richest part, the Yangzi delta, around modern-day Shanghai. If you do that, England and Holland were still richer than the Yangzi area in 1800 but the point at which they overtook the delta turns out to be around 1700. This is not so different from Mr Pomeranz's view that the great divergence happened in the 18th century. But it still means the process had begun before the industrial revolution, which in turn implies that European wealth and Chinese poverty cannot be explained by industrialisation: they must reflect institutional differences.

Mr Xi would do better to consider a different source of legitimacy from history: poverty reduction. If Mr Broadberry and his co-authors are right, Chinese peasants saw almost 1,000 years of decline and misery after 1000. But Mr Xi's party has massively reduced rural poverty and hopes to eradicate it by 2020. That is an achievable dream.

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Middle East and Africa

What drives the huddled masses

Why migration from west Africa may start to slow

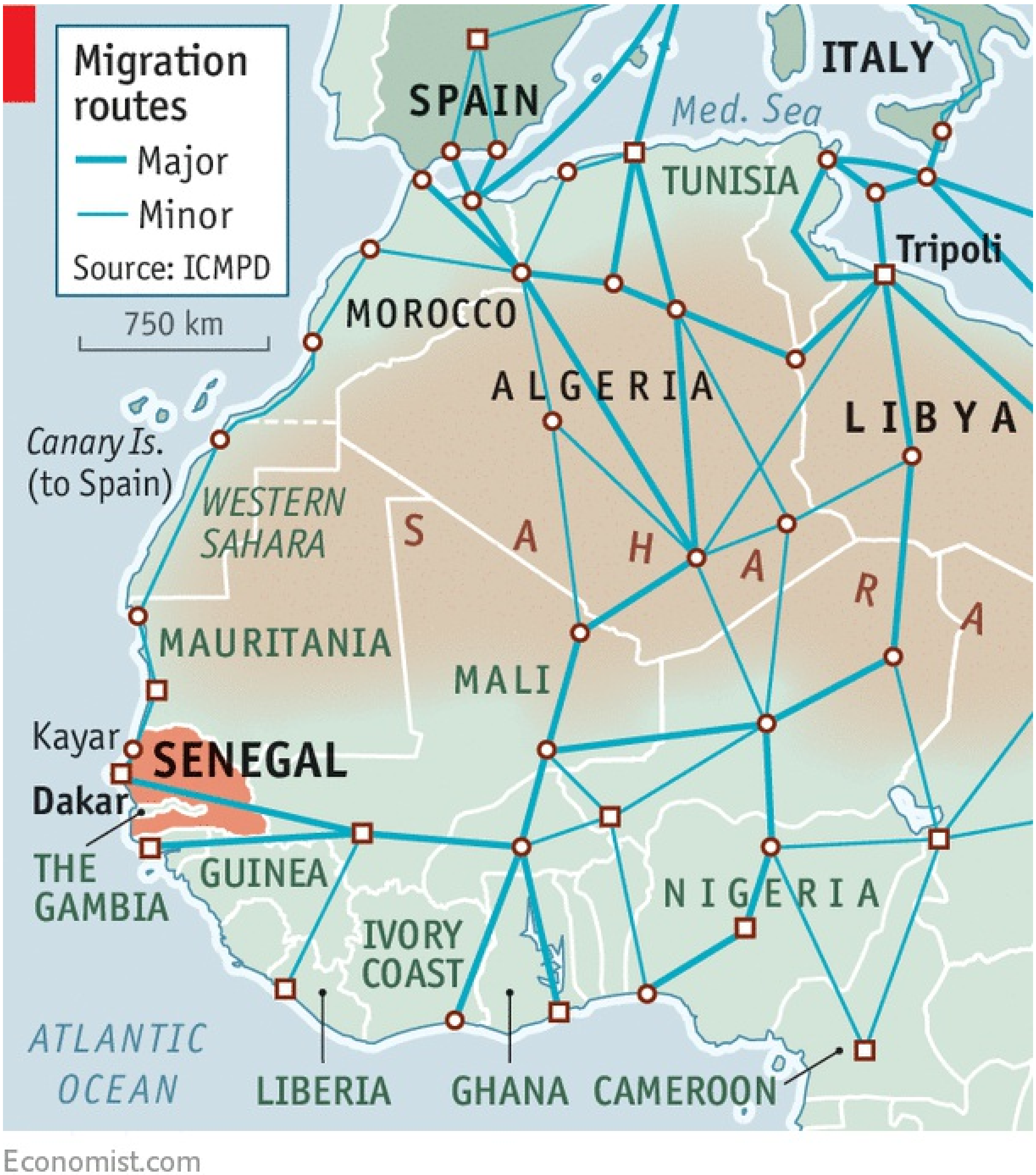
West Africans now realise that migrating to Europe is not easy—but for some the appeal will never fade

Jun 17th 2017 | DAKAR

FOR 165 Senegalese, the journey of a lifetime ended in a fluorescent-lit, green-carpeted barn at the edge of Dakar's international airport. Dressed uniformly in new white sneakers and hoodies reading "RISING" in large letters, they perched on plastic chairs and ate their first meal back on home soil out of foil containers. They had just returned from Tripoli, in Libya, on a flight put on by the International Organisation for Migration, a UN body. Of the 165, all but one were men, and all were young. They had been trying to get onto boats bound for Europe. Instead they had spent months—over a year for some—living on starvation rations in Libyan prisons.

And yet by their accounts, these are the lucky ones. "Today, to be back here, it is as good as if I made it to Europe," says Mohammed Sylla, a 30-year-old trader. "Why did I want to go to Italy anyway? I was stupid." He headed for

Libya after trying to get to Europe through Morocco, but the moment he crossed the border from Algeria, it became "a hell". He describes being beaten up repeatedly by soldiers, and hiding in a forest for six days without food. Two other migrants he was with, from Guinea, were shot by militiamen in front of him. "I thought I would die for sure," he says, his voice dipping to a whisper. Black people are imprisoned, he continues, and sold on for labour or ransom.



Centuries ago, Senegal, on the western edge of Africa, was a stopping point for European ships taking slaves to the new world. On Goree Island, off the coast of Dakar, tourists can gawp at buildings where human beings were once kept like cattle. Today, Senegalese go on grim journeys of their own volition, in hope of a better life. Of 37,000 arrivals to Italy in the first four months of this year, around 7% were from Senegal. In that time the number of migrants, mostly from the Middle East, crossing to Greece from Turkey dropped by over 90% compared with last year. By contrast, the number going to Italy increased —most of them from west Africa.

In Senegal it is possible to get a hint of what leads people to risk the journey to Europe. Kayar, a fishing village about 60km (40 miles) outside Dakar, is a place from where people have been seeking a way north for decades. On the beach, hundreds of wooden pirogues painted in dazzling colours crowd the sand; the buzz of saws at makeshift workshops fills the air. But fishing provides work only for a few months of the year, leaving young men with little to do. Instead, they dream up schemes for travelling north.

Ali Diong, a 35-year-old fisherman, often chats on WhatsApp with friends who have made it to Spain and Italy. “They can send money to their wives, they can pay for baptisms,” he says. “We who are still here depend entirely on our parents.” Every migrant’s plan is different, he says, but in order to pay for their journeys, people sell assets, such as their boats or motorcycles, or families chip in to raise the fare. It is risky, he admits. “But here there is nothing. You have to do something, and emigration is all you have.”

Kayar also offers hints of how illegal migration can be curbed. A decade ago, the area was a transit point for people trying to travel 1,500km across the Atlantic to the Spanish Canary Islands. According to Aliou Ndoye, the town’s assistant mayor, at the peak of that migration, in 2006, some 973 men from Kayar—which has a population of just 27,000—tried to cross. Hundreds of people died; some pirogues full of bleached corpses washed up in the Caribbean. Today, that route is all but closed, thanks to a deal Spain struck with Senegal to return migrants and patrol the coast for boats. Those who want to try to get to Europe face an even tougher journey. And from Kayar, fewer are going. Mr Ndoye reckons the number who have left this year is under 100. Those who do so now mostly head to Morocco instead of Libya. That is Mr

Diong's plan: "The desert is very dangerous, but I know the sea," he reasons.

The trouble for European countries, desperate to curb the flow of boats across the Mediterranean, is that the message hasn't reached other parts of Senegal yet. Jo-Lind Roberts-Sene, the representative of the IOM in Dakar, says that closer to the capital people have become more wary. But in more remote parts of the country, the idea that Europe is El Dorado persists. The majority of migrants going to Europe via Libya these days are leaving from south-east Senegal, which is separated from the rest of the country by the Gambia, and is far poorer. Migrants from there are usually farmers, and do not have much formal schooling. "They think they are aware of the dangers," says Ms Roberts-Sene; but those who come back tell shocking tales.

That is certainly true of Thierno Mendy, a 37-year-old from eastern Senegal. "If I knew the journey would be like it was, I would never have done it," he says. But failure is shameful, and many migrants are desperate to believe they have a chance. Massyla Dieng, a 50-year-old in Kayar who lived in Italy for ten years, says he has given up trying to persuade young men not to go. "When I say it is tough, they treat me like an enemy. They think I want them to fail." Unfortunately, whatever the dangers may be, as long as a few are making it to Europe, the dream will never fully die.

Historical grievance

South Africa's opposition tries to patch things up

A row over colonialism has become a divisive distraction

Jun 10th 2017 | JOHANNESBURG

HELEN ZILLE, a doyenne of South Africa's liberal opposition, knew it was time to go when she stepped down as leader of the Democratic Alliance (DA) two years ago. Ms Zille, a white woman, had fought hard, first against apartheid and later to build the party into a plausible alternative to the ruling African National Congress (ANC). She then took a back seat in the party to allow the rise of a young, black leader, Mmusi Maimane, even as she kept her position as premier (governor) of the Western Cape, the only province won by the opposition. "I had fortuitously avoided the fate of most politicians, captured in the aphorism 'There is no comfortable end to a political career; only death or disgrace,'" Ms Zille boasted in her autobiography of 2016.

Sadly that was not to be. After a trip to Singapore in March impressed her, she tweeted that "For those claiming legacy of colonialism was ONLY negative, think of our independent judiciary, transport infrastructure, piped water etc." It was an ill-judged comment in a country still scarred by its history of apartheid, for which the racial foundations were laid during its time as a colony. Worse still for the DA, it reinforced its image among many potential black voters that it is a party that acts in the interests of whites. Ms Zille should have known this. Yet instead of retreating from the remarks, she doubled down with increasingly sanctimonious defences. "Helen is always right," says one party insider.

This ugly row has had serious consequences for a party that ought to be scooping up new supporters by the millions in a country growing weary of the corruption that is flourishing under the ANC. President Jacob Zuma himself faces 783 charges of fraud, corruption and money-laundering. Instead, black voters now appear to be abandoning the DA. Private polling by the party that was recently leaked to the press showed that its support among black voters has slumped from 17% to 10% over the past two months.

Instead of kicking Ms Zille out of the party, on June 13th Mr Maimane announced a compromise that will see her removed from all decision-making positions in the DA while remaining premier of the Western Cape. Given that Ms Zille appears to have no intention of going quietly the party hopes that this will let it avoid a divisive disciplinary process. But repairing its image among black voters will require more than cautious compromise. It is also unclear whether the Economic Freedom Fighters, a populist party whose support has put the DA into government in Johannesburg and Pretoria, will make good on its threats to withdraw its support if Ms Zille does indeed keep her job as premier. Having stepped down once for the sake of her party, Ms Zille may yet have to do so again.

Bulldozing history

The destruction of heritage in Lagos

The most ancient buildings in Nigeria’s commercial capital are under threat

Jun 15th 2017 | LAGOS

VIEWED from the old colonial prison nearby, the former ministry of justice building is a pitiful sight. White sheets barely cover gaping holes in the roof and upper storey. The word “distressed” has been daubed on the lower walls. “It’s going to collapse very soon,” says Theo Lawson, an architect who put up the sheets with a group of friends in March in an effort to keep the rain from files abandoned there. But they were ordered out by security guards before they could move the documents to somewhere safer. The fate of the building, once the colonial government’s secretariat, is uncertain.

Mr Lawson’s transformation of Her Majesty’s Broad Street Prison has been more successful. It is now Freedom Park, a leafy space amid the Lagos hubbub used for concerts, plays and art exhibitions. A stage stands on the site of the gallows, and food stalls where the prison kitchens were. A bar called “Esther’s Revenge” has been named after a famous inmate who stabbed her British lover in a jealous rage.

But places like Freedom Park are all too rare in Lagos. Much of the city’s architectural heritage is crumbling, or has been pulled down to make way for office blocks and luxury apartments. “There was a backlash post-independence,” says Ed Keazor, a historian. “We wanted to look forward.”

Now, though, it is more usually the lack of money for preservation and restoration that is destroying old buildings. Under particular threat from the bulldozers are the Brazilian-Portuguese-style mansions built on Lagos Island by former slaves who returned from the Americas in the second half of the 19th century. Many of those *emancipados*’ descendants cannot afford to stay in their decaying family pile once a patriarch dies and the house is the only asset to be shared out.

The most egregious example of such destruction was the razing in September 2016 of Ilojo Bar, a 162-year-old house built by a returning slave. The family succeeded in demolishing its historic home after several thwarted attempts, although it had been listed as a national monument before Nigeria's independence. "I'm sure people cried [when they heard about the demolition]," says Sola Akintunde of Legacy 1995, an NGO that made a structural assessment of Ilojo Bar back in 2011 to prepare for its restoration.

Federal and Lagos state laws protecting listed buildings do exist, though the reality is that they are rarely enforced. But Legacy 1995 says it will lobby for those responsible for the destruction to be brought to justice, and hopes that its detailed drawings will allow a copy to be built on the now-barren site. "We can't try to have a modern Nigerian architecture when we don't even understand historical Nigerian architecture," says Mr Akintunde. Perhaps, though, such carelessness about historic buildings should come as no surprise. After all, Nigeria's turbulent modern history of coups and civil wars is barely taught in the country's schools.

Tomorrow's lions?

What to do with Islamic State's child soldiers

The "cubs of the caliphate" are growing up

Jun 15th 2017 | SANLIURFA

WHEN Omar returned home after 40 days in a boot camp run by Islamic State, it was obvious something had snapped. Once a quiet boy and a fan of SpongeBob SquarePants cartoons, Omar, 12, had become aggressive. He told his mother to stop wearing make-up, refused to greet her female friends and became angry when she tried to bathe him. "I was scared to wear a T-shirt inside my own house," his mother, Amina, says. "He told me these things were forbidden under Islam. They washed his brain."

Omar died shortly after his last visit home. Trained by IS as one of its *inghimasi*—shock troops sent into battle with assault rifles and suicide vests—Omar was killed fighting Syrian government forces in the eastern city of Deir Ezzor, not far from his home, six months ago. IS allowed his mother 15 minutes with her son's body before burying him in a grave that she was forbidden, as a woman, from visiting.

Amina's anguish is sharpened by her relationship with the man she blames for her son's death. Now a refugee in Turkey, she says her husband, who had become enamoured with IS's ideology shortly after the group stormed their area, encouraged Omar to join the extremists. "He told me I should be happy when Omar died; that he was in paradise," she says as tears slide down her face. "It felt like someone had extracted my soul."

The ultra-violent jihadists have recruited thousands of children in Iraq and Syria. Like Omar, many have been dispatched to the front to die. Others work as spies, bomb-makers, cooks or prison guards. In extreme cases, children have executed prisoners, sawing off heads with knives or firing bullets into skulls. Thousands more have been exposed to the group's warped ideology at IS-sponsored schools.

The jihadists portray children as the future of their "caliphate", who will ensure its survival. Yet the jihadists are sending more children to die than ever. Under pressure from American-backed ground operations, IS's territory in Iraq and Syria is shrinking. To replace the mounting toll of dead adult fighters, the extremists are recruiting more children. In January 51 children blew themselves up in Mosul. Many more will die in the battle for the Syrian city of Raqqa that has just begun. Pressed on the battlefield, military expediency has trumped IS's dreams of nurturing the next generation of holy warriors.

Still, many child soldiers will outlive the caliphate, and will pose a security threat long after its demise. European intelligence services are worried: children taught to build bombs and hate the West may find it easier than adults do to slip across borders or past security services. In Iraq, the government is ill-equipped to demobilise thousands of trained child soldiers whose minds have been twisted by ultra-violent ideology. In Syria's chaos, former "cubs of the caliphate" may make easy recruits for the country's many other jihadist groups.

The question is how to tackle this looming danger. One bleak option is to kill as many of the child soldiers as possible on the battlefield, and imprison the rest. History suggests, however, that this turns prisons into breeding grounds for the next generation of militants. About 2,000 children already languish in Iraq's jails, accused of working with IS. These detention centres are poorly equipped to cope with radicalised youngsters. Far from receiving specialised care, child detainees interviewed by human-rights groups say Iraqi security forces have tortured them. Abused and abandoned, these children will grow up to hate the state.

The far better option is to try to rehabilitate the child soldiers who survive. Re-schooled and given jobs, children are less likely to rejoin armed groups, radicalise their peers or create their own insurgent groups. The UN-led rehabilitation programme in Sierra Leone, for instance, has been widely praised. But what sounds good in theory will be difficult in practice. Many of the children will return to communities whose members despise them for joining a group that butchered and plundered its way through their towns and villages. “These children aren’t victims. They have murdered our relatives and friends. They deserve death,” said a rebel commander who fought IS in Syria. Other children will refuse help, terrified of being arrested by Iraqi security forces or killed by IS for deserting.

The many ways IS recruits children will make rehabilitation programmes even harder to design. Some have been snatched from orphanages or kidnapped from minority sects. Egged on by peers, others have been seduced by the group’s promise of adventure, money and power. Parents have sent their children in return for food, cooking gas and a monthly stipend of $200; others, like Omar’s father, because they believed in IS’s ideology.

The role played by families in the recruitment process is particularly damaging. In other conflicts, the parents of child soldiers have eased the transition to civilian life. In El Salvador, for example, 84% of former child fighters said their families were the most important factor in their reintegration, according to *Biomedica*, a journal. But in Iraq and Syria many families have at times encouraged their children to join the militants, some in the grisly belief that their child’s death in battle clears their own path to heaven.

It is tempting to see IS’s use of children as unique among militant groups. In July 2015 the jihadists released the first video of a child beheading a captive (a pilot in the Syrian air force). In early 2016 a four-year-old British boy, whose mother brought him to Syria, became the first European child to feature in an execution video: he was filmed pressing a button that blew up a car with three prisoners inside. In another video, boys race through the ruins of a castle, competing to see who can kill the most captives. Others have been photographed clutching severed heads, their fathers beaming with pride next to them.

Although the creativity of the violence may be novel, the degree of brutality is not. Child soldiers in other parts of the world have killed their own parents, cut the lips off captives and amputated limbs. It is not the barbarity that is new but rather how the violence is documented and disseminated. Nor are the reasons why a child joins IS unique. In other conflicts, too, child soldiers have been plucked from the poorest communities, easy prey for religious leaders skilled at turning feelings of anger, exclusion and revenge into violence.

Plans to offer apprenticeships and vocational training to children who have fought with IS are now being considered in Iraq. The caliphate's cubs may one day be fixing air-conditioning units, cutting hair, mending cars and repairing mobile phones. But all this is a long way off. Creating jobs in a country with high youth unemployment and endemic corruption will take time and money. Schools are starting to open in areas once occupied by IS, but staffing them with qualified teachers who can deal with complex issues like radicalisation and psychological trauma will be difficult. Governments in the West have begun to show an interest in rehabilitation programmes. Whether today's jihadist cubs grow into tomorrow's lions will depend largely on how long this interest lasts.

With a little help from its friends

The siege of Qatar isn’t working

The tiny emirate is well placed to hold out for a good while yet

Jun 15th 2017 | DOHA

WHAT is it like to be under siege in Qatar? For a sense of the hardship, consider the tongue-in-cheek Twitter feed @DohaUnderSiege. It reports that at the Four Seasons hotel in Doha, the capital, the chocolate fountain has “slowed to a drizzle”; some guests are hoarding caviar; and “escape yachts” are being prepared.

The actual privation is about as trifling. In terms of GDP per head, Qatar is one of the world’s richest countries. After it was cut off by its neighbours in the Gulf on June 5th, there was a brief shortage of milk and poultry, as some locals squirrelled away food. But the supermarkets are again fully stocked. Shoppers may look twice at the new Turkish labels on their dairy products, but there is no urgent need for the 4,000 cows that a patriotic businessman plans to airlift in.

Several Arab countries, led by Saudi Arabia and the United Arab Emirates (UAE), hoped to isolate Qatar over allegations that it foments regional unrest, funds terrorism and is too close to Iran—all charges it denies. But their two-week-old blockade has so far had the opposite effect. Turkey has stepped in to supply most of the food that used to come overland from Saudi Arabia. Iran and Morocco are sending more. The government has also reached a deal with Oman that will give incoming ships an alternative to using Emirati ports.

Qatar did not trade all that much with its neighbours even before they closed their borders. Most of its lucrative oil and gas exports go to Asia and are flowing out as normal—so the economy, boosted by public spending on infrastructure, should continue growing. Qatar is "extremely comfortable" with its financial position, says Ali Sherif al-Emadi, the finance minister. Its foreign-currency savings equal 250% of its GDP (twice the level of Saudi Arabia), so it can withstand any pressure on its currency. After taking an early hit, Qatar's financial markets have stabilised.

There is still some cause for worry in Doha. New trade routes may take longer and cost more. Fitch, a credit-rating agency, has put Qatar on a negative watch and foreign investors remain spooked. Banks may find it harder to get financing, which could dampen the credit growth that fuelled the economy in recent years. Qatar Airways, which just announced record profits, has been bruised by the decision of Saudi Arabia, Bahrain, Egypt and the UAE to ban it from their airspace. Doha's stature as an air hub is now in question.

But if Saudi Arabia and the UAE hoped to cause so much pain that Qatar gave in to their demands, their ploy has so far failed. The Qataris insist that they do not even know what their accusers want. They deny supporting extremists or Islamists (though they harbour quite a few of them and recently asked some to leave). They claim that other Gulf states, such as the UAE, also have close ties to Iran. And they have questioned a list drawn up by Saudi Arabia and the UAE of 59 people and 12 groups with links to both Qatar and terrorism. Some are based elsewhere and have links to Saudi Arabia as well.

What most upsets Saudi Arabia and the UAE is Qatar's refusal, over two decades, to toe the line laid down by the bigger powers. Al Jazeera, its satellite-TV channel, promotes dissident, often Islamist, viewpoints. It cheered on Arab revolutionaries in 2011, as the rest of the Gulf watched in fear. Saudi

Arabia and the UAE, meanwhile, fund old-fashioned strongmen, such as Abdel-Fattah al-Sisi in Egypt. The current dispute “is one more battle of the Arab spring”, says Ibrahim Fraihat of the Doha Institute for Graduate Studies.

Efforts by Kuwait and others to mediate have gone nowhere. As a next step, the Saudis and Emiratis have threatened to cut off firms that do business with Qatar. But destabilising the Gulf in this way will also hurt their own economies. “I think if we’re going to lose a dollar they will lose a dollar also,” says Mr Emadi.

So far Qatar has remained calm, while trying to rally international support. It has not responded in kind to the expulsion of Qatari citizens by Saudi Arabia, Bahrain and the UAE. The Qatari media have been told not to stir the pot. The government has even hired the law firm of John Ashcroft, a former American attorney-general, to audit its efforts at cutting off terrorists’ funds.

The roots of the conflict run deep and neither side is feeling much pressure, so a stalemate has set in. No one expects it to be resolved soon; but in the end it is still the Qataris who have the most to lose.

Europe

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- **Russia’s anti-corruption movement: Demonstration of intent** [Sat, 17 Jun 09:10]
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Bullish again

Spain’s reforms point the way for southern Europe

Having tackled its problems earlier than Italy or Greece, Spain is now seeing results

Jun 15th 2017 | MADRID

ON A back road in the Llobregat valley west of Barcelona, amid a jumble of old wine-growing villages and modern factories, stands a research centre owned by Gestamp, a Spanish firm that in just two decades has become one of the world’s leading makers of car body-parts, doors and bonnets. With 100 plants in 21 countries and sales last year of €7.5bn ($8.4bn), Gestamp is a specialist in hot stamping. This process makes parts six times more resistant than if they are cold-stamped, allowing cars to be safer, lighter and less polluting. What was once mere metal-bashing has become a high-tech operation.

Gestamp invests 3.8% of its sales in research and development, and holds more than 900 patents. “We are working on cars that will only go into production in five or six years’ time,” says Juan José Matarranz, one of the 58 scientists and engineers at the research centre. Alongside, in a factory equipped with robots, laser-cutters and high-temperature forges, Gestamp churns out parts for shipment to Ford and Audi in the United States as well as for SEAT's large plant down the road at Martorell.

Globalised and innovative, Gestamp is a symbol of the transformation of Spain's economy. In 2012 the country was a vortex which threatened to suck down the euro. The conservative government of Mariano Rajoy had to go cap in hand to Brussels for a €100bn bail-out for Spain's broken savings banks. A housing bust and the financial crunch plunged the country into a five-year slump, from 2009 to 2013.

Now Spain is heading for its third consecutive year of economic growth of just over 3%, the fastest of any large economy in the euro area (see chart 1). It is creating about 500,000 jobs a year. According to Luis de Guindos, the economy minister, last month the country's GDP surpassed its pre-crisis peak. Much of the credit for this recovery goes to structural reforms the government pushed through in 2012.

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Europe's economy as a whole is picking up, too. But apart from Spain, the European Union's Mediterranean countries remain its weakest links. In Italy and Greece growth has been disappointing. Italy's labour reforms have been tentative, and it is only now tackling its banks' bad debts. Greece is being dragged into reform by its EU creditors, but has howled all the way. Spain tackled these issues earlier and more decisively. Its efforts are bearing fruit.

Once more, but with exports

Spain’s renewed growth has sounder foundations than in the past. In the early years of this century the economy was powered by construction, which accounted for up to a fifth of GDP, and by foreign loans. This time the growth is led by exports, which have reached 33% of GDP (up from 23% in 2009). “We’ve recovered competitiveness,” says Mr de Guindos.

Spain is now continental Europe’s second-biggest car producer and exporter after Germany. Tourism is booming, too. The country has diversified its exports into chemicals, pharmaceuticals, machinery and professional services. More than 150,000 Spanish companies export, half as many again as in 2007, according to Jesús Sainz of the Círculo de Empresarios, a think-tank. A digital startup economy is sprouting in Madrid and Barcelona, and growth is spreading from exports to the domestic economy. “It was a dispirited country. That’s changed a lot,” says Iñigo Méndez de Vigo, the education minister.

Good fortune, in the form of low oil prices and interest rates, has played a part. The export boom owes something to the recent pickup in world trade and the cheapness of the euro. But these have helped all euro-zone countries; they do not explain the fact that Spain is gaining global market share, notes José Manuel González-Páramo, a director of BBVA, a bank.

Rather, much of Spain’s success is down to its structural reforms. In an election in November 2011, Mr Rajoy won an absolute majority, displacing the hapless Socialist government of José Luis Rodríguez Zapatero. The new team took three fundamental measures: reforming the labour market, cleaning up the financial system and curbing a burgeoning fiscal deficit.

The labour reform brought flexibility to a rigid system. It cut severance pay from 45 days to 33 days per year worked; in the past companies sometimes closed because they could not afford to lay off workers. More importantly, Spain devolved wage bargaining to firm level, helping to make companies competitive.

Spanish banks still have more dud loans than their European peers, but credit is flowing again. This month euro-zone banking supervisors forced the shaky Banco Popular, the country’s sixth-largest, into a takeover by Santander; that led bond yields for some smaller lenders to rise. But “nobody is confusing Popular’s situation with the system as a whole”, says Mr González-Páramo.

The debt of households and firms has fallen. Meanwhile, tax increases and spending cuts shrank the budget deficit from 10.6% in 2012 to 4.3% last year.

To the rest of southern Europe, this looks rather good. Italy's GDP did not fall as far as Spain's in the crisis, and its budget deficit and unemployment rate never went as high. But neither has it experienced a strong recovery: growth is stuck at around 1% and unemployment, still over 11%, is barely declining. While Spain's labour costs fell, Italy's kept rising, so its export growth has been far weaker. Greece's labour costs have fallen, but it has scarcely any export industry to take advantage of them. And its grudging reforms and political bickering have deterred the investment that would be needed to create them.

Make Talavera great again

Spain may be an example to others, but its own recovery is far from complete. Public debt has surged to around 100% of GDP, and the government does not expect a primary fiscal surplus (ie, before interest payments) until next year. "We have lost a decade, and our GDP today should have been at least 20% higher than it is," says Mr Guindos. "That is the legacy of the bust." Almost 230,000 companies perished, says Mr Sainz. Real average wages are about where they were a decade ago. Unemployment is still close to 3.5m (or 17%), though that is well down on the peak of 5m. Spain's once-stable two-party political system has been shaken, especially by the rise of Podemos, a far-left group which claimed 21% of the vote in an election last year.

Talavera de la Reina, in the Tagus valley an hour and 40 minutes south-west of Madrid by train, was long known chiefly for its blue and yellow hand-painted pottery. It is now notorious for unemployment. Although the town's population has shrunk by 5,000 (to 85,000) since 2012, its jobless rate is still around 35%.

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On the wall of the bullring someone has spray-painted, in English, “Make Talavera Great Again”. There is only the faintest hope of that. Its pottery has fallen out of fashion; nobody thinks its textile or construction jobs will come back in numbers. The exhibition centre, usually used for livestock fairs, hosted a two-day “Job and Enterprise Fair” earlier this month, but only about 100 jobs were on offer. “Talavera needs to change its economic structure,” says Joaquín Echeverría of the local chamber of commerce.

That applies to the country as a whole. Most Spanish companies are small, family-owned businesses which do not innovate, export or grow. That is partly because they face regulatory barriers. If a firm has 50 workers it must create a union committee. If its sales exceed €6m—a threshold unchanged for 20 years—it faces more onerous tax procedures.

Some digital startups must cope with too little regulation rather than too much. Fintech companies need a regulator if they are to be trusted by customers and funders, says Martha Planas, who co-founded Digital Origin, an electronic microloan and payment service. “If the government doesn’t make the [digital] ecosystem happen, we will have to leave,” she says.

Officials reel off a list of other reforms undertaken since 2012. But many have foundered on bureaucratic resistance and *amiguismo* (cronyism). Companies face a thicket of regulations by regional governments. Public bodies like employment offices or universities are not evaluated for effectiveness. “The main difference between Spain and others in Europe is its weakness in carrying out public policies,” says Raymond Torres of Funcas, a think-tank.

The 2012 reform did not give employers enough incentives to offer permanent contracts. “Many of the new jobs are highly unstable, low-paid and temporary,” notes Marcel Jansen, a labour economist at Fedea, a think-tank. And too little is being done to help the unemployed get back into work. During the boom, young Spanish men dropped out of school to work on construction sites. They have no other skills. Some 57% of the unemployed have been out of work for over a year, and a quarter for four years or more. “Spain is not developing the policies and institutions needed to deal with this problem,” Mr Jansen says. Training courses are patchy; employment offices offer almost no guidance.

At the height of the boom, 32% of young Spaniards dropped out before completing secondary school. The rate fell to 19% in 2016, but is still the highest in the EU (bar Malta). Mr Méndez de Vigo, the education minister, says he wants to halve it by 2025. A parliamentary committee is discussing a pact to overhaul the education system.

In an election in 2015 Mr Rajoy lost his majority. After almost a year of political limbo and a second election, he formed a minority government last November. With parliament split, he cannot unilaterally push through reforms.

Compounding the problem, last month the opposition Socialists re-elected Pedro Sánchez, an uncompromising critic of Mr Rajoy and the labour reform, as their leader.

“We can live for ten or 12 years from what we did in 2012, provided we don’t make mistakes,” says Mr de Guindos. Certainly Spain deserves much credit for the reforms it has undertaken, and its outlook is much sunnier. But if the global economy becomes less favourable, Spaniards may come to lament that Mr Rajoy did not tackle more of the country’s problems when he had the chance.

Demonstration of intent

Aleksei Navalny’s protesters are a force to be reckoned with

The anti-corruption activist is the chief threat to Vladimir Putin in next year’s election

Jun 17th 2017 | MOSCOW

AT TWO O’CLOCK on the afternoon of June 12th, Elizaveta Chukicheva, a 16-year-old technical-college student, stood in the middle of Tverskaya Street in central Moscow next to a large reproduction of an idol from Russia’s pagan antiquity. Ms Chukicheva held a sign on which she had written the words “I love Russia”, and wore a T-shirt bearing the image of Aleksei Navalny, a Russian opposition leader. Against her parents’ advice, she had answered Mr Navalny’s call to attend a rally on Russia’s national holiday against corruption, and for his campaign for the presidential election in 2018. “My parents told me that we can’t change anything and that there are no prospects for us in this country,” she said. “But I don’t want to leave Russia, and I believe that we can change things.” It was her first political action ever, and she was nervous.

A few hours earlier, Mr Navalny had been arrested outside his apartment block for organising an “unsanctioned” rally. Moscow authorities had approved a gathering at a different location, but then sabotaged it, according to Mr Navalny, by preventing audiovisual companies from renting him a stage. Mr Navalny was worried that an amateurish-looking demonstration would make him look ridiculous rather than presidential, so he directed his followers to Tverskaya Street instead.

There, the Kremlin had blocked off traffic for a pedestrian festival celebrating “Russia’s Victorious Past” (hence the pagan idol). The street was occupied with historical reconstructions of Russian military triumphs, from the times of Ivan the Terrible to the second world war. (The Crimean War of 1853-56 was thrown in too, despite the fact that Russia had lost.)

As Mr Navalny’s supporters, many of them young enough to have lived their entire lives under Vladimir Putin, entered the street, they found themselves surrounded by reconstructionists dressed in medieval body armour, 19th-century tsarist gowns and Stalin-era military and secret-police uniforms. The protesters chanted “Russia without Putin!” and “We are the power here!” Medieval knights ran for cover, and helmeted riot police moved in, jamming their truncheons into protesters’ stomachs and pushing them back.

As surreal as the scene was, it also encapsulated the current political confrontation in Russia. Vladimir Putin’s backwards-looking regime, which legitimises itself by restoring the symbols of Russia’s imperial past, is being challenged by a new generation of Russians who feel that their future has been hijacked by the corruption, hypocrisy and lies of the ruling elite, whom Mr Navalny calls “thieves and scoundrels”.

The symbol of the protests was a rubber duck, a reference to a documentary video Mr Navalny released in March that accuses Dmitry Medvedev, the prime minister, of corruption. (The video depicts Mr Medvedev’s immense estate, allegedly donated to him by an oligarch, which includes a house for a pet duck.) Mr Medvedev denies the accusations.

A few years ago, such a video might have generated laughter. Now, it produces outrage. “We’re different from our parents’ generation in that we have no future,” said one of the young protesters. While he does not support Mr Navalny’s nationalist politics, he sees him as the best available means to enact change.

Mr Navalny’s tactic of shifting the rally to an unauthorised location was risky; even some of his liberal supporters called it provocative. But his intent was to show that the rules the Kremlin has established for the conduct of politics in Russia, and its efforts to exclude him from the presidential race, are irrelevant. This has echoes of the late 1980s, when Mikhail Gorbachev, the last Soviet president, tried to expel Boris Yeltsin from politics by firing him as mayor of Moscow, not realising that Mr Yeltsin had grown too popular to quash. Mr Navalny has built a network of some 120,000 volunteers across the country. Whether or not the Kremlin acknowledges it, he is seen as an alternative to Mr Putin.

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The protests were held in some 170 cities across Russia, gathering a total of about 150,000 people, according to organisers. (An earlier round of protests on March 26th drew perhaps 100,000 people in about 90 cities.) About half of the protesters are aged between 18 and 29. “These have been the biggest protests since 1991,” says Leonid Volkov, Mr Navalny’s chief of staff. Many of the protesters are not scared by the arrests, and see them as part of the action.

One reason for the unrest is economic. Russian real incomes have fallen by 13% over the past two and a half years, reaching the level of 2009. Retail consumption has shrunk by 15%. Investment has been falling for three years, reaching a cumulative decline of 12%. Natalia Zubarevich, an expert on Russia's regions, says economic factors are amplified by frustration with the lack of political freedom and official hypocrisy.

The Kremlin is desperately searching for a narrative that Mr Putin can sell to the electorate next year. Some hope to present him as an elder statesman in the mould of Deng Xiaoping, overseeing reforms while suppressing dissent. But whereas the regime's ability to reform is doubtful, its ability to use force is not. The police arrested 866 demonstrators in Moscow and 658 in St Petersburg, according to OVD-info, a civil-rights group. One officer in Moscow was identified as a former Ukrainian riot-police commander who took part in the repression of protests in Kiev in 2014. ("This is not Maidan. We are not going to wait for an order before we shoot," said one young Russian soldier.)

Last year Mr Putin's government created a National Guard, a force of some 400,000 troops headed by his former bodyguard and reporting directly to the president. Most of the troops on June 12th were about the same age as the protesters. In the words of Kirill Rogov, a Russian political analyst, the spectacle on June 12th looked like a rehearsal for a "civil war".

The Germany that doesn't work

Germany's low investment rate leaves its infrastructure creaking

The country with Europe's strongest economy faces potholed roads and crumbling schools

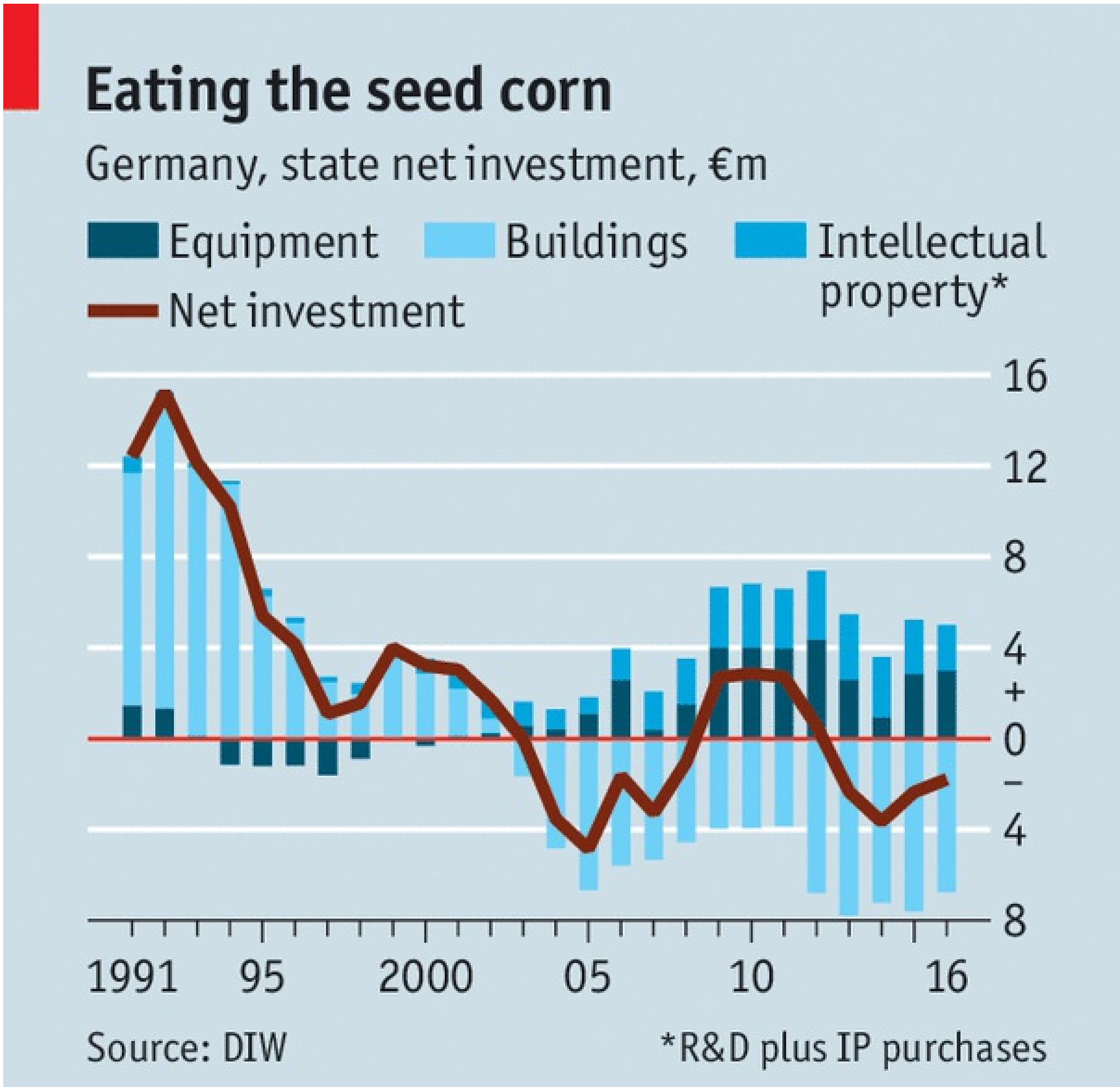
Jun 17th 2017 | KIEL

A VERDANT suburb in the northern state of Schleswig-Holstein, Pinneberg epitomises the Germany of record consumer confidence, booming exports and a bulging federal budget surplus. Here commuters stream off trains from Hamburg (local unemployment is 4.9%), climb into big cars and zip home to neat houses with solar panels on the roof.

But visit the Theodor Heuss secondary school and you see another Germany. Duct tape attaches wallboard partitions to bare concrete ceilings studded with loose wires. Pipes, weeds and bits of tile stick out of the ground. Noisy emergency roof repairs had to be carried out during exams. "We went to the state government three years ago but nothing has happened," complains Ulrike Graefen of the Pinneberg School Alliance, a parents' group.

This is the underside of Germany's economic miracle: a country with a budget surplus of €23.7bn ($26.7bn), or 0.8% of GDP, has the lowest infrastructure investment rate of any big, rich economy. The IMF complains that such under-spending contributes to the country's excessive savings, helping to unbalance global trade. And it hurts Germany, too.

In the 1990s Germany invested massively to incorporate the formerly communist East. Then came two shocks, both to do with rules. In 2001, with the economy ailing, the government broke the new euro zone's deficit limits and had to cut spending. Ten years later, as the euro crisis again drove deficits up, Berlin imposed a "debt brake" on federal and state governments. Politicians found it easier to cut long-term outlays than current spending. The net value of state assets fell between 2002-07, and again since 2012 (see chart).



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Schleswig-Holstein is typical. An urgent expansion of the coastal motorway is delayed. The railway across the Danish border had to be closed in April because of a rotting bridge. At the eastern entrance to the Kiel Canal (the world's busiest artificial waterway, connecting the Baltic and North seas), only one of the four Wilhelmine locks is in operation, leaving freighters queuing to get through. Last year broken lock gates closed it down altogether, forcing ships to take the 450km (280-mile) route around Denmark. Comprehensive repairs will begin in 2025.

Such tales of leaky classrooms and potholed roads, as well as patchy internet, are the flip side of today's wealthy, booming Germany. In the World Economic Forum's global competitiveness survey in 2010-11, Germany ranked fifth in the world for both road and railway quality, and 12th for internet bandwidth. The latest survey ranks it 16th, 11th and 29th respectively.

Marcel Fratzscher of the German Institute for Economic Research believes that low public investment weighs on the (also low) private investment rate. Business lobbies, like the Northern Business Union in Schleswig-Holstein, clamour for something to be done. The government is increasing infrastructure spending to €14bn in 2017, up 10% on last year. But local governments reckon they need over €135bn just to handle the current backlog.

In the campaign for the national election in September, politicians will clash over whether to invest the federal budget surplus or to return it in tax cuts. The liberal Free Democratic Party and many in Angela Merkel's Christian Democrats prefer the latter. But Sebastian Dullien, an economist at Berlin's University of Applied Sciences, argues that past tax relief has not fuelled higher investment; rather it mostly sits in bank accounts. The Social Democrats and Greens share that analysis. Mrs Merkel, in contrast to others in her party, seems to prefer a mix of tax cuts and investment.

Mr Fratzscher points to a longer-term solution: requiring Berlin to invest at least as much in state assets as the value by which they are depreciating, and to put aside funds in good economic times to ensure a smooth flow of investment in bad ones. If Germany's obedience to rules got it into its low-investment funk, perhaps new rules can get it out.

Cultural disappropriation

Turkey’s president wants to purge Western words from its language

A new step in Recep Tayyip Erdogan’s campaign against foreign influences

Jun 15th 2017 | ISTANBUL

TURKEY’S president, Recep Tayyip Erdogan, responded to last summer’s attempted coup by sacking or suspending 160,000 public servants and arresting 60,000 more. But his latest purge has a more abstract target. Mr Erdogan wants to rid Turkish of unsightly Western loan-words. Turkey faces a mortal threat from foreign “affectations”, Mr Erdogan declared on May 23rd. “Where do attacks against cultures and civilisations begin? With language.”

Mr Erdogan started by ordering the word “arena”, which reminded him of ancient Roman depravity, removed from sports venues across the country. Turkey’s biggest teams complied overnight. Vodafone Arena, home of the Besiktas football club, woke up as “Vodafone Stadyumu”. Critics wondered what the Turkish language had gained by replacing one foreign-derived word with another.

Like other languages, Turkish has struggled to check the advance of Western words. Some, like *sovmen* (showman) and *atasman* (attachment), make purists cringe. But others are esssential. The first big wave of Western nouns arrived in the 19th century, accompanied by European goods, fashions and military advisers. Words borrowed from French account for roughly 5% of the Turkish vocabulary. A business traveller in Istanbul may pop by the *kuafor* for a haircut ahead of a *randevu* with a client, board a *vapur* (steamship) to beat the afternoon *trafik* and finish the day relaxing in a *sezlong* on her hotel *teras*.

The mother of all Turkish vocabulary purges was the language revolution of the 1930s decreed by the founder of the republic, Kemal Ataturk. As part of his bid to reorient Turkey away from the Middle East, Ataturk dumped the Perso-Arabic alphabet for a Romanised one and banished thousands of words with Arabic or Persian roots. Officials at the newly created Turkish Language Institute (TDK) looked for replacements in Turkic languages. Where none could be found, they invented new ones or created fanciful etymologies tracing borrowed words to supposed Turkish origins.

Because so much abstract vocabulary had come from Arabic and Persian, this in effect created a new language. From one generation to the next, the country's cultural history was cut off. Mr Erdogan seems to want to turn the clock back, complete with imperial nostalgia and resentment towards the West. In 2014 he proposed introducing mandatory high-school classes in Ottoman Turkish, which survives today only among linguists, historians and clerics. The plan was shelved after a popular backlash.

The offensive against Western loanwords will probably meet a similar fate. In an interview, the TDK's head, Mustafa Kacalin, clarified that it would apply only to "bizarre" foreign words incomprehensible to most Turks. The limits became clear in Mr Erdogan's own speech on May 23rd, in which he denounced loanwords by using a loanword. They were not, he said, "*sik*" ("chic"). Many Turks no doubt consider the whole thing a load of bosh—from the Turkish *bos*, "nonsense".

Charlemagne

Michel Barnier knows that Britain's chaos is Europe's too

The EU's chief negotiator is recalibrating as a softer Brexit becomes more likely

Jun 15th 2017

"I AM a man of the mountains," declared Michel Barnier in 1992, soon before the Winter Olympics that he brought to Albertville, a small town in the French Alpine region of Savoy. If snooty officials once derided Mr Barnier, who will lead the European Union's talks with Britain over its exit, as *le crétin des Alpes*, today few Europeans have any complaints over his navigation of Brexit's craggy terrain. Since his appointment last July Mr Barnier has dutifully trotted around Europe listening to concerns from governments, parliamentarians and businesses, while assembling a crack team of negotiators in Brussels. Now, says Mr Barnier, in a conversation this week with European newspapers, it is time to get on with the job.

If only it were that easy. In March Theresa May, Britain's prime minister, began a two-year Brexit negotiation by triggering Article 50 of the EU treaty.

The election she called afterwards was supposed to consolidate her domestic position before the talks began. But the inconclusive result, in which Mrs May lost her majority but will stagger on with the help of Northern Irish unionists, has thrown a pall of uncertainty over Brexit. It is all too much for some Europeans. One recent cartoon in a Dutch newspaper portrays EU negotiators looking on with concern as Mrs May repeatedly bashes herself in the head with a hammer.

Mr Barnier, a former foreign minister, is too polite to join the circus of *Schadenfreude*. But his reticence is not just courtesy, for Europe's serious politicians know that the chaos engulfing Britain is their problem, too. Mrs May's vapid sloganeering—"Brexit means Brexit" and the rest of it—grated on European ears as much as British ones, but her point of departure was clear enough: a "hard" Brexit in which Britain will leave the EU's single market and its customs union. This was the premise upon which the EU's 27 remaining governments drew up Mr Barnier's negotiating guidelines and that shaped their thinking about the EU's future relationship with Britain. And like everyone else, they assumed that Mrs May was headed for a stonking win that would endorse her vision for Brexit.

Now everything is up for grabs again. Will some of Mrs May's cabinet colleagues press her to seek a "softer" form of Brexit with deeper links to the EU? Will Britain hold a second election before the Brexit clock runs down? Can this gravely weakened prime minister last the course? Might Britain even try to rescind its Article 50 notification? Such questions complicate the EU's twin aims for Brexit: to ensure an orderly, contained process that neither tips into chaos nor holds up other business, and to preserve the integrity of its legal order (ie, no British "cherry-picking").

Before the election Mrs May had accepted that the price of ending the free movement of Europeans to Britain was an exit from the EU's single market. Instead, Britain would seek a shallower trade deal, including elements of security and judicial co-operation but with less privileged access to Europe's markets. Asked if he is now preparing for a "soft Brexit", Mr Barnier says cheerfully that he remains open to revised offers, including the "Norway option" (membership of the single market in exchange for free movement and large payments to the EU).

But a soft Brexit could be even more complicated to negotiate than a hard one. If Britain decides to offer concessions on migration in exchange for market access, every inch of the trade-off will require bargaining. Mr Barnier had accepted that the unity he had fostered among the rest of the EU's 27 governments, his ultimate political masters, would be tested when the talks begin. It may prove more difficult to hold the line if the EU is confronted with a more conciliatory British proposal. If Britain seeks a Norway-style deal via the European Economic Area, that club's members (Norway, Iceland and Liechtenstein) may be leery of letting in an economy so large that it dominates the group's interests.

All of this will eat up more time. Mr Barnier notes that nearly three months of the allotted two years have passed without a single formal meeting under Article 50. This week he rebuffed British attempts to open pre-negotiation "technical talks" on the grounds that London would be unable to give its negotiator a mandate. Mrs May insists that talks will begin soon after June 19th, as scheduled. But her promises carry ever less weight.

Climbing partners

None of these questions needs to be settled immediately. The Brexit talks, when they at last get under way, will focus first on "divorce" matters, such as the rights of EU citizens in Britain (and vice versa) and a bill covering Britain's outstanding financial obligations. Discussions on the future relationship will begin once "sufficient progress" has been made on the first set of issues; Mr Barnier says he hopes that will happen by the start of 2018.

It is impossible to predict what form British politics will take by then. Yet even if tensions over migration can be eased, European concerns about Britain's ignorance of what Brexit entails will remain. Close integration with the single market requires accepting its rules and the jurisdiction of European courts; hardly "taking back control". Those in Britain now advocating a softer Brexit may have had their hand strengthened by Mrs May's humiliation. But they will still have to overcome those for whom such a Brexit resembles no Brexit at all. And the clock will continue to tick while their disputes play out.

This week Germany and France both said that Europe's door remains open should Britain change its mind on leaving the EU. But a "Breversal" is still unlikely; Britain's Parliament as well as its electorate have voted to quit. If a softer exit looks possible, Europeans should set aside their irritation with Britain and help achieve it, if only for the sake of their own citizens and firms. Negotiations, though, will require goodwill, time and creative thinking, none of which has been much in evidence since the British vote. Mr Barnier still has a mountain to climb.

Britain

Chaos-on-Thames

British politics staggers from crisis to crisis

An election designed to build "strong and stable government" has not gone entirely to plan

Jun 17th 2017

MEMBERS of Parliament returned to the Palace of Westminster on June 13th with politics in a state of disarray. Having called an unnecessary election in order to increase her majority and boost her personal clout, Theresa May succeeded in doing the opposite. The Tories are eight MPs short of a majority. Mrs May's authority is shattered. The great issue at the heart of British politics, withdrawal from the European Union, is once more in flux.

As the scale of the debacle became clear on election night, Mrs May's future was uncertain. George Osborne, a former Tory chancellor, gleefully called her a "dead woman walking". Mrs May reportedly drafted a resignation speech. Potential successors began to manoeuvre.

Mrs May will never lead the Conservative Party into another general election, but her immediate decapitation now looks unlikely. She displayed the right mixture of contrition and strength before the 1922 Committee, a group of backbench Tory MPs, on June 10th, saying that "I'm the person who got us into this mess and I'm the one who will get us out of it." Sir Nicholas Soames, Winston Churchill's grandson and one of the Commons' most accomplished tweeters, turned one of his grandfather's favourite sayings, "Keep buggering on," into a hashtag: #KBOworktodo.

Other defeated party leaders have not been so lucky. Paul Nuttall, the UK Independence Party's third standard-bearer in less than a year, resigned the day after the election. Tim Farron, the Liberal Democrats' leader, quit within the week.

Mrs May survives only on sufferance. Before the election she was an autocratic prime minister. She governed through her co-chiefs of staff, Nicholas Timothy and Fiona Hill, and frequently rode roughshod over the civil service. Now her power has drained away. Her co-chiefs have resigned. She has appointed a liberal Tory, Damian Green, as her deputy prime minister. Philip Hammond, who looked as if he was for the chop before the election, remains as chancellor, his position secure. This marks a return to cabinet government, and to government by Sir Humphrey: turmoil in politics means that the civil service is more powerful than it has been for years. Sir Jeremy Heywood, the cabinet secretary, will be an important source of stability.

A lease with all too short a date

Mrs May owes her survival to fear. First, fear of a Tory civil war. The most prominent candidates to replace her—Boris Johnson, the foreign secretary, and David Davis, the Brexit secretary—are divisive. Their respective critics regard Mr Johnson as an unprincipled bumbler and Mr Davis as a popinjay—"The only man who can swagger while he's sitting down," as one puts it. They are both Brexiteers who would be unacceptable to the party's Europhiles.

Second, fear of a fresh election. Post-election polls put Jeremy Corbyn's Labour Party six or more points ahead of the Tories. So Mrs May clings on in Downing Street, weak and unstable, balancing faction against faction, protected not by any enthusiasm for her or her programme but by fear of Red Jeremy.

Mrs May spent much of the week working on a deal with Northern Ireland's Democratic Unionist Party. The DUP's ten MPs would provide Mrs May with the votes that she needs to form a majority. It has strong historical links with what Mrs May has taken to calling her Conservative and Unionist Party. But it is not an easy partnership. The DUP's opposition to gay marriage and abortion threatens to retoxify the Tory brand. It is also unclear whether Mrs May can form an alliance with the DUP without breaking the terms of the Good Friday Agreement (see article).

Mrs May's problems with her coalition are complicated further by the Conservatives' success in Scotland. Mrs May was kept within striking distance of a majority only by the fact that the Tories won 12 new seats in Scotland under the leadership of Ruth Davidson, a charismatic liberal Tory who is due to marry a same-sex partner. Though Ms Davidson has no seat in Westminster, she is making her influence felt, criticising the DUP's social attitudes and making it clear that Scotland wants as soft a Brexit as possible.

The chaos means that the Queen's Speech, in which the incoming government outlines its plans, will take place two days late, on June 21st. Mrs May will slim down and soften her programme, which was once supposed to solidify a new type of Conservatism that focused on the problems of the "just about managing". The Conservatives have dropped their plans to reintroduce grammar schools and get equity-rich older people to contribute more to the cost of being looked after at home. They have also signalled "an end to austerity", scrapping proposed cuts to schools' budgets and scrambling to find billions more for social care without raiding pensioners' benefits. The party's plan to balance the budget, which had already been postponed until the mid-2020s, has been put off still further.

The chances of good government are reduced by the Tories' civil war over Brexit. The schism deepens the party's problem with talent by making it harder to sack weak performers without raising suspicions of ideological purges. Mrs May has kept several ministers who are singularly lacking in flair. The Brexit department has lost two experienced ministers just as negotiations are due to begin.

It looks as if Mrs May will keep buggering on for a while. But that is hard when the issue of Brexit splits her party and provokes almost primitive passions in some Europhiles and Europhobes. Britain is probably heading for another election before the end of the year and certainly before the end of this parliament. That would necessitate a contest for a new leader—and with it a bloody battle over Brexit. The biggest winner from Britain's turmoil is Mr Corbyn, who was elected Labour's leader almost by accident and who, until just before the election, was holding on to his position by a thread.

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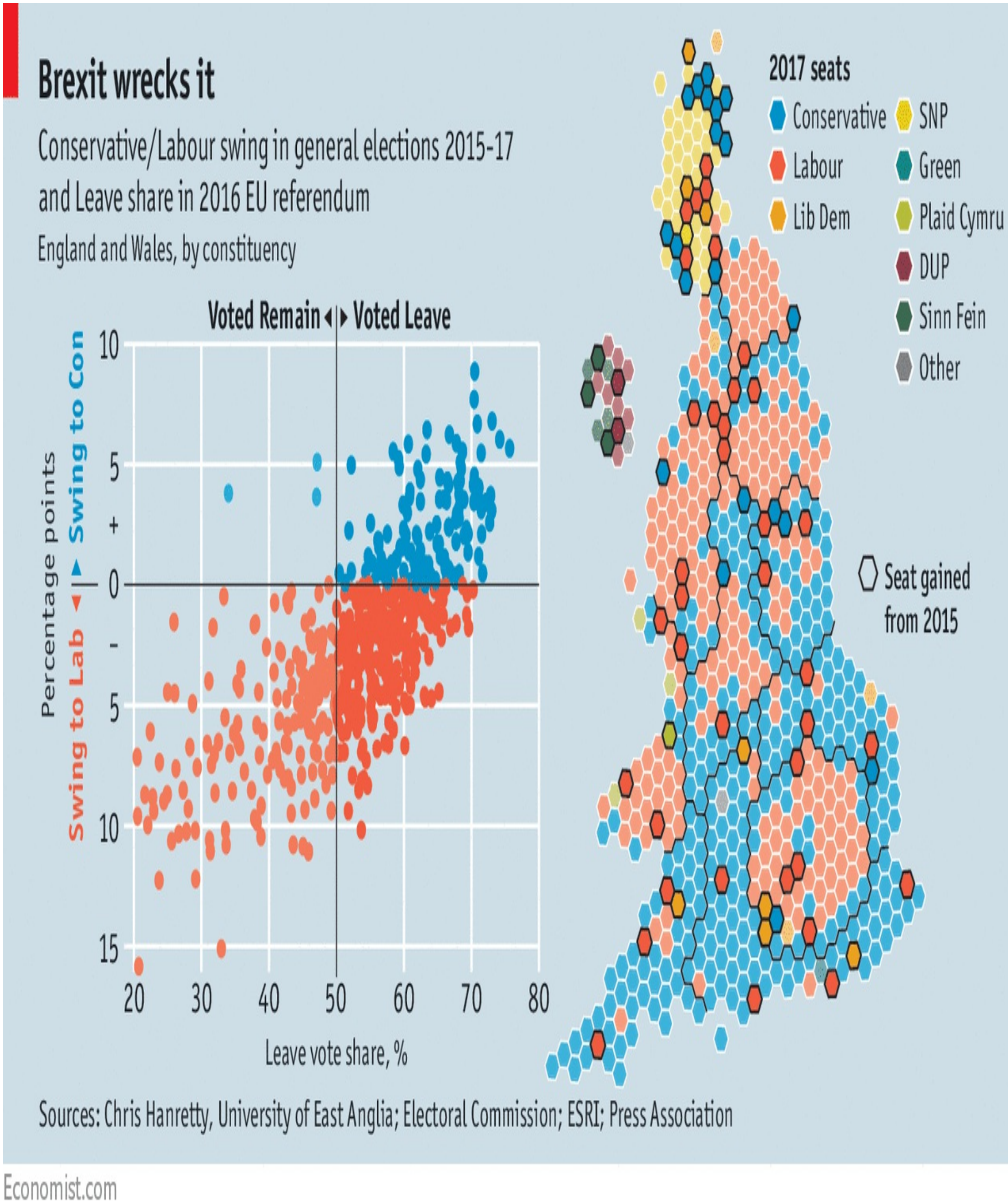
Whodunit?

Post-mortem of Britain’s electoral upset

Turnout, youth and Brexit: the three things that sank the Tories

Jun 17th 2017



THE Conservative Party began the election campaign with an enormous lead and even on election day was expecting to increase its majority. What went wrong?

The biggest unknown ahead of the election was turnout. Labour was wildly popular among the young, but polling firms differed in their estimates of how many young people would vote at all. In the event, Labour's young fans excelled themselves: turnout among people aged 18-24 was 57%, according to a large post-election survey by YouGov, a pollster. That is 14 percentage points greater than in 2015.

Age is now the main determining factor affecting party choice. The "phenomenal" generational divide has never before been so stark, according to John Curtice of NatCen Social Research. Mr Corbyn pulled in young people in droves by promising free university tuition. Labour won 43 of the 60 constituencies where full-time students make up 15% or more of the adult population, five of which it gained from the Tories.

Overall, turnout rose by 2.5 points to 68.7%, the highest since 1997. Seat-by-seat analysis shows that it increased most in areas with large populations of well-educated under-45s; areas that are ethnically diverse; and areas that voted to remain in the European Union last year. That probably cost the Conservatives. Turnout in pro-EU London, where they lost six seats, increased by five points to surpass 70% for the first time since 1992.

Brexit paid some dividends to the Tories. In 2015 the UK Independence Party won 12.6% of the vote with an anti-EU message. With the referendum won, its vote collapsed. About 60% of those who voted for UKIP in 2015 defected to the Conservatives, according to a post-election survey by Lord Ashcroft. The Tories did best in constituencies that voted heavily for Brexit: in six of their eight new English seats the Leave vote was over 60%.

But Brexit hurt the party in other places. Excluding Scotland, there is a strong correlation between swings from the Tories to Labour and the vote in the EU referendum (see chart). By our seat-by-seat analysis, Brexit was responsible for about half of the national swing from the Tories to Labour. Labour said as little as possible about the subject, allowing it to attract voters from both sides of the referendum divide. It gained 18 seats in lukewarm Leave constituencies and 13 in areas that voted Remain.

All told, of the 28 seats the Tories lost to Labour, perhaps 17 can be explained by some combination of higher turnout, large populations of young and educated voters, and opposition to a hard Brexit. That leaves 11 seats dotted around England where those elements were not sufficient to explain the result. Seven years of austerity under the Tories are likely to have counted; so is Theresa May's dour campaign, which failed to learn from the Scottish independence referendum of 2014 that positive messages matter.

It was nearly very different. The Tories lost four seats by 30 votes or fewer. The current distribution of votes means that the number of seats won is more "elastic" relative to vote share than in the past, Mr Curtice notes. A 2.5 percentage-point swing from Labour to the Tories would have won them 29 more seats, giving them a 51-seat working majority—and turning the narrative of Tory disaster into one of triumph.

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A MayDUP alliance

Theresa May risks the peace in Belfast to stay in power

Negotiating a deal with Northern Ireland's unionists casts doubt on the British government's neutrality

Jun 17th 2017 | BELFAST

AS IT became clear that the Conservatives had fallen short of a majority in Parliament, the Democratic Unionist Party (DUP) expressed its delight at the prospect of wielding new clout at Westminster. "We will make our influence felt," its deputy leader, Nigel Dodds, declared, as the party won ten of the 18 seats in Northern Ireland.

A hung parliament has long been the dream result for unionists, since it holds the prospect of transforming their MPs from isolated backbenchers into kingmakers who could have the ear of a prime minister. The unionist *News Letter* reported that the DUP was "openly salivating" at the prospect of such a scenario.

It is an uncomfortable fit. For one thing, the DUP has a fundamentalist wing and opposes gay marriage and abortion (the party's manifesto is "the Bible with fortnightly bin collections", its detractors joke). The Tories have spent years trying to shed their image as the "nasty party". An alliance with the DUP could set that back.

The bigger problem concerns Northern Ireland's peace process. Under the Good Friday Agreement of 1998, which established a devolved government in the province and brought an end to decades of violent conflict, the British government promised to oversee matters with "rigorous impartiality". Nationalists reasonably wonder how it will be able to do that if the main unionist party has the power to bring down the government at any moment.

They are not the only ones. In one of his final acts as Irish prime minister, Enda Kenny contacted Theresa May to express his desire that nothing should put the Good Friday Agreement at risk. Sir John Major, Britain's prime minister in 1990-97, said he worried that the government might no longer be seen as impartial. Jonathan Powell, a British negotiator of the Good Friday Agreement, warned in a *Financial Times* article: "It is supposed to be the British and Irish governments who chair these talks as neutral parties, but Mrs May's government can hardly pretend to be neutral."

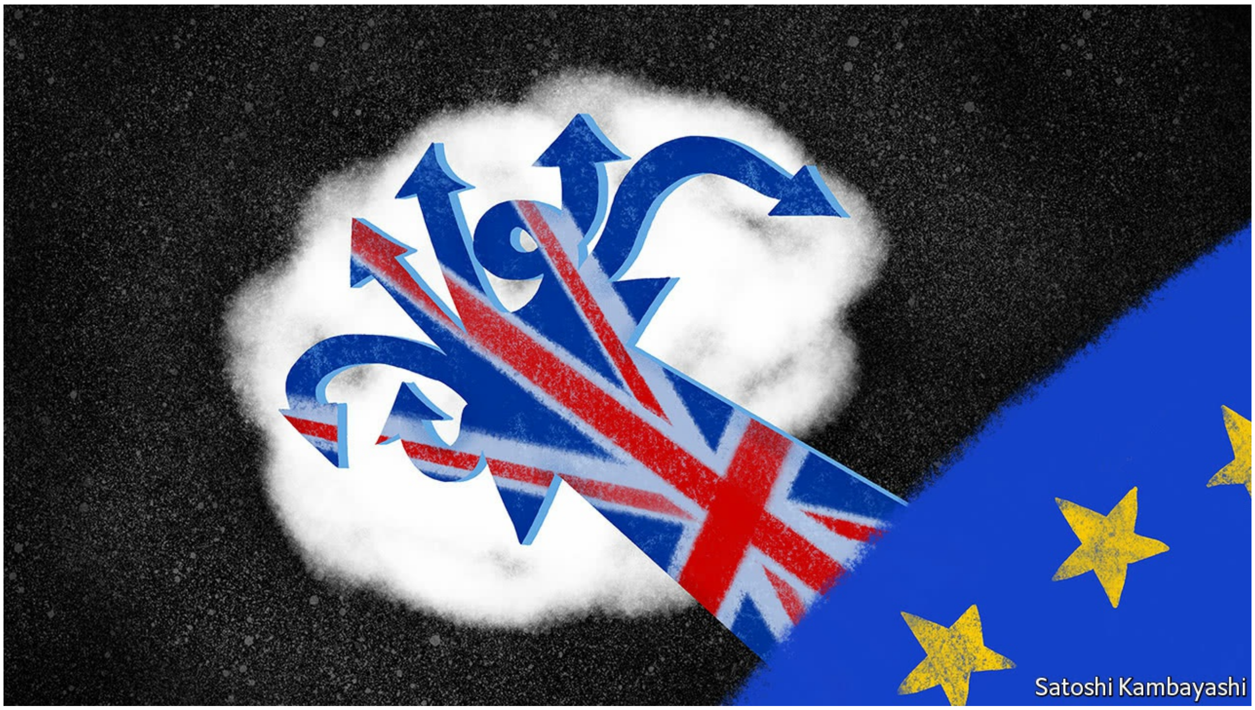
The devolved Stormont assembly has been in cold storage since January, when relations between the DUP and Sinn Fein, the main nationalist party, broke down. The DUP may now focus on its relationship with the Tories, rather than contemplating the compromises necessary for a devolution breakthrough. The party's psychology has changed: it will now be primarily in the business of extracting concessions from Westminster.

There is no sign of a return to widespread violence. But the atmosphere in Northern Ireland has soured. All but one of its MPs are now hardliners. The fragile middle-ground took a battering in the election, with two moderate parties losing all five of their seats, an unmistakable indication that polarisation is becoming deeper. Mrs May's deal with one side in this sensitive, volatile conflict is a gamble.

Britain and the EU

Why May will have to compromise on Brexit

Negotiations will begin on schedule next week, but in a very different political context



Jun 15th 2017

ALTHOUGH little debated during the campaign, Brexit is the government's biggest challenge. Formal talks begin next week despite post-election chaos. The Brexit department in London has just lost two of its four ministers. Nobody knows how long Theresa May will be in Downing Street. Yet the EU's timetable is oblivious to elections. Mrs May's letter invoking Article 50 was sent 11 weeks ago, and a negotiating mandate has been given by the other 27 countries to Michel Barnier at the European Commission. There is no doubt over when Britain is due to leave: two years after Mrs May's letter, on March 29th 2019.

Yet neither side can pretend nothing has changed. Mrs May called the election to win a mandate for her "hard Brexit", prioritising immigration control and escaping the European Court of Justice (ECJ) over the economy. That implied leaving the EU's single market and customs union. But the election gave her no mandate. Some 82% of voters backed parties promising to quit the single market. Yet Labour's commitment was opaque, since it talked of retaining all the market's benefits. And a majority of MPs in both parties were Remainers.

Politics reflects the new circumstances. The appointment of Damian Green, a strong pro-EU figure, as first secretary of state is one sign, albeit partly offset by the choice of Steve Baker, a hard Brexiteer, as a Brexit minister. The prominence of Ruth Davidson, leader of the Scottish Tories, who wants an "open Brexit", is another. Mrs May's Northern Irish partners, the Democratic Unionists, fret over a possible hard border with the Irish Republic. And her political weakness has forced Mrs May to retain the doveish Philip Hammond in a much stronger position at the Treasury. He has declared that voters did not back Brexit to make themselves poorer.

Some Remainers want Mrs May to switch to the softer option of staying in the single market and customs union. A few want to withdraw the Article 50 letter or extend its deadline. But an abrupt change of policy is unlikely. Many Remainers also favour the idea of tougher immigration controls, although the single market precludes them. Most voters now just want to get on with Brexit. Extending the deadline requires unanimous support from the 27, which is unlikely to be forthcoming.

Yet it is possible to draw three broad conclusions about where next for Brexit. One is that Mrs May's priorities will have to change to put the economy and jobs first. That means listening to British business. A new report from the Harvard Kennedy School ("Making Brexit work for British Business"), based on many interviews, stresses the case for barrier-free access to the single market, more talented immigrants and continuing engagement with EU regulatory agencies. This suggests it would be wise to keep open both the single-market and customs-union options.

A second is that the vast quantity of Brexit-related legislation, described recently by Lord Judge as a tsunami, will be far harder to process in a hung parliament. And that points to a need for cross-party collaboration. Even David Cameron, Mrs May's predecessor, has called for this. It may be tricky formally to involve other parties in the Brexit negotiations, not least because they have little reason to help Mrs May. But compromises will be necessary to get the Great Repeal Bill and other laws through both parliamentary houses.

The third is that far more time is needed than is available. Mrs May will now surely have to accept the EU's sequencing plan, which means dealing with the Article 50 divorce before discussing new trade arrangements. That makes a case for more generosity from the British side, particularly over EU citizens in Britain and the sums needed to pay the "Brexit bill". But even then, negotiations on a deep and special trade partnership will take a lot longer than the year or so likely to be left before the Article 50 deadline. To avoid a cliff-edge exit of "no deal" thus requires a transition. And the only plausible transition on offer will be to keep the status quo, which implies continuing free movement of people, budget payments and the ECJ.

The end-point for Brexit is far less certain, though some clarity may be needed before entering any transition. It could still be Mrs May's hard Brexit, with a relationship analogous to the EU's planned deals with Canada or Ukraine. But it might equally be a softer Brexit into a relationship more like Norway's or Switzerland's, which could mean retention of either or both the single market and customs union. There is surely scope for some creative additions to these. On migration, for instance, Britain might secure an emergency brake (as Norway has) or permission to offer jobs first to British nationals. Subjection to the ECJ could be partly disguised by deft use of the EFTA court, like Switzerland.

The economic outlook matters: hence Mr Hammond's new clout. Growth has slowed in Britain but picked up in the rest of the EU. Not only will that make voters more aware of the potential costs of Brexit, but also it will mean that net EU migration continues to fall sharply. In a year's time, there could just be a better chance of compromises that suit all sides.

The calm after the storm

Investors warm to the idea of a hung parliament

The chancellor has talked of reaching “a Brexit deal that supports British jobs, business and prosperity”

Jun 15th 2017

BEFORE the election Britain had already been looking increasingly unattractive to investors. With the Brexit negotiations still to begin, the economy had become the slowest-growing of the G7. Skilled foreigners had begun to shun the country as a place to work. The last thing businesspeople wanted was more uncertainty.

Yet that is exactly what a hung parliament has produced. The pound fell by 2% in a matter of minutes following the publication of an exit poll at 10pm on June 8th which showed the Conservatives losing their majority. In the next days a widely watched index of economic uncertainty, calculated through analysis of newspaper articles, spiked. Business confidence fell, according to a survey by the Institute of Directors, a business lobby group.

One concern for business is that Jeremy Corbyn, Labour's far-left leader, has moved closer to Downing Street. Mrs May will rely on other parties for support in Parliament. If that were withdrawn, another election could follow. In its manifesto Labour pledged to raise corporation tax from 19% to 26% and slightly increase the burden on high earners. In reality, fulfilling its spending commitments would require even bigger tax rises. That prospect is offputting to investors.

Even if Mr Corbyn never becomes prime minister, the Tories' weakness is a worry. With Mrs May desperate to keep everyone sweet, painful but desirable structural reforms will be shelved. For instance, Philip Hammond, the chancellor, will struggle to achieve his sensible ambition to harmonise the way in which employed and self-employed folk pay national-insurance contributions.

Yet the hung parliament brings opportunities as well as risks. In recent days sterling has stabilised. A week on from the election, the pound was only marginally weaker than before the vote. The uncertainty index has bounced back.

Some hope that the Tories will embrace a more expansionary fiscal policy, which could pep up economic growth. In voting for Labour in unexpectedly high numbers, Britons signalled that they were fed up with austerity. Fortunately, the government has some room to ease back on fiscal consolidation. According to one of Mr Hammond's "fiscal rules" he is supposed to reduce the budget deficit, adjusted for the economic cycle, to below 2% of GDP by 2020-21. On current forecasts this implies that he has around £30bn ($38bn) of fiscal room for manoeuvre.

The biggest potential upside of the hung parliament, however, concerns Brexit. In the run-up to the election traders were hoping for a big victory for Mrs May. In the bars of Canary Wharf there was a clear consensus: with a large majority she could ignore the ultra-Brexiteers in her party, making it easier for her to reach a workable agreement with the EU.

Yet investors are slowly coming around to a new idea. A weakened Mrs May could be good after all. The electorate has not endorsed her plan to slash immigration. Mr Hammond has pointedly talked of reaching "a Brexit deal that supports British jobs, business and prosperity.” Britain is still racked by uncertainty, yet investors dare to hope for something better.

Inferno in the capital

A deadly fire in a London tower prompts sharp questions

Residents say their warnings went unheeded for years

Jun 17th 2017

THE fire began in the early hours of June 14th on a lower floor of Grenfell Tower, a building erected as part of Kensington and Chelsea's slum-clearance programme in the 1970s. Its 24 floors were consumed by flames as inhabitants attempted to escape. Twelve were confirmed to have died and more than 70 were treated in hospital. Police said that the number of casualties would rise.

Some residents said they were not woken by smoke alarms, that there were no sprinklers and that recently installed cladding had seemed particularly flammable. Councils normally advise residents of towers to stay put during fires, since the buildings are designed to contain the flames until the emergency services arrive. In this case, that advice may have put people in danger.

Residents had previously complained to the Kensington and Chelsea Tower Management Organisation (KCTMO), which runs the tower, about the building's vulnerability to fire. In 2013 they warned that safety equipment had not been tested; last year they protested that the landlords had been slow to clear debris from the exits. KCTMO says it is aware that concerns had been raised.

In 2009 a fire killed six people in a block in south London. An MPs' investigation said the government ought to review fire regulations in towers. No such review has been published. Among the housing ministers since then was Gavin Barwell, Theresa May's new chief of staff.

The partial collapse of Ronan Point Tower in east London in 1968 led to an overhaul of building regulations. Grenfell Tower was among the first blocks subject to the new rules. It may now inspire an inquiry of its own.

The election in Scotland

Ruth Davidson, Queen of Scots

The Scottish Conservatives win a dozen more seats and new role in Westminster

Jun 15th 2017 | EDINBURGH

AFTER Britain voted to leave the European Union, Nicola Sturgeon spied an opportunity to use that referendum to re-run another. The leader of the Scottish National Party (SNP) took the Scots' 62-38% vote to stay in the EU as a reason to call for a second referendum on independence, which voters north of the border had rejected by 55-45% in 2014. As it turned out, however, many Scots have had it with the ballot box. In the general election on June 8th they dealt a blow to Mrs Sturgeon's independence ambitions.

Her party remains the most popular in Scotland. But it fell precipitously from the highs it reached in 2015, when lifelong Labour voters who had backed independence migrated in huge numbers to the SNP, handing it 56 of Scotland's 59 seats with nearly 50% of the vote. This time it took just 35 seats, with 37% of the vote. Mrs Sturgeon, who is also Scotland's first minister, remains powerful, but she is damaged. For the first time in more than a decade the SNP has lost momentum.

By contrast Ruth Davidson, the leader of the Scottish Conservatives, is buoyant. Her party won 13 seats, up from only one in 2015, and 29% of the vote, nearly double its previous share. It redrew the electoral map, sweeping areas outside Scotland's populous central belt. The north-east, south-west and the borders have patches of blue. Without the effervescence of the smiley, mouthy, sharp-witted 38-year-old, the Scottish Tories would not have done as well; without those seats, Theresa May would not have been able to cling on as prime minister.

That means Ms Davidson—a member of the Scottish Parliament—will wield more influence in Westminster than Ms Sturgeon, especially when it comes to Brexit. Whereas the first minister is insisting that the devolved governments of Scotland, Wales and Northern Ireland have a say in the Brexit negotiations, Ms Davidson, who supported staying in the EU, actually has one. She attended cabinet on June 12th and has already called for a more "open" Brexit.

She has also said the 13 Scottish Tory MPs will act as a "separate party" to the rest of the Conservatives. Such a stance raises the prospect that Scottish politics will begin to look more federalised, with the main Britain-wide parties having ever more distinct identities north of the border.

Opposition to another independence referendum was vital to the Tories' surge, as well as to the success of the Liberal Democrats (who returned four MPs in Scotland, compared with only one in the previous election) and, to a lesser extent, Labour (which now has seven, also up from just one). If 2015 was the election in which supporters of secession flocked to the SNP, 2017 was the one in which unionists moved to the party best placed to defeat it. Mainly that was the Conservatives.

It would be premature to conclude that the vote scotches any chance of another independence referendum. Polls on secession remain roughly where they were three years ago. It is likely that many Yes voters opted for Labour this time around but would still lean towards independence in any plebiscite. But the result will quieten talk on constitutional issues until nearer the next Holyrood election, in 2021. If that makes the SNP focus on the job of delivering public services in Scotland then that is all the better.

The election proves that Conservatism is no longer a dirty word in Scotland. And as Tories south of the border reflect on the future of their party they will look to Ms Davidson's achievements. Unlike Mrs May, the Scottish leader offers a sunny, liberal version of Conservatism. Though she insists she has no desire to move south, she would surely be in the running to succeed Mrs May if only she were an MP in Westminster. Many Tories wish that she was.

We will cite him in our speeches

The resurrection of Winston Churchill

At odds with Europe, Britain pines for a strong and stable leader

Jun 17th 2017

IN A country led by the weak and wobbly, a hulking figure from the past looms larger than ever. “Forward, Together”, the title of Theresa May’s election manifesto, was borrowed from Winston Churchill’s first speech as prime minister in the House of Commons in 1940. Fans of Jeremy Corbyn claim that the crowds at Labour’s rallies were as big as those drawn by the British Bulldog. Liberal Democrats can choose to put a photo of him on their party membership card—never mind that he spent most of his career representing the Conservatives.

Churchill has been invoked on both sides of the Brexit debate. Boris Johnson, the foreign secretary and bestselling biographer of “the greatest statesman this country has produced in the last 200 years, if not ever”, opined that Churchill “would definitely campaign for us to leave”. David Cameron noted that he “argued passionately for western Europe to come together” after the second world war, making him a Remainer. And Guy Verhofstadt, the European Parliament's Brexit point-man, stated that Leavers had "squandered Churchill's legacy".

This renewed obsession has been reflected in popular culture, too. Recently Churchill has been hobbling across television and film screens more than ever. "Churchill's Secret", a made-for-TV film released in February 2016, and "The Crown", a series which made its debut on Netflix in November 2016, focused on his second term as prime minister, from 1951 to 1955, but used this to consider his former glory and highlight the respect he commanded across the parliamentary divide. The second season of "The Crown", expected this year, is likely to cover Churchill's death in 1965, allowing for further reflections on his greatness.

"Churchill", the latest film, will be released in Britain on June 16th; it follows the prime minister as he clashes with allied military commanders in the lead-up to the D-Day landings. Hagiographic in tone, its script contains such gems as "I just saved the war!", "You'll always be the man who led us through this" and "It's no easy matter being a leader." Viewers can expect more of the same fare from "Darkest Hour", a film set in 1940 that is due to be released in January next year.

Churchill will doubtless be evoked throughout the Brexit negotiations. But the effect may be more poignant than stirring. On hearing that the great statesman had died, Charles de Gaulle, his French counterpart, remarked: "Britain is no longer a great power." As the country begins haggling for a new place in the world, with no steady hand at the rudder, the truth of that remark will become painfully clear.

Bagehot

Jeremy Corbyn, entrepreneur

Labour’s leader has disrupted the business of politics

Jun 15th 2017

THE most influential business idea of recent years is Clayton Christensen’s theory of disruptive innovation. It is celebrated because it explains why so many tech companies come from nowhere to revolutionise their industries. But it also provides a good analysis of Jeremy Corbyn’s success in taking the Labour Party to the edge of power.

Mr Christensen, who teaches at the Harvard Business School, argues that the most interesting businesses start life on the margins. They succeed by spotting underserved markets and inventing ways of reaching them. Disruptive innovators start off by producing unpolished products for the bottom of the market. Successful incumbents dismiss them as cranks. But as they improve their products they end up revolutionising their markets and humbling yesterday’s incumbents. Think of classified ads (Craigslist), long-distance calls (Skype), record stores (iTunes), taxis (Uber) and newspapers (Twitter).

Jeremy Corbyn, Labour's leader, spent 30 years on the margins of British political life, from entering Parliament as the MP for Islington North in 1983 to winning the leadership of the Labour Party in 2015. He was treated as at best a harmless eccentric who liked making his own jam and at worst a terrorist-sympathiser who threatened the Labour brand. But he spotted the biggest underserved market in British politics—the young—and provided it with what it wanted: the promise of a new kind of politics.

Youngish people, particularly 18- to 30-year-olds but also those in their 30s, have been abysmally treated by the British establishment. They have borne the brunt of the introduction of a pay-as-you-go welfare state, taking out big student loans while even rich old people get free bus passes and winter-fuel allowances. They have also been the victims of house-price inflation. Whereas older people have seen their homes rise in value, the young have struggled to get on the property ladder.

The 68-year-old Mr Corbyn turned himself into the champion of the young in part by resorting to the ancient art of buying votes, with a promise to get rid of university tuition fees. But he offered hope and enthusiasm as well as money. He reintroduced phrases that had been banned during the long, technocratic years of New Labour, such as "social justice". He talked about promoting universal peace rather than nuclear deterrents. He even looked different from traditional politicians. Tony Blair forced his troops to dress in suits to impress middle England. Mr Corbyn sports a beard and looks unhappy in a tie.

Labour's leader produced a new business model to cater for underserved audiences. Under the old one, politics was primarily done by professionals—the MPs—who chose their leader and went to the public every few years. Mr Corbyn advanced a participatory model in which MPs played second fiddle to Labour Party members and their vanguard of activists in groups such as Momentum. He will use his newfound power to push this revolution further: at the Labour Party conference in September, for example, he will try to reduce the percentage of MPs and MEPs required to nominate a candidate for leader from 15% to 5%.

Under the old business model the Labour Party did everything it could to avoid the "tax and spend" label. Mr Corbyn argued that the country was sick of austerity and inequality. His manifesto promised to nationalise industries, empower trade unions and boost public spending. Under the old model the left ran scared of the media. Mr Corbyn decided that the tabloids were not so much Rottweilers as paper tigers edited by old people who failed to realise that twenty- and thirtysomethings didn't relate to stories about the IRA and the three-day-week.

New business models were combined with clever use of new technologies. Labour used a track by Lily Allen, a sympathetic popstar, to accompany a heart-warming video about how wonderful Britain might be if only it weren't run by the wrong sort of people. But much of the social-media energy came from activists. Two young women created a program on Tinder, a dating app, to encourage potential dates to vote Labour. Corbynistas created websites such as The Canary, Evolve Politics and Skwawkbox. Facebook shares amplified the cacophony. The story of this election was not a Conservative collapse but a Labour surge, with Mrs May winning 42.4% of the vote and Labour 40%, an increase of ten points since 2015. Lord Ashcroft's survey of 14,000 people on election day found that two-thirds of those aged 18-24 voted Labour, as did more than half of those aged 25-34. The first group to break substantially for the Tories was people aged over 55.

From outsider to incumbent

Mr Corbyn is now enjoying the revenge of all disruptive innovators. Moderate Labour MPs such as Chuka Umunna, who had been convinced that Mr Corbyn would go down to a catastrophic election defeat, are now lobbying for jobs in his cabinet. One reason why Theresa May called an election was that she was convinced that nobody would vote for such an extremist. Now one of the few things keeping the Tory party from tearing itself apart is fear that Mr Corbyn will win the next election.

The essence of disruptive innovation is that it is uncertain. For every Google there are several Netscapes. Winner though he may seem, Mr Corbyn is still 64 seats short of a parliamentary majority. His hard-left supporters could overplay their hand, particularly by driving Blairite "saboteurs" out of the party. Many people voted for Mr Corbyn on the assumption that he wouldn't win: they wanted to give the Tories a bloody nose, not Mr Corbyn the keys to 10 Downing Street. Mainstream Labour MPs will turn on him at the first sign that his policies are not delivering. But for the time being the momentum is with him. R.A. Butler, a former Tory grandee, once describe politics as the “art of the possible”. Whether or not he ends up in Downing Street, Mr Corbyn has undoubtedly redefined the boundaries of the possible.

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International

- **Election forecasting: Democracy’s whipping boys** [Sat, 17 Jun 09:10]

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Democracy's whipping boys

Britain's election is the latest occasion to bash pollsters

But their sins are exaggerated, and their praises unsung

Jun 17th 2017

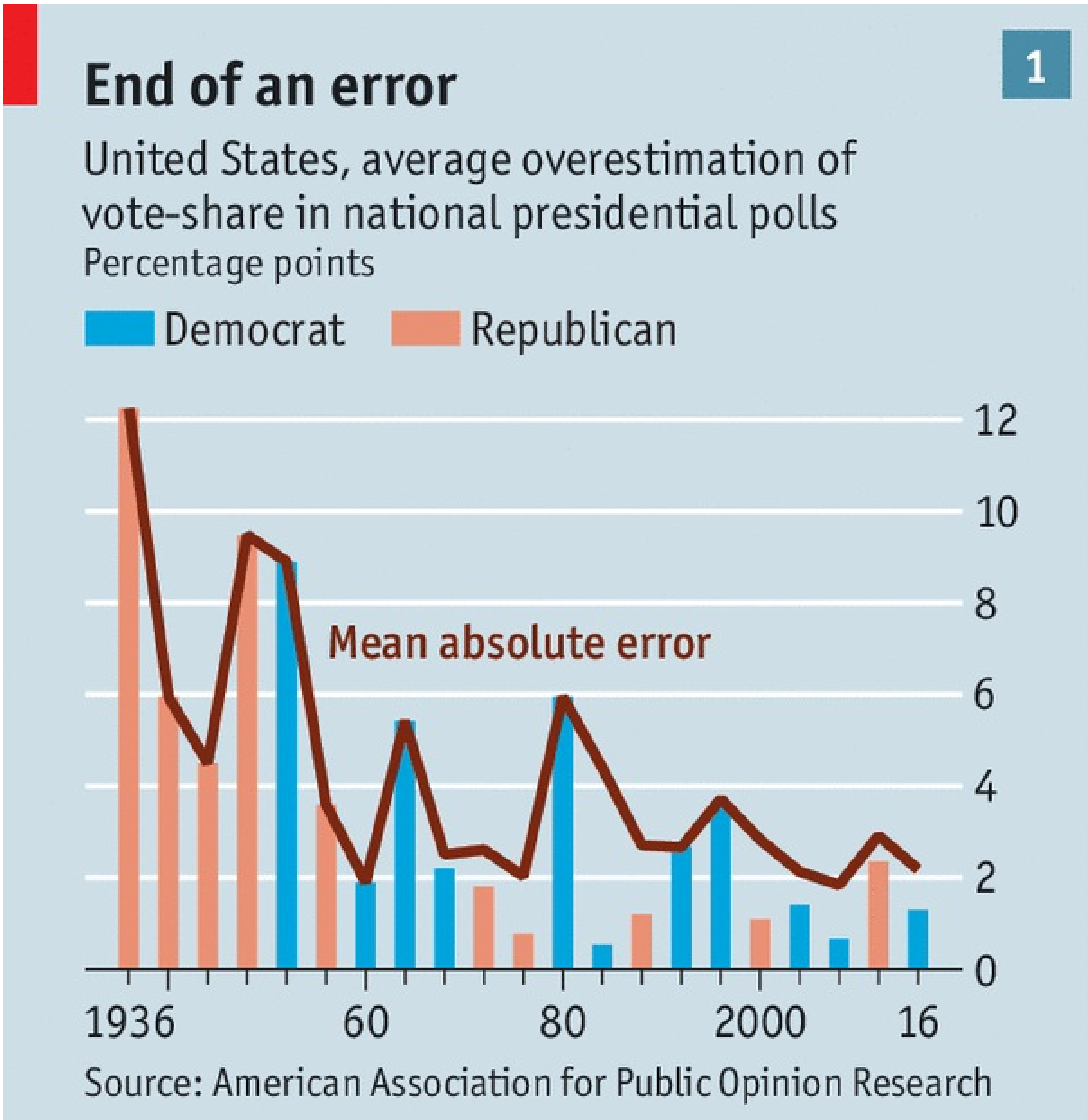
WESTMINSTER was agog. On May 31st, eight days before Britain's general election, the *Times* splashed on YouGov's forecast of a hung parliament. Other pollsters were predicting an average lead of eight percentage points for the incumbent Conservatives. Party grandees, sure that Theresa May, the prime minister, would secure a big majority, rubbished the prediction—as did officials from the opposition Labour Party, convinced they were heading for defeat. Jim Messina, a former campaign manager for Barack Obama who flew in to advise the Conservatives, tweeted that he had "spent the day laughing at yet another stupid poll".

On the eve of the election, the polling average put the Conservatives at 44% of the vote, and Labour at 36%. In the event, Labour beat expectations by five percentage points, gaining 30 seats and denying Mrs May a majority. YouGov was vindicated. Mr Messina has not tweeted since.

Critics of polling spy a pattern. They cite a series of surprise results leading up to the latest: the Conservatives' narrow win in Britain in 2015, after predictions of a hung parliament; last year's vote for Britain to leave the European Union, after every big political party campaigned to stay; and Donald Trump's successful insurgent campaign for the American presidency.

Sam Wang, a neuroscience professor at Princeton and part-time psephologist, kept a pre-election promise to eat an insect on live television if Mr Trump won more than 240 electoral-college votes. Some Britons also made foolhardy food wagers. In 2015 Paddy Ashdown, a former leader of the Liberal Democrats, a small party, said he would eat his hat after pooh-poohing the exit poll (one specially made of marzipan was later presented to him). Last week Matthew Goodwin, a political scientist, went one better by eating a copy of his book about Brexit (again, on live television) after he insisted that Labour had no chance of getting 38% of the vote.

Statistical models of election outcomes attempt to quantify the uncertainty in polls' central findings by generating probability estimates for various outcomes. Some put Hillary Clinton's chance of victory against Mr Trump above 99% (Mr Wang came to grief because his model almost totally discounted the chance the polls in battleground states were all askew). Among the model-makers, Nate Silver, an American journalist, was a shining success. He came to prominence by using polling averages to call every state correctly in the presidential contest of 2012. Indeed, that success may have encouraged misplaced faith in statistical models. He did as badly as the pollsters before Britain's election in 2015. But he rightly spied uncertainty in the Trump-Clinton race, and stuck to his guns despite much ridicule.



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Predicting the outcome of elections is an inherently chancy endeavour. “If you look into the crystal ball,” says an experienced pollster, “you’ve got to be ready to eat ground glass.” In fact, the accuracy of polling in developed countries has not declined over the past half-century. American pollsters’ predictions for presidential races are even improving (see chart 1). Last week’s five-point average error in Britain was not far from the average of 4.3 points in general elections since 1979.

But pollsters' job is getting harder. The number of people willing to answer their questions is plummeting. Of every ten people in rich countries they contact by telephone, at least nine now refuse to talk. New political faultlines are complicating their efforts to find representative groups to question, and voters' changing behaviour blindsides them as they try to discern the truth behind polling responses. Old political allegiances are weakening and public opinion is becoming more fickle. Confidence in polling has been shaken. Pollsters are scrambling to regain it.

One of the problems they face is beyond them to fix: electoral systems that confound shares of the total vote. Mrs Clinton defeated Mr Trump in the popular vote by 2.1 percentage points—within one point of the average polling prediction—but lost because of the rules of the electoral college. Britain's first-past-the-post system regularly produces parliaments that only hazily reflect national vote shares; in 2015 the nativist UK Independence Party got 12.6% of the vote, but just one of 650 seats. Though pollsters urge caution in translating vote shares into final results, that warning often goes ignored.

In such systems, knife-edge local contests can be decisive. Just 77,747 extra votes distributed suitably across Michigan, Wisconsin and Pennsylvania would have netted Mrs Clinton 46 more electoral-college votes, enough to take the White House. A total of just 75 British voters switching to the Conservatives, in the seats where they lost by the narrowest margins, could have given Mrs May a working majority. British pollsters would still have got the vote share badly wrong. But they would have come in for less criticism, since their central prediction would have fallen on the right side. Like servants and goalies, pollsters are noticed only when they fail.

As for the Brexit referendum, more polls had put Leave than Remain ahead. "The message of the polls was, it's very much a toss-up," says John Curtice of Strathclyde University. But that got lost as the two big parties campaigned for Remain, and newspaper columnists simply could not believe that so many British voters would really plump for the upheaval of leaving the EU.

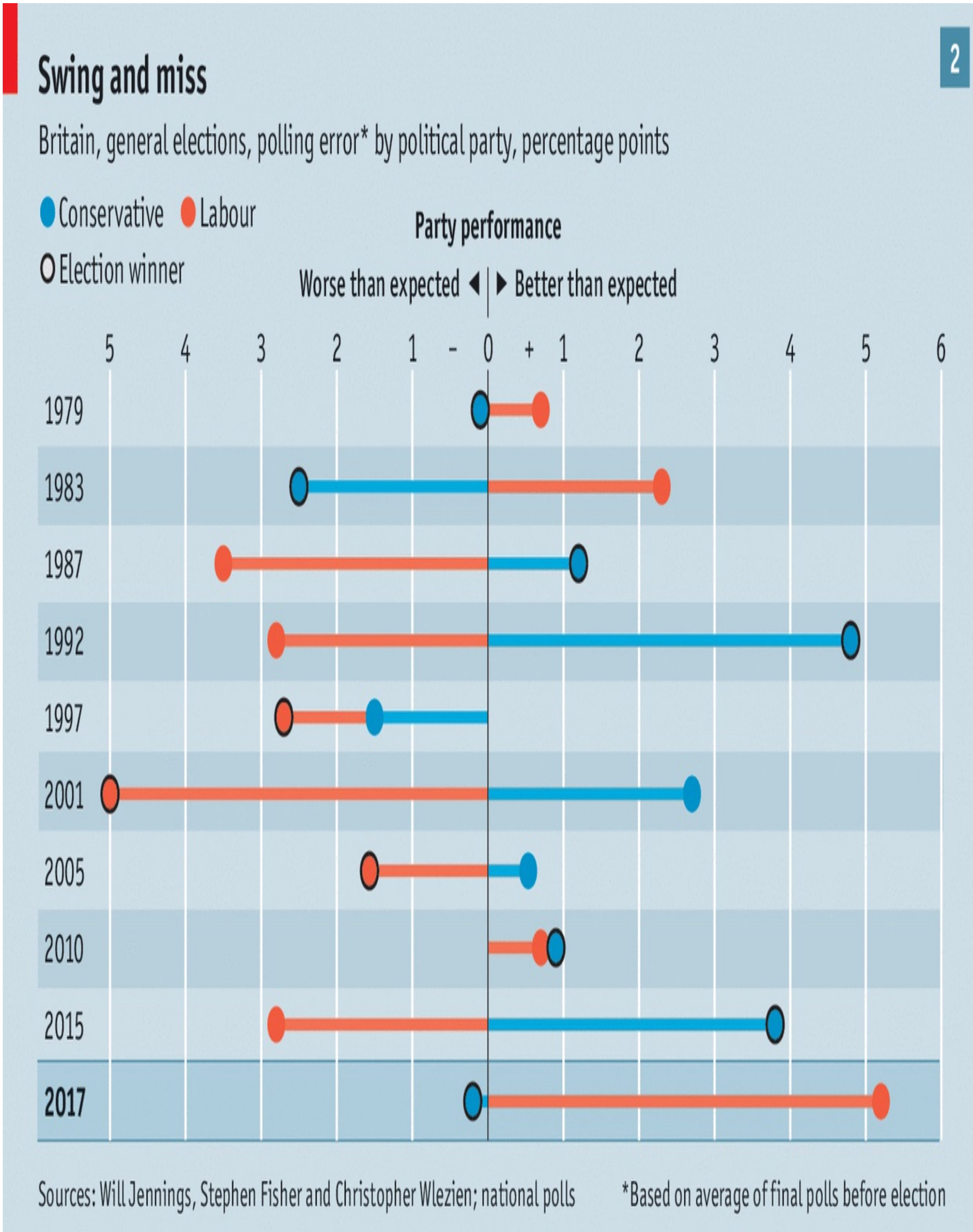
The widespread impression that polls are bunk may also have been partly due to the much-publicised betting odds offered online. Earlier this century, online betting exchanges beat pollsters before several big elections. Economists argued that the forecasts made by punters with money on the line were likely to be more considered than the sometimes offhand responses given to pollsters. But the betting markets have flunked their recent tests. Bettors favoured a Remain victory, a Clinton presidency and a Conservative parliamentary majority, with closing odds of more than 80%.

Last week's election in Britain weakened the evidence for the theory that campaigns have little effect on voting behaviour, advanced by many political scientists. Mrs May's support seems to have plunged during her dismal campaign: Survation, the pollster that most accurately predicted the final result on the eve of the election, and YouGov both gave her party double-digit leads just three weeks before election day. Picking up such rapid changes in public sentiment is straightforward, though not cheap: it requires larger sample sizes and more frequent surveys. These also help with the "noise" found in any random sample, which pollsters refer to as sampling error.

Far more intractable is the bias that creeps in when samples are not representative of the electorate. Taking bigger samples does not help. The margins of error cited by pollsters refer to the caution appropriate to sampling error, not to this flaw, which is revealed only on polling day.

A striking example came in 1936, when *Literary Digest*, a weekly American magazine, asked its affluent readers whom they would vote for in that year's presidential election. Nearly 2m replied. But the sample, though large, was horribly biased. Based on it, *Literary Digest* forecast a landslide for Alf Landon. He went on to lose all but two states to Franklin Roosevelt.

Poll another day



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When Mrs May announced this year's snap election, British pollsters had not yet got their houses fully in order after their failure in 2015. An inquiry by the British Polling Council, an industry group, blamed unrepresentative samples: British polls have long tended to overstate support for Labour and understate support for the Conservatives (see chart 2).

Faced with an election much sooner than they had expected, they made rushed tweaks in the hope of correcting this bias. That led to a wide variation in their predictions. On the eve of the election they pegged the Conservative lead as anywhere between one point and 13. One pollster, whose firm predicted a double-digit lead, says that his "golden rule" was to adopt any plausible adjustment that would take a point or two off Labour and reallocate that share to the Conservatives.

Such adjustments seem to have contributed to the latest miss. Preliminary estimates by Will Jennings and Patrick Sturgis of Southampton University suggest that fixes intended to account for variable turnout—in previous elections, declared Labour supporters have been less likely than others to end up casting a vote—increased the average estimate of the Conservative vote share by five percentage points. Survation credits its success to sticking closer to the raw numbers. "It's the ultimate Greek tragedy, isn't it?" says Michael Turner of BMG Research, the pollster that gave the Conservatives the largest lead. "What you do to correct the error ends up causing it."

Internet-polling companies try to sidestep sampling bias by recruiting large, stable "panels" made up of the right numbers of the educated, the young and so on, from which they pick representative samples each time they run a poll. But this can still produce poor results. After finding that its internet polling in 2015 oversampled politically engaged voters, who tend to be leftish, YouGov tried hard to recruit less-engaged voters to its panel.

For telephone and face-to-face pollsters, who try to avoid bias by choosing randomly from a list of telephone numbers or addresses, another problem looms. Across the rich world, they are struggling to find anyone willing to talk to them. In 1980, 72% of Americans responded to a phone call seeking their opinion. That share had plummeted to 8% by 2012, and has kept falling. Last year, less than 1% of calls received a reply. Essential government statistics, such as figures on consumer confidence, unemployment and household income, are also being undermined by fading willingness to respond to official surveys.

Pollsters would not worry so much if everyone were equally unlikely to respond. But some types of people are more reluctant than others. Pollsters refer to this variation as non-response bias. According to Matt Lackey of Civis Analytics, a data-science firm, it now takes an American pollster 350 calls to find a young Latino man willing to answer questions—21 times as many calls as required for an elderly white woman. Low response rates contributed to the failures of predictions in individual states before last year's presidential election. "The biggest misses…were in places with low-educated voters," says Mr Lackey. "And those were also the places that had the lowest response rates."

Weight, weight, don't tell me

To deal with non-response bias, pollsters try to correct their samples by a process known as weighting. The idea is simple: if one group is likelier to respond to a survey than another, giving a lower weight to the first group's answers ought to set matters right. The procedure is well-established and respectable: all pollsters weight their samples to correct for the differences in response rates between large demographic groups, and usually by similar amounts to each other.

But adjusting weights is also one of the ways pollsters can do what political scientists call "herding". If one weighting scheme produces a seemingly outlandish result, the temptation is to tweak it. "There's an enormous pressure for conformity," says Ann Selzer, an American pollster. Polls can thus narrow around a false consensus, creating unwarranted certainty about the eventual outcome.

Not what he was expecting

The British Polling Council tries to discourage herding by requiring its members to publicise any changes they make to their methodologies. Before the most recent election, British pollsters largely managed to resist the temptation—though YouGov's final prediction, which relied on different methods from those used for the one in the *Times*, put the Conservatives' lead at seven points, close to the average for other pollsters. And seven of the eight pollsters who predicted the outcome of the Brexit referendum adjusted their methods late in the campaign. All of those revisions favoured Remain by at least one percentage point.

To make weighting work, pollsters must pull off two difficult tricks. The first is to divide their samples into appropriate subgroups. Age, sex, ethnicity, social class and party affiliation are perennial favourites. The second is to choose appropriate weights for each group. This is usually done with the help of a previous election's exit poll, or the most recent census.

But the old political dividing lines are being replaced by new ones. Increasingly, samples must be weighted to match the voting population for a much larger set of characteristics than was previously needed. Levels of education, household income and vaguer measures such as people's feelings of connection to their communities have all started to be salient. Before the Brexit vote, both the Conservatives and Labour supported remaining in the EU, but their supporters split. Well-educated people voted heavily for Remain. Those with authoritarian leanings split for Leave by 66%, according to an analysis by NatCen, a social-research organisation. Age, always a factor in voting behaviour, is becoming more important. Young Britons seem to have plumped for Labour by an overwhelming 40-point margin last week, while the oldest were even keener than usual on the Conservatives.

The latest dividing line is disaffection. Unusually high turnout by white Americans living in rural areas, most of whom have low levels of education and a long history of political disengagement, helped propel Mr Trump to his narrow victory. Voters with poorer health and lower social cohesion, as measured by low expressed willingness to co-operate with others, also favoured Mr Trump. Many Britons who did not bother to vote in 2015 turned out for the EU referendum; they favoured Leave by a 20-point margin.

Even when pollsters do break their samples into appropriate groups, voters' changing behaviour can still trip them up. Most British pollsters, for example, assigned lower weights to young people's responses to reflect their habitually low turnout: just 43% of under-24s voted in the previous general election, compared with 66% across all age groups. But those that most heavily discounted the young portion of their samples did worst in their predictions this time round, suggesting that the youth vote rose. The past is also little help in deciding how to weight samples before one-off votes like the referendums in Britain, Italy and Colombia last year.

Spotting new electoral rifts and changing electoral habits will require much more data (and data science) than pollsters now use. And picking up changing social attitudes means measuring them, too—which will take never-ending checks and adjustments, since those measurements will suffer from the same problems as pre-election polls. Pollsters will also have to improve their handling of differential turnout and undecided voters. Most accept self-reported intention to vote, which turns out to be a poor guide. And they often assume that undecided voters will either stay away or eventually split the same way as everyone else, which seems not to have been the case in recent contests.

And dealing with declining response rates will probably require new ways to contact prospective voters. During the early days of internet polling, many feared that online samples were bound to be unrepresentative, mainly because they would include too few older people. But Britain's online pollsters silenced their critics in the Brexit vote, where they came two percentage points closer than telephone pollsters to the result. Some startups are now testing what they call "programmatic sampling": advertising very short surveys to smartphone users. Google, which runs bespoke market surveys for companies, tries to ensure representative samples by using browsing history to guess respondents' demographics.

Finally, pollsters will have to become more statistically sophisticated. Sampling 1,000-2,000 people and massaging their responses to correct for past errors looks increasingly antiquated. YouGov's recent success was based on rolling questionnaires administered daily to 7,000 people from a 50,000-strong online panel, with the results combined using advanced number-crunching known as "multilevel regression and post-stratification".

Whither forecasting

Perhaps pollsters' strongest defence is that no one else does better. In 2012 Peggy Noonan, an American columnist, contended that Mitt Romney would defeat Mr Obama because she had seen more Romney yard signs. Other commentators have based election predictions on nothing more than attendance at rallies or the volume of partisan posts on social media.

If such guesswork was all there was to go on, many more election results would be shocks. They would routinely cause market turmoil. From one vote to another, politicians would have no way to gauge the public mood. Turnout would suffer: a recent study of Swiss referendums found that it rose in close votes, but only when there were pre-vote polls. Pollsters sometimes deserve a kicking. But without them, democracies would fare worse.

Business

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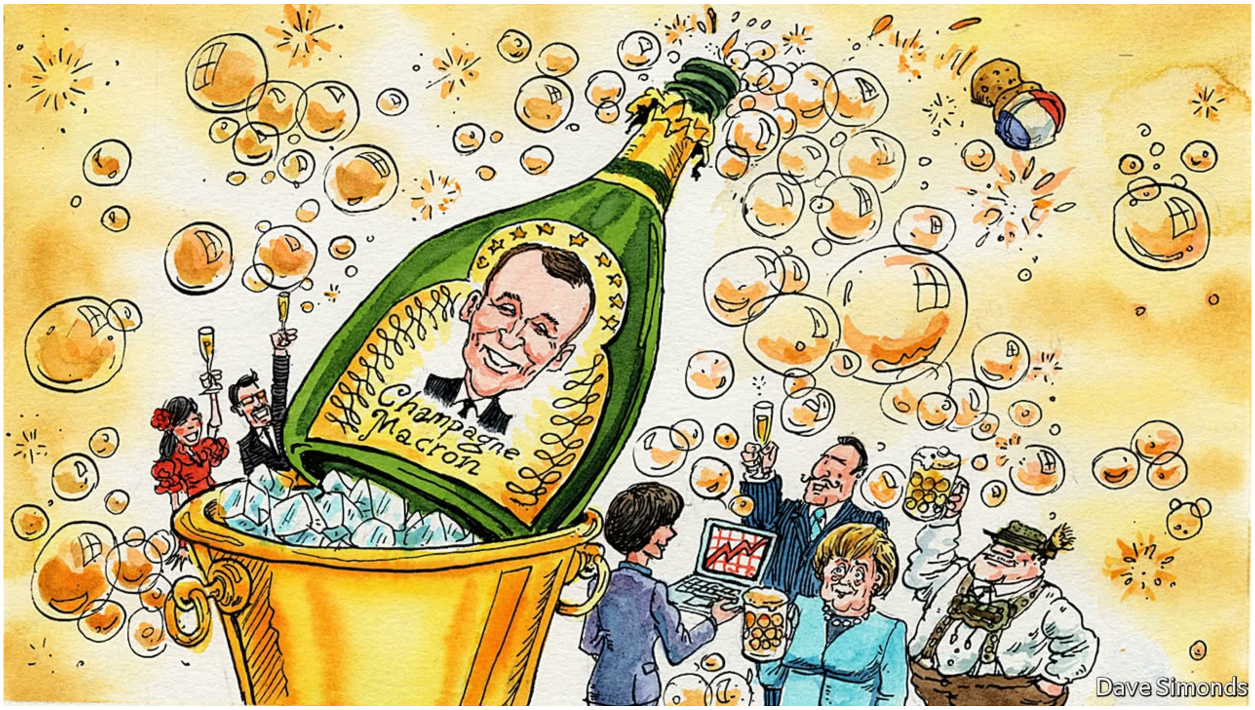
Fizzing

Corporate Europe is giddy with optimism

Emmanuel Macron’s arrival on the scene has transformed the mood



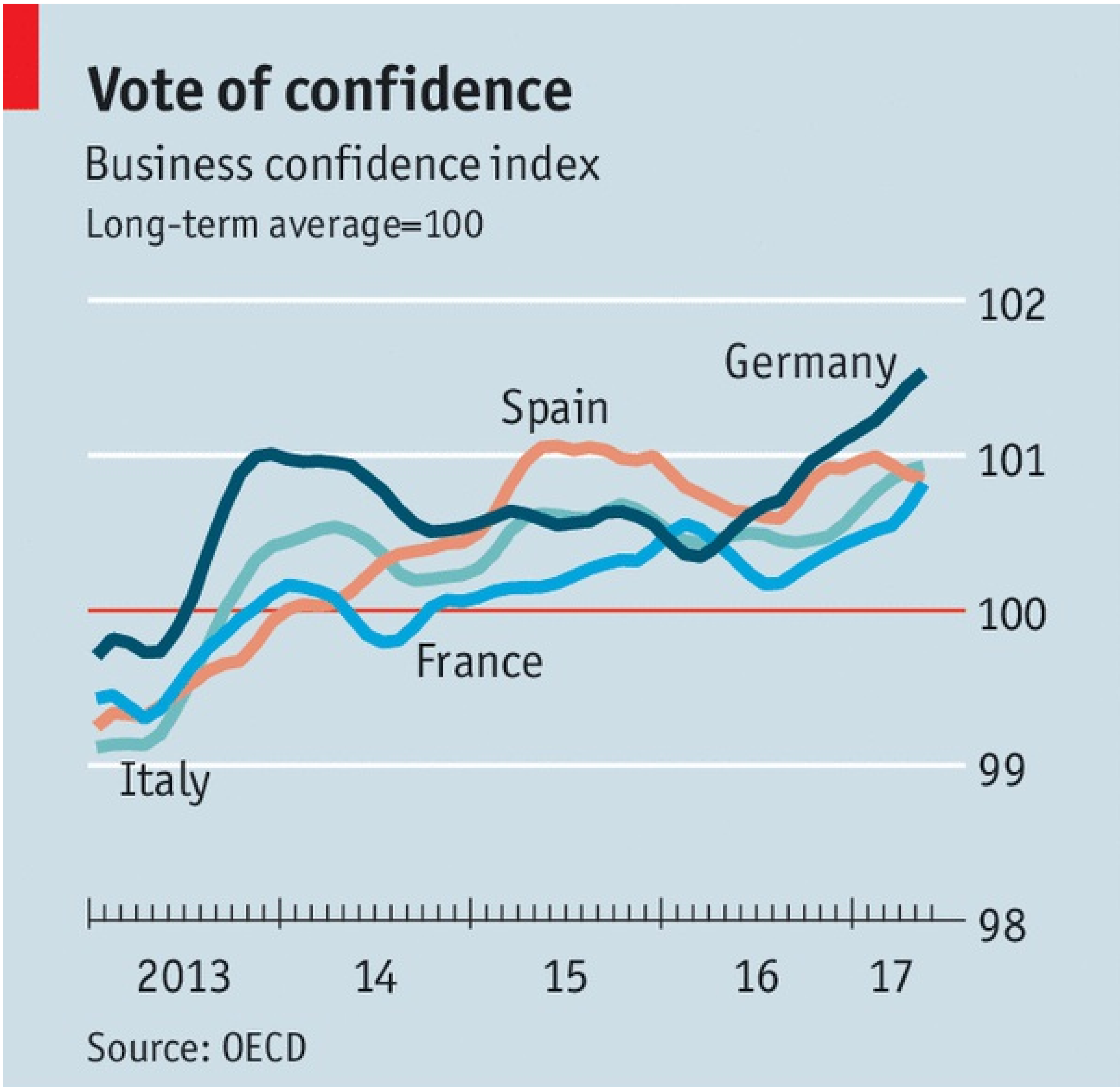
Jun 15th 2017

IT IS remarkable what a difference a single election can make. “The way Europe is regarded by the rest of the world has changed in a few months,” says Gérard Mestrallet, chairman of both Engie and SUEZ, two big French energy firms, and a board member at Siemens of Germany, the region’s biggest engineering firm. The arrival of Emmanuel Macron as France’s reform-minded new president—his party is set for a giant victory in parliamentary elections this week—is helping to transform attitudes from gloom to cheer.

Mr Mestrallet echoes many corporate leaders in describing “real hope and enthusiasm”, amid expectations that the new president will, within months, “de-block” the euro zone’s second-largest economy. Mr Macron will start freeing business activities, he says, first with legislative reform of a rigid labour market to simplify rules on hiring and firing, and then by cutting tax rates (the corporate kind will fall from 34.4% to 25%). Measures to boost entrepreneurship and young technology firms are also expected. This may all sound over-optimistic, but Mr Mestrallet merely captures an ebullient mood that is spreading across Europe.

In truth, business sentiment in France and elsewhere was ticking up before Mr Macron’s success. The gradual emergence of animal spirits was encouraged by an improving European economy, owing to low oil prices, supportive monetary policy and a cheap euro. Worries have eased among manufacturers that President Donald Trump would spark a trade-stifling confrontation between America and China; exports are thriving.

German firms have long benefited from a combination of a steady domestic economy and their own exporting prowess. But most of corporate Europe is enjoying similar tailwinds: the 19 economies of the euro zone in aggregate grew by an annualised rate of 2.3% in the first quarter, nearly double America’s rate. Surveys say sentiment at manufacturers in Spain and Portugal is the brightest it has been in years. Inditex, a giant Spanish producer of fast-fashion clothing, which has sales predominantly in Europe, reported booming sales and profits for the first quarter on June 14th.



Economist.com

Business is also reassured that Angela Merkel, Germany's chancellor, is likely to be re-elected in the autumn. She is signalling an intent to join Mr Macron in seeking European-level reforms to spur growth. These have long been promised and not delivered upon, but could include speeding the creation of a digital single market and encouraging more cross-border mergers to create industrial and other kinds of champion. The talk in Paris is that cross-border takeovers of banks could follow—something that nationalist politicians, at least in France, previously discouraged.

Renaissance era

Xavier Niel, founder of Iliad, a big French telecoms company that is poised to expand into Italy this year or next, says that more integration is essential if European firms are to mature properly. (A recent survey of European business leaders found that 60% want "more Europe".) Mr Niel reckons that France will emerge as a vibrant centre for tech firms—Station F, a massive incubator he is funding for 1,000 startups, opens in Paris soon. But for such companies to scale up fast, as American ones do, he says that Europe needs to "unify all fiscal rules and norms" into a true single market.

Ifo, a German think-tank, talks of a "euphoric" mood in Germany, after years of sustained economic growth. Its business-climate index has reached a peak not seen since 1991, a year after reunification. The Association of German Chambers of Commerce and Industry says its 25,000 member companies report an outlook brighter "than ever before".

Producers of capital goods are especially hopeful of a sustained upturn. Illustrative of the rising cheer is Jungheinrich, a Hamburg-based firm with 15,000 staff that is one of Europe's largest producers of fork-lift and other equipment. Its net sales leapt by 19% year on year in the first quarter, in part as other companies in Europe buy its machinery. Volker Hues, its chief financial officer, describes "persistent intensification of business" from clients in the food, car-making and retail industries in particular. His firm is investing 13% more this year to meet rising orders.

Adding to this sense of dynamism is a welter of M&A deals, even as activity has dried up across the Atlantic. One measure—counting announced transactions involving American and European firms in the first five months of the year—points to $172bn of transactions, an increase of over 80% on the same period in 2016. A count of all deals involving European firms, by Bloomberg, for the first quarter, suggests activity is up by 34%.

"You can feel it, smell it. It's in the air, real excitement," says Forrest Alogna, an American mergers lawyer in Paris describing a rush of business since Mr Macron's victory. Deals include an attempted Italian-Spanish merger of road-toll companies, which would be the biggest takeover in Spain for a decade, and a gas-industry tie-up, worth $70bn, agreed by Praxair, of America, and

Linde, of Germany.

Some of these deals reflect European firms' weakness and relative cheapness, as well as renewed optimism. Europe's companies have fallen behind their global peers in the past decade, leaving some vulnerable to predators. In 2007 Europe claimed 14 firms among the world's largest 100 listed ones (by market capitalisation); today it counts only seven. A big reason for the fall is the market fragmentation that worries Mr Niel.

But buyers are also drawn to firms that offer expanding revenues, and European ones look set to profit from rising growth. In Spain a revival of car production has seen SEAT, a subsidiary of Volkswagen, turn to profit for the first time in a decade. Portuguese exporters and tourism firms report rapid growth. In France defence firms expect that talk of higher military spending in Europe, a response to anxiety over America's support for NATO, will mean new orders.

Even in Italy, an economic laggard, manufacturers sound chipper. Alberto Bombassei of Brembo, a producer of brake systems, says his firm is doing well from rising car sales at home and also surging exports. The declining fortunes of Italy's populist Five Star Movement, and the re-emergence of a centrist former prime minister, Matteo Renzi, could portend a more business-friendly political climate there, too (though such hopes have repeatedly been dashed before).

The real test is if firms translate their optimism into far more investment. This is needed, for example, for more of them to push on with digitalisation, where continental firms lag. A recent survey of 2,000 European firms by McKinsey, a consultancy, found that they still hoard cash against a future downturn. It estimates gross corporate savings of some €2trn ($2.2trn). Investment is only just back to the absolute levels seen before the financial crisis of 2007-08 and remains low in relative terms.

That is not because of tight credit but as a result of lingering timidity. On average, respondents plan investment increases of 6.9%, cumulatively, in the next three years. That is hardly a boom. But the consultancy received its responses before Mr Macron and other centrists in Austria and the Netherlands had won power. Reforms by these political leaders are not yet in the bag. But if European business leaders trust changes are coming, they have a simple way to respond: spend again.

Leading from behind

A Swedish activist speaks softly and carries a big stick

Cevian is Europe's largest activist fund

Jun 15th 2017 | STOCKHOLM

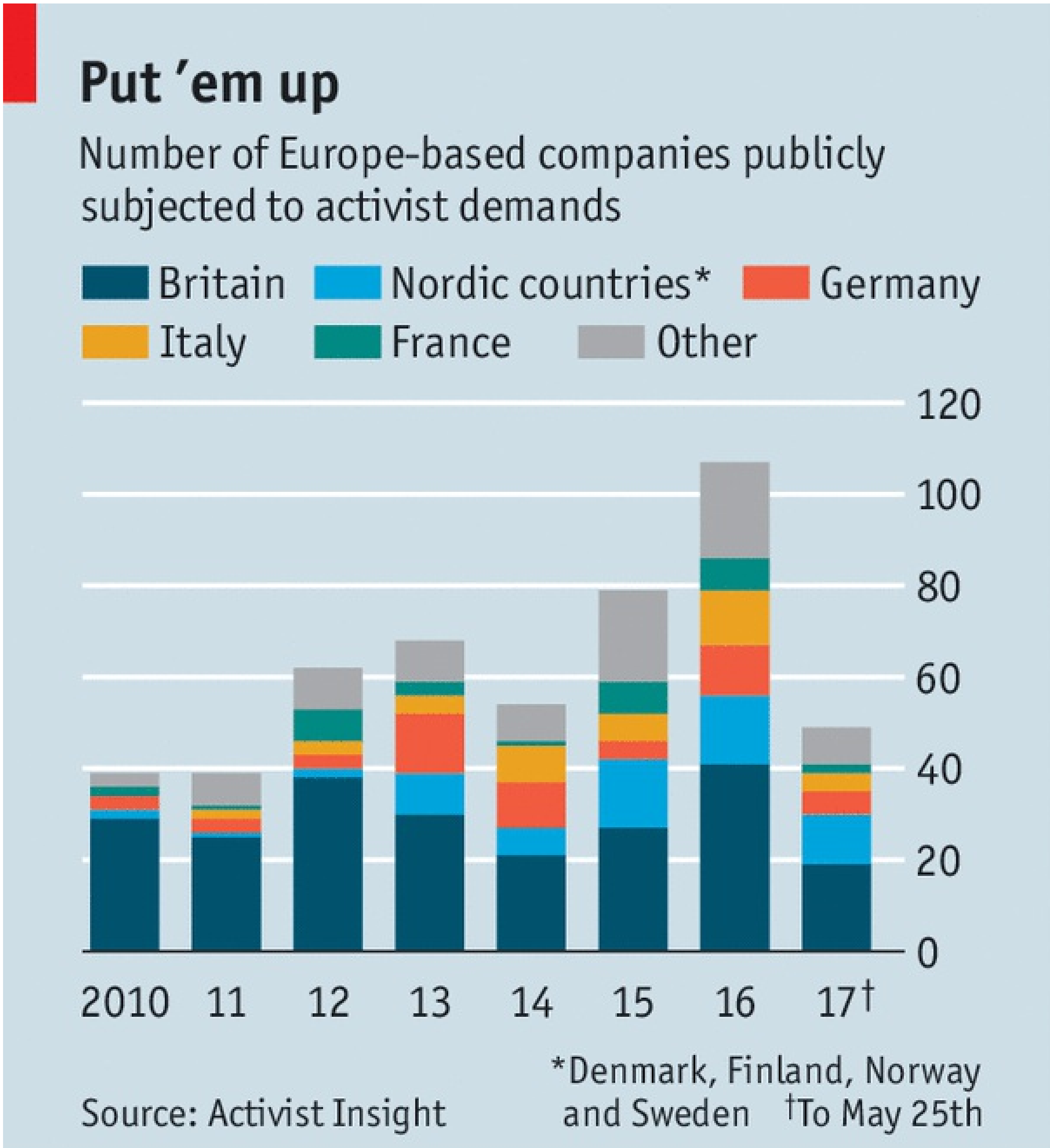
"SCLEROTIC companies abound in Europe," says Christer Gardell, co-founder and managing partner of Cevian Capital, an activist hedge fund based in Sweden. That is an uncommonly pugnacious statement for a firm that operates behind the scenes and uses public pressure as a last resort. Unlike its louder American peers, such as Bill Ackman's Pershing Square, Paul Singer's Elliott Management or Dan Loeb's Third Point, Cevian has never written a pointed open letter to a chief executive or waged a proxy battle (although Carl Icahn, an activist who has been known to call bosses "morons", is one of its investors).

Its calm approach seems to suit corporate Europe. Cevian is the region's largest activist fund, and one of the world's biggest, with over $15.4bn in assets. It was founded by Mr Gardell and Lars Forberg in Stockholm in 2002; both still run it. Its "constructive" activism, focusing on only a dozen companies at a time, goes back to the founders' time as chief executive and chief investment officer of Custos, a listed investment firm, in the mid-1990s.

Although European corporate governance is often compared unfavourably with America's, Mr Gardell says it has many advantages. American management largely controls the process for nominating new board members, so an activist fund may need to wage a loud campaign just to get a seat at the table. In the countries where Cevian operates, its typical ownership stake of 5-20% is enough to easily, or even automatically, get a board seat. That said, it operates mainly in the Nordic countries, Britain, Germany and Switzerland, regarding governance in the wilds of southern Europe as too unpredictable.

Its signature move is splitting up or spinning off parts of companies, a tactic for which Mr Gardell earned the moniker of "butcher" from the Swedish press in the mid-2000s. Cevian believes that many conglomerate structures are too sprawling, and that simplifying them can be better both for managers (who will have an easier time running more focused companies) and for shareholders (who will have an easier time valuing them).

Perhaps the best example is the separation in 2012 of Cookson Group, a British industrial firm, into Alent, a chemicals company, and Vesuvius, a ceramics firm, that Cevian helped to engineer. The split more than doubled the combined value of shareholders' investment. Cevian has also pushed for spin-offs at Volvo Group, a Swedish truckmaker, and Bilfinger, a German industrial-services firm, among many others. Such proposals often attract stiff opposition at first, as with its current recommendations for ABB, a Swiss-Swedish engineering firm, and ThyssenKrupp, a German steel giant. And Cevian has had failures. Bilfinger is one of the few examples of a truly struggling Cevian portfolio firm. But overall, performance is strong. Cevian returned 19.4% in 2016 alone. European activist funds returned 14.1% in aggregate, and American ones 12.8%, according to eVestment, a data provider.



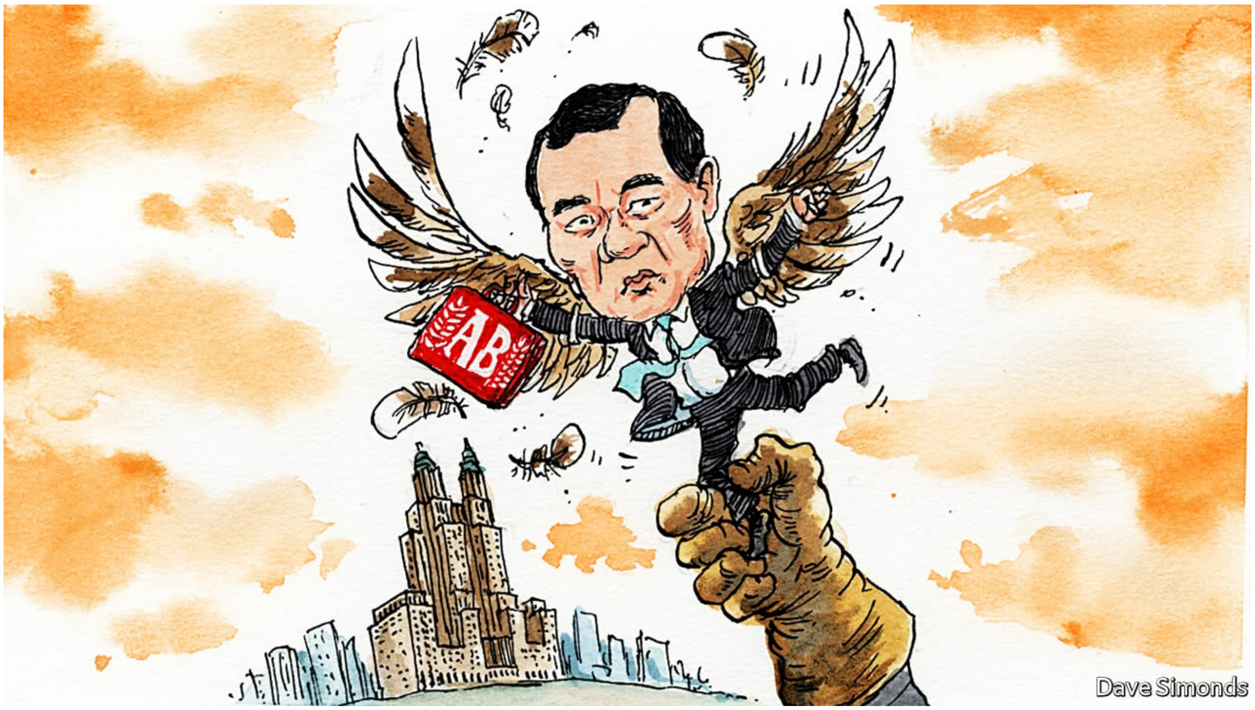
Economist.com

Institutional investors, who often shunned or ignored activists a decade ago, now take the initiative to contact Cevian. Other activists are also stirring: more European firms are being targeted (see chart). Mr Gardell is sceptical that boisterous American funds will be able to make much headway into Europe, but he welcomes more competition. His fund announced its newest target—one that is close to home—on May 31st: Ericsson, a floundering Swedish telecoms firm.

Out with an Anbang

A high-flying Chinese dealmaker has his wings clipped

Anbang's chairman, Wu Xiaohui, is "temporarily unavailable"



Jun 15th 2017 | SHANGHAI

"THE total number of airline miles travelled by this team is equal to a round trip between Earth and the moon." So bragged Wu Xiaohui at a recruiting event held at Harvard University in January 2015. The boss of Anbang, a big Chinese insurer, was dazzling potential hires with his plans to go global. Anbang had shot to prominence just weeks before with a deal worth $2bn to acquire the Waldorf Astoria hotel in New York from America's Hilton.

Since then Mr Wu has attempted acquisitions around the world worth a total of some $38bn (see table). Political controversies have caused a number to unravel. One that recently fell apart was Anbang's negotiation to take a $400m stake in a property in Manhattan, 666 5th Avenue, controlled by a firm owned by the family of Jared Kushner, President Donald Trump's son-in-law. There were complaints about a potential conflict of interest on the part of Mr Kushner, who advises Mr Trump on relations with China.

Premium portfolio

Anbang, selected recent acquisition announcements

Target	Value, $bn	Date	Status	Industry
DoubleTree by Hilton, Amsterdam	0.39	May 30th 2017	Completed	Dining and lodging
Kushner Companies*, US	0.40	Mar 13th 2017	Not pursued	Property
Strategic Hotels & Resorts†, US	5.50	Oct 27th 2016	Completed	Property
Starwood Hotels & Resorts, US	15.49	Mar 14th 2016	Withdrawn	Dining and lodging
Heron Tower, London	1.17	Jul 17th 2015	Not pursued	Property
Waldorf Astoria, New York	1.95	Oct 6th 2014	Completed	Dining and lodging

Sources: Dealogic; Bloomberg

*10% stake †Majority stake

Economist.com

Domestic politics in China is now a far more pressing concern. For months rumours have circulated that President Xi Jinping's anti-corruption campaigners had Mr Wu in their sights. On June 13th *Caijing*, a prominent business magazine, published a story stating that on June 9th the authorities had detained Mr Wu. Anbang confirmed on June 13th that "for personal reasons" Mr Wu was "temporarily unavailable", but it refused to comment on his whereabouts. The article disappeared quickly from *Caijing's* website, although press accounts suggest he is still missing.

Why might Mr Wu be in trouble? Despite his brash dealmaking, he was once thought untouchable because he married a granddaughter of Deng Xiaoping. His apparent disappearance could be tied to an ongoing corruption purge of Communist Party officials. He may possibly be linked to an investigation into Xiang Junbo, China's chief insurance regulator, a probe that was announced in

April. Mr Xiang had unleashed a burst of deregulation that allowed firms such as Anbang to take on far more risk, though allegations against him may not involve the insurance industry. Another possibility is that Mr Wu flouted regulations for too long. Anbang's risky practices, including using short-term instruments to fund long-term investments, eventually prompted the regulator to act. Last month it banned Anbang from issuing new products for three months.

Numerous corporate bosses have been detained in the past three years, often for mysterious reasons, but most have been released. At the end of 2015, for instance, Guo Guangchang, the boss of Shanghai's Fosun conglomerate, disappeared but later re-emerged from detention. But the firm's dealmaking must surely be on hold, even if Mr Wu is released. Anbang cannot finance pricey foreign forays so long as its ability to issue products at home remains curtailed.

A plunge in confidence that prompts a liquidity crisis is another risk. Yet Anbang seems likely to survive. Because it controls some $250bn-300bn in assets, the government can be expected to shield it from collapse at all costs, reckons Brock Silvers of Kaiyuan Capital, a Shanghai-based investment advisory firm. That Mr Xi is ready to go after such a heavyweight, well-connected tycoon, ahead of important Communist Party meetings this autumn, underlines his confidence that nothing too destabilising will result.

A Lidl late?

German deep discounters go big in America

Lidl promises over 100 stores, Aldi will soon have 2,500

Jun 15th 2017 | CULPEPER, VIRGINIA

AMERICA'S economy is enjoying its third-longest period of uninterrupted expansion since the 1850s. So it is at first glance puzzling that Lidl, a German deep-discount chain whose sales soar when times are hard, is entering the market now. On June 15th Lidl opened nine stores in Virginia, North Carolina and South Carolina. Up to 90 more stores across the country are to follow within a year.

The move may be far-sighted, however. Lidl's arch-rival, fellow-German discounter, Aldi, has been in America for four decades and has 1,600 stores across 35 states. It has had success not just among poor Americans but, increasingly, among the middle class, according to Bain, a consultancy. Aldi is preparing for an expansion: on June 12th it said it would add 900 more in the next five years, putting it third in the country by store count, behind Kroger and Walmart, America's biggest retailer.

Unlike conventional supermarkets, which usually carry between 20,000 and 30,000 mostly branded products, a typical Aldi or Lidl store sells perhaps only a tenth as many items, some 90% of which are private-label. This no-frills approach both permits ultra-low prices and earns cash quickly, which is then reinvested in new stores and offerings, luring more customers. Both privately-owned discounters have carved out sizeable niches in practically every country in which they operate. Lidl started in 1973; it rakes in a tenth of all grocery spending in Germany and 5% in Britain (where it launched in 1994). Aldi began in 1961 and has enjoyed similar success at home and abroad.

Lidl promises that prices at its new American stores will be up to 50% lower than those of comparable products at other grocers (Aldi excluded). It will certainly require steep discounts for it to make a mark. The American groceries market has not been kind to foreign interlopers. Other world-class European chains, such as Carrefour from France and Tesco from Britain, have tried and failed to get a foothold. Aldi's record is unusual.

Nor have private-label goods taken up much space on the shelves of conventional American grocers. They account for only 18% of grocery sales, less than half the average penetration at a western European grocer. This is partly because the stigma that private-label products are "only for poor people" is more firmly entrenched in America than in Europe, notes Simon Johnstone of Kantar Retail, a consultancy.

Lidl has long eyed expansion into America, but plans are said to have been repeatedly shelved, perhaps owing to past internal disputes. Its bungled attempt to launch in Norway a few years back also left management cautious. It must now reckon with Aldi. Liz Ruggles, head of marketing at Aldi's American division, says that new retailers "can't match our relationships with hundreds of America-based suppliers."

Nevertheless, most onlookers expect Lidl's entrance to roil the American grocery industry, posing yet another danger to companies already threatened by investments from Walmart, online startups and Amazon. Market share is often on offer at the low and premium ends of grocery. In Britain three of the fastest-growing grocers by market share in 2016 were Lidl, Aldi and Waitrose, an upmarket chain. In America, too, sales at conventional grocers such as Kroger are stagnant. Bain expects deep discounters to grow by 8-10% each year between now and 2020, five times as fast as traditional grocers.

As incumbents mull their response, some hope the European interlopers' ambition will be their undoing. Lidl's American stores will offer posh Italian and French cheeses and wines, for example. Aldi is already adding more organic products to its American stores. For conventional grocers, such as Wayne Denningham, chief operating officer of Albertsons, another big grocery chain, who is watching Lidl's entry (he is "concerned, but not unduly worried"), the ideal scenario would be for the Germans to nudge each other upmarket.

Judging Jeff Immelt

General Electric picks a new boss

John Flannery will have more room to provide positive surprises

Jun 17th 2017 | NEW YORK

JEFF IMMELT looks as if he was born to be a chief executive. Tall, affable and energetic, he was picked to run General Electric in 2001 after an interminable and mildly sadistic selection process run by GE's then CEO, Jack Welch, at the time America's most celebrated boss. On June 12th Mr Immelt said he would retire, replaced by John Flannery, who runs the firm's health-care arm. The departing boss has reshaped GE radically but his legacy is mixed.

Part of that reflects what he inherited. GE was not in nearly as good a shape as Mr Welch liked to pretend. Its share price was overvalued, pumped up by hype about Mr Welch's talents. Its profits were inflated by gains from its pension scheme and its financial division, which had grown at breakneck speed and which contained big risks. Mr Immelt tried to take GE back to its core as an industrial firm that makes sophisticated products such as power equipment and jet engines. It has been a revolution of sorts. The firm is more global, with 57% of sales from abroad compared with 29% when Mr Immelt started.

But these efforts have been overshadowed by two mistakes. First, Mr Immelt was slow to recognise just how dangerous GE's financial arm was. By 2007 it contributed 55% of profits and had racked up over $500bn of debt. When the crisis struck its funding dried up and its profits collapsed. Mr Immelt deserves plaudits for shutting most of it down in 2015, but by then the damage was done.

The second flaw is less widely understood but just as important: the performance of the non-financial business has been lacklustre. Mr Immelt's reshuffling of it was huge, with disposals and acquisitions equivalent to 167% of its current capital employed. GE ditched its media arm, plastics division and kitchen-appliances unit, and bought into health care, energy and power infrastructure. But acquisitions and investments in new areas have been expensive; GE's capital employed has ballooned but its returns have not. Weak operating performance, along with the costs from the restructuring, mean its cash flows are similar to what they were in 2001. GE has been running to stand still.

Can another consummate insider, Mr Flannery, who has been at GE since 1987, do better? The health-care business he runs contributes 20% of profits. Two big tasks await him. Mr Welch was a pioneer of offshoring and GE's supply chains cross the planet, but the firm will have to guard against a protectionist backlash at home and abroad. That requires diplomatic and communication skills, which Mr Immelt had in spades.

The other task is to deal with GE's soggy financial performance. Trian, an activist hedge fund, owns a stake in GE and, behind the scenes, has probably been agitating for change. Unless the numbers improve soon, pressure may mount for GE to break itself up. That would be a bad idea: what it now needs is less re-engineering and more consistent execution. At least Mr Flannery, unlike Mr Immelt, takes the helm when expectations are low.

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Golden handcuffs

Tanzania’s firebrand leader takes on its largest gold miner

The row raises concerns for mining firms across Africa

Jun 15th 2017 | NAIROBI

“IF THEY accept that they stole from us and seek forgiveness in front of God and the angels and all Tanzanians and enter into negotiations, we are ready to do business.” As conciliatory gestures go, that one by John Magufuli, Tanzania’s president, to Acacia Mining, the country’s largest foreign investor, could hardly have been more fork-tongued.

Nonetheless, two days later John Thornton, head of Barrick Gold, Acacia’s largest shareholder, met Mr Magufuli to start talks on ending a dispute that has halved Acacia’s market value since the government in March imposed a ban on the export of gold- and copper-concentrates. It is a mark of the seriousness of the stand-off that he is ready to negotiate on all points of contention between the two sides.

The context of the row is increasingly typical of Africa’s mining industry. The

Tanzanian government is seeking more tax revenue from a foreign mining firm that was initially wooed into the country by generous tax concessions. The state also wants to generate more value and jobs by smelting Acacia's concentrates domestically, rather than abroad.

That may seem reasonable, but Mr Magufuli's firebrand populism, as well as his unpredictability, have made it a particularly worrying test case for mining firms across the region. In April Tanzania announced a new presidential committee to look into its gold exports. In late May the committee accused Acacia of underreporting its gold exports by a factor of ten, an accusation Mr Magufuli repeated.

Acacia says the charges of tax evasion are absurd. They note that if production were as understated as the committee alleged, Bulyanhulu and Buzwagi, the two mines where it produces concentrate, would be the biggest gold producers in the world. The firm says that it "wishes this were true, but sadly it is not the case." Its gold production is audited in its accounts.

How far Mr Magufuli wishes to go is unclear. The big fear is that he may favour full nationalisation. But he may accept a more pragmatic settlement. Analysts at UBS, a bank, reckon the Tanzanian government wants to bully Acacia into giving up a share of its "tax assets", which it values at $532m. For example, the company is owed some $150m in VAT refunds.

Barrick, which owns almost 64% of Acacia, will discuss all of this. "A negotiated solution is better than escalation, such as going to international arbitration," a spokesman says. That means it is prepared to talk about the tax problem as well as the possible construction of Tanzania's first smelter of gold- and copper-concentrates, even though the latter has long been considered uneconomic because the country's output of concentrates is too low.

Since the ban was imposed, Acacia has continued to mine, stockpiling its output instead of exporting it. But it cannot continue without generating cash for ever. If it stops production, the damage will extend to the country at large. Last year Tanzania's economy was among Africa's best performers, growing by about 6%. It needs more foreign investment to maintain that pace. Mr Magufuli's tactics—whether he has God and the angels on his side or not—will make that harder to achieve.

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Head in the turf

One year before the World Cup, FIFA is shunned by sponsors

It recently replaced officials serving on its ethics committee

Jun 15th 2017 | ZURICH

AT THE World Football Museum in Zurich, run by FIFA, football's global governing body, visitors take their photo with the World Cup trophy, try their hand at match commentary and gawk at artefacts ranging from the original handwritten set of the rules of the game to the yellow card famously shown to Paul Gascoigne, a lachrymose English footballer, in 1990. Those wanting a glimpse of the luxurious bedsheets that were used to shield FIFA officials as they were hustled out of a ritzy Swiss hotel in 2015 having been arrested on corruption charges may feel cheated—they are not on display.

If FIFA's shrine to itself ignores this squalid period of its history, its balance-sheet bears the traces. FIFA lost $369m in 2016, triple the losses of the year before, and forecasts a loss of $489m in 2017. Reserves, which have been above $1bn since 2008, are predicted to fall to $605m next year.

The latest loss is partly because of higher development funding for member football associations, and partly because of accounting changes on how costs and revenue are booked. But the probes into alleged bribery and corruption launched by American and Swiss law-enforcement officials have not helped. FIFA's legal bills rose from $20m in 2015 to $50m in 2016. Its financial statements also bemoan a series of "ill-considered" investments, including the museum, which cost $190m and has failed to attract many visitors.

FIFA still thinks it will meet its revenue target of $5.6bn over the 2015-18 cycle, thanks to a steep rise in revenue from the 2018 World Cup in Russia. But that depends on money from television and sponsorship. Several sponsors, including Sony, Emirates and Castrol, have not renewed their contracts. With less than a year to go before the tournament, FIFA has lined up only 12 sponsors out of the 34 slots on offer. It has attracted one local backer, the Moscow-based Alfa-Bank, and is without a broadcaster to carry the games in the host country. At the same stage before the 2014 World Cup in Brazil, most sponsorship slots were filled, with many deals agreed to years in advance. "With one year to go, this situation is unheard of," says Michael Payne, a former marketing chief for the International Olympic Committee.

FIFA's latest sponsorship deal is with China's Vivo, a smartphone-maker. It is the third Chinese firm to back FIFA; the country is believed to be considering a World Cup bid of its own. Chinese firms' stance appears to be that FIFA is changing after its scandal. But questions remain. In May FIFA replaced a judge and a prosecutor serving on its ethics committee with new people. The outgoing officials were responsible for the investigations that led to the suspension of Sepp Blatter, a former FIFA president, and other top officials. They claimed that their dismissal, with hundreds of investigations in progress, would mean the "de facto end to the reform efforts". Gianni Infantino, FIFA's new boss, described it as a "storm in a teacup". That message, like FIFA's broadcast rights, may prove a tough sell.

Build pipelines, not walls

American energy firms are enjoying a bonanza south of the border

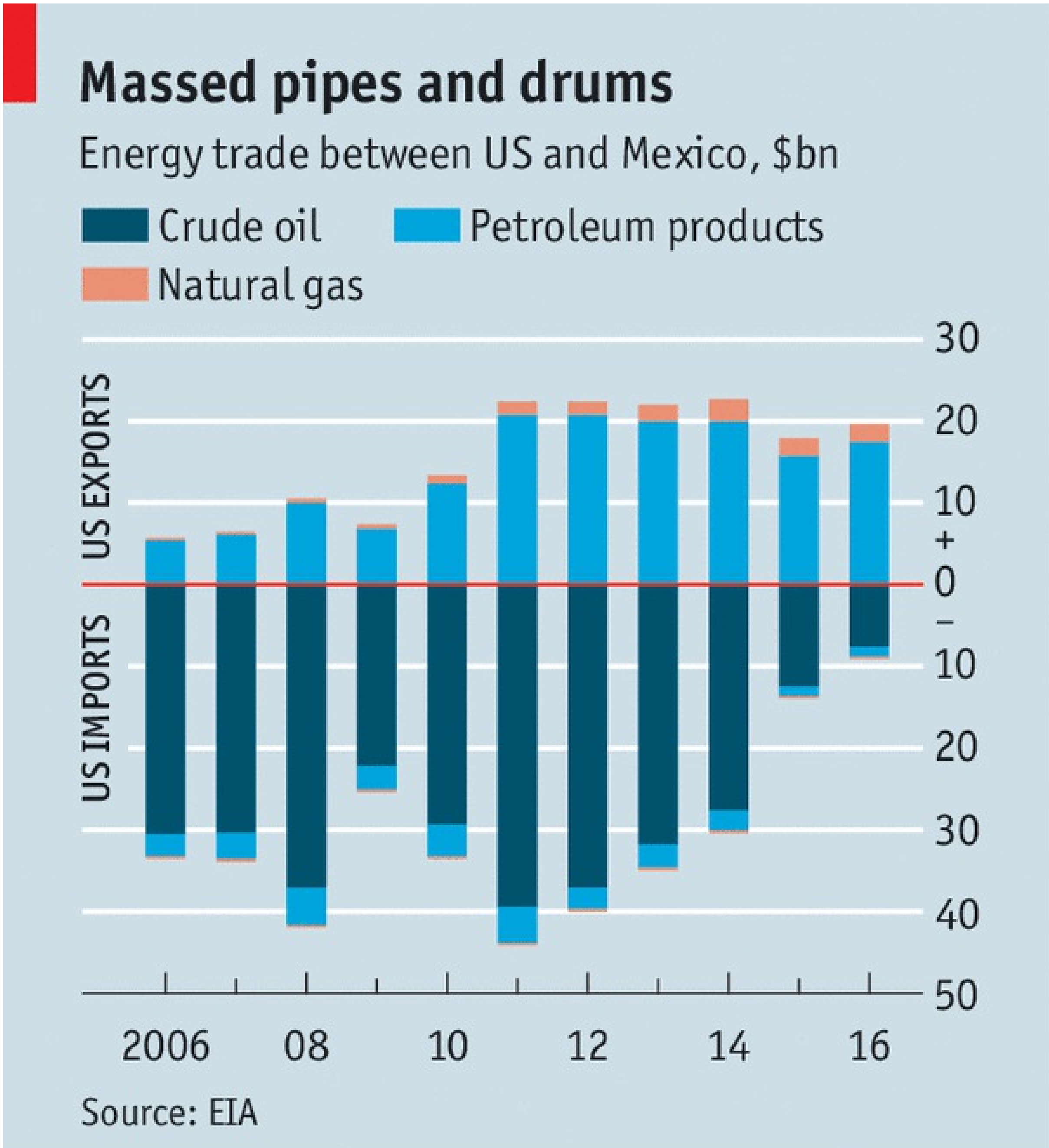
But a ham-fisted assault on NAFTA could jeopardise it

Jun 15th 2017 | KU-MALOOB-ZAAP

A CHEMICAL engineer at Pemex, Mexico's state-owned oil company, opens a tap atop a maritime platform in this offshore oilfield in the southern part of the Gulf of Mexico. She decants a jar of heavy Mexican crude that comes, hot to the touch, from 3,500 metres below the seabed. It looks like a succulent chocolate sauce, but smells like the back end of a cow. "Taste it," she laughs.

The crude that she is testing is pumped a short distance across the sea to a vast floating storage tank, known as an FPSO, where it is blended with lighter crude for export. The FPSO stores about 2m barrels—roughly the equivalent of a day's worth of Mexican oil production. A quarter of that is fed into a supertanker tied alongside, contracted by Chevron, America's second-largest oil firm. It then sails north across the maritime border to Texas or Louisiana where the crude runs through refineries. The refined petrol or diesel often then returns to Mexico.

These transactions are part of a historic transformation of North American energy that President Donald Trump appears to have overlooked as he fumes over his country's trade deficit with Mexico and pours scorn on the North American Free Trade Agreement (NAFTA). In 2015 the energy trade balance flipped (see chart). Between 2011 and 2016, it swung from an American deficit of $20bn to an American surplus of $11.5bn. America earned almost as much from exporting hydrocarbons to Mexico as from cars and trucks.



Economist.com

This about-turn has been caused by several factors, namely America's shale boom, Mexico's slumping oil output (down by more than 1m barrels a day in a decade) and energy liberalisation in 2014 that ended Pemex's 75-year-old hegemony over the domestic oil industry. This shifting landscape has already had an effect on Pemex: a recent bump in oil prices, combined with cost-cutting, has led to its first consecutive quarterly profit in six years. The ripple effect through North America’s energy business has also been quick, and should expand—provided it is not derailed by a hamfisted effort to renegotiate NAFTA.

The cross-border flow of hydrocarbons is the most tangible change. Petrol from American refineries amounts to about half of Mexico’s domestic consumption. Last month Tesoro, a Texan refiner, became the first private firm to win an auction to move imported petroleum products through Pemex’s own tanks and pipelines.

Mexico has also become the destination of choice for surplus American natural gas, produced in the shale revolution. Sales south of the border have almost doubled since 2014, as Mexico switches its power generation from coal and oil to cheaper, cleaner fuels. The capacity of natural-gas pipelines crossing the border is expected almost to double over the next three years. Since Cheniere Energy became the first firm to export American liquefied natural gas last year, much has flowed to Mexico.

Investment is also flowing. American oil companies won five out of the eight blocks auctioned in Mexico’s first sale of deepwater oil licences last year. That forms part of what Pedro Joaquín Coldwell, Mexico’s energy secretary, says are $49bn-worth of international investment commitments in exploration and drilling since 2015. José Antonio González Anaya, Pemex’s boss, says he hopes to encourage American refiners such as Tesoro and Valero to co-invest in some of Mexico’s six refineries. But all were built before 1980, are decrepit, and lose about $9bn a year.

The changes are becoming visible at the petrol pump. ExxonMobil, America’s largest oil company, announced in May that it would open its first petrol station in Mexico this year and invest $300m in fuel distribution over the next decade. Currently, only one petrol station in Mexico is owned by a supermajor, BP (its enthusiastic pump attendants work for salaries, not tips, unlike those at Pemex-branded ones).

At a congressional hearing in Washington this month, experts noted that the United States, Mexico and Canada are on track to achieve North American energy independence by 2020—meaning the region will produce more liquid fuels than it consumes. Cheap, abundant energy will boost the region’s industrial competitiveness; it will also reduce its dependence on less stable producers such as Venezuela and Persian Gulf States.

But in both America and Mexico, uncertainties loom. The process under way to renegotiate NAFTA could jeopardise energy co-operation if Mr Trump pulls America out of the treaty, as he has threatened to do. Since Mexico's energy liberalisation, NAFTA's provisions have helped provide certainty to foreign investors. Those safeguards could be valuable if Andrés Manuel López Obrador, a staunch opponent of energy reform, wins Mexico's presidential election next year. He could take issue with the growing dependence on American fuel. A vibrant network of North American energy markets is taking shape, but it remains fragile—especially with populists blundering about in positions of power.

Schumpeter

Canadian banks don’t face a crisis. They do face a strategic trilemma

The country’s housing market is among the world’s most overheated

Jun 15th 2017

AS the global financial system was engulfed in crisis in 2008-10, only one set of banks in Europe and North America stayed serene and safe: Canada’s big five lenders. They were largely untouched by the madness south of the border and across the pond and kept churning out profits. After the crisis experts went on pilgrimages to Toronto and Ottawa to study the Canadian way. The country’s central-bank governor, Mark Carney, became a financial celebrity who was headhunted to run the Bank of England.

Canada’s banks quickly joined the select ranks of the industry’s superpowers, shooting up the global league tables in the aftermath of the crisis. Today three of them are on the list of the 20 biggest banks globally, measured by market value: Royal Bank of Canada (RBC), Scotia and Toronto Dominion (TD). RBC is worth more than Spain’s Santander, the euro zone’s biggest bank.

It has taken nearly a decade but Canadian lenders are back in the spotlight, this time accused of recklessness. The country has had two economic supercycles in the 21st century: a commodities boom which ended in 2015 and a housing boom which is peaking now. House prices are up by 76% in a decade. Over that period the big-five banks' lending books have almost tripled in size and the ratio of household debt (mainly mortgages) to GDP has accordingly risen from 74% to 101%, one of the highest anywhere.

Rapid credit growth has been a reliable predictor of financial crises. The mood in Canada is jittery. In the past year the authorities have played regional "whack a mole", imposing levies to tamp down wild speculation in the housing market, first in Vancouver, then in Toronto; Montreal may be next. In April a small mortgage-finance firm, Home Capital, suffered a run.

The banks' bosses have two familiar lines of defence. First, Canada is not America. Its mortgages are designed more safely—a borrower has to repay a mortgage even if they ditch the house, for example. In America a fifth of mortgages were responsible for half of banks' losses. Bankers argue that Canada's debt is more evenly spread and that the cohort of poor, over-indebted households is relatively small. Culturally, Canadians are flinty, they say: Alberta's economy has been walloped by the drop in the oil price since 2014, for example, but defaults there have barely risen.

As a result regulators reckon that the worst-case scenario won't be too bad. For example, the state mortgage-insurance agency assumes a worst case of a 2% loss rate on mortgages, well below the cumulative loss rate in America of 5% in 2008-10.

The bankers' other argument is that even if Canada faced the high loss rates seen in America, firms can take the pain thanks to their high capital and healthy profits. Schumpeter has kicked the tyres of the five big banks. Assuming a 5% loss rate on their mortgages and consumer loans in 2017-20, equivalent to C$70bn ($53bn), their core-capital ratios would stay above 10%. In reality the losses would be smaller, because half of mortgages are insured, mainly by CMHC, a state agency. This body has the capacity to endure its share of agony, using its C$35bn cushion of cash reserves and earnings from the insurance fees it charges lenders.

An American-style disaster might still have casualties. A sliver of the mortgage market is in the hands of small firms that are subject to fewer rules. And some banks have gorged more than others, probably assuming more risk. For example CIBC, the fifth-largest bank, has upped its mortgage book by 24% since 2012, compared with 15% at TD. (Bank of Montreal is the fourth-biggest.)

But there is unlikely to be a blow-up of the entire system. Instead the banks face a different problem. If Canada is up to its gills in debt, that means they can no longer expand in a spectacularly profitable market. Banks' returns on equity (ROE) in Canada are 15-20%. The banks' domestic profits have doubled, to C$24bn over the past decade, and have risen from 0.6% of GDP to 1.3%, higher than in America (0.7%) and Britain (0.3%).

After adjusting for dividends, the big-five banks could now generate almost C$20bn of surplus profits each year. If the domestic market cannot absorb it, the money must be returned to shareholders or invested abroad. The five firms already have about a third of their collective activity in foreign countries. To soak up all the extra profits they will need to invest at a pace that doubles the size of their foreign operations in four years.

Planting maple leaves around the world

Before the financial crisis many of the world's banks treated their profitable domestic businesses as springboards. They used their highly rated shares to buy large foreign firms. This is how HSBC and Santander became global giants. But regulators and investors are jumpy about big banking takeovers.

The Canadians have so far followed a more modest diet of organic foreign expansion and smaller bolt-on deals. RBC has an investment bank ranked ninth in the world (by fees). In 2015 it bought City National, a Californian lender to corporates and rich individuals that has links to Hollywood—it helped to finance "The Silence of the Lambs". Scotia is expanding in Latin America. TD is growing in America, and CIBC recently bought PrivateBancorp, a Chicago bank that specialises in commercial lending.

These adventures may succeed—the five banks' foreign operations together make a passable ROE of about 10%. But they are not big enough to absorb all the surplus profits made at home. To do that the banks would collectively need to build the equivalent of another Goldman Sachs in the next four years, or a new JPMorgan Chase in the next decade. They would have to get much bigger in America or venture into Europe or to emerging markets.

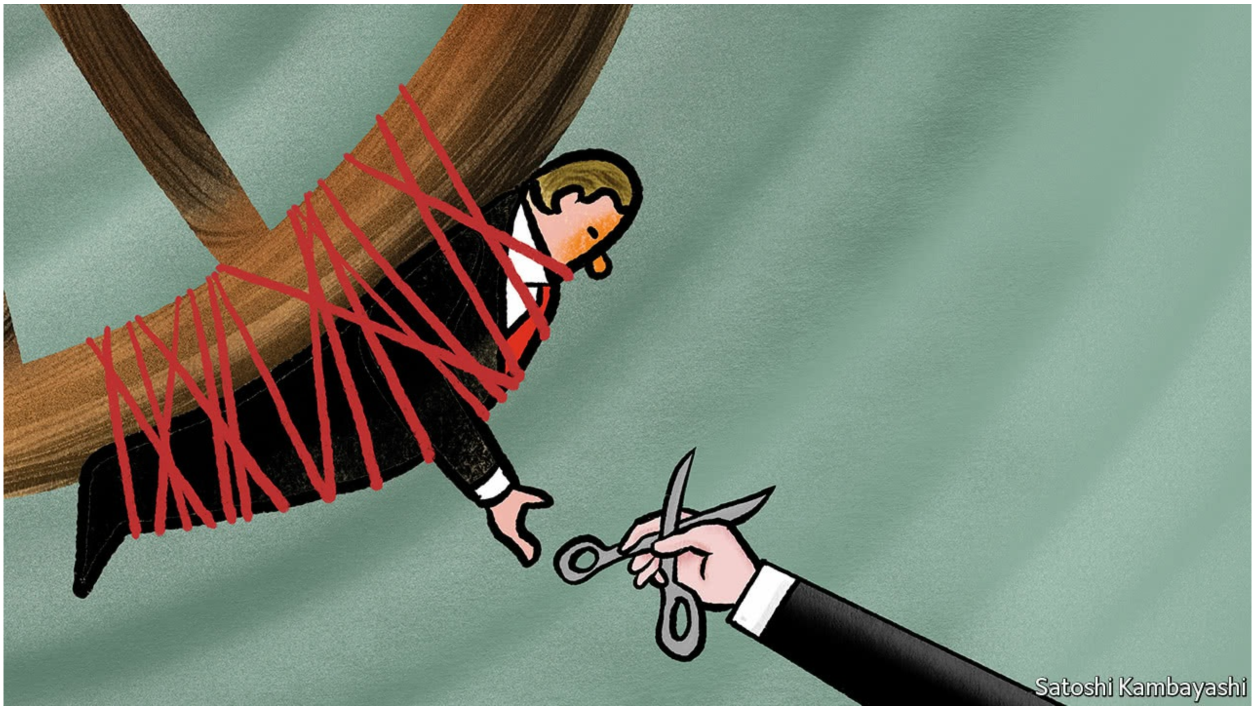
So the big five face a “trilemma”—they could pump even more capital into frothy Canada, expand much faster abroad or admit that they can’t grow and return cash to investors. They seem likeliest to choose the second course. Even as investors fret about the mortgage mess at home, a set of opportunities—and risks—awaits Canada’s banks beyond their borders.

Finance and economics

Regulating America's banks

The Treasury publishes proposals to cut red tape

The Dodd-Frank act gave regulators discretion to do more. And, under Donald Trump, to do less



Jun 15th 2017

TEN days after he became America's 45th president in January, Donald Trump vowed to "do a big number on Dodd-Frank", the elephantine law that recast financial regulation after the crisis of 2007-08. Soon after, he asked his treasury secretary, Steven Mnuchin, to measure all America's rules (not just Dodd-Frank) against seven broad principles, including the prevention of bail-outs by the taxpayer and making regulation more efficient.

On June 12th Mr Mnuchin gave the first part of his answer, in a 147-page report on banks. Later instalments will cover capital markets, insurance and asset management, and non-bank institutions and financial technology. Banks of all sizes will be cheered by its proposals to ease regulation, make "stress tests" of their resilience less onerous and tame the Consumer Financial Protection Bureau (CFPB), a watchdog born of the Dodd-Frank act. To allay the confusion caused by America's many regulators, Mr Mnuchin wants to give co-ordinating power to the Financial Stability Oversight Council, comprising the heads of all the agencies and chaired by himself.

The report's underlying thesis—shared by Mr Trump and many bankers—is that excessive regulation has held back lending, which has in turn constrained economic growth. Since the crisis, the report notes, lending has risen by 25%, far less than in other recent recoveries, and GDP growth has been sluggish.

In some areas red tape surely has choked lending—notably residential mortgages, where recklessness led to catastrophe a decade ago. But the report pays scant attention to the possibility that slow growth may instead cause weak demand for credit. "I don't think the economy is credit-constrained," says Kim Schoenholtz of New York University's Stern School of Business. In the latest monthly survey by the National Federation of Independent Business, a lobby group for small firms, a mere 3% of companies said that their borrowing needs were not being met; 31% said that they had all they required and half that they did not want a loan at all. Lack of skilled labour was a far bigger concern.

No matter. Small banks are cock-a-hoop at Mr Mnuchin's proposals. "We're popping champagne corks," says Camden Fine, president of the Independent Community Bankers of America (ICBA). Local community banks with less than $10bn in assets account for 5,400 of America's 5,900 lenders. Though they have only 13% of the system's assets, they make 43% of small loans to business. "Nearly every ICBA policy was adopted," Mr Fine says.

Thus Mr Mnuchin suggests making it easier for mortgages to qualify for purchase by the government-backed entities that dominate the secondary market and for protection against lawsuits from borrowers. He also wants to delay an increase in reporting requirements for home loans and to exempt community banks from risk-based international capital standards, known as Basel 3: high risk-weights for mortgage-servicing assets and commercial-property loans have caused some small banks to quit those businesses.

Higher up the scale, Mr Mnuchin wants to raise the threshold above which banks must carry out Dodd-Frank's required stress tests from $10bn of assets to $50bn or more, and to scrap some tests altogether. The lower limit for the most exacting prudential standards and the Federal Reserve's separate capital-adequacy reviews, now $50bn and covering more than 30 banks, from the titanic JPMorgan Chase, with $2.5trn, to Zions Bancorp, a lender in 11 western states with just $65bn, should also be raised, “to be better tailored to the complexity of bank holding companies”. The report does not say by how much.

Big banks have long grumbled about the Fed’s annual capital-adequacy reviews, which assess how much equity would be burned in a hypothetical crisis and which they consider their most painful constraint. They complain that the scenarios are unrealistic and that the Fed keeps its models under wraps. (The Fed fears that, if it revealed the models, banks would arrange their balance-sheets to game the test.) Mr Mnuchin says the Fed should rethink its assumptions, be more open with its models and consider carrying out reviews every two years. He also wants “living wills”—banks’ plans for an orderly demise, should disaster strike—to be submitted only biennially.

A less demanding review may allow big banks to have less equity on their balance-sheets. So might the exclusion of cash and Treasury securities from calculations of the Basel 3 supplementary leverage ratio, of equity to assets. Such high-quality liquid assets make up 24% of big banks’ total, five times as much as before the crisis. “Changing how capital is measured can have a major impact,” says Aaron Klein of the Brookings Institution, a think-tank in Washington, DC.

Some proposals will need the approval of Congress. These include changes to stress-test and capital-review thresholds and an overhaul of the Community Reinvestment Act of 1977, which scrutinises banks’ provision of credit and other services in poor areas and to poor people. With a nod to Republicans in the House of Representatives, the report says Congress should “consider” exempting “well capitalised” banks from all other capital rules, stress tests and the Volcker rule, which bans banks from proprietary trading and from investing in hedge funds and private-equity funds. This is the centrepiece of a deregulatory bill already approved by the House. It has little chance in the Senate, where it needs Democratic support.

However most—62—of Mr Mnuchin’s 97 proposals do not rely on Congress but on regulators chosen by Mr Trump. He has one in place, has nominated two more and by 2018 will have chosen several others. Bankers used to moan that Dodd-Frank had greatly extended regulators’ discretion. The wheel is about to turn.

Trade policy

How Chinese overcapacity hits American workers

The risk is that Donald Trump has the wrong solution

Jun 15th 2017 | HAWESVILLE, KENTUCKY

ALUMINIUM smelting is sweaty work. Inside the Hawesville plant of Century, an American aluminium producer, it can get so hot that the workers lie outside in the blazing summer sun to cool off. Dennis Harbath, the plant manager, oversees operations. He is worried about the workers. “They have mental fatigue,” he says.

The source of the stress is a number scrawled on a wall in white chalk. That is the dollar price of a tonne of aluminium, set on the London Metal Exchange (LME). The workers keep track of it on their smartphones. Their wives ask about it, too. “It’s hard to stay on the LME rollercoaster when trying to support a family,” says one.

A few years ago, they weren’t particularly aware of the price, says Andy Meserve, the local union president. That changed after 2015, when the price plunged to below $1,500 per tonne, prompting Century to shut down 60% of the plant’s capacity and lay off hundreds of workers. The whole industry was affected. Of America’s five remaining aluminium smelters, only two are running at full capacity. There were 14 in 2011.

Dips and dives are always a feature of commodity markets. A fall in American primary production could be part of a long-term trend towards recycled aluminium. Coal powers aluminium production; workers complain of being strangled by environmental regulation. But Mr Harbath thinks something fishy is going on. Why, he asks, did his plant have to curtail capacity when its energy costs are lower than in China?

The Trump administration is suspicious, too. On April 26th it triggered an investigation into the aluminium industry to defend it against “unfair trade practices and other abuses”. A public hearing on June 22nd will give the industry the chance to air its grievances. (A similar investigation into steel is looming.)

There is some substance to the worries. The Chinese government doles out cheap loans to its industry, encouraging overcapacity. Its output has soared in recent years. Since China joined the World Trade Organisation (WTO) in 2001, its aluminium production has risen from 14% of the global total to 54% in 2016.

Its size gives it huge influence over the global price, which fell in 2015 when Chinese demand did not keep pace with its gargantuan supply. Exporting overcapacity makes for better domestic politics than cutting it, given the potential for job losses. Without production curbs, analysts at Bank of America Merrill Lynch predict the global aluminium market could be oversupplied by 8% by 2020.

The Trump administration is trying to seem tough. Its official investigation invokes Section 232 of the Trade Expansion Act of 1962, which allows the president to impose trade restrictions if he suspects imports are threatening national security. When workers at the Hawesville plant saw the news of Mr Trump’s investigation, the plant hummed with excitement. Perhaps the action would restore those lost jobs.

To them, the link between aluminium and national security seemed natural. Wilbur Ross, Mr Trump's commerce secretary, mentioned that there was only one American smelter left that makes high-purity metal of the sort that the armed forces need. That one plant is in Hawesville; Messrs Harbath and Meserve both brim with pride when they describe their high-purity aluminium. A sliver of different metal the size of a child's finger can throw off the blend of an aluminium pod with the capacity of a small swimming pool. "It's as close as you can get to marrying art and science," boasts Mr Harbath.

They worry that foreign competition is crushing the life out of American supply. Closed smelters take more than a year to restart, and few ever do. Of the workers laid off at the Hawesville plant in October 2015, 200 had stayed on a recall list, poised to come back if the plant returned to full capacity. Now there are only 112 on the list; 88 have drifted into retirement or other careers. Once there are no more American smelters left, the workers warn that foreigners will charge whatever they want.

Some are more sceptical of the Trump administration's approach. Trade geeks worry that the focus on national security is a smokescreen for protectionism. The day after the announcement Harbor Aluminum, an industry consultant, estimated that although America produces a third of its commercial aluminium needs, it spits out triple the requirements of the Department of Defence.

The aluminium association, an industry body, commended the investigation. But its statement at the time also made reference to the "entire aluminium value chain". A tariff, or indeed any measure that raises the aluminium price, would hurt the metal's many users, currently thriving on cheap aluminium and strong demand from the auto industry.

The trouble is that there is a disconnect between the problem of Chinese overcapacity and the tools available to the Trump administration. The president could impose tariffs or a quota on aluminium. But around half of America's aluminium imports come from Canada, and only 6% from China (see chart). There is little appetite within the industry to hit the Canadians. A tariff with a carve-out for Canada could provide temporary relief for domestic smelters, but would not pack the intended punch to China.

Economist.com

The Obama administration had identified a more direct solution. In its dying weeks it filed a case at the WTO, suing China for its aluminium subsidies.

Winning the case would force China to drop its subsidies or face WTO-sanctioned retaliation. But although this approach wins the plaudits of both trade geeks and the aluminium industry, it is teeth-grindingly slow.

The Chinese authorities have been issuing official instructions to shut down capacity but there isn't much evidence yet of results. Exports of semi-fabricated aluminium have been rising quickly this year. Some worry that some of this is misclassified raw product, processed just enough to avoid China's 15% export tax, and a sign of excess aluminium capacity spilling on to global markets.

At the Hawesville plant, the staff are unsure what exactly the Trump administration will do. Mr Meserve had hoped the WTO could resolve the issue a bit more diplomatically. They are clear on what they want: no handouts and a level playing-field. In the meantime, at least, "the attention will help tremendously."

Buttonwood

Getting the most out of business taxes

Changing rates does not make a lot of difference

Jun 15th 2017

Economist.com

ONE of the hottest debates in economic policy at the moment is how to ensure companies are paying the optimal amount of tax. On the right, politicians think that a lower corporate-tax rate will lead to more business investment and thus faster economic growth. Hence the initial stockmarket enthusiasm after

President Donald Trump was elected on a platform that included cuts in business taxes. On the left, the belief is that business is not paying its “fair share” of tax and that it can be further squeezed to pay for spending commitments. Hence the promise of the Labour Party in Britain’s recent election campaign to push the corporate-tax rate up to 26% (from 19%).

How do these theories translate into practice? To find out the effect on business investment, *The Economist* took the corporate-tax rates in OECD countries and divided them into quartiles from highest (1st) to lowest. Then we calculated the five-year average in each quartile for gross fixed capital formation as a share of GDP.

As the top chart shows, the relationship is not very strong. The countries with the highest tax rates generate less investment than those with the lowest, but there is not much difference. That is probably because the decision to invest in a country depends on a lot more than tax. The underlying growth rate of the economy and the regulatory climate also play a big part. Independent of their tax rates, for example, South Korean and Turkish companies are investing a lot. Perhaps they are catching up with mature economies, perhaps they are over-investing.

What about the tax take? The picture is complicated here, too. Lower tax rates may just work by pinching revenues from other countries. For example, Ireland, with a 12.5% rate, earns a higher proportion of GDP in revenues than France, at 34.4%. And the headline tax rate may not be decisive. Countries with high rates (like America) tend to offset them with allowances and deductions that bring down the effective rate that companies pay.

The idea of using tax levels to boost revenues does not get much support, either. Most countries sit within the 2-3%-of-GDP range (see bottom chart). The countries with the lowest corporate-tax rates receive a bit less in taxes. But the difference between the top and bottom quartiles is only 0.9% of GDP. Grabbing this extra chunk might be useful revenue, but when public spending is 40% of GDP or so, other sources of funding are a lot more important.

The countries with the highest tax takes (over 4% of GDP) tend to be those, like Australia and Norway, with plenty of natural resources. They can take advantage of captive businesses. But that is not an option for most developed nations, especially given the potential for tax competition. OECD countries are trying to co-operate to stop companies from gaming the international tax system. But it is a tricky task; one man's tax avoidance is another man's legitimate business planning.

Two other things are worth remembering. The first is that companies are merely legal entities. To the extent they pay more taxes, they must get the money to do so from elsewhere. Politicians on the left think the money comes from shareholders. But it is not as simple as that (and even if it were, those shareholders may represent the pension funds of citizens). For instance, a large company might not want to reduce the profits it pays out to shareholders for fear of becoming a takeover target. So it could move some of its operations to a lower-tax regime. Or it could recoup the loss by charging consumers more, or by paying workers less.

Second, countries do not just want to attract businesses for the taxes they pay but for the workers they employ and for the extra revenues they create for local suppliers. The effective tax take firms generate (on wages, sales and property taxes) is much higher than the tax on profits alone. So there are dangers in driving business away, something Britain needs to contemplate after the Brexit vote.

Some argue that the profits tax should be abolished. Governments should look through the corporate structure and tax shareholders directly. The problem is that many shareholders, such as pension funds and charities, are tax-exempt, and others are based in low-tax regimes. That would also create incentives for individuals to incorporate to cut their tax bills. So such a move should await much more sweeping tax reform. In the meantime, governments will have to make do with what they currently get. There is no magic trick for collecting a lot more.

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Zambia

The IMF is back in Africa

Falling commodity prices mean that loans are needed

Jun 15th 2017 | LUSAKA

ZAMBIANS have good reason to distrust the IMF. In the 1990s, under the fund's guidance, their government cut spending, scrapped subsidies, liberalised the exchange rate and privatised over 200 state-run firms. This "structural adjustment" was painful: employment shrivelled and, by the end of the decade, income per person had shrunk by 8%. In the words of Binwell Sinyangwe, a novelist, "they were the years of money first or else no friendship".

So it was with some trepidation that Zambia welcomed an IMF mission, which concluded on June 10th. As in the 1990s, Zambia has been hit by plummeting prices for copper, its main export. The proposed package, which is likely to be finalised over the coming months, could be worth $1.3bn, which would be the country's biggest with the fund in two decades.

The retro feel extends across Africa, where GDP grew last year by 1.4%, the slowest rate this century. Ghana agreed on a three-year IMF bail-out in 2015. Oil exporters in central Africa are looking for help. Ivory Coast, the region's second fastest-growing economy, is in a programme. In all, 19 sub-Saharan countries have borrowing arrangements with the IMF; many have been plagued by high debts resulting from public-spending binges.

Some things have changed, however. "Structural adjustments?" said Christine Lagarde, the fund's boss, in 2014. "That was before my time." The talk now is of more flexible conditions and of countries taking the lead in their programmes. In Zambia some sceptics are being won over: Alexander Chikwanda, the finance minister until last September, comments that fund staff are "not as theological" as before. A new IMF paper notes that, since 2010, almost all its programmes in poor countries have included some kind of social targets, such as spending floors for health care and education. In two-thirds of cases those targets were met.

Not everyone is convinced by the fund's new cuddliness. Social targets are often non-binding, pointed out a study by Cambridge University academics in 2016. Whenever deficits are reduced, someone has to lose out. In Lusaka, Zambia's capital, shopkeepers moan about cuts to fuel and electricity subsidies, made in anticipation of an IMF deal. Trade unionists are "apprehensive". Civil activists note that cash-transfer schemes, on which the fund is keen, reach only a fraction of the poor.

Indeed, signs of a rapprochement may say more about Africa than they do about the IMF. Governments these days are more market-friendly. Countries from Senegal to Uganda have sought advice from fund economists; Ivory Coast has an ex-IMF staffer as its president. One Zambian official sees a fund programme as an "investment in perception", signalling to capital markets that things are back on track.

It doesn't always work. Last year the IMF suspended lending to Mozambique over $1.4bn of hidden debts. Its presence in Ghana did not prevent a $1.6bn budget hole. And in Nigeria, which has long resisted IMF financing, the old stigma remains. Muhammadu Buhari, its president, blames a fund-inspired devaluation for a coup against him back in 1985. Seun Kuti, a Nigerian singer, is pursued by a horde of briefcase-wielding zombies in the video for "IMF", a

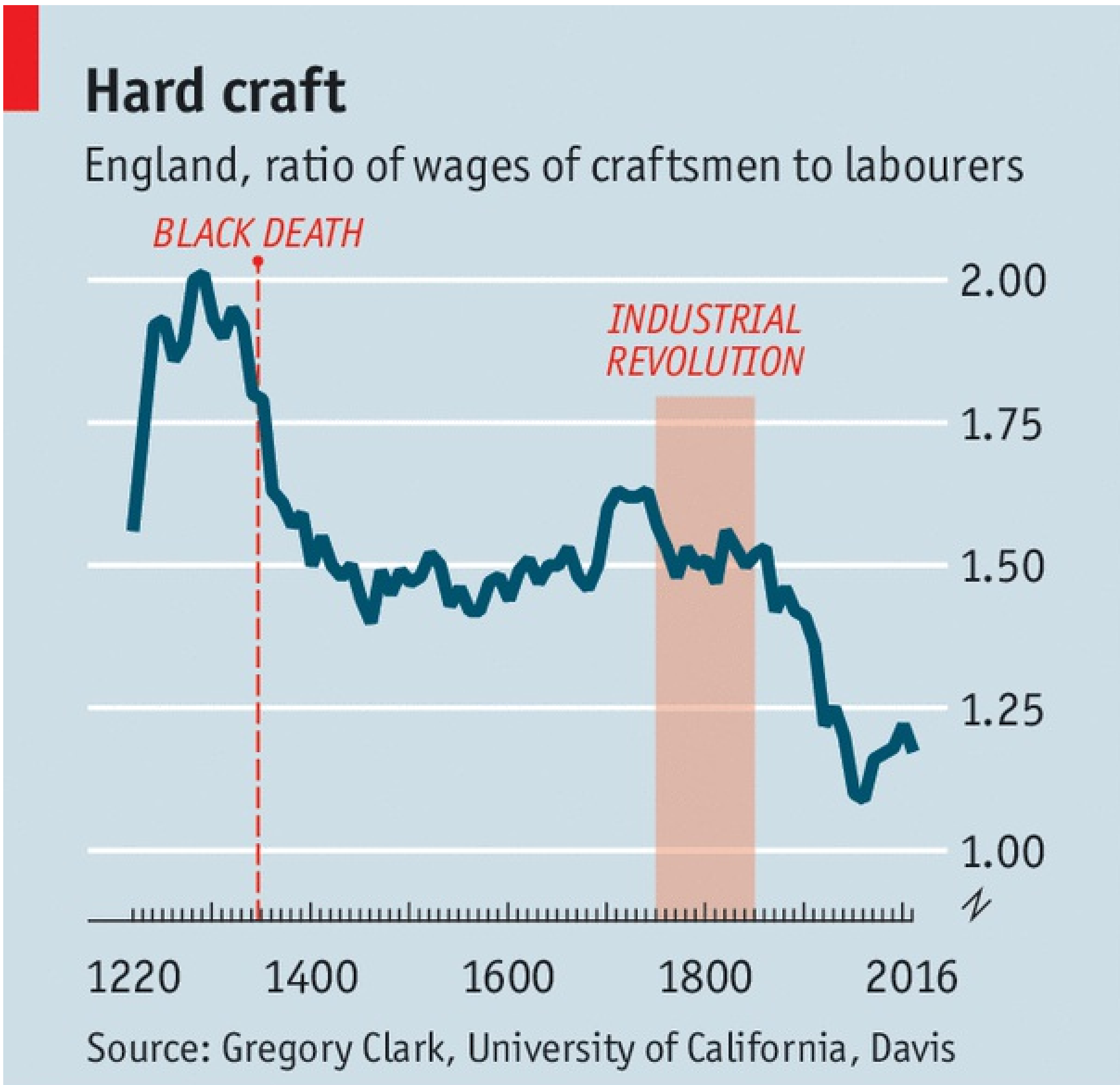
2014 hit. “The fool IMF no know what’s best for me,” he sings.

Wages through the ages

What history says about inequality and technology

The recent rise in earnings for skilled workers is a rare phenomenon

Jun 15th 2017



Economist.com

ONE factor behind the rise of income inequality in America over the past four decades is that the labour market has increasingly favoured the well-educated.

Real wages for college graduates have risen by over a third since 1963, whereas wages for those without high-school diplomas have dropped. As more of the economy becomes automated, doomsayers worry that the gap between the haves and the have-nots will only grow. History shows, however, that this need not be so.

The recent rise in earnings for skilled workers is a rare historical phenomenon. Compiling records from churches, monasteries, colleges, guilds and governments, Gregory Clark, an economist at the University of California, Davis, has put together a comprehensive dataset of English wages that stretches back to the 13th century. Mr Clark notes that in the past the skilled-wage premium, defined as the difference in wages between craftsmen, such as carpenters and masons, and unskilled labourers has been fairly stable, save for two sharp declines (see chart).

The first drop came in the 14th century, and had nothing to do with technological change. Life expectancy in medieval England was short and interest rates were high, meaning that taking on the seven-year apprenticeship needed to become a craftsman came with a heavy opportunity cost. But interest rates started falling in this period, from around 10% in 1290 to 7.5% in 1340. When the Black Death struck England in 1348, wiping out a third of the population, interest rates fell further, to 5%, and apprenticeships became much more attractive. The increased supply of skilled labour relative to unskilled workers drove down the wage premium. Data from Jan Luiten van Zanden of Utrecht University show similar patterns in Belgium, France and the Netherlands.

The second big decline in the skilled-wage premium came after the Industrial Revolution. Inventions like the power loom displaced artisans, and increased the relative demand for unskilled labour. Craftsmen whose skills took years to hone suddenly found themselves being replaced by machines operated by workers with just a few months' training. (The Luddites reacted by smashing the machines.) One study has found that the share of unskilled workers rose from 20% of the labour force in England in 1700 to 39% in 1850. The ratio of craftsmen's wages to labourers' started to fall in the early 1800s, and did not recover until 1960.

Using a different inequality measure leads to slightly different results. Peter

Lindert, also at the University of California, Davis, says that as middle-skilled jobs in England disappeared, the Gini coefficient of household earnings rose, peaking in 1800. The share of earnings captured by the top 1% reached a high in around 1870. But the two measures then went on to fall, not bottoming out until the mid-20th century.

What distinguishes the advances of the computer age from those of the Industrial Revolution is that they have favoured skilled workers. So far, university degrees have been a reliable proxy for skill but this may change as artificial intelligence starts taking jobs away from white-collar workers. Projections from America's Bureau of Labour Statistics show that four of the five fastest-growing occupations in the country involve personal care; none of those jobs requires a bachelor's degree.

In any case, to assume that current economic trends will persist is to assume an inefficient labour market. Ken Rogoff, an economist at Harvard, argues that as the wage premium for a particular group of workers rises, firms will have a greater incentive to replace them.

The inspectors are coming

The EU wants to supervise London clearing-houses after Brexit

But a new proposal also leaves the door open to the extreme option of forced relocation

Jun 15th 2017

THE Brexit devils will be in the details. That much is clear from the European Commission's latest plans for euro-denominated clearing, a crucial bit of financial plumbing. Clearing-houses sit in the middle of a securities or derivatives transaction, and make sure that deals are honoured even if one side defaults. Clearing has become a much bigger business in the wake of the financial crisis, after which the G20 group of large economies mandated that over-the-counter derivatives should be cleared: 62% of a notional $544trn global market is now settled in this way.

London houses have an outsize role, clearing 97% of dollar interest-rate swaps and 75% of those in euros. Britain's largest clearing-house, LCH, owned by the London Stock Exchange, alone clears over 50% of interest-rate swaps across all currencies. This has long had EU regulators worried about systemic-risk implications, and led them to consider their post-Brexit options. On June 13th the commission proposed a law that would set up a new system of direct supervision for clearing-houses that handle transactions in euros or other EU currencies, but are located outside the EU, as those in London will be.

Under this proposal, the European Securities and Markets Authority (ESMA), a regulator, would have direct oversight over non-EU clearing-houses deemed systemically important. Such oversight would include the right to demand information, conduct on-site inspections and levy fines. This sort of regime would be similar to America's; indeed, LCH is part-supervised by the American regulator and has expressed its support for this aspect of the EU's proposal. Nonetheless, the draft law has a catch. It leaves the door open to forced relocation if a clearing-house is of "such substantial systemic importance" that even direct external oversight does not "ensure financial stability".

The proposal does not, then, bring much clarity to the final arrangement for clearing after Brexit. That will depend, above all, on politics. Despite support from some in Britain, the idea of enhanced supervision may well run into political opposition, given the powerful role it gives to ESMA and the continued jurisdiction of the European Court of Justice, to which LCH would be subject. Being able to trigger relocation at the whim of ESMA and the commission also hands a powerful tool to those EU politicians who favour forcing the business to up sticks. As one London lawyer put it, his firm has been giving advice on how best to lobby regulators and politicians rather than on legal matters. Next stop, “House of Cards”.

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Tontines

Death pools can bring financial security for the long-lived

Modern-day enthusiasts hope to revive an ancient financial instrument

Jun 15th 2017

WHEN members of a private club in Manhattan suddenly start dropping dead at an alarming rate, Matt Scudder, a private detective, suspects more might be at play than bad luck to explain the bizarre series of suicides and violent accidents. If this sounds like the back-flap of a murder mystery, your deduction skills are as sharp as Mr Scudder's. In Lawrence Block's "A Long Line of Dead Men," the cunning detective eventually uncovers the motive for the killing spree: the club of 31 men were all part of a tontine.

These ancient financial instruments are built on members paying money into a pool, which is invested and then pays out dividends once they reach a pre-agreed age. Those who live longest will see their income increase as others die; the last one standing receives the most. They are essentially a form of insurance against an unexpectedly long life.

Although most people will know them from the works of Agatha Christie or Robert Louis Stevenson, tontines were once real. Originally dreamed up by Lorenzo de Tonti, an exiled Italian banker in France, by the late 17th century the instruments became a tool for European kings to raise funds for wars or to pay off debts. Adam Smith wrote in "The Wealth of Nations" that governments would be wise to raise funds in such a way because they appealed to people's gambling spirits, allowing governments to borrow at a lower rate. By the turn of the 20th century, according to a study in 1987 by Roger Ransom and Richard Sutch, two academics, as many as half of American households may have been saving for retirement via tontine insurance, a variation of the product that combines life insurance with a tontine.

But too much of a good thing led to excesses, fraud and mismanagement and by 1905 these insurance products were banned in New York state, with other states following soon after. Tontines in their purest form had already been banned in Britain under the Life Assurance Act of 1774, primarily because of the perverse incentives inherent in a product that offers benefits when others die. Although there is no known evidence that tontines inspired murder plots, they did encourage fraud. Moshe Milevsky, of the Schulich School of Business in Canada, has uncovered data that suggest parents in 17th-century Britain would take out a tontine, nominate a child and if the child died, as was all too common, simply give another child the same name so as not to forgo their dividend. This led to lower-than-expected returns.

Despite their troubled past and negative portrayal in popular fiction, tontines—or a modern variant—may just make a comeback. A small but increasingly voluble group of academics, as well as some asset managers and actuaries, think that an adapted form of tontine might be just the product to provide insurance against the risk of outliving one's savings, an issue with which retirement planners, corporations and governments around the world are struggling to cope.

Pooling lives has always been one of the most cost-effective ways to cover such longevity risk. "It's what's missing in the current DC [defined-contribution pensions] set-ups; nothing has replaced the old longevity pool which the employer used to form," says Chip Castille of BlackRock, an asset manager. Although annuities offer a guaranteed lifetime income, they are relatively expensive because their issuers must hold a large capital buffer. Retired people tend not to like them as they pay a low rate. Tontines are simple to understand and could be much less costly than annuities because the risks are not taken onto the balance-sheet of an insurer.

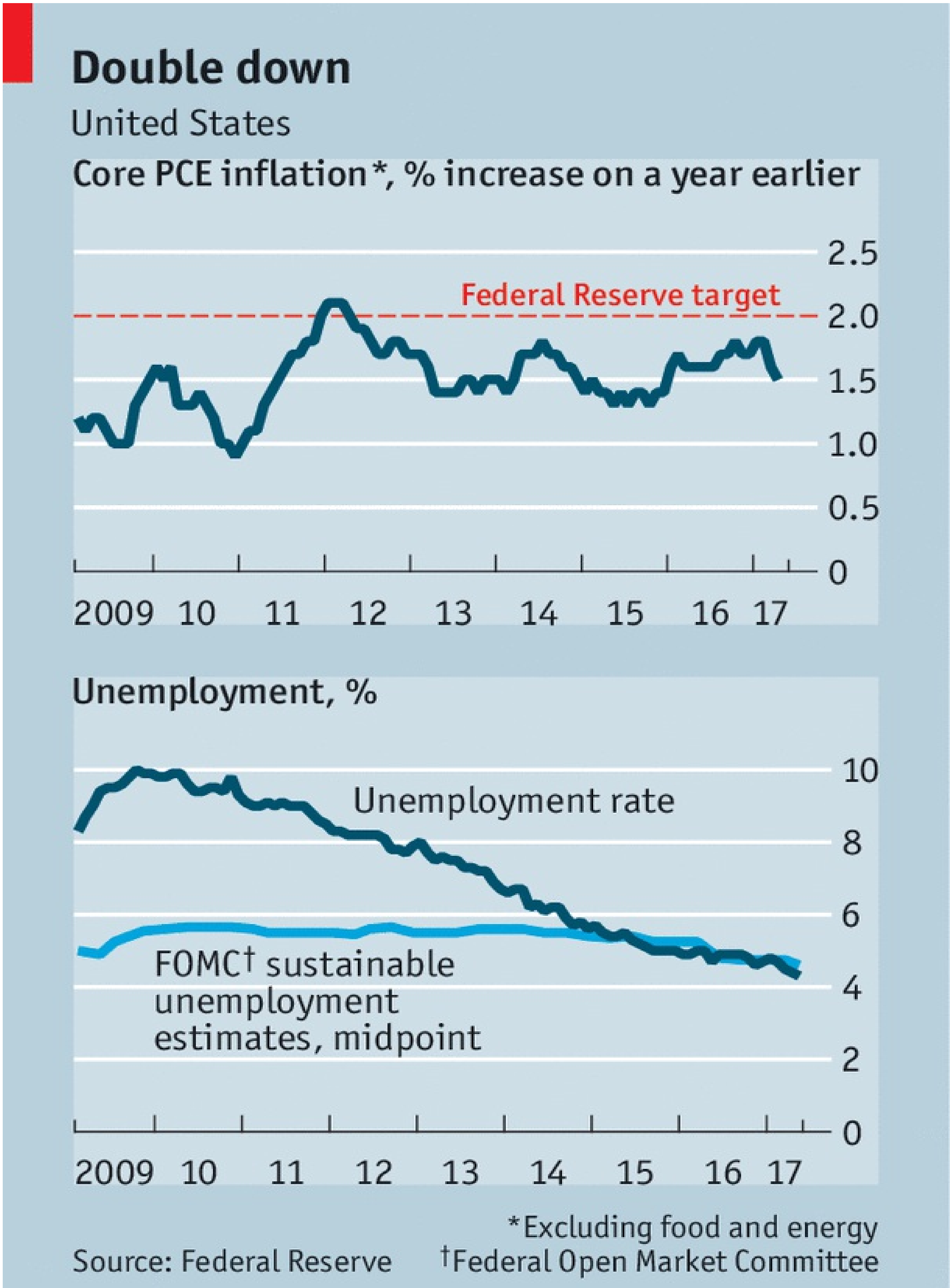
Enthusiasts believe modern technology and data-crunching could help overcome the instrument's shortcomings. Electronic records make it easier to verify whether someone is dead; crowdfunding could help source a tontine pool; and the blockchain, a type of decentralised ledger, could anonymise it (and thus avert any murder plots). "The eventual disruption will come not from a traditional asset manager, but from a 22-year-old kid in Silicon Valley," predicts Mr Milevsky, who has seen the number of tontine-related patent applications increase recently. Tontines are a thing of the past. But they may yet come back from the grave.

Finding Phillips

Inflation has not yet followed lower unemployment in America

But economists and the Federal Reserve are not about to abandon the Phillips curve

Jun 15th 2017 | WASHINGTON, DC


Double down
United States
Core PCE inflation*, % increase on a year earlier
Federal Reserve target
2.5
2.0
1.5
1.0
0.5
0
2009 10 11 12 13 14 15 16 17
Unemployment, %
Unemployment rate
FOMC† sustainable unemployment estimates, midpoint
10
8
6
4
2
0
2009 10 11 12 13 14 15 16 17
*Excluding food and energy
†Federal Open Market Committee
Source: Federal Reserve
Economist.com

THAT central banks cannot endlessly reduce unemployment without sparking inflation is economic gospel. It follows from "a substantial body of theory, informed by considerable historical evidence", according to Janet Yellen, chair of the Federal Reserve. Her conviction explains why, on June 14th, the Fed raised interest rates by a quarter of a percentage point, to a range of 1-1.25%.

Excluding food and energy, prices are only 1.5% higher than a year ago; the Fed's inflation target is 2%. But Ms Yellen thinks unemployment is below its so-called "natural" rate, so inflation should soon rise. Is she right? Or has the relationship between unemployment and inflation, dubbed the Phillips curve, gone missing?

It is not the first time the theory has failed. After the financial crisis unemployment soared to 10%. This surfeit of workers should have sent inflation tumbling. But prices held up well; in October 2009, when unemployment peaked, underlying inflation was 1.3%, only a little lower than it is today. Some economists explained this by saying that the natural rate of unemployment had gone up in tandem—in other words, that some of the rise in joblessness was permanent. In August 2013 Robert Gordon, an economist at Northwestern University, put the natural rate of unemployment at fully 6.5%.

That explanation has not aged well. Unemployment is now 4.3%, yet inflation remains low. In response, the Fed's estimates of the natural rate have fallen (see chart). This week they dropped again. The constant catch-up undermines the Fed's justification for rate rises. (It plans another this year, and also to start shrinking its balance-sheet, which ballooned during and after the recession as it bought assets with newly created money.)

Yet economists are not about to abandon the Phillips curve, for three reasons. First, the effects of unemployment on inflation can get lost amid temporary economic gyrations. That is most obvious when oil prices fall, as they did in late 2014. More recently, the price of mobile data has dropped. One firm, Verizon, began offering limitless data. At the same time, statisticians have increased the weight they give to such changes. As a result, better mobile-phone deals have reduced consumer-price inflation by over 0.2 percentage points over the past year. Economists at Goldman Sachs, a bank, think unemployment would have to change by fully 1-2 percentage points to have a comparable impact.

Second, it is possible that inflation will take off sharply when unemployment gets too low, rather than gradually as the economy approaches the threshold. This happened during the period that best mirrors today's circumstances: the late 1960s. With unemployment under 4%, inflation rose from 1.4% in November 1965 to 3.2% a year later, and almost 5% by the end of the decade. President Lyndon Johnson was partly to blame. He pressed the Fed not to offset tax cuts fully with tighter money. With President Donald Trump promising tax cuts, and able to replace Ms Yellen early next year, history may yet repeat itself.

The last reason not to throw out the textbook is its emphasis on inflation expectations, as well as unemployment. Inflation expectations have sagged while the labour market has recovered. According to the New York Fed, they took another dive in May. Self-fulfilling expectations could explain low inflation and exonerate the Phillips curve. Instead, they call into question the credibility of the Fed's promise to hit its inflation target.

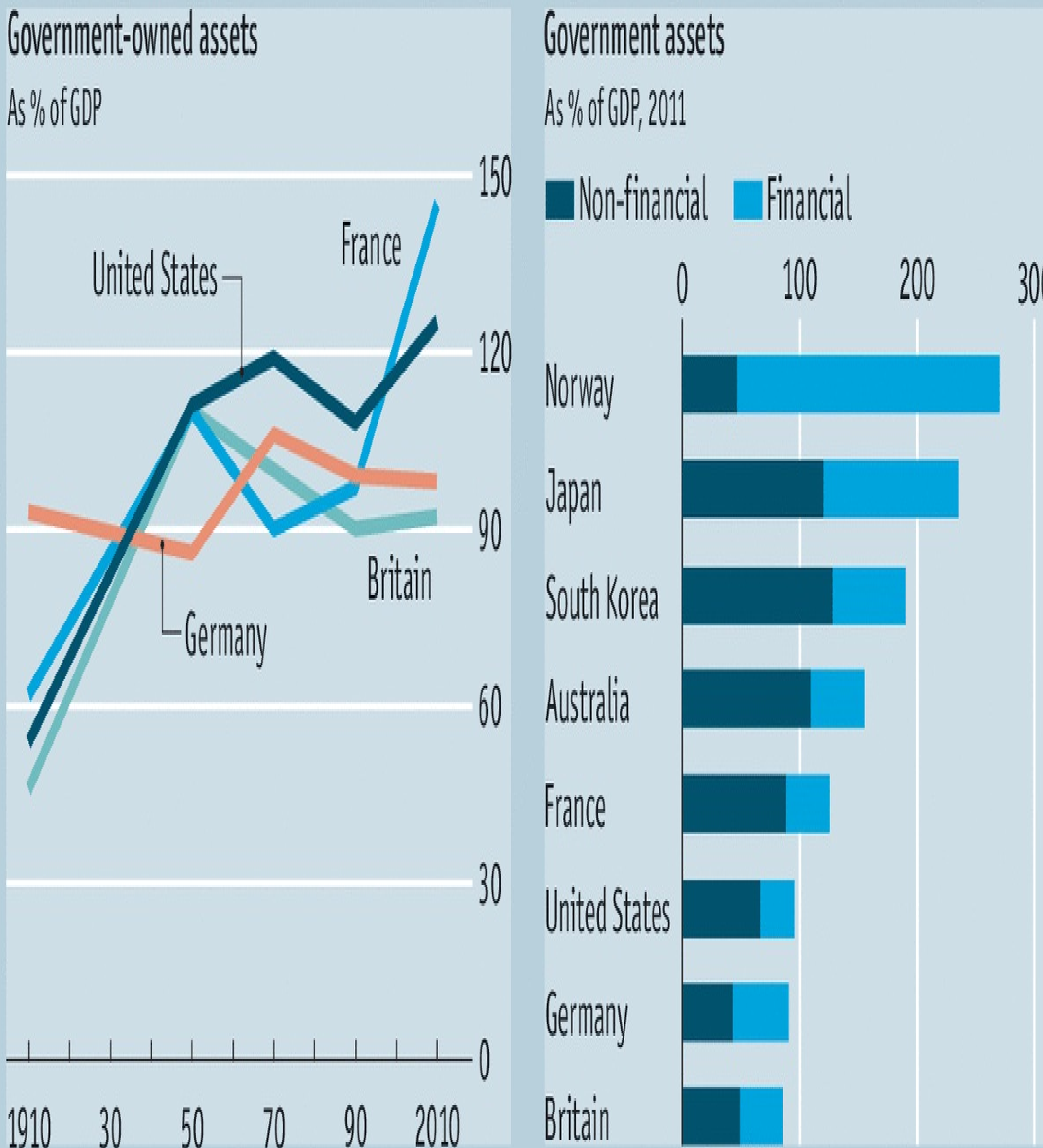
Free exchange

The perils of nationalisation

More state ownership is not the right answer to economic ills

Jun 17th 2017

Altered states



Sources: "Capital in the Twenty-First Century", by Thomas Piketty; "The Public Wealth of Nations", Detter & Fölster, 2015

Economist.com

WHEN Jeremy Corbyn unveiled his Labour manifesto ahead of the recent British election, opponents gawked at pledges to renationalise the postal and rail systems. Such enthusiasm for state ownership smacks of a philosophy long since abandoned by leaders on both left and right. Despite Labour's decent electoral performance, nationalisation is not everywhere on the march; on June 5th Donald Trump made public his desire to privatise air-traffic control. But the rise of Mr Corbyn and Bernie Sanders hints at a weakening of the rich-world consensus that the less of the economy owned by government, the better. That is a pity. Expanded state ownership is a poor way to cure economic ailments.

For much of the 20th century, economists were open to a bit of *dirigisme*. Maurice Allais, an (admittedly French) economist who won the Nobel prize in 1988, recommended that the government run a few firms in each industry, the better to observe the relative merits of public and private ownership. Economists often embrace state control as a solution to market failure. Since there is no way to provide national security only to citizens who sign up to pay for it while denying it to the rest, it requires a government with the power to tax to provide defence. In cases of natural monopoly, in transport and telecommunications, nationalisation is an alternative to allowing a dominant firm to use its market power to overcharge for subpar service. And state control looks attractive when private markets are bad at providing universal access to critical services. Private schools or health insurers have an incentive to skim off the best-prepared students and healthiest patients, and to deny services to harder cases, creating a large pool of people that cannot profitably be served.

But in the 1970s economists came to see state ownership as a costly fix to such problems. Owners of private firms benefit directly when innovation reduces costs and boosts profits; bureaucrats usually lack such a clear financial incentive to improve performance. Firms with the backing of the state are less vulnerable to competition; as they lumber on they hoard resources that could be better used elsewhere. Inattention to cost-cutting is not always a flaw. Oliver Hart, co-winner of last year's Nobel prize for economics, pointed to private prisons as a case in which profit-focused managers might accept a cost-efficient decline in the welfare of prisoners that society would prefer not to have. Yet economists saw in the productivity slowdown of the 1970s evidence that an overreaching state was throttling economic dynamism. Mr Corbyn first won election to parliament when the Tory government of Margaret Thatcher, inspired by Milton Friedman, was busily selling off bits of state firms like British Leyland (the nationalised carmaker), British Airways and what was then called British Petroleum. Other governments followed suit although public assets in most countries remain large (see right-hand chart).

State-owned firms pose risks beyond that to dynamism. Government-run companies may prioritise swollen payrolls over customer satisfaction. More worryingly, state firms can become vehicles for corruption, used to dole out the largesse of the state to favoured backers or to funnel social wealth into the pockets of the powerful. As state control over the economy grows, political connections become a surer route to business success than entrepreneurialism. Even botched privatisations can improve governance in corruption-plagued emerging economies.

If antipathy to nationalisation is fading, however, that has less to do with newfound confidence in state competence and more with disappointment in private business. Although studies typically find that countries with more of the economy under state control grow more slowly than those with less, much of the rich world—including enthusiastic privatisers like America and Britain—is limping through productivity doldrums. High corporate profits suggest that private markets are not hotbeds of cut-throat competition. Recent economic growth has done more to enrich shareholders and a small set of highly skilled workers than the public as a whole. Tech dynamos like Google and Facebook delight consumers, but these companies increasingly wield unsettling economic and social power. Both the financial crisis and growing suspicion of Silicon Valley fan suspicions that private ownership is not a sure way to advance the public good.

Modern forms of public ownership are designed to look more benign than the old models. The new nationalisation might involve governments sitting quietly in the boardroom, grabbing a share of profits for the public purse and reminding firms not to neglect their social responsibilities, while leaving enough shares in private hands to harness the benefits of red-blooded capitalism.

Hire, not fire

Even this modest version of state capitalism could disappoint. Shared ownership, even at small scales, has the potential to blunt competition in ways that harm consumers. The rise of large asset managers, like BlackRock and Vanguard, means that huge stakes in firms representing much of the stockmarket are controlled by a few passive investors running money for private savers. Recent research suggests that this concentrated ownership may be bad for competition. As a result of common ownership of airlines by asset managers, for instance, fares are estimated to be 3% to 5% higher than if ownership were more dispersed.

Some on the left might see higher prices as an acceptable cost for a reduction in corporate power (and it is hard to imagine service at some airlines getting worse in public hands). Yet there are other risks to consider. China's state-owned sector is proving difficult to shrink in part because it accounts for so much employment. Governments trying to deliver good jobs may be tempted to lean on state-controlled firms to hire more staff, particularly in countries with powerful public-sector unions. Consumers and taxpayers would bear the costs of such bloating. Corporate power, inequality and underemployment are all real worries. Expanding state ownership is the wrong way to tackle such ills.

Visit our Free exchange economics blog

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Science and technology

In praise of pachyderms

Conserve elephants. They hold a scientific mirror up to humans

The biology and conservation of elephants

Jun 17th 2017 | Samburu

THE symbol of the World Wide Fund for Nature is a giant panda. The panda's black-and-white pelage certainly makes for a striking logo. But, though pandas are an endangered species, the cause of their endangerment is depressingly quotidian: a loss of habitat as Earth's human population increases. A better icon might be an elephant, particularly an African elephant, for elephants are not mere collateral damage in humanity's relentless expansion. Often, rather, they are deliberate targets, shot by poachers, who want their ivory; by farmers, because of the damage they do to crops; and by cattle herders, who see them as competitors for forage.

In August 2016 the result of the Great Elephant Census, the most extensive count of a wild species ever attempted, suggested that about 350,000 African savannah elephants remain alive. This is down by 140,000 since 2007. The census, conducted by a team led by Mike Chase, an ecologist based in

Botswana, and paid for by Paul Allen, one of the founders of Microsoft, undertook almost 500,000km of aerial surveys to come to its conclusion—though the team were unable to include forest elephants, a smaller, more reclusive type that live in west and central Africa, and which many biologists think a separate species.

That most of the decline has been brought about by poaching is scarcely in doubt. Seizures of smuggled ivory, and the size of the carved-ivory market compared with the small amount of legal ivory available, confirm it. But habitat loss is important, too—and not just the conversion of bush into farmland. Roads, railways and fences, built as Africa develops, stop elephants moving around. And an elephant needs a lot of room. According to George Wittemyer of Save the Elephants (STE), a Kenyan research-and-conservation charity, an average elephant living in and around Samburu National Reserve, in northern Kenya, ranges over 1,500 square kilometres during the course of a year, and may travel as much as 60km a day.

The long road to knowledge

The question, then, is whether elephants and people can ever co-exist peacefully. And many of those who worry that the answer may be “no” fear the loss of more than just another species of charismatic megafauna. Elephants, about as unrelated to human beings as any mammal can be, seem nevertheless to have evolved intelligence, and possibly even consciousness. Though they may not be alone in this (similar claims are made for certain whales, social carnivores and a few birds), they are certainly part of a small and select group. Losing even one example of how intelligence comes about and makes its living in the wild would not only be a shame in its own right, it would also diminish the ability of biologists of the future to understand the process, and thus how it happened to human beings.

Most of what is known about elephant society has been found out by STE’s study in Samburu and by an even longer-running project, led by Cynthia Moss, at Amboseli National Park, in the country’s south. Both use a mixture of good, old-fashioned fieldcraft and high-tech radio collars that permit individual animals to be tracked around by satellite.

Dr Moss began her work in Amboseli in 1972, after collaborating in Tanzania with Iain Douglas-Hamilton, a zoologist who had been studying the animals since 1965 (and who is, coincidentally, the uncle of our Books and Arts editor). In 1993 Dr Douglas-Hamilton, who had held various conservation-related jobs in the interim, followed suit by creating STE and recruiting Dr Wittemyer to set up a research project in Samburu. That project now monitors 70 family groups comprising about 300 adult females and their offspring, and also around 200 adult males. Since they began work, Dr Wittemyer and his team have collected more than 25,000 field observations of what the animals are up to, and around 4m individual satellite locations.

Dr Wittemyer argues that, human beings aside, no species on Earth has a more complex society than that of elephants. And elephant society does indeed have parallels with the way humans lived before the invention of agriculture.

The nuclei of their social arrangements are groups of four or five females and their young that are led by a matriarch who is mother, grandmother, great-grandmother, sister or aunt to most of them. Though males depart their natal group when maturity beckons at the age of 12, females usually remain in it throughout their lives.

Within a group, most adult females have, at any given moment, a single, dependent calf. They will not give birth again until this offspring is self-sufficient, which takes about four years. From a male point of view, sexually receptive females are therefore a rare commodity, to be sought out and often fought over. Such competition means that, though capable of fatherhood from the age of about 14, a male will be lucky to achieve it before he is in his 20s. Until that time arrives, he will be seen off by stronger rivals.

Were this all there was to elephant society, it would still be quite complex by mammalian standards—similar in scope to that of lions, which also live in matriarchal family groups that eject maturing males. But it would not deserve Dr Wittemyer's accolade of near-human sophistication. Unlike lions, however, elephants have higher levels of organisation, not immediately obvious to the observer, that are indeed quite humanlike.

First of all, families are part of wider "kinship" groups that come together and separate as the fancy takes them. Families commune with each other in this way about 10% of the time. On top of this, each kinship group is part of what

Dr Douglas-Hamilton, a Scot, calls a clan. Clans tend to gather in the dry season, when the amount of habitat capable of supporting elephants is restricted. Within a clan, relations are generally friendly. All clan members are known to one another and, since a clan will usually have at least 100 adult members, and may have twice that, this means an adult (an adult female, at least) can recognise and have meaningful social relations with that many other individuals.

A figure of between 100 and 200 acquaintances is similar to the number of people with whom a human being can maintain a meaningful social relationship—a value known as Dunbar's number, after Robin Dunbar, the psychologist who proposed it. Dunbar's number for people is about 150. It is probably no coincidence that this reflects the maximum size of the human clans of those who make their living by hunting and gathering, and who spend most of their lives in smaller groups of relatives, separated from other clan members, scouring the landscape for food.

Dealing with so many peers, and remembering details of such large ranges, means elephants require enormous memories. Details of how their brains work are, beyond matters of basic anatomy, rather sketchy. But one thing which is known is that they have big hippocampuses. These structures, one in each cerebral hemisphere, are involved in the formation of long-term memories. Compared with the size of its brain, an elephant's hippocampuses are about 40% larger than those of a human being, suggesting that the old proverb about an elephant never forgetting may have a grain of truth in it.

À la recherche du temps perdu

In the field, the value of the memories thus stored increases with age. Matriarchs, usually the oldest elephant in a family group, know a lot. The studies in Amboseli and Samburu have shown that, in times of trouble such as a local drought, this knowledge permits them to lead their groups to other, richer pastures visited in the past. Though not actively taught (at least, as far as is known) such geographical information is passed down the generations by experience. Indeed, elephant biologists believe the ability of the young to benefit by and learn from the wisdom of the old is one of the most important reasons for the existence of groups—another thing elephants share with people.

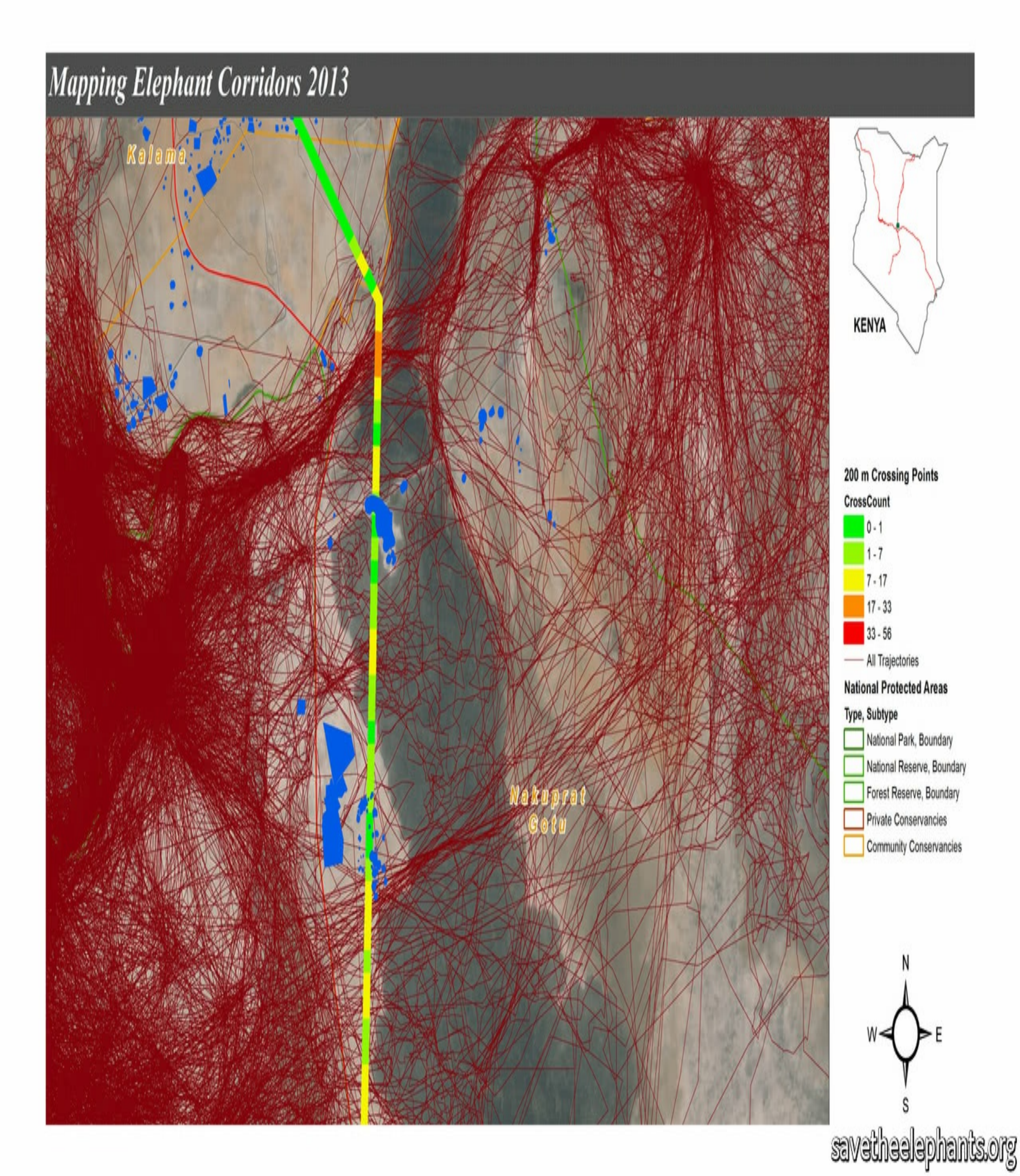
Group living brings further advantages, as well—most notably those of collective defence. For, though most predators apart from humans armed with rifles would hesitate to attack an adult elephant, they will happily take on a youngster. A lone mother would be able to defend her calf against a single such predator, but many carnivores, particularly lions and hyenas, come in prides or packs. The solidarity of sisterhood means a group of elephants can usually deter attacks by its mere existence, and if deterrence does not work, then collective defence usually does. Here, again, experience seems to count. Data collected by Dr Moss's team suggest that groups led by young matriarchs are more vulnerable to predation than those with older leaders.

Nor is it only in their social arrangements that elephants show signs of parallel evolution with humans. They also seem to have a capacity for solving problems by thinking about them in abstract terms. This is hard to demonstrate in the wild, for any evidence is necessarily anecdotal. But experiments conducted on domesticated Asian elephants (easier to deal with than African ones) show that they can use novel objects as tools to obtain out-of-reach food without trial and error beforehand. This is a trick some other species, such as great apes, can manage, but which most animals find impossible.

Wild elephants engage in one type of behaviour in particular that leaves many observers unable to resist drawing human parallels. This is their reaction to their dead. Elephant corpses are centres of attraction for living elephants. They will visit them repeatedly, sniffing them with their trunks and rumbling as they do so (see picture overleaf). This is a species-specific response; elephants show no interest in the dead of any other type of animal. And they also react to elephant bones, as well as bodies, as Dr Wittemyer has demonstrated. Prompted by the anecdotes of others, and his own observations that an elephant faced with such bones will often respond by scattering them, he laid out fields of bones in the bush. Wild elephants, he found, can distinguish their conspecifics' skeletal remains from those of other species. And they do, indeed, pick them up and fling them into the bush.

Elephants, then, are of great scientific curiosity. But, as its name suggests, Save the Elephants was not set up solely for the disinterested pursuit of knowledge. Indeed, as has often proved the way in field studies of other species, the focus of almost all elephant researchers, not just those in Kenya, has shifted from understanding the animals to preserving them.

Though poaching is still a threat in Kenya, changes in land use now seem an equal hazard. The human inhabitants of the area around the Samburu reserve (some of whom have given their tribal name to the place) have traditionally made their livings as pastoralists, driving herds of cattle from grazing place to grazing place. One source of conflict with elephants has been competition for pasture as the herders' populations have grown. Indeed, the reserve itself is now sometimes invaded by cowherds and their stock. But, on top of this, some pastoralists have begun to settle down. Buildings and fences are appearing on land which, though outside the reserve, is part of the local elephants' ranges as they travel from one place to another.



Where elephants go. Red marks locations of radio-collared animals, sampled every hour over 60 months. The green line is a road

Here, the data Dr Wittemyer and his team have accumulated can help. Satellite tracking that shows exactly how elephants move about (see map) can be used to steer decisions concerning land use in ways that help pachyderms. As the map shows, elephants have places they prefer to live, which often correspond to protected areas, for the animals quickly work out where they are safe and where they are not. When travelling between these, which they usually do at night, they often follow narrow corridors.

Bee off with you

Keeping such corridors clear of development is crucial to the well-being of the elephants which use them. Satellite maps are an important tool for doing so. Formal authorities in the country can take them into account, but, equally important, these maps are also quite persuasive in the public meetings at which local tribesmen agree on the use of what is collectively held land. Such meetings can assent to the legal “gazetting” of the corridors in question, to stop them being built on or fenced, so that elephants can pass freely.

This approach can work at a larger scale, as well. A new railway from Mombasa to Nairobi, for example, has been provided with elephant underpasses on routes used by the beasts—though an unintended consequence has been to encourage settlement near these transit points, which are useful for people, too. In the case of Samburu the satellite maps will be of great value if a proposed “development corridor”, running inland from a planned expansion of the port of Lamu, goes ahead, as this may bring a new highway, railway and oil pipeline through land much used by elephants.

Understanding elephants’ behaviour also permits it to be manipulated in ways that help reduce direct conflict between elephants and people. One such project harnesses elephants’ fear of bee swarms.

A time to mourn

Bees are the only animals apart from humans that elephants seem truly afraid of. Anecdotally, this has been known for a long time. But the matter has now been studied scientifically by Lucy King, a researcher at Oxford University who is also part of STE. Dr King proved the anecdotes correct by playing the sound of a swarm of angry bees to wild elephants, and videoing the instant, panicked flight it provoked. The reason for this panic is that, although a bee's sting cannot penetrate most parts of an elephant's hide, swarms of bees tend to go for the eyes and the tip of the trunk, a pachyderm's most vulnerable parts. Bees are enemies that no amount of collective defence can discourage.

Armed with that knowledge, Dr King and her colleague Fritz Vollrath came up with the idea of protecting farms with bee fences. The sort of fence most Kenyan smallholders can afford is too flimsy to exclude an elephant. But a bee fence, though flimsier still, does the job. It consist of pairs of poles about three metres apart, between which beehives can be hung like hammocks. The hives themselves are ten metres apart, and the poles are all connected by a single strand of wire 1.5 metres above the ground.

This arrangement is enough to stop elephants in their tracks. Most are sufficiently wary of hives to avoid passing the fence in the first place—indeed, they are so wary that half the hives can be cheap dummies, rather than the real thing, without reducing a fence's effectiveness. Those that do try to pass between the poles blunder into the wire and shake the adjacent hives, with predictable results, and rarely attempt a second passage.

Bee-fenced farms, Dr King and Dr Vollrath have discovered, suffer only a fifth as many elephant raids as those with conventional protection. As a bonus, the honey the bees produce is a useful source of revenue. Indeed, the fences are so successful that they are being tried out in at least a dozen other countries. Though it seems almost a Heath-Robinson solution to the problem, bee fencing may be an important part of reconciling the interests of elephants and people.

Jumbo threat

All the bee fences in the world, however, will not help if the problem of poaching remains unsolved. And that, ultimately, means suppressing demand for ivory. For years this looked a fool's errand. Now, though, it does not, for good news has arrived from what many regard as an unexpected quarter: the government of China.

Though international trade in ivory is illegal, some countries permit internal sales—and do not always inquire too closely about where the tusks contributing to those sales have come from. In recent years China, which has permitted such sales, has been the world's largest ivory market, estimated to account for 70% of ivory sold. By the end of 2017, though, any sale of ivory in China will be illegal, and all licensed ivory dealers will have had to shut up shop.

The Chinese do seem serious about this. Not only are dealers actually closing down, but an anti-ivory propaganda campaign has begun, with stars such as Yao Ming, a basketball player, and Li Bingbing, an actress, being recruited to shame those who continue to buy objects made from elephant tusks.

Though there is evidence of new workshops opening, and others expanding, in some of China's neighbours such as Vietnam, many people hope that China's ivory ban will prove a tipping-point in the fight to preserve elephants. Already, the price of the stuff in China has come down by two-thirds, from a peak of $2,100 a kilogram in 2014 to $730 earlier this year. That is bad news for smugglers, and for the poachers who supply them. If the Chinese ban really does stick, rather than driving the trade underground, then it is just possible that historians of the future will record 2017 as having been the year of the elephant.

Books and arts

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- **Europe's future: Not in my continent** [Sat, 17 Jun 09:10]
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Source of the bile

The roots of jihad, from Afghanistan to the banlieues

Three new and very different books offer thoughtful analysis but little hope of taming violent Islamism

Jun 15th 2017

Terror in France: The Rise of Jihad in the West. By Gilles Kepel. *Princeton University Press; 240 pages; $29.95 and £24.95.*

Anatomy of Terror: From the Death of Bin Laden to the Rise of the Islamic State. By Ali Soufan. *W.W. Norton; 384 pages; $27.95.*

I Was Told to Come Alone: My Journey Behind the Lines of Jihad. By Souad Mekhennet. *Henry Holt; 354 pages; $30. Virago; £14.99.*

CHARLIE HEBDO, Bataclan, Brussels, Nice, Berlin, Manchester and now London. The trail of blood of what Gilles Kepel calls the "third wave" of jihad grows ever longer. The first of Mr Kepel's waves featured fighters against the Soviet Union in Afghanistan and then against Arab regimes. The second was led by Osama bin Laden, who turned from the "near enemy" to the "far enemy", ie, America. The third is made up of loose networks of radical Muslims in the West who murder with little or no control from al-Qaeda or, latterly, Islamic State (IS). Some think IS is lashing out abroad as it loses ground in Iraq and Syria. Perhaps. But even if the physical "caliphate" is destroyed, the jihadist empire of the mind seems bound to endure.

Mr Kepel has long been at the forefront of scholarship on Islamist radicalism. His latest book examines how the third wave washed over France. His work bears studying: at least until this year's attacks in Britain, France appeared to be the main incubator of European jihadism. Mr Kepel puts the turning point at around 2005: the year when Abu Musab al-Suri (real name: Mustafa Setmariam Nasar) published a 1,600-page tract entitled "The Call for Global Islamic Resistance". YouTube was launched that same year, giving jihadists a direct, vivid means of publicising their grisly deeds and radicalising Muslims. Finally, it was the year when the alienated *banlieues* of French cities erupted in riots. The seeds of jihad were also fertilised by the memory of French colonialism in north Africa, the experience of French prisons and the proximity of the war in Syria, which provided a call to arms and military training.

Abu Musab al-Suri was prescient when he spoke of two concentric circles of jihad: small-cell or solo jihad using "urban or suburban gang warfare" with the aim of "tiring the enemy and making him reach a state of collapse and retreat", especially in Europe; and, when conditions permit, "jihad of open fronts" in Muslim lands designed to seize territory and establish an Islamic state. IS has done both, but Mr Kepel focuses on the first, nebulous form. He regards it as a symptom of social and political malaise in France in general, and among Muslims in particular. Islamism, in his view, is the mirror-image of right-wing nationalism, both promising a new Utopia in place of the workers' paradise that died with the demise of communism. Sadly, for those looking for answers, Mr Kepel's last chapter becomes mired in abstractions that translate poorly from the French.

Ali Soufan, a Lebanese-born former FBI investigator, describes the other circle of jihadism: open-front jihad. "Anatomy of Terror" tells the stories of the leaders of al-Qaeda and IS. Mr Kepel's and Mr Soufan's different styles and focuses reflect the experiences of the two authors, one an academic and the other a law-enforcement practitioner. They also say something about contrasting European and American priorities: for Europeans the pressing danger is at home; for America, the main enemies are still the organised groups abroad.

Mr Soufan is at his most interesting in describing in detail the ambiguous role of Iran in the arrest, and then the release, of senior al-Qaeda figures fleeing Afghanistan—including Hamza bin Laden, Osama's son—to be used "either as leverage or as attack dogs". Mr Soufan has a warning, too: as IS is worn down, and its dispute with al-Qaeda over the declaration of the caliphate becomes moot, the two movements could reunite, posing an even graver menace to the West. His recommendations are mostly generalities about fighting jihadism with "an entirely new narrative", but he makes one particularly sensible point: the West should make better use of rehabilitated former jihadists for ideological counter-propaganda.

One reason that neither book entirely satisfies is that the struggle against jihadism may be too current, too diffuse and in parts too inaccessible to write about fully. The best approximation may be the notebooks of journalists who write the first draft of history from the field. Souad Mekhennet, a German of Turkish-Moroccan descent who works for the *Washington Post*, is unusually well placed to describe the interplay between events in the Middle East and Europe.

"I Was Told to Come Alone" is the story behind Ms Mekhennet's stories. She secretly meets IS commanders; identifies Mohammed Emwazi, a Kuwaiti-born Briton, as "Jihadi John", a masked executioner featured in gruesome IS videos; and tracks down the Muslim woman who tipped off French authorities about the whereabouts of Abdelhamid Abaaoud (pictured), the mastermind of the Bataclan attack. Abaaoud was killed by police in a flat in St. Denis, a suburb of Paris.

Ms Mekhennet's book is much more than a book of journalism, admirable as hers is: it is a remarkable record of a Muslim woman struggling to understand those who kill in the name of her religion, and to explain their actions to the uncomprehending Western world to which she belongs. Time and again, she picks arguments with Muslims who think the West is at war with Islam, and with other Europeans who think all Muslims are terrorists.

The radicals she encounters in Europe are often marked by broken homes, abusive relationships and petty criminality. Contemptuous of both secular Western culture and the traditional Islam of their parents, they become prey to jihadists who claim to know true religion and offer equality to anyone prepared to fight under the Prophet's banner.

There are many culprits in Ms Mekhennet's stories: meddling Western governments, oppressive Arab rulers, manipulative preachers, poverty, Islamic tradition. Though she, too, has no easy answers, there is much wisdom in her observations. "Religion doesn't radicalise people," she writes. "People radicalise religion."

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Drawbridge up

Fearing the “suicide” of Europe

A polemic on Islam and migration hits on unhappy truths, but paints only a partial picture

Jun 15th 2017

The Strange Death of Europe: Immigration, Identity, Islam. By Douglas Murray. *Bloomsbury; 343 pages; $26.00 and £18.99.*

“EUROPE is committing suicide,” says Douglas Murray in the opening words of his book. The British journalist thinks cities such as London or Malmo in Sweden have been irrevocably changed by migration. European culture has been diminished by a mixture of self-abnegation and political correctness, while declining Christian values have left most western European countries unmoored. Strands of Islam, he feels, are bringing with them the kinds of prejudices any liberal society should abhor. Terrorism, sexual assault and female genital mutilation are, in his telling, all on the rise.

Mr Murray backs up this bleak vision with reporting from squalid refugee camps in Greece; from asylum shelters in Germany; and from a conference held by the Sweden Democrats, a right-wing political party. The central event in the book is the migration crisis of 2015, in which over 1m asylum-seekers from Syria, Afghanistan, Iraq and elsewhere came to Europe (most to Germany and Sweden). But Mr Murray's views have also been formed by four decades in Britain. The Muslim population of England and Wales increased from 1.5m in 2001 to 2.7m in 2011.

The author does hit on some unfortunate truths. The migrant crisis of 2015 was unexpected, but also badly managed by the European Union. Laws to combat anti-Islamic hate speech tend to clamp down on free expression, and worsen the tensions. The policy of isolating anti-migrant parties tended to make them even more popular: when the Sweden Democrats were first elected into parliament with 5% of the vote in 2010, other politicians "treated the new MPs as pariahs". The party is now one of the most popular in Sweden, scoring 24% in recent opinion polls. In some places the police or social services have indeed failed to act against pathologies in Muslim communities, fearful of being tarred with racism.

The book would benefit, however, from far more reporting. Meeting an Afghan asylum-seeker who had been tortured and raped by the Taliban, Mr Murray momentarily seems to understand the "generous instinct" that led European politicians to welcome refugees two years ago. But in support of his idea that Islam has no place in Europe, he lets fear trump analysis. He cites polls showing that voters worry about the number of immigrants, but not those showing that people vastly overestimate those numbers. He is prone to exaggeration: housing shortages in Sweden are "largely caused by immigration", rather than decades of under-construction; NGO boats rescuing migrants in the Mediterranean do so "minutes" after they leave the north African shore (in reality, it takes hours or even a day for refugee boats to be found, which is why around 5,000 died or went missing on that crossing last year). He puts nearly all of the blame for the migration crisis on the shoulders of Angela Merkel, the German chancellor, who in 2015 "opened a door that was already ajar".

As a result, he shows an incomplete picture of Europe today. Mrs Merkel was indeed temporarily damaged by the migration crisis, with her poll ratings falling. But her party still looks set to win the elections this autumn, and allies have won local elections, while support for a far-right party has fallen. Mr Murray argues that Marine Le Pen's National Front, one of a handful of "thoughtful and clearly non-fascist parties" often described as on the "far right", should be accepted into the mainstream. Yet Ms Le Pen's bleak vision did not convince France's voters to make her president, while her party now looks much diminished. Mr Murray is right to point out that many European politicians have not yet come to grips with how to manage migration in the coming decades. But Europe is a long way off from its last gasp.

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A giant German

Goethe's life as a work of art

A new biography shows how the great German lived life as a story with a beginning, middle and end

Jun 15th 2017

Goethe: Life as a Work of Art. By Rüdiger Safranski. Translated by David Dollenmayer. *Liveright; 651 pages; $35 and £26.99.*

WHEN Johann Wolfgang von Goethe was in his 60s, he recalled a friend of his youth once telling him, "What you live is better than what you write." On reflection, Goethe said, "It would please me if that were still true." In a biography of the great German writer and polymath, Rüdiger Safranski sets out to show that Goethe was more than the sum of his works, outstanding though they were; in fact, he conceived his entire life as a work of art, with a beginning, a middle and an end.

Mr Safranski is a German philosopher who has written books on Schiller, Nietzsche, Schopenhauer and Heidegger. Though he concedes that Goethe has had more written about him than any other German writer, he could not resist adding to the pile. He has confined himself to primary sources—mainly Goethe's own works, letters, diaries and conversations, along with accounts by contemporaries—which makes for a fresh and authentic-feeling read. The book was published in German four years ago and has now been well translated by David Dollenmayer, with much support from the author.

Though considered a German latter-day Shakespeare, Goethe is much less widely read in the English-speaking world than at home. The one exception is "Faust", his most famous work, on which he laboured on and off for most of his life. Works about him in English are thin on the ground, and most of what there is came out some time ago. Two volumes of a biography by Nicholas Boyle of Cambridge University have been published to great acclaim, but the third and final volume has yet to appear. So this new account of the German literary legend fills a gap.

Goethe was a man of protean talents, interests, appetites and achievements who lived through a particularly tempestuous period of wars and revolutions in Europe. Born in 1749 into a prosperous and well-connected family in Frankfurt, he had written a bestseller, "The Sorrows of Young Werther", by the age of 25 and had established a glittering reputation. But after a while he began to feel that he wanted to experience the world at first hand, not just write about it. The opportunity came when the young Duke Karl August of Saxe-Weimar invited Goethe to come and work for him. The writer eventually became finance minister, and he and the prince ended up as lifelong friends.

While at court in Weimar Goethe continued to write, and to build up a network of relationships with the cultural and intellectual elite of the time, including a deep and long-lasting friendship with Schiller, a fellow poet, writer and protagonist of the *Sturm und Drang* (storm and urge) movement. Goethe also pursued a plethora of other interests, including natural history, anatomy and mineralogy, and developed a controversial theory of colour. When life at Karl August's court became too much, he took himself to Italy for his own version of the Grand Tour, before eventually returning to Weimar.

In his lifetime, Goethe was famous not only for his literary achievements and political and artistic connections, but also for the number and variety of his romantic pursuits, ranging from innkeepers' daughters to the cream of society.

(Some of these women were attainable, some not.) He did not settle into a long-term relationship until he was nearly 40. Christiane Vulpius, the object of his affections and soon to be the mother of his son, August, was so far below his social status that marriage seemed out of the question, though two decades later the two did quietly wed. He far outlived her and retained his capacity for falling in love to an advanced age, proposing to a 19-year-old when he was in his early 70s. She turned him down.

By then the arc of Goethe's life was descending. His great friend Schiller had been dead for decades, and the ranks of other friends were thinning rapidly. His princely champion Karl August died in 1828, followed two years later by Goethe's own son. For his 82nd birthday the old man took his two grandsons on a final visit to a local mountain retreat where as a young man he had scratched a poem into the wall, and was pleased to find it still there:

> Peace lies over
> All the peaks
> In all the trees
> You sense
> Hardly a breath;
> The little forest birds fall silent.
> Wait, and soon
> You too will rest.

Six months later, in the spring of 1832, Goethe suddenly fell ill, declined rapidly and died soon afterwards. Half a century earlier he had written to a friend that he hoped to "raise up as high as possible the pyramid of my existence". His wish was extravagantly granted.

No more heroes

A subtle novel of the war in Iraq

If the first casualty of war is truth, the second is moral certainty

Jun 15th 2017

Spoils. By Brian Van Reet. *Lee Boudreaux Books; 304 pages; $26. Jonathan Cape; £12.99.*

AFTER September 11th 2001 Brian Van Reet dropped out of university, joined the American army, fought in Iraq and was awarded a medal for valour. It is impossible not to wonder to what extent his experiences shaped his electrifying debut novel, "Spoils".

Set in 2003, during the early days of the invasion of Iraq, the novel centres on three protagonists: Sleed, an American tanker, Cassandra Wigheard, a 19-year-old on her first deployment, and Abu Al-Hool, a veteran Egyptian jihadist whose brotherhood of fighters has travelled from Afghanistan to Iraq to wage war on America. Pivoting around an attack during which Cassandra and two fellow soldiers are taken prisoner by the jihadists, the novel jumps back and forth in time and shifts between the three characters' perspectives, gradually revealing how each of them has come to play a key role in a conflict they do not fully understand.

Mr Van Reet avoids the pitfall of attempting to write from an Iraqi point of view, instead relaying events through the eyes of his foreign protagonists, all of whom are blinded by their own biases. In doing so, he subtly conveys how the battle they are fighting is a proxy war between opposing ideologies, none of them Iraqi. Consumed with their own agendas, his characters fail to grasp—or much care about—the impact of their actions on the local population. "Spoils" is a timely novel with striking relevance to the current war in Syria, increasingly shaped and sustained by foreign interests and intervention.

As the novel advances, all three protagonists question their beliefs in the face of the brutal realities of combat. Killing someone, Sleed discovers, is "like winning at Russian roulette and having the taste of gunmetal forever on your tongue because even if you win, you lose." Meanwhile, Abu Al-Hool, who has his own moral code, clashes with his "brothers" as he starts to wonder how much truly separates his methods and motives from those of his enemies. Cassandra is under no illusions about the hollowness of army rhetoric, which trains soldiers to "liberate" the Iraqi people by "jogging in cadence to cute little ditties about slaughter". Isolated in captivity, she is forced to assess how far her loyalty extends.

Set over eight weeks, the novel is a nuanced departure from the usual plot-driven war thriller. There are no "good guys" in "Spoils". There are no truly "bad guys" either. Mr Van Reet paints a harrowing picture of the dangers of propaganda and the true cost of "collateral damage". At a time when political rhetoric is exacerbating divisions worldwide, this is a novel with an urgent message.

Past as prologue

Why “Angels in America” is back

Roy Cohn, a central character in the play, was in real life a big influence on Donald Trump

Jun 15th 2017

THE man at the heart of Tony Kushner’s “Angels in America” is not content with mere pathological lying. Whenever reality conflicts with his aims, he rejects the very notion of truth: as he tells his doctor after an unwelcome diagnosis, “Your problem, Henry, is that you are hung up on words, on labels, that you believe they mean what they seem to mean.” He is thin-skinned, and obsessed with loyalty, power and public displays of dominance. “I have clout,” he proclaims. “A lot.” His response whenever anyone questions his ostentatiously false claims is a threat to “destroy” his interlocutor. He has no regard for legal niceties or social conventions, and holds grudges long after their expiration dates.

If that sounds familiar, it is no coincidence. Although Mr Kushner’s subject is not Donald Trump, it is a fictionalised version of the president’s longtime lawyer and mentor, Roy Cohn. Cohn made his name as the right-hand man of Joseph McCarthy, a disgraced communist-baiting senator in the 1950s. He spent the remainder of his career as arguably the most feared attorney in New York.

The play's first part premiered in 1991, and was performed at the National Theatre in London the next year. The full-length, two-part "Angels" has returned to the same venue for a sold-out run ending on August 19th (with live broadcasts in cinemas on July 20th and 27th). At first glance, it might seem a curious choice for a revival. Although its themes of trust, abandonment, pride, shame and self-awareness are eternal, it also focuses squarely on the struggles of five gay men in New York in the 1980s, two of them with HIV. Now that the AIDS crisis has receded and gay civil rights have become standard in rich Western countries, a seven-hour play about gay life in Ronald Reagan's America might risk looking anachronistic. But many subplots of Mr Kushner's kaleidoscopic work, from performative, vulnerable masculinity to conflicts within the progressive movement, are still fresh today.

In "Angels", Roy serves as an object lesson in the cost of self-deceit. As in real life, he is gay, deeply closeted, dying of AIDS—which, even in his final months, he insists to the public is liver cancer—and accused of rampant ethical violations. Feeling obliged to lie about a central truth of his life, he grows so accustomed to deception that it becomes second nature. And he will stop at nothing to maintain his veneer of invincibility. Joe, a closeted, strait-laced Mormon, finally loses his faith in Roy when he asks Joe to abuse a job he has been offered in the attorney-general's office in order to protect Roy from disbarment.

This is a faithful representation of Cohn, a formative influence on Mr Trump. As Peter Fraser, Cohn's final lover, told the *New York Times* last year, "I hear Roy in the things he says quite clearly—that bravado, and if you say it aggressively and loudly enough, it's the truth. That's the way Roy used to operate to a degree, and Donald was certainly his apprentice." The president developed his approach to adversaries by watching Cohn humiliate them, in the media and in court: he once described his attack-dog attorney as "vicious to others in his protection of me".

Political pundits have consistently misread Mr Trump, predicting either that his star would fade or, later, that he would have to adapt to conventional expectations of the presidency. Mr Kushner's script would have provided a more accurate prognostication. Roy never changes his spots, remaining hateful even on his deathbed: "Better dead than red!" he screams at the ghost of Ethel Rosenberg, the accused Russian spy he had helped send to the electric chair 30 years earlier. He refuses to share his precious stash of AZT, an experimental AIDS drug, with his nurse Belize, even when Roy's looming death means he has no more use for the pills. Those still waiting for Cohn's former client to "pivot" towards the centre should take note. And the lesson Mr Trump has taken from Cohn's ultimate defeat at the hands of hated bureaucrats—he was disbarred a few weeks before he died in 1986—was not the importance of playing by the rules but rather the perils of being laid low by illness. In the president's recollection, "they only got [Cohn] because he was so sick": a memory that may help explain his publishing a letter from his doctor during the 2016 campaign claiming Mr Trump would be the healthiest president ever elected.

Mr Kushner's depiction of the schisms that Reagan opened up in the American left also bear a stern message for today's Democratic Party. In the wake of Hillary Clinton's defeat, politicians from both the left (Bernie Sanders) and centre (Joe Biden) have recommended downplaying identity politics, such as support for the Black Lives Matter movement or transgender rights, in the hopes of winning back the white working class. A related debate unfolds in "Angels", when Louis, a hilariously navel-gazing character, delivers a monologue to Belize, who is black. Louis ostensibly supports the oppressed, but dismisses "the race thing" as "a collection of small problems" that will get "taken care of". Belize, the play's conscience, is unsparing in his response, accusing Louis of "transforming [himself] into an arrogant, sexual-political Stalinist-slash-racist flag-waving thug". The retort leaves little doubt that Mr Kushner thinks the left can downplay non-economic injustice only at its peril.

"Angels" brings the past into the present: one of its AIDS-stricken protagonists dreams he is visited by ancestors dating all the way back to the Black Death. It took only a quarter-century to reveal that Mr Kushner managed to work a healthy chunk of the future into his script as well.

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arts/21723390-roy-cohn-central-character-play-was-real-life-big-influence-donald/print

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Obituary

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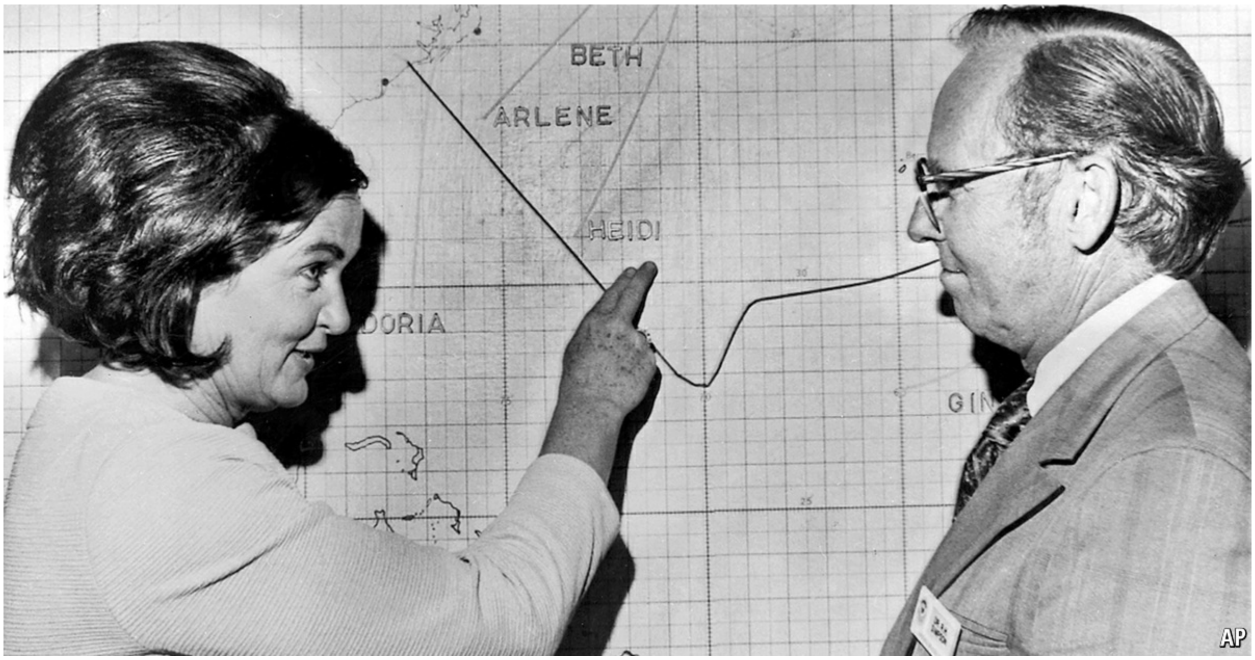
The naming of winds

Obituary: Roxcy Bolton died on May 17th

The campaigner for gender equality, in storms as well as society, was 90



Jun 15th 2017

WHEN the ancient Greeks made their whirlwinds female, bird-winged Harpyiai tearing up the rigging of ships, it may not have been for chauvinistic reasons. After all, shaggy bearded Boreas was the north wind, and pretty-boy Zephyrus, with his horn of flowers, the west wind; gruff Aiolos kept them all tied up in a bag, and all-male thundering Zeus ruled the lot. In later centuries, too, Christian places simply named their storms after the saints, male or female, on whose feast they fell: so that Puerto Rico was hit in the 19th century by both Santa Ana and San Felipe.

Things began to go awry around then, however, when Clement Wragge, a British meteorologist working in the Pacific, began to name storms after Polynesian beauties. They got worse in 1941 when George Stewart published "Storm", a bestselling fictional biography of a hurricane called Maria; and in 1951, when "They Call the Wind Maria" from "Paint Your Wagon", was embraced by belting baritones everywhere. Meanwhile, in the war, American naval meteorologists had taken to tracking storms by naming them after their wives and girlfriends, much as bomber pilots liked to paint curvy starlets on their aircraft. The feminisation of destruction became so normal that in 1953 the National Weather Service made the practice official.

Roxcy Bolton of Coral Gables, in Florida, didn't like this one bit. Living in America's most hurricane-prone state, she knew first-hand the devastation they caused. When she heard the weathermen say that Carol had destroyed Louisiana, or Betsy had torn up Mobile, she was furious at the slur on women. These winds were not only annihilating but unpredictable, dithering about offshore and then flouncing off somewhere else. Oh, how like women. She felt so burned up that in 1970 she decided to tackle the meteorologists directly.

There was already plenty on her plate. As a founder of the Florida chapter of the National Organisation of Women, she was fighting for equal pay and equal rights, mandatory maternity leave, more women on task-forces and reform of Florida's statutes to widen the definition of rape. "You must do the things you think you cannot do," said Eleanor Roosevelt, and the words rang loud in her ears. She was forever on the go, hosting meetings in her kitchen when the children had left for school, hounding the legislature ("Tell him Roxcy Bolton's calling; it's an emergency!") and sending out fierce typed letters, though drafted first on flowery paper, to the managers of men-only lunch rooms in Miami's big department stores. Back they came grovelling: both the Men's Grille at Burdine's and the Captain's Table at Jordan Marsh agreed to let in women. She sparred, too, with the manager of the Playboy Plaza Hotel, asking how he and his male staff would like to walk around with a wad of cotton for a tail. Well, would they?

In the thick of all this, she went regularly to pester the men at the National Hurricane Centre in Miami. And she got precisely nowhere. The first time, they just thought her objections were as funny as heck. Why not name storms after senators instead? she suggested. (As an old-line Democrat, she thought "Hurricane Goldwater" had a great ring to it.) Insulting to the Senate! they cried. How about naming them after birds, then? The Audubon Society wouldn't stand for it, they said. They cared more about senators and birds than women, evidently. And they took her, with her neat dresses, white gloves and bouffant hair, as a pushover Jackie Kennedy lookalike. But she was equal parts pit-bull, a pioneer farmer's daughter from dirt-poor Duck Hill, Mississippi who never dropped a topic she cared about. Never.

Having planted the thought, at any rate, she went back to everything else that needed doing. ("If the Back Forty has to be hayed, you go hay.") She had the Equal Rights Amendment to get through Congress, though sadly it failed. She prompted Richard Nixon to proclaim August 26th as Women's Rights Day, set up a refuge for battered women, and in 1974 opened in Miami the first proper rape-treatment centre in the country. Then in 1978— hallelujah!—the National Weather Service gave in. Henceforth hurricanes would have male and female names alternately, and the first, Hurricane Bob (Barry would have been a lot better), whirled in in 1979.

On the streets of Coral Gables

Though it seemed a sideshow to some, to her it was one of her biggest victories, and important in ways people failed to realise. Making some storms male was never convincingly proved to have made a difference to public awareness or public safety, but that was not her point. Her campaign was a step towards improving society's whole attitude to women.

She thought, for example, of Lianne, a young black woman she knew in Coral Gables, who though she had a master's in education wore a brown bag for a dress. She had had a baby, the baby had died and her husband had divorced her; she was on the street and couldn't cope with life, so Mrs Bolton often talked to her, and brought her grits and eggs from a restaurant. To her Lianne typified how vulnerable many women were, treated as if they were less human beings than some noisy inconvenience that would soon calm down, like wind or weather. Her stand had been for all the Liannes.

Economic and financial indicators

Output, prices and jobs

Jun 17th 2017

Output, prices and jobs

% change on year ago

	Gross domestic product				Industrial production	Consumer prices			Unemployment rate, %
	latest	qtr*	2017†	2018†	latest	latest	year ago	2017†	
United States	+2.0 Q1	+1.2	+2.2	+2.4	+2.2 Apr	+1.9 May	+1.0	+2.2	4.3 May
China	+6.9 Q1	+5.3	+6.7	+6.3	+6.5 May	+1.5 May	+2.0	+2.1	4.0 Q1§
Japan	+1.3 Q1	+1.0	+1.4	+1.0	+5.7 Apr	+0.4 Apr	-0.3	+0.6	2.8 Apr
Britain	+2.0 Q1	+0.7	+1.6	+1.3	-0.8 Apr	+2.9 May	+0.3	+2.7	4.6 Mar††
Canada	+2.3 Q1	+3.7	+2.2	+2.1	+5.4 Mar	+1.6 Apr	+1.7	+1.9	6.6 May
Euro area	+1.9 Q1	+2.3	+1.8	+1.6	+1.4 Apr	+1.4 May	-0.1	+1.6	9.3 Apr
Austria	+2.3 Q1	+5.7	+1.8	+1.6	+3.3 Mar	+2.1 Apr	+0.5	+1.9	5.5 Apr
Belgium	+1.6 Q1	+2.6	+1.5	+1.7	+2.6 Mar	+1.9 May	+2.2	+2.2	6.8 Apr
France	+1.0 Q1	+1.8	+1.4	+1.6	+0.6 Apr	+0.8 May	nil	+1.3	9.5 Apr
Germany	+1.7 Q1	+2.4	+1.8	+1.7	+2.8 Apr	+1.5 May	+0.1	+1.7	3.9 Apr‡
Greece	+0.8 Q1	+1.8	+1.2	+1.8	+1.1 Apr	+1.2 May	-0.9	+1.0	22.5 Mar
Italy	+1.2 Q1	+1.8	+1.0	+0.9	+1.0 Apr	+1.4 May	-0.3	+1.5	11.1 Apr
Netherlands	+3.4 Q1	+1.8	+2.2	+1.8	+2.3 Apr	+1.1 May	nil	+1.3	6.1 May
Spain	+3.0 Q1	+3.3	+2.8	+2.3	-10.2 Apr	+1.9 May	-1.0	+2.1	17.8 Apr
Czech Republic	+3.9 Q1	+5.4	+3.0	+2.5	-2.5 Apr	+2.4 May	+0.1	+2.3	3.3 Apr‡
Denmark	+3.1 Q1	+2.4	+1.5	+1.6	-5.6 Apr	+0.8 May	+0.1	+1.1	4.3 Apr
Hungary	+4.2 Q1	+5.4	+3.4	+3.5	+2.3 Apr	+2.1 May	-0.2	+2.8	4.6 Apr§††
Norway	+2.6 Q1	+0.9	+1.8	+2.1	-5.1 Apr	+2.1 May	+3.4	+2.4	4.5 Mar‡‡
Poland	+4.4 Q1	+4.5	+3.6	+3.3	-0.6 Apr	+1.9 May	-0.9	+2.0	7.5 May§
Russia	+0.5 Q1	na	+1.4	+1.7	+2.4 Apr	+4.1 May	+7.3	+4.2	5.3 Apr§
Sweden	+2.2 Q1	+1.7	+2.6	+2.4	+0.8 Apr	+1.7 May	+0.6	+1.6	7.2 Apr§
Switzerland	+1.1 Q1	+1.1	+1.4	+1.6	-1.3 Q1	+0.5 May	-0.4	+0.5	3.2 May
Turkey	+5.0 Q1	na	+2.9	+3.0	+5.9 Apr	+11.7 May	+6.6	+10.2	12.6 Feb§
Australia	+1.7 Q1	+1.1	+2.6	+3.0	-0.8 Q1	+2.1 Q1	+1.3	+2.2	5.5 May
Hong Kong	+4.3 Q1	+2.9	+3.0	+2.2	+0.2 Q1	+2.1 Apr	+2.7	+1.6	3.2 Apr‡‡
India	+6.1 Q1	+7.2	+7.2	+7.6	+3.1 Apr	+2.2 May	+5.8	+4.6	5.0 2015
Indonesia	+5.0 Q1	na	+5.2	+5.4	+6.4 Apr	+4.3 May	+3.3	+4.2	5.3 Q1§
Malaysia	+5.6 Q1	na	+5.2	+4.8	+4.1 Apr	+4.4 Apr	+2.1	+4.0	3.4 Mar§
Pakistan	+5.7 2017**	na	+5.7	+5.3	+10.5 Mar	+5.0 May	+3.2	+4.8	5.9 2015
Singapore	+2.7 Q1	-1.3	+2.6	+2.0	+6.7 Apr	+0.4 Apr	-0.5	+1.3	2.2 Q1
South Korea	+3.0 Q1	+4.3	+2.7	+2.6	+1.7 Apr	+2.0 May	+0.8	+1.9	3.6 May§
Taiwan	+2.6 Q1	+3.8	+2.3	+1.2	-0.6 Apr	+0.6 May	+1.2	+0.5	3.8 Apr
Thailand	+3.3 Q1	+5.2	+3.5	+2.6	-1.7 Apr	nil May	+0.5	+0.8	1.3 Apr§
Argentina	-2.1 Q4	+1.9	+2.5	+3.0	-2.5 Oct	+24.0 May‡	na	+24.3	9.2 Q1§
Brazil	-0.4 Q1	+4.3	+0.6	+2.3	-4.5 Apr	+3.6 May	+9.3	+4.1	13.6 Apr§
Chile	+0.1 Q1	+0.7	+1.6	+2.4	-4.2 Apr	+2.6 May	+4.2	+2.8	6.7 Apr§††
Colombia	+1.1 Q1	-0.9	+2.0	+2.7	+4.8 Mar	+4.4 May	+8.2	+4.2	8.9 Apr§
Mexico	+2.8 Q1	+2.7	+1.9	+2.1	-4.4 Apr	+6.2 May	+2.6	+5.5	3.6 Apr
Venezuela	-8.8 Q4~	-6.2	-7.0	-3.0	na	na	na	+590.5	7.3 Apr§
Egypt	+3.8 Q4	na	+3.5	+4.2	+13.7 Mar	+29.7 May	+12.3	+22.5	12.0 Q1§
Israel	+4.0 Q1	+1.4	+3.6	+4.1	-1.5 Mar	+0.7 Apr	-0.9	+1.0	4.4 Apr
Saudi Arabia	+1.7 2016	na	-0.5	+2.3	na	-0.7 May	+4.1	+2.2	5.6 2015
South Africa	+1.0 Q1	-0.7	+1.0	+1.7	-0.2 Apr	+5.3 Apr	+6.2	+5.7	27.7 Q1§
Estonia	+4.4 Q1	+3.3	+2.3	+2.7	+9.5 Apr	+3.3 May	-0.9	+3.1	5.6 Q1§
Finland	+3.6 Q1	+4.7	+1.2	+1.3	+3.1 Apr	+0.8 May	+0.3	+1.1	10.2 Apr§
Iceland	+5.0 Q1	-7.2	+4.6		na	+1.7 May	+1.7		2.1 Apr§
Ireland	+7.2 Q4	+10.2	+4.0	+3.2	-1.1 Apr	+0.2 May	nil	+0.5	6.4 May
Latvia	+4.0 Q1	+7.6	+2.7	+3.0	+9.6 Apr	+2.8 May	-0.8	+2.5	9.4 Q1§
Lithuania	+3.9 Q1	+5.8	+3.3	+3.2	+1.8 Apr	+3.4 May	+0.5	+3.2	7.3 May§
Luxembourg	+3.8 Q4	+5.5	+4.1		-3.3 Apr	+1.7 May	nil		5.9 Apr§
New Zealand	+2.0 Q1	+0.9	+3.1	+2.3	+1.9 Q1	+2.2 Q1	+0.4	+2.2	4.9 Q1
Peru	+2.1 Q1	-0.5	+3.0	+2.9	-3.1 Feb	+3.0 May	+3.5	+3.3	6.2 Apr§
Philippines	+6.4 Q1	+4.5	+6.5	+5.6	+5.9 Apr	+3.1 May	+1.6	+3.1	5.7 Q2§
Portugal	+2.8 Q1	+4.2	+2.4	+1.6	-1.2 Apr	+1.5 May	+0.3	+1.9	10.1 Q1§
Slovakia	+3.1 Q1	+1.9	+3.1	+3.4	-3.2 Apr	+1.1 May	-0.9	+1.6	7.7 Apr§
Slovenia	+5.3 Q1	na	+2.9	+2.3	+12.9 Mar	+1.5 May	-0.4	+1.9	10.2 Mar§
Ukraine	+2.4 Q1	-4.0	+2.0	+1.6	-6.2 Apr	+13.5 May	+7.5	+13.0	1.4 Apr§
Vietnam	+6.2 2016	na	+6.3	+6.5	+7.2 May	+3.2 May	+2.3	+4.0	3.4 2015

Source: Haver Analytics. *% change on previous quarter, annual rate. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. ~2014 **Year ending June. ††Latest 3 months. ‡‡3-month moving average.

Trade, exchange rates, budget balances and interest rates

Jun 17th 2017

Trade, exchange rates, budget balances and interest rates

	Trade balance	Current-account balance		Currency units, per $		Budget balance	Interest rates	
	latest 12 months, $bn	latest 12 months, $bn	% of GDP 2017†	Jun 14th	year ago	% of GDP 2017†	3-month latest	10-year gov't bonds, latest
United States	-774.7 Apr	-481.2 Q4	-2.6	-	-	-3.5	1.25	2.22
China	+458.9 May	+170.1 Q1	+1.6	6.80	6.59	-4.0	4.77	3.58§§
Japan	+50.6 Apr	+188.4 Apr	+3.6	109	106	-5.1	-0.01	0.05
Britain	-175.0 Apr	-115.7 Q4	-3.4	0.78	0.71	-3.6	0.32	1.02
Canada	-14.4 Apr	-48.4 Q1	-2.8	1.32	1.29	-2.7	0.82	1.49
Euro area	+285.0 Mar	+403.9 Mar	+3.0	0.89	0.89	-1.4	-0.33	0.24
Austria	-4.6 Mar	+6.6 Q4	+2.3	0.89	0.89	-1.3	-0.33	0.53
Belgium	+23.9 Mar	-2.0 Dec	+1.0	0.89	0.89	-2.3	-0.33	0.58
France	-61.8 Apr	-27.1 Apr	-1.2	0.89	0.89	-3.1	-0.33	0.61
Germany	+269.1 Apr	+272.5 Apr	+8.1	0.89	0.89	+0.5	-0.33	0.24
Greece	-18.8 Mar	-1.2 Mar	-0.9	0.89	0.89	-1.0	-0.33	5.80
Italy	+54.0 Mar	+46.9 Mar	+2.2	0.89	0.89	-2.3	-0.33	1.93
Netherlands	+58.8 Apr	+64.8 Q4	+8.8	0.89	0.89	+0.7	-0.33	0.48
Spain	-22.9 Mar	+26.2 Mar	+1.6	0.89	0.89	-3.3	-0.33	1.42
Czech Republic	+18.4 Apr	+1.4 Q1	+0.9	23.2	24.1	-0.5	0.30	0.78
Denmark	+9.1 Apr	+25.2 Apr	+7.8	6.59	6.63	-0.6	-0.22	0.49
Hungary	+10.9 Mar	+6.1 Q4	+3.7	271	280	-2.5	0.15	2.97
Norway	+21.1 Apr	+22.4 Q1	+5.5	8.37	8.35	+4.1	0.90	1.50
Poland	+2.6 Apr	-1.2 Apr	-0.8	3.72	3.96	-2.8	1.53	3.14
Russia	+103.3 Apr	+34.9 Q1	+2.8	57.0	66.1	-2.2	11.3	8.13
Sweden	-2.2 Apr	+22.0 Q1	+4.8	8.65	8.30	+0.3	-0.51	0.41
Switzerland	+38.4 Apr	+70.6 Q4	+9.7	0.97	0.96	+0.2	-0.73	-0.15
Turkey	-59.8 May	-33.2 Apr	-4.5	3.49	2.93	-2.4	13.0	10.5
Australia	+17.0 Apr	-25.0 Q1	-1.5	1.31	1.36	-1.8	1.96	2.40
Hong Kong	-56.5 Apr	+14.9 Q4	+6.6	7.80	7.76	+1.5	0.76	1.37
India	-114.5 Apr	-11.9 Q4	-1.2	64.3	67.3	-3.2	6.30	6.47
Indonesia	+12.4 May	-14.6 Q1	-1.7	13,283	13,378	-2.0	6.86	6.93
Malaysia	+19.2 Apr	+6.6 Q1	+1.4	4.26	4.11	-3.0	3.43	3.87
Pakistan	-33.0 May	-7.2 Q1	-3.1	105	105	-4.5	6.14	8.93†††
Singapore	+47.9 Apr	+59.0 Q1	+19.0	1.37	1.36	-1.0	na	2.09
South Korea	+86.9 May	+93.0 Apr	+6.0	1,124	1,173	+0.7	1.36	2.17
Taiwan	+14.6 May	+69.1 Q1	+12.3	30.2	32.4	-0.8	0.66	1.07
Thailand	+15.9 Apr	+42.3 Q1	+11.8	33.9	35.3	-2.4	1.27	2.33
Argentina	+0.9 Apr	-15.0 Q4	-2.7	15.8	13.8	-5.7	18.2	na
Brazil	+57.0 May	-19.8 Apr	-1.3	3.28	3.49	-7.7	9.74	10.2
Chile	+4.2 May	-5.0 Q1	-1.4	659	688	-2.2	0.57	3.98
Colombia	-12.2 Mar	-12.5 Q4	-3.8	2,923	3,004	-3.2	5.99	6.31
Mexico	-9.2 Apr	-22.0 Q1	-2.5	17.9	19.0	-2.3	7.19	6.99
Venezuela	-36.2 Oct~	-17.8 Q3~	-0.6	9.99	9.99	-19.6	16.0	10.4
Egypt	-34.2 Mar	-18.0 Q1	-5.8	18.0	8.88	-9.3	19.4	na
Israel	-12.1 May	+11.7 Q1	+4.2	3.51	3.88	-2.5	0.09	2.03
Saudi Arabia	+43.4 2016	-24.9 Q4	+2.0	3.75	3.75	-7.3	1.75	3.68
South Africa	+2.6 Apr	-9.5 Q4	-3.5	12.6	15.3	-3.2	7.32	8.38
Estonia	-2.0 Apr	+0.6 Apr	+1.7	0.89	0.89	-0.4	-0.33	na
Finland	-3.1 Apr	-2.0 Apr	-0.8	0.89	0.89	-1.8	-0.33	0.31
Iceland	-1.1 May	+1.6 Q1	+5.9	99.7	124	+1.0	4.90	na
Ireland	+53.3 Mar	+14.4 Q4	+4.4	0.89	0.89	-0.8	-0.33	0.77
Latvia	-2.3 Apr	+0.4 Apr	-0.4	0.89	0.89	-1.1	-0.33	na
Lithuania	-2.7 Apr	nil Q4	-1.6	0.89	0.89	-1.0	-0.33	0.75
Luxembourg	-6.5 Mar	+2.8 Q4	+4.3	0.89	0.89	+1.2	-0.33	na
New Zealand	-2.5 Apr	-5.8 Q1	-3.1	1.37	1.43	+0.6	1.93	2.82
Peru	+3.7 Apr	-3.8 Q1	-1.5	3.27	3.33	-2.7	1.38	na
Philippines	-26.9 Apr	+0.6 Dec	+0.4	49.5	46.3	-2.8	2.00	4.66
Portugal	-12.5 Apr	+2.0 Mar	+0.1	0.89	0.89	-1.8	-0.33	2.85
Slovakia	+3.8 Apr	-0.5 Mar	-0.8	0.89	0.89	-1.6	-0.33	1.05
Slovenia	nil Mar	+3.0 Apr	+5.2	0.89	0.89	-1.6	-0.33	na
Ukraine	-2.8 Apr	-3.4 Q1	-4.2	26.0	24.9	-3.0	12.5	na
Vietnam	-1.9 May	+8.5 2016	-0.7	22,705	22,307	-5.5	4.80	5.83

Source: Haver Analytics. †*The Economist* poll or Economist Intelligence Unit estimate/forecast. ~2014 §§5-year yield. †††Dollar-denominated bonds.

The Economist commodity-price index

Jun 17th 2017

The Economist commodity-price index

2005=100

	Jun 6th	Jun 13th*	% change on one month	% change on one year
Dollar Index				
All Items	140.7	141.1	-1.4	-0.5
Food	153.0	153.7	-0.5	-11.0
Industrials				
All	127.8	128.0	-2.5	+16.8
Nfa†	130.8	131.3	-6.0	+11.2
Metals	126.5	126.6	-0.9	+19.4
Sterling Index				
All items	198.4	201.6	+0.1	+9.5
Euro Index				
All items	155.3	156.5	-2.5	-0.5
Gold				
$ per oz	1,295.3	1,263.7	+2.1	-1.7
West Texas Intermediate				
$ per barrel	48.2	46.5	-4.5	-4.3

Sources: Bloomberg; CME Group; Cotlook; Darmenn & Curl; FT; ICCO; ICO; ISO; Live Rice Index; LME; NZ Wool Services; Thompson Lloyd & Ewart; Thomson Reuters; Urner Barry; WSJ. *Provisional
†Non-food agriculturals.

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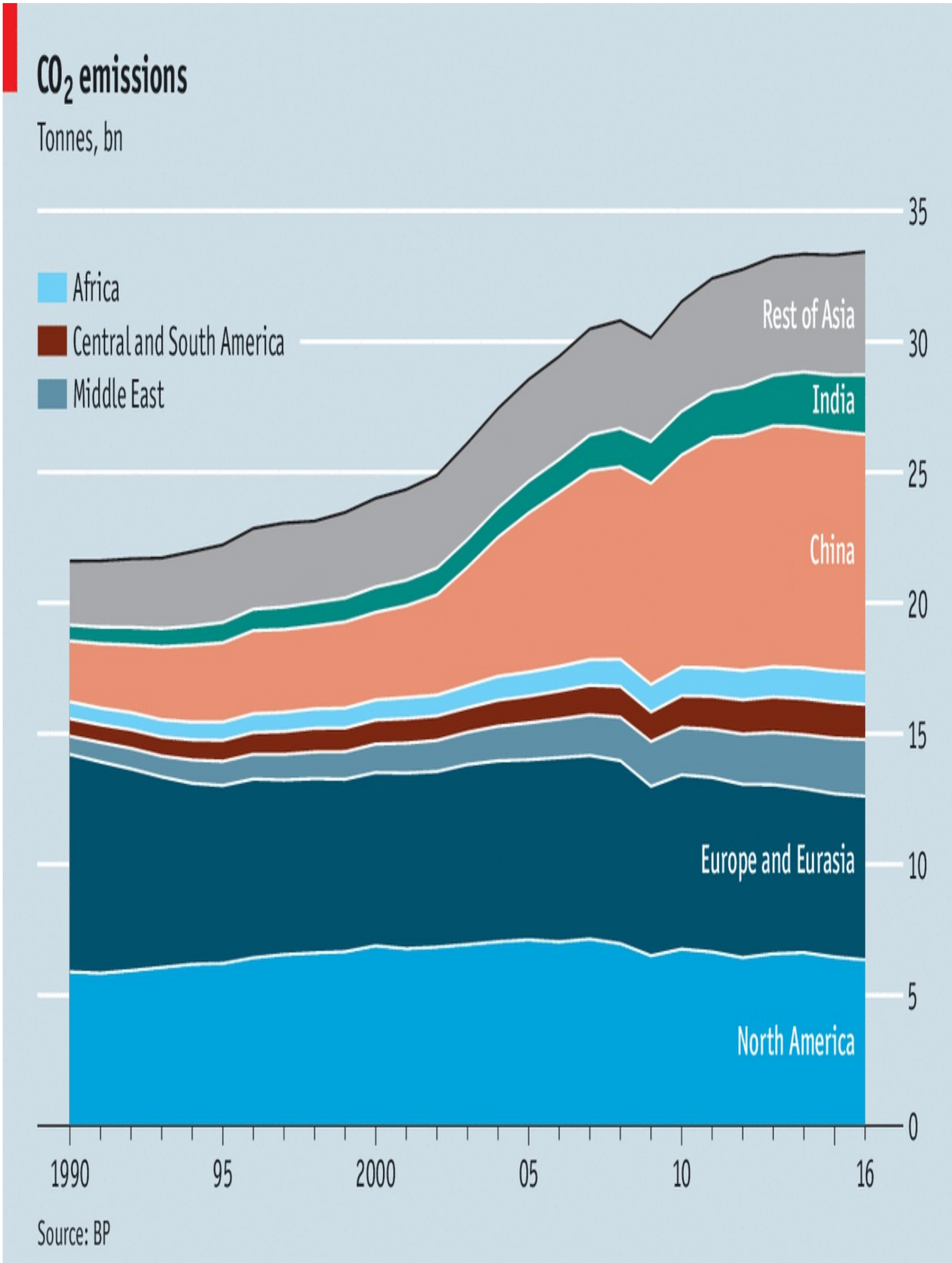
CO2 emissions

Jun 17th 2017



Economist.com

Global CO_2 emissions from energy use remained roughly flat in 2016, according to a report from BP, a big oil firm. A year-on-year increase of 0.1% was well below the ten-year average growth rate of 1.6%. Improved energy efficiency and a slowing global economy were partly responsible. China also played a part: the country remains the world's largest source of CO_2 but its emissions fell by 41m tonnes in 2016, partly thanks to weakness in some energy-intensive industries. In contrast, India's emissions increased by 114m tonnes last year. The landscape has changed over the past quarter-century. In 2016 the Asia-Pacific region produced almost half of global emissions, up from 25% in 1990.

Markets

Jun 17th 2017

Markets

	Index Jun 14th	% change on one week	Dec 30th 2016 in local currency	Dec 30th 2016 in $ terms
United States (DJIA)	21,374.6	+0.9	+8.2	+8.2
United States (S&P 500)	2,437.9	+0.2	+8.9	+8.9
United States (NAScomp)	6,194.9	-1.6	+15.1	+15.1
China (SSEA)	3,278.7	-0.3	+0.9	+3.2
China (SSEB, $ terms)	321.3	-0.8	-6.0	-6.0
Japan (Nikkei 225)	19,883.5	-0.5	+4.0	+11.3
Japan (Topix)	1,591.8	-0.3	+4.8	+12.2
Britain (FTSE 100)	7,474.4	-0.1	+4.6	+8.3
Canada (S&P TSX)	15,170.1	-1.3	-0.8	+0.7
Euro area (FTSE Euro 100)	1,214.1	+0.1	+9.2	+16.7
Euro area (EURO STOXX 50)	3,547.2	nil	+7.8	+15.3
Austria (ATX)	3,133.5	-1.5	+19.7	+28.0
Belgium (Bel 20)	3,902.5	-0.1	+8.2	+15.7
France (CAC 40)	5,243.3	-0.4	+7.8	+15.3
Germany (DAX)*	12,806.0	+1.1	+11.5	+19.3
Greece (Athex Comp)	801.0	+3.4	+24.4	+33.1
Italy (FTSE/MIB)	20,960.6	+1.1	+9.0	+16.5
Netherlands (AEX)	521.7	-0.3	+8.0	+15.5
Spain (Madrid SE)	1,086.5	-0.4	+15.1	+23.1
Czech Republic (PX)	1,000.2	-0.5	+8.5	+20.0
Denmark (OMXCB)	916.1	+1.4	+14.7	+22.7
Hungary (BUX)	35,985.8	+2.8	+12.4	+21.4
Norway (OSEAX)	780.0	-0.5	+2.0	+4.9
Poland (WIG)	60,381.1	-0.6	+16.7	+30.9
Russia (RTS, $ terms)	1,013.8	-2.0	-12.0	-12.0
Sweden (OMXS30)	1,639.6	-0.1	+8.1	+13.5
Switzerland (SMI)	8,849.4	-0.3	+7.7	+13.2
Turkey (BIST)	99,636.3	+2.1	+27.5	+28.6
Australia (All Ord.)	5,862.2	+2.7	+2.5	+7.1
Hong Kong (Hang Seng)	25,875.9	-0.4	+17.6	+16.9
India (BSE)	31,155.9	-0.4	+17.0	+23.5
Indonesia (JSX)	5,792.9	+1.3	+9.4	+10.9
Malaysia (KLSE)	1,792.4	+0.4	+9.2	+15.0
Pakistan (KSE)	47,608.6	-5.1	-0.4	-0.9
Singapore (STI)	3,253.4	+0.7	+12.9	+19.0
South Korea (KOSPI)	2,372.6	+0.5	+17.1	+25.8
Taiwan (TWI)	10,072.5	-1.3	+8.9	+16.1
Thailand (SET)	1,577.0	+0.7	+2.2	+7.9
Argentina (MERV)	21,178.4	-4.7	+25.2	+25.1
Brazil (BVSP)	61,922.9	-2.0	+2.8	+1.9
Chile (IGPA)	24,420.0	-0.4	+17.8	+19.7
Colombia (IGBC)	10,813.2	+0.5	+7.0	+9.9
Mexico (IPC)	49,291.0	nil	+8.0	+24.1
Venezuela (IBC)	108,427.5	+30.0	+242.0	na
Egypt (EGX 30)	13,502.1	-1.0	+9.4	+9.6
Israel (TA-100)	1,292.4	-0.2	+1.2	+10.9
Saudi Arabia (Tadawul)	6,853.5	-1.3	-5.3	-5.3
South Africa (JSE AS)	51,489.2	-1.2	+1.6	+10.3
Europe (FTSEurofirst 300)	1,522.3	-0.5	+6.6	+14.0
World, dev'd (MSCI)	1,928.7	+0.1	+10.1	+10.1
Emerging markets (MSCI)	1,009.8	-0.6	+17.1	+17.1
World, all (MSCI)	467.7	nil	+10.9	+10.9
World bonds (Citigroup)	926.4	-0.3	+4.8	+4.8
EMBI+ (JPMorgan)	827.4	-0.2	+7.2	+7.2
Hedge funds (HFRX)	1,232.1§	-0.2	+2.4	+2.4
Volatility, US (VIX)	10.7	+10.4	+14.0	(levels)
CDSs, Eur (iTRAXX)†	57.1	-7.3	-20.8	-15.3
CDSs, N Am (CDX)†	58.8	-3.8	-13.3	-13.3
Carbon trading (EU ETS) €	4.9	+1.0	-24.9	-19.7

Sources: IHS Markit; Thomson Reuters. *Total return index.
†Credit-default-swap spreads, basis points. §June 12th.

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