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The world this week

Politics

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AP

After 13 years of civil war and a long period of stalemate, [Syrian rebels swept into Damascus](#), bringing an end to the Assad regime that has ruled **Syria** for 53 years. [Bashar al-Assad](#), who had been president since 2000, fled to Moscow. Social media depicted scenes of jubilation in the capital. The rebels were led by Hayat Tahrir al-Sham, an Islamist group. One of its leaders, Muhammad al-Bashir, is to head a caretaker government until March. The fall of the Assad regime is a huge blow to Iran, which is also contending with the dismantling of Hizbullah, its proxy in Lebanon, by Israel. And also to Russia. Its main military force in the Mediterranean is based at Syrian ports.

Israel took advantage of the situation in Syria to advance its defences. The Israeli air force launched strikes throughout Syria and destroyed storage plants for chemical weapons, which the Assad regime has used on its own

people. Israeli tanks rolled into a buffer zone in the [Golan Heights](#). And Israeli warships [bombed naval ships](#) in Syria's ports of Al-Bayda and Latakia. The government said its aim was to "destroy strategic capabilities" that could threaten Israel.

The fall of the Assad regime threw the future of **Syrian refugees** in Europe into doubt. Several countries, including Germany, announced that they would not process any more applications from Syrians until the situation became clearer. Germany has taken in 1m Syrians. Austria's interior minister said asylum applications would be reviewed and his department would "prepare an orderly return and deportation programme". Turkey, where 3m Syrians live, said it would work towards their "safe and voluntary return home".

Having his day in court

[**Binyamin Netanyahu**](#) testified for the first time at his trial for corruption. The Israeli prime minister said the charges against him were "absurd" and the result of a witch-hunt conducted by Israel's left-wing media.

John Mahama won a presidential election in [Ghana](#), making it one of several African countries this year to boot out an incumbent. He promised to "reset Ghana", which is reeling from its worst economic crisis in a generation. Some supporters of the president-elect were arrested for attacking state offices and ransacking buildings, in an attempt to oust officials working under the current government.

As he struggled to announce a new prime minister, Emmanuel Macron was able to take his mind off the political turmoil in France by hosting an event to mark the ceremonial reopening of [Notre Dame](#) in Paris. The cathedral's renovation is a triumph, completed just five years after a fire caused extensive damage to the building. Around 50 world leaders attended the ceremony, including Donald Trump.



In Paris Mr Trump met Volodymyr Zelensky, and later called for an immediate ceasefire in the war in [Ukraine](#) to end the “madness”. The next day the Ukrainian president said that a diplomatic resolution made sense, and that he had discussed freezing the current lines of control with Mr Trump.

America’s Treasury Department transferred \$20bn to a fund at the World Bank that Ukraine can use for non-military spending. The money comes from frozen **Russian assets** and forms part of the G7’s \$50bn aid package announced in June. The Treasury said the aim is to make Russia “increasingly bear the costs of its illegal war”.

Amid allegations of Russian interference in the country’s presidential election, [Romania](#)’s highest court annulled the process shortly before the run-off was due to be held. The winner of the first round, Calin Georgescu, hails from the pro-Russian hard right and was a rank outsider before the vote. The court ruled that the whole process must start again. A new election will take place in 2025.

Hundreds of farmers from across **Britain** took their tractors on a slow drive through London to protest against the government’s plans to end an

exemption on inheritance tax on farms with assets over £1m (\$1.3m). The tractors started off from Whitehall, causing gridlock in central London.

South Korea's president, [Yoon Suk Yeol](#), was placed under formal investigation for his [brief imposition of martial law](#). MPs fell short of the votes needed to impeach Mr Yoon but his party delegated his authority to the prime minister, leading to confusion about who was leading the country. Mr Yoon has apologised for his actions, but has vowed to "fight until the end". The justice ministry has told him to remain in South Korea.

China sent dozens of naval and coastguard vessels into waters stretching from Japan to the South China Sea. It was the country's largest maritime operation since 1996, said **Taiwan**, which China claims. The drills appeared to be an expression of anger over visits by Taiwan's president, Lai Ching-te, to Hawaii and the American territory of Guam.

India's opposition parties submitted a motion to impeach the vice-president, the first-ever attempt to remove someone from the country's second-highest office. The opposition claims that Jagdeep Dhankhar has been "extremely biased" as chairman of the upper house of parliament and acted like a spokesman for the ruling Bharatiya Janata Party. There are not enough votes to remove him, but the motion will worsen the already fraught relationship between the government and opposing parties.

President Luiz Inácio Lula da Silva of **Brazil** underwent an emergency brain operation to drain internal bleeding. The hematoma is linked to a minor haemorrhage that was caused by the president slipping in a bathroom in October and hitting his head. After the operation Mr da Silva had another medical procedure to prevent further bleeding in his brain. He is still expected to return to work soon.

At least 180 **Haitians** were murdered in Port-au-Prince by a gang whose leader believed they had used witchcraft to make his son sick. The victims were mostly elderly people. The UN says at least 5,000 people have been killed in Haiti this year. An international police force is ill-equipped to quell the violence.

The crypto-country

In what would be a boost for Nayib Bukele, **El Salvador**'s president, the government was reported to be inching closer to agreeing a deal with the IMF for a \$1.3bn loan programme. The Central American country will allay the IMF's concerns about bitcoin, the sticking point for a deal, by making it voluntary instead of compulsory legal tender for local businesses.

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The world this week

Business

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Alamy

Donald Trump appointed Andrew Ferguson as the next chairman of the [Federal Trade Commission](#), which will bring an end to Lina Khan's controversial tenure in the job. Mr Ferguson is an FTC commissioner. After his promotion he said the regulator would "end big tech's vendetta against competition and free speech". Mr Trump also nominated Mark Meador, an antitrust lawyer, as a commissioner, which will give the Republicans a majority on the FTC.

At the checkout

Meanwhile, a judge imposed an injunction against the merger of [Kroger](#) and [Albertsons](#), in an antitrust case brought by the FTC and eight states. A judge in Washington state also issued an injunction in a separate trial. With

the supermarket chains' hopes of combining in ruins, Albertsons sued Kroger for failing to secure the merger.

An American appeals court rejected **TikTok's** attempt to overturn the Biden administration's order to ban it. The government fears the Chinese government uses the app to collect data. The court said the order was constitutional; TikTok had claimed that it violated free speech. Mr Trump, who tried to ban TikTok in his first administration, has said he will now try to save it.

In another blow to the DEI (diversity, equity and inclusion) movement, an appeals court struck down **Nasdaq's** rules for setting racial and gender targets for the boardrooms of companies that list on the exchange. The Securities and Exchange Commission, which approved the rules, had "intruded into territory far outside" its domain, the court said.

SpaceX has been valued at \$350bn, after an increase in the price of shares that are owned by investors and employees. Elon Musk's rocket company is now the world's most-valuable start up, surpassing Byte Dance, the parent company of TikTok, which was recently valued at \$300bn.

Rupert Murdoch lost his legal attempt to change the terms of the Murdoch family trust so that his eldest son, Lachlan, would control his media empire when he dies. The court reportedly found that Mr Murdoch had acted in "bad faith" in trying to amend the trust. Three of his other children, including his estranged son, James, stood to lose their influence. The siblings apparently started discussing the matter in 2023 following an episode of "Succession", in which the head of a family business dies.

Police charged [Luigi Mangione](#), a software engineer with an Ivy League education, with the murder of Brian Thompson, the chief executive of **UnitedHealthcare**. Mr Mangione was caught carrying a document expressing "ill will" towards corporations, describing health-insurance companies as parasites.

General Motors overhauled its Cruise **autonomous-driving** project and scrapped its development work in robotaxis "given the considerable time and resources that would be needed to scale the business". It will instead

focus on self-driving systems for personal vehicles, which GM says it is “fully committed to”.

Following the success of its first fully electric sedan car, **Xiaomi**, a Chinese tech company better known for its smartphones, announced that it would launch its first sport-utility vehicle next June or July. The YU7 will run on batteries supplied by **CATL**, a Chinese manufacturer that has just signed a deal to build a \$4.3bn battery plant in Spain in a joint venture with **Stellantis**.

Google unveiled a new **quantum-computing chip** that can hold a stable state for up to an hour, an important milestone in building a useful quantum computer, though that remains some way off yet.

The **European Central Bank** cut interest rates by another quarter of a percentage point, which takes its deposit facility to 3%. The ECB’s main focus now is avoiding a recession in the euro zone.

America’s annual rate of **inflation** rose slightly in November to 2.7%. The core inflation rate, stripping out energy and food prices, held for the third month in a row at 3.3%.

Nippon Life, a Japanese insurance company, struck a deal to acquire **Resolution Life**, a privately held global insurer, for \$10.6bn. And **Aviva** is to take over **Direct Line** in a £3.6bn (\$4.6bn) transaction. The combined company will hold a fifth of Britain’s motor- and home-insurance market.

Omnicom agreed to buy **Interpublic**, in a \$13bn deal that creates the world’s biggest advertising agency by revenue. Omnicom said the combined company would accelerate “significant opportunities created by new technologies”, namely artificial intelligence, and give it better leverage to counter the power of the tech giants in digital advertising.

Wildest dreams



Getty Images

Taylor Swift's 18-month Eras tour came to end. Selling 10m tickets for 149 shows the tour's revenues of \$2.1bn are by far the most for a concert series. Coldplay's Music of the Spheres concerts (there have been 177 so far) are the next most lucrative, taking in over \$1bn, followed by Elton John's farewell tour, which raked in \$939m. The Rocket Man's final tour is the subject of a new documentary film from Disney titled "Never Too Late", or Never Too Old, as some call it.■

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The world this week

The weekly cartoon

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

Leader: [How the new Syria might succeed or fail](#)

Briefing: [Syria has exchanged a vile dictator for an uncertain future](#)

Briefing: [The Assad regime's fall voids many of the Middle East's old certainties](#)

Europe: [Syrian rebels have dealt a blow to Vladimir Putin's naval ambitions](#)

The editorial cartoon appears weekly in The Economist. You can see last week's [here](#).

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The Economist

This week's cover

How we saw the world

Dec 12, 2024 07:34 PM

THIS WEEK our global cover examines Syria's future after the fall of Bashar al-Assad. Now that the dictator has fled to Moscow, the question is where Syria's liberation will lead. The country is a mosaic of people and faiths; they have never lived side-by-side in a stable democracy. Moreover Syria's new powerbrokers are hardly men of peace. Still, despair is not a policy. The fall of Assad is a repudiation of Iran and Russia. And the jubilation in Syria this week suggests a nation exhausted by war could yet choose the long road towards peace. Much will go wrong. But before writing off the future, pause for a moment and share Syrians' joy at bringing down a tyrannical dynasty.

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The end of the house of Assad

How the new Syria might succeed or fail

Much will go wrong. But for now, celebrate a tyrant's fall

Dec 12, 2024 07:34 PM



AFTER 53 YEARS in power, the house of Assad left behind nothing but ruin, corruption and misery. As rebels advanced into Damascus on December 8th, the regime's army melted into the air—it had run out of reasons to fight for Bashar al-Assad. Later, Syrians impoverished by his rule gawped at his abandoned palaces. [Broken people emerged blinking from his prisons](#); some could no longer remember their own names.

Now that Mr Assad has fled to Moscow, the question is where will liberation lead. In a part of the world plagued by ethnic violence and religious strife, [many fear the worst](#). The Arab spring in 2010-12 taught that countries which topple their dictators often end up being fought over or dominated by men who are no less despotic. That is all the more reason to wish and work for something better in Syria.

There is no denying that many forces are conspiring to drag the country into further bloodshed. Syria is a mosaic of peoples and faiths carved out of the Ottoman empire. They have never lived side by side in a stable democracy. The Assads belong to the Alawite minority, which makes up about 10-15% of the population. For decades, they imposed a broadly secular settlement on Syrian society using violence.

Syria's people have many reasons to seek vengeance. After 13 years of civil war in a country crammed with weapons, some factions will want to settle scores; so will some bad and dangerous men just released from prison. Under the Assads' henchmen, many of them Alawite and Shia, Sunnis suffered acts of heinous cruelty, including being gassed by chlorine and a nerve agent.

[Syria's new powerbrokers](#) are hardly men of peace. Take the dominant faction in the recent advance. Until 2016 Hayat Tahrir al-Sham (HTS) was known as Jabhat al-Nusra, the Syrian branch of al-Qaeda. Its founder, [Ahmad al-Sharaa](#), had fought the Americans as a member of Islamic State (IS) in Iraq under the nom de guerre Abu Muhammad al-Jolani. HTS and Mr Sharaa swear they have left those days behind. If, amid the chaos, such groups set out to impose rigid Islamic rule, foreign countries, possibly including the United Arab Emirates, will bankroll other groups to take up arms against them.

Indeed, some of those foreign countries are already fighting in Syria to advance their own interests. In the north, [Turkey's proxies are clashing with Kurds](#) who want autonomous rule. In central Syria, America is bombing IS camps, for fear the group will rekindle its jihad. Israel has destroyed military equipment and chemical weapons—and encroached deeper into the [Golan Heights](#), occupying more Syrian territory.

With so much strife, no wonder many share a fatalistic belief that Syria is doomed to collapse into civil war once again. If it does so, they rightly warn, it will export refugees, jihadists and instability beyond the Middle East and into Europe.

But despair is not a policy. At the least, the Assads' fall is a repudiation of Iran and Russia, two stokers of global chaos. And witness the jubilation in Syria this week: a nation exhausted by war could yet choose the long road towards peace.

The essential condition for Syria to be stable is that it needs a tolerant and inclusive government. The hard-learned lesson from the years of war is that no single group can dominate without resorting to repression. Even most of the Sunni majority do not want to be ruled by fundamentalists.

The daunting task of attempting to forge a new political settlement out of a fractured country could well fall to Mr Sharaa. As ruler of Idlib, a rebel province in the north, he ran a competent government that nodded at religious pluralism and oversaw a successful economy. However, although he has distanced himself from more radical groups and courted the West, Mr Sharaa has become increasingly autocratic, and had taken to purging rivals and imprisoning opponents.

His interim national government, announced this week, is exclusively made up of HTS loyalists. Because it is laying claim to a dysfunctional state, competence and order will go a long way. Yet if Mr Sharaa attempts to run Syria permanently as a giant Idlib—a Sunni fief dominated by HTS—he will fail. Syria will remain divided between feuding warlords, many of them mini-dictators in their own right.

Syria will also fail if it becomes an arena for the rivalries of outside powers. It is more likely to prosper if it is left alone. And only if it prospers will millions of refugees choose to return home. That is especially important for Turkey, which is weary of the 3m Syrians living there. As a backer of HTS, it will be hoping for contracts in a thriving country. Turkey's president, Recep Tayyip Erdogan, should also understand that the best way to weaken calls for Kurdish self-rule is to create a Syria where the Kurds and other minorities have a voice.

The world may not like HTS, but to sabotage the creation of a stable government would risk the poison spreading to Iraq, Jordan and Lebanon. America and Saudi Arabia should therefore prevail upon Israel, Turkey and the UAE not to ruin Syria's chances. If Mr Sharaa emerges as a plausible national leader, the West should be prepared to speedily remove its designation of HTS as a terrorist group.

The new Syria has one great gift: it can be rid of Iran and Russia. They spent tens of billions of dollars to keep Mr Assad in power, but the tyrants in Tehran and Moscow proved no more able to sustain despotism in a country that had rejected its despot than the West was able to sustain democracy in Iraq and Afghanistan. Russia has failed to realise its imperial ambitions—a message that will echo in the Caucasus and Central Asia. In little over a year, Iran has seen its proxies defeated in Gaza, Lebanon and now Syria. Its benighted influence in the Middle East has shrunk dramatically, possibly opening space for negotiations with the incoming Trump administration.

Much will go wrong in a traumatised place like Syria. The effort to rebuild the country is bound to entail a struggle for influence. Its strongmen will need reserves of courage, foresight and wisdom that they have yet to reveal. But before writing off the future, pause for a moment and share Syrians' joy at bringing down a tyrannical dynasty. ■

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Spanish lessons

What Spain can teach the rest of Europe

Our number-crunching suggests it was the best-performing rich economy in 2024

Dec 12, 2024 07:34 PM



A DOZEN YEARS ago Spain was a byword for economic failure. The country's government and banks appeared to be locked in a death spiral and depended on bail-outs. Young people were leaving the country or protesting at their lack of opportunities. Homes lay half-built and airports abandoned, relics of a burst construction bubble.

How that has changed. By our reckoning, the country is on course to be the [best-performing rich-world economy](#) of 2024 across a range of measures including GDP growth, inflation, unemployment, fiscal policy and the

performance of the stockmarket. Both overall economic growth and the pace of job creation are running faster than in America, which has been the envy of the rich world.

Greece and Ireland, which were also crisis-stricken a decade ago, have fared well in 2024, too. So has Denmark, where the economy has been boosted by the success of Novo Nordisk's anti-obesity drugs. But it is Spain that offers the best rejoinder to those who say Europe is doomed to stagnation. Its economy is reaping the reward of past reforms. That offers lessons for the rest of the continent, but should also serve as a warning for Spanish policymakers today.

One lesson is to focus on services and not fetishise manufacturing. Although industrial production has not fallen as fast in Spain as in Germany, partly thanks to lower energy costs, it has still stagnated. But tourism has bounced back from its pandemic low, and the [country is moving up the value chain](#): increasingly exporting consulting services and technological know-how as well as sun and sangría. Non-tourism services have risen from around 5.5% of GDP before the pandemic to between 7-8% now, says BBVA, a bank.

Another lesson is to stay open. Whereas young people once left Spain in search of opportunities, now they arrive instead. Since 2019 the country's foreign-born workforce has risen by around 1.2m, mostly from Latin America. Many of these migrants are in low-paid, low-skilled employment, meaning that though the economy is 7% bigger than in 2019, it is only 3% bigger after adjusting for population growth. Yet that is still better than in countries such as Britain and Canada, which have seen similar immigration booms, but a decline in GDP per person.

Spain has also welcomed investment from Chinese firms. On December 10th Stellantis, a carmaker, and CATL, a Chinese battery-maker, said they would build a new battery factory in Zaragoza. (Stellantis's biggest shareholder, Exor, part-owns *The Economist*'s parent company.) Chery International, a Chinese carmaker, has chosen Barcelona as the site for its first European manufacturing plant.

Most important, Spain shows that structural reforms bring long-term rewards. Much of its recent success reflects decisions after the financial crisis to reform its banks and labour market. The financial sector has consolidated, and labour-market reforms have made it easier to renegotiate contracts and encouraged bosses to take on more permanent staff. A package of measures aiming to boost renewables, including abolishing the “sun tax” that levied additional fees on solar power, has helped green energy boom.

Still, Spain must not rest easy. Tourism and immigration are bidding up house prices; investment and productivity growth remain elusive. An unwieldy and fragile coalition government is going in the wrong direction. It is unable to pass the further reforms needed to boost long-term growth, including in education and services. It is embracing fiddly regulations, driving up costs for businesses. It will need to find money to increase defence spending which, at just 1.3% of GDP, is much too low.

Spain shows that European economies can overcome seemingly insurmountable challenges. It must take care that it does not start to illustrate the danger of standing still. ■

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Artificial exuberance

America's searing market rally brings new risks

Financial innovation is just as much to blame as the technological sort

Dec 12, 2024 07:34 PM



SINCE AMERICA elected Donald Trump as president on November 5th, the value of its listed firms has increased by \$4.2trn, more than the entire worth of London's stockmarket. The S&P 500 is up by nearly 30% this year. At 23 times its forward earnings, the index has rarely been so highly rated by investors. Nor, in recent years, have its constituents been able to borrow more cheaply. The cost for risky companies of raising funds is at its lowest relative to Treasury bonds since the spring of 2007. Everywhere you look, there are signs of exuberance. This month the [price of bitcoin](#) reached \$100,000. And all this is happening despite positive real interest rates.

What is going on? A familiar part of the explanation is that American technological innovation has made investors giddy. No two businessmen exemplify the boom better than Jensen Huang, whose firm sells artificial-intelligence (AI) chips, and [Elon Musk](#), who makes electric vehicles and rockets, and will be part of Mr Trump's administration. Their two firms, Nvidia and Tesla, are part of the "Magnificent Seven" which now account for a third of the S&P 500's market value and a quarter of its profits—an extraordinary degree of concentration.

S&P 500

January 1st 2024=100



Source: LSEG Workspace

The Economist

Less remarked upon, however, is the wave of financial innovation that is under way, and which brings new risks. The Schumpeterian urge burns as hot among the country's financial engineers as it does for those who build real things. Exchange-traded funds (ETFs), for instance, have accelerated their decades-long rise. Those listed in America now manage \$11trn-worth of assets, and come in increasingly speculative forms. Investors can now buy ETFs that provide leveraged exposure to Nvidia and Tesla—or even MicroStrategy, a software firm raising billions to purchase bitcoin, whose share price has shot up by around 500% this year.

The structural changes taking place in private markets are no less dramatic. On average, share prices in the three biggest private-markets firms have risen by more than those of the Magnificent Seven this year. Private-credit providers are nosing into lending markets once dominated by banks, often funding investments with life-insurance policies. A Cambrian explosion of products for individual investors is under way.

Their architects are not bankers. Quant firms such as Jane Street are minting fortunes making markets in ETFs. The popularity of such low-cost investment products has squeezed active portfolio managers; survivors have migrated to huge multi-manager hedge funds such as Citadel and Millennium. BlackRock, dominant in public markets, is targeting private ones: this month it agreed to buy HPS, a lender. Apollo, a private-markets firm with a big insurance arm, is moving the other way. It plans to launch a private-credit ETF.

Investors buying the most speculative new products are likely to end up disappointed. Firms consolidating the private-credit industry today risk doing so at the top of the market.

What matters more is the risk this rapid innovation poses to the broader financial system. Regulators face at least a dozen growing non-bank institutions which on the basis of their size, novelty, opacity and interconnectedness may be deemed systemically important. Some of these companies may indeed efficiently shift risk away from the banking system, which is always vulnerable to runs by depositors. But deciding which of them strengthen the system in this way, and which pose new, unacceptable

and poorly understood threats, is the most urgent question in financial regulation today.

That may not be a priority for Mr Trump, whose interest in regulation appears to centre on lifting rules for the crypto industry (see Buttonwood). Yet today's sky-high asset prices lend the task urgency. Markets show signs of becoming more fragile. In August the VIX, a measure of stockmarket volatility, recorded its biggest-ever one-day spike as hedge funds unwound highly leveraged currency trades. Equity investors react more and faster to company earnings than they used to. In debt markets, reports from business-development companies, a type of investment vehicle, indicate plenty of sloppy lending in private credit.

Some investors acknowledge that returns in years to come may be lower. But many are too sanguine about the risk of a market crash. Although volatility has returned to normal and default expectations are benign, minds could change quickly. Imagine that one of America's tech champions suddenly issues a gloomy outlook and that financial innovators also turn out to have misunderstood the risk contained in their new products. Markets would be falling from a very great height. ■

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Abandonment anxiety

Multilateral institutions are turning away from the poorest countries

Even bail-outs are getting expensive

Dec 12, 2024 07:34 PM



FOR 75 YEARS the [World Bank](#) has been one of the developing world's main sources of cheap finance. Its aid arm, the International Development Association (IDA), distributes roughly \$30bn a year to 78 of the poorest countries. On December 6th the fund was topped up by \$100bn for three years—an amount touted by [Ajay Banga](#), the bank's president, as its biggest-ever replenishment. But the fanfare disguises a sad truth. The world's multilateral institutions are turning away from its poorest countries.

Mr Banga's announcement left out some important details. Because most donor countries are tightening their belts, and the few small increases in contributions have been eroded by a strong dollar, the bank will have to borrow the extra money on financial markets instead. Those borrowing costs will, however, eventually be passed on.

The IDA provides help to countries that range from large middle-income states, such as Bangladesh and Kenya, to Niger, where half the population is in extreme poverty. It offers countries access to finance through a mix of cheap loans and grants (which do not need to be repaid). Because the bank itself is borrowing on the financial markets, and because it is encouraging a shift away from grants, the concessions that the poorest countries receive are becoming less generous.

The IDA illustrates a troubling trend in international finance. The bank is seeking a bigger pot of money, at a higher price, in order to help countries combat debt distress, as well as to fight climate change. That delights rich countries, which want their aid dollars to help cut more emissions. But it will eventually hurt the neediest, because the poorest cannot afford to borrow as much as they did.

Similarly, in October the IMF said it would reduce surcharges, the extra interest that is meant to discourage indebted middle-income countries from borrowing more from the fund. By itself that would not be a problem. But the fund will partly make up for its lost revenue by charging low-income countries interest for the first time. Half of them will now have to pay interest on their loans.

Places such as Bangladesh and Pakistan do indeed need more windmills, electric buses and solar panels. But the fashion for climate dollars will squeeze out the finance that is most effective at poverty alleviation. Cheap money from the IDA lets indebted governments make crucial investments without sliding into fiscal chaos. Although the bank worries that some of the poorest countries might spend its funds irresponsibly, research shows that, for every increase in IDA loans equivalent to 1% of national income, a borrowing country's GDP per person rises by 0.35% after a year. Its most effective funding is grants to the poorest countries. The best way to speed

up poverty alleviation would be to reduce the price of the World Bank's assistance, even if that means a smaller IDA overall.

However, a reduction in concessions for the poorest countries means that borrowing will instead probably flow towards the richest eligible places, such as Bangladesh or Kenya. But whereas these can borrow on international markets, the poorest have few other options. The cost of external finance for low-income countries has quadrupled since 2012, and the poorest 40 are completely shut out of global markets. Niger relied on IDA loans worth more than 8% of GDP in 2023. Global bond investors will not give it the time of day.

Rises in effective interest rates for the poorest countries of even a percentage point or two could prevent governments from building roads and hospitals and making other basic investments. Moreover, poor borrowers could be pushed further into the arms of China, something that Western countries say they want to avoid. China has already overtaken the World Bank as the most generous lender to the developing world.

Losing interest

If global institutions are both to lend more for climate finance and to help the poorest countries develop, they must be more open about the trade-offs they face. That way, rich-country shareholders will knowingly make choices about expanding their financial commitments—and be expected to answer for what happens should they demur. For three-quarters of a century the World Bank has been a lifeline for the world's poorest people. It should not desert them now. ■

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Brain drain

Can you read as well as a ten-year-old?

Adults in rich countries are less literate than they were a decade ago. That requires attention

Dec 12, 2024 07:34 PM



Brian Seagren

DOES IT OFTEN feel as if the world is getting stupider? Data released on December 10th by the OECD, a club of mostly rich countries, suggest this may not be all in your head. Roughly every ten years the organisation asks adults in dozens of places to sit tests in numeracy and literacy. The questions it poses are not abstract brainteasers, spelling tests or mental arithmetic. They aim to mimic problems people aged 16-65 face in daily life, whether they are working in a factory or an office, or simply trying to make sense of the news.

The latest tests were carried out in 31 rich countries, and their findings are unnerving. They suggest that a fifth of adults do no better in maths and reading than might be expected of a primary-school child. The direction of travel is even less encouraging. In maths, average scores have risen in a few places over the past ten years, but fallen in almost as many. In literacy, a lot more countries have seen scores decline than advance, despite the fact that adults hold more and higher educational qualifications than ever before.



The Economist

Demographic change: offers some explanation. New immigrants often struggle with a new language. The native-born have ageing brains. But even

after adjusting for this, trends remain gloomy, especially in literacy. Some speculate that Netflix, video games and social media are sapping acuity. It is just as likely that education and training systems have misfired.

These disappointing results deserve more attention than they are likely to get. Basic numeracy and literacy are oddly unfashionable causes—especially when adults lack them. Students of education prefer to debate how to teach fashionable “soft skills”. Hype around generative artificial intelligence does not help: harping on about the importance of times-tables seems even more fuddy-duddy when talking robots promise to do all the hard work.

Yet a century of technological upheaval has not cut demand for people who are good with numbers, or who have a way with words. Adults who do badly in the OECD’s tests earn vastly less than those who ace them. They are also in poorer health, less satisfied with their life, less trusting of others and more likely to feel that they have no voice in politics. In many countries the gap in ability between the highest- and lowest-skilled grown-ups is widening (not because smarty-pants are doing better, but because the least able are doing worse). Writ large, such trends lead nowhere good.

What to do? Improving lessons for children is the surest way of creating more capable grown-ups; governments ought to start there. England’s adults have crept up the OECD’s league table, mostly because the youngest ones (aged 16-24) are scoring better than before. That may reflect reforms which have made exams for older teenagers more difficult, and begun requiring youngsters who fail them to try again. In America, which has done fairly badly, states are junking tests that were in the past used to determine who graduated from high school. Grades there are inflating unchecked.

The second task is to oil creaking systems for educating adults. These hand dropouts second chances; they also serve people who change careers and help migrants integrate. Yet politicians grant them paltry budgets, in part because they underestimate the trickiness of what they are being asked to accomplish. People with the weakest skills tend to have the least time and money for self-improvement. They are less likely to attend adult classes, or get training, even though they are the most in need.

In too many places a mania for universities has sapped funding and focus from all the other kinds of lessons that people aged 18 and above could be offered. Degrees are becoming less meaningful: the OECD has found that even some university graduates post numeracy and literacy scores that might embarrass a child. Meanwhile, oldies who want to return to class without embarking on long, expensive university courses often find good alternatives are lacking. Accelerating efforts to fix all these problems seems like a bright idea. ■

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Letters

- **Letters to the editor**

On nuclear weapons, Jordan Peterson, credit cards, John D. Rockefeller, our cover, behaving in lifts :: A selection of correspondence

On nuclear weapons, Jordan Peterson, credit cards, John D. Rockefeller, our cover, behaving in lifts

Letters to the editor

A selection of correspondence

Dec 12, 2024 07:34 PM



Letters are welcome via email to letters@economist.com

Testing nuclear weapons

You asserted that the big powers halted nuclear testing in the 1990s (“[The perils of the world’s third nuclear age](#)”, *The World Ahead*, November 20th). In fact, Russia and China probably have conducted very low-yield and maybe decoupled tests, which can easily evade detection. With advanced technologies, big-bang tests like the ones North Korea conducts are not required. A lack of adequate verification for clandestine testing was one

reason why the American Senate rejected ratification of the Comprehensive Test Ban Treaty in 1999.

You also erred in claiming that even American experts who favour a nuclear-arms renewal dismiss testing as “pointless chest-thumping”. Would you buy a new type of vehicle that had never been tested? If not, then why would you risk your security by depending on new nuclear designs and weapons that had not been tested? China and Russia undoubtedly understand the value of nuclear testing, even at very low yields.

KATHLEEN BAILEY

Senior associate

National Institute for Public Policy

Fairfax, Virginia



Natural bedfellows?

Jordan Peterson, like *The Economist*, draws from the intellectual tradition of classical liberalism, yet you cocked a metaphorical snook at him in your review of his latest book (“[The cult of Jordan Peterson](#)”, November 23rd). Classical liberalism has always struggled with the idea of God, so much so

that John Stuart Mill was an agnostic and David Hume an atheist. How, then, could you fail to credit Mr Peterson for grappling constructively with the idea of God?

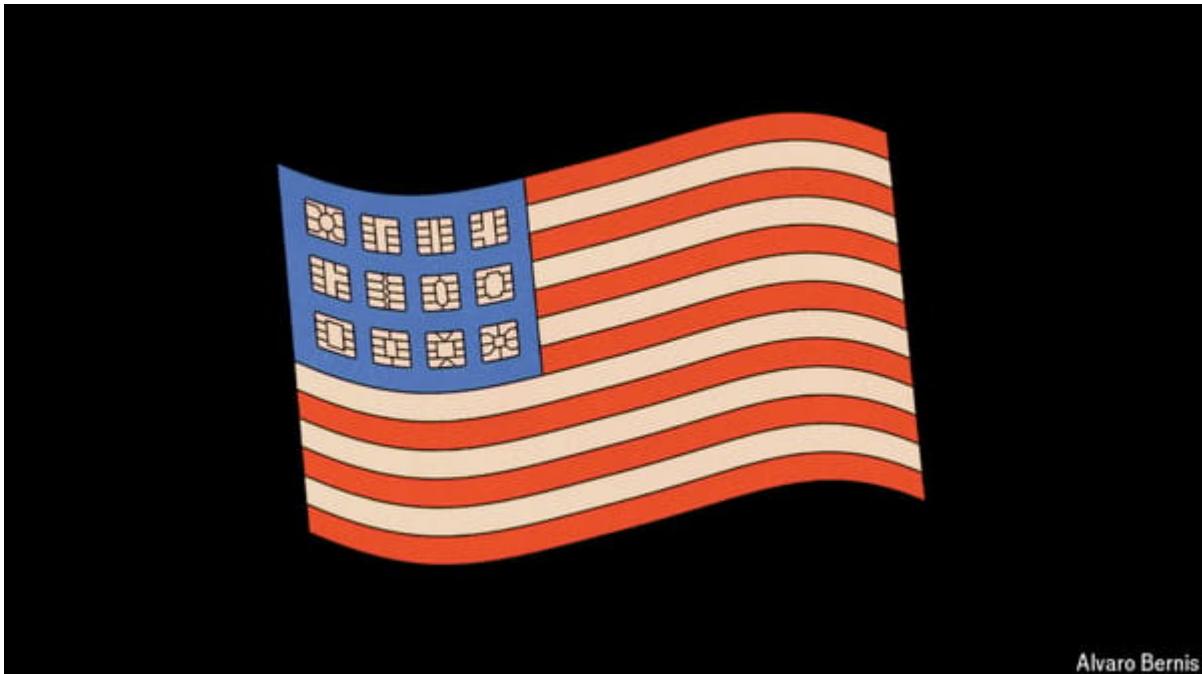
You also ducked the more pressing question of why so many intellectuals despise Mr Peterson, and *The Economist*, for their shared commitment to individual freedom. Your review noted that academics at the University of Toronto signed an open letter to take away his tenure, “in part because he objected to being required by law to use gender-neutral pronouns”. Yet Mr Peterson’s objection was not specifically about pronouns and was all about the government mandating what individuals must say.

His critique rightly highlighted the dangers of such laws, which place society at the top of a slippery slope leading, inevitably, towards tyranny. By failing to engage with this fundamental point, you risked perpetuating the kind of cult-like thinking you criticised.

BEN ZISSIMOS
Associate professor of economics
University of Exeter Business School

Your review of Mr Peterson’s book was quite thought-provoking. After pondering the existential void of modernity, I found myself considering the existential void of 13th-century black-plague outbreaks and Roman slave galleys.

WILLIAM STEWART
El Cerrito, California



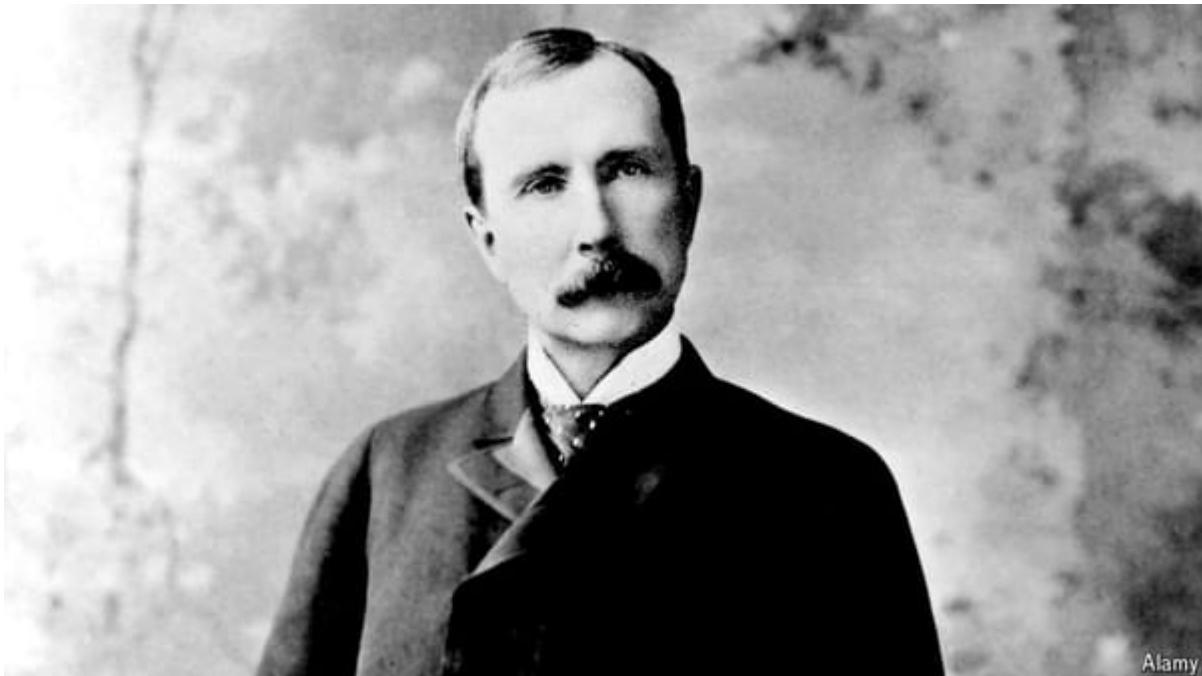
Alvaro Bernis

Credit-card fees

The conclusion in a [Free exchange](#) column (November 23rd) that market competition is the best way to tackle the harm to consumers from high credit-card swipe fees was right on the money. In testimony I recently gave to the Senate Judiciary Committee I said that such legislation would bring significant benefits to consumers and the economy. And because credit cards are so profitable for banks, rewards for consumers wouldn't change much.

The Credit Card Competition Act that is before Congress would do that and is supported by conservatives, such as J.D. Vance, and progressives, including Richard Durbin. They clearly identify the lack of competition in the credit-card industry. Requiring market competition among credit-card networks would reduce the amount that customers are forced to pay in hidden fees and improve the efficiency of transactions.

DOUG KANTOR
General counsel
National Association of Convenience Stores
Alexandria, Virginia



Alamy

In defence of Rockefeller

The unfavourable comparison of Elon Musk to John D. Rockefeller was unfair (“[Disrupter-in-chief](#)”, November 23rd). It comes from a long-standing misconception of Rockefeller as a rent-seeking robber-baron octopus who did nothing but enrich himself, competitors and consumers be damned. In fact, the oil tycoon was himself a cutting-edge capitalist revolutionary, who leveraged many corporate innovations to an unprecedented scale, such as vertical integration, procedural standardisation, hierarchical management, product-quality consistency and cost-cutting efficiency. For example, he was one of the first to use every by-product of crude oil, such as paraffin for candles and petroleum jelly.

Much to the chagrin of his partners Rockefeller also had little time for paying dividends, instead opting for constant reinvestment into research and development. Through these corporate and technological innovations, he was instrumental in disseminating and drastically reducing the production cost of oil.

In other words, Rockefeller slashed costs much like Mr Musk does today, albeit with a tad higher carbon footprint.

DANIEL DOKHANIAN
Los Angeles



Cover issue

I've been a reader of *The Economist* for a decade at least, and never did I imagine that this respectable magazine would fall so low as to print profanity on its cover ("[Merde!](#)", December 7th). It showed a lack of sensitivity, or mere spite for France, and it felt obscene.

CHRISTOPHE DUPLAY
Luxembourg



Elevator etiquette

[Bartleby](#)'s guide on how to behave in lifts (November 23rd) didn't mention the elevator nihilists, who press both the up and down buttons and get in the lift not caring much which direction it is heading, knowing that all trips eventually stop.

JORGE LUCINI
Berlin

Unlike elevators in America and Britain, lifts in Asia have close-door buttons that actually work, therefore it is not necessary to wait for the doors to close on their own.

XAVIER BARRERA
Seattle

I was hoping Bartleby would address a scenario that seems particularly common in the American South: men insisting that women exit the elevator first. In a crowded lift, this well-intentioned gesture results in awkward shuffling in tight spaces and causes unnecessary delay. But you invite scorn if you take the practical approach and step out first to clear the way.

HUGH CAMPBELL
Seattle

Lift etiquette depends on where you are. Brits and other uptight cultures all stand facing the door, so they don't have to make eye contact. Latinos, the warm and friendly people that they are, all stand in a circle, so they definitely can make eye contact.

MIKE WILLIAMS
London

One true crime is when the last person who enters a crowded lift causes the overload sensor to blare, yet refuses to step out. This thick-skinned individual—eyes glued, ears plugged—opts to wait it out, confident that a more civil colleague will volunteer to exit and take the next lift.

ALAN HO
Hong Kong

Some advice for young lawyers. In the courthouse, never ride down the elevator with the other side.

RALPH JACOBSON
Richmond, California

Undoubtedly you will get many suggestions for rules when taking the lift. Here is mine. If you are riding up just one floor, take the stairs.

ANN DEFARANCO
Denver

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By Invitation

- **South Korea's crisis highlights both fragility and resilience, writes Wi Sung-lac**

Holding the line :: The country is deeply polarised, but its living memory of military rule strengthens its commitment to democracy

Holding the line

South Korea's crisis highlights both fragility and resilience, writes Wi Sung-lac

The country is deeply polarised, but its living memory of military rule strengthens its commitment to democracy

Dec 12, 2024 07:34 PM



Dan Williams

PRESIDENT YOON SUK YEOL'S declaration of martial law on December 3rd brought a profound sense of déjà vu to many South Koreans, evoking memories of the military coups from the 1970s and 1980s. For decades, South Koreans had believed that such events were consigned to the past. Yet the martial law declared by President Yoon shocked not only Koreans but the entire world. It exposed both the fragility and the resilience

of democracy in South Korea. Although the immediate threat was averted, the situation remains fraught with uncertainty.

The crisis reveals two critical weaknesses in South Korea's democracy. The first is the highly polarised political environment that allowed Mr Yoon—an anti-democratic, anti-political, dogmatic figure with no political experience—to rise to the presidency. He never shed the mental habits of a prosecutor when he entered politics. Mr Yoon lacks the capacity for political dialogue or compromise. His binary mindset, where people were either guilty or innocent, led him to view political opponents as enemies to be eliminated. With far-right leanings, self-righteousness and impulsiveness, Mr Yoon exhibits traits reminiscent of dictators from history.

Mr Yoon gained prominence by prosecuting former President Park Geun-hye and clashing with President Moon Jae-in, earning a reputation for independence. South Korea's political polarisation allowed the conservatives to overlook his authoritarian tendencies, adopting him as a presidential candidate to prevent another progressive administration. As president, Mr Yoon has wielded power to target political opponents, shielding himself and his wife from mounting legal difficulties. His administration became notorious for its abuse of prosecutorial power, becoming, in a perversion of Lincoln's famous phrase, a government of the prosecution, by the prosecution, and for the prosecution.

The second fragility is the lingering interference exerted by South Korea's military and intelligence agencies on politics (and political manipulation in those agencies in turn). Despite efforts to depoliticise these institutions, certain people with political ambitions remain entrenched, misusing their personal networks based on military-school ties. Mr Yoon manipulated these networks, appointing his high-school peers to top positions in the military and intelligence services.

The president exploited these two South Korean fragilities to consolidate his power. As his administration faced mounting scandals after a decisive defeat in the April parliamentary election, he resorted to extreme measures instead of seeking compromise. With his political survival at stake, Mr Yoon and his loyalists in military and intelligence agencies declared martial

law, sought to shut down the press, and tried to use military force to dismantle the parliamentary majority of opposition parties.

The coup attempt failed when opposition lawmakers swiftly convened in the National Assembly to lift martial law. Of the 300 lawmakers, 190 gathered, including 18 from Mr Yoon's own party, and unanimously passed the resolution. This moment underscored South Korea's democratic resilience.

Traditionally, coup leaders in South Korea have suppressed such resolutions by arresting lawmakers or dissolving the legislature. This time, citizens, opposition parties and the media played pivotal roles in resisting. The leader of the opposition Democratic Party, Lee Jae-myung, livestreamed in his car on the way to the National Assembly, calling for citizens to protect the institution. Citizens gathered in the cold, surrounding the National Assembly building to protest, and the citizen action became the first line of defence for democracy.

Democratic Party lawmakers, embedded with the spirit of defending democracy that stretches back through South Korea's pro-democracy movements, climbed over fences to bypass police blockades and enter the National Assembly. Special forces advanced to within metres of the main assembly hall where I was gathered with other legislators to vote on lifting martial law. Amid tense confrontation, staffers resolute in their commitment, built barricades to block them from entering. On-site media coverage also played a crucial role, limiting the military actions. These acts of defiance bought precious time for the vote.

The coup's failure was also due to the rushed and poorly executed operation by a few leaders of the military and police. Rank-and-file soldiers and mid-level commanders were reluctant to attack civilians or lawmakers, a hesitation probably influenced by historical reckoning with past military atrocities like the Gwangju Massacre, a slaughter of hundreds of pro-democracy protesters against martial law in 1980. These factors culminated in the successful resistance in the latest crisis.

However, the battle is not over. The aftermath of the failed coup remains uncertain. Impeachment proceedings against President Yoon, despite

overwhelming public support, were blocked by him and his conservative allies, allowing him to remain in office and plot a counteroffensive. Public sentiment is boiling. It is not clear whether South Korea's fragility or resilience will prevail.

Strengthening the resilience must begin with the resignation or the impeachment of the president who orchestrated the coup, along with holding the individuals involved accountable. This would mark an additional historical reckoning, reaffirming democratic principles and ensuring such abuses are never repeated. In parody of Lincoln's famous line, a government of the prosecution, by the prosecution, and for the prosecution must perish from the earth. Furthermore, to prevent the rise of authoritarian figures, we must address political and social polarisation, depoliticise the military and intelligence agencies, and strengthen the resilience of democracy by fostering sustained political dialogue. There must be greater military transparency and guaranteed civilian oversight, and promotion of public awareness of democratic values and rights.

As political polarisation deepens globally, South Korea's experience serves as a reminder that no democracy is immune to such threats. Martial law in Korea highlighted that democracy relies not just on institutions but on active citizen engagement, constant vigilance and the collective resolve of citizens and leaders. South Korea's struggle offers invaluable lessons for all.■

Wi Sung-lac is a former ambassador to Russia and member of Korea's National Assembly from the Democratic Party.

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Briefing

- **Syria has exchanged a vile dictator for an uncertain future**

After Assad :: It is not clear how stable or how benign the new regime will be

- **The Assad regime's fall voids many of the Middle East's old certainties**

An unexpected juncture :: What if Syria abandoned its hostility to the West and stopped menacing Israel?

After Assad

Syria has exchanged a vile dictator for an uncertain future

It is not clear how stable or how benign the new regime will be

Dec 12, 2024 07:34 PM | Damascus



Reuters

THERE WAS joy and horror and anguish all at once. Many of the detainees freed from [Saidnaya](#), the most notorious prison in Syria, were husks: skeletal frames, vacant stares. They staggered out of cells where dozens of people had been packed into reeking, pitch-black chambers. On the walls of one someone had scribbled in Arabic, “Take me, already.”

Some prisoners had been there for decades, long enough that they forgot their names and their families had declared them dead. From one cell in the women’s section emerged a young boy, a toddler who may have spent his whole life in jail. Those who found their loved ones alive could not believe

their fortune. Those who did not grow desperate. A rumour spread of even ghastlier horrors beneath Saidnaya: thousands of additional prisoners alive but trapped in underground cells hidden behind concealed doors.

It was a perverse sort of false hope. A group that represents Syrian detainees eventually issued a statement refuting the claim. The prison was empty, it said; there were no more hidden cells, no more survivors. But even false rumours contain some truth. Bashar al-Assad, the longtime dictator, was brutal enough that Syrians found it plausible that he had built a dungeon beneath a dungeon. It was hard to imagine a depth to which he would not sink.

Last stand and deliverance

Syria is finally free of Mr Assad's brutality. A [rebel offensive](#) that began in the north-west on November 27th progressed with lightning speed. By December 8th insurgents had reached Damascus, the capital, and Mr Assad had fled to Russia, ending his family's 53-year rule. [What comes next is uncertain](#), but will certainly have profound implications for the region . Most Syrians doubt it can be worse than what came before.

The rebels were able to topple Mr Assad in 13 days because of the steady decay of the previous 13 years. After he decided in 2011 to suppress calls for democracy with violence, hundreds of thousands of young Syrian men lost their lives in the ensuing civil war. Millions more fled to neighbouring countries, or to Europe. In recent years, as the regime reasserted control over much of Syria, stability brought those who remained little benefit. A small circle of profiteers grew rich amid the ruins.

[The rebels](#), led by an Islamist group called Hayat Tahrir al-Sham (HTS), had spent years training for their offensive. They looked like a modern army, with drones and special forces and a centralised command structure. But their most important weapon was motivation: they wanted to topple the regime, whereas the Syrian army no longer had the will to preserve it. Senior officers left the front lines in order to move their families to safer parts of the country. The rank and file abandoned their posts. The regime's foreign backers—Iran, Russia and Hizbulah, a Lebanese militia—seeing

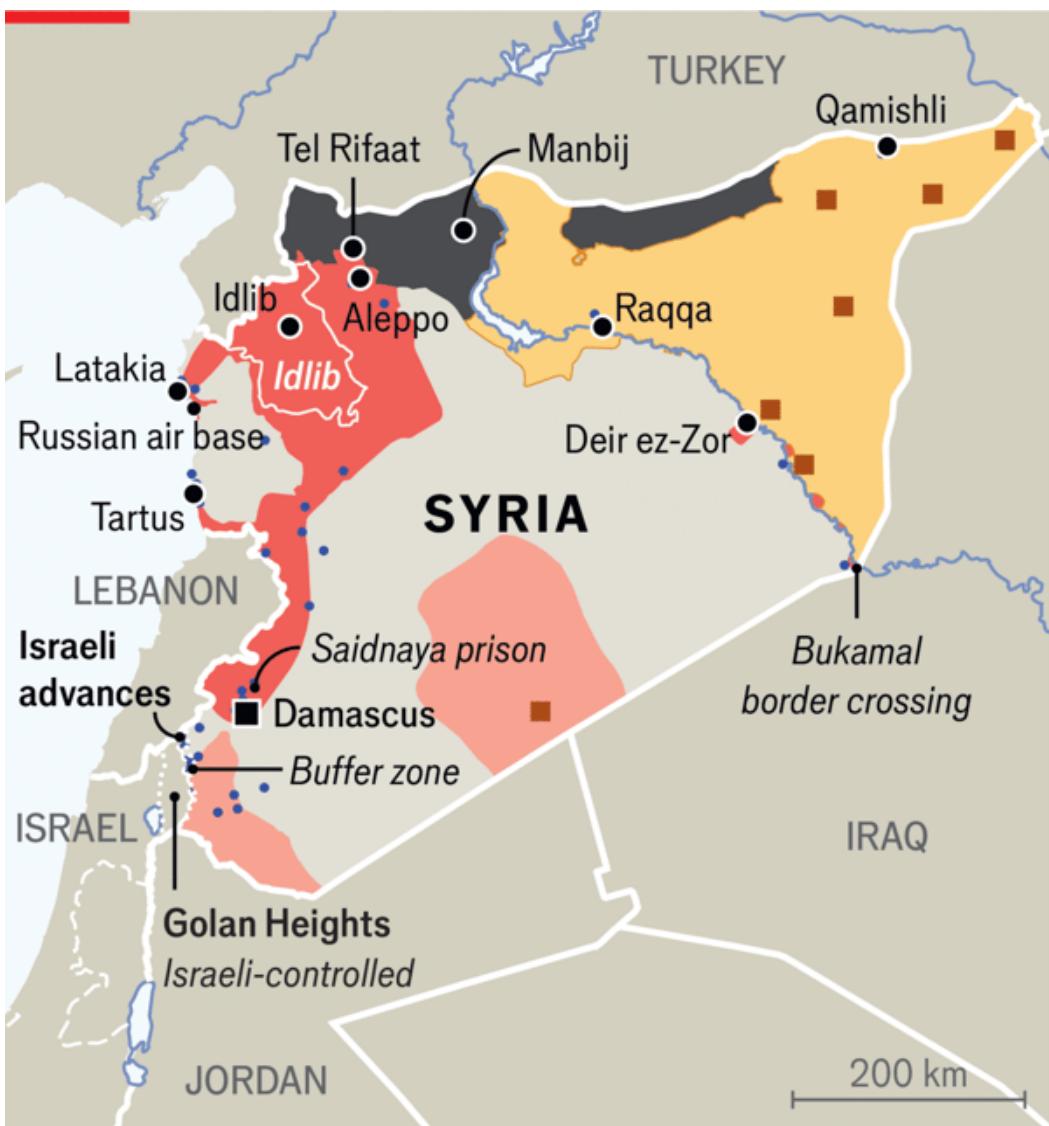
how incapable it was of defending itself and beset by problems of their own, declined to come to its aid. It was not a bloodless coup, but it was close: only a few hundred people died in the final days of a war that had killed half a million.

Damascus was euphoric. Locals broke into the presidential palace, where they rifled through Mr Assad's DVD collection (he was apparently a fan of Borat) and his wife's Louis Vuitton bags. Many shops swiftly reopened. A long queue snaked out of a Syriatel outlet, of returning refugees keen to buy new SIM cards.

Some [government employees](#) reported for work as usual. Outside the Four Seasons hotel a municipal worker swept up rubbish. Staff at the post office were not entirely sure who they were working for or whether their salaries would be paid. A group of them smoked and gossiped about Mr Assad's flight. It was unclear if any letters would be delivered that day.

Elation and division

Not everywhere was peaceful, though. In the north the [Syrian National Army \(SNA\)](#), a Turkish proxy force, attacked several towns controlled by the Syrian Democratic Forces (SDF), a mainly Kurdish militia backed by America. That was a reminder that the country remains divided between several different groups (see map).



Areas of control, December 11th 2024

- Turkish-backed SNA ■ Kurdish-led SDF
- HTS*-led rebels ■ Other rebels
- Israeli air-strikes[†] ■ US military bases

*Hayat Tahrir al-Sham

[†]Represents multiple strikes around each location (Dec 8th-11th 2024)

Sources: Institute for the Study of War; AEI's Critical Threats Project; Syrian Observatory For Human Rights; Dr M. Izady, Columbia University

HTS was not the first militia to reach Damascus—rebels from the south were—but it is now the strongest faction in the capital. Its forces have been setting up checkpoints and controlling access to government buildings. Their leaders have also told rebels to stop firing guns in the air in celebration, which had become a nuisance.

Until now HTS has governed only Idlib province, a rebel-held pocket in the north-west, where it proved to be competent but authoritarian. On December 10th the group named Muhammad al-Bashir, its chief administrator in Idlib, as a caretaker prime minister. His cabinet is meant to maintain security and provide basic services until March, although it is not clear what happens then. In practice, real power will rest with [Abu Muhammad al-Jolani](#), the leader of HTS, who has recently started using his real name, Ahmad al-Sharaa, instead of his *nom de guerre*.

Syrians worry that HTS might try to impose its vision of Islamic rule or seek to monopolise power. With good reason: HTS emerged from al-Qaeda's Syrian affiliate, though it cut ties with the jihadists in 2017. Moreover, it is one thing to govern rural, conservative Idlib and another to run the whole country, with cosmopolitan cities and big religious and ethnic minorities.

HTS has said the right things so far. On December 9th it forbade its fighters from “interfering in women's dress”. Statements directed at the Christian and Druze minorities stress that their rights will be respected. A message to the Kurds declared “Diversity is our strength”. In addition to adopting woke rhetoric, Mr Sharaa has neatly trimmed his once-grizzly beard and discarded his turban and camouflage gear in favour of sober fatigues.

Many Syrian Christians are cautiously optimistic. Mr Assad's Alawite sect is more worried. Many have withdrawn to their ancestral villages along the coastal plain. HTS sounds less benevolent when it addresses them, demanding they cut ties with the old regime. The community has made some conciliatory gestures: religious leaders in Qardaha, the Assad family's hometown, say they accept HTS's rule and will remove statues of the former president.

There have been few reports of reprisals. On December 9th HTS announced an amnesty for soldiers who were conscripted into the army. That is sensible: most were drafted against their will. At the same time, Mr Sharaa promised to hunt down senior security officials. But so far, sources say, that has meant confiscating their weapons and uniforms and sending them home: demobilisation, not firing squads.

It has been even more pragmatic with the bureaucracy, telling the foreign ministry, for example, to keep diplomats in their posts. That edict has made for surreal scenes. Bashar al-Ja’afari, Syria’s ambassador in Moscow, was one of Mr Assad’s most fawning loyalists. But in an interview with a Russian television channel on December 8th he denounced the “corrupt mafia” that had been running Syria.

For several years HTS was arguably better at providing basic services than the central government: electricity was more reliable in Idlib than Aleppo, for instance. But the group knows that it lacks the capacity to administer all of Syria and needs help from the existing civil service. “He’s being smart in terms of continuity of state institutions,” a diplomat says of Mr Sharaa. “The issue is the top level, the cabinet ministries, the actual power.”

Mr Bashir’s cabinet is full of HTS members: ministers from Idlib have been given the same jobs in Damascus. Other militias are grumbling. The SNA, the SDF and an alliance of southern rebels all want a say in the new regime. Some of these groups have a reputation for crime and thuggery. HTS, although the strongest faction, is not powerful enough to control the entire country or to forcibly disarm rival militias.

Some rebels also complain about the deference being shown to certain members of the ousted regime, which they see as a betrayal of the revolution. Mr Assad has holed up in Russia, but the whereabouts of many of his henchmen is a mystery. No one knows what happened to Mr Assad’s brother, Maher, a ruthless army commander, for example. Some Syrians think he fled to the coast, others to Iran. Foreign diplomats fret about the prospect of Alawite militias taking up arms.

The Syrian diaspora has spent years making detailed plans for how they might govern after Mr Assad’s fall. One group of opposition activists

published a “Syria Transition Roadmap” with a draft provisional constitution. Another group, called The Day After, released a transition plan in 2012 with timelines for everything from transitional justice to central-bank reform. There was also a UN-led effort to bring together the regime and the opposition to write a new constitution. It was pointless: Mr Assad was only feigning interest in reform. But some of its members have good ideas about a new national charter.

The problem is that many of these activists are outside the country—and none of them has any guns. A source close to HTS thinks democracy will not be high on Mr Sharaa’s agenda. His government in Idlib became dictatorial enough to spark protests earlier this year. Still, many Syrians treated it with forbearance: it was far better than Mr Assad. “With the regime’s collapse, people may no longer afford it the same tolerance they did,” says Haid Haid of Chatham House, a think-tank.

In the short term, Mr Sharaa’s popularity may depend on whether he can attract aid and investment. Syria’s needs are enormous. GDP has fallen by 87% since the war began, from \$68bn in 2011 to just \$9bn today. The cost of reconstruction is thought to be in the hundreds of billions of dollars. The country is still under strict Western sanctions, even though Mr Assad’s departure seems to make such measures obsolete. Syrian businessmen abroad are waiting to see if HTS does away with the detritus of Mr Assad’s rule—a state-directed economy, capital controls, cronyism—before deciding whether to invest.

Many Syrians bristle at the idea that they might end up like other countries in the region that overthrew repressive regimes. They see few parallels with Iraq and Afghanistan, both of which were invaded by outsiders who set up new governments with the help of exiles. Syria is almost the opposite: a home-grown uprising against a regime that was propped up by foreigners. Unlike Libya or Yemen in 2011, Syria has already been through a civil war. Optimists hope that the bitter memory will spur its various militias to compromise. That may be wishful thinking. For now, though, Syrians are feeling a rare emotion: hope.

One of the Assad regime’s slogans was *qaidna lil abad*, “our leader for ever”. It seemed true: no matter how much damage they did, the Assads

endured. Until, suddenly, they did not. As the rebels closed in on Damascus, Yassin al-Haj Saleh, a dissident who spent 16 years in jail, knew that many challenges lay ahead. But that was a matter for tomorrow: “For ever is over,” he wrote, “and history begins.” ■

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An unexpected juncture

The Assad regime's fall voids many of the Middle East's old certainties

What if Syria abandoned its hostility to the West and stopped menacing Israel?

Dec 12, 2024 07:34 PM | DUBAI



THE LONG battle to topple Bashar al-Assad may have ended this week, but the air-raids did not. The day after Syria's dictator of 24 years [fled](#), no fewer than three foreign armies bombed targets inside the newly liberated country. America pounded the remnants of Islamic State, a jihadist outfit that once ruled much of Iraq and Syria, lest it take advantage of the chaos to regroup and expand. Turkey sent warplanes to help a proxy force battling a [Kurdish-led militia](#) it accuses of aiding terrorists. And Israel bombed anything that might conceivably be used against it in a hypothetical future

conflict, from suspected chemical-weapons facilities to the Syrian navy's handful of [decrepit warships](#).

Foreigners played a big part throughout Syria's civil war. Jihadists from around the world flocked to fight Mr Assad's secular regime. Iran, Russia and Hizbullah, a Lebanese militia, sent weapons and troops to prop up the dictator. America and Turkey intervened to oppose particular rebel factions. Both America and Russia have bases in Syria to this day.

A pivotal moment

All this hints at how strategic Syria is and how Mr Assad's fall could change the region. For more than a decade Syria has been exporting instability by providing a haven for extremists and sending out refugees by the million. For more than 40 years it has allied itself with Iran, helping to develop an anti-Western axis that spans the Middle East. And for more than 75 years it has made a showy hostility to Israel a central pillar of national politics. These old certainties are suddenly in question. Whether outside forces encourage change or derail it is equally in doubt.

The web of anti-Western alliances Syria has spun since Mr Assad's father, Hafez, became president in 1971 is unravelling. Its close ties with Iran are being cut. On December 11th the new government's leader, Ahmad al-Sharaa, better known by his *nom de guerre*, Abu Muhammad al-Jolani, said he was keen to keep Iran out of Syria.

That will further diminish Iran's fast-shrinking clout in the region. Israel has dealt hammer blows in recent months to two of Iran's main regional proxies, Hamas in Gaza and Hizbullah in Lebanon. Resuscitating Hizbullah will be much trickier without Syrian help, since Syria was the main conduit for Iranian arms. Indeed, a whole new alignment is possible in Lebanon, too, since Mr Assad's regime was the main power broker there.

These reversals seem to be inducing Iran to rethink its foreign policy. Its proxies, by pulling it into direct conflict with Israel, have proved to be more liabilities than assets. It appears to be shifting instead to more conventional deterrence, through its missile and nuclear programmes. During Mr Assad's

final days in power, it launched a military satellite. Some hawks within Iran argue that it should cross the nuclear threshold and test a bomb.

Iran's strategic setbacks may also strengthen the hand of reformists who have long criticised foreign-policy hawks for squandering the country's resources on foreign ventures. They hope Ali Khamenei, Iran's supreme leader, will lend more support to those promoting diplomacy over confrontation and curb the army's enormous political and economic influence.

Mr Assad's fall also seems likely to create a rift between Syria and Russia. To defend Mr Assad, Russian warplanes mercilessly bombed the now-victorious rebels. In return Mr Assad granted Russia an air base near the city of Latakia and its navy access to the port of Tartus, its only foothold on the Mediterranean. The air base is a useful way station between Russia and Africa, where Russia's military presence has been increasing. The naval base, meanwhile, allowed Russia to position ships armed with cruise missiles on NATO's southern flank. "This base is essential to us," declared Viktor Chirkov, commander of Russia's navy at the time, in 2012.



Getty Images

It was barely seaworthy to begin with

Russia wants to strike a deal to retain access. A spokesman said the Kremlin had taken “necessary steps to establish contact in Syria with those capable of ensuring the security of military bases”. Russian media hurriedly changed its label for HTS, the militia leading the new government, from “terrorists” to the “armed opposition”.

That is unlikely to win HTS and its allies over. And whatever the fate of the bases, the damage to Russia’s prestige is done. Its intervention in Syria in 2015 was supposed to mark its rebirth as a global military power. That narrative is in tatters. Fyodor Lukyanov, an analyst close to the Kremlin, argues that Russia is better off as a regional power focused on Europe. “Moscow does not have sufficient military forces, resources, influence and authority to intervene effectively by force outside the former Soviet Union,” agreed Ruslan Pukhov of CAST, a think-tank in Moscow.

A shift in Syria’s alliances seems inevitable, but that will not necessarily make it more stable. Whether it continues to spread conflict, drugs and refugees is of paramount importance to Europe, where politics was shifted dramatically rightward by an influx of Syrian migrants after 2011. Mr Assad’s plane had scarcely left the tarmac before a number of countries, including Germany, which hosts 1m Syrians, announced that they would stop processing Syrian asylum requests. Austria’s interior minister directed officials to “prepare an orderly repatriation and deportation programme”. A German MP suggested giving €1,000 (\$1,050) and a plane ticket to any Syrian willing to return home.

But without a modicum of stability and reconstruction, Syria is likely to continue to generate migrants, not lure them back. There has been little talk from Europe of aid and investment. In part that stems from a natural caution about the new regime, but it also reflects the overstretched finances of many European countries and the heavy burden of assisting Ukraine in its war with Russia.

Regional powers, too, may pass up the chance to help stabilise Syria. Turkey dearly hopes that some of the 3m Syrians it hosts will soon return home. But it also cannot resist the urge to press its fight against the SDF, a Syrian alliance led by a Kurdish militia, which it accuses of abetting Kurdish separatists in Turkey. By the same token, the United Arab

Emirates, which is one of the most obvious sources of finance for reconstruction, is neuralgic about anything that smacks of Islamist extremism. It is unlikely to help much as long as HTS, a former affiliate of al-Qaeda, is the main force in the new government.

Standoffish Uncle Sam

How much America will help restore stability is also in doubt. Donald Trump, the president-elect, was emphatic about Mr Assad's fall: "THIS IS NOT OUR FIGHT. LET IT PLAY OUT. DO NOT GET INVOLVED!" Elon Musk, his billionaire buddy, bemoans the waste of taxpayer dollars in Syria. Joel Rayburn, a State Department official in Mr Trump's first term who is helping to prepare for his second, is sceptical about HTS's professed retreat from Islamist extremism and favours keeping sanctions in place until its intentions are clearer. Yet lifting the sanctions is an essential step towards economic recovery.

Perhaps the biggest geopolitical question posed by Mr Assad's fall is what it means for Israel. Iran's loss in Syria ought to be Israel's gain. HTS does not rail against Israel the way many Islamist militias do. Mr Sharaa says he does not want Syria to get involved in any more conflicts. "There are more opportunities for Israel in Syria than threats now," says Carmit Valensi of the Institute for National Security Studies in Tel Aviv. The new regime is unlikely to pose a direct threat, argues Amos Yadlin, a former military-intelligence chief.

Yet Israel's government seems to be acting on the opposite assumption. On December 8th Israeli tanks entered the buffer zone that had separated Israeli and Syrian forces since 1973. A team of Israeli commandos occupied the abandoned Syrian observation post on Jabal al-Shaykh, at 2,814 metres the highest point in Syria. Israel says these seizures are only temporary and intended to protect the adjacent Israeli territory—but that territory itself was originally Syrian. Israel occupied it in 1967 and formally annexed it in 1981.

Israel's air force has also launched hundreds of strikes throughout Syria, destroying not only chemical weapons but also long-range missiles, anti-

aircraft systems and ammunition depots. It also destroyed Syrian fighter jets, although Syria's air force, like its navy, is antiquated and of little threat to Israel.

Israeli officials argue that the weapons it destroyed might have fallen into the hands of hostile forces. They also worry that HTS might strike a deal in which Iranian-backed fighters leave Syria but Iran continues to send weapons to Hizbullah via Syria. Whether Israel's aggressive military stance is the best way to head off that possibility is debatable, however. It might just as easily curdle HTS's apparent lack of interest in Israel into hostility. As with so many aspects of Mr Assad's fall, there is clearly an opportunity for change, but also a risk it will be squandered. ■

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Message in a bullet

Luigi Mangione's manifesto reveals his hatred of insurance companies

The man accused of killing Brian Thompson gets American health care wrong

Dec 12, 2024 07:34 PM | CHICAGO



HOMICIDE INVESTIGATIONS are like bankruptcies: they come along gradually and then all at once. On December 9th, Luigi Mangione, a 26-year-old engineering graduate of the University of Pennsylvania, an Ivy League school, was [arrested and charged](#) with [murdering Brian Thompson](#), the CEO of UnitedHealthcare, America's biggest health insurer, in a predawn assassination in Manhattan on December 4th. The arrest came after five days of frenetic investigation in which police seemed to have almost no leads at all. The fugitive was finally captured in a branch of McDonalds in Altoona, a town in central Pennsylvania, after a member of

staff recognised his face from a security camera photo circulated by the police.

Mr Mangione, of course, is legally innocent until proven guilty. But the public evidence against him is piling up. Police say the arresting officers discovered a fake New Jersey ID of the sort the killer apparently used to check into a hostel in Manhattan, as well as a 3D-printed gun, a silencer, and a bundle of cash. (Mr Mangione apparently disputes this last detail). There was also a 262-word handwritten note that included the passage: “I do apologise for any strife or traumas but it had to be done. Frankly, these parasites simply had it coming.” Health insurers, he wrote, are “too powerful, and they continue to abuse our country for immense profit.”

Despite his writings, Mr Mangione did not seem determined to get caught. He skillfully eluded his pursuers. He apparently arrived in New York and left again by bus; covered his face for much of his time in the city, may have used a “burner” phone; and paid for things exclusively in cash. Searches in Central Park had turned up a backpack that the killer had apparently discarded, but it contained only a jacket and a bundle of Monopoly money. Had he not revealed his face to a security camera for a few seconds in the hostel, or been recognised by an eagle-eyed burger flipper, he might very well still be free.

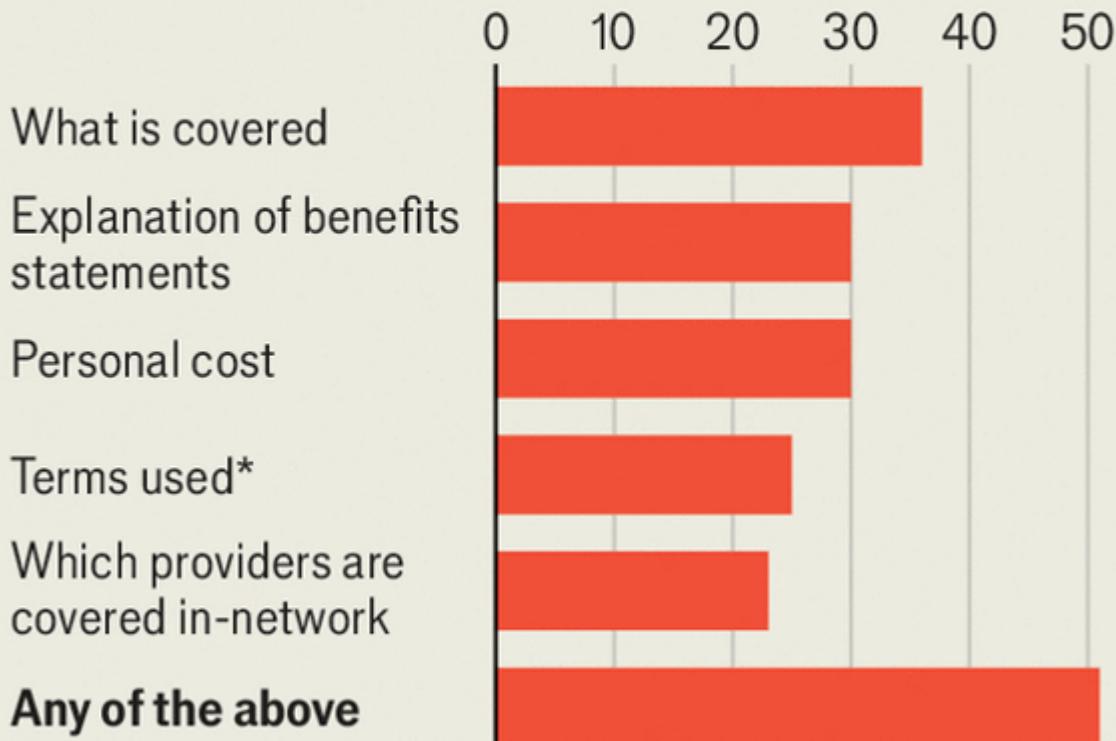
Mr Mangione now faces five criminal charges in New York City, including second-degree murder. He is also charged with weapons offences and using a false ID in Pennsylvania. He is currently fighting extradition back to the Empire State, a process that could take several weeks to resolve. He will then have to plead formally to the charges. His lawyer suggested he intends to plead not guilty.

What could have inspired the killing? Mr Mangione’s short note suggested a calculating desire to wreak revenge on America’s health-care system. America, he correctly noted, has the most expensive health care in the world, but life expectancy has stagnated. “Many have illuminated the corruption and greed” in the system, he wrote. “Evidently I am the first to face it with such brutal honesty.”

Insured and unsure

1

United States, health insurance details that are “somewhat” or “very” difficult to understand,
% of insured adults responding, Feb-Mar 2023



Source: KFF

*Such as “deductible”, “copay” and “co-insurance”

The Economist

Biographical details add some context. Mr Mangione belongs to a wealthy Italian-American family from Baltimore. He was the valedictorian of his elite private school in the city. After studying computer science and graduating from Penn in 2020, he lived in Hawaii, working as a data engineer for TrueCar, a car-buying website. Though clearly fit and active, according to friends in Hawaii, he suffered chronic back pain, possibly made worse by a surfing injury. In 2023 he apparently underwent back surgery. On his Reddit account, he posted an X-ray image of a spine with

several bolts implanted into it. About six months ago he disappeared, cutting contact with friends and family, until reappearing in Altoona.

If his goal was to get America discussing its health-care system, Mr Mangione seems sure to succeed. In the days leading up to his arrest, three words written on the casings of the bullets used to kill Mr Thompson—"deny", "defend" and "depose"—seemingly intended to echo words used by insurance companies while rejecting claims, became a meme. On TikTok sympathisers made out the then mysterious killer was some sort of superhero, with influencers singing ballads to him and getting tattoos of his face.

Certainly frustration with insurers is growing. According to a survey conducted last year by the Kaiser Family Foundation, a health policy think-tank, in the preceding year 18% of Americans were refused care they thought would be covered, and 27% had insurers pay out less than expected. Two-fifths say that they have had to go without health care because of insurance limitations. In recent years denial rates have been rising, while insurers have adopted new tactics (such as the use of artificial intelligence to make determinations) that are deeply unpopular and have produced some shocking errors. Knowing what will be covered or denied is extraordinarily difficult, even for professionals. Around half of Americans say that they are unsure how their coverage works (see chart 1). The other half are overconfident.

Breakdown

2

United States, components of excess health spending relative to OECD countries, % estimate*

More administrative insurance costs	15%
Providers spend more on administrative activities	15%
Higher prescription drug costs	10%
Physicians earn more	10%
Registered nurses earn more	5%
More investment in medical machinery/equipment	<5%
Other	40%

*Using 12 comparator countries

Source: The Commonwealth Fund

The Economist

The tricky thing is that insurers are hardly the only villains in this story. UnitedHealthcare's net profit margin is about 6%; most insurers make less. Apple, a tech giant, by contrast, makes 25%. Insurers are forced to deny coverage in large part because the firms' resources are limited to what patients pay in premiums, sometimes with the help of federal subsidies. Yet every other part of America's health-care system incentivises providers to overdiagnose, overprescribe and overcharge for treatment, a lot of which is probably unnecessary. Many in-demand doctors refuse to accept insurers'

rates, leading to unexpected “out-of-network” charges. Hospitals treat pricing lists like state secrets. America’s enormous health administration costs (see chart 2) are bloated by the fact that almost any treatment can lead to a combative negotiation between insurer and provider.

America has fewer doctors per capita than almost all other rich countries, and over one in four doctors earns more than \$425,000. Yet a tight federal cap on residencies stops more being trained. And much treatment offered to Americans (and either paid for or refused by insurers) simply would not be offered at all in more statist countries. Mr Mangione’s back surgery is in fact a revealing case in point. The details are unclear, including whether insurance paid for his treatment. But his Reddit account suggests that he shopped around doctors before persuading one to conduct a “spinal fusion” surgery. Elsewhere, the number of such surgeries has declined over the past decade because research shows them to be ineffective compared to simpler treatments. Yet in America the number has continued to rise.

Sadly, changing health-care policy is easier to talk about than to do. And one irony of Mr Mangione’s writing is that, while it is true that American health care is expensive and often ineffective, that is not clearly linked to America’s lagging life expectancy. Indeed, one notable contributor to shorter lifespans has nothing to do with doctors. That is, the 20,000 or so murders committed each year with guns. ■

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Reading, Writing and Wrestling

Donald Trump threatened to smackdown the education department

But his pick for education secretary is relatively tame

Dec 12, 2024 07:34 PM | WASHINGTON, DC



DURING HIS campaign Donald Trump promised [to abolish the education department](#). After his re-election he announced some cabinet picks who were reassuringly well-qualified for their jobs and some who seem to have been chosen to cause maximum damage to the institutions they hope to lead. Given the intensity of the Republican war on wokeness in schools, picking Linda McMahon, the co-founder of World Wrestling Entertainment (WWE), as education secretary seemed in the second category.

A decade ago Ms McMahon would have been a risky choice for a cabinet position. She and her husband, Vince McMahon (from whom she is now separated) used to run an entertainment business that involved muscled actors in leotards performing moves with names like the “Stone Cold Stunner” and the “Curb Stomp”. Ms McMahon herself often performed in the ring. In one stunt she theatrically slapped her adult daughter in the face. In another a wrestler dangled her from her ankles and dropped her on her head.

Few former cabinet members have such talents on their CVs. (Though Mr Trump also performed a few times. In a “Battle of the Billionaires” in 2007 he exaggeratedly punched Mr McMahon and, to further humiliate him, shaved his head in the ring.) Off stage, both McMahons are being sued for allegedly knowing about the sexual abuse of “Ring Boys”, children who helped with ringside tasks, within WWE. (They deny the charges, and the case is ongoing.)

The fact that conservatives should welcome the selection of Ms McMahon as the nation’s chief educator is a sign of how priorities have changed. Yet she may be one of Mr Trump’s least controversial picks. She was confirmed in 2017 by the Senate for her former role as the head of the Small Business Administration. Her experience in education is limited, but she does have some: she was on Connecticut’s Board of Education, has a teaching certificate from East Carolina University and is on the board of trustees of Sacred Heart University in Connecticut.

Ms McMahon is a small-government conservative and a Trump loyalist, says Neal McCluskey of the Cato Institute, a think-tank. But she does not seem intent on abolishing the education department and all it does. (To eliminate the department and its tasks, which range from managing federal college loans to funding poor schools, Congress would need to act.) In fact she has endorsed policies that would require functioning federal education programmes, whether housed under the education department or elsewhere.

For example, she has argued for an expansion of Pell grants, federal money for poor students, to include short-term workforce training. This could help ease the shortage in skilled trades, from health care to manufacturing, which require more training than a high-school diploma but not a college degree.

According to McKinsey, a consulting firm, there were 400,000 openings in January 2024 for skilled jobs such as welding.

So far, so sensible. Ms McMahon says that such an expansion must come with guardrails to ensure that students are actually learning and getting hired. Most Democratic members of Congress would agree. While keeping tabs on workforce programmes is a job for the federal government, Ms McMahon may want to trim elsewhere. She supports charter schools, public-school alternatives and holding schools accountable for their performance, policies that were mainstream among Democrats under Barack Obama's presidency. She also supports school vouchers, which allow parents to use public money for private schools, which Democrats (and education researchers) do not like.

After Mr Trump announced his pick, Ms McMahon wrote on X: "Thank you Mr. President...I look forward to working collaboratively with students—educators—parents and communities to strengthen our educational system; ensuring every child regardless of their demographics is prepared for a bright future." Ms McMahon may throw the education department around a little, but she hardly seems in the mood for a full-body smackdown. ■

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Tort report

America's best-known practitioner of youth gender medicine is being sued

Johanna Olson-Kennedy leads the Centre for Transyouth at LA's Children's Hospital. One of her patients thinks she has been negligent

Dec 12, 2024 07:34 PM | NEW YORK



Melissa Lyttle/Redux/Eyevine

JOHANNA OLSON-KENNEDY is among the most celebrated youth gender-medicine clinicians in the world. She has been the Medical Director of the Center for Transyouth Health and Development at Children's Hospital Los Angeles (CHLA), one of the first high-profile American youth gender clinics and presently the largest, since 2012. A frequent expert witness in court cases who is often quoted in the media, Dr Olson-Kennedy also leads a \$10m initiative funded by the National Institutes of Health to

study youth gender medicine—by far the largest such project in America. In addition, she is the president-elect of the United States Professional Association for Transgender Health.

As state-level bans on youth gender medicine have accumulated, and are being tested at the Supreme Court, this controversial field has been seized by a fierce debate over the proper role of mental-health assessments. The Dutch clinicians who published the seminal youth gender-medicine protocol in 2012 emphasised the importance of conducting a careful, in-depth assessment prior to starting a young person on puberty blockers or cross-sex hormones. But Dr Olson-Kennedy has emerged as a critic of what she views as undue and unnecessary “gatekeeping”. “I don’t send someone to a therapist when I’m going to start them on insulin,” she told the *Atlantic* in 2018. In her published research, Dr Olson-Kennedy has reported prescribing cross-sex hormones to patients as young as 12, and referring patients as young as 13 for double mastectomies.

Now, however, Dr Olson-Kennedy is being sued by a former patient, Clementine Breen, who believes that she was harmed precisely by a lack of gatekeeping. And many of Ms Breen’s claims appear to be backed up by Dr Olson-Kennedy’s own patient notes, which Ms Breen and her legal team have shared with *The Economist*. The medical-negligence lawsuit was filed on December 5th in California.

Ms Breen is a 20-year-old drama student at UCLA whose treatment at Dr Olson-Kennedy’s clinic included puberty blockers at age 12, hormones at 13 and a double mastectomy at 14. She stopped taking testosterone for good about a year ago and then began detransitioning in March. The lawsuit’s defendants are Dr Olson-Kennedy, the gender therapist to whom Dr Olson-Kennedy referred Ms Breen, the surgeon who performed the double mastectomy and 20 as-yet-unnamed “Doe Individuals” who were “agents, servants, and employees of their co-defendants.” Ms Breen’s lawyers accuse them of medical negligence on a number of grounds, including lack of psychological assessment, poor management of her mental health and a lack of concern about the effects of puberty blockers on her bone health.

Why sue? Ms Breen is seeking monetary damages. But she also cites “personal closure reasons” in an interview, as well as a desire to rebut the

notion that rushed youth gender transitions are rare in America, a claim commonly made by some activists. “People are just brushing exactly what happened to me off as something that doesn’t happen,” she says.

While little is known about the practices of American youth gender clinics, Dutch-style assessment does not appear to be the norm. None of the 18 American youth gender clinics contacted by Reuters for an investigation published in 2022 described such a protocol. The share of Americans who regret their gender transitions, or who detransition, is unknown too. Anecdotally there appears to be an uptick in the number of detransitioners seeking redress, says Jordan Campbell, one of Ms Breen’s lawyers. His firm, which focuses on detransitioners, has been approached by more than 100 people but has pursued litigation on behalf of less than a fifth.

In most instances state statutes of limitations make it all-but-futile for detransitioners to pursue legal claims, or the potential client ultimately decides against the often-bruising experience of doing so. In Ms Breen’s case, though, her treatment was recent enough to allow her to sue her providers and she is willing to speak out. That—and Dr Olson-Kennedy’s perch at the very top of her field—is what makes Ms Breen’s case particularly noteworthy. And if plaintiffs like Ms Breen prevail, health-care systems in states where these treatments are still legal—always wary of lawsuits and the potential of rising premiums for medical-malpractice insurance—might take a more conservative approach to youth gender medicine, or even abandon offering it altogether.

Ms Breen’s story starts early in the 2016-17 school year, when she turned 12. She felt depressed and sought help from a counsellor. “I mentioned that I might be trans,” she recalled in the interview, “but I also mentioned that I might be a lesbian and that I might be bisexual, like I wasn’t really sure about my identity at all.” In retrospect, she said, she believes that her unsettled feelings about going through puberty stemmed from a violent situation at home involving her older brother, who has severe autism, as well as abuse she experienced at the hands of someone outside the family when she was six years old, which she did not disclose to anyone until much later.

Ms Breen and her lawyers claim that despite the vagueness of her musings about her identity, her counsellor fixed on the possibility that she was transgender. “Based on those conversations and few statements, the counsellor called Clementine’s parents and told them she believed Clementine was transgender,” they write in the complaint. With the support of her school, Ms Breen, who went by the name Kaya at the time, changed her name to Kai and her pronouns to he/him. Her parents took her to the CHLA gender clinic, and Ms Breen’s first appointment there, records show, was in December 2016.

Dr Olson-Kennedy’s notes from that first visit show that she immediately set Ms Breen down a path towards medical transition. She writes that Ms Breen had not yet seen a gender therapist and had come out as trans three months earlier. Nevertheless, she asserts that Ms Breen meets the specific Diagnostic and Statistical Manual criteria for gender dysphoria, one of which, she writes, is a cross-sex identity that has lasted for six months or longer.

At the time of this appointment, the latest guidelines for gender-medicine practitioners, the World Professional Association for Transgender Health’s (WPATH) Standards of Care Version 7, noted that “Before any physical interventions are considered for adolescents, extensive exploration of psychological, family, and social issues should be undertaken, as outlined above. The duration of this exploration may vary considerably depending on the complexity of the situation.”

Three months later, Ms Breen returned to CHLA to have a puberty-blocker implant inserted into her left arm. “I still have the scar—it’s very little, but it’s right here,” says Ms Breen, showing it on a Zoom call. From there, her path towards fully irreversible treatments was swift. Medical records show that less than a year later Dr Olson-Kennedy prescribed testosterone for Ms Breen. In May 2019 Ms Breen, who was 14 at the time, had a double mastectomy.

Ms Breen and her lawyers claim in their lawsuit that when her parents expressed reservations about testosterone, Dr Olson-Kennedy spoke with them away from Clementine. “Dr Olson-Kennedy first told them that Clementine was suicidal,” they write in the complaint. “At that time,

Clementine had never had any thoughts of suicide, and she certainly had never expressed anything along those lines to Dr Olson-Kennedy. Dr Olson-Kennedy went even further [...] by telling them that if they did not agree to cross-sex hormone therapy, Clementine would commit suicide.”

Because Ms Breen’s parents declined an interview request, Ms Breen herself is the only source for this claim. It is true, however, that there is no mention of suicide risk in any of Dr Olson-Kennedy’s notes before Ms Breen’s double mastectomy, and the visit notes for the appointment when Dr Olson-Kennedy ordered testosterone describe Clementine’s (then Kai’s) mental state as “Alert... No acute distress... Cooperative, Smiling.” Even if Ms Breen had been suicidal, the evidence that cross-sex hormones ameliorate suicidality is thin: in a 2021 systematic review on the effects of cross-sex hormones on trans people commissioned by the World Professional Association of Transgender Health, the authors write that due to a lack of quality published research, “We could not draw any conclusions about death by suicide.”

Fluid recordkeeping

Perhaps the lawsuit’s most damning claim is that Dr Olson-Kennedy misrepresented Ms Breen’s gender-identity history in the letter of support she wrote to Ms Breen’s surgeon. In the letter, quoted in the complaint and also obtained in full by *The Economist*, Dr Olson-Kennedy writes that Ms Breen had “endorsed a male gender identity since childhood”—language intended to signal that a young person’s gender identity has been stable for a long time, alleviating concerns that the patient might change their mind. But the claim was contradicted by Dr Olson-Kennedy’s own records. (Dr Olson-Kennedy did not respond to a request for comment through her hospital. Ms Breen’s surgeon declined to comment through his lawyer.)

Save for a fleeting period of improved mood following the insertion of the implant, Ms Breen says that she does not believe any of these treatments made her feel better. In fact, her mental health began to decline after she went on testosterone.

The CHLA team prescribed and tweaked various psychotropic medications, but nothing in the records suggests anyone at the hospital questioned whether the transition was helping rather than harming Ms Breen, despite what appear in retrospect to be some warning signs. By July 2020 she was having a “very difficult time remembering” her weekly testosterone shots, and was missing three quarters of them, Dr Olson-Kennedy wrote at the time (Dr Olson-Kennedy switched her to a gel). Three sentences after mentioning this, Dr Olson-Kennedy expresses the opinion that “Kai” “would probably benefit from an increased dose of testosterone.” A psychiatrist at CHLA wrote after a September 2020 telehealth visit that Clementine was at that time engaging in “compulsive cutting to see if he has blood.” Later in the notes he explained that Clementine “has a complex diagnosis that includes tics, psychosis, obsessions, and compulsions”.

Ms Breen says she is doing significantly better today—partly, she believes, simply because she ceased taking testosterone. But well before that, she ditched the therapist Dr Olson-Kennedy referred her to, who she said fixated entirely on her gender identity. She switched to a dialectical behavioural therapist whom she described as a godsend, with whom she had her first-ever in-depth conversations about the physical and sexual abuse she endured earlier in life. Ms Breen says she is fairly confident that if she’d had these conversations at age 12, she wouldn’t have pursued medical transition. She has been left with a lower voice than she wants, an Adam’s Apple that distresses her, the prospect of breast reconstruction if she wants to partially regain a female shape, and the possibility that she is infertile due to the years she spent on testosterone.

In a statement provided to *The Economist*, CHLA notes “we do not comment on pending litigation; and out of respect for patient privacy and in compliance with state and federal laws, we do not comment on specific patients and/or their treatment.” Unfortunately, the paper trail that shines a light on Dr Olson-Kennedy’s approach to Ms Breen’s care does not exist for her former therapist, whom we also contacted for comment. California state law requires therapists to retain patient visit notes for five years. But the therapist Ms Breen is suing told us, via a lawyer, that almost all of the notes were unavailable, due to water damage. ■

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The district attorney's downfall

The Young Thug trial could be Fani Willis's last big act

She may herself face indictment by Donald Trump's Department of Justice

Dec 12, 2024 07:34 PM | ATLANTA



Alamy

IT IS A result that has the government licking its wounds. In May 2022 Fulton County prosecutors indicted 28 men from Cleveland Avenue, a rough part of Atlanta, for committing a string of killings, robberies and drug deals in service of a street gang led by Jeffery Williams, a rapper who goes by the name "Young Thug". Over the past year the state presented a Georgia jury with nearly 200 witnesses and a barrage of rap verses that, it argued, proved that "YSL", used to denote Mr Williams's platinum-selling record label "Young Stoner Life", also stood for "Young Slime Life" and was an affiliate of the notorious Bloods gang from Los Angeles. But when the alleged kingpin pleaded guilty in late October to overseeing crimes the

judge chose to ignore the state's recommendation to lock him up for decades, opting instead for 15 years probation and banishing him from Atlanta for ten.

Then, on December 3rd, the jury acquitted the final two defendants left facing murder charges, bringing the longest trial in Georgia history to a close. Only a handful of those in the rapper's entourage ended up with prison sentences. In an interview after the verdict jurors explained that the smoking gun the prosecutors promised simply never came. One said that the trial made her see Mr Williams as someone who "pulled himself up" and "tried to help other people around him". She wished him nothing but "continued success".

This has done further damage to the reputation of Fani Willis, the district attorney at the case's helm. As lead prosecutor in the state's capital, Ms Willis rose to national fame last year when she charged Donald Trump and more than a dozen of his acolytes with election subversion. That case, which hinged on Mr Trump's attempt to get Georgia officials to fudge the vote count, was considered to have real teeth.

It began to unravel when it was revealed in January that Ms Willis had hired her then-boyfriend to take the case to trial. The judge said that her defence —she testified in court that she had paid her beau back in cash for their Caribbean holidays and therefore got no benefit from his salary—had an "odour of mendacity". A congressional committee started investigating her use of funds and a conservative appeals court deliberated on whether to disqualify her from prosecuting Mr Trump (it is yet to rule). Those Democrats and Republicans who thought her case had merit were baffled by her sloppiness.

Now that the second-biggest prosecution of her career has come to look like overreach, Ms Willis is losing allies. Together the two cases absorbed tremendous resources and left hundreds of other defendants waiting for trial in the Fulton County jail, whose conditions the federal government declared inhumane after ten people died in custody last year. In a county that is more black than white, that has reaffirmed mistrust in the criminal-justice system —and in Ms Willis, the top cop who oversees it. The district attorney's office did not respond to requests for comment.

Cynical observers reckon that Ms Willis prosecuted big-names to raise her profile and woo supporters so she can one day run for governor. The Trump case was for liberal Democrats and the Young Thug case was for law-and-order Republicans, says Ashleigh Merchant, the lawyer who uncovered her love affair. Ms Willis's remaining supporters argue that she was bravely chasing untouchable criminals with her best: both indictments were built on the state's unusually broad Racketeer Influenced and Corrupt Organisations (RICO) Act, a law that Ms Willis had used effectively before, most notably to take down cheating schoolteachers.

The statute gives prosecutors an edge by relaxing the rules on who can be charged and what evidence can be brought. "If you bring a RICO case, almost everybody should be serving time," says Chris Timmons, a former prosecutor who usually speaks out to defend the district attorney. A ring of elite criminal lawyers in Atlanta who once all supported Ms Willis say that the fact that both racketeering cases derailed, albeit for different reasons, shows that her ambition has clouded her judgment. "It's Icarus," says Jay Abt, a defence lawyer for one of the acquitted.

Nonetheless, Ms Willis was elected to another four-year term in November. Her win was not surprising, given that Fulton County is a Democratic stronghold and her opponent was a Republican who had interned in Mr Trump's White House. She did, however, trail Kamala Harris's vote share. Since the Young Thug trial ended she has lost more trust, says Fred Hicks, a Democratic strategist. He reckons that "if she had to run again in a primary now she would have a very hard time."

A terrible racket

Ms Willis said that she plans to stick around for eight more years "if that's what it takes for us to get justice in some cases". But re-election is no guarantee that she will keep her job. Last spring Georgia's Republican legislature passed a law that allows a political committee to pluck rogue district attorneys from their posts, which Ms Willis called "racist". It seems poised to try to remove her in January. Washington may also pounce in the new year. Mr Trump could have his Justice Department indict Ms Willis. Ms Merchant, the defence lawyer, thinks that he might go after her for

honest-services fraud, a federal crime used to charge public servants who take kickbacks. And if Mr Trump is indeed set on revenge against his perceived persecutors, he might even see if he can take it in the form of a RICO case. ■

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Lexington

Trump for Dummies

A *ten-step guide*

Dec 12, 2024 07:34 PM



David Simonds

HELLO AND WELCOME to the Donald J. Trump School of Politics and Public Policy! As you may know, we are the only graduate school accredited to teach the Trump Method (TM™). Though we offer advanced courses in applying the Method to [trade and NATO](#), we do that only to justify your huge federal student loans and to keep things interesting for us professors. When it comes to domestic politics, there is only one Trump Method, ten steps to winning and governing, and you will learn them all here in Trump 101: Illegal Immigration. (We like to call it “How Dense Are Democrats, Really?” or “Trump for Demmies”.) It takes five minutes. Here we go:

Step 1: Identify a real problem.

Step 2: Hyperbolise the problem. It is not enough to spotlight a surge of illegal migration. Claim thousands of murderers and rapists are on the loose, foreign dungeons and insane asylums are spewing their contents across the border, dogs and cats are broiling together. Claim millions more migrants have crossed than the government has counted. How can anyone prove you wrong?

Step 3: Promise extreme measures. But do not be specific! For example, you might threaten the “largest deportation program of criminals in the history of America”, but do not say what you mean by “criminals”. Say you will deploy the military but do not say how.

Step 4: Count on Steps 2 and 3 to derange your opponents, including the left-leaning press. If you are for something, they will be against it—and they will be against it *to the same degree you are for it*. This is why your oratory must be extreme. Always bear in mind the key insight of Mr Trump’s mentor, the red-baiting lawyer Roy Cohn: “I bring out the worst in my enemies, and that’s how I get them to defeat themselves.” Mr Trump’s opponents forgot or ignored that the previous “largest deportation program of criminals” was carried out by President Barack Obama; that every president since Bill Clinton deployed the military to the border; that not long ago the pro-labour left resisted even legal immigration (as Senator Bernie Sanders put it in 2007, “The last thing we need” is to admit “millions of people into this country who are prepared to lower wages for American workers”) while the conservative editorial board of the *Wall Street Journal* wanted open borders.

This nursery-school dialectic accounts for Mr Trump’s greatest triumph with the Method: President Biden’s shocking neglect of illegal immigration until, politically, it was too late. Images of chaos at the border from his first two years in office let Mr Trump do what he couldn’t in 2020—run his 2016 campaign again. Sure, as the press did with Mr Trump, it will trumpet your strongest statements and publish “fact”-checks insisting migrants do not cause crime or lower wages. This will help you. If they are trying to explain the problem away, you are winning, because you got Step 1 right—the problem is real—and Americans know it.

Step 5: Scatter breadcrumbs. Hint that you favour more legal immigration; that as you crack down, you will “have the heart”, as Mr Trump put it. The press will downplay this talk, since it complicates the storyline, but centrists will be reassured, and such signals will preserve an asset Mr Trump prized: wriggle room.

Step 6: This is the fun part. Shortly after you win, claim you have solved much of the problem. Step 2 makes this easy, because the problem was never as bad as you said. A classic demonstration came on December 8th, 2024, when Mr Trump appeared on NBC’s “Meet the Press” and, in his application of TM™, achieved a two-fer: claiming simultaneous success for his tariff and immigration policies without having done anything but make a bit more noise. “Within ten minutes after that phone call,” he said of tariff threats against Canada and Mexico, “we noticed that the people coming across the border, the southern border having to do with Mexico there, was at a trickle. Just a trickle.” One phone call! Ten minutes! A trickle! (Of course—“fact”—check—measures Mexico and Mr Biden finally put in place had reduced illegal crossings below the level during the last months of Mr Trump’s first term.)

Step 7: Set common-sense priorities. As Mr Obama did, focus first on deporting migrants who commit crimes, then on those who arrived most recently. Avoid dividing families or deporting the staff of farmers or Silicon-Valley plutocrats.

Border bazaar

Step 8: Cherish your allies, and your opponents. Astute Democrats played ball. Cynics argue Eric Adams, New York’s mayor, panted to meet with the “border tsar”, Tom Homan, because Mr Adams was angling for a pardon. But he was also struggling with a migrant crisis in a city that was turning Trumpier under his feet. In California, Governor Gavin Newsom, his eye on running for president, asserted right away the complexity that Democrats had struggled to acknowledge, that illegal immigration was a nuanced issue, “not black and white”: state law did not bar co-operation in deporting possible threats to public safety. By contrast, Mayor Brandon Johnson of troubled Chicago was a blessing in another way. Picking fights with him

persuaded Mr Trump's base voters that the mayor was being more aggressive than he actually was.

Step 9: Control your zealots. This is a hazard created by Steps 2 and 3, and Mr Trump struggled with it, along with his own instinct to divide Americans. The most scandalous treatment of migrants resulted from aides taking him literally. Even poor J.D. Vance, with his yen for building intellectual castles atop Mr Trump's ever-shifting politics, had to revise his claims about immigration being responsible for everything that was wrong with America, because winning the popular vote gave Mr Trump a taste of what it might be like to win the approval of most Americans. That's what finally drew him, in 2026, to:

Step 10: Pursue bipartisan immigration reform. ■

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European (g)ratification

Can an agreement with the EU resurrect Mercosur?

A big geopolitical deal

Dec 12, 2024 07:34 PM



Getty Images

IT TOOK A full quarter of a century, but on December 6th, at the second attempt, the European Union (EU) and Mercosur, a bloc based on Brazil and Argentina, finalised the text on a wide-ranging treaty that enshrines trade and political co-operation. Its impact on world trade will be modest. But its geopolitical symbolism is far bigger. With the United States poised to become even more protectionist under Donald Trump, and with China's influence in Latin America large and growing, it marks an effort to strengthen relations between two democratic regions long linked by culture and history. But its ratification by the Europeans is far from certain, since

the continent's influential farmers are fearful of Mercosur's highly efficient agribusinesses.

Talks between the two blocs began back in 1999, at the high tide of free trade and globalisation. But they proceeded desultorily. It took 20 years, the advent of Mr Trump and the rise of China to produce an initial agreement in 2019. But both sides had doubts. Many Europeans objected to the aggressive support of Jair Bolsonaro, Brazil's hard-right president of 2019-23, for farming, ranching and mining in the Amazon rainforest. And at the time leftist Luiz Inácio Lula da Silva (known as Lula), who was then in opposition, and Argentina's government were worried that granting more access to the EU's manufactured exports would only serve to hasten their countries' deindustrialisation.

Over the past 18 months Lula, now back in the presidency, and Ursula von der Leyen, president of the European Commission, sought to conclude the deal. Lula, who this week underwent surgery for a brain haemorrhage, achieved a partial opt-out on government procurement; Brazil's health service will continue to buy mainly from local pharmaceutical firms. The new deal incorporates the Paris agreement on combatting climate change. A new "rebalancing mechanism" allows either side to invoke mediation and possible retaliation if unilateral actions, such as the EU's proposed regulation on deforestation, harm the trade of the other party.

If the commission was prepared to be more flexible than in the past, it is because Russia's invasion of Ukraine and Mr Trump's return have made many European leaders rethink. "For the EU, this is important economically, but [it is] very much a geopolitical decision," says Cecilia Malmström, a former European trade commissioner. "With a possible tariff war coming up, Europe needs friends and allies."

The deal is hardly a free-trade revolution. It will remove tariffs on around 90% of trade in goods between the two sides, but mostly over a period of up to 12 years and in a few cases longer. Agricultural exports from Mercosur will be subject to gradually rising quotas. Nevertheless, the agreement is a big one. Mercosur's core members, which also include Paraguay and Uruguay, have a combined population of 275m people—and a total GDP of \$3trn, making it the EU's biggest economic partner after Japan and Britain.

(Bolivia joined Mercosur this year, but is not party to the agreement). Total trade between the two blocs is close to \$150bn a year.



The Economist

In a study of the 2019 agreement, Brazil's Institute for Applied Economic Research, a government-linked think-tank, reckoned Brazil would make the biggest gains, with another \$6.2bn in farm exports between 2024 and 2040. But European exports of manufactured goods would rise too. And the EU

got Mercosur to recognise the geographical definition of more than 350 products: so no more Argentine “champagne” or Brazilian “gorgonzola”.

Perhaps more important, the agreement may prompt an increase in trade in services and in European investment in Mercosur, says Welber Barral, a former trade secretary for Brazil. “It increases legal security for investors and reinforces it within Mercosur,” he says. In particular, Europe sets store by secure access to critical minerals and raw materials for green energy. Brazil and Argentina are significant sources of copper and lithium, while Brazil also has rare earths. Above all, the agreement provides Europe with a strategy for South America, a region where it remains a major economic partner but has fast lost clout to China.

Lula’s switch from sceptic to champion of the deal reflects his desire for Brazil to retain its autonomy in a world where Mr Trump and China both push countries to take sides. Brazil has been discomfited by China’s drive to expand the BRICS group into an anti-Western front. “Having alternatives is crucial,” says Oliver Stuenkel of Fundação Getulio Vargas, a Brazilian university. “The more Brazil and others in Latin America can work to diversify their strategic partnerships, the better.” The same logic applies on the European side.

The deal may revive Mercosur, a cornerstone of Brazil’s foreign policy since the 1990s. It was close to death. The growth of its members’ exports of commodities to China, the decline of industry as well as political volatility have all reduced the importance the bloc had in the early years after its founding in 1994. Partly because of Brazilian protectionism, Mercosur had previously struck trade deals only with small economies, such as those of Israel, Egypt and Singapore. Uruguay has flirted with striking a bilateral trade deal with China, which would be against Mercosur’s rules. Argentina’s new president, Javier Milei, has threatened to leave. The EU agreement “gives Mercosur a lifeline,” says Mr Stuenkel. “If it goes through, there’s a chance that Milei will stick with it.”

To ease ratification in Europe, the trade part has been duplicated in a separate agreement that requires assent only by the European Council and the European Parliament for it to take effect. The full treaty must be

approved by national parliaments. The council is likely to discuss the deal in the summer.

It is torn between its protectionist instincts and geopolitical calculation. France opposes the trade agreement but may not be able to get the necessary blocking minority of at least four countries totalling 35% of the EU's population. With Germany, Spain and Sweden strongly in favour, the outcome may depend on Poland and Italy. The EU's credibility as an economic partner will be at stake. ■

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Unmasked

Nicaragua's ruling couple tighten their grip

But the president-in-waiting is deeply unpopular

Dec 12, 2024 07:34 PM | MEXICO CITY



AP

MOST AUTOCRATS at least pretend to be in the business of democracy. Until recently that was true of Nicaragua's Daniel Ortega. But in November he ripped off the mask. A comprehensive overhaul of the constitution approved by the National Assembly on November 22nd gave legal status to the reality that Nicaraguans already know: their country is a dictatorship and Rosario Murillo, Mr Ortega's wife, is his chosen successor.

The most important constitutional change was to elevate Ms Murillo, who had been Mr Ortega's vice-president, to "co-president". This simplifies the process of transferring power to her when the 79-year-old Mr Ortega dies

(Ms Murillo, 73, is likely to outlive him). The ruling couple are former Marxist-Leninist guerrillas who helped topple a family-run dictatorship in 1979. Mr Ortega ruled until 1990, when he lost an election. Since his re-election in 2006 he has made sure to install his family in positions of power across the state; the couple's children play key roles.

The constitutional overhaul, which must pass a second, token vote in the National Assembly in January, changes the political model in other ways. Checks and balances, cosmetic as they were, will be removed. The courts and legislature will be mere "organs" of the state, controlled by the presidency. The pair will have tighter control over the army and police; the "voluntary police"—the regime's paramilitary thugs—are now an official body. The couple can further censor the media by prosecuting those they think are spreading "fake news", with a penalty of 15 years in prison.

The rights of Nicaraguans will be hollowed out in myriad other ways. Due process, such as the right to a private conversation with a lawyer, will disappear, says Juan Sebastián Chamorro, an opposition leader now in exile. Anyone the state deems to be a traitor will be stripped of their citizenship. The position of the Catholic church is under threat since religious organisations have to be free from "all foreign control". Banks and other institutions in Nicaragua will be banned from applying international sanctions.

Many of the legal changes enshrine the status quo. Ms Murillo has long been viewed as the power behind the throne, and is believed to be the architect of the fierce repression of recent years. When Nicaraguans took to the streets in 2018 the regime cracked down, killing at least 350 people and imprisoning many more. In 2021 it locked up all seven main opposition candidates (including Mr Chamorro) before the election (which, unsurprisingly, Mr Ortega won). Charities, NGOS, universities and the Catholic church have all been harassed by the regime or shut down.

Why make the changes now? Some speculate that Mr Ortega is ailing. Others reckon he is taking advantage of a world distracted by Donald Trump's win. For all the condemnation from abroad, the ruling couple know they can get away with it, says Dora María Telléz, a historian and former guerrilla. Nicaraguans are cowed. On December 10th President Joe

Biden's administration opened an investigation into Nicaragua's abuses of labour and human rights. But for the most part he has exerted minimal pressure. The United States has imposed sanctions on people linked to the ruling family and excluded the country from favourable tariff regimes, but Nicaragua remains party to the Central American free-trade agreement with the United States. Mr Ortega is hedging his bets through deals with China.

It is not clear what actions Mr Trump might take towards Nicaragua. The death knell of democracy in Nicaragua is unlikely to move him. But his nominated secretary of state, Marco Rubio, the son of Cuban émigrés, has little time for leftist leaders like Mr Ortega. The regime's crackdown has caused many Nicaraguans to flee, adding to the migrant numbers that Mr Trump wants to push down. Fully 13% of the population has left the country since 2019, according to Manuel Orozco of the Inter-American Dialogue, a think-tank in Washington, DC.

Should Mr Rubio come after him, Mr Ortega has a decent hand to play. He has weaponised migration by offering visa-free transit though Managua, the capital city, for migrants that hail from places as diverse as Haiti and India. He could offer to cut that out. But he would also struggle to absorb hundreds of thousands of Nicaraguans if Mr Trump carries out his threat to deport people who entered the United States illegally. And Nicaragua would miss their remittances, which account for almost 30% of GDP.

In time the ruling duo may destabilise Nicaragua all by themselves. The shrinking of the inner circle to the Ortega-Murillo family could backfire if others in the regime feel they no longer have opportunities, notes Ricardo Zúniga, a former US state-department official. Ms Murillo is despised, for being weird (her belief in magic is well documented), vengeful and power-hungry. Yet for now her and her husband's grip is iron-clad. ■

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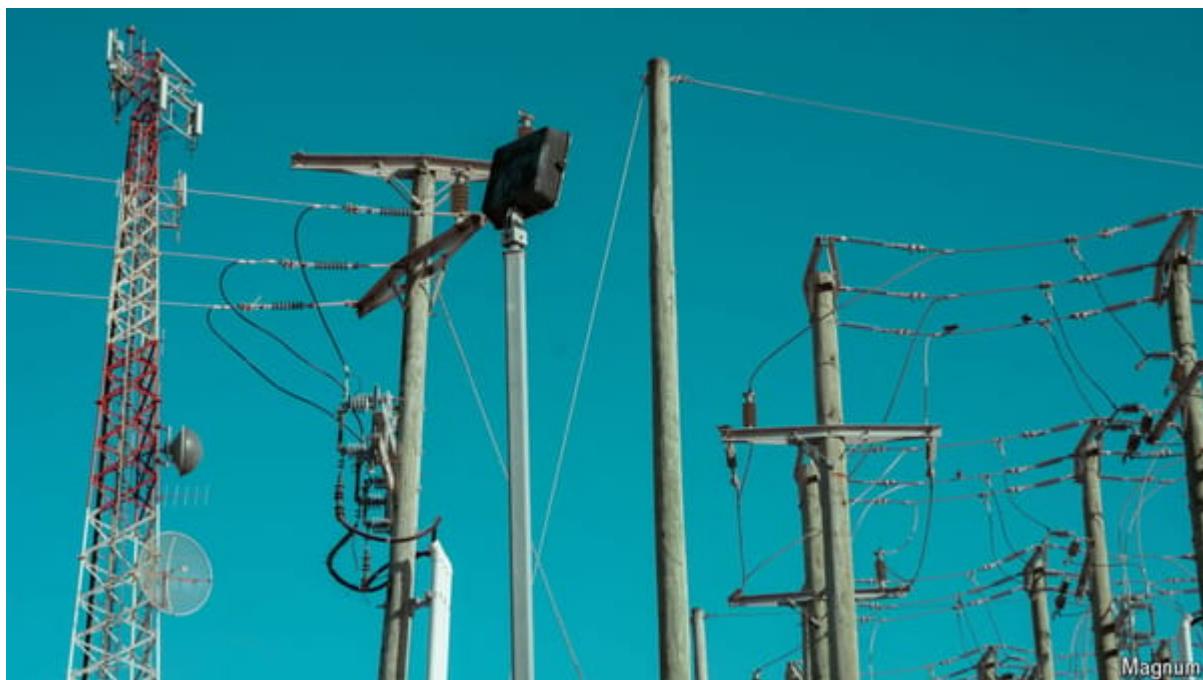
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Energy (in)security

The Caribbean struggles to break its dependence on fossil fuels

But moving to renewables is slow and expensive

Dec 12, 2024 07:34 PM | SANTO DOMINGO



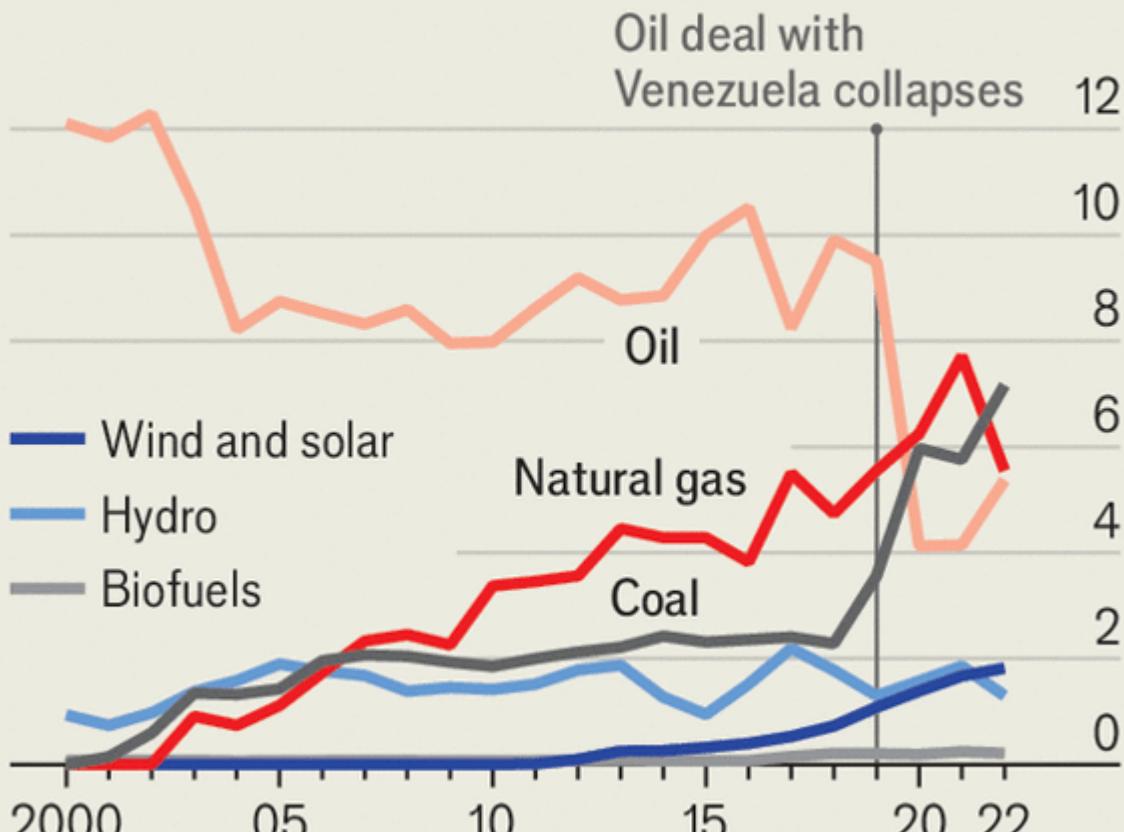
VENEZUELA'S GOVERNMENT is prone to bouts of thuggery. In recent times, desperate for cash, it has resorted to gangsteresque oil debt-collection. “Pay up, you moron,” thundered Diosdado Cabello Cabello, Venezuela’s interior minister, in a fight over \$350m in arrears with Luis Abinader, the president of the Dominican Republic, which relies heavily on fossil fuels (see chart). We are the ones who have the oil, he warned on another occasion. The alleged debt harks back to the days of PetroCaribe, a Venezuelan energy-assistance scheme that once offered cheap loans to Caribbean countries that bought its oil. It went bust in 2019. For Caribbean

governments the spat is yet another stark reminder of the fragility of their energy supplies.

The Caribbean islands are among some of the world's most energy-insecure countries. Fossil fuels account for roughly 90% of the region's electricity generation, and the vast majority of what is needed has to be imported. Barring a couple of energy-rich countries like Trinidad & Tobago and Guyana, the bulk of Caribbean states rely on costly and volatile oil imports. Electricity prices are some of the steepest in the world. Tariffs average \$0.25 per kilowatt-hour (kWh) across the Caribbean, more than double the rate in the United States. On the Dutch island of Curaçao, a small colonial-era vestige, consumers can pay up to a whopping \$0.40 per kWh. Power outages are common, courtesy of old and poorly maintained grids and the mounting disruptions of climate change. Last week Cuba suffered its third nationwide blackout in just two months, plunging millions into darkness for hours.

Crude substitute

Dominican Republic, electricity generation by source, '000 GWh



Source: IEA

The Economist

Power cuts and high costs are a drag on growth, argues Wazim Mowla, a fellow at the Caribbean Initiative at the Atlantic Council, a think-tank. Take tourism as an example. Although the industry accounts for a big chunk of the region's GDP, its beach resorts consume a lot of energy, mostly for air-conditioning and lighting. Irritating power cuts and pricey rooms can push holidaymakers to look elsewhere. One working paper published by the IMF found that a 10% increase in oil prices reduced real GDP growth by 0.5

percentage points over half a decade in the Caribbean's most tourism-dependent economies.

For islands bathed in sun, littered with volcanic rocks and battered by strong winds, the answer seems obvious: to harness cheap, renewable energy. In Belize renewables now account for 80% of electricity generation, mostly in the form of hydropower and biomass. Commissioned in 2018, Montecristi in the Dominican Republic has become the region's largest solar park, brimming with some 215,000 photovoltaic modules. Dominica is busy drilling geothermal wells. But elsewhere progress is slow. Figures from the International Renewable Energy Agency show that the Caribbean doubled its installed capacity of renewable power to 4,558 megawatts in the decade to 2021. That might sound impressive, but it is roughly equivalent to the power generated by a single large hydroelectric dam.

Several barriers hamper the region's energy transition. One is scale. Its islands are small and isolated, with limited space for big solar or wind farms, points out Mr Mowla. Its electricity grids are similarly puny and its energy markets lack integration. Two projects that might help, a Caribbean gas pipeline led by Trinidad & Tobago and a regional electricity grid, have been bogged down by regulatory and financial snafus. Add the region's vulnerability to natural disasters to the mix and it is easy to see why investors are skittish.

Therein lies the bigger issue: financing. Estimates put the upfront costs for the Caribbean's energy transition at \$5bn-7bn. But its governments have little fiscal room. During the go-go years of cheap Venezuelan oil, many doubled down on oil-dependent infrastructure and racked up big debts. Considered "middle-income", Caribbean countries are usually shut out of concessional funding reserved for poor countries. Private investment, deterred by small-bore and ad hoc projects, has been slow to materialise. Sclerotic utility companies, meanwhile, face little competition or incentive to innovate.

There are some bright spots. A slew of initiatives have cropped up in recent years to relieve those pressures. A climate pact launched by the United States aims to improve Caribbean access to international finance. The World Bank announced \$500m in assistance to Caribbean governments for

renewable-energy projects last year. But those governments could do more to loosen regulations and improve their administrative capacity. They have every reason to do so: cheap and plentiful energy would be a boon to the region—and keep the debt-collectors off their backs. ■

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The coup that crashed

South Korea's unrepentant president is on the brink

His attempt to impose martial law has triggered a constitutional crisis

Dec 12, 2024 07:34 PM | SEOUL



Getty Images

“SEOUL’S SPRING”, the highest-grossing South Korean film of 2023, tells the story of how Chun Doo-hwan, a military dictator, seized power more than 40 years ago. It is supposed to be an edifying historical drama, a reminder of the horrors the country endured under martial law and of how far it has come in the decades since. Instead, on December 3rd, Yoon Suk Yeol, the current president, staged a real-life sequel by [imposing martial law](#) for the first time since Chun’s era. The film has shot back to the top of streaming platforms in South Korea. Mr Yoon, however, has crash landed. After quickly backtracking on the declaration of martial law, he now faces imminent [impeachment](#) or even arrest.

Mr Yoon has been defiant since his failed self-coup. He survived an impeachment vote in the National Assembly on December 7th, thanks to a boycott by his People's Power Party (PPP). The party then proposed an "orderly" transition of power. But the dubious legality of this arrangement caused a constitutional crisis. By law, Mr Yoon remained in charge of the country and the commander-in-chief. In political and moral terms he had lost all authority.

The president underscored his unfitness for office with a raving address on December 12th, the 45th anniversary of Chun's coup. He accused the opposition of seeking to turn South Korea into a "paradise" for foreign spies and a "drug den" overrun by "gangsters". He railed against a "parliamentary dictatorship" that thwarted his agenda and promised to "fight until the end". The speech came shortly after Han Dong-hoon, the head of the PPP, had changed tack and called for immediate impeachment. The Democratic Party (DP), the main opposition, will hold a vote on a second impeachment motion on December 14th. Only eight PPP members need to break ranks for it to pass.

Pressure from the streets is also building. Protest movements have been a powerful force in the country's history, from the democratisation process in the late 1980s to the impeachment of a former president, Park Geun-hye, in 2016-17. Tens of thousands gathered on December 7th. Smaller rallies have since persisted. The mood is carnivalesque, with music, dancing and vendors selling lighting sticks intended for K-pop concerts that have been plastered with anti-Yoon slogans. But the protests are fuelled by real fury. "I'm too old to be doing this in the cold, but I'm just so angry," says Park Ju-yeon, a 62-year-old pensioner from Seoul who promises to continue until Mr Yoon is gone.

The picture of the fateful night of the coup has become only more disturbing as details have emerged. Troops were dispatched not only to the National Assembly, but also to the national election commission. Mr Yoon says this was to gather evidence of purported North Korean hacking (which he implies led to his party's defeat in general elections in April). The president ordered the arrests of leading politicians, including Lee Jae-myung, the head of the DP, and even Mr Han. As farcical as the affair now

seems, the intent was all too serious. One special-forces commander testified that Mr Yoon personally called him during the operation and ordered him to “break down the doors” and “drag out” the lawmakers inside.

Only a small cabal, many of whom graduated from the same high school as the president, knew of the plot in advance. Rhee Chang-yong, the governor of the Bank of Korea, was among many senior officials who learned of the impending martial law only when he saw Mr Yoon on television. The declaration was so unlikely that “I initially thought the video was a deepfake and that the television station had been hacked,” says Mr Rhee.

In retrospect, signs of Mr Yoon’s intentions had been visible. In recent months he had moved loyalists into key positions in the defence ministry and intelligence services. Opposition leaders had been warning of the possibility of martial law since August. Mr Yoon’s defence minister, Kim Yong-hyun, dismissed the idea as fearmongering during his confirmation hearings. He ended up being the first official arrested in connection with the plot; he attempted suicide while in custody.

Mr Yoon’s justification for his rash act is unlikely to convince many. Mr Rhee calls the move an “unnecessary and unimaginable mistake” and an “embarrassment”. Other current and former officials, politicians and diplomats use even starker language: shameful, stupid, crazy, surreal, unthinkable, outrageous, psychotic.

Liable to be a laughing-stock

The consequences will be far-reaching. Mr Yoon positioned his country as a democratic bulwark, even co-hosting, with America, a “Summit for Democracy” in Seoul this year. He promoted the idea of South Korea as a “global pivotal state”. He has instead made it look ridiculous.

American officials insist that their alliance with South Korea remains “ironclad”. Yet trust in it may suffer, especially since America had no advance notice, despite having nearly 30,000 troops stationed there. South Korea will also be in a worse position to manage Donald Trump, America’s

president-elect. A longtime sceptic of the alliance, Mr Trump discussed withdrawing American troops from the Korean peninsula during his first term. South Korea's best hope of changing his views was for its leader to forge a personal bond, but there is likely to be a leadership vacuum in Seoul when he is inaugurated.

The political crisis may well drag on for months. If the National Assembly approves a motion to impeach, the president will be suspended, with power passing to the prime minister in the interim. The constitutional court then must issue a final ruling within 180 days. The court has just six of its nine seats filled (three justices retired in October). While only six votes are needed to convict, in normal circumstances seven would be required for a quorum. It is a matter of debate whether the court could issue a verdict in its current state.

Prosecutors may get to the president even sooner. South Korean law makes treason an exception to presidential immunity. The National Assembly voted on December 10th to empower a special counsel. Investigators have already put Mr Yoon on a no-fly list and moved to search his office.

Mr Lee, the DP's presumptive presidential candidate, faces his own legal problems, having been convicted of lying to investigators. (He calls the charges politically motivated.) The PPP hopes that his conviction will be upheld on appeal before the next election, barring him from running. A second constitutional crisis looms if he tries to stand regardless.

Any DP candidate will be favoured to win the new elections. If they do, foreign policy will be an area of "dramatic change", reckons Kim Sook, a former ambassador. Those changes will probably frustrate Western governments that welcomed Mr Yoon's alignment with America, Japan and Europe. The DP may bid for more engagement with North Korea, which has been happy to sit back and watch Mr Yoon's antics. The relationship with Japan will face friction. DP leaders are also loth to aid Ukraine or Taiwan.

The impact on South Korea's economy will probably be more muted. "There is a mechanism for economic issues to be dealt with irrespective of political issues," says Mr Rhee. Mr Yoon's finance minister has agreed to

take part in a consultative body for emergency economic policymaking alongside the DP. Daily life has continued without interruption since the abortive martial-law attempt. Acute turbulence on financial markets proved short-lived. But prolonged political uncertainty will make it harder to tackle longer-term economic challenges. A DP president will want to implement labour-friendly policies, while corporate-governance reforms that Mr Yoon promoted may stall.

For all the turmoil, the incident has also highlighted the evolution and resilience of South Korea's democracy. During Chun's rule, Ms Park, the pensioner, and her husband, Hyeong-Bae, were too afraid to protest. Previous periods of upheaval, including the massacre of protesters by Chun's forces in Gwangju in 1980, helped strengthen South Koreans' dedication to democracy. "I hope this will be another of those episodes that feeds into that process," says Mr Park. The film version, when it inevitably gets made, will write itself. ■

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Miracle or mirage?

Bangladesh's economic progress may have been hyped

A new report highlights the challenges facing Muhammad Yunus's interim government

Dec 12, 2024 07:34 PM | SINGAPORE



Getty Images

FOR YEARS Bangladesh was hailed as an economic miracle. Sheikh Hasina, who ruled it autocratically from 2009 until August this year, insisted she was the brains behind the growth. Official statistics gave these claims legitimacy: in the decade before the pandemic the economy grew by 7% annually, a rate comparable with China's. Yet this narrative has now been upended. A student-led uprising has toppled Sheikh Hasina. And a new white paper, published earlier this month, has shredded her economic legacy.

The report concludes that Bangladesh's development story has been "hyped up" and that it is underpinned by "cooked-up" GDP figures. The 385-page study was written by a committee of experts whom the interim government (led by Muhammad Yunus, a microcredit pioneer) tasked with examining all aspects of Bangladesh's economy. Using work from the World Bank that measures economic activity by examining the intensity of lights at night-time, the report calculates new estimates for growth. It finds that the real rate of expansion in 2018-19 may have been around 3%, not the roughly 7% claimed by official statistics. The report accuses politicians of manipulating GDP estimates for "domestic and external propaganda".

The most egregious findings, however, concern corruption. The report estimates that between 2009 and 2023 around \$234bn was siphoned out of Bangladesh. On an annual basis, that amounts to roughly 3.4% of GDP today. These "illicit financial outflows" include money earned from different activities, ranging from stockmarket scams to drug-trafficking. According to the report, much of the graft came from big infrastructure projects. It claims politicians, bureaucrats, businessmen and "wheeler-dealers of different types" were involved.

Tales of corruption are not new to Bangladesh. But never before has it been so widespread and pervasive, says Debapriya Bhattacharya, head of the committee that wrote the white paper. Years of deep political dysfunction have allowed the scourge to take root, he says.

All this makes fixing things tricky—especially as the interim government is relying on the help of the very officials who were part of the previous regime to implement its planned reforms. The report's prescriptions include setting up independent statistical and economic commissions.

But there are many more urgent things to do. Inflation is running high and investment has collapsed due to months of political uncertainty. On December 11th the Asian Development Bank slashed its growth forecast for the country. The World Bank has said that half of all non-poor rural households are at risk of falling back into poverty. If Bangladesh corrects all this while rebuilding its institutions, that would be the real miracle. ■

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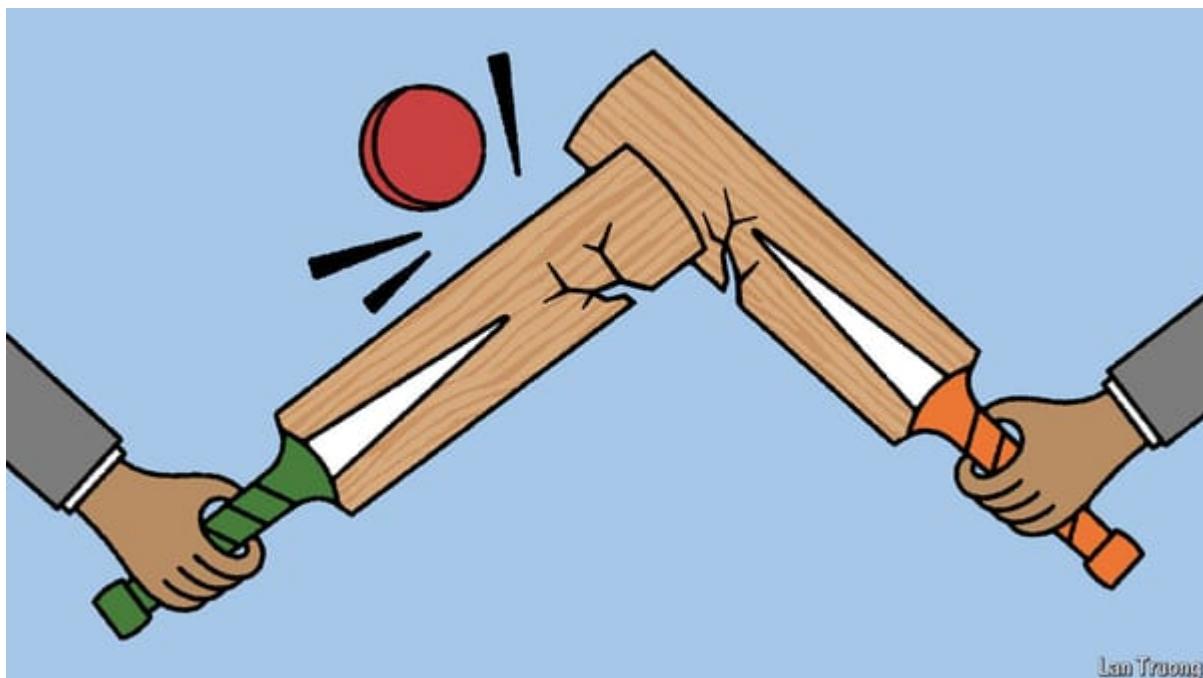
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Banyan

India wields cricket as a geopolitical tool against Pakistan

A spat over a big tournament highlights how bad relations have got

Dec 12, 2024 07:34 PM



SUBRAHMANYAM JAISHANKAR, India's foreign minister, believes that diplomacy is like cricket. Speaking at an event in November, he claimed that both pursuits feature multiple players, changing conditions and intense competition, which requires out-thinking "the other team". Mr Jaishankar may have been talking metaphorically, but cricket is taking on literal meaning in Indian foreign policy. The country's biggest passion is now an active diplomatic tool—especially with Pakistan.

Over the past month, the neighbours have sparred over the Champions Trophy, a big international tournament to be hosted by Pakistan in February

2025. India's government refused to send its team to Pakistan. The decision has infuriated Pakistan. To aggravate its neighbours, it threatened to take the tournament's trophy on a tour of the country, including the parts of the region of Kashmir that India claims Pakistan is illegally occupying. It backed down after the International Cricket Council (ICC) intervened. The game's global governing body is now planning to run a "hybrid model" for the tournament, allowing India to play in a neutral venue while other teams play in Pakistan.

The sticky wicket is hardly surprising. The Indian team has refused to travel to Pakistan since 2008, a stance it has taken because of a terrorist attack in Mumbai that Indian officials believe Pakistan abetted. Pakistani players were also barred from participating in the Indian Premier League (IPL).

This reflects a broader deterioration in relations. Since the Bharatiya Janata Party (BJP) came to power in 2014, India has taken a more muscular stance towards Kashmir, the sore point in the relationship. Ties worsened after several terrorist attacks in the region, which India accused Pakistan of orchestrating, and then collapsed in 2019, when India revoked the territory's decades-long special constitutional status. That move gave India's federal government greater control over India-administered Kashmir and enraged Pakistan. Since then, bilateral trade has all but ceased. Between April and August this year, India imported nothing from its neighbour, while exporting \$235m, around 0.1% of total exports.

Cricket once played a conciliatory role between the two countries. In 1987 and 1996 officials from India and Pakistan worked together to jointly host the World Cup, the biggest event in the sport. In 1999 the Pakistan team travelled to India. In 2004 India reciprocated. Off the field, the tours were accompanied by bilateral summits. And in the stadiums, fans in both countries greeted the opposition warmly. Some even hoped that "cricket diplomacy" could replicate the success of "ping-pong diplomacy", when a series of table-tennis games helped thaw America-China relations in the 1970s.

That now seems unthinkable. Politics in India is much more nationalistic and cricket much more politicised. In 1999 and 2004, Atal Bihari Vajpayee, the BJP prime minister at that time, dismissed protests from Hindu

nationalists about engaging with Pakistan. Narendra Modi, the current prime minister, however, has taken a more combative stance. His party also enjoys far more power over Indian cricket. The de facto national stadium is the Narendra Modi Stadium and several members of the Board of Control for Cricket in India (BCCI), the governing body, have links to the BJP. Until November, the BCCI was run by Jay Shah, the son of Amit Shah, the home minister and Mr Modi's right-hand man.

Last week the younger Mr Shah was elevated to manage the game globally at the ICC. The fear among many non-Indian cricket fans is that he will use his new job to further promote India's interests: by pushing through the "hybrid model" for the upcoming Champions Trophy, for example. Under his watch, the BCCI took a hostile attitude towards Pakistan, mirroring the Indian government's stance. Conversely, like the government, the BCCI has been more receptive to Afghanistan. It has helped finance the game's development there. Afghan cricketers are welcome to play in the IPL.

It is unclear if such policies will help India achieve its goals for its relations with Pakistan, which include engaging in bilateral dialogue and eliminating cross-border violence. So far they have not. But more than foreign policy, India's cricketing stance may be influenced by domestic politics. Many Indians delight in the BJP's aggressive approach. According to a survey by Pew Research, in 2023 around 70% of Indians said they held an unfavourable opinion of Pakistan.■

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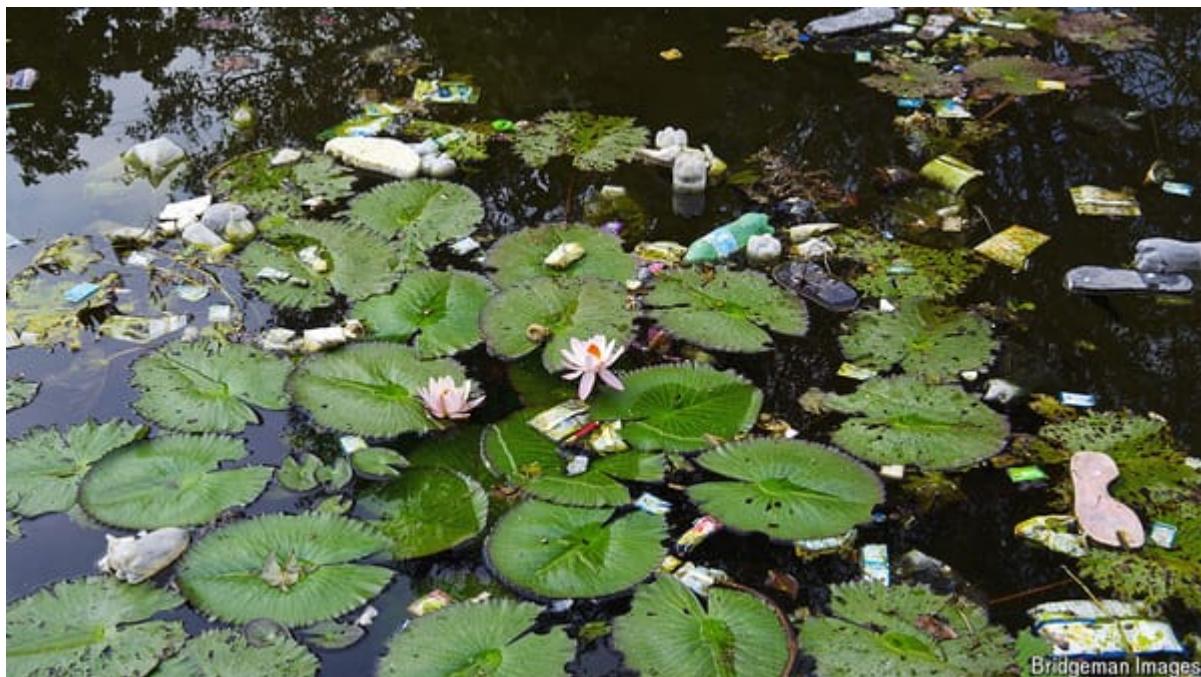
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Rubbish story

How to clean up India's filthy cities

As the country gets richer it consumes more—and throws away more, too

Dec 12, 2024 07:34 PM | PANJIM



Bridgeman Images

PANJIM, THE capital of the Indian state of Goa, is known for its pretty churches and Indo-Portuguese homes. But 20 years ago it looked like any other Indian city: filthy. Some 1,500 community waste-collection bins overflowed with mixed rubbish. Their contents were dumped beside a nearby village, growing into a mountain of garbage. Eventually, in the monsoon of 2005, the trash-heap collapsed, sending refuse into homes. Revolted, villages revolted; the site was closed. City officials looked for another site but no one would take their waste.

Panjim today is a very different place. The city replaced its system of bins with door-to-door collection. Blocks of flats must segregate their rubbish into wet (mostly, food) waste used for compost and biogas, and 16

categories of dry, including one just for coconuts. (Goans consume five to eight coconuts per person each month; the national average is less than one.) The state has a no-landfill policy.

It took time, political will, carrots and sticks, but by 2021 99% of the waste collected in Panjim was segregated at source, 80% was processed and 90% of streets efficiently swept, according to a report by NITI Aayog, a government think-tank, and the Centre for Science and Environment (CSE), another think-tank in Delhi. A system born of crisis is today cited as an example of “best practices” for other cities to follow.

Yet these models remain isolated bright spots. Much of India is covered under a shroud of plastic bags, snack packets, drink bottles and organic and human waste. A fifth of the population has no waste collection. Piles of garbage fester at street corners and along main roads and railway tracks. The problem is becoming more urgent: urban India generated some 50m tonnes of municipal solid waste in 2021. That is likely to jump to 125m tonnes by 2031, according to CSE. “We have achieved rocket science but we are not able to achieve [a] three-bin system,” laments Shobha Raghavan of Saahas Zero Waste, a waste-management firm.

As the quantity of rubbish grows, its nature and harms are changing too. Most of India’s waste used to be organic. Now the share of non-biodegradable waste is climbing. India today has more consumer goods, and more people with more money to spend on those goods. The growth of e-commerce and food-delivery apps has led to a rising tide of packaging.

Rubbish is not just malodorous and unsightly. In cities it spreads disease and attracts vermin. In the countryside it contaminates the soil and pollutes water sources. And in many places without organised collection and processing, waste is simply burnt—or, in methane-emitting landfills, spontaneously combusts—exacerbating India’s air-pollution crisis.

Under Narendra Modi, the prime minister, India has prioritised cleanliness. In 2016 the government framed national rules for the management of solid waste, which among other things mandated waste segregation. In late 2021 Mr Modi launched a new iteration of his government’s flagship “Swachh Bharat Mission”, or “Clean India Mission”, which until then had mostly

focused, with some success, on building toilets and eradicating open defecation. The newer programme's goal is to make all Indian cities garbage-free. The central government has earmarked 365bn rupees (\$4.3bn) for the effort.

A rising tide of packaging

The way to fix India's rubbish crisis is difficult but it is not complicated. The most important element is waste-sorting by homes, offices and shops. Cities should start with modest aims, asking for wet and dry segregation, before adding categories for recyclables and sanitary waste. Simple nudges, such as collecting different types of waste on different days, can help. Efforts to educate citizens and incentivise compliance must be consistent, too.

All this requires political will. Goa was fortunate: its efforts to clean up have been supported by leaders of various political stripes. "Now for Goa, this is irreversible," says Sanjit Rodrigues, an official who has spearheaded the state's waste-management overhaul.

But elsewhere in India "there is no political ownership of the agenda," says Srikanth Viswanathan of Janaagraha, an NGO. Elected officials in cities have limited power. At the level of states, politicians have little interest in something as unsexy as waste management. "I have not seen a single politician win or lose an election on the issue of garbage and sanitation," says Ankur Bisen, the author of "Wasted", a book about sanitation in India.

India's biggest cities are the worst laggards. Mumbai mandated waste segregation in 2016. Today only about a quarter of its wet waste is properly sorted, says Mahendra Ananthula at Antony Waste, a firm that handles much of the city's rubbish. For an extremely dense city, with about half its population living in slums, "that's not a bad achievement," he says. But nor is it something to boast about.

Instead, it is smaller cities that are leading the way on waste management. They face less interference from state leaders and there is less resistance from politicians to giving them some autonomy. They "still have the ability

to do better governance and are able to do this faster and better,” says Sunita Narain, the head of CSE. Panjim and many other small cities have proved it is possible to clean up India. Until Mumbaikars and Bangaloreans demand better, they can only look on in envy.■

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China and America

MAGA with Chinese characteristics

Why many in China cheer for Donald Trump, despite his tariffs and team of hawks

Dec 12, 2024 07:34 PM | BEIJING



THE INTERNET in China is not a friendly place for admirers of anything American. Fire-breathing nationalists, helped by censors who are quick to stamp out liberal views, rule the roost. Yet as China digests the implications of Donald Trump's re-election as president, including his threat of [huge tariffs on Chinese goods](#), many netizens see in him something to like. In their own world of economic anxiety and yawning social divides, strands of the MAGA movement seem familiar. [China's nationalists](#) can be surprisingly Trumpian. Some of them are even pro-Trump.

To be sure, many of those who cheer for Mr Trump do so out of contempt for America. They share clips of his moments of buffoonery and sneer at his nominations for cabinet posts—don't they prove what a sham democracy is, with jobs so flagrantly doled out to loyalists regardless of their suitability? The nationalists relish the thought that Mr Trump might weaken American support for Taiwan or end military aid for Ukraine. They refer to him by a nickname: Chuan Jianguo, meaning “Trump the Nation Builder”. It is supposed to be ironic—they mean he is making China stronger by undermining America.

But China's nationalists also genuinely admire aspects of Mr Trump. They like his strongman image and the conservative social views he professes. “There are many lessons to be learned by our government departments about Trump's coming to power,” wrote a doctor, Ning Fanggang, who has nearly 1.6m followers on the microblogging site Weibo and supports attacking Taiwan as well as condemning LGBT activism. “The most important takeaway is this: loud voices do not necessarily represent the true will of the people,” he said, referring to Democrats' backing for LGBT rights. “Trump's election revealed that the vast majority of ordinary people were opposed to those ideas deep down.”

In recent weeks Chinese nationalists have expressed outrage at a video showing Jin Xing, a transgender celebrity, raising a rainbow flag at a performance (Ms Jin was once a male colonel in a Chinese army dance troupe). They have also applauded Mr Trump's campaign speeches on trans issues. A Weibo user with more than 700,000 followers posted a clip of one of them, in which Mr Trump pledged to “defeat the toxic poison of gender ideology”. Ms Jin and people like her, said the blogger, “must be hopping mad with rage”. Commenters agreed. “This is why I don't want Trump to win,” said one. “Only Harris can make America even worse.”

Many of the nationalists brush off Mr Trump's talk of imposing tariffs of 60% on Chinese goods. One of them is Ren Yi, a Harvard-educated princeling (as descendants of powerful politicians are known). Mr Ren goes by the name “Chairman Rabbit” on social media (his Weibo followers number more than 1.8m). He tells *The Economist* that Mr Trump's instincts are not necessarily anti-China.

For example, he notes, the president-elect has suggested that he would reverse a ban on TikTok, a Chinese-owned video-sharing app, and invite Chinese carmakers to do business in America. The tariff talk is just a tactic, Mr Ren believes: Mr Trump might change his mind if Chinese companies invest in America. Mr Ren and other nationalists see promise in Mr Trump's close associate, Elon Musk, whose car firm, Tesla, makes more than half of its vehicles in China. Some of Mr Trump's picks for government posts may be China hawks, but others, like Mr Musk, seem to be "much more open" to China, Mr Ren says.

A particularly vocal group of nationalists is known as *xiaofenhong*, or "little pinks". These young, fiercely patriotic netizens are not the kind of people who, in America, would be thought of as typical Trump supporters. Chinese academics say the pinks are often well educated and urban. The original little pinks were mainly young women, though the group is now more diverse. As with MAGA types in America, the main targets of their discontent are liberals at home, such as Ms Jin.

Public opinion in China is polarised. Culture wars rage, just as they do in America. Some nationalists share the misogynist worldview of young men in the West known as "incels" (involuntary celibates), who blame their inability to form sexual relationships on supposedly over-empowered and picky women. In China, such people sometimes self-deprecatingly call themselves *diaosi*, which literally means "dick hair". They do endless battle online with China's equally fiery feminists.

Cyber-liberals point out the irony of their opponents' pro-Trump views. "Some so-called 'little pinks' and patriotic bloggers on Weibo spend their days opposing feminism and LGBT rights, demonising the left, and end up idolising one extreme anti-China, deranged right-winger after another," wrote a Weibo user who has more than 390,000 followers after Mr Trump's victory.

Pro-Trump sentiment, however, will not persuade China's leader, Xi Jinping, to be better disposed towards America's next president. Mr Xi shares the nationalists' views on social values. And he would doubtless love it if Mr Trump were to prove as transactional on Taiwan, and as unsympathetic to Ukraine, as his supporters in China hope he will be.

But Mr Xi is surely anxious about Mr Trump's return. It will make China's relationship with America more unpredictable. It could also—if Mr Trump's threatened tariffs do indeed materialise—further damage China's struggling economy. America's election may even have reminded the stability-obsessed Mr Xi of something the little pinks may be wary of saying out loud: citizens embittered by economic malaise can turn against elites. ■

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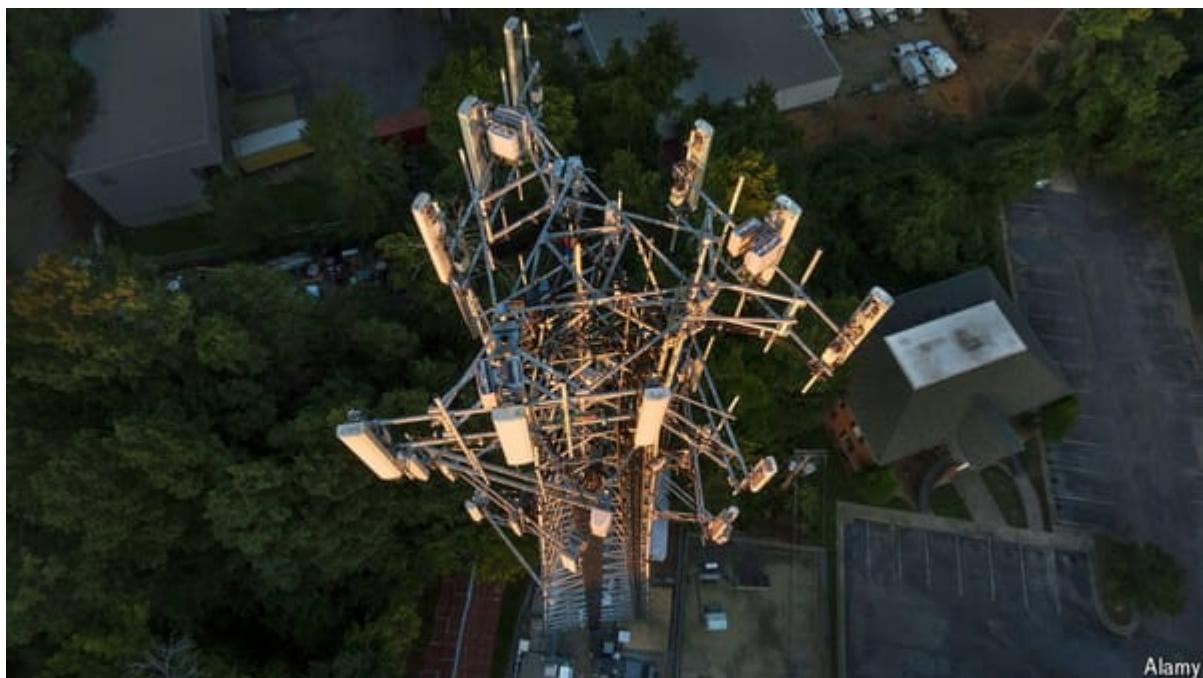
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Intruder alert!

Chinese hackers are deep inside America's telecoms networks

Rooting them out is proving a challenge

Dec 12, 2024 07:34 PM | WASHINGTON, DC



Alamy

NEWS OF THE hack began trickling out in September, but the American government waited weeks to confirm the reports. Only this month did it begin briefing members of Congress and the media. Officials say a Chinese hacking group dubbed Salt Typhoon compromised at least eight of America's telecoms networks. The intruders stole the call-record metadata of a "large number" of Americans. They gained access to the wiretap requests of security agencies—meaning they could work out if any Chinese spies or agents were under American surveillance. And they targeted phones used by officials and politicians, reportedly including Donald Trump, J.D.

Vance and members of the Biden administration and the Harris-Walz campaign.

Mark Warner, the chairman of the Senate Intelligence Committee, has called it the “worst telecom hack in our nation’s history—by far”. After receiving a briefing from intelligence agencies, Brendan Carr, the incoming chair of the Federal Communications Commission, said: “It made me want to basically smash my phone.” The hackers remain inside the networks. American officials are struggling to understand how deeply they have penetrated. The government does not know when it will be able to root them out.

The work of Salt Typhoon is the latest demonstration of China’s hacking capabilities. In 2023 American officials discovered that intruders from another Chinese group, Volt Typhoon, were lurking inside networks attached to America’s critical infrastructure. (“Typhoons” are a naming convention used by Microsoft, a tech giant, for China-affiliated hacking groups. Russian groups are called “blizzards”, Iranian groups are “sandstorms”.) The Chinese weren’t disrupting anything, just checking in every six months to ensure they still had access. They had been doing this for five years before the hack was discovered.

The discovery of the Volt Typhoon intrusions was the first time American officials were able to find Chinese hackers “preparing for conflict on our networks”, says Brandon Wales, the former executive director of America’s Cybersecurity and Infrastructure Security Agency. Since then American officials have been sounding the alarm. China was called the “most active and persistent” cyber-menace in this year’s threat assessment by the American intelligence community. Christopher Wray, the outgoing FBI director, has said that even if every one of his cyber-agents and intelligence analysts worked exclusively on China, they would still be outnumbered by China’s hackers “by at least 50 to 1”.

China’s prowess at hacking is the result of more than a decade of investment by the government. The push under Xi Jinping, China’s leader, was motivated by a sense of threat, says Dakota Cary of the Atlantic Council, a think-tank. Mr Xi came to power in 2012, shortly after China discovered and executed more than a dozen of the CIA’s informants in the

country. Then, in 2013, Edward Snowden revealed that America had been hacking hundreds of targets in China. In response, Mr Xi established a new agency and a Communist Party committee focused on cyber-security. The state certified some Chinese universities as “world-class cyber-security schools” and China’s top intelligence agency started sponsoring hacking competitions. (A recent report by Chinese universities said that the country is producing 30,000 new cyber-security experts each year.) The Ministry of Public Security has also made it harder for Chinese experts to share with the public vulnerabilities they discover in commonly used tech. These are now reported to the government.

China denies that it is behind the recent hacks in America. Officials in Washington aren’t having it. On December 4th security agencies in America issued a joint statement with those of Australia, Canada and New Zealand on how to strengthen telecoms networks against the Salt Typhoon hack. New defences are needed. China is just beginning to reap the benefits of its decade-long investment in cyber-activities, says Mr Cary. “We’re just getting to the part where their hackers are really good.” More typhoons are coming. ■

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Language lessons

Why China is losing interest in English

Learning the world's lingua franca is no longer a priority for students or businessmen

Dec 12, 2024 07:34 PM | BEIJING



Getty Images

IN PREPARATION FOR the summer Olympics in 2008, the authorities in Beijing, the host city and China's capital, launched a campaign to teach English to residents likely to come in contact with foreign visitors. Police, transit workers and hotel staff were among those targeted. One aim was to have 80% of taxi drivers achieve a basic level of competency.

Today, though, any foreigner visiting Beijing will notice that rather few people are able to speak English well. The 80% target proved a fantasy: most drivers still speak nothing but Chinese. Even the public-facing staff at

the city's main international airport struggle to communicate with foreigners. Immigration officers often resort to computer-translation systems.

For much of the 40 years since China began opening up to the world, “English fever” was a common catchphrase. People were eager to learn foreign languages, English most of all. Many hoped the skill would lead to jobs with international firms. Others wanted to do business with foreign companies. Some dreamed of moving abroad. But enthusiasm for learning English has waned in recent years.

According to one ranking, by EF Education First, an international language-training firm, China ranks 91st among 116 countries and regions in terms of English proficiency. Just four years ago it ranked 38th out of 100. Over that time its rating has slipped from “moderate” to “low” proficiency. Some in China question the accuracy of the EF index. But others note that this apparent trend is happening when China is also growing more insular.

During the covid-19 pandemic, for example, China shut its borders. Officials and businessmen, let alone ordinary citizens, made few trips abroad. Long after the rest of the world began opening up, China remained closed. At the same time, China’s relations with the world’s biggest English-speaking countries soured. Trade wars and diplomatic tiffs strained its ties with America, Australia, Britain and Canada.

The mood is such that legislators and school administrators have tried to limit the amount of time devoted to the study of English, and to reduce the weight given to it on China’s all-important university-entrance exams. In 2022 a lawmaker proposed de-emphasising the language in order to boost the teaching of traditional Chinese subjects. The education ministry demurred. But a professor at one of China’s elite universities says many students consider English less important than it used to be and are less interested in learning it.

As China’s economy slows, people have become more cautious and inward-looking. Today fewer Chinese are travelling abroad than before the pandemic. Young people are less keen on jobs requiring English, choosing instead to pursue dull but secure work in the public sector.

Then there are translation apps, which are improving at a rapid pace and becoming more ubiquitous. The tools may be having an effect outside China, too. The EF rankings show that tech-savvy Japan and South Korea have also been losing ground when it comes to English proficiency. Why spend time learning a new language when your phone is already fluent in it?

■

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Too much drama

China cracks down on Karate-chopping cleaning ladies

The government doesn't want people to be excessively entertained

Dec 12, 2024 07:34 PM | BEIJING



“HOW DID this cleaning lady steal everything from me? I’ll kill her!” yells the villainous Miss Wang in “Cleaning Mom, the Return of the Infinite”, a soap opera released in October. In the finale, the titular heroine knocks Miss Wang out with a karate chop and then (spoiler alert) marries a millionaire who is young enough to be her son. So ends a storyline featuring multiple betrayals and knife attacks. It unfolds at a frenzied pace over 36 two-minute episodes.

Micro-dramas, as this type of entertainment is known, are wildly popular in China. They are typically made on shoestring budgets. Yet some have been

watched over a billion times, according to Kuaishou, a mobile-phone app which streams them. The first few episodes of a micro-drama are usually free. Viewers then have to pay or watch adverts to unlock the rest. Between 2021 and 2023 the market for micro-dramas grew ten-fold, to 37.4bn yuan (\$5.3bn). It could be worth 100bn yuan by 2027, projects iiMedia Research, a data provider.

The Chinese authorities, though, think some micro-dramas are sending the wrong message. Officials dislike a popular trope where someone of humble background marries into wealth and power. Such fantasies are at odds with Communist Party ideology, which extols grit. China's leader, Xi Jinping, has said happiness is earned through struggle. On November 22nd China's regulators released a notice banning micro-dramas that use this trope or otherwise depict "people getting something for nothing". Such shows "deviate from mainstream values" and are often "excessively entertaining", the notice said.

Micro-dramas should instead focus on wholesome themes, such as the value of hard work and communities living in harmony, say regulators. China's state-run media have picked out a show called "The Story of Suzhou" for praise. It follows a group of young people working to protect the cultural heritage of Suzhou, a city in the east. "Is it necessary to redesign the traffic system in the old town?" asks a character at one point. The show is not excessively entertaining.

A few rags-to-riches micro-dramas, including "Cleaning Mom", have already been removed from streaming platforms by censors. But the industry will probably figure out a way to skirt the regulations, says a script-writer. Show titles could be tweaked, for instance, to make them sound more grounded, and plots could be toned down. The demand for schlockier fare does not seem to be diminishing. Some Chinese on Weibo, a social-media platform, have criticised the new rules. "Life is hard enough already," said one. "Do you want me to watch miserable TV dramas too?" ■

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Tremors of earthquakes to come

Protests have shut down Mozambique

The aftermath of a rigged election is threatening a social revolt

Dec 12, 2024 07:34 PM | Maputo



FALLEN ELECTRICITY poles, burnt tyres and scattered stones lie in the narrow streets of Maxaquene, a neighbourhood in Maputo, the capital of Mozambique. They tell of the protests that have rocked the nation of 35m people since a [disputed election](#) in October. “So many people want to change the country,” says Jaime, a student, shopkeeper and first-time protester. He is angry about unemployment, corruption and police brutality.

The violence in Mozambique, in which more than 100 people have so far been killed, is particularly bad. Yet the underlying frustrations are widespread. In cities throughout Africa, many young people feel much like

Jaime. In Botswana, Ghana and Senegal voters angry about corruption and the cost of living turfed out incumbent parties this year. Where that option was unavailable, such as in Kenya, they have taken to the streets.

Mozambique's ruling party, Frelimo, has been in charge since independence from Portugal in 1975. The electoral commission says that its candidate, Daniel Chapo, won 71% of the vote in October. Nobody believes that. International observers say the ballot was marred by irregularities. The independent candidate, Venâncio Mondlane, who officially scored 20%, claims he was the real winner and has called for a revolution. Though he has offered little evidence, his supporters are taking him at his word. A protest against vote-rigging has turned into a social revolt.

There was a time when the way to overthrow an undemocratic African government was by launching a rural rebellion. Mr Mondlane, a part-time pastor with a populist touch, is one of a new breed of politicians who instead harness the frustrations of young people in cities. To them he is simply "VM7", after Cristiano Ronaldo, a champion footballer who wears the number-seven shirt and styles himself "CR7". His live Facebook broadcasts, delivered from a hiding-place abroad, have become popular viewing. He keeps things interesting by announcing new tactics, from jamming traffic to banging saucepans.

His followers have gone further. Angry crowds have attacked police stations, court houses and Frelimo party offices. In one town they broke open the prison and set scores of inmates free. Several times protesters have closed the main border crossing with South Africa. "Those in power cannot govern the country any more," says a civil servant. As the state's authority evaporates, opportunists have set up informal toll gates to shake down drivers.

The protesters believe the economy is rigged against them, just as surely as the election was. The average Mozambican is poorer than nine years ago (and, with an annual income of barely \$600 per person, poorer than almost anyone else in the world). Many consider Frelimo, which sees itself as the party of the people, a conspiracy of the corrupt. A decade ago officials in Maputo plotted with bankers in London and a shipbuilding company in Lebanon to borrow more than \$1bn in secret, pocketing millions of dollars

in kickbacks along the way. The economy crashed when the hidden debts were revealed in 2016. Some of the money was used to buy overpriced fishing trawlers, which now lie rusting in the harbour; an auction to sell them this month did not attract a single bid.

Politicians profit from the foreign capital that flows into the country and the natural resources that flow out. “Frelimo is not a political party, it’s a scheme to make business,” says João Feijó, a sociologist. The northern province of Cabo Delgado has become a thoroughfare for smuggling rubies, heroin and timber, and a base for the local franchise of Islamic State, which recruits among those shut out of riches. In 2021 TotalEnergies suspended a vast gas project there after jihadists massacred hundreds of civilians. Protesters in the province have toppled a statue of Alberto Chipande, the man whose finger supposedly fired the first shot in Mozambique’s war of independence, and who now has fingers in several businesses.

Frelimo’s leaders have offered no response except bullets. On December 10th Plataforma Eleitoral Decide, a monitoring group, said security forces had killed at least 110 people since the protests began. Among the victims are children shot dead while walking home from school or queueing for bread. Police chiefs have said that protesters are terrorists and accused them of using children as human shields. Still the demonstrations grow. People are so appalled by the arrogance of the government that they have “started losing their fear”, says Quitéria Guirengane, an activist.

A climax may come around Christmas, when the constitutional court is expected to validate the election results. The judges say they have received death threats, without saying from whom. In October an opposition lawyer, who was preparing submissions to the court, was gunned down in his car. Mr Mondlane has told his followers to cancel their festive plans so that they can take to the streets when Mr Chapo’s victory is confirmed.

Neither side is in the mood for compromise. Mr Mondlane has said that a rerun election would not satisfy him. The outgoing president, Filipe Nyusi, has hinted at talks without conceding that there is anything to talk about. The sentiment in the army is unclear. Neighbouring governments, some of which have also had dodgy elections, have been silent, even though the crisis is hurting regional trade.

Even if the election dispute is solved, fixing a broken economy will be harder. The growth of cities and the spread of smartphones and education have raised hopes that have not been fulfilled. Governments across Africa are grappling with similar problems. The eruption in Mozambique will not be the last. ■

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Getting away with murder

Kenyan women are fed up with rampant sexual violence

A spate of horrific murders has fuelled a campaign to end femicide

Dec 12, 2024 07:34 PM | Nairobi



EACH FRESH killing seems more gruesome than the last. In July the hacked-up remains of nine women were found stuffed into sacks in a quarry in Nairobi, Kenya's capital. In September Rebecca Cheptegei, a Ugandan Olympic runner who was living in Kenya, was doused in petrol and set on fire by her estranged boyfriend. And in October police found the remains—apparently boiled, flesh methodically removed—of a female body near a cemetery in Nairobi.

Kenyan women have had enough of the grim routine. Back in January 10,000 protesters took to the streets of Nairobi, after at least 31 women

were killed in a single month. The protest sparked a sustained campaign to “end femicide”. Activists want the government to make the murder of a woman or a girl because she is female a specific crime. But misogynistic social-media influencers are stoking hate against women online. And there are signs that the violence is getting worse.

Campaigners have had some success highlighting the problem. A new survey by the Ichikowitz Family Foundation, a South African charity, finds that 95% of young Kenyans are worried about violence against women, a higher proportion than in any other country in Africa bar South Africa. Several MPs say that femicide should be declared a national disaster.

Yet a reduction in violence looks far off. A study by Africa Data Hub, a research group in Nairobi, counted more than 500 reports of femicide in the Kenyan media between 2016 and 2023, with a sharp spike between 2022 and 2023. The real number is likely to be much higher. Many crimes in Kenya are never reported to the police; only the most heinous killings make the news. “We can assume this is just the tip of the iceberg,” says Irungu Houghton of Amnesty International, a human-rights group.

If anything, things seem to have worsened in 2024. The number of reported rapes has increased by 40% compared with 2023, according to the government’s latest national-security report (though some of this may be down to improved reporting). Kenya’s deputy police chief notes 97 women were murdered in just the three months up to November, though it is unclear how many were killed on account of their sex. “Every single day you wake up and a woman has been killed somewhere,” says Muthoni Maingi, a leading campaigner.

Change is likely to be slow. In Kenya, as in many African countries, patriarchal values are entrenched. According to the latest demographic and health survey, more than a third of Kenyan women have experienced violence. Some 13% have experienced sexual violence. As elsewhere, the main perpetrators are intimate partners. Three-quarters of femicides counted by Africa Data Hub were committed by men who knew their victims.

Economic trends may have made things worse. In 2020, when covid-19 lockdowns slowed the economy, incidents of violence against women went

up by more than 90%, according to Kenya's National Crime Research Centre. Since then the economy has struggled; 67% of those under the age of 34 have no regular job. For men for whom “money is connected to his status as a man”, economic frustration may make them lash out against women in their lives, says Onyango Otieno, another activist.

Male anger is also being stoked online. A network of misogynistic influencers has exploded in recent years. Figures such as Amerix (whose real name is Eric Amunga) and Andrew Kibe boast huge followings of young men, to whom they offer advice on how to be “real men” and control their wives and girlfriends. Though no direct link can be drawn between individual murders and specific online influencers, Kenya’s “manosphere” “rationalise[s] women’s murders as part of disciplining women back into their traditional roles,” argues Awino Okech of the School of Oriental and African Studies in London.

On December 10th women were back on the streets of Nairobi. They expect little from the government. The dispiriting truth, says Wangui Kimari, an academic, is that in Kenya “it is easy to kill a woman, and get away with it.” ■

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Back in the dock

Binyamin Netanyahu is in court again in Israel

As he fights charges of corruption, his country's democracy may suffer

Dec 12, 2024 07:34 PM | Tel Aviv



THE SMALL but noisy groups of protesters shouting at each other outside the Tel Aviv District Court on December 10th agreed on one thing. It was absurd for the man running a country, with wars on several fronts, to spend three days a week in court defending himself against complex corruption charges. Critics of Binyamin Netanyahu, Israel's first serving prime minister to appear as a witness in his own defence in a criminal trial, think he should resign and face his manifold legal challenges as an ordinary citizen.

His supporters, however, are convinced he is indispensable. They consider the whole case a witch-hunt that should be called off. As for Mr Netanyahu, in recent weeks he has tried in vain to get a security assessment that it was dangerous for him to attend court at fixed times in the same place. Then he said he had too little time to prepare his testimony. Finally, he denied ever having tried to delay the show. “I’ve waited eight years for this moment,” he told the court. “I’m a marathon-runner” who can prevail “with 20kg on my back”.

The investigations into Mr Netanyahu’s affairs began in 2016. Charges of fraud and bribe-taking were laid against him five years ago. He is accused of accepting illicit gifts from rich benefactors and colluding with media barons to get favourable coverage. He strenuously denies all the charges.

At the start of his testimony Mr Netanyahu claimed that what the media say about him “is not really important”, then went on to explain in detail how journalism in Israel works and defended his meetings with publishers and editors to influence journalistic appointments.

The case has dragged on so long for many reasons, including covid-19, the war against Hamas since October 7th 2023, delaying tactics by Mr Netanyahu’s defence team, and the slow pace of Israel’s courts. Judges are overloaded partly because Mr Netanyahu’s coalition has tried to change the judicial-appointments system and, having failed to do so, has been obstructing the existing process.

Mr Netanyahu’s legal travails have been responsible for forcing the country to hold five elections in four years, as centrist parties have refused to join a government led by an indicted prime minister. In 2021 he lost power for 18 months but came back at the end of 2022 with a coalition supported by far-right and religious parties that share his hostility to Israel’s courts.

The ambitious judicial reforms that he promoted last year aimed to weaken the Supreme Court and independent legal counsel to government but were largely stymied by a massive wave of protest. They were then dropped in the name of national unity after last year’s war in Gaza began.

But in recent months his government has restarted the campaign to increase control of parts of the state. This includes laws now going through the Knesset, Israel's parliament, that would let politicians fire the attorney-general and control the appointments of the commissioner of the civil service and of the ombudsman investigating complaints against judges. Other laws would grant members of parliament virtual immunity from investigation and would defund or privatise Israel's stubbornly independent broadcasting corporation. In his autobiography in 2022 Mr Netanyahu says he has "always been a staunch believer in liberal democracy" and been "immersed since my teens in its classical texts". That assertion may be tested under cross-examination by the prosecution.

Mr Netanyahu is the first of many witnesses for the defence. It could be years before a verdict is reached. But Israel's courts have held Israeli leaders to account before. Ehud Olmert, a former prime minister, was jailed for bribery. Mr Netanyahu is determined to avoid that fate. But by clinging to power by every means, he may undermine Israel's democracy. ■

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Playing on

Sudan's football team wants to reach the World Cup

International support and canny management have helped the squad defy civil war

Dec 12, 2024 07:34 PM



FOOTBALL FANS usually dread a nil-nil draw. Not so the Sudanese who watched their national team's goalless game against Angola in November. The result qualified Sudan for the next Africa Cup of Nations (AFCON), which kicks off in Morocco in December 2025. The team danced and sang in celebration.

Reaching AFCON is impressive. Sudan won in 1970, but has appeared only rarely since then. This time it beat some of Africa's strongest sides, such as Ghana, a remarkable feat for a country in the grip of civil war. Perhaps

150,000 people have been killed and more than 11m displaced in fighting between the Sudanese army and the Rapid Support Forces (RSF) since April 2023.

Football was one casualty. The Sudan Football Association (SFA) disbanded the professional league when the war began. As the RSF advanced, some clubs found their stadiums looted. Many players and staff fled abroad.

International help let Sudan play on. The SFA found sanctuary in Saudi Arabia, which provided a training base for players to keep fit, though the women's team, established in 2021, has not been included. Libya, which hosted the match against Angola in Benghazi, allowed clubs to each sign two Sudanese footballers outside a quota for foreign players. The side has used the stadium in Benghazi free of charge. Thousands of supporters, many of them Sudanese refugees, have turned up to matches.

But the biggest factor in Sudan's unlikely success is canny recruitment. In 2023 the SFA appointed a Ghanaian manager, Kwesi Appiah. He brought together footballers from Sudanese clubs with those in the diaspora. They praise him for motivating them to win on behalf of those at home. He may be crowned coach of the year by the Confederation of African Football in Marrakesh on December 16th.

The team now hopes to reach the World Cup for the first time in Sudan's history. It currently tops its qualification group. Football cannot heal the pain of war—but it can provide some joy.■

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Europe

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La excepción

Spain shows Europe how to keep up with America's economy

Reforms a decade ago are bearing fruit with high-tech success

Dec 12, 2024 07:34 PM | Madrid



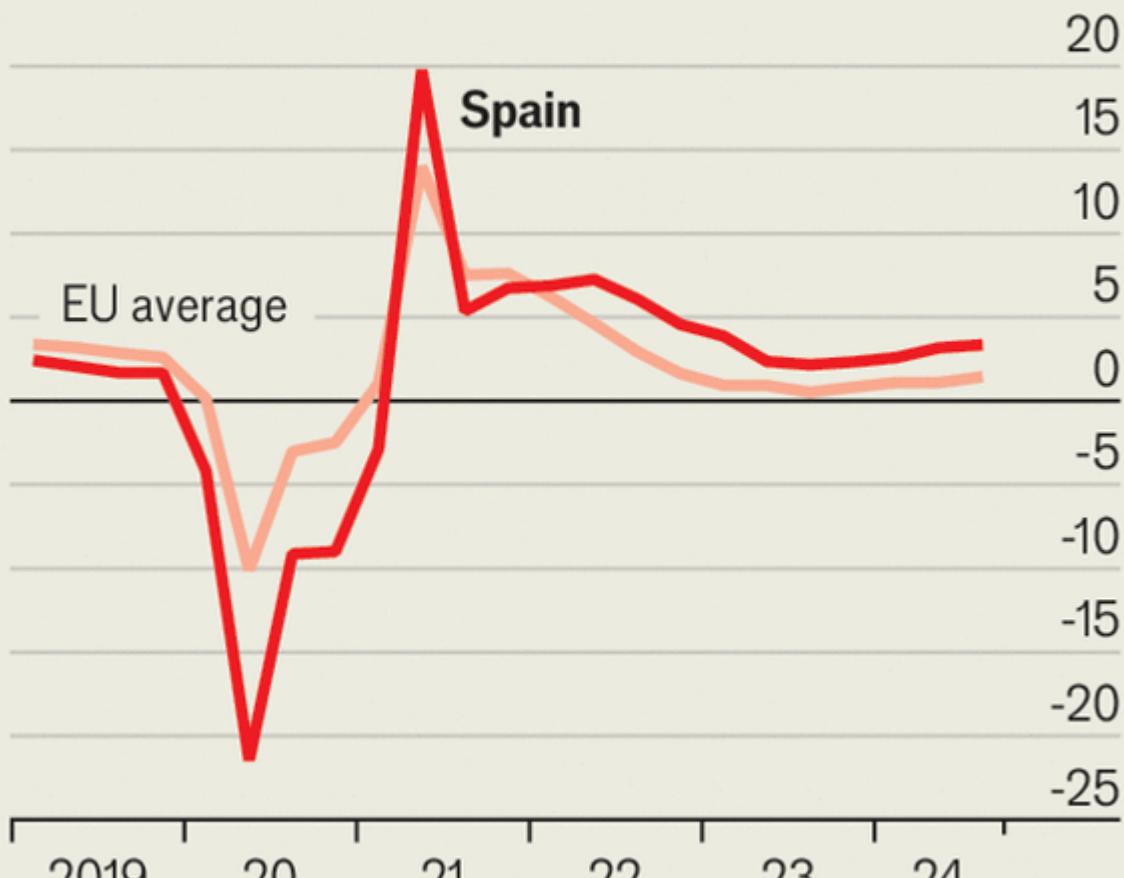
“SPAIN IS BECOMING a global reference point for prosperity,” boasted Pedro Sánchez, the country’s prime minister, at a congress of his Socialist Party in Seville on December 1st. While Europe’s other large economies are plunged in gloom, Spain’s is soaring. It is set to grow 3% this year (see chart 1), almost four times the euro-area average. Hit harder than most by the pandemic, it now boasts 1.8m more jobs than at the end of 2019. Investors have noticed: with faster growth and a lower fiscal deficit than France, Spain has seen its bond yields dip below those of its northern neighbour for the first time since 2007.

With packed restaurants and throngs of shoppers, Madrid is enjoying a palpable pre-Christmas buzz. But how long can the good times last? Forecasters expect Spain to outpace its peers for at least the next two years, helped in part by large dollops of Next Generation funds, the European Union's post-pandemic aid scheme. The country is the biggest beneficiary of these after Italy. Much of the expansion has been driven by immigration, tourism and public spending, which may all eventually tail off. But some of the growth comes from non-tourist service exports, by companies ranging from tech firms to engineering consultants. And that bodes well.

Sunnier than the rest

1

Real quarterly GDP*, % change on a year earlier



Source: Eurostat

*Seasonally and calendar adjusted

The Economist

Take Smartick, an educational software company based in Pozuelo, a well-heeled suburb of Madrid. It uses big data and AI to provide pupils with individualised learning materials in maths, reading and coding. Founded in 2009 by Javier Arroyo and a fellow management consultant, it is poised for growth. Mr Arroyo expects to double the firm's €10m (\$10.5m) of annual sales in three years, with most of the expansion coming from abroad.

"There's now a startup culture that wasn't there five or ten years ago," Mr Arroyo says. "Spain is starting to figure in the digital world."

During the pandemic, non-tourism service exports overtook tourism revenues for the first time. But the travel sector is booming too, with over 90m visitors expected this year, a record. That has produced outbreaks of tourism phobia among locals.

The tourism boom is also one of the reasons for immigration: a quarter of those who work in hospitality are foreign-born. Spain's population has increased by 1.5m in the past three years (to 48.9m), with nearly all the increase due to immigration (see chart 2). Latin Americans, with the same language and a similar culture, make up 70% of the recent arrivals, which has reduced friction. Whether immigration can continue at this pace depends in part on the availability of housing. "It's a bigger bottleneck than ever," says Rafael Domenech of BBVA, a bank.

Our Latin American cousins

2

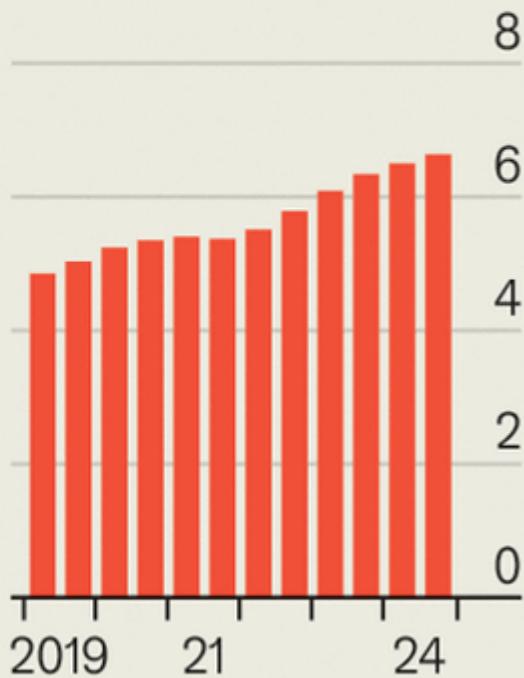
Spain

Employment, % change
on a year earlier



Foreign nationals

m



Source: INE

The Economist

But with around 90% of the new jobs going to immigrants, income per person has barely grown. That explains a paradox: “The macroeconomic picture is extraordinary but the social perception of it is not,” says Raymond Torres of Funcas, a think-tank. Although the inflation triggered by Russia’s invasion of Ukraine has subsided, in real terms the income of a family who stayed in the same jobs is slightly below that of 2019. Only in the past year or so have average real wages started to rise. Officials point out that thanks

to Mr Sánchez's big increases in the minimum wage, the incomes of poorer Spaniards have risen faster than the average.

Worryingly, investment by the private sector lags behind the rest of the economy. It is still below its 2019 level. Until the pandemic interrupted it, Spain's economy was growing at a respectable 3% or so a year between 2015 and 2019 and adding jobs faster than in the past. This owed much to reforms of the financial system and the labour market pushed through by the previous conservative government during the great recession. "Spain is still living from that," says Iñigo Fernández de Mesa of the employers' association.

A second labour reform in 2021, under Mr Sánchez, preserved labour flexibility and added a crackdown on the abuse of temporary contracts. But business leaders blame the slowdown in investment on more recent government policies. They complain especially of constant tinkering with labour rules and a relentless rise in taxes. As a result, "businesses are on hold, waiting," says Juan María Nin of the Círculo de Empresarios, a business think-tank.

Since an election last year, Mr Sánchez's minority government has had to accommodate the conflicting demands of half a dozen leftist and nationalist parties which sustain it in parliament. Amid chaotic parliamentary scenes last month, it managed to get approval for tax rises worth €4.5bn (0.3% of GDP). They include an extension for three years of an emergency tax on the interest and fee income of banks, initially brought in as a temporary measure when interest rates rose in 2022. Bankers grumble that this involves double taxation and will force banks to become more cautious in granting credit.

Officials note that banks and businesses are making healthy profits. The bank tax "has generated revenues to finance the social safety-net", says Carlos Cuerpo, the economy minister. He says he expects investment and private consumption to be the main motor of growth from now on. The tax rises will also help the government meet its policy of gradually reducing the fiscal deficit and thus secure the next tranche of EU aid. "We think a soft landing is possible," says Mr Cuerpo. That may well be true for the public

finances. The proof of the Spanish model more broadly now lies in the rate of investment. ■

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Not so fast

Syrian refugees in Europe are not about to flock home

The country's future is too uncertain, and many migrants have put down roots

Dec 12, 2024 07:34 PM | BERLIN



“IT’S INDESCRIBABLE, a happiness I never knew before,” says Ahmad Denno, a Syrian who fled to Germany ten years ago. When news emerged of the toppling of the regime that had bombed his Aleppo home and terrorised his family, Mr Denno joined thousands of his compatriots in a spontaneous outpouring of joy in Berlin. Celebrations erupted across the German cities that many Syrians have made home.

Governments, too, reacted quickly to the fall of Bashar al-Assad. Amid uncertainty about what would come next in Syria, several European

countries suspended ongoing asylum claims from the country's nationals, a procedural move that unsettled many refugees. More dispiritingly, conservative politicians fell over themselves to propose plans for their return. Jens Spahn, a senior member of Germany's opposition Christian Democrats (CDU), suggested handing €1,000 (\$1,050) to any Syrian who wished to go home. Austria's government even instructed officials to prepare deportation plans.

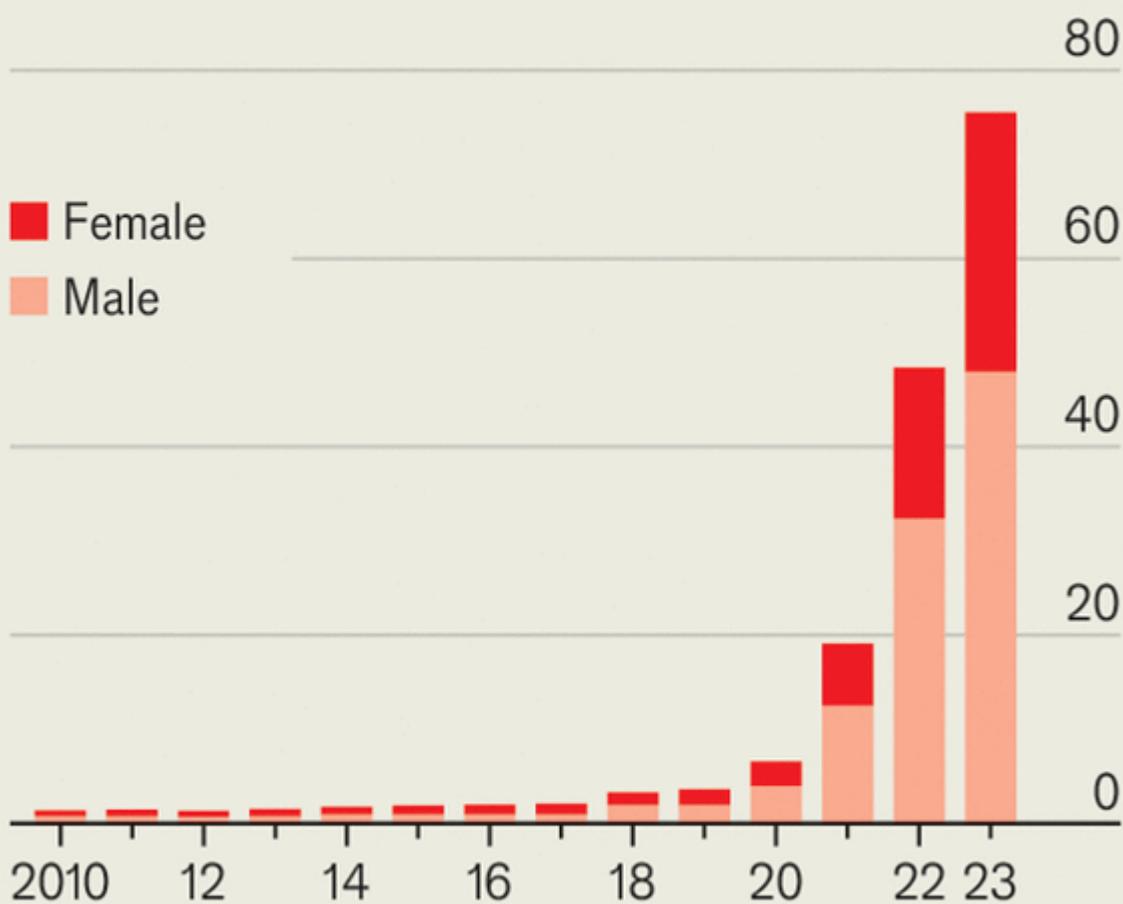
"This can only be explained by the desire of some conservative politicians to overcome the trauma of [Angela] Merkel," says Nils Schmid, a foreign-policy spokesman for Germany's ruling Social Democrats. Mrs Merkel's refusal to close Germany's borders to Syrian and other migrants in 2015 made her a liberal hero but angered many in her CDU. After a backlash, Mrs Merkel said refugees would go home when peace returned to Syria. Many in her party think that bill has come due.

They are likely to be disappointed. Germany's nearly 1m Syrians are its third-biggest minority after Turks and Ukrainians. Almost a decade after the 2015-16 influx, many have put down roots. The employment rate for Syrians in Germany is higher than in most other EU countries, and growing quickly, in industries from health care to transport. Nearly 200,000 Syrian children are in German schools, many of them born in Germany or too young to recall anywhere else. Tens of thousands more are in vocational training or at university.

"People have to go back when the reason they fled has disappeared," says Peter Beyer, a CDU MP. Could Germany force them to? Since 2016 most Syrians have received "subsidiary protection", a less extensive form of sanctuary than full asylum: it can be withdrawn when conditions at home change, and their residence permits must be renewed every few years. Earlier this year German courts began to grow cold even on this temporary refuge.

Putting down roots

Germany, naturalisations of Syrians, '000



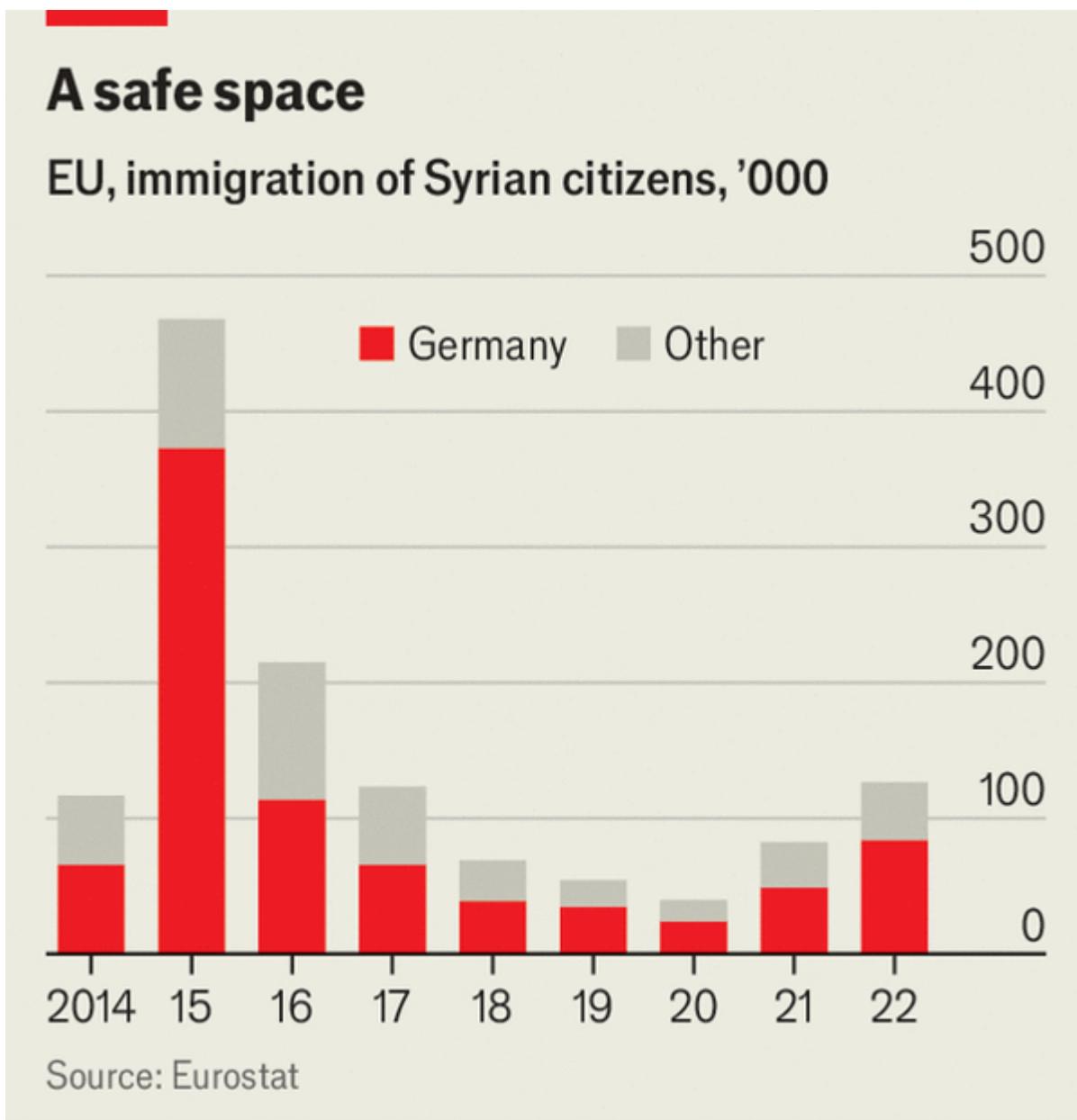
Source: Destatis

The Economist

Several European countries, including Italy, had proposed normalising ties with Mr Assad before he fell, to facilitate the return of Syrian nationals. This week's calls for returns had more to do with "Europe's toxic migration debate than with the situation in Syria", says Judith Kohlenberger, a migration researcher at the Vienna University of Economics and Business.

In recent years the number of Syrians naturalising in Germany has exploded (see chart). Some 40% of Syrians in Germany are believed to have begun

the process, and that will rise: the qualifying residence period was recently cut from eight to five years. “I have citizenship and a good job,” says Ali Ghali, a software engineer from Syria who came to Germany in 2015 and naturalised last year. “I don’t see myself going back in the short-to-medium term.”



The Economist

Even after the 2015-16 wave, Syrians continued to flock to Germany; almost 250,000 have lodged asylum claims since 2022. With shallower

roots in Germany, some among this cohort may be ready to return should Syria's new rulers provide enduring security. Other refugees will want to help rebuild their shattered country; Mr Denno says he feels that tug. "I wouldn't rule out a form of circular migration" in which Syrians with ties to Germany would travel back and forth, says Zeynep Yanasmayan of the German Centre for Integration and Migration Research. Some might establish business links, or engage in humanitarian work.

For others, Syria belongs in the past. "I'm not going back, I suffered enough," says Nuar Albahra, a 63-year-old Damascene whose family was tormented by Syria's rulers over decades. Now living in the eastern state of Brandenburg, she says most Germans she meets regard her with suspicion. "But we managed to survive the hell of Syria. At least we are safe here." ■

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Why buy the cow

The Polish restaurants that dare to be dairy

Milk bars, a working-class Warsaw tradition, are adapting to the future

Dec 12, 2024 07:34 PM | Warsaw



Anna Liminowicz/Redux/eyevine

AT LUNCHTIME THE Prasowy milk bar in central Warsaw is a portrait of Polish society. Grey-suited officials from nearby ministries queue up alongside students anxious to slurp down a bowl of tomato soup before the bell calls them back to school. Young professionals carve into crisp potato pancakes and rainbow salads. Elderly customers linger at remote tables over lonely plates of *pierogi* (dumplings).

Opened in 1954, Prasowy is Warsaw's oldest milk bar. The self-service canteens, so named because they serve mainly (though not exclusively) dairy dishes, were born in the late 19th century, when meat was a pricey

treat. They proliferated in communist times when other restaurants were rare. Dozens have survived, in part thanks to patrons nostalgic for their homestyle food and unpretentious atmosphere, and in part thanks to government subsidies that allow them to keep prices low. Some offer meals to the jobless and homeless, paid for by social security; the poor and the well-off rub elbows.

Enthusiasts were thus rattled when Poland's government announced plans to cut funding for the bars from 71m zloty (\$17m) in 2024 to 60m zloty in 2025. Kamil Hagemajer, who co-owns several bars including Prasowy, says that running them would be "impossible" without the subsidies.

The government says not all funds earmarked for the bars were used this year. But many forgo the subsidies because of how they are designed. The state reimburses the costs of selected ingredients that are used only in meatless dishes. Rusalka, a bar in east Warsaw that caters to medics from nearby hospitals, gave up on the help because dividing the cost of a bag of flour, used both to make cheese dumplings and breaded pork cutlets, was too big a headache, says the cashier.

The bars have other worries, too. Though Poland's inflation has slowed from its peak in 2023, labour and energy costs are still growing faster than those of food. To cut overheads, some have installed digital ordering kiosks. Mr Hagermajer says these are popular with younger customers (who prefer to "avoid interactions" with cashiers) and tourists who can use them to order in English. They lend a piquant modern touch to the bars' socialist nostalgia.

Meat-free dishes are prominent in traditional Polish peasant cuisine. But in today's changing Poland they point to the future, drawing in the country's burgeoning vegetarian scene. This year one Warsaw milk bar has recreated the flavour of jellied fish, a Christmas staple, from soy and seaweed. Aayushi Naphade, an HR worker who moved from India to Poland six years ago, says she now visits her local milk bar every week since discovering its rich vegetable soups. She does, however, find them a bit underspiced. ■

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Uncertain reaction

Amid Russian bombing, Ukraine is planning more nuclear reactors

Atomic power may not solve the country's energy woes

Dec 12, 2024 07:34 PM



RUSSIAN MISSILES have knocked out roughly half of Ukraine's pre-war electricity-generation capacity. But because Russia has refrained from blowing up nuclear reactors, nearly 60% of Ukraine's electricity production is currently nuclear—even though the country's (and Europe's) biggest plant, in Zaporizhia, was occupied by Russia in 2022 and is now shut down. Without nuclear reactors, says German Galushchenko, the energy minister, Ukraine's grid “would not survive”. In what would be a first for a country under assault, Ukraine now aims to install more of them.

Initial construction has begun. At Khmelnitsky, a plant in western Ukraine with two existing reactors, connections are being built to a “shovel ready” area where four more reactors are planned, says Elias Gedeon of Westinghouse, an American partner on the project. Westinghouse is to provide two reactors. The other two, of Russian design, are to be purchased for \$600m or so from Bulgaria, where they were mothballed after a project fell apart in 2012. Haggling continues, but Mr Galushchenko says Russian meddling in Bulgaria has so far failed to scuttle the deal.

Boosters say the project can move quickly. The reactors in Bulgaria are of the same type already operating at Khmelnitsky, and structures to house them were partially built in the 1980s. Mr Galushchenko reckons the first one could be fired up in three years, though that may be optimistic.

Adding reactors will clearly not solve Ukraine’s immediate energy crunch. Victoria Voytsitska, a former member of the energy committee of Ukraine’s parliament, fears that without more power, 1.5m more Ukrainians might flee abroad this winter. She thinks the money would be better spent on networks of small gas-fired plants and other kit harder for Russia to destroy.

Others worry that building a nuclear project will tempt Russia to attack it. Andriy Ziuz, ex-chief of staff at Ukraine’s National Security and Defence Council, fears Russia would hammer the construction site before nuclear fuel is brought in. Russia has blown up high-voltage substations connected to nuclear plants, which could theoretically trigger an accident. Mykhailo Gonchar of the Centre for Global Studies Strategy XXI, an energy think-tank in Kyiv, argues this shows that the Kremlin cares more about destroying Ukraine than about any harm such attacks do to its reputation.

Mr Ziuz says the conflict has reduced Ukraine’s skilled nuclear workforce to a troubling level. The reliability of the Bulgarian reactors is another question, as is the availability of spare parts, which Ukraine will not obtain from Russia. Then there is the cost. Inna Sovsun, an MP on the energy committee, slams the government for providing outdated estimates from a 2018 study involving a slightly different reactor type—one reason, she says, why parliament has yet to give its approval.

Whether nuclear power is a logical solution to Ukraine's energy problems can be debated. But its strategists may have something else in mind. James Acton of the Carnegie Endowment for International Peace, an American think-tank, wonders whether the country is trying to bring in Westinghouse reactors and American engineers to give its ally another reason to prevent a takeover by Russia. ■

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Cancel that

Why Romania cancelled a pro-Russian presidential candidate

Sketchy allegations of interference let a court block a kook

Dec 12, 2024 07:34 PM



HE BELIEVES NANOBOTS are secretly inserted in cans of Pepsi. Covid does not exist, and the moon landings were faked. He thinks a global political struggle is being waged between Satan and the Archangel Michael. He admires Vladimir Putin and would cut aid for Ukraine. On December 8th Calin Georgescu (pictured) might have been elected president of Romania. But two days earlier the country's constitutional court annulled the election and instructed that it be run again. Romanians are divided between those who think the court has saved their democracy and those who think it has been subverted.

A month ago Mr Georgescu was seen as a crankish no-hoper, drawing about 5% in polls. But in the first round of the election on November 24th he came first with 23%. Just before the second-round run-off against Elena Lasconi, a lacklustre centre-right candidate, one poll had him leading with 58%. This was a political earthquake.

Mr Georgescu is a former soil scientist and specialist in sustainable development. Oana Popescu, head of the GlobalFocus Centre, a think-tank in Bucharest, knew him in his moderate days, and says he later “went bonkers, turning into this fascistic, QAnon, deep-state conspiracist”. He joined the hard-right Alliance for the Union of Romanians party, but left it in 2022 over criticism of his pro-Russian and anti-NATO views (and his praise of the Iron Guard, Romania’s inter-war fascists). With no party organisation, few took Mr Georgescu’s presidential candidacy seriously.

The president can significantly influence foreign and security policy, so Mr Georgescu’s threats to end Romania’s staunch support for Ukraine are not taken lightly. Mr Georgescu says he is pro-peace, not pro-Russian. But his contempt for NATO and the EU would obviously have been a gift to Mr Putin, and to Russia-friendly leaders in Hungary and Slovakia.

How did Mr Georgescu go from nowhere to first place in two weeks? On November 28th the Romanian intelligence services presented evidence of illegal campaign financing, illegal use of social media and “Russian hybrid actions” against the country’s internet infrastructure. They compared the influence operation to those apparently carried out by Russia during Moldova’s presidential election and referendum on joining the EU in October. The constitutional court ordered a recount, but found no major issues. On December 5th it gave the go-ahead for the second round, only to reverse itself next day.

The court said it was annulling the election because voters were “misinformed” and that the candidate had benefited illegally from “the abusive exploitation of social-media platform algorithms”. His campaign materials were not properly labelled, and the will of the voters was “distorted” (though the court did not directly rule that Russia had interfered). Mr Georgescu’s campaign was promoted mainly via the social-

media platform TikTok, where networks of accounts amplified his videos. TikTok played down the abuse, saying the networks were “small-scale”.

There is little doubt that TikTok was manipulated to boost Mr Georgescu, but there were other factors. Remus Stefureac, the head of INSCOP, a polling firm, says that roughly a third of the votes in both the presidential election and the parliamentary poll held on December 1st went to radical right-wing candidates. On October 5th the constitutional court banned Diana Sosoaca, an anti-semitic, pro-Putin candidate, from standing, arguing that her views were anti-constitutional. Many of her supporters then backed Mr Georgescu. In the parliamentary elections Ms Sosoaca’s party took more than 7% of the votes.

Opinion polls show support for Russia is lower than 10%, says Mr Stefureac; most Romanians who vote for the radical right do so for economic and social reasons. Many are rural voters who have not gained from Romania’s recent economic boom or its membership of the EU. Others belong to the country’s 5m-strong diaspora, and feel they were forced to leave home by corrupt politicians’ failure to spread prosperity. Since 2021 Romania’s main centre-left and centre-right parties have governed in coalition, and many voters feel deprived of a meaningful alternative. After the indecisive parliamentary election, the centrist coalition is likely to continue.

Russia is certainly trying to influence elections in nearby states. Moldova accuses the Kremlin of spending \$15m to bribe its citizens to vote against joining the EU. Georgia’s election last month saw widespread allegations of ballot-stuffing by the Russia-friendly governing party. But the evidence that Russia was behind social-media manipulation in Romania is preliminary. Annulling a presidential election, on the other hand, is an extraordinary step. Those who voted for Mr Georgescu will feel ignored. When the presidential election is rerun, he will probably be excluded. But the reasons why Romanians voted for him cannot be banned. ■

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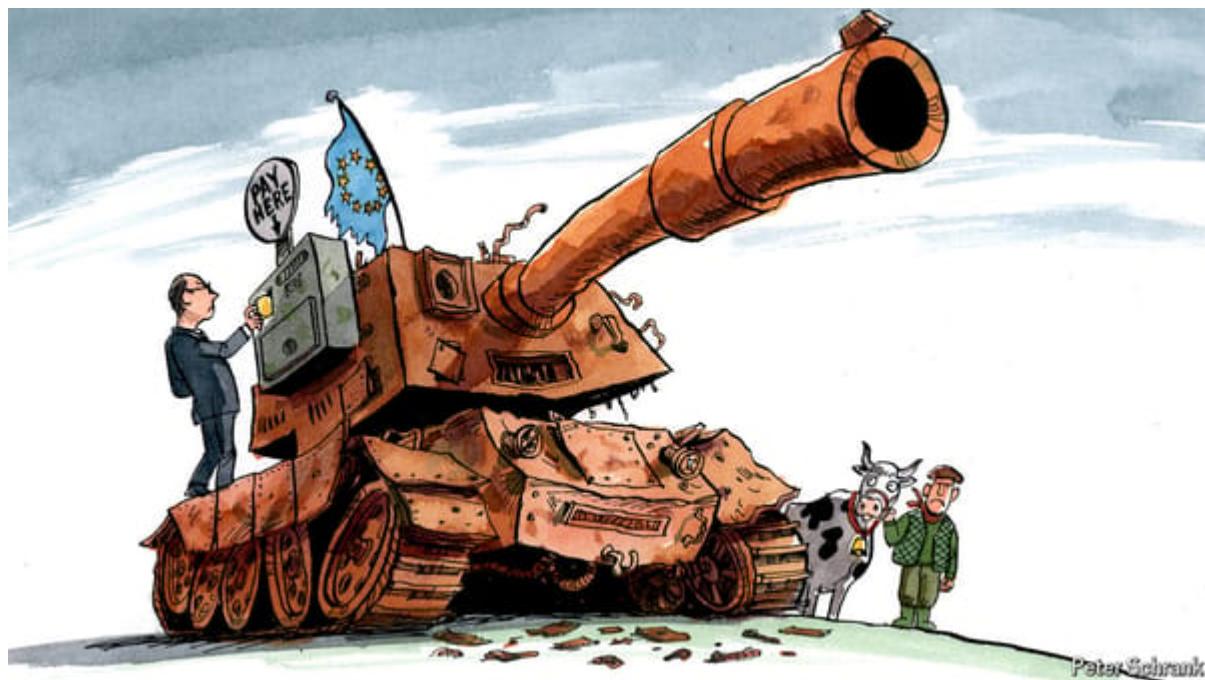
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Charlemagne

Europeans are hoping they can buy more guns but keep their butter

Reports of a “war economy” are much exaggerated

Dec 12, 2024 07:34 PM



RUSSIA PRODUCES enough military kit to build an army the size of Germany’s every six to 12 months. Under its revanchist president, Vladimir Putin, it is busy invading one European country while meddling in the affairs of several others. Western intelligence officers seem to think a Ukraine-style attack on a NATO ally by 2030 is a distinct possibility. Faced with this sobering analysis, Europeans might have been forgiven for panicking into splurging on all things military, and doing real harm to the continent’s economy in the process. But worry not. With politicians bickering about pensions and social spending, and loth to raise taxes, the reality is of a continent unwilling to inconvenience itself for something so

trifling as fending off a potential invader. Europeans want more military spending, sure; some churn out ludicrous soundbites about building a “war economy”. But God forbid that anyone make voters endure the cost of it.

Scrimping on defence is nothing new for Europeans. After the cold war ended, cutting military budgets became the norm, like taking August off or retiring in one’s prime. By 2014 today’s 27 European Union members were spending under 1.4% of their collective GDP on defence—less than on alcohol and tobacco. The military figure has since increased at a steady, if unspectacular, pace (just as booze and fags have gone out of fashion). This year the EU’s members will together finally meet the 2% target set by NATO, to which most belong, after Mr Putin first had a crack at Ukraine a decade ago. A few big countries, notably Italy and Spain, are still far below that level. And the 2% figure looks measly now that Russia dedicates two-fifths of its budget (and over 8% of GDP) to defence and security. Adjusted for the cost of paying troops, it is spending more on its armed forces than Europe’s four main military powers—Britain, France, Germany and Poland—combined, notes Guntram Wolff of Bruegel, a Brussels think-tank.

Donald Trump, as he prepares to return to the White House, has made clear he will no longer tolerate Europe spending roughly a third of what America does on defence. On December 8th he reiterated that he was willing to stay in NATO only as long as Europeans “pay their bills”. To appease the incoming blusterer-in-chief and dissuade Mr Putin, Europe knows it must find more money. The trouble is, many national exchequers are bare and politics across the continent is messier than ever. Chaos reigns in France; Germany is in the early throes of an electoral campaign that will probably result in a new chancellor only after months of coalition-building. Collective action at EU level is impeded by the fact that certain prime ministers, such as Hungary’s Viktor Orban, respect the Kremlin more than they do fellow European leaders.

Everyone knows their armies need more cash, not least to replenish stocks sent to Ukraine. So how might it be done? The simplest way is for national governments, who after all oversee their armed forces and spend most of the tax levied in Europe, to cut larger cheques. A few already do. Poland says it will spend 4.7% of its GDP on defence next year, the most of any

NATO member. But others are constrained by having maxed out their national credit card: France, Italy and Spain all have debt-to-GDP ratios of over 100%, and are under pressure from both markets and EU wallahs to improve their public finances. Apart from countries bordering Russia, voters clobbered by covid and then by soaring energy prices are in no mood for less social spending or higher taxes. Do not deprive us of butter, is the gist of Europe's current politics.

Another way to boost defence expenditure is to do it at EU level. Co-ordinating military purchases among the 27 members would result in economies of scale when procuring weapons, notes Mr Wolff. Andrius Kubilius, who on December 1st became the bloc's first-ever commissioner for defence, has called for its upcoming seven-year budget to include €100bn (\$105bn) for defence. Modest as €14bn a year might seem for a bloc with a GDP of €18trn, even that might prove hard: it would require either a bigger overall EU budget (tricky, given hard-right governments not keen to send more money to Brussels) or shortchanging existing recipients of EU largesse (ie, upsetting mollycoddled farmers, who snag a third of the budget). Perhaps the money could be borrowed by EU members collectively instead, as it was to fund a €750bn pandemic-recovery fund in 2021? France has mooted such a joint bond, which would help skirt the issue of fiscal constraints. But more EU-level debt is unacceptable to "prudent" countries like the Netherlands that see common borrowing as a scheme to make frugal northerners pay for spendthrift southerners.

Butter the devil you know

Europe thus needs clever tricks to fund military stuff without crossing various red lines. One idea is for a "coalition of the willing" in Europe to raise €500bn by creating a fund essentially backed by promises of higher future defence spending. Britain could pitch in to the kitty, which would be used to build up arsenals and divisions over a decade. Because it is joint debt it would not crimp national finances, but as it is outside the EU, frugal types can probably agree to it (and Mr Orban could not veto it).

Details of the plan are vague. Its main selling point is that it has not been shot down since the *Financial Times* reported it on December 5th. A big

figure would help send Mr Trump the message that Europe is *doing something*. In practice an extra €500bn would push outlays to just 2.4% of EU GDP (meanwhile a new NATO target of 3% is being floated). And a squabble would ensue over spending. Who decides whether to buy Europe-made kit (as France prefers, to ensure the long-term “strategic autonomy” of the EU) or off-the-shelf weaponry from America (as many others would like, to ensure the stuff is delivered soon), say? Raising money for defence is hard, paying it out may be even harder. ■

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Fixing the foundations

Britain's government has only half a plan to improve infrastructure

It is taking on NIMBYs, but has not focused on projects that will boost the economy

Dec 12, 2024 07:34 PM



IMAGINE THAT you need to drive from London to Edinburgh. After taking a motorway to Leeds and a dual carriageway as far as Morpeth, you will spend 30 miles (48km) trundling along a two-lane country road, possibly stuck behind a tractor. In opposition, Sir Keir Starmer mocked the Tories for having pledged to widen this “absolutely critical” stretch of the A1 into a highway five times since 2010. Such broken promises, he told local bigwigs, were a “metaphor for how our country’s been run”. Alas, in Labour’s first budget in October the ill-fated scheme was axed once again.

Sir Keir's Labour entered government in July promising to do things differently—perhaps nowhere more so than in the area of infrastructure. Part of Britain's malaise, he correctly argued, was a failure to invest in what a modern country needs: roads, railways, reservoirs, pylons, power plants. The abrupt decision of Rishi Sunak, his Conservative predecessor, to amputate HS2, a bloated high-speed rail project, was cast as the last spasm of a chronically short-termist administration. Labour would suffer from no such temptations.

In office, things have proved to be more complicated. The real test will come in the summer, when the government has pledged to lay out a ten-year infrastructure strategy alongside a spending review (in a decade-long plan there are “no hiding places”, notes Michael Dnes, until recently an official at the Department of Transport). But five months in, the signals are mixed. The government looks set to make a serious attempt at overhauling obstructive planning law and it has given itself more room to borrow for investment. Yet so far it has not prioritised the projects that would help the economy most.

Most promising has been the combative rhetoric. In a speech on December 5th Sir Keir once again laid into an “alliance of naysayers”. From walking around the country, he said, it was clear that “the people who say no” had ruled too long and Britain had lived off its past when it came to basics like water and energy. He complained about the “absurd spectacle of a £100m bat tunnel”, just one of the schemes that HS2 Ltd, an unfortunate company, had to complete. “This government will not accept this nonsense any more,” he said.

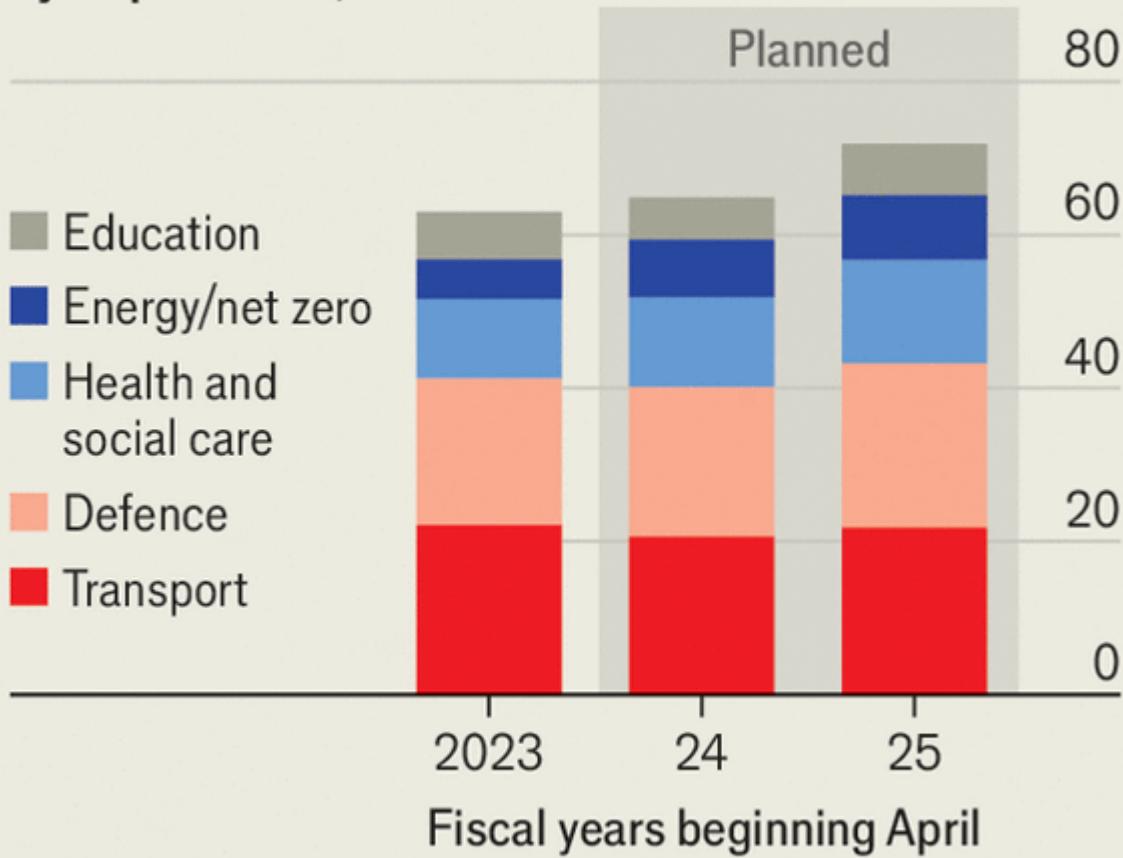
Early next year a planning-and-infrastructure bill will appear. Its aim will be to cut through a thicket of law to speed up projects. Sir Keir hopes to have 150 major projects approved during this parliament (“major” may end up doing quite a lot of work). Separately, on December 12th the government said more about how it will encourage higher levels of housebuilding, including by reclassifying low-quality land in the green belt. For infrastructure and housing alike, success will rest largely on the strength of respective bills once they have made it through Parliament. Officials fret

that ministers underestimate the task. But the signs are that the government intends to put its large majority to good use.

The runes are harder to read when it comes to the money. Defanging NIMBYs would help bring down project costs. In her first budget, in October, Rachel Reeves, the chancellor, loosened the rules constraining borrowing for investment and announced extra scrutiny to persuade markets that money would be well spent. The effect could be transformative, says Henri Murison of Northern Powerhouse Partnership (NPP), a think-tank. “We are no longer in a world when the British state can only do one big project at once.”

Stuck in traffic

Britain, capital-spending limit,
by department, £bn



Sources: HM Treasury; OBR

The Economist

Yet Ms Reeves then used the space she had created for schemes more likely to please Labour voters than boost the economy. Over the next two years extra capital spending will mostly go on green projects, hospitals, prisons, schools and defence (see chart). Spending on transport, which has greater potential to boost growth, will be cut by 3.1% a year on average. For all Sir Keir's talk of economic infrastructure, a focus on social projects reflects Labour voters' immediate preferences.

A positive spin is that in October Ms Reeves could only make choices covering the next two years. Getting more scanners into hospitals can take months; rail and road projects take many years. Even so, a tight transport settlement forced the chancellor into exactly the kind of chopping and changing that Sir Keir has criticised. Some £67m had been spent preparing plans to widen the A1 before Ms Reeves scrapped it. A long-delayed scheme to upgrade the Transpennine railway line, linking York, Leeds and Manchester, was kicked further into the long grass.

The failure so far to prioritise transport reflects a gap in Labour thinking. Labour has talked up the prospect of a British industrial revival. Most economists, however, see boosting the role of services in second-tier cities as one of the more obvious paths to higher growth. And in that, transport investment should have a starring role: cities like Birmingham, Leeds and Manchester miss out on the benefits of agglomeration because of poor transport links.

What the north of England really needs, says Lord O'Neill, an economist and the NPP's chairman, is its own Elizabeth line, a new 117km, London-spanning railway that ferries hundreds of thousands of workers to their offices each day. Yet if the government talks about trains, it talks about renationalising them. To some Labour MPs, roads are just sources of carbon. Ms Reeves has said she wants to attract private investment into big projects. But it is hard for investors to do that when there is not a clear pipeline, says Ali Miraj, an infrastructure specialist at ING, a bank.

Without a proper plan, what remains of HS2 could easily eat up the transport department's time and money for years. The cost of the final 10km stretch of the line to London Euston, which Mr Sunak implausibly insisted should be raised privately, has already risen to £9.4bn (\$12bn). Ministers are debating options for how to rescue some value from the project by completing part of the line north of Birmingham. Any solution will be complex and expensive.

That will make it all the more important to hold on to a sense of what improved infrastructure can achieve. A good place to start would be those projects that help make the economy tick.■

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A clamour for clans

A search for roots is behind a surge in Scottish tourism

Americans are especially keen on their Caledonian ancestry

Dec 12, 2024 07:34 PM



Getty Images

HERE'S A PUB-QUIZ question: which is Britain's most-visited battlefield? No, it is not the site of the Battle of Hastings, where William the Conqueror triumphed in 1066, but that of the Battle of Culloden, where in 1746 the Duke of Cumberland squashed the remnants of the Jacobite uprising within [Scotland](#). Culloden had twice as many tourists as Hastings last year. It also had a 76% rise in visits over the year before.

That is partly thanks to a surge in ancestry tourism. Matthew Alexander of the University of Strathclyde says genealogy apps like Ancestry.com are making it easier for people with Scottish roots to trace the villages and

towns of their forefathers. Culloden has become a pilgrimage site for such visitors.

The trend in heritage travel goes beyond battlefields. A partnership between Airbnb, a home-rental site, and 23andMe, which sells genetic-testing kits, will enable folk to browse through offerings of rentals and experiences in their “native” country. The Scottish government has developed a search engine, Scotland’s People, to help travellers trace their ancestors. Private genealogists are on hand to help those arriving in Scotland track down their forebears. Tour operators are offering bespoke itineraries for travellers wishing to combine [golfing](#) and whisky-tasting with a visit to great-great-grandma’s grave. Tom Miers of Scottish Clans and Castles, one such firm, says about half of his (mostly American) clients have links to Scotland.

A recent survey from VisitScotland, the country’s tourism organisation, found that 70% of long-haul visitors claimed Scottish ancestry and 34% cited it as a motivating factor for their visit. Fortunately for the Scottish economy, there are plenty of foreign Scots. In the century after Culloden, as many as 70,000 emigrated. Some 40m Scottish descendants now live in the diaspora. Luring more of them, above all Americans who spend the most, could further boost a thriving industry. Last year long-haul tourists spent £3.6bn (\$4.5bn), a 41% rise over 2019. Prices have also risen: between 2019 and 2024 the cost of summer hotel rooms went up by 74% more in Edinburgh than in London, according to Amadeus, a travel-data firm.

Mr Alexander notes that Scottish-ancestry tourism stands out because of its link with the clan system and a romanticised idea of Scottish culture. “If a tourist comes along and says they are descended from Robert the Bruce, what are you going to say?” he observes. ■

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Peer pressure

Britain's House of Lords purges itself

The toffs are being culled

Dec 12, 2024 07:34 PM | Westminster



THEY KNEW they must fall. But they stood anyway. If there is one thing at which the English aristocracy excels it is the brave stand in the face of overwhelming odds. They charged in the Light Brigade. They went over the top in the Somme. And on December 11th Britain's remaining hereditary peers walked into the House of Lords to face their own end.

On one side of the debate was the fate of several dozen hereditary peers and 700-odd years of history; on the other, the “House of Lords (Hereditary Peers) Bill” and a commanding government majority. The outcome of the debate was not in doubt. England’s queen, it was once said, “must sign her

own death-warrant” if Parliament sent it to her. And so when, on a chill Wednesday, the Lords was sent a bill demanding the “Exclusion of remaining hereditary peers”—a Labour manifesto commitment—they too, like turkeys voting for Christmas, would have to approve it. But not being turkeys, and certainly not chicken, the noble lords and ladies rose to fight it first.

The arguments against hereditary peers are not hard to make. The House of Lords is an affront to democracy, vocabulary and hosiery. It enables people to win power because 500 years ago their ancestor was chums with Henry VIII. As David Lloyd George, a former prime minister, said, it long enabled “500 men, ordinary men, chosen accidentally from among the unemployed”, to wield power in Britain. It requires the government to publish guides on how to address an earl over email (“Dear Lord”) and a baron in the flesh (grovellingly). It obliges far too many men to wear tights in public each year.

The House of Lords is one of the oldest assemblies in the world. It is also one of the oddest. Its 827 members make it the world’s largest second chamber: France’s has 348 members; Germany’s a slender 69. It is the only legislature in the world to be larger than its lower house and is second in size only to China’s National People’s Congress. The only other country to have hereditary members in its second chamber is Lesotho, which has its tribal chiefs. It is, as Sir Tony Blair, another former prime minister, observed, “a funny old place”.

It can offer a certain dark comedy. During a debate in 1978 on the victims of crime, one hereditary peer, Earl Russell, rose to argue that “naked bathing on beaches or in rivers ought to be universal” and that “this house is indisputably Marxist”. Whether such comedy is desirable in one’s democracy is another question. Having hereditary peers, regardless of their quality, “brings our Parliament into a degree of disrepute and ridicule”, says Meg Russell, a professor of British politics at University College London. The cure for admiring the House of Lords is, the Victorian journalist (and editor of this newspaper) Walter Bagehot once observed, “to go and look at it”.

However, as few know better than Sir Tony, it is easier to criticise the Lords than to reform it. The current bill is a piece of unfinished Blair business. In 1999 Labour tried to abolish all hereditary peers. More than 600 were booted out. But 92 (who were, in a fudge for the ages, to be elected by their fellow hereditary peers) were kept as an interim compromise. And 25 years later they are still there. A quarter of a century is brisk by House of Lords standards. The first bill to attempt to limit its size was put forward in 1719; three centuries on, nothing has happened about that, either. The rule of Lords reform, says Professor Russell, is that it is “always on the agenda and nothing ever happens”.

Yet this week something started to happen. The largest constitutional change in a quarter of a century—or, as its critics put it, a “purge”—began. Although, this being the House of Lords, it began quite slowly. It opened with some prayers from a bishop, and a mace being carried into the chamber. And then Black Rod, in tights, following it in. This particular revolution also involved quite a lot of “the noble Lord-ing”, and no small amount of “the noble Lady-ing”, plus a very lengthy break for lunch. But make no mistake. This was bloody revolution, House of Lords style. ■

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The foreign-aid fiddle

Britain's aid budget is less generous than it looks

The world's poorest are paying the price for Britain's dysfunctional asylum system

Dec 12, 2024 07:34 PM



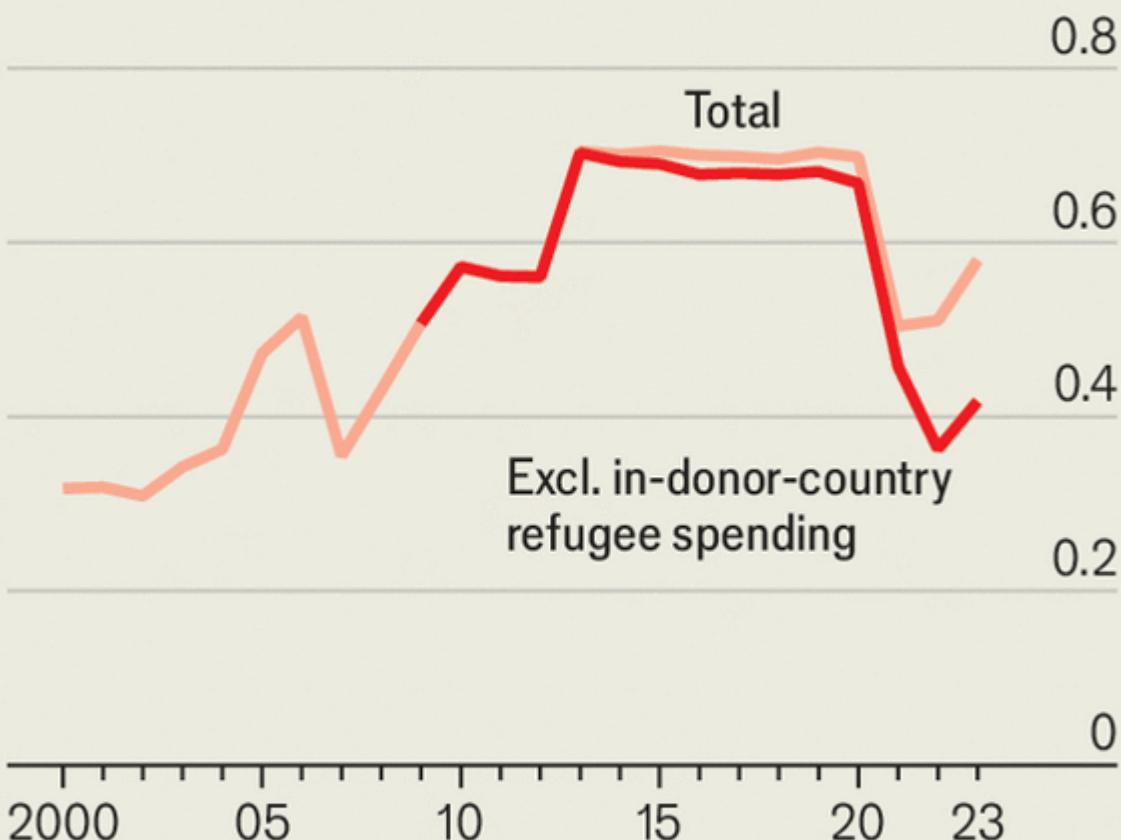
HOW MUCH the British government spends on foreign aid used to be a fairly easy question to answer. Through most of the 2010s, just gesturing to the United Nations target of 0.7% of gross national income (GNI) would have sufficed. Fixing aid spending at that level was an early David Cameron initiative, part of a bid to beef up his government's humanitarian credentials. These days, it's harder to say. In theory, 0.7% of GNI remains Britain's long-term target. But over the past few years barely more than half that amount has actually been spent on development abroad. The cuts began under Britain's last Conservative government, but look set to continue—and deepen—under Labour.

Part of that change is explicit: Boris Johnson cut the aid target to 0.5% of GNI, purportedly temporarily, during the pandemic. Labour opposed the move at the time but now plans to maintain it until at least 2030. There has also been another, less transparent, shift. Britain has become a world leader at rebadging domestic spending on refugees as foreign aid, perversely squeezing down what's left. The combined impact of those two measures has been to yank down Britain's spending on aid, excluding the asylum system, by almost half to 0.36% of GNI in 2022 and 0.42% in 2023 (see chart 1).

A numbers game

1

Britain, overseas development aid*, % of GNI



*Grant equivalents where available,
net disbursements otherwise

Source: OECD

The Economist

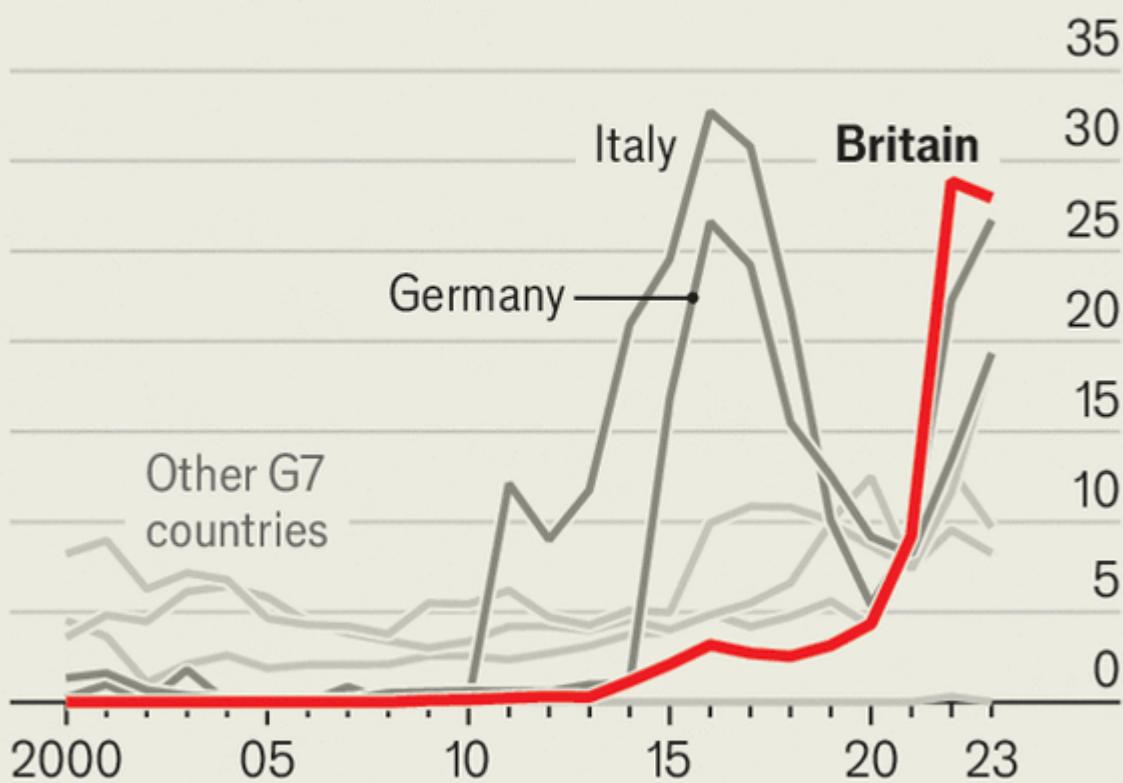
International accounting rules for aid say that hosting asylum-seekers for the year after they arrive can count as overseas development aid. But no other G7 country devotes as large a slug of its aid budget to domestic refugees as Britain. Only Italy runs close (see chart 2). Plenty of European countries don't include primary schooling, social housing or administrative costs for asylum-seekers in aid spending; Britain includes all three. Australia doesn't count refugee costs in its aid spending at all.

The Independent Commission for Aid Impact (ICAI), Britain's aid watchdog, has diplomatically dubbed this approach "maximalist". Rishi Sunak's government rejected an ICAI proposal to cap the share of aid spent on refugees at home, as Sweden does. The Centre for Global Development (CGD), a think-tank, reckons that if Britain had classified asylum spending the same way in the 1990s and 2000s, and had spent as much as it does today per asylum-seeker, in some years the entire aid budget would have been swallowed up.

Home help

2

G7 countries, overseas development aid going to in-donor-country refugee spending*, %



Sources: OECD;
The Economist

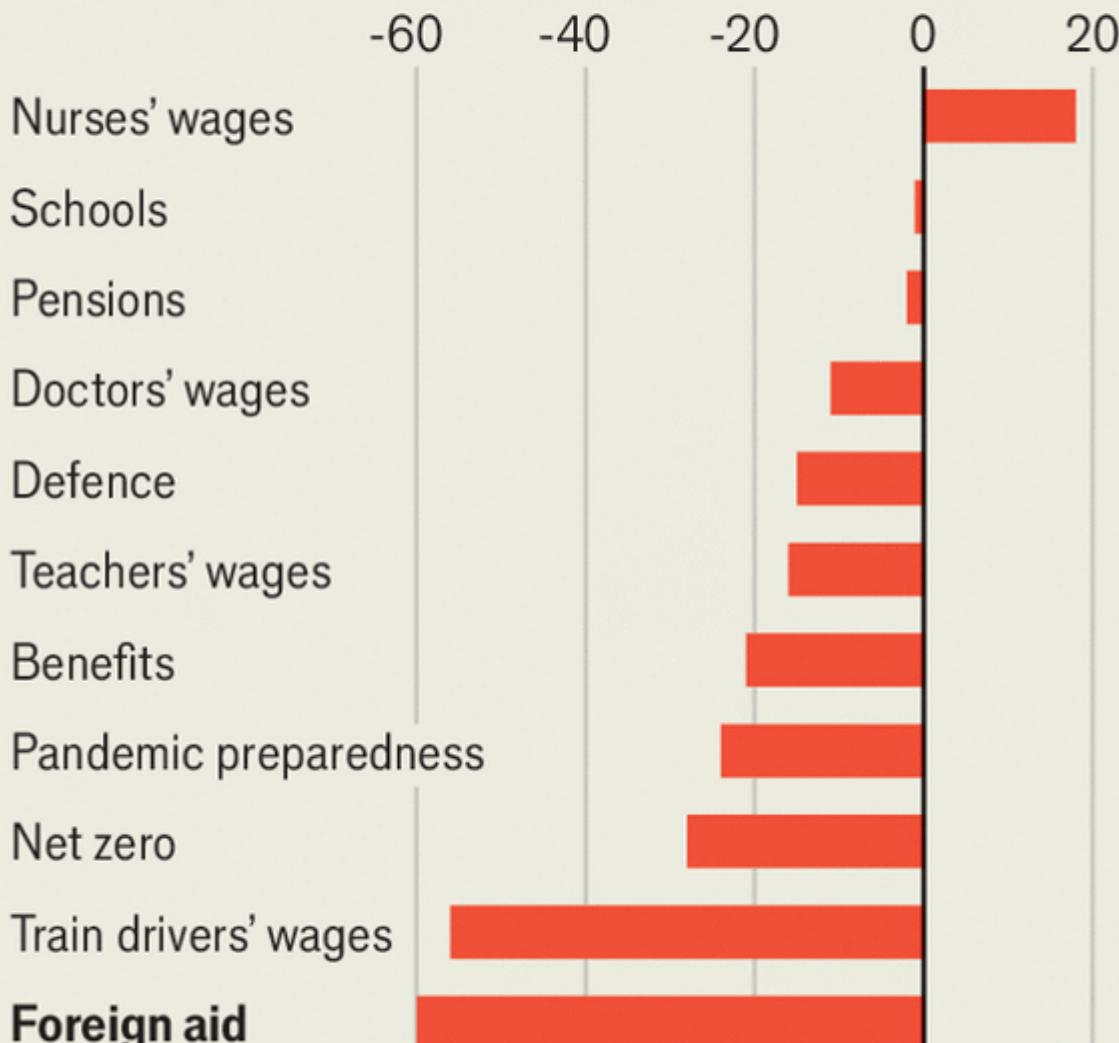
*Grant equivalents where available,
net disbursements otherwise

Labour has promised a reset. Anneliese Dodds, the development (and equalities) minister, announced that “Britain is back on the world stage” in a speech at Chatham House in October. Minouche Shafik, an economist who recently resigned as president of Columbia University, has been tapped to lead a review into Britain’s aid strategy. But so far there has been little indication that any new cash will come.

Indeed, Labour has proved even stingier than the Conservatives, who did provide a partial top-up to buffer the impact of refugee spending in 2022 and 2023. October’s budget envisages total aid of £14.3bn (\$18.2bn) in 2025—£1bn, or 0.04% of GDP, lower than in 2023. Instead, the government says it will make space for more aid spending by making the asylum system cheaper. That is speculative at best, and no quick fix. Small-boat crossings are at near-record levels and the government has been slow to phase out the expensive use of hotels to house migrants.

Bottom of the pops

Britain, “Which, if any, would you personally be prepared to pay higher taxes for?”, balance of respondents*, %, August 2024



Source: Public First

*“Would” minus “would not”

All that still leaves Britain a fairly generous aid donor, compared with its peers. But making the scale of future aid spending a hostage to the success of a border crackdown also sabotages any long-term planning. “It’s impossible for the government to drive growth or affect real change in developing countries if they’re not able to be clear about the budget they have to spend,” says Ian Mitchell of the CGD.

The clearest immediate fix would be to follow the ICAI’s suggestion to cap the share of aid spending that can go to the asylum system. The trouble is, money is tight and foreign-aid spending is spectacularly unpopular. Public First, a research firm, found that just 15% of voters would be willing to pay higher taxes to fund more foreign aid.; 75% would not (see chart 3).

That leaves an uncomfortable push-and-pull between spending on poverty relief abroad or refugees at home. Britain has sleepwalked into prioritising the latter. But aid money goes much further in the poorest countries. Britain spends about as much hosting one asylum-seeker for a year as it would cost to save ten lives by expanding existing funding for malaria prevention. Still, shortchanging refugees isn’t a vastly appealing option either. At the very least, the government should be candid about its choices. ■

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A novel award

And the prize for the oddest book title goes to...

The literary world's least-coveted award is announced

Dec 12, 2024 07:34 PM



Panos

WOULD YOU be tempted to read “Highlights in the History of Concrete”? If not, the Bookseller/Diagram Prize for the Oddest Book Title of the Year offers other highlights. Such as the invaluable “How to Avoid Huge Ships” (1992), or 1993’s winning—and frankly mystifying—“American Bottom Archaeology”. This year’s tasty pick, announced on December 6th, is “The Philosopher Fish: Sturgeon, Caviar, and the Geography of Desire”.

The literary world has many august prizes—the Booker, the Pulitzer, the Baillie Gifford. The Diagram prize is not one of them. Booker victors win tens of thousands of pounds and international fame: titles such as “Wolf Hall” and “The Remains of the Day” are to this day household names. Diagram authors, by contrast, win nothing at all and do not become famous,

while its winning and shortlisted titles—such as “Reusing Old Graves: A Report on Popular British Attitudes” and “Strip and Knit With Style”—tend to languish in obscurity.

The prize dates to the Frankfurt Book Fair of 1978. This is the most venerable in the publishing calendar. It was also, felt a literary designer called Bruce Robertson, very boring. To alleviate the dullness, he started to scour its aisles not for the best books but for those with the silliest titles. The prize—named after his company—was born. It has run ever since, bringing almost no recognition at all to titles such as “The Large Sieve and Its Applications” and that little-read thriller, “Greek Rural Postmen and Their Cancellation Numbers”.

The prize has stringent rules. Titles cannot be intentionally funny: they must have been given in a serious, even “po-faced” way, says Horace Bent, the prize’s pseudonymous administrator at the *Bookseller*, a British magazine that covers publishing. And while almost no literary judges read all the books they are supposed to, Diagram judges are “actively discouraged”, says the *Bookseller*, from reading nominees lest this “cloud their judgment” and they become unable to see the titles as “odd”. Rightly: doubtless the many lawyers who worked on the winner of 2001 saw nothing remotely amusing in titling a book “Butterworths Corporate Manslaughter Service”.

Like all good literature, many of the Diagram prize’s winners might make you smile but they also make you think. Read 1984’s winner, “The Book of Marmalade: Its Antecedents, Its History and Its Role in the World Today”, and the questions crowd in. Such as: what can the antecedents of marmalade possibly be? (Jam? Oranges?) And: how many different roles can marmalade really have? And above all: who on earth is buying this stuff?

The prize is a rare survival in a publishing industry that itself has become a little more po-faced of late. Awards such as “The Hatchet Job of the Year” and the *Literary Review*’s “Bad Sex in Fiction Award” have both been discontinued: the *Literary Review* said that people had suffered enough in 2020 without “bad sex as well”. The Diagram is aware it can ruffle feathers. Some relish their nominations. Others, says Mr Bent, “do not like it at all”.

Readers can be pleased that it has persisted. Winners provide valuable literary lessons, such as the power of a well-chosen adjective. The 1972 bestseller “The Joy of Sex” today seems quaint, almost wholesome. But add qualifiers, as 1997’s “The Joy of Sex: Pocket Edition” did, and you have an instantly more ominous prospect.

All offer a lesson in how English works; in that almost unintended alchemy that occurs between author and reader. Dylan Thomas once said that “the magic in a poem is always accidental”; it creeps in unbidden in the gaps between the author and the words and the reader. And what is true of poetry is also, surely, true of “American Bottom Archaeology”. ■

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An energy unicorn

The battles of Greg Jackson, Britain's clean-energy disrupter

The boss of Octopus Energy wants to change the way the world uses electricity

Dec 12, 2024 07:34 PM



THEY ARE both 53-year-old futurists. One wrote his first video game aged 12; the other dropped out of school at 16 to program games. Both studied economics and came to lead sprawling technology businesses involved in the defining 21st-century goal of electrification. Each dresses casually and retains a boyish enthusiasm for invention.

Once you start seeing similarities between [Elon Musk](#) and Greg Jackson, the boss of Octopus Energy, it is hard to stop. There are also obvious differences. Mr Musk is the world's richest man: having transformed carmaking, [space travel](#) and satellites, he has waded noisily into America's cultural and political battles. Mr Jackson's company, whose focus, he explains in an interview, is "using technology to make the green revolution affordable", made a profit for the first time last year. Yet as an evangelist for clean energy, and for a glimpse of the battles of the energy transition, he is worth watching, too.

He has turned a startup into Britain's largest electricity supplier. Almost a quarter of British households are now with Octopus, up from less than 2% in 2018. Octopus has wooed some with good customer service and flexible tariffs, offering cheap power outside peak times. It has also acquired struggling companies, notably Bulb in 2022. The same method is behind its expansion in places including France, Germany, Spain, Japan and Texas. In

all it has 8m customers across 18 countries, and is valued at \$9bn, enough to place it on the FTSE100, were it ever to list in Britain.

Mr Jackson's bet is this: as the role of grids shifts to connecting intermittent supply with movable demand, firms that can use software and data to match the two will prosper. With a snazzy app and an ability to experiment with products, Octopus is working out how to appeal to electricity customers with offers "just as supermarkets do". In Britain it has an attractive EV tariff with cheap overnight charging. Many customers get paid to stop using power at peak times, under a government scheme. Some near wind farms get discounted power when it is blowy.

Much of Octopus's success has been driven by its software platform, Kraken. That is what allows it to manage customers better than incumbents do (Mr Jackson talks of "applying the internet revolution" to energy). It has made growth via acquisitions viable: firms with clunky IT systems would find migrating millions of customers daunting. Octopus also makes money by licensing Kraken to others. Mr Jackson talks of having half a billion customers on the platform by the end of the decade.

He is more interested in growth than making a profit. Britain is a great place to found a startup—it has little red tape, good tax incentives and a "remarkable" ecosystem of entrepreneurs—but a hard place to grow. Octopus has had to look abroad for backing from patient capital, including pension funds. There may come a point when being a disrupter and a big player in a low-margin sector come into tension. Nor have all of the firm's tentacles—it makes heat pumps, invests in wind farms and leases EVs—been immediate successes. Above all, sustaining growth will depend on succeeding in heavily regulated energy markets. That explains why Mr Jackson has become one of the most outspoken champions of opening them up.

Hard nuts to Kraken

Some countries put up barriers to foreign businesses. But a bugbear is markets like Britain with a single wholesale electricity price, rather than a system where the price varies with local supply, demand and grid capacity.

That creates both waste and shortage, says Mr Jackson, by preventing price signals from reaching producers. Scottish wind farms are paid to switch off because the grid can't carry their electricity, while in southern England data centres cannot access power. He likens this to the “wine lakes and butter mountains” created in Europe by the distortionary farm policies of the 1970s and 1980s.

Changing market rules designed for fossil fuels, Mr Jackson believes, would unlock “dramatically cheaper, abundant green energy”. Several places show how. In Texas locational pricing has contributed to huge investment in renewables and a battery boom; in Sweden companies build factories in the north where electricity is cheaper. Yet he worries that elsewhere firms will not be forced to compete to push down prices. Incumbents have “phenomenal power” over regulatory code and legislation, he says, “almost like a mafia”.

Such talk has not endeared him to all. He is not “collegiate”, say others in the industry. Britain’s Labour government is squirming over market reform. He can sound like a hard-charging Silicon Valley CEO, as when he says he aspires to build a platform that changes the way a whole sector operates —“like Amazon or Uber”. Inspiration also comes from closer to home. Sir Richard Branson, who shook up air travel with a similar penchant for PR stunts, is “one of the role models of my life”.

What about his contemporary, Mr Musk? “Blimey, he’s done well,” acknowledges Mr Jackson, “on some measures.” There’s “a lot to learn”, he says, despite “all the things I don’t like about the way his politics work at the moment”. Mr Musk, once focused on climate change, now spends more of his time tweeting about immigration, media regulation and space exploration. Mr Jackson remains motivated to use clean energy and technology to solve problems here on Earth. ■

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Bagehot

British politics enters the “death zone”

Every party in British politics is in danger, whether they think it or not

Dec 12, 2024 07:34 PM



FUNNY THINGS happen to the human body above 26,000 feet (8,000 metres). Brain cells die. Blood turns to thick red custard. Vessels in the eye spontaneously burst. Brain swelling can lead to coma or worse.

Mountaineers call it “the death zone”, and with good reason. In British politics the death zone is less visceral, but no less serious. Any party that spends too long in the 20s or below in the polls is in deep trouble. Usually only one major party is unlucky enough to be so disliked. Today, they all are.

Britain’s main parties are remarkably unpopular. [Labour](#) sits at 26% in the polls on average, eight points below what was already the most efficient (or disproportionate) landslide victory in British electoral history. It is joined by the Conservatives, also on 26%, which is only a shade above their performance in the general election, itself a historic low. Nigel Farage’s populist band [Reform UK](#) ticks up to 21%, which is enough to trigger excitable headlines but not enough to guarantee replacing the Liberal Democrats as Britain’s third party, never mind usurp the Conservatives as an alternative party of government.

Each is a slip from falling into an electoral crevasse. First-past-the-post is generous to the party on top and merciless to those beneath it, which have to scrap for every second of media coverage, every pound from donors and every inch of voter head space.

Strangely, few in Westminster seem concerned. In the Labour ranks, success has led to complacency. Polls are dismissed. The party commands a majority of 163 MPs and has at least four clear years of government before they face voters again. Yet clouds are already gathering in the valley, even if the view from the top—or from inside a ministerial car—looks splendid. Labour Together, a think-tank close to the leadership, believes the danger is losing voters to the right; others argue that the danger lurks to the party's left, with people drifting to the Greens. So far both camps are correct: Labour is bleeding support in all directions.

Similar denial afflicts the Conservatives. Tory MPs have been cheered by Labour's lousy start. Yet although Labour's support has bled, the Conservatives have barely benefited. A few months after their worst performance in a general election they remain more or less where they were: a historically unpopular party.

Some around the party are willing to face reality: "Many, many people came to hate the Conservative Party and will for a long time," wrote James Frayne in a report for the Centre for Policy Studies, another think-tank. Most, however, are so blasé they notice only the unpopularity of Labour rather than their own. It is the same confused logic that leads people suffering hypothermia to strip naked and run into the snow.

If any party can be optimistic about life in the death zone, it is Reform UK. This is largely because it has the least to lose. The party has only five MPs and is barely five years old. It is still underresourced, with a handful of staff and little cash, akin to early-20th-century mountaineers having a crack at Everest in pyjamas and tweed. Even so, the latest iteration of Mr Farage's two-decade-long quest to blow apart British politics is arguably his most successful. One poll put Reform UK second, behind the Conservatives and above Labour.

In Mr Farage's telling Britain is on the brink of one of its once-a-century political ruptures, when a party is shifted from being a party of government to a straggler. For all his bullishness, Reform UK is just as close to death as glory. Such is the surreal workings of Britain's first-past-the-post electoral system, there is a minimal gap between Reform UK winning two, 20 or 200

seats at the next election; between a historic breakthrough or another chapter in Mr Farage's almost-made-it political life.

The only other time all major parties entered the death zone was in the pits of the Brexit years, in the spring and early summer of 2019. Theresa May's dying Conservative government tacked along in the low 20s. Jeremy Corbyn's historically unpopular Labour Party joined them. Mr Farage's outfit, then named the Brexit Party, peaked at roughly the same level. It was an extraordinary period, which was treated as such by everyone in Westminster. Commentators dragged out "King Lear" quotations to sum up the rage of the public: "I will do such things, / What they are, yet I know not: but they shall be / The terrors of the Earth."

In 2019 British politics managed to escape the death zone, but it was a destructive endeavour. Mrs May was removed and replaced by Boris Johnson, who purged his party, triggered a constitutional crisis and forced an election. It was a painful experience that few remember fondly, but it gave voters what they wanted: an end to the stasis of a hung parliament and Britain's departure from the European Union. At least the screaming stopped.

Into thin air

This time a strange incuriosity has befallen Britain's political class. The voters are screaming just as loudly as they were in 2019, yet few are paying the calls any heed. Back then the cause of the discontent was obvious. Now the screams are harder to decipher. Are Britons angry about the state of the NHS, or the economy, or immigration? A good chunk of Westminster has decided to zip its tent and hope that the storm passes. Politics is relative, runs the logic. It is sometimes enough simply to be the least hated. Whoever does triumph, by default, will take a victory lap and claim death was never near.

Despite its fatal name, most climbers survive the death zone. Even the deadliest mountains kill only a small percentage of those who attempt to scale them. Nevertheless, preparation, caution and bravery are all needed to

survive. Not many in Westminster are yet willing to accept that the stakes are that high. Forgetting the risks is the quickest way to die. ■

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International

- **What has four stomachs and could change the world?**

Bridging the dairy divide :: Technology is transforming cattle farming, but not fast enough

- **The Art of the Deal: global edition**

The Telegram :: Donald Trump will have vast leverage over American allies, but ruthless despots may resist his dealmaking

Bridging the dairy divide

What has four stomachs and could change the world?

Technology is transforming cattle farming, but not fast enough

Dec 12, 2024 07:34 PM | Eldoret and Merced



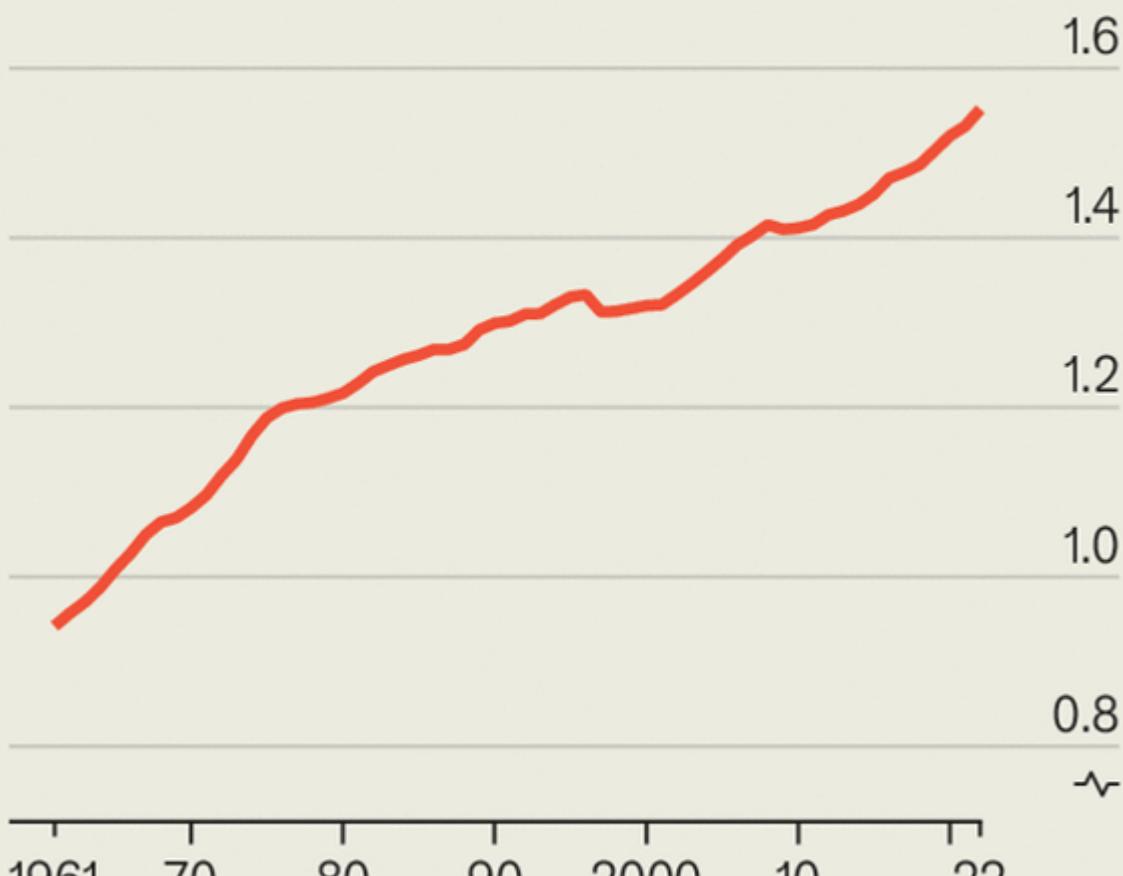
THE AVERAGE dairy cow in America produces 30 litres of milk a day; a cow in Africa, only 1.6. This 19-fold difference—call it the dairy divide—has enormous consequences. Closing even some of it would ease poverty, help children grow up better nourished, reduce emissions of greenhouse gases and perhaps even make civil wars less likely. The good news is that cows can become more productive, thanks to the spread of technologies old and new. But unhelpful traditions—and climate change itself—make it harder.

In rich countries, cows are unfashionable. The health-conscious are shunning red meat and switching to plant-based milk. The environmentally conscious fret, correctly, that cattle account for 7% of man-made greenhouse-gas emissions—far more than any other kind of livestock. And techno-optimists have predicted, since the first lab-grown beef was unveiled in 2013, that cruelty-free cultured meat will replace the sort sliced from slaughtered animals as soon as it is cheap and tasty enough.

Increase by calf

1

World, cattle population, bn



Source: FAOSTAT

The Economist

Perhaps that day will come. But for now cows are growing more important, not less so (see chart 1). The UN's Food and Agriculture Organisation (FAO) expects global beef consumption to increase by 11% by 2033, and milk consumption to rise by 17%, as the human population grows and more people can afford more animal protein.

Farmers face two challenges. First, to meet growing demand for bovine bounty, even as hotter, less predictable weather makes their job harder in

many regions. Second, to stop their cows from belching so much planet-cooking methane.

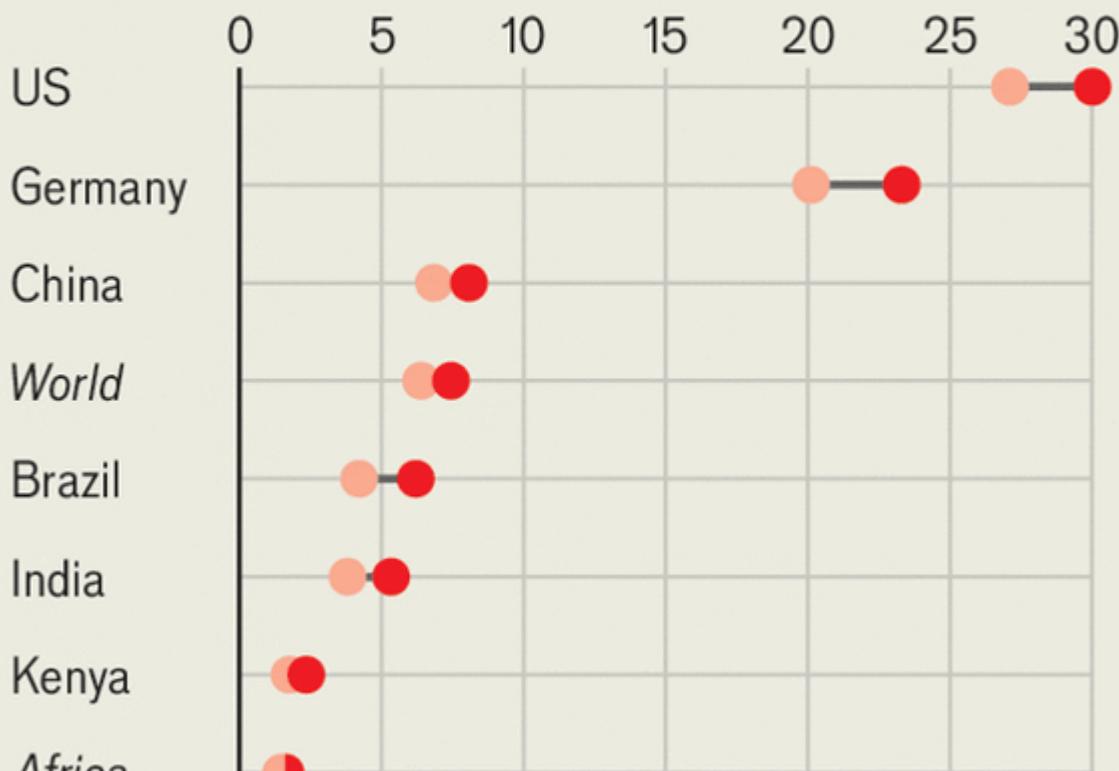
In the first area there has been impressive, albeit uneven progress (see chart 2). In India, home of the world's largest herd, selective breeding and better husbandry increased the milk yield per cow from 3.8 litres a day in 2013 to 5.3 in 2022. The global rise was more modest: from 6.4 to 7.4 litres. Cattle in poor countries remain far behind their rich-world peers, which means "the opportunity for catch-up growth is enormous," says Dominik Wisser of the FAO.

Land of milk and money

2

Average milk yield per cow, litres per day

● 2013 ● 2022



Source: FAOSTAT

The Economist

Bovine emissions, alas, keep rising. Farmers have few incentives to abate them. Governments are loth to impose rules that might inflate food prices, consumers are wary of methane-curbing feed additives such as Bovaer and it is harder to monitor emissions from cows than, say, power stations, since there are 1.5bn of them and their owners are often nomadic.

Still, raising productivity—which farmers have every incentive to do—leads to lower emissions per glass of milk. One cow producing ten litres a

day emits much less methane than two producing five each, notes Sonja Leitner of the International Livestock Research Institute (ILRI) in Nairobi. The FAO looked at 11 ways to cut bovine emissions: raising productivity would be the key, ahead of tinkering with cows' genes and diets.

The first steps are laughably low-tech. Alfred Kering, a smallholder near Eldoret in Kenya, raised each of his cows' daily output from one litre to eight simply by reducing their number. He used to keep as many cattle as he could because among his people, the Kalenjin, a man is judged by the size of his herd. The trouble was, he didn't have enough land to feed all ten of them properly. An agricultural extension officer suggested he sell some. Now he has only three, but they are well-fed and produce more than twice as much milk as the ten did. He sells the surplus and is visibly less poor. His children are better fed and get sick less often, he says; and he no longer struggles to pay the school fees.

The next step to raise productivity—selective breeding—is more sophisticated. One cannot simply take a high-yielding American cow, drop it in Africa and expect it to thrive. The heat and bugs would surely kill it. Farmers need hybrids that are good milkers, but also resilient to local conditions. One snag is that smallholders like Mr Kering typically keep no records of the bloodline of their cows. Some just hire the neighbour's bull when they need them impregnated, which fosters inbreeding and unhealthy offspring. Others have tried to create better hybrids, but are hampered by not knowing what they had to begin with.

So since 2016 scientists at Africa Asia Dairy Genetic Gains (AADGG), a project run by ILRI and backed by the Gates Foundation, have been gathering data on cow genetics and productivity in developing countries. They have plucked hairs from 15,000 cows in Ethiopia, Kenya and Tanzania, and used the DNA to build a database of bovine genomes.

In addition, AADGG works with a mobile app that lets farmers collect and relay data about each cow's milk, health, location and so on. It then uses models to predict which genetic combinations might work best in specific places. At first it was hard to persuade smallholders to share information—many thought it would be used to make them pay tax. But eventually, working with a firm called iCow, AADGG accustomed farmers to receiving

advice digitally. Those enrolled in the project in Tanzania saw productivity rise by 50%.

Gradually, know-how is spreading. Daniel Kemboi, another Kalenjin farmer, says he finds the right bull semen by googling it. He browses a website that lets him select traits, from higher milk yield to greater heat tolerance. His yield has risen from 12-15 litres per cow five years ago to 26. He has also built a cowshed for shade from soaring temperatures—a problem all local farmers complain about. He says he now makes ten times as much money as he did when he drove a truck as a young man.

Nationally, productivity per Kenyan dairy cow rose from 1.8 litres in 2013 to 2.3 in 2022. This is higher than the African average, but far short of what farmers in the AADGG project have shown is possible. It is also far short of what locals need. Some 35% of Kenyans are undernourished. Extra protein and iron, essential for brain development, would come in handy for them—and indeed for the 22% of the world’s children under five who are stunted for lack of good food. A study by Beliyou Haile and Derek Headey of the International Food Policy Research Institute in Washington found that an increase in milk consumption in a country was associated with a large reduction in stunting, even after controlling for income.

The pressure to adapt is especially intense among nomadic herders. “We used to move from place to place, following the rain,” recalls Daniel Sinkeet, a 59-year-old Maasai herdsman from southern Kenya. An intense drought in 2021-23 made him realise his way of life was not sustainable.

When the local pasture dried up, he tried to save his cows the traditional way—by driving them on a 200km trek to find fresh grass and water, moving at night to avoid the heat. Many died of thirst or disease. He had to sell others, at dismal prices, to buy feed for the survivors. His herd shrank from 300 head to 200.

If droughts grow more severe, conflicts between herders and sedentary farmers could proliferate. In good years pastoralists graze their cows on marginal land until farmers have harvested their crops. Then, with the farmers’ permission, they let their cows eat the stubble and pay the farmers in cash and cow dung. But when the rains fail, herders are forced to move

before the harvest is in, and their cows often destroy unharvested crops. This can spark fights, which may escalate into ethnic conflict. A study by Eoin McGuirk of Tufts University and Nathan Nunn of Harvard found that drought in pastoral areas explained “a sizeable proportion” of conflicts in Africa between 1989 and 2018, including civil wars.

Mr Sinkeet has reluctantly concluded that the solution is to settle down. Instead of letting his cows wander far and wide, he now brings most of their food to them. He grows maize, alfalfa and Napier grass, and feeds it to them in troughs. It is a psychological wrench for him, as a proud Maasai man, to stop roaming. But if herders’ productivity rises and they become more stationary, one of the big causes of war in Africa could eventually fade.

Smallholders struggling to feed their kids seldom think much about their contribution to global warming. But ILRI is helping some countries come up with better estimates of bovine emissions, with a view to cutting them one day. In one experiment in Nairobi, cows are put in a metal box called a respiration chamber with instruments to measure how much methane they burp. Researchers are testing whether varying their diet with locally available legumes makes them produce more and emit less.

Man’s best frenemy

Even rich countries do little to curb livestock emissions. A partial exception is the state of California, which has a target of reducing methane emissions to 40% below 2013 levels by 2030, and has crafted rules and subsidies to encourage farmers to do their bit. One technique is to capture the methane and sell it as fuel (which is less damaging than letting it float away).

“That’s just poop,” says Simon Vander Woude, a dairy farmer near Merced, near Sacramento, pointing to a duct filled with a thick brown liquid. Streams of water flush the dung from his 3,200 cows into a pit under a tarp. It is an anaerobic digester, a contraption that uses bacteria to break down biological waste into methane. Walking on the gas-filled tarp feels like jumping on a bulbous trampoline. The biogas is refined and sold. Before 2017, there were fewer than 20 digesters in California; today at least 149 are in operation or under construction. Private companies offer to build and

maintain digesters for a cut of the state subsidy and of the proceeds from selling the gas.

Mr Vander Woude's digester cost \$4m, but is now making a return. And there are other promising techniques. Studies suggest that adding red seaweed to cattle feed can suppress methane emissions, though estimates of how much vary wildly.

STgenetics, a Texan firm, sells a tool to help farmers breed cows that make more milk while eating—and thus emitting—less. Pablo Ross, the firm's chief scientific officer, says “there is still a lot of work to do” to persuade farmers that this will save them money (on feed) without sacrificing other traits they want.

If cow burps and farts were taxed in a way that reflected their baleful effect on the climate, farmers would have an incentive to curb them, and consumers to cut back on emission-heavy foods. In June Denmark's government said it would slap a levy on emissions from livestock. So far, it is the only one. ■

For coverage of climate change, sign up for the [Climate Issue](#), our fortnightly subscriber-only newsletter, or visit our [climate-change hub](#).

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The Telegram

The Art of the Deal: global edition

Donald Trump will have vast leverage over American allies, but ruthless despots may resist his dealmaking

Dec 12, 2024 07:34 PM



WITH THE right portfolio of assets, property developers enjoy tremendous power over architects, builders and potential tenants. Yet even the richest have little leverage over arsonists.

That bricks-and-mortar framing is surprisingly helpful for understanding why America's next president is both right and wrong about his ability to reshape the [global order](#). The Telegram is willing to risk a prediction: in his second presidency, Donald Trump will wield tremendous power over allies and countries that profit from ties with America. With adversaries ready to burn relations with the West to the ground, his grip will be less sure.

Mr Trump sounds confident that he has leverage on all fronts. Big economic partners, whether that means Canada, [China](#), the European Union or Mexico, have been warned to brace for tariffs on their exports, followed by calls to renegotiate terms of trade with America. At the same time, Mr Trump has pledged to end Russia's war with Ukraine within 24 hours. He has warned Hamas to release hostages taken in Israel on October 7th 2023, or face being "hit harder than anybody has been hit in the long and storied history of the United States of America".

The strengths and limits of this approach are apparent to American and foreign officials who watched Mr Trump's first presidency up close. It is striking how often the same insiders draw lessons from his career building casinos, hotels and golf courses. Indeed, go back to interviews that Mr Trump has given over many years, and he sometimes makes America's

economy sound like the world's most valuable bit of real estate. Because he thinks previous American presidents were “suckers” who let foreign partners pay too little for access to it, he is ready to impose aggressive rent reviews.

In Mr Trump’s first presidency, numerous allies endured his dealmaker’s scrutiny. This was often a humiliating experience. In June 2017 Panama’s then-president, Juan Carlos Varela, secured a meeting in the Oval Office, a visit liable to boost him with voters back home. During their encounter, Mr Trump questioned why American warships pay to use the Panama Canal, which returned to Panamanian control in 1999. Mr Trump told his Panamanian guest that surrendering the canal zone was a terrible deal and that “we should take that thing back”, recalls America’s then-ambassador to Panama, John Feeley. To his relief the Panamanian leader, whom he had “assiduously prepped” to avoid confronting Mr Trump at all costs, tactfully changed the subject, Mr Feeley says. Mr Varela asked his host: “Mr President, can I ask you a question? How are you doing in Syria?” (America is winning, he was told.)

Another former American official watched Mr Trump bullying a string of allies, and draws links to his business career. As a developer, Mr Trump routinely told suppliers to lower their prices after they had completed projects. Some sued. Others wanted future business so gave in. “He always stiffed his subcontractors,” notes that eyewitness. “To him, allies are like subcontractors.”

Many times, Mr Trump’s “unconventional thinking cut to the quick of things”, the former official goes on. Mr Trump asks “very good questions” and was “a wrecking ball to things that needed to be disrupted”. He had a patchier record when it came to building sturdier alternatives. Too often, his ambitions were thwarted by his impatience with detail, and by his struggles to understand foreign leaders guided by incentives very different from his own.

For all his tough talk, Mr Trump wants to be loved, seeing himself as a man of destiny sent to protect ordinary Americans’ interests, says the former official. He craves the approval of financial markets and of very rich people, whose wealth he takes as a proxy for brilliance. Truly cold-blooded

rulers confound him. “Someone who is utterly ruthless, and who will slaughter anyone they need to, Trump can’t get his head around that.” In his first presidency, the businessman was “totally shocked” by intelligence briefings about Syria’s then-dictator, Bashar al-Assad, using poison gas on women and children in his own country. In contrast, the same former official watched Mr Trump failing to fathom leaders who acted on humanitarian impulses, as when Germany’s then-chancellor, Angela Merkel, told him she had allowed Syrian refugees into her country because it was the right thing to do.

Not everyone wants to build beach resorts

Those same blind spots could become apparent once more when Mr Trump returns to office. President Vladimir Putin is willing to sacrifice terrible numbers of Russian lives to keep pushing deeper into Ukraine. Given that the Russian leader is currently winning ground while Ukraine suffers a crisis of manpower and morale, some Western officials wonder why Mr Trump imagines he can force Russia to stop the war soon. Trumpian threats to strike Hamas are equally unconvincing, for that terrorist group is willing to see Gaza destroyed to advance its fanatical goals.

A former Western diplomat says that Mr Trump placed excessive faith in economic incentives, as when he left an Obama-era pact to constrain Iran’s nuclear programme, the JCPOA, in 2018. Trump aides told allies that their builder-boss saw the pact as an edifice with bad foundations, fit only for demolition. The JCPOA was imperfect, agrees the former diplomat. Still, it imposed real curbs on Iran and Mr Trump’s rebuilding plan was worse: he asserted that harsher sanctions would swiftly bring Iran to its knees, leaving its rulers begging for a new deal. This did not happen. Nor was North Korea’s hereditary despot, Kim Jong Un, swayed by Mr Trump’s invitation to abandon nuclear arms and develop his country’s beaches for tourism. To the former diplomat, Mr Trump is constrained twice over: by his “vast lack of knowledge about abroad” and by his instinct that America should disengage from foreign wars. In a world on fire, the art of the deal has limits. ■

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Prosperity uncommon

From Apple to Starbucks, Western firms' China dreams are dying

Economic growth is slowing, competition is stiffening and geopolitical tensions loom

Dec 12, 2024 07:34 PM | Shanghai



Editor's note (December 9th 2024): This article has been updated to incorporate news of China's investigation of Nvidia.

THINGS HAVE never looked rosier for foreign firms in China—at least according to the country's Council for the Promotion of International Trade. The body, which is controlled by the commerce ministry, claims that 90% of foreign companies rate their experience in China as satisfactory or better. According to a recent survey by the council, foreign firms say the economy is strong, local markets are attractive and their outlook is bright. Following years of isolation during the covid-19 pandemic, China's government insists that the country is open again for business, and that reforms have made life easier for foreign companies.

Executives of those companies scoff at all this. Many say they now struggle to justify investing in the country and talk instead of cutting staff. In a recent survey by the American Chamber of Commerce in Shanghai, less than half of respondents said they were optimistic about the prospects for their business in China over the next five years—a record low. On December 4th General Motors (GM), an American carmaker, said it would write down the value of its once-thriving joint ventures in the country and close some of its factories there. On December 9th it was reported that China's government was opening a competition probe into Nvidia, America's AI chip champion.

In recent decades Western bosses looked to China not just as a place to make things cheaply, but as a vast and growing market for their wares. According to our analysis, the sales in China of listed American and European companies that disclose them peaked at \$670bn in 2021, accounting for 15% of those firms' total revenue. Things have gone south since. Last year sales were down to \$650bn; their share of total revenue slipped to 14%. This year has shown no sign of improvement. Of those firms in our dataset that report quarterly sales in China, almost half saw these decline, year on year, in the most recent reporting period.

Companies confronting shrinking sales in the country range from Apple, a tech giant, and Volkswagen, a carmaker, to Starbucks, a coffee chain, and LVMH, a luxury conglomerate. “At this point we should have turned a corner,” complains the regional boss of a global firm. Another foreign executive laments that the days of feverish growth in China for his business have passed. Although some Western companies, such as Eli Lilly, a drugmaker, and Walmart, a retail behemoth, continue to grow in the country, their ranks are steadily thinning.

One reason for this is [China's economic stagnation](#). A housing crisis has sent property prices across the country plummeting and caused consumers to tighten their belts. The central government signalled in September that it would do what it takes [to reflate the economy](#), and on December 9th the politburo announced that China would shift to a “moderately loose” monetary policy for the first time in over a decade. But expectations remain low. Property sales are still falling, compared with last year, and will probably continue doing so well into 2025. Despite the government’s promises to stimulate consumption, gauges of demand are down.

Deflationary pressure is hurting all companies in China, not just foreign ones, notes Bo Zhengyuan of Plenum, a consultancy in Beijing. Fully 27% of Chinese industrial firms were making losses at the end of October. Oversupply in various industries, from electric vehicles (EVs) to building materials, has led to ferocious price wars. Mary Barra, GM’s boss, has blamed a “race to the bottom” for the firm’s difficulties making money in the country.

Yet Western companies are also being outcompeted by Chinese rivals. Starbucks has ceded market share to Luckin Coffee, a cheaper local competitor that in September had 21,000 stores in the country, about three times as many as the American chain and up from 13,000 a year before. Brian Niccol, the newish boss of Starbucks, told investors in October that it faces “extreme” competition in China. It is said to be considering selling a stake in its business there to a local partner.

In many industries Western firms no longer enjoy the technological edge they once did over Chinese rivals. Chinese manufacturers of industrial robots now supply almost half the local market, up from less than a third in 2020. Apple’s troubles in the country have been compounded by flashy new smartphones from Huawei, including the Mate 70 range it unveiled on November 26th. The EVs produced by BYD, NIO and other Chinese carmakers are not only much cheaper than Western ones, but packed full of the clever tech that local consumers desire. When the Chinese market was still expanding briskly, Western firms were able to increase their sales there even as they lost share. They no longer have that luxury.

If all that were not bad enough, Western companies are also becoming collateral damage in the rivalry between their governments and China’s. On December 2nd America introduced new restrictions on the sale of chipmaking tools to certain Chinese companies, as well as of high-bandwidth-memory chips. That will hurt American manufacturers of semiconductor equipment such as Applied Materials, Lam Research and KLA, as well as ASML, a Dutch maker of advanced lithography tools. Other Western chip businesses may also suffer as a result. After the announcement, four Chinese industry associations responded with a call to reduce purchases of American chips. The timing of China’s Nvidia probe suggests it too may be an act of retaliation for America’s restrictions.

Companies in sensitive industries such as chipmaking are familiar with the risk attached to their sales in China. The list of firms exposed to geopolitical ructions, however, is lengthening. The shares of European brandy-makers, including Rémy Cointreau and Pernod Ricard, slumped in October after China said it would impose anti-dumping measures on the spirit, seemingly in retaliation for tariffs levied on Chinese EVs by the EU. Last month the

founder of Uniqlo, a Japanese clothing retailer, incurred the wrath of Chinese netizens when he said that the company did not use cotton from Xinjiang, a region of China mired in allegations of [forced labour](#). China's commerce ministry may soon slap restrictions on the local operations of PVH, the American owner of Tommy Hilfiger and Calvin Klein, for complying with an American law that bans the use of cotton from the region.

If Donald Trump follows through with his threat to raise tariffs on Chinese goods, [Xi Jinping](#) may respond by making life harder still for American companies. Foreign firms in China are trapped in the middle of a dangerous geopolitical struggle, writes Andrew Polk of Trivium China, another consultancy. Their troubles will not ease soon. ■

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Add agencies

Farewell, Don Draper: AI is coming for advertising

Omnicom's takeover of Interpublic signals an industry in trouble

Dec 12, 2024 07:34 PM

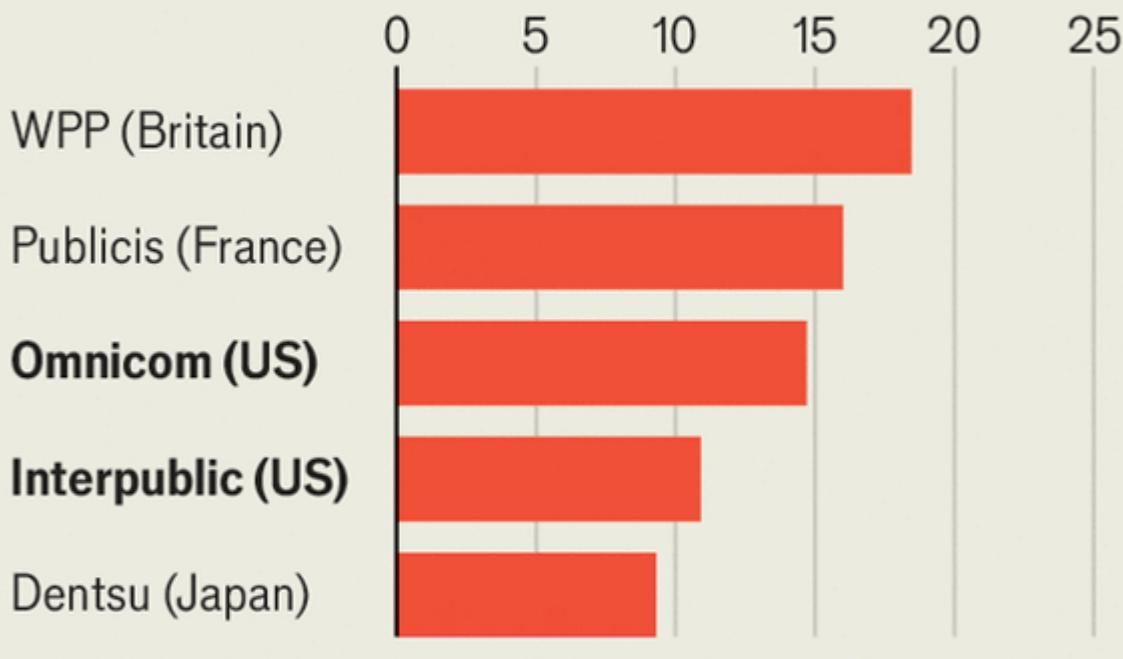


“**CHANGE IS NEITHER** good nor bad. It simply is,” declares Donald Draper, the unflappable star of “Mad Men”, a television drama set in 1960s adland. Not all advertising executives share his sangfroid. Today, technology is changing the industry faster than at any time since Mr Draper’s era. The result is a reshaping of Madison Avenue that is leaving some admen choking on their Old Fashioneds.

The biggest example of the disruption so far is a deal announced on December 9th, in which Omnicom and Interpublic, the world’s third- and fourth-largest ad-agency holding companies by revenue, propose to combine to become by far the biggest (see chart). The deal, structured as a takeover of Interpublic by Omnicom, would bring together a client list including Apple, Disney, Johnson & Johnson and Mattel. In leapfrogging France’s Publicis and Britain’s WPP, the enlarged Omnicom would shift advertising’s centre of gravity closer to New York.

Omnivorous

Top five advertising holding companies by revenue, 2023, \$bn



**Omnicom and
Interpublic**

Omnicom

Interpublic

Source: LSEG Workspace

The Economist

On the face of it the industry's troubles are hard to grasp. True, the incoming Trump administration is worrying marketers with hints that it may curb pharmaceutical advertising (which contributes 6-8% of American ad revenue) or start a trade war that could hurt big-spending industries like cars and electronics. But advertising has never been bigger. Helped by a summer Olympics and an American election, worldwide spending is on course to rise by 9.5% in 2024, crossing \$1trn for the first time, reckons GroupM, part of WPP.

The trouble is that ever more of the business is slipping out of the well-manicured hands of the agency executives who used to control it. Tech companies, led by Google, Meta and Amazon, have made it easier for companies to create and buy their own ads. Those three firms, plus China's ByteDance and Alibaba, will rake in more than half of all ad spending this year, GroupM predicts. Strip out the up-and-down period of the covid-19 pandemic and the global ad-agency industry has grown by barely 3% a year since 2018, according to MoffettNathanson, a firm of analysts.

Artificial intelligence (AI) threatens to erode their role further. Generative AI can write copy and draw images; on December 9th OpenAI, maker of ChatGPT, released Sora, its video generator. AI is also making it easier to target consumers with the right ad. The technology could eliminate 7.5% of America's advertising jobs by 2030, predicts Forrester, a research firm. Moreover, AI tools are making it easier for clients to take advertising in-house, or give the work to smaller agencies. The biggest five agency holding companies had a 30% share of all agency-services revenue last year, down from 37% a decade earlier, estimates Madison and Wall, an ad consultancy.

Omnicom and Interpublic hope that together they will be protected against these trends. The companies' bosses promise savings of \$750m per year by merging shared functions, and say they will invest more in AI technology. Removing one competitor from advertising's top tier will improve their pricing power. Regulators may not like that. But, as Omnicom's boss, John Wren, pointed out, the clout of Google and co ought to reassure trustbusters that there will be no shortage of competition; Mr Wren also expects a more business-friendly environment. under Donald Trump. The tie-up has "tremendous industrial logic", says Brian Wieser of Madison and Wall.

Will it enable the agencies to compete with their tech rivals? That may be the wrong question. "If I'm looking for state-of-the-art AI, am I going to go to my ad agency? Are you crazy?" asks Rishad Tobaccowala, a former chief strategist at Publicis. AI will be a service that agencies plug into, like electricity, rather than a competitive differentiator, he argues.

Perhaps more likely is that agencies push further into new kinds of work. The "holy grail" in the industry is combining ad-buying with data analysis,

argues Bernstein, a broker, which cites the successful acquisition by Publicis of Epsilon, a data company, in 2019. Publicis now has 25,000 engineers helping clients with everything from managing data to building apps. With this kind of work, agencies are competing more closely with consulting firms, which in turn are venturing into the ad-content business, with offshoots such as Accenture Song.

The bit of the advertising industry that seems most vulnerable is the creative part. “The ability to charge for producing ads is going to decline significantly because of AI,” says Mr Tobaccowala. The newly enlarged Omnicom will control an alphabet soup of creative agencies, including Omnicom’s BBDO, DDB and TBWA, plus Interpublic’s McCann and FCB. This may be more than a single company needs, suspects Mr Wieser. If the changes coming to adland are going to be bad for anyone, it may be creative executives like Don Draper. ■

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All-In on Donald Trump

The PayPal Mafia is taking over America's government

America's right-wing tech bros are celebrating Donald Trump's victory

Dec 12, 2024 07:34 PM | SAN FRANCISCO



ON THE NIGHT of December 7th San Francisco's Palace of Fine Arts, with its lakeside colonnade echoing a Roman ruin, turned into Mar-a-Lago. [Silicon Valley's newly emboldened right-wingers](#) had gathered for a Christmas bash organised by the All-In podcast. The festive good cheer did not extend to everyone; *The Economist* was made to feel most unwelcome. But not before being privy to a riotous celebration of how a clique of billionaires—the so-called PayPal Mafia—helped clinch Donald Trump's election victory and is taking Washington by storm.

The four venture capitalists that host All-In have a lot to feel smug about. In June two of them—David Sacks, a PayPal alumnus, and Chamath Palihapitiya—threw a fundraising event for Mr Trump when he visited San Francisco, which raked in \$12m. On December 5th Mr Trump returned the favour by naming Mr Sacks his artificial-intelligence (AI) and crypto “tsar”. Mr Sacks accordingly wore a Russian fur hat to the event.

Alongside Mr Trump, the All-In podcast counts [Elon Musk](#) and Peter Thiel, two other PayPal mafiosi, as friends. From the stage there was jubilation over Mr Musk's influence on the president-elect (“Being Elon Musk is a pretty fucking sweet deal,” declared a video kicking off the event) and Mr Thiel's patronage of J.D. Vance, the incoming vice-president. “The PayPal Mafia's takeover of the government is now complete, so good work on that,” quipped Aaron Levie, the founder of Box, a cloud-storage firm (and a Democratic donor decidedly out of place).

The event featured giddy excitement over cryptocurrencies and defence-tech firms like Anduril and Palantir. But some of the loudest cheers—including a “hallelujah” from the stage—went to efforts to fix the budget deficit and rein in “out of control” government spending.

The hosts also made clear who was out of favour. Sam Altman, the chief executive of OpenAI, maker of ChatGPT, was roundly mocked. He is Mr Musk’s nemesis. Mr Palihapitiya, with the future AI tsar at his side, described OpenAI as “the biggest disappointment of this year”, and heaped praise instead on Mr Musk’s xAI. Women were under-represented; one female entrepreneur walked out in disgust at the “male energy”.

Top of the hate list was “legacy media”. When your correspondent sought a word with Jason Calacanis, a co-host dressed as a jovial Santa Claus on stage, he flew into a rage, shouting: “Don’t talk to journalists!” A few minutes later, he threw *The Economist* out.■

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Trustbusting transformed

What Trump's new antitrust enforcers mean for business

Expect easier dealmaking. Unless you are in Silicon Valley

Dec 12, 2024 07:34 PM



IT WAS AS if the sun came out on Wall Street. Donald Trump's election victory was met not just with a blistering stockmarket rally, but also a flurry of dealmaking. Mondelez, a snack-seller, is reportedly trying to buy Hershey, a chocolatier. Consolidation beckons for the [advertising industry](#): Bankers are expecting that many more tie-ups will follow. The surge in activity partly reflects a level of certainty that would have materialised whoever won the election. But it also has much to do with the changing of the guard at America's antitrust authorities.

On December 10th Mr Trump announced that the new chair of the Federal Trade Commission (FTC) will be Andrew Ferguson (pictured), who has been a commissioner since April. Last week Mr Trump picked Gail Slater, an adviser to J.D. Vance, the incoming vice-president, to lead the antitrust division of the Department of Justice (DOJ). The newcomers will replace Lina Khan and Jonathan Kanter, respectively. Both aggressively scrutinised corporate power in America. Often their bark was worse than their bite. Many cases failed in the courtroom. But not all: on December 10th judges [blocked the merger of Kroger and Albertsons](#), two big grocers, after the FTC sued to prevent their union.

Mr Trump's picks will mostly make corporate deals easier. Merger guidelines, the framework regulators use to evaluate deals, may be replaced by an approach that places more weight on consumers and acknowledges the potential efficiencies from deals, says Mike Cowie of Dechert, a law

firm. Objections to a merger because of its effect on union workers, for example, are less likely to be raised under the new regime. Private-equity firms, which faced more scrutiny under Mr Biden, will find that burden lighter under Mr Trump, reckons Richard Falek of Winston & Strawn, another law firm.

Continuity, though, is likely in the crusade against big tech. Mr Trump's nominees inherit a full docket of cases against Apple, Amazon, Meta and Alphabet. They could even bring new venom to the task. "Big tech has run wild for years," Mr Trump wrote in a post on Truth Social, his social-media site, when he announced Ms Slater's nomination. He praised Mr Ferguson's record of "standing up to big tech censorship" in another. On December 2nd, in a case ostensibly about retail shipping practices, Mr Ferguson wrote an opinion calling for the FTC to conduct an investigation into online censorship.

Thus more legal drama between Washington and Silicon Valley is inevitable. But one of the biggest topics in antitrust next year, says Eric Grannon of White & Case, a third law firm, will be a potential tie-up between the FTC and DOJ. A bill was introduced in Congress earlier this year to consolidate antitrust enforcement into the DOJ. The departments have overlapping briefs, and each has an army of economists and lawyers. That makes them obvious targets for Elon Musk's new government efficiency drive. The deal police may soon go through a merger of their own. ■

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Food fight

Why judges were wrong to block the Kroger-Albertsons merger

Antitrust concerns rest on an outdated idea of how Americans shop

Dec 12, 2024 07:34 PM



THE BIGGEST [supermarket merger](#) in American history is dead. In the space of just a few hours on December 10th, federal and state judges both sided with the Federal Trade Commission (FTC), America's main antitrust regulator, to block the acquisition of Albertsons, a big supermarket chain, by Kroger, another such firm. By the next day the pair were adversaries: Albertsons has not only called off the deal, it is also now suing Kroger for failing to make "best efforts" to get regulatory approval.

The mega-merger would have created a \$200bn grocery behemoth with 5,000 shops, 4,000 retail pharmacies and 700,000 employees across America. But the tie-up has been mired in controversy ever since it was agreed on back in 2022. The FTC—along with the attorneys-general of eight states and the District of Columbia—sued to block the deal earlier this year. They argued that it would reduce competition, leading to higher prices for shoppers and eroding the bargaining power of the companies' unionised workforces.

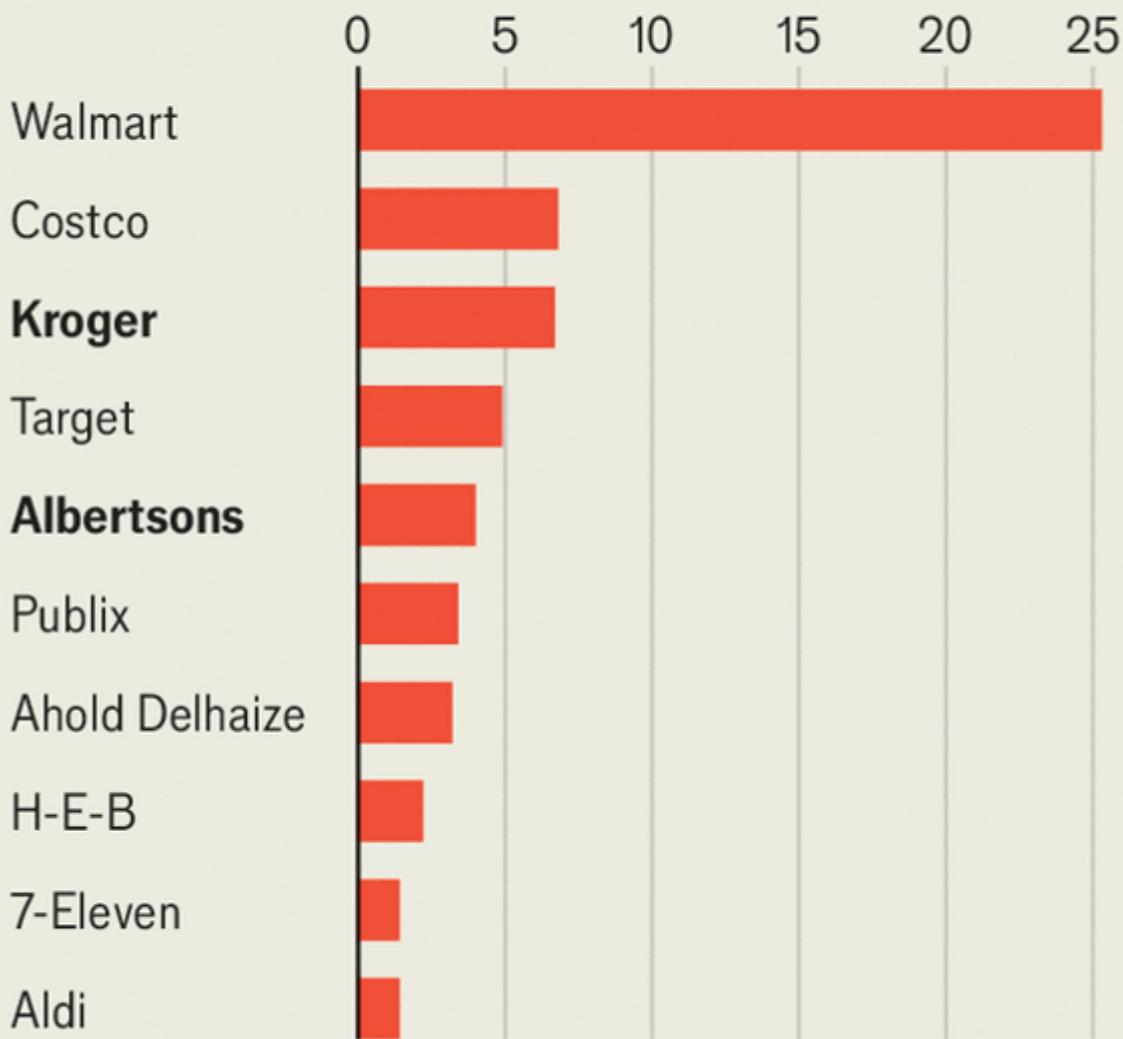
But the trustbusters' concerns miss the mark. One problem is that the FTC's argument rests on a narrow definition of who the two supermarkets compete with. It defines the market as shops that sell customers all the groceries they need for the week. By this definition, Kroger and Albertsons are the two biggest firms in their industry. But, as John Mayo of Georgetown University, puts it: "That is a relatively contrived market the FTC has conjured up."

Conventional supermarkets like Kroger and Albertsons in fact compete with lots of other companies. Big box retailers, such as [Walmart](#) and Costco, and discounters, such as Aldi, offer cut-price groceries. Specialty stores, such as Whole Foods and Sprouts, draw in shoppers with premium goods.

Meanwhile, e-commerce firms, such as Amazon, allow consumers to buy food without getting off their sofas. Consider all the different firms selling groceries and Kroger and Albertsons have a combined market share of just 11% in America, according to data from Euromonitor, a research firm. That compares with Walmart's 25% share (see chart).

Top of the shops

United States, grocery retailers' market share, 2023, %



Source: Euromonitor

The Economist

Indeed, Walmart is the elephant in the room. The retail giant generated \$648bn in revenue last year, equivalent to more than 2% of American GDP. That scale allows it to offer “every day low prices” that other grocers

struggle to match. A big bottle of Heinz tomato ketchup costs \$4.48 on Walmart's website compared with \$5.29 on Kroger's. Throughout the hearings Kroger's executives argued that they see Walmart—not Albertsons—as their main competitor. "Kroger has lived under the shadow of Walmart," says Simeon Gutman, of Morgan Stanley, a bank.

The trustbusters also failed to appreciate how little customer loyalty there is in the grocery business. The typical American now visits two stores during a single shopping trip, according to Mintel, a firm of analysts; many visit three or more. Over two-thirds of Kroger customers also shop at Walmart. More than a quarter of American shoppers have switched which store they go to for their main grocery shop over the past year, primarily in search of lower prices.

The Kroger-Albertsons deal became part of a wider debate on the cost of living in America. In its argument, the FTC cited a report from 2022 suggesting that many poor families spend almost one-third of their income on food. But there is scant evidence of price-gouging by grocers. In their most recent quarterly results Kroger and Albertsons posted margins of 2.5% and 1.6%, respectively. "That's not the operating margin of a company that is able to price aggressively," says Robert Ohmes of Bank of America.

What now for the two chains? Legal action against Kroger will not solve Albertsons' longer-term problems. In his testimony before the federal court Vivek Sankaran, the firm's boss, said he would have to consider cutting jobs and shutting down shops if the merger fell through. He added that Albertsons might need to find another buyer in the next few years. The food fight might not be over yet. ■

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The next big thing

What do the gods of generative AI have in store for 2025?

OpenAI and Google have unveiled their next generation of products

Dec 12, 2024 07:34 PM | SAN FRANCISCO



THE 12 DAYS of Christmas are meant to start on December 25th. But not in the world of artificial intelligence (AI). On December 5th OpenAI, maker of [ChatGPT](#), began a blizzard of product shipments dubbed, gratingly, the “12 days of shipmas”. It has included a full roll-out of Sora, its video-generation tool, as well as Canvas, a writing and coding product.

Not to be outdone, [Google](#) has also put the elves to work early. On December 11th it unveiled a new [generative-AI](#) model called Gemini 2.0. And it launched souped-up prototypes of two AI products powered by the model, called Astra and Mariner. These can take actions on a user’s behalf —making them what industry types call “agentic AI”.

The prominence of products over models in both sets of announcements was noteworthy. While the boffins who work on large language models are striving to get to the next frontier of intelligence, developers are under pressure to release clever products that prove there is a market for all this ingenuity.

Developing generative-AI products is fraught with difficulty. Product developers typically work backwards from what the consumer needs. Generative AI, however, is evolving so quickly that the technology is defining the product. “You are normally taught not to be a hammer looking for a nail,” says Kevin Weil, OpenAI’s chief product officer. But “every two

months computers can do something that we have never before been able to do.”

These latest product launches, though, have been marred by glitches. OpenAI had to suspend access to Sora shortly after it was released to ChatGPT subscribers because it underestimated demand, according to its boss, Sam Altman. Those who obtained access, even if impressed by what they found, noticed that problems from an earlier demo remained. One of the most glaring was the trouble the tool had portraying complex movements realistically. Marques Brownlee, a tech reviewer, noted that Sora was almost guaranteed to “mess up” anything walking with four legs. Some objects also randomly disappeared.

Google’s agents were not fully polished, either. Astra, which is currently available to only a small group of “trusted testers”, can explain in several languages what it sees through a phone’s camera, and has access to Google sites such as Search and Maps. In a demo that involved taking a video of famous paintings, it spoke knowledgeably about them. Yet it was flummoxed when asked by *The Economist* to name the city where most of the originals were on display. Mariner, Google’s other new prototype, can complete tasks on a browser, such as filling a shopping basket in an online supermarket. But it cannot complete the checkout itself.

Silicon Valley has great expectations for agentic AI in particular. The use of agents to advance from “chatting to doing” could be one of the big tech breakthroughs of 2025, says Alex Wang of Scale, an AI data company. Already that hope has bolstered the share prices of software giants like Salesforce. It said this month that it had struck deals with more than 200 customers for Agentforce, its workplace AI agent, within a week of releasing it in October. Microsoft, its bigger rival, has released a variety of AI agents.

Several factors, however, make it harder to create agents than chatbots. One is data. Unlike chatbots, which scrape information from the web to answer questions, agents require data on the way tasks are performed, including the sequencing of actions and the reasoning behind them. For routine tasks, such as processing a customer order, that may be straightforward. In many cases, though, it will be difficult to find sufficient data to train the tool.

A second problem is trust. Checking whether a chatbot has given a right or wrong answer is usually easy. Determining whether an AI agent has booked the best restaurant or holiday it could within your budget may be more difficult. Google deliberately prevents Mariner from spending money in case it garbles the decision. Users may also balk at providing AI agents with sensitive information about, say, their purchase history, which may be required for the tools to function properly.

A final problem is cost. In order to reason, plan and solve problems on behalf of users, AI agents need access to models that can handle complex tasks. They also require low latency and the ability to interact with other tools such as a web browser, as well as plenty of memory to provide a service tailored to the user. All that is tricky and expensive to build, and requires lots of computing power to run.

Already cost pressures are beginning to show. On December 5th OpenAI launched a “pro” version of ChatGPT, with unlimited access to all its latest bells and whistles, at \$200 a month, ten times the price of its basic subscription. Alphabet, owner of Google, is as rich as Croesus and could choose to be more generous. Still, if agentic AI lives up to the hype, users may find it worth the extra cost. ■

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Bartleby

The employee awards for 2024

Least accurate website photo. Best AI-washer. Let's celebrate our winners

Dec 12, 2024 07:34 PM



IT'S THAT time of year again, when we celebrate our successes and gloss over our failures. For our 2024 employee awards we have all our classic categories, from team member of the year and newcomer of the year to the big one: employee of the year. As usual, the winner of that award will enjoy a weekend away in a location of our choosing.

But first, we have taken on board last year's criticisms that these awards have an overly traditional view of achievement. We are fully committed to inclusivity and have introduced several new categories this year to reflect the extraordinary range of contributions that all of you make. Please join me in congratulating our debut winners.

Most likely to make an irrelevant point. There was enormous competition in this category; several people who took part in the judging process ended up coming close to winning. But we'd like this to go to Violet. None of us could recall a discussion when she had not made a point; none of us could remember a time when that point was salient.

Least punctual colleague. We used actual data to track arrivals in virtual meetings. We can see that Akshat arrives 12 minutes late on average, which is enough to earn him a commendation. But the winner is someone called Mandy, who did not turn up to a single meeting to which she was invited. We are currently trying to work out who this person is and why no one has ever heard of her.

Least accurate website photo. Again, a very hotly contested category. A few colleagues appear to be using their passport photos: they are doing

themselves a disservice. But most people look younger, friendlier and more attractive than they actually are. The prize in this category goes to Paul, who resembles a promising young novelist on the site and looks like a repeat offender in real life.

Most likely to nominate themselves for an award. This (self-nominated) category honours those who know the value of self-promotion and struggle with irony. We think this category may well be a reliable guide to spotting our leaders of tomorrow. So well done, Willem.

Source of greatest uncertainty over what they actually do. All of our senior leadership team received lots of nominations. So did the marketing and HR departments. But the clear winner is the strategy office. No other team received more nominations from its own members than this one, which is surely an achievement worth marking.

Most disliked item of clothing worn by a co-worker. We can't get any of you to answer the employee survey except through veiled threats. But give people permission to weigh in on how their colleagues dress and suddenly everyone has a view. Overly tight T-shirts, sweaters with holes in them, weirdly jaunty scarves, those terrible trousers: they all featured. But in the end no one wanted to look beyond, or at, Bogdan's shorts.

Longest co-working relationship without conversation. Sylvie and Edgar have been colleagues for 19 years and have recently only moved to nodding terms. They are both gearing up to say "hello" to each other some time in 2032, and we'll keep a very close eye on their progress. Well done, both of you.

Greatest cyber-security threat. It's not the Russians but Danny in the client-services team. He clicked on every single phishing email we sent last year in order to test your awareness of the risk of hacking. Out of curiosity we ended up sending him customised test messages, including one headlined "DANGER: This contains a virus" and another titled "For God's sake, Danny, do not open this"—and he opened all of them. He has taken all our cyber-security courses and we don't know what to do next.

Best piece of AI-washing. We're genuinely impressed by your efforts to shoehorn mentions of artificial intelligence into everything you do. Product descriptions, marketing copy and strategic plans all overflow with exaggerated references and promises. But we'd like to give this award to DAIsy for starting to sign her name like that.

Darwin Nuñez bin-thrower of the year. This award goes to the person who misses the bin most often when they toss stuff at it. We've reviewed the footage and Mariano takes the prize. No matter what he is throwing or how close he is, his aim is off. He wins a bigger bin.

Least likely to succeed. We were simply unable to make a decision on this award. But the fact that so many of you were in with a shout says something. Everyone here can have an impact, even if it is negative. Congratulations, all!■

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Schumpeter

Tesla, Intel and the fecklessness of corporate boards

Too many directors at American companies aren't doing their job

Dec 12, 2024 07:34 PM



SITTING ON THE board of a large American company is at once the plummiest and most thankless work in business. Plum because, when everything is going right, you pocket \$300,000 a year in cash and stock for showing up to a well-catered meeting every month and a half. Thankless because you seldom get credit for things going right but take the blame when they go awry. And awry they go with disturbing regularity.

Consider two recent events. On December 2nd directors of Intel [sacked its hapless chief executive](#), Pat Gelsinger. He had torched \$150bn in shareholder value over his three-and-a-half-year tenure at the chipmaker, even as the fortunes of virtually all other chip firms were boosted by white-hot demand for computing power amid the artificial-intelligence (AI) revolution. Good riddance, then. But what took the board so long?

The same day, a judge in Delaware reaffirmed her ruling from January to annul the eye-watering \$56bn compensation package awarded in 2018 to Elon Musk by the board of Tesla, his electric-car company. The decision is controversial. Tesla's shareholders have minted it lately thanks to the soaring price of the company's stock. In June 75% of them voted to bless the mega-paycheque (and move the company's incorporation from Delaware to management-friendlier Texas). Tesla called the latest ruling "wrong" and will be filing an appeal. Still, the imbroglio is a reminder that Tesla's notionally independent directors who signed off on Mr Musk's windfall were, in a judge's opinion, anything but.

Intel and Tesla represent two ways in which boards fail in their duty to represent investors and hold management to account. The case of Tesla shows how directors at the mercy of a domineering figure—be it a controlling shareholder, an imperial CEO or, like Mr Musk, both—have a powerful incentive to humour that person’s whims even if it might mean ignoring their fiduciary obligations. Equally, as possibly happened at Intel, thoroughly independent directors may lack enough of an incentive to care. Either way, the result looks like feckless passivity.

Certain features of American capitalism are making both problems worse. For a start, more companies are going public with ownership structures in which some shares are more equal than others. Jay Ritter of the University of Florida keeps a tally of businesses that opt for such dual-class shares. When Google famously did so 20 years ago, they were a rarity. In the 2000s they accounted for fewer than one in ten initial public offerings on American exchanges. In the past five years they made up more than a quarter—and nearly half of tech IPOs, from Airbnb to Zoom.

Dual-class arrangements appeal to founders, who are happy to take money from public markets but not to give up control. Investors used to be suspicious. After Snap, a social-media firm, sold stock with no voting rights in 2017, some of them persuaded S&P Dow Jones, a compiler of indices, to bar new arrivals with multiple share classes from the blue-chip S&P 500 and its sisters.

Many have since had a change of heart, no doubt impressed by the trillion-dollar market values of dual-class darlings like Alphabet, Berkshire Hathaway and Meta. So has S&P Dow Jones, which in 2023 rowed back its ban. In January Mr Musk mused about adopting the structure at Tesla, apparently out of fear that his mere 13% stake makes him vulnerable to be “voted out by some random shareholder-advisory firm”.

Investors may be right to conclude that a heroic entrepreneur alone can lead a company to greatness. But they should have no illusions about the resulting emasculation of their representatives in the boardroom. This is easier to swallow when returns are healthy than when they are not. Just ask the shareholders of Snap, which is worth a third less today than at its IPO.

The rise of emasculated directors is coinciding with that of absentee ones. Most are physically present at board meetings but, like at Intel, too many appear disengaged. In the latest annual survey by PwC, a consultancy, only 30% of executives rated their board's performance as good or excellent. A fifth thought it poor. Most telling of all, 84% of executives did not think that directors overstepped the boundaries between themselves and management. Often this is precisely what a vigilant board ought to do.

One reason for directors' disengagement may be overcommitment. This was brutally exposed by covid-19, when boards often convened weekly rather than every seven weeks or so. A subsequent backlash against "overboarding" forced many directors to split their time between fewer companies. The typical busy S&P 500 director now sits on two boards, manageable in non-pandemic times. But this has been offset by the rising number of hours they spend on board duties as the world gets more complicated.

Directors' rut

Companies are also finding it harder to recruit heavy-hitters who won't nod off. A headhunter recalls that chief executives, a mostly white and male bunch, were out of favour amid the push for greater diversity a few years ago. "Now that is the only thing companies want." With the share of active or former chief executives on S&P 500 boards in decline over the past few years, many won't get it.

There is no recipe for a perfect board. But some ingredients may make them better. Lucian Bebchuk of Harvard Law School proposes "enhanced-independence" directors, whose dismissal by an imperious boss can be vetoed by minority shareholders. A version of this exists in Britain and Israel. And whereas a board's size or average age seems not to affect investor returns, S&P 500 firms with a wider age range tend to do better. Expedia's eldest director, Barry Diller, a media baron, is 55 years older than the youngest, Alex Wang, an AI billionaire. Perhaps intergenerational tiffs keep everyone else on boards alert. ■

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Top of the charts

Which economy did best in 2024?

We rank countries on five measures

Dec 12, 2024 07:34 PM | Washington, DC



INTEREST RATES at their highest in decades, wars in Europe and the Middle East, elections in countries as important as America and India. No matter. The world economy delivered another strong performance in 2024; according to the IMF, global GDP will grow by 3.2%. Inflation has eased and employment growth remains solid. Stockmarkets have risen by more than 20% for a second consecutive year.

Yet, as ever, the rosy global picture conceals wide variation between countries. To assess these differences, we have compiled data on five economic and financial indicators—GDP, stockmarket performance, core inflation, unemployment and government deficits—for 37 mostly rich countries. We then ranked each economy based on its performance to create a combined score. The table shows these rankings. Who are the winners?

Sangria time

OECD countries, 2024

Ranking*	GDP Q4 23-Q3 24 [†]	Share prices
		% change on a year earlier [‡]
1 Spain	3.5	17.1
2 Ireland	2.0	17.6
3= Denmark	2.5	7.8
3= Greece	3.7	10.6
5 Italy	0.6	12.4
6= Colombia	2.6	16.5
6= Israel	6.7	26.7
8 Lithuania	3.4	10.7
9 Switzerland	1.9	7.4
10 South Korea	1.6	0.3
28 Poland	2.3	3.8
29 Slovakia	1.6	-8.5
30 Belgium	1.2	5.5
31 Britain	1.7	6.3
32 Austria	0.6	3.8
33 New Zealand	0.8	8.2
34 Finland	1.3	-0.7
35 Turkey	1.0	-20.5
36 Latvia	-1.1	-37.3
37 Estonia	-0.2	-6.2

*Out of 37 countries, excluding Costa Rica. Three indicators not shown: core consumer prices, unemployment, primary balance

[†]Or to latest quarter annualised [‡]National stockmarket indices, adjusted for inflation, November 2024

Sources: IMF; OECD; *The Economist*

The Mediterranean's rally rolls on for the third consecutive year, with Spain at the top of this year's list. Greece and Italy, once emblematic of the euro zone's woes, continue their recoveries. Ireland, which has attracted tech firms, and Denmark, home to Novo Nordisk of Ozempic fame, round out the top five. Meanwhile, northern European heavyweights disappoint, with poor performances from Britain and Germany. The Baltic duo of Latvia and Estonia find themselves back at the bottom, a position they also occupied in 2022.

Our first indicator is real GDP growth, widely regarded as the most reliable measure of an economy's overall health. This year global GDP was buoyed by the resilient American economy and its free-spending consumers. Israel emerged as another standout performer, according to OECD data, though its strong growth largely reflects a rebound from a sharp contraction in the final quarter of 2023, when its fight with Hamas began. In Spain annual GDP growth is on track to exceed 3%, driven by a strong labour market and high levels of immigration, which mechanically lift economic output. Although the country's GDP per person has also risen, it has done so by less than overall GDP.

Elsewhere, growth has been underwhelming. Germany and Italy have been hampered by high energy prices and sluggish manufacturing industries. Japan is set to post a meagre 0.2% growth, weighed down by weaker tourism and a struggling car industry. Hungary and Latvia have both slipped into recession.

Our second measure is stockmarket returns. Investors shrugged off a rocky August, when the unwinding of the yen carry trade prompted fears of a crisis. American equities have delivered impressive inflation-adjusted returns of 24%, as valuations for tech firms, already lofty, climbed higher. Canada's market, closely linked to its southern neighbour, also posted healthy gains, bolstered by strong performances in the energy and banking industries. Japan's Nikkei 225 hit a record high, even if its overall annual performance was middling. There were some losers. Share prices in Finland are in negative territory, in real terms, and South Korea's stockmarket tumbled in the wake of an attempted *autogolpe* by the president on December 3rd.

Next we turn to core inflation, which strips out volatile components such as energy and food to indicate underlying price pressures. Although global inflation has fallen significantly, prices of services remain high in many countries. In Britain wage growth continues to drive up services costs, meaning core inflation is uncomfortably elevated. In Australia rising housing costs are in part to blame. Inflation in Turkey remains sizzling. By contrast, France and Switzerland have managed to keep price pressures in check.

Jobs for the chicos

A classic marker of economic misery is rising unemployment, which is what many predicted when central bankers began to raise interest rates (and artificial intelligence grew more sophisticated). Yet despite some loosening, labour markets remain robust, with unemployment rates near record lows. Southern Europe, which still suffers from high unemployment, has seen remarkable improvement: joblessness in Greece, Italy and Spain has fallen to its lowest in over a decade. Italy has enjoyed the most progress, with joblessness dropping by 1.4 percentage points since the start of the year. In America and Canada, where unemployment has ticked up slightly, the trend is largely attributable to the fact that people are returning to the labour force, and to high levels of immigration.

Our final measure looks at fiscal balances, excluding interest payments, as a share of GDP. After years of big spending, consolidation is required in many countries to ensure that debt burdens remain manageable. Denmark and Portugal stand out for achieving rare budget surpluses through fiscal discipline. Norway and Ireland also boast surpluses, though for other reasons: Norway owing to oil revenues and Ireland to a corporate-tax windfall, bolstered by a multibillion-dollar back-tax payment from Apple, a tech giant.

Most governments, however, continue to spend with abandon. Poland's primary deficit exceeded 3% of GDP, owing to a rise in defence spending in response to Russia's war in Ukraine. In Japan hefty fiscal stimulus, aimed at propping up the economy and easing cost-of-living pressures, risks compounding debt problems as an era of ultra-low interest rates comes to

an end. Britain's debt trajectory is deteriorating; its latest budget failed to repair the public finances. France is mired in political turmoil and unable to restrain spending.

As 2025 comes into view, the global economy faces new challenges. Nearly half the world's population lives in countries that held elections this year, many of which ushered in leaders who might be described as "unpredictable". Trade is under threat, government debt is swelling and stockmarkets have little room for error. For now, at least, Spain, Greece and Italy—long belittled by their northern neighbours—can celebrate their economic resurgence. They deserve a fiesta. ■

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Monetary kombat

The Federal Reserve takes on Trump—and stubborn inflation

Time for Jerome Powell to enter the octagon

Dec 12, 2024 07:34 PM | Washington, DC



A LOT IS riding on the numbers after the decimal point. In the argot of investors, inflation in America is back to having a “two-handle” (that is, running above 2% but below 3%). It is a far better position to be in than a couple of years ago, when price rises were threatening to hit double digits. But there is a big difference between inflation decelerating towards 2% in the coming year or getting stuck nearer 3%. Not only would the latter forestall aggressive interest-rate cuts by the Federal Reserve, it would also put the central bank on a collision course with Donald Trump—a double-whammy of monetary hawkishness and political turbulence that would cast a shadow over the global economy.

For most of the past year the baseline forecast of most economists has been quite rosy. When the Fed last published its quarterly outlook in September, for instance, a solid majority on its monetary-policy committee projected that their most important inflation gauge would retreat to 2.2% next year. That, they thought, would let them cut rates by a full percentage point in 2025, before taking them still lower in 2026. In such a scenario, Mr Trump would presumably be satisfied enough with the central bank that he would feel little compulsion to snipe at Jerome Powell, the Fed’s chairman, or, worse, to start a legal battle by trying to oust Mr Powell before his term expires in May 2026. With the possibility of turmoil off the table, markets could breathe a sigh of relief.

Yet in the past couple of months a more awkward situation has emerged. Some economists—Sarah House of Wells Fargo, a bank, among them—now worry that inflation, having come down sharply since mid-2022, is stalling at around 3%. It is “getting stuck”, she warns, pointing to a series of gauges. The consumer price index (CPI), which often dominates newspaper headlines, rose by 2.7% in November, compared with a year earlier, reversing some of the softening seen a few months previously. Core CPI, which strips out volatile food and energy costs, has proved to be even more stubborn, hovering around 3.3% year-on-year since late spring (see chart 1). And the core reading of the personal consumption expenditure (PCE) price index, which the Fed watches most closely, has shifted in the wrong direction: it rose at an annualised pace of 3.3% in October, its highest in half a year.

Stuck?

1

United States, core consumer prices*,
% increase on a year earlier



Source: BLS

*Excludes energy and food

The Economist

Optimists blame these uncomfortable figures on inevitable volatility. Prices are choppy from month to month, and inflation tends not to fall in a straight line. Moreover, there is also a statistical delay: the lagged effect from a surge in house rents in 2021 and 2022. This is now the main contributor to high inflation data. The cost of shelter accounted for slightly more than half of the annual increase in core CPI in November. Although rent hikes have slowed markedly since the height of the covid-19 pandemic, house-price measures in inflation indices remain frustratingly elevated because they are

based on rents for all tenants and, because rental contracts can be multi-year, the increases of earlier periods take time to pass through. The measures have started to decelerate, but are doing so slowly. “There’s a strong argument that shelter prices are just goofy. It’s a technical thing, and it needs to flow through,” says Luke Tilley of Wilmington Trust, an investment firm.

The case for concern is broader. It may be true that housing inflation is bound to slow, but researchers with the Fed’s Cleveland branch calculate that it will not return to its pre-pandemic norm until mid-2026—a long wait. In the meantime, pronounced declines in the prices of goods, the main disinflationary force of the past year, have just about run their course as supply chains have healed. Mr Trump, for his part, has promised a trifecta of policies—higher tariffs, a crackdown on immigration and tax cuts—that may well combine to push up prices, at least temporarily. And any upward price pressure would apply to an economy that may be more primed for higher inflation than it was before the pandemic struck. “You are in a different environment where businesses have rediscovered the pricing lever, and I think they are more apt to reach for that,” says Ms House. It makes for a potentially combustible mixture.

Some Fed officials have hinted at their discomfort with inflation trends. On December 2nd Christopher Waller, a Fed governor, compared the central bank’s efforts to a mixed-martial-art fight, a metaphor that may appeal to Mr Trump, who is a wrestling enthusiast. “Overall, I feel like an MMA fighter who keeps getting inflation in a chokehold, waiting for it to tap out, yet it keeps slipping out of my grasp at the last minute,” Mr Waller said. “But let me assure you that submission is inevitable— inflation isn’t getting out of the octagon.”

What kind of chokehold is required? According to market pricing, the Fed is pretty much certain to cut rates by a quarter-point at the end of its meeting on December 18th, which would represent its third consecutive reduction. These moves have been predicated on the belief that interest rates are still in restrictive territory because they are well above the neutral rate of interest—a level that would neither stimulate nor constrain activity. The central bank estimates that the neutral nominal rate is roughly 2.9%, which

would give it quite a bit of space to further cut the federal-funds rate, now about 4.6%.



The Economist

In reality, there is plenty of uncertainty about the precise level of neutral. Many Fed officials and other economists believe that it may have drifted upwards, in part because of stronger productivity growth. That, in turn, would imply rates are no longer especially restrictive and so would require the Fed to keep them relatively high in order to avoid excessive loosening

(see chart 2). Lorie Logan, president of the Fed's Dallas branch, concocted another metaphor to explain the Fed's challenge in this regard, likening its job to that of a ship captain whose depthfinder might mistake mud for water. "In these uncertain but potentially very shallow waters, I believe it's best to proceed with caution," she advised in a speech last month.

It is easy to imagine such prudence inviting the wrath of Mr Trump. During his first term in the White House he lashed out at the Fed for raising rates, even asking at one point whether Mr Powell or Xi Jinping, China's leader, was America's bigger enemy. During this year's election campaign Mr Trump suggested that he might be spoiling for a fresh fight with the Fed, saying that, as president, he ought to have a voice in rate decisions. Scott Bessent, Mr Trump's nominee for treasury secretary, suggested that Mr Trump could appoint a "shadow" chair as a way of keeping Mr Powell in check, though he ditched the idea after investors objected.

Enter the octagon

Recently, Mr Trump has offered reassurance. In an interview with NBC, a television channel, broadcast on December 8th, he said he did not "think" that he would seek to remove Mr Powell. Nevertheless, it is worth paying attention to Mr Trump's words. In another interview, in June, he also said that he would let Mr Powell serve out his full term, before adding a crucial caveat: "especially if I thought he was doing the right thing". In other words, Mr Trump's grace is performance-based. If inflation does prove to be sticky, and if the Fed opts for few, or even no, rate cuts next year, Mr Trump may well conclude that Mr Powell's performance is not to his liking.

Whether Mr Trump can actually fire him is uncertain. Mr Powell has insisted that the White House lacks the legal authority required to fire the Fed's chairman, and courts may ultimately side with him. But should things get to that point, the dispute would surely have become messy, damaging the central bank's reputation as an institution that remains above the political fray. If, by contrast, Mr Trump contents himself with criticising Mr Powell in interviews and on Truth Social, his social-media platform, markets will probably take his comments in their stride. "We've been

through these rebukes once. There is experience and some discounting,” says Matthew Luzzetti of Deutsche Bank.

Much will depend on the context. “Tensions would clearly come if the Fed is responding to high inflation while the labour market is weakening,” says Mr Luzzetti. The opposite—*inflation fading even as the labour market remains robust*—would be a far more pleasant scenario for the Fed, Mr Trump and indeed anyone with a stake in the economy. The problem is that, at the moment, inflation looks awfully sticky. America is threatened by both a monetary dilemma and a political headache. ■

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Buttonwood

Bitcoin is up by 138% this year. It is a nonsense-free rally

The link between digital assets and mainstream finance is strengthening

Dec 12, 2024 07:34 PM



Satoshi Kambayashi

BITCOIN IS BACK. Since Donald Trump's election victory on November 5th, the world's dominant cryptocurrency has surged to new heights above \$100,000 a unit, enjoying a rise of 138% since the start of the year.

Altogether, the world's cryptocurrencies now have a market capitalisation of almost \$4trn—making them more valuable than the entirety of Britain's stockmarket.

Holders of digital assets certainly have reason to be excited. Mr Trump has nominated Paul Atkins, a lawyer and head of a crypto-advocacy group, to lead the Securities and Exchange Commission, America's main financial

regulator. The incoming administration is surrounded by Silicon Valley moguls who believe that regulation and enforcement have held back the crypto industry. A proposal by Cynthia Lummis, a Republican senator, for a government reserve of 1m bitcoin may be absurd, but it no longer seems impossible.

As such, today's crypto surge looks different from earlier booms. Rallies in 2017 and 2021 dovetailed with rising excitement over new crypto use cases. The most fanatical believers envisaged a future in which the tech would take over the financial world, displacing stodgy existing institutions. This time, there is less hyperbole. Bitcoin, in particular, is being whipped into shape by large, mainstream investors. And so the way the market behaves is changing. The utopian exuberance of earlier crypto adopters is giving way to a more institutional and mercenary climate.

Hedge funds are the most prominent members of the new wave of investors. In the third quarter of the year, even before bitcoin's recent surge, BlackRock's bitcoin exchange-traded fund had grown to become the fourth-largest ETF in the hedge-fund world, with a long position worth \$3.8bn. A survey by PwC and the Alternative Investment Management Association suggests that 47% of traditional hedge funds now invest in digital assets, up from 21% in 2021.

When it comes to decentralised finance and web3, the optimistic (and often deluded) fads from the last great crypto surge, investor interest has waned dramatically. Some \$7bn has been raised by startups in these fields this year, according to Crunchbase, a data provider, roughly the same as last year and far below the \$34bn raised in 2021. The VanEck Digital Transformation ETF, which invests in a bundle of crypto-adjacent firms, is down by more than 40% from its high in 2021. The floor price of non-fungible tokens (NFTs) issued by CryptoPunks on the Ethereum blockchain may be up by 20% this year, but it is down by almost 70% from its high in 2021.

In its focus on untrammelled speculation, the current rally is much more straightforward. What matters for new owners of bitcoin is the prospect that the line will continue to go up. Crypto is a highly volatile asset that prospers in relatively brief periods of rising risk appetite, a feature that its new

owners value. Very few hedge-fund managers booking a triple-digit return on bitcoin will lose sleep over whether crypto will fulfil the lofty aims of early adopters.

The changing of the guard is more than just a transition from shorts and T-shirts to chinos and Patagonia gilets. Indeed, it is already altering how crypto markets move. Research by Alexander Copestake and Davide Furceri of the IMF and Tammaro Terracciano of IESE Business School suggests that crypto is becoming more closely bound to other risky asset markets, as it is now connected by institutional investors who own both. As a result, the market has become more sensitive to monetary-policy changes by the Federal Reserve, since demand for the asset is more closely tied to the overall appetite for risk in stockmarkets. Financiers and asset managers are not in the business of HODLing—crypto parlance for buying and holding assets indefinitely, no matter the news. They will sell to take profits and offset losses suffered in other asset classes.

If the regulatory threat to the industry does recede, it seems likely that the institutional adoption of crypto will accelerate, especially when it comes to bitcoin—tying the market closer still to more traditional ones. Crypto's true believers will find themselves in an awkward position. Bitcoin and its ilk might be rallying but the surge is being driven by the increased institutionalisation of the asset class. That will make it more ordinary, and more linked to the ups and downs of the regular financial world, which advocates had hoped to replace. At least they can comfort themselves with simply enormous profits.■

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Dream, baby, dream

How much oil can Trump pump?

The president-elect wants to be the ultimate energy baron

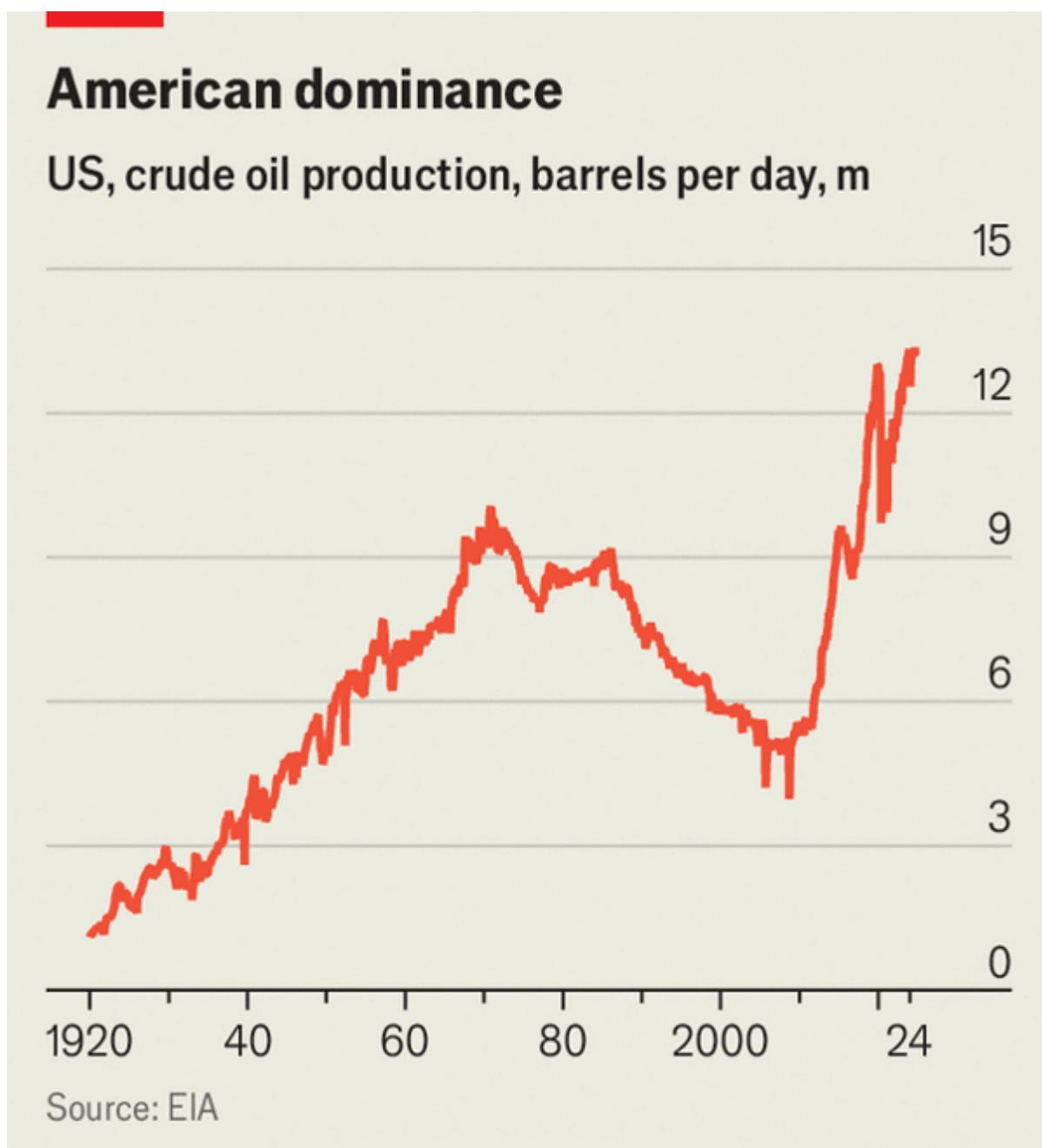
Dec 12, 2024 07:34 PM



DONALD TRUMP, a man not renowned for the length of his attention span, likes simple formulae. Scott Bessent, [his nominee to be treasury secretary](#), has one: “3-3-3”. He wants to cut America’s federal budget deficit to 3% of GDP, lift annual economic growth to 3% and increase the country’s [oil and gas](#) output by the equivalent of 3m barrels per day (b/d) by 2028, up from 30m in 2024.

The last bit of the plan is the most advanced. Mr Trump’s administration will open more federal land and offshore blocks to drilling, and approve permits for [liquefied natural gas](#) (LNG) projects. Mr Trump wants to create a National Energy Council that will cut red tape on everything from issuing permits to distribution. And he eyes a bonfire of President Joe Biden’s green

subsidies and rules. The goal? Global “energy dominance”, according to the president-elect.



The Economist

A petro-boom would advance many of his other aims. More exports would reduce America's trade deficit. Higher tax takes would bolster its budget. A jump in oil output would allow Uncle Sam to tighten sanctions on Iran at

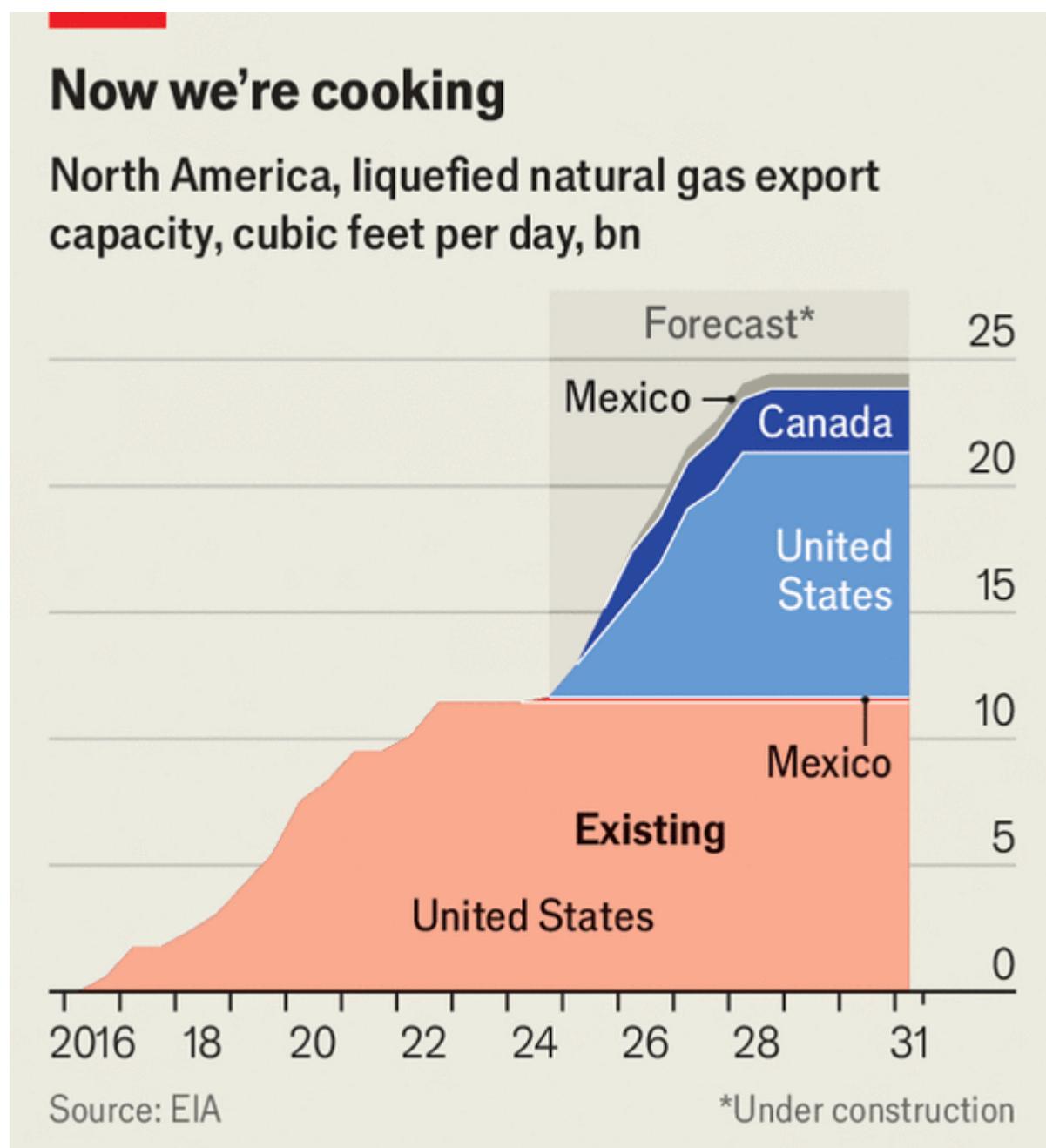
the same time as keeping fuel cheap on forecourts. More American gas would also help to meet rising power demand from artificial intelligence, while reinforcing Europe's economic reliance on its transatlantic partner. The problem is that Mr Trump's wish to "drill, baby, drill" will run up against the hard realities of the energy market. The president-elect is setting himself up to fail.

Unlike in most petrostates, where state-owned companies dominate drilling, in the land of the free oil is pumped by private firms, which are allowed to make their own decisions. They have increased output by a big enough amount since 2022, when Europe started shunning Russian barrels, that America is already the largest producer of crude in the world. In October Uncle Sam cranked out a record 13.5m b/d, up from 11.5m when the Ukraine war began. It is not far off energy dominance already. To go further, America's oilmen will require a convincing reason.

They may not get one. America's shale oil, which accounts for most of its output, used to be pumped by thousands of tiny, trigger-happy firms. A wave of mergers and failures since the late 2010s, when overproduction caused prices to plummet, means that the industry is now ruled by a few large companies that hate risk. Their shareholders require stable dividends and double-digit returns. Moreover, dearer capital comes on top of rising costs: as production has surged the best wells have been depleted. Shale firms therefore have little incentive to drill more unless oil prices reach \$89 a barrel, according to a survey by the Kansas City Federal Reserve. At \$70 a barrel today, West Texas Intermediate (WTI), America's oil-price benchmark, is far from that threshold.

The market looks unlikely to move in a helpful direction for Mr Trump. Not only is global oil supply plentiful, but members of the Organisation of the Petroleum Exporting Countries (OPEC) have plenty in reserve. At the same time, demand is weak because of tepid global economic growth and the replacement of petrol-powered cars by electric vehicles. JPMorgan Chase, a bank, expects WTI to fall to \$64 by end-2025, and to \$57 the year after. No wonder the Energy Information Administration (EIA), a federal agency, expects America's oil output to rise by just 0.6m b/d by 2028. On December

5th Chevron, America's second-largest energy firm, cut its capital-expenditure forecast for 2025.



The Economist

Although Mr Trump will probably roll back taxes on energy firms introduced by Mr Biden, such as a levy on methane leakages, doing so will mostly benefit smaller drillers, which cause a disproportionate amount of

emissions. Michael Haigh of Société Générale, a bank, reckons that cutting taxes for energy firms might bump up output by 200,000 b/d at most.

Subsidising production outright, meanwhile, would be ruinous for the government and cut against another of Mr Bessent's objectives: bringing down the budget deficit.

The incoming administration plans to speed up permits for pipelines. That might make wells with limited market access worth starting, but it is not clear how many such wells exist. With permitting agencies likely to be staffed by novices, projects could flounder, as during Mr Trump's first term, when officials cut corners, making permits vulnerable to lawsuits. Some projects collapsed; others were completed billions of dollars over budget. To make more wells viable, Mr Trump could try to boost oil prices by slapping penalties on anyone buying barrels from Iran or Venezuela, and on those helping them. How long that would work is uncertain, however, as other OPEC members would probably raise production in order to gain market share.

Black mark

Supersizing gas production looks a little easier—at least on paper. Since Russia invaded Ukraine, America's pipeline of LNG projects, already long, has lengthened. Rystad Energy, a consultancy, expects the country's export capacity to reach 22.4bn cubic feet per day in 2030 in the event that Mr Trump successfully implements his campaign pledges, up from 11.3bn last year—a rise equivalent to 1.9m barrels of oil (mboe) per day in energy terms. What that means in terms of actual output is far from certain. Rystad forecasts it will rise by 2.1 mboe per day by 2028, with some of the increased supplies consumed at home. Others are much less optimistic. Even in its most bullish scenario, the EIA expects production to average just 0.5 mboe per day more than in 2024.

For production to truly ramp up, gas prices would have to rise beyond \$4.24 per million British thermal units (mbtu), according to producers surveyed by the Kansas City Fed. In reality, these producers expect prices to reach just \$3.33 per mbtu in two years (up from around \$3 today). Although demand for gas, the least dirty fossil fuel, is set to rise, a lot of new

production from Australia, Qatar and others will hit the market during Mr Trump's term, restraining price rises. Demand may not exceed supply until the 2030s.

All of this spells trouble for the ambitions of Messrs Trump and Bessent. "How much the US drills over the next few years will depend much more on decisions made in Vienna [where OPEC meets] than in Washington," says Bob McNally, a former adviser to President George W. Bush. Mr Trump's policies could even hurt production. His tariffs might make materials such as aluminium and steel pricier for oil firms. Other countries may retaliate by imposing tariffs on America's energy exports. And trade wars will sap growth, weakening demand for oil and gas. In the end, Mr Trump's ambition to become the ultimate oil baron may be a pipe dream. ■

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Stretched thin

The World Bank is struggling to serve all 78 poor countries

Bangladesh and Niger are very different places

Dec 12, 2024 07:34 PM



Getty Images

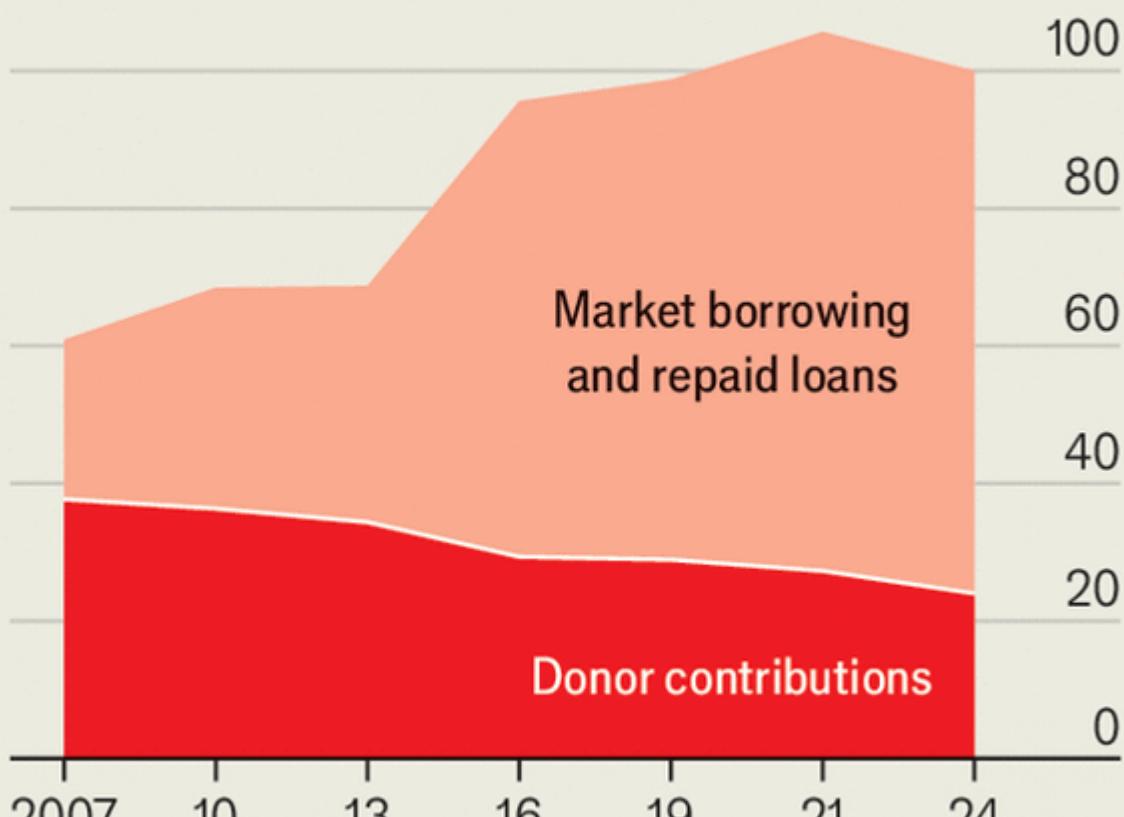
IMPOVERISHED COUNTRIES do not have much in common. Half the population of Niger, a landlocked African nation beset by military coups, live in extreme poverty, eight in ten people have no access to electricity and GDP per person is just \$620. By contrast, the average Bangladeshi is four times richer, and just one in 18 is among the world's poorest. The country's policymakers do not have to worry about simply providing power. They want to attract foreign capital to build renewable energy, so as to reduce reliance on coal.

It is the World Bank's job to lend to all 78 of the world's poorest countries—defined both by their income per person and the sustainability of their debt burden—through a single fund, the International Development Association (IDA), which disburses assistance on generous terms. In the last fiscal year it doled out \$28bn in grants and loans, over a third of the bank's total financing and enough to make it one of the biggest lenders to low- and middle-income countries. Meeting the needs of such a diverse range of countries is becoming more difficult, however, as was demonstrated on December 6th when aid officials gathered at a conference in Seoul.

The IDA recycles repaid loans but, since its terms are so munificent, requires a top-up every three years. In South Korea, Ajay Banga, the bank's president, announced \$100bn in funding, up from \$93bn last time round. Although he lauded this as the most ever, there was a significant catch. Little of the pot's increase came from donor contributions, which were roughly flat at \$24bn. Indeed, adjusted for inflation and converted into dollars, rich countries made their most miserly contribution this century (see chart). This will have ramifications for the world's poor.

Christmas appeal

International Development Association
funding, \$bn, real terms



Source: World Bank

The Economist

World Bank officials hope that economic growth will soar across the developing world, meaning countries will be prosperous enough to no longer qualify for support. With growth sluggish, and interest rates relatively high, that hope may prove forlorn. The next option is to make up the difference by borrowing from the market. Bank officials will now have to add \$3.22 to every donor dollar, up from \$2.96 under the deal negotiated three years ago. Financial engineering, such as switching some loans to floating interest rates, and offering a hedging service, which is cheaper than

providing loans with fixed rates, will save a bit of money. Other measures will pass the additional cost of borrowing more directly to the poorest countries.

At the moment, the poorest countries receive mainly grants, rather than loans. Over the past decade such grants have risen in value three-fold; over the next three years, their value will probably fall in real terms. Meanwhile, the maximum hand-out any country can receive will drop from \$1bn to \$650m. Further belt-tightening reforms are likely after the difficulty of raising funds in South Korea. Some countries will face an unpleasant choice: receive less money or convert grants to loans. Some will have no choice but to take the hit.

Climate v development

The World Bank views this as a price worth paying to free up lending for other countries, many of which have fallen on hard times recently. Some of the IDA's richer borrowers also want cash to tackle climate change. Solar panels and wind turbines are a worthy cause, and delight rich countries, which increasingly prefer climate finance to traditional aid. But this spending may undermine a rare successful form of development. In 2016 Stephen Knack, then of the World Bank, and co-authors calculated that a percentage point of extra IDA disbursement, relative to a country's income, produces 0.35 percentage points of extra per-person economic growth a year.

Such spending is the most effective way to combat extreme poverty, since it allows cash-strapped governments to invest without increasing the risk of fiscal crises. Research by Charles Kenny of the Centre for Global Development, a think-tank, finds that the IDA's cash is particularly helpful for the poorest countries, which receive it on the most generous terms. Even countries that will benefit from the fund's change of approach would probably be better served by lending that is more affordable, rather than more plentiful.

On top of this, the world's poorest countries have nowhere else to turn when they are in need of money. Many are already struggling under the

weight of higher interest rates, or are locked out of international markets owing to their potential for default—a problem richer borrowers from the IDA do not face. The World Bank's fiddles, which at first glance appear modest, could in time make hospitals, roads and schools unaffordable for countries such as Niger. That is a high price to pay, even if it does free up cash. ■

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Remedial classes required

Are adults forgetting how to read?

A survey by the OECD suggests so

Dec 12, 2024 07:34 PM



ARE YOU smarter than a ten-year-old? New data suggest that a shockingly large portion of adults in the rich world might not be. Roughly one-fifth of people aged 16 to 65 perform no better in tests of maths and reading than would be expected of a pupil coming to the end of their time at primary school, according to a study released on December 10th by the OECD, a club of mostly rich countries. Worse still, adults in many places have grown less literate over the past ten years.

The OECD's "Survey of Adult Skills" is carried out only once a decade. The researchers arranged for 160,000 adults in 31 countries and regions to sit short tests in numeracy, literacy and problem-solving. These aim to gauge if they have the skills to hold down a job, participate in civic life and

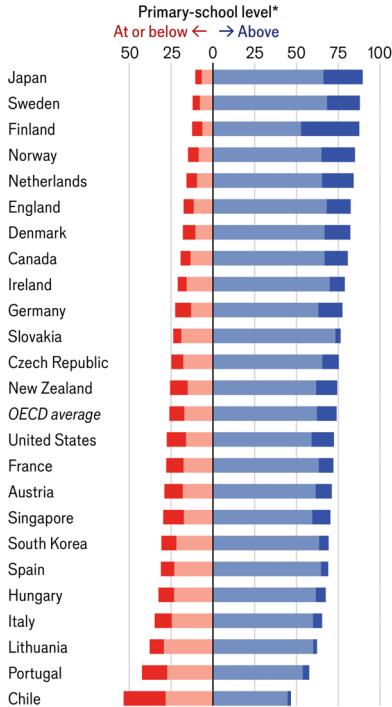
generally thrive in the real world. At their most basic, they find out how well people can make sense of the warnings on the back of an aspirin packet, or work out how much wallpaper is needed to cover a room. At more advanced levels, they explore how well people can draw sound conclusions from analysis and charts of the sort one might stumble across in, say, a popular current-affairs magazine.

Not adding up

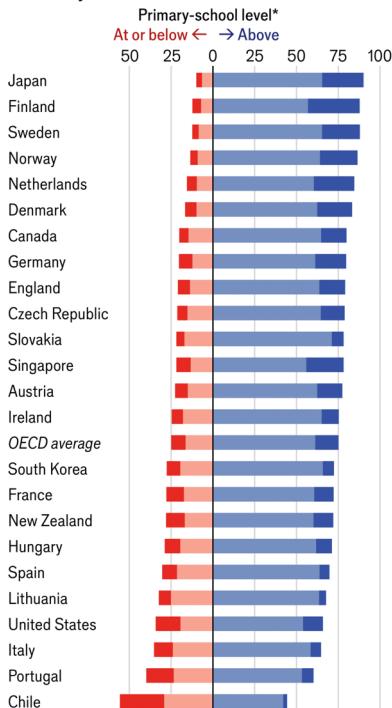
Proficiency among 16- to 65-year-olds,
selected OECD countries, 2023, % of total tested

■ Below level 1 ■ Level 1 ■ Level 2/3 ■ Level 4/5

Literacy



Numeracy



*Similar to the standard expected of a ten-year-old

Source: OECD

Finland will rejoice at the results: it posts the highest average score in all three fields. People in the Netherlands, Norway and Japan, who performed better than average across the disciplines, will also be pleased. England has risen up the league table in the ten years since the tests were last run, owing to better performances among young adults. By contrast, America's results are heading south. Similarly, Chile, Italy, Poland and Portugal all boast a high share of people who score below the norm. Almost half of Chileans score badly enough to place in the bottom two categories in both maths and reading, compared with just 8% of Japanese people.

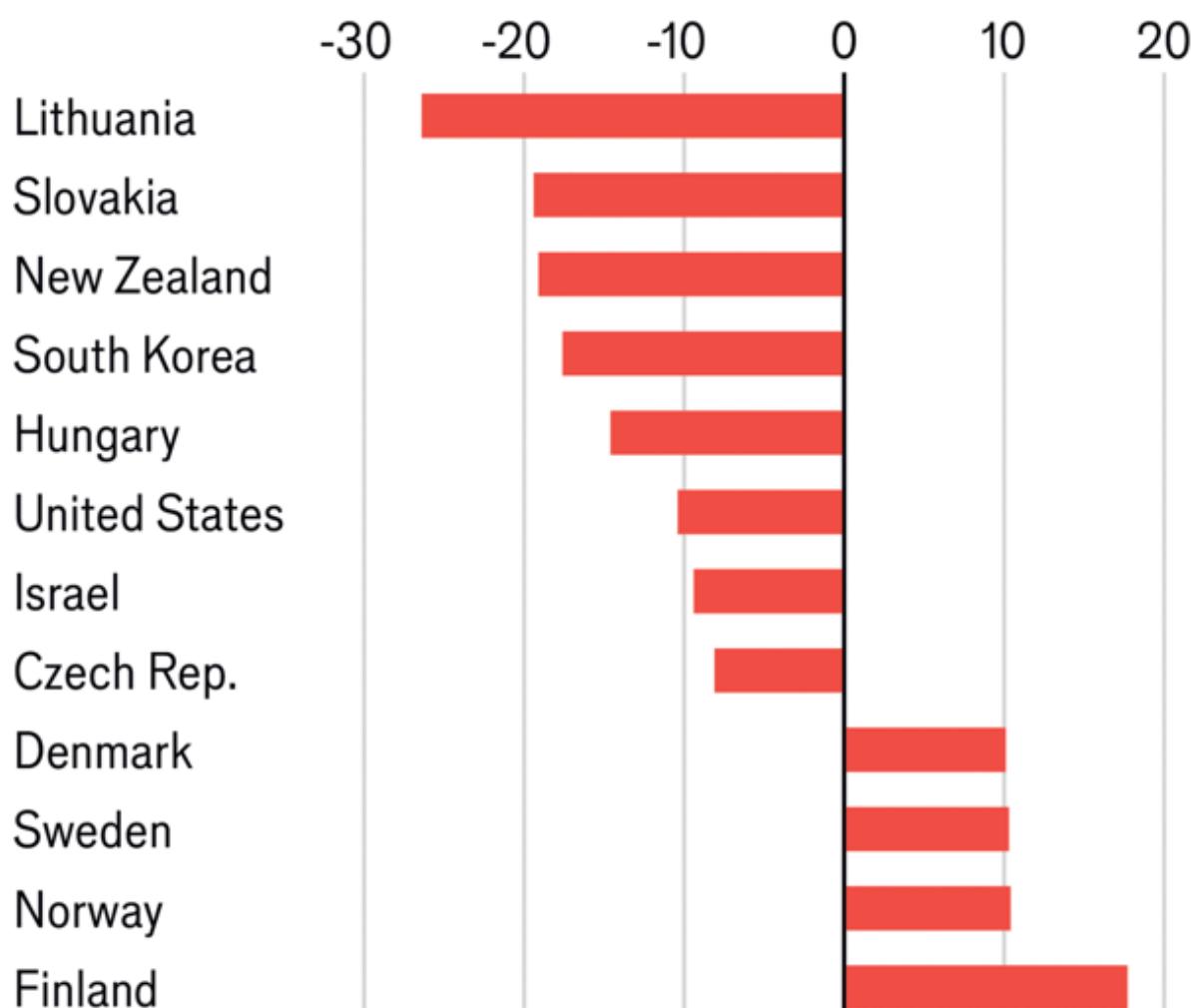
Zoom out, and the picture is one of worsening basic skills. For almost every country that has seen its score in numeracy rise significantly over the past ten years, there is another that has seen its score fall. When it comes to literacy, countries with falling scores outnumber those making significant progress. This is the case even though more people are completing secondary school, and many more are getting degrees. The declines are concentrated among the least proficient, who seem to be scoring even lower than they did before. In many countries, the gap between the most- and least-skilled people is widening.

Increased migration offers some explanation. Non-native speakers tend to do worse in tests that involve juggling words. Ageing populations do not help: the data suggest that numeracy and literacy peak at 30 or so. But even when these changes are accounted for, literacy scores in lots of countries are falling. Andreas Schleicher, head of education and skills at the OECD, speculates that adults are now getting less practice than they used to at reading long and complex texts. Blame TikTok.

Schoolboy errors

Literacy proficiency among 16- to 65-year-olds,
average score-point change from
previous test results to 2023*

Selected OECD countries



*Previous tests done in 2012, 2014 and 2017.

Adjusted for demographic change

Source: OECD

The OECD's study is not the only one to suggest that improvements in cognitive skills might now be stalling. Throughout the 20th century, psychometrists observed that IQ scores were rising reliably, as part of a phenomenon named the "Flynn effect". More recently, the trend in some countries has been that of stagnation or decline. The cause of this is hotly debated. What no one much doubts is that people with nimble brains find it rather easier to swerve life's worst misfortunes, and are more likely to enjoy the best outcomes.

Surveys carried out alongside the OECD's tests appear to confirm as much. People who perform best in the tests boast wages that are 75% higher than those with the worst scores. And returns to good numeracy and literacy seem to be more than just financial. High scorers report that they are happier and in better health. Low scorers seem to be more suspicious of others, and more likely to report feeling alienated from politics. You do not need a first-rate mind to sense trouble ahead. ■

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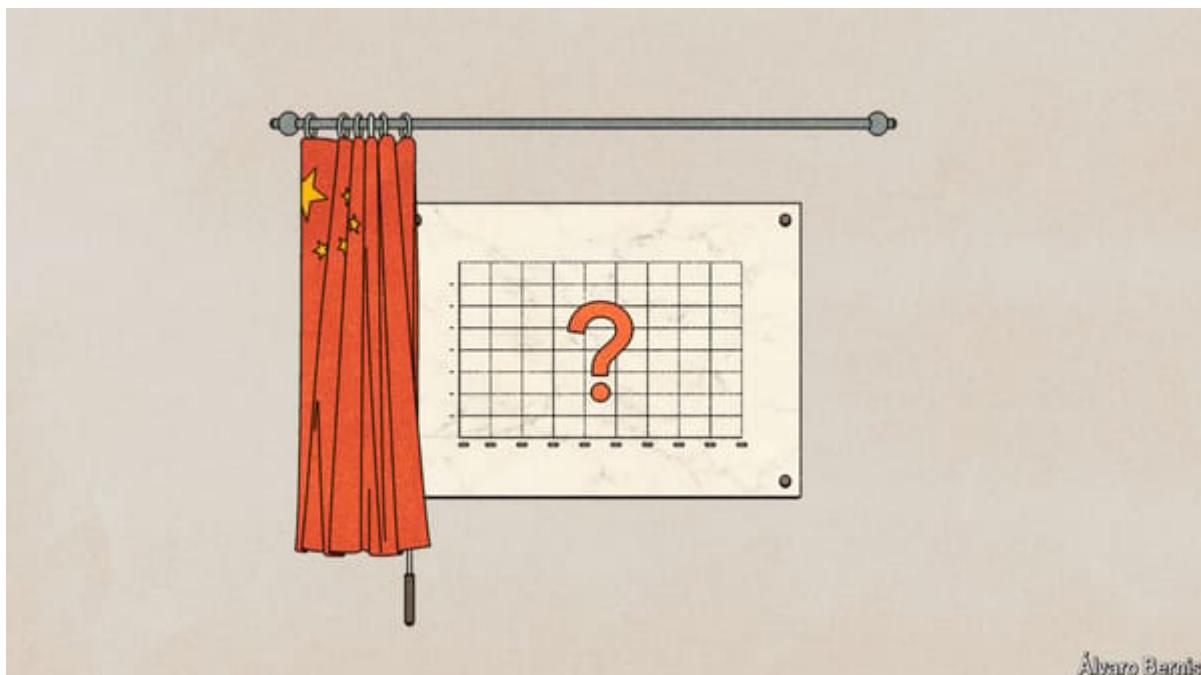
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Free exchange

What a censored speech says about China's economy

If growth is on target, why is inflation so low?

Dec 12, 2024 07:34 PM



AT THIS TIME of year, many policymakers want to know how fast their economies will grow in the year ahead. China's leaders set themselves a still tougher question: how fast their economy “should” grow. They are seeking not a forecast but a target.

The Central Economic Work Conference will conclude as *The Economist* goes to press. At the event, Communist Party officials will have debated whether to stick with this year's growth target of “around 5%”. Their answer, which is not usually revealed until March, will guide fiscal and monetary policymaking in the year ahead, as well as the borrowing and

spending plans of state-owned enterprises. Early signs suggest that officials will set an ambitious goal. In recent days party leaders have promised “extraordinary” efforts to fight China’s slowdown, including a “moderately loose” monetary policy and a “more proactive” fiscal policy. They have also resolved to boost consumption “vigorously”.

So what number should they pick? The textbook answer is that an economy should expand as fast as it can without jeopardising price stability. If GDP exceeds its speed limit (the “potential” rate of growth) demand will outstrip supply, and inflation will rise uncomfortably. By this yardstick, China’s economy has room to accelerate. Consumer prices rose by only 0.2% in November, against a year earlier, far below the government’s ceiling of 3%.

In China, though, the link between growth and inflation is puzzling, according to Gao Shanwen of SDIC Securities, a financial firm. The two used to have a steady relationship. Core inflation (excluding volatile food and energy prices) rose or fell in line with the “output gap” between potential and actual GDP. Yet this relationship has broken down in the past two years, he argued during a recent talk in Shenzhen, a southern tech hub. Growth has been close to the speed limit; inflation has been “abnormally” low.

Perhaps the problem lies with the data. “China’s economic data is generally good,” he said, diplomatically. “But some data are better than others.” Prices, for example, are relatively easy to collect. You can leave your Shenzhen hotel and look up the price of an apple at a shop door, he pointed out to his conference audience. Calculating GDP is trickier. So if growth and inflation are suddenly out of whack, maybe growth has been overstated. Cut three percentage points from China’s growth—reducing it from about 5% to about 2% for this year, for example—and its relationship with inflation becomes “completely normal”, Mr Gao said.

Mr Gao highlighted a similar mismatch between China’s growth and its retail sales, which used to expand faster than GDP, but have underperformed it more recently. Retail spending has been particularly weak in provinces with fewer elderly people. In China, paradoxically, the most youthful provinces seem the least dynamic. The country is “full of

vibrant old people, lifeless young people and middle-aged people who have lost hope”, he said.

What explains their gloom? One answer is the country’s property slump. Yet Mr Gao suspects that weak retail spending and lacklustre home purchases reflect something deeper: doubts about future job prospects. In China’s cities employment has grown more slowly than its pre-pandemic trend. The cumulative shortfall from 2021 to 2023 amounts to 47m jobs, he calculates, or about 10% of urban employment. Such an undershoot casts further doubt on China’s GDP data: if employment is one-tenth below trend, perhaps true GDP is 10% below the official figure.

Mr Gao’s talk was widely circulated online, then swiftly censored. But just because the government suppressed it does not mean it is true. Amid all the fuss, some of Mr Gao’s claims were misreported. Others remain poorly understood.

Start with the 47m missing jobs. This finding has been wrongly interpreted as 47m extra unemployed people. In fact, many of these missing urban workers, Mr Gao was careful to point out, either stopped looking for work (in which case they do not technically count as unemployed) or left cities in search of jobs elsewhere. Rural employment, Mr Gao calculates, has exceeded its historical trend by over 41m across the same three year-period.

Farm out

Moreover, the 47m figure seems to yoke together a shortfall in 2021 (of 5m), 2022 (22m) and 2023 (20m). Mr Gao perhaps has in mind a measure more akin to man-hours or “person-years” than urban employment. If a ten-person firm loses an employee to sickness for two years, it has lost two person-years, but it is still only a man down. Similarly, cities lost 47m person-years of work from 2021 to 2023, but as of last year, were only 20m people down. Assuming workers found rural jobs, operating at a quarter of urban productivity, the hit to GDP in 2023 would be about 2.5%, not 10%.

The broken relationship between inflation and output is also not proof that GDP is wildly miscalculated. In theory, when growth is close to the speed

limit, inflation should not be falling, but it can still be low. And in practice, links of this kind can be treacherous. After Japan's central bank loosened policy in 2013, the output gap vanished, even as prices stayed flat. The central bank blamed "a deflationary mindset" and stubbornly low price expectations. Thus soft prices may reflect the same subdued view of the future that Mr Gao sees at work elsewhere in China's economy.

Mr Gao's speech clearly upset Chinese officials, who do not want incisive commentary to further undermine the public's morale. But the party's recent promise of loose, proactive and vigorous policy suggests they broadly share Mr Gao's prescriptions. Policymakers, he said, have more work to do to stimulate the economy by easing monetary policy, expanding government borrowing and bolstering financial institutions. Analysts can have doubts about how fast China's economy is truly growing, and still feel sure that growth should be faster. ■

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Science & technology

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The Babel wish :: But interpreting meanings, rather than just words and sentences, will be a daunting task

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Assistive intelligence :: And it can generate sentences trained on their own writing

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Mystery story :: The mystery of exactly how people left Africa deepens

- **Why China is building a Starlink system of its own**

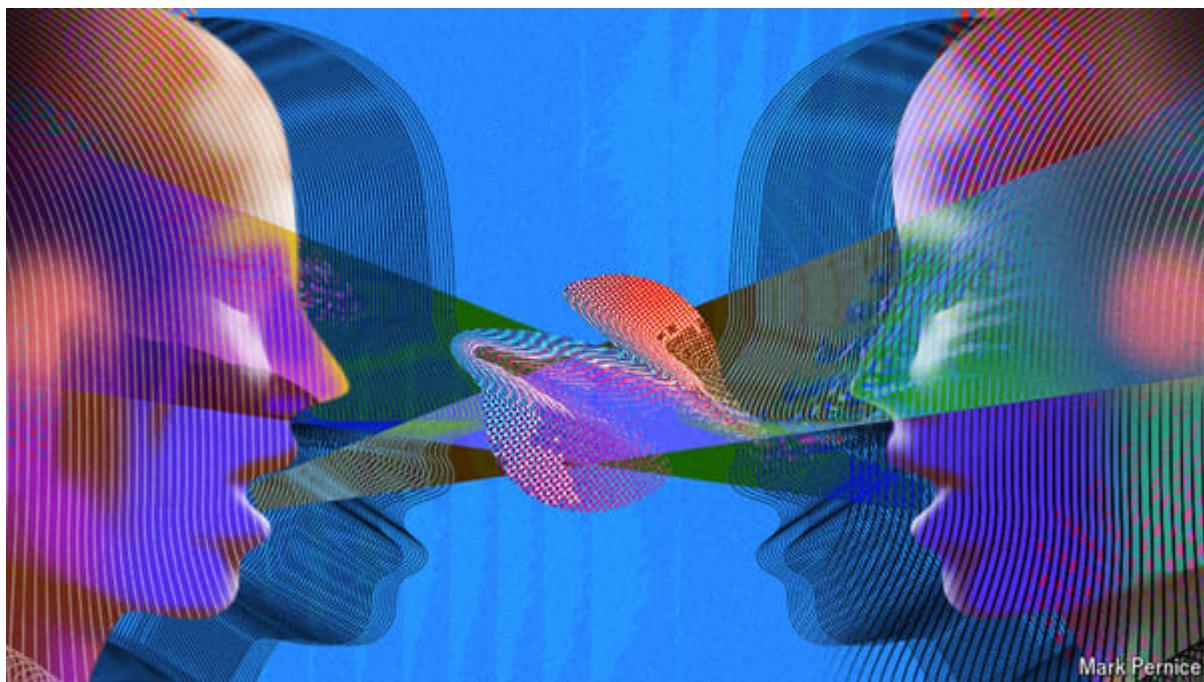
A thousand sails :: When it is finished, Qianfan could number 14,000 satellites, rivalling Elon Musk's system

The Babel wish

Machine translation is almost a solved problem

But interpreting meanings, rather than just words and sentences, will be a daunting task

Dec 12, 2024 07:34 PM | Lisbon



VASCO PEDRO had always believed that, despite the rise of artificial intelligence (AI), getting machines to translate languages as well as professional translators do would always need a human in the loop. Then he saw the results of a competition run by his Lisbon-based startup, Unbabel, pitting its latest AI model against the company's human translators. "I was like...no, we're done," he says. "Humans are done in translation." Mr Pedro estimates that human labour currently accounts for around 95% of the global translation industry. In the next three years, he reckons, human involvement will drop to near zero.

It is hardly a surprise that the AI model-makers are bullish, but the optimism feels apt. Machine translation has become so reliable and ubiquitous so fast that many users no longer see it. The first computerised translations were attempted more than 70 years ago, when an IBM computer was programmed with a vocabulary of 250 words of English and Russian and six grammatical rules. That “rules-based” approach was superseded in the 1990s by a “statistical” approach, based on crunching large datasets, which was still the state of the art when Google Translate was launched in 2006. The field exploded in 2016, though, when Google switched to a “neural” engine—the forebear of today’s large language models (LLMs). Influence flowed both ways: when LLMs became better, so too did machine translation.

In Unbabel’s test, human and machine translators were asked to translate everything from casual text messages to dense legal contracts and the archaic English of an old translation of “Meditations” by Marcus Aurelius. Unbabel’s AI model held its own. Measured by Multidimensional Quality Metrics, a framework that tracks translation quality, humans were better than machines if they were fluent in both languages and also experts in the material being translated (for instance, specialist legal translators dealing with contracts). But the lead was small, says Mr Pedro, who added that it would be hard to see how, two or three years from now, machines would not overtake humans entirely.

Marco Trombetti, boss of Translated, based in Rome, has created a different measure for the quality of machine translations, called Time to Edit (TTE). This is the amount of time it takes a human translator to check a transcript produced by a machine. The more errors in the transcript, the slower the human has to go. Between 2017 and 2022 TTE dropped from three seconds per word to two across the ten most-translated languages. Mr Trombetti predicts it will fall to one second in the next two years. At that point, a human is adding little to the process for most tasks other than what Madeleine Clare Elish, head of responsible AI at Google Cloud, calls a “moral crumple zone”: a face to take the blame when things go wrong, but with no reasonable expectation of improving outcomes.

The problem of translating one sentence to another is “pretty close to solved” for those “high-resource” languages with the most training data, says Isaac Caswell, a research scientist at Google Translate. But going beyond this to make machine translation as good as a multilingual person—especially for languages that do not have reams of available training data—will be a more daunting task.

Complex translations face the same problems that plague LLMs in general. Without the ability to plan, refer to long-term memory, draw from factual sources or revise their output, even the best translation tools struggle with book-length work, or precision tasks such as keeping a translated headline to a certain length. Even tasks that a human finds trivial still trip them up. They will, for instance, “forget” translations for static phrases like shop names, translating them afresh, and often differently, each time they are encountered. They may also hallucinate information they don’t have to fit grammatical structures of the target language. “To have the perfect translation, you also have to have human-level intelligence,” says Mr Caswell. Without being a competent poet, it is difficult to translate a haiku.

That is if users can even agree on what a perfect translation is. Translation has long been a struggle between “transparency” and “fidelity”—the choice between translating sentences exactly as they are in the original language, or exactly as they feel to the target audience. A transparent translation would leave an idiomatic phrase as it is, letting English speakers hear a Pole dismiss a problem as “not my circus, not my monkeys”; a faithful one may even go so far as to change whole cultural references, so that Americans aren’t taken off-guard by “football-shaped” being used to describe a spherical object.

Even if there could be a simple dial to turn between transparency and fidelity, perfecting the interface of such a system would require AI assistance. Translating between languages can sometimes require more information than is present in the source material: to translate “I like you” from English to Japanese, for instance, a person needs to know the gender of the speaker, their relationship to the person they are addressing and ideally their name to avoid the impolite use of the word “you”. A perfect

machine translator would need to be able to interpret and replicate all these subtle cues and inflections.

Adding checkboxes and dials to an interface would bamboozle users. In practice, therefore, a perfect machine translator would be human-level in the quality of its output as well as the method of its input. The requirement to ask follow-up questions, to know when to trade transparency for fidelity, and to understand what a translation is for, means that advanced translation will need more information than just the source text, says Jarek Kutyłowski, founder of DeepL, a German startup. “If we can see the address you’re emailing, maybe the conversation history, we can say, ‘Hey, this person is actually your boss’ and tailor it to that.” (DeepL also works with *The Economist* to provide translations in “Espresso”, our daily news app, which is free for students.)

Then there is the issue of “low-resource” languages, where the paucity of written text means that the accuracy of translations is not being improved by the LLM breakthroughs that have transformed the rest of the industry. Less data-hungry approaches are being tested. A team at Google, for instance, built a system to add speech-to-speech translation for 15 African languages. Rather than being trained on gigabytes of audio data, it instead learns to read written words the same way a child would, associating speech sounds with sequences of characters in written form.

Live translation is also in the works. DeepL launched a voice-to-voice translation system in November, offering interpretation for one-on-one conversations in person and multi-member video chats. Unbabel, meanwhile, has demonstrated a device capable of reading small muscle movements in the wrists or eyebrows and pairing them with LLM-generated text to allow communication without the need to speak or type. The firm intends to build the tech into an [assistive device](#): for people with motor-neurone disease who can no longer speak by themselves.

Despite the progress, and his part in it, Mr Caswell is hopeful that the value in speaking other languages will not disappear entirely. “Translation tools are very useful for navigating the world, but they’re a tool,” he says. “They can’t replace the human experience of learning a language in terms of

actually understanding where other people are coming from, understanding what a different place is like.” ■

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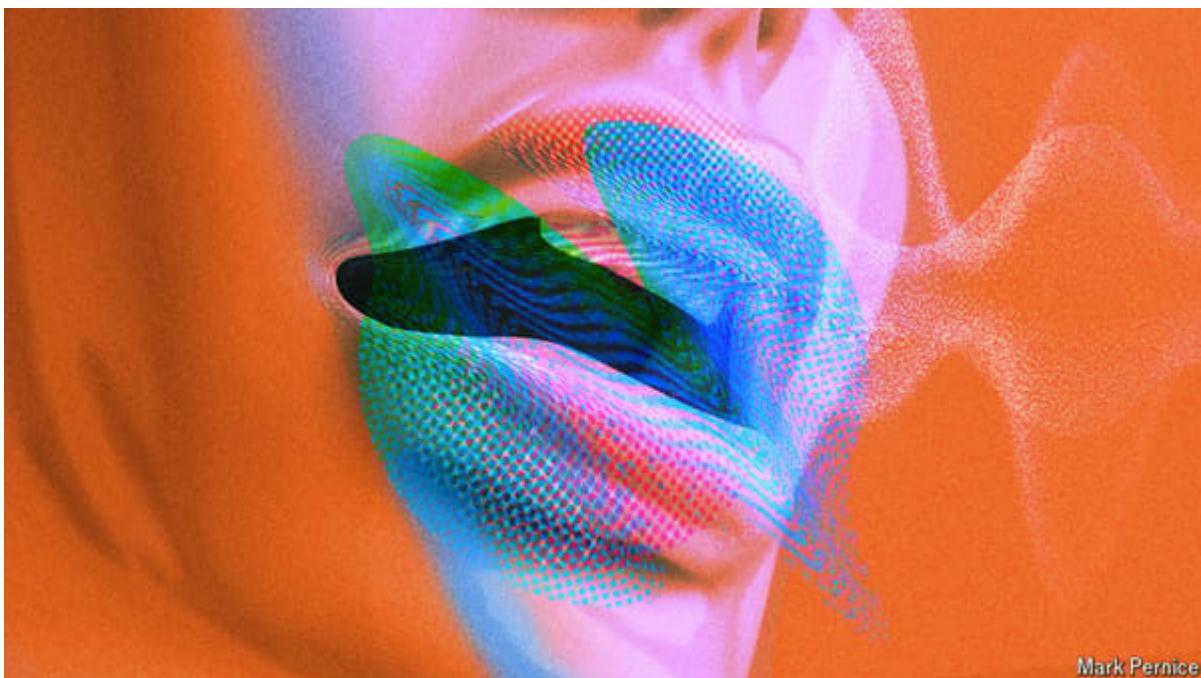
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Assistive intelligence

AI can bring back a person's own voice

And it can generate sentences trained on their own writing

Dec 12, 2024 07:34 PM | Lisbon



PEDRO, A FORMER IT security specialist, was forced to quit his job in 2021 when his motor-neurone disease (MND), a neurodegenerative condition, worsened. He can no longer get around without the assistance of his wife or carer and is largely non-verbal.

But when Pedro speaks, his lightly accented English flows with ease. His voice is generated by an artificial-intelligence model, trained on clips recorded before he lost his speech. His words, too, are generated, by a [large language model \(LLM\)](#) fine-tuned on his writing.



Unbabel

A smartphone app sits between Pedro and his interlocutors, transcribing what they say. It then generates three possible responses for him, playing them through headphones one at a time. A monitor resembling a sweatband

sits on his forehead, waiting for an eyebrow twitch that he uses to select a response. The eyebrow is one of the last muscles over which most MND patients lose conscious control.

That's not to say the system is perfect. A conversation crammed into multiple-choice options is a frustrating limitation; at times, Pedro grimaces at the limited responses available. When trying to explain how long he had lived in Lisbon, the most accurate answer correctly said where he had moved from, but claimed not to know when—to the mock horror of his wife.

The system, dubbed Halo, is a project at Unbabel, a tech company based in Lisbon. Pedro has learned to use eye-tracking software to control a computer, and for nuanced thoughts it is still his preferred method. But the hardware required is bulky, and every time he moves it must be recalibrated from scratch. In contrast, the Halo band can be worn on the go, in the car or even in a bath, giving him speech where he had none. And the system is modular: when using eye-tracking to type, he says, he prefers to use the Halo voice—his own voice—to speak the answers. ■

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Vexing visits

Carbon emissions from tourism are rising disproportionately fast

The industry is failing to make itself greener

Dec 12, 2024 07:34 PM



Magnum

TOURISTS HAVE been getting a lot of flak recently. Venice has [started charging €5 \(\\$5.30\)](#) for day-trippers and limits the size of tour groups.

Rome is considering a €2 fee to see the Trevi fountain. New Zealand has upped fees for visitors.

A new study, published this week in *Nature Communications*, is not going to help the tourists' cause. Researchers, led by Ya-Yen Sun at the University of Queensland, in Australia, found that between 2009 and the start of the covid-19 pandemic in 2020, global emissions from tourism grew by an average of 3.5% a year, double the rate of emissions in general.

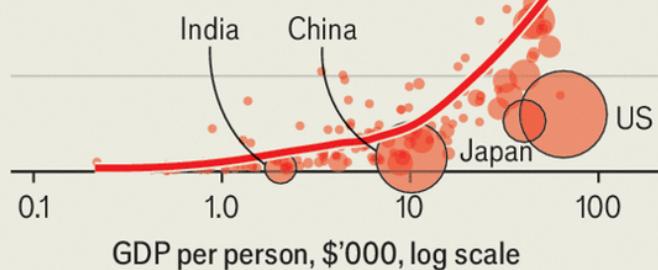
Globetrotters' gases

Outbound-travel CO₂ emissions by country*, 2019

Unadjusted

CO₂ emissions per person, tonnes

Circle size=GDP of country



Adjusted for travel propensity[†]

CO₂ emissions per person, tonnes

GDP per person, \$'000, log scale

*147 countries †Travel propensity represents the share

of a population that makes international trips

Source: "Drivers of global tourism carbon emissions",

by YY. Sun, F. Faturay, M. Lenzen et al., *Nature Communications*, Dec 10th 2024

In 2019 tourism led to 5.2 gigatonnes of carbon dioxide—almost 9% of the world’s total. Of that, aviation accounted for the bulk (52%) of direct emissions. Utilities, such as the electricity used in accommodation, were the main driver (34%) of the indirect carbon emissions.

In the decade studied, demand for tourism rose at a steady 3.8% per year. Many other industries have managed to decouple their growth from their emissions but tourism’s “carbon intensity”—the amount of emissions produced for every dollar spent—in 2019 was 30% higher than the global economy’s average, and four times greater than for the services sector as a whole. And that is despite international attempts to reduce tourism’s environmental harm. “There are so many initiatives, investments, declarations,” says Dr Sun. “But there’s no sign of a slowdown in terms of emissions growth.”

That failure, in part, seems to stem from lobbying by airlines. Schemes meant to make them greener tend to be toothless: carriers can sometimes sidestep them entirely by using small amounts of sustainable fuel. Moreover, tourists typically behave in a more emissions-intensive way than at home, eating out, shopping and living the high life. Because their emissions come from so many sources, it is hard for countries to know how to account for it all.

Dr Sun also found that tourism, and its emissions, are not distributed evenly. The 20 countries with the most tourism emissions per person were responsible for three-quarters of the global footprint, with rich countries unsurprisingly having far greater per-head emissions from outbound tourism than poorer ones. The absolute rise in emissions was driven predominantly by domestic travel within just three countries: America, China and India.

All this leads the researchers to argue that—as well as tightening regulation for aviation—governments must do a better job of adding up the emissions that tourists generate, and setting limits for the numbers they allow in. That could be unpopular with places that are keen to attract travellers who want to spend money (though the recent moves by destinations such as Venice suggest otherwise).

But policymakers can help in other ways, too: the best way to shrink tourism's footprint is to speed up the transition to renewable-energy sources, so those activities lead to as few emissions as possible. ■

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Mystery story

Humans and Neanderthals met often, but only one event matters

The mystery of exactly how people left Africa deepens

Dec 12, 2024 07:34 PM



IN 2010 RESEARCHERS at the Max Planck Institute for Evolutionary Anthropology (EVA), in Leipzig, published the genome of *Homo neanderthalensis*, a species known in less progressive days as Neanderthal man. This contained stretches of DNA also found in *Homo sapiens* genomes—specifically, non-African ones. That suggested past interbreeding between the two, but only outside Africa. This is not surprising. *Homo sapiens* began in Africa but Neanderthals were Eurasian. Any miscegenation would have happened after *sapiens* left its homeland to embark on its conquest of the world. But the details were unclear.

Now, two papers by researchers at EVA and elsewhere have provided more precise details about when the two species of humans mixed. They conclude that *sapiens-neanderthalensis* crossings occurred several times, but the consequences of only one such hybridisation, shortly before Neanderthals became extinct, 40,000 years ago, remain important today. This is more recent than previously thought.

One paper, in *Science*, looks at 334 *sapiens* genomes, 275 from the present and the rest between 2,200 and 45,000 years old. All show Neanderthal DNA getting into *sapiens* genomes over an extended period sometime between 43,500 and 50,500 years ago. Four also have signs of other such ingestions. The second paper, in *Nature*, looks at only seven genomes, each around 45,000 years old.

The analyses raise questions. Other work suggests *Homo sapiens* arrived in some places before the interbreeding dates indicated, yet the Neanderthal DNA concerned is ubiquitous outside Africa. Also, though bands of *sapiens* leaving Africa via Sinai might have run into Neanderthals, since this was the southern limit of that species' range, those crossing via the straits between the Red Sea and the Gulf of Aden—believed by some to have been an important route as well—would not have done. Constructing a human migration pattern that takes account of all this, yet yields the distribution of Neanderthal DNA seen today, is tricky. But it must have happened somehow.■

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A thousand sails

Why China is building a Starlink system of its own

When it is finished, Qianfan could number 14,000 satellites, rivalling Elon Musk's system

Dec 12, 2024 07:34 PM



REX Shutterstock

ON DECEMBER 5TH a Long March-6a rocket (pictured) blasted off from Taiyuan Satellite Centre, in Shanxi province in northern China. Aboard was the third batch of satellites for the Qianfan, or “SpaceSail” network, which aims to deploy a “mega-constellation” of thousands of satellites to beam fast internet access to users anywhere in the world.

Qianfan is similar to [Starlink](#), a satellite-internet service provided by [SpaceX](#), Elon Musk’s rocket company. Starlink has been a big success in the four years since it started operations, signing up airlines, cruise ships

and more than 4m individual users, and helping boost SpaceX's valuation to a reported \$350bn. Providing snappy, high-speed internet anywhere on Earth requires enormous numbers of satellites. Starlink already has almost 7,000 of them in orbit. It has regulatory permission to fly up to 12,000 within the next few years, and has filed paperwork requesting as many as 42,000 in total.

Qianfan appears to be designed on a similarly heroic scale. Although precise details are hard to come by, documents filed with the International Telecommunication Union, which regulates such things, suggest the constellation could eventually grow to nearly 14,000 satellites. The first two batches, of 18 satellites each, were launched in August and October. Reports in Chinese state media suggest a target of 648 satellites in space by the end of 2025. Qianfan, which is backed by the Shanghai city government, appears to have beaten GuoWang, a similar constellation backed by China's central government, to orbit.

The system could help connect people in China's rural hinterland to the internet. Despite the country's rapid industrialisation, around 300m people are thought to lack regular internet access. Starlink is not an option since that network does not have an operating licence in China, whose authorities run a sophisticated and pervasive system of internet censorship. And Qianfan might find markets overseas too—besides China, Starlink is also forbidden from operating in Iran and Russia.

Even countries that are not outright hostile towards America might welcome a competitor to SpaceX, says Steven Feldstein, an analyst at the Carnegie Endowment for International Peace—especially given the close links between Mr Musk and Donald Trump, America's president-elect. “Even countries with a more neutral foreign policy, like India or Turkey—that might give them pause,” he says.

In November, for instance, Qianfan announced a deal with the government of Brazil. Earlier in the year Mr Musk had entered into a [bitter public row with a Brazilian judge](#) who had been investigating X, a social network that Mr Musk owns. As part of the dispute SpaceX's Brazilian bank accounts were frozen. Afterwards the firm said it would not comply with the judge's order to block Brazilian users' access to X, though it later backed down.

Qianfan is part of a suite of technologies that make up China's space ambitions. "We've seen a pretty wide push when it comes to Chinese investment in space technology," says Mr Feldstein. He cites projects like the Tiangong series of space stations, or the [Chang'e-6 mission](#), which in June became the first probe to return samples taken from the far side of the Moon, as well as China's ambitions to land astronauts on the Moon by 2030.

Rather than more scientific firsts or space-exploration prestige, though, Qianfan's other use is likely to be military. "It's becoming increasingly clear that [mega-constellations] are a strategically important piece of infrastructure for countries of a certain size and ambition," says Blaine Curcio, who runs Orbital Gateway Consulting, a business based in Hong Kong that focuses on the Chinese space industry. China's government made building a Starlink-style mega-constellation an official priority in 2020. Governments in Europe, India, Russia and Taiwan have all expressed interest in building constellations of their own.

[Starlink has proved its military utility](#) in Russia's war against Ukraine, where Ukrainian soldiers came to rely on the system as a means of fast, ubiquitous front-line connectivity, useful for everything from controlling drones to communicating with headquarters. Besides its uses there, SpaceX has set up a dedicated government division called Starshield. It has signed deals with America's Space Force and with the National Reconnaissance Office, which runs the country's spy satellites.

One looming question is how quickly China can build the system it has designed on paper. The country presently lacks access to reusable (and therefore much cheaper) rockets like SpaceX's Falcon 9, which are used to launch Starlink satellites, let alone the much bigger, cheaper Starship rocket that the firm is testing. SpaceX has also been able to drive down the cost of both the satellites themselves and the high-tech antennas necessary to receive their signals on the ground.

But China is good at mass production. And, says Mr Curcio, it has a thriving cluster of between 40 and 50 rocket-launch startups, many of which are hard at work on reusable rockets. Some of those engineers seem to have been taking copious notes: at a trade show held in November, the

state-controlled China Academy of Launch Vehicle Technology unveiled a version of the Long March-9, a new rocket it is developing, that bore a remarkable resemblance to SpaceX's Starship. It is due, apparently, to make its first flight in 2033. ■

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Full of sound and fury

The novel was a dominant art form last century

What does the 21st century hold for it?

Dec 12, 2024 07:34 PM



Matt Chase

Stranger Than Fiction. By Edwin Frank. *Farrar, Straus and Giroux; 480 pages; \$33. Fern Press; £25*

THE NOVEL is dead; the novel is dying; prestige television has killed it. These familiar complaints are oddly comforting, both because hand-wringing over the state of the novel is a time-honoured pursuit, and readers who pick up the [remote](#) instead of a [book](#) after dinner—as your correspondent does more often than he should—can feel they are engaging with culture’s dominant narrative form rather than just relaxing on the couch.

Novels are not, in fact, dying: bookstores flog ever-changing stacks of new ones. But neither are they as culturally central as they were in the 1900s, when they were “the literary form of the time, prestigious, popular, taken as both mainstay of cultured conversation and of democratic culture”, argues Edwin Frank of the *New York Review of Books* Classics Series.

The novel achieved that status by changing its focus. In the 19th century novels were principally concerned with illuminating social mores and characters’ inner lives: think of [George Eliot](#), [Henry James](#) and [Anthony Trollope](#). But over the course of the next century the novel matured, as writers responded to a rapidly changing world by experimenting with form, structure and subject. “Stranger Than Fiction” weaves historical overview and close reading into a biography of the form.

Mercifully, the author does not plod through the years, directly tying books to events. Artistic creation is subtler than that, and books that an author intends for one purpose often serve another. Novels can also inspire each other. “Mrs Dalloway”, for example, was shaped by [Virginia Woolf](#)’s loathing of James Joyce’s “[Ulysses](#)”. Mr Frank deftly captures how novelists translate, react to and sometimes shut out turbulent global events. (Returning to Trieste after the first world war, Joyce told an acquaintance, “Oh yes, I was told there was a war going on.”)

The first landmark 20th-century novel, Mr Frank argues, was “Notes from the Underground”, published in 1864 by [Fyodor Dostoyevsky](#). The narrator whines, hectors and obsesses; he is both emotionally honest and thoroughly unreliable. The plotless book tries to make sense of and to embody a frenzied world, offering none of the safety or resolution readers typically found in novels from the 19th century, which deployed “character and situation, expressed and explored through a reliable interplay of dialogue and description conducted under narrative oversight”. Though plenty of contemporary novels still fit this description, Dostoyevsky was early to show they did not have to.

The ghost of the unnamed narrator flickers at the edges of works written throughout the next century. His lunatic babbling prefigures stream-of-consciousness works from Joyce and William Faulkner. It is no accident that this voice and disordered, confessional work emerged from Russia,

rather than western Europe, in the late 19th century. Until the first world war western Europe was largely peaceful, prosperous and bound by class and social conventions. The solid, reliable real world birthed the solid, reliable worlds of the social novel. Russia had its hierarchies and conventions but was wilder; its authors could borrow from European tradition while living in a world beyond it.

The two world wars changed all that, but authors born before the cataclysms retained their concept of what a novel should be and do. Reconciling beliefs nurtured in a stable world with an unstable one produced towering works. For example, "[The Magic Mountain](#)" ([1924](#)) by [Thomas Mann](#), a German writer, is a long series of digressions and meditations that "preserves an image of unity by telling the story, down to the last detail, of a world whose pieces no longer come together", writes Mr Frank. "[In Search of Lost Time](#)" by Marcel Proust did something similar. Despite its languid tone and convoluted sentences, it has at its centre a desire to remember and tell readers everything about a vanished world (including the transporting aroma of madeleines).

Vasily Grossman, a Soviet writer, displayed the same encyclopedic bent in two works, "Stalingrad" and "Life and Fate", which are among the most ambitious and [best fiction written about the second world war](#). Penned in a plain style and a self-conscious attempt to mirror "War and Peace", Russia's greatest novel from the 19th century, his writing fell foul of censors (who wanted him, among other things, to remove a sympathetic Jewish character). Grossman died in 1964; "Life and Fate" would not be published in Russia for another 24 years.

After the war, Mr Frank's survey turns almost perversely idiosyncratic. He mentions great writers including [Saul Bellow](#), [Toni Morrison](#) and [Philip Roth](#) only in passing, yet devotes an entire chapter to the banal, unreadable "Life: A User's Manual" by Georges Perec, a French novelist. Still, one of the pleasures of reading "Stranger Than Fiction" is arguing with it.

And the number of impassioned arguments that this book starts proves that the literary novel is not dead to everyone. Nor is it still the unquestioned king of narrative expression. Television has grown more sophisticated: "The Wire" drew justified comparisons to [Charles Dickens](#). Millions of books are

published each year, but the number of people who read daily for pleasure, as well as the amount of time they read, have been steadily declining. From 2017 to 2023 Americans aged 15 and older spent just 15-16 minutes a day reading “for personal interest”, 18% less than in 2013-15, according to America’s Bureau of Labour Statistics. Meanwhile, they watch TV for more than two and a half hours a day, on average.

This century’s novelists will need to grapple with this shift. Writers in the last century benefited from increased literacy rates, cheap mass production and the rise of chain bookstores, which all helped create a culture more receptive to their works. Novels could also easily hold their own against films; it is harder now that people have a giant film and TV library in their pockets.

What might a book written in 2124, looking back at the 21st-century literary novel, argue? That the novel continued to expand its focus outward, by engaging with genre fiction, for instance, as [Colson Whitehead](#) and Haruki Murakami do brilliantly; or with nature and science, as [Richard Powers](#) and Kim Stanley Robinson do. Novel-reading will become even more of a niche, worthy hobby, like going to a classical-music concert or ballet today. The story of the 20th-century novel is one of artistic triumph. In this century, the novel will experience a different story. ■

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From the shelf to the couch

Does great literature translate into great television?

Netflix hopes so, with its adaptation of Gabriel García Márquez's "One Hundred Years of Solitude"

Dec 12, 2024 07:34 PM



IT WOULD BE hard, [Gabriel García Márquez](#) thought, to do justice to the surreal, sprawling tale on screen. By his reckoning, “One Hundred Years of Solitude”, his celebrated novel of 1967, would need a runtime of 100 hours; it would also have to be filmed in Colombia, entirely in Spanish.

Netflix, with the support of [Márquez’s estate](#), has honoured two of those three proclamations. The streamer boasts that its new adaptation of Márquez’s novel—the first on screen—is “one of the most ambitious productions in Latin American history”. (“Ambitious” is also a synonym for

“expensive”: Netflix will not reveal the budget but claims it is the largest ever for a production in the region.) But keeping in mind how much solitude viewers actually want, it has opted to compress Márquez’s novel into 16 episodes, with the first tranche released on December 11th.

The book presents a formidable challenge to film-makers for two reasons. One is its status: many think “One Hundred Years of Solitude” was the [greatest novel of the 20th century](#). It helped Márquez win the Nobel prize in literature in 1982 and has sold some 50m copies worldwide. With affection comes expectation. When the TV show was announced, fans online were quick to express their fears about an oversimplified, “caricatured” retelling.

Those remarks point to the other test for adaptors, which is the novel’s sheer complexity. Set in around 1850-1950, the book traces the fortunes of the Buendía family across several generations, from the time José Arcadio and his wife, Úrsula, establish the town of Macondo to the moment their last descendant dies, with civil war, modernisation, economic prosperity and ruin in between.

Time, in this tale, is a “turning wheel” that yields “unavoidable repetitions”. Male scions are all called some combination of José, Arcadio or Aureliano. (Readers everywhere are grateful to whoever thought to include a family tree at the front of the book.) There are more unusual occurrences, too. Characters die, only to return as ghosts. One man is permanently surrounded by a kaleidoscope of yellow butterflies; another cracks his head open, leaking not blood but an “amber-coloured oil that was impregnated with that secret perfume”.

On the page this magical realism, as Márquez’s style came to be known, can be entrancing. The risk is that it could look oddly unconvincing on screen. When Netflix approached Alex García López, a director, about the project, he was excited but apprehensive. “I remember the book having very little dialogue. I remember it being a very existential kind of book and jumping all over the place. I thought: ‘This is just not really doable, is it?’”

It was. José Rivera, one of the screenwriters, decided that the story should proceed chronologically and that it needed a narrator. It quotes from the novel verbatim. “It was a great way of having Gabo’s voice guide us

through the story,” Mr López says, and a way to be “faithful to the book... to its execution, to its style”.

As a result, the film-makers have captured the strangeness of the story, in which events are at once fantastical and mundane. They have also retained its sensuality. At times this makes for uneasy viewing: the novel recounts several incidents of incest and one of paedophilia. “We do not want to rewrite history,” asserts Francisco Ramos, Netflix’s vice-president of Latin American content: “That’s the way things happened.” In fact, keeping in Aureliano’s wooing of Remedios, a nine-year-old girl, makes the tale more timely. Only last month Colombia passed legislation prohibiting anyone under the age of 18 from getting married.

To write “One Hundred Years of Solitude” Márquez drew on his childhood town of Aracataca. The novel “couldn’t be more specific and more grounded...in a very specific part of a huge, huge country”, Mr Ramos says, but “because of the way he tells the story it has global resonance”. Almost 60 years later, Netflix is hoping this is true of its own version. Márquez’s book, after all, is about history repeating itself. ■

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Twenty-sided dicing with death

How did “Dungeons & Dragons” win?

The role-playing game, celebrating its 50th birthday, continues to inspire players and Hollywood creators

Dec 12, 2024 07:34 PM



WHEN [“STRANGER THINGS”](#) returns for its final season next year, hundreds of millions of people around the world will be abuzz with talk of Demogorgons, the Mind Flayer and Vecna. As a result, they will also be talking about “Dungeons & Dragons” (D&D). The hit television show, which often features its young heroes playing D&D, draws its lore and monsters from the fantasy role-playing game, in which the goal is to form a party of adventurers and go on quests.

Since its invention 50 years ago, D&D has been seen as a niche, geeky pastime. But recently the game has made the jump from nerd culture to popular culture. It has been adapted into a Hollywood film and a video game. The movie, “Dungeons & Dragons: Honour Among Thieves”, grossed more than \$200m. [“Baldur’s Gate 3”](#)—the bestselling game of 2023 on Steam, a PC gaming platform—made an estimated \$660m.

According to Wizards of the Coast, the firm behind D&D, the game has more than doubled its fan base in the past five years, from 40m to 85m globally.

“Dimension 20”, a show in which comedians and gamers play D&D, recently sold out at Madison Square Garden in New York. In 2023 more than 12,000 flocked to the Wembley Arena in London to watch “Critical Role”, a group of voice actors, play D&D. Their online show, in which they do the same, has amassed some 900m views on YouTube.

“Dungeons & Dragons: The Twenty-Sided Tavern”, an immersive theatre production, invites attendees to help players make decisions by voting on outcomes on their phones. Currently playing off-Broadway, the show is set to go on tour across America. It also begins a run at the [Sydney Opera House](#) on December 15th. David Carpenter, the show’s co-creator, says that every performance is unique: the game relies on 20-sided dice, which, combined with audience input, can yield about 300,000 different iterations.

[Gary Gygax](#), a game designer, and Dave Arneson, a graduate student, based D&D on war games—small-scale battle simulations used as military-training exercises—but added fantasy. You can play as one of around a dozen “character classes”, including barbarians, druids, fighters, monks and warlocks. Chance, however, is paramount: the dice determine whether actions fail or succeed. A “dungeon master” guides the story and play-acts as side characters and monsters. A game session might involve raiding a dragon’s hoard or a day’s shopping at the town market, where a successful “charisma roll” may bag a bargain on a rare item.

Gygax’s and Arneson’s initial ambition was to reach war-gaming fans, says Jon Peterson, who writes about the history of role-playing games. Yet D&D soon became famous, then notorious. In 1979 James Dallas Egbert, a student in Michigan, went missing. The media focused on D&D, suggesting

that Egbert disappeared because he believed the game's fantasy world was real. (Egbert was suffering from mental distress unrelated to D&D and eventually committed suicide.)

A moral maelstrom swirled around the game. In 1982 Irving Lee Pulling, another student, committed suicide, and his mother blamed D&D. She set up a campaign group, Bothered About Dungeons and Dragons, and brought together Christian organisations to lambast the game as a purveyor of "demonology, witchcraft, voodoo, murder, rape, blasphemy, suicide, assassination, insanity, sex perversion, homosexuality, prostitution, satanic-type rituals, gambling, barbarism, cannibalism, sadism, desecration, demon summoning...and other teachings".

The "Satanic panic" proved that there is no such thing as bad publicity. Sales boomed; [Steven Spielberg](#) included a D&D scene in "ET"; the game was acquired by Wizards of the Coast in 1997. By then the popularity of D&D was waning, as other forms of entertainment, such as console games, pushed to the fore.

Canny branding helped revive D&D. In 2014 a new edition of the rules, designed to demystify the game for newbies, was released and became hugely popular. Groups such as "Critical Role" have also played, well, a critical role, by showing people how the game can unfold in varied and gripping ways. The covid-19 pandemic was a turning-point, too, argues David Ewalt, a journalist who writes about gaming. Cooped up at home, people spent a lot of time watching TV. But once they tired of screen time, they turned to immersive experiences. In 2020 Wizards of the Coast reported D&D had its best year yet, with 33% growth in revenue year-over-year.

As "Stranger Things" attests, a generation of storytellers who grew up playing D&D are coming of age. David Benioff and D.B. Weiss, the creators of the TV adaptation of "[Game of Thrones](#)", both played D&D as teenagers; Jon Favreau, director of "Iron Man" and creator of Disney's "The Mandalorian", has also attributed his creative chops to the game. "People learn something about how to administer fantastic worlds and shepherd characters through them from playing this game," says Mr Peterson, the game historian.

D&D fans are responsible for some of the world's biggest franchises; cumulatively their work has entertained people for billions of hours. There has arguably never been a better (or more lucrative) time to be a geek. But as Jason Tondro, a designer at Wizards of the Coast, wonders: "Are we still nerds if we're cool?" ■

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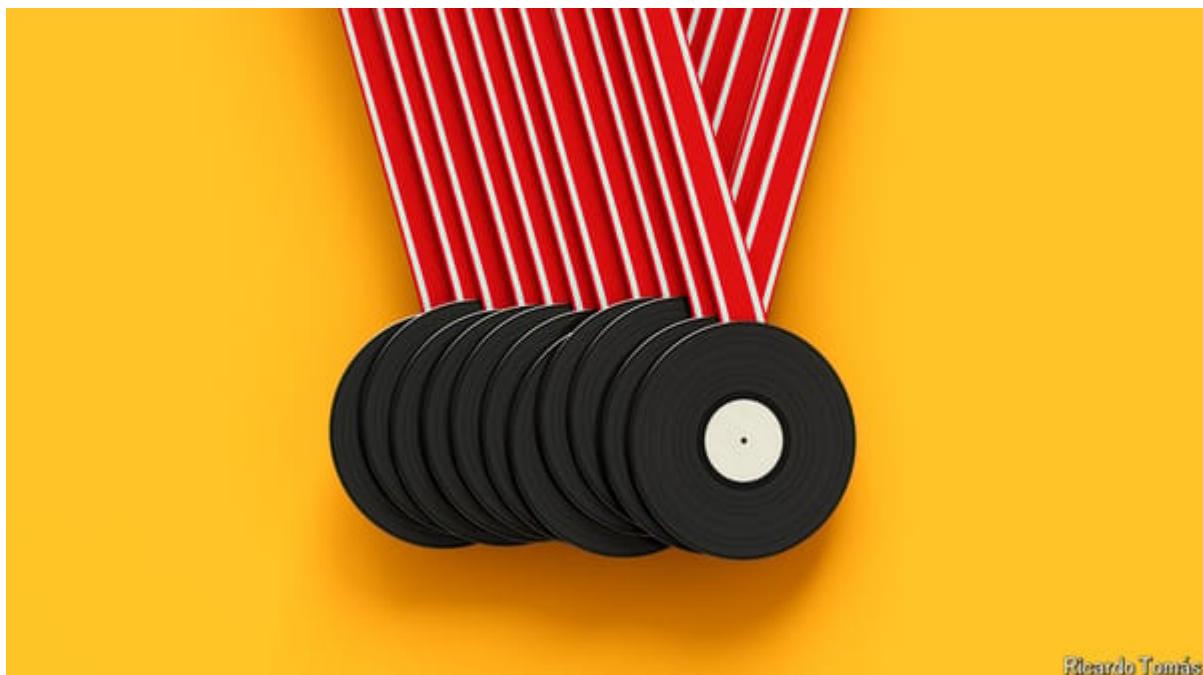
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In tune with the times

The Economist's pick of the best albums of 2024

A musical tour through pop, rap, rock and more

Dec 12, 2024 07:34 PM



Ricardo Tomás

“Brat”. By Charli XCX

Part pop record, part zeitgeist moment. (This album spawned its own idiom: “[Brat](#) summer”.) In an age of focus-grouped relatability, the British singer-songwriter is refreshingly brash—and very good.

“Dance, No One’s Watching”. By Ezra Collective

This jazz ensemble makes crowds explode into dancing. There is much to

cherish on its third album, in particular the bold horns and Afrobeat-inspired rhythms.

“Funeral for Justice”. By Mdou Moctar

The outstanding [rock guitarist of his generation](#) plays a version of rock music that nods to his home in Niger. This record is more bellicose than his previous work, but no less thrilling for it.

“Here in the Pitch”. By Jessica Pratt

There is a touch of vintage glamour to this artist. Her [retro-folk sound](#), with nylon-stringed guitars and gentle percussion, conjures an atmosphere as elegant as any old Hollywood haunt.

“I Lay Down My Life for You”. By JPEGMAFIA

The rapper was formerly a whistleblower in the American air force. His fifth album is imaginative and confounding: a lyrical cluster bomb set to music.

“In Waves”. By [Jamie XX](#)

This album delivers both dancefloor bangers and melancholic, reflective moments. As a result, it rewards listening in the club, in the kitchen and on the sofa. “Baddy on the Floor” is pure propulsion.

“Lives Outgrown”. By Beth Gibbons

Thirty years after [Portishead](#) emerged, its singer has released her first solo album. It is a mysterious and beautiful record—and an almost perfect one at that.

“Manning Fireworks”. By MJ Lenderman

This album is Americana for Gen Z: respectful of the past without venerating it. “How many roads must a man walk down ’til he learns / He’s just a jerk”?

“Short n’ Sweet”. By Sabrina Carpenter

Twelve songs, 36 minutes: this is pop in deliciously concentrated form. The songs showcase the pop princess’s breathy, sensual voice. In “Espresso”, “Please Please Please” and “Taste”, she claimed three of the songs of the year.

“This Could Be Texas”. By English Teacher

A prizewinning debut record. At heart it is traditional indie rock, but with imaginative twists that made it apparent that Lily Fontaine, the main writer and performer, is a remarkable talent. ■

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The future of humanity

Was Henry Kissinger an AI “doomer”?

A posthumous postscript on a hair-raising topic

Dec 12, 2024 07:34 PM



Getty Images

Genesis. By Henry Kissinger, Craig Mundie and Eric Schmidt. *Little, Brown; 288 pages; \$30. John Murray; £22*

HENRY KISSINGER kept learning right to the end of his life. In the half-decade before he [died in 2023, aged 100](#), he turned himself into an expert in artificial intelligence (AI), adding to the fields of history, philosophy, cold-war diplomacy and nuclear deterrence that made him a master of 20th-century realpolitik.

Polymaths are rare, as he and his co-authors, Craig Mundie, formerly of Microsoft, and [Eric Schmidt](#), who ran Google, point out in “Genesis”. Humans do not live long enough to master more than a few disciplines. But AI, they say, will be “the ultimate polymath”, pushing the boundaries of discovery, from nanotechnology to outer space, and unconstrained by human fears or biological limitations. The development of AI could be humanity’s highest achievement. Yet it could end up replacing—and subjugating—its own inventors.

This sense of the Promethean power of AI will be familiar to those who have read Kissinger’s previous book on the topic, [“The Age of AI”](#), published in 2021 (Mr Schmidt was a co-author). But “Genesis” is a posthumous postscript, written with more elegance and a darker sense of foreboding than its predecessor, and is as much about humans as about machines. AI, it suggests, is on the verge of a superhuman intelligence, which people will either control or be controlled by. Man’s [ability to co-exist](#) with it requires a common understanding of humanity that could be all the more elusive in a polarised world.

The book argues that AI threatens some of mankind’s strongest convictions. People believe in a pecking order: humans, then animals and then machines. AI could vault machines to the top of the hierarchy. People identify by nations, but in the age of AI, sovereign-like power could accrue to the private firms that own and develop AI technology. Work helps shape human identity, but AI will recast the [role of labour](#) and the distribution of rewards. Wars will be fought between implacable foes who feel no pain (as a consolation, they may prefer to attack each other’s data centres rather than people). People believe in the power of reason, but still do not understand [how large language models](#) reach their conclusions. Is this a “dark enlightenment”, bringing back an age of unexplained, quasi-religious authority?

To assess the extent to which humans will keep hold of their destiny, the book grapples with a choice: should mankind become more like AIs (it often refers to them in the plural), or should AIs become more like people? Its attempt to answer the first question is shallow and unconvincing. It talks of how humans will “co-evolve” with machines via “brain-computer

interfaces” and other sci-fi-like forms of neural engineering, in order to create superhumans. But it recoils at the clear risks.

More interesting is the discussion of how people can infuse AI with a sense of human dignity and values. Though “far-from-perfect” models have been let loose on the world, people are learning how to make them safer. As well as ingesting global and local rules and regulations, AI models will learn “doxa”, or unwritten and overlapping human codes that broadly keep humanity stable.

However, it gets trickier when one considers who should decide machines’ sense of right and wrong, their ultimate safety catch. (Some, it is worth remembering, questioned Kissinger’s conscience.) “Genesis” asserts that forging consensus on what human values are and how to invoke them to prevent the most extreme perils of AI is the “philosophical, diplomatic and legal task of the century”.

Kissinger’s last foreign trip was to China, at the invitation of President Xi Jinping, to discuss the many risks humanity faced from AI. From beyond the grave, Kissinger is pointing in the right direction. But it is hard to think of anyone of his statesmanlike stature who will spearhead the necessary world- and generation-spanning conversations in the next few years. ■

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Singing from the same hymn sheet

The unholy alliance of the Russian Orthodox Church and the Kremlin

Patriarch Kirill is one of the most vocal defenders of Vladimir Putin's war in Ukraine

Dec 12, 2024 07:34 PM



The Baton and the Cross. By Lucy Ash. *Icon Books; 384 pages; £25*

THE INVASION of Ukraine has provoked outrage and sympathy among Christian leaders of all denominations, including the Archbishop of Canterbury, the Ecumenical Patriarch in Istanbul and the Pope. The Russian Orthodox Church is an [outspoken exception](#). Patriarch Kirill, who leads the church, has described [the conflict](#) as a “holy war” and said that any young man who died in action would be absolved of their sins. The war was essential to “defending the unified spiritual space of Holy Russia”, he claimed.

In “The Baton and the Cross”, Lucy Ash, a journalist, offers an authoritative look at the closeness of church and state under [Vladimir Putin](#). Russia is, in theory, a secular country, yet the Orthodox church has become of vital importance to the president as it gives credence to his ambitions. “Putin found in the church a spiritual outlet for long-held resentments and an intellectual underpinning for his expansionist foreign policy,” Ms Ash writes. “Kirill, like his forebears, sought political patronage and access to wealth.”

The book places this unholy alliance in its historical context, tracing the church’s fortunes under Ivan the Terrible, [Peter the Great](#) and Catherine the Great, among others. In 1918 [Vladimir Lenin](#) stripped the church of its legal

status and right to own property; the number of working churches had tumbled from 50,000 before the revolution to a couple of hundred by 1939. It was [Josef Stalin](#) who resurrected the Orthodox church in 1943: he hoped that priests would galvanise public support for the second world war from the pulpit, as they are doing today with Ukraine.

The institution has maintained links to the state, and its security services, ever since. In the 20th century some prelates, including even Patriarch Kirill, collaborated with the [KGB](#); others were fully fledged agents planted in the church. A Soviet delegation to a gathering of the World Council of Churches in 1983 included no fewer than 47 KGB agents.

Many priests have been more concerned with domestic politics than the heavenly kind; their moral compasses point towards the Kremlin rather than Christ's teachings. In 2016 Vsevolod Chaplin, formerly a senior member in the church, spoke glowingly of both Ivan the Terrible and Stalin: "What is wrong with destroying a certain number of internal enemies? Some people can and should be killed." Many Christians—not to mention the Bible—would tend to disagree.

Patriarch Kirill has upheld his side of the devil's bargain, frequently preaching in support of Mr Putin's culture wars as well as his military ones. Mr Putin urges Russian women to have seven or eight children; meanwhile, the church inveighs against abortion, gay rights, same-sex marriage and even uppity wives. The patriarch has contrasted Russia's "holy" and "spiritual" way of life with that of the "devilish" West (evident, supposedly, in its support of gay rights). Patriarch Kirill has said that [nuclear weapons](#) have "saved" the country and in 2007, not long before he assumed the top role, blessed the nuclear arsenal.

In return, Mr Putin has in effect let Patriarch Kirill turn the church into a moneymaking machine. Since the collapse of communism in 1991, the Orthodox church has amassed a valuable property portfolio thanks to the return of assets from the state, including land, which accelerated after Mr Putin consolidated power. "The church has exploited its privileged status to develop huge business interests with an annual turnover of millions and possibly even billions of pounds," Ms Ash writes. (Unsurprisingly the church's financial records have never been made public.)

For a man who has lambasted capitalism and the “pursuit of profit”, Patriarch Kirill appears to have personally profited from the arrangement. According to an investigation by Russian journalists cited in the book, he owns three properties and has been [spotted sporting a watch](#) worth tens of thousands of dollars.

The irony is that, despite the Russian church’s revival in material terms, its spiritual authority is faltering today: less than 5% of Russians regularly attend services of worship and prayer. Many Russians are angry at the church’s hypocrisy and see Patriarch Kirill’s position not as one of power but of weakness. During a conversation in 2022, Pope Francis warned him that, by parroting the president’s talking points, he had debased “himself to become Putin’s altar boy”. ■

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Economic & financial indicators

- **Economic data, commodities and markets**

Indicators ::

Indicators

Economic data, commodities and markets

Dec 12, 2024 07:34 PM



Economic data

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	Current-account balance % of GDP, 2024 [†]	Budget balance % of GDP, 2024 [†]	Interest rates 10-yr govt bonds latest, %	change on year ago, bp	Currency units per \$ Dec 11th	% change on year ago
United States	-3.4	-7.1	4.3	3.0	-	
China	2.1	-4.4	1.5 ^{§§}	-103	7.26	-1.1
Japan	3.7	-4.7	1.1	28.0	152	-4.0
Britain	-2.9	-3.9	4.3	21.0	0.78	1.3
Canada	-1.0	-1.2	3.1	-33.0	1.41	-4.2
Euro area	3.2	-3.1	2.1	-12.0	0.95	-2.1
Austria	2.3	-2.3	2.5	-32.0	0.95	-2.1
Belgium	-0.9	-4.6	2.7	-20.0	0.95	-2.1
France	-0.6	-6.1	3.3	44.0	0.95	-2.1
Germany	6.3	-1.6	2.1	-12.0	0.95	-2.1
Greece	-6.5	-0.7	2.9	-53.0	0.95	-2.1
Italy	1.5	-4.3	3.2	-87.0	0.95	-2.1
Netherlands	9.6	-1.9	2.4	-25.0	0.95	-2.1
Spain	2.6	-3.2	2.8	-44.0	0.95	-2.1
Czech Republic	0.7	-2.4	4.0	-5.0	23.9	-5.1
Denmark	10.8	2.1	1.9	-66.0	7.11	-2.4
Norway	17.3	12.5	3.5	22.0	11.2	-1.6
Poland	0.4	-5.7	5.6	23.0	4.07	-0.7
Russia	3.3	-1.7	16.0	377	107	-14.8
Sweden	6.5	-0.9	2.0	-32.0	11.0	-4.3
Switzerland	7.4	-0.9	0.3	-46.0	0.88	nil
Turkey	-1.7	-4.1	28.4	464	34.9	-16.9
Australia	-0.6	-1.0	4.3	-19.0	1.57	-3.2
Hong Kong	11.9	-3.2	3.4	-30.0	7.78	0.4
India	-0.5	-4.9	6.7	-56.0	84.8	-1.7
Indonesia	-0.2	-2.5	6.9	37.0	15,915	-1.9
Malaysia	1.4	-4.5	3.8	5.0	4.43	5.6
Pakistan	-0.2	-6.9	12.0 ⁺⁺⁺	-317	278	2.2
Philippines	-2.9	-6.1	5.9	-35.0	58.3	-4.5
Singapore	19.3	0.2	2.7	-21.0	1.34	nil
South Korea	3.8	-1.8	2.7	-88.0	1,432	-8.1
Taiwan	13.5	0.5	1.6	31.0	32.5	-3.0
Thailand	2.1	-3.7	2.3	-56.0	33.9	4.2
Argentina	0.8	nil	na	na	1,017	-64.0
Brazil	-1.6	-7.6	13.7	272	6.04	-18.2
Chile	-2.4	-2.2	5.6	3.0	977	-9.8
Colombia	-2.8	-5.7	10.7	5.0	4,366	-8.7
Mexico	0.3	-5.0	10.0	65.0	20.2	-13.6
Peru	1.0	-4.0	6.5	-50.0	3.71	1.4
Egypt	-5.2	-3.7	na	na	50.6	-38.9
Israel	4.6	-7.2	4.4	26.0	3.58	3.6
Saudi Arabia	0.4	-2.4	na	na	3.76	-0.3
South Africa	-1.8	-5.2	8.9	-121	17.7	8.0

Source: Haver Analytics. ^{§§}5-year yield. ⁺⁺⁺Dollar-denominated bonds.

Markets

	Index	% change on:	
In local currency	Dec 11th	one week	Dec 29th 2023
United States S&P 500	6,084.2	nil	27.6
United States NAS Comp	20,034.9	1.5	33.5
China Shanghai Comp	3,432.5	2.0	15.4
China Shenzhen Comp	2,090.9	3.3	13.8
Japan Nikkei 225	39,372.2	0.2	17.7
Japan Topix	2,749.3	0.3	16.2
Britain FTSE 100	8,301.6	-0.4	7.3
Canada S&PTSX	25,657.7	0.1	22.4
Euro area EURO STOXX 50	4,959.4	0.8	9.7
France CAC 40	7,423.4	1.6	-1.6
Germany DAX*	20,399.2	0.8	21.8
Italy FTSE/MIB	34,731.3	1.9	14.4
Netherlands AEX	896.1	0.5	13.9
Spain IBEX 35	11,789.3	-1.2	16.7
Poland WIG	82,356.6	0.9	5.0
Russia RTS, \$ terms	766.4	2.0	-29.3
Switzerland SMI	11,681.9	-0.9	4.9
Turkey BIST	10,058.5	1.7	34.6
Australia All Ord.	8,610.4	-1.4	10.0
Hong Kong Hang Seng	20,155.1	2.1	18.2
India BSE	81,526.1	0.7	12.9
Indonesia IDX	7,464.8	1.9	2.6
Malaysia KLSE	1,603.2	-0.7	10.2
Pakistan KSE	110,810.3	5.4	77.4
Singapore STI	3,792.8	-0.2	17.1
South Korea KOSPI	2,442.5	-0.9	-8.0
Taiwan TWI	22,903.6	-1.5	27.7
Thailand SET	1,443.1	-0.5	1.9
Argentina MERV	2,291,149.0	3.4	146.4
Brazil BVSP*	129,593.3	2.8	-3.4
Mexico IPC	51,289.7	0.1	-10.6
Egypt EGX 30	30,739.3	-0.3	23.5
Israel TA-125	2,387.7	1.0	26.5
Saudi Arabia Tadawul	12,149.2	2.2	1.5
South Africa JSE AS	87,115.9	0.9	13.3
World, dev'd MSCI	3,842.4	-0.2	21.2
Emerging markets MSCI	1,108.4	0.7	8.3

US corporate bonds, spread over Treasuries

	Dec 29th
Basis points	latest
Investment grade	96
High-yield	314

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research. *Total return index.

Commodities

The Economist commodity-price index

2020=100	Dec 3rd	Dec 10th*	% change on	
			month	year
Dollar Index				
All items	133.1	136.2	4.5	6.0
Food	144.5	150.7	6.8	13.5
Industrials				
All	123.7	124.3	2.3	-0.6
Non-food agriculturals	135.2	134.2	-0.2	7.7
Metals	120.8	121.7	3.0	-2.7
Sterling Index				
All items	135.1	137.4	4.7	4.6
Euro Index				
All items	144.6	148.2	5.6	8.8
Gold				
\$ per oz	2,641.0	2,689.4	3.4	35.6
Brent				
\$ per barrel	73.6	72.6	0.5	-1.3

Sources: Bloomberg; CME Group; FT; LSEG Workspace; NZ Wool Services; S&P Global Commodity Insights; Thompson Lloyd & Ewart; USDA; WSJ. *Provisional.

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The Economist explains

- **Who are the main rebel groups in Syria?**

They were united against the country's dictator. Now they have little in common

The Economist explains

Who are the main rebel groups in Syria?

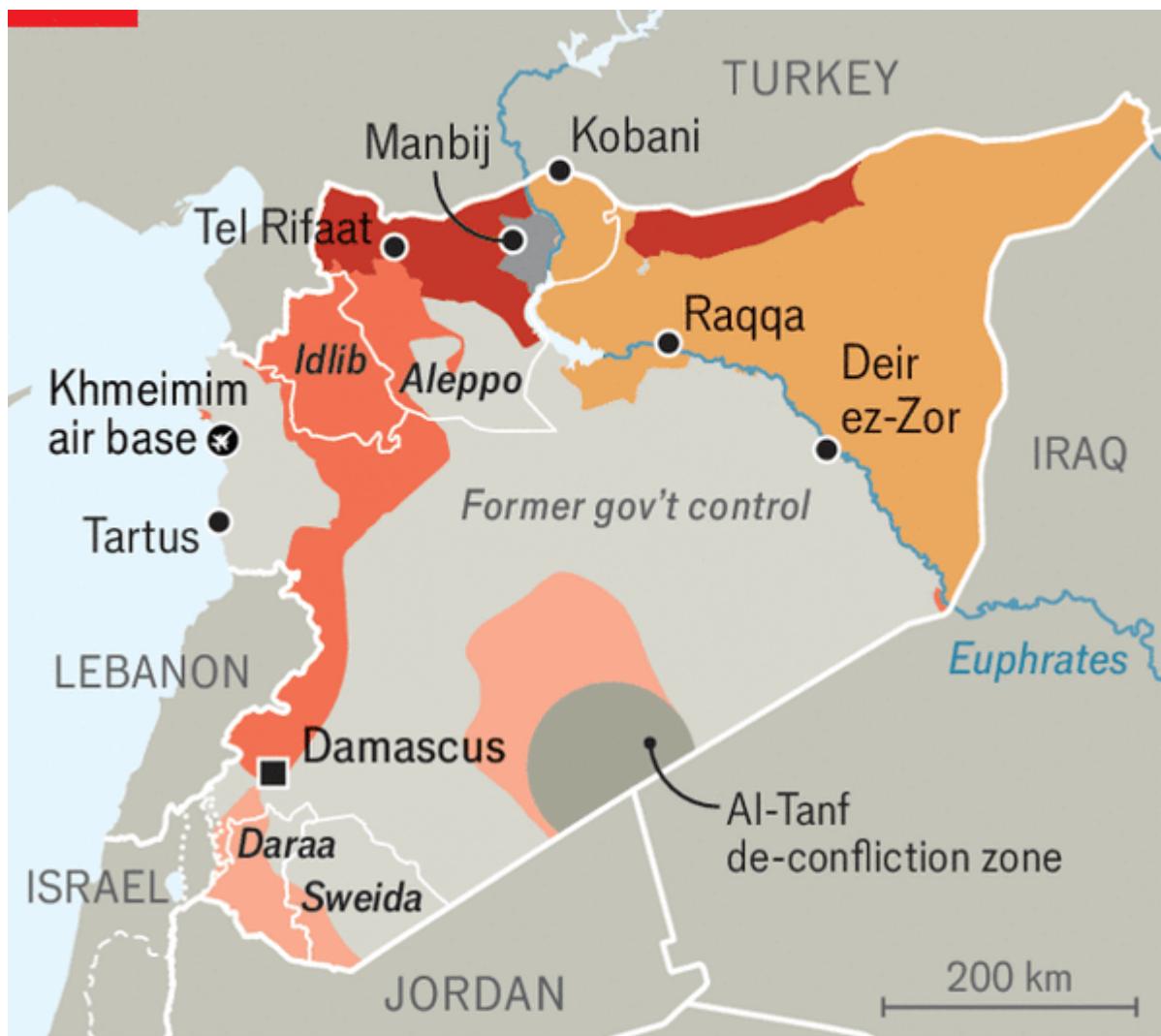
They were united against the country's dictator. Now they have little in common

Dec 12, 2024 07:34 PM



AFP

WHEN REBELS [reached Syria's capital](#), Damascus, on December 8th, they did so from two directions. Fighters from the south were the first to arrive. From the north came members of Hayat Tahrir al-Sham (HTS), a former affiliate of al-Qaeda that had led the push against the [country's dictator](#), Bashar al-Assad, over the preceding fortnight. The Syrian National Army (SNA) and Syrian Democratic Forces (SDF), two other important groups, were also involved in the fight to topple Mr Assad. This was the culmination of 13 years of bloody civil war. Soon after rebels reached the city, the president fled, ending more than 50 years of his family's rule.



Syria, areas of control, Dec 9th 2024

- | | | |
|-------------------------|-------------------------|------------------------|
| ■ Turkish-backed
SNA | ■ Kurdish-backed
SDF | ■ SNA/SDF
contested |
| ■ HTS-led rebels | ■ Other rebels | |

Sources: Institute for the Study of War; AEI's Critical Threats Project

The Economist

Mr Assad is a member of Syria's Alawite minority: he terrorised both the Sunni majority and other minorities, including Kurds, Christians and Druze. Over the course of the civil war, hundreds of militias sprang up. Rebel

groups with disparate aims were united in their opposition to him. Now that he is gone, those militias may find that they lack a common purpose. Who are Syria's main players and what do they want?

Hayat Tahrir al-Sham

This group, led by Ahmed al-Sharaa (also known as Abu Muhammad al-Jolani), is believed to have 10,000-30,000 fighters. It is an Islamist movement rooted in Salafism, an ultra-conservative branch of Islam. HTS was founded in 2011, under the name Jabhat al-Nusra, as an affiliate of al-Qaeda. It broke with the group in 2017 and has sought to distance itself from jihadism, purging al-Qaeda loyalists from its ranks. Since that year HTS has ruled a slice of Idlib governorate, in Syria's north-west, pushing the bulk of Islamic State (IS) fighters out of the area. It established the Syrian Salvation Government there, which taxes residents, provides social services and issues identity cards. Syria's new prime minister, Muhammad al-Bashir, previously served as the head of that administration. Mr Sharaa has sought to present HTS as a religious nationalist group tolerant of minorities: it does not impose dress codes on women and permits church services. But America, Britain, Europe and the United Nations still classify HTS as a terrorist group (though they are pondering whether to change that).

Syrian Democratic Forces

East of Idlib governorate, in the north of the country, the SDF runs a fief that encompasses roughly a quarter of Syria. The SDF is Kurdish-led, though it also has Arab and Christian fighters. Its military wing is led by the People's Protection Units, many of whom are veterans of the Kurdistan Workers Party, a militant group that fought for years inside Turkey for an independent Kurdish state. Turkey considers the SDF a terrorist group, and the country's president, Recep Tayyip Erdogan, sees the presence of a Kurdish force on his doorstep as a threat. But the SDF is backed by America, which has spent hundreds of millions of dollars training and arming the group to help it fight IS. In recent years the SDF has spent more time fighting the SNA than the Islamists. It has played a role in the recent

offensive, pushing government forces out of Deir ez-Zor, the main city in the north-east. But the SDF has also come under attack from the SNA in Manbij and Raqqa in recent days, as both groups aim to bolster their power bases in the north. Kurds fear the rebellion will be used to push them out of areas they have held for years. Hours after Aleppo fell on November 30th, HTS negotiated an SDF withdrawal from Kurdish suburbs. There are reports of Kurds retreating east, deeper into their (safer) heartland.

Syrian National Army

HTS may have led the offensive, but the SNA's role has also been decisive. It too is influential in the north. Mr Erdogan established the group in 2017, bringing together a network of anti-Islamist militias who opposed Mr Assad. Many SNA fighters were once members of the Free Syrian Army, a collection of opposition groups made up of defectors from Syria's armed forces, and the group remains fairly decentralised. Turkey, which funds, trains and arms it, uses the SNA as a proxy to fight the SDF. The SNA has created "safe zones" along the Turkish border, to which Turkey has repatriated some of its 3m Syrian refugees. The group is also a sometime enemy of HTS, but joined forces with the Islamists to oust Mr Assad. Many Syrians criticise the SNA for serving Turkey's aims at the expense of domestic peace. Already, the group is turning its attention to Kurdish-held areas: in recent weeks it has seized important towns from the SDF.

Other rebels

Daraa, in southern Syria, is often called "the cradle of the revolution". It was there that Syria's popular uprisings began. In the early days of the recent offensive, a ragtag group of Druze, Christian and Alawite rebel groups from the south took control of towns and cities, including Sweida, the heartland of Syria's Druze minority. Some are backed by Jordan, which shares a border with southern Syria. By December 7th southern rebels were poised to enter Damascus. (They were joined by Maghawir al-Thawra, a small group of limited importance that holds territory near the Al-Tanf deconfliction zone, and relies on the American military base there.) In recent days they have branded themselves as the "Southern Operations

Room". That name refers to about 50 militias of varying capacity, and with diverse goals, who joined the fight against Mr Assad. Until a few weeks ago, these groups were often fighting each other: they carried out tit-for-tat kidnappings in the Sweida governorate this year. They may now share a name, but they have little else in common.

Islamic State

IS is a diminished force in Syria—but the uncertainty created by the overthrow of Mr Assad could provide it with an opportunity. The jihadist group originated in Iraq, where its members fought alongside al-Qaeda as part of the Iraqi insurgency that sprang up after America and Britain deposed Saddam Hussein. In 2014 IS seized a large chunk of north-eastern Syria, as well as territory in Iraq, where it imposed an extremist interpretation of Islamic law. By 2019 its caliphate had been dismembered: the land it had held was divided between rebel groups and its fighters retreated to small pockets of rural Syria. Some 10,000 of its fighters are imprisoned by the SDF. If fighting in Kurdish areas intensifies, and leads to their escape or release, IS could pose a renewed threat to Syria and the West. ■

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Obituary

- **Shalom Nagar was picked by lottery to kill Adolf Eichmann**

The hangman's tale :: The Israeli prison officer turned ritual slaughterer died on November 26th, aged 88

The hangman's tale

Shalom Nagar was picked by lottery to kill Adolf Eichmann

The Israeli prison officer turned ritual slaughterer died on November 26th, aged 88

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AT MIDNIGHT ON May 31st 1962, Shalom Nagar looked his prisoner in the eye. They stood perhaps a metre apart, in a room on the second floor of Ramla prison in central Israel. Adolf Eichmann was tied at the wrists, knees and ankles and stood on a trapdoor, as instructed. He still wore his brown plaid slippers. A thick rope was knotted round his neck. He had refused a blindfold. Just before, he had smoked a cigarette and drunk half a cup of white wine. The smell of both was on his breath.

Over the past six months they had often been this close. This close while Eichmann, peering through his glasses, wrote his memoirs at a tiny desk piled high with books. This close when Eichmann dressed, buttoning his shirts to the neck and shuffling into the favourite slippers. This close while he washed, shaved, used the facilities, made his bed and paced around a tiny courtyard. This close while he ate, from a plate of food into which Officer Nagar had already dipped a fork here and there. It was a curious intimacy, to share meals that way. They came in locked containers, so that Eichmann would not be poisoned. If Officer Nagar was not dead after two minutes, all was well.

He was the innermost guard of the 22 who watched Eichmann, his 24-hour shifts always spent in his personal cell. An entire wing on the second floor, five rooms, had been given over to this man. Israel had never held so important a prisoner. Eichmann had been in charge of the whole logistics of the Holocaust: the roundings-up, the deportations, the railway shipments and, ultimately, the deaths of millions of Jews. After the war he had escaped justice and fled to Argentina, living as a quiet suburbanite until Mossad tracked him down. In 1961, on trial in Jerusalem, he showed no remorse and accepted no blame. He had been following the orders and iron will of Hitler; he was “a little cog in the machinery”. The sight of him, thin, nervy-looking, balding, compulsively clean, might almost have convinced Officer Nagar this was so.

Most of the guards at Ramla would happily have killed him. Almost all were Ashkenazi, either survivors of the camps or men who had lost family there. Officer Nagar, by contrast, was Sephardi. The long arms of Hitler and Eichmann had not reached Yemen, where he was born, though his father had once gone to scout out mountain hideaways, in case they did. His childhood had been hard enough: from the age of eight, with his father dead and his mother unable to cope, he lived on the street in the Jewish part of Sana'a, running errands for food and sleeping at night under market stalls, wrapped in his father’s goatskin prayer-shawl. (How he blessed that shawl!) But unlike his Ashkenazi brothers in the force, he had no numbers tattooed on his arm or on his mind.

That very fact, the authorities thought, made him the ideal man to hang Eichmann. It would not look like vengeance then. He disagreed, and begged them to find someone else. Of course he did not like the man, but there was civility between them. They exchanged very few words. But he was the one who, at a signal, would fetch what he wanted, or escort him to the lavatory; after which Eichmann always said “Gracias”, imagining that, like many Sephardis, he came from Spain. He could not hang him; at 26, he could not hang anyone. But his superiors in the end held a lottery, and he was picked. To brace him for that probability, he had been shown a film of Nazi atrocities. He had to agree that there could be no mercy for Eichmann or any of his kind.

Besides, orders were orders. He was well imbued with that code. At 16, four years after migrating to the new state, he had joined the Israeli army, first in the parachute brigade and then in the border patrol. When ordered to jump, he jumped. If told to dismantle land mines, he went to it. When a police van screeched up beside him, as he walked on his day off down the street with his family, and he realised that this was the time to hang Eichmann, he climbed in. And now, at midnight, he yanked the lever backwards without hesitation and the trapdoor sprang open, hurtling Eichmann towards the basement. It was the first, and last, judicial execution performed in Israel.

What he had to do next was far harder. He had to take down the body, wrap it in sheets, push it on a stretcher to the oven already red-hot for it and then transport the ashes to the sea, where they would be cast out beyond Israeli waters. But he was traumatised by the sight of the body: the chalk-white face, the lolling tongue, the blood on neck and chest where the rope had torn the skin away. To take Eichmann down involved lifting his head, which drove trapped air out of his mouth in a booming cry. A cry as if the angel of death had come for his executioner, too. He was not easily scared. But now, shaking all over, with Eichmann’s blood on him, he could barely manipulate the stretcher or close the oven doors. His orders were moot now; he had to be taken home.

Those moments gave him nightmares for years. He could not return to the second floor at Ramla unless two colleagues escorted him. (He tried it once alone, singing a Yemeni song for courage, but mistook his own shadow on a

glass door for Eichmann, and tumbled down the stairs in terror.) The hauntings stopped only as he recovered the faith of his childhood. He had been brought up strictly as far as religion went, wearing sidelocks and avoiding women; when he first came to Israel, at 12, the easy ways of the kibbutzim scandalised him. Once in the army, he fell away from all that. After hanging Eichmann, it returned. He eventually spent his days in his local *kollel*, the rowdy hall of reading and arguing over the Talmud. Conquering his nerves, he also became a ritual slaughterer of chickens. And he came to understand that his quick, fatal action in 1962 was at the behest of God. On that day he had performed a great *mitzvah*: he had obliterated the enemy of Israel, Amalek, erasing his memory from under the sky. Even, perhaps, from the stairs to the second floor. ■

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