The Economist

Mapping out a trade war

What Milei can teach Trump

Why ultra-processed foods are bad

The best books of 2024

NOVEMBER 30TH–DECEMBER 6TH 2024

The least bad deal for Ukraine

The Economist

[Nov 30, 2024]

- **The world this week**
- **The World Ahead**
- **Leaders**
- **Letters**
- **By Invitation**
- **Briefing**
- **United States**
- **The Americas**
- **Asia**
- **China**
- **Middle East & Africa**
- **Europe**
- **Britain**
- **International**
- **Business**
- **Finance & economics**
- **Science & technology**
- **Culture**
- **Economic & financial indicators**
- **Obituary**

The world this week

- **Politics**
- **Business**
- **The weekly cartoon**
- **This week's covers**

The Economist :: How we saw the world

The world this week

Politics

Nov 29, 2024 02:03 PM

A ceasefire began in **Lebanon**, scheduled to last initially for 60 days. Israeli forces and those of Hizbullah, a Shia militia backed by Iran, will gradually withdraw from a buffer zone south of the Litani river. A five-country committee led by the United States and France will oversee the process. Joe Biden said he hoped the breakthrough would lead to peace in Gaza, and in the wider region. Lebanese officials said more than 3,800 citizens had been killed by Israeli bombardments; Israel said it had lost 82 soldiers and 47 civilians.

The International Criminal Court in The Hague issued an **arrest warrant** for Israel's prime minister, Binyamin Netanyahu, and his former defence minister, Yoav Gallant. In principle, signatories to the court's statutes would be obliged to arrest them if they visited. But France suggested it might not as Israel did not sign the treaty that established the ICC, and Germany said it was "examining" its position.

The South West African People's Organisation, better known as SWAPO, which has ruled **Namibia** since its independence in 1990, faced its biggest-ever challenge in a presidential and general election. Opinion polls show it is increasingly unpopular.

A refugee camp near the city of el-Fasher in south-west **Sudan** housing about 500,000 people, many of them said to be close to starvation, received its first aid convoy in several months. Deliveries by the UN had been held up by fighting during the 18-month-old civil war.

Police investigators in **Brazil** accused Jair Bolsonaro·, the country's hard-right president from 2019 to 2023, of plotting a coup after losing his bid for re-election. The police said that Mr Bolsonaro and 36 allies pressed government and military officials to support a coup, drafted a state of emergency to keep Mr Bolsonaro in power and entertained an assassination plot to kill the election winner. The police sent the indictments to the public prosecutor, who will decide whether to press charges. Mr Bolsonaro described the accusations as "creative".

Yamandú Orsi won **Uruguay·'s** presidential election for the centre-left, beating Álvaro Delgado, a former aide to the current centre-right president. Mr Orsi promises to keep business taxes at a reasonable level and attract investment.

If at first you don't succeed

Donald Trump filled out more of his prospective cabinet appointments, including Scott Bessent, a hedge-fund manager, as treasury secretary. Meanwhile, Matt Gaetz withdrew from consideration as attorney-general amid allegations of sexual misconduct. Mr Trump is likely to have more luck with his second choice, Pam Bondi, a former attorney-general of Florida.

Russia increased the pace of its assault on **Ukraine**, launching a huge missile attack on the country's energy infrastructure. Russia recently struck Ukraine with a new conventional intermediate-range missile, hitting a weapons facility. For its part Ukraine said it had damaged an oil depot near Moscow and targets in Russia's Bryansk and Kursk border regions. Russia said that an airbase that housed an air-defence system had been hit with ATACMS, longer-range missiles that America is allowing Ukraine to fire into Russia.

Police fired tear-gas and water cannon at protesters in Tirana, the capital of **Albania**, who are calling for the Socialist government to be replaced with a caretaker administration of technocrats. Two opposition leaders have been charged with corruption, which they say is a politically motivated act. The prime minister, Edi Rama, claims the opposition is trying to seize power illicitly.

The first round of **Romania's** presidential election produced a shock result. Calin Georgescu, a pro-Russian critic of NATO, came first with 23% of the vote, and Elena Lasconi, who heads the centre-right opposition, came second with 19%. Both candidates go through to a run-off on December 8th. Mr Georgescu had scant support before the election. The result has raised fears that Russia is gaining influence in Romania, which joined NATO in 2004. Liberals are rallying around Ms Lasconi.

Anne Hidalgo announced that she would not run for a third term as mayor of **Paris**. Since taking office in 2014 Ms Hidalgo has overseen a controversial plan to reduce motor traffic in the city by giving priority to cyclists. It has not been universally popular. Paris now has more than 1,000km (620 miles) of bike lanes, up from 200km in 2001.

India's lower house of Parliament twice suspended proceedings as opposition MPs made noisy demands for a debate on the bribery charges laid by American authorities against Gautam Adani, one of India's most prominent businessmen. The opposition Congress party claims that the ruling Bharatiya Janata Party has tried to thwart previous investigations into Mr Adani, who is an ally of Narendra Modi, the prime minister. The Adani Group says the bribery allegations are "baseless".

In **Pakistan** six people, including four soldiers, were killed amid protests calling for the release of Imran Khan, a former prime minister, from prison. Separately, more than 80 people died in clashes between Shia and Sunni Muslims in the country's north-west in a dispute over land.

A family feud

The rocky relationship between Ferdinand "Bongbong" Marcos, the president of the **Philippines**, and Sara Duterte, the vice-president, hit a spectacular new low, when Ms Duterte claimed she had hired an assassin to kill Mr Marcos and his wife if she herself were killed. When officials called for an explanation, Ms Duterte said her comment was a "conditional act of revenge". Mr Marcos and Ms Duterte, who both hail from political dynasties, have detested each other ever since forming an uneasy alliance to win election in 2022.

Australia's House of Representatives overwhelmingly passed a bill that would ban children under 16 from having access to social media. Google and Meta had asked for the legislation to be delayed until they could complete tests of age-verification systems. Elon Musk weighed in, describing the bill as a “backdoor way to control access to the internet by all Australians”.

The **COP29** climate summit in Baku almost ended in acrimony in a row over finance. In the end a compromise deal of $300bn a year for countries most vulnerable to the effects of global warming was reluctantly agreed to by poorer states, but many, especially India, were angry. The Indian negotiator said it was a “paltry” sum.

The world this week

Business

Nov 29, 2024 02:03 PM

The Economist

Donald Trump fired the opening salvo in his trade war by threatening to impose **tariffs·** of 25% on all goods exported to the United States from Canada and Mexico· and a further 10% on all Chinese goods. Mr Trump said he would do this because Canada and Mexico were permitting illegal migrants and drugs to cross their borders, and because China was not executing enough fentanyl smugglers. Economists warned of soaring prices in America if the duties are imposed. Canada's oil industry said the tariffs would undermine energy security. After his announcement Mr Trump said that he had had a "wonderful conversation" with Mexico's president, Claudia Sheinbaum, about stopping migration.

Meanwhile, Mr Trump chose Jamieson Greer to be the **trade representative** in his new administration. Mr Greer was a senior aide to Robert Lighthizer, the trade chief in Mr Trump's first government. In May Mr Greer said that "The effort to pursue strategic decoupling from China will cause short-term pain."

Peter Carlsson stepped down as chief executive of **Northvolt·**, shortly after the Swedish maker of battery cells declared bankruptcy. Northvolt had once been hailed as Europe's champion in the global market for electric-car batteries, which is dominated by China, but it collapsed under a pile of debt. The company laid off workers earlier this year as it struggled to survive. Some of its problems came from its rapid expansion into technological areas, such as artificial intelligence, which attracted investors but which Northvolt failed to commercialise. Its main factory, in remote northern Sweden, never reached full capacity.

Sticks, but no carrots

Stellantis decided to close its factory in Luton, near London, which makes vans under the Vauxhall brand. The carmaker said it hoped it could relocate hundreds of workers to a plant near Liverpool, though unions warned that 1,100 jobs were at risk. Stellantis reportedly blamed the British government for imposing targets on carmakers to produce electric vehicles when consumer demand for EVs was slowing. Ford also chimed in, decrying the lack of incentives in Britain for drivers to switch to EVs.

Amazon doubled its investment in Anthropic, an **artificial-intelligence** startup, to $8bn. It made an initial investment only in September last year. Amazon is integrating Anthropic's technology into its cloud services, and aims to incorporate Anthropic's chatbot, Claude, in its Alexa voice-command platform. Separately, SoftBank was reportedly planning to invest an additional $1.5bn in OpenAI. After its latest round of fundraising OpenAI is now thought to be worth $150bn.

For the second time this year **Samsung** overhauled the senior-management ranks of its chip division, which is struggling to compete with the likes of TSMC. “I am fully aware that there are grave concerns about the future of Samsung,” acknowledged its chairman, Lee Jae-yong.

The share prices of **Dell** and **HP** fell sharply after both PC-makers reported disappointing earnings. The companies hope that sales will improve when consumers buy new PCs with AI capabilities.

UniCredit, Italy’s second-biggest bank, offered to buy **Banco BPM** for $11bn, which its smaller rival rejected. The proposal was unexpected. UniCredit has ambitions to take over Commerzbank, a large German lender, though that proposition is fiercely resisted in Germany.

In the first of four big divestments that it announced in May, **Anglo American** sold its remaining coal assets to Peabody Energy for $3.8bn.

Macy’s had to delay the full publication of its quarterly earnings report, which would have included its forecast of the crucial Christmas shopping season, because it uncovered an attempt by a former employee “to hide approximately $132m to $154m” of delivery expenses since 2021. The employee reportedly did not make a financial gain. It is unclear whether this was an accounting error that had gone unnoticed.

The war on woke

Robby Starbuck, an online activist, claimed another victory in his fight against corporate diversity, equity and inclusion policies, when **Walmart** told him it would no longer provide preferential treatment to suppliers based on diversity and discontinue racial-equity training, among other things. Mr Starbuck had threatened to highlight Walmart’s DEI practices ahead of the Christmas season, which might have prompted a conservative boycott of its stores. Announcing Walmart’s climbdown, he said “companies can clearly see that America wants normalcy back”.

The world this week

The weekly cartoon

Nov 29, 2024 02:03 PM

Dig deeper into the subject of this week's cartoon:

Leaders: Tariff threats will do harm, even if Donald Trump does not impose them·
The Americas: Mexico and Canada brace for Donald Trump's tariff thrashing·
The Telegram: "Tariffers" v "traders": the new contest for Donald Trump's ear·

The editorial cartoon appears weekly in The Economist. *You can see last week's here.*

| Section menu | Main menu |

The Economist

This week's covers

How we saw the world

Nov 29, 2024 10:11 PM

OUR TWO covers this week feature an interview with the free-market maverick remaking Argentina, and an analysis of how Ukraine and its allies should approach talks with Russia.

Javier Milei relishes his status as the bad boy of anarcho-capitalism (though you have to wonder if it has many good boys). Speaking to our Latin America correspondent, Kinley Salmon, Argentina's president said that he considers "the state to be a violent criminal organisation that lives from a coercive source of income called taxes, which are a remnant of slavery".

He campaigned wielding a chainsaw, but his economic programme is serious and one of the most radical doses of free-market medicine since Thatcherism. What is more, a year after he was elected, it seems to be working.

Mr Milei is enjoying his best moment since taking office. Brandishing that chainsaw, he has lopped off a third of public spending in real terms, halved the number of ministries and cut through the red tape. Inflation spiked at 25% a month after he devalued the artificially and unsustainably strong peso. It is now under 3% per month. The JPMorgan country-risk index, an influential measure of the risk of default, has fallen from around 2,000 when he became president in December 2023 to about 750 now, its lowest in five years.

A design showing him wielding the chainsaw looked a bit cartoonish, however. Although Mr Milei is a larger-than-life character, running an exceptional country that has suffered more than most from a dysfunctional and predatory state, he has lessons for the world.

An alternative image had him belting his message into a microphone. Mr Milei is often lumped in with populist politicians such as Donald Trump or Viktor Orban. In fact he comes from a different tradition. A true believer in open markets and individual liberty, he has a quasi-religious zeal for economic freedom.

We favoured a cover that did less to distract from our use of one of the interview's many arresting quotes as the title. The left detests Mr Milei and the Trumpian right embraces him, but in fact he is at odds with both. He has shown that the continual expansion of the state is not inevitable. And he is a rebuke to opportunistic populism, of the sort practised by Mr Trump. He believes in free trade and free markets, not protectionism; fiscal discipline, not reckless borrowing; and, instead of spinning popular fantasies, brutal public truth-telling.

Much could go wrong in Mr Milei's Argentina. Poverty is growing, the peso is overvalued and the president is a mercurial and explosive character. But, just now, Mileinarianism is worth watching.

The Economist

The least bad deal for Ukraine

Mapping out a trade war

The problem with ultra-processed foods

The best books of 2024

NOVEMBER 30TH–DECEMBER 6TH 2024

"MY CONTEMPT FOR THE STATE IS INFINITE"

What Javier Milei can teach Donald Trump

OUR INTERVIEW

Leader: “My contempt for the state is infinite”, says Javier Milei·
Americas: Javier Milei, free-market revolutionary·
A transcript of his meeting with our journalist

Donald Trump has made clear that, as president, he will be impatient for the shooting to stop in Ukraine. At the same time, Russia’s grinding advance has exposed weaknesses in manpower and morale that could eventually lead to a collapse in Ukraine’s lines. In a conflict that once looked like a stalemate, peace talks beckon—and the common worry is that Mr Trump will use them to impose a disastrous deal on Ukraine.

Our first ideas sought to convey the arrival of diplomacy. In one, an image of a missile morphed into a fountain pen. In the other, two presidents were balanced on a shell.

However, a deal would not be the end of the war. Ukraine and its allies should not expect Russia’s president, Vladimir Putin, to feel bound by its terms. He will surely hope that post-war Ukraine, consumed by infighting and recriminations against the West, will fall into his lap. If it does not, he could well conjure up a pretext to seize more territory by force.

A design showing a hawk of peace got this message across, but it felt remote. A tank at a crossroads suggested a moment of decision is afoot, but it pointed to the battlefield rather than negotiations.

Capitulation to Mr Putin is not inevitable, nor even the likeliest outcome. It would be a public defeat for America and it would spill over into Asia, where the next administration is focusing. And Mr Trump would surely want to avoid the humiliation of being known as the man who lost Ukraine by being out-negotiated by Mr Putin. It is in his own narrow interest to forge a deal that keeps Ukraine safe for at least the four years of his term. In that time Ukraine can accomplish a lot.

To thrive, Ukraine will require political and economic stability, both of which will depend on being safe from Russian aggression. That is why the talks will turn on how to devise a credible and durable framework for Ukrainian security.

We chose the negotiating table. It is cold and wintry. Ukraine, sitting across from Russia, would be alarmingly exposed.

A ceasefire would present two competing visions of Ukraine’s future. Mr Putin’s calculation is that he will win from a deal because Ukraine will rot, Russia will re-arm and the West will lose interest. But imagine that, with Western backing, Ukraine used the lull to rebuild its economy, refresh its politics and deter Russia from aggression. The task is to ensure that this vision prevails over its grim alternative.


The Economist
Mapping out a trade war
What Milei can teach Trump
Why ultra-processed foods are bad
The best books of 2024
NOVEMBER 30TH–DECEMBER 6TH 2024
The least bad deal for Ukraine

Leader: How to make a success of peace talks with Vladimir Putin·
Briefing: How will Donald Trump handle the war in Ukraine?·

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The World Ahead

- **The World Ahead 2025**
  Future-gazing analysis, predictions and speculation

The World Ahead

The World Ahead 2025

Future-gazing analysis, predictions and speculation

Nov 29, 2024 02:03 PM

EVERY NOVEMBER we publish our annual predictive guide to the coming year, The World Ahead. In this year's edition, our correspondents and invited experts consider the global outlook in geopolitics, business, technology and culture; the implications of Donald Trump's victory, for America and the world; and the challenges and opportunities of rapid technological change in clean energy, artificial intelligence and medicine.

See the full edition.

Leaders

- **How to make a success of peace talks with Vladimir Putin**
  The least bad deal for Ukraine :: The key is robust security guarantees for Ukrainians
- **Javier Milei: “My contempt for the state is infinite”**
  Lessons from a surprising experiment :: Argentina’s president is idolised by the Trumpian right. They should get to know him better
- **Peace in Lebanon is just a start**
  Ceasefire at last :: Donald Trump must build on Joe Biden’s belated success
- **Tariff threats will do harm, even if Donald Trump does not impose them**
  Shots fired :: The risk of a trade war is uncomfortably high
- **Lessons from the failure of Northvolt**
  Out of juice :: Governments blew billions on a battery champion. Time to welcome foreign investors instead

The least bad deal for Ukraine

How to make a success of peace talks with Vladimir Putin

The key is robust security guarantees for Ukrainians

Nov 29, 2024 02:03 PM

FOR TWO years the war in Ukraine has been fought metre by blood-soaked metre. Suddenly, dramatic change is at hand. One reason is that Russia's grinding advance has exposed grave weaknesses in manpower and morale that could eventually lead to a collapse in Ukraine's lines. More urgent, Donald Trump has made clear that, as president, he will be impatient for the shooting to stop.

The great worry is that Mr Trump will impose a disastrous deal on Ukraine. Vladimir Putin says he might be willing to freeze the front lines, though Russia occupies just 70-80% of four Ukrainian provinces it has annexed. But he is also demanding that the West should lift sanctions; that Ukraine should renounce NATO membership; that it be demilitarised and formally neutral; that it "denazify" itself by jettisoning its leaders; and that it protect the rights of Russian-speakers.

Should Mr Trump back this, Mr Putin would have achieved most of his war aims and Ukraine would have suffered a catastrophic defeat. What is more, Russia's president would not respect a piece of paper. He would hope that post-war Ukraine, consumed by infighting and recriminations against the West, would fall into his lap. If it did not, he might seize more territory by force. As the self-appointed guardian of Ukraine's Russian-speakers, he could easily concoct a pretext.

That is the fear. But it is not inevitable, nor even the likeliest outcome. Capitulation to Mr Putin would be a public defeat for America and Mr Trump. It would spill over into Asia, where America's foes might become more aggressive and its friends might lose confidence in their ally and curry favour with China instead. And Mr Trump would surely want to avoid the humiliation of being known as the man who lost Ukraine by being out-negotiated by Mr Putin. It is in his own narrow interest to forge a deal that keeps Ukraine safe for at least the four years of his term. In that time Ukraine can accomplish a lot.

Mr Trump has leverage over Russia if he wants to use it. Because he is unpredictable, he could threaten to go all-in with Ukraine by sending it more and deadlier weapons, and Mr Putin would have to take him seriously. In addition, the Russian economy is hurting;, the rouble is tumbling and Russians are tired of fighting. Although Mr Putin could sustain the war for another year or more, he might also benefit from a pause. As Mike Waltz, Mr Trump's incoming national security adviser, has suggested, America can therefore also threaten to use sanctions to make that pain worse.

What, then, should a deal aim for? Restoring the borders of 1991 is a pipe dream. Morally and legally, all that land belongs to Ukraine, but it does not have the soldiers, arms or ammunition to recapture it. Instead, the aim should be to create the conditions for Ukraine to thrive in the territory it now controls.

For that it will require stability and reconstruction, both of which depend on being safe from Russian aggression. That is why at the heart of the talks will be how to devise a credible and durable framework for Ukrainian security.

The Economist has argued that the best way of protecting Ukraine would be for it to join NATO. Membership would help prevent it from becoming unstable, embittered and vulnerable to co-option by Mr Putin in pursuit of his ultimate aim, which is to destabilise and dominate Europe. It would also bring Europe's largest, most innovative and battle-hardened army and defence industry into the alliance—something that Mr Trump might welcome, because NATO would then need fewer American troops.

Membership raises hard questions, because of the alliance's "Article 5" pledge that an attack on one member is an attack on all. But answers exist. The guarantee need not cover the parts of Ukraine that Russia now occupies—just as it did not cover East Germany when West Germany joined in 1955. Troops from other NATO countries may not need to be based in Ukraine in peacetime, as when Norway joined in 1949.

We still favour these arguments. However, for Ukraine to be in NATO requires the backing of all its 32 members, including Hungary and Turkey, which delayed the accession of Sweden and Finland. As our reporting shows·, some countries, including the front-line states, plus Britain, France and, under a new chancellor, Germany, may therefore be open to bilateral deals in which they base their troops in Ukraine as a tripwire force . In effect, they would be seeking to deter Mr Putin with the threat that further Russian action could bring them into the war.

It looks like an elegant solution, but a tripwire force would amount to an Article 5 guarantee by another name. Countries should not offer such a promise to Ukraine unless they are ready to honour it—as walking away under Russian fire would undermine them as members of NATO, too, perhaps fatally. Simply because it was new, the tripwire force would be likely to be probed and tested for weak points by Mr Putin. To be credible it would need formal backing from Mr Trump, even if he provided no troops, because Europe still depends on America to fight wars, especially against an adversary as big as Russia.

It would also need a change of approach in Europe, particularly in Germany. To signal to Mr Putin that they were serious, European countries would need to demonstrate their support for Ukraine. That would involve massive aid for rebuilding the country and weapons, as well as progress in EU accession talks. To signal to Mr Putin that they would fight back if he attacked, they would need to dramatically increase their own defence spending: and overhaul their arms industries . Mr Trump, who has long urged bigger European defence budgets, ought to welcome such an outcome.

A ceasefire would present two competing visions of Ukraine's future. Mr Putin's calculation is that he will win from a deal because Ukraine will rot, Russia will re-arm and the West will lose interest. But imagine that, with Western backing, Ukraine used the lull to rebuild its economy, refresh its politics and deter Russia from aggression. The task is to ensure that this vision prevails over its grim alternative. ■

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Lessons from a surprising experiment

Javier Milei: “My contempt for the state is infinite”

Argentina’s president is idolised by the Trumpian right. They should get to know him better

Nov 29, 2024 02:03 PM

MANY PEOPLE in America hope that the new Trump administration will take an axe to a bloated and overbearing government, cutting spending and rolling back regulation. Whether this goal is even plausible any more is a crucial question for America and the world, after two decades in which government debt globally has risen relentlessly, fuelled by the financial crisis of 2007-09 and the pandemic. For an answer, and a case study of taming an out-of-control Leviathan, head 5,000 miles south from Washington, where an extraordinary experiment is under way.

Javier Milei has been president of Argentina for a year. He campaigned wielding a chainsaw, but his economic programme is serious and one of the most radical doses of free-market medicine since Thatcherism. It comes with risks, if only because of Argentina's history of instability and Mr Milei's explosive personality. But the lessons are striking, too.

The left detests him and the Trumpian right embraces him, but he truly belongs to neither group. He has shown that the continual expansion of the state is not inevitable. And he is a principled rebuke to opportunistic populism, of the sort practised by Donald Trump. Mr Milei believes in free trade and free markets, not protectionism; fiscal discipline, not reckless borrowing; and, instead of spinning popular fantasies, brutal public truth-telling.

Argentina has been in trouble for decades, with a state that handed out patronage, politicians who lied and a central bank that printed money to paper over the cracks. To control inflation, its governments resorted to a blizzard of price controls, multiple exchange rates and capital controls. It is so far the only country in modern economic history to have tumbled from rich-world status back into the middle-income bracket.

Mr Milei was elected with a mandate to reverse this decline. His chainsaw has cut public spending by almost a third in real terms, halved the number of ministries and engineered a budget surplus. There has been a bonfire of red tape, liberating markets from housing rentals to airlines. The results are encouraging. Inflation has fallen from 13% month on month to 3%. Investors' assessment of the risk of default has halved. A battered economy is showing signs of recovery.

What is fascinating is the philosophy behind the figures. Mr Milei is often wrongly lumped in with populist leaders such as Mr Trump, the hard right in France and Germany or Viktor Orban in Hungary. In fact he comes from a different tradition. A true believer in open markets and individual liberty, he has a quasi-religious zeal for economic freedom, a hatred of socialism and, as he told us in an interview· this week, "infinite" contempt for the state. Instead of industrial policy and tariffs, he promotes trade with private firms that do not interfere in Argentina's domestic affairs, including Chinese ones. He is a small-state Republican who admires Margaret Thatcher—a messianic example of an endangered species. His poll ratings are rising and, at this point in his term, he is more popular in Argentina than his recent predecessors were.

Make no mistake, the Milei experiment could still go badly wrong. Austerity has caused an increase in the poverty rate, which jumped to 53% in the first half of 2024 from 40% a year earlier. Mr Milei could struggle to govern if resistance builds and the Peronist opposition is better organised. Investor confidence will be tested if he finally removes capital controls and shifts an overvalued peso to a flexible exchange-rate regime: a currency slump could test nerves and push inflation back up. Mr Milei is an eccentric who could become distracted by culture wars over gender and climate change, and thus neglect his core mission of restoring Argentina's economy to growth.

Nonetheless, and despite the fact that Argentina is a very unusual country, Mr Milei's first year holds lessons for the rest of the world, including his admirers and detractors in America. Take the growth of the state. Global public debt has risen from 70% of GDP 20 years ago to 93% this year and will hit 100% by 2030. Debt is a scourge not only in rich countries but also in China and India, which are both running vast deficits.

The financial crisis and the pandemic raised borrowing and created a sense that the government will always step in when people are in adversity. Many countries face rising health-care and pension costs as the population ages. Regulations only ever seem to accumulate. Governments are at a loss as to how to break the cycle·. In some places, such as France, the prospect of doing so threatens political chaos.

Some of Mr Milei's lessons are technical. To cut spending he has asked government departments to slash expenses on procurement, administrative costs and salaries rather than cash transfers to the poorest. He recognised that controlling pension spending is essential because an ageing population eats up vast chunks of the budget, a fiscal reality that many countries have yet to confront. In power, he has learned to add a dose of pragmatism to his convictions. He has set the direction for Argentina, but delegates legislative horse-trading to his staff and asks skilled ministers to oversee the economy—most notably Federico Sturzenegger, his deregulation tsar.

Big ego, small government

Perhaps the biggest lesson is about courage and coherence. Like them or not, Mr Milei's policies align with each other, which magnifies their effect. Unlike Mr Trump·, he has not promised to unleash the power of markets and consumers in one breath, and to protect businesses from competition in the next. By winning the argument for tough but vital reform, he has shown that voters used to sugar-coated banalities can in fact be trusted with hard truths.

Mr Milei, with his biker jackets, "anarcho-capitalist" mantra and explosive temper, is an unlikely saviour, and he may not save Argentina. But his attempt to confront, coherently and systematically, one of the most extreme incarnations of what is now a near-universal problem deserves to be watched closely around the world. Including in the White House. ■

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Ceasefire at last

Peace in Lebanon is just a start

Donald Trump must build on Joe Biden's belated success

Nov 29, 2024 02:03 PM

AT LAST, A flicker of hope. The ceasefire· between Israel and Hizbullah, which took effect on November 27th, brings respite to millions of Lebanese and Israelis. It ends a war of nearly 14 months that Hizbullah, a Shia militia, no doubt regrets having started. It also gives Israel much of what it sought, including a right to strike if Hizbullah re-arms. America, meanwhile, has a responsibility for monitoring compliance.

But this agreement is just a start. It offers only a promise that Hizbullah will be disarmed, and such pledges have often been broken. The reason to hope that this time will be different is that Hizbullah has been much diminished and will struggle to regain its former strength.

It was a rare success for America’s diplomats, who have often looked feeble since October 7th 2023. For months, Hizbullah insisted that Lebanon’s fate was entwined with Gaza’s: the only way for Israel to end one war was to end both. For his part, Binyamin Netanyahu, Israel’s prime minister, promised to keep fighting in Lebanon until the residents of northern Israel felt safe to return home.

Both sides finally abandoned those positions. Hizbullah decoupled its war from the one in Gaza, with the blessing (and perhaps the encouragement) of its Iranian sponsors. Mr Netanyahu accepted a ceasefire over the objections of some Israelis. Both sides had good reason to accept a deal, for both are exhausted. Hizbullah and Lebanon have been battered, while Israel’s army has been gasping under the burden of two wars.

Donald Trump was an encouragement, too. Iran may be keen to negotiate with him, which would have been impossible while Hizbullah was shooting at Israel. Iran now has an incentive to restrain its militia, at least for a while. As for Mr Netanyahu, he is also eager to stay in the president-elect’s good graces. Ending the war in Lebanon is a welcome gesture towards Mr Trump, who campaigned on doing just that.

When it takes power in January, though, the Trump administration should demand more. It may seem that the region’s two wars have been separated and, with Lebanon becalmed, Gaza is now just an isolated conflict. That is an illusion. Any path to a grand bargain of the sort Mr Trump’s aides are keen to pursue must begin in the ruins of Gaza.

Far-right Israeli lawmakers see Mr Trump’s second term as a golden opportunity to rebuild Jewish settlements in the narrow Gaza Strip that were dismantled in 2005. They are also keen to annex parts of the West Bank, thus precluding a future Palestinian state. Allowing this would be a disaster, not only for Palestinians but also for Mr Trump’s regional agenda. There is little prospect of his cherished aim of normalisation between Israel and Saudi Arabia if Israeli settlements are sprouting on the rubble of Gazan homes, or if, contrary to Saudi demands, a Palestinian state becomes impossible.

Mr Trump will need to dampen the impulses of Israel’s coalition (and of his own Republican Party). At the same time, he can help strengthen the ceasefire in Lebanon. He should offer to negotiate with Iran but make clear that shipping arms to Hizbullah would instantly end such talks.

Joe Biden has dismally failed to use American leverage in the Middle East. He promised there would be no daylight between America and Israel, even as Mr Netanyahu defied him time after time. He kept Iran under sanctions that he failed to enforce. No side took him seriously, since there seemed to be no consequences for resisting America. Mr Trump will need to be tougher—and remember to use his leverage on America’s regional allies, not only its foes. ■

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Shots fired

Tariff threats will do harm, even if Donald Trump does not impose them

The risk of a trade war is uncomfortably high

Nov 29, 2024 02:03 PM

IT DID NOT take long. Even before getting into office, Donald Trump· fired the opening shots in a new trade war. On November 25th America’s president-elect posted on social media that he would add an extra tariff of 10% on Chinese goods. But the shock was news of tariffs of 25% on Canada and Mexico as soon as he returned to the White House. These, he thundered, would remain in place until the two countries clamped down on drugs and migrants illegally crossing the border.

If they are imposed, the tariffs will hurt American consumers most of all. The North American supply chain is integrated; nearly $1trn-worth of goods crossed the northern and southern borders of the United States last year. Half of America's fruit and vegetables come from its two neighbours. And more than half the pickup trucks sold by GM and Stellantis in the United States are made in Canada or Mexico, which is why the firms' share prices fell by 9% and 5%, respectively, on the day after Mr Trump's announcement. (Stellantis's largest shareholder part-owns *The Economist*'s parent company.) Goldman Sachs thinks the tariffs could raise core consumer prices, which exclude food and energy, by as much as 0.9%.

No one knows how much Mr Trump sees tariffs as negotiating tools, and how much he wants to turn away from trade. It might therefore be tempting to breathe a sigh of relief that these tariffs are a theatrical way to gain leverage. He has already had a "wonderful conversation" with Claudia Sheinbaum, Mexico's president. In 2019 he threatened levies of 25% on all Mexican goods, only to do nothing when Mexico and the United States reached a border deal. Throughout the first term, the cabinet tempered his protectionist instincts. So did the stockmarket, which he saw as a barometer of public approval.

This time, too, Mr Trump could curb his mercantilist enthusiasm. He has appeared to take unusual care in selecting his economic-policy team in order to avoid sabotaging a post-election rally. Scott Bessent, a hedge-fund manager who is Mr Trump's pick for treasury secretary, and Howard Lutnick, another financier who has been chosen as commerce secretary, have said tariffs are for negotiating with, unlike some of Mr Trump's inner circle who are ideologically opposed to trade.

Another check on the administration could be the fear of tariff-induced inflation. Americans' experience of the highest price rises in 40 years helped doom Kamala Harris's election bid. Mr Trump may not want to be seen as the architect behind surging prices of everything from Americans' breakfast avocados to their newest set of wheels.

The trouble, though, is that you cannot bank on any of this. Mr Trump could still seek to re-engineer the global trading system using steeper and wider-ranging tariffs. Mr Bessent and Mr Lutnik have been joined by Jamieson

Greer, his new trade representative, who takes a harder line. Although he was constrained in his first term, Mr Trump did still manage to raise some tariffs on China and Europe.

Moreover, if Mr Trump routinely uses the threat of tariffs whenever he wants countries to do his bidding, they could spiral out of control. Mexico has warned of retaliation. And the more tariff threats are repeated, the greater the danger of miscalculation. If threats are never carried through, they will lose their power. Ultimately that is likely to force Mr Trump to show that he means what he says.

It’s a beautiful word

For decades the benefits of global trade were so widely accepted that retaliatory tariffs were limited to trade disputes. Today free trade has depressingly few advocates, and tariffs are used willy-nilly. Even if Mr Trump intends them only as a negotiating tactic, the fear that the gains from trade might easily be frittered away will hang over the world economy.■

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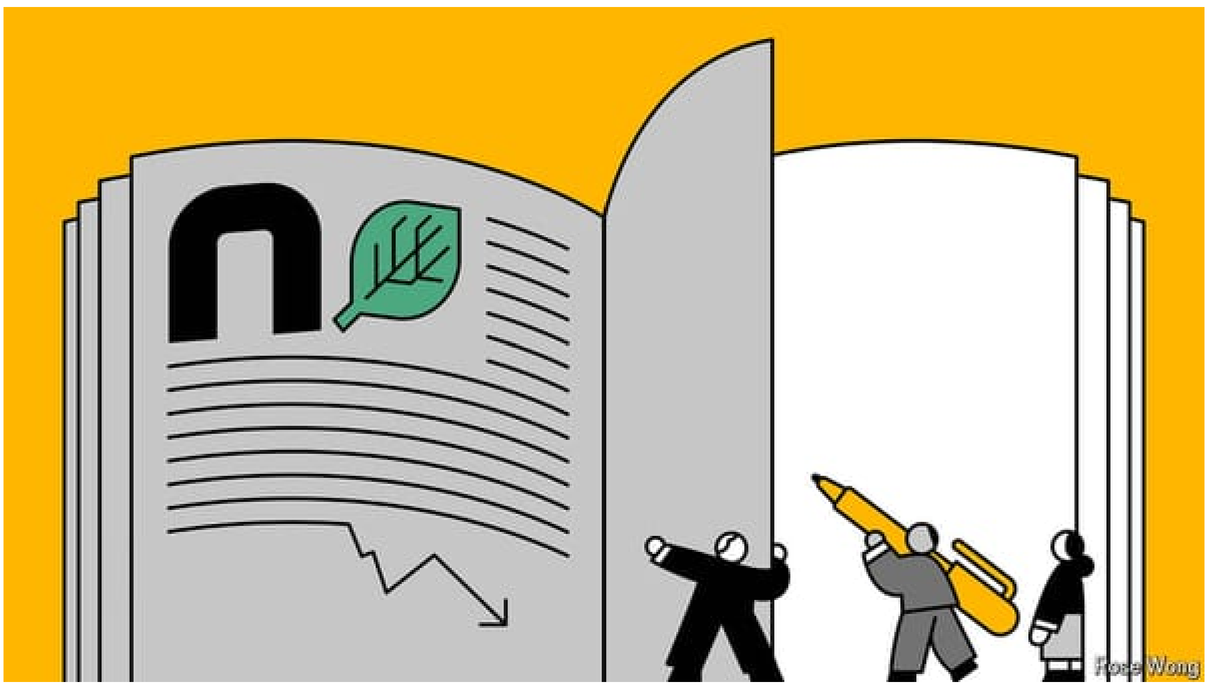
Out of juice

Lessons from the failure of Northvolt

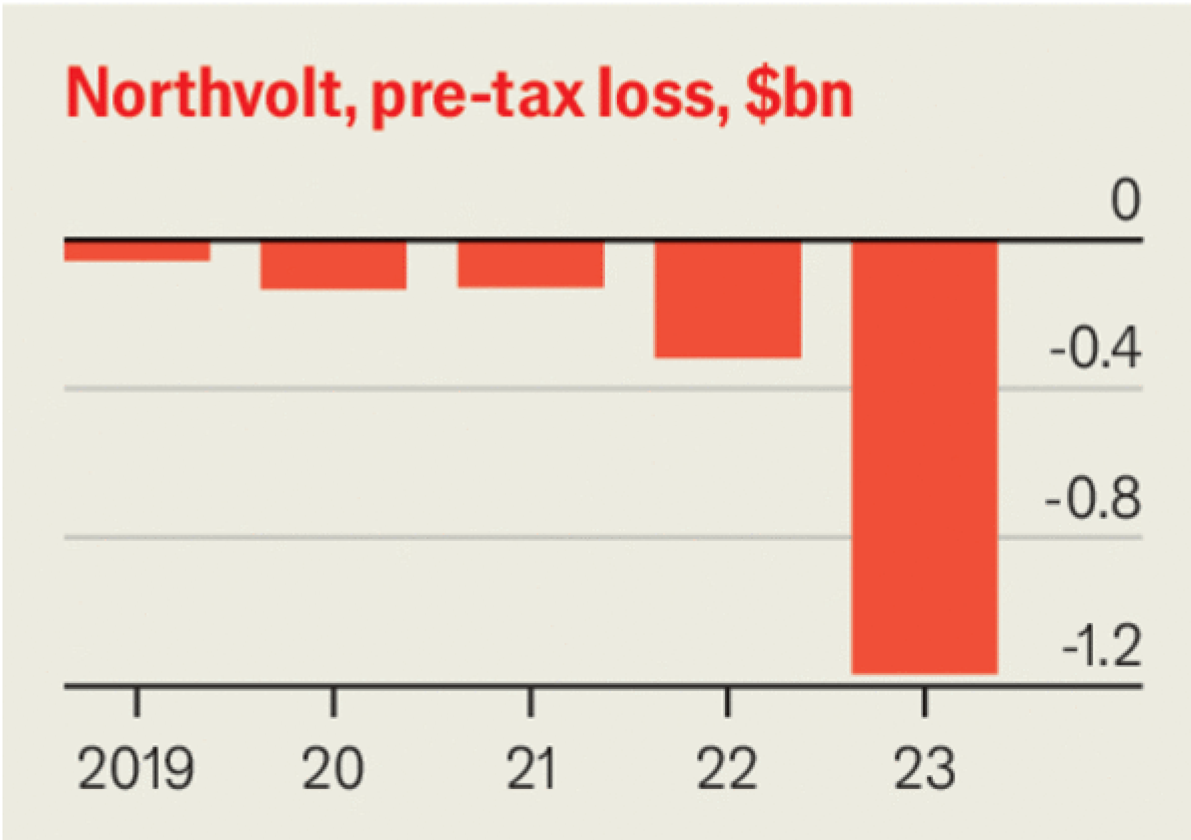
Governments blew billions on a battery champion. Time to welcome foreign investors instead

Nov 29, 2024 02:03 PM



IT WAS SUPPOSED to be a battery pioneer, a symbol of European competitiveness and an example of industrial policy done right. Yet on November 21st Northvolt, Europe's best-funded startup, filed for bankruptcy·. A day later its boss and founder, Peter Carlsson, announced his resignation. What went wrong?

Northvolt certainly didn't fail for lack of investment. The firm raised $15bn in total, including nearly $5bn in grants and loans from the governments of Canada, the European Union, Germany, Poland and Sweden. Wall Street titans such as Goldman Sachs and BlackRock backed it. Big carmakers such as BMW, Scania and Volkswagen ordered more than $50bn-worth of its products. VW was its largest investor.



The Economist

But it struggled to get anywhere. Owing to incompetence and bad luck, its main battery factory in a remote part of Sweden operated at a small fraction of its capacity, incurring huge losses. Its managers were so eager to expand that they neglected the basics. Now Northvolt may be broken up for parts and pounced on by rivals, including Chinese ones.

Its failure holds lessons. First, investors should not take it for granted that when governments back an industrial champion, they will keep throwing money at it for ever. The banks that lent to Northvolt, the pension funds that bought its shares and the carmakers that lodged big orders for its batteries all did so on the assumption that it was as safe as a well-insulated wire. Even after its troubles became obvious, JPMorgan Chase and 24 other lenders announced a $5bn loan earlier this year, the biggest green loan ever in Europe. Their faith in government may have cost them a fortune.

Second, when politicians try to back national champions in areas where technology is rapidly evolving, they are likely to waste several electric lorryloads of taxpayers' money. That is especially true if the champion in question is far behind the market leaders. Governments often base their industrial policies on the "infant-industry" argument, which says that domestic firms in new industries need protection until they are viable. The trouble is, if they are too far behind, they may never catch up with their foreign rivals—and support may simply allow them to grow flabby.

Northvolt spent lavishly on lab-level breakthroughs and next-generation technologies, but never worked out how to commercialise them and never came close to matching the world's best battery-makers. Its failure echoes Intel, an American chipmaker that is due to receive $7.9bn of public funding, but still may not catch up with Nvidia and TSMC, the industry leaders. It posted $17bn of losses in the third quarter.

There is a better way to nurture high-tech industries, which need not cost taxpayers anything. That is to smooth the way for foreign direct investment, a proven means to spread know-how from one country into another. America and the rest of the West have fallen behind China and other Asian countries in some crucial areas, including large-scale chipmaking and clean technologies such as solar power and electric vehicles. The way to catch up is to let leading firms in those areas open factories in the West. TSMC, a Taiwanese company, is building what will probably be America's most advanced chip factory in Arizona, even as Intel struggles. CATL, a Chinese firm and the world's largest EV-battery-maker, is investing in Germany and Hungary; LG Energy Solution, a South Korean firm, is now the biggest maker of lithium-ion batteries in Europe. Asia learned from the West by welcoming its best companies. Now the West needs to learn from Asia. ■

Letters

- **Letters to the editor**
  On assisted dying, the Central African Republic, airships :: A selection of correspondence

On assisted dying, the Central African Republic, airships

Letters to the editor

A selection of correspondence

Nov 29, 2024 02:03 PM

Letters are welcome via email to letters@economist.com

Against assisted dying

The Economist has been consistent in its position on assisted dying, or assisted suicide, over the decades. But it is wrong to espouse a hastily written bill that would legalise the procedure in Britain ("It's time", November 23rd). If this really were a "chance to enrich people's fundamental liberties" the patient alone would decide whether or not to live or die. Instead, two doctors and a judge decide, according to this bill. This is hardly the "autonomy" you think it is.

And it may be right that "the principle of assisted dying has already been established". Indeed, patients already have a right to refuse treatment or even food and drink. Doctors have the right to refuse to treat a patient if the treatment is futile. And the risk of companions going to prison for accompanying someone to Switzerland is minute. Not one relation has been successfully prosecuted for accompanying someone who undertook an assisted suicide in Switzerland. But this bill aims to change the Suicide Act of 1961, which prohibits assisting a suicide.

On one hand, you dismiss the idea of the slippery slope. On the other, you agree that being a burden is a legitimate reason for opting to die. That is chilling. The bill also allows doctors, who are desperate to free up hospital beds, to raise the issue with patients. What could possibly go wrong?

What we know is that if this bill is passed, many elderly and ill people will opt for an assisted death because the care they need is so difficult to get. We also know that this bill opens the doors to seeing death as a legitimate medical treatment. I hope MPs will reject it.

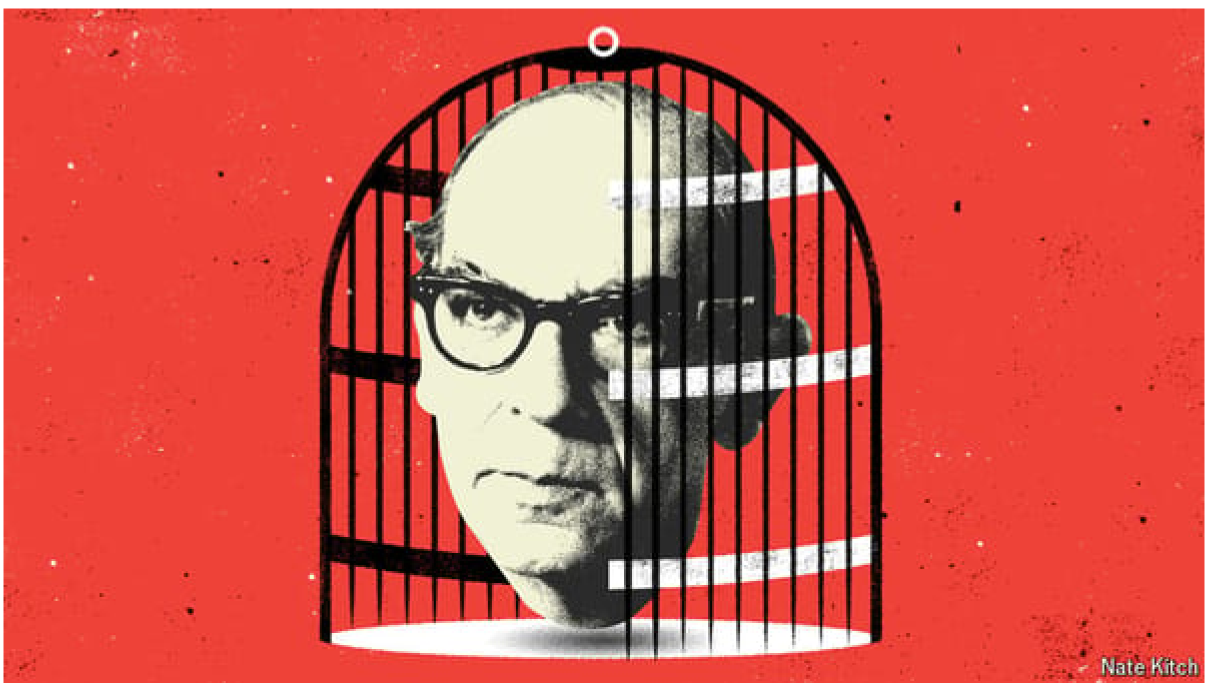
PROFESSOR KEVIN YUILL
Chief executive
Humanists Against Assisted Suicide and Euthanasia
Durham

Although I respect your position on assisted dying I disagree with it profoundly. For instance, you equate the already legal withdrawal of life-sustaining treatment from patients in a "vegetative state" to the provision of drugs to actively bring about the end of someone's life. There is no equivalence. As an intensive-care doctor I am routinely involved in supporting decisions with patients and their families to withhold or withdraw life-sustaining treatments from people who are dying from a disease that is beyond treating (or in the case of "vegetative state", where brain death has occurred, already dead).

These decisions take place knowing that the treatment has reached a point of futility. Our goals then switch from sustaining life to managing the distressing symptoms of dying, including maximising patients' autonomy where this has been stripped from them by the disease. The latter does not involve any interventions that are administered with the intention of bringing about the death of the patient. Any such intervention would not, could not, be classified as either treatment or palliation.

I am a doctor who has worked with patients in and around the end of their lives for all of my career. To cross the Rubicon that distinguishes palliating dying from causing death would be a betrayal of everything I have stood for since qualifying from medical school. Assisting someone to commit suicide is not a medical intervention and we should not ask doctors to do it. Doing so will fundamentally undermine the trust patients have in the medical profession.

DR ROGER STEDMAN
Consultant
Intensive care and anaesthesia
Swindon



Bagehot (November 23rd) missed a central point of Isaiah Berlin's argument about positive and negative liberties. Rather than supporting a negative liberty, the assisted-dying bill is an extension of positive liberty. The bill tackles the reality that for many terminally ill people the negative liberty of being able to commit suicide, which is already legal, is not matched by the equivalent positive liberty to actually carry this out.

The bill aims to give people the “freedom to” end their lives at a time of their choosing by extending government support to allow them to decide for themselves rather than having the decision made for them by physical limitations. Conversely, the bill’s opponents argue that the negative liberty already granted (suicide) is sufficient, and that the positive liberty put forward by the bill is too difficult to operate, given the potential for family pressure. Fundamentally, rather than seeing the bill as keeping the government out of the hospice they see this bill as bringing the state into the hospice.

The phrase “assisted dying” implicitly recognises that the bill doesn’t just propose that the terminally ill have a right to end their life, it proposes that they have help to do so.

JOSEPH CARD
Paris

Assisted dying should be a right, and the restrictions round it should be loosened. The evidence from various jurisdictions is that abuse is virtually non-existent. The alternative for someone of any age is suicide, mostly by very unpleasant means. If someone wants to leave, why not let them depart in a civilised manner at vastly reduced cost to public-health services? The fear of being a burden is very real. A dear friend of mine has sadly reached this state, one I sincerely hope to avoid.

JOHN ARNOTT
Toronto

Valuable cattle in the CAR

The Central African Republic's horrific internal conflict started in 2013, long before the arrival of Russian mercenaries ("After Prigozhin", October 19th). The International Crisis Group, a global NGO that provides independent analysis, recently advised policymakers to "avoid approaching CAR's government solely from the perspective of geopolitical competition with Russia".

Viewing the country only through this lens overshadows compelling aspects of central African security and policy dynamics. For example, no analysis of CAR's political landscape is complete without considering the land-use conflict arising out of trans- humance—the annual cross-border migration of livestock. Tensions between nomadic cattle-herders and sedentary agrarian communities have shaped the government's trajectory and the country's recent history.

Herders are often armed as they guide cattle southward during the dry season in search of lush fields. The farther south cattle are sold, the greater the return a herder can expect. Compared with other exports such as diamonds and gold that have attracted international (and Russian) attention, livestock is underappreciated, yet accounts for up to 12% of CAR's GDP. Russian mercenaries were reportedly interested in profiting from this trade but they too may have been deterred by its complexity.

THOMAS VELDKAMP
Legal adviser
Doctors Without Borders
Paris

Spotting a trend

As an airship enthusiast, I am glad to see that the industry is on the verge of taking off ("The sky's the limit", November 2nd). I always get a lift out of this story when you run it, such as "Airships could be returning for commercial travel" (March 22nd 2016), "Reviving airships" (March 8th 2014), "Flying saucers" (December 11th 2010), "Are they coming back?" (no, alas, July 12th 2008) and "Pushing the envelope" (May 29th 1999), just to name a few.

With soaring spirits I look forward to your next report about the sky-high future of airships.

JOHN ASTELL
Holden, Massachusetts

By Invitation

- **Three presidents on the partnerships that can at last transform Africa**
  International aid :: Success teeters on bold, stable funding, say Julius Maada Bio, Lazarus Chakwera and Andry Rajoelina
- **A broader peace is within Israel’s grasp, say Tamir Pardo and Nimrod Novik**
  The Palestinian question :: A former Mossad director and former foreign-policy adviser on an offer not to be refused

International aid

Three presidents on the partnerships that can at last transform Africa

Success teeters on bold, stable funding, say Julius Maada Bio, Lazarus Chakwera and Andry Rajoelina

Nov 29, 2024 02:03 PM

FOR ALL the profound challenges facing Africa there are also unprecedented opportunities. The International Development Association (IDA) has become the single largest source of low-cost international financing for many of the world's poorest countries. It is therefore critical that when the association gathers in December for its triennial replenishment meeting, it takes an ambitious approach in supporting Africa's economic transformation.

Today, three in five Africans are under the age of 25; by 2050, Africa will be home to a quarter of the world's workforce. This demographic trend represents a historic opportunity for the continent to help power global economic growth and local economic prosperity. Yet there is a troubling mismatch in the numbers. Each year over the next decade, about 11m young people will enter Africa's labour market, but that market currently creates just 3m new jobs per year. If we fail to bridge this gap, poverty, inequality and unemployment are likely to fuel social and economic turmoil. Generating the jobs these young people need demands a combination of private investment, expanded education and skills, and higher productivity. It also means vigorously pursuing our continental commitments to accelerate regional integration, free trade and labour mobility.

Africa's potential is not confined to demographics. We can draw on abundant natural resources to create new industries and markets. With an estimated 40% of the world's renewable-energy potential, our continent can become a global leader in climate adaptation through investment in infrastructure and digital technology. And Africa is committed to addressing climate change in a manner that recognises our history and our reality. We contribute less than 10% of global carbon emissions, which means we can focus on climate adaptation while avoiding a carbon-intensive development path.

It is clear that financing will be key to realising all these ambitions, and development aid can have an outsized impact. The world's 26 poorest economies, most of which are in Africa, are deeper in debt today than at any time in the past 18 years, yet global aid as a share of their GDP has fallen to a two-decade low. Realising all that green-energy promise will require broad spending, but over the past decade only 2% of global renewable-energy investments have reached our continent.

Importantly, the IDA is a partnership between donor and recipient countries and, as with all partnerships, success comes when both sides contribute. On our side of the bargain, African countries are making headway in three key areas that will help transform our economies—and will make far more with the right investments.

First, African leaders have committed to strengthening trade and regional integration. The African Continental Free Trade Area, connecting 1.3bn people across 55 countries, reached several milestones this year, including on trade and tariff concessions. Rapid and efficient implementation will enhance countries' competitiveness by establishing regional value chains to boost job creation, raising income by $450bn over the next decade and bringing 30m people out of poverty. Yet we must overcome the infrastructure weaknesses and address the political and regulatory barriers that hinder the agreement's aims.

Second, we are making growth sustainable by embracing the energy transition and making the right investments to power our future. We welcome the launch of Mission 300, an ambitious initiative by the World Bank Group and the African Development Bank to improve electricity access for 300m Africans by 2030. The shift from fossil fuels has become much more economically viable, offering better value and more jobs per dollar invested. With abundant potential in hydropower, solar and wind, African nations are aiming to access larger markets, better technologies and more capital.

Third, we are nurturing the skills fit for 21st-century employment, including all those millions of green jobs. We are championing focused policies and investments to provide our digital-savvy youth with the training they need to take advantage of the employment boom.

These are the commitments we have made to our partners in the IDA. To seize the considerable opportunity before us, Africa needs stable and predictable increases in the kind of concessional financing the IDA provides. Some of its members have already shown bold leadership in increasing their commitments, notably Norway by 50%, Korea by 45%, Denmark by 40% and Spain by 37%.

The benefits of IDA funding could not be clearer in the sustainable-growth paths being charted. In Malawi recent IDA projects fast-tracked electrification, providing solar home systems to 1m people, and established ten tech hubs providing digital-skills training to more than 19,000 young people. In Madagascar the IDA supported the delivery of 1.39m land certificates, using digital tools to facilitate mass field surveys. And in Sierra

Leone the IDA has helped 30,000 women commercialise smallholdings and build links with agribusinesses, and supported the construction of four bridges that will benefit 1.7m people.

Navigating a new economic future for Africa requires both bold vision and concerted action, and our success or failure will be the shared responsibility of donors and African countries themselves. On our side of the partnership, we are committed to doing what it takes. We hope that at its December meeting the IDA feels the same. ■

Julius Maada Bio is the president of Sierra Leone. Lazarus Chakwera is the president of Malawi. Andry Rajoelina is the president of Madagascar.

The Palestinian question

A broader peace is within Israel’s grasp, say Tamir Pardo and Nimrod Novik

A former Mossad director and former foreign-policy adviser on an offer not to be refused

Nov 29, 2024 02:03 PM

THIS WEEK’S ceasefire in Lebanon is to be welcomed. But its resilience is to be questioned, because it changes nothing of the fundamentals of the conflict. What could change those fundamentals—what should—is a peaceful offer, made in September and so far ignored, from a coalition of 57 Arab and Muslim countries.

Israel's political leadership is strategically paralysed, unable to translate military successes into transformative post-war realities. True, Israel's armed forces have shown impressive intelligence and operational abilities against Iran, Hamas and Hizbullah. Yet even with a tentative ceasefire in Lebanon, Israel faces adversaries on six other fronts—Gaza, Syria, Iraq, Yemen, Iran and the West Bank. For well over a decade Prime Minister Binyamin Netanyahu's governments have addressed each of these challenges in isolation. Meanwhile they steadfastly ignore the thread that connects many of them: the Palestinian issue.

Two examples illustrate this. First, Israel's conduct on the Palestinian front strains its strategic relations with America—just when its dependence on America is more vivid than at any time in the past half-century. When the Biden administration concludes, the first and probably last American president to self-identify as a "non-Jewish Zionist" will be succeeded by a far less reflexively supportive president. Vice-president-elect J.D. Vance has said the next administration recognises "Israel's right to defend itself, but America's interests sometimes are going to be distinct". Given Donald Trump's transactional nature, that choice of words must not be taken lightly. Any further erosion in Americans' perception of Israel as an embodiment of their values and a reliable strategic partner would mean less resistance should Mr Trump choose to confront the Israeli government on Iran or the Palestinian issue.

Second, the gap between Jordan's significance to Israel's security and Israel's reckless attitude towards the kingdom is vast. Jordan's geographic position and long, secure border with Israel give Israel strategic depth with respect to Iran. Ignoring the impact of Israel's Palestinian policy on Jordan is therefore irresponsible. Even more since the Hamas attack of October 7th 2023, Jewish supremacists and messianic annexationists serving in the Netanyahu government have undermined the legitimacy and stability of Jordan's royals. They have overseen an enormous expansion of settlements and allowed if not encouraged settlers to harass West Bank Palestinians. They have permitted brazen violations of the status quo at the Temple Mount (known to Muslims as Haram al-Sharif). They have choked the Palestinian Authority (PA). All this has fuelled massive public protest in Jordan against co-operation with Israel. That plays into the hands of Iran, which has accelerated its military and monetary support for West Bank terrorism via Jordan and boosted its efforts to deploy pro-Iranian militias at the Jordan-Israel border.

Similar analysis regarding Israel’s other potential peace partners leads to the same conclusion: Israel’s conduct on the Palestinian issue—before the Hamas atrocities of a year ago but certainly more so with the massive casualties and destruction of the ensuing war—strains relations with Egypt and with the signatories of the Abraham accords. None has yet cut diplomatic relations, but several have withdrawn ambassadors, suspended business ventures or curtailed bilateral communications. The only beneficiaries of Israel’s hostilities towards Palestinians are its enemies, principally Iran.

Ultimately Israel’s leadership needs a broad strategy that accounts for both regional security challenges and the Palestinian question. Despite its military capabilities, Israel is a small country that needs alliances, especially given that tensions with Iran could escalate, in particular should Israel feel forced to neutralise an existential threat from Iran’s nuclear programme.

That is why ignoring the offer by a powerful camp—a Muslim-Arab coalition stretching from Malaysia and Indonesia through Saudi Arabia and other Gulf states to Tunisia and Morocco—is astonishing. It promises full relations with Israel in the wake of a Palestinian-Israeli accord. As Ayman Safadi, Jordan’s foreign minister, put it in September, “All of us are willing to guarantee the security of Israel in the context of Israel ending the occupation and allowing for the emergence of a Palestinian state. We want a peace in which Israel lives in peace and security, accepted, normalised with all Arab countries.” The group includes rich countries and military powers that jointly offer Israel a partnership in three missions.

The first is to end the war in Gaza and bring Israeli hostages home. Then, a regional-international coalition hostile to Hamas stands ready to assist the PA in governing Gaza. The second is to support the reform of the PA, ushering in a path to dignity and self-determination for young Palestinians as an alternative to the terrorist ideology of Hamas. The third is to integrate Israel into a regional coalition that contributes to the prosperity of all its partners and builds a regional security framework that checks Iran's violent ambitions.

None of these missions can be realised without a sea change in Israel's Palestinian policy. And key players among those 57 states will not wait idly for Israel to get its act together. Should Israel continue on its current trajectory—towards an open-ended occupation of Gaza, further entrenchment of West Bank annexation and offending the world's 2bn Muslims by continued Judaisation of Islam's third-holiest shrine—these countries will form alliances without it.

One can only hope that soon the severity of the current multi-front crisis and the government's failure to address it will force a national moment of clarity about the offer on the table. Israel's security requires an alternative leadership that will develop a sober strategy and a bold, peace-oriented national agenda. ■

Tamir Pardo is a former director of Mossad. He is a member of the leadership of Commanders for Israel's Security, a movement of former Israeli security officials.

Nimrod Novik was a senior adviser to Prime Minister Shimon Peres and a special ambassador. He is a member of the leadership of Commanders for Israel's Security and a fellow at the Israel Policy Forum, a think-tank.

Briefing

- **How will Donald Trump handle the war in Ukraine?**
  Inaugural call :: And how will Ukraine, Russia and Europe respond?
- **The war in Ukraine is straining Russia's economy and society**
  All disquiet on the home front :: Despite advances on the battlefield, pressure is growing
- **The Adani bribery case could upend Indian business and politics**
  Titan targeted :: The allegations against the corporate champion may end up being resolved diplomatically rather than in court

Inaugural call

How will Donald Trump handle the war in Ukraine?

And how will Ukraine, Russia and Europe respond?

Nov 29, 2024 02:03 PM

“THEY’RE DYING, Russians and Ukrainians,” lamented Donald Trump last year. “I want them to stop dying. And I’ll have that done…in 24 hours.” In January Mr Trump returns to the White House. Can he put an end to the largest war in Europe since 1945? The odds are stacked against him. He will need to overcome Russian recalcitrance, Ukrainian indignation and European disunity. “It’s like Christopher Columbus trying to see over the ocean, thinking he is headed for India,” says Konstantin Gryshchenko, a former Ukrainian deputy prime minister and foreign secretary. The fear is that Mr Trump will push through a bad deal for appearances’ sake.

If Mr Trump's priority is to strike a deal—any deal—then he could simply cut aid to Ukraine and insist that it accept Russia's demands. Some in his circle, such as his son Donald junior, delight in the idea that Mr Trump will cut off Ukraine's "allowance", ie, the billions America is giving it in military and economic support to fend off Russia's full-scale invasion. "I don't really care what happens to Ukraine one way or another," declared J.D. Vance, the vice-president-elect, in 2022. "I…remain opposed to virtually any proposal for the United States to continue funding this war," he added in April this year.

If America cut Ukraine adrift, Vladimir Putin, Russia's president, could more or less dictate terms. In June he set out his stall: Ukraine should withdraw its forces from four of the provinces annexed by Russia—Donetsk, Luhansk, Kherson and Zaporizhia—even though roughly a quarter of their territory remains in Ukrainian hands (Russia would also keep Crimea, which it occupied in 2014). Ukraine would have to drop plans to join NATO, too.

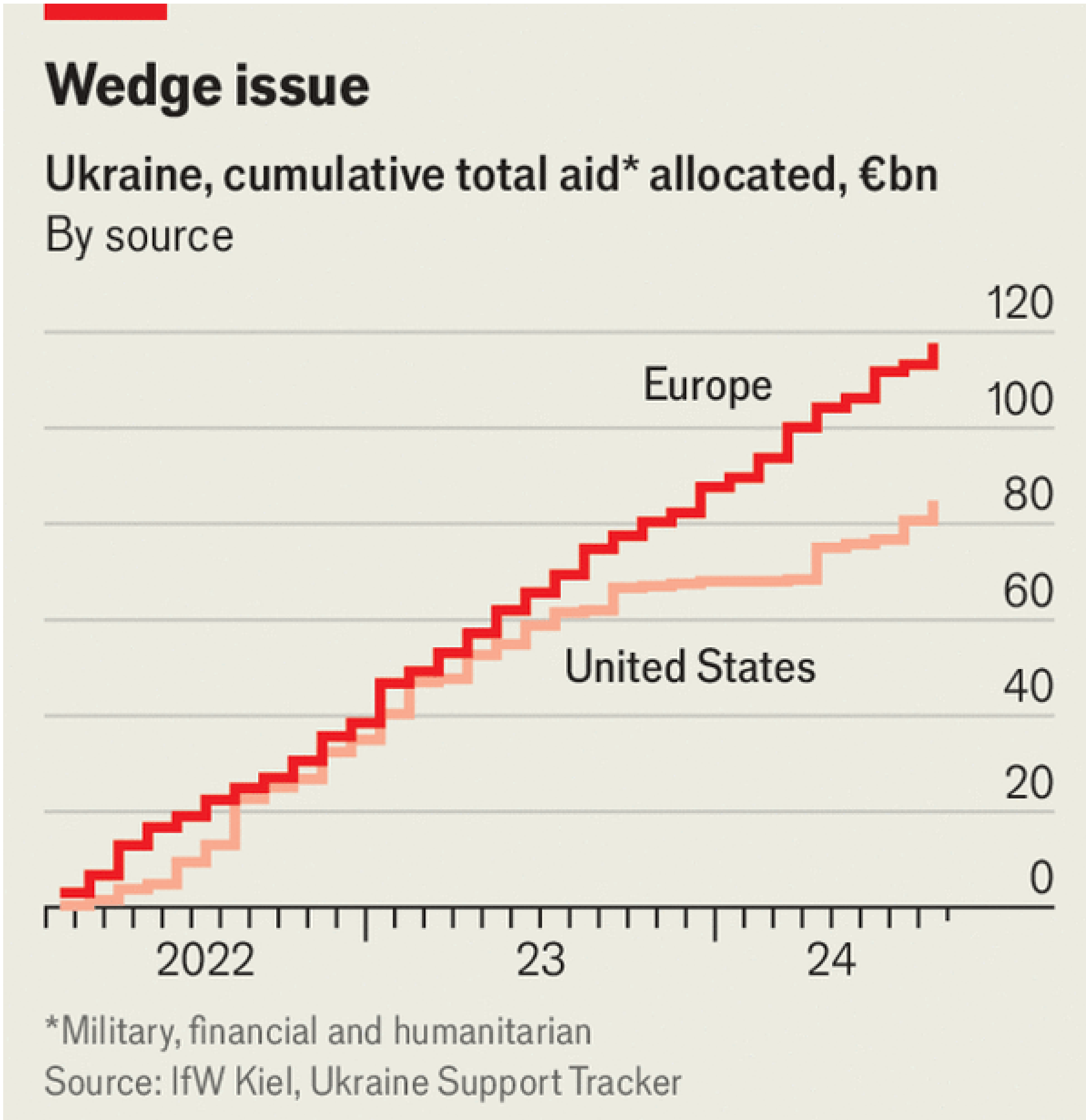
That is doubtless posturing. In November Russian officials told Reuters, a news agency, that they would consider merely freezing the current lines with "room for negotiation over the precise carve-up" of territory. But with Ukrainian forces retreating, the Russian defence industry humming and North Korean troops joining the fray on Russia's side, Mr Putin believes he has the upper hand. Although economic and social pressures are rising: at home, he is in no rush to end the war. He could even dust off some of the humiliating demands Russian negotiators made in peace talks in 2022, including strict limits on Ukraine's armed forces (no more than 85,000 personnel), tanks (342 at most) and missiles (a maximum range of 40km) because he knows the Ukrainians would not accept this, even under pressure.

Some observers believe, however, that Mr Trump would consider a Ukrainian defeat bad both for America and his own image. "Trump won't be played for a sucker," argues Matthew Kroenig of the Atlantic Council, a think-tank in Washington, who recently co-wrote an article for *The Economist* with Michael Waltz, whom Mr Trump has chosen as his national security adviser. "He will walk away from a bad deal." Mr Trump, insiders say, fears a failure in Ukraine would dent his popularity, just as the chaotic withdrawal from Afghanistan in 2021 hurt President Joe Biden.

Mr Waltz has acknowledged that America may need leverage to extract better terms from Mr Putin. He has suggested that America expand gas exports, crack down on Russian oil sales, provide more weapons to Ukraine and ease restrictions on their use if Mr Putin does not come to the table. Kurt Volker, who served as a special envoy to Ukraine during Mr Trump's first term, suggests Mr Trump's approach might initially be simple: a demand to "stop the war" without conditions.

Others in MAGA-land are also thinking about how a deal might be enforced. Keith Kellogg, a retired general whom Mr Trump this week picked as special envoy to Russia and Ukraine, and Fred Fleitz, a CIA veteran at a pro-Trump think-tank, have proposed that America "continue to arm Ukraine…to ensure Russia will make no further advances and will not attack again after a ceasefire". Ukraine would not be asked to cede territory and America and its allies would lift sanctions and normalise ties only if Russia were to sign a settlement "acceptable to Ukraine". If Mr Trump were to embrace these proposals, Ukrainians would be delighted.

Another question is what role Europe will play. Advisers to Emmanuel Macron, France's president, worry that diplomacy will become an American-Russian affair, with both Ukraine and Europe left out. "I don't think we should fight Trump on the point that we want peace in Ukraine," says a diplomat from eastern Europe. It need not be only apologists for Russia who call for the war to end, he argues. But the goal, he adds, should be a lasting peace, not a half-baked one. Mr Trump is still "playing with ideas," says the diplomat, "and he's looking for input from Europeans".



The Economist

Input, yes, but perhaps also a pound of flesh. Mr Trump believes that when it comes to helping Ukraine, as with European defence in general, Europeans should be bearing most of the cost. European countries allocated around €118bn ($124bn) in aid to Ukraine from January 24th 2022 to August 31st 2024, compared with America's €85bn—almost a 60:40 ratio (see chart). But if Mr Trump were to demand an 80:20 split instead, so be it, suggests the European diplomat, who thinks that a modest price to pay for America's continued involvement. Europe's war fatigue is overstated. In

Germany, for instance, according to a recent Politbarometer poll, 43% of respondents would like aid to Ukraine to increase whereas only 24% want it reduced.

The problem is that, if a deal is done, political support for maintaining aid may dissipate quickly. Russia is spending more than 8% of GDP on defence, and so could continue to re-arm. Ukraine, meanwhile, would be forced to demobilise to revive its economy. That might tempt Mr Putin to try again in a year or two.

Ukraine, naturally, would like firm security guarantees. That would ideally come in the form of NATO membership. But Mr Trump has often disparaged the alliance. “NATO is a relic and should be scrapped,” wrote Pete Hegseth, his pick for defence secretary, four years ago. And even if Mr Trump were to come around, it is possible that other members of NATO, such as Hungary, would veto Ukraine’s accession.

Some in Mr Trump’s entourage have suggested that Europe instead form a coalition of the willing to deploy troops inside Ukraine. Any deployment would severely tax Europe’s armed forces. Eastern European countries, several of which host multinational NATO battlegroups, would not want to give them up. Nor would NATO’s high command want to hand over the alliance’s reserve forces. Money is another concern. Germany’s planned deployment of a brigade to Lithuania, for example, may cost as much as €6bn to set up and €800m a year to run. Bases in Ukraine would involve more complex logistics and require more sophisticated defences. Locating five brigades there, say, could easily exceed the €43.5bn spent to date by EU countries on military aid to Ukraine. Above all, it is unlikely that Europeans would send any troops without at least some American involvement, although air cover and indirect support might suffice.

European governments do not appear to have thought all this through in detail, says a person familiar with the issue. “We haven’t detected any sort of serious planning effort behind the big idea.” But the big idea is at least being discussed at high levels in European capitals. Northern and eastern European states would probably be the most comfortable with it; western and southern ones less so. Although public opinion appears to be opposed in many European countries, were a deployment to take place after a cessation of hostilities as part of a multinational European force, it might seem more palatable.

Mr Macron has publicly aired the idea of sending French troops to Ukraine. Britain would also be a plausible member of any expeditionary force. Its armed forces have been heavily involved in Ukraine and Sir Keir Starmer, Britain’s prime minister, is keen to rebuild security and defence ties with European partners. German officials are more hesitant. But Friedrich Merz, the leader of the right-wing Christian Democrats and the likely chancellor after elections in February, is thought to be more open to the idea.

Move on and blame Biden

These plans depend, however, on Mr Trump retaining some interest in a deal. Eric Ciaramella of the Carnegie Endowment for International Peace, a think-tank in Washington, who served in the White House under Mr Trump, argues that the isolationist wing of the Republican Party is ascendant. Mr Trump may look for an easy deal through a combination of “carrots for Russia and sticks for Ukraine”: the offer to lift sanctions on Russia and the threat to cut off weapons to Ukraine. If Ukraine collapses, says Mr Ciaramella, Mr Trump will simply blame Mr Biden.

Ukrainian collapse is not inevitable, though Russian advances are likely to accelerate in the coming weeks. Mr Biden’s administration is hastening arms deliveries during its final weeks in office, spending the last of the funds authorised by Congress and rushing whatever it can to the front. It has eased rules restricting the use of certain missiles against targets in Russia and is transferring landmines to hamper Russia’s advance. Weapons will continue to flow well into next year, unless Mr Trump halts shipments. Senior Biden administration officials argue Ukrainian stocks of artillery shells, anti-aircraft missiles and other munitions are healthier than they have been for a long time.

More out of hope than conviction, America’s allies express confidence that Mr Trump will not sell out Ukraine. Many of Ukraine’s top officials welcomed Mr Trump’s election. Volodymyr Zelensky, Ukraine’s president, has floated special access for American firms to Ukraine’s deposits of rare minerals as a *quid pro quo* that may appeal to the transactional Mr Trump. Admiral Rob Bauer, the head of NATO's military committee, speaking at the Halifax International Security Forum in Canada in late November, declared, "I cannot imagine it's in the interest of the United States that Putin comes out of any possible peace negotiations as the winner." A European foreign minister refused to entertain the idea that Ukraine would be abandoned. "It would be such a shock that it's not going to happen." ■

All disquiet on the home front

The war in Ukraine is straining Russia's economy and society

Despite advances on the battlefield, pressure is growing

Nov 29, 2024 02:03 PM

IN EARLY NOVEMBER, on the anniversary of the Bolshevik revolution, Vladimir Putin gave a speech meditating on the patterns of history. The communist takeover of Russia, he said, was one of the "milestones…that determined the course of history, the nature of politics, diplomacy, economies and social structure". The war he started in 2022 by invading Ukraine, he implied, was another such moment.

"We are witnessing the formation of a completely new world order, nothing like we have had in the past, such as the Westphalian or Yalta systems," he claimed. Attempts to isolate and contain Russia have failed spectacularly, he argued. “Our opponents assumed that they would inflict a crushing defeat, dealing a knockout blow to Russia from which it would never recover.” Instead, “Chaos, a systemic crisis, is already escalating in the very nations that attempt to implement such strategies.” The insinuation that America’s and Europe’s problems are bigger than Russia’s is wild hyperbole—but the idea that the war has reshaped Russia’s economy and social structure is no exaggeration.

A recent study by the Public Sociology Laboratory, an independent research group, gives a sense of the alienation ordinary Russians feel about the war. It examined three provincial towns, each in a different region: Buryatia in eastern Russia, Ural in the centre and Krasnodar in the south. Over several weeks ethnographers conducted interviews and observed everyday life, providing first-hand reporting on the mood in Mr Putin’s political heartland.

The study found that Russians in such places are neither indoctrinated militarists nor passive automatons, as is often assumed. Instead they appear to be equally alienated from the state, from jingoistic patriots and from pro-Western exiles. In all three towns pro-war propaganda has all but disappeared. People have taken down the “Z” stickers they had put on their cars in the first weeks of the “special military operation”. In Cheremushkin (an invented name for a real place in the Urals), a black- and orange-striped flag (another military symbol) still hangs outside a hotel, but has faded. Residents struggle to recall any patriotic events held in the town in recent months. A free screening of a propaganda film attracted almost no one.

But there is no open criticism of the war, not only because of government repression, but also because people in small towns fear being ostracised. When a researcher in Buryatia asked a woman what was stopping people from speaking out against the war, she explained, “People just want to be with everyone else and don’t want to splinter from the majority or to fall out from the norm.”

People largely pretend the war is not happening. “Had it not been for the periodic news of someone’s death and for the funerals, people would not remember that there is a war going on,” says a resident of Cheremushkin. “It is as though we don’t have war,” echoes someone in Buryatia.

The big payouts for those who enlist are a topic of conversation: a neighbour who has earned a fortune, for example, or the wife of a dead soldier who bought a car with the compensation and then took up with another man. “Fuck your money, why do I need it?” scoffs a woman at the idea that her husband would sign up to improve the family’s finances. “I’ll earn those 200,000 myself and I’ll know that I have everything and my family is healthy. I’ll buy myself those earrings and I’ll have a man by my side. I would never send my man to certain death!” The fact that people earn so much by signing up means that casualties are seen not as victims of the state so much as free agents making a risky but rational effort to improve their lives.

Many people seem to mistrust official statements about the war and yet to parrot the narrative that the West is to blame. “They are sending kids to fight the war!” a woman in Cheremushkin laments. “I don’t understand these politics. What are they trying to achieve?” Yet, the same woman, a few minutes later, complains, “The US is hitting ordinary people. They are killing civilians and blaming Russia for it.”

People do not like to associate themselves with the war, the research suggests. An estate agent in Krasnodar gripes that her relatives in Ukraine have stopped talking to her. “What do I have to do with it? Did I want this war or did I start this war?” she asks. The report notes, “In general, everyone is ready to agree that war is ‘bad’ and ‘scary’; some interlocutors, in particular, admitted that they cannot understand the meaning of the war.” What people crave is not victory, since they have no clear idea what that means, but for things to return to how they were before the war.

The silent majority

Public polling, such as it is, bears out these findings. Roughly half of Russians, a recent survey found, would support the withdrawal of Russian troops from Ukraine without achieving Mr Putin’s stated goals. The proportion is higher among women and the young. As Kirill Rogov, an exile who runs Re:Russia, a policy-analysis network, explains, “There is no pro-war majority in Russia. There is a militant pro-war minority and an anti-war minority.”

The majority are broadly patriotic, but not at any cost. In 2014, after Russia seized Crimea from Ukraine and was subjected to Western sanctions as a result, respondents were equally divided over whether it was better for Russia to be a great power, respected and feared by other countries, or to have a higher standard of living. By 2021, with the economy stagnating, prosperity trumped great-power status, 60% to 30%. Half of Russians want closer economic ties with the West, twice the share that advocates autarky. In a poll just after the war began in 2022, only 25% expressed enthusiasm for annexing more Ukrainian territory.

Even some strident, militarist bloggers are unhappy with the war, despite Russian forces' continuing advances. One of them, Maksim Kalashnikov, published a Russian soldier's account of a front-line medical post: "Corpses, corpses, corpses of our fighters. You can see them everywhere… They are already lying in two or three layers close to the wounded. A persistent smell of cadavers and the stink of rotting meat from wounds filled the basement."

In October Russian forces are thought to have suffered some 1,500 casualties a day, counting both dead and injured. "We take territories, but at an exorbitant price," Mr Kalashnikov complains. It is "only a matter of time", he thinks, before Russia's offensive peters out, without doing any serious harm to Ukraine's supply lines and command systems. He blames the timidity of the elite and fears that Donald Trump will force Russia to freeze the conflict along the current front lines—an abject failure, in his view.

The Economist

At the same time, the economic boom sparked by lavish government spending on the war and wage growth owing to a manpower shortage is beginning to run out of steam. Next year the central bank is forecasting GDP growth of between 0.5% and 1.5%, well below this year's 3% and last year's 3.5%. The official inflation rate, meanwhile, is 9.5%, even though the central bank has raised its main interest rate to 21%. That may be an understatement: ROMIR, an independent research firm that tracks the spending of 40,000 Russians in 240 towns, believes the average bill for everyday goods and services is going up by more than 22% a year (see chart).

The exchange rate of the rouble is sliding, both because of inflation and because of fresh American sanctions on Russian banks that are making it harder for them to obtain dollars. This week it fell well below 100 roubles to the dollar for the first time since the immediate aftermath of the invasion of Ukraine in 2022.

State-owned enterprises, especially in the defence industry, are sucking in huge amounts of capital, leaving the private sector struggling to borrow, even at high rates. Few have the confidence to do so, anyway. As a businessman put it in an interview with the Russian edition of *Forbes* magazine, “There is no vision for the future. Thinking about long-term plans mostly leads to depression. It’s difficult to come up with a business idea that could compete with a deposit in Sberbank.”

Worse is to come. Oleg Vyugin, a former deputy head of the central bank, explains that, to pay for the war without cutting other spending, the government scrapped a rule that had obliged it to stash in its rainy-day fund all its extra income when the oil price rose above $45 a barrel. Instead, it began spending its savings. But the fund is dwindling fast, so the government has had to raise corporate- and personal-income taxes from next year. It has also included in projected revenue for next year 600bn roubles ($5.3bn) in fines for offences that have yet to be committed.

Storing up trouble

None of this is about to bring the economy to its knees, but neither is it sustainable indefinitely. Mr Vyugin argues that the government faces a choice between cutting back military spending, which would induce a recession, or spurring inflation yet higher by continuing to spend lavishly, which would necessitate even harsher medicine later. Starving the armed forces of cash is all but inconceivable, argues the *Bell*, an independent business-news outlet: “Even acknowledging that the war and sanctions have triggered this cycle of overheating and decline is impossible.”

Elvira Nabiullina, the governor of the central bank, has defended high interest rates in parliament. The Russian economy, she argued, is operating at full capacity. “Now, for the first time, we are in a situation where almost all resources in the economy are used,” she said. The unemployment rate is at a record low of 2.4%. “The Kremlin does not have sufficient human resources both to continue the war and sustain economic growth,” writes Alexandra Prokopenko of the Carnegie Russia and Eurasia Centre, a think-tank.

The irony, of course, is that the war is not just creating demand for labour, but also reducing supply, both by prompting many people of working age to flee and by killing or maiming many others. Mr Putin has been fixated with reversing Russia’s demographic decline since he came to power. He has spent trillions of roubles on various schemes to boost birth rates. Indeed, argues Ivan Krastev of the Institute for Human Sciences, an academic institution in Austria, Mr Putin’s expansionism is partly driven by the idea of making Russia a more populous country. His annexation of Crimea added 2.2m inhabitants. But his attempt to conquer Ukraine has had a devastating effect on Russia’s population.

The number of people in Russia—roughly 144m—was shrinking even before the war, as was the workforce, of around 75m. Perhaps 200,000 Russians have been killed and half a million wounded in the fighting, according to Western estimates. Some 700,000 men are on the front lines. To sustain recruitment at its current rate of perhaps 30,000 a month, the army has had to raise its signing bonus more than fivefold, from 200,000 roubles at the start of the war to 1.2m on average now. In addition, at least 650,000 Russians, and perhaps as many as 1m, have fled the country to avoid being sucked into the war machine. Although this is only around 1% of the pre-war workforce, they are disproportionately young and educated.

At the same time, the birth rate has fallen to levels not seen since the 1990s, at the nadir of Russia’s economic collapse after the fall of the Soviet Union. The typical Russian woman is expected to have 1.4 children in her lifetime, far below the 2.1 needed to keep the population stable. In June there were fewer than 100,000 births for the first time ever. Even were the war to end tomorrow, it has altered Russia's demographic trajectory, a "catastrophe" in the words of Mr Putin's spokesman.

Another indication of the social dislocation brought about by the war is the rise in serious crime. Russia's Interior Ministry says offences including murder, rape, grievous bodily harm, sabotage, property violations and interethnic violence are at their highest in at least 15 years. Convicts who have been released from prison to join the war and return home as "heroes" may be partly responsible. Verstka, an independent Russian news organisation, reckons that at least 242 Russians have been killed by soldiers returning from Ukraine and another 227 seriously injured.

The return to normality that ordinary people crave is impossible, Mr Rogov argues. Any cessation of hostilities will inevitably prompt questions about what the war was for and whether it was worth the cost. In the meantime, Russia may have the upper hand on the battlefield and, despite frequent predictions to the contrary, its economy does not appear to be on the verge of collapse. But the war, which had not previously had a huge impact on most people's lives, is beginning to cause disruption. The upheaval within Russia is not yet as severe at that initiated by the Bolshevik revolution. But Mr Putin is correct to argue that he has set Russia on a dramatically different path. ■

Titan targeted

The Adani bribery case could upend Indian business and politics

The allegations against the corporate champion may end up being resolved diplomatically rather than in court

Nov 29, 2024 02:03 PM | Delhi and Mumbai

IN THE COMING months, Mumbai will open a new airport and start to redevelop its largest slum. To the north, in the state of Gujarat, the first phase of what is billed as the world's biggest copper smelter will become fully operational. Northwards still, near Pakistan's border, power generation will start at a wind-solar plant that, when finished, will be the world's largest green-energy site. Near India's southern tip, meanwhile, a new port will open in Kerala with sufficient depth to create the country's first global transshipment hub. And in nearby Sri Lanka, the port of Colombo will inaugurate a new terminal designed to compete with a Chinese-operated one next door.

Even these projects, all part of India’s Adani Group, barely convey the scale of a conglomerate so intertwined with government priorities that it is almost synonymous with Prime Minister Narendra Modi’s India. But they help to illustrate the potential fallout from the indictment that American prosecutors unveiled on November 20th against Gautam Adani, the company’s chairman, and seven others, including his nephew. The allegation of their involvement in a scheme to pay more than $250m in bribes to Indian officials does not just threaten the future of a national corporate champion. It casts doubts on India’s business environment that could deter foreign investors and hinder other Indian companies’ fund-raising abroad.

It is a political bombshell, too. The prime minister and Mr Adani both come from Gujarat and have worked closely together since Mr Modi was chief minister there from 2001 to 2014. Mr Modi now faces calls from the opposition for a parliamentary probe and Mr Adani’s arrest. The case against India’s second-richest man also raises new questions about judicial and regulatory independence under Mr Modi and could slow an infrastructure programme that has won him many votes. Furthermore, it could complicate the warming relationship with America that has been his signature diplomatic achievement.

Adani Group denies the charges from America’s Department of Justice (DoJ) and its Securities and Exchange Commission (SEC). Whatever the facts of the case, there is reason to expect that Donald Trump, once in office, will make the charges disappear or at least avoid putting pressure on India to co-operate, given his past chumminess with Mr Modi. Layer on to that Mr Adani’s plans to invest $10bn in America as well as the incoming administration’s anticipated focus on China, against which it sees India as a strategic partner.

Nonetheless, the charges strike at the heart of the Modi brand by undermining his claim to have made India a better place to do business. And they disrupt an entity that plays a central role in India’s economy, as its top importer of coal, its biggest private thermal-power producer and its largest non-state operator of ports and airports. The fallout could worsen if new information emerges or if other affected parties back out of Adani projects or take legal action against the company.

The charges come less than two years after what, at first, seemed to be another devastating threat to Adani Group, stemming from a report by a short-seller, Hindenburg Research, accusing the company of massive fraud. That initially wiped out more than $150bn in market value from its listed firms and sparked similar opposition calls for investigation. But the company ultimately recovered due in part to a lack of sanctions by India's market regulator, and in part to improvements in financial performance that persuaded many investors Adani was a viable business, not a fraud.

The new American charges involve a single contract responsible for less than 10% of the business of just one of Adani Group's 11 publicly traded affiliates, Adani Green Energy, according to the company. And none of those affiliates has been accused of wrongdoing: the charges target individuals rather than entities. Five of the eight individuals—none of them Adani employees—are accused of breaking America's bribery law, the Foreign Corrupt Practices Act (FCPA). The other three, including Mr Adani and his nephew, are charged with securities and wire fraud in connection with the alleged scheme.

In many ways, though, the charges are far more serious than the broader Hindenburg allegations because of the influence of America's regulators on other countries' capital markets. The charges also extend American jurisdiction to one of India Inc's most prominent figures, making it a diplomatic issue as well as a legal one. Whereas the SEC's civil case can proceed without his presence in America, the DoJ's criminal one requires him to be extradited. Any extradition request would have to go through India's government and courts.

The likelihood of Mr Adani appearing in an American court also hinges on the incoming administration. Daniel Pulecio-Boek of Greenberg Traurig, a law firm, notes that the indictment's timing, just months before Mr Trump takes office, may suggest federal prosecutors wanted to act before the new leadership takes over. A few months into his first term, Mr Trump asked dozens of lawyers responsible for prosecuting federal crimes to resign. A similar housecleaning is expected this time.

Mr Trump has also criticised the FCPA, which applies to any company that has issued securities in America (as Adani has), as “horrible”; the law, he argues, unfairly disadvantages American firms doing business overseas. Though enforcement actions continued at a good pace during his first term, Mr Trump’s current stance on prosecuting overseas malfeasance is unclear. A former federal prosecutor says that there is “virtually no chance” of Mr Adani being extradited.

Exposure and expenditure

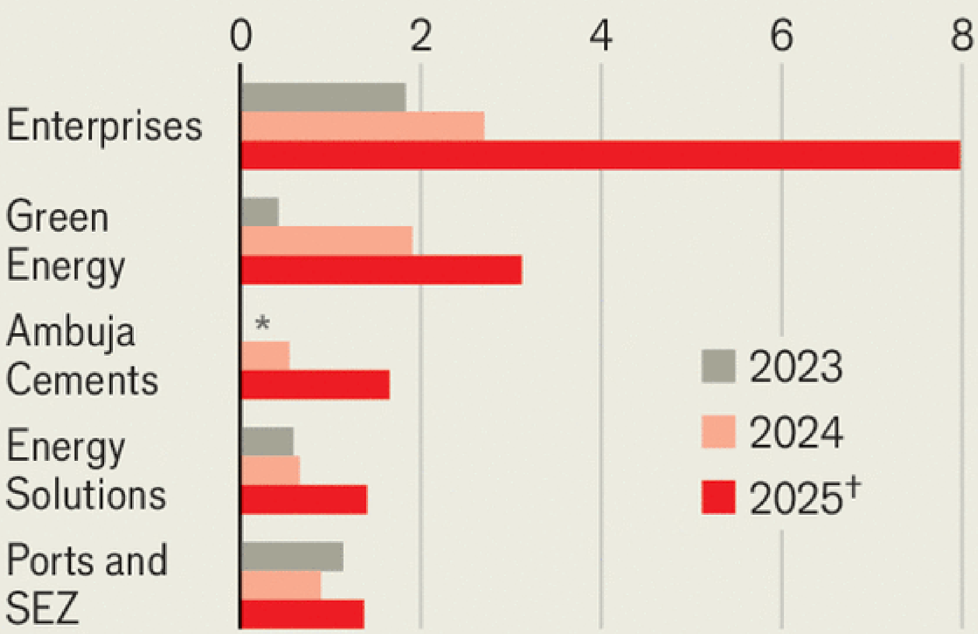
Adani Group

Debt by funding source, % of total

September 30th 2024

Subsidiaries, capital spending, $bn

Financial years ending March 31st



*No data †Forecast (before indictment)

Sources: Bloomberg; company reports

The Economist

Even so, the charges raise questions about Adani Group's future. The company has tapped overseas banks and capital markets for half of its borrowing, making it sensitive to global opinion (see chart). Access to overseas markets is likely to be curtailed for the immediate future; a bond offering has already been withdrawn since the indictment, and Moody's and Standard & Poor's have issued negative rating outlooks on the existing bonds of several Adani companies.

Some of Adani Group's international partners are spooked. TotalEnergies, a French oil giant, said it will halt new investments in the conglomerate until the full impact of the bribery charges becomes clear. Kenya's president, William Ruto, said he was cancelling two deals with Adani companies, including one to operate an airport (though Adani says there had been no binding agreement, and the deals were already in doubt). Bangladesh is stepping up efforts to renegotiate an electricity-supply deal with Adani.

Adani Group says that $10bn allocated for foreign ventures may be curtailed. But it insists that all domestic projects will continue and that it has enough cash to refinance all debt for the coming year. It also says it can cover more than 70% of all projected investment from internally generated funds, with the rest available from domestic sources or those outside America and American influence.

So far, the damage to the company's market value has been less than that seen after the Hindenburg allegations. Nor has the damage spread to the broader stockmarket, where Adani Group has limited sway due to its relatively low weighting in the main equity indices.

Politically, however, the impact has been explosive. When India's parliament began its winter session on November 25th, opposition leaders demanded a parliamentary probe and debate. After the speaker (who is from the ruling Bharatiya Janata Party, or BJP) refused, opposition members disrupted proceedings, forcing the session to be suspended for two days. Rahul Gandhi of the Congress party, who leads the opposition in the lower house, had earlier accused Mr Modi of shielding Mr Adani from arrest and using him to enrich the BJP. The opposition is now also raising questions about regulatory failures and links between Mr Modi's diplomacy and Adani Group's international business.

Mr Modi has accused the opposition of “hooliganism”. Though he has not commented on the Adani case directly, BJP spokespeople have noted that all the Indian officials who were supposed to receive bribes according to the indictment were in states run by other parties, including Congress. The SEC identified a local official whom it said Mr Adani met in 2021 to discuss the bribes as the chief minister of the southern state of Andhra Pradesh. At the time, that was Jagan Mohan Reddy, whose party is not in the BJP’s coalition or the opposition alliance. He denies the allegation.

Modifying ambitions

That may help Mr Modi weather the crisis. But the disruption in parliament could delay important legislation, which was already facing more resistance following the BJP’s loss of its parliamentary majority in this year’s general election. The case also puts new pressure on India’s market regulators, who have been looking into Adani since the Hindenburg allegations. A report on 24 related investigations was expected to be released soon by the Securities and Exchange Board of India, the main market regulator. It is now reported to have opened a new probe into whether Adani misled investors by not revealing the American investigation.

Meanwhile, on the diplomatic front, there are signs that the Adani scandal could heighten tensions with the Biden administration in its final months. The two governments were already grappling with another DoJ indictment alleging that Indian officials were involved in the attempted murder of a Sikh activist in New York.

American officials have also recently pressed India to curb exports of dual-use items to Russia. A BJP spokesman suggested that the Adani indictment was timed to disrupt parliament’s winter session. “There are baseless, conspiracy-filled allegations being made against India from abroad,” he said. “We should assert that we will operate according to our own legal system, not theirs.” Much will depend now on how both governments decide to handle the case. Mr Adani and Mr Modi may yet survive the controversy, as they have done many others. But the damage to India’s image is already done. ■

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United States

- **Democratic states are preparing for Donald Trump's return**
  The resistance, part two :: But Mr Trump will be more prepared, too
- **Does Donald Trump have unlimited authority to impose tariffs?**
  Constraints on Tariff Man :: Yes, but other factors could hold him back
- **As Jack Smith exits, Donald Trump's allies hint at retribution**
  Politics and justice :: The president-elect hopes to hand the Justice Department to loyalists
- **An FBI sting operation catches Jackson's mayor taking big bribes**
  Jackson drama :: What the sensational undoing of the black leader means for Mississippi's failing capital
- **America's rural-urban divide nurtures wannabe state-splitters**
  Looking for a new Illinois :: What's behind a new wave of secessionism
- **Donald Trump and Tulsi Gabbard are coming for the spooks**
  The spy who purged me :: The president-elect's intelligence picks suggest a radical agenda

The resistance, part two

Democratic states are preparing for Donald Trump’s return

But Mr Trump will be more prepared, too

Nov 29, 2024 02:03 PM | Los Angeles

Kenny Holston/The New York Times/Redux/Eyevine

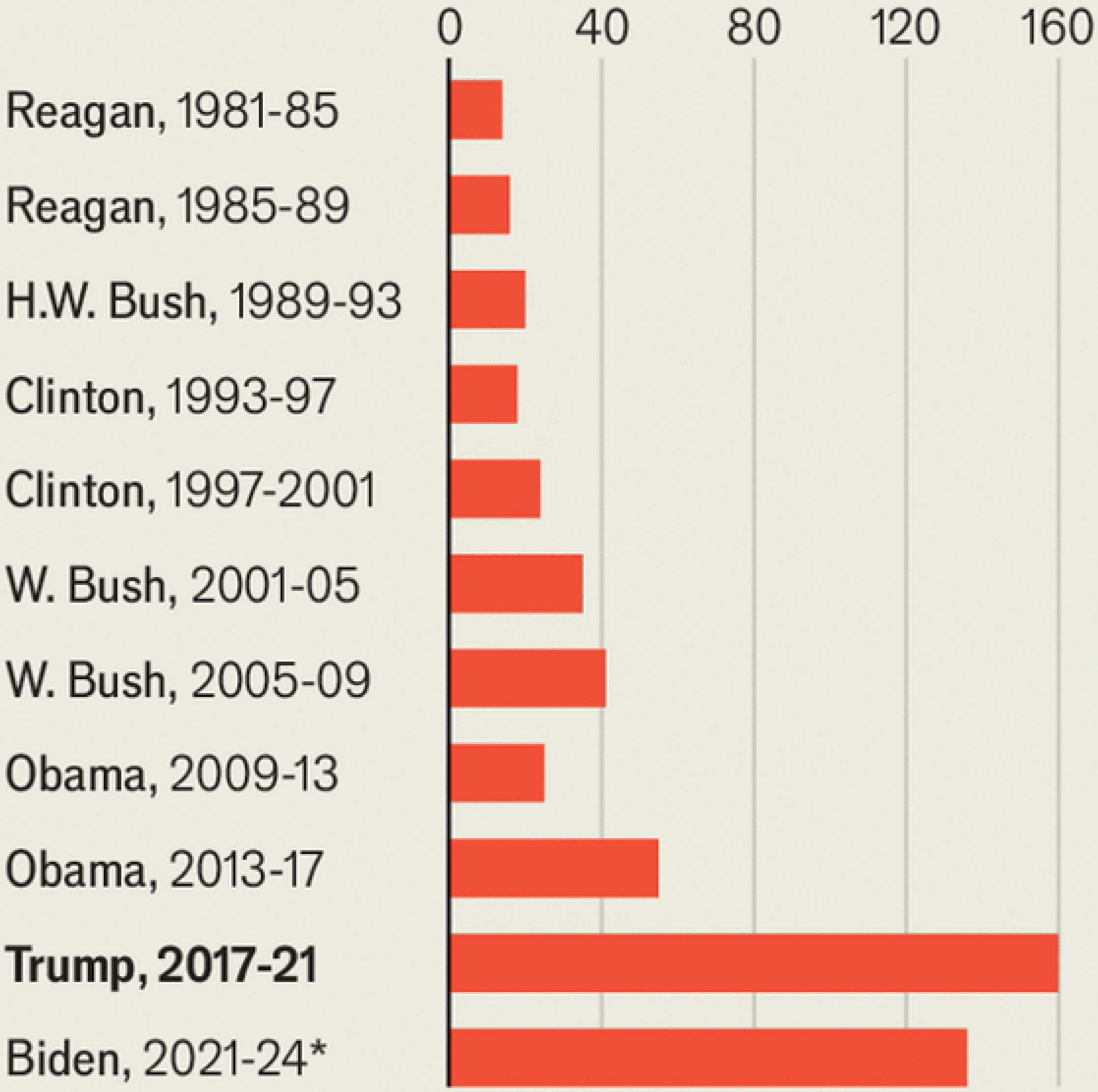
ON A RECENT episode of “Politickin’”—Gavin Newsom’s podcast in which he tries to convince listeners that he is their totally normal podcast bro bestie—the Democratic governor of California muses about how his state will react to Donald Trump’s inauguration. “He’s got all the power in the world, but we’re not some small isolated state and we’re not going to be navel-gazing either,” says Mr Newsom (pictured). “We’re going to be firm and…aggressive.” To this end, he has called a special session of the state legislature to convene on December 2nd in order to “safeguard California values”. One of the governor’s co-hosts, a former NFL running-back, Marshawn Lynch, wonders aloud whether the governor would like to “slap the shit out of” Mr Trump.

California and other Democrat-run states are preparing legal and legislative strategies to push back against the Trump administration on several fronts. Something similar happened in 2017, when Democrats weaponised tactics used by Republican-run states to resist Barack Obama. After Mr Trump was inaugurated, his crackdown on immigration and rollback of environmental rules led to a cascade of multi-state lawsuits. The same will happen in 2025, but this time both the states and the Trump administration will be better prepared for the fight.

States will react to the Trump administration’s policies in three broad ways: through litigation, legislation and state-centred foreign policies. Start with the courts. Data collected by Paul Nolette of Marquette University suggest that the first Trump administration was subjected to more multi-state lawsuits (where more than one state files as a plaintiff) than that of any president since at least Ronald Reagan. The federal government was sued twice as many times in Mr Trump’s one term as in Barack Obama’s two (see chart). California and New York, the two most-populous Democratic states, were in the vanguard.

States of defiance

United States, multi-state lawsuits against the federal government, by administration



Source: State Litigation and AG Activity Database *To Nov 23rd

The Economist

Rob Bonta, California's attorney-general, says that all his Democratic counterparts (there will be 21 come January) are co-ordinating on potential litigation. Many confess to going through Project 2025, a detailed agenda drawn up by a conservative think-tank, line by line to understand what policies may be coming. They will be helped by offices that expanded during Mr Trump's first administration. Bob Ferguson, Washington state's attorney-general who is about to become governor, reckons that his environmental division grew from two people in 2017 to 28 today. Those offices may get even bigger. Lawyers in the federal Department of Justice who don't want to work for Mr Trump may decamp to the states. California's special session will be devoted to securing more funding for the state's justice department.

Democratic states were successful in 83% of their multi-state lawsuits against the Trump administration. But the legal landscape has changed. Mr Trump's appointments have transformed the federal judiciary, including the Supreme Court. James Tierney, a former attorney-general of Maine and a lecturer at Harvard University, reckons that Mr Trump's many appointments to the Ninth Circuit Court of Appeals, which covers California and eight other western states, may mean that more suits are filed in the First Circuit, in the north-east. Mr Trump's team also has a better understanding of what it takes to win legal battles. "One of many reasons we were successful… was that they were often sloppy in the way they rolled out their executive actions," Mr Ferguson said in a recent press conference. "This time around I anticipate that we will see less of that."

Fights over immigration law will come swiftly. If Mr Trump again tries to institute a travel ban for people from certain countries or to end DACA, a programme protecting from deportation migrants brought to America as children, Democratic states will surely sue. They will also challenge executive action rolling back President Joe Biden's environmental rules. Mr Newsom visited Washington, DC, in November to lobby the Biden administration to grant California eight waivers so that it can enforce stricter clean-air rules than the federal government on things as diverse as leaf blowers and trains. Even if Mr Biden grants them before he leaves office, Mr Trump has pledged to revoke them.

“Over a year ago, shortly after the *Dobbs* case came down, we started planning for the potential of a national abortion ban,” says Mr Bonta, referring to the Supreme Court decision that overturned a federal right to abortion. He worries that Mr Trump will try to restrict the use of mifepristone, an abortion drug, and enforce the Comstock Act, a 19th-century anti-vice law that some anti-abortion advocates argue would prevent the posting of all abortion pills and tools. Several states are stockpiling the drug—just in case.

States and cities will also tweak local policies to stymie Mr Trump. During his first term many local governments passed sanctuary laws, barring police from working with Immigration and Customs Enforcement (ICE), the agency that deports migrants. These policies were not born out of the resistance—some municipalities stopped working with ICE during the Obama administration to protest against his aggressive deportation policy—but an aversion to Mr Trump pushed more places to adopt them. The threat of mass deportations will turbocharge such efforts. On November 19th Los Angeles’s city council barred city workers, property or data from being used for federal immigration enforcement. Mayors in Denver and Boston, among other places, have vowed not to co-operate with ICE.

There is a risk of overreaction. Nearly 12m Americans across California, Illinois and New York, the biggest Democratic states, voted for Mr Trump. They won’t like their leaders resisting him at every turn.

Finally, Democratic governors will try to boost their foreign-policy activities. This will be most evident in climate diplomacy, where America will abdicate global leadership by pulling out of the Paris Agreement (again). When Mr Trump withdrew the first time Jerry Brown, then California’s governor, wrote that “Trump is AWOL but California is…ready for battle,” and sought to rally subnational governments to commit to curbing emissions. Mr Newsom will try to follow in his predecessor’s footsteps. California’s carbon-trading market, one of the world’s largest, is already linked to Quebec’s. But no amount of state initiatives can replace federal action on emissions reductions.

Two levels of political jockeying are influencing the resistance. Many attorneys-general have ambitions for higher office. Mr Bonta is weighing a run for governor in 2026. Becoming the anti-Trump is a not-so-subtle way to raise his profile. Governors are making a similar calculation, with 2028 in mind. Mr Newsom is brazenly ambitious, and California’s economic and cultural heft give him an excuse to swan around the world (he met Xi Jinping last year). Jared Polis and J.B. Pritzker, the governors of Colorado and Illinois, are co-chairing a group meant to “fortify American democracy”. After the election Mr Pritzker denounced mass deportations. “You come for my people,” he warned, “you come through me.” Tom Homan, Mr Trump’s border tsar, replied: “Game on.” ■

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Constraints on Tariff Man

Does Donald Trump have unlimited authority to impose tariffs?

Yes, but other factors could hold him back

Nov 29, 2024 02:03 PM | Washington, DC

THE ORIGINAL intention was for American presidents to be mere legal executors—not emperors able to impose their will unilaterally. Over time, though, Congress has ceded more and more authority to the executive branch, and the courts, the third coequal branch of government, have happily blessed the arrangement. Nowhere is this clearer than in trade policy.

The constitution explicitly grants to Congress the powers “to lay and collect taxes, duties, imposts and excises” and “to regulate commerce with foreign nations”. And yet laws passed over the past century have turned power over to the president to raise and lower tariffs as he sees fit. President-elect Donald Trump is promising to immediately use these powers when he returns to office on January 20th 2025 by imposing tariffs· of 25% on all imports from Mexico and Canada and 10% on those from China. Could he really do so?

Legally, yes. To get his way Mr Trump could invoke a myriad of legal authorities—some with off-putting three-digit numerical names like Section 232 and Section 301—but the most straightforward would be the International Emergency Economic Powers Act (IEEPA). This allows the president to impose tariffs with few limits ("to deal with any unusual and extraordinary threat…if the president declares a national emergency with respect to such threat").

IEEPA has attractive features for Mr Trump. "It's an emergency power, so there's minimal procedural requirements. So, he could do it very quickly—on day one, if he wants," says Warren Maruyama, a former general counsel for the United States Trade Representative. Mr Trump was the first to invoke the law to impose tariffs when, in 2019, he threatened a 5% levy on all Mexican goods in retaliation for illegal migration. And there is another important precedent. In 1971, when Richard Nixon took America off the gold standard and in effect ended the first Bretton Woods system, he imposed an extra 10% duty on all imports by declaring the need "to strengthen the international economic position of the United States" to be an emergency. Courts upheld Nixon's actions.

Constitutional objections—for example, that the president had exceeded the bounds of administrative action—would face an uphill battle, says Kathleen Claussen, a professor of law at Georgetown University. Although American courts have become gradually more sceptical of the administrative state, they have remained deferential to presidents when they invoke national security. In principle, simple majorities in Congress could pass a joint resolution to overturn Mr Trump's emergency declaration, but in reality a two-thirds majority would be needed to override the president's inevitable veto. Republicans may even choose to pass some of Mr Trump's tariffs into law to make fiscal room for the tax cuts they promised, putting them on unquestionable legal ground.

The other legal avenues at Mr Trump's disposal are better tested but slower. Section 301 (of the Trade Act of 1974) was the workhorse of his first administration, used for tariffs on $370bn of Chinese imports (and $7.5bn from the European Union). It could easily be invoked to slap broader tariffs on China but would be less immediately useful for Mexico and Canada, since the president must conduct an investigation and adhere to the long notice-and-comment periods required in American administrative law. Section 232, also deployed during Trump I for steel and aluminium duties, would be less useful for broad tariffs as it needs designation of specific products as threats to national security.

Domestic litigation is not all Mr Trump must fend off. America has a free-trade deal with Mexico and Canada called the USMCA, negotiated under Mr Trump. It has a dispute-settlement mechanism that Mexico or Canada would undoubtedly invoke if Mr Trump were to go through with his threats. But here, too, IEEPA would prove useful. Mark Wu, of Harvard Law School, says Mr Trump's subordinates could point to the national-security exceptions in the deal to argue that they had not violated it. USMCA faces a mandatory review (and probable renegotiation) in 2026. A protracted dispute over its fundamental tenets might lead to its collapse.

The likeliest constraint on Mr Trump will not be legal. It will be fear of backlash from the markets and the public. "More than half of our fresh fruits and vegetables are from Canada and Mexico…Super Bowl season is right around the corner. Do we really think Trump's going to impose a 25% guacamole tax on his first day in office?" says Scott Lincicome of the Cato Institute, a libertarian think-tank. He suspects that Mr Trump is issuing tariff threats: as a negotiating tactic to force concessions that he can then tout before his inauguration even begins.

Mr Trump campaigned on resolving the plight of carworkers, farmers and consumers angry about the price of everyday staples. He would quickly run out of goodwill if he were to make imported goods much more expensive. The court of public opinion is probably the only one that can curb Mr Trump's instincts. ■

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| Section menu | Main menu |

Politics and justice

As Jack Smith exits, Donald Trump's allies hint at retribution

The president-elect hopes to hand the Justice Department to loyalists

Nov 29, 2024 02:03 PM | New York

IN THE END Jack Smith jumped before he could be pushed. On November 25th the special counsel who spent two years pursuing Donald Trump dropped the two federal indictments against him. The Department of Justice (DoJ) forbids prosecuting sitting presidents, so this was a question of when, not if. Mr Smith will file a report about his futile endeavour before packing his things. The alternative was a stand-off with Mr Trump, who had promised to fire him "within two seconds" of his inauguration. The two criminal cases against Mr Trump in state court, in Georgia and New York, are in effect over, too.

The unceremonious end of the Trump trials highlights the failure of the judicial system to hold the former and future president to account for his attempts to overturn the 2020 election and other alleged misdeeds. If anything, the cases fuelled his political comeback, adding grist to his victimisation narrative and rallying Republicans to his cause. Arguably their most profound effect was to make it immensely more difficult to prosecute Mr Trump or his successors in future. In July, in *Trump v United States*, the Supreme Court granted immunity, or the presumption of it, to all sorts of presidential conduct.

Over the past two years it became an article of faith among Republicans that the legal system was weaponised against Mr Trump; now many want payback. This understanding of the law as a form of politics is manifest in Mr Trump's legal appointments—together they resemble a personal-defence bar. Pam Bondi, his nominee for attorney-general, represented him during his first impeachment trial in Congress. If all are confirmed, her deputies at the DoJ will be two lawyers who defended Mr Trump during his hush-money trial. His choice for solicitor-general argued the immunity case before the Supreme Court.

Unlike Matt Gaetz, who withdrew from contention to lead the DoJ amid scandal, Ms Bondi should have no trouble getting confirmed by a Republican-controlled Senate. She has the requisite CV as a former attorney-general of Florida, where she was part of a class of activist state prosecutors who took the Obama administration to court. Later she proved her MAGA credentials as a telegenic and tireless promoter of Mr Trump's false claims about election fraud. She was reportedly nixed for a job in the first Trump administration over an ethics issue—in 2013 she declined to join a civil lawsuit against one of Mr Trump's companies after he donated to her political campaign. That reflects how standards have shifted this time around.

Now comes the wait to see if Mr Trump will follow through on his promise to seek retribution against his political opponents, and how accommodating Ms Bondi and others will be of such demands. Last year she told an interviewer on Fox News that "the prosecutors will be prosecuted—the bad ones.” She has called Mr Smith a “rabid dog”. (Dogs are a preoccupation for Ms Bondi, who once got into a custody dispute over a St Bernard.)

Politically motivated prosecutions would shred the post-Watergate rule that presidents stay out of the DoJ’s business. Already this norm was tested during Mr Trump’s first stint in office, when federal prosecutors investigated both John Kerry and Hillary Clinton, seemingly at the president’s request. Of course judges are able to toss out spurious cases and juries can acquit defendants. But nothing constrains a president from opening a probe in the first place. The Supreme Court said as much in *Trump v United States*. “Allegations that…requested investigations [are] ‘shams’”, wrote the justices, “do not divest the president of exclusive authority over the investigative and prosecutorial functions of the Justice Department.” ■

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Jackson drama

An FBI sting operation catches Jackson's mayor taking big bribes

What the sensational undoing of the black leader means for Mississippi's failing capital

Nov 29, 2024 02:03 PM | Jackson

Barbara Gauntt/Clarion-Ledger/USA Today Network/Imagn

EVERYONE THOUGHT a new hotel would revitalise the downtown area. Nearly two decades ago city leaders in Jackson, the capital of Mississippi, negotiated a $10m loan to fund developers to build on empty land next to a glossy convention centre. But the area was derelict and no one put in a bid for it.

That was until last year, when two Nashville developers met Jody Owens, the district attorney, in a cigar lounge near the Capitol and asked him how to strike a deal. He told them that they needed the mayor's blessing to build and that $100,000 ought to convince him. The money, he allegedly said, “can come from blood diamonds in Africa, I don’t give a fucking shit”. Soon he and Chokwe Antar Lumumba, the mayor, were flying to Florida on the developers’ private jet. Aboard a yacht in Miami they handed Mr Lumumba a personal cheque and Mr Owens a wad of cash. The mayor called a clerk to get the application deadline moved up and deposited the money into his campaign coffers. That night they partied at Tootsie’s Cabaret, a strip club, on the developers’ dime.

But the Nashville men had no plans to build: they were undercover FBI agents. On October 23rd Mr Owens and Mr Lumumba were indicted for bribery and money-laundering. Both pleaded not guilty. The mayor called the charges a “political prosecution” and said that he still plans to run for re-election in the spring, despite potentially facing a prison sentence of up to 75 years.

A band of self-described “radicals” close to the mayor say the sting operation was a set-up concocted by white extremists to dethrone their black leader. They suggest that the state’s Republican politicians are behind it, even though the case’s federal prosecutor was appointed by Joe Biden. “You’re witnessing a legal lynching,” says Tariq Abdul-Tawwab, a social-justice campaigner. The only crimes the mayor was charged with, they correctly note, are ones he was lured into by the FBI. In order for the ruse to not be considered entrapment, the government must prove at trial that it had dirt on the mayor beforehand.

One sting and another

The indictment is a blow to a city that is already spiralling downwards. After a treatment plant failed in 2021, Jackson went without clean drinking water for a month. When the system crashed again, a court put the utility under third-party control. The city’s sewage system is so leaky that locals complain of faeces bubbling up into the streets when it rains. Four of the seven public libraries have at some point closed due to mould. During the pandemic Jackson became America’s murder capital. In 2022 it had 94 homicides for every 100,000 residents, a rate comparable to notoriously dodgy cities in Mexico and Ecuador. New Orleans, America's runner-up, had 76.

Even so, the city "is divided over whether the mayor is a colossal failure or a hero", says Othor Cain, a citizen-journalist. Critics say Mr Lumumba accelerated the city's decline by staffing his administration with ideologues who didn't know how to govern. Others reckon the problem is corruption as well as incompetence. In 2021 Kenny Stokes, a city councillor, claimed that the mayor's "relationship with dope boys" was making him "soft on crime". Last year Mr Lumumba raised eyebrows by battling with the city council to direct a garbage-collection contract to a specific vendor.

The mayor's allies say the decline is a result of chronic underinvestment by politicians who want to choke America's "blackest city", and that Mr Lumumba is in the cross-hairs because he refuses to bow to them. Mr Lumumba will have his day in court, but there can be no doubt about his commitment to racialised and radical politics. His father, a leader of the Republic of New Afrika, a militant black-nationalist group, moved his family from Detroit to start a black colony. A shoot-out with the police left one officer dead and most of the group's leaders arrested. Lumumba senior, who was away that day, became a criminal-defence lawyer and represented Tupac Shakur, a rapper, and Geronimo Pratt, a high-ranking Black Panther. In 2013 he was elected mayor of Jackson, before dying suddenly of natural causes.

His son, who wears skinny suits and Rolex watches and lacks his father's unfussy charisma, made black autonomy his mission. In office he has resisted the state's attempts to seize control of Jackson's airport, take over the schools and police the heart of the city. To ease gun violence Mr Lumumba tried, unsuccessfully, to suspend the state's open-carry law. "He is seen as an incarnation of black Jackson standing up against white supremacy," says D'Andra Orey, a political scientist at Jackson State University. To the more powerful state politicians who control the flow of federal funds, the mayor is a failed and now allegedly corrupt politician presiding over an urban disaster. "He continues to try to blame the white folks instead of taking responsibility for his administration's fiscal failures," says Pete Perry, a former head of the county Republicans.

For now, the mayor's soldiers are bracing for war. "The gloves have to come off, I tell the movement, this is not training day," says Danyelle Holmes of the Poor People's Campaign, an activist group. Clicking her hot-pink nails together she explains that her radicalness is inspired by her great-great-grandfather, who killed his slave master. When asked what happens if Mr Lumumba is convicted of the crimes he is accused of, Ms Holmes's eyes scan your correspondent fiercely. "The movement continues," she says, "but it continues in an even more aggressive way." ■

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| Section menu | Main menu |

Looking for a new Illinois

America’s rural-urban divide nurtures wannabe state-splitters

What’s behind a new wave of secessionism

Nov 29, 2024 02:03 PM | Chicago

ILLINOIS HAS only one true metropolis, the city of Chicago. It does, however, have another Metropolis, a pretty little town of around 6,000 people on the border with Kentucky which rather implausibly claims to be the hometown of Superman. And in Metropolis they would rather not have the metropolis. In 2020, 70% of voters in Massac County, which contains Metropolis, opted in a non-binding referendum for the rest of Illinois to separate from Cook County, which contains Chicago and many of its suburbs. That helped start an unlikely state-splitting movement.

This November Massac was joined by seven more counties. Of Illinois's 102 counties, 33 have voted to tell their governing boards to consider leaving the state. Most, like Massac, are rural places with small populations. But among the new secessionists is Madison County, a suburb of St Louis in next-door Missouri, with 265,000 people. In all, the separatist counties are now home to more than 800,000 people, just over 6% of the population of Illinois.

Why separate? The reason is simple, says Loret Newlin, the organiser of the Illinois Separation Referendum movement, which gathers signatures to get the question onto county ballots: "Our votes don't count." Cook County, with 5.1m people, has 40% of Illinois's population. Those elsewhere in the state, especially in the south, feel dominated by laws passed for residents of the Windy City. "The only way for people outside of Cook County to get their voice back is to have a separate state," says G.H. Merritt, of New Illinois, a rival group which wants much the same thing.

"You have regions that are much different from Chicago and we are outnumbered," says Kurt Prenzler, the Republican chairman of the Madison County Board. Of six statewide elected officials in Illinois, only the treasurer is not from the Chicago region. Mr Prenzler in fact opposed the ballot proposal—he says breaking up Illinois is unrealistic. But he says he is not that surprised that 56% of people in his county voted for it. He points in particular to the covid lockdowns ordered in 2020 as something that supercharged anger with representatives from Chicago. Voting to secede is "a way of speaking up", he sighs.

Both Ms Merritt and Ms Newlin insist their campaign is non-partisan. Yet this rural-urban divide aligns with the state's politics. Just 14 of 102 counties voted for Kamala Harris over Donald Trump, but statewide almost 55% of the voters did. Democrats have a supermajority in the state legislature created in part by drawing maps that string together urban areas outside Chicago into lots of Democrat-leaning districts while rural Republican voters are concentrated together. Democrats hold 14 of the state's 17 seats in the House of Representatives, too. A generation ago, rural interests could sometimes unite with suburbanites against the Democratic

Chicago machine, notes John Mark Hansen, of the University of Chicago. No longer.

Still, independence is unlikely. Creating a new state within the territory of an existing one requires the agreement of both that state's legislature and of Congress. Few state governments want to sunder themselves. Only three state-partition plans have ever succeeded and none since the creation of West Virginia in 1863. Dozens have failed, from Absaroka, a proposal in the 1930s to carve out a new state around Mount Rushmore, to Superior, a proposed state in the Upper Peninsula of Michigan plus bits of Wisconsin and Minnesota. Even so, Illinois's separatists are not alone. Thirteen counties in eastern Oregon recently declared they would like to be allowed to join more conservative Idaho, for example, and in California several competing state-partition plans are in the works.

The pattern these days is almost always rural areas wanting to be free of cities. But it wasn't always thus. In 1925 Chicago's city council passed a resolution to look into its own secession from Illinois. The city then felt ganged up on by the rest of the state. Big demographic and cultural divides in politics can change rather surprisingly. ■

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The spy who purged me

Donald Trump and Tulsi Gabbard are coming for the spooks

The president-elect’s intelligence picks suggest a radical agenda

Nov 29, 2024 02:03 PM

Getty Images

OF DONALD TRUMP’s nominees to high office, few are more suspicious of the government they are pegged to join than Tulsi Gabbard. The Democrat-turned-Republican warns of a “slow-rolling coup” by “the entire permanent Washington machine”, as she describes it in “For Love of Country”, a campaign book published in April. Her list of putschists is long, catholic and spook-heavy: “the Democratic National Committee, propaganda media, Big Tech, the FBI, the CIA, and a whole network of rogue intelligence and law enforcement agents working at the highest levels of our government”. Yet she may soon oversee some of that machinery.

On November 13th Donald Trump chose Ms Gabbard as his nominee for Director of National Intelligence (DNI), a post that co-ordinates the work of the alphabet soup of 18 spy agencies in the country's intelligence community. The news raised fears in the agencies and among America's allies that intelligence will be distorted to suit Mr Trump's preferences. And it heralds rifts within Mr Trump's administration between hawks like Mike Waltz and Marco Rubio, nominated as national security adviser and secretary of state respectively, and radicals such as Ms Gabbard, who have argued for a softer line on China, Russia and Iran.

Mr Trump's intelligence team is still taking shape. On November 12th he picked John Ratcliffe as CIA director. He is a former congressman who briefly served as DNI at the end of Mr Trump's first term. At the FBI, Christopher Wray, the director, who was appointed by Mr Trump in 2017 to a ten-year term, seems likely to be replaced. In his first term, Mr Trump clashed repeatedly and frequently with the FBI and other agencies. He was angered by their reports that Russia had intervened on his behalf in the 2016 election. In 2020 he fired a string of top intelligence officials including Chris Krebs, the director of the Cybersecurity and Infrastructure Security Agency, who had declared that the 2020 election was not, as Mr Trump insisted, stolen.

You only live twice

That history suggests that Mr Trump and his appointees will seek dramatic reforms, even purges, in the spy agencies and at the FBI. The bureau, the top federal law-enforcement agency, houses counter-intelligence and counter-terrorism sections that collect and analyse intelligence. It is likely to be first in line for Mr Trump's plans to neuter perceived enemies. Kash Patel, an inexperienced loyalist whom Mr Trump sought and failed to install as deputy CIA director in the dying days of his first administration, is rumoured to be a contender for Mr Wray's job. "We will go out and find the conspirators, not just in government but in the media," promised Mr Patel last December. "Whether it's criminally or civilly…we're putting you all on notice."

The bureau might also be checked in other ways. Mr Trump and Ms Gabbard are both opposed to Section 702 of the Foreign Intelligence Surveillance Act (FISA), which authorises electronic surveillance on American soil. It was renewed this year after a fierce debate in the Senate but it is due to lapse in 2026. “The [FISA] court has proven to be a dependable rubber stamp for government requests,” argues Ms Gabbard (not inaccurately). If Mr Trump decides to quash it, the FBI will lose a major source of intelligence.

Other clues for Mr Trump’s plans might be found in the writings of those in his political orbit. Last year Project 2025, an initiative by the Heritage Foundation, a conservative think-tank, to prepare for a Trump administration, published “Mandate for Leadership”. Dustin Carmack, a former aide to Mr Ratcliffe, contributed a chapter on intelligence. In May this year the America First Policy Institute published a similar volume, with a chapter on intelligence by Sam Faddis, a retired CIA officer who sought to overturn Mr Trump’s election defeat in 2020. Many of Mr Carmack’s proposed reforms are technocratic, such as efforts to improve intelligence sharing and streamline security clearances across agencies. He also expresses enthusiasm for covert action, in line with the views of traditional Republicans. Other proposals are more contentious.

Mr Carmack argues that “woke” culture in the spy agencies has replaced patriotism and competence. He says that the intelligence community must “restore confidence in its political neutrality”, alleging that John Brennan, a former CIA director who was sharply critical of Mr Trump, used intelligence “as a political weapon”. And he urges the president to replace the leaders of the CIA’s directorates and mission centres—led by career officials rather than political appointees—to make them more “responsive” to the White House.

Mr Faddis goes further. He argues that American spies “today act as if they are an independent branch of government that does not answer to the president”. And he says that his own perusal of Hunter Biden’s laptop—a right-wing obsession also cited by Mr Carmack and Ms Gabbard—“suggested strongly that Joe Biden himself was compromised by a number of foreign actors, the Chinese Communist Party foremost amongst them".

The Economist spoke to a dozen former and serving intelligence officials from America and European allies to ask them how they thought all this churn might affect American and allied agencies. Some urged calm. One American official said that he had briefed Ms Gabbard on the House Armed Services Committee and that she was less radical in private than in public. The DNI, in any case, is the most senior figure in American intelligence but not always, or even usually, the most powerful. She oversees intelligence assessments and manages budgets, but does not directly run the agencies.

From Russia with love

One European intelligence official pointed out that intelligence-sharing between his country and America actually improved during Mr Trump's first term. Within the Five Eyes intelligence pact, made up of America, Australia, Britain, Canada and New Zealand, signals-intelligence gathering is so tightly integrated that it would be impossible to unravel without causing massive disruption to America itself. "The Five Eyes sharing always holds," soothed the American official.

Others are less sanguine. Many mid-ranking intelligence officers are likely to leave, says one insider, fearful of falling foul of political loyalty tests. Mr Trump's lax approach to security is another concern. In his first term he divulged secret intelligence to Russian officials, allowed unvetted foreigners to roam free at Mar-a-Lago, his club in Florida, and, infamously, carted off boxes of highly classified material when he left the presidency. More recently, his aides have proposed eliminating FBI background checks and granting immediate security clearances to staff even if they fail private-sector vetting.

Ms Gabbard's Russophile tendencies are particularly jarring. "Democrats don't want a peaceful relationship with Russia at all," she complained in her recent book. "How would their friends in the military-industrial complex make trillions of dollars from the fear they fomented in America and Europe by stoking the fires of the new cold war?" Some in the intelligence world believe that European agencies might start holding back human-intelligence reports or "sanitising" them of information that would previously have been shared. For her part, Ms Gabbard is clear about the ongoing threats she sees emanating from the intelligence agencies which, she warns, "are so dangerous that even our elected officials are afraid to cross them". The spies are on notice. ■

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| Section menu | Main menu |

The Americas

- **Javier Milei, free-market revolutionary**
  One year of anarcho-capitalism :: Argentina's president explains how he has overturned the old economic order
- **Is Uruguay too stable for its own good?**
  The limits of stability :: The new president must deal with serious problems with growth, education and crime
- **Mexico and Canada brace for Donald Trump's tariff thrashing**
  Trade in North America :: Mexico's Claudia Sheinbaum and Canada's Justin Trudeau are taking different approaches to looming trade war
- **Bolsonaro's bid to regain Brazil's presidency may end in prison**
  The noose tightens :: Brazilian police have accused some of his backers of involvement not just in a coup, but in an assassination plot

One year of anarcho-capitalism

Javier Milei, free-market revolutionary

Argentina’s president explains how he has overturned the old economic order

Nov 29, 2024 02:03 PM | Buenos Aires

SOMETIMES FAMILIARITY breeds fondness. Not so for Javier Milei, Argentina’s president. After running the Argentine state for a year, his contempt for it remains “infinite”, he told *The Economist* in an interview on November 25th. Holding forth in his office in the Casa Rosada, the red-carpeted and marble-statuaried historic seat of power, Mr Milei has a presidential air. But when he explains the philosophy behind his radical experiment he sounds just like the “mole” that he claims to be, destroying the state from within. Any restraints on free enterprise push society towards socialism, he says. Even neoclassical economics, the framework that guides most economic policymaking, “ends up favouring socialism”. For Mr Milei the lesson is clear: “anything I can do to remove the interference of the state, I’m going to do.”

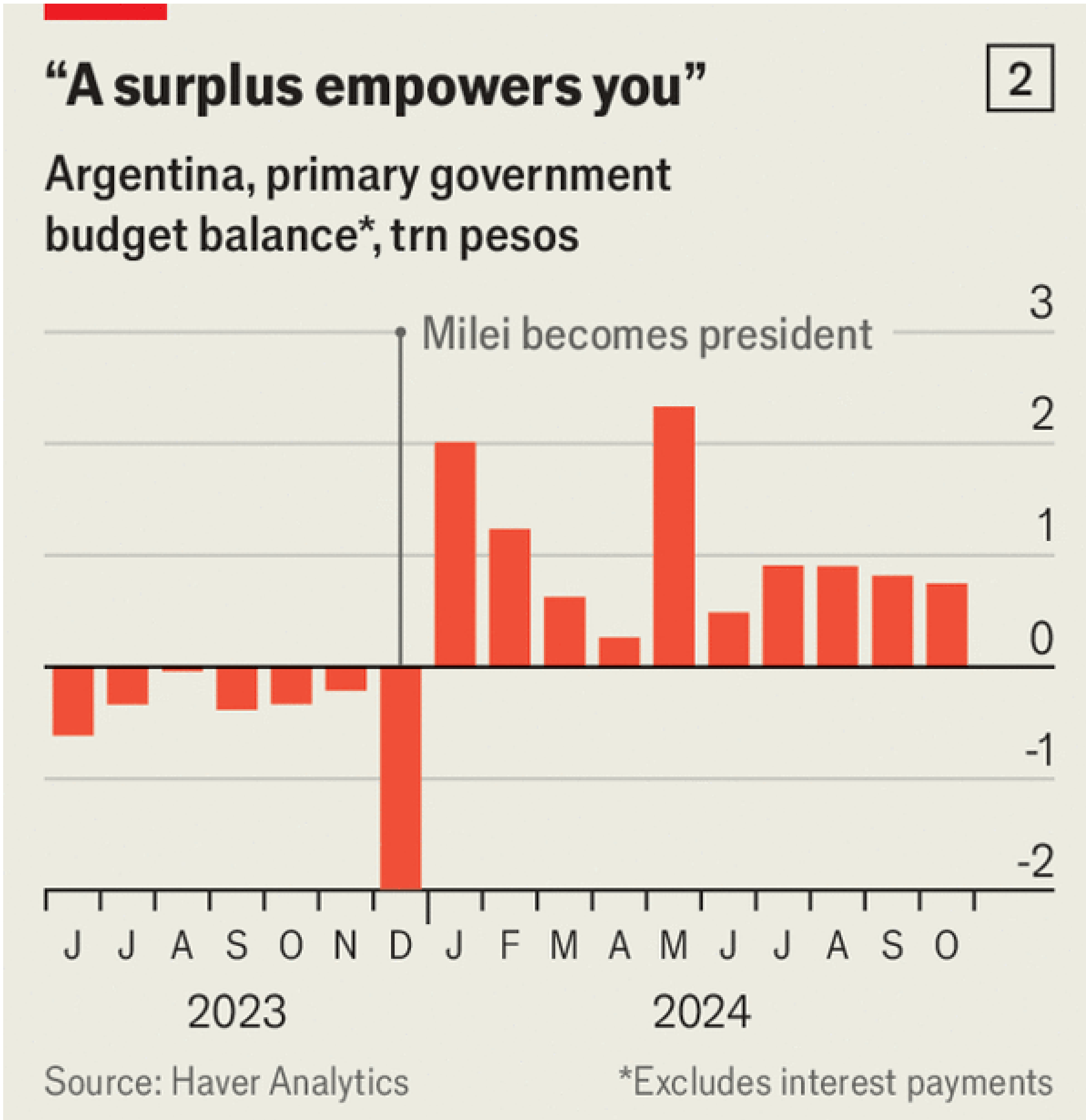
This resolve has guided a blast of reforms aimed at shaking Argentina out of decades of humiliating decline caused by rampant inflation, absurd handouts and thickets of regulation. The result has been better than almost anyone expected: inflation is down sharply, government spending is almost 30% lower in real terms. These successes could still be reversed; Argentina’s recent history is littered with failed economic reforms. But fortified by the clarity of his convictions and immersed in free-market theory, Mr Milei has a better chance than those who came before him.

The Economist

He is enjoying his best moment since taking office. His two most important audiences, markets and Argentines, are chuffed. The JPMorgan country-risk index, an influential measure of the risk of default, has fallen from around 2,000 when he took office in December 2023 to about 750 now, its lowest level in five years. Despite huge spending cuts, Mr Milei is more popular with Argentines than his two predecessors were after their first year. In recent months, his popularity has risen.

Argentines are impressed by falling inflation. It has long been their scourge, fuelled by wild government overspending financed by printing money. When Mr Milei took office inflation was running at 13% month on month. It spiked to 25% after he devalued the artificially and unsustainably strong peso. It is now under 3% per month (see chart 1).

The reduction rests upon Mr Milei's brutal cost-cutting. That impresses markets. He campaigned brandishing a chainsaw, then delivered a primary surplus in his first month—and every month since (see chart 2). The surplus, crucially, eliminates the pressure for the central bank to finance spending by making "temporary" transfers to the government, which are in fact rarely paid back, a form of money-printing.



The Economist

Mr Milei says he has tried to make sure that the cuts fall upon the state itself, more than its poorest citizens. He slashed the number of ministries from 18 to eight, halted the vast majority of public works and ended most transfers to provincial governments. According to Invecq, an Argentine economic consultancy, spending on both public salaries and universities is 20% lower this year in real terms than it was in 2023. Still, the biggest savings came from holding down the real value of pensions.

At the same time Mr Milei has been trying to clean up the balance sheet of the central bank, which had previously pumped a vast amount of pesos into the system. Its foreign reserves were $11bn in the red when he took office. The balance has improved, but remains negative. Some $20bn has re-entered the formal banking system, thanks to a tax amnesty that brought dollars out of mattresses and home from offshore accounts.

Alongside these efforts to stabilise the macroeconomy, Mr Milei and his team have slashed reams of red tape tangled around everything from air travel and apartment rentals to divorce and satellite internet. He is not finished. “Every day we deregulate and we still have 3,200 structural reforms pending,” he says. Elon Musk, whom he recently met at Mar-a-Lago, is keen to follow suit, he says.

The cuts hurt. The economy entered a recession this year and unemployment jumped. The share of Argentines who are poor surged to 53%, up from 40% in 2023. But the recession seems to have bottomed out. Growth should help ease poverty and unemployment, though it will add inflationary pressure. The government hopes a new law which provides whopping investment incentives, such as multi-decade tax breaks and customs exemptions, will attract capital and boost growth.

To get that law through Congress Mr Milei displayed a streak of pragmatism. “I’ve learned a lot about doing politics,” he says. He eventually empowered his chief of staff to make compromises with the very same political elite that he decries as “thieves” and “criminals”. Surprisingly, Mr Milei now says that he has no enemies in Argentinian politics, only rivals. Even those rivals, he says, “do not explicitly want the country to do badly”.

The president’s newfound pragmatism shines through in foreign affairs, too. While campaigning in 2023 he repeatedly insulted China. At one point he pondered whether it was right to “trade with an assassin”. Now it is “a fabulous partner,” he gushes, having recently met China’s President Xi Jinping. “They don’t ask anything. They want to trade calmly.” In a similar vein, he once called Brazil’s president Luiz Inácio Lula da Silva, known as Lula, “a corrupt communist”. Now he is more nuanced. “I’m not going to be friends with Lula, but I have an institutional responsibility," he says, enthusing over a recent deal to sell Argentine gas to Brazil.

All this bodes well for Argentina's continued economic recovery. But big risks loom over Mr Milei's successes. One is political. He has benefited from disarray among the opposition that will not last forever. Nor will the public's tolerance for weak growth, high unemployment and poverty, even if inflation has been wrestled down. By frankly telling voters that cuts would hurt he lowered their expectations. Now Mr Milei trumpets that "Argentina is entering its best moment in 100 years." That is a harder expectation to manage, especially if Argentines do not feel such elation in their wallets. If the Peronists rise in the polls or unmanageable protests break out, it could send investors running and threaten the recovery.

Another risk is economic. The peso looks overvalued again. The government inherited and maintains capital controls. It also sets the official exchange rate; it devalued the peso by 50% in December 2023, then by 2% each month since. But because inflation has been running higher than 2% per month, the real exchange rate has been rising. It is now approaching the level it was at before Mr Milei took office. Argentines understand the peso's strength; some 55 buses carry eager shoppers to Chile every day, where goods are much cheaper.

This is a drag on exports and growth. And Mr Milei cannot maintain the scheme without capital controls, but these put off investors who want to be sure they can get their money out of Argentina, not just in. If and when he does finally remove capital controls and free up the exchange rate, there is a risk of a sudden depreciation. That could set off another bout of inflation, undermining Mr Milei's signature achievement, and perhaps his popularity. Overvaluation is a classic Argentine problem. It tends to end in crisis.

Mr Milei rejects all this. He says his reforms justify the peso's value, and that capital controls don't deter investors because he has promised to remove them next year. Moreover, he declares, "we are not in a hurry." If he had more foreign finance he could remove capital controls sooner; he needs hard cash to defend the flexible exchange rate. But the IMF appears unenthusiastic about that use for new money. This may be curdling relations with the Fund. Argentina owes it $42bn. Mr Milei pointedly emphasises that new finance from the IMF “is only one of the options”.

The question of the peso’s value is manageable, for now. Markets are not betting on an imminent devaluation as they did, wrongly, earlier this year. But on longer timelines risks remain. Donald Trump’s policies could push the dollar higher and pressure on the peso could rise sharply, warns Robin Brooks of the Brookings Institution, a think-tank.

A different worry is that in his zealotry, Mr Milei may undermine Argentina’s checks and balances. “I don’t deviate one millimetre from the rules that are agreed to in the Constitution,” he says. He does, however, want to reform the courts. Nothing wrong with that, but to do so he has nominated a judge to the Supreme Court who is widely considered unqualified and who faces allegations that he manipulates cases to benefit the well-connected. The nomination has been so slow to progress through the Senate that the government has raised the prospect of forcing it through by decree, a controversial move. Mr Milei also claims that 85% of what is written in the Argentine press is lies.

A final risk comes from Mr Milei’s own volatility. He has recently fallen out with his vice-president. At the very least that will make it harder for him to pass laws in the Senate. And he is increasingly engaged by culture wars, much like his allies abroad. He rails against “transgender ideology”, abortion and climate change, which he denies is caused by man. These causes are Marxism’s new front, he claims. But with Argentina’s economy still balanced on a knife edge, any distraction is a danger. ■

Editor’s note: *You can read a lightly edited transcript of our interview with Mr Milei [here](#).* A transcript in Spanish can be found [here](#).

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The limits of stability

Is Uruguay too stable for its own good?

The new president must deal with serious problems with growth, education and crime

Nov 29, 2024 02:13 PM | MONTEVIDEO

“SAFE CHANGE that will not be radical.” It is not a political slogan to set pulses racing. Yet a campaign centred on that message was enough for Yamandú Orsi of the Broad Front, the left-wing party, to win the presidential run-off in Uruguay on November 24th. Mr Orsi, a former mayor of Canelones, the state surrounding the capital Montevideo, beat Álvaro Delgado, the former chief of staff to the current centre-right president. Mr Delgado was weighed down by a spate of scandals in his party and a post-pandemic uptick in inflation. He too ran a cautious, centrist campaign. “The centrifugal force [in Uruguayan politics] is towards moderation, towards convergence," explains Gabriel Oddone, who will be Mr Orsi's finance minister.

Stability is at the very heart of Uruguayan politics. Both candidates repeatedly promised it. A phalanx of analysts argues that it is the country's great virtue. It has, indeed, helped the country of 3.4m become one of the most prosperous in Latin America, with relatively low inequality and a largely functional welfare state. Yet increasingly Uruguay demonstrates not just the benefits of stability, but also its limits as a development strategy.

Uruguay's culture of stability and moderation is, of course, laudable, especially compared with the region. It helps avoid big screw-ups and keeps extremists away from power. Unlike in neighbouring Brazil, election results are always accepted in Uruguay. Its political parties are long-established and are the most trusted in Latin America. The separation between church and state is so absolute that Christmas is officially known as "family day".

Economic stability is taken even more seriously. Mr Oddone and Diego Labat, who would have been finance minister had Mr Delgado won, often seem as though they could be in the same party. "Macroeconomic stability is a fundamental condition to be preserved," says Mr Oddone. The vanquished Mr Labat fervently agrees. Uruguayans are so conscious of the value of economic stability that last month in a referendum they rejected the tempting chance to retire five years earlier because it would have ballooned the deficit. All this gives Uruguay low inflation and the cheapest sovereign borrowing costs in Latin America. Compared with Argentina, a nightmare of inflation and capital controls, Uruguay is an economic paradise.

Argentines have noticed. Many of the richest choose to live in Uruguay. One of those, Marcos Galperin, Argentina's richest man, says he appreciates that newly elected parties do not feel the need to "break everything and change everything". Uruguay's fans are not just billionaires. When asked which society he admires Gabriel Boric, Chile's leftist president, replied, "I like Uruguayans a lot."

But Uruguay's focus on stability seems to come with a worrying lack of urgency about a slew of entrenched problems. Between 2005 and 2014 surging commodity prices paired with sound macroeconomics helped the country boom. Then the commodity super-cycle ended. On many measures since 2014, a period in which both of the main political blocs have had power, Uruguay has stagnated. Income per person, which grew by more than 50% in the nine years to 2014, has only increased by 7% in the nine years since. The whole region has struggled in the latter period but Uruguay's performance is worse than that of Bolivia, Paraguay and Colombia, nobody's idea of economic superstars.

Inequality, which had been plummeting, has edged up. Poverty has been stuck for a decade at around 10% of the population. The state remains bloated; more than 15% of the economically active population works for it. Yet striking economic ambition was in short supply on the campaign trail. Mr Delgado's big promise was to make Uruguay Latin America's most developed country within five years; by most measures it already is. Mr Orsi's loudest economic message in the campaign was simply that he will not mess up macroeconomic stability.

Uruguay's schooling system is struggling. Scores in PISA tests, an international comparison programme, have been stagnant since 2015. About half of the country's students drop out of high school early. Despite all this Mr Orsi, allergic to sounding radical and with an eye on teachers' unions, promised, "I am not going to propose major educational reforms."

But most alarming is the worsening security situation. Uruguay's annual murder rate is about 11 per 100,000 people, some 16 times higher than in Spain. That is up from an already high eight per 100,000 in 2014, even with an incarceration rate that is the tenth highest in the world. Yet both parties largely promised more of what their parties did in their most recent terms. Neither had much impact.

None of these is an easy problem to fix. Successive governments have attempted reforms. But faced with serious problems in growth, education and crime, political parties ought to offer more than right- and left-flavoured versions of more-of-the-same certainty. Uruguayan politicians' preference for comparing Uruguay with its troubled region, rather than the rich world, is a concession to mediocrity. Perhaps the electorate does not want deep reform, but it has not been seriously offered it for years (the big talking points of the third-largest party in this election were animal welfare and mental health).

Might Mr Orsi be bolder in office? “Let’s hope so,” sighs Martin Rama, one of Uruguay’s leading economists. The trick is to find ambition and radicalism of a centrist variety, not the inflation-inducing sort popular in the rest of the region. Radical reforms driven by those furthest left in Mr Orsi’s party could be worrying. Still, the lesson of the past decade in Uruguay is not just that stability is crucial. It is also that stability alone is not enough.■

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Trade in North America

Mexico and Canada brace for Donald Trump’s tariff thrashing

Mexico’s Claudia Sheinbaum and Canada’s Justin Trudeau are taking different approaches to looming trade war

Nov 29, 2024 02:03 PM | Mexico City and Ottawa

HOW DO YOU handle an ally, neighbour and trade partner who promises to slap you with tariffs? That is the question facing Mexico and Canada after Donald Trump took to social media on November 25th and pledged—for the first time as president-elect of the United States—to impose a 25% tariff· on both countries on his first day in power. He said the tariffs would be in place until both fentanyl, a potent synthetic opioid, and irregular migrants stopped coming into the United States across either border. If he follows through it will cause huge economic damage, and destroy the

United States-Mexico-Canada Agreement (USMCA), the free-trade deal to which all three countries are party.

The leaders of Mexico and Canada responded quickly, and in different ways. Justin Trudeau, Canada’s prime minister, jumped on the phone to Mr Trump to chat about the “intense and effective connections” between their countries. His deputy, Chrystia Freeland, released a statement about the importance of border security.

Mexico’s President Claudia Sheinbaum took a harder line. She read out a letter to Mr Trump at her daily press conference, warning him that Mexico would meet tariffs with tariffs. She said this would hurt firms like General Motors, which make cars in Mexico for export to the United States. She also said Mexico had already reduced the flow of migrants to the border and is working on tackling fentanyl (consumers of which, she noted, are in the United States). She added that Mexico suffers from the southern flow of American guns into the hands of gang members, which the United States does little to stem.

This more aggressive tack may signal exasperation in Mexico City. Officials had hoped that rational thinking would prevail, and that Mr Trump would back away from such destructive acts. Many are reluctant to bend the knee. It is “crazy” to apply tariffs to your closest trade partners, says one Mexican official. The idea that Mexico should adapt its position to something that does not make sense is frustrating.

But that is what Mexican and Canadian officials realise they must do. A trade war would do far more harm to their countries than it would to the United States. Some 83% of Mexico’s goods exports and 77% of Canada’s go to the United States. Another Mexican official says the threat marks the start of a “serious negotiation”. And indeed, in a phone call on November 27th, Mr Trump and Ms Sheinbaum seemed to strike a conciliatory note. Both agreed that the movement of migrants through Mexico to the border would be curbed. Mr Trump called the conversation “wonderful”.

Mexican officials have been offering two arguments to try and ward off tariffs. The first is that the United States needs Mexico if it is to decouple from China while remaining the pre-eminent global economic power. The second is an offer to unpick any Chinese integration into supply chains in Mexico that has already happened, by substituting imports. Sensible ideas they may be, but Mr Trump probably wants something more tangible and immediate: a large number of Mexican soldiers deployed to stop flows of migrants and fentanyl in their tracks.

Canadian officials, meanwhile, are outraged at being lumped in with Mexico. Marc Miller, Canada's immigration minister, points out that the number of migrants who illegally cross from Canada into the United States in a year is equivalent to the number crossing the Mexican border on "a significant weekend". Earlier in November the country's politicians tried to inoculate themselves against Mr Trump's aggression by criticising Mexico themselves. Doug Ford, the populist premier of Ontario, called for Mexico to be kicked out of USMCA. Ms Freeland then said she shared the United States' concerns about whether Mexico was "aligned" with Canada and the United States on trade with China.

Throwing Mexico under the bus didn't work. Officials in both countries must now work hard, probably hand-in-hand, if they are to halt Mr Trump's harmful plans. ■

The noose tightens

Bolsonaro’s bid to regain Brazil’s presidency may end in prison

Brazilian police have accused some of his backers of involvement not just in a coup, but in an assassination plot

Nov 29, 2024 02:13 PM | São Paulo

ON NOVEMBER 21ST Brazilian police formally accused Jair Bolsonaro, Brazil’s former far-right president, and 36 others of attempting to prevent the country’s elected government from taking office in late 2022. It was the third time Brazil’s federal police recommended criminal charges against the ex-president, but these accusations are by far the most serious. They sharply increase the likelihood that Mr Bolsonaro will spend time in jail. The former president denies all charges and claims he is being politically persecuted.

This is not how Mr Bolsonaro (pictured) expected his November to pan out. After his misleadingly named Liberal Party won big in Brazil's local elections in October, he triumphantly proclaimed that he would be the candidate of the right in 2026, when Brazil will hold presidential elections. More good news arrived with the re-election of Mr Bolsonaro's idol, Donald Trump, as president of the United States. Mr Bolsonaro seems to have taken this as a harbinger of his own return to power. "May Trump's victory inspire Brazil to follow the same path," he posted on X.

Not likely, it seems, if Mr Bolsonaro is involved. Brazil's top federal prosecutor will now review the police report which alleges Mr Bolsonaro's involvement in an attempted coup, and decide whether to pursue charges. Mr Bolsonaro could be tried next year for alleged crimes which carry a maximum prison sentence of 28 years.

The police report describes Mr Bolsonaro's efforts to stay in power. In the months running up to the election, the former president and his allies repeatedly claimed that voting machines could be rigged. The report claims that Alexandre Ramagem, the head of the national intelligence agency and a confidant of Mr Bolsonaro's, directed the agency to spy on political enemies, and to produce false reports discrediting the electoral process. After losing the election, Mr Bolsonaro became desperate. The report alleges that on December 7th 2022 he called the heads of the navy, army and air force and presented them with a decree declaring a state of emergency and giving him powers to call a new election. The head of the navy agreed to go along with it—the others did not.

The most damning part of the report alleges that after Mr Bolsonaro's electoral defeat, his associates plotted to murder Luiz Inácio Lula da Silva (known as Lula), who was then Brazil's president-elect, his running mate Geraldo Alckmin, and Supreme Court judge Alexandre de Moraes. According to the report, police obtained material about the plot from the devices of Mauro Cid, Mr Bolsonaro's personal aide, and General Mário Fernandes, a deputy minister in the Bolsonaro government.

The report claims that Mr Fernandes used a printer in the presidential palace to print a plan for the assassination plot, including details of the weapons to be used. The report also alleges that Mr Cid and others started monitoring Lula and Mr Moraes's movements after a meeting on November 12th 2022 at the house of Walter Braga Netto, who had been Mr Bolsonaro's running-mate. The report says the police found documents owned by Mr Fernandes outlining how a "crisis cabinet", co-led by Mr Braga Netto, was to be set up after the assassinations had been carried out.

No assassinations ever happened. On January 8th, 2023, a week after Lula was inaugurated, Bolsonarista zealots attacked Congress, the Supreme Court and the presidential palace. Since then, the report alleges, Mr Bolsonaro and his allies have tried to put pressure on witnesses involved in the case, to prevent them from dishing dirt. A probable target is Mr Cid, who was already in trouble over Mr Bolsonaro's first two indictments (for alleged embezzlement and forging covid-vaccine certificates). When police found the material on his phone they threatened to cancel an agreed plea deal because he had not mentioned the assassination plot. Mr Cid now appears to be working with the police in order to maintain his plea bargain.

The indictment has galvanised the left. "The chances are very high" that Mr Bolsonaro now goes to jail, according to Marco Aurélio de Carvalho of Grupo Prerrogativas, a left-leaning legal association. He calls Mr Bolsonaro "the intellectual author" of the coup. "His prison sentence is a question of when, not if."

Yet even if Mr Bolsonaro does go to jail, it may not end his involvement in politics. Right-wing hopefuls for the presidential election in 2026 have minimised the accusations, wooing his voters. One of the most popular right-wing politicians after Mr Bolsonaro, Tarcísio de Freitas, the governor of São Paulo state, wrote on X that "there is a widespread narrative against President Bolsonaro that lacks evidence". Some supporters believe that deeper legal trouble could turn Mr Bolsonaro into a martyr. Sóstenes Cavalcante, a federal Congressman for Mr Bolsonaro's party, puts it more succinctly: "The more persecution there is, the stronger Bolsonaro and the right become." ■

Asia

- **Meet the outspoken maverick who could lead India**
  The roads to the top :: Nitin Gadkari, India’s highways minister, talks to The Economist
- **Fathers are doing more child care in East Asia**
  Hands on :: About time, too
- **Is India’s education system the root of its problems?**
  Bureaucrats, not bridge-builders :: A recent comparison with China suggests that may be so
- **Ice Age antelopes surge back from the brink of extinction**
  Undulating ungulates :: Even better, these peers of sabre-toothed tigers can help with carbon capture
- **Indonesia’s Prabowo is desperate to impress Trump and Xi**
  Banyan :: The new president’s first foreign tour was a shambles

The roads to the top

Meet the outspoken maverick who could lead India

Nitin Gadkari, India's highways minister, talks to The Economist

Nov 29, 2024 02:03 PM | Nagpur

NITIN GADKARI leans back into his sofa and takes a hard-earned slurp of his tea. India's roads minister, one of its most popular and controversial cabinet members, has just done his 72nd rally in 13 days of campaigning for a state election in his native Maharashtra. He began the day in Mumbai, in the west, and ended it 430 miles (690km) eastwards in his hometown of Nagpur. It was a brutal schedule, more suited to his earlier years, he admits. But at 67, he knows a thing or two about endurance in Indian politics.

When he became the youngest ever leader of the Bharatiya Janata Party (BJP) in 2009, he was hailed as a rising star, only to be ousted four years later because of a tax scandal. Later cleared of wrongdoing, he rebuilt his reputation as a member of Prime Minister Narendra Modi's cabinet, overseeing a huge expansion of India's highways. Then he was suddenly removed from the BJP's parliamentary board, its top decision-making body, in 2022 amid rumours of tensions with the prime minister.

Now he is one of the candidates to succeed Mr Modi. And his chances may have just improved with American prosecutors' allegations against Gautam Adani·, Mr Modi's closest business ally. Even before those charges became public on November 20th, Mr Gadkari had raised his profile with several controversial public remarks in recent weeks. Some of those were widely seen as oblique criticism of Mr Modi. And in an interview with *The Economist* on November 18th, Mr Gadkari strikes a markedly different tone from that of the prime minister, who cultivates an image of semi-divine infallibility.

"No one is perfect and no one can claim that he is perfect," says Mr Gadkari. The BJP lost its parliamentary majority in this year's general election in part because the opposition promoted the idea (falsely, in his view) that Mr Modi wanted to change India's secular constitution. But the BJP erred, too. It needed to communicate better and focus on development, not identity. "We need to establish a good atmosphere between the parties and between people who have different types of ideology."

He also doubles down on his assertion, made in September, that "the biggest test of democracy is that the king tolerates the strongest opinion against him." That was widely seen as referring to Mr Modi. "I'm not talking about any person or leader," Mr Gadkari says, when asked about the remark. Still, he adds that tolerance and respect are integral to India's political system. "It doesn't mean that we are enemies if we are in opposition," he says. "That is the culture of our democracy."

Those and other remarks seem to distance him from Mr Modi's Muslim-bashing campaign speeches and demonisation of India's opposition. They also echo the leadership of the Rashtriya Swayamsevak Sangh (RSS), the Hindu-nationalist group from which the BJP emerged. Mohan Bhagwat, the RSS chief, recently made plain his frustration with Mr Modi's divisive oratory and aversion to advice or criticism.

Mr Modi's position is not immediately under threat. Aged 74, he seems in good health and BJP officials have denied that the party's rules require retirement at 75 (although it has ousted some veterans that way). Nor is Mr Gadkari the only potential successor. Opinion polls suggest that the frontrunner is Amit Shah, who is home minister, the BJP's electoral strategist and Mr Modi's confidant. Yogi Adityanath, the chief minister of Uttar Pradesh, India's most populous state, usually ranks in second place, with Mr Gadkari third.

But Mr Modi's successor will be decided by the upper ranks of the BJP and RSS, not by opinion polls. And many of them do not trust Mr Adityanath, who hails from a rival Hindu-nationalist group. He is also highly controversial among foreign governments and secular-minded Indians because of his own record of Islamophobic remarks and policies. Mr Shah, meanwhile, is so closely tied to Mr Modi (and has so many enemies) that he could well be sidelined as soon as the prime minister retires.

Both Mr Modi and Mr Shah have also been tainted by the general-election result. And on top of the Adani scandal, they face allegations that Indian officials were involved in the killing of a Sikh activist in Canada and the attempted murder of another in America (India denies all the Canadian allegations but is co-operating with the American investigation).

Mr Gadkari is untarnished by such problems. He is seen by foreign officials as the BJP's moderate face and by business leaders as a champion of public-private partnerships in infrastructure. He is liked by some opposition leaders, which helps in coalition building. And his popularity in Maharashtra, including among Muslims, has helped the BJP keep control of Nagpur (whose national parliament seat he has held since 2014) and to win, with its allies, the recent state election there.

His other strength is his relationship with the RSS, which is headquartered in Nagpur. He joined it in the 1970s. Although married, which is forbidden for most full-time RSS workers, he still describes himself as a volunteer. "The RSS is my life's conviction," he says. It handpicked him as BJP leader in 2009, an appointment of which he is clearly still proud. It was, he says, "a big thing for me" that conveyed "tremendous respect and regard". That support has not been unwavering: the RSS backed his removal from the post in 2013 (albeit reluctantly) and from the party's parliamentary board in 2022. In the latter case, it was reported to have shared Mr Modi's frustration with Mr Gadkari's outspokenness and more moderate politics.

Since the election, however, Mr Gadkari appears to have found favour again as the RSS recalibrates its own political message. And he has done so without changing his maverick ways. In July he wrote a (widely leaked) letter to India's finance minister asking her to lift a tax on insurance. In September he alleged that an opposition leader offered to make him prime minister if he defected before the election.

Asked if he wants the top job one day, Mr Gadkari gives the quintessential politician's response. "I'm here, happy, I'm doing my work. I don't have any aspiration or ambition to become prime minister," he says. And if he was asked by his own party? "No one is going to ask me, so no question arises," he says with a chuckle. Endurance is not the only key to Indian politics. A bit of media savvy helps, too. ■

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Hands on

Fathers are doing more child care in East Asia

About time, too

Nov 29, 2024 02:03 PM | Taipei, Tokyo and Seoul

FOR YEARS Ito Tsubasa never questioned his family life: he worked long hours while his wife did all the housework. So it came as a shock when his wife, pregnant with their second child, suggested he take parental leave so she could focus on her career. After a heated argument, he eventually gave in, taking six months of parental leave. His experience of staying at home has transformed his understanding of what it means to be a father. “I used to think I was a great dad just because I played with the child on the weekends,” says Mr Ito (pictured), whose children are now eight and four. “I couldn’t have been more wrong.” Today, he and his wife share the housework evenly.

Mr Ito is not alone. Across East Asia a quiet revolution is reshaping fatherhood. Rigid and conservative gender roles, which involve a male breadwinner and a female caretaker, have been the norm for decades and remain entrenched across the region. Yet younger men are increasingly setting their priorities outside work, and married couples are moving towards a more egalitarian approach to child care. In Japan the share of eligible men taking paternity leave reached 30% in 2023. That is a sharp increase from 17% in the previous year and a mere 2% a decade ago. In South Korea, 6.8% of eligible men took paternity leave in 2022. That is still shockingly low, but up from less than 1% in 2016.

Alongside this, women are educated and employed at levels never seen before. In Japan the employment rate for women aged 25-39 surpassed 80% for the first time in 2022. In South Korea 74% of women aged 25-29 are now employed. In Japan and Taiwan more than 60% of households have two incomes. In South Korea the share is close to half.

Daddy issues

What is perhaps surprising is that it has taken so long. According to one ranking, Japan and South Korea have the best paid parental-leave policies for men worldwide. Fathers in both countries are entitled to a full year of paid leave. In Japan, nearly 70% of pay is compensated for the first 180 days. Yet young employees often hesitate to use such benefits, largely due to the desire to conform to the expectations set by gerontocratic male managers. Even if they do, it tends to be somewhat performative. In Japan, most men go on leave for less than two weeks, whereas 95% of women do so for six months or more.

By contrast Taiwan is relatively progressive compared with its neighbours. In 2023 its gender pay gap was as narrow as 15%, compared with 31% in South Korea and 21% in Japan. According to the World Values Survey, a global research outfit, fully 64% of Taiwanese men disagree that it is a “problem if women have more income than their husband”, whereas only 26% of Japanese and 28% of South Korean men do. But Taiwan’s paid parental leave lacks flexibility and sets a monthly upper limit of NT$36,640 (around $1,100), which means a huge cut in pay for higher earners. Even so, Teng Kai-yuan, a Taiwanese man with a nine-year-old son, was determined not to become like his own aloof father. “Both my wife and I hated the fact that our fathers did not spend time with us,” he says. Mr Teng splits the housework with his wife 50-50; his weekends are dedicated to family activities such as camping.

The implications of such shifts could be profound. A study by Matthias Doepke, an economist at the London School of Economics, revealed a positive correlation between men’s share of the housework and fertility rates across rich countries. That could help reverse a demographic crisis. Last year South Korea’s fertility rate reached a record low of 0.72, while Japan’s was at 1.2 and Taiwan’s at 0.87. Babies—and better dads—are urgently needed. ■

Bureaucrats, not bridge-builders

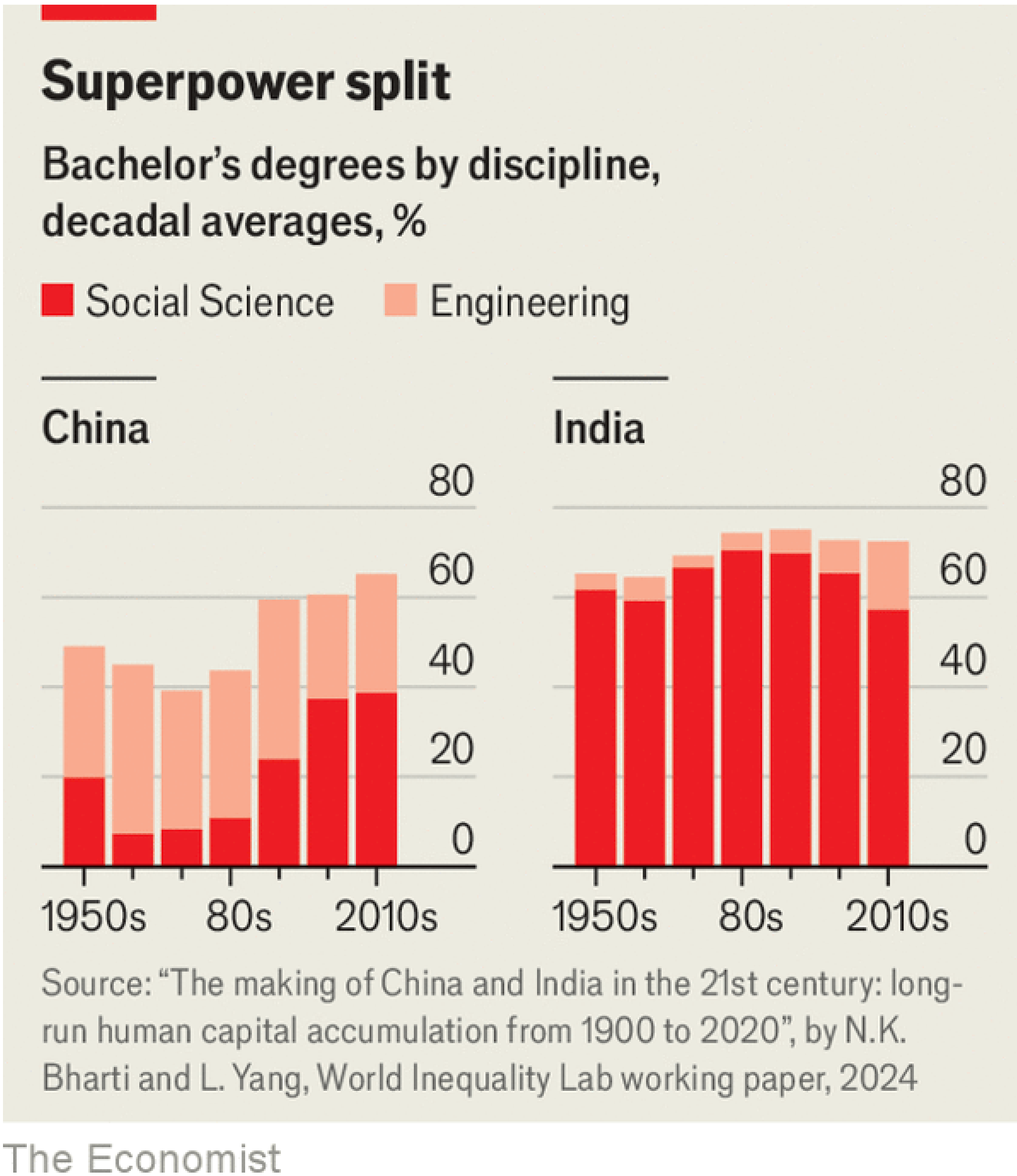
Is India’s education system the root of its problems?

A recent comparison with China suggests that may be so

Nov 29, 2024 02:03 PM | Singapore

FOR MOST of history the economies of India and China grew in lockstep. In 1970 the countries were almost identically wealthy. But today China’s GDP per person, at around $13,000, is nearly five times India’s. The chasm is traditionally explained by the way their economies opened up. China became the world’s factory, which turbocharged growth. India became its back office. But what shaped these paths?

A big, underrated factor is education policy, suggests a new study by Nitin Kumar Bharti and Li Yang. The researchers at the Paris School of Economics’ World Inequality Lab track how education evolved in both countries from 1900 to 2020. At the beginning of the 20th century, less than 10% of Indian and Chinese children attended school; today almost every child does. But the route to universal education has been strikingly different, and has had profound effects on development.



China took a “bottom-up” approach to schooling. In the 1950s, officials in the newly formed People’s Republic prioritised expanding access to primary and secondary education. Independent India, however, took a “top-down” stance. That meant supporting high-quality universities, such as the Indian Institutes of Technology, at the expense of primary schools. By 1980 93% of Chinese children were enrolled in primary school, but just 1.7% of youngsters were in college; in India, the equivalent shares were 69% and 8%.

Another striking difference is what college-aged youngsters study. In China they are more likely to pursue engineering degrees. In India they favour humanities, business or law. Vocational degrees are also treated more seriously in China. Since the 1980s more than 40% of Chinese youngsters have pursued a vocational education, compared with just 10% in India.

All this created different labour forces as their economies liberalised. In 1988 around 60% of Indian adults were illiterate compared with 22% in China. That hindered Indians from moving out of agriculture into more lucrative jobs. It also lowered their productivity. In addition, China’s higher share of engineering and vocational graduates, combined with more widespread primary schooling, helped its manufacturing sector thrive. India’s relative advantage in tertiary education made it more suitable for services-led growth.

The contrasting approaches to education have historical roots. China’s Qing dynasty leaders focused on vocational skills in the late 19th century to equip their armies. India’s British colonial rulers wanted a school system to churn out administrators to manage their empire. Indian leaders after independence reinforced that bias.

Since then, though, India has tried to fix these issues. A big push increased access to primary schooling in the 2000s—but at the expense of quality. The government is also promoting vocational education. And at the tertiary level, a lot more Indians are studying engineering. Yet it might be too late. Many economists reckon that the era of manufacturing-led growth has bypassed India. A report released in September supported such fears. Of the 1.5m engineering students who will graduate this fiscal year, only 10% are expected to actually land a job in the year after leaving university. ■

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Undulating ungulates

Ice Age antelopes surge back from the brink of extinction

Even better, these peers of sabre-toothed tigers can help with carbon capture

Nov 29, 2024 02:03 PM | Almaty

THE LONG-NOSED saiga antelope, a rare species that roams the steppes of Kazakhstan, is having a moment. Boasting majestic ridged horns that are prized in Chinese medicine, it was once hunted to the brink of extinction. But conservation efforts have been so successful that saiga numbers have rocketed by 6,900% in just under two decades to reach 2.8m, compared with fewer than 40,000 in 2005. Some 95% of these prehistoric-looking beasts—which were contemporaries of long-extinct species like the woolly mammoth and the sabre-toothed tiger back in the Ice Age—are found in Kazakhstan.

This remarkable recovery achieved global recognition this month when Altyn Dala, a conservation alliance, received the Earthshot Prize, established by David Attenborough, a British biologist and broadcaster, and Prince William to reward endeavours to fix the planet. Altyn Dala is a collaboration between Kazakh conservationists, international groups (including Britain’s Royal Society for the Protection of Birds) and Kazakhstan’s government.

It was recognised for its efforts to preserve habitat and biodiversity across an area around the size of Turkey within Kazakhstan, the world’s ninth-largest country. This has led to the saiga’s recovery. Among the largest intact grasslands on the planet, Kazakhstan’s steppes are a giant carbon sink that act as a tool in the battle against climate change, offsetting harmful emissions by absorbing carbon and sequestering it underground.

The saiga is a “keystone species” in this habitat and vital to the ecosystem’s survival. With its distinctive bulbous nose that filters dust in the blazing summers and warms the frigid air it inhales in the sub-zero winters, the ungulate is perfectly adapted to survive on the Eurasian steppe. Still, life is precarious: saigas have perished in mass die-offs attributed to bacterial infections triggered by increased heat and humidity levels, and been felled by lightning strikes.

But it was poachers who nearly made the beast extinct, operating in criminal gangs to kill saigas for their horns, prized in China as a supposed treatment for ailments including fevers, colds and liver disease. Confronting the poachers is a dangerous job: saiga hunters have murdered two Kazakh rangers in recent years. Supported by Altyn Dala, the government has toughened penalties for poaching and stepped up enforcement by rangers.

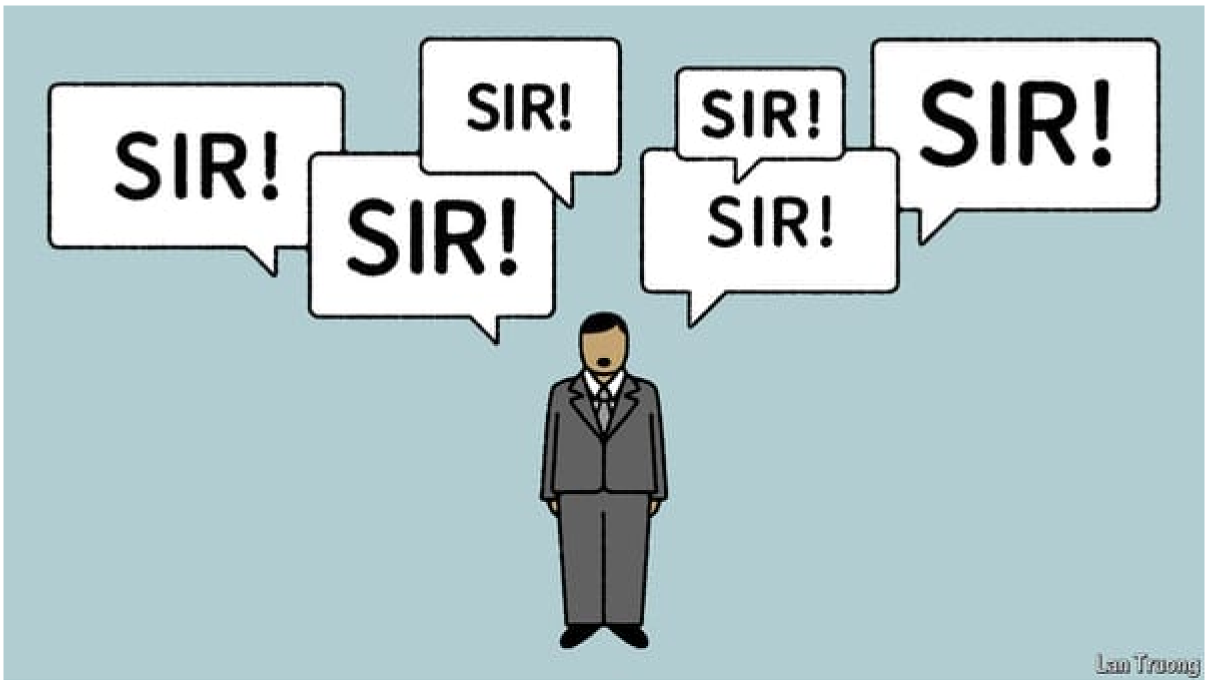
Last year, the International Union for Conservation of Nature, which tracks endangered species, reclassified the saiga from “critically endangered” to “near threatened”. But while conservationists celebrate their success, Kazakh farmers are not so pleased. Some now complain that the creature is becoming a pest, prompting the government to allow selective culling of the saiga population. ■

Banyan

Indonesia’s Prabowo is desperate to impress Trump and Xi

The new president’s first foreign tour was a shambles

Nov 29, 2024 02:03 PM



OVER THE course of three presidential campaigns, Prabowo Subianto told Indonesians that the country needed a president tough enough to stand up to foreign powers. The former special-forces general’s first foreign trip as president has them wondering whether he was referring to someone else.

On November 8th, less than three weeks into the top job, Mr Prabowo jetted off on a six-country world tour. The outing revealed a man desperate for the approval of his counterparts, over-confident in his own abilities and poorly counselled by a circle of novice advisers.

The trip was planned in haste, and the itinerary remained uncertain well into the tour. Mr Prabowo had hoped to drop by Mar-a-Lago to see Donald Trump a few days after his election victory. On an obsequious congratulatory call, footage of which was published on his social media channels, a boyishly nervous Mr Prabowo, 73, offered to fly to “wherever you are” to meet with the president-elect.

Mr Trump ignored this, instead complimenting Mr Prabowo’s English. Mr Prabowo, who is a product of international schooling and speaks four languages, proudly replied that “All my training is American, Sir!” referring to courses that he completed at American military bases in the 1980s. In the end, he had to settle for meetings in Washington with President Joe Biden and officials of the outgoing administration.

No matter. On Mr Prabowo’s first stop, in Beijing, Xi Jinping showered the new head of state and a large delegation of his business backers with ceremony and appurtenances befitting the royal bloodline which the new president claims. So charmed was Mr Prabowo that he agreed to a Chinese draft of a joint statement, following only cursory consultation with his diplomats.

The joint statement gave away longstanding Indonesian positions. It acknowledged for the first time the existence of a dispute with China over rights to resources in the South China Sea. Indonesian leaders had long resisted this step, seeing it as tantamount to legitimising China’s claim. Worse, Mr Prabowo agreed to jointly develop the fisheries and gas there, in effect committing to share the spoils of Indonesia’s bounty.

The statement also signed Indonesia up to China’s vision for an alternative to the liberal world order, which Mr Xi calls a “community of shared future”, and each of the three major initiatives under it, on development, culture and security. Non-aligned Indonesia had previously avoided pressure to do so, according to Klaus Heinrich Raditio, a lecturer on Chinese politics at the Driyarkara School of Philosophy in Jakarta, the capital, seeing it as China’s attempt to weaken its engagement with America and its allies.

Indonesian diplomats had tried to warn Mr Prabowo of these traps, but their objections were given short shrift by Indonesia's new foreign minister, an inexperienced former aide to Mr Prabowo. The gap between the president and Indonesian foreign-policy establishment on the South China Sea deal is so evident and so great that when a White House spokesperson was asked about it, she did not criticise the concessions directly. She suggested that Indonesia consult with its own experts.

The deal reveals the risks for Mr Prabowo of relying on a small circle of longtime aides, mainly drawn from the armed forces and his own family. They are not ones to object to his flights of fancy or to deliver bad news.

Even Mr Prabowo's family members, who fill several important roles, struggle to speak authoritatively on behalf of the president. Hashim Dojojohadikusumo, Mr Prabowo's brother, accompanied his brother to Beijing then broke away to lead Indonesia's delegation to COP in Baku. There, he announced a plan to reduce Indonesia's reliance on coal. Mr Prabowo blew past it, however, at the G20 Summit in Rio, where he pledged to quit coal entirely by 2040. This will be difficult. Two-thirds of electricity in the country is produced by coal-fired power plants. So far Mr Prabowo has not explained how he hopes to achieve this.

One problem with Mr Prabowo is that it is never clear whether he means what he says. Eager to please, he tends to tell people what they want to hear. He could always reverse himself, whether on the South China Sea or on coal. Dealings with him are an opportunity to set a marker to pursue later, or to reverse an adversary's earlier win. Mr Prabowo may not drive a hard bargain, but he is hard to pin down.■

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China

- **China suffers eruptions from its simmering discontents**
  Getting revenge on society :: Amid random violence and increasing protests, fears mount for social stability
- **China’s government is badgering women to have babies**
  Exercises in fertility :: It is testing an expanded pro-natalist playbook
- **Wegovy hits the People’s Republic, at last**
  GLP-1s and China :: China mainlines “Musk’s miracle medicine”, at a fraction of the cost in America

Getting revenge on society

China suffers eruptions from its simmering discontents

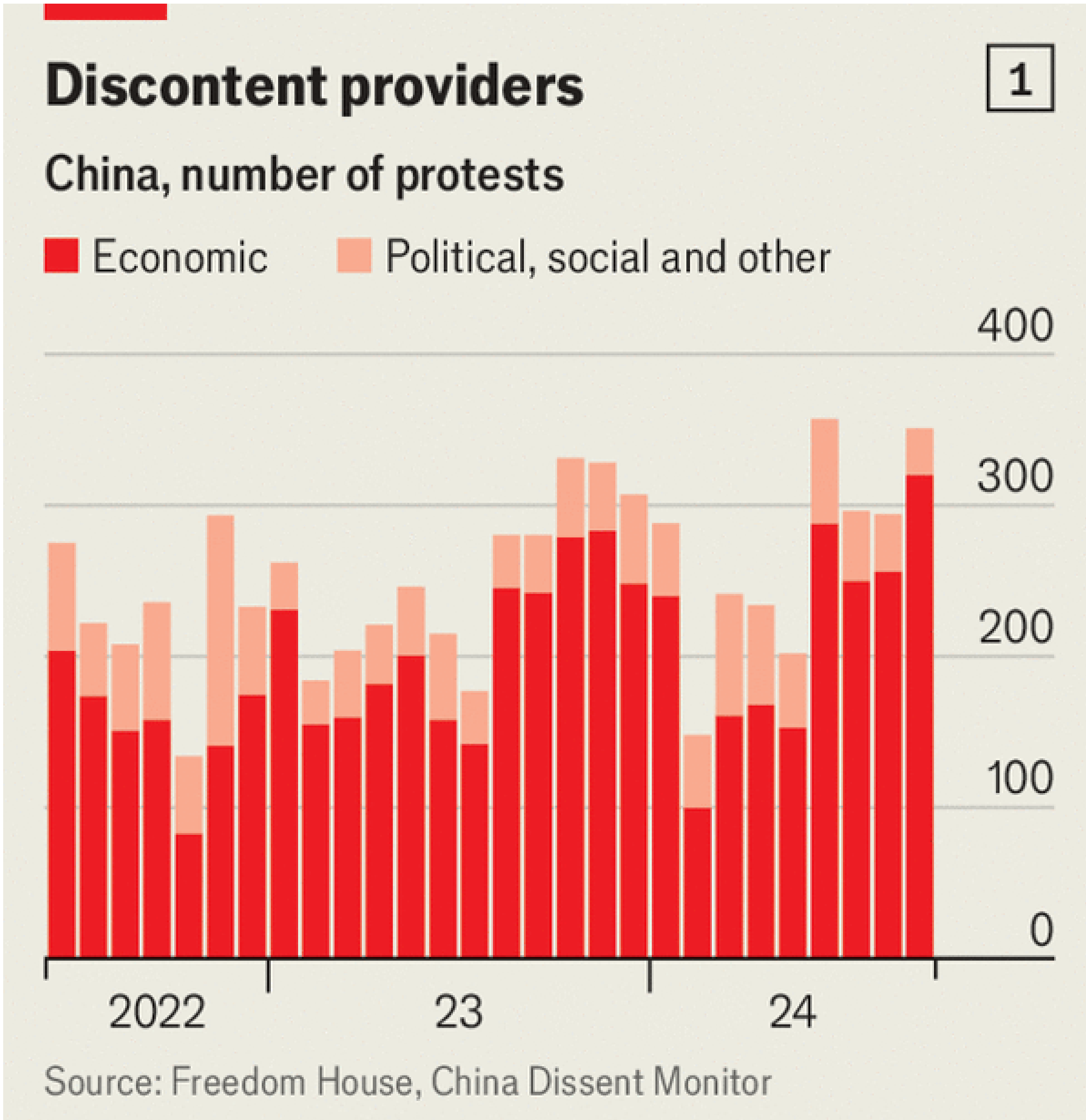
Amid random violence and increasing protests, fears mount for social stability

Nov 29, 2024 02:03 PM | Beijing

A SERIES OF violent attacks has shaken China in recent weeks. On November 11th, 35 people were killed and 43 injured when a man drove through a crowd in Zhuhai, a southern city. The police said he was angry at how assets had been divided after his divorce. Five days later in the eastern city of Wuxi, eight were stabbed to death at a vocational school by a former student, said to be unhappy about his pay after graduation. Three days after that, several people were injured when a car rammed into families waiting outside a primary school in Changde, a city in Hunan, a central province.

Such incidents are known in China as “revenge on society” attacks. They have become grimly familiar in a country used to low levels of other crime. Before the latest spate, at least six other attacks had occurred just this year, including one at a school in Beijing and one at a Shanghai supermarket. All were committed by men using knives or cars as weapons. Typically, the perpetrator seemed to be lashing out at innocent bystanders out of anger or despair. Many Chinese are searching for explanations. Some are asking if the violence is being fuelled by economic woes.

The Communist Party dislikes such talk, which might raise questions about its governance. But it is nevertheless acting as if the attacks are symptomatic of deeper problems. Two days after the deaths in Zhuhai, Xi Jinping, China’s president, demanded officials nationwide “safeguard social stability” and “control risks at the source”. On November 27th a commentary on the attacks in the *People’s Daily*, a party mouthpiece, called on citizens to “maintain a high level of vigilance, as if treading on thin ice”. Officials across China have launched a campaign to ramp up security measures, identify likely troublemakers and defuse potential conflicts.



The Economist

China's tight controls over the media and opinion surveys make it hard to know how much discontent is brewing. But officials have reason to worry. House-price falls after a property-market crisis have wiped out many people's life savings. Defaults by developers have left others with unfinished homes. And bankruptcies among manufacturers are soaring, because of overcapacity and weak demand. Freedom House, a think-tank in Washington, counted 937 protests in China in the third quarter of 2024, 27% more than in the same period in 2023, mostly sparked by economic grievances (see chart 1).

Young people, often in history the source of social unrest in China, are suffering disproportionately. China produced 11.8m graduates from its universities and vocational colleges this year, a record number, but not enough jobs for them. The youth-unemployment rate dipped earlier this year but has gone up again in recent months (see chart 2). Some young people complain that they are living in the “garbage time” of China’s history.

The Economist

Amid these pressures, over the past year officials had already stepped up efforts to ensure social stability. Since the Zhuhai attack such efforts have gone into overdrive. On November 21st Wang Xiaohong, the minister for public security, ordered the police to prepare for what he called a "winter operation" of inspections and patrols in order to "prevent extreme incidents". Two days later China's most senior judge pledged to punish acts of violence so harshly that the public would "truly feel fairness and justice". Police cars have appeared outside schools and nurseries in Beijing.

The party is also trying to spot people who might cause trouble. Officials are focusing on those suffering from the “four lacks and five frustrations”. That includes everyone from people who lack a stable job or marriage to those whose companies have failed, or who have crippling debts. All are deemed potential sources of instability. On November 16th the authorities in Guangdong province (which oversees the city of Zhuhai) said they would use a surveillance “dragnet” to find such types.

Ideally, officials want to defuse tensions before they become a serious problem. On November 19th China’s highest prosecutorial body demanded local governments look for signs of strife and “nip them in the bud”. Some enterprises have been asked to think twice before laying off potentially volatile workers. Local authorities in a part of Inner Mongolia, in northern China, have directed firms to offer employees psychological counselling.

Ordinary citizens, too, are being enlisted to help authorities spot trouble brewing. This approach, known as the *fengqiao* model, a way of mobilising the public to police one another, dates from the time of Mao Zedong, but was revived by Mr Xi. Under the model, citizens are urged to keep an eye on their neighbours for signs of disputes. On November 15th officials in the eastern province of Fujian said they would use the model to monitor everything from spats between neighbours to “quarrels over love and marriage”.

Will all this prevent further attacks? Minxin Pei, of Claremont McKenna College in California, says that one problem is that China’s authorities simply cannot surveil as many people as they want to. Based on government documents and police reports, he estimates they can monitor 10m-15m people at once. That is a lot, but China has a population of 1.4bn, of whom vast numbers fall into the categories officials have identified as potential risks.

To make their task even harder, many local governments are desperately short of funding. Some are struggling to pay public servants on time. Such constraints will probably force officials to ease up the current crackdown quite early next year, says Liu Dongshu, of City University of Hong Kong. He expects a surge in social-stability efforts to last until the end of the

Chinese New Year festivities, which fall in late January and are always a particularly sensitive time for authorities.

Critics of the government's approach say that China's tightly controlled society lacks pressure valves for people to vent their frustrations, so grievances fester. After the attacks, Qu Weiguo, a professor at Fudan University in Shanghai, posted a thoughtful essay on Weibo, a social-media platform. He argued that the perpetrators of "revenge on society" attacks feel they have no other way to be heard. So part of the solution, he argued, should be to open up more public channels for complaints.

Mr Qu's essay was quickly deleted. Party officials still seem convinced that only tightening controls will deal with the problem, not loosening them. They like to contrast their approach to governance with the more hands-off methods used by Western governments, whose countries, officials note, are often chaotic. China usually looks a model of stability in contrast. But that does not seem to be how its government sees things just now. ■

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Exercises in fertility

China’s government is badgering women to have babies

It is testing an expanded pro-natalist playbook

Nov 29, 2024 02:03 PM | Beijing

MS MAO WAS making lunch one day at her home in the eastern city of Wuxi when she got the phone call. Rather than the courier’s delivery update she was expecting, she found herself subject to an intimate interrogation by a neighbourhood official: When was your last period? Are you pregnant? Do you plan to have a baby? “It doesn’t seem like the kind of thing that could happen in the 21st century,” says the 28-year-old.

Such intrusive calls to young, recently married women are part of an intensifying government campaign to stem China’s falling birth-rate and reverse the drag it is having on economic growth. Demographers estimate

Chinese women have one child each on average, far below the 2.1 needed to keep the population stable.

In late October the State Council, China's cabinet, unveiled a sweeping set of pro-natalist measures, including child tax credits, more maternity and paternity leave, and, importantly, easier access to housing loans, a big concern for Chinese families. Research by Tunye Qiu and Weifeng Liu of the Australian National University has found that a 10% rise in housing prices leads on average to a delay of 0.73 months in marriage and 1.8 months in first childbirth for urban residents.

He Yafu, an independent Chinese demographer, notes that the State Council has yet to specify the scale or the source of all the goodies it is promising, making it impossible to gauge how much effect they are likely to have.

Cash for kids is only part of the government's strategy. China's president, Xi Jinping, believes fixing the country's baby bust requires cultural change, too. At the five-yearly National Women's Congress in 2023, he preached the importance of telling "good stories about family traditions". With two divorces occurring for every five marriages in the first three quarters of this year, Mr. Xi worries that young people do not share the right "marriage and child-rearing" values.

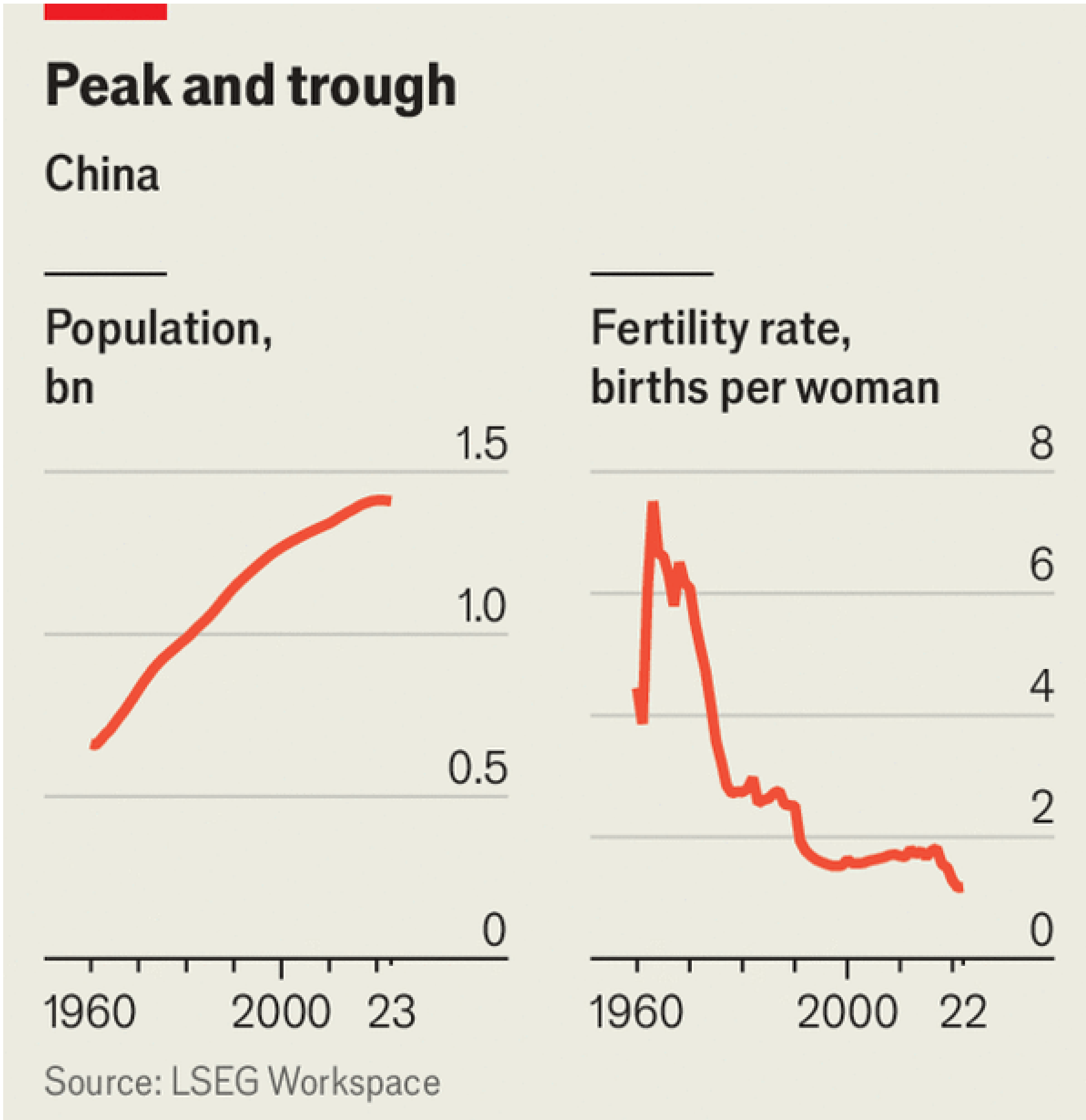
The government is doing its best to instil those values. The picture of a one-child family that used to be on the cover of school textbooks for eight- and nine-year-olds has been replaced by one showing a pregnant mother and her two children. The school curriculum is being adjusted to stress the virtues of family and marriage. The government has also called for the production of more TV shows that extol the virtues of having kids.

Staffing much of the pro-natalist push, including the phone campaign, are family-planning committees embedded in local communities. Known for their strict, sometimes brutal, enforcement of the country's one-child policy between 1979 and 2015, they have a new mission: trying to ensure that more women get pregnant.

After decades of making unscientific claims to deter baby-making—such as that pregnancy reduces a woman's intelligence—the authorities are arguing the opposite**.** On October 30th a magazine overseen by China’s National Health Commission published an essay on “the four benefits of childbirth”, including increased brainpower and lower risk of cancer and menstrual pain. Online, this prompted a rapid backlash. “To get people pregnant, the government will literally come up with anything they can,” fumed one writer.

The party is also playing matchmaker, setting up dating websites and forums for young adults. A dating platform set up by the Communist Youth League in Zhejiang province had 300,000 new registrants in just three months earlier this year. Users can join party-organised camping trips, flag-football matches and murder-mystery games. Relationship problems? The party has that covered, too. Counsellors and psychologists are on hand to offer advice.

In many residential districts in China, banners promoting childbirth are on display. Common slogans promise a fulfilling life with three children, not least because they will take care of their parents as they age. More threatening ones remind village officials of their duty to ensure every household has more than one child.



The Economist

After decades of successfully forcing women to have fewer children, China's government is finding it cannot force them to have more. Take Ms Mao. She told the importunate official on the phone that she and her husband are not yet trying for a baby. The baby-booster said she would call every two weeks over the next three months to check in.

Ms Mao is indignant: "This type of private matter should be a personal decision and not reminiscent of 'The Handmaid's Tale'." On Xiaohongshu, an Instagram-like platform where she posted about the call, others too saw parallels with Margaret Atwood's dystopian novel about a society in which fertile women are forced to bear children.

But as countries from Singapore to Sweden have found, a decline in fertility rates is very hard to reverse. The success of the Chinese government's redoubled efforts—from macro-level cultural reform to micro-level menstruation-tracking—will depend on the decisions of tens of millions of women like Ms Mao. She declined the official's offer of pre-natal vitamins and blocked her number. ■

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GLP-1s and China

Wegovy hits the People's Republic, at last

China mainlines "Musk's miracle medicine", at a fraction of the cost in America

Nov 29, 2024 02:03 PM | Beijing

IT IS KNOWN in China as "Musk's miracle medicine". In 2022 the boss of Tesla and new owner of Twitter, now X, gave credit for his slimmer figure to Wegovy, a drug manufactured by Novo Nordisk, a Danish firm. News about the drug quickly went viral on Chinese social media, where Mr Musk is wildly popular. The hype was, unusually, justified. Wegovy's active ingredient, semaglutide, belongs to a class of drugs known as GLP-1 receptor agonists. GLP-1s help control blood sugar and promise to bring many other benefits as well.

But for a long time China's people struggled to get hold of Wegovy because the country's regulators had not approved it. Some persuaded their doctors to give them Ozempic, another semaglutide-based drug, intended to treat diabetes. Others bought knock-off versions online. Then on November 17th, after getting the nod from officials, Novo Nordisk at last started to sell Wegovy in China. Some hospitals in Shanghai have already written prescriptions. Netizens are discussing whether they can rely on the drug to lose weight in time for family reunions at Chinese New Year, which falls in late January.

A miracle medicine for weight-loss would certainly be welcomed by huge numbers of people in China. Although the country suffered famines as recently as the 1960s, rapid economic development since then has brought more sedentary jobs, richer food and bigger waistlines. Today about half of Chinese are overweight or obese, according to state-run media. By 2030 that share may have climbed to about 63%, according to the government's National Health Commission.

All this is straining China's health-care system. By 2030 the treatment of heart disease and other conditions linked to obesity could suck up a fifth of China's total health spending, according to a 2021 study published in the *Lancet*, a journal. China's health authorities are alive to the risks. In recent months they have launched a three-year campaign against obesity and published China's first set of official guidelines on how doctors should diagnose and treat the condition. The guidelines give weight-loss drugs, alongside healthier lifestyles, a vital part to play.

Not everyone will have access to them at first. Novo Nordisk has said it will limit initial sales of Wegovy in China so as not to affect the supply to other markets. A month's supply of the drug will cost 1,400 yuan ($190), according to local media. That is a fraction of the $1,350 it costs in America, but still a substantial expense for many Chinese. They would also have to pay it out of pocket, as Wegovy is not available on the public health-insurance system.

Nevertheless, Nomura, a bank, estimates that by 2033 the Chinese weight-loss-drug market might be worth over $11bn a year. Wegovy will be only one part of the picture. Eli Lilly, an American pharmaceutical company, is expected to market its own GLP-1 drug in China soon (it already has regulatory approval). And in 2026 Novo Nordisk’s patent for semaglutide will expire in China, allowing local firms to sell cheap generic versions of Wegovy. At least 11 such drugs are going through clinical trials, according to a count in June by Reuters, a news agency. Supply may begin to catch up with demand. ■

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Middle East & Africa

- **Israel and Hizbullah strike a fragile deal to end their war**
  A ceasefire in the Middle East :: Joe Biden makes a last push to bring peace to the Middle East
- **The Lebanese-American businessman in Donald Trump's inner circle**
  Massad Boulos :: Can Massad Boulos influence the incoming administration in the region?
- **America under Joe Biden plays the pragmatist in Africa**
  America in Africa :: Donald Trump is likely to follow suit
- **New cures for Africa's most gruesome diseases**
  Surviving in Africa :: Sleeping sickness, riverblindness and more could be tackled
- **Nigeria seeks to restore pride in its artefacts, ancient and modern**
  Not just a warehouse :: A new museum in Benin City will showcase "a cauldron of creativity"

A ceasefire in the Middle East

Israel and Hizbullah strike a fragile deal to end their war

Joe Biden makes a last push to bring peace to the Middle East

Nov 29, 2024 02:03 PM | DUBAI

AT FIRST THE mood in Lebanon was jubilant. Thousands of people jumped into their cars and drove south on the morning of November 27th, hours after a ceasefire ended the year-long war between Israel and Hizbullah, a Shia militia. They were eager to return to homes from which they had fled months earlier.

But as the day wore on, a sobering reality set in. The returnees found terrible damage in southern cities like Tyre and Nabatieh (see map). The Lebanese army warned them not to go too far south, citing the risk of unexploded bombs. Then Israel issued its own warning, declaring some areas in south Lebanon to be closed military zones. On at least one occasion Israeli troops fired warning shots at cars trying to enter a village near the border. The ceasefire held, but the friction was a reminder that it will be fragile and complex.

The deal, which took effect at 4am local time on November 27th, called for a 60-day halt to the fighting. During that period [Hizbullah](#) will move its fighters north of the Litani river, about 30km from the border with Israel, which will gradually withdraw its own forces from Lebanon. The Lebanese army will deploy around 5,000 soldiers to the region (it has already sent an initial batch). All of this will be monitored by a panel of five countries, led by America. Israel will retain the right to strike at "immediate threats" in Lebanon.

Both sides have good reason to end the war. It began last year, when Hizbullah started firing rockets at Israel in solidarity with Hamas, the Palestinian militant group that massacred more than 1,100 Israelis on October 7th, 2023. For almost a year Israel and Hizbullah limited the battle to back-and-forth bombardment near the border. In September, though, Israel expanded its air strikes across Lebanon, and in October it launched a ground invasion.

A year of combat, both in Lebanon and in Gaza, has placed enormous strain on the Israeli army. Many reservists have been called up for long tours of duty: 54% of those mobilised since October 7th have done more than 100 days of service. To continue the war in Lebanon would mean expanding it, and Israel's generals are reluctant to impose an even heavier burden on the force. Binyamin Netanyahu, the Israeli prime minister, alluded to these pressures in a speech announcing the truce: he said the army needed a breather.

As for Hizbullah, its leadership has been largely wiped out this year, including Hassan Nasrallah, its charismatic boss for more than three decades. It has lost much of its advanced missile arsenal and its military infrastructure in southern Lebanon. Those losses will only mount if the war drags on. Most Lebanese did not want it to begin in the first place and have become increasingly desperate for it to end.

But both sides also have concerns about the deal. Many Israelis fear a repeat of 2006: their previous war against Hizbullah ended with UN Resolution 1701, which called for the militia to disarm. Hizbullah ignored that edict and the Lebanese army, which was meant to patrol the region south of the Litani, was too weak to enforce it. Some Israeli politicians fear that this agreement will prove equally hollow. "We must not do half the job," said Benny Gantz, the opposition leader.

The Lebanese army is still weak. Five years into an economic crisis that bankrupted the Lebanese state, many soldiers moonlight as taxi drivers to supplement monthly salaries that are worth as little as $100. The army will need donations from Western and Arab backers to recruit and equip more troops. Even with financial help, it is unclear if Lebanese troops will be willing and able to confront Hizbullah.

Around 70,000 Israelis have been displaced from towns near the border for more than a year. Israel's stated goal in the war was to make them feel safe enough to return home. It is unclear if this agreement will do the job. Mayors of some northern towns criticised the deal, saying they want stronger guarantees that Hizbullah will be kept away from the border.

The five-country monitoring panel is meant to review alleged violations of the agreement. If the Lebanese army and UN peacekeepers fail to act, Israel says it will. "The length of the ceasefire depends on what happens in Lebanon," said Mr Netanyahu. That may not mean a return to all-out war, but there will probably be new rules of engagement between Israel and Hizbullah in the coming years, with frequent Israeli strikes in Lebanon.

Many Lebanese will be unable to return home. The World Bank estimates the war has caused $8.5bn in damage and economic losses, more than one-third of Lebanon's GDP. Close to 1m people have been displaced and around 100,000 homes have been damaged. Entire villages in the south have been razed.

Yet for all the caveats, the ceasefire is a rare bit of good news. A regional war that seemed to be inexorably growing will now shrink. American officials used to say the way to end the crisis in Lebanon was to get a deal in Gaza. Now they hope they might do the opposite. "One of the things that Hamas has sought from day one is to get others in on the fight," said Antony Blinken, America's secretary of state. "If it sees that the cavalry is not on the way, that may incentivise it to do what it needs to do to end this conflict." Joe Biden, the American president, sent his top Middle East adviser to Saudi Arabia to make one more push for a broader regional agreement.

He will probably come back empty-handed. The Israeli prime minister has political cover to end the war in Lebanon. Though some of his coalition partners are unhappy with the terms of the ceasefire, they did not threaten to bolt from the government over it. A truce will also please Donald Trump, who told Lebanese-American voters in October that he would end the war in their homeland.

Mr Netanyahu has very different incentives in Gaza. His far-right allies dream of rebuilding the Jewish settlements there that were evacuated in 2005. They have vowed to bring down the coalition if Israel withdraws. The prime minister himself fears that a ceasefire would clear the way for a commission of inquiry into Israel's failure to prevent the October 7th massacre (he is unlikely to come out of it looking good). And Mr Trump does not seem eager to squeeze him.

For more than a year, Hizbullah insisted it would not stop fighting Israel until Israel stopped fighting in Gaza. Israel has now broken the link between the two fronts. That will take some of the pressure off its overstretched army. But by ending one war, Mr Netanyahu may make it easier to continue the other. ■

***Editor's note (November 27th 2024)**: This piece has been updated to note that the ceasefire has now come into effect.*

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Massad Boulos

The Lebanese-American businessman in Donald Trump’s inner circle

Can Massad Boulos influence the incoming administration in the region?

Nov 29, 2024 03:57 PM | Beirut

A LEBANESE-AMERICAN magnate makes a most unlikely buddy for Donald Trump. But in battered Beirut and elsewhere in the Arab world many are looking at Massad Boulos (pictured) as they try to puzzle out how the incoming American administration may handle the region and its wars.

Mr Boulos was propelled into Trump’s orbit when his son Michael married Tiffany Trump, the president-elect’s fourth child, at Mar-a-Lago in 2022. Yet it was not just Boulos junior who was marrying into the Trump family.

The wedding also pushed his father, a successful Lebanese-American businessman largely unknown in the wider world, into Mr Trump's inner circle.

Mr Boulos's profile rose this year as he cast himself as the liaison to Arab-American voters in the presidential election, campaigning hard in Arab-heavy cities. Mr Trump romped home in some of them, partly on the back of promises to end the war in Lebanon.

The Boulos family is Maronite Christian, hailing from Lebanon's far north, with an illustrious history. Mr Boulos senior left Lebanon as a teenager for Texas, eventually ending up in Nigeria, where like many Lebanese he made a big fortune, largely out of auto sales. But he kept tight links with his family back in Lebanon.

He had joined the Republican Party long before his son met Tiffany; he also tried in vain to get elected to Lebanon's parliament. But it was Tiffany's wedding and Trump's gains among Arab-American voters this year that have made him a potential influencer in Middle Eastern affairs. At events for Arab-American voters, where those of Lebanese heritage are the biggest bloc, Mr Boulos said Mr Trump was Lebanon's "last hope".

Unpicking where he fits into Lebanon's political kaleidoscope is tricky. He is a close childhood friend of Suleiman Frangieh, a Christian politician who ardently backs Syria's Bashar al-Assad and was the preferred candidate of Hizbullah, the pro-Iranian party recently hammered by Israel, to fill the current presidential vacuum. Yet he has managed to reassure other figures in Lebanon that he does not share all of Mr Frangieh's views. Joseph Gebeily, a prominent Lebanese-American who knows Mr Boulos, says Mr Trump's new friend understands that the issue with Iran is "not just focusing on the nuclear programme but also on the militias". ■

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America in Africa

America under Joe Biden plays the pragmatist in Africa

Donald Trump is likely to follow suit

Nov 29, 2024 02:03 PM | Luanda

“IT WAS PRETTY unthinkable ten years ago,” says an Angolan cabinet minister in his office, where the waft of the air conditioner ripples both his Hermès tie and the Soviet-inspired national flag behind him. Like everyone in Luanda, the capital, he is talking about Joe Biden’s expected arrival on December 2nd, the first trip to sub-Saharan Africa by an American president since 2015—and the first by any to Angola.

For João Lourenço, Angola’s president since 2017, it is the fruit of seven years of forging closer ties to the West after decades of dependence on Russia and, especially, China. His canny diplomacy shows how African leaders can exploit geopolitical rivalries. For Mr Biden the visit will highlight how his team has wooed a new partner in the global south. Since this has required a heavy dose of pragmatism in Washington, the unlikely friendship between America and Angola should endure under Donald Trump. Indeed, it foreshadows the realpolitik that will guide the new administration's approach to Africa.

Relations between America and Angola—sub-Saharan Africa's second-largest oil producer and home to 37m people—have not always been so warm. In the civil war after Angola's independence from Portugal in 1975, the MPLA, the ruling party, was backed by Cuba and the Soviet Union. Its opponents were supported by America and South Africa's white-led regime. America recognised Angola only in 1993 (though American oil firms pumped throughout the war, a sign of how the MPLA rarely lets its ostensible Leninism get in the way of business). After the cold war Angola got more arms from Russia than any country in sub-Saharan Africa. After 2000 no African country borrowed more money from China, often via oil-backed loans.

The Economist

Angola’s westward turn began when Mr Lourenço replaced José Eduardo dos Santos, a corrupt autocrat who had ruled for 38 years. Some credit the pivot in part to his influential wife, Ana Lourenço, who worked in Washington for the World Bank. (The couple reportedly still own a house in Maryland.) But it was mostly pragmatism. Angola had maxed out its Chinese credit card. Better relations with America were required to unlock support from the IMF and foreign direct investment. If Mr Lourenço could sell his clear-out of the Dos Santos clan as a broad anti-corruption drive, all the better. “He’s a chess player,” says a Portuguese businessman.

The first Trump administration responded to Mr Lourenço’s entreaties. Mike Pompeo, then Mr Trump’s secretary of state, visited Luanda in 2020. Trumpish China hawks saw a chance to loosen China’s grip in Africa. After Mr Biden took office, Angola became part of his efforts to build Western-friendly supply chains in critical minerals. In 2022 an American-backed consortium that included Trafigura, a commodities trader, won a concession to upgrade what is now known as the Lobito Atlantic Railway (LAR). It runs from Lobito to the border with copper-rich Congo (see map). A Chinese group lost the bid.

In 2021 Angola awarded a licence to Africell, an American-owned telecoms operator. The firm had earlier raised $100m from a US government agency to support its ventures. Africell will use infrastructure built by Nokia, a Finnish firm, rather than Huawei, the Chinese telecoms giant.

The cost of neglect

Russia’s invasion of Ukraine in February 2022 and the fence-sitting over it in many African capitals spurred American officials to bump up diplomacy in the global south, including Angola. “The Angolans managed to tell the Americans quickly that they could be had for a price,” says Ricardo Soares de Oliveira of Oxford University, a historian of modern Angola. “It is an example of how African leaders can try to exploit the nooks and crannies of global politics at a time of geopolitical upheaval.”

Later that year Mr Lourenço had prominent billing at a US-Africa summit in Washington and he has since been received in the Oval Office. America wants Angola, which has one of Africa’s largest armies, to play a bigger role in regional security. Last year it became only the third African country to join the Artemis Accords, a set of principles championed by NASA meant to ensure the peaceful use of space (and which China and Russia reject).

Then there is the Lobito Economic Corridor, America's largest-ever investment in African infrastructure, based around the LAR and an adjoining line in Congo. It is the centrepiece of the Partnership for Global Infrastructure and Investment, the G7's rival to China's Belt and Road Initiative. American officials say governments and firms have pledged to invest almost $5bn in it. This includes financing from the American government for a solar-power project and to support a study into extending the railway to Zambia. "Lobito is an example of what can happen when America decides to lead," argues Judd Devermont, a former top official for Africa in the White House. One day the line may be part of a trans-continental network linking the Atlantic and Indian oceans.

Angolan bigwigs have similarly high hopes. José de Lima Massano, the economy minister, says the corridor will help lessen reliance on oil. Ricardo De Abreu, the transport minister, says it will let Angola "become more integrated into global supply chains…What we're not doing is excluding China. But we are getting much closer to the US than we were before."

Ordinary Angolans are less keen on the visit. They like Angola's moment in the spotlight but are fed up with double-digit inflation and corruption. This week thousands of opposition supporters—who say the elections in 2022 were rigged—protested in the streets. Carlos Rosado de Carvalho, a newspaper editor, notes that the West was vocal when Nicolás Maduro stole Venezuela's election but quiet in Angola's case. "Lourenço is more popular outside the country than inside the country."

Do not expect that to change. Joshua Meservey of the Hudson Institute, a conservative think-tank, argues that under Mr Trump American policy in Africa will be influenced more by "a realist understanding of American national interest and not the cultural preferences of groups within the Democratic Party". It is unlikely, for instance, that there will be a repeat of what happened in 2023, when Uganda lost tariff-free access to America because it passed anti-gay legislation.

The Lobito corridor is "one of the few bright spots the new president will be inheriting on the African continent" amid "an overall disappointing stewardship of America's interests", argues Peter Pham, a senior official in the first Trump administration. He believes that realpolitik means the project will continue. ■

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Surviving in Africa

New cures for Africa’s most gruesome diseases

Sleeping sickness, riverblindness and more could be tackled

Nov 29, 2024 02:04 PM | Amudat

AS THE SUN rises and the nurses enter the ward, the children whimper. When the trolley approaches their beds, they begin to wail. Each morning in Amudat, a town in eastern Uganda, those in the local hospital brace themselves for treatment. When the nurse administers the jabs—one in each buttock for 17 days straight—some try to resist. The drugs are so toxic that for several days it can be painful just to sit.

The commonest treatment in Africa for visceral leishmaniasis, a parasitic disease (also known as kala-azar) that destroys the internal organs, is a harrowing ordeal, especially for children; one of the drugs involved, sodium stibogluconate, can be lethal. For decades it was used on its own, requiring 30 days in hospital and sometimes leaving debilitating side-effects. Many sufferers preferred traditional alternatives, which in Uganda includes drinking goat's blood. Even today, nurses in Amudat say patients at the hospital find it so excruciating they sometimes try to escape.

Kala-azar is one of what the UN's World Health Organisation (WHO) describes collectively as "neglected tropical diseases" (NTDs). It is deadly if left untreated in most cases. Like other NTDs, which include the biblical scourges of sleeping sickness, river blindness and elephantiasis, half of those infected are children. And because the populations blighted by kala-azar are overwhelmingly found in the poorest parts of east Africa, big pharmaceutical companies have tended to ignore it.

Research and development funding for kala-azar remedies has been much stingier than for malaria, tuberculosis or HIV/AIDS, which affect more people globally and nowadays can be countered by effective treatments or vaccines. But now, thanks to a combination of non-profit researchers and African public-health workers, there are signs of progress against NTDs. Promising new drugs for kala-azar and several other diseases are belatedly on the way.

One reason is that philanthropic organisations have become more involved. A global campaign to wipe out NTDs by 2030 has chalked up some big recent successes. Guinea worm has nearly been eliminated, thanks in part to funds from foundations like the Carter Centre in America. Today the "growing political consensus and evidence base" suggests that diseases such as kala-azar can be erased in Africa, says Sam Mayer of the END Fund, which co-ordinates philanthropy for NTDs with funds from governments and international outfits. This is prompting donors to give more.

Another reason is a recent push to develop and test drugs in Africa, where just 4% of clinical trials are currently conducted. When the Drugs for Neglected Diseases initiative (DNDi), a non-profit research-and-development organisation, first tested the treatments used for kala-azar in Asia on patients in east Africa, they found they were much less effective there; children in particular responded badly. DNDi has called for a "new model of drug development", says Simon Bolo, the group's lead on kala-azar. This means, among other things, "carrying out clinical trials in the field, where the action is".

Today DNDi runs such trials across Africa, including in Amudat. A single-dose cure for sleeping sickness, developed by DNDi in partnership with Sanofi, a French drugs giant, recently completed clinical trials in Congo and Guinea. New drugs for river blindness and mycetoma, a gruesome flesh- and bone-eating infection, are also in the pipeline. As for kala-azar, a potentially ground-breaking oral drug being tested in Ethiopia "shows very promising results", says Martina Penazzato of the WHO. Researchers hope a pill could one day be taken at home, easing the disease's immense burden on clinics and families.

The goal of total elimination may still be a while off. Though a kala-azar jab is scientifically feasible, "there is still not really a business model out there for making a vaccine for people who can never hope to pay for it," says Peter Hotez, a renowned vaccine expert in Houston, Texas. In the longer term, some researchers put their hopes in artificial intelligence, which could dramatically reduce the cost of medical innovation. ■

Not just a warehouse

Nigeria seeks to restore pride in its artefacts, ancient and modern

A new museum in Benin City will showcase “a cauldron of creativity”

Nov 30, 2024 11:59 AM | Benin City

A CLUTCH OF artists, curators and enthusiasts is welcomed by drummers, dancers and an unforgiving bout of sunshine amid cranes and scaffolding. The burgeoning, clay-coloured edifice with its earthen finish designed by David Adjaye, a knighted Ghanaian-Brit, is to house the Museum of West African Art (MOWAA), a new hub for arts and culture in Nigeria’s historic Benin City. A jamboree of talks and workshops is more a proof-of-concept than a full-blown opening. Yet MOWAA already stands shoulders above most other Nigerian museums, where many valuable artefacts are shut away in old warehouses.

In 1897 most of Benin City, then the capital of an extensive kingdom, was razed by the British. Their trove of looted plaques and sculptures—some of the finest art in Africa—ended up in museums all over the world.

A common argument against restoring this treasure to its original home is that Nigeria has nowhere to keep it safe and on permanent view for locals. MOWAA is Nigeria’s riposte: a top-class museum on the edge of the royal palace’s compound to be managed by experts from home and abroad. “You’ve got to be very careful not to build something that is simply mimicking museums in the West,” says Philip Ihenacho, the director.

For a start, the museum wants to avoid old squabbles between the government of Edo state, which includes Benin City, and the royal family, who once owned the bronzes. So it is to be run by an independent trust. About half of the museum’s $50m budgeted cost has so far been met by a group of local and foreign institutional donors, including the British Museum, which, however, has refused to give back the many Benin bronzes in its vaults.

The preview featured architects, photojournalists, curators and even a DJ: all could find a home here. Lagos, Nigeria’s commercial capital, has long thrived as a hub for the arts, with international fairs like ArtXLagos showcasing exhibitions and fashion. MOWAA could link up: Benin City is but a flight hop away. West Africa, says Mr Ihenacho, is “a cauldron of creativity”.■

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Europe

- **The maths of Europe’s military black hole**
  America and NATO :: It needs to spend to defend, but voters may balk
- **Ukraine’s warriors brace for a Kremlin surge in the south**
  An assault on Zaporizhia looms :: Vladimir Putin’s war machine is pushing harder and crushing Ukrainian morale
- **Marine Le Pen spooks the bond markets**
  Double trouble :: She threatens to bring down the French government, but also faces a possible ban from politics
- **Ursula von der Leyen has a new doctrine for handling the hard right**
  Charlemagne :: The boss of the European Commission embarks on a second term

America and NATO

The maths of Europe’s military black hole

It needs to spend to defend, but voters may balk

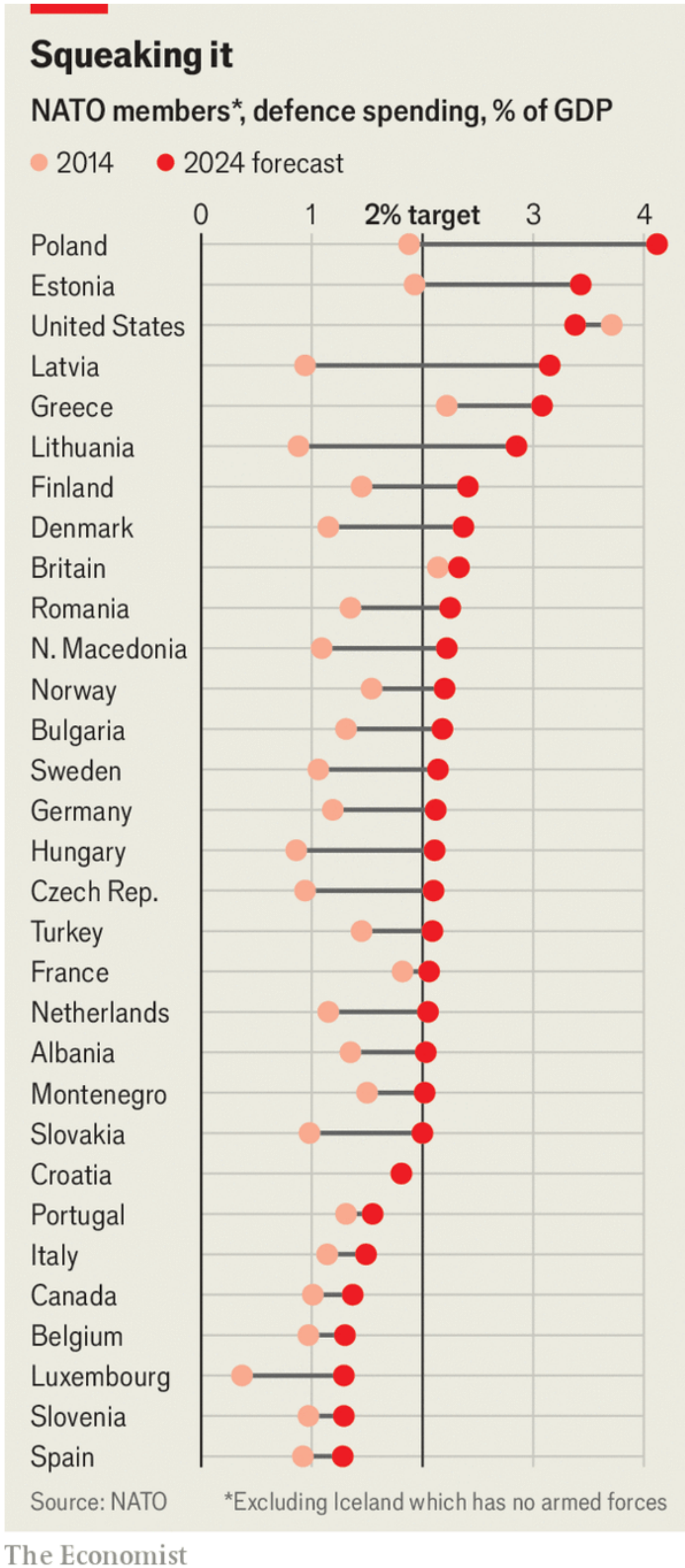
Nov 29, 2024 08:25 PM

ON NOVEMBER 23RD Mark Rutte, the head of NATO, and Donald Trump, America’s president-elect, were photographed grinning and shaking hands in Palm Beach, Florida. Yet the mood in Europe’s defence ministries is one of foreboding. At a gathering of defence officials and industry executives in Prague a few days after the election, the most optimistic sentiment was that Mr Trump was “unpredictable”. Others were a lot less upbeat.

Some at the meeting, run by the International Institute for Strategic Studies (IISS), took heart from the fact that this year 23 out of 32 NATO members are meeting or exceeding a target to spend 2% of GDP established ten years ago after Russia's annexation of Crimea. Since 2022, when Russia launched its full-scale invasion of Ukraine, defence budgets across Europe have risen steadily. This year total spending has increased by an average of 9% in real terms, reaching $436bn.

Few believe this will persuade Mr Trump that America's allies are doing enough. He seems to dislike the very notion of NATO, which was founded on the principle that all members must regard an attack on one as an attack on all. During the campaign he invited Russia to "do whatever the hell they want" to any NATO country that is not paying its way.

Mr Rutte has warned that the 2% spending goal is now obsolete: meeting it is enough neither to impress Mr Trump, nor to deter Vladimir Putin should Europe be forced to bear most of the responsibility for its own security, as seems all too possible. If Mr Trump cuts military support for Ukraine to bully it to the negotiating table, Europe will have to contribute a lot more funding and weaponry while struggling to replenish its own stocks.


Squeaking it
NATO members*, defence spending, % of GDP
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Czech Rep.
Turkey
France
Netherlands
Albania
Montenegro
Slovakia
Croatia
Portugal
Italy
Canada
Belgium
Luxembourg
Slovenia
Spain
Source: NATO
*Excluding Iceland which has no armed forces
The Economist

Poland is setting the pace, with an ambition to spend 5% of GDP on defence next year; all three Baltic states are on course to spend more than 3%. Mr Rutte has not so far set a new target. He thinks it may make more sense for specific countries to be given "capability targets". But assuming that Mr Trump deigns to attend the next NATO summit, in The Hague in June, a commitment to hitting 3% may be needed to stop him from "throwing his toys out of the pram", as one official in Prague put it. Bastian Giegerich, the director-general of the IISS, says that 3% is, moreover, easy for everyone to understand. To meet it, Europe would have to increase its annual spending by $280bn at current prices, Mr Giegerich says. In practical terms, Germany, for instance, would need to find an extra $40bn a year, roughly.

For all Mr Trump's antagonism towards NATO, his nominees for secretary of state—Marco Rubio—and national security adviser—Mike Waltz—understand the value of the alliance, says Sir Lawrence Freedman, a British military strategist. (Grave doubts exist about some of his other picks, though.) There will also be strong resistance within America's armed forces to major changes to the status quo, and pushback from many Republican senators who would balk at relinquishing American leadership of NATO.

Instead, Sir Lawrence thinks there may be more coalitions formed within NATO to perform specific tasks, such as the Joint Expeditionary Force, a military alliance of ten European nations that was founded in 2014 to protect northern Europe. Other more recent ones include the German-led 21-nation European Sky Shield Initiative to create an Israel-style layered air defence; and a coalition between Britain, France, Germany, Italy and Poland to develop long-range strike missiles.

Rather than planning to do without America, European countries should be developing the capabilities to operate, at least under certain circumstances, with only minimal American assistance, Mr Giegerich suggests. Europe still falls short in air-defence missiles of all ranges, precision strike power, airborne surveillance, and command and control. Mr Giegerich reckons that, even with adequate funding, it would take ten years for Europe to substantially reduce its reliance on America.

Many member countries struggle to recruit for the possibility of high-intensity warfare, points out a senior NATO official. Several that scrapped conscription after the cold war are looking at bringing some form of it back as a way to rebuild adequate reserves. Decades of neglect after the cold war have left both personnel and equipment levels severely depleted. Europe will require sustained higher levels of funding and a more resilient defence-industrial base to repair the damage.

It is unclear where all the money for this will come from, much less the political will. It will need to come at the expense of social programmes that are much more popular with voters. Defence big-spenders such as Britain and France have new governments that are scrambling to lower their fiscal deficits, too. Germany's constitutional debt brake limits its support for Ukraine (though the question of how to find a way around it is being debated on the campaign trail ahead of an election early next year). This has created pressure on the EU to cut some budgetary slack for member countries wanting to borrow to bolster their armed forces. The idea would be for it to rule that Europe faces a security crisis similar to the covid emergency.

The European Commission took a big step in this direction on November 11th by allowing some "cohesion funds" from its seven-year common budget, possibly worth up to €130bn ($137bn), to be spent on military-related programmes. According to a report in the *Financial Times*, in the next few weeks member governments will be told the money can be used to support their defence industries and invest in projects to improve military infrastructure.

Reappointed for a second term, Ursula von der Leyen·, the president of the commission, has made building a "European Defence Union" a priority. She has nominated politicians from two front-line states for key positions. Kaja Kallas, the former prime minister of Estonia, will become the EU's top diplomat from December 1st; Andrius Kubilius, a former Lithuanian prime minister, will be its first commissioner for defence. The main focus of Mr Kubilius's work will be co-ordinating defence procurement and helping to steer Europe's fragmented defence industry towards creating shared programmes that cut out wasteful duplication, and investing in new capacity.

NATO has previously been suspicious of EU ambitions to muscle in on its patch. The senior NATO official says: “It’s all hands on deck. If the EU can mobilise money and raise military and industrial capacity, it will be great.” But he says the EU must avoid protectionism. A competitive defence market must include NATO members such as Britain, Norway and Turkey—not to mention America—who are not in the EU. France has now reportedly dropped its long-standing opposition to giving EU-funded incentives for Europe’s defence industry to non-EU firms.

Mr Trump could conceivably be persuaded that Europe is moving fast enough to keep America committed, at least to some degree, to the continent’s security. But America is preoccupied with confronting China, and Russia will seek any opportunity to divide and weaken NATO. Europe’s leaders know that, for everything to stay the same, everything must change when it comes to defence spending. Whether Europe’s voters realise this, still less accept it, is another matter. ■

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An assault on Zaporizhia looms

Ukraine’s warriors brace for a Kremlin surge in the south

Vladimir Putin’s war machine is pushing harder and crushing Ukrainian morale

Nov 29, 2024 02:03 PM | Orikhiv, Zaporizhia province

AFTER TEN days in the trenches of Robotyne, Grisha is ready for a rest. “Time for sex, drugs and rock-and-roll,” he says, his voice jittery from front-line adrenaline. The 36-year-old infantryman with Ukraine’s 65th brigade has just marched 7km from his position, hauling 60kg of equipment, jammer aerials and a large battery pack—vital survival kit for anyone working in the drone-filled skies of Zaporizhia province. In 2023, during Ukraine’s failed counter-offensive, every square metre of this ground was the subject of world news. Now the Russians are pushing back, and far fewer are paying attention. “It’s happening,” Grisha says. “You can see it.

They are coming—crawling, crawling, up and over, trying for any way through."

Ukrainian intelligence believes that Russia is gearing up for a bold assault on Zaporizhia city, 30km from the front. When exactly, no one is clear, but it makes some sense. As one of three remaining centres of heavy industry in the country, the provincial capital remains crucial to Ukraine's survival as a functioning state. In late 2022 Vladimir Putin claimed the entire province as his own, despite controlling only a third of it. For two months, Russian missiles and glide bombs have hammered the city. And the front lines are rumbling anew too. A Ukrainian spokesman warns that 130,000 Russian troops could soon be hurled into the fray.

Not every soldier is convinced an attack is imminent. Colonel Oleksiy Khilchenko, commander of Spartan, a rapid-response brigade, says Russia is tied up elsewhere. He claims the Russians had planned to send two divisions (20,000-30,000 troops) for an initial assault, but half were diverted to Russia's Kursk area to strengthen its counter-offensive against a Ukrainian incursion there. "Lemberg", a battalion commander with the 118th brigade manning the south-western defences of Zaporizhia province, agrees: "They aren't ready to hit yet, but when they are, the first blow will be the hardest."

But Ukraine is taking no chances. New fortifications are being built in rings radiating from the provincial capital. The work is thorough—minefields and obstacles made of concrete and iron—unlike the more chaotic picture in neighbouring Donetsk province, still the site of the heaviest fighting. There, Russia is moving faster than at any time since the early days of the invasion. Russian commanders have developed a grim formula that works: drones, electronic warfare, guided air-launched bombs and waves of disposable infantry. It is not easy going—they have been losing as many as 1,500 troops a day in their now year-old offensive. But they are recruiting more than they lose. "Look, they will never have a problem with manpower," says Colonel Khilchenko. "They drive people into debt, into loans, and will force them to fight for them. They aren't going to stop."

*Russia operated in/attacked, but does not control †Since May 2023
Sources: Institute for the Study of War; AEI's Critical Threats Project

The Economist

Ukraine’s problems, meanwhile, are worsening mainly because of manpower problems. The army is long out of willing recruits, and its mobilisation campaign is falling short, recruiting barely two-thirds of its target. A senior Ukrainian official says he is worried the situation may become irretrievable by the spring. An even bigger problem is the quality of the new recruits. “Forest”, a battalion commander with the 65th brigade, says the men being sent from army headquarters are now mostly too old or unmotivated to be useful. All but a handful are over the age of 45. “I’m being sent guys, 50 plus, with doctors’ notes telling me they are too ill to serve,” he says. “At times it feels like I’m managing a day-care centre rather than a combat unit.”

The situation on the front lines is widely accepted to be as difficult as at any time since the early days of the war, with many fearing a significant Ukrainian retreat may soon be inevitable. For now, the looming threat keeps the soldiers in Zaporizhia focused. They say they remember the atrocities that followed Russian advances and occupation. The experience of resistance still counts for something. As weak as Ukraine is, Russia can be beaten, argues Forest. The proof? An ambush in February, when his battalion singlehandedly destroyed a mechanised column of two dozen Russian vehicles. “To those who shout we’re screwed, I ask them when hasn’t Ukraine been screwed?”

But Ukraine’s weakness is taking its toll on the morale of its fighters. With no hope for rotation or demobilisation, some of the once most committed now wonder if a ceasefire might be the only way out. “Chechen”, the brigade officer leading the new soldiers’ training session, says he remains determined to fight to the end. “Giving away territories to these disgusting people is no guarantee it will stop.” But he admits that fewer soldiers than ever share his resolve. “It’s not even 50-50 any more, but 30-70.” Lemberg puts the situation in even starker terms. “In 2022 I was ready to tear the Russians apart with my teeth,” he says. “In 2023, I just needed rest. This year? I almost couldn’t give a fuck.” ■

Double trouble

Marine Le Pen spooks the bond markets

She threatens to bring down the French government, but also faces a possible ban from politics

Nov 29, 2024 08:28 PM | PARIS

WITHIN WEEKS, Marine Le Pen, the leader of the hard-right National Rally (RN), could be propelled to the centre of French parliamentary politics—or out of it. Two imminent decisions will determine both the government's survival and Ms Le Pen's own future. The first is whether she decides to bring down Michel Barnier's minority government over next year's budget. The second depends on whether judges in a trial over the misuse of public funds decide in March 2025 to bar her from holding public office for five years with immediate effect.

On the first count, [Mr Barnier's coalition] is hanging by a thread. When the prime minister was appointed in September, Ms Le Pen pledged not to vote against his government right away. But she offered no more support than that. As the budget has wound its way through parliament, and into a blizzard of tax-raising amendments, Ms Le Pen's hostility has hardened. None of the measures she dislikes, such as a rise in tax on electricity bills or delaying an inflation-linked increase to state pensions, has been removed.

Mr Barnier, who must pass the budget by December 21st, now says he will probably use a constitutional device to force it through. This would prompt a no-confidence motion from the left, which would topple the government if backed by RN deputies. A poll suggests 67% of her electorate wants her to do this. "If the budget remains as it is," declared Ms Le Pen after meeting Mr Barnier on November 25th, "we'll vote for no confidence." The next day the spread on French ten-year government debt over German bunds widened to 0.86 percentage points, its highest since the days of the euro-zone crisis in 2012.

Ms Le Pen's moment as a pivotal figure, however, could be short-lived. On November 27th she was back in a courtroom in Paris for the last day of her trial. She and 24 other party figures are accused of using nearly €7m ($7.4m) of European Parliament money between 2004 and 2016 to finance assistants who, says the prosecution, were in fact working for the national party. Ms Le Pen denies any wrongdoing.

The stakes for Ms Le Pen are huge. The prosecution has asked for her to be sentenced to a €300,000 fine, five years behind bars (with three suspended) and to be barred from holding electoral office for five years. Under an anti-corruption law passed in 2016, the five-year ineligibility period is obligatory if she is found guilty. The judges do, however, have discretion over whether to order Ms Le Pen to start her sentence immediately, and whether to adjust the sentence to take into account her "personality". If they do decide to bar her immediately, she will be out of the presidential race.

The trial has taken the party aback. It had been doing its best to sound respectful of democratic institutions in order to look like a government-in-waiting. Now Ms Le Pen has accused the judiciary in almost Trumpian terms of wanting her "political death". A poll makes Ms Le Pen the most popular figure to succeed Emmanuel Macron as president. The idea, she declared, that the French “could be deprived of their choice is a violent attack on democracy”. If she is barred from office it will bring relief in some quarters. But it could also shore up support among those convinced that the system is against her. ■

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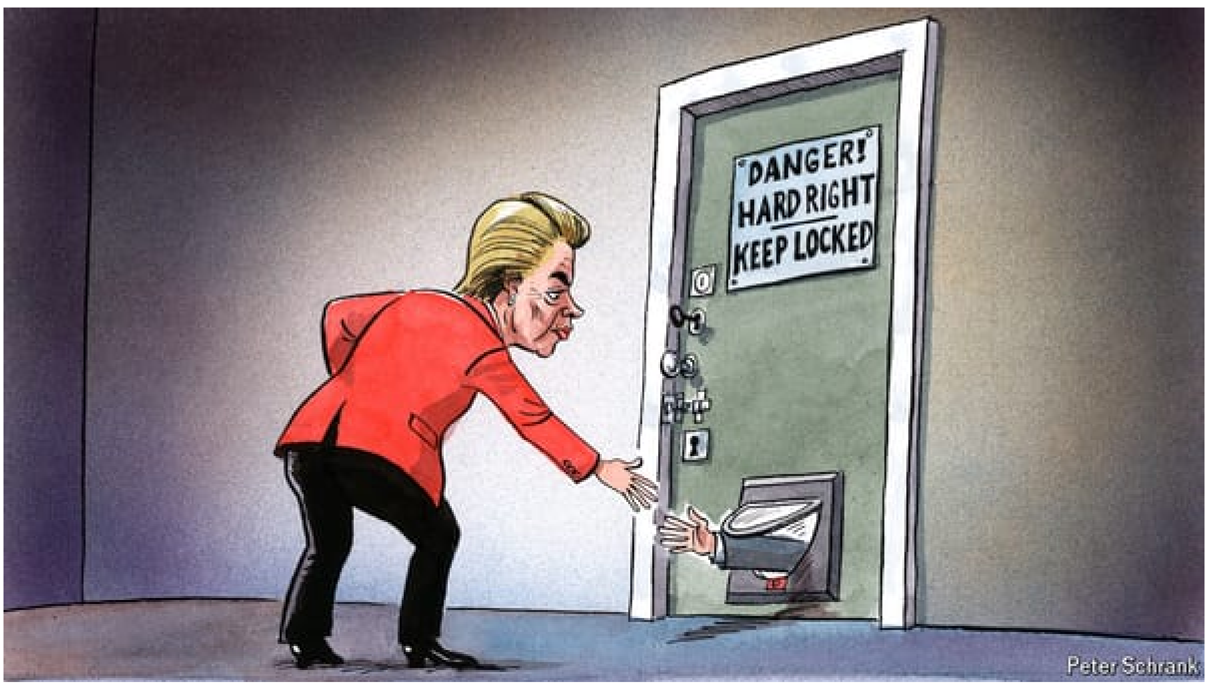
Charlemagne

Ursula von der Leyen has a new doctrine for handling the hard right

The boss of the European Commission embarks on a second term

Nov 29, 2024 02:09 PM



THE HARSH winds of political change have howled through the corridors of power in the past year. Consider the nine politicians attending G7 summits—seven leaders of big industrialised countries and two representing institutions of the European Union. In Britain, America and Japan the incumbent politicos have been pushed out of office; Germany's Olaf Scholz is headed for an electoral drubbing come February. The rest have hardly fared better. Emmanuel Macron called and lost a snap legislative election in France, Canada's Justin Trudeau is likely to be forcibly retired within a year and Charles Michel will lose his role chairing EU summits on December 1st after hitting term limits. Amid the carnage two women stand out. Giorgia Meloni is still popular, though admittedly she has not faced voters since becoming Italy’s prime minister in 2022. The other, Ursula von der Leyen, stands alone in having secured her place at future G7 confabs until 2029: on November 27th the European Parliament endorsed her for a second five-year term as president of the European Commission.

Retaining control of the powerful Brussels machine and the right to boss around its more than 30,000 Eurocrats is perhaps less arduous than triumphing in hard-fought national votes (under EU rules the parliament endorses a candidate nominated by the bloc’s 27 national leaders, whose choice must reflect the result of European elections which were held in June). Mrs von der Leyen had her tenure extended mostly by having done a good job since being a surprise appointment in 2019, notably dealing with the fallout from covid-19 and Russia’s full-scale invasion of Ukraine. Given the election results in America, nobody wanted to keep EU politics in suspense any longer than necessary by rejecting one of the commissioners put forward by national governments. But Mrs von der Leyen has also deftly handled the most thorny problem facing the continent’s politicians: how to handle the ever-rising number of parties from outside the political centre. By setting clear rules of engagement with bits of the hard right, she has set a new doctrine others in Europe might learn from.

Mrs von der Leyen’s second term, like her first, involves an informal centrist alliance of her own centre-right European People’s Party (which won most seats in June), the socialists and the liberal Renew faction. But in part because the trio lost ground in the last elections, Mrs von der Leyen has sniffed around on the outer edges of her old coalition to secure enough votes for herself and the 26 members of her new team. Reaching out to Greens for support has been uncontroversial, given that they back the commission’s ambitions to cut carbon emissions aggressively. More contentious has been Mrs von der Leyen’s willingness to at least be civil to parts of the hard right, starting with Ms Meloni’s Brothers of Italy party. For the first time, an influential vice-presidency of the commission will go to a politician outside the political centre, in this case Raffaele Fitto, a minister from the Brothers.

To some in the EU this is an aberration. A *cordon sanitaire* that keeps hard-right politicians far from power is an article of faith, the last thing standing between Europe and Trumpian folly or worse. Never mind that voters seem to quite like hard-right leaders—Calin Georgescu, an ardent nationalist, scored a surprise victory in the first round of Romania's presidential contest on November 24th. The key thing for pure-of-heart centrists is to pretend their rivals do not exist. In some countries eschewing any kind of alliance is common sense. Popular as it might be, the Alternative for Germany party is deeply xenophobic and should indeed be beyond the scope of any coalition. Mr Georgescu is a pro-Russia vaccine sceptic. The hard left has its own cranks and unreconstructed Stalinists, too, best left in political Siberia.

Mrs von der Leyen's starting-point is that not everyone to the right of mainstream conservatives is beyond the pale. She has sensibly set three tests of whether a party could be considered a partner: if it upholds core tenets of the rule of law, supports Ukraine, and is, more ambiguously, "pro-Europe". That plainly excludes Viktor Orban, the Hungarian autocrat who seems to prefer Moscow and Mar-a-Lago to Brussels. The French National Rally of Marine Le Pen is still out, as is the Polish Law and Justice party, which undermined state institutions while in office. The most notable party to be welcomed is that of Ms Meloni, who governs as a staunch conservative (including on social issues, often in unpalatable ways, such as on gay adoption) but has picked few fights with Brussels and, above all, ardently supports Ukraine.

Right-oh

Notwithstanding the pearl-clutching of political purists, a wider coalition at EU level can only be welcome. Politicians need to reflect what voters plainly want. Reaching out to some "extremes" encourages them to moderate. The von der Leyen doctrine gives an opportunity to the hard right to participate in the crafting of EU policies—and to be accountable for their outcomes. Far from undermining democracy, it shows that EU institutions are responsive to shifts in opinion. Loth as they may be to admit it, mainstream politicians have quietly made once-taboo ideas put forward by the hard right their own, most notably on migration.

After six months of political navel-gazing, Brussels now returns to work. Mrs von der Leyen has promised to cut red tape and bolster the bloc's flaccid economy. The return of Donald Trump in America may force Europe into decisions on funding defence (which now has its own commissioner). A hawkish new foreign-policy supremo, a former Estonian prime minister, Kaja Kallas, should inject some spine in the debate over Ukraine. The EU is mulling taking in up to nine new members. These are thorny issues, where broad political consensus must be sought—including, at times, from politicians whose views one may disagree with. ■

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Britain

- **How the best British employers find and promote their staff**
  The score for talent :: No degree? Some employers care much less than others
- **The best British companies to work for to get ahead**
  The British opportunity index :: A new ranking of firms by pay, promotions and hiring practices
- **Can potholes fuel populism?**
  Road rage :: A new paper looks at one explanation for the rise of Reform UK
- **Adele is taking a break from music. Can anybody replace her?**
  A British national champion :: Probably not
- **Britain’s Supreme Court considers what a woman is**
  Sexual courting :: At last. Britons had been wondering what those 34m people who are not men might be
- **A Northern Irish experiment in recycling**
  Rathlin Island :: The tiny island aiming to get to net zero
- **The slow death of a Labour buzzword**
  Securo-what now? :: And what that says about Britain’s place in the world
- **Are British voters as clueless as Labour’s intelligentsia thinks?**
  Bagehot :: How the idea of false consciousness conquered the governing party

The score for talent

How the best British employers find and promote their staff

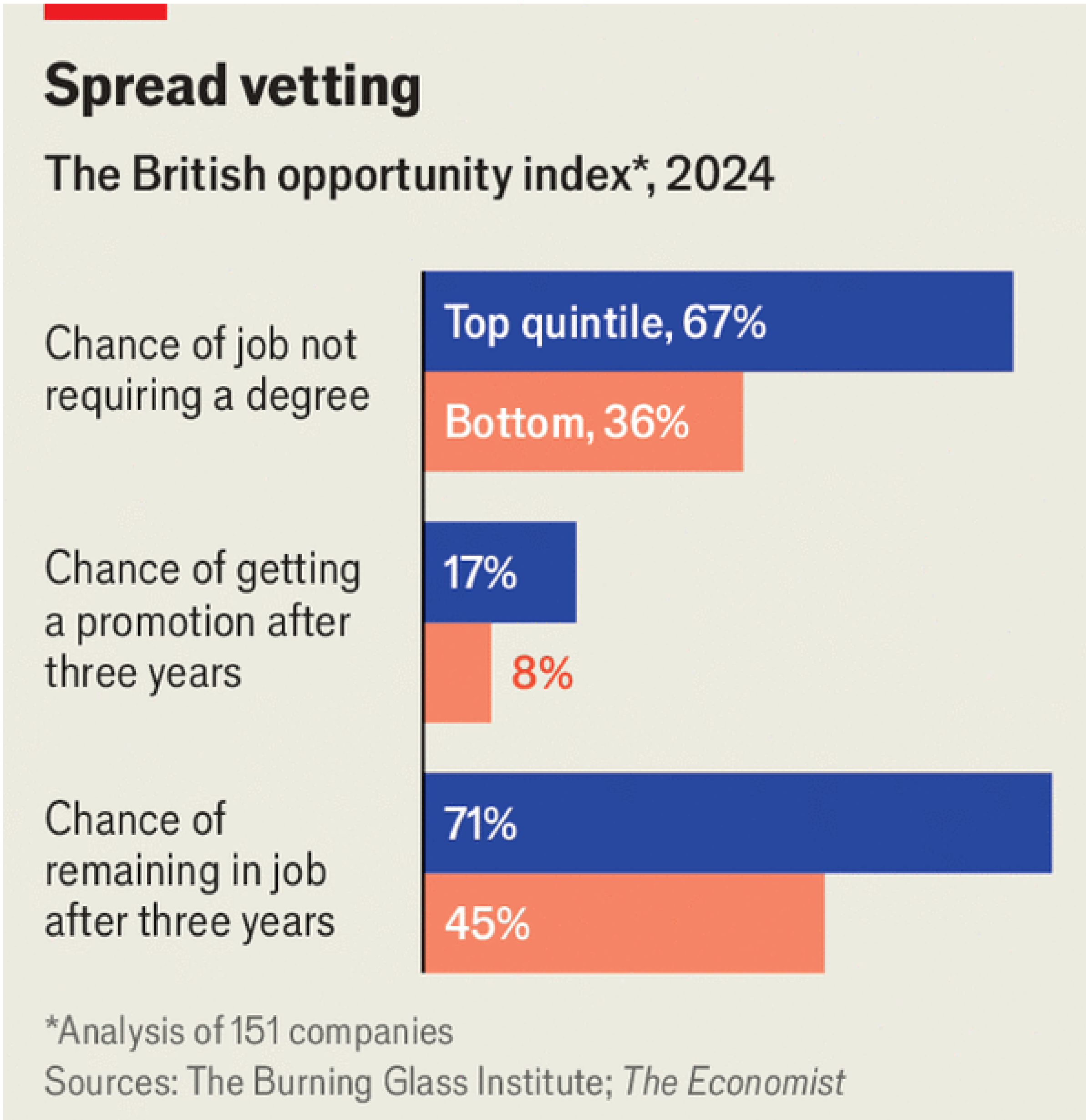
No degree? Some employers care much less than others

Nov 29, 2024 02:03 PM

TO LAND A job at Schroders, one of Britain's oldest and most venerable fund managers, it helps to avoid certain universities. "We've moved away from hiring Oxbridge history graduates," says Peter Harrison, Schroders' just-departed CEO, who joined the fund manager in the 1980s as one of its first non-Oxbridge graduates. These days the firm is casting its net wider, opening its doors to non-degree-holders with skills in IT and data-wrangling.

Schroders is not alone in moving towards what HR types call "skills-based hiring". Nearly half of British employers say a degree is no longer important, according to Hays, a recruitment firm. That widens the applicant pool and boosts retention; hires without degrees are more likely to stay than their university-educated peers, according to research done in America.

But plenty of firms take a more traditional approach. The British opportunity index·, a new data set produced by the Burning Glass Institute, a non-profit research organisation, in partnership with *The Economist*, looks at how well British employers do at helping people to move on and up. Among other things it finds that individual firms differ widely on their criteria for hiring: there is a 67% chance that a job will not require a degree among the top quintile of employers, compared with only a 36% chance among the bottom fifth (see chart).



The Economist

The challenge of finding and keeping good employees is particularly salient right now. The first budget of the Labour government jacked up employers' national-insurance contributions. Poor health has driven millions out of the workforce: Britain is the only G7 country whose economic-inactivity rate is still above its pre-covid level. Bosses noisily lament skills shortages in AI and beyond. All of these problems can be improved or worsened by the government. But when people are costlier to hire and skills are lacking, firms can also do a lot to help themselves.

The Burning Glass Institute has analysed 20m professional profiles, along with job adverts and salary data, to identify career data in four categories—access to jobs, promotions, pay and retention—for 151 British employers. Between them, these firms employ nearly one in ten workers in the country. In order to compare companies on a like-for-like basis, the index controls for the occupational make-up of a firm. Coca-Cola's British unit comes top of the pay metric, for instance, not because it pays the absolute highest salaries but because it does best given the occupational mix of workers that it employs.

This methodology is not perfect. Public data are not always reliable, for example; the index does not control for financial performance. But the essential point holds. "There's a span of performance across companies, even within the same sector," says Matt Sigelman, president of the Burning Glass Institute. "That says you're not prisoner to your business model."

Take the area where Schroders has changed its approach: the accessibility of jobs. The index: rates British firms on two measures: the share of new hires who have fewer than three years' work experience and the share of employees in the firm without a university degree. As well as variations within industries—Chanel, a luxury retailer, hires more people without degrees or experience than Burberry does—there are disparities within roles. Software developers without degrees are more likely to get hired by Amazon than Meta; non-graduates seeking customer-service roles have a better chance of success at Aviva, an insurer, than at its rival, Legal & General.

BAE Systems, Britain's largest defence contractor, allows youngsters to earn a wage and a degree at the same time. In fields where Britain is short on graduates, such as aerospace engineering, the firm fills the gap itself by offering degree apprenticeships. Activities such as submarine-welding and aircraft maintenance are also challenging to recruit for in the open marketplace. Over 20,000 applicants applied for fewer than 1,300 apprentice roles at BAE Systems this year.

The second measure in the index is promotions. It consists of four indicators: how likely employees are to be promoted and how frequently, how much more they are paid as a result and the chances of finding a job elsewhere with a decent salary bump. Again, some firms offer much more scope for advancement than others. The probability that someone is promoted within three years is twice as great at top-quintile firms as at bottom-quintile firms.

The size of the local workforce doubtless has some bearing on this. British-headquartered banks like HSBC and Lloyds do better than foreign ones such as Société Générale and Deutsche Bank; retailers like Marks & Spencer and Next rank higher than Zara. But management also has an impact. Information about career opportunities is not always available: an analysis of global job-seekers in 2021 by Gartner, a research outfit, found that nearly half of them were not aware of internal vacancies.

Training also helps people's promotion prospects, inside firms and beyond. British firms do not have a great record on training. They spend half the EU average per worker on it; a badly designed apprenticeships levy which came into force in 2017 seems to have made things worse. But some employers see the upside. Chris Rea, founder of AES Engineering, a mid-sized manufacturer of mechanical seals, says that he has seen a "substantial return" from upgrading the skills of his workforce. BAE Systems more than doubled its spending on training to £230m between 2019 and 2023, says Richard Hamer, its director for education and skills.

It's a similar story of divergence with pay and retention. The index calculates how much the median employee in any given occupation at a company is paid, alongside changes in that salary over the past year. The top fifth of British employers pay data scientists an average of £73,000 ($92,000) annually, compared with £38,000 for those in the bottom quintile. Unsurprisingly, low-margin industries like hospitality and retail tend to pay less than high-margin ones but competitors still differ greatly. Marketing managers at Ocado, a supermarket, rank in the top fifth for pay in their occupation; those at Marks & Spencer rank in the bottom fifth.

Whereas some employers churn through staff, others emphasise retention. The likelihood of remaining employed after three years at the best performers in this category is 71%, compared with 45% for the worst. High turnover is costly, even for low-wage workers. Replacing them can cost employers up to 35% of the departing person’s annual earnings, according to Joseph Fuller of Harvard Business School.

Beazley, a specialist insurer in the City of London, works hard to keep its people satisfied. “Insurance isn’t on the [vision] boards of many school leavers,” admits Liz Ashford, Beazley’s chief people officer. It offers various benefits: paid lunches and commutes; a £100 monthly allowance for wellbeing activities; study leave and completion bonuses for any qualifications attained; and three-month sabbaticals for every ten years of service. The firm claims an annual attrition rate of 8.3% compared with an industry average of 12%.

It is tricky for jobseekers to work out which employer does what well. “There are no nutrition labels for jobs,” says Mr Sigelman. You could ask prospective employers how they perform on the categories in the index. Or you can explore the data yourself at in our interactive article·. ■

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The British opportunity index

The best British companies to work for to get ahead

A new ranking of firms by pay, promotions and hiring practices

Nov 29, 2024 02:03 PM

Road rage

Can potholes fuel populism?

A new paper looks at one explanation for the rise of Reform UK

Nov 29, 2024 02:03 PM

“GET THE Acle Straight responsibly dualled” does not sound like the rallying cry of a populist firebrand. But that pledge was central to the campaign of Rupert Lowe, a businessman who won the constituency of Great Yarmouth for Reform UK in the general election. He was referring to a dreadful 10km stretch of the A47, which runs across a bog and connects the seaside town with the outside world. Built by the Victorians, the single carriageway carries 22,000 vehicles a day and has a terrible record for congestion and accidents.

Most accounts of the rise of Reform UK, a hard-right party that won five seats in the summer and is now backed by a fifth of voters, do not mention asphalt. The party has exploited fury about immigration; it gleefully wades into culture wars. But a new study by Michael Dnes of Stonehaven, a consultancy, points to something else: all four of the seats recently gained by Reform UK (Lee Anderson already held Ashfield) have a “missing road”. Not only that, poor transport infrastructure is correlated with the seats the party appears most likely to win next time.

So far Reform UK has done best in coastal towns in the east of England. According to the Office for Road and Rail, a watchdog, the region has the worst roads in the country by some distance. That is mostly because it has lots of badly maintained A-roads. Seaside towns struggle to make a case for road investment because they are often poor and “fish don’t drive”, notes Mr Dnes, a former official in the transport department.

In Clacton, the seat of Nigel Farage, Reform UK’s leader, around half of workers drive to their jobs on a half-finished dual carriageway. In Skegness, won by his deputy Richard Tice, many people have to drive 50 minutes to get to a hospital. Both men spend much of their time talking about immigrants. But roads are the service that Britons rely on most in their daily lives, and are an especially emotive issue for older, male voters. The Acle Straight campaigners have been largely ignored for three decades. That may help explain why populists make inroads.■

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| Section menu | Main menu |

A British national champion

Adele is taking a break from music. Can anybody replace her?

Probably not

Nov 29, 2024 02:03 PM

ON NOVEMBER 23rd a staggeringly successful British producer and exporter, a national champion in a business at which the country excels, suspended operations. Were the business carmaking or banking, questions would surely have been asked in Parliament. Instead it is music, and the champion is Adele, a writer and singer of heartbreaking songs, who finished a two-year residency in Las Vegas.

Adele Adkins, as she is known to her bank manager but to nobody else, has told interviewers and audiences that she has no plans for new music and will not perform again “for an incredibly long time”. Perhaps. Musicians can have long, sinuous careers, especially if they lay off the drugs and booze: The Eagles, an American rock band who broke up in 1980, are currently playing in Las Vegas. But Adele is such a star that even an extended pause is bad for the music business. Worse, it seems unlikely that Britain will be able to produce anybody to replace her.

She signed with XL Recordings, an independent label in London that was known for rave and grime music, in 2006—hardly a propitious year. The music industry was being crushed by digital piracy. Chris Anderson had just published “The Long Tail”, a book that explained how technology was ending the tyranny of the hit and enabling businesses to prosper by selling lots of not-too-popular things. Adele proceeded to prove that the biggest acts are subject to different forces.

She has released four albums, each named for her age when she worked on them. All went to number one in Britain. In America, “25” sold faster in its first week of release than any album since records began. It accounted for 3% of the entire American album market in 2015—by far the largest annual share held by any release since at least 1992, according to Matthew Ball, who follows media at Epyllion (and sometimes contributes to *The Economist)*. Her latest, “30”, sold modestly only when compared with her past performance.

Other musical stars have built careers as clothiers, actors, perfumiers and prolific tourers. Adele has shown little interest in the first three, and, although good at it, has struggled with performing live. “Behind the eyes it’s pure fear,” she once said. Instead, she specialises in the old-fashioned business of making and selling albums, particularly the kind you can touch (Ed Sheeran, another British singing success, is better at racking up streams). Adele appeals so widely that her fans include old people who thought piracy dishonest and find streaming confusing.

“She’s strange by today’s standards, but not by yesterday’s standards,” says Mark Mulligan, a music analyst at MIDiA Research. Had she been born a decade later, success would have been harder. Mr Mulligan points out that Adele, and other stars like Taylor Swift, amassed devoted followings in the days when many people still acquired albums and listened to them repeatedly. In the streaming era there is always a new track to sample, and people are herded into musical niches by algorithms. Newer stars like Charli XCX burn faintly and flickeringly by comparison.

Music executives everywhere worry about the future supply of stadium-fillers. In Britain the BPI, which represents record labels, frets that the country’s artists now account for less than 10% of worldwide tracks streamed. That is mostly because of the global rise of streaming. But Sophie Jones, the BPI’s chief strategy officer, points out that some governments, notably South Korea’s, have lavished attention and money on pop music. Britain has made matters worse by leaving the EU; that has flung up barriers to touring acts.

The country has important advantages. Its people are culturally diverse and English-speaking. It has strong intellectual property rights. It also has the

BRIT School, a state school in south London founded in 1991, which specialises in the performing arts. A remarkable number of successful musicians, including Adele, Raye and the late Amy Winehouse, went there. A second school, funded by the music industry, is expected to open in a few years' time in Bradford. Britain will produce more pop stars—but, probably, not another Adele.■

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| Section menu | Main menu |

Sexual courting

Britain’s Supreme Court considers what a woman is

At last. Britons had been wondering what those 34m people who are not men might be

Nov 29, 2024 02:03 PM

“COURT RISE.” A hush falls in the Supreme Court. Five judges—three lords, two ladies, roughly two centuries of accumulated professional experience—walk in. The question that the country’s highest court and finest legal minds have come to consider, in a two-day hearing that took place on November 26th and 27th, is: what is a woman? Finally, an answer looms for those who wonder what those 34m people in Britain who are not men might be.

Inside the Supreme Court, with its supremely institutional grandeur (portraits, panelled walls, truly tasteless carpets), there is talk of cervixes and men who are women and women who are men. There is talk of "women" who have penises and of pregnant "men". The word "prostate" is used. It is strong stuff for a Tuesday. Britain's finest legal minds sound a little confused. This, says one, is "quite difficult".

Sex in Britain was once quite simple. The Oxford English Dictionary stated, with Hemingwayesque brevity, that a woman is an "adult human female"—and more or less all Britons agreed. Then came the rise of trans rights and the mantra that "trans women are women". This case came about because the Scottish authorities have stated that when the Equality Act 2010 says "woman" this means not just "woman" but also any man with a full gender recognition certificate (GRC). A group called For Women Scotland (FWS) cried "bunkum" and went to court. That it has reached the Supreme Court makes this, says Michael Foran, a lecturer in law at Glasgow University, a "monumental case".

Britain's legal system has tackled the question of what a woman might be before. Not always to its credit: in a 1914 case it concluded that a woman is not a "person". It has also considered how someone might become a woman. In a 1970 case a British judge ruled that four factors (chromosomes, gonads, genitals and "psychological factors") make someone a woman—but that a "sex-change" operation did not. Many who underwent one signed a document stating that they understood that it would "not alter my male sex".

In 2004 the GRC was introduced in Britain. This government document can be acquired by obtaining a diagnosis of gender dysphoria, jumping through some legal hoops and paying £5 ($6.30). It changes a person's legal sex for such things as birth, death and marriage certificates. It made it possible for a man, with full male genitalia, legally to become a woman, and vice versa.

Such transubstantiation sounds odd but is not unprecedented. The law allows for "legal fictions". It calls a company a "person" (when clearly it is not) and states that "the King never dies" (when kingly corpses in Westminster Abbey amply prove otherwise). But these should be understood as a judicial sleight of hand (which the law is good at) and not as metaphysical mastery (which it is not).

Supporters of the GRC say that it helps alleviate the undoubted pain of gender dysphoria. Critics say that it spreads confusion, and sometimes worse; in one case a trans woman (a biological male) was made the head of a rape-crisis centre. No one, tellingly, is that interested in the question of "what is a man?". Since women are underrepresented among murderers (7%), assaulters (a fifth) and sexual assaulters (2%), women who transition are rarely considered a threat.

To have a certificate that transforms a man into a woman is, says Naomi Cunningham, the chair of Sex Matters, a human-rights charity, "as stupid as…[giving someone] a certificate to say that they are dead when they are alive or that they are alive when they are dead". Unshackle the meaning of words such as "man" and "woman" from biology, said Aidan O'Neill KC, acting for FWS, and it results in "absurd" and "nonsensical outcomes".

There was a bit of this absurdity in the Supreme Court. Is there, asked one judge, a "third gender"? The court tittered. The barrister speaking demurred: there is not a third gender. And, as FWS argues, there are also just two sexes: male and female. The lords and ladies of the Supreme Court will give their ruling in a few months' time. And it will matter. ■

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Rathlin Island

A Northern Irish experiment in recycling

The tiny island aiming to get to net zero

Nov 29, 2024 02:03 PM | Rathlin Island

BEING AT THE heart of an experiment isn’t new for Rathlin Island. It was from the L-shaped outcrop off Northern Ireland’s north-eastern coast that Guglielmo Marconi sent the world’s first commercial wireless transmission in 1898. More than a century later, the province’s only inhabited island is a laboratory again.

Rathlin has set itself a net-zero date of 2030. Even if it got there, the impact on the climate would be negligible. The island has just 140 inhabitants. It got mains electricity only in 1992 and an undersea cable to the UK electrical grid in 2007. For years the only vehicles were the islanders’ cars, the odd tractor and a bus taking tourists to see the 250,000 resident seabirds.

The Economist

But small communities can be good places to test new ideas. Two years ago the devolved government in Belfast funded a community e-car and 20 e-bikes. In 2023 a consortium led by Ulster University was given £4.6m ($5.7m) by the UK’s Arts and Humanities Research Council to look in particular at how waste on the island might be dealt with more effectively.

One of the big ideas was to reuse plastic waste, which is not just discarded by islanders and tourists but also washes up along the coastline. The team distributed simple leaflet instructions for beach-litter picking; the waste was taken to Belfast for processing. The project also involves educational activities and “repair cafés” to fix broken items.

Some islanders are doing things differently. Marina McMullan’s sheep have been farmed for meat for as long as she can remember. Now she’s also making plastic-free rope from the wool. Marianne Green, another resident, hopes the wool rope can be used to farm seaweed around the island. “Imagine if we were able to use Rathlin wool to grow Rathlin seaweed,” she enthuses.

But the Rathlin project shows how difficult it is to alter habits. Much of the island’s waste is still being dumped in landfill; plans to reuse processed plastic on the island through 3D printing have been discarded. The plan “needs more of a technological support infrastructure”, says Justin Magee, who’s leading the project. He says the work hasn’t been wasted, however. Beach plastic can be hard to recycle because of damage caused by ultraviolet light while it is in the ocean. But the team managed to do so and is in talks about how degraded polymers might be reused commercially.

It was in a Rathlin cave that Robert the Bruce, a Scottish king, reputedly watched a spider eventually succeed after repeated attempts to spin its web across the entrance. That supposedly strengthened his resolve to fight the English. Worthy as it is, Rathlin’s battle against landfill is less likely to echo down the generations.■

Securo-what now?

The slow death of a Labour buzzword

And what that says about Britain’s place in the world

Nov 29, 2024 02:03 PM

“IT’S DEAD,” says one Labour MP. “Or perhaps on its deathbed,” adds a wonk. “Securonomics” was a neologism coined in opposition by Rachel Reeves, now the Labour chancellor. It summed up her plan to introduce a variant of President Joe Biden’s industrial policy to Britain. But the term hasn’t appeared in her speeches since before the election. It did not feature in her address to the Labour Party conference in September nor in the budget in October.

Asked about it in Parliament in November, Ms Reeves insisted that “securonomics” was still a guiding principle. “It’s very much in vogue,” insists one official. But a real policy shift has taken place. In opposition Ms Reeves declared that securonomics would mark a clean break with the embrace of globalisation and market liberalisation that characterised New Labour. In office, however, the logic of Britain's small, open economy has prevailed.

Ms Reeves unveiled her big idea at a speech in Washington, DC, in May 2023. It appeared to draw heavily on an address given the previous month by Jake Sullivan, Mr Biden's national-security adviser. Trade liberalisation had been gamed by China, echoed Ms Reeves; excessive openness had led to the "hollowing out of our industrial strength". The watchwords of a Labour government would be resilience and home-grown industries.

Big chunks of this agenda do remain. Most notably Sir Keir Starmer's government seeks greater self-sufficiency in energy, through a state-driven programme of decarbonisation. But the shift in emphasis from the Washington speech has been profound in three ways.

The first concerns free trade. Labour may have been a cheerleader for the mercantilism of Mr Biden but it is sounding the alarm over Donald Trump's version. In a speech on November 14th the chancellor addressed the president-elect directly, declaring that Britain would defend "free and open trade" and wanted to deepen its economic relationship with America. The new government has by and large picked up where the Tories left off on trade: embracing a Pacific-rim agreement and cracking on with other half-done deals.

Second, China. In opposition Labour echoed some of the Biden administration's hawkish rhetoric. Ms Reeves said that a reliance on heavily subsidised Chinese cars would be short-termist and naive; a repeat of the West's addiction to cheap Russian gas. In office it has been more balanced. So far Britain has not mirrored American and European tariffs on Chinese carmakers. On November 18th Sir Keir became the first British prime minister to meet Xi Jinping, the Chinese leader, since 2018.

Officials talk of a relationship characterised by consistency and judiciousness, rather than one jolted by rebellions of backbench China hawks as under the Tories. Ministers seem enthused about the prospect of

Shein, a Chinese-born firm, listing in London. In November Jonathan Reynolds, the trade secretary, told lawmakers that Britain was "much more exposed" to a trade confrontation between China and the West than Americans; it would be "a much more painful proposition" than people imagined.

Third, subsidies. Ms Reeves had initially promised lavish subsidies for green projects, at £28bn ($35bn, 1.2% of GDP). But that pledge was slashed in February 2024, before it could become a liability in an election that would put Labour's fiscal discipline under the microscope. Although Ms Reeves now plans to borrow more for investment, the bulk of the money allocated to date has gone on hospitals, school buildings and other bits of the public estate rather than subsidising industrial jobs. In office the government has been admirably restrained in refusing to bail out failing firms such as Harland & Wolff, a famous shipyard in Northern Ireland.

Ms Reeves's defenders in the party downplay the scale of this shift. She always said that Britain would have to apply the lessons of Bidenomics to suit its circumstances, they say, rather than adopt them off-the-peg. She always wanted to recalibrate Britain's approach to trade, rather than blow it up. But the change is real, nonetheless, and illuminating.

In government Labour is having to work with the grain of the economy as it is, rather than as it wishes it was. Britain was always too exposed to global trade, too reliant on services and in too weak a fiscal position to recreate Mr Biden's plan to create industrial jobs by splashing cash. Instead a government that wants to encourage growth has realised that it has to play to the country's strengths.

In Washington last year, for example, Ms Reeves lamented how Britain had become reliant on financial services. In her November speech she declared that regulation of the industry had "gone too far" and that the government would tweak it to allow more risk-taking. A Foreign Office review of economic diplomacy is expected to emphasise promotion of services exports such as education and culture.

Events across the Atlantic also explain the shift. Labour enthusiasts for securonomics saw how Mr Biden had appeared to weld an urban and graduate-dominated party to its historic industrial electorate. Mr Trump's triumph in the presidential election in November has helped make the political rewards of industrial strategy seem much less certain.

Labour now places a bigger emphasis on housebuilding and the creation of a new generation of asset-owners who can pass wealth onto their children. You can call that "securonomics" if you like. But it resembles Margaret Thatcher's idea of a property-owning democracy as much as it does the thinking of Mr Biden. ■

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Bagehot

Are British voters as clueless as Labour's intelligentsia thinks?

How the idea of false consciousness conquered the governing party

Nov 29, 2024 02:03 PM

WOE IT IS to be a Labour wonk right now. A streak of nihilism has infected the party's boffins after Kamala Harris's defeat in the American presidential election. The American economy zoomed under Joe Biden yet voters defenestrated his party. Essays such as "The Death of Deliverism" by Deepak Bhargava, Shahrzad Shams and Harry Hanbury, which argued in 2023 that voters would not thank Mr Biden's Democrats for a thumping economy, are passed around the British left like sombre *samizdat* texts.

The idea that voters no longer reward material improvements has taken root among the academics, advisers and think-tankers who make up Labour's intellectual milieu. "Substantive policy achievements simply don't have much electoral resonance," writes Ben Jackson, a professor at Oxford University, summarising an increasingly dominant strand of pessimism. Parties can no longer rely on "deliverism"—whether a growing economy or thriving public services—to produce electoral rewards.

This critique of deliverism relies on an old idea: false consciousness, or the notion that people are so misled about reality that they act against their own interests. What was once the preserve of Marxists, flummoxed that workers refused to lose their capitalist chains, is now the fall-back position for the modern British centre-left, which worries that voters cannot accurately comprehend the world in which they live.

False consciousness has often clouded Labour's political thinking. How could voters possibly re-elect a Conservative government after five years of austerity? The simple explanation—that enough voters were unaffected by spending cuts—passed many Labourites by. Why on earth would a majority of Britons vote to leave the EU? Explanations focused on misinformed voters, rather than the idea that 17m people got what they wanted.

This thinking now pollutes almost every policy area. It is easier for a politician to assume that voters are confused about the stats than that they are concerned by other things. When batting away complaints about crime, ministers huff that it is down overall. Social media are to blame for providing a stream of misleading videos of phone-snatching thugs and gory knife fights. That specific types of crime are up, and often in a way voters can see, is ignored. Shoplifting is at a 20-year high; knife crime is near its peak. Assuming that voters are confused about reality, rather than worried about an aspect of it, can cause political peril. For all that the American economy roared in the run-up to the recent election, prices had also rocketed. Soaring inflation trumped GDP growth.

Often, what is called false consciousness is accurate but unwelcome analysis. Immigration is now the main concern of British voters, pipping the economy and the NHS, according to Ipsos, a pollster. Concern about this issue tracks actual numbers. Immigration hit an all-time high in 2022; the number of people crossing the English Channel annually has jumped from a few hundred in 2018 to over 30,000 today. And lo, immigration is the most important issue in British politics once more.

Anxiety about immigration is seldom interpreted as being about the volume of people arriving in Britain. Worries are dismissed by the left as surrogate concerns about housing or job security, or attributed to the workings of a malign press. A more plausible view is that Britons sincerely want less immigration and voted for successive governments which have pledged (and failed to deliver) just that. In 2024 Labour became the latest party to be elected on such a pledge. If Labour is the first to fulfil it, why would it not be rewarded by the voters it most needs to keep?

If it is true that voters are incapable of giving thanks for, or even noticing, material improvements, then social democracy is toast. A creed built on the prosaic improvement of living standards cannot compete with the politics of identity and grievance. But deliverism—hoping that voters appreciate improvements—is still Labour's best bet, whatever the party's brains trust may think. Sir Keir Starmer, the prime minister and a political idiot savant, has come to the same conclusion by being unable to think of any other. "Populists are waiting in the wings with their easy answers and their snake oil," he is quoted as saying in a biography by Tom Baldwin. "We can beat them by delivering change."

There is little false consciousness when it comes to public services. Perception of public services largely matches their reality, according to Public First, a research firm. Where public services are good, people rate them highly; where services are poor, they do not. People who live in areas with shorter waiting lists for GPs and dentists rated those services more highly than people in areas with longer waiting lists. People in places with higher crime thought their areas indeed had higher crime. Those lucky enough to have good schools locally knew about it. Reality trumps vibes.

Deliver us from evil

Deliverism is a simple ethos that has fallen out of fashion for a simple reason: it has been so long since a British government could honestly say that things have improved. Ask for the achievements of the Conservative Party's 14 years in power and former ministers will mutter something about the covid-19 vaccine and school standards. Practically every area of British public policy, from health care to defence, has got worse since the financial crisis. Pledging to actually improve public services now feels as outlandish as pledging world peace and a free pony.

Assuming that voters will not notice improvements is a belief that swings between arrogance and insanity. If public services improve, so will Labour's standing. British politicos kid themselves with ideas of false consciousness. Far better to adopt a different adage of diehard communists: deliverism is not dead, true deliverism has never been tried! ■

reader correspondence.

| Section menu | Main menu |

International

- **The world is losing the fight against international gangs**
  Gangsters’ paradise :: Globalisation and technological progress are leading to a boom in organised crime
- **“Tariffers” v “traders”: the new contest for Donald Trump’s ear**
  The Telegram :: Eye-witnesses to the drama of the first Trump presidency brace for the sequel

Gangsters’ paradise

The world is losing the fight against international gangs

Globalisation and technological progress are leading to a boom in organised crime

Nov 29, 2024 02:03 PM | Lyons and São Paulo

AS THE WORLD teeters on the brink of what could become the worst trade wars since the 1930s, with international capital flows falling and cross-border trade and investment stagnating, there is one glaring exception to this unravelling of globalisation: international gangsters and organised criminals are on a roll. They are merrily pursuing opportunities around the world, moving goods across borders, establishing country-spanning supply chains and hiring talent internationally.

“I fear the world is losing the fight against gangs and organised crime,” says Jürgen Stock, who on November 7th stepped down after a ten-year stint as the secretary-general of Interpol, an international police organisation. “The growth in the breadth, scale and professionalism of organised crime is unprecedented.”

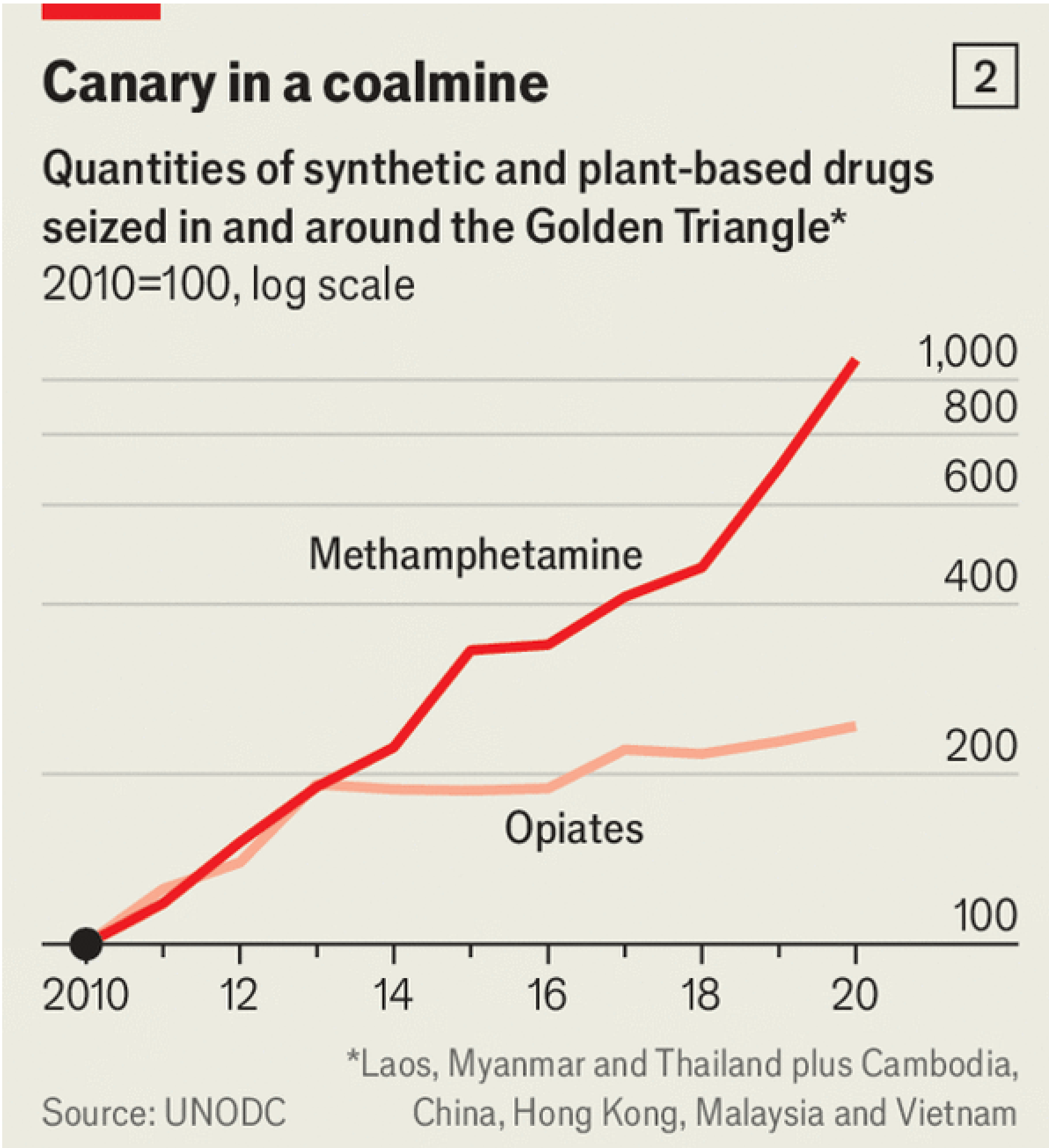
At first glance, Mr Stock’s alarm seems misplaced. Most parts of the world that are not at war have steadily become less violent and more law-abiding. In the first 20 years of this century the worldwide murder rate fell by around a quarter, from 6.9 per 100,000 people to 5.2 (see chart 1). Even in countries where worries about crime have increased in recent years, such as America, the violent-crime rate has fallen by half since the early 1990s.

The Economist

Yet there has also been a global surge in organised crime that started around the turn of the century, says Mark Shaw, the director of the Global Initiative against Transnational Organised Crime, an NGO. Driving it are three new developments: the spread of technologies such as encrypted apps and cryptocurrencies, which let mobsters link up and move their earnings around the world in ways that would have been unthinkable previously; the spread of synthetic drugs that are cheaper and more powerful than plant-based ones; and the rise of agile, diversified multinational criminal groups.

Start with the new tech. Until roughly a decade ago most emails and phone messages were unencrypted, meaning police and intelligence agencies could easily read them. Now almost everyone has access to secure messaging, allowing gangsters to plot in secret. The dark web allows them to sell contraband and the spread of cryptocurrencies allows them to take payments that are hard to trace for illegal goods or even darker purposes, such as ransoms. Digital technology has also created a new criminal genre: cyber-crime.

“Every advance brings a new threat,” says Ivo de Carvalho Peixinho, the head of Interpol’s cyber-crime unit. “We’re starting to see people using ChatGPT to help them write scam messages.” Chainalysis, a data company, reckons illicit earnings from scams, theft and ransomware attacks added up to $7.6bn for 2023. Not all the money will have gone to criminals. North Korea is said to run a unit employing 10,000 hackers and others who provide it with around half the country’s foreign-currency earnings, mostly from stealing cryptocurrency.



The Economist

Lockdowns during the covid-19 pandemic pushed unprecedented numbers of people online, many of whom were ignorant of the risks. They also offered new opportunities to the criminally minded. “It had a massive impact in South-East Asia,” says Jeremy Douglas, former regional director for the UN’s Office on Drugs and Crime. The pandemic emptied the mobsters’ casinos in the Golden Triangle, accelerating a move to online gambling. They soon discovered they could craft websites that enabled them to reach punters around the world as well as orchestrate scams and frauds—and launder their ill-gotten gains.

The second factor is a boom in drug use, which is being fuelled in part by the spread of synthetic drugs, which frees gangs from some of the constraints of geography since they are not reliant on plants such as coca trees or poppies that grow best in particular places. Seizures of methamphetamine in East and South-East Asia, for instance, increased fourfold between 2013 and 2022 (see chart 2). Prices have fallen by more than half as criminal gangs have scaled up production, which in turn has increased demand.

Worldwide, the number of people taking drugs increased by a fifth between 2010 and 2020, and the drugs they consume are becoming progressively stronger. Fentanyl is 50 times more potent than heroin. But even it is being supplanted by newer drugs, such as etonitazene, which is perhaps 500 times stronger than heroin.

King of pain

The third development is that gangs are becoming more nimble. Diversification—Interpol officials call it "polycrime"—is increasingly common. Previously, criminal groups tended to stick to what they knew best, making it easier for the police to investigate them. Today the same group could be involved in, say, drugs, pirated software and wildlife trafficking. Some have gone into new lines of business unlocked by migration or increasing numbers of refugees, which has led to an explosion of people trafficking. Venezuela's powerful Tren de Aragua gang, for instance, makes almost all its money by trafficking humans, not drugs.

Many are also diversifying geographically. To be sure, organised criminals have had transnational links in the past, but that was because they followed diasporas. Triads can be found in many overseas Chinese communities and the 'Ndrangheta, the mafia from Calabria in Italy, has long had branches in Canada, Australia and Western Europe. But in recent years syndicates have begun to migrate to exploit opportunities. Brazil's pre-eminent mob, the

First Capital Command, like a Habsburg empire of the underground world, has grown through alliances and diplomacy. It acts as “a regulatory agency of the criminal market,” says Bruno Paes Manso of the University of São Paulo. It “establishes rules to reduce conflict, creates predictability in the market, and provides a guarantee for the rules of the market to function”. Today it has 40,000 full members and an estimated 60,000 affiliates in 26 countries. The ’Ndrangheta, meanwhile, has spread to 40 countries and has an annual turnover of around $50bn—more than twice the GDP of mineral-rich Botswana, according to Interpol.

Or take the internationalisation of Albania’s gangs. Before the 1990s criminals were bottled up in a Communist dictatorship. As barriers to travel and commerce fell, so did the constraints on crooks. Today Albanian gangsters are key players in the netherworld of Ecuador, which is sandwiched between Colombia and Peru, the world’s two biggest producers of cocaine.

For years the FARC, a Colombian guerrilla group, worked with the Sinaloa Cartel in Mexico to control cocaine shipments from Colombia to the giant port of Guayaquil, where they would be sent to Europe and America. But the demobilisation of FARC fighters after a peace deal and the arrest of the Sinaloa Cartel’s leader created “the perfect storm” for other criminal organisations, including the Albanian mafia, to pile in, says Renato Rivera of the Ecuadorian Observatory for Organised Crime.

The result has been dramatic. In 2018 Ecuador was among South America’s more tranquil countries, with a murder rate of less than six per 100,000, similar to America’s. Last year it was the most dangerous country on the continent, with a murder rate of 45 per 100,000.

Though drug-crime generates the most violence, surprisingly the crime with the highest annual turnover may be the trading of counterfeit and pirated goods. Fakes constituted 2.5% of world trade in 2013, according to the OECD, a club of mostly rich countries, and the EU’s Intellectual Property Office. If that share is unchanged, it would imply the trade was worth more than $760bn in 2023, putting it higher than most estimates for the production, trafficking and sale of illegal narcotics.

Gangs are not simply expanding into new lines of business and new territories; some aspire to change the course of politics. Last year Colombian hitmen were accused of the assassination in Ecuador of Fernando Villavicencio, an anti-corruption presidential candidate. In 2022 six Dutch nationals were arrested in Belgium, accused of planning to kidnap the Belgian justice minister. And ahead of Mexico's general election in June, 40 candidates were murdered.

In some places this strategy has been so effective that gangs are, in effect, calling the shots. More than half of people polled in Latin America said that there were organised criminals or gangs in their neighbourhoods and around 14% of the population—almost 80m people—live under some form of gang rule, according to researchers at the University of Chicago. The extreme is Haiti, where for the first time in its history the UN Security Council has authorised a multinational force to restore order to a country that has been taken over by gangsterism.

Law enforcement has had some successes, notably in gaining access to two encrypted communications systems used by gangsters in 2018 and 2020. That has led to several thousand arrests across the world. And Interpol has become better at intercepting the cross-border transfers of some illicit assets.

But policing remains fundamentally national, and suffers from what Stephen Kavanagh, Interpol's executive director for police services, calls a "perimeter mindset". Turf, physical or otherwise, is jealously guarded. What is needed is an approach to law enforcement as international as that of the gangs. Yet the political will to craft a new approach has been largely absent.

Before joining Interpol, Mr Kavanagh was the police chief of Essex, an English county with a population of 1.5m. He ruefully notes that his old force's budget was more than twice that of Interpol's.■

The Telegram

“Tariffers” v “traders”: the new contest for Donald Trump’s ear

Eye-witnesses to the drama of the first Trump presidency brace for the sequel

Nov 29, 2024 02:14 PM

Chloe Cushman

TO DONALD TRUMP, the current world order is a criminally bad deal for America. He is ready to play good cop and bad cop to fix this. Public enemy number one is China’s economic model, which he has called a conspiracy to steal wealth and manufacturing jobs from America. But allies are prime suspects, too, accused of cheating America in trade while doing too little for America’s national security. Allies from Europe to North America and Asia can expect to meet both the smiling and snarling versions of President Trump, all too soon.

Your columnist is in Washington, where he attended a closed-door gathering of serving and former government officials from America and Europe, joined by business bosses and experts on trade and security, as well as scholars from China. This writer has attended these biannual gatherings—known as the Stockholm China Forum, and co-hosted by the Swedish foreign ministry and the German Marshall Fund, a think-tank—since 2008. The latest forum stood out for its hard-boiled, grimly serious mood.

Mr Trump's good cop, bad cop swagger is "how he thinks about diplomacy", said a participant with first-hand knowledge of the next president's negotiating style. Mr Trump, in his first administration, praised Xi Jinping as brilliant, and Vladimir Putin as smart, while slapping trade tariffs and export controls on China and harsh sanctions on Russia. That same disconcerting approach is about to return, as Mr Trump prepares to announce fresh tariffs and other arm-twisting moves on Day One in the Oval Office, targeting adversaries and allies alike. His aim is not to reform Mr Xi or other foreign leaders: Mr Trump has little interest in changing other men's souls. In a wicked world, his interest is in cutting deals to secure America's jobs, borders and security interests.

The dealmaking starts with US-China trade. Mr Trump is not by instinct scandalised by China's use of subsidies or coercive transfers of technology. Indeed, early in his first presidency, aides often struggled to alert him to the security implications of this or that Chinese ploy to buy American technology, or geopolitical move on the far side of the world. Mr Trump was focused on the trade balance with China, believing "viscerally" that America is a loser when it buys more from than it sells to another country, in the words of a former official. His alarm about China as a security threat deepened, notably after he concluded that Mr Xi lied to him about the covid-19 pandemic, triggering a crisis that cost him the 2020 election. Chinese officials fret that Mr Trump bears a grudge and might "re-politicise" the pandemic. They are right.

Even now, Mr Trump believes that the foreign-policy establishment has its priorities backwards. To him, foreign-policy grandees focus on shows of military might or diplomacy with allies rather than on the task that—in his view—underpins all other sources of strength, namely making America's economy great again.

Like a cop with a new Taser, Mr Trump seems to see tariffs as a way to inflict non-lethal but instructive pain. Early evidence came on November 25th, when he threatened 25% tariffs on imports from Mexico and Canada, and an extra 10% on Chinese imports, as a prod to do more to stop flows of migrants and drugs.

More shocks are inevitable. The forum debated the influence of "traders", meaning tycoons and Wall Street financiers with Chinese business interests and whose counsel Mr Trump heeds. On past form, if tariffs were to spook markets, that would also weigh on Mr Trump's thinking. Such voices of restraint will compete with "tariffers" working on trade policy for Mr Trump.

There are big questions, too, about whether Mr Trump sees tariffs as a means or an end. His defenders insist that tariffs are a negotiating gambit. Yet in Washington, those same levies are starting to sound worryingly permanent. Republicans in Congress are enthusiastic about using revenues from tariffs to "pay for" cuts to taxes on income or corporate profits, the forum heard. Advocates argue that the first Trump administration carefully imposed preventive tariffs on industries in which American firms still have an edge, but which China has in its sights.

For a rough world, rough methods

The Biden administration's industrial policies may live on, though Mr Trump is less keen on subsidies for green technologies, and more gung-ho about tasks like reviving American shipbuilding to counter China on the high seas. He is equally keen on supplying factories with cheap fossil fuels. Controls to stop Chinese components entering American markets via third countries will be tightened. If Chinese exporters respond by diverting trade flows to Europe or emerging markets, wreaking havoc outside America, Mr Trump will not greatly care.

Differences over policy extend to the security realm, too. Mr Trump's choice for national security adviser (NSA), Mike Waltz, is a fierce China hawk. So are his picks for deputy NSA, Alex Wong, and for secretary of state, Marco Rubio. For all that, nobody can exclude that Mr Trump sees national security as a realm for unsentimental dealmaking with China. His first weeks in office may prove revealing, given his pledges to end the war in Ukraine quickly. The forum heard about Chinese offers to play peacemaker in Ukraine and to rebuild its shattered cities. That was too much for some Europeans. Ukraine's cities need repair because Chinese firms are helping Russia build the drones and missiles now destroying them, they growled. There were accounts of European governments telling Chinese leaders that China's enabling of Russia's war machine is gravely damaging their country's image in Europe. But indignant Europeans also know that Mr Trump is an unsqueamish man, who might just welcome Chinese help as he imposes a messy peace on Ukraine. Like the star of a gritty crime drama, Mr Trump is not one for niceties. ■

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Business

- **Will the trouble ever end for Volkswagen and its rivals?**
  Breaking down :: From strikes to Trump tariffs, calamities abound
- **After Northvolt’s failure, who will make Europe’s EV batteries?**
  Unplugged :: The continent looks ever more reliant on Asian producers
- **Audiobooks are booming, thanks to streaming subscriptions**
  Cover artists :: As Amazon opens access to Audible, expect demand to grow
- **TikTok wants Western consumers to shop like the Chinese**
  What’s in store :: It still has some convincing to do
- **Elon Musk’s xAI goes after OpenAI**
  Tycoons in a knife fight :: The fight is turning nasty
- **Could seaweed replace plastic packaging?**
  Fantastic but not plastic :: Companies are experimenting with new ways to reduce plastic waste
- **On stupid rules and quick wins**
  Bartleby :: Why every boss can benefit from asking employees what most infuriates them
- **Has Sequoia Capital outgrown its business model?**
  Schumpeter :: Venture capital’s hardiest perennial gets back to its roots

Breaking down

Will the trouble ever end for Volkswagen and its rivals?

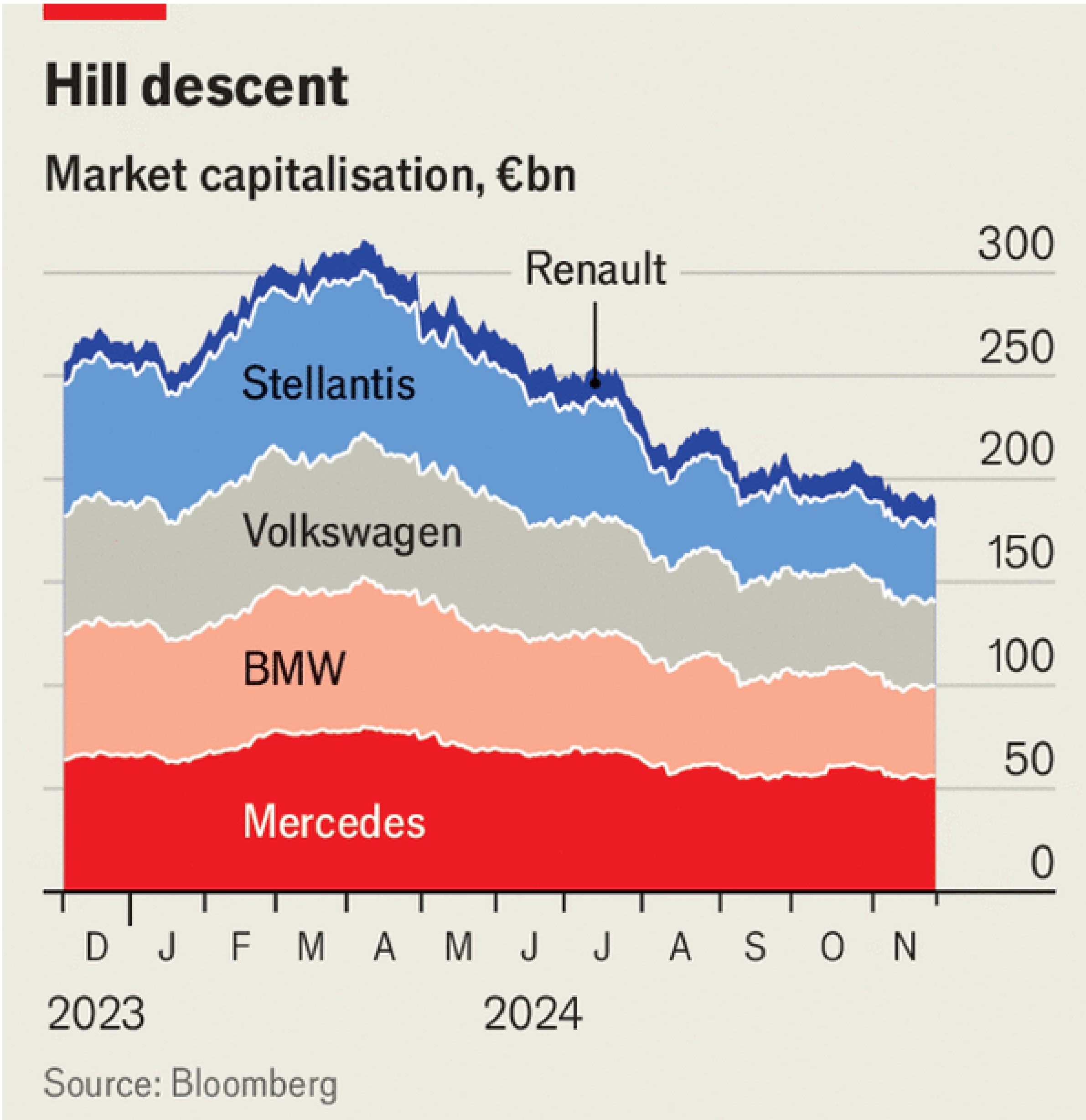
From strikes to Trump tariffs, calamities abound

Nov 29, 2024 02:03 PM


Ricardo Rey

CAR DASHBOARDS have an array of indicators that illuminate to warn of trouble. If the boardrooms of Europe’s carmakers had similar systems they would be lit up like a Christmas market. Volkswagen (VW), the largest of the lot by sales, is bracing for strikes beginning on December 1st in response to its plan to close three factories in Germany and cut wages. Northvolt·, a once-promising Swedish battery startup in which VW and BMW invested, has collapsed into bankruptcy. Meanwhile, across the Atlantic, Donald Trump is threatening to upend supply chains by imposing a 25% tariff· on imports from Mexico and Canada.

These troubles come amid an already difficult year for Europe's auto industry. Since April the combined market value of the continent's five biggest carmakers by sales—VW, Stellantis, Renault, BMW and Mercedes—has plunged from more than €300bn ($320bn) to below €200bn, as a string of gloomy profit forecasts has spooked investors (see chart). In Europe demand has shrunk and competition is intensifying from Chinese electric-vehicle (EV) firms. "The pie has become smaller, and we have more guests at the table," Oliver Blume, vw's boss, has said. At the same time, the overseas businesses of European carmakers have hit a pothole. Sales in China have slumped, and profits in America are under threat, too. Philippe Houchois of Jefferies, a bank, describes it as "a downturn like no other". Yet efforts to slash costs at home to stay competitive are hitting stiff resistance from unions and politicians.



The Economist

Not long ago European carmakers were on a tear. A shortage of microchips during the pandemic helped them pursue a strategy of “value over volume”, as they prioritised putting scarce chips into their most profitable vehicles. VW broke its record for operating profit each year from 2021 to 2023. Stellantis (whose largest shareholder, Exor, is a part-owner of *The Economist*’s parent company) generated its highest-ever revenue and profit in 2023. BMW and Mercedes also enjoyed bumper years. A restructuring programme at Renault also began to pay off.

Lately, however, the picture has darkened. Demand for cars in Europe has stalled and may be headed for structural decline. Europe will never return to its pre-pandemic heights of 16m sales a year, concedes Arno Antlitz, vw's chief financial officer. In 2023 total sales were a little over 11.5m vehicles, up on the previous year but well below their peak. This year they are expected to be lower, and few in the industry forecast much growth next year.

As the chip famine has ended, production has swung back towards less profitable cars. Margins are likely to dwindle further if price wars break out to meet stiff new emission targets on the EU's path to banning sales of petrol cars by 2035. Stricter rules next year will require a higher share of vehicles the industry sells to be EVs, which are currently less profitable than fuel-guzzling ones.

European carmakers are also being squeezed on price at home by Chinese competitors. Although there was a small dip after tariffs on imported EVs were introduced by the European Union in October, Chinese carmakers still account for one in ten sales of new EVs in Europe, according to Schmidt Automotive Research, a consultancy. That share will rise further. BYD and Chery, two Chinese carmakers, are setting up factories in Europe to serve the continent directly.

Meanwhile in China, European firms are losing out to domestic rivals. The world's largest car market has long been an important source of profit for Europe's auto industry. Those days are drawing to an end. According to UBS, a bank, foreign brands' market share has plummeted from 63% in 2020 to 37% now, with Chinese carmakers proving better at stuffing their vehicles with the whizzy technology that the country's consumers demand. VW has been hit especially hard. Once the biggest car company in China by some distance, its market share has fallen from 19% in 2019 to 14% today. It may slip into the single digits by 2030, says UBS.

Business in China is also getting harder for Germany's upmarket firms. BMW and Mercedes earn 48% and 37% of their operating profit, respectively, in the country. Although they have so far shed only a few percentage points of market share, both rely heavily on petrol cars in a country where half of sales are now electric. The sales in China of Porsche, another fancy European brand, have plunged by 27% since 2022.

Stellantis, which has largely pulled out of China, is nevertheless in a battle with Chinese competitors in South America and the Middle East, both important regions for the firm. Its bigger problem, though, is its plunging profit in North America. A misguided decision to raise prices for its pickups and SUVs, to bring them closer to those of Ford and General Motors, has backfired as customers have turned away. Last month it announced that its North American revenue fell by 42%, year on year, in the quarter from July to September. Ballooning inventories have led it to cut production and temporarily close factories.

The American market is set to become thornier still for European carmakers under Mr Trump. VW imports nearly two-fifths of the cars it sells in America from north and south of the border, as does Stellantis. If Mr Trump also levies tariffs on imports from the EU that would worsen the pain. Although two-thirds of the cars BMW sells in America are manufactured there, the rest are imported from the EU, according to Berenberg, a bank.

All this points to a painful period of readjustment for Europe’s carmakers that will need to start with tackling overcapacity at home. Efforts to do so, however, are already encountering resistance. VW’s unions are not the only ones taking industrial action. Last month Italian auto workers staged a one-day walkout, their first national strike in 20 years. Strikes have also hit auto suppliers in France and have been threatened at two tyre plants set to close by 2026.

Politicians, too, are taking a dim view of factory closures. “Possible wrong management decisions from the past must not be at the expense of employees,” Olaf Scholz, Germany’s beleaguered chancellor, has said in relation to VW’s planned closures. Carlos Tavares, the boss of Stellantis, has been chastised by the Italian government for sending jobs to low-cost countries. But unless European car companies can deal with rising costs and sliding sales their plight will only worsen. The warning lights are flashing more urgently now. ■

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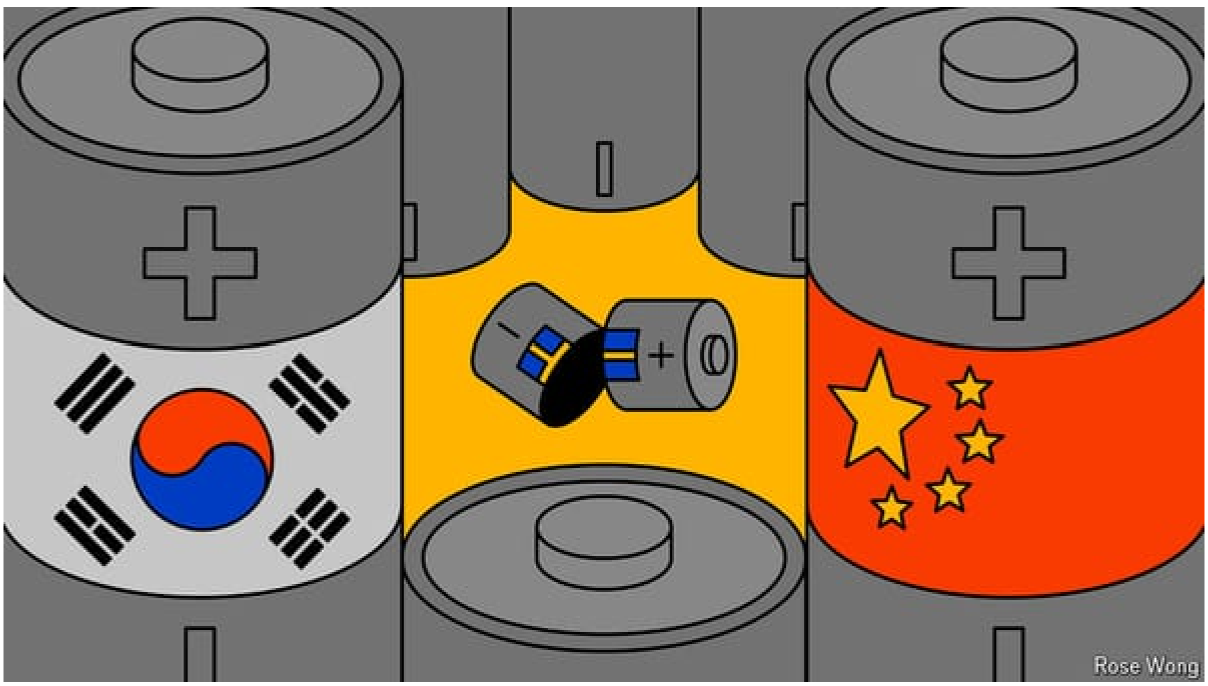
| Section menu | Main menu |

Unplugged

After Northvolt's failure, who will make Europe's EV batteries?

The continent looks ever more reliant on Asian producers

Nov 29, 2024 02:03 PM



FEW EUROPEAN startups have attracted as much attention—and none as much capital—as Northvolt. On November 21st the Swedish maker of batteries for electric vehicles (EVs), and a would-be European champion, went bankrupt, having raised $15bn from governments and investors. Its boss, Peter Carlsson, resigned shortly after.

Northvolt's demise widens an already gaping hole in Europe's battery-making industry. The firm's production capacity of 16 gigawatt-hours (GWh) accounted for less than a tenth of the continent's total (and problems with manufacturing meant it used only a fraction of that). But by the end of the decade, the company's capacity was supposed to rise about four-fold, helping expand overall European capacity from 192GWh to 1,142GWh, according to Benchmark Minerals Intelligence, a research firm. That now looks optimistic.

The collapse of a competitor may seem like good news for Europe's other EV-battery hopefuls, but they are unlikely to cheer. The circumstances of Northvolt's failure, including the huge technical challenge of scaling production, will not inspire investors to support similar ventures. European carmakers that were backing battery-makers to further their own EV plans have scaled back investments and partnerships in response to slowing demand for EVs. PowerCo, owned by Volkswagen, delayed expansion plans last year. EV sales in Europe dropped by 5% in the first ten months of this year, compared with the same period in 2023; in Germany they fell by 27%. EVs' share of total car sales in Europe slipped from 14% to 13%.

As hopes for a homegrown champion fade, Europe must turn to foreign battery-makers. LG Energy Solution (LGES), a South Korean manufacturer, runs the continent's biggest battery facility in Poland, which accounts for half of Europe's capacity. Next are SK Innovation, also South Korean, and China's CATL, the world's largest maker of batteries. In recent months, however, the two South Korean companies have signalled a pause in their expansion plans as they cut sales targets. LGES said in October it was considering converting EV-battery lines to grid-scale batteries.

That leaves the continent with two options: CATL, which has made global expansion one of its priorities, or imports from China, which manufactures around four-fifths of the world's lithium-ion batteries. Neither option will delight European policymakers.■

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Cover artists

Audiobooks are booming, thanks to streaming subscriptions

As Amazon opens access to Audible, expect demand to grow

Nov 29, 2024 02:03 PM

THE MOST popular musicians on Spotify this week included plenty of familiar names, from Lady Gaga and Bruno Mars to Billie Eilish. But also riding high in the streaming platform's charts were some unexpected stars, including Jane Austen, J.R.R. Tolkien and Boris Johnson.

Spotify, best known as a music streamer, now deals in audio of all kinds. A year ago it began giving customers on its paid tier 15 free hours of audiobooks, equivalent to about a book and a half, per month. The plan has since been rolled out in ten mainly English-speaking markets; rock and pop now jostle for position in the charts alongside fantasy and politics (Mr Johnson's autobiography embraces both).

This month Amazon announced that it would follow Spotify's lead and give subscribers to its music-streaming service access to audiobooks, with one free book a month from Audible, its sister company. Amazon's Music Unlimited has little more than a third as many subscribers as Spotify, which boasts 252m worldwide. But in Audible it has by far the dominant player in audiobooks, accounting for more than half the market.

The Economist

Amazon’s move promises to add fuel to an audiobook boom. Sales so far this year are 27% higher than in the same period in 2023, according to the Association of American Publishers, a trade body, helped by Spotify’s entry into the market. Once something of a footnote in the publishing world, audiobooks now make up 12% of America’s consumer book market, a bigger share than e-books (see chart).

Streaming is resented by many musicians and record companies, who pine for the days when listeners bought CDs for $15 a pop rather than streaming tracks for a fraction of a cent each. Book publishers are more enthusiastic. Music bosses “would kill for the deal we have”, boasts one, who says a stream on Spotify earns about the same as a physical book sale, once a lowish threshold of listening has been reached. Streaming platforms also bring in new readers by pointing them to books related to podcasts they have enjoyed.

The audiobook boom has given a particular boost to certain types of authors. Spotify says its subscribers are using their free hours to try out less “safe” choices—if they are not gripped after a few minutes, they can switch to a different title at no cost. Audiobook consumers skew young and male, which is reflected in the many non-fiction and self-improvement titles in Spotify’s charts. Publishers have long fretted that the digital world is dragging readers away from books. Now, for once, it might be helping. ■

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What’s in store

TikTok wants Western consumers to shop like the Chinese

It still has some convincing to do

Nov 29, 2024 02:03 PM

AS THE END of the year draws closer, shopping season is in full swing. On Black Friday:, November 29th, retailers will offer steep discounts to lure customers. Some sales started weeks ago. Soon will come the mad dash for Christmas gifts.

This year, though, many consumers will shop not in stores or on e-commerce sites, but via social-media apps. Social commerce—online purchases that originate on social media—will reach $72bn in America in 2024, reckons eMarketer, a research firm, accounting for 6% of online sales. That is up from $47bn in 2022, and expected to reach $100bn in 2026 (see chart). A growing share of those transactions can be completed without requiring shoppers to leave the social-media platform.

Leading the trend is TikTok, a short-video app owned by Bytedance, a Chinese tech giant. The app, which is battling an effort by lawmakers in America to have it banned or sold off, hopes to bring to the West a business model that blurs the line between shopping and entertainment. TikTok Shop, an e-commerce feature added to the app in Britain in 2021 and

America last year, lets users scroll through posts about products, watch live shopping events and buy items with just a few clicks. The app takes a 9% commission on sales in Britain and 6% in America. TikTok also now has a logistics service that takes care of packing, delivery and returns for merchants.

Although TikTok Shop is growing fast, making social commerce as widespread in the West as it is in China will not be straightforward. Meta has made various attempts to embed e-commerce into Facebook and Instagram without gaining much traction. For TikTok Shop to continue expanding, it will need to overcome hesitancy from consumers, brands and the influencers that connect them.

In China, the distinction between shopping and entertainment has already grown fuzzy. Social commerce will account for $900bn of online sales in the country this year, according to eMarketer, representing almost 30% of all e-commerce. Douyin, TikTok's sister-app in China, and Kuaishou, its main local competitor, are now among the country's biggest e-commerce platforms, based on the value of merchandise sold through them.

In the West, however, shoppers have been slower to embrace social media as a place to buy stuff. In a recent survey of Americans by Simplicity DX, a marketing-software firm, 62% thought social media was a helpful place to learn about new products, but 74% still preferred to buy things on traditional e-commerce sites.

It doesn't help that the products currently sold on social media tend to be cheap impulse purchases, from snacks to silly toys. When your correspondent opened TikTok Shop, she was offered a 30-pack of Diet Coke and a stuffed toy shaped like French fries. Joe Gagliese of Viral Nation, a marketing agency, points out that many merchants on the platform are unknown companies that sell a single item. TikTok Shop is designed to encourage impulse shopping; when products are discounted, for instance, a clock is sometimes displayed with a countdown to the end of the sale. Another recent survey found that more than half of Americans who shopped on social media regretted their purchase.

Big brands have also been wary. Plenty have embraced social media as a place to advertise their products, often with the help of influencers. And some, including Puma, a sportswear brand, and L'Oréal, a beauty giant, have begun to sell through TikTok Shop. Jack Timpany, a marketing executive at L'Oréal, says that it is a useful way to get new products in front of consumers. "It's pretty hard to do that on your traditional e-commerce channels where you're limited by what people put in the search bar," he says. "It's all about discovery," says Jan Wilk, head of operations for TikTok Shop in Britain.

Other companies, however, have balked at the idea. GymShark, a sportswear brand that has relied heavily on influencer marketing to raise its profile, has held off on selling directly through TikTok. Noel Mack, who looks after brand strategy for the company, says that is because much of the emphasis on TikTok Shop is around selling products at deep discounts.

Influencers, whose content helps drive engagement on TikTok, also need more persuading. They may be happy to promote products on behalf of brands, for a fee, but many have been reluctant to push the cheap wares typically found on TikTok Shop. Social-media users in the West have grown more sceptical of influencers who act as salesmen. "The follower has become a lot smarter," says Samantha Bergmann, founder of SESAMY, an influencer-marketing agency. "You can no longer sell them something that doesn't actually fit your brand." The buzzword in the industry is "authenticity", explains Eric Sheridan of Goldman Sachs, a bank. That may be hard to maintain while peddling stuffed toys. ■

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Tycoons in a knife fight

Elon Musk’s xAI goes after OpenAI

The fight is turning nasty

Nov 29, 2024 02:03 PM | SAN FRANCISCO

AN UNDERAPPRECIATED FORCE behind great technological change is intense—and petty—rivalry. In the “war of the currents” in the late 19th century, Thomas Edison electrocuted stray animals to discredit Nikola Tesla. A century later Steve Jobs traded insults with Bill Gates during a battle between Apple and Microsoft. Even “Silicon Valley,” a satirical HBO series, starts with a feud—and the priceless quip: “These are billionaires, Richard. Humiliating each other is worth more to them than we will make in a lifetime.”

In the world of generative artificial intelligence (AI), the scrap between Elon Musk and Sam Altman is in the same league. It is both silly and captivating. Silly because they insult each other, try to discredit each other's chatbots and fight over who meant what almost a decade ago when they co-founded OpenAI.

Captivating because, fuelled by grievance, Mr Musk has created xAI, maker of a series of large language models (LLMs) called Grok. It has its sights set on OpenAI, now run by Mr Altman, which became wildly successful with the release of ChatGPT two years ago. While OpenAI was last valued at $157bn, xAI, which is less than two years old, is already reported to be worth $50bn.

xAI is desperate to catch up. In September it fired up the world's biggest supercomputer in Memphis, built in record time with 100,000 of Nvidia's graphics processing units (GPUs), at an estimated cost of $4.5bn. Mr Musk promised to double the size within a few months. xAI is raising money hand over fist: $5bn in its current round, according to the *Wall Street Journal*, on top of $6bn in May (OpenAI has raised $6.6bn this year). The cash and computing power will help train the third generation of Grok, which Mr Musk, with his usual rambunctiousness, has promised will be "the world's most powerful AI by every metric". Time is of the essence: as OpenAI's experience showed, the first model to display a superior level of intelligence can leave the rest in the dust.

Mr Musk's AI company has other advantages. The man has a knack for attracting brilliant engineers. xAI recruits from the top LLM labs as well as from Tesla, his electric-vehicle maker. Its LLMs are partly trained on data from X, Mr Musk's social-media platform, which (for all its toxicity) provides up-to-the-minute information. xAI may also benefit from familial ties with Tesla. The car company generates valuable data on the real world via the cameras installed on its vehicles, which it hopes will eventually support fully autonomous driving.

Though some investors resent the way Mr Musk takes from one company to give to another, he argues that xAI will ultimately help him realise his dream of creating autonomous cars, "robotaxis" and humanoid robots. Such ambitions may help xAI get its hands on scarce GPUs because Jensen

Huang, Nvidia's boss, shares Mr Musk's sense of higher purpose. "What Elon is doing is so cutting-edge. Jensen loves that," says Umesh Padval of Thomvest Ventures, a venture-capital (VC) firm.

Yet compared with OpenAI, xAI is still an underdog. OpenAI's partnership with Microsoft—though strained at times—gives it access to infrastructure not even the world's richest man can match: Microsoft's capital expenditures, mostly on GPUs and data centres, are expected to exceed $150bn in 2024-25. Combining the products it sells directly to its customers with those sold via Microsoft gives OpenAI a roughly 70% share of the LLM market. That is still a big lead.

The risk is that Mr Musk turns what should be robust corporate competition into a knife fight. Earlier in November he filed an amended lawsuit—the third version this year—against OpenAI and its backers, with xAI as a plaintiff and Microsoft as a defendant for the first time.

It repeats accusations that Mr Altman and his co-defendants abandoned a non-profit, safety-first mission, partly funded by Mr Musk, in order to get rich. OpenAI disputes this. The suit's latest allegations are that OpenAI and Microsoft hobbled competition by restricting OpenAI's investors from putting money into AI rivals and through what it calls a de facto merger. In January the Federal Trade Commission, an antitrust body, launched an inquiry into Microsoft's ties with OpenAI, as part of a broad look at AI investments. Some OpenAI investors fear that Mr Musk could use his influence with President-elect Donald Trump to encourage the FTC to dig deeper.

One of those investors, Alexandre Azoulay of SGH Capital, a VC firm, accuses Mr Musk of using "lawfare" against OpenAI rather than fair competition. But for its part, OpenAI's defensive strategy veers worryingly near to wrapping the company in the flag. One person close to OpenAI portrays it as a champion in America's tech war with China. Its innovation is "foundational to US success—not just economic competitiveness but who prevails between the US and China," he says.

In fact, America's technological edge would be best served by both firms slugging it out in the marketplace, not by either of them pulling political or geopolitical strings. In the meantime, all the elements are in place for a blockbuster remake of “Silicon Valley” for the AI era. ■

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Fantastic but not plastic

Could seaweed replace plastic packaging?

Companies are experimenting with new ways to reduce plastic waste

Nov 29, 2024 02:03 PM

IN VICTORIAN LONDON, among the factories and warehouses of the city's East End, Alexander Parkes developed the world's first plastic (he inventively called it Parkesine). Notpla, a startup now based in the same part of the city, wants to follow in his footsteps. Unlike Parkesine, however, its material is not made to last. And instead of fossil fuels, it is made from seaweed. At Emirates Stadium, not far away, football fans already gorge on hot dogs served on trays that use the material, which decomposes naturally in just six weeks.

Notpla is one of a number of companies which are exploring using natural polymers—such as corn, mushrooms or agricultural waste—as alternatives to plastic. Traceless, a German startup, recently set up a factory to produce cutlery and other products that are compostable. C&A, a European fashion retailer, uses biodegradable hooks made by the startup to hang socks. IKEA, a Swedish homewares giant, has experimented with mushroom-based packaging. As companies step up efforts to reduce their plastic waste, expect plenty more innovation in the years ahead.

This year, according to the OECD, the world will produce around 500m tonnes of plastic. About a tenth of that will be recycled and a fifth will be incinerated. The rest will end up in landfill or be dumped into waterways or oceans. The production and disposal of plastic accounts for about 3% of global greenhouse-gas emissions—more than from aviation. That is why on November 25th the UN began final negotiations on a binding global treaty that aims to curb the environmental impact of plastic by, among other things, setting rules around recycling. The treaty is expected to come into effect next year.

For most companies, the main use of plastic is for packaging, which includes everything from bottles to protective wrapping. That accounts for a third of the material’s production, and much of it cannot be recycled. Many businesses have already begun taking steps to reduce this type of waste. Coca-Cola, for example, has swapped its green Sprite lemonade bottles for transparent ones (clear plastic is easier to recycle).

Coca-Cola and other packaged-goods giants including Nestlé, Unilever and Danone are among the more than 250 companies that have joined a coalition supporting the UN treaty. Having a consistent set of global rules would make life easier for multinational companies that contend with a patchwork of national and regional regulations on plastic waste. Since July, for example, the European Union has mandated that caps must be attached to plastic bottles to ensure that they are also recycled. Because it would be too much hassle to do otherwise, most multinational companies have used the same design for bottles sold in Britain.

Since 2018 the companies in the coalition, which together account for 20% of global packaging, have reduced their combined use of virgin plastic by

3%. That is commendable, but far short of the 18% target they had set for next year. Greater adoption of alternative packaging materials might help them pick up the pace. Nestlé is among those that are exploring such materials, having established a research centre for sustainable packaging in 2019. Entrepreneurs and venture-capital (VC) investors have also piled in. Since 2020 VC firms have invested $2.7bn in sustainable-packaging startups, nearly three times the amount in the preceding five years, according to PitchBook, a data provider.

Many of the alternative materials that are being explored remain expensive. Those seaweed-coated hot-dog trays cost about three to four times more than a plastic one. Companies will thus need to gauge how much shoppers are willing to pay to help reduce plastic waste. In a survey of consumers in Europe and the Americas conducted last year by Euromonitor, a research firm, more than four-fifths said they would pay a higher price for a product with sustainable packaging. One-third said they would pay at least 10% more. Whether such good intentions translate into behaviour in the shopping aisle is another matter. But some consumers, at least, do not want their money to go to waste. ■

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Bartleby

On stupid rules and quick wins

Why every boss can benefit from asking employees what most infuriates them

Nov 29, 2024 02:03 PM

INTERROGATE THE internet about the most ridiculous rules people have experienced at work, and the stories roll in. The lab assistant instructed to label the expiry dates on all chemical samples, who was reprimanded for not writing when a bottle of sand would go off (to comply, they put in a date 65m years hence). The accounting firm where only partners were allowed to have plants over a certain height. The company where employees were required to submit requests to maintenance if they wanted the height of their office chairs to be adjusted. The baroque limitations on how often people are allowed to go to the lavatory.

These are extreme examples of corporate red tape. But most companies will have at least one pettifogging rule that hinders more than it helps. Does it really make sense to enforce a rigid definition of time off if someone has suffered a bereavement? Does getting an expenses claim paid have to feel like something Kafka would reject as implausible? By the same token, every company will have settled into a way of doing things that might once have served a useful purpose but no longer does. Such stones in the corporate shoe are that most welcome of things for managers: the quick win.

Quick wins are often associated with incoming bosses. A new broom is more likely to see things that seem to make little sense, and on closer inspection, actually make none. Staff are happier to say what bothers them: any implied criticism is aimed at the old regime. It helps a new chief executive if they can make changes that quickly demonstrate to staff and customers their ability to make things better. Small victories also give them permission to take their time over bigger decisions.

Hubert Joly, whose turnaround of Best Buy, an electronics retailer, has become case-study catnip, found nothing but quick wins when he became the CEO in 2012. He credits an initial stint working at a Best Buy store in St Cloud, Minnesota with giving him many of his ideas. Staff were upset that the previous management had cut employee discounts on products. The store gave too much space to fading product categories like DVDs and CDs, and not enough to fast-growing ones like mobile phones. Flat-screen televisions were frequently damaged, partly because of the way they were stacked. All of these were easy enough to change.

In “The New CEO”, a book on how to make a successful start to life in the top job, Ty Wiggins of Russell Reynolds, an executive-search firm, tells a couple of other quick-win stories. One boss found that people at headquarters were distributed chaotically throughout two buildings just across the street from each other. Within a month he had decided where everyone should be sitting, and saved a lot of time and moaning in the process.

Stephanie Tully, the boss of Jetstar, a low-cost Australian airline, made it her business to meet as many employees as she could in her first weeks.

Time and again, she heard complaints from crew about how much they hated the uniform. An early decision to design a new range sent a very visible signal that they were being listened to.

After a while, though, it gets harder for bosses to spot this low-hanging fruit. They may have moved on to bigger things; they may well have introduced the rule that most infuriates everyone. But they should be in no doubt that quick wins will still exist. Even in efficient companies, rules and bureaucracy accumulate. The trick is to have a way to keep finding them.

In "The Friction Project", a recent book by Robert Sutton and Huggy Rao, two Stanford University academics, the authors write about a programme at Hawaii Pacific Health called "Getting Rid of Stupid Stuff". Clinical staff were asked to nominate idiotic record-keeping processes that they wanted to ditch. Eliminating a single data-entry requirement, to click on a patient's name each time nurses and nursing assistants did an hourly round, freed up thousands of hours a year. In a similar vein AT&T has a scheme called Project Raindrops, which encourages employees to submit ideas for policies that should be ditched, from excessive approval processes to a virtual private network that logged people out more often than anyone could bear.

There is no reason why bosses cannot do "listening tours" throughout their tenure. Getting managers to do front-line work is another way for them to see where process has got out of hand. Running a business is hard. Why turn down the chance of a quick win? ■

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Schumpeter

Has Sequoia Capital outgrown its business model?

Venture capital's hardiest perennial gets back to its roots

Nov 29, 2024 02:03 PM

THE FIRST thing that catches your eye when you enter the poshly serene headquarters of Sequoia Capital on Sand Hill Road in Menlo Park, California, is a metre-wide cross-section of what appears to be a redwood. On closer inspection it turns out to have been a tree in the past—38m years ago, according to a plaque on the back. Now it is solid stone. A gift from Roelof Botha, the venture-capital (VC) firm's current boss, and his wife, it reminds employees and guests of the durability of the organisation they are visiting, which has existed since 1972. In the accelerated time of Silicon Valley, that is aeons.

Sequoia is not just perennial but hardy, too. In contrast to some other VC old growths like Kleiner Perkins, whose reputation for spotting the next hot startup has wilted in the past decade, it has managed to thrive more or less continuously for half a century. Over the years it has made its limited partners (LPs, as VC firms' outside investors are known) and its own rainmakers (who pocket around a quarter of gains plus a management fee of a couple of percent of a fund's assets) a total of over $70bn, thanks to early bets on future tech darlings including Airbnb, Apple, Google and Nvidia. Of that, $43bn has been disbursed since 2019.

Alfred Lin, who co-led Sequoia's investments in OpenAI, the world's leading builder of cutting-edge artificial-intelligence (AI) models, topped this year's Midas ranking of the world's 100 most successful venture dealmakers, compiled by *Forbes* magazine. Mr Botha came 11th. Another three Sequoia employees made the list.

Mr Botha puts things in Darwinian terms, paraphrasing the father of evolutionary science: “It is not the strongest of the species that survives, nor the most intelligent that survives. It is the one that is most responsive to change.” For Sequoia, responding to change has included hatching a “growth fund” to bankroll larger startups that would once have gone public (in 1999), expanding into China (in 2005) and India (a year later), and creating a hedge fund (in 2009) and a wealth-management arm (in 2010).

Lately, as geopolitical rifts have made investments in Asia trickier and deep-pocketed “tourists”, first from New York and Tokyo, then from Riyadh and Abu Dhabi, have stiffened competition for growth deals, adapting has meant once again going after more earlier-stage businesses at home and in Europe. Two years ago Sequoia launched its Arc programme for young startups. In 2023 it parted ways with its Chinese and Indian units.

This seems like a sound idea in principle: why endure cross-border headaches, or compete with spendthrift foreigners like SoftBank of Japan or MGX of the United Arab Emirates as they bid up valuations of today’s sexy AI startups, when ferreting out tomorrow’s stars at home offers potentially higher returns? The niggle is that both Sequoia and the ground beneath it have changed in a way that makes returning to its roots difficult.

For one thing, the VC landscape has become much more crowded. PitchBook, a data-provider, counted 3,417 conventional VC firms active in America last year, up from fewer than 1,000 in the mid-2000s when Mr Botha got into the business. Last year they managed $1.2trn-worth of assets, compared with $150bn 20 years ago. The value of new deals in the first nine months of this year exceeded $130bn. That pales beside $352bn in all of 2021, a white-hot year for startups, but is nearly twice the figure for 2014.

At the same time, as Mr Botha acknowledges, “The number of smart founders is not a function of the amount of money available.” With lots more cash chasing roughly the same supply of startup talent, industry-wide returns have duly disappointed. According to Cambridge Associates, an investment firm, the LPs of American VC firms have made compound annual returns of 1.45% in the past three years, compared with 41% in the three years before and less than the 8% they could have earned in public markets. As one VC veteran sums up with astonishing candour, “You would be better off investing in Microsoft or Meta.” (Sequoia is tightlipped about its funds’ recent performance, though to judge by its five *Forbes* Midases it is likely to be above average.)

As with other old growths of Sand Hill Road, Sequoia is also contending with smaller “seed” investors, often ex-entrepreneurs, getting between old-school VCs and the next generation of founders. These newcomers are closer to the young entrepreneurs in age, inhabit the same WhatsApp groups and offer counsel on negotiating with the Sequoias, having been through it themselves. The phenomenon dates back to the creation of Y Combinator, a startup kindergarten, in 2005. But it is not letting up. On November 26th the *Information*, a tech publication, reported that a young former startup manager turned partner at Andreessen Horowitz, Sequoia’s rival, was leaving to start her own $50m seed fund.

Out of the woods

Sequoia has no plans to cede what Mr Botha calls its “unfair advantage”: a respected brand name, a strong network and sophisticated data analytics. It is beefing up Arc, its startup school, and maintains a “scout” scheme, lending asset-rich, cash-poor founders money to invest and sharing the upside. In 2023 it backed five startups as they were still incorporating. It is also marketing itself more intensely. Partners speak at conferences and appear on podcasts, two of which the firm has launched in the past couple of years. It offers startups help with sales, recruiting and the like.

This costs money. More important, it takes up time that could be spent actively seeking out fresh prospects. It has led Sequoia, too, to expand. Collective decision-making, on which it prides itself, is necessarily less nimble with 25 investment staff than it was with a dozen two decades ago. In the fast-paced VC business that can be a handicap. Time and again Sequoia has proved its sturdiness. It still has its work cut out if it is not to turn into a fossil. ■

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Finance & economics

- **Trump wastes no time in reigniting trade wars**
  First shot :: Canada and Mexico look likely to suffer
- **American veterans now receive absurdly generous benefits**
  The price of patriotism :: An enormous rise in disability payments may complicate debt-reduction efforts
- **Why everyone wants to lend to weak companies**
  Frothy holidays :: An unanticipated side-effect of Donald Trump's election victory
- **How Trump, Starmer and Macron can avoid a debt crunch**
  To the hilt :: With deficits soaring, their finance ministers will have to be smart
- **Hong Kong's property slump may be terminal**
  Looking peaky :: Demographics and geopolitics will make a recovery harder
- **The great-man theory of Wall Street**
  Buttonwood :: Why finance is still dominated by bold individuals
- **Why Black Friday sales grow more annoying every year**
  Free exchange :: Nobody is to blame. Everyone suffers

First shot

Trump wastes no time in reigniting trade wars

Canada and Mexico look likely to suffer

Nov 29, 2024 02:03 PM

DONALD TRUMP has fired the first shot. Goods arriving in America from Canada and Mexico will meet tariffs of 25% as soon as he returns to the White House, the president-elect wrote on November 25th. Mr Trump also said that he would impose additional 10% tariffs on Chinese goods. He is not wasting any time in seeking to exert America's influence.

Since Mr Trump's victory in the presidential election, investors had speculated (and hoped) that campaign tariff talk might be employed merely as leverage to win concessions on other issues. Scott Bessent, a former hedge-fund manager who Mr Trump has nominated to be treasury secretary, had suggested that Mr Trump's levies could be an opening gambit.

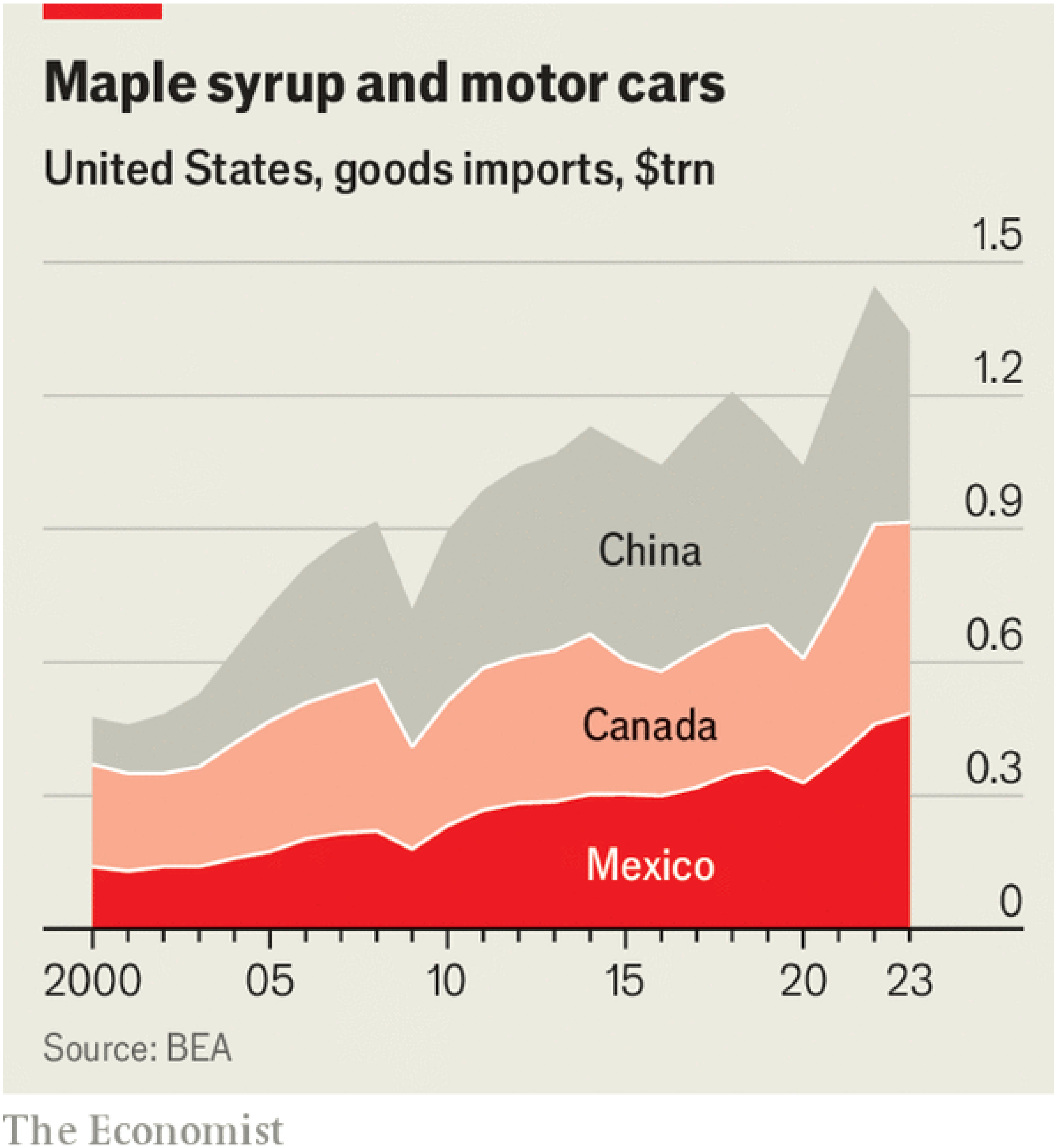
The president-elect's actions indicate a more chaotic approach. In posts on his social-media app, Mr Trump said that tariffs would stay in place until the flow of drugs and immigrants into America had halted. After the announcement, the Mexican peso fell by 2%, reaching almost 21 to the dollar. At 1.41 to the greenback, the Canadian dollar traded at its lowest since 2020.

But markets then see-sawed again late on November 27th, when Mr Trump said that he had spoken to Claudia Sheinbaum, Mexico's president, and that she had agreed to halt the flow of migrants heading to America's southern border. Mr Trump did not mention the tariffs he had promised. The peso duly erased much of its losses from earlier in the week.

As this piece was published, Mr Trump's plans remained somewhat mysterious. If he does want to introduce tariffs on his first day in the White House, little will stand in his way. Doing so by executive order might break the terms of the US, Mexico and Canada Free Trade Agreement (USMCA), which replaced the North American Free Trade Agreement during Mr Trump's first administration. Yet governments in Ottawa and Mexico City will struggle to prevent the incoming administration from violating the agreement, which is due to be reviewed in July 2026. Mr Trump faces few other legal obstacles.

Whether Mr Trump actually will implement tariffs is a more difficult question. It is not just his apparent change of heart after his conversation with Ms Sheinbaum. In 2019 he announced his intention to raise tariffs on Mexico to 25%, but dropped the plan a week later, when the Mexican government agreed to send troops to turn back migrants from Guatemala who were heading for the American border.

Such is the fickleness with which businesses relying on cross-border trade must now contend. They are not taking any chances. Many are already building stockpiles of the sort of imported goods that might soon face steep tariffs. America's National Retail Federation, an industry group, expects import volumes to rise by 14% year-on-year in November, compared with a 1% increase it forecast before the election. Mr Trump's latest announcement is likely to accelerate this stockpiling.

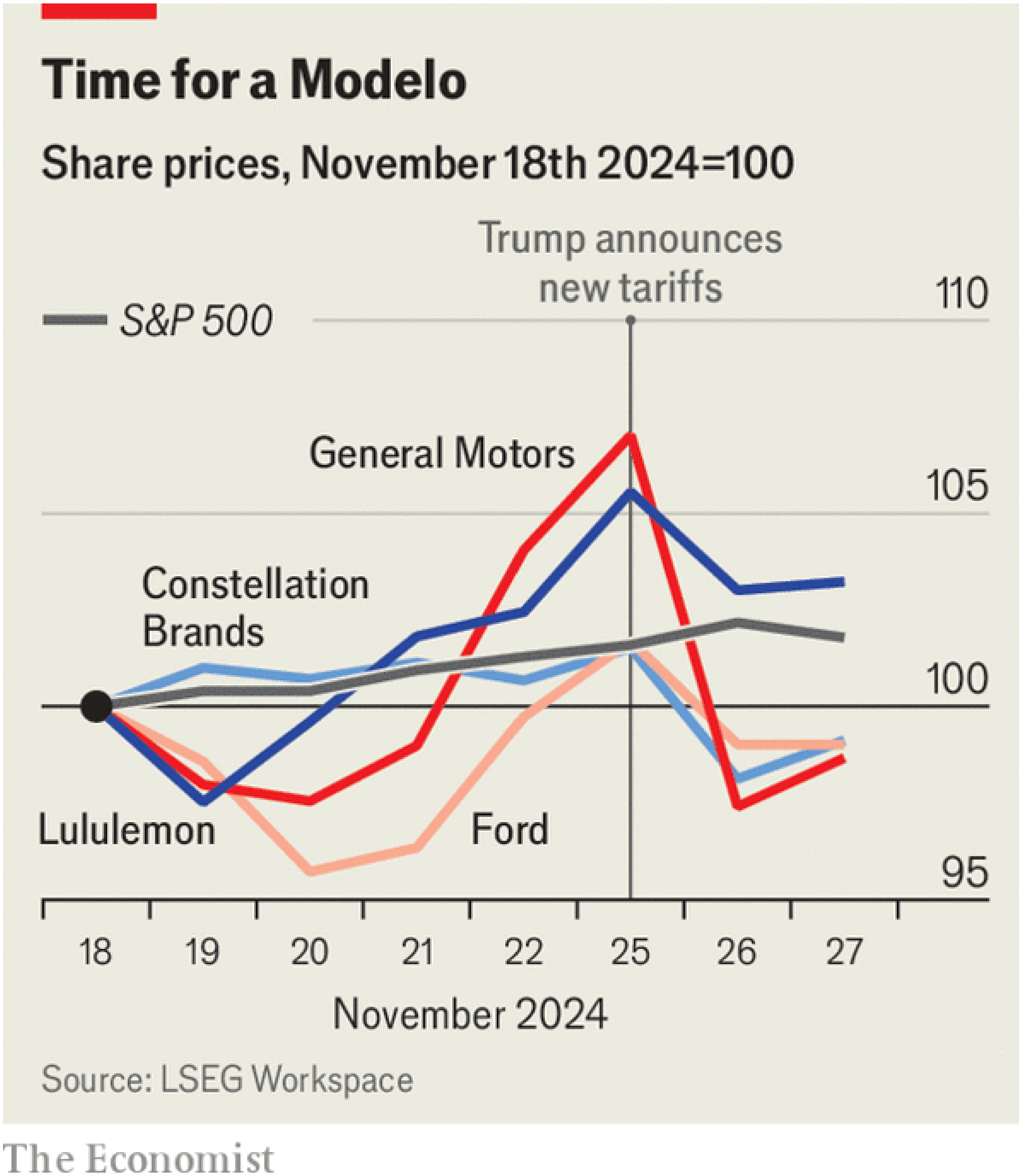


A sudden increase in the cost of imported products would raise prices for American consumers. Corie Barry, chief executive of Best Buy, an American retailer, said on November 26th that the cost of incoming tariffs would be shared between companies, vendors and consumers. “These are goods that people need and higher prices are not helpful,” she added. Analysts at Barclays, a bank, suggest that the proposed tariffs would raise American consumer prices by 0.4 percentage points.

Particular industries and regions would suffer more pain. Despite its own oil-and-gas boom, America still imports 4m barrels of crude a day from Canada, for instance—much of which goes to the Midwest. More than half of America's imports of fruits and vegetables come from Mexico. Carmakers, which have built factories in Mexico to produce vehicles for the American market, are especially vulnerable. America's Ford and General Motors are among those that would be affected, as are Japan's Nissan and Toyota, and Germany's BMW and Volkswagen. The stock prices of several of the more exposed importers slumped on September 26th. General Motors's fell by 9%; Ford's by almost 3%. Big importers of materials from affected countries, including Lululemon, which sells clothes, and Constellation Brands, which imports Mexican beers such as Corona, Modelo and Pacífico, fell by 2-4%.

Trump's piñata

Although threats to the commercial relationship between America and China have attracted more attention, the economic damage to America's neighbours has the potential to be far greater. Last year only 15% of China's goods exports went to America directly, compared with 78% of Canada's and 80% of Mexico's. Most of their trade travels by land, and will be difficult to redirect to alternative markets.



As the arrival point for many immigrants entering America illegally, its southern neighbour has faced particular ire from Mr Trump. "The number of friction points with Mexico is just enormous," said Adam Posen of the Peterson Institute for International Economics, speaking before Mr Trump's announcement. "Mexico is going to be both the most harmed, and the most likely to be used as the demonstration case." After Mr Trump's opening salvo, Ms Sheinbaum suggested that she would fight back. “One tariff will follow another in response,” she explained. Then her account of the subsequent call differed to Mr Trump’s: Mexico’s president said that she simply explained the migration measures her government already has in place.

Some Canadian politicians had hoped to strike a deal with Mr Trump. Doug Ford, premier of Ontario and chair of the Council of the Federation, which represents the country’s provinces, had sought a separate bilateral agreement with America, cutting Mexico loose. Justin Trudeau, Canada’s prime minister, has sought to emphasise the country’s common cause with America in criticism of China’s trade practices. For both of America’s neighbours, the question now is what exactly it will take to placate Mr Trump. Will kind words be enough?

Chinese officials may, on the other hand, be a little relieved. Although Canada and Mexico would be hit hard by the tariffs Mr Trump proposed on November 25th, the levy on Chinese goods is lower than the 60% he had earlier suggested. Nomura, a bank, nevertheless expects that extra tariffs of 10% would produce a 2% fall in the Chinese yuan, reducing it to around 7.4 to the dollar, its lowest in 17 years. And there is always the potential for escalation.

Reading Mr Trump’s mind when it comes to tariffs is impossible. But efforts in foreign and finance ministries to avoid their full brunt, or to respond in kind, will now be redoubled. If his threats come to pass, the impact on global commerce will be immediate and extensive—and American consumers will pay the price. ■

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The price of patriotism

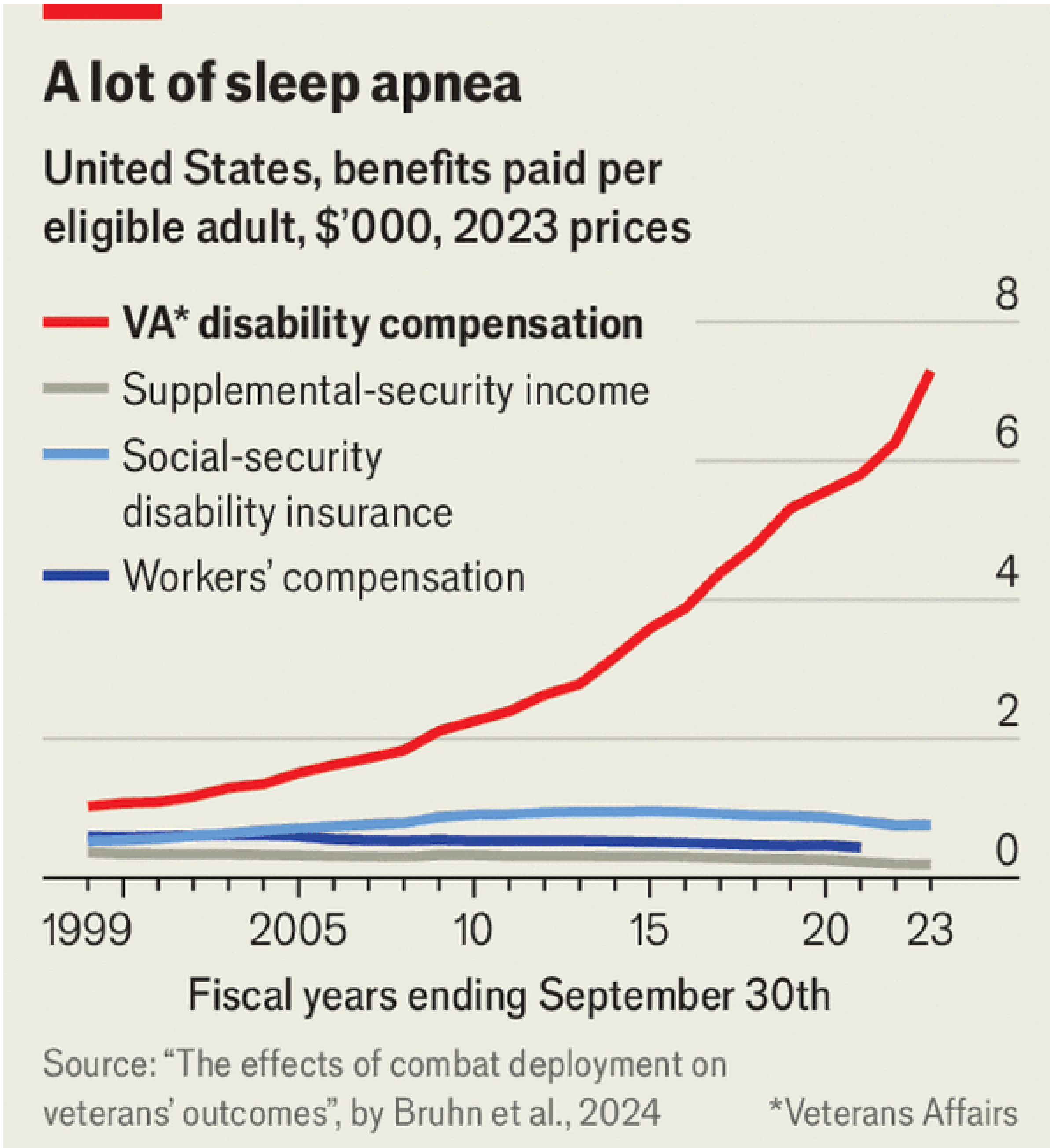
American veterans now receive absurdly generous benefits

An enormous rise in disability payments may complicate debt-reduction efforts

Nov 29, 2024 02:03 PM | Washington, DC

DONALD TRUMP delights in projecting strength, meaning he loves America’s armed forces. During his first term, the president-elect signed legislation to spend more on defence, before proclaiming that he had “accomplished the military”. On the campaign trail, he doubled down, vowing further increases in defence spending and promising to tackle a recruitment shortfall. Yet he also wants to cut government waste, and has hired Elon Musk to lead a Department of Government Efficiency (DOGE).

When it comes to the Department of Veterans Affairs, these two instincts may be in tension. The department's budget has surged over the past two decades, rising from $86bn in today's dollars (then equivalent to 2.6% of the federal budget) in 2000 to $336bn (5% of today's budget) this year. It now receives almost three times as much as the Department of Transportation. Remarkably, this boom has occurred despite a nearly one-third decline in the veteran population, which has fallen from 26m to 18m. Annual spending per veteran, as a consequence, has risen six-fold.



The Economist

Mr Musk is zeroing in on discretionary spending, which includes programmes such as the department's medical services. But the main driver of its spending surge is mandatory outlays for disability compensation. Between 2000 and 2024, such payments ballooned from $26bn, in today's prices, to $159bn. Last year alone saw a 17% jump. And the department's latest budget request forecasts that compensation will soar to $185bn over the next two years.

The current system was introduced during the first world war. It provides tax-free monthly payments to soldiers who are injured or sick owing to their service. From 1960 to 2000, roughly 9% of veterans qualified for payments, typically for ailments such as hearing loss or burns. The department assigns a rating from zero to 100% based on the severity of disabilities. In 2000 the average rating was 30%; monthly payments averaged the equivalent of $975 today. Few qualified for the top tier.

The modern programme bears little resemblance to its original form. This year 6m veterans—or a third of the total—qualified for payments, with an average monthly benefit of $2,200. Veterans may file claims for an unlimited number of disabilities and appeal against decisions as often as they wish. The average rating has climbed above 60%, and one in four disabled veterans now receives the once-rare 100% rating. Such a designation ensures a generous $4,000 monthly payment for life, with no conditions attached. Starting at the age of 25, a former soldier could earn well over $2m in present-value terms.

Why has this happened? From 2001 the department began to broaden its list of presumptive conditions—where officials automatically assume the problem is service-related—to include ailments such as type-2 diabetes, allowing any veteran with the disease to qualify for compensation. The reasoning for such expansion is not always robust. For instance, a department-funded study found only “limited evidence” linking herbicide exposure in Vietnam to type-2 diabetes. In 2022 President Joe Biden’s PACT Act expanded eligibility further, with illnesses such as asthma and chronic rhinitis gaining approval, as some soldiers had picked up the conditions from “burn pits” in Afghanistan and Iraq.

Oh dark hundred

Once on the payroll, veterans usually remain beneficiaries for life. The stigma around collecting payments has faded in recent decades. Online videos with tips about how to boost your disability rating are widespread. It is common for veterans to start on the programme at a 50% disability rating for, say, sleep apnea linked to service stress, only to then add more disabilities and have the rating increase to 100% within a few years. “It’s a programme that helps a lot of people who deserve it, but getting on the programme becomes an escalator to higher disability ratings and compensation,” says Mark Duggan of Stanford University. “Once you qualify you have an incentive not to get better.”

It is unclear if the spending is even benefiting veterans. Research by Mr Duggan and co-authors finds that disability compensation has reduced employment, with one in five new recipients leaving the workforce after the change in 2001. As nearly 2m additional working-age men have gone on the rolls since then, this implies 400,000 may have been discouraged from work. A study in 2022 by David Silver, then of Princeton University, and Jonathan Zhang, then of McMaster University, found that extra compensation had failed to boost veterans’ mental and physical health. Indeed, suicide rates have increased relative to comparable non-veterans.

To rein in costs and focus the department’s mission, policymakers could take a page from the Congressional Budget Office’s recommendations. The non-partisan scorekeeper advises narrowing eligibility for disability compensation to veterans with severe service-connected conditions, lowering benefits for some veterans and introducing a means test. Reducing payments to former soldiers will never be popular, but it would be wise. America’s veteran obsession has gone too far. ■

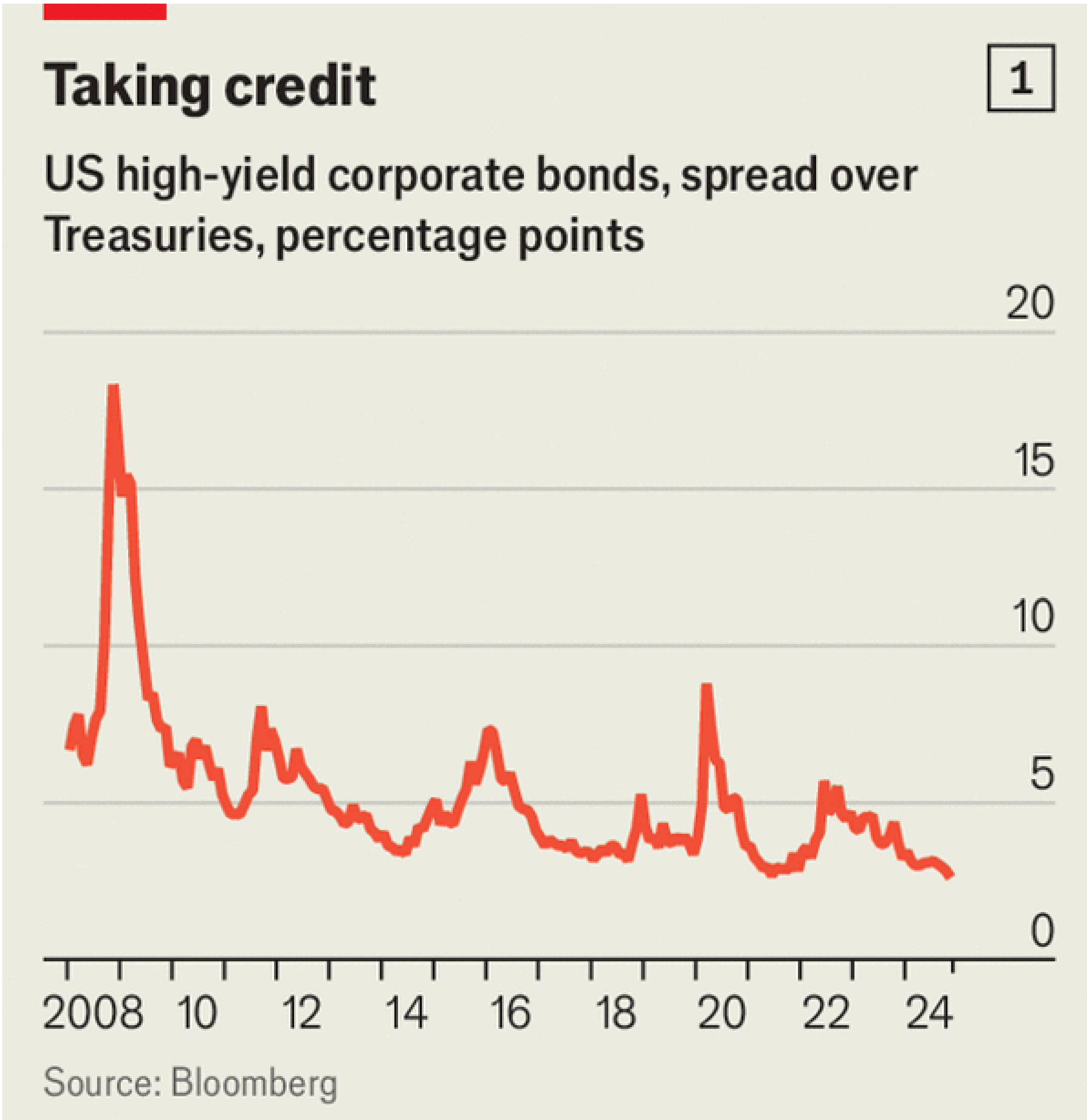
Frothy holidays

Why everyone wants to lend to weak companies

An unanticipated side-effect of Donald Trump’s election victory

Nov 29, 2024 02:03 PM

CREDIT INVESTORS often talk in euphemisms. The safest bonds, with the highest credit ratings and hence the lowest yields, are almost always referred to as “high-grade” rather than “low-yield”. Conversely, the riskier stuff, where defaults are more likely, is politely dubbed “high-yield” rather than “low-grade”. Recently, though, the yield on supposedly high-yield bonds has not been all that high.

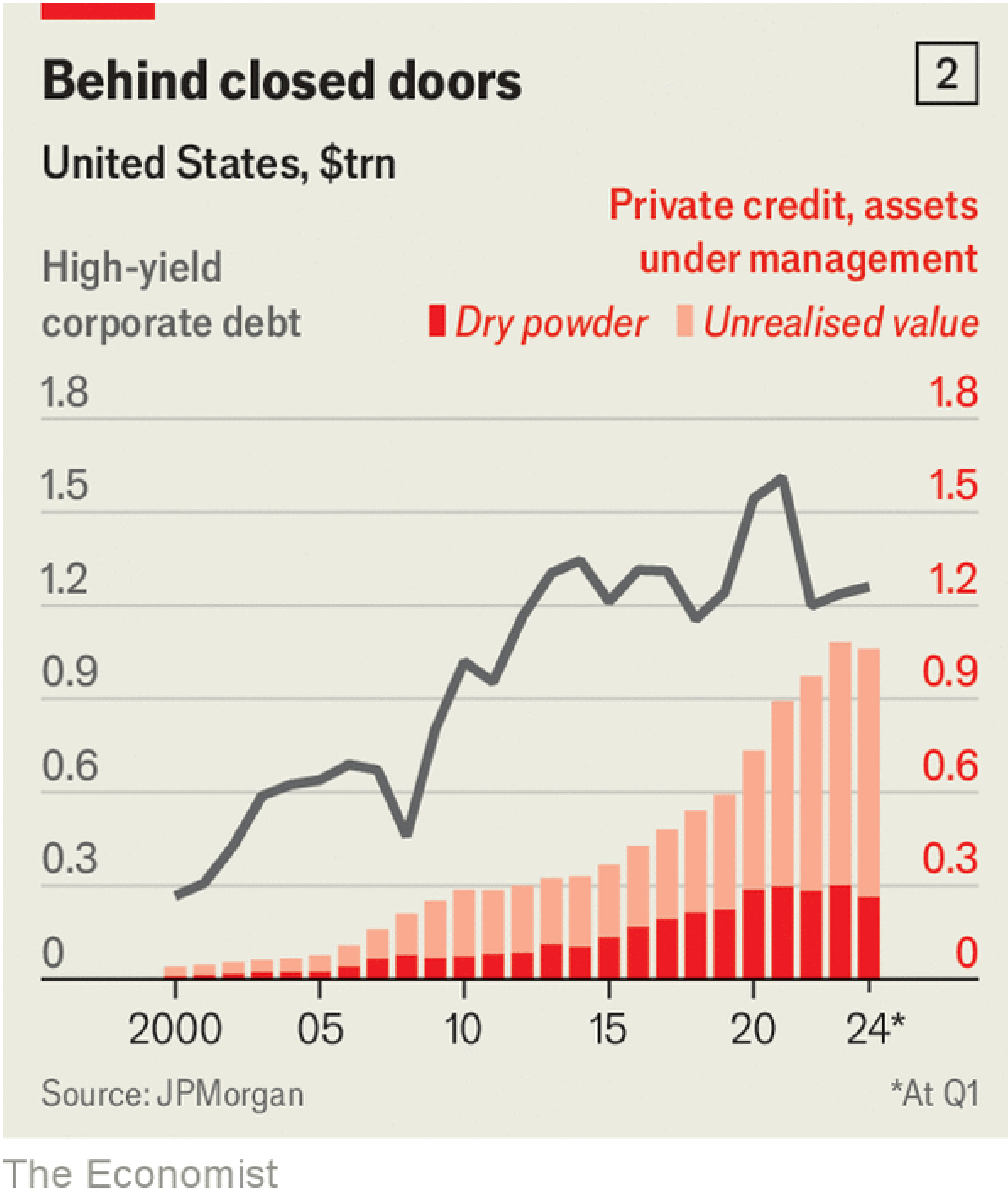


The Economist

Indeed, on November 24th the spread (or extra yield) enjoyed by investors in American high-yield bonds over that enjoyed by investors in Treasury bonds fell below the spread on fixed-rate residential mortgages for the first time. Since high-yield bonds have a greater rate of default over the long term, these moves have left investors wondering what is going on.

Part of the explanation is that the spread on residential mortgages has ticked up. With the Federal Reserve cutting interest rates, investors have moved to price in the risk that mortgage-holders refinance their debts. However, the more dramatic action has been in high-yield credit spreads. The spread over Treasuries on high-yield bonds fell from 3.7 percentage points at the start of the year to 3.2 this summer. Since September it has fallen to just 2.6 points. It is now near the record lows reached just before the global financial crisis of 2007-09 (see chart 1).

The comparison is not entirely like-for-like. Since the financial crisis, private credit has boomed (see chart 2), with funds lending directly to firms rather than doing so through publicly traded bonds. The industry tends to take on the most desperate borrowers, meaning that such companies are no longer pushing up yields.



Yet the shift does reflect fast-changing sentiment. It is another part of the Trump trade that has gripped markets in the past month, sending American shares and the dollar soaring. The president-elect's proposed corporate-tax cuts would be especially welcome for indebted firms, freeing up cash to meet interest payments. Fast, deficit-fuelled economic growth would also be a boon for such companies.

Credit strategists describe the mood among junk-bond investors as near euphoric. A survey of asset managers by Bank of America before the election found that a net balance of 1% expected high-grade debt to outperform high-yield debt in the coming months. After the election, a net 41% expect high-yield debt to do better.

Lower interest rates have also prompted a search for yield, with investors now considering riskier bets. Fund managers note that a year ago American investment-grade corporate debt offered yields of 6%, compared with 5.3% now. By contrast, lower-rated debt still offers around 6.9%. High-yield funds in both America and Europe have seen large inflows this year, pushing spreads lower. As they fall, they also reduce the risk of a nasty surprise for companies when they refinance existing debts, and so improve credit quality.

Not all investors are getting in the party mood, however. Data compiled by S&P Global Market Intelligence show that corporate-credit short positions (bets on prices falling) have grown by 25% over the past year, to $336bn. Meanwhile, businesses are rushing to take advantage while they can, with debt issuance surging as borrowers seek to lock in attractive rates. Analysts expected $15bn-20bn of new issues in the week leading up to Thanksgiving, three to four times the usual volume. How many will prove to be turkeys? ■

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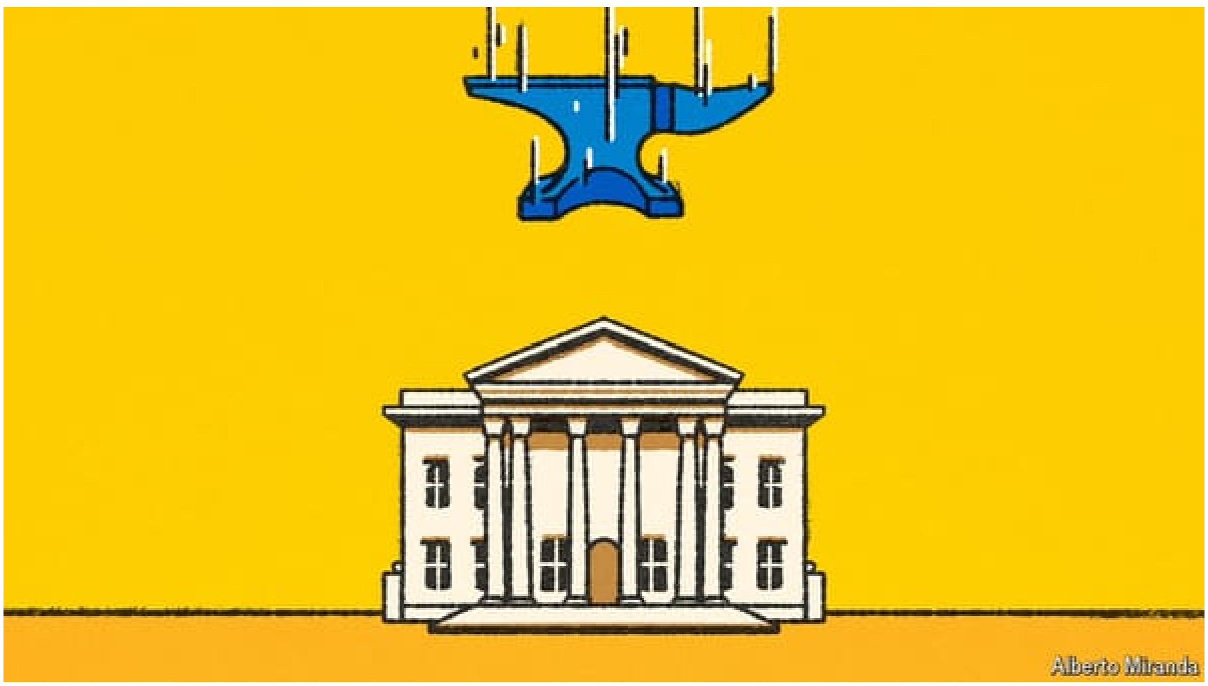
To the hilt

How Trump, Starmer and Macron can avoid a debt crunch

With deficits soaring, their finance ministers will have to be smart

Nov 29, 2024 02:03 PM

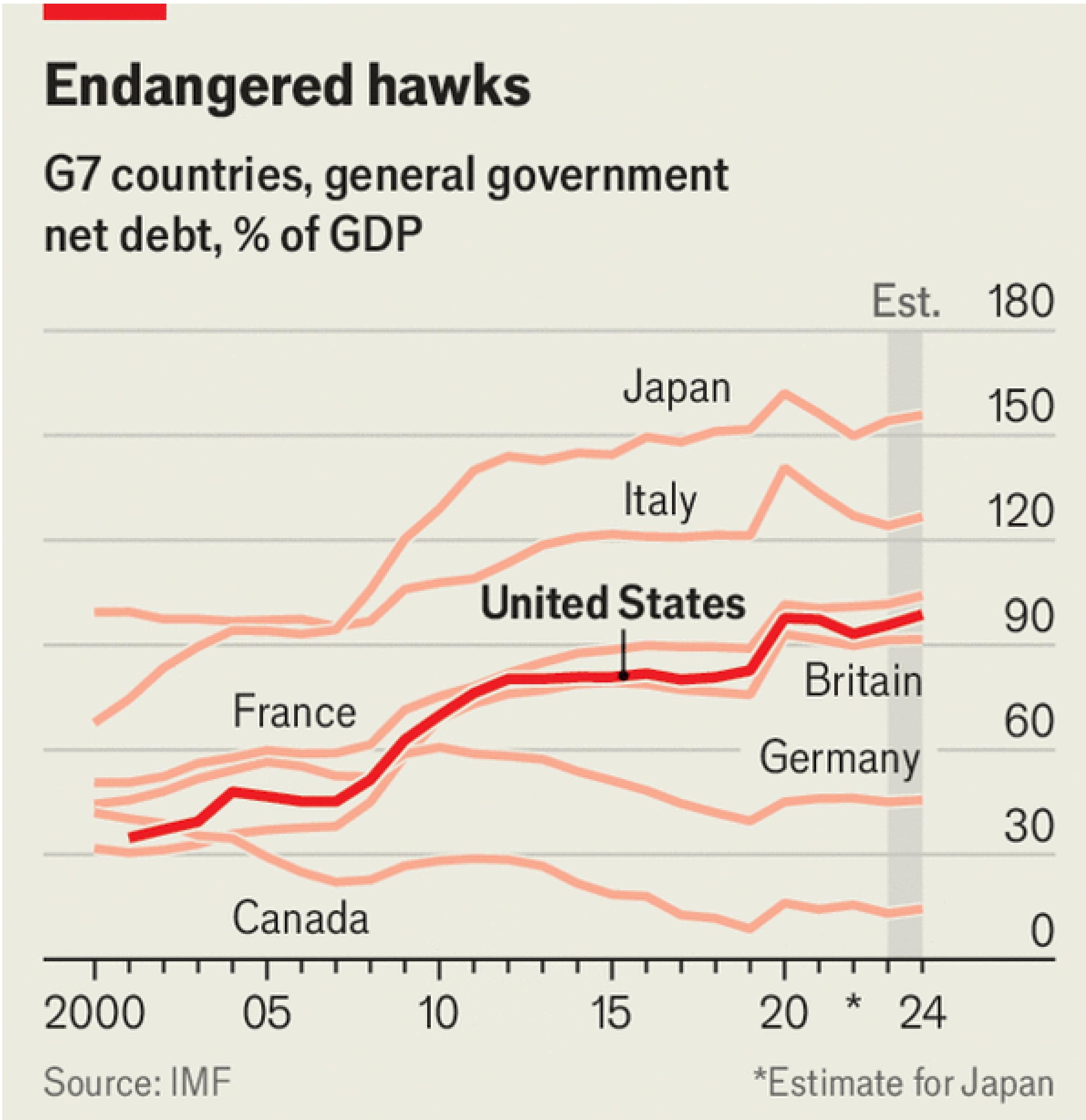


AMERICA'S GROSS national debt is $36trn, or $107,000 per person. It is rising fast and will probably soon be rising even faster. If Donald Trump's presidential-election campaign was anything to go by, his return to the White House heralds a flurry of tax cuts on everything from corporate profits to tips. In the past fiscal year, Uncle Sam spent $1.8trn (6.4% of GDP) more than he collected in taxes. By one estimate, Mr Trump could raise borrowing by $4.1trn in the coming decade.

It is not just America. The euro area's deficit is 3.6% of economic output, and those of several big members—France (5.5%), Italy (7.2%), Poland

(5.3%)—are much higher. As for China, its public debts, smuggled by local governments into opaque financing vehicles, exceed 120% of GDP and are expected to rise to nearly 150% by 2027. India’s deficit is approaching 8% of its GDP; Brazil’s a hair-raising 10%.

Although no finance minister thinks this situation can go on for ever, you would search in vain for serious political will to correct it. France’s minority government hangs by a thread, as opposition parties refuse to help pass a budget including tax rises, even as government-bond spreads widen. Scott Bessent, Mr Trump’s pick for treasury secretary, has in the past been concerned about the size of the deficit. But he will have to contend with a president who shows little interest in being prudent. Rachel Reeves, Britain’s chancellor, talked tough on fiscal policy while in opposition. Then one of her first acts in office was to raise borrowing by £30bn a year ($38bn, or 1.2% of GDP). Voters, at least in their leaders’ imaginations, simply will not tolerate higher taxes or spending cuts.



The Economist

A crucial task for many of today's finance ministers, unable to run a balanced budget, is therefore to buttress a lopsided one. Ms Reeves should be keenly aware of the dangers. Two years ago, her predecessor-but-one proved that debt crises are not just for emerging markets by announcing a bevy of unfunded tax cuts without care for the fiscal consequences. Gilt yields rocketed, causing prices to crater, big pension funds to court bankruptcy and the prime minister to be ejected from office. Here, then, is a spendthrift politician's guide to placating the bond-market vigilantes.

The task boils down to three questions. First, and most fundamentally, who should you borrow from? This sets limits for questions two and three. These are what form the debt should take (concerning currency, maturity and instrument) and how to keep borrowing costs from rising so high that they snowball exponentially.

Take the decision on who to borrow from first. The obvious choice is between domestic investors and foreigners; a second is between individuals and institutions. At first glance, domestic investors of both types might seem an easier crowd. In rich countries, government bonds are as close as they can get to a risk-free asset, making such investors less likely than foreign ones to stage a “buyers’ strike”.

Inducements, meanwhile, are easier for a government to offer to citizens. National pride might work—think of the 20th-century posters exhorting patriots to buy war bonds. Tax breaks can help, too, such as Britain’s exemption of gilts from capital-gains tax. Banks can be nudged to hold bonds, which after all are among the safest and most liquid assets on their balance-sheets, with less onerous regulation. An example is the EU’s margin requirements for derivative positions, which are lower if government bonds are used as collateral.

However, there are downsides to sinking domestic capital into sovereign debt. It is not only that there is less left to invest in the private sector, dampening growth. Layna Mosley of Princeton University notes that domestic investors, having better access to information, are often the first to dump a country’s bonds if its fiscal situation deteriorates. This can spark a cross-border exodus. What is more, if households and local banks are heavily exposed to government debt, any restructuring inflicting large losses might be politically impossible. Governments will then also struggle to restructure foreign debt, as investors will not accept losses from which domestic bondholders are exempted.

The second decision, on what form debt should take, is just as thorny. Issuing bonds on the public markets helps drum up demand, but puts the country’s weak finances under the spotlight. It also invites continuous judgment from traders, by bidding yields up or down. Untradeable debt, including loans from commercial banks or other countries, dodges publicity but costs more. The wrangling required by loans from multilateral outfits, like the IMF, ensures that they are a last resort.

What is the ideal length of borrowing? Long-term debt is usually more costly, but puts off the need to refinance. This limits damage if bondholders sour on the country, or if rates start rising. Take America's sovereign debt, with an average maturity of six years, meaning much of it was issued when money was cheaper. As a result, Uncle Sam paid an average interest rate of 3.4% in the fiscal year that ended in September—lower than the 4.4% now available on ten-year Treasury bonds.

Most important is the choice of currency. Rich countries can issue debt in their own, which investors trust their central banks not to devalue. Countries with poorer records may struggle to market local-currency debt abroad. Even those that can do so may choose to issue at least some debt in American dollars, in return for lower interest rates. The snag was demonstrated vividly by the Latin American and Asian debt crises of the 1980s and 1990s. Foreign-currency debts are vulnerable to a doom loop in which a plunging exchange rate makes them unaffordable, which causes the currency to devalue even more.

Moreover, countries borrowing in their own currency have far more scope to suppress interest rates that threaten to make their debt unsustainable—the third challenge of running a large deficit. "Financial repression" might horrify free-market types, but there are endless ways for governments to enact it. Most, says Carmen Reinhart of Harvard University, boil down to creating a captive market for the debt. Chinese-style capital controls prevent the population from stashing savings abroad; caps on bank-deposit rates can nudge them to higher-yielding sovereign bonds.

More effective still is forcing banks to buy debt. Jason Tuvey of Capital Economics, a consultancy, points to Turkey, with 40% of its debt in lira, as a prime example. Starting in 2022 new rules obliged local lenders to buy government bonds (if lending above a certain interest rate, for instance). Combined with pressure on central bankers to loosen monetary policy, this sent the yield on ten-year debt plummeting, from 24% in September 2022 to 9% in May 2023. Once both policies were reversed, the yield shot back up above 25%.

The need for a reversal shows how painful financial repression's side-effects can be. Suppressing the central-bank rate risks rampant inflation (which in Turkey rose to 86%); forcing lenders to fund the deficit makes matters worse. Penalising them for lending to the private sector, not the government, may result in loans drying up—a high price to pay for cheaper debt.

Although it might seem that rich countries would balk at such measures, a paper in 2015 by Ms Reinhart found that many used similar policies to reduce their debt after the second world war. Asked if they could be repeated, Ms Reinhart points to post-financial-crisis rules in places such as America, Britain and the EU forcing banks and pension funds to "recapitalise" and hold more liquid assets—meaning government bonds. The intended target of these rules, she says, might be financial stability rather than lower borrowing costs. But "if it quacks like a duck, if it has feathers, if it swims, it's probably a duck."

The catch is that fears of inflation, which electorates loathe, have now returned with a vengeance. Governments might think fiscal restraint will cost them re-election; America's Democrats went nowhere near austerity and were still booted out of office by voters sick of rising prices. Any hint that their borrowing made inflation worse would probably see politicians elsewhere treated similarly. That leaves either belt-tightening or the risk of imitating Britain's gilt-market crisis of 2022, which would seem certain to trigger defenestration. In the end, any strategy for running large deficits bangs up against an iron law: you have to stop at some point. ■

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Looking peaky

Hong Kong’s property slump may be terminal

Demographics and geopolitics will make a recovery harder

Nov 29, 2024 02:03 PM | Hong Kong

LUXURY HOMES high on the Peak, a verdant mountain towering over Hong Kong, have long been above the cares and concerns of the rest of the city: residents look down from sprawling mansions onto the dense knot of tower blocks in which most people live. But recent property woes have brought even the loftiest areas down to Earth. The family of one indebted property investor sold eight swanky Peak properties between July and October for around half the price they might have fetched a couple of years ago.

Hong Kong, long defined by sky-high property prices, has been experiencing a vicious slump. Home prices have fallen by over a quarter since late 2021. In September they reached their lowest level in eight years; the number of unsold homes had already hit a two-decade high. Commercial property is in trouble, too. Office vacancy rates are at a 25-year high. Rental prices have fallen by 40% from a peak in 2019, according to Savills, a property firm.

Some of Hong Kong's problems are global in nature, namely interest-rate rises and more people working from home. Starting in mid-2022 lenders raised rates five times, to their highest since 2008. Hybrid working has clobbered the office market. Last year PwC, a consultancy, found that 76% of employees in Hong Kong were working partly from home—well above the 59% average for the Asia-Pacific region.

Many of the slump's other causes are unique to Hong Kong. The mainland's economic malaise has weighed on the market, and the yuan's depreciation against the American dollar—to which the Hong Kong dollar is pegged—has made local property pricier for Chinese buyers. Firms have struggled to recover from the territory's long and strict covid-19 restrictions. And scores of multinational companies have scaled back local operations amid geopolitical tensions. There are fewer chief executives to buy palatial homes on the Peak.

The government has tweaked the rules in an effort to shore up the market. In February it removed extra stamp duty for foreign and second-home buyers, but prices began falling again after just two months. Interest-rate cuts—the first in four years—and the relaxation of the maximum allowed loan-to-value ratio appear to have had more impact: the number of home purchases reached 4,697 in October, more than double the number a year earlier. Home prices also increased month-on-month, for the first time since April.

It would, however, take many more months of good news to clear the city's property glut. A peaky property market is particularly problematic for Hong Kong's government, which relies heavily on revenue from land sales to fund its low-tax system. The government has said it will try to boost its coffers by issuing close to HK$96bn ($12bn) in debt this year—the most in a quarter of a century.

Worryingly, there are signs that this crisis is structural, not cyclical. Hong Kong faces doubt over its future. Draconian national-security laws and a lack of clarity about the city's role within, rather than alongside, China's economy have harmed its image overseas. Some of Hong Kong's pillar industries have been wobbly. Funds raised on its stockmarkets in the first nine months of this year were less than 30% of the amount raised in the same period of 2018. The workforce has shrunk by almost 200,000 in recent years, a big fall in a city of 7.5m. Hong Kong contends with one of the world's lowest fertility rates, and by 2040 a third of its population will be aged 65 or older. The government has tried to plug the gap with mainland talent, introducing visa schemes. With luck, some of the talented mainlanders will have a taste for swanky mountaintop homes. ■

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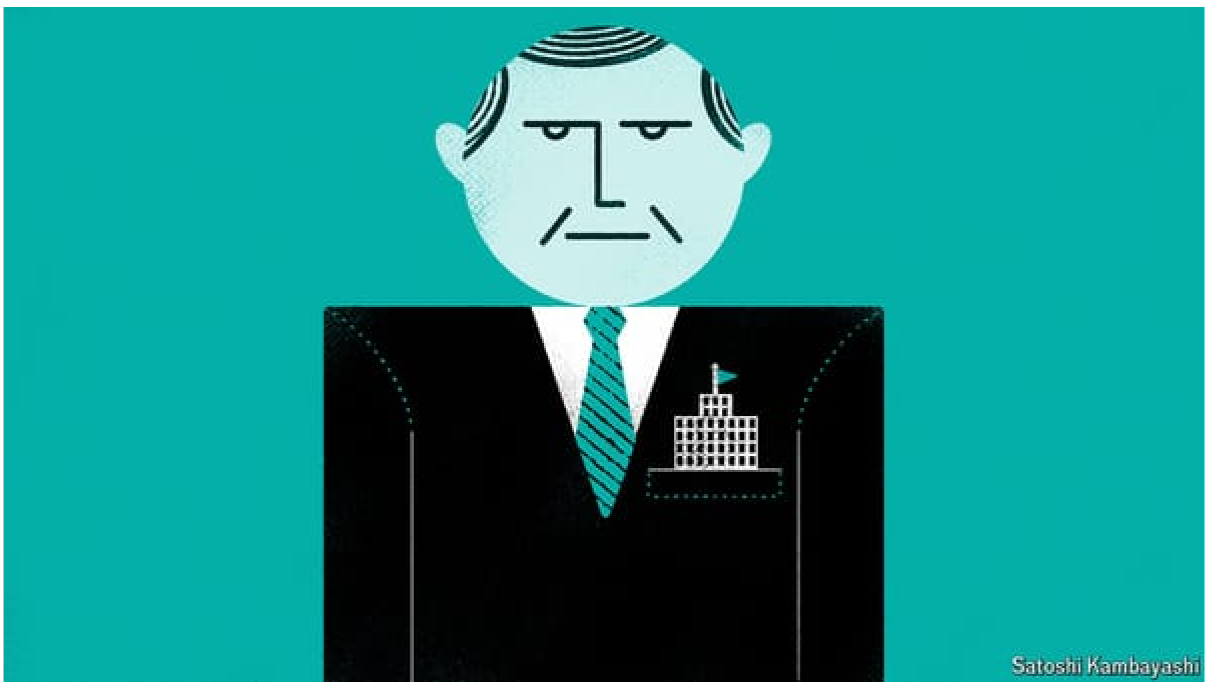
Buttonwood

The great-man theory of Wall Street

Why finance is still dominated by bold individuals

Nov 29, 2024 02:03 PM



AT THIS TIME of year, as they await their Christmas bonuses, people on Wall Street ponder their worth. Two questions can sharpen the mind of even the most senior employee. Imagine first accepting a position in Donald Trump's new administration. How great a financial loss would your employer suffer? Before Mr Trump picked Scott Bessent as his treasury secretary, two of America's biggest financial institutions weighed that question. Analysts quizzed Jamie Dimon, the boss of JPMorgan Chase, about whether he would leave the bank for public office. Shareholders of Apollo worried about a future without Marc Rowan, who has transformed the investment firm in recent years.

The second question is dicier still: how much damage could you inflict on your employer? Whether by fat fingers or fraud, the quantum of losses an individual is trusted to avoid is a good proxy for their importance. Anyone can steal a paper clip. Few are able to tank a hedge fund (and, indirectly, a big bank) with huge, concentrated trades like Bill Hwang, an investor who received an 18-year prison sentence on November 20th. Wall Street rewards those who are very good at doing risky jobs.

This parlour game also elucidates one of the most important truths of finance. For an industry obsessed with managing risk, it remains greatly exposed to the triumphs and failures of a small number of individuals. From Warren Buffett at Berkshire Hathaway to Ray Dalio at Bridgewater Associates, firms reflect the style of their leaders to an uncanny extent. Tech firms may run finance close, but nowhere else in business is hero worship quite as common.

A financial equivalent to the great-man theory of history might seem counter-intuitive. Compare the current leadership of America's largest banks with those hauled before Congress after the global financial crisis of 2007-09. That the country now has bigger banks run by smaller bosses is an inescapable conclusion. Of the crisis-weathered class, only Mr Dimon remains. The replacements are less macho. Dick Fuld, the hard-driving leader who led Lehman Brothers to bankruptcy, would struggle to be promoted today.

In reality, the action (and idolatry) have moved elsewhere in the financial system. That includes firms such as Apollo in private markets, and also institutions designed specifically to avoid concentrations of power. "Multi manager" hedge funds spread investment decisions between hundreds of largely independent and often competing stockpickers. Yet it is hard to imagine Citadel or Millennium prospering as much without their prominent founders, who shape the structures in which their underlings compete. The top brass at quant-heavy firms such as Jane Street are more secretive, but doubly keen to shield their most talented mathematicians from the glare of competitors. Although Gordon Gekko might not have the numerical acumen to thrive in today's financial system, he would certainly recognise its egotism.

It is also still eminently possible for individuals to blow up firms. Mr Hwang's folly earns him a statue in the pantheon of financial disaster alongside Sam Bankman-Fried (who ran FTX, a cryptocurrency exchange that collapsed in 2022) and Nick Leeson (whose derivatives trades nuked Barings Bank in 1995). The location of rogues might change: these days working-class Mr Leeson would be underqualified to join the credential-clinging cadres of junior bankers; Mr Bankman-Fried, by contrast, was too qualified and started his career at Jane Street. Rest assured, though, that more like them are lurking somewhere.

For all the succession planning and risk management, finance will never really be a team sport. That is because, perhaps with the exception of staid activities like deposit taking, its institutions are in a permanent state of renewal. When firms survive the loss of visionary founders, supine managers often take their place. The same thing happens when they become big and diversified. Risk takers leave and the cycle starts afresh. After the death of Siegmund Warburg, the peerless post-war banker, his outfit was bought by what became UBS, a Swiss lender. The operation lost its lustre and its best struck out: founders of Moelis and Centerview, two top advisory houses, used to work there. Mr Hwang hails from Julian Robertson's Tiger Management, a hedge fund known for its successful offspring. Today private-market firms and hedge funds may be ascendant, but in time the same thing will happen to them. ■

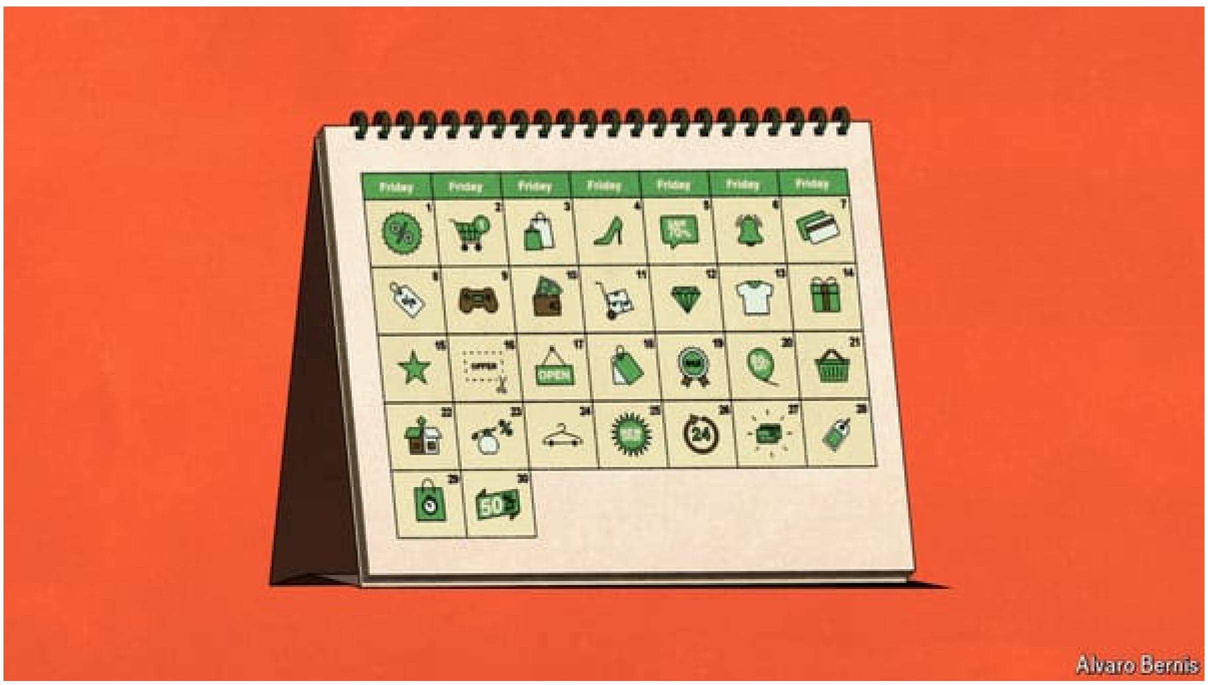
| Section menu | Main menu |

Free exchange

Why Black Friday sales grow more annoying every year

Nobody is to blame. Everyone suffers

Nov 29, 2024 02:03 PM



WHEN IS BLACK FRIDAY? The obvious answer is a literal one. It is the day after Thanksgiving, an American holiday when families gather to gorge on turkey and pumpkin pie, which this year falls on November 29th. Yet Black Friday is not simply a date, it is also an idea. The day traditionally marked the beginning of the festive shopping season, when people would start to stock up on Christmas presents. Today, it is the time of year during which everything goes on sale. And pinpointing when this begins is a much more difficult endeavour. In a bid to find an answer your columnist searched her inbox for the earliest Black Friday discount offered by a retailer. The missive came in early October.

To understand this baffling development, consider the underlying economics. American retail is a fiercely competitive market—but that is different from being a “perfectly” competitive market. Léon Walras, a brilliant 19th-century French economist, defined such a market as existing when large numbers of buyers and sellers meet, with perfect information, in order to exchange homogeneous products. In a perfect market no single seller has the power to set prices across the board, and there are no barriers to entry for new arrivals. Although real life is almost never like this, it comes close in markets for standardised commodities, such as a bushel of a certain grade of wheat. At the Chicago Mercantile Exchange, there is pretty perfect information about what is being bought and sold. There are lots of buyers and sellers, who all gather in the same place at the same time. There are lots of transactions. And sellers compete exclusively on price, which should equate to the marginal cost of producing an extra bushel. Needless to say, none of them offer Black Friday deals.

The markets for toaster ovens or slippers do not quite operate in the same manner. For a start, goods are differentiated by design and quality. Information is far from perfect, hence the popularity of recommendation services such as The Strategist and Wirecutter, which test and rank products. Retailers compete on price, of course, but, critically, they also compete on timing.

Imagine a customer who is looking to purchase a blender. Bob is torn between the “top pick” on Wirecutter—the Vitamix 5200, a pricey $450 model—and a cheaper runner-up option, the Cleanblend Blender, which is sold for around $170. He prefers the Vitamix, and is willing to pay perhaps $200 more for it. Then, in late October, he receives an email from a small retailer offering the Cleanblend for just $120. He knows the Vitamix will go on sale soon, but does not know how big the discount will be, and perhaps the other retailer will have sold out of Cleanblends by then. He decides to make a purchase. Two weeks later, while whizzing up a morning smoothie in his Cleanblend, he sees the Vitamix has been discounted to just $300, and feels a pang of regret.

As this tale indicates, retailers have an incentive to offer discounts early, ahead of rivals, since doing so just might snag them an extra few sales.

Some customers might enjoy this long window during which they can peruse discounted goods. But, just as on the Chicago Mercantile Exchange, there is an advantage for buyers when they are able to see all offers at once. And anecdotally, at least, the prolonged approach to Black Friday quickly becomes exhausting. Rather than a short frenzy, fuelled by leftover turkey sandwiches and pie, the discount season feels like a never-ending barrage of targeted advertisements and email reminders.

The expansion of Black Friday is not necessarily to the advantage of retailers in aggregate, either. Although there is a benefit to kickstarting a sale before your competitor does, offering discounts six weeks early doubtless means that retailers are giving up full-price purchases. This dynamic is even clearer with Christmas sales. When these actually started on Boxing Day, last-minute present buyers whose demand was surely inelastic (what choice do they have on Christmas Eve?) were forced to pay full price. Now, more often than not, they are able to snag a last-minute deal. If each retailer acts out of rational self-interest, and nudges forward their sales a little each year, the collective problem becomes a little worse each season. Even if the majority of consumers and retailers might prefer that holiday sales start on Black Friday and last for a short period, the equilibrium cannot hold.

Judging the problem

This kind of market failure, which economists call "unravelling", is common in "matching markets", such as job markets for doctors and lawyers. In his book, *"Who gets What—and Why?"*, Alvin Roth of Stanford University, who in 2012 shared a Nobel prize for work on matching markets, described how acute the problem once was in the market for clerkships. Although judges in the most prestigious courts were more than happy to wait to see who was the most talented student at Harvard University before offering them a clerkship, there was a strong incentive for judges in slightly less prestigious courts to make earlier offers to students who were very likely to be at the top of their piles, so as to pinch the best. This forced the most prestigious courts to respond. As a consequence, offers crept earlier and earlier. They also "exploded". For early offers to work they had to expire. Mr Roth recounted the tale of a student in 2005 who boarded a flight from one interview to another and received an offer from the judge he had just met via voicemail while taxiing. By the time he landed the offer had been pulled. The flight was just 35 minutes long.

When it comes to clerkships, judges have managed to establish rules about how offers ought to be made, which has helped reduce the scale of the problem. Alas, no such solution is possible for retailers—clubbing together to decide how best to sell things would understandably be frowned upon by competition regulators. By 2035 Black Friday might, therefore, be a summertime affair. ■

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| Section menu | Main menu |

Science & technology

- **Scientists are learning why ultra-processed foods are bad for you**
  Nutrition :: A mystery is finally being solved
- **Robots can learn new actions faster thanks to AI techniques**
  Large behaviour models :: They could soon show their moves in settings from car factories to care homes
- **Elon Musk is causing problems for the Royal Society**
  Fellow feelings :: His continued membership has led to a high-profile resignation
- **Deforestation is costing Brazilian farmers millions**
  Magic money trees :: Without trees to circulate moisture, the land is getting hotter and drier

Nutrition

Scientists are learning why ultra-processed foods are bad for you

A mystery is finally being solved

Nov 29, 2024 02:03 PM

FOR MILLENNIA, people have altered food to please their palates. More than 3,000 years ago Mesoamericans, living in what is Mexico and Central America today, cooked corn kernels in a solution of wood ash or limestone. The process, known as nixtamalisation, unlocked nutrients and softened the tough outer shells of the corn, making it easier to grind.

With the invention of tinned goods and pasteurisation in the 19th century, food alchemy became possible on an industrial scale. Processing innovations made food cheaper, more convenient and plentiful. According to the UN, the average daily food supply available for a person in the rich world increased by over 20% between 1961 and 2021, to 3,500 kilocalories. In that time, obesity rates have more than tripled; today, nearly one in three people globally is obese or overweight.

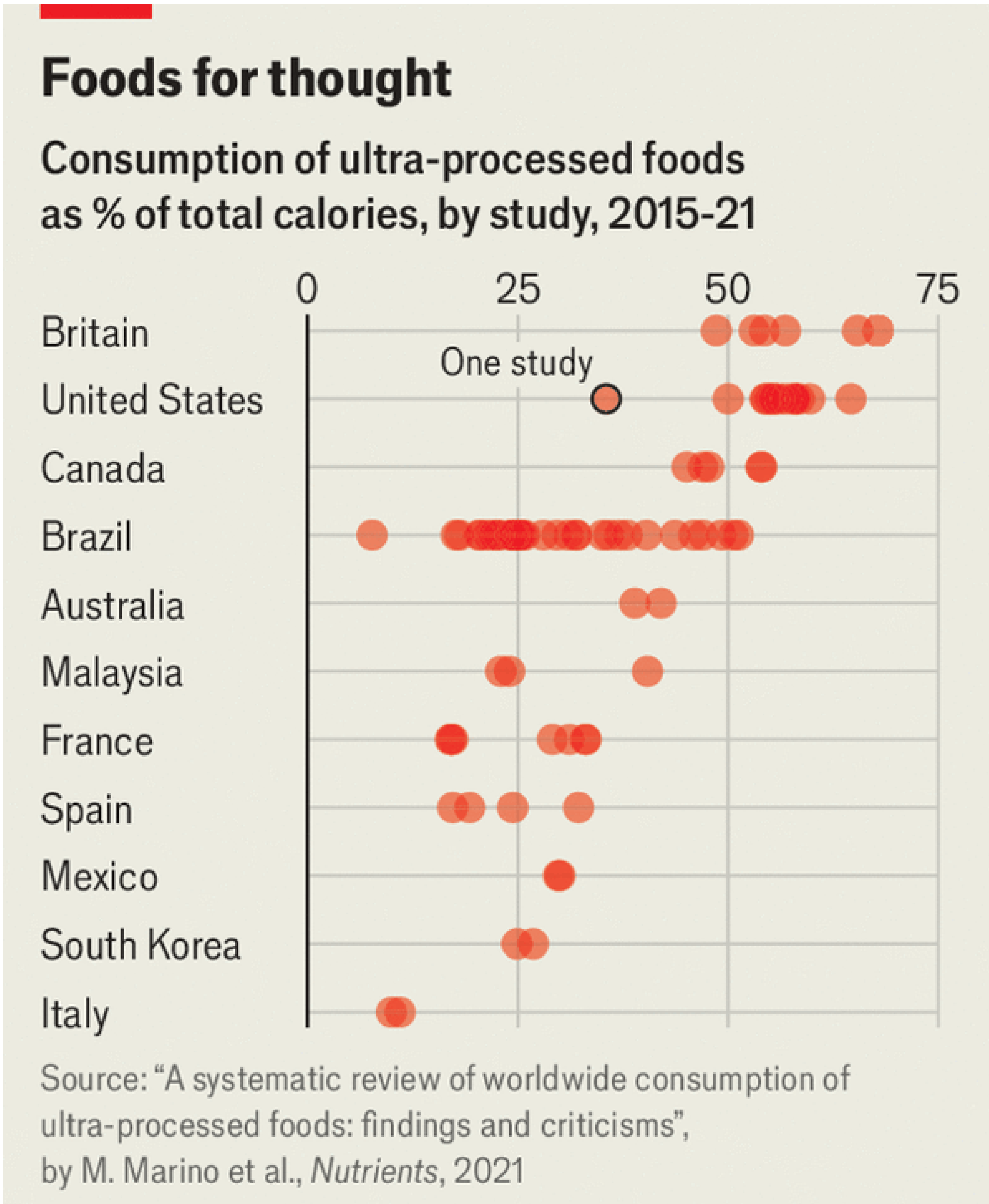
Now concerns are growing that the heavy processing used to cook up cheap, tasty nibbles may itself be harmful. A particular target is "ultra-processed foods" (UPFs), a relatively recent label put forward by Carlos Monteiro, a Brazilian scientist. Robert F. Kennedy junior, Donald Trump's nominee for secretary of health, has likened processed food to "poison" and promised to reduce the share of UPFs in American diets. In November 2023 Colombia imposed a tax on highly processed foods and drinks. Authorities in Brazil, Canada and Peru have advised the public to limit consumption of these foods. In Britain parliamentarians are investigating the effects of UPFs on people's health.

At the heart of the debate is a question: are UPFs unhealthy because their nutritional content is poor, or does the processing somehow pose risks in itself? New research may soon provide answers that could reformulate what people eat.

At the turn of the 21st century Dr Monteiro noticed that people in Brazil were buying less sugar and oil than in the past. Yet rates of obesity and metabolic diseases were still rising. This coincided with the growing popularity of packaged snacks and ready-made meals, which were loaded with sugar, fats and other additives.

In 2009 Dr Monteiro came up with a classification system, called Nova, that sorts foods into four buckets depending on the degree of processing they undergo. The first group includes minimally processed foods including fruit and milk. The second covers basic ingredients like butter and sugar. Next are foods such as tinned vegetables, bread, and cold cuts.

The fourth group, UPFs, includes heavily processed items, for example fizzy drinks, sugary cereals and frozen pizzas. These are made with ingredients not typically found in a home kitchen, such as hydrogenated oils, high-fructose corn syrup, flavouring agents and emulsifiers. UPFs are made by breaking down whole foods into components such as sugars, proteins, starches and fibre. These are chemically modified and reassembled along with additives like artificial colours and sweeteners to make the food more appealing.



The Economist

Since the 1990s the share of UPFs in diets worldwide has grown; they now account for more than half of the calorie intake in America and Britain (see chart). And for several decades, evidence has also been building that these foods are harmful in some way. Numerous studies show that people who consume diets high in UPFs tend to have more health problems, including obesity, type-2 diabetes, cardiovascular disease, various cancers and mental-health problems. UPFs often contain higher concentrations of fat, sugar and salt than processed foods, which could explain their negative effects. But a recent analysis by Samuel Dicken and Rachel Batterham at University College London reviewed 37 studies and found that even after adjusting for fat, sugar and salt UPFs were still strongly linked to poor health. That suggests there is more to their harm than just a poor nutrient profile.

Where those harms come from is still unclear, however. With so many competing factors that could also explain poor health—such as income, education and social conditions—observational studies alone cannot offer conclusive answers. Arne Astrup, a researcher at the Novo Nordisk Foundation in Denmark, argues that most of the studies that make statistical adjustments to try to isolate the effects of processing are “not good enough”.

A better way to assess the question is with a randomised controlled trial (RCT), where researchers track a person’s food intake and control for all other variables. In one of the few such trials, published in 2019, Kevin Hall, a researcher at the National Institutes of Health (NIH) in America, admitted 20 adults to the NIH Clinical Centre for four weeks. The participants received either ultra-processed or minimally processed foods for two weeks before swapping diet for the next fortnight. Participants in both diets had access to the same amount of calories and nutrients like sugars, fibre and fat. People were free to eat as much or as little as they wanted.

The results were striking. People on the ultra-processed diet ate about 500 more calories per day than those on the unprocessed one. They also ate faster and gained an average of 1kg (2.2 pounds) over two weeks. On the other diet, participants lost a similar amount of weight. Dr Hall says that, though the study was short and conducted in an artificial setting, the results suggest that excess amounts of salt, sugar and fats might not be fully to blame for the ill effects of processed food.

Further RCTs will be needed to confirm Dr Hall’s results. Even then, a bigger question remains—why do people overeat UPFs? Dr Hall has some ideas. One is that highly processed foods pack more calories per bite. When creating them, manufacturers often remove water to dry the food, to improve their shelf life. But this also makes foods more energy dense.

Another theory—as anyone who has tried, and failed, to eat just one crisp from a bag can attest—is that highly processed foods are also engineered to be irresistible. UPFs often contain combinations of nutrients—higher in either fat and sugar or fat and salt, or carbohydrates and salt—known as “hyper-palatable” mixes. These combinations do not appear in nature and tend to encourage people to eat more quickly, not giving the gut enough time to tell the brain that it is full.

To test these ideas Dr Hall is running another study where 36 people check into his diet hotel for a month. They will be rotated through four different diets: two similar to those in his previous study and two new ultra-processed regimes. One of these is low in both energy density and hyper-palatable foods, while the other is high in energy density but low in hyper-palatable combinations. As before, all diets are balanced for key nutrients and Dr Hall is tracking changes in the participants’ weight and other health measures. Though the full results of the study are not expected until next year, early findings suggest that both hyper-palatability and energy density seem to cause most of the excess calorie consumption of UPFs. Dr Hall is hopeful that his study will help to move the conversation on UPFs from opinion to science. The extent of reformulations of food that might be needed, meanwhile, is uncertain. If the harms are found to be focused on just a few ingredients or processing methods, foodmakers could easily adapt. However, says Dr Hall, if it turns out to be a “combinatorial nightmare” of many ingredients or processes that cause harm only in certain combinations, solving the problems of UPFs will become much more challenging. Properly mapping the territory, though, is the first step.

Even if the results show conclusively that processing, and not just nutrients, leads to poor health, policymakers will face another difficulty: the definition of UPFs remains woolly. The Nova classification has no tolerance at all for artificial ingredients. The mere presence of a chemical additive classifies a food as a UPF, regardless of the amount. This can lead to confusing health outcomes. A recent observational study from Harvard University, for example, found that whereas some UPFs, such as sweetened drinks and processed meats, were associated with a higher risk of heart disease, others, like breakfast cereals, bread and yogurt, were instead linked to lower risks for cardiovascular disease. Dr Astrup warns that the current classification risks "demonising" a lot of healthy food. Insights from Dr Hall's work could therefore help refine the understanding of UPFs, paving the way for more balanced and useful guidelines. ■

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| Section menu | Main menu |

Large behaviour models

Robots can learn new actions faster thanks to AI techniques

They could soon show their moves in settings from car factories to care homes

Nov 29, 2024 02:03 PM

INSIDE THE robotics laboratory of the Toyota Research Institute (TRI) in Cambridge, Massachusetts, a group of robots are busy cooking. There is nothing special about that; robotic chefs have been around for a while. But these robots are more proficient than most, flipping pancakes, slicing vegetables and making pizzas with ease. The difference is that instead of being laboriously programmed to carry out their tasks, the Cambridge robots have been taught only a basic set of skills. Using the wonders of artificial intelligence (AI), they quickly improved upon those skills to become far more dexterous.

Despite their extraordinary culinary capabilities, these robots are not destined for a career in catering. “If you give a robot the confidence to work in a kitchen, it will also have the confidence to work in a factory or a person’s home,” says Gill Pratt, Toyota’s chief scientist. Cooking involves lots of complex tasks, such as picking up and placing items, pouring liquids and mixing ingredients. All this makes a kitchen an ideal training ground for experimenting with a new method of using generative AI to train robots known as “diffusion policy”.

Diffusion, already used to help AI models generate images, has been developed as a way to speed up the training of robots by TRI and roboticists at Columbia University and the Massachusetts Institute of Technology (MIT). To explain how diffusion works, Russ Tedrake, TRI’s vice-president of robotics research and a professor at MIT, uses a typical kitchen task: teaching a robot how to load a dishwasher, once its fellow machines are done with their cooking.

Traditionally, robots are programmed with reams of computer code. This can be produced manually or created by remotely moving the robot’s arms and hands to replicate the actions required. A robot in Cambridge, equipped with camera eyes and touch sensors to provide feedback, was taught in the remote-control manner to pick up dishes and stack them in the dishwasher. This involved about 100 such demonstrations, each slightly different, to deal with the various items and how they should be stacked.

Yet even 100 demonstrations are not enough to cover every eventuality, which is where diffusion comes in. The process is a bit like learning how to build a gizmo by taking it apart and trying to reassemble it. For image generation, this involves adding random “noise” to a picture until it becomes unrecognisable and then reversing the process to learn the steps involved in generating a new, realistic image.

For robot training, the AI uses the actions it has been taught to randomly generate potential new movements, which are then refined into useful actions that can deal with new environments. That could be how to pick up a plate placed at an unusual angle or an oddly shaped bowl. The robot will keep trying new actions until it succeeds in its task. By using diffusion Dr Tedrake says it was possible to train a robot in a couple of hours to load a dishwasher, whereas programming one conventionally would have taken a year or more.

Having got diffusion to work for a variety of different tasks, the researchers are now trying to bring hundreds of such tasks together into what they call a large behaviour model (LBM). This will be analogous to a large language model (LLM), which is used to power AI services like ChatGPT. Instead of generating answers to questions based on information which an LLM has been trained on, an LBM contains sets of behaviours which can be used to generate new behaviours. In its simplest form, this means the skills involved in picking groceries from supermarket shelves (which one of the Cambridge robots has learned how to do) can also be used to select components in a factory making cars.

These new skills, once acquired, can then be transferred wirelessly from one robot to another using what is called “fleet learning”. This will also help speed up robot training. In time, even basic training could be made faster and simpler. Instead of having someone move its limbs remotely, the robot could simply watch someone demonstrate how a job is done.

To further this work the TRI, which is based in Silicon Valley, recently teamed up with Boston Dynamics. Widely seen as one of the world’s leaders in developing walking robots, Boston Dynamics is working on a lighter and smaller version of Atlas, its hulking humanoid, which can run, jump and even perform cartwheels. The new Atlas will provide an agile robot which the TRI aims to equip with an LBM.

The idea is that, initially at least, these robots will be deployed in factories, most likely making vehicles (both the TRI and Boston Dynamics are part of big carmakers: Toyota is Japan’s largest carmaker and in 2021 Hyundai, a big South Korean producer, bought a majority stake in Boston Dynamics). Factories are a relatively structured environment in which automation is already widely used, which makes the introduction of AI-powered humanoids easier. Humanoids are widely seen as the most efficient shape to use in a human-built environment, rather than wheeled or tracked robots. The same is true in homes.

Eventually the car factories could themselves mass-produce robots, which would bring prices down and allow their introduction into other areas, such as helping care for the elderly and people with disabilities. Elon Musk appears to have a similar strategy planned for Optimus, a humanoid AI-powered robot being developed by his electric-car company, Tesla. Mr Musk has not revealed any details about the form of AI which Tesla is using.

All this may seem to herald a future in which humans are no longer required in factories. But, says Dr Pratt, as manufacturing becomes more flexible, and a greater variety of products are made on the same line, factories will become ever more reliant on a human workforce to manage the changes and maintain the robots. Many hands make light work. ■

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Fellow feelings

Elon Musk is causing problems for the Royal Society

His continued membership has led to a high-profile resignation

Nov 29, 2024 02:03 PM


Alicia Canter/Eyevine

ISAAC NEWTON was a self-interested tyrant. James Watson, a Nobel laureate, spouted racist and sexist notions all his life. These men nevertheless managed to keep hold of one of the British scientific establishment's highest baubles—fellowship of the Royal Society, the oldest scientific academy in the world. The latest member of that club to be accused of unbecoming behaviour is Elon Musk, the richest man in the world and, now, a confidant of President-elect Donald Trump. His continued inclusion—despite what some other scientists have called "anti-scientific" behaviour—has led to a fracas.

The situation came to a head on November 25th when Dorothy Bishop (pictured), a renowned neuropsychologist at the University of Oxford, announced that she had taken the rare step of resigning from the society in protest at its refusal to oust him. In a blistering post on her personal blog she declared that, because of what she saw as Mr Musk's tendency to spread misinformation and attack scientists online, she felt she could no longer show her fellow fellow the courtesy required by the society's code of conduct.

Mr Musk was elected to the Royal Society in 2018 along with 49 other fellows. Although not a scientist himself, he was honoured for his extensive record of technological innovation: SpaceX, his space-travel company, delivers more material into orbit than any rival, public or private; Tesla, another of his firms, has pioneered the manufacture of electric vehicles.

As transformative as his business endeavours have been, it is his behaviour on X, the social-media company he owns, that troubles Dr Bishop and her sympathisers. "He seems to have moved to a position of being blatantly anti-science," she says, which sits uneasily with the requirement imposed on fellows to uphold high standards in their work and conduct.

In her blog post she highlights his "downplaying" of climate change, occasional amplification of vaccination hesitancy, and his persistent attacks on individual scientists, notably Anthony Fauci, who led the Trump administration's response to the covid-19 pandemic. (*The Economist*'s analysis of Mr Musk's social-media activity finds a sharp increase in political posts in recent years.) Now that Mr Musk looks likely to co-run Mr Trump's new Department for Government Efficiency, an advisory body that may wield influence over the allocation of scientific funding, Dr Bishop fears that he could have a detrimental impact on American scientists. (Mr Musk was approached for comment.)

She is not alone in her concerns. In August a group of 74 fellows, including Dr Bishop, sent a letter to the Royal Society's governing body expressing their hope that Mr Musk would be removed after making what they regarded as inflammatory comments on X about the summer's riots in Britain. The society later informed the signatories that its lawyer had not found Mr Musk to have broken its code of conduct. According to Dr

Bishop, though, the society will look at the case again—probably at a closed meeting currently scheduled for November 29th.

For its part the society says it is saddened by Dr Bishop's resignation, but reiterates the need to follow procedure. Precedent is thin on the ground. John Flamsteed, Britain's first Astronomer Royal, was expelled for not paying his dues (or, perhaps, for his disagreements with the tyrannical Newton) in 1709. Rudolf Raspe, a German geologist, was kicked out for embezzlement in 1775. In the intervening century and a half, however, no member has suffered a similar fate.

To Dr Bishop, Mr Musk's political power and social-media reach make this a much more serious affair. But even if others were to follow her lead, a handful of voluntary resignations from among the society's 1,800-odd members may not produce the desired momentum. If the society did expel Mr Musk, it would need to prepare for accusations of political bias and, potentially, a lawsuit. It does not take the most dazzling minds in science to spot those warning signs. ■

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| Section menu | Main menu |

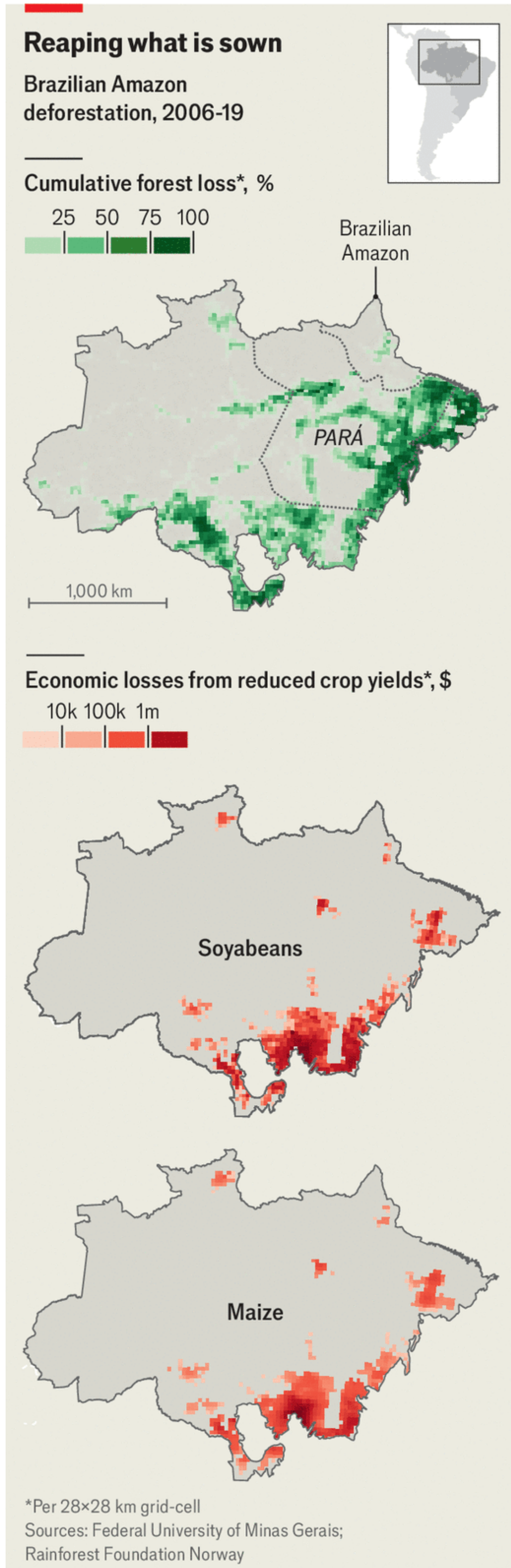
Magic money trees

Deforestation is costing Brazilian farmers millions

Without trees to circulate moisture, the land is getting hotter and drier

Nov 29, 2024 02:03 PM

DECADES OF INCREASING maize and soyabean production have turned Brazil into an agricultural powerhouse. They have also led to the destruction of vast swathes of the Amazon rainforest. That has long put farmers and environmentalists at loggerheads. But a study released in October by the Federal University of Minas Gerais (UFMG) and Rainforest Foundation Norway (RFN) shows the extent to which deforestation is hurting farmers too.



The Economist

The report shows that the practice of clear-cutting (removing all trees from a given area) in the Brazilian Amazon led to reduced crop yields, resulting in total economic losses of around $1bn between 2006 and 2019. After accounting for production costs, the net revenues for soyabeans dropped by 10% over that time, while maize revenues dropped by 20%. Beyond the balance-sheet, Anders Krogh, a specialist forest adviser at RFN, says these findings demonstrate the danger deforestation poses to global food security.

When ancient forests become rolling plains, a delicate balance of water cycles is disrupted. As trees respire, they convert water into vapour, which goes on to form large, dense rain clouds, and has a cooling effect on the region. This moisture-recycling process also influences atmospheric circulation, which plays a key role in temperature regulation in the Amazon basin.

The effects are starkest in the most deforested regions. In areas where more than 80% of the forest has been cleared, the onset of the rainy season has been delayed by 76 days since 1980. Between 1999 and 2019, rainfall in these same areas fell by 40% in the soyabean-cropping season and 23% at maize-cropping time. Maximum air temperatures increased by approximately 2.5°C over the same period (from 30°C to 32.5°C). Less rain and hotter days mean smaller harvests and smaller revenues.

Preventing further deforestation in Brazil’s southern Amazon could slow the trend. If clear-cutting continues apace, farmers of all stripes (including cattle ranchers) are expected to face even harsher conditions. One estimate says that by 2050 they will be losing up to $1bn a year.

Reforesting could even reverse rainfall trends: the report concludes that if the Brazilian state of Pará (a hub of intensive agriculture) were to reforest 55,000km^2 of arable land, the rain could come on average five days earlier, and up to 19 in some areas. In the most deforested areas, that should bring 152mm more precipitation each year.

For now, though, that seems like a tall order. Agricultural firms in Brazil tend to treat such reports, and the researchers who produce them, with scepticism. The term “agri-phobic” is often used to describe scientists who criticise the country’s farming practices. Suspicion is felt at the grassroots level too. Despite the increasing costs of adapting to drier conditions, Brazilian farmers dispute claims that lower yields result from climate change or deforestation.

Britaldo Soares-Filho, a researcher at UFMG and the report’s lead author, hopes that focusing on the financial impact of deforestation, rather than abstract modelling, can bring critics round. Sustainable farming practices, he contends, are in the economic interests of agribusiness. “They say we’re guilty of agri-phobia,” he says, “but they’re committing agri-suicide.” ■

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| Section menu | Main menu |

Culture

- **The best books of 2024, as chosen by The Economist**
  Treat your shelf :: Readers will never think the same way again about games, horses and spies
- **Germany’s former chancellor sets out to restore her reputation**
  Angela’s ashes :: But her new memoir is unlikely to change her critics’ minds

Treat your shelf

The best books of 2024, as chosen by The Economist

Readers will never think the same way again about games, horses and spies

Nov 29, 2024 02:03 PM

Biography and memoir

The Editor: How Publishing Legend Judith Jones Shaped Culture in America. By Sara Franklin. *Atria Books; 336 pages; $29.99 and £20*
Judith Jones edited literary and culinary greats and saved Anne Frank's diary from a "slush" pile of rejected manuscripts. This biography posits that the people who shape iconic books often do so invisibly.

Kingmaker: Pamela Churchill Harriman's Astonishing Life of Seduction, Intrigue and Power. By Sonia Purnell. *Viking; 528 pages; $35.*

Virago; £25
A biography of Pamela Churchill, daughter-in-law of Britain's former prime minister. As "the most powerful courtesan in history", she seduced men during the second world war. This is a romp of a read.

Maurice and Maralyn: An Extraordinary True Story of Love, Shipwreck and Survival. By Sophie Elmhirst. *Chatto & Windus; 272 pages; £18.99*
Could your marriage survive a shipwreck? This book tells the tale of a couple stranded almost four months at sea—and the love story that bubbled alongside.

Metamorphoses: In Search of Franz Kafka. By Karolina Watroba. *Pegasus; 256 pages; $29.95. Profile Books; £18.99*
Franz Kafka's fame is not only the product of literary excellence. He also got lucky, as this study of the writer's afterlife reveals. It traces his metamorphosis from sickly lawyer to global literary icon.

One Way Back. By Christine Blasey Ford. *St Martin's Press; 320 pages; $29 and £24.99*
In 2018 Christine Blasey Ford accused Brett Kavanaugh, a nominee for the Supreme Court, of assaulting her when they were teenagers. Her memoir shows the cost of stepping forward.

Patriot. By Alexei Navalny. Translated by Arch Tait and Stephen Dalziel. *Knopf; 496 pages; $35. Bodley Head; £25*
Alexei Navalny had a clear sense of mission: he wanted to liberate Russia from a despot's grip. In a moving posthumous memoir, the murdered opposition leader chronicles his martyrdom.

Troubled: A Memoir of Foster Care, Family and Social Class. By Rob Henderson. *Gallery Books; 336 pages; $28.99. Swift Press; £16.99*
A Yale graduate exposes the "luxury" beliefs held by the educated elite. At once a memoir and an analysis of the widespread muddled thinking on America's university campuses.

Wild Thing: A Life of Paul Gauguin. By Sue Prideaux. *Faber; 416 pages; £30. To be published in America by W.W. Norton in May; $39.99*

The first major biography of Paul Gauguin in three decades. The French artist is ripe for cancellation, but this clear-eyed account shows that his norm-breaking and talent were part of the same palette.

Business, economics and technology

The Afterlife of Data: What Happens to Your Information When You Die and Why You Should Care. By Carl Ohman. *University of Chicago Press; 200 pages; $22.50 and £18*
People generate unfathomable quantities of data. What happens to that data when they die? The philosophical concerns of this compelling book linger in the mind.

The Art of Uncertainty: How to Navigate Chance, Ignorance, Risk and Luck. By David Spiegelhalter. *Pelican; 512 pages; £22. To be published in America by W.W. Norton in March; $32.99*
An invaluable guide to thinking about uncertainty, from a master of the craft. Using simple algebra to illuminate broad ideas, this book has the sort of elegance that makes mathematicians enjoy maths.

Co-Intelligence: Living and Working with AI. By Ethan Mollick. *Portfolio; 256 pages; $30. WH Allen; £16.99*
How do you get the most from AI? The technology is an "alien intelligence" that can augment the human sort—but people need to raise their game.

Dark Wire: The Incredible True Story of the Largest Sting Operation Ever. By Joseph Cox. *PublicAffairs; 352 pages; $32 and £25*
A vivid account of the largest law-enforcement sting operation ever. The author spent years getting to know the players, many of them unsavoury international gangsters.

How Economics Explains the World. By Andrew Leigh. *Mariner Books; 240 pages; $26. Published in Britain as "The Shortest History of Economics"; Old Street; £14.99*
In fewer than 200 pages, the author canters through the history of human progress, pausing to explain the economic forces that drove it.

Money: A Story of Humanity. By David McWilliams. *Simon & Schuster; 416 pages; £25*
A whistle-stop historical tour, with money as the central character. The author is a former central banker, but do not be put off—this is no dry tome.

Playing with Reality: How Games Shape Our World. By Kelly Clancy. *Riverhead Books; 368 pages; $30. Allen Lane; £25*
A wide-ranging survey of how games shape reality. By turns philosophical and polemical, this is a provocative and fascinating book.

The Power and the Money: The Epic Clashes Between Commanders in Chief And Titans of Industry. By Tevi Troy. *Regnery History; 368 pages; £32.99 and £25*
What better time to produce a cautionary tale about the relationship between bosses and American presidents? The lesson is: it's OK to be the president's golf buddy—just don't beat him.

Slow Productivity: The Lost Art of Accomplishment Without Burnout. By Cal Newport. *Portfolio; 256 pages; $30. Penguin Business; £16.99*
In this diatribe against "pseudo-productivity", a sage of the post-pandemic workplace offers practical advice on how to "protect" your time.

The Whole Story: Adventures in Love, Life and Capitalism. By John Mackey. *Matt Holt; 368 pages; $35 and £30*
The co-founder of Whole Foods Market tells a story of self-discovery and entrepreneurial chutzpah that changed the way well-heeled Americans approach healthy eating.

Culture and arts

All that Glitters: A Story of Friendship, Fraud and Fine Art. By Orlando Whitfield. *Pantheon; 336 pages; $29. Profile Books; £20*
The rise and fall of Inigo Philbrick, a wheeler-dealer who was convicted of perpetrating the largest art fraud in American history, reads like a "Liar's Poker" for the art world.

The Book-Makers: A History of the Book in 18 Lives. By Adam Smyth. *Basic Books; 400 pages; $32. Bodley Head; £25*
A professor of literature looks across five centuries at 18 people who have shaped books as objects, from printers to binders. The stories behind books are page-turning in their own right.

Cue the Sun! The Invention of Reality TV. By Emily Nussbaum. *Random House; 464 pages; $30*
A detailed history of reality TV, arguing it is "the first draft of internet culture". To understand where the modern newsfeed came from, study the dirty documentary.

Get the Picture: A Mind-Bending Journey among the Inspired Artists and Obsessive Art Fiends Who Taught Me How to See. By Bianca Bosker. *Viking; 384 pages; $29. Allen & Unwin; £20*
What makes the art world tick? A journalist chronicles the whims of dealers and collectors; her account is written with humour and verve.

Gobsmacked! The British Invasion of American English. By Ben Yagoda. *Princeton University Press; 288 pages; $24.95 and £20*
British intellectuals enjoy bewailing the influx of Americanisms into British English. But is it really so bad? An expert on language dives in.

The Haunted Wood: A History of Childhood Reading. By Sam Leith. *Sutherland House Books; 602 pages; $38.95. Oneworld; £30*
At once light and learned, this tour of children's literature from Aesop to Harry Potter takes you back to your delighted first years of reading.

Origin Uncertain: Unravelling the Mysteries of Etymology. By Anatoly Liberman. *Oxford University Press; 344 pages; $29.99 and £22.99*
A tour through the annals of words' origins. This book will appeal to logophiles and even true-crime fans, because it feels like a detective story.

Reading Genesis. By Marilynne Robinson. *Farrar, Straus and Giroux; 352 pages; $29. Virago; £25*
A close reading of the first book of the Bible. America's greatest living novelist balances pessimism about human nature with confidence in a loving God.

Stranger Than Fiction: Lives of the Twentieth-Century Novel. By Edwin Frank. *Farrar, Straus and Giroux; 480 pages; $33. Fern Press; £25*
Essential for anyone who loves novels, this book examines how writers translated the seismic and bloody 20th century into memorable fiction.

Written in Water: The Ephemeral Life of the Classic in Art. By Rochelle Gurstein. *Yale University Press; 520 pages; $40 and £30*
Classics of art, literature and music are supposed to carry an appeal that endures across the ages. This elegant book shows, however, that the "timeless classic" is anything but.

Fiction

Creation Lake. By Rachel Kushner. *Scribner; 416 pages; $29.99. Jonathan Cape; £18.99*
Sadie Smith, an American agent, goes undercover to infiltrate an environmentalist cult in rural France. At once a noirish thriller, a meditation on human evolution and a deft travelogue.

The Empusium: A Health Resort Horror Story. By Olga Tokarczuk. Translated by Antonia Lloyd-Jones. *Riverhead Books; 320 pages; $30. Fitzcarraldo Editions; £14.99*
A consumptive young Pole travels for a cure to the Silesian mountains. This is Thomas Mann's "The Magic Mountain", except the men are fatuous. Meanwhile, in the forest something mysterious stirs.

Fire Exit. By Morgan Talty. *Tin House Books; 256 pages; $28.95. And Other Stories; £14.99*
The heart-wrenching tale of a man's exile from his community. What makes a culture, the book asks: is it blood, or the bonds of love and protection?

Going Home. By Tom Lamont. *Knopf; 304 pages; $28. Sceptre; £16.99*
Three men become responsible for a motherless toddler. In an unsentimental evocation of fatherhood and male friendship, this novel explores the glory and sacrifice involved in learning to love.

The Grand-daughter. By Bernhard Schlink. Translated by Charlotte Collins. *Weidenfeld & Nicolson; 336 pages; £20. To be published in America by HarperVia in January; $28.99*
After his wife dies, a bookseller learns about her secret past. Germany's most famous living novelist evokes the divide between East and West Berlin.

The Heart in Winter. By Kevin Barry. *Doubleday; 256 pages; $28. Canongate; £16.99*
This slim book is cruel and lovely, much like its Montana setting. It combines a reverence for the landscape with an awareness of its brutality.

Help Wanted. By Adelle Waldman. *W.W. Norton; 288 pages; $28.99. Serpent's Tail; £16.99*
Employees of a "dungeon-like" warehouse in upstate New York are threatened by greedy employers, monopolistic online retailers and the prospect of automation.

Hum. By Helen Phillips. *Marysue Rucci Books; 272 pages; $27.99. Atlantic Books; £16.99*
This novel uses a robot-filled setting with a warming climate to probe more prosaic anxieties about marriage and parenting. Its setting is bleak—but plausibly so.

Intermezzo. By Sally Rooney. *Farrar, Straus and Giroux; 464 pages; $29. Faber; £20*
The Irish star's fourth book may be her best. This story focuses on a fraternal rather than romantic bond: the characters are recently bereaved, mutually uncomprehending brothers.

James. By Percival Everett. *Doubleday; 320 pages; $28. Mantle; £20*
A literary retelling of Mark Twain's "Adventures of Huckleberry Finn" that is destined for the big screen. Told from Jim's perspective, this National Book Award winner feels surprising and new.

Karla's Choice. By Nick Harkaway. *Viking; 320 pages; $30 and £22*
A continuation novel about George Smiley, written by Nick Harkaway, John le Carré's son, is an accomplished homage and a captivating thriller.

Long Island. By Colm Tóibín. *Scribner; 304 pages; $28. Picador; £20*
An entrancing follow-up to "Brooklyn", a moving coming-of-age story and a portrait of the plucky immigrants who fuelled America's post-war boom.

Mania. By Lionel Shriver. *Harper; 288 pages; $30. Borough Press; £22*
The America of this novel has been transformed by ideological extremism: everyone is clever and anyone who says otherwise is a bigot. Merciless and funny.

Our Evenings. By Alan Hollinghurst. *Random House; 496 pages; $30. Picador; £22*

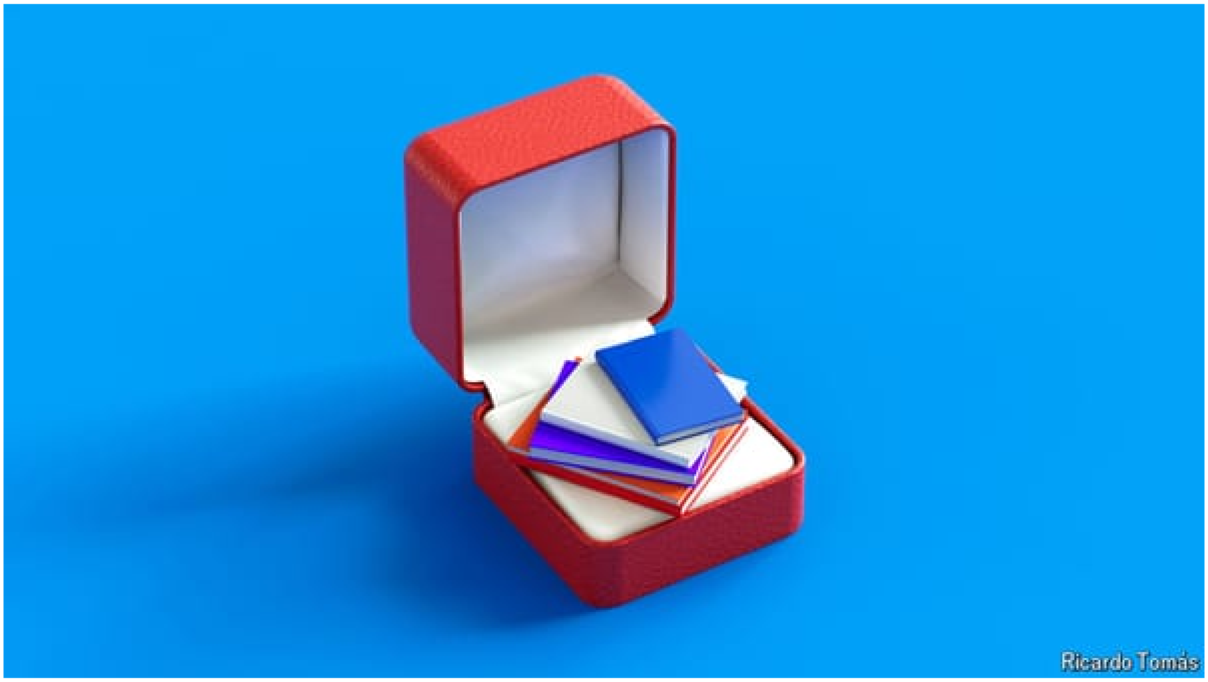
The Booker-prizewinning novelist probes the mysteries of the self and the politics of resentment in a yarn about Britain's Brexit vote and its aftermath.

Playground. By Richard Powers. *W.W. Norton; 400 pages; $29.99. Hutchinson Heinemann; £20*
This vivid tale of a seasteading mission off the coast of Makatea in French Polynesia captures the majesty of the ocean and is awash in big ideas.

The Road to the Country. By Chigozie Obioma. *Hogarth; 384 pages; $29. Hutchinson Heinemann; £16.99*
Nigerians do not speak much of the civil war of 1967-70. Flitting between the real and supernatural, this captures the country's faultlines in language and form.

The Safekeep. By Yael van der Wouden. *Simon & Schuster; 272 pages; $28.99. Viking; £16.99*
Prickly Isabel lives alone in her family home, where her brother's girlfriend comes to stay. A meditation on family history, memory and sexual awakening.

The Silence of the Choir. By Mohamed Mbougar Sarr. Translated by Alison Anderson. *Europa Editions; 372 pages; $18 and £14.99*
A tale featuring refugees from Africa in Sicily, which unspools with multiple voices and a touch of magical realism. Even the simplest descriptions soar.



History

The Eastern Front. By Nick Lloyd. *W.W. Norton; 672 pages; $42. Viking; £30*
A professor of modern warfare shows how the first world war redrew the world map. The first deep analysis of the Eastern Front in English in nearly 50 years.

Every Living Thing: The Great and Deadly Race to Know All Life. By Jason Roberts. *Random House; 432 pages; $35. Riverrun; £25*
The story of a forgotten rivalry that shaped the modern world. Carl Linnaeus and Georges-Louis de Buffon raced to categorise all life.

The Forbidden Garden: The Botanists of Besieged Leningrad and Their Impossible Choice. By Simon Parkin. *Scribner; 384 pages; $30. Published in Britain as "The Forbidden Garden of Leningrad"; Sceptre; £25*
The true story of the world's first seed bank in St Petersburg. Botanists faced a decision during the Nazi siege of 1941-44: eat a prized collection of plants or starve?

The Horse: A Galloping History. By Timothy Winegard. *Dutton; 544 pages; $35*
From anatomy to the role of horses in the first and second world wars, this book is packed with fascinating detail about how hoof beats changed the world.

How the World Made the West: A 4,000-Year History. By Josephine Quinn. *Random House; 592 pages; $38. Bloomsbury; £30*
Even seasoned history buffs will enjoy this journey across the arc of European history, which shows that the concept of "Western civilisation" has always been flawed.

Impossible Monsters: Dinosaurs, Darwin, and the Battle Between Science and Religion. By Michael Taylor. *Liveright; 496 pages; $32.99. Bodley Head; £25*
In 1811 the discovery of a dinosaur fossil sparked a revelation of biblical proportions. In seven decades human thought changed for ever.

The Invention of Good and Evil: A World History of Morality. By Hanno Sauer. Translated by Jo Heinrich. *Oxford University Press; 416 pages; $29.99. Profile Books; £25*
What makes people good, evil or a bit of both? This rich narrative blends anthropology and evolutionary biology to show how morality has changed.

Medieval Horizons: Why the Middle Ages Matter. By Ian Mortimer. *Bodley Head; 256 pages; £22*
Whoever thinks the Middle Ages were all darkness has a middling understanding of history. This enlightening account shows there was more to the period than plague, superstition and violence.

Nexus: A Brief History of Information Networks from the Stone Age to AI. By Yuval Noah Harari. *Random House; 528 pages; $35. Fern Press; £28*
A historian whose arguments operate on the scale of millennia manages to capture the zeitgeist. Mr Harari's sweeping narrative, which ranges from the Stone Age to the future, explores the political impact of AI and disinformation.

Raiders, Rulers and Traders: The Horse and the Rise of Empires. By David Chaffetz. *W.W. Norton; 448 pages; $32.50 and £25*
"What we now call the Silk Road should more accurately be called the Horse Road," the author, a scholar of Asian history, writes in his chronicle of horses and people.

Reagan: His Life and Legend. By Max Boot. *Liveright; 880 pages; $45 and £35*
A peerless communicator and an introvert, President Ronald Reagan was an ideologue in rhetoric but a pragmatist in practice. This biography is a doggedly researched, deeply readable character study, set in a bygone era of politics.

Revolusi: Indonesia and the Birth of the Modern World. By David Van Reybrouck. *W.W. Norton; 656 pages; $32.50. Bodley Head; £30*
The history of Indonesia is convoluted. A Belgian historian gets his boots dirty, chronicling brutal plunder in the 17th century, forced labour in the 19th and a racial caste system in the early 20th.

Smoke and Ashes: Opium's Hidden Histories. By Amitav Ghosh. *Farrar, Straus and Giroux; 416 pages; $32. John Murray; £22*
A history of the opium poppy, which probes how the drug trade has shaped free-market capitalism and globalisation. The plant may look innocuous, but its story is one of profits and power.

Spycraft: Tricks and Tools of the Dangerous Trade from Elizabeth I to the Restoration. By Nadine Akkerman and Pete Langman. *Yale University Press; 368 pages; $30 and £20*
The tools and tricks used by spies in the 16th and 17th centuries included disguises, poisons and secret codes. There are "she-intelligencers", letters hidden in a wooden leg and even recipes for invisible inks. Do pay attention, 007.

The Siege: The Remarkable Story of the Greatest SAS Hostage Drama. By Ben Macintyre. *Crown; 400 pages; $32. Viking; £25*
In 1980 a six-day hostage crisis at the Iranian embassy in London put terrorism on television. This book tells the story of that week and explains

how real-time journalism, filed with satellite phones, shot Britain's SAS to global fame.

Venice: The Remarkable History of the Lagoon City. By Dennis Romano. *Oxford University Press; 800 pages; $41.95 and £31.99*
A sparkling account of Venice's past and future. Clear, entertaining and academically rigorous, this will become the history of choice for readers who want to understand the lagoon city better.

Why War? By Richard Overy. *W.W. Norton; 304 pages; $27.99. Pelican; £22*
A historian draws together nearly 100 years of scientific and historical scholarship to understand the persistence of warfare. "If war has a very long human history, it also has a future," he concludes.

The Wide Wide Sea. By Hampton Sides. *Doubleday; 432 pages; $35. Michael Joseph; £25*
Captain James Cook has attracted anti-colonialist ire. Yet he was not a slave trader nor much of an imperialist but a brilliant navigator and cartographer. This tells the story of his final voyage.

Politics and current affairs

Autocracy, Inc: The Dictators Who Want to Run the World. By Anne Applebaum. *Doubleday; 224 pages; $27. Allen Lane; £20*
Despots share an enemy: checks on power and the democratic world that espouses them. This short, urgent book describes how today's strongmen have spun a network of mutual support.

Born to Rule: The Making and Remaking of the British Elite. By Aaron Reeves and Sam Friedman. *Belknap Press; 328 pages; $29.95 and £20*
Two British academics describe how elites have changed since the 19th century, becoming cleverer and better at presenting themselves as ordinary. This book is flush with research, including more than 200 interviews.

Counter-Intelligence: What the Secret World Can Teach Us About Problem-solving and Creativity. By Robert Hannigan. *HarperCollins;*

336 pages; £25
The former director of GCHQ, Britain's signals-intelligence service, reveals how to hire a spy. Codebreaking requires people who think in original and unusual ways.

Failed State: Why Nothing Works and How We Fix It. By Sam Freedman. *Macmillan; 368 pages; £20*
People deserve some of the blame for Britain's stagnant growth, dysfunctional public services and political upheavals. But the country's woes have structural causes, too. This book provides a wonk's-eye-view of Britain's problems.

How Tyrants Fall: And How Nations Survive. By Marcel Dirsus. *John Murray; 304 pages; £22. To be published in America in January; $29*
How do you get rid of a dictator? A political scientist mines history for evidence and considers whether the techniques that toppled despots of old still work in an age of mass surveillance.

Infantilised: How Our Culture Killed Adulthood. By Keith Hayward. *Constable; 432 pages; £25*
A criminologist argues that young people today are less mature than previous generations and that Western culture is to blame, from films and TV to coddling by schools and parents.

Our Enemies Will Vanish. By Yaroslav Trofimov. *Penguin Press; 400 pages; $32. Michael Joseph; £25*
A stirring account of the first months after Russia's invasion of Ukraine in 2022, this paints a vivid picture of how Ukrainians repulsed the blitzkrieg with cleverness and courage.

Twenty Years: Hope, War and the Betrayal of an Afghan Generation. By Sune Rasmussen. *Farrar, Straus & Giroux; 352 pages; $30 and £25.99*
The war in Afghanistan, as told through the eyes and experiences of a range of witnesses, from a Taliban fighter who grows disillusioned to a hustler who creates a business empire.

World on the Brink: How America Can Beat China in the Race for the 21st Century. By Dmitri Alperovitch and Garrett Graff. *PublicAffairs; 400*

pages; $32.50 and £25
The Washington consensus is that China represents the pre-eminent threat to America. This jargon-light book neatly sketches the China challenge and makes a number of sensible prescriptions.

The Year of Living Constitutionally. By A.J. Jacobs. *Crown; 304 pages; $30. Random House; £25*
A journalist lives as the Founding Fathers supposedly wanted Americans to. For a year he decides to "walk the walk and…read the Cicero". Funny and illuminating.

Science and health

The Anxious Generation: How the Great Rewiring of Childhood Is Causing an Epidemic of Mental Illness. By Jonathan Haidt. *Penguin Press; 400 pages; $30. Allen Lane; £25*
Gen Z is suffering from unprecedented levels of poor mental health. An eminent social psychologist considers the "great rewiring of childhood". This book is compassionate in tone and rich in data.

The Catalyst: RNA and the Quest to Unlock Life's Deepest Secrets. By Thomas Cech. *W.W. Norton; 304 pages; $28.99 and £23.99*
RNA is arguably the most consequential molecule of them all. A Nobel-prizewinning chemist explores its role in life's origins as well as its medical uses.

The Genetic Book of the Dead: A Darwinian Reverie. By Richard Dawkins. *Yale University Press; 360 pages; $35. Apollo; £25*
A tantalising tome from an influential scholar of evolution. It suggests that efforts to "read" genomes to interpret an organism's history may form the basis of a new science.

Gray Matters: A Biography of Brain Surgery. By Theodore Schwartz. *Dutton; 512 pages; $32. Oneworld; £25*
A neurosurgeon goes on a tour through different types of brain surgery—from seemingly crude emergency treatments to high-precision surgeries—weaving explanations of procedures together with personal and historical anecdotes.

More and More and More: An All-Consuming History of Energy. By Jean-Baptiste Fressoz. *Allen Lane; 320 pages; £25. To be published in America by Harper in August; $32.50*
An eye-opening book that explains how "energy transition" has been a term misused and misunderstood to the brink of meaninglessness.

Origin Story: The Trials of Charles Darwin. By Howard Markel. *W.W. Norton; 368 pages; $35 and £25*
Books about Charles Darwin are at no risk of going extinct. Yet by making its centrepiece a consequential debate in 1860—in which evolution triumphed over creationism—this book offers something welcome and new.

Reentry: SpaceX, Elon Musk and the Reusable Rockets that Launched a Second Space Age. By Eric Berger. *BenBella Books; 400 pages; $31.95 and £26.99*
It has been a spectacular year for Elon Musk's SpaceX, with the firm recapturing a rocket booster for the first time in October. This is a riveting tale of how the company came to dominate its competitors—and how engineering actually gets done.

Tits Up. By Sarah Thornton. *W.W. Norton; 336 pages; $28.99. Bluebird; £20*
Breasts are both ogled and overlooked. The author's double mastectomy and reconstruction set off a four-year quest to undress breasts' "multifarious meanings", ranging from strip clubs to milk banks.

Twelve Trees. By Daniel Lewis. *Simon & Schuster; 304 pages; $30 and £22*
There are 3trn trees on Earth. This arboreal adventure takes you up mighty trunks and into blazing forest fires. The dozen species chronicled show how much the lives of trees are entwined with people and culture.

The Underworld: Journeys to the Depths of the Ocean. By Susan Casey. *Doubleday; 352 pages; $32. Penguin; £10.99*
A Canadian adventurer describes her trip to an underwater volcano off the coast of Hawaii. She conjures the "languid beauty" of the abyss with imaginative, even literary, language.

Books by *Economist* staff

The Abiy Project: God, Power and War in the New Ethiopia. By Tom Gardner. *Hurst; 368 pages; $37.99 and £30*
A portrait of one of Africa's most enigmatic and controversial leaders, Abiy Ahmed, and a chronicle of the most tumultuous years in Ethiopia's recent history. The *Los Angeles Review of Books* called this account by one of our Africa correspondents "groundbreaking".

The Achilles Trap: Saddam Hussein, the CIA and the Origins of America's Invasion of Iraq. By Steve Coll. *Penguin Press; 576 pages; $35. Allen Lane; £30*
Taking advantage of new materials from inside Saddam Hussein's regime, our visiting senior editor investigates how hubris, human error and miscommunication led to one of the costliest geopolitical conflicts of our time. The book was a finalist for the Orwell Prize for political writing.

At the Louvre: Poems by 100 Contemporary World Poets. Edited by Antoine Caro, Edwin Frank and Donatien Grau. *NYRB Poets; 224 pages;*

$22 and £19.99
A volume of poetry about the Louvre in Paris, to which Fani Papageorgiou, a staff writer, contributed. In the foreword, Laurence des Cars, director of the Louvre, writes that the museum is "home to poets who, with words, carve out new channels of meaning".

Heretic: Jesus Christ and the Other Sons of God. By Catherine Nixey. *Mariner Books; 384 pages; $32.50. Published in Britain as "Heresy"; Picador; £25*
It was not just Jesus. Sons of God whose followers claimed they could heal the blind, cure the lame and even raise the dead were common in the Roman Empire at the turn of the first millennium, as this book by one of our Britain correspondents points out. "A brilliant book", wrote the *Times*. "Enthralling", said the *Telegraph* and the *Guardian*.

New Answers to Old Questions: Myanmar Before and After the 2021 Coup d'État. By Aaron Connelly and Shona Loong. *Routledge; 184 pages; $27.95 and £21.99*
Our Asia diplomatic editor writes on three relationships that have defined the politics of contemporary Myanmar, arguing that the current revolution provides more reasons for hope than Aung San Suu Kyi's previous government. A "significant contribution", says Marty Natalegawa, an Indonesian diplomat. ■

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Angela’s ashes

Germany’s former chancellor sets out to restore her reputation

But her new memoir is unlikely to change her critics’ minds

Nov 29, 2024 02:03 PM

Freedom. By Angela Merkel. *St Martin’s Press; 720 pages; $40. Macmillan; £35*

FEW WORLD leaders have left office as lauded as Angela Merkel. When she stepped down as chancellor in 2021, after 16 years, Germany’s economy was the envy of Europe. Mrs Merkel had saved the euro and guided her nation through the pandemic. Her style of politics set an example, too. In an age of increasing demagoguery, fake news and partisanship, “Mutti”—or Mum, as Germans affectionately called her—was low-key and empirical. Instead of demonising her opponents, she was the architect of compromises that had something for everyone.

How rapidly her legacy has turned to ashes. Under Mrs Merkel, Germany got cheap energy from Russia, sold expensive cars to China and outsourced its security to America. Today, all those policies look like strategic mistakes. The economy is in a mess. China dominates electric vehicles. Vladimir Putin is threatening Europe and, under Donald Trump, America will no longer be willing to pay full freight for NATO. As Germany prepares for an election in February 2025, its centrist parties are being squeezed by the unMerkel-like extremes on the left and right.

“Freedom” is Mrs Merkel’s attempt to restore her reputation. Over around 700 pages, she and her long-time confidante, Beate Baumann, chronicle her life in East Germany, her entry into politics after the collapse of the Berlin Wall and her career as Germany’s first female chancellor. Mrs Merkel is eminently reasonable and modest. But she fails to mount a persuasive defence of her good name. Regrettably, the most striking question this book raises is: why cannot she better defend her legacy?

As a memoir, “Freedom” does not soar. Mrs Merkel is a shrewd judge of character, but uninterested in gossip and too discreet to break confidences. She is also a doer, rather than a thinker. Her book’s title reflects her fundamental beliefs, but freedom is not a theme she explores in any depth, despite having lived the first 35 years of her life under communism.

Fortunately, Mrs Merkel was assiduous about keeping a diary. Unfortunately, it listed her appointments, not her reflections. Readers learn a great deal about her travel schedule and her meetings with the likes of the Association of German Cities. But too often she cannot remember details. The reader is in the room where it happened in only a handful of dramatic encounters that lodged in her mind, as when she first grasped the magnitude of the euro zone’s financial problems in February 2010, or the tortured ceasefire negotiations between France, Germany, Russia and Ukraine in Minsk in February 2015.

The politician who emerges from these pages has strengths. Mrs Merkel is a Stakhanovite with a rare ability to navigate technical and political complexity. Somehow, in 2010, while on a visit to Moscow, she managed to organise a fund to help stabilise the euro, even as her own coalition was rebelling. She is also blessed with uncanny timing—withdrawing, for example, from her first run for the chancellorship in favour of Edmund Stoiber in January 2002. Mr Stoiber lost the election, which was the making of her.

These virtues will not silence Mrs Merkel's critics. They say, for example, that she should not have blocked Ukraine's path to NATO membership in 2008. She rebuts them with the argument that accession would have taken years and, in the meantime, Mr Putin would have aggressively tried to forestall it.

However, if Mrs Merkel so clearly understood the threat from Mr Putin, why did she increase Germany's dependence on Russian gas by closing the country's nuclear power stations? And why did she tolerate defence spending of just 1.33% of GDP when she stepped down, far below the 2% she had agreed to at a NATO meeting in 2014? Her suggestion that her coalition partners were to blame is feeble.

That gets to the heart of the matter. Compromise is all very well in a politician. But without a vision, it can easily become the art of splitting differences. In "Freedom" Mrs Merkel assures readers that she always got the best deal possible. She is asking them to take a lot on trust. ■

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Economic & financial indicators

- **Economic data, commodities and markets**
  Indicators ::

Indicators

Economic data, commodities and markets

Nov 29, 2024 02:03 PM

Economic data

	Gross domestic product % change on year ago:				Consumer prices % change on year ago:			Unemployment rate %	
	latest		quarter*	2024†	latest		2024†		
United States	2.7	Q3	2.8	2.7	2.6	Oct	2.8	4.1	Oct
China	4.6	Q3	3.6	4.9	0.3	Oct	0.5	5.0	Oct‡§
Japan	0.3	Q3	0.9	-0.3	2.2	Oct	2.6	2.4	Sep
Britain	1.0	Q3	0.6	1.1	2.3	Oct	2.9	4.3	Aug††
Canada	0.9	Q2	2.1	1.2	2.0	Oct	2.3	6.5	Oct
Euro area	0.9	Q3	1.5	0.8	2.0	Oct	2.4	6.3	Sep
Austria	-0.9	Q2	-0.2‡	-0.5	1.8	Oct	2.9	5.6	Sep
Belgium	1.1	Q3	0.8	1.1	4.5	Oct	4.0	5.5	Sep
France	1.3	Q3	1.5	1.2	1.6	Oct	2.5	7.6	Sep
Germany	-0.3	Q3	0.4	-0.1	2.4	Oct	2.4	3.5	Sep
Greece	2.7	Q2	4.4	2.2	3.1	Oct	2.9	9.3	Sep
Italy	0.4	Q3	-0.1	0.5	1.0	Oct	1.1	6.1	Sep
Netherlands	1.7	Q3	3.3	0.6	3.3	Oct	3.4	3.7	Oct
Spain	3.4	Q3	3.4	2.7	1.8	Oct	3.0	11.2	Sep
Czech Republic	0.9	Q2	1.5	1.0	2.8	Oct	2.4	2.9	Sep‡
Denmark	3.6	Q3	5.1	1.8	1.6	Oct	1.3	2.9	Sep
Norway	3.5	Q3	-7.1	1.0	2.6	Oct	2.2	4.1	Sep‡‡
Poland	2.7	Q3	-0.8	2.3	5.0	Oct	3.8	4.9	Oct§
Russia	3.1	Q3	na	3.7	8.5	Oct	8.5	2.3	Oct§
Sweden	0.2	Q3	-0.4	0.7	1.6	Oct	1.8	7.8	Oct§
Switzerland	1.8	Q2	2.8	1.2	0.6	Oct	1.2	2.6	Oct
Turkey	2.5	Q2	0.3	2.9	48.6	Oct	57.7	8.6	Sep§
Australia	1.0	Q2	0.9	1.1	2.8	Q3	3.1	4.1	Oct
Hong Kong	1.8	Q3	-4.2	3.1	1.3	Oct	2.3	3.1	Oct‡‡
India	6.7	Q2	4.5	7.0	6.2	Oct	4.7	8.7	Oct
Indonesia	4.9	Q3	3.8	5.1	1.7	Oct	2.2	4.9	Aug§
Malaysia	5.3	Q3	6.3	5.1	1.9	Oct	1.9	3.2	Sep§
Pakistan	3.2	2024**	na	2.8	7.2	Oct	13.6	6.3	2021
Philippines	5.2	Q3	7.0	5.5	2.3	Oct	3.2	4.7	Q3§
Singapore	5.4	Q3	13.6	3.5	1.4	Oct	2.4	1.8	Q3
South Korea	1.7	Q3	0.5	2.3	1.3	Oct	2.4	2.3	Oct§
Taiwan	4.0	Q3	4.4	4.2	1.7	Oct	2.1	3.4	Oct
Thailand	3.0	Q3	4.9	2.5	0.8	Oct	0.6	1.0	Oct§
Argentina	-1.7	Q2	-6.8	-3.5	193	Oct	221	7.6	Q2§
Brazil	3.3	Q2	5.9	3.0	4.8	Oct	4.3	6.4	Sep§‡‡
Chile	2.3	Q3	2.7	2.2	4.7	Oct	4.0	8.7	Sep§‡‡
Colombia	2.0	Q3	0.8	1.6	5.4	Oct	6.7	9.1	Sep§
Mexico	1.6	Q3	4.4	1.4	4.8	Oct	4.8	2.7	Sep
Peru	3.8	Q3	2.8	3.0	2.0	Oct	2.4	5.9	Oct§
Egypt	2.4	Q2	12.6	2.4	26.5	Oct	28.5	6.7	Q3§
Israel	-1.0	Q3	3.8	0.1	3.5	Oct	3.2	2.5	Oct
Saudi Arabia	-0.8	2023	na	1.5	1.9	Oct	1.7	3.3	Q2
South Africa	0.3	Q2	1.8	1.1	2.8	Oct	4.6	32.1	Q3§

Source: Haver Analytics. *% change on previous quarter, annual rate. †The Economist Intelligence Unit estimate/forecast. §Not seasonally adjusted. ‡New series. **Year ending June. ††Latest 3 months. ‡‡3-month moving average. Note: Euro area consumer prices are harmonised.

Economic data

	Current-account balance % of GDP, 2024†	Budget balance % of GDP, 2024†	Interest rates 10-yr gov't bonds latest, %	change on year ago, bp	Currency units per $ Nov 27th	% change on year ago
United States	-3.4	-6.6	4.2	-14.0	-	
China	0.7	-4.4	1.7 §§	-92.0	7.25	-1.4
Japan	3.7	-4.7	1.1	29.0	151	-1.4
Britain	-2.9	-4.0	4.3	1.0	0.79	nil
Canada	-1.2	-1.2	3.3	-43.0	1.40	-2.9
Euro area	3.2	-3.1	2.2	-37.0	0.95	-3.2
Austria	2.3	-2.3	2.6	-49.0	0.95	-3.2
Belgium	-0.9	-4.6	2.8	-41.0	0.95	-3.2
France	-0.6	-6.1	3.3	44.0	0.95	-3.2
Germany	6.3	-1.6	2.2	-37.0	0.95	-3.2
Greece	-6.4	-1.3	3.1	-69.0	0.95	-3.2
Italy	1.5	-4.3	3.4	-90.0	0.95	-3.2
Netherlands	9.6	-1.9	2.4	-48.0	0.95	-3.2
Spain	2.6	-3.2	3.0	-63.0	0.95	-3.2
Czech Republic	0.7	-2.4	3.9	-42.0	23.9	-6.9
Denmark	10.8	2.1	2.0	-79.0	7.06	-3.4
Norway	17.0	12.3	3.6	-8.0	11.1	-3.4
Poland	0.4	-5.7	5.6	-1.0	4.07	-2.2
Russia	3.1	-1.7	16.3	459	113	-21.4
Sweden	6.5	-0.9	2.0	-77.0	10.9	-4.0
Switzerland	7.4	-0.9	0.3	-65.0	0.88	nil
Turkey	-1.7	-4.1	27.4	80.0	34.7	-16.6
Australia	-0.6	-1.0	4.6	5.0	1.54	-1.3
Hong Kong	11.9	-3.1	3.4	-65.0	7.78	0.1
India	-0.5	-4.9	6.8	-46.0	84.5	-1.3
Indonesia	-0.1	-2.5	6.9	13.0	15,930	-2.7
Malaysia	1.4	-4.5	3.8	-12.0	4.44	5.4
Pakistan	-1.2	-7.4	12.1 †††	-305	278	2.9
Philippines	-2.9	-6.1	6.1	-22.0	58.7	-5.6
Singapore	19.3	0.2	2.8	-23.0	1.34	nil
South Korea	3.8	-1.8	2.9	-88.0	1,397	-6.7
Taiwan	14.1	0.5	1.6	23.0	32.6	-3.0
Thailand	1.9	-3.7	2.4	-74.0	34.6	1.6
Argentina	0.9	nil	na	na	1,008	-64.4
Brazil	-1.6	-7.6	12.8	169	5.84	-15.8
Chile	-2.4	-2.2	5.8	-4.0	976	-10.7
Colombia	-2.7	-5.7	10.5	-25.0	4,407	-9.3
Mexico	0.3	-5.2	10.0	43.0	20.7	-17.1
Peru	1.0	-4.0	6.6	-55.0	3.76	-1.1
Egypt	-5.2	-3.7	na	na	49.7	-37.8
Israel	4.6	-7.2	4.5	28.0	3.66	1.4
Saudi Arabia	-0.9	-2.4	na	na	3.76	nil
South Africa	-1.8	-5.2	9.0	-112	18.2	2.7

Source: Haver Analytics. §§5-year yield. †††Dollar-denominated bonds.

Markets

In local currency	Index Nov 27th	% change on: one week	% change on: Dec 29th 2023
United States S&P 500	5,998.7	1.4	25.8
United States NAS Comp	19,060.5	0.5	27.0
China Shanghai Comp	3,309.8	-1.7	11.3
China Shenzhen Comp	1,996.7	-2.0	8.6
Japan Nikkei 225	38,135.0	-0.6	14.0
Japan Topix	2,665.3	-1.2	12.6
Britain FTSE 100	8,274.8	2.3	7.0
Canada S&P TSX	25,488.3	1.8	21.6
Euro area EURO STOXX 50	4,733.2	0.1	4.7
France CAC 40	7,143.0	-0.8	-5.3
Germany DAX*	19,261.8	1.4	15.0
Italy FTSE/MIB	33,089.7	-0.4	9.0
Netherlands AEX	874.5	1.9	11.1
Spain IBEX 35	11,579.5	-0.1	14.6
Poland WIG	79,130.5	1.6	0.9
Russia RTS, $ terms	726.8	-11.0	-32.9
Switzerland SMI	11,644.0	0.9	4.5
Turkey BIST	9,639.8	6.7	29.0
Australia All Ord.	8,659.6	0.9	10.6
Hong Kong Hang Seng	19,603.1	-0.5	15.0
India BSE	80,234.1	3.4	11.1
Indonesia IDX	7,245.9	0.9	-0.4
Malaysia KLSE	1,604.3	0.4	10.3
Pakistan KSE	99,269.3	3.9	59.0
Singapore STI	3,708.1	-0.9	14.4
South Korea KOSPI	2,503.1	0.8	-5.7
Taiwan TWI	22,334.8	-1.6	24.6
Thailand SET	1,430.4	-2.2	1.0
Argentina MERV	2,205,245.0	2.8	137.2
Brazil BVSP*	127,668.6	-0.4	-4.9
Mexico IPC	49,787.8	-0.8	-13.2
Egypt EGX 30	29,846.0	-2.4	19.9
Israel TA-125	2,306.5	1.1	22.2
Saudi Arabia Tadawul	11,590.8	-2.3	-3.1
South Africa JSE AS	85,102.3	-0.2	10.7
World, dev'd MSCI	3,790.3	1.5	19.6
Emerging markets MSCI	1,086.9	-0.6	6.2

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 29th 2023
Investment grade	97	154
High-yield	315	502

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index

2020=100	Nov 19th	Nov 26th*	% change on month	% change on year
Dollar Index				
All items	131.2	133.5	2.1	3.6
Food	143.1	146.9	6.6	9.9
Industrials				
All	121.3	122.4	-2.0	-2.0
Non-food agriculturals	134.7	134.4	0.8	7.8
Metals	117.8	119.3	-2.7	-4.5
Sterling Index				
All items	133.1	136.5	5.7	4.6
Euro Index				
All items	141.6	145.5	5.2	8.5
Gold				
$ per oz	2,625.2	2,629.1	-5.0	29.2
Brent				
$ per barrel	72.9	73.5	3.5	-10.1

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

The Economist

Obituary

- **Celeste Caeiro’s small gesture named a revolution**
  Our Lady of the Carnations :: The Portuguese restaurant worker and single mother died on November 15th, aged 91

Our Lady of the Carnations

Celeste Caeiro's small gesture named a revolution

The Portuguese restaurant worker and single mother died on November 15th, aged 91

Nov 29, 2024 02:03 PM

PEOPLE TOLD all sorts of stories about carnations. That they were a divine flower. That they sprang from the eyes of a shepherd whom the Goddess Diana blinded for being too handsome, or from the tears of Our Lady as she stood by the cross. The only thing that Celeste Caeiro knew for sure about carnations, that morning of April 25th 1974, was that an awful lot of them were waiting in the warehouse in buckets, and that she and the rest of the staff at Sir Restaurant would have to fetch them and put them on all the tables, because the bosses wanted to throw a party.

That was what bosses did. Extra work for the staff, but did that mean extra pay? Not likely. As it was, her pay for a basic 14-hour day of clearing tables, mopping, taking coats, etc, etc, barely covered the rent of the one-bedroom flat that she shared with her mother and her daughter Helena, who was five. But Mr Chaves, the owner, told Mr Ramos, the manager, to put on a special menu for the restaurant's first birthday, with a free glass of port for the men and a flower for the ladies. There was no particular reason, as far as Celeste knew, for carnations. Probably Mr Ramos had found they were the cheapest flowers in the market.

The restaurant deserved some celebration, however. It was huge, with seating for 300, and had self-service as well as sit-down, which was unheard-of in Portugal then. It made up the ground floor of an office building called Franjinhas, which had a rippling façade with fringes of concrete hanging down over the windows. People were horrified by it, but in 1971 it had actually won a prize. Between them, restaurant and building were signs that the modern world was beginning to creep in on Portugal, crushed as it was by the hard-right "New State" of António de Oliveira Salazar. Dictators in Germany and Italy had been brought down by the war. Not he. He had ruled for 36 long years. After him, in 1968, Marcelo Caetano had taken over and was as bad, despite his glasses and his mild plump face, like a banker's. Celeste was 40, so she had never known any other prime ministers or any other regime.

She had dreamed of others, though. Secretly she was a communist, like her uncle and aunt in Amareleja, 200km east of Lisbon, which was called the reddest village in Portugal. When she stayed there as a child she witnessed meetings at night, and was sworn to silence about them. Later, back in Lisbon, she worked for a tobacconist who also dealt in banned books, like the works of José Vilhena; she would hide them in tobacco sacks. Too many voices were prohibited, including any TV or radio that was not run by the state. So though she was too poor to have a TV set, a radio or even a telephone in her flat, she wasn't missing much.

Except on that morning in April. Then, Mr Chaves met the staff at the door with the news that Sir was closed and the party was off. Some army captains had launched a coup, objecting especially to Portugal's costly wars to hang on to its colonies in Africa. Caetano had fled and was holed up in the Largo do Carmo, right beside the ruins of the medieval Carmelite convent. That had been destroyed in the terrible earthquake of 1755, after which most of Lisbon had needed rebuilding. Now another earthquake was happening. “And we’ll let you know”, added Mr Chaves, “whether it turns out well or badly.” They were told to go home, and to pick up bunches of carnations from the warehouse on the way. He didn’t want them going to waste.

She, however, could not possibly go home. This was the moment she had wanted for years. Already ordinary citizens were streaming towards Carmo. Tiny as she was, she showed up in the crowd with her brisk, determined walk and her big sheaf of bright red flowers. Tanks and armoured personnel carriers stood in the square; soldiers on the tanks told her they had been there, waiting for Caetano to surrender, since three in the morning. Not surprisingly one of them, calling her “Ma’am” most politely, asked her for a cigarette. He looked exhausted. She felt sorry for him, but she didn’t smoke and never had, because she was so chesty. Perhaps she could buy him a sandwich? No, everywhere was closed. So, reaching up on tiptoe, she gave him a carnation.

He did not have to accept it. He could have laughed at her, or tossed it away. Many men would have done: her own father, or Helena’s father, the ones who walked out on women. But he took it gladly, and put it in the barrel of his rifle. That meant he could not shoot now; and suddenly, his comrades also wanted one. They would be an army of peace. Her flowers ran out, but soon other people brought carnations too, including all the florists who worried, like Mr Chaves, that their stock would die otherwise.

Back in the flat in Criada later, she stood at the window watching. People filled the streets, and many had carnations. It made her smile. By the evening, Caetano had surrendered. Her mother cried “You could have been shot!”, but she had never thought that. The whole thing seemed almost accidental. She had offered a soldier a flower. He had stuck it into his gun. This had turned into a statement that grew stronger and stronger. Peace against war (only four people died in this revolution); good against evil; freedom against oppression; new versus old. It was a statement that resonated far beyond Portugal, especially in Africa, where one by one the former colonies gained their independence.

She would have liked more recognition from the kinder governments that followed. In 1988, when a fire in Criada destroyed her flat, she was rehoused at first in run-down, dangerous Chelas before they found her somewhere nicer. She still struggled to get by, living on a pension of 370 euros a month. But the people made her their heroine. She was on posters and murals and, at the 50th-anniversary celebrations in April, the centre of attention. As for red carnations, they no longer popped up on browsers as the flowers firstly of Diana or the Virgin Mary. They belonged to Celeste and the Portuguese revolution. They were hers. ■
