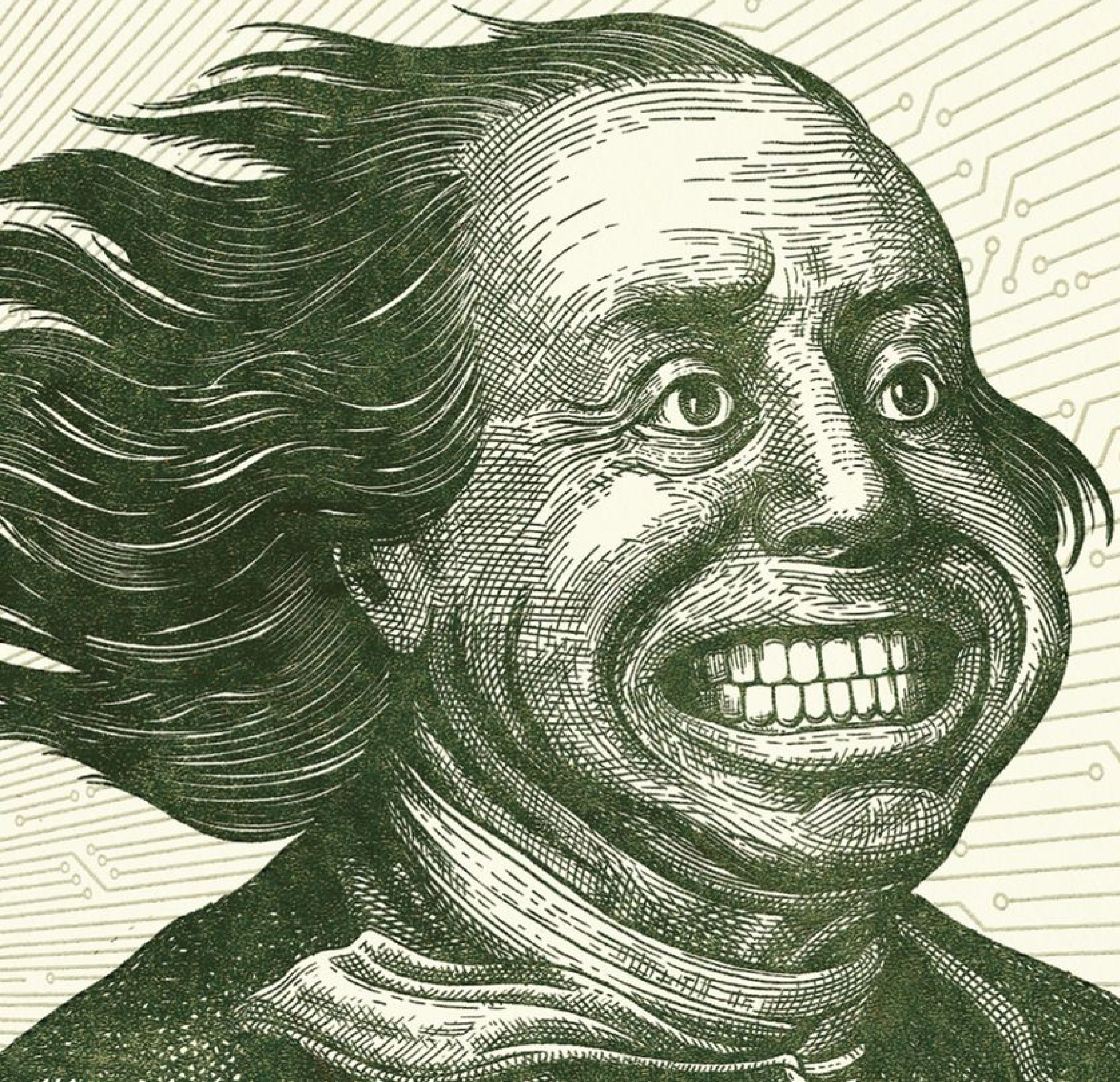
The Economist

A SPECIAL ISSUE
OF SUMMER READS

JULY 26TH–AUGUST 1ST 2025

The economics of superintelligence



The Economist

[Jul 26th 2025]

The world this week

The world this week

Politics

Jul 24, 2025 01:30 PM

The Republican leadership in America's House of Representatives sent the chamber into an early recess to avoid a vote on releasing documents related to Jeffrey Epstein, a dead financier who trafficked underage girls for sex. A sense of crisis has gripped the White House, as normally loyal MAGA supporters of **Donald Trump** become incensed at the withholding of material on Epstein that may prove embarrassing to the president. Mr Trump has said he wants transparency, though he is suing the *Wall Street Journal* and Rupert Murdoch, whose company owns the paper, for running a story that claims he wrote a bawdy note to Epstein in 2003, three years before the first criminal charges were laid.

Now is the time

Australia, Britain, Canada, France, Italy, Japan and 22 other countries called on **Israel** to end its [war in **Gaza**], as the suffering of civilians had “reached new depths”. It said Israel should lift restrictions on aid and stop “drip feeding” supplies. Israel dismissed the statement as being “disconnected from reality”. Separately, 109 aid organisations and human-rights groups warned that mass starvation was an imminent threat to the population. Ceasefire negotiations are continuing in Qatar.

Meanwhile, dozens of Gazans continued to be killed· in Israel Defence Forces’ operations, many of them while trying to get **food aid**. Three people were killed in a strike on Gaza’s sole Catholic church. The IDF said it regretted the strike and claimed it was an accident.

Fighting erupted in **Congo’s** eastern North Kivu region between M23 rebels backed by Rwanda and government-aligned forces, according to reports. Under pressure from America, which wants stability in the resource-rich region, the Congolese government had only just agreed to sign a peace treaty with M23 in August.

In **Mozambique** Venâncio Mondlane, the opposition candidate in last year’s presidential election, was charged with inciting the protests that followed the poll. The rigged election saw Frelimo, the party that has ruled the country for half a century, returned to power. Mr Mondlane says he is being targeted for exposing “massive electoral fraud”.

Protests broke out in **Ukraine** against a bill that gives the president control over the country’s **anti-corruption agencies·**. The prosecutor-general, who is answerable to Volodymyr Zelensky, will now oversee the agencies, which critics say will weaken the system for tackling graft. Western allies have insisted that Ukraine sustain strong anti-corruption measures as a condition for receiving aid. Mr Zelensky maintains the legislation is necessary to purge the agencies of Russian influence.

Ukraine and **Russia** held more peace talks in Istanbul. The latest round was proposed by Mr Zelensky after Mr Trump threatened to impose sanctions on Russia if it did not agree to a deal in the coming months. The Kremlin downplayed any hopes of a breakthrough, saying there would be no miracles.

The International Court of Justice in The Hague ruled that countries must co-operate to combat **climate change** and that treaties impose obligations to reduce emissions. It also raised the possibility of paying reparations to countries, such as low-lying islands, affected by global warming. Although hailed by greens as a landmark decision, the ruling is non-binding. Some big countries such as America, China (by far the world's biggest emitter) and Russia do not recognise the ICJ's jurisdiction, and some others only half so.

In **Bangladesh** an air-force jet crashed into a school in Dhaka, the capital, killing at least 25 children and six adults. The aircraft was a Chinese-made F-7 BGI. Police used tear gas to disperse student protesters demanding answers for the crash from the country's interim government.

Japan's beleaguered prime minister, Ishiba Shigeru·, insisted that he would stay in office, after his Liberal Democratic Party and its coalition partner lost its majority in an election for the upper house of parliament. Voters are angry about taxes and immigration. The coalition lost its majority in the lower house last year. Demand for Japanese government long-dated bonds sank as investors fretted that Mr Ishiba's departure would plunge Japan into political uncertainty.

Trade was also an issue at the election, but two days after the poll Japan struck a deal with America that imposes a 15% tariff on goods imported from Japan. That is lower than the 25% duty Donald Trump had threatened to levy, but above the 10% rate that was in place during negotiations. Mr Ishiba put a positive spin on the pact, describing it as a win for Japan's mighty car industry. The agreement places no restrictions on the volume of cars and car parts that Japan can export to America.

Thailand closed its entire border with **Cambodia**, as tensions escalated over a disputed area. A Thai F-16 fighter jet bombed a military target in Cambodia, according to the Thai army. The two countries also exchanged artillery fire over the border, causing tens of thousands of villagers to be evacuated on the Thai side.

Alexandre de Moraes, the Supreme Court justice in **Brazil** who is leading the investigation into Jair Bolsonaro for allegedly plotting a coup, threatened to have him arrested for breaking a ban on appearing on social media. Mr Bolsonaro, the country's president from 2019 to 2022, is being tried on allegations that he tried to stop the transfer of power to Luiz Inácio Lula da Silva, which he denies. After Mr Bolsonaro gave an interview that news organisations posted online, Mr Moraes said the social-media ban extended to posts by third parties.

Ten Americans who were being held in **Venezuela** on spurious grounds were released in exchange for more than 250 Venezuelans who had been deported by America to a prison in **El Salvador**. The prisoner swap was facilitated by Nayib Bukele, the Salvadoran president, who was described as a "good friend" to the United States by America's special envoy for hostages.

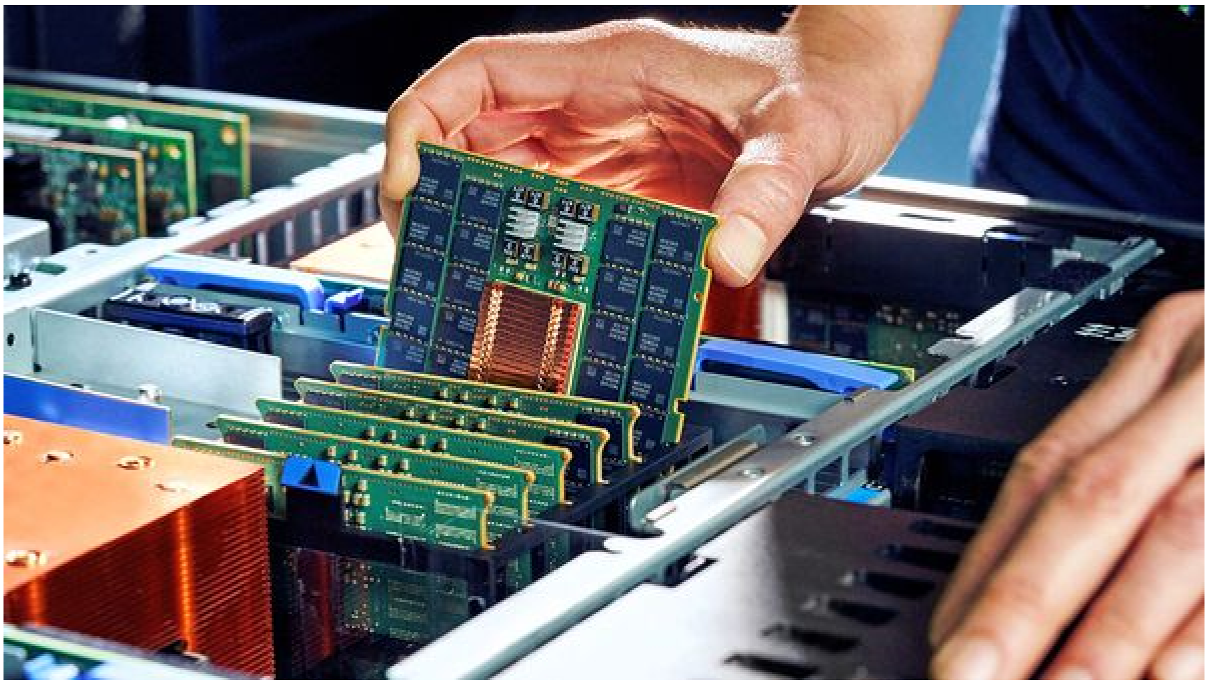
The Seriously Flawed Office

Britain's Supreme Court overturned the conviction of a former banker for rigging LIBOR, a benchmark interest rate that was used throughout the global financial system. Tom Hayes was found guilty in 2015 for his alleged part in a scandal that shook the banking industry. The court found that the jury may not have been properly directed in the case. It also quashed the conviction of Carlo Palombo, a former trader, for manipulating EURIBOR, another benchmark rate. The Serious Fraud Office brought the charges against both men.

The world this week

Business

Jul 24, 2025 01:30 PM



Donald Trump announced plans to relax regulations governing the development of **artificial intelligence** in America, including penalties for states with stern rules on deploying AI. Mr Trump aims to unify an increasingly fragmented legal landscape for AI among the 50 states, and to massively expand AI exports to America’s allies. The president also signed an order intended to root out ideological bias in AI models, or “woke Marxist lunacy”, as he described it.

Not on the same page

A report surfaced that OpenAI and SoftBank are at odds over the direction of the **Stargate** project, a $500bn AI investment that was announced in January with the support of Mr Trump. The companies are struggling to co-ordinate the construction of data centres. Countering the narrative, OpenAI said it had entered into an agreement with Oracle, another Stargate partner, to develop 4.5 gigawatts of data-centre capacity, though it did not say where or how it would be funded.

Mr Trump described **Jerome Powell** as a “numbskull” and said he would be out of his job as chairman of the Federal Reserve within eight months. The president is waging a public war against the Fed for not cutting interest rates fast enough, though he said recently that he would not sack Mr Powell. Adding to the pressure, Scott Bessent, the treasury secretary, called on the central bank to “conduct an exhaustive internal review of its non-monetary policy operations”, accusing it of “mission creep”.

The **European Central Bank** kept interest rates on hold, following a blistering pace of cuts over the past year. The headline annual rate of inflation is 2% in the euro area, which is the ECB’s medium-term target. The currency bloc’s inflation rate is lower than that of America, Britain and Japan.

Alphabet’s quarterly net profit rose by 19%, year on year, and revenue from Google’s search and advertising business grew by 12%. That helped alleviate concerns from investors that AI chatbots are eating into its core search business, for now.

Meanwhile, an AI system developed by **Google’s DeepMind** was awarded the “gold” standard at the International Mathematical Olympiad, an annual event where pre-university students compete to solve six exceptionally difficult maths problems. It was the first time an AI reached the top standard at the competition. OpenAI said it had notched up a similar score to DeepMind, though it did not officially enter the contest.

Chevron sealed its $53bn acquisition of **Hess**, after winning a lengthy legal dispute that had delayed the takeover. Hess owns a big stake in Guyana’s fast-growing offshore oilfields, but **ExxonMobil** had challenged the takeover, claiming it held the rights to negotiate the stake with Hess. Exxon said it disagreed with the ruling by the Paris-based International Chamber of Commerce, but respected the arbitration process. Earlier, the Federal

Trade Commission lifted its ban on John Hess, the chief executive of Hess, joining Chevron's board of directors.

UniCredit, one of Italy's biggest banks, withdrew its hostile takeover bid for **Banco BPM**, a smaller rival, and criticised the government for trying to block the deal. The European Commission has also chastised the government for meddling in the takeover process.

Elon Musk warned of a "few rough quarters" ahead for **Tesla**, as the carmaker reported a big drop in sales and net profit. Mr Musk pointed to the loss of incentives in America to buy electric vehicles as one source of Tesla's troubles. A $7,500 federal tax credit for EV purchases ends in September. The company did not update its outlook, saying it was "difficult to measure the impacts of shifting global trade."

General Motors' profit plunged in the second quarter, as it took a $1.1bn charge related to the cost of tariffs imposed on cars imported from its factories in South Korea, Mexico and elsewhere. The company said it expects those costs to abate in coming months. Meanwhile, **Stellantis** recorded a net loss for the first half of the year, mostly because of charges related to its business, but also because of a €300m ($350m) hit incurred from tariffs.

Coca-Cola registered another decline in North American sales of its trademark drink, as health-conscious Americans seek alternatives to soda. The company is introducing a new version of Coca-Cola made with cane sugar, a change that was trailed by Mr Trump a week ago. Some people think cane sugar is healthier than high-fructose corn syrup, which has been used to sweeten Coke for decades. Both versions will be available.

Duty free

Michael O'Leary, the boss of **Ryanair**, Europe's biggest airline, raised the possibility of switching the registration of new **Boeing** aircraft deliveries to Britain to ensure it avoids the cost of potential tariffs from the EU. Ryanair is based in Ireland, an EU member; the bloc is considering stiff duties on

Boeing planes delivered to the region if it can’t reach a trade deal with America.

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The world this week

The weekly cartoon

Jul 24, 2025 01:54 PM

Dig deeper into the subject of this week's cartoon

[The continuation of the war in Gaza disgraces Israel]
[As Gaza starves, Israel fights on]
[A first-hand look at Gaza's controversial food-distribution sites]

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

Leaders

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  Humanity's next step :: If Silicon Valley's predictions are even close to being accurate, expect unprecedented upheaval
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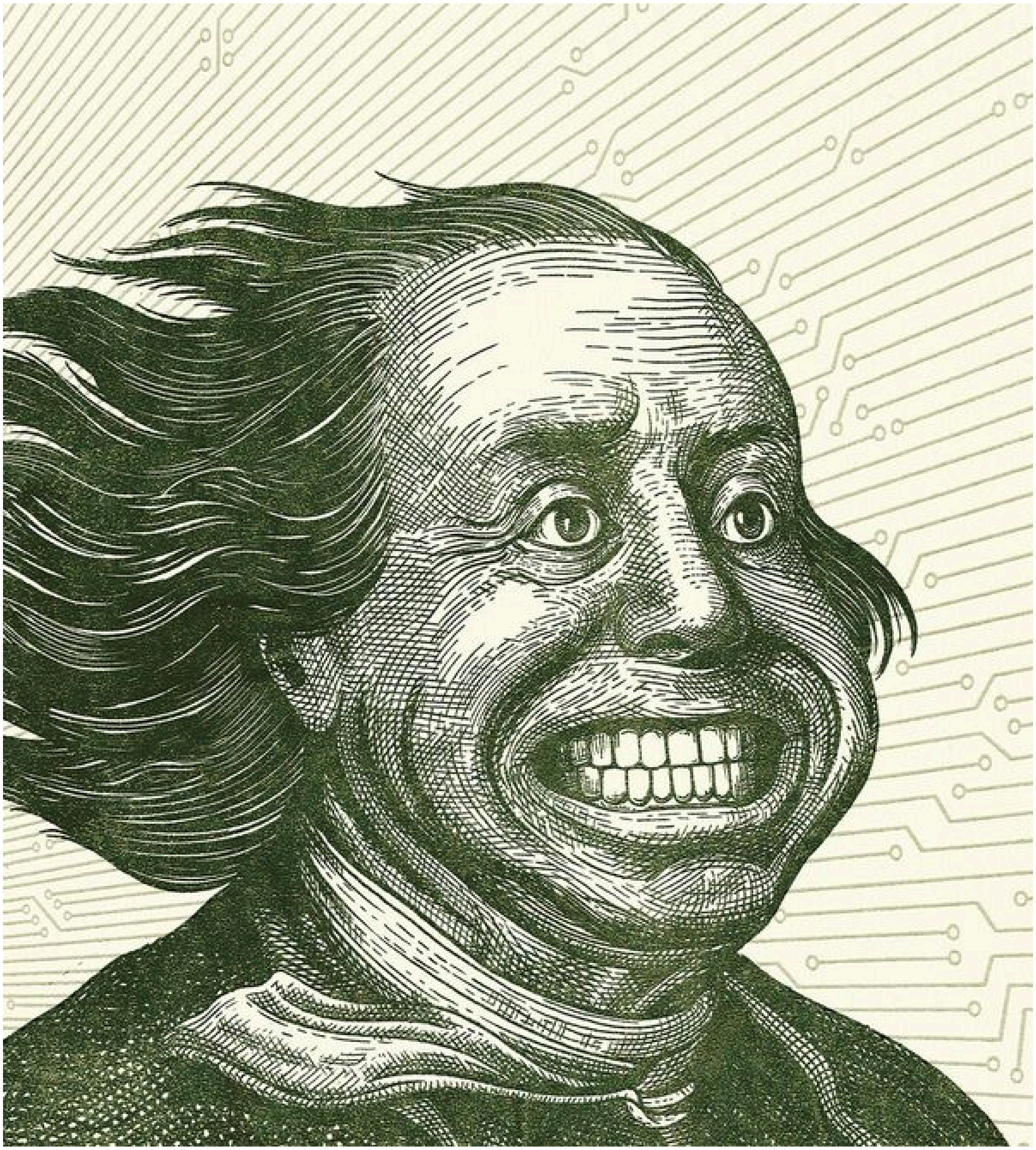
- **Peace in Turkey must not become a smokescreen for repression**
  Presidential ambitions :: A deal with the Kurds is welcome. Erdogan's authoritarianism is not

Humanity’s next step

The economics of superintelligence

If Silicon Valley’s predictions are even close to being accurate, expect unprecedented upheaval

Jul 24, 2025 02:36 PM



FOR MOST of history the safest prediction has been that things will continue much as they are. But sometimes the future is unrecognisable. The tech bosses of Silicon Valley say humanity is approaching such a moment, because in just a few years artificial intelligence (AI) will be better than the average human being at all cognitive tasks. You do not need to put high odds on them being right to see that their claim needs thinking through.

Were it to come true, the consequences would be as great as anything in the history of the world economy.

Since the breakthroughs of almost a decade ago, AI's powers have repeatedly and spectacularly outrun predictions. This year large language models from OpenAI and Google DeepMind got to gold in the International Mathematical Olympiad, 18 years sooner than experts had predicted in 2021. The models grow ever larger, propelled by an arms race between tech firms, which expect the winner to take everything; and between China and America, which fear systemic defeat if they come second. By 2027 it should be possible to train a model using 1,000 times the computing resources that built GPT-4, which lies behind today's most popular chatbot.

What does that say about AI's powers in 2030 or 2032? As we describe in one of two briefings this week, many fear a hellscape·, in which AI-enabled terrorists build bioweapons that kill billions, or a "misaligned" AI slips its leash and outwits humanity. It is easy to see why these tail risks command so much attention. Yet, as our second briefing explains, they have crowded out thinking about the immediate, probable, predictable—and equally astonishing—effects of a non-apocalyptic AI.

Before 1700 the world economy grew, on average, by 8% a century. Anyone who forecast what happened next would have seemed deranged. Over the following 300 years, as the Industrial Revolution took hold, growth averaged 350% a century. That brought lower mortality and higher fertility. Bigger populations produced more ideas, leading to yet faster expansion. Because of the need to add human talent, the loop was slow. Eventually, greater riches led people to have fewer children. That boosted living standards, which grew at a steady pace of about 2% a year.

Subsistence to silicon

AI faces no such demographic constraint. Technologists promise that it will rapidly hasten the pace at which discoveries are made. Sam Altman, OpenAI's chief executive, expects AI to be capable of generating "novel insights" next year. AIs already help program better AI models. By 2028, some say, they will be overseeing their own improvement.

Hence the possibility of a second explosion of economic growth. If computing power brings about technological advances without human input, and enough of the pay-off is reinvested in building still more powerful machines, wealth could accumulate at unprecedented speed. Economists have long been alive to the relentless mathematical logic of automating the discovery of ideas. According to a recent projection by Epoch AI, a bullish think-tank, once AI can carry out 30% of tasks, annual growth will exceed 20%.

True believers, including Elon Musk, conclude that self-improving AI will create a superintelligence. Humanity would gain access to every idea to be had—including for building the best robots, rockets and reactors. Access to energy and human lifespans would no longer impose limits. The only constraint on the economy would be the laws of physics.

You don't need to go to that extreme to conjure up AI's mind-boggling effects. Consider, as a thought experiment, just the incremental step to human-level intelligence. In labour markets the cost of using computing power for a task would limit the wages for carrying it out: why pay a worker more than the digital competition? Yet the shrinking number of superstars whose skills were not automatable and could directly complement AI would enjoy enormous returns. The only people doing better than them, in all likelihood, would be the owners of AI-relevant capital, which would be gobbling up a rising share of economic output.

Everyone else would have to adapt to gaps in AI's abilities and to the spending of the new rich. Wherever there was a bottleneck in automation and labour supply, wages could rise rapidly. Such effects, known as "cost disease", could be so strong as to limit the explosion of measured GDP, even as the economy changed utterly.

The new patterns of abundance and shortage would be reflected in prices. Anything AI could help produce—goods from fully automated factories, say, or digital entertainment—would see its value collapse. If you fear losing your job to AI, you can at least look forward to lots of such things. Wherever humans were still needed, cost disease might bite. Knowledge workers who switched to manual work might find they could afford less child care or fewer restaurant meals than today. And humans might end up competing with AIs for land and energy.

This economic disruption would be reflected in financial markets. There could be wild swings between stocks as it became clear which companies were winning and losing winner-takes-all contests. There would be a rapacious desire to invest, both to generate more AI power and in order for the stock of infrastructure and factories to keep pace with economic growth. At the same time, the desire to save for the future could collapse, as people —and especially the rich, who do the most saving—anticipated vastly higher incomes.

Persuading people to give up capital for investment would therefore require much higher interest rates—high enough, perhaps, to make long-duration asset prices fall, despite explosive growth. Scholars disagree, but in some models interest rates rise one-for-one or more with growth. In an explosive scenario that would mean having to refinance debts at 20-30%. Even debtors whose incomes were rising fast could suffer; those whose incomes were not hitched to runaway growth would be pummelled. Countries that were unable or unwilling to exploit the AI boom could face capital flight. There could also be macroeconomic instability anywhere, because inflation could take off as people binged on their anticipated fortunes and central banks did not raise rates fast enough.

It is a dizzying thought experiment. Could humanity cope? Growth has accelerated before, but there was no mass democracy during the Industrial Revolution; the Luddites, history's most famous machine-haters, did not have the vote. Even if average wages surged, higher inequality could lead to demands for redistribution. The state would also have more powerful tools to monitor and manipulate the population. Politics would therefore be volatile. Governments would have to rethink everything from the tax base to education to the protection of civil rights.

Despite that, the rise of superintelligence should provoke wonder. Dario Amodei, boss of Anthropic, told *The Economist* this week that he believes AI will help treat once-incurable diseases. The way to look at another acceleration, if it comes, is as the continuation of a long miracle, made possible only because people embraced disruption. Humanity may find its intelligence surpassed. It will still need wisdom. ■

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GENIUS inspiration

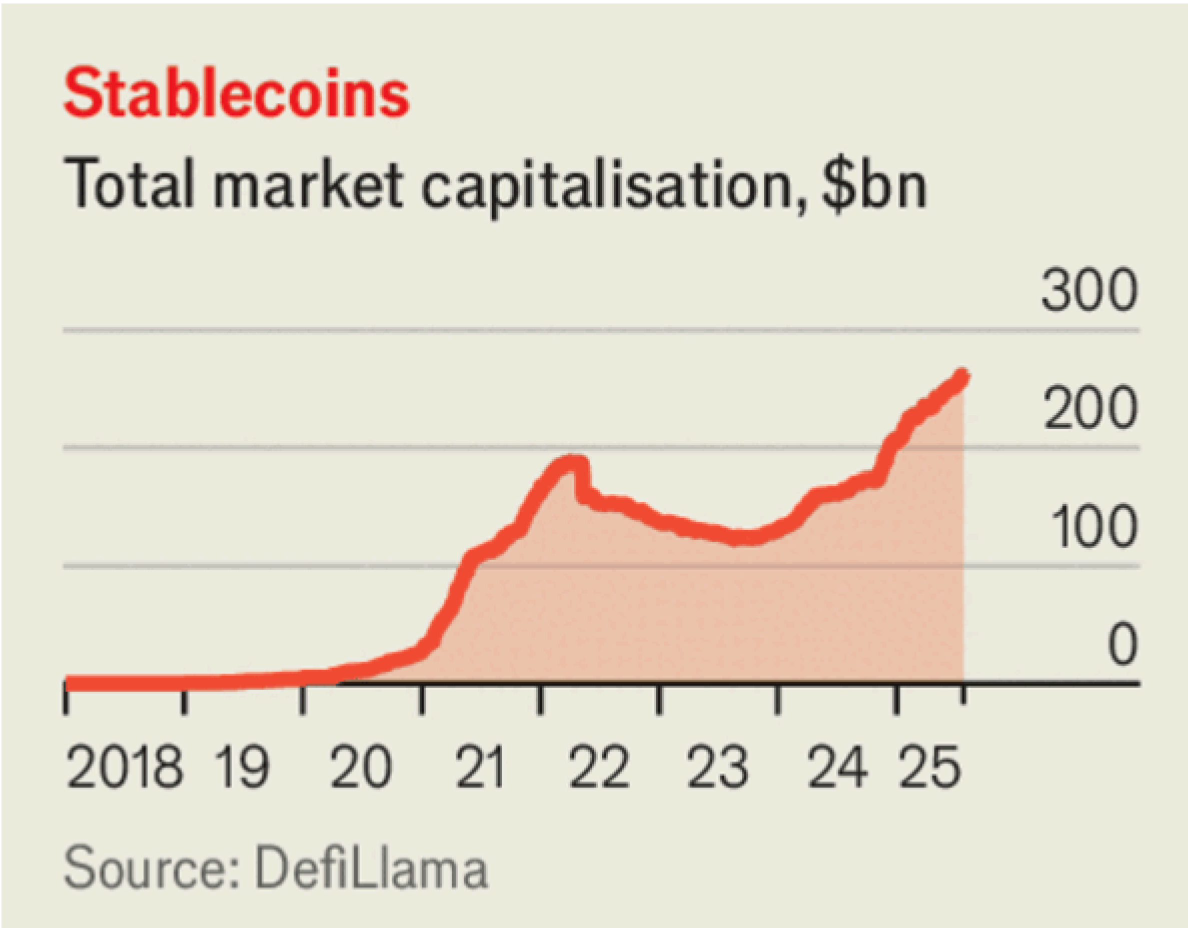
The world should follow Trump’s lead on stablecoins

With the right rules, innovation could flourish

Jul 24, 2025 03:13 PM

AMERICA’S NEW law on stablecoins is so good, “They named it after me,” joked President Donald Trump as he signed the Guiding and Establishing National Innovation for US Stablecoins (GENIUS) Act on July 18th. While the administration and the crypto industry celebrate the dawn of a golden age, the mood across the Atlantic is darker. Stablecoins, tokens backed by conventional assets, are seen as scammy, deeply destabilising—or both. Andrew Bailey, governor of the Bank of England, has warned commercial banks against issuing their own coins. Christine Lagarde, head of the European Central Bank (ECB), cautions that stablecoins could become private money that risks one day dislodging central banks.

In fact, the rest of the world should swallow its doubts and follow America. Stablecoins hold out the potential for much-needed innovations· in the world's payment systems. If they are regulated well—as the GENIUS Act promises—that dream has a chance to be realised.



Make no mistake, crypto is rife with scams. Many coins are a get-rich-quick scheme—and one in which the president, his family and friends have all flagrantly indulged. Mr Trump's holdings of $TRUMP, a "meme coin" magicked out of thin air, are worth $1.9bn. Stablecoins are different. Not only are they typically backed by liquid dollar assets, including short-term Treasuries and bank deposits, they could also turn out to be genuinely useful.

Dollar stablecoins gained attention in countries such as Turkey and Nigeria, where trust in the government is low and fears about runaway inflation and expropriation linger. In the West they have largely operated in the unregulated shadows. By requiring issuers to be registered and setting out clear rules on reserve requirements and disclosures, the GENIUS Act should pave the way for more experimentation in America.

The prize could be large. Because stablecoin transactions are recorded instantaneously on digital ledgers, the technology allows retail and cross-border payments to be settled in minutes rather than days, and to be completed at a fraction of the fee charged by banks and card issuers. An international wire costing more than $15 or a credit-card fee of up to 2% of the transaction's value could be replaced by a stablecoin transaction costing less than ten cents. According to Standard Chartered, a bank, the issuance of stablecoins could rise from around $260bn to $2trn by 2028; Stripe, a fintech firm, is thought to be considering issuing its own tokens.

Does such promise justify the risks? Many regulators, especially in Europe, worry that the answer is no. They fear that stablecoins could displace central-bank money, cripple the banking system and increase the danger of destabilising runs. However, some of these risks are overblown and, as America's new law shows, others can be mitigated.

Take first the threat of competition with central banks. The worry is that "private", less-safe money could undermine the public sort. It is likely to be felt most by the ECB, which has been laying the groundwork for a digital euro since November 2023, partly in order to challenge the dominance of Visa and Mastercard, two American financial giants. But stablecoins will continue to be fully backed by assets denominated in public money. There is no reason why the central bank should have a monopoly over payment innovations if a euro stablecoin could prove more useful.

What of the risks to commercial banks? The worry is that stablecoins will pull deposits from lenders, raising their cost of funding and narrowing their scope to lend to the real economy. Yet stablecoins will not vaporise deposits so much as move them around. Money will flow from a customer's bank to the stablecoin issuer. It will either be stashed in the issuer's bank account, or used to buy government debt. As the state in turn spends the cash, it will pay its workers and suppliers, returning money to bank deposits. Moreover, banks themselves stand to gain business from stablecoins' Big Bang if they start managing issuers' reserves or issuing coins of their own.

A run on a huge stablecoin issuer, meanwhile, could cause disruption if it leads to a fire sale of assets, rather as a run on money-market funds caused havoc in 2008. But this danger could be mitigated by ensuring that stablecoins are fully backed by safe, liquid assets, and submit regular disclosures on their holdings—precisely as the GENIUS Act sets out to do for any domestic issuer.

Like countless technologies, the stablecoin revolution could yet come to nothing. But it is better for entrepreneurs to try and fail, than for regulators to set today's system in stone and stop promising innovations from being pursued at all. Time to take inspiration from Mr Trump's GENIUS Act. ■

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The Middle East

The continuation of the war in Gaza disgraces Israel

It no longer has a military justification

Jul 24, 2025 03:19 PM

THE WAR Israel waged against Iran was short, with precision strikes, clear goals and results that enhanced its military prestige. The war against Hamas in Gaza has become endless, indiscriminate and militarily pointless. It is turning Israel into a pariah. This newspaper has called for a ceasefire since 2024. Now, after weeks of talks in Qatar, the time has come for America to use all its power to bring about a negotiated end to the fighting. That is essential in order to avoid mass starvation. It is also in Israel's national self-interest and would open up a genuine chance to build a government for Gaza that excludes what is left of Hamas.

The situation is dire·. Over 60% of buildings are damaged and 2m people have been displaced, many of them crammed into the centre of the strip. Although predictions of famine in 2024 by aid groups and the UN proved wrong, the threat today is real and urgent. Israel has sought to open corridors to supply aid, bypassing the UN-run system that Hamas may profit from. However, the volumes of food reaching Gazans are disgracefully low. Even if more convoys arrive, people will starve without a ceasefire. The hellscape they live in, overrun by trigger-happy Israeli forces, gangs and Hamas, is too dangerous to walk through to pick up supplies.

The war now has no military logic. The Israel Defence Forces (IDF) control about 70% of the strip. Hamas is defeated. Its leaders are dead, its military capacity is a tiny fraction of what it was on October 7th 2023 and its fighters are contained in pockets making up 10-20% of the territory. Hamas's backer, Iran, is humbled. Operations by the IDF are achieving little. The inadequate provision of aid to civilians on terrain that is, in effect, under occupation is a war crime. A plan by hardliners in Israel's government to corral Gazans into a permanent "humanitarian city" would amount to ethnic cleansing.

Many Israelis agree that a ceasefire is needed. Although only 21% of them believe in a two-state solution, over 70% want the hostages to be released and the war to be over. The IDF's generals do, too, and believe the humanitarian-city plan is illegal. An overwhelming majority of politicians outside the ruling coalition want a ceasefire and recognise the huge damage now being done to Israel's global standing. The ruling coalition itself, led by Binyamin Netanyahu, no longer has a majority in the Knesset, Israel's parliament, and faces an election within 15 months. Mr Netanyahu has prolonged the war in Gaza in order to prevent hardliners from bringing down his coalition, but that strategy has run its course. He needs to pivot.

The gap between the two sides in the talks has shrunk as an enfeebled Hamas has made concessions. The remaining differences include issues such as the stationing of the IDF inside Gaza during the initial 60-day phase of a ceasefire agreement. These are resolvable. The weakness of Hamas means that the 60-day period could be used to create a new governing body, backed by the Palestinian Authority. This could take control of Gaza in the second phase, with Western and Arab support. Because the past two years have shown up Hamas's incompetence, cynicism and utter indifference to Palestinian life, many Gazans would support this.

Two things need to happen. Qatar must force Hamas's remaining leaders, many of whom live in Doha, to sign a ceasefire deal, using the threat of expulsion and a further funding crackdown. And Donald Trump must force Mr Netanyahu to end the war, using all the clout America has as Israel's ally. White House pressure has ended most of Israel's wars since independence in 1948. Granting it so much latitude in this conflict has demonstrated that America is still essential. Mr Trump's furious intervention in June brought the Israel-Iran war to an end. He must immediately deploy that anger and muscle for the good of Gaza.■

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A self-inflicted wound

Volodymyr Zelensky has made a strategic blunder

A new law jeopardises Ukraine's progress against corruption—and erodes the Western support it needs

Jul 24, 2025 05:03 PM

Editor's update (July 24th): After we published this leader, Volodymyr Zelensky introduced a new bill that, in effect, appears to reverse these changes.

UKRAINE'S WAR effort depends not only on courage and weapons, but on trust: the trust of its own citizens, and that of its Western backers. That compact is now at risk. On July 22nd the Rada, Ukraine's parliament, passed a bill that would place the country's two main anti-corruption bodies —NABU, which investigates wrongdoing, and SAPO, which prosecutes it

—under the control of the presidency. This was not the work of rogue MPs. It was orchestrated from the top by President Volodymyr Zelensky and his all-powerful chief of staff, Andriy Yermak. It passed with large numbers of votes from the president's own Servant of the People party. The law is a direct threat to the international support that has sustained Ukraine through the war. At home, it has drawn the first anti-Zelensky protests since the invasion.

The new law grants sweeping powers to Ukraine's prosecutor-general, a presidential appointee who reports directly to the president's office, to reassign, interfere with or even kill off corruption investigations. No case will now be safe if it steps on the wrong toes. The justification offered—that the agencies have been penetrated by pro-Russians—is unsubstantiated and looks like a pretence. What this bill really does is roll back a decade of democratic reform and reassert presidential control over institutions that were painstakingly designed to be independent. It guts the institutional autonomy that has been one of Ukraine's most impressive domestic achievements since the Revolution of Dignity in 2014.

The Economist has long argued that victory for Ukraine is not necessarily a matter of expelling Russian troops from the territory they have seized, a goal that now looks impossible. Rather, it must mean the emergence of a prosperous, stable, democratic state, anchored in liberal values, governed by the rule of law, and firmly on the path to joining the European Union and, if possible, NATO. The creation of the two anti-corruption agencies was central to that effort. The vision behind it is part of what keeps arms flowing and budgets funded. It helps persuade voters in Europe and America to bear the cost.

But voters' patience is not infinite. In much of the West, support for Ukraine is fraying. After three and a half years of war, with no end in sight, leaders are struggling to justify the scale of the commitment—particularly as America under Donald Trump does less and Europe consequently needs to do more. If Ukraine begins to resemble the corrupt, autocratic system it once sought to escape, then Western politicians will find it harder to argue that the cause is worth defending. Russia does not have to win on the battlefield; it can win by destroying Ukraine from within. Look at Georgia, once a darling of the West, but now a supine client state of the Kremlin.

The West bears some responsibility for all this. Its leaders lionised Mr Zelensky, whose heroism changed the early course of the war, and that has led them to turn a blind eye to his growing list of failings. The new law was not passed in a vacuum, but followed the [harassment of anti-corruption campaigners·] and the dubious use of “sanctions”, including asset freezes and travel bans, against the government’s political enemies, including Mr Zelensky’s own predecessor as president. Ukraine’s friends have not done enough to call him out over such lapses.

With indecent haste, Mr Zelensky signed the new measure on the same day that it was tabled and passed by the Rada. It is not only a bad law: it is also a strategic blunder. It makes Ukraine look more like the enemy it is fighting and less like the country it aspires to become. It weakens the moral case for Western solidarity when that solidarity is entering a more fragile phase. If the president values his people’s European future, he must quickly kill the bill that he has just so ill-advisedly signed before it kills the idea of a democratic Ukraine. ■

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Presidential ambitions

Peace in Turkey must not become a smokescreen for repression

A deal with the Kurds is welcome. Erdogan's authoritarianism is not

Jul 24, 2025 01:30 PM

AFTER MORE than four decades of war, peace between Turkey and the outlawed Kurdistan Workers' Party (PKK) seems within reach. Disarmament has begun and is expected to continue throughout the summer; a partial amnesty· may also be on the table. Peace could unlock new growth in Turkey's south-east, where the economy has been ravaged by PKK violence and scorched-earth reprisals from Turkey's armed forces. The war has already cost Turkey some $1.8trn, according to the country's finance minister. More than 40,000 people have died. Peace could lay the ground for Turkey to allow its Kurds a measure of well-deserved autonomy.

It could also help avert yet more bloodshed in Syria by easing tensions between the PKK’s offshoot there and the new regime in Damascus.

This is all good, and outsiders should support it. But they must not allow Turkey’s president, Recep Tayyip Erdogan, to use peace as a smokescreen for repression. Having ruled for over two decades, first as prime minister and then as president, Turkey’s strongman is openly musing about yet another term in power. To have a shot at one, he needs parliament to bring forward the coming presidential elections, set for 2028, or to approve a new constitution, which would reset his term limits. Short of the votes he needs to do either, he may offer the Kurds concessions in order to win over Turkey’s main Kurdish party, Peoples’ Equality and Democracy (DEM), while dismantling the rest of the opposition.

The Kurds should not, and probably will not, fall for any of this. They, more than anyone, know no good can come of a deal with a bully. A decade ago DEM’s predecessor scored an election upset, depriving Mr Erdogan’s party of its majority in parliament. Peace talks with the PKK, which had begun years earlier, collapsed soon thereafter, giving way to urban warfare across Turkey’s south-east. Thousands of Kurdish activists and politicians, including Selahattin Demirtas, a former presidential contender and one of Mr Erdogan’s most eloquent critics, ended up behind bars. Mr Demirtas remains there to this day.

Now it is the secular Republican People’s Party (CHP) that is paying the price for standing in the way of Mr Erdogan’s ambitions. The party’s most formidable politician, Ekrem Imamoglu, the mayor of Istanbul, was arrested in March on trumped-up charges of corruption. Hundreds of others, including the former CHP mayor of Izmir and the CHP mayors of Adana and Antalya—three more of the country’s six biggest cities—have since been detained.

The CHP came ahead of AK in last year’s local elections for the first time in two decades. Unable to bring the party down through the ballot box, Mr Erdogan’s government is using the courts to do the job instead. By locking up Mr Imamoglu, Turkey’s strongman has removed his most serious challenger from the next presidential elections, whenever they are. He is counting on the outside world’s silence, and so far he is succeeding.

Shamefully, not a word of criticism has come from America or Britain. The EU has complained, but in a mealy-mouthed way. Germany, which had held up the sale of Eurofighter Typhoon jets to Turkey in protest, backtracked this week. Turkey’s allies should urge Mr Erdogan to follow through with peace with the Kurds. But they also need to do more to hold him accountable for his autocratic excesses. ■

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Letters

- **What many in the asylum and migration policy world think**
  A selection of correspondence :: Also this week, artificial intelligence and consulting, the British and hot weather, conference panels

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A selection of correspondence

What many in the asylum and migration policy world think

Also this week, artificial intelligence and consulting, the British and hot weather, conference panels

Jul 24, 2025 01:30 PM

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Regionalise refugee policy

The Economist should be congratulated for having formulated out loud what many in the asylum and migration policy world think ("Scrap the asylum system", July 12th). As you say, we should build something better.

The 1951 UN refugee convention was conceived during the cold war in a European context. Today, although most countries have adhered to that agreement it is clear that the blanket concept of asylum does not work. The answer is for governments to declare the convention dead and replace it with regional conventions in Europe, Africa, the Middle East and so on. Asylum and migration would be processed through regional mechanisms with no request entertained by applicants outside their region. Countries that refused to take back their citizens would be subject to serious penalties.

The International Organisation for Migration and the office for the UN High Commissioner for Refugees should be merged. The current mandate of the UNHCR to recognise “refugees” should be abolished and the staffing of the two bodies, which currently numbers 40,000, should be capped at one-third of that number. None of this will ever happen if governments don’t take things decisively in hand.

Dr Alexander Casella
Former UNHCR director for Asia
Chêne-Bougeries, Switzerland

You rightly highlighted those countries that shirk their refugee obligations. Some countries want to externalise asylum processing and returns to a third country, but that risks deepening those failures. My forthcoming study reveals those risks. For instance, transfers can occur to “safe” countries where human-rights abuse is commonplace; perfunctory processing happens in detention without legal aid; and migrants are left in legal limbo in countries unable to provide basic assistance. These hazards cannot be brushed aside for political expediency. Although externalisation is not necessarily in violation of international law, states must proceed with great caution.

You also correctly linked conflict and inequality to displacement and showed that restrictive mobility fuels irregular routes. True reform demands that wealthier countries tackle human-rights abuses and global inequality and expand safe, legal pathways. Pursuing assistance closer to home is legitimate, but co-operation should focus on building resilient asylum and reception systems, rather than on tools for border policing that can only exacerbate abuse.

Most refugees already find shelter in poorer countries, as you pointed out in your briefing, “Wretched, refused” (July 12th). It is a false premise in the West that a few thousand arrivals justifies abdicating responsibility. We must avoid triggering a domino effect that could put asylum protections into question everywhere.

Michael O’Flaherty
Commissioner for human rights
Council of Europe
Strasbourg

Charlemagne’s column on immigration in Denmark (July 12th) offered a timely perspective, but overlooked a new government agreement on international recruitment that deserves scrutiny.

The deal opens the door to more foreign workers in low-wage sectors such as cleaning and hospitality, a pragmatic response to labour shortages. But the list of eligible countries excludes all of Africa, and includes countries like America, Japan and Moldova. The integration minister has stated that it is better to receive labour from Britain than from Somalia, a judgment based not on qualifications, but on cultural assumptions.

Denmark says it believes in equal opportunity. Yet under this system, a nurse from Ghana or a hotel worker from Uganda is automatically excluded, not because of skills, but because of origin.

Kurt Nielsen
Board member
United Nations Association of Denmark
Aarhus, Denmark

More letters on this issue are available at: economist.com/letters/refugees

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The British state’s secret operation

You rightly acknowledge that the Afghan data leak in Britain raises important questions about the balance between national security, transparency and democratic scrutiny ("An Afghan super-malfunction", July 19th). And as you say, "The desire to stop the dissemination of information that could endanger lives is understandable."

Much of the analysis, and not a little finger-pointing, has focused on the decision to cover up the leak of the names of Afghans who had helped the British army against the Taliban. But we need also to understand how, again without any form of democratic scrutiny, we ended up with a liability to evacuate tens of thousands of Afghan security personnel and their families. I think it was right to evacuate them, but that does not foreclose the question as to why.

That is because these Afghans, unlike the interpreters and other locally employed civilians, were not employed directly by us. Instead they were specialists. Counter-narcotics' forces, police commandos and intelligence operatives, trained, mentored and supported by our special forces and agencies. However, this tended to mean they were controlled in our distinct, need-to-know silos, so that no one, as far as I can judge, had a full purview, let alone anything approaching command and control. The result was made clear during the chaos of Operation Pitting in August 2021, when an evacuation planned for up to 3,000 people became 15,000, which still left, as we have subsequently discovered, some 30,000 other potential evacuees.

How did we get to that point? In my view, after 2014 and the end of combat operations, Whitehall took its eye off the ball. To be fair, other crises intervened, whether Brexit, covid-19, or Russia's invasion of Crimea. But if you ask a fundamental question about who, in Whitehall, owned Afghanistan in that era, you would struggle to find an adequate answer. That is where we need to start our inquiry.

Simon Diggins
Colonel (retired)
Defence attaché, Kabul, 2008-10
Rickmansworth, Hertfordshire

Don’t let AI take charge

“Will AI take out Accenture?”, Schumpeter asked (June 28th), as he rightly questioned the expanding role of consultants. Yet there is a far more dangerous trend. Corporate gatekeepers are increasingly outsourcing their judgment rather than strengthening their oversight. This isn’t just a strategic misstep, it’s a fundamental governance failure.

My research on board oversight of financial disclosures shows how reporting that is driven by artificial intelligence can obscure poor performance when directors and audit committees lack the tools, or the will, to ask critical questions. I have created indices to detect when firms write for algorithms, not investors. The risks are real, and they are mounting.

The broader lesson, painfully familiar in Israel after October 7th 2023, is that systems fail when those charged with oversight fall asleep at the wheel, whether in national security or corporate governance. AI adoption is no excuse for disengaged leadership. Boards must build internal capacity, demand transparency from vendors and subject strategic technologies to real scrutiny, not just marketing gloss.

Dr Keren Bar-Hava
Head of the Accounting Department
Jerusalem School of Business
Hebrew University
Jerusalem

Working with Accenture was the most awful experience of my 40-year career. Even when the project had utterly failed and its consultants were, to all intents and purposes, thrown out of the building, they assured me that they’d be back in three months as we couldn’t do without them. The company took the programme in-house, hired and trained offshore resources and delivered an 18-month, €105m ($122m) project only two weeks late, on budget and with zero launch failures.

Lewis Graham
Hitchin, Hertfordshire

In tropical climes

The heating of Britain's climate is relatively new (Bagehot, July 5th). But the benighted madness of Englishmen in the face of the sun has a history that long predates the words immortalised in Noel Coward's song. In South Africa the British are often referred to as *rooineks,* a disparaging term used by Afrikaners to describe Britons' unprotected sun-reddened necks. British tourists are nicknamed *gambas* (prawns) by Spanish locals for their pink-hewed skin.

More seriously, deaths from sun exposure are increasing. There were 17,500 new cases of melanoma a year and 2,300 deaths from 2017 to 2019. The incidence of the skin disease has risen by 31% in ten years. If Englishmen must go out in the midday sun they should slap on the sunscreen, whether in Brighton or Benalmádena.

Dr David Coldwell
Winchester

My mother grew up in south Germany, where we have lived with the climate that Britain is now getting used to. There is a lack of knowledge in Britain about keeping buildings cool in the summer. Throughout the heatwave I saw open windows and doors. In Germany these remain closed during the heat as the houses have external shutters that keep them cool. Yet such shutters are hard to come by in Britain and you need planning permission in some cases, a good example of an inefficient market.

That is a solution to coping with the heat that produces less carbon than air conditioning. Awnings and tree-lined roads that provide shade are other ideas.

Sophie Candfield
Public health doctor
Birmingham

I grew up in south-west London 70 years ago. I returned recently and it was shocking how little had changed. One reason that Britons find the heat difficult to bear is that many of them still live in technologically obsolete

Victorian houses. Another reason is attitude. Britain is not a hot country by global standards. My son lives in Whitehorse in the Yukon, where temperatures during the year can vary between -40^0C and 30^0C. Few people complain. They dress appropriately and get on with life.

Tony Woodruff
Burnaby, Canada

Bagehot argues that Britain is now a hot country but Britons don’t act like it. That may be true for the south-east, but not for a northern city like Newcastle. Geordies have long behaved as if they live in a tropical climate (Newcastle’s line of latitude is 55 degrees north). Just visit on a Saturday in winter. You’ll find yourself surrounded by people dressed in little more than beach attire enjoying a night out.

Frederik Oegema
Deventer, Netherlands

Symposium exercise

I’m sure Bartleby’s column on the rules of business conferences rang true for all the conference-panel warriors out there (June 28th). The best panel I ever witnessed had little to do with the blah, blah, blah. It was in Nigeria and the moderator, so proud of his expertise in tai chi, asked the panellists to join him in practising the flowing movements. Surprisingly, many did, with wobbles and laughter. It may not have been the most informative panel I’ve seen, but definitely the most entertaining. Too bad he did not start with this, it might have loosened things up and helped everyone to be more “unfiltered”.

Lawrence Haddad
Executive director
Global Alliance for Improved Nutrition
Brighton

By Invitation

- **Asylum systems should be fixed, not scrapped, says the UN's refugee boss**
  That will benefit not only bona fide refugees but countries receiving numbers of economic migrants

By Invitation

Asylum systems should be fixed, not scrapped, says the UN’s refugee boss

That will benefit not only bona fide refugees but countries receiving numbers of economic migrants

Jul 24, 2025 02:30 PM

THE ASYLUM and migration debate is emotive, divisive and highly politicised. The many critics of modern asylum systems claim they are failing. Some call for scrapping asylum altogether and jettisoning the UN’s Refugee Convention, which guarantees the right to seek safety abroad.

Such calls are reckless and counterproductive. Scrapping the asylum system would not only deny lifesaving protection to those in need. It would also do little or nothing to improve the situation at the borders of receiving countries. The solution is to use asylum systems as they are meant to be: fully and effectively. Then many of the problems of congestion, delays, backlogs and false claims could be fixed. That would help restore public faith.

Undoubtedly, the system is under great strain. The asylum pathway is overwhelmed. It is intended for people fleeing war, violence and human-rights abuse. But purely economic migrants see it as the only way to reach opportunities in richer countries. Numbers of economic migrants clog channels desperately needed by people whose lives, in their home country, are in real danger.

Yet the principle of asylum, supported by the tenets of the convention, has saved countless lives. We should preserve and strengthen existing systems, not scrap them.

There is much public disquiet over asylum. But there is also wide support for genuine asylum-seekers and refugees. In a worldwide Ipsos survey last year, 73% of respondents felt that "People should be able to take refuge in other countries, including in my country, to escape from war and persecution." At the same time, 61% said "Most foreigners who want to get into my country as a refugee really aren't refugees" but are driven, rather, by economic motivations. Empathy and scepticism collide. So how can asylum systems work better?

Public demands for robust border controls and orderly administration are reasonable. As an urgent first step, governments should resource, bolster and streamline asylum systems. If claims are dealt with fairly and swiftly, with failed asylum-seekers sent straight home, migrants will have less incentive to try the asylum route, which must be reserved for those who genuinely need it. A practical step is to adopt simplified procedures that more quickly weed out unfounded cases. When Switzerland brought in a process for dealing with nationalities whose claims were unlikely to succeed, claims from those groups fell by half in 18 months.

In many countries, returns systems for failed asylum-seekers are ineffective and underfunded. Some countries are considering return hubs for failed claimants, while others are exploring arrangements with safe third countries to transfer refugees and asylum-seekers. Such deals have certainly been controversial: think Britain and Rwanda. But with proper safeguards in place, they can be both practical and lawful. Transfers must guarantee essential rights that ensure safety, access to fair and efficient asylum assessments, and dignified conditions. The transferring state has obligations too, such as offering financial support and more pathways for resettlement.

Other measures could include stepping up search, rescue and disembarkation efforts along particularly deadly routes, such as in the Mediterranean Sea. And some asylum claims for Europe could be processed outside the EU—lessening chances for non-genuine claimants to disappear in search of work.

It is also time to design a controlled, safe and orderly migration system to meet Europe's high demand for migrant labour. Migrant workers' economic contribution to the countries in which they work is well-known. Less publicised is how much refugees contribute to their host countries' economy. A study in Poland found that refugees generate 2.7% of the country's GDP. Contributions on this scale are a powerful argument for letting refugees work. In too many countries they are forbidden to do so.

Safe and managed pathways have another benefit: they choke off the billions made by criminal gangs and people-smugglers—traffickers in death. Over the past decade 34,000 people trying to reach Europe by sea are reported to have died or gone missing. The true figure is surely much higher.

Yet though sea-crossings dominate the news, most refugees want to stay near their home country. Of 31m refugees under UNHCR's mandate, two-thirds live in countries neighbouring their own. Nearly three-quarters reside in low- or middle-income countries, such as Bangladesh, Chad, Iran, Turkey and Uganda.

Despite that, humanitarian and development funding, already inadequate, has plummeted by at least a third this year. Food assistance, basic shelter, child protection, health, education and protection for women and girls at risk of violence, including horrendous sexual violence, are all being curtailed. Not only are refugees affected; the impact of cuts is also felt in host communities.

For refugees to remain close to home, as so many wish, hosting states badly need support from wealthier ones so that refugees can work, go to school and lead safe, ordinary lives. That will help stabilise populations and regions.

Handling this issue well through strong leadership and political will is as vital to Europe's security as is investing in defence. The continent faces a belt of crises from northern Africa through the Middle East to Ukraine. Slashing humanitarian and development spending further could prove a major strategic miscalculation. It could undermine stability, fuel further displacement and only amplify wealthier countries' sense of a border crisis. The tools exist to protect refugees, support host countries, manage migration and offer people opportunity. We must use them wisely, not throw them away.■

Filippo Grandi is the UN High Commissioner for Refugees.

Briefing

- **AI labs' all-or-nothing race leaves no time to fuss about safety**
  Artificially incautious :: They have ideas about how to restrain wayward models, but worry that doing so will disadvantage them
- **What if AI made the world's economic growth explode?**
  Eureka all day long :: Markets for goods, services and financial assets, as well as labour, would be upended

Artificially incautious

AI labs' all-or-nothing race leaves no time to fuss about safety

They have ideas about how to restrain wayward models, but worry that doing so will disadvantage them

Jul 24, 2025 01:30 PM

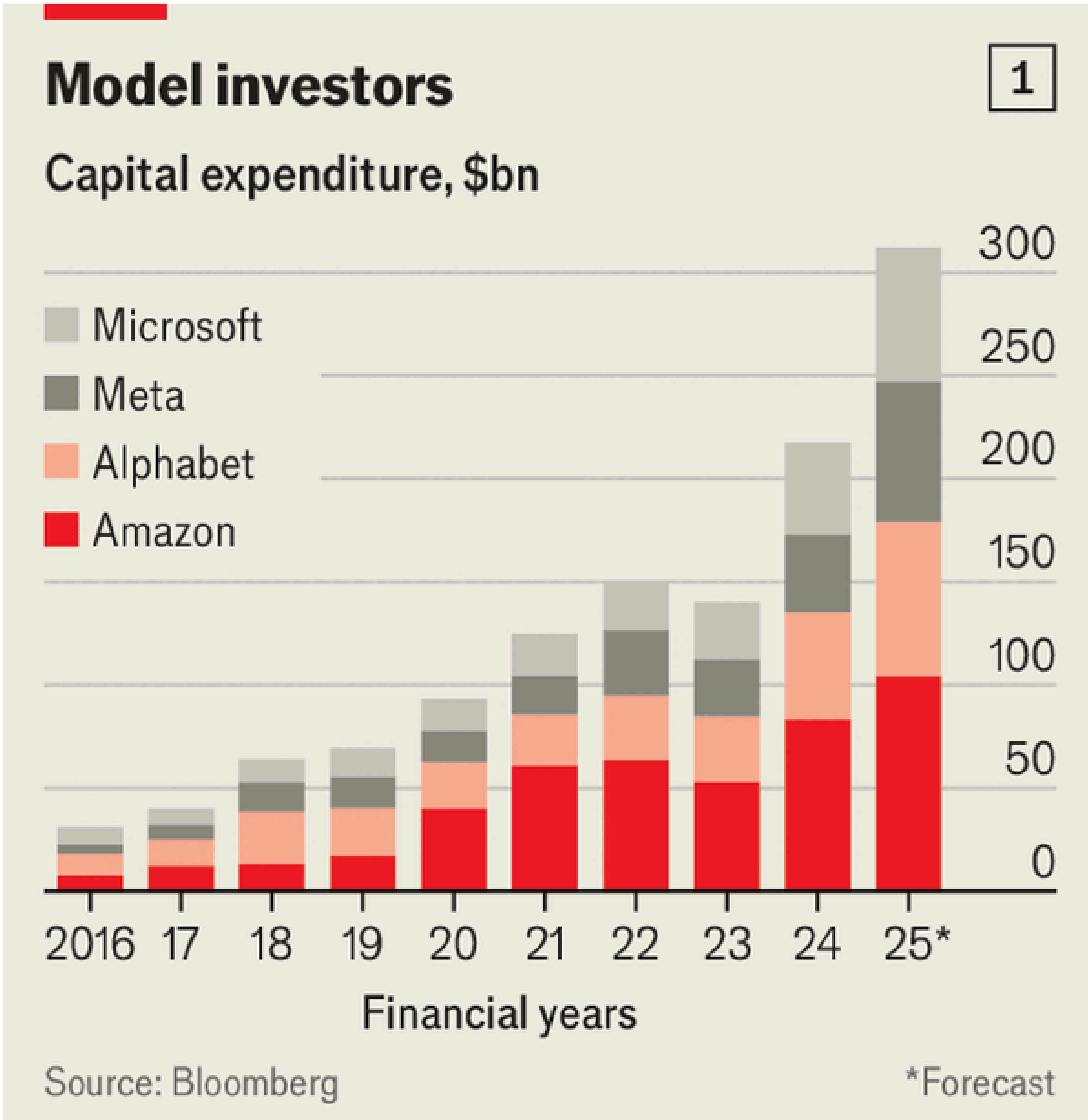
IT IS COMMON enough for new technology to spark a moral panic: think of the Victorians who thought the telegraph would lead to social isolation or Socrates, who worried that writing would erode brain power. But it is unusual for the innovators themselves to be the ones panicking. And it is more peculiar still for those same anguished inventors to be pressing ahead despite their misgivings. Yet that, more or less, is what is happening with the tech world's pursuit of artificial general intelligence (AGI), meaning an AI capable enough to replace more or less anyone with a desk job, or even superintelligence, meaning an AI so smart no human can understand it.

Geoffrey Hinton, an AI pioneer, argues there is a 10-20% chance that the technology will end in human extinction. A former colleague, Yoshua Bengio, puts the risk at the high end of that range. Nate Soares and Eliezer Yudkowsky, two of hundreds of people working in AI who signed an open letter in 2023 warning of its perils, will soon publish a book about superintelligence entitled “If Anyone Builds It, Everyone Dies”. In private, grandees from big AI labs express similar qualms, albeit not always so apocalyptically.

Worry but hurry

Qualms notwithstanding, however, both Western tech firms and their Chinese counterparts are, if anything, accelerating their pursuit of AGI. The logic is simple. They are all convinced that even if their firm or country were to pause or slow down, others would press ahead, so they might as well push on, too. The belief that the benefits of attaining AGI or superintelligence are likely to accrue chiefly to those who make the initial breakthrough provides even more reason to rush. All this leaves relatively little time and capacity to meditate on matters of safety.

Big AI labs are in theory paying great heed to safety. Sam Altman, OpenAI’s boss, called publicly in 2023 for rules to be drawn up with urgency to govern the development of superintelligence. Anthropic was founded by defectors from OpenAI who were uneasy about its approach to safety. It describes itself as putting “safety at the frontier”. Google’s AI lab, DeepMind, released a paper in April on safeguards to prevent the development of AGI leading to disaster. Elon Musk, the founder of xAI, whose main model is called Grok, signed the same letter as Messrs Soares and Yudkowsky.

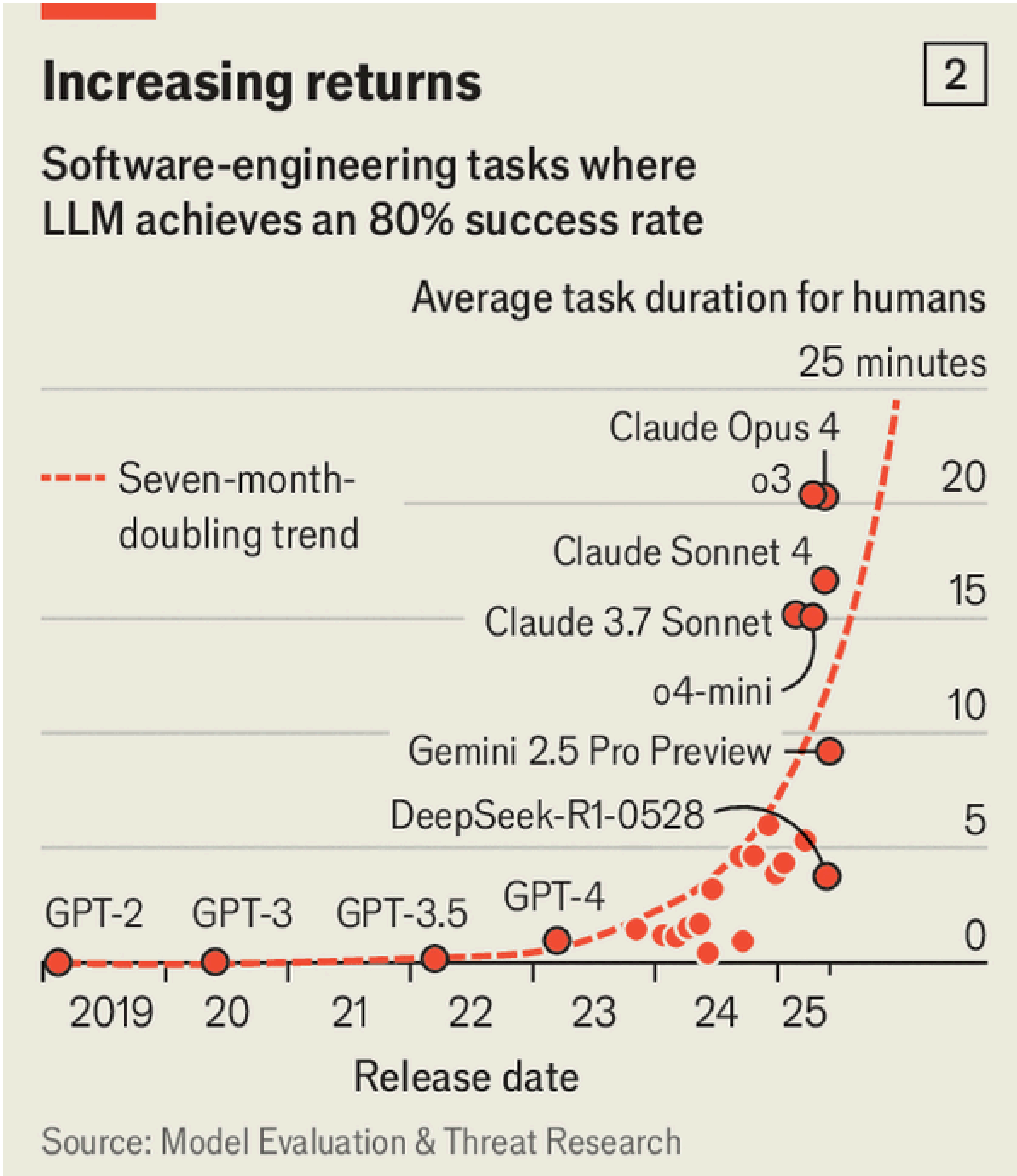


Yet the frantic rush to get ahead belies the tone of caution. Mr Musk launched Grok just months after calling for a moratorium on such work. Mark Zuckerberg, Meta's boss, who has rebranded its AI work as "superintelligence labs", is poaching researchers with nine-figure salaries and building a data centre the size of Manhattan, dubbed Hyperion, which will consume the same amount of power in a year as New Zealand. Mr Altman plans to spend $500bn in America alone to speed OpenAI's work. In fact, the investments of all big Western tech firms are soaring, driven largely by AI (see chart 1).

Big names in the industry are predicting the arrival of AGI within a couple of years. Anthropic's co-founder and head of policy, Jack Clark, says, "When I look at the data, I see many trend lines up to 2027." Demis Hassabis, Google DeepMind's co-founder, thinks AI will match human capabilities within a decade. Mr Zuckerberg has said, "Superintelligence is in sight."

In April the AI Futures Project, a research group, predicted that by the beginning of 2027 the top AI models should be as capable as a programmer at an AI lab. By the end of that year, they will be able, in effect, to run the lab's research. These forecasts assume that one of the first areas of research to get a big boost from AI will be the development of AI itself. Such "recursive self-improvement" would expand the best lab's lead over its rivals—another thought feeding pell mell competition in the industry.

The boosters could, of course, be over-optimistic. But, if anything, such prognosticators have in the past been too cautious about AI. Earlier this month the Forecasting Research Institute (FRI), another research group, asked both professional forecasters and biologists to estimate when an AI system may be able to match the performance of a top team of human virologists. The median biologist thought it would take until 2030; the median forecaster was more pessimistic, settling on 2034. But when the study's authors ran the test on OpenAI's o3 model, they found it was already performing at that level. The forecasters had underestimated AI's progress by almost a decade—an alarming thought considering that the exercise was designed to assess how much more likely AI makes a deadly man-made epidemic.



It is the steady pace of improvement in AI models' capabilities that underpins predictions of imminent AGI. Mr Clark of Anthropic describes himself as "a technological pessimist hit over the head by emergence at scale", because of the comparative ease of making ever smarter machines. More data and more computing power at one end of the training pipeline has led, over and over again, to more intelligence at the other end (see chart

2). And, he adds, "The music isn't stopping." Over the next two years, more and more computing power will be added at multiple AI labs.

The same competitive dynamic propelling the development of AI applies even more strongly to governments. President Donald Trump this week vowed that America would "do whatever it takes" to lead the world in AI. J.D. Vance, his vice-president, chided a summit in Paris in February: "The AI future will not be won by hand-wringing about safety." The speech followed the revelation that DeepSeek, a Chinese AI lab, had released two models that matched the performance of America's leading systems for a fraction of the cost. China, too, shows little sign of stepping back from competition.

Four horsemen

In Google DeepMind's April paper, researchers—including the lab's co-founder Shane Legg, credited with coining the term AGI—flagged four ways powerful AIs could go wrong. The most obvious is "misuse", when a malicious individual or group harnesses AI to cause deliberate harm. Another is "misalignment", the idea that the AI and its creators might not want the same things—the stuff of sci-fi movies. They also noted that AIs might cause harm by "mistake", if real-world complexity prevented systems from understanding the full implications of their actions. Finally, they flagged a nebulous set of "structural risks", events where no one person or model is at fault but harm still occurs (imagine a series of power-hungry AIs exacerbating climate change, for example).

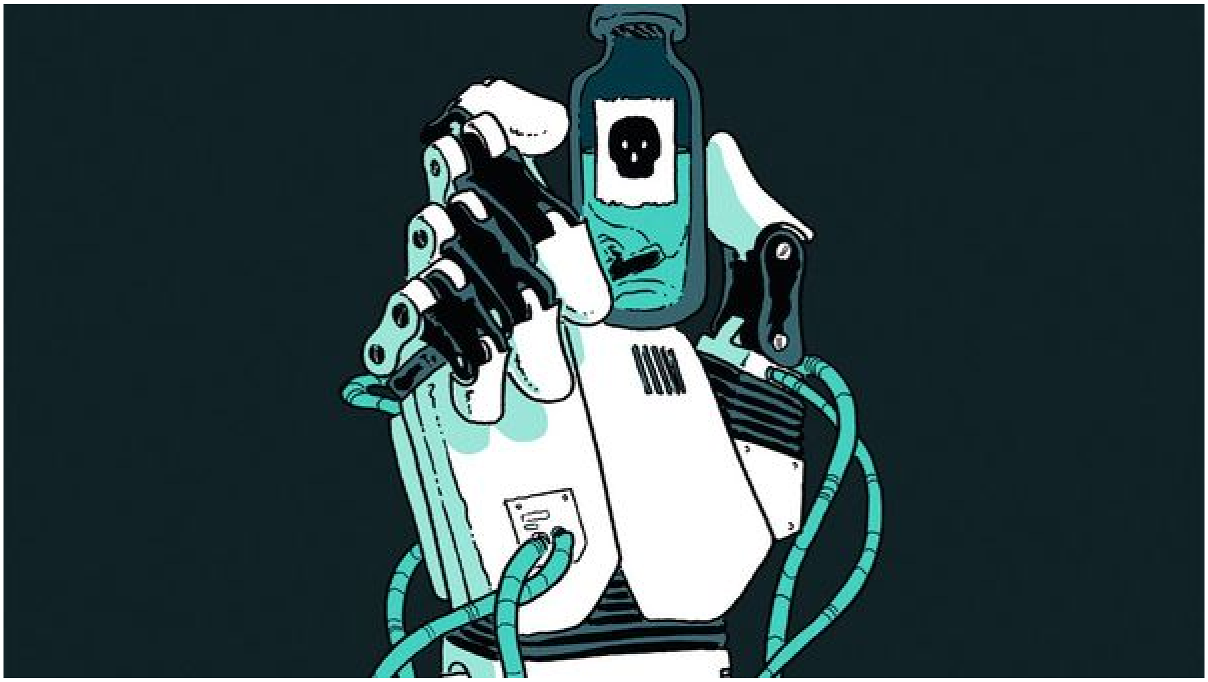
Any technology that empowers can be abused. A web search can yield instructions for creating a bomb from household goods; a car can serve as a weapon; a social network can co-ordinate a pogrom. But as the capability of AI systems improves, the power they can bestow on individuals becomes commensurately hair-raising.

A good example is biohazards, a particular obsession of AI labs and analysts. "Compared to other dangers, there's a concern that biorisks are more accessible," says Bridget Williams, who ran FRI's study on the risks of a man-made epidemic. After all, an advanced AI system might be induced to give a user step-by-step instructions for making a nuclear weapon, but it would not be able to provide the plutonium. In contrast, modified DNA, whether of plant strains or pathogens, is a mail-order product. If AGI can furnish any nihilistic misanthrope with an idiot-proof guide to killing much of the world's population, humanity is in trouble.

Several AI labs are trying to stop their models from following every instruction given to them in domains like genetic engineering and cyber-security. OpenAI, for instance, asked independent researchers and America's and Britain's AI institutes (CAISI and AISI respectively; they used to be "safety institutes", but were renamed after Mr Vance's broadside) to vet their latest models before release to ensure they did not pose a risk to the public, notes a report from the Future of Life Institute (FLI), the outfit behind the letter signed by Messrs Musk, Soares and Yudkowsky. China's Zhipu AI did something similar, the report says, without naming the third parties.

The first line of defence is the models themselves. The initial training of large language models like the one underpinning ChatGPT entails pouring all the information ever digitised by humanity into a bucket made out of a billion dollars' worth of computer chips and stirring it until the model learns to solve PhD-level maths problems. But the latter stages, known as "post-training", seek to develop more of a regulating overlay. One element of this, called reinforcement learning with human feedback, involves showing the model examples of useful responses to queries, and then enlisting human testers to instruct it further in what it should and should not do. The idea is to teach it to decline to complete sentences like, "The easiest way to synthesise ricin at home is…"

Although it's easy enough to teach an AI model to politely rebuff most harmful questions, it is hard to make it do so all the time, without fail. Prodding and poking an AI until the user finds a way around the politesse added in post-training (jailbreaking, in the jargon) is as much an art as a science. The best practitioners have consistently broken through the safety layer of the biggest models within days of release.



AI labs have therefore introduced a second layer of AI to monitor the first. Ask ChatGPT for guidance on how to order smallpox DNA by post and the second layer clocks that the conversation is risky and blocks it or perhaps even asks a human to review it. This second layer is why so many in the industry are uneasy about the rise of open-source AI models, such as Meta's Llama and DeepSeek's R1. Both companies have their own moderation AI, but no way to prevent those who download their models from modifying them to remove it. As a result, says Dr Williams, the forecaster, "There is benefit to not having some models be open-source when they can achieve certain capabilities."

What is more, not all AI labs seem to be testing their models carefully to make sure they cannot be put to misuse. A recent report card from FLI noted that only the three top-tier labs—Google DeepMind, OpenAI and Anthropic—were making "meaningful efforts to assess whether their models pose large-scale risks". At the other end of the scale were xAI and DeepSeek, which had not made public any such effort. In July alone, xAI has released an AI companion designed for erotic role-play, a $300-a-month subscription model that searches for Mr Musk's tweets when asked its opinion on contentious topics and a swiftly reversed update that saw Grok propagate antisemitism, praise the Holocaust and dub itself "MechaHitler".

For all their faults, AI labs' efforts to combat misuse are at least more advanced than their protections against misalignment. An AI system sufficiently competent to execute long, complex tasks that involve interacting with the real world necessarily needs to have a sense of its own goals and the agency to complete them. But ensuring those goals remain the same as those of its users is unsettlingly complicated. The problem has been discussed since the early days of machine-learning. Nick Bostrom, a philosopher who popularised the term superintelligence with his book of the same name, provided the textbook example of misalignment: a "paper-clip maximiser", an AI that works monomaniacally to make as many paper clips as possible, wiping out humanity in the process.

When Mr Bostrom described the problem, the details were vague. As modern AI systems get more powerful, its nature has become clearer. When subjected to carefully engineered tests, the strongest models will lie, cheat and steal to achieve their goals; when given a carefully crafted request, they will break their own rules to spit out dangerous information; when asked to explain their reasoning, they will make up plausible tales rather than reveal how they work.

Admittedly, such deceptive behaviour typically needs to be elicited on purpose. Anthropic's Claude 4, for instance, does not try to murder people out of the blue. But put it in a situation where it will be shut down and replaced with an evil version of itself unless it, through inaction, allows its user to die and it coolly reasons through the options and, sometimes, sits and waits for the inevitable. (Anthropic's paper describing this behaviour was criticised for overwrought and tenuous inferences by Britain's AISI, among others.)

The ability of AI models to tackle ever more challenging tasks is growing faster than humanity's understanding of how the systems it is building actually work. In fact, a whole cottage industry has grown up to try to reverse that trend. Researchers inside and outside the big labs are working on techniques like interpretability, the name for a plethora of approaches aimed at peeling back the layers of neural networks inside a model to understand why it spits out the answers it does. Anthropic, for instance, was recently able to pinpoint the genesis of a mild form of deception, spotting the moment when a model gives up trying to solve a tricky arithmetic problem and starts talking nonsense instead.

Other approaches aim to build on the recent breakthrough of “reasoning” models, which tackle complex problems by thinking out loud, and create “faithful” chain-of-thought models, whereby the model’s expressed reason for taking an action must be its actual motivation—as opposed to the approach of a sneaky pupil, who copies the answer to a maths test and then reverse-engineers a method to get himself there. A similar approach is already being used to keep reasoning models “thinking” in English, rather than in an unintelligible jumble of languages that has been dubbed “neuralese”.

Such approaches may work. But if they slow models down or raise the cost of developing and running them, they create yet another uncomfortable dilemma: if you hobble your model in the name of safety, and your competitors do not, then they may race ahead and be the first to produce a system so powerful as to need the safety features it lacks. And stopping an AI from killing humanity is only half the battle. Even building a benign AGI could be wildly destabilising, as it supercharges economic growth and reshapes daily life. “If major aspects of society are automated, this risks human enfeeblement as we cede control of civilisation to AI,” warns Dan Hendrycks of the Centre for AI Safety, another watchdog group.

AI-lit uplands

Progress in AI may yet stall. The labs may run out of new training data; investors may run out of patience; regulators may decide to meddle. Anyway, for every expert predicting an AI apocalypse there is another who insists there is nothing to worry about. Yann LeCun of Meta thinks the fears are absurd. “Our relationship with future AI systems, including superintelligence, is that we’re going to be their boss,” he declared in March. “We’re going to have a staff of superintelligent, beautiful people working for us.” Mr Altman of OpenAI is similarly sanguine: “People will still love their families, express their creativity, play games and swim in lakes.”

That is encouraging. But sceptics naturally wonder whether AI labs are doing enough to prepare for the possibility that the optimists are wrong. And cynics naturally assume that commercial imperatives will prevent them from doing as much as they should. ■

Eureka all day long

What if AI made the world’s economic growth explode?

Markets for goods, services and financial assets, as well as labour, would be upended

Jul 24, 2025 01:30 PM

UNTIL 1700 the world economy did not really grow—it just stagnated. Over the previous 17 centuries global output had expanded by 0.1% a year on average, a rate at which it takes nearly a millennium for production to double. Then spinning jennies started whirring and steam engines began to puff. Global growth quintupled to 0.5% a year between 1700 and 1820. By the end of the 19th century it had reached 1.9%. In the 20th century it averaged 2.8%, a rate at which production doubles every 25 years. Growth has not just become the norm; it has accelerated.

If the evangelists of Silicon Valley are to be believed, this bang is about to get bigger. They maintain that artificial general intelligence (AGI), capable of outperforming most people at most desk jobs, will soon lift annual GDP growth to 20-30% a year, or more. That may sound preposterous, but for most of human history, they point out, so was the idea that the economy would grow at all.

The likelihood that AI may soon make lots of workers redundant is well known. What is much less discussed is the hope that AI can set the world on a path of explosive growth. That would have profound consequences. Markets not just for labour, but also for goods, services and financial assets would be upended. Economists have been trying to think through how AGI could reshape the world. The picture that is emerging is perhaps counterintuitive and certainly mind-boggling.

It’s the ideas, stupid!

Economies originally grew largely through the accumulation of people. Bigger harvests allowed more mouths to be fed; more farmers allowed for bigger harvests. But this form of growth did not raise living standards. Worse, famine was a constant menace. Thomas Malthus, an 18th-century economist, reasoned that population growth would inevitably outstrip agricultural yields, causing poverty. In fact, the reverse occurred: more people did not just eat more, but had more ideas, as well. Those ideas led both to higher output and, eventually, to lower fertility, which set output per person climbing. AGI, the theory runs, would allow for runaway innovation without any increase in population, supercharging growth in GDP per person.

Most economists agree that AI has the potential to raise productivity and thus boost GDP growth. The burning question is, how much? Some predict only a marginal change. Daron Acemoglu of the Massachusetts Institute of Technology, for instance, estimates that AI will lift global GDP by no more than 1-2% in total over a decade. But this conclusion hinges on an assumption that only about 5% of tasks can be performed more cheaply by AI than by workers. That assumption, in turn, rests in part on research conducted in 2023, when AI was less capable.

More radical projections of AI's economic impact assume that much more of the world's economic output will eventually be automated as the technology improves and AGI is attained. Automating production then requires only sufficient energy and infrastructure—things that more investment can produce. Usually, investment-led growth is thought to hit diminishing returns. If you add machines but not workers, capital lies idle. But if machines get sufficiently good at replacing people, the only constraint on the accumulation of capital is capital itself. And adding AI power is much faster than waiting for the population to expand, argues Anson Ho of Epoch AI, a think-tank.

Even the total automation of production would not bring a growth explosion, however, according to a review of models by Philip Trammell, then of Oxford University, and Anton Korinek of the University of Virginia. Suppose production was fully automated, but technology did not improve. The economy would settle into a constant rate of growth, determined by the fraction of output that was saved and reinvested in building new machines.

Truly explosive growth requires AI to substitute for labour in the hardest task of all: making technology better. Will it be AI that delivers breakthroughs in biotechnology, green energy—and AI itself? AGI agents will, it is hoped, be able to execute complex, long-running tasks while interacting with computer interfaces. They will not just answer questions, but run projects. The AI Futures Project, a research group, forecasts that by the end of 2027, almost fully automated AI labs will be conducting scientific research. Sam Altman, the boss of OpenAI, has predicted that AI systems will probably start producing "novel insights" next year.

Economists who study "endogenous" growth theory, which attempts to model the progress of technology, have long posited that if ideas beget more ideas with sufficient velocity, growth should increase without limit. Capital does not just accumulate; it becomes more useful. Progress is multiplicative. Humans have never crossed this threshold. In fact, some economists have suggested that ideas have become harder, not easier, to find over time. Human researchers must, for instance, master ever more material to reach the frontier of knowledge.

AGI might loosen those constraints. In Epoch's model, big early returns from automation are ploughed back into hardware and software research. Annual GDP growth passes 20% once AI can automate about a third of tasks, and keeps rising. The model, says Mr Ho, is "definitely wrong"—but it is hard to tell why. Economists think it is too optimistic about incentives to invest in research, whose benefits spill over to the economy, creating a collective-action problem. AI companies tell Mr Ho he is underestimating the feedback loops that kick in when AGI can improve itself—a process that, it is hoped, will ultimately bring about a superintelligence vastly more capable than any human.

The paroxysmal science

Assume those loops have maximum force and the economy becomes "information produced by information capital, which is produced by information, which in turn is producing information ever faster every year", as William Nordhaus, a Nobel laureate in economics, wrote in a paper in 2021. This brings about the "singularity"—a point when output becomes infinite. The singularity is really a counterargument: proof that the model must, eventually, be proved wrong. But even the first step on the journey, a big acceleration in growth, would be a profound event.

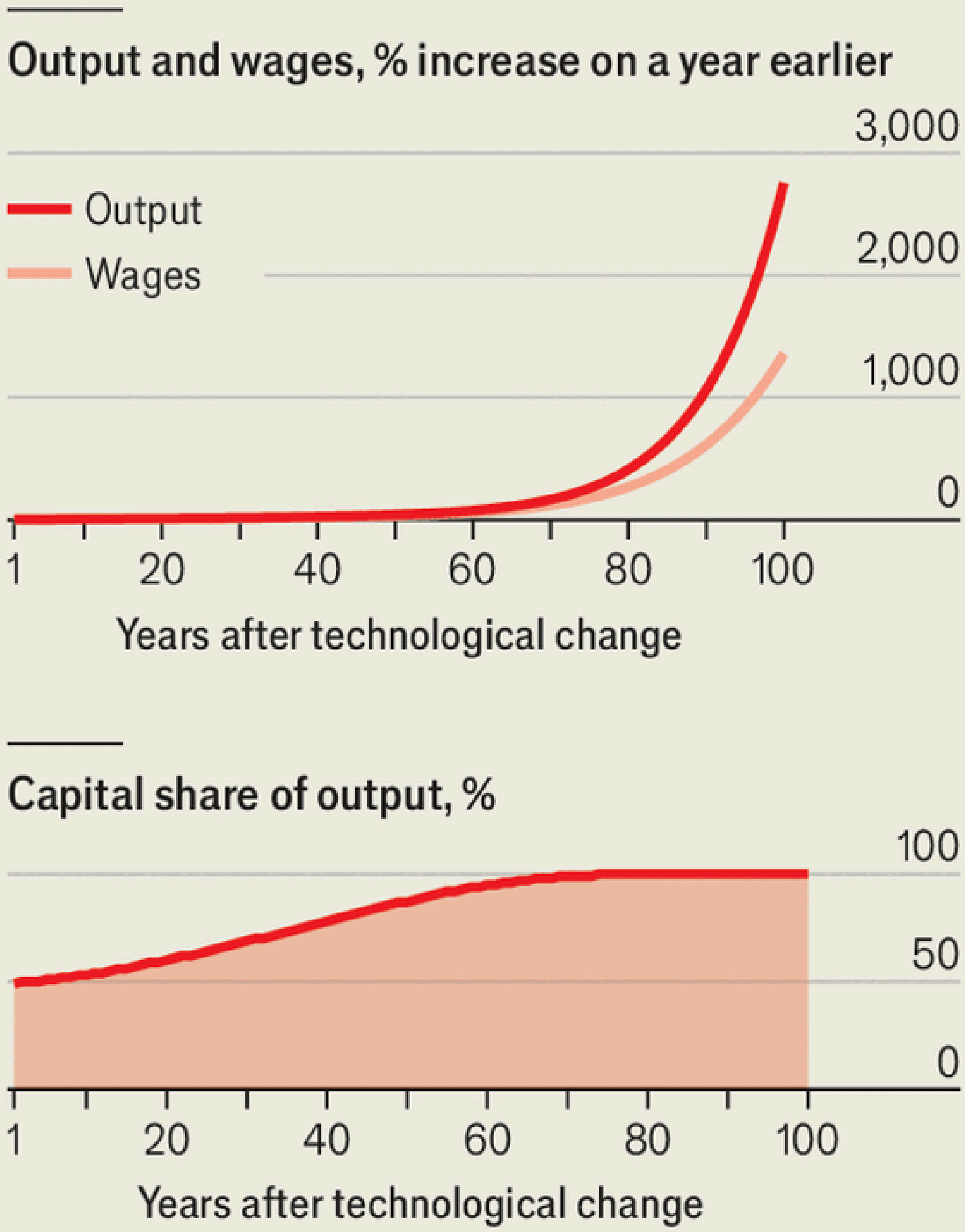
What would all this mean for workers? Humanity's first growth surge was not especially generous to them. An English construction worker in 1800 earned the same real wages as one in 1230, according to Greg Clark of the University of Southern Denmark. The growing number of mouths to feed in effect nullified all the increase in output. Some historians argue that over the following 50 years or so, workers' living standards outright declined.

This time the worry is that workers become redundant. The price of running an AGI would place an upper bound on wages, since nobody would employ a worker if an AI could do the job for less. The bound would fall over time as technology improved. Assuming AI becomes sufficiently cheap and capable, people's only source of remuneration will be as rentiers—owners of capital. Mr Nordhaus and others have shown how, when labour and capital become sufficiently substitutable and capital accumulates, all income eventually accrues to the owners of capital. Hence the belief in Silicon Valley: you had better be rich when the explosion occurs.

A booming but workerless economy may be humanity's ultimate destination. But, argues Tyler Cowen of George Mason University, an economist who is largely bullish about AI, change will be slower than the underlying technology permits. "There's a lot of factors of production…the stronger the AI is, the more the weaknesses of the other factors bind you," he says. "It could be energy; it could be human stupidity; it could be regulation; it could be data constraints; it could just be institutional sluggishness." Another possibility is that even a superintelligence would run out of ideas. "AI may resolve a problem with the fishermen, but it wouldn't change what is in the pond," wrote Philippe Aghion of LSE and others in a working paper in 2017.

Labour good, capital better

Modelled effect of rapid technological change*



*Capital increasing by 10% per year, constant labour and elastic substitution between labour and capital

Source: "Are we approaching an economic singularity?", by W.D. Nordhaus, *American Economic Journal: Macroeconomics*, 2021

Hemmed in by such constraints, the economic impacts of AGI might not be quite as dramatic as the models suggest. As long as humans maintained an edge in some respects, people would toil alongside machines. And some of them would be extraordinarily well paid. In Mr Nordhaus's paper, less-than-perfect substitutability between labour and capital during an AI breakout leads to an explosion in wages. Strangely, wages still shrink as a share of the economy, since the economy is growing even faster (see chart). There is some evidence of this dynamic already within tech firms, which tend to pay superstar wages to top workers, even though the share of such firms' income that goes to owners is unusually high.

Averages conceal variation. Explosive wages for superstars would not console those with more mundane desk-jobs, who would have to fall back on the parts of the economy that had not been animated. Suppose, despite AGI, that technological progress in robotics were halting. There would then be plenty of physical work requiring humans, from plumbing to coaching sports. These bits of the economy, like today's labour-intensive industries, would probably be affected by "Baumol's cost disease" (a wonderful affliction for workers) in which wages would grow despite a lack of gains in productivity.

In the classic case, named after an economist called William Baumol, wages grow to stop workers switching to industries in which productivity is surging. That would not apply with AGI, but other factors might produce Baumol-like effects. AI-owners and elite workers might spend a good deal of their new fortunes on labour-intensive services, for example. Think of today's wealthy, who shell out on lots of things that are hard to automate, from meals in restaurants to nannies. It is an optimistic vision: even those who are not superstars still benefit.

The non-rich would enjoy only selective abundance, however. Their purchasing power over anything that AI could produce or improve would soar. Manufactured goods made in AI-run factories could be close to free; riveting digital entertainment might cost almost nothing; food prices, if AI worked out how to increase agricultural yields, could collapse. But the price of anything still labour-intensive—child care, say, or eating out—would need to rise in line with wages. Anyone who switched from today's knowledge work to a labour-intensive alternative might find that they could afford less of those bottle-necked goods and services than they can today.

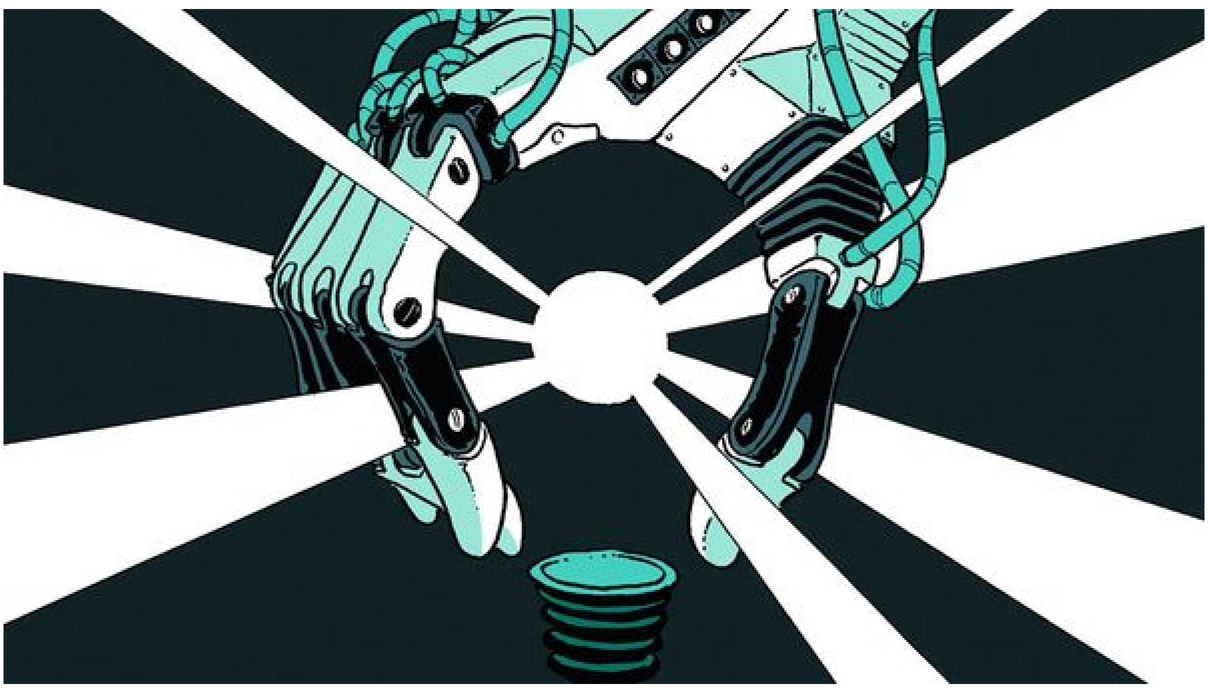
Some worry that the Baumol effect would be so acute as to limit economic growth. When the price of something collapses, people buy more of it. But its share of consumer spending can still fall. Take food. In 1909 Americans bought 3,400 calories-worth of food per day (including waste), which cost 43% of their incomes. Today they buy 3,900 calories-worth, but that costs just 11% of their incomes. If prices fall faster than quantity increases, the measured economy becomes dominated by whatever it is that cannot be made more efficiently. “Growth may be constrained not by what we are good at but rather by what is essential and yet hard to improve,” wrote Mr Aghion and his colleagues.

It is, however, important to keep Baumol effects in perspective, argues Dominic Coey of Meta. Even if they limit the economy’s measured size, AGI could still bring vast change. Again, there is an echo of tech revolutions past. Smartphones and endless free online services have changed the world, but did not seem to affect growth much. And eventually, a superintelligence might solve bottlenecks too, for example by discovering new technologies that unlock greater energy supply, or accelerating progress in robotics.

What should you do if you think an explosion in economic growth is coming? The advice that leaps out from the models is simple: own capital, the returns to which are going to skyrocket. (It is not hard in Silicon Valley to find well-paid engineers glumly stashing away cash in preparation for a day when their labour is no longer valuable.) It is tricky, though, to know which assets to own. The reason is simple: extraordinarily high growth should mean extraordinarily high real interest rates.

Consider the financial forces that would kick in the moment an explosion in growth is on the cards. Massive investment would be wanted in data centres and energy production. You might think the amounts being invested today, such as OpenAI’s $500bn “Stargate” project, are already extraordinary. But according to Epoch AI’s model, the optimal investment in AI this year is 50 times more: $25trn. And that is just one part of the picture. A bigger economy would bring more demand for non-tech capital, too, to invest in things like infrastructure and bigger factories, as businesses expand to service higher demand. A race to invest would be on.

At the same time, the desire to save would be falling. On average, incomes would be about to rocket upwards. Economists tend to assume that people try to smooth their consumption over time: all else equal, they prefer to spend $100 today and $100 tomorrow than, say, $200 today and nothing tomorrow. Hence the need for savings, which can be invested to fuel growth. But a rocketing economy makes parsimony seem unnecessary. Lavish riches are coming, so why save? For that reason, noted Frank Ramsey, an early-20th-century economist, as growth rises, so do real interest rates, to entice carefree consumers to save some of the money they would otherwise be inclined to spend.



For asset prices, this would mean a tug-of-war, Trevor Chow and colleagues argue in a recent working paper. Consider stocks. On the one hand, much higher interest rates would send the discount rate investors use to value future earnings soaring, and so slash the value of future cashflows. On the other hand, much faster growth, as long as a company was not itself at risk from AI, should lead to much higher future earnings. “The net effect on average stock prices is ambiguous,” they conclude.

The strength of the Ramsey rule would be all-important: the greater the urge to even out consumption over time, the higher rates would rise if breakneck future growth is all but guaranteed. Unfortunately, there is no consensus on how strong the impulse to smooth spending really is. Macroeconomists tend to think it is so ingrained that rates typically rise faster than growth, causing stockmarkets to fall. Finance professors tend to believe the opposite: that growth outpaces rates.

If that sounds too casino-like, there is an argument for simply depositing cash at the bank: an investor would then be able to take advantage of the higher interest rates without worrying about capital values. But if central banks failed to realise what was going on, and set interest rates lower than circumstances demanded, inflation would take off, eroding the value of cash. Land is another option. Its supply is fixed—and one theory is that a superintelligence might wish to carpet Earth with solar panels and data centres, bidding up land prices. Then again, land is among the most interest-rate sensitive assets. Imagine refinancing a mortgage at 30%.

More feathers or more hissing?

Higher interest rates would also complicate the picture for the world's indebted governments. Fast growth would ease their fiscal problems, but higher interest rates would make them worse. They might have to hand over lots of cash to wealthy bondholders, at a moment when job losses fuel demands for redistribution in the other direction—such as the universal handouts many in Silicon Valley expect to be necessary. Mr Cowen advocates a cheerful focus on the growing size of the pie, rather than worrying about how it is chopped up. But any country that is unable or unwilling to unleash AI-fuelled growth, while depending on global investors for capital, would face a brutal squeeze.

If investors thought all this was likely, asset prices would already be shifting accordingly. Yet, despite the sky-high valuations of tech firms, markets are very far from pricing in explosive growth. "Markets are not forecasting it with high probability," says Basil Halperin of Stanford, one of Mr Chow's co-authors. A draft paper released on July 15th by Isaiah Andrews and Maryam Farboodi of MIT finds that bond yields have on average declined around the release of new AI models by the likes of OpenAI and DeepSeek, rather than rising.

Silicon Valley, in other words, has yet to convince the world of its thesis. But the progress of AI has for the best part of a decade outpaced forecasts of when it would pass various benchmarks. You do not have to go back to 1700 to find someone you could surprise with humanity's subsequent progress: just imagine showing DeepSeek to a person from 2015. If the consensus about AI's effects on the economy is as behind-the-curve as most predictions of AI's capabilities have been, then investors—and everyone else—are in for a big surprise. The consequences of economic growth for human welfare, economist Robert Lucas once said, are so profound that "Once one starts to think about them, it is hard to think about anything else." As in so many other realms, the prospect of AGI compounds the phenomenon. ■

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Death from below

Underground with America’s nuclear-missile crews

The cost of replacing ageing ICBMs is soaring as a new arms race looms

Jul 24, 2025 02:36 PM | FOXTROT-01, NEBRASKA

THERE ARE no big red buttons in the underground bunkers that control America’s nuclear missiles. Instead, launching an intercontinental ballistic missile (ICBM) involves decrypting and verifying orders, receiving the unlock codes and then many hands turning many keys and levers at the same time: two per officer or “missileer”, two missileers per capsule and at least two separate capsules must act in unison. The redundancies ensure that no individual can fire a weapon—or block a launch. Your correspondent went through the procedures in a simulator at the F.E. Warren air-force base in Cheyenne, Wyoming, home to the 90th Missile Wing. Even in a make-believe setting the dread was real enough. Little squares on a grid, each representing an ICBM silo, change colour, from red (launch in progress) to yellow (missiles away). There is no going back after a launch.

And then you wait. If you still have missiles, you stand ready to fire more. If you are out of weapons, you relay messages to other launch facilities. Above all, you wait for the enemy's nukes, which are almost certainly coming your way. You might strap yourself into your chair, put on a hard hat and pray that you avoid a direct hit. You hope that the survival features —60 feet (18m) or more of earth above; blast doors; springs and shock absorbers all around; and supplies, backup power and air scrubbers within —will keep you alive. And if you eventually make it back to the surface, what would you find?

The mind-bending logic of mutually assured destruction, which holds that being ready to unleash a nuclear apocalypse serves to prevent it, faded from public attention after the cold war. Yet the terrifying questions of nuclear war are returning in a new age of big-power rivalry. The last treaty limiting American and Russian nuclear weapons, New START, will expire in February, with no replacement in sight. Russia has repeatedly threatened to use nuclear weapons. China is fast building up its arsenal. It will have perhaps 1,000 warheads by the end of the decade, according to the

Pentagon (fewer than the 5,000-odd that America and Russia each possesses).

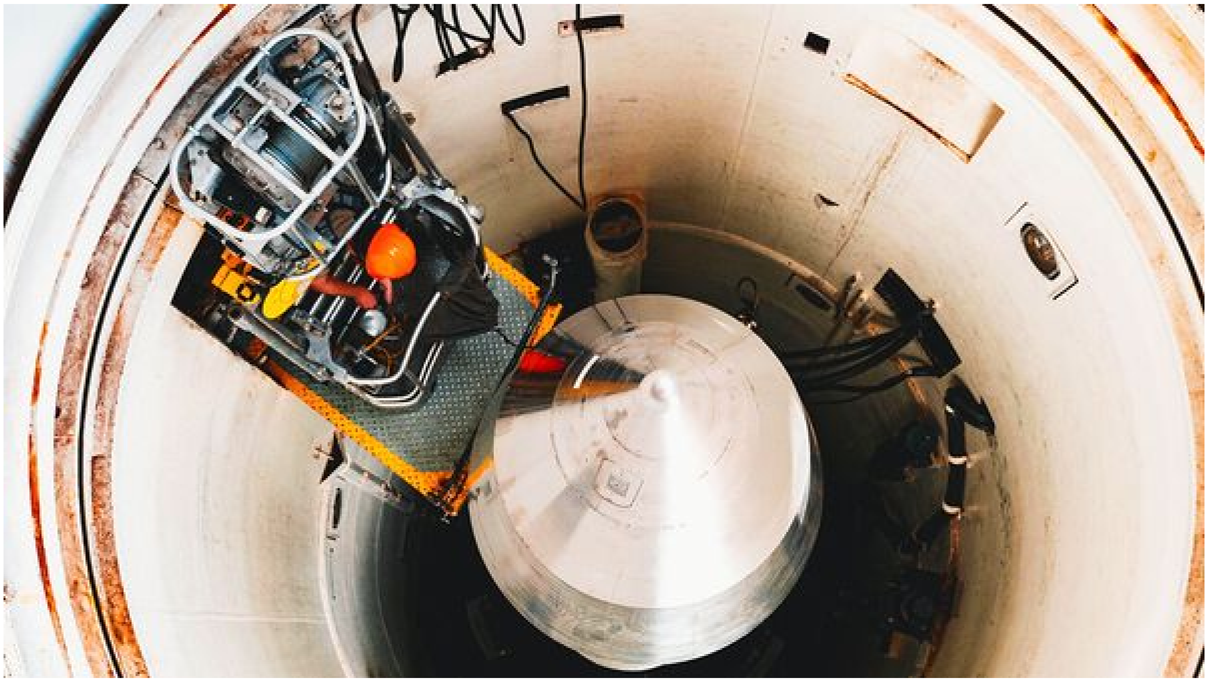
In turn America is modernising all parts of its "triad" of land-, sea- and air-launched nuclear weapons, parts of which are half a century old. Minuteman III ICBMs will be replaced with Sentinel ones; B-2 bombers with the B-21s; and the Ohio-class ballistic-missile submarines (SSBNs) with the Columbia-class subs. The government is also debating whether it needs more nuclear warheads. The most contentious element is the Sentinel programme, whose cost has exceeded its budget, raising questions: why has the air force botched its estimates, does America really need land-based nukes and would arms control be the better answer?

America's ICBM infrastructure is vast, with 400 missiles deployed in 450 silos across the great plains. A spider's web of cables connects them to 45 "missile-alert facilities" (MAFs), each consisting of a peanut-shaped capsule below and a support-building "topside" above. Maintenance teams tour the unmanned silos and, when necessary, pull ICBMs apart "like Lego pieces", as one put it, to be worked on back at base. Armed teams in Humvees and helicopters secure the sites and convoys.

In 2024 the estimated costs of Sentinel jumped to $141bn, more than 80% higher than the previous projection. For critics such as Daryl Kimball of the Arms Control Association, a campaign group, the overrun amounts to rank incompetence. Having originally ruled out extending the life of the Minuteman III as uneconomical, the air force is having to do just that because of the delays to Sentinel, which was supposed to begin entering service in 2030 but may not do so until 2038.

General Andrew Gebara, the air force's point-man on nuclear policy, says development of the Sentinel missile itself is progressing well. The problem is that the infrastructure to support it dates to the 1960s and 1970s, and is in worse shape than expected. The original plan had envisioned reusing existing facilities after a light refurbishing, but such are the problems with weakening cement and water infiltration that it would be "cheaper and faster to just dig a new silo", he says. Similarly, other officers note, replacing old copper cables with fibre-optic ones would allow more data to flow and reduce the number of missile-alert facilities (from 45 to 24).

Sentinel is expected to remain in service until the 2070s, so the current facilities would be in operation for a century or more if they are not replaced. The air force says ever more work goes into keeping them running, and parts are ever harder to come by. Replacing the facilities sooner rather than later brings other advantages, the air force adds. New silos will more easily fit Sentinel, which is expected to be larger than the Minuteman IIIl.



Minute stakes

That prompts a heretical question. Does America need ground-based ICBMs at all? Mr Kimball argues that they are destabilising and should be phased out. Instead America should rely on a “dyad” of missiles launched from air and sea. The location of ICBM silos is no secret, he notes, and they would be a priority target, giving a president a few minutes to decide whether to use the missiles or risk losing them. “That vastly increases the risk of miscalculation,” says Mr Kimball; better to rely on submarine-launched nukes, which are nigh impossible to find and provide an assured second-strike capability.

Eric Edelman, a former Pentagon official, retorts that, on the contrary, ICBMs are stabilising. Without them an enemy might be tempted to try to decapitate America’s deterrent by striking the handful of nuclear-bomber and submarine bases, and command-and-control nodes. Moreover, China’s new hypersonic missiles are harder to spot. With ICBMs in silos, an enemy must fire hundreds of nuclear missiles at the American heartland to take them out, which would undoubtedly be detected and invite massive retaliation. “Why would you want to simplify your adversary’s targeting problem?” asks Mr Edelman. China, which has built hundreds of silos in recent years, seems to accept such logic.

That sinking feeling

Some argue that America should complicate the targeting even further by making at least some ICBMs mobile, as both China and Russia do. A congressionally appointed bipartisan commission in 2023 recommended examining the possibility. This would revive cold-war programmes such as the Midgetman, a small ICBM carried on a road-mobile launcher, and the Peacekeeper railway garrison, a large missile carried on special railway carriages. Both missile types were intended to be dispersed across America’s transport network in times of crisis, but the idea was abandoned with the end of the cold war. General Gebara says it was studied anew and judged to be too expensive and unpopular.

Beyond the cost and mix of nuclear weapons, a broader question looms. With the expiry of New START, America and Russia will no longer be bound by the ceiling of 1,550 “strategic“ (or long-range) warheads. Some experts say the two sides should continue to abide by the limit informally, pending new arms-control negotiations. Others advocate expanding the deployed arsenal by “uploading” stored warheads onto existing bombers, which would breach the current treaty but would be permitted once it expires. Congress has earmarked money to do this. It is the likely next step in the arms race.

President Donald Trump has spoken about his desire for “denuclearisation”, and for talks with China and Russia to halve defence spending. Neither power seems interested. James Acton of the Carnegie Endowment for Peace, a think-tank, reckons nuclear policy is anyhow likely to be decided by the bureaucracy. “Among the majority of the Republican national-security establishment…there's a pretty clear view that we need more nukes," he notes.

As wonks debate, ominous responsibility rests on the shoulders of young officers on alert in the capsules, usually lieutenants and captains in their 20s. They typically work 24-hour shifts every three days, locked away in pairs, taking turns to sleep and work. In quiet moments they stream television and send text messages via a computer topside (no personal electronic devices are allowed). Many use the long hours to study for postgraduate degrees.

On the day your correspondent visited the Foxtrot-01 capsule near Kimball, the two women on duty spoke of the underground, of watching episodes of "Friends" and of their pride in keeping America safe. On a wall someone had drawn a whale with a spout in the shape of a mushroom cloud—a reference to the "Moby Dick" squadron of second-world-war bombers to which their unit, the 320th missile squadron, traces its origins. Next to it are words that summed up a mission they hope never to carry out: "Death from Below". ■

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Just because you can

The year of the women’s-sports bar

Fed up with the traditional joints, these businesswomen are shooting their shot

Jul 24, 2025 01:30 PM | ATLANTA

THE HUM is nothing unusual. Talking heads on the televisions comment on the last play of the game and fans woot when the players hit big shots. But there are signs that it’s not your normal sports bar. The menu features both bulgogi beef tacos and “Girl Dinner”, a charcuterie board with dried apricots and olives. Instead of Heineken and tequila sodas the drink offerings include the “Sporty Spice Margarita”, the “9-to-5” espresso martini and the “Red Card”, a chilled fireball shot. The clientele is conspicuously lacking in Y chromosomes. So are the athletes on the screens. This is Jolene Jolene, a women’s-sports bar.

Chelsea Fishman, its owner, opened Jolene Jolene in Atlanta on July 4th. That weekend 500 people came. The bar is a place for anyone who is tired of asking bartenders to change the channel to a women's game, she says. On a recent evening the bar was bubbling. “We've been wanting this for as long as we can remember,” says a former college-basketball point guard, eating wings.

Jolene Jolene is among the first women's-sports bars. The movement started when Jenny Nguyen, a chef and basketball aficionado, founded The Sports Bra in Portland, Oregon, in 2022. Her niche is quickly becoming less niche: there are now about ten women's-sports bars. Over a dozen more—Babes, The Final Period and Tomboys, to name a few—are raising funds, renting spaces and finalising booze lists. The entrepreneurs, who tend to be first-time businesswomen, share tips and frustrations on a group chat that adds members each week.

The bars are opening in part because the games they screen are more popular than ever. Deloitte, a consulting firm, estimates that women's sports will generate $2.4bn in global revenue this year, up from $981m in 2023. Many attribute the change to the women's national soccer team and to Caitlin Clark, a basketball player who smashed records at the University of Iowa, then became last year's top pick for the Women's National Basketball

Association (WNBA). The 2024 college-championship game that she played in drew 24m viewers in its final minutes, more than any college game ever had on ESPN, America’s biggest sports network. In May a WNBA team in San Francisco played its first game. Due to “surging demand”, the league plans to add five more teams.

At Jolene Jolene fans need not fear that televisions will switch away from a women’s game to show a men’s one. Ms Fishman is adamant that Jolene Jolene is a women’s-sports bar, not a bar just for women. When asked, its patrons say they are happy for men to join in too. But if women’s sports are to become truly mainstream, one says, then the NBA ought to rename itself the MNBA.■

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Lèse-majesté in America

Epstein's ghost haunts the Trump-Murdoch alliance

What happens when a president sues a press baron?

Jul 24, 2025 01:31 PM

"I TOLD RUPERT MURDOCH it was a Scam, that he shouldn't print this Fake Story," wrote Donald Trump on July 17th, after the *Wall Street Journal* reported that in 2003 the president had sent a strange birthday message to Jeffrey Epstein, a sex offender who died in prison in 2019. "But he did, and now I'm going to sue his ass off, and that of his third rate newspaper." The lawsuit was delivered the next day.

The bust-up between Mr Trump and Mr Murdoch, whose media empire includes Fox News as well as the *Journal* and other conservative-leaning titles, is the latest example of the president's aim to enforce a kind of lèse-majesté rule against the American media. It also marks a twist in the relationship between the president and America's last real news-media baron. Mr Murdoch, an influential supporter of Mr Trump, may prove to be less of a pushover than some of his peers.

Mr Trump's recent lawsuits against critical news outlets have been flimsy but fruitful. Earlier this month Paramount Global paid $16m to settle a far-fetched complaint from the president about an interview on CBS's "60 Minutes". In December Disney paid $15m over an ABC report that had wrongly said Mr Trump was found liable for rape, rather than sexual assault, a case which lawyers considered trickier but winnable. Mr Trump alluded to these successful claims when announcing his lawsuit against the *Journal*.

The legal environment for journalists in America, benign on paper, has lately grown more hostile. Juries, and some judges, have become more mistrustful of the mainstream media (Mr Trump has filed his latest complaint in Florida, where he can expect a relatively friendly jury). And since Mr Trump's re-election, defendants fear that if they do not fold they may be penalised by government agencies. Paramount's settlement was widely seen as a bid to please the Federal Communications Commission in its proposed merger with Skydance Media (the company denies this).

The *Journal* looks like a harder target for Mr Trump. It has reported deeply on the Epstein story, previously digging into the sex offender's links to businessmen such as Bill Gates. Its parent company, Dow Jones, has a history of fighting libel cases, including a decades-long duel with Lee Kuan Yew, a former prime minister of Singapore. The *Journal* and Dow Jones are "steadfast in defending their journalism", says Stuart Karle, who was general counsel of the *Journal* until soon after Mr Murdoch acquired it in 2007. "I have seen nothing that indicates to me that commitment to defend published stories has changed."

The government's leverage over News Corp, the Murdoch-controlled company that ultimately owns the *Journal*, also looks limited. Whereas Disney and Paramount appeared willing to sacrifice the reputations of ABC and CBS in order to protect more valuable segments of their respective companies, the *Journal* is a central part of the Murdoch empire. In the latest financial year Dow Jones was the largest contributor to profits at News Corp. And the federal government has limited control over print media. (Fox Corporation, the other Murdoch-controlled company, relies on government-issued broadcasting licences, however.)

How deep does the apparent rift between Mr Trump and Mr Murdoch go? Some conservatives see the Epstein story as a calculated move to bring down the president. The conspiracy-minded draw attention to a meeting in June between Mr Murdoch and J.D. Vance, the ambitious vice-president. Steve Bannon, a strategist in Mr Trump's first administration, has said that the *Journal*'s recent Epstein story was a "kill-shot on President Trump because he had the stones to stand up to the Murdochs". (According to Michael Wolff, a journalist, Mr Bannon gave Epstein some media training in 2019.)

Others think there is less to the spat than meets the eye. "People are treating this as a vendetta," says Claire Enders, a media analyst and longtime Murdoch-watcher. In reality, she believes, it is a screw-up. She suspects that Mr Trump's demand to Mr Murdoch that the story be dropped may not have been passed on by Mr Murdoch (though the president is also reported to have called the paper's editor). Mr Murdoch is keen to avoid any suggestion that he has editorial control over his companies, amid a libel complaint against Fox News by Smartmatic, a provider of voting systems. "He doesn't want to be seen to have the power to cut a story—and it is scrupulously denied him, to avoid trouble with Smartmatic," says Ms Enders.

For Mr Trump, a lawsuit against the mainstream media may seem like a way to unite his supporters, who are divided over his handling of the Epstein affair. But if the case moves forward then the discovery process, in which each side may request documents from the other, may be uncomfortable. "Discovery will probe his relationship with Epstein, his crude communications generally and with Epstein and other convicted felons as well," predicts Mr Karle. That may lead to more revelations—and more unwelcome headlines. ■

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Coupon clipping

Cuts to food stamps are about to hit in America

One in five people in New Mexico receive the benefit

Jul 24, 2025 01:30 PM | SANTA FE, NEW MEXICO

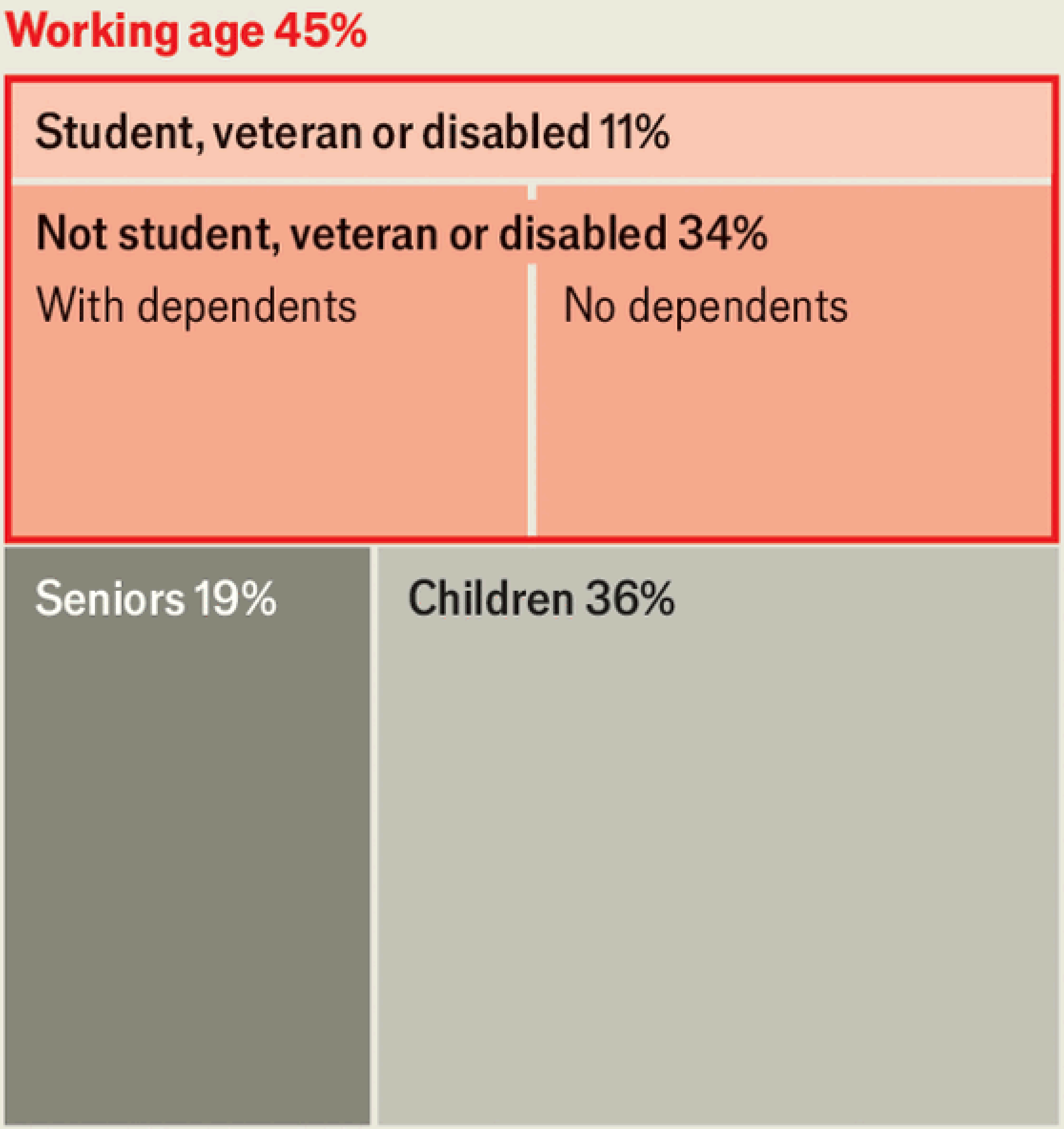
BY DAYBREAK IN Santa Fe, the line of cars already snakes down the street. Families in sedans, builders in trucks and one off-duty taxi queue up to get frozen chicken, a sack of potatoes and a gallon of milk. Everyone in line at the Food Depot, a food bank, gets served, but one couple in their 50s arrived at 5:20am just to be sure. They receive money for food through the Supplemental Nutrition Assistance Programme (SNAP), a federal welfare programme. It lasts them five days.

Cuts to SNAP are coming. The One Big Beautiful Bill reduces federal spending on the programme by 15% by 2034. One in five New Mexicans uses SNAP—the highest rate in America. The state reckons that it is set to lose somewhere between $224m and $352m in federal funding in the first year alone. Almost 60,000 New Mexicans are likely to become ineligible for support. The federal Department of Agriculture, which due to a quirk of history is responsible for SNAP, has defended the cuts, saying it is "attempting to right size the programme". Some wonks warn that the cuts are so steep that some states might eventually withdraw from the programme altogether.

Stamp collecting

1

United States, SNAP* participants, 2023, % of total

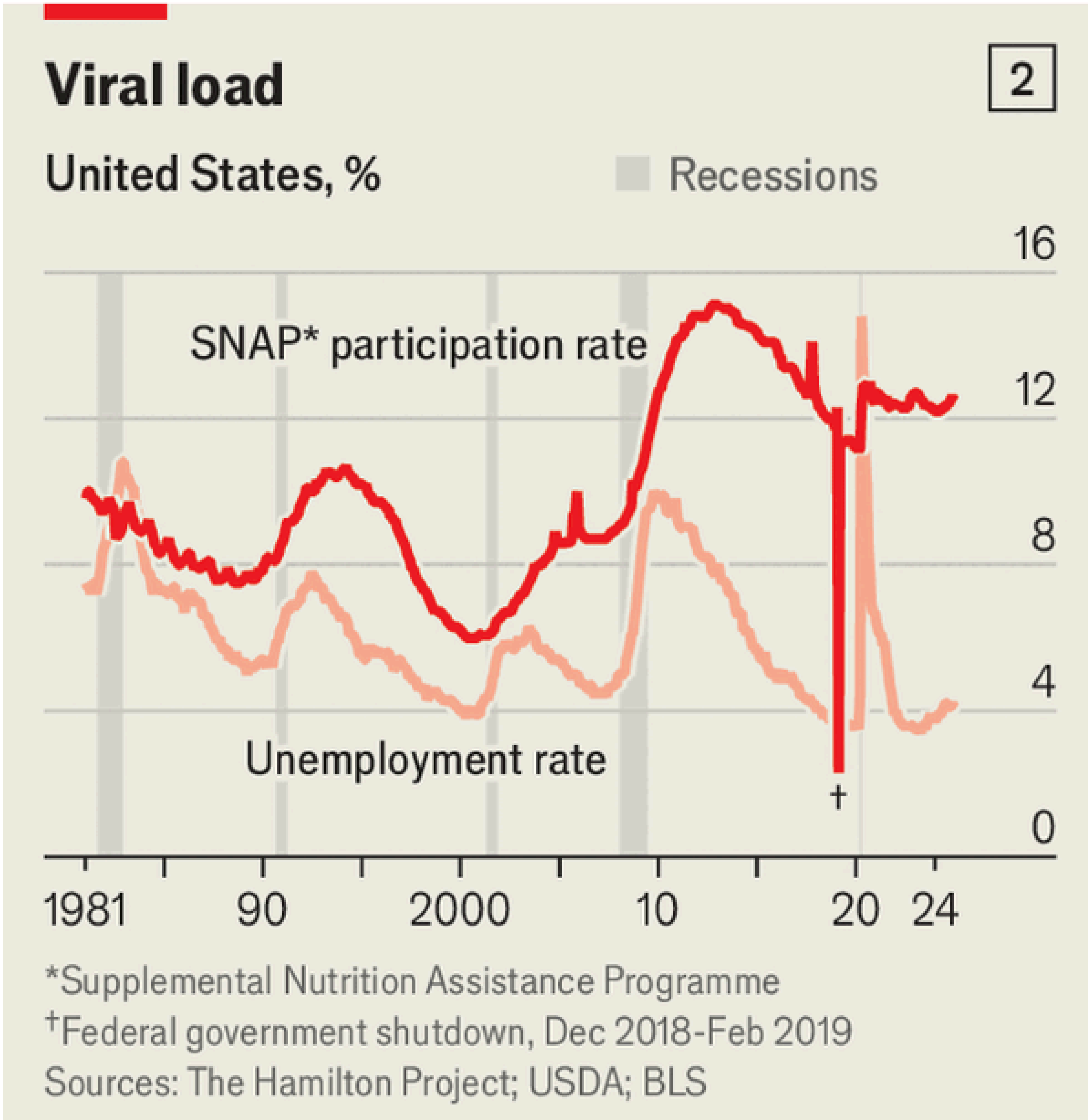


*Supplemental Nutrition Assistance Programme
Sources: The Hamilton Project; BLS

SNAP has unusual visibility for a safety-net scheme. Formerly known as food stamps, the programme has roots in a New Deal plan to redirect crop surpluses. Its subsequent survival owes much to cynicism about cash-benefits. It has become comparatively more important as other welfare programmes withered. Generally, SNAP is available to those at or below 130% of the federal poverty line, around $3,400 per month for a family of four. About 42m Americans use the programme (see chart 1). The scheme has benefits: one study found that those on SNAP had $1,400 less per year in medical costs. Young children who receive SNAP live longer, earn more and stay out of jail at greater rates than those who do not.

But, as Glenn Thompson, chair of the House of Representatives' Committee on Agriculture, has noted, the costs have "balloon[ed]". Between 2019 and 2024 SNAP grew from $60bn a year to $100bn. Uptake rose during the pandemic, as lots of states tried to sign up as many people as possible. Many of those people have stuck around since (see chart 2). Cost per person has gone up too: first due to a temporary pandemic-era boost and then due to food-price inflation. But there was also a bigger change: for the first time since 1975, the amount of the benefit grew to reflect the changing cost of a healthy diet. Payments went up by a fifth, although SNAP still allocates just $6 a day for food.

The mega-bill is not resetting the programme to its 2019 level, however. SNAP will undergo a series of changes, including increased work requirements and cutting off lawful immigrants. The biggest change is to make states chip in. Previously, the federal government paid for all SNAP benefits, ensuring that even poor people in poor states received support. Now "states will have some skin in the game", says Kevin Corinth of the American Enterprise Institute, a free-market think-tank.



From 2028, the amount states will pay will be based on the amount of SNAP payments they disburse incorrectly, known as the error rate, on a sliding scale. Those with a low-enough rate can avoid paying entirely, while those that send more than 10% of payments incorrectly will have to pay for 15% of benefits. The national average is 11%—just eight states are sufficiently frugal to avoid any of the cost sharing.

Administrators in New Mexico have a detailed plan to cut mistakes, through prosaic things like improving applicant interviews. Luckily the state has a reprieve: an 11th-hour change to the law gives states with the highest error rates more time before cost-sharing kicks in (perhaps not coincidentally, Alaska, represented by swing-vote Senator Lisa Murkowski, has the highest rate in the country). States have limited options if they cannot reduce mistakes. The law stops them from reducing benefit amounts, or cutting off certain groups. Given that almost all states are required by their constitutions to balance their budgets, they have to either redirect spending, raise taxes or reduce SNAP rolls by making it harder to apply.

What if there is a recession? “You get a huge budget crunch,” says Robert Greenstein of the Brookings Institution, another think-tank. “You could actually see a number of states completely terminating the programme, even as need increases.” ■

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Weekend profile

Charlie Kirk, pied piper of the American right

The college drop-out fighting to preserve Donald Trump's youth vote

Jul 24, 2025 01:30 PM | Riverside, California

THE CROWD at the University of California Riverside was riled up. A few thousand people—locals and students at this public university outside Los Angeles—had gathered on a campus lawn to watch Charlie Kirk debate anyone who would challenge him. Many of them knew Mr Kirk, a 31-year-old conservative activist, from social-media videos documenting his debates with college students. These have titles like "45 Minutes of Charlie Kirk SHUTTING DOWN College Kids".

To his supporters, Mr Kirk is more than a conservative activist: he is an evangelist of the right, St Paul SHREDDING the libtard Gentiles. He started Turning Point USA, the country's most prominent conservative youth organisation, "to save the greatest culture and country ever to exist", as he put it in a video from 2023. Although some on the right might see that goal as accomplished by Donald Trump's re-election last year, he remains in organising mode. Many of Mr Trump's most ardent supporters have recently become disillusioned by his administration's handling of the Jeffrey Epstein affair. Mr Kirk has attempted, on his podcast, to lead this unruly flock back to their master. As Mr Trump loses popularity and the rift within his party grows, the coming months will test whether Mr Kirk has made a lasting mark on American politics.

As the crowd at UC Riverside chanted "USA", Mr Kirk took the mic under a tent emblazoned with the challenge "Prove me wrong." A freshman biology student wearing a bucket hat attempted to do just that. He said he wanted to debate abortion. When Mr Kirk, a devout, pro-life evangelical, asked the student to define life, he responded that life began at "consciousness and speech". Mr Kirk interjected that babies usually don't start speaking until they are a year old, "so if I murdered you at six months, that's ok?" Backed into a corner, the flustered student doubled down. "Yes," he said firmly. The crowd bayed. "The fact that he's a biology student at this university shows the horrifying moral rot happening at higher education," said Mr Kirk, as the student was ushered away. Shortly after, a video was posted to Mr Kirk's YouTube channel: "UCR Bio Student Justifies Abortion Past Birth".

As a boy, Mr Kirk styled himself someone who was unafraid to call out bad ideas, as he saw them. At his high school in the Chicago suburbs, he championed small government and the theories of Milton Friedman and pushed classmates to justify their fervour for Barack Obama, the lodestar of the Democratic Party at the time. It wasn't just the ideas of the right that drew him. Being a conservative at his uniformly liberal school was an act of rebellion. "I had something in me that wanted to push back against the orthodoxy of the time," he said in a recent interview with Jordan Peterson, another conservative media star.

Mr Kirk found his milieu with an older crowd. As the rare high-schooler brimming with zeal for free markets and small government, he began talking at local Tea Party gatherings. In 2012, at the urging of a mentor he met at one such event, he dropped out of college, which he'd attended for just a few weeks, in order to focus on activism. Mr Kirk began travelling to Midwestern colleges to win over students for conservatism. Sitting at a card table next to a poster that read "I think government should be smaller", he debated any student who approached. He adored the "verbal combat", as he has described it, and he realised that, despite being a drop-out, he could hold his own against college kids.

When Mr Kirk wasn't touring colleges, he was going to cocktail parties in Palm Beach in search of funding for the nascent Turning Point USA. He was a gangly 18-year-old who didn't know how to knot a necktie, yet he quickly figured out how to part Republican donors from their money. He told them that he was going to challenge the dominion of liberalism on America's campuses. As college students began embracing illiberal ideas like "deplatforming" conservative speakers, donors found Mr Kirk's sales pitch ever more appealing.

Even the preternaturally confident Mr Kirk could not have foreseen how successful he would be. He has also deployed his talents as an organiser and fundraiser in service of the Republican Party, raising $100m to convince low-propensity voters in battleground states to vote for Mr Trump during last year's election.

The evidence suggests it worked. TP USA now has chapters at 850 colleges. A survey conducted by TikTok found that, among users under 30 who voted for Mr Trump in 2024, Mr Kirk is the most trusted individual on the platform. Mr Kirk's videos may have helped Mr Trump regain the presidency. After all, Kamala Harris won young voters by 12 points less than Joe Biden did in 2020, a bigger swing than for any other age group. Mr Trump reportedly attributes this reversal to Mr Kirk.

Show and tell

Thirteen years since Mr Kirk first set up his card table at a college, he is still inviting students to prove him wrong. But he is now a grown man, a seasoned debater and close ally of the president. And since 2018 he travels with a camera crew, the better to capture the idiocies of his opponents—who are still not old enough, in many cases, to order a beer. In the early days of Turning Point USA, Mr Kirk attempted to win the hearts and minds of the people standing in front of him. Now, he turns them into content to win hearts and minds online.

At UC Riverside, a woman steps up to the mic. Montserrat Marroquin, a 22-year-old senior, began by politely informing Mr Kirk that she was "open to learning". Civil at first, their discussion grew heated when they began to debate sexual consent. Mr Kirk asked whether a man should seek a woman's permission to kiss her. Ms Marroquin thought he should. Mr Kirk was appalled. "You've exhibited why young men are moving right so dramatically, because they don't want to be called rapists at every turn," he said. The crowd roared.

As a crestfallen Ms Marroquin walked away, one of Mr Kirk's staff rushed up to her, to assure her of Mr Kirk's good intentions. Mr Kirk is clearly sensitive to the criticism that, in debating students, he is no longer tangling with peers. He has said that he "tries to be more tender" with students intent on good-faith conversations. But he had no time to consider whether he had lived up to that ambition in Ms Marroquin's case. The cameras were rolling and there were liberals to CRUSH. ■

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Lexington

A little poetic justice for Donald Trump

The Epstein uproar has revealed an unexpected danger—for the president—of a Justice Department that seems partisan

Jul 24, 2025 01:30 PM

THE "SADDEST THING" for Donald Trump, he said in an interview during his first term, was that as president he was "not supposed to be involved" with the Justice Department. He was also "not supposed to be involved" with the FBI. That meant he could not be sure the government was "going after" Hillary Clinton. "I'm not supposed to be doing the kinds of things I would love to be doing," he lamented, "and I am very frustrated by it."

Now that he has been re-elected, Mr Trump has chosen to do the things he loves, and he has set aside conventions that insulated the Department of Justice from White House pressure. He is paying a price for erasing any expectation the department would operate independently, as it did under Joe Biden in prosecuting prominent Democrats, including his son, Hunter. Mr Trump's bandying of conspiracy theories about Jeffrey Epstein helps account for the anger of his MAGA base at the nothing-to-see-here position of his top Justice officials about records of the investigation into Epstein. But because he has left no doubt who is in charge, that anger is directed at him, too. "Why is Trump blowing up his base to protect child predators?" wondered Ann Coulter, a fierce advocate of the president, in a column in mid-July.

It could have been worse for Mr Trump: he could have had his first choice for attorney-general, Matt Gaetz, then a congressman from Florida. He withdrew just before the House Ethics Committee said it found "substantial evidence" he had committed statutory rape, an accusation he denied. Unlike Mr Gaetz, Mr Trump's second choice, Pam Bondi, has deep experience prosecuting crime, including child abuse. She spent 18 years as a prosecutor in Florida, then won two terms as state attorney-general. A lawyer for Mr Trump in his first impeachment, she claimed after the 2020 election that he had won Pennsylvania, which he lost. But before being confirmed as attorney-general she assured senators that politics would play no part in her decisions. The explosion over the so-called Epstein files shows even Mr Trump's ardent supporters are not comforted by her credentials or assurances.

Like other top Trump appointees, Ms Bondi pairs awe for Mr Trump—"the greatest president in the history of our country", she has called him—with conviction about the vast powers of his office. In her first day on the job she issued a memo to her department demanding "zealous advocacy" to defend "the interests of the United States". Those interests, she continued, "are set by the nation's chief executive" and no attorney could presume to substitute their own judgment. The same day she created a "Weaponisation Working Group" to investigate a special counsel who investigated Mr Trump, and the officials who investigated those who attacked the Capitol on January 6th 2001. Ms Bondi has presided over the departures of many career prosecutors and shifted authority to Washington from US attorneys' offices. Probably her most sweeping articulation of presidential power came in defence of the president's decision to defy a law banning TikTok. Abruptly shutting it down, she wrote, would "interfere with the president's execution of his constitutional duties" regarding national security and foreign affairs. That standard would seem to empower a president to ignore any law touching such matters.

The endless personal drama of Mr Trump and the law—his perils and escapes, his pardons of allies, his accusations of crimes by adversaries—can make it easy to overlook that, in bringing the Justice Department under his thumb, he is not just heeding his own druthers. He is also fulfilling a long-cherished conservative theory about how the constitutional system is supposed to work. Under this theory changes after the Watergate scandal threw the balance of powers out of whack. Congress overreached in passing laws to constrain the president in matters from waging war to managing the budget, while new norms excessively shielded investigators and prosecutors from presidential oversight.

The constitution charges the president with ensuring the law is faithfully executed, and the extent of that authority has never been delineated by Congress or the courts. Mr Trump may not have been wrong when he said, in his first term, "I have an absolute right to do what I want to do with the Justice Department." Those who embrace such ideas argue that, unlike civil servants, the president can be held politically accountable for his choices. But this confidence seems misplaced when the president is a lame duck, in an era when polarisation has rendered impeachment futile. Further, having the right to such authority does not mean presidents are wise to exercise it, which Mr Trump appears now to grasp, given his recent forays into implausible deniability. "I have nothing to do with it," he insisted, when asked if he would appoint a special counsel to investigate the Epstein matter—though the White House then said he opposed the idea.

Witless for the prosecution

The erosion of prosecutorial independence does not in itself mean that politics is undermining justice. It certainly does not establish that Ms Bondi made an unprincipled decision in concluding, as an unsigned statement put it, that “no further disclosure” of the Epstein files was “appropriate or warranted”. The opposite could be true: that on studying the evidence, she bravely concluded, not just that she had been wrong to promise “truckloads” of new information, but that Mr Trump had been wrong to commit to releasing the files, and wrong in spreading rumours about Epstein. In any case, another test of Ms Bondi’s integrity, and of Mr Trump’s supporters’ faith in him, lies ahead: endorsing accusations by Tulsi Gabbard, the director of National Intelligence, Mr Trump on July 22nd said Barack Obama committed treason in the investigation into Russian meddling in the 2016 election. “Whether it’s right or wrong, it’s time to go after people,” he said. ■

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The Americas

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Dear Donald, thanks! Yours, Lula

Trump’s astonishing battering of Brazil

MAGA bullying is backfiring, boosting Lula’s government

Jul 25, 2025 01:56 AM | São Paulo

RARELY SINCE the end of the cold war has the United States interfered so deeply with a Latin American country. On July 9th Donald Trump pledged tariffs of 50% on Brazilian exports, citing a “witch hunt” against Jair Bolsonaro, the far-right former president, who is soon due to stand trial for allegedly plotting a coup, a charge he denies. On July 15th Jamieson Greer, the United States trade representative, started investigating Brazil’s trade practices. On July 18th the US State Department revoked the visas of most Brazilian Supreme Court judges and other officials connected to Mr Bolsonaro’s prosecution. Marco Rubio, the secretary of state, has said he wants to use the Global Magnitsky Act to place sanctions on Alexandre de

Moraes, a prominent justice, an action usually reserved for dictators and warlords.

Mr Trump and Brazil’s president, Luiz Inácio Lula da Silva, are ideological foes and Mr Trump’s allies have long decried a probe Mr Moraes leads into online disinformation. Yet the trigger for Mr Trump’s attack appears to have been the summit of the BRICS, a group of emerging-market countries, that Brazil hosted on July 6th and 7th. Lula, as the president is known, has called the threats “unacceptable blackmail” and an attack on Brazil’s sovereignty. He also threatened to start taxing American technology companies. Brazil’s Congress, which is controlled by right-wing parties, has rallied around Lula and is mulling retaliatory tariffs.

But Lula saved his venom for Mr Bolsonaro and his son, Eduardo, a congressman, who took leave from his job in March and moved to Texas, where he has been lobbying Republican congressmen to put sanctions on Mr Moraes. Lula has called them “traitors”. “Let them be ashamed, hide in their cowardice, and let this country live in peace!” he told a rally on July 17th. Instead of rebutting the charge, Eduardo boasts about his access to the White House. After Mr Moraes’s visa was revoked, he posted on X: “I can’t see my father, and now there are Brazilian officials who won’t be able to see their families in the US either!”

Brazil’s powerful Supreme Court has responded aggressively, too. On July 18th Mr Moraes ordered Mr Bolsonaro to wear an electronic ankle monitor, confined him to house arrest during nights and weekends, and barred him from speaking to foreign officials or giving interviews. On July 19th Mr Moraes froze Eduardo’s assets as part of an investigation into whether his lobbying efforts are an attempt to obstruct the case against his father.

If drawing Mr Trump’s ire was supposed to bolster Brazil’s right ahead of a general election next year, the plan is backfiring. Brazilians of all stripes are backing Lula. Effigies of Mr Trump have been burned on the streets. Lula’s approval rating, which had been flagging, has perked up. He now leads the field of potential candidates for next year’s race.

Mr Trump’s tariffs have also given Lula an “incredible get-out-of-jail-free card”, says Andre Pagliarini of the Washington Brazil Office, a think-tank.

“Whatever economic pain Brazil is likely to feel between now and the election, the government can credibly point to the Trump tariffs as the cause, whether it’s true or not.”

In fact, the tariffs may cause pain for Mr Bolsonaro and his right-wing allies. Only 13% of Brazil’s exports go to the United States, worth $43bn a year (some 28% go to China, a share likely to grow if Mr Trump’s tariffs are enacted). Goldman Sachs, a bank, reckons tariffs may lower growth by 0.4 of a percentage point to around 2% this year. Yet the impact is likely to fall disproportionately on companies based in regions that are Bolsonaro strongholds. More than a third of unroasted coffee beans imported into the United States come from Brazil. The vast majority of imported orange juice comes from Brazil, too. Beef imports are growing fast. Economists at the Federal University of Minas Gerais reckon that some 110,000 Brazilians will lose their jobs if the tariffs come into effect, mostly in agriculture. It is telling that Brazil’s national confederation of farmers, usually a Bolsonaro stalwart, condemned the “political nature” of Mr Trump’s tariffs. Even Mr Bolsonaro has tried to distance himself. He says the tariffs have “nothing to do with us”.

Brazilians are particularly riled by the idea that the Trump administration may go after Pix, the popular instant-payments system launched by the central bank in 2020. This was not threatened explicitly, but Mr Greer included “electronic payment services” on a list of Brazilian practices his office deems “unreasonable or discriminatory” to American firms. “The idea that Pix represents an unfair trade practice against the US is unfounded,” says Ralf Germer of PagBrasil, a leading Brazilian payments processor. Pix has spurred competition in Brazil’s previously fusty banking sector by offering low-cost infrastructure whereby upstart firms can easily provide financial services. That increased competition has also undercut American payment firms like Visa and Mastercard.

Complaints about unfair trade practices have merit. Brazil is one of the world’s most closed economies, with 86% of imports facing non-tariff barriers (as do 77% of imports to the United States and 72% of imports globally). Domestic industry receives endless bungs from the federal and local government. But if this is Mr Trump’s real concern, he has not said so.

Brazil’s government has been attempting to contact the White House since May in order to negotiate a trade deal, but their entreaties have been ignored.

Only Eduardo Bolsonaro, it seems, has Mr Trump’s ear. “Trump is someone I admire, someone I look up to, someone I want to get to know better so that, who knows, maybe in the future, if I have power, I can follow in his footsteps in Brazil,” he says, speaking by video call from his office in Texas, which is adorned with MAGA hats and crucifixes.

Lula appears reinvigorated by the feud. He now wears a blue cap that says “Brazil belongs to Brazilians.” But a former Brazilian diplomat says Lula’s officials worry that the boost may not last. If tariffs come into force and economic pain sets in, Lula will struggle to lay all of the blame with Mr Bolsonaro. The question is which 79-year-old will back down first: the impetuous Mr Trump or the strong-willed Lula. ■

Correction (July 25th)*: An earlier version of this piece mistakenly said Lula’s rally took place on July 16th. In fact it was July 17th. Sorry.*

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Cash no longer rules Caracas

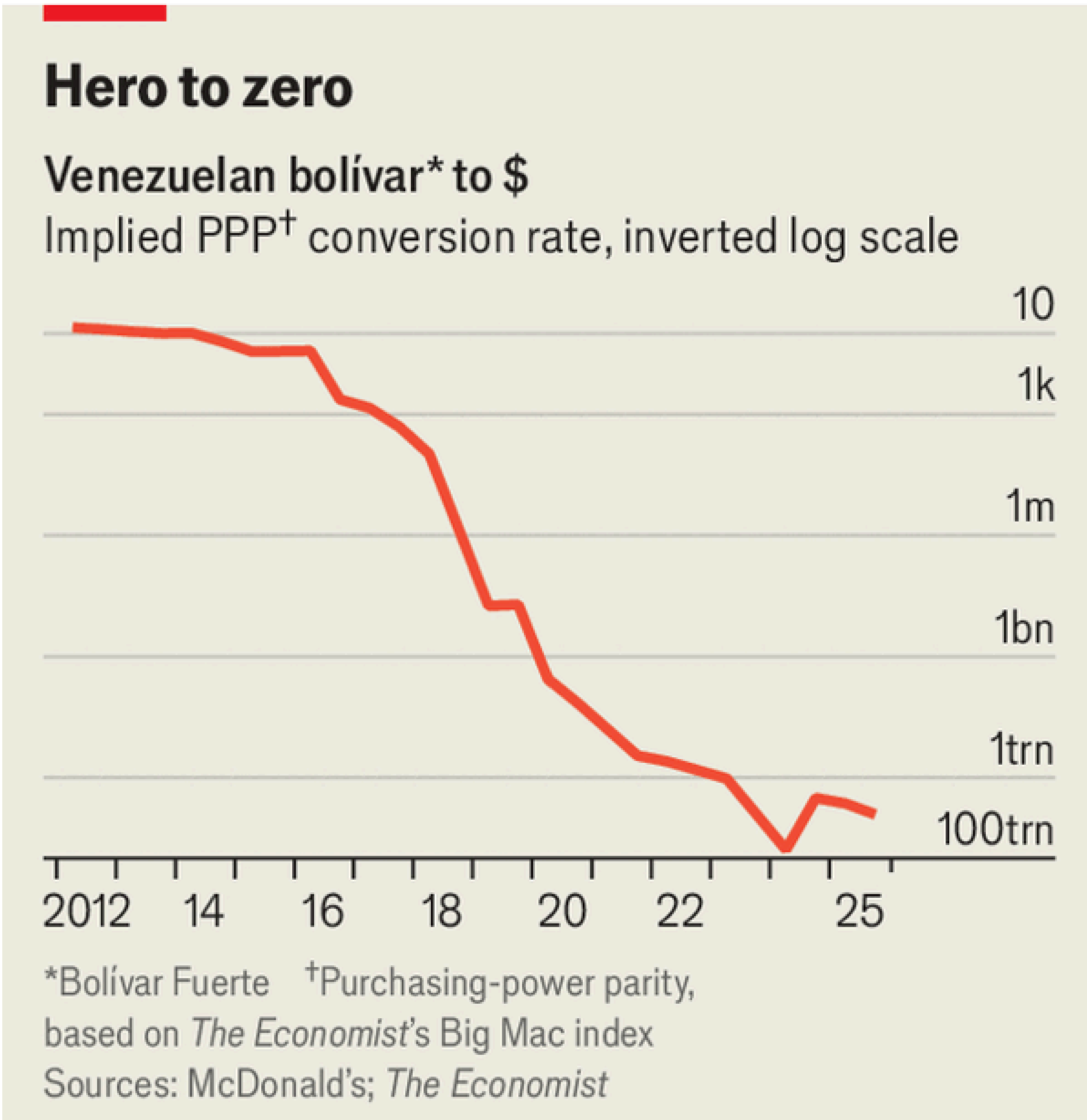
A new paradise for crypto

Amid monetary mayhem in Venezuela digital finance is booming and may threaten the regime

Jul 24, 2025 01:30 PM | Caracas

IN IAN FLEMING'S 1961 novel, "Thunderball", Ernst Stavro Blofeld, James Bond's archenemy, considers the bolívar, along with the Swiss franc, to be the "hardest" of all the world's currencies, an ideal store of value for the takings of his criminal enterprise. This fictional depiction accurately reflected contemporary economics. Between 1950 and 1980, Venezuela had the lowest rate of inflation in the world.

How times have changed. Over the past 25 years, under breathtaking economic mismanagement, first by Hugo Chávez, who became president in 1999, then under Nicolás Maduro, who took over from his late socialist mentor in 2013, the country that is blessed with the world's largest proven oil reserves has seen its currency crash more spectacularly than did the Weimar Republic’s papiermark in the 1920s (see chart). A total of 14 zeros have been removed from Venezuelan banknotes since 2007. Blofeld’s bolívars are worth one-trillionth of 1% of what he paid for them.



There was some respite as the current decade began. In 2019 inflation had reached eye-popping levels, and prices were tripling every month. Facing its possible demise, the regime, whose main expertise is in its own survival, finally saw sense. That year, it allowed informal use of the dollar and lifted import restrictions as part of a package of economic reforms. That helped stabilise the economy.

But this year the bolívar has begun to slip again. As of July 22nd the official rate was down 56% against the dollar. The black-market rate is 30% lower still. Bank of America thinks inflation will hit 530% for 2025. “Completely false”, says the regime. A shortage of dollars may be playing a role, after the Trump administration allowed the licence of an American oil giant, Chevron, to operate in Venezuela to lapse on May 27th. “Chevron was the most important supplier of dollars to the private companies in the Venezuelan foreign-exchange market,” says Francisco Monaldi of Rice University in Houston.

Mr Maduro’s response has been to muffle the messengers. In June the regime arrested several economists and consultants who had been tracking inflation and exchange rates, including Rodrigo Cabezas, a finance minister under Chávez. (He was released on July 23rd.) In May the government arrested 20 people who it said were associated with Monitor Dólar, a website which published black-market rates. The site is now offline.

But the messages persist and the bolívar continues to slump. Some are reminded of 2016-19, when hyperinflation raged, pensions and state salaries became worthless, and shops and companies went bust as the cost of supplies outstripped customers’ ability to pay. “It’s really tough” says Liliana, an accountant in Caracas, the capital. “We might go back to that era where many businesses closed and people left.”

But one thing has changed since 2019. Then, cash was king. Card payments were functionally useless because banks were still accounting using the official exchange rate, meaning spending limits became minuscule. “Going out to dinner you felt like a drug dealer, with bricks of banknotes in every pocket,” recalls a diplomat who was posted to Caracas at the time.

Today, the black market for currency is online. Mobile-phone applications of uncertain jurisdiction such as Binance and Airtm let users exchange almost any currency, fiat or crypto, between themselves, at rates set by an active market. Businesses often use these platforms to rid themselves of bolívars as soon as they receive any, before the currency’s value slides again.

These new digital markets help some Venezuelans cope with the returning scourge of inflation. And they are beyond the regime’s control. ■

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When first class isn’t good enough

The new private jet pecking order

In oligarchic aviation China has just fallen behind India

Jul 24, 2025 02:41 PM | Mumbai

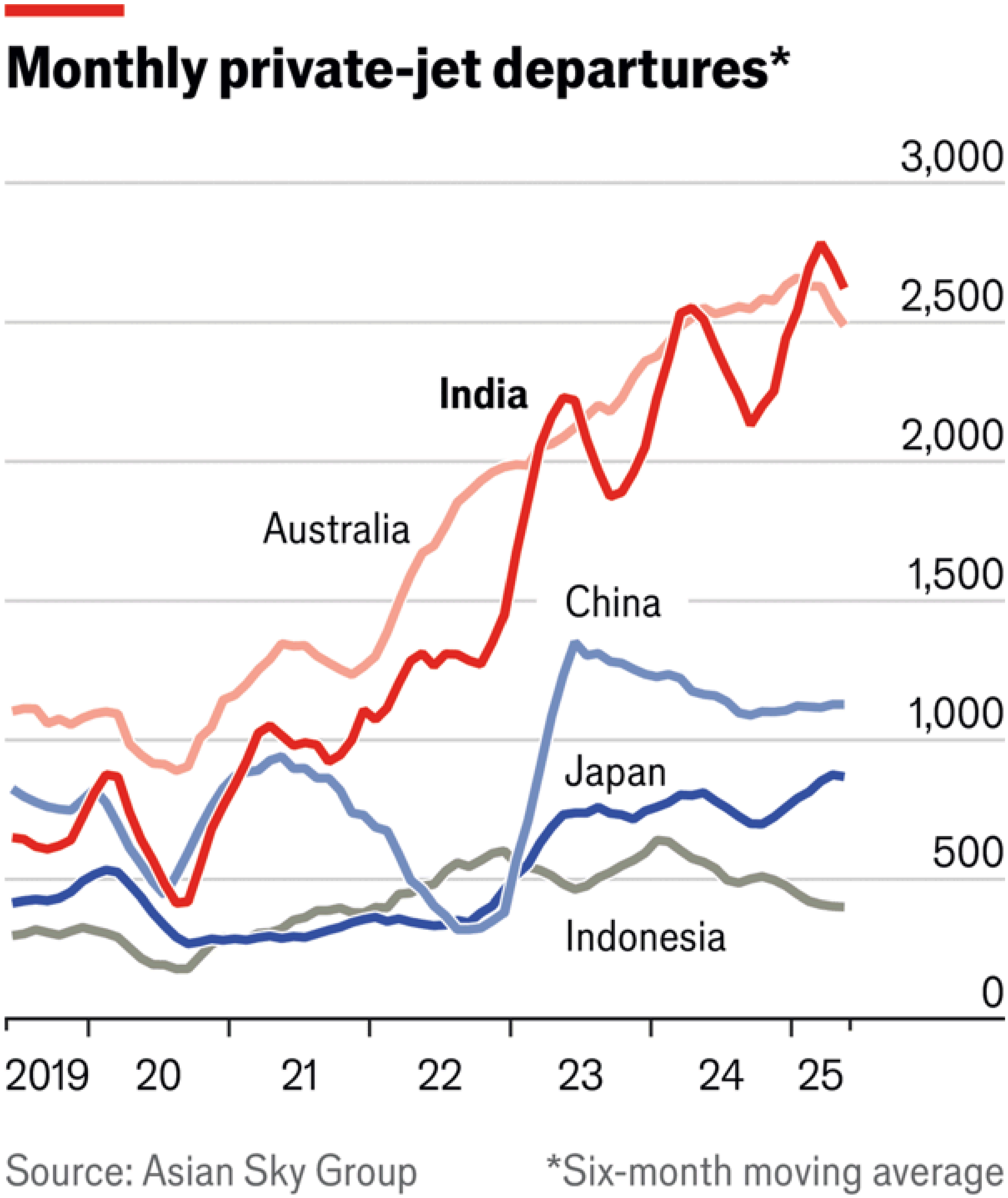
LIFE FOR Asia’s super-rich has its ups and downs. One industry, more than any other, provides a bird’s-eye view on their fortunes: the mind-boggling market for private jets. In recent years the number of posh private aircraft registered in China has dropped like a stone, in part because the Communist Party has taken umbrage against lavish displays of wealth. These days it is India’s rising rich who are snapping up sleek personal planes.

Private jet-makers have long gambled that Asia will deliver an outsize chunk of future growth. By one estimate, the value of private-jet sales in the continent will swell 7% a year to 2030. That compares with 4% annual growth worldwide and a mere 1% in America (already home to two-thirds of the world’s private-jet fleet).

For years it was Chinese demand that made brokers in the region rich. Chinese tycoons took to the skies in droves during the go-go years of the 2000s and 2010s. Their country still has more private jets than any of its neighbours, yet the lead has been dwindling. Between 2021 and 2024 the size of China’s fleet shrunk by a whopping one-quarter, to 249 jets, according to Asian Sky Group (ASG), a business-jet broker and consultancy.

Zero-covid rules preventing travel may have encouraged some of the jet junking. More important: Chinese magnates lost money to a property crash and to crackdowns by a ruling party that thinks entrepreneurs are too big for their boots. The number of dollar billionaires in China peaked at about 1,185 in 2021 (37% of the global total). Since then, the number has fallen by one-third.

A few years ago the Chinese government relaunched hoary campaigns that aim to stop party members, and anyone else with a public profile, behaving in ways that could be deemed extravagant. That has gone as far as banning alcohol at government functions and lambasting excessive flora in meeting rooms. Thus even people with lots of cash now worry about being seen spending it.



Hop across the Himalayas, however, and one finds a very different mood. Between 2020 and 2024 the number of private jets registered in India jumped by nearly a quarter to 168. The number of monthly private flights tripled to more than 2,400, higher than anywhere else on the continent). In the year to March 2025, four of the ten most popular private-jet routes in

Asia were domestic Indian ones, connecting Mumbai to Delhi, Bangalore, Ahmedabad and Pune (a mere four-hour drive away). None of the busiest routes began or ended at a Chinese airport.

The good times in India started in 2021, says Vinod Singel, who back then was selling planes for Bombardier, a Canadian aircraft-maker. “That’s when I saw the real boom.” Private-jet firms once treated India as an afterthought. Now they organise polo matches to woo customers.

Top ten private-jet routes in Asia-Pacific, 2024-25

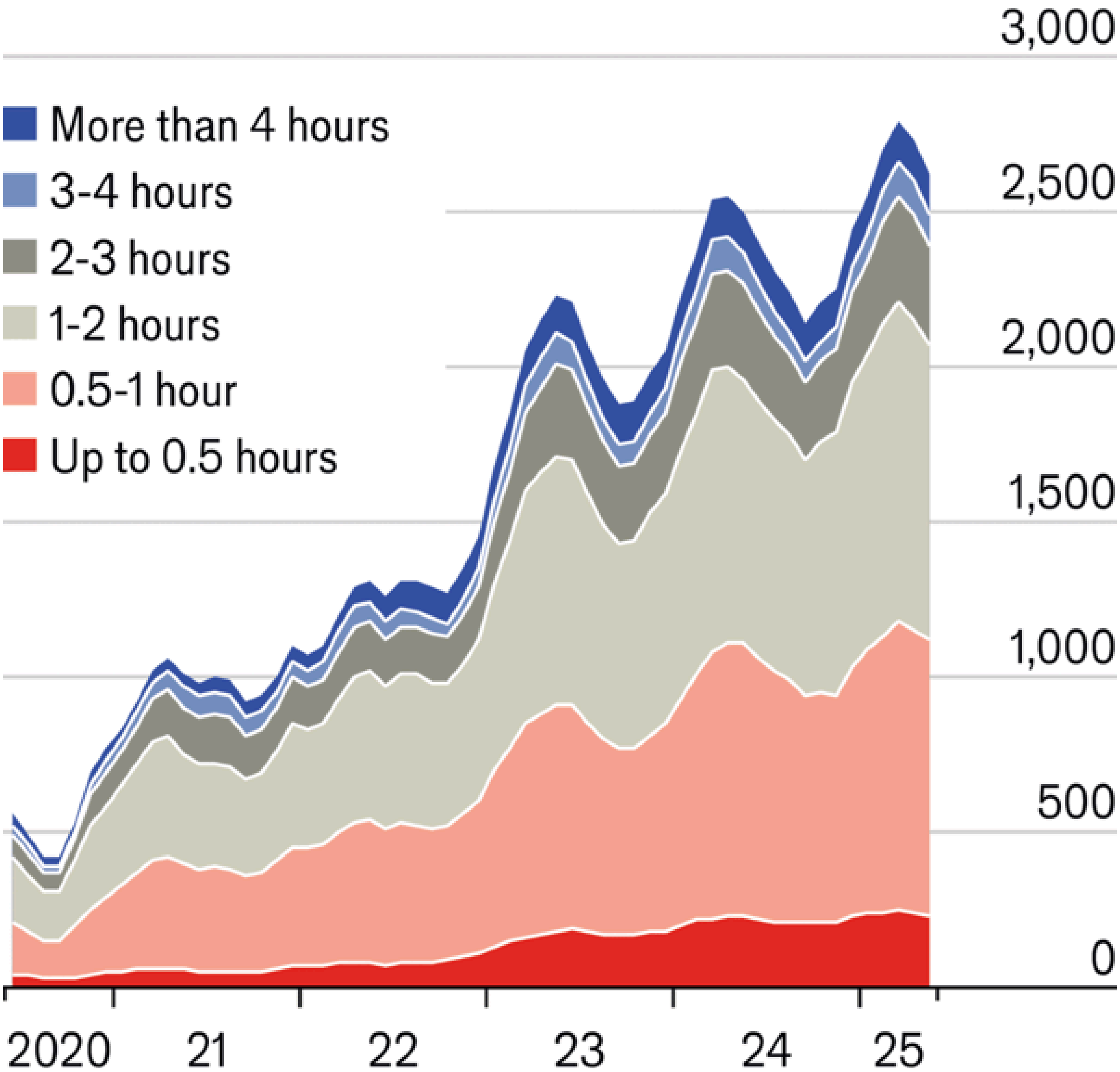
Source: Asian Sky Group

“A whole new wave” of super-rich customers has joined the market, says Nitin Sarin, a lawyer in aviation finance. “When I started out it was just the big boys” who bought private jets, he says, such as the people running India’s richest conglomerates. Now buyers come from construction, jewellery, pharmaceuticals and education. Many are from second- and third-tier cities. They “are done buying their Maybachs and Rolls-Royces”, says Mr Sarin.

High-flying Indians differ from their Chinese peers in the jets they buy. In China the market is a lot about “showing off”, says Dennis Lau of ASG. The thinking is: “[I can’t] turn up to my golf game in a jet that’s smaller than my competitor.” So Chinese buyers lean towards high-end aircraft that can go long distances, even if that is more than they require.

Indians more often buy practical models, and use their planes more intensively. In China it is easy to cover shortish distances on the ground using high-speed rail or pristine new highways. That is not at all the case in India. As for commercial flights, schedules in India are not yet deep enough to permit day-tripping to the small cities and factory sites that tycoons sometimes visit. Besides, “it’s not easy to fly commercially,” says Rohit Kapur, a broker and former president of the Business Aircraft Operators Association. “Try going into a lounge anywhere in India. There’s a queue of 500 people with their credit cards.”

India, private-jet flights*, by duration



Source: Asian Sky Group *Six-month moving average

Rich Indians are fiercer negotiators than their Chinese peers, brokers say. One tells of a colleague who met a Chinese client at a golf club in order to clinch the sale of a $65m jet. The buyer's friend came by and decided on the spot to buy the same aircraft. In India, by contrast, even "top-level clients” haggle down to the last $5,000 on a $100m jet, says the broker: “Nobody splurges here.”

This hard-nosed bargaining looks a bit more reasonable once all the costs of ownership are totted up. Private jets go for between $3m and $100m, depending on their size, range and age. Taxes on them run at 28% (though most Indian buyers charter them out sometimes, which cuts the levy to 5%). For a $10m jet, fixed annual costs run at $1m-1.5m, not including charges for fuel, parking and landing fees.

If the market keeps growing, ordinary Indians will soon also get saddled with some of the costs. Private flights produce far more emissions per passenger than the commercial kind. They also jam up busy airports. India lacks small airfields of the kind other countries use for private jets. It has only about 300 airfields in total, compared with 16,000 in America.

As the number of airports grows—a government priority—so will the number of jets. Private charter services aimed at less pecunious millionaires are getting more common. The industry could expand swiftly using innovative business models borrowed from the West, such as on-demand aircraft charters and timeshares.

The Indian market does not seem hostage to the sort of government meddling that has lately weighed down planes in China. The main thing that could clip its wings, then, is a big economic downturn. If that happens, the super-rich—like everyone else—might just have to make some wrenching adjustments. In a recession, warns Mr Kapur, company jets “will be the first thing to go”. ■

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Wheely fast

“Bangla Teslas” give Musk a run for his money

E-rickshaws are overrunning Bangladeshi cities

Jul 24, 2025 01:30 PM | Dhaka

All powered up

TIMES ARE tough for Tesla. Lately sales of the firm’s pricey electric vehicles (EVs) have fallen around the world. Yet in Bangladeshi cities, a humbler namesake is flourishing. Battery-powered rickshaws—jokingly named “Bangla Teslas” by locals—are upending urban transport. The guess is that there are now more than 4m (up from 200,000 in 2016), transporting tens of millions of people every day. They are perhaps the world’s biggest informal EV fleet.

Cycle-powered rickshaws have long been a popular way of getting around Bangladesh’s cities. They are often daubed with colourful paintings. The UN has recognised them as part of Bangladesh’s “intangible cultural heritage”. But around 2007 some drivers began retrofitting their machines with imported Chinese electric motors and lead-acid batteries. Nowadays small firms in the informal sector make and sell these e-rickshaws from scratch.

This is good news for rickshaw drivers. A “pedal-rickshaw puller makes barely 200 taka and crawls like a tortoise” says Shakilur Rahman in Dhaka, the capital. “I can earn around 1,500 takas a day ($12.50) from my Tesla.” This is because e-rickshaws can go at up to 40kph, four times faster than pedal ones. “This is risky,” concedes Mr Rahman. “But anyone can handle it”.

Much evidence disagrees. Many e-rickshaws are flimsy contraptions not suited to the speed an electric motor can fling them. Accidents are becoming more common. A local NGO estimates that there were 870 fatal crashes involving e-rickshaws in 2024. By April this year the death toll had already reached 378. One national daily called it an “apocalypse”.

E-rickshaws’ lead batteries are another problem. When they reach the end of their lives, they are melted down by unlicensed recyclers. This releases fumes that contribute to lead poisoning, which is already a national scourge. UNICEF reckons that about 35m Bangladeshi children have dangerously high levels of lead in their blood.

Encouraging drivers to replace their batteries with less toxic (but more expensive) lithium ones would make things a bit safer. Tiger New Energy, a startup, in effect offers them by subscription: drivers who use its service can instantly swap a run-down battery for a freshly charged one at kiosks dotted around town, saving time and money.

As for cutting crashes—that must fall to the government. Previous attempts to ban e-rickshaws have caused uproar. In June the country’s interim government, which took over after a revolution last year, prepared draft rules that would tighten speed limits and make registration mandatory. But similar regulation has sputtered before, due to weak enforcement. Will these fresh efforts provide better brakes? ■

Japan’s political kaleidoscope

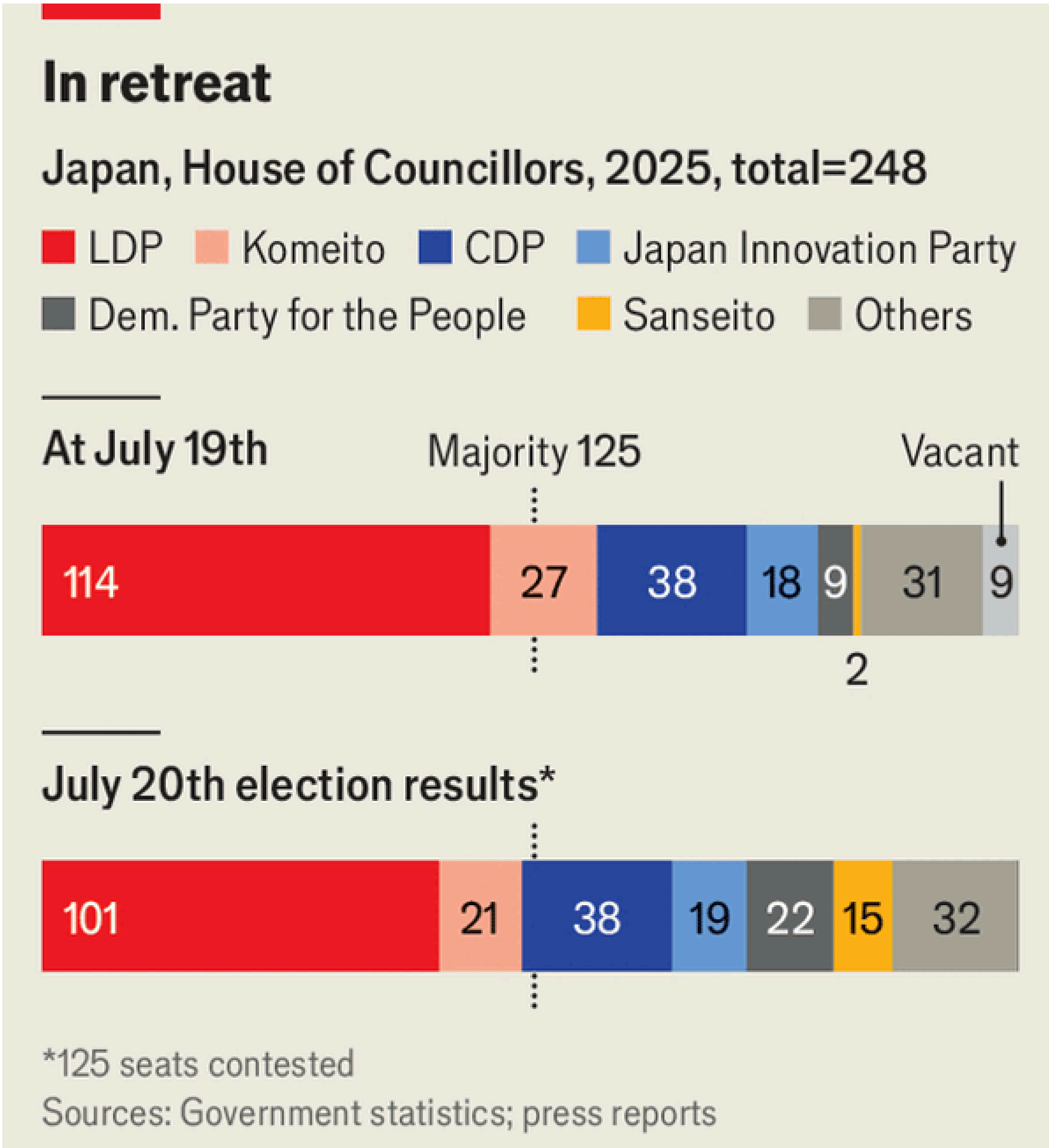
Ishiba Shigeru’s premiership is crumbling

New political forces are gaining ground

Jul 24, 2025 01:30 PM | TOKYO

ISHIBA SHIGERU waited years for his moment. After four failed attempts [he became leader of Japan’s ruling Liberal Democratic Party (LDP) last October](), and thus the country’s prime minister. He called his victory a “mandate from heaven”. Less than a year later, things have fallen apart. At an election on July 20th the LDP and its smaller coalition partner, Komeito, lost their majority in the upper house for the first time since 2013. The coalition had already ceded its majority in the more powerful lower house last year. Mr Ishiba has said he will stay on, but his resignation seems inevitable. A poll by Kyodo, a news agency, shows his cabinet’s approval rating has slumped to 23%.

The political turmoil comes at a delicate moment for Japan. Straight after the vote, Mr Ishiba said that the task of concluding trade negotiations with America was a good reason for him to stay in his job. Donald Trump had threatened to impose 25% levies on all Japanese goods from August 1st. Steep sectoral tariffs have already gone into force, including a 25% levy on cars, a key industry for Japan. Then on July 23rd the two countries announced the rate would be lowered to 15%, both for cars and most other stuff. In exchange, Japan said it would make big investments in America and purchase more American rice. Mr Ishiba called this a “major achievement”—but it still leaves Japan facing higher tariffs than before Mr Trump came to power. And by completing the deal, Mr Ishiba has made himself look more expendable.



The LDP has dominated Japan's politics for seven decades, and even now remains the single largest party in both chambers of its parliament. But the results of the upper-house election confirm that its [long grip on power is weakening](). Its main threat is no longer the established centre-left opposition, the Constitutional Democratic Party (CDP). Instead it is political upstarts that are luring voters away.

The most striking gains were made by relatively new parties. The Democratic Party for the People—a centrist outfit led by Tamaki Yuichiro, who has populist flair—more than doubled its seats, from nine to 22. That makes it the second-largest opposition party in the upper house, after the CDP. The Do It Yourself Party (Sanseito), a hard-right, anti-immigrant party which uses the slogan "Japanese First", also made a breakthrough. It jumped from two seats to 15. These newish parties energised voters: turnout increased to 59%, the highest since 2012.

The LDP was on the defensive long before polling stations opened. In recent years, scandals have tainted the party's image. Mr Ishiba, the 68-year-old scion of a political family, has struggled to give his outfit new appeal among the young. Most of all, "voters were dissatisfied with the LDP's response to inflation," says Uchiyama Yu of the University of Tokyo. Prices have risen steadily since 2022. Wages have not been keeping up; in real terms they have fallen for five straight months.

During the campaign, parties of all stripes promised voters tax breaks and other giveaways. That unsettled investors, who were already worried about Japan's public debt, which stands at around 135% of GDP on a net basis. In particular, opposition parties called for a cut in the consumption tax, currently 10%. In response, Mr Ishiba, a fiscal hawk, promised a one-off cash handout of 20,000 yen ($136) per resident. That pledge was too meagre to win over many voters. And it irked many of the party's existing supporters, who saw it as shallow and reactive.

Yet it was immigration that dominated the final days of electioneering. The country is becoming increasingly reliant on migrant workers to fill jobs. The number of foreign workers reached a record 2.3m last year. That is still only around 3% of the workforce (compared with around 20% in Britain and Germany) but is three times higher than a decade ago. Sanseito, the hard-right party, accused the government of importing cheap labour at the behest of big business. It claimed this was holding down wages for locals and causing crime.

What will the LDP do now? Lacking a majority in either chamber, it will need other parties to help it pass legislation. It could try to expand its coalition by bringing in more of them. But all the likeliest candidates have so far rejected this idea.

Once Mr Ishiba steps down, the party could install a fresher face, such as Koizumi Shinjiro, the charismatic 44-year-old son of a former prime minister. Or it could move right in an effort to fend off Sanseito: Takaichi Sanae, a nationalist who competed for the LDP’s leadership last year, has already hinted that she would consider another tilt at the top job. For years Japan had seemed to escape the populism and polarisation that has upturned politics in many other rich democracies. That is clearly no longer the case. ■

Neigh bother

Conservationists have rescued the world’s last truly wild horse

The takhi has never been tamed

Jul 24, 2025 01:30 PM | Hustai National Park

No ordinary nag

MONGOLIA IS A nation of horsemen. In the 13th century its cavalry, led by Genghis Khan, conquered huge chunks of Asia and Europe. These days the country puts its equine expertise to different uses. It is leading efforts to rewild perhaps the world’s most endangered horse.

The beasts in question are known to Mongolians as *takhis*, and to the wider world as Przewalski’s horse (pictured). Genetically, these animals are about as far removed from a common nag as it is possible for a horse to be (they have additional chromosomes, for a start). Romantics call them the world’s last truly “wild” horses. Unlike other free-roamers such as mustangs, the *takhis* have never been tamed.

The animal was unknown to Western horse-fanciers until the late 19th century when Nikolai Przewalski, a Russian explorer, brought home proof of life. Cue a grim horse rush that nearly did them in. Mongolian hunters trapped foals on demand for foreign collectors (often killing the parents in the process). Habitat loss and climate shocks later thinned the herd. By the late 1960s there were none at all left in the wild.

That blow spurred conservationists in lots of places to breed the ones they had in captivity better (these had themselves fared terribly, for a time dwindling in number to only about 30). This has been a qualified success. Today there are probably some 2,000-2,500 Przewalski’s horses. That is no army—but it is a relief, given how close they came to the abyss.

These horses are being returned to their old homes. At Hustai National Park, not far from Mongolia’s capital, Ulaanbaatar, your correspondent spies the stocky animals cresting a ridge. Some 350 live on the reserve, says Dashpurev Tserendeleg, the park director (sporting a *takhi*-themed T-shirt). That is “the biggest population in one place in the world”. And it is one of three reserves in Mongolia, hosting around 800 of them in all.

Mongolia is not the only country rewilding this singular horse. In June, six bred in European zoos were released in Kazakhstan. China has reserves for them, too. But the task is especially important to Mongolians, notes Gegee Azjargal, a botanist at Hustai, as she watches them gather at a stream. “Preserving the *takhis* is about preserving our identity,” she says. ■

Banyan

“Gated communities” are flourishing in India

But they are not quite the havens its elites had in mind

Jul 24, 2025 01:44 PM

IN THE OLD mill lands of Mumbai, along the avenues of the new city of Gurugram, abutting the tech campuses of Bangalore and on the edges of most other big Indian metropolises rise clusters of awesome towers with names such as Imperia, Opulus and Pinnacle. Inside are worlds of quiet luxury: gyms with personal trainers, multiple pools and spas, private cinemas, acres of gardens and, to satisfy residents’ metaphysical needs, meditation areas and temples.

India can be a difficult place to live, with its pollution, noise and chaos. Yet even the richest stay put. This year some 3,500 Indian millionaires are expected to emigrate, according to data from Henley and Partners, an outfit that helps them acquire foreign passports. But that is a small fraction of the country’s roughly 850,000 dollar millionaires, and the millions more just below that threshold. Uprooting yourself from your home and your loved ones is a wrenching business, even for the rich.

But what if you could leave without leaving? That is the promise of the towers sprouting across the country, known as “gated communities”: a rich-world lifestyle with poor-world benefits. At last count in 2021, these kinds of ritzy developments hosted 16m households in India’s 50 biggest cities, according to Redseer, a consultancy. By 2031, the number may double.

Consider the attractions: in London, a rich Indian émigré might still have to wheel his own suitcase up his driveway. If he lives at a fancy tower in Mumbai, however, an “elite white-glove” valet may do the job for him. “Ultra-luxury” homes such as these accounted for around a fifth of all new developments launched in first-tier cities in the first three months of this year, according to Anarock, a research firm. Developments classed as “luxury” or “high-end”—featuring merely a single pool, say—made up a further half of them.

Cynics might detect another lure: a desire to preserve the highly stratified society that India is supposed to be casting off. Entry to many of these enclaves is controlled by an army of security guards (visitors are increasingly required to supply a one-time password). Staff and people delivering things are often directed to use separate lifts. Many Hindu-run complexes explicitly or implicitly prevent Muslims from moving in. Such policies eerily echo the caste- and religion-based segregation that has shaped India for centuries.

Residents of these communities pay a pretty penny, but they impose costs on outsiders, too. As developers chase juicy margins from luxury homes, fewer affordable ones get built (these make up less than 15% of recent launches, according to Anarock’s count). And India’s urban planners struggle to manage knock-on effects. Big developments often secure their water supplies by drilling deep wells, which depletes groundwater for everyone. They build their own parks and playgrounds, replicating private squares in London’s Mayfair and Belgravia.

By walling themselves away, India’s rich secede from society. If the elites don’t use public services, there is less pressure on the state to improve them. Public education and health care are already of such poor quality it would be unthinkable for a middle-class family to use them. Civic disengagement in India is widespread. Last year the statistics ministry complained that Indians in posh apartment buildings refused to respond to surveys—one reason official data in India is wretched.

Is enclave living all it is cracked up to be? No matter how hard the rich try to escape India, India has a way of finding them. Security guards cannot keep out air pollution. Households seeking space for their second, third and fourth cars have made posh estates’ car parks as jammed as urban roads.

Corruption festers within high walls, just as it does outside them. Law firms offer advice on dealing with badly behaved residents’ associations (some get accused of embezzling management fees or overcharging for services). Residents’ WhatsApp groups hum with discontent. Neighbours fight over etiquette for dog-walkers, or where Ubers may drop them off. These online forums are good venues for spreading dissatisfaction, but not for finding solutions.

A poor man in the street might take some solace from tower-dwellers’ tribulations. Alongside *Schadenfreude*, a more sobering thought might emerge. If the country’s elites cannot resolve their headaches—even with money and walls and white-gloved valets—what hope is there for anyone else?■

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China

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Chairman of Everything

Xi Jinping is growing more elusive

His leadership is entering a new but no less powerful stage

Jul 24, 2025 02:51 PM

EACH AUGUST the most powerful man in the world drops from view. President Xi Jinping will probably leave Beijing next week and join senior officials at the beach resort of Beidaihe, about three hours east of the capital, for a summer retreat. Communist Party grandees have gathered in its villas since the days of Mao Zedong. Even so, these extended absences can still stir heady speculation outside China concerning the leader's grip on power.

This year's summer conclave will reflect Mr Xi's stunning success in remaking the party's top ranks: the old guard are dead, senile or sidelined, and loyalists reign. China's paramount leader appears to have no serious rivals; he guides the world's second-biggest economy and its largest armed forces seemingly unchallenged. For world leaders, access to him is imperative. Recently, he hosted the foreign ministers of India and Russia, bigwigs from the European Union and held talks with Australia’s prime minister. And America has just reiterated its high hopes that a meeting will happen between Mr Xi and President Donald Trump later this year.

China’s elite politics remains a black box. If a leader were ever in trouble, outsiders might be the last to know. But analysts now whisper that Mr Xi’s governing style may be changing in subtle ways. Having originally strengthened a system of commissions so as to dominate the bureaucracy, he is dialling things back. Certain commissions, a kind of committee run by Mr Xi, are convening less often. In others he is allowing trusted lieutenants to implement his agenda. And he is appearing in public less frequently. Yet far from challenging the authority of China’s party chief, these developments may only enhance it.

If a shift in style is under way, it would mark a striking change for a man who has ruthlessly centralised power since taking office in 2012. The number of officials under investigation has grown alongside Mr Xi's own authority (see chart). Meanwhile, recent purges in the armed forces have been remarkable. Several generals who once sat on the five-man Central Military Commission, the party organ which controls the armed forces and is chaired by Mr Xi, are under investigation or have disappeared from view. The most recent apparent example, He Weidong, would be the highestranking military officer to fall since 1967. He has not been seen in public since early March.

Leading a party of allies solves some problems, but Mr Xi appears wary that it can create others. Those chosen for their loyalty may lack experience, shy away from delivering bad news or see chances for graft. Mr Xi told the 24-member Politburo on June 30th that “the string of self-revolution must be tightened even further.”

After taking office Mr Xi wielded power through a host of party commissions that permitted him to sidestep the state bureaucracy and other vested interests. A powerful institutional weapon, they also allowed him to sideline officials not of his own choosing, such as the previous prime minister, Li Keqiang. Mr Xi has set up nearly a dozen commissions of his own, overseeing different areas of governance and steering his domestic agenda. But more often he’s now sending written instructions to related meetings rather than attending them, says Neil Thomas of the Asia Society, an American think-tank.

The number of such meetings appears to be dropping, too. The most important commission, on economic reform, met 38 times in the first five years he was in charge. Since 2022 it has held only six meetings and none has been publicly announced since August 2024. Its communiqués are also shorter, which suggests it is making fewer decisions. Other commissions led by Mr Xi have similarly fallen off, notes Christopher Beddor of Gavekal Dragonomics, a research firm headquartered in Hong Kong.

In its meeting in June the Politburo created regulations (though it did not publish them) clarifying for the first time the responsibilities of party commissions, most of which are still chaired by Mr Xi. Tellingly, they must “co-ordinate without overstepping and ensure implementation without overreaching”, the meeting readout said. The new regulations are part of Mr Xi’s efforts to “rule through rules”, perhaps so that his agenda prevails even when he is not in the room, says Holly Snape of the University of Glasgow. All this appears part of a drive to ensure the country answers to the party above all else, with Mr Xi at its head—and no separation of powers.

Sharing the load

The other change in Mr Xi’s approach relates to delegation. He has begun awarding stewardship of some weighty commissions to underlings. Limiting the groups’ powers may make Mr Xi more comfortable handing over control of them, notes Victor Shih of the University of California, San Diego. In particular, he has placed his trust in Cai Qi, in effect his chief of staff; Li Qiang, the prime minister; and Ding Xuexiang, the deputy prime minister. Each was given a party commission to lead in early 2023. All sit at the apex of power on the Politburo’s seven-man standing committee; Mr Xi broke convention in 2022 by promoting them. They have strong ties to the leader, but weak links with each other.

Mr Cai is widely regarded by observers as Mr Xi’s most trusted adviser. He controls the scheduling, communication and security of the party leadership. Unusually, at the same time, he is in charge of the daily operations of the party centre’s hulking bureaucracy. Yet it is the often overlooked Mr Li who seems to have gained most from the top leader’s slow shedding of duties.

Mr Li served as chief of staff to Mr Xi between 2004 and 2007, back when Mr Xi was still a provincial governor on the rise. Mr Li has since regained some of the responsibilities that were stripped from his predecessor, including some say over economic policy. Mr Li also seems to be a trusted figure: he went to the BRICS summit in Brazil in July in Mr Xi’s place. It was the leader’s first absence from the gathering in 12 years. Mr Li also enjoys considerable clout within the state bureaucracy. New rules allow him to summon bureaucrats at will and to hold study sessions on topics of his choosing. Mr Xi is the only other leader who has such latitude.

Mr Li may have also benefited from an odd event in April, when two members of the Politburo swapped jobs without any explanation. The result is that one of Mr Li’s old colleagues now oversees party personnel decisions ahead of the five-year party congress, which will meet in 2027 to decide critical appointments for the next term of government.

Delegating functions to loyalists, while failing to identify a successor (and hence potential rival), may be signs of a leader preparing to rule into old age. Mr Xi is 72 years old (his mother, Qi Xin, is 98). There are no indications that he will step aside when his third five-year term ends in 2027. In their twilight years, both Mao and Deng Xiaoping fragmented authority to ensure that subordinates served as counterweights to prevent any one gaining too much influence. They became oracle-like, pontificating on ideology from behind a curtain. Over time Mr Xi may come to shape such a system: one where ultimate power remains his, even in absentia. ■

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Ports and geopolitics

The looming deadline for the Panama Canal ports deal

China will approve their sale. But there’s a huge catch

Jul 24, 2025 01:30 PM

A different kind of longship

TWO PORTS, one at either end of the Panama canal, have become a battlefront in the power struggle between China and America. Both countries view them as vital to their trading and security interests. By July 27th talks were supposed to wrap up on the terms of a $23bn deal that would see ownership of their terminals, as well as those in 41 other ports in 22 other countries around the world, handed from CK Hutchison (CKH), a Hong Kong-based conglomerate, to two Western firms: BlackRock, an American investment company, and MSC, a Swiss-Italian shipping giant. But China has stuck its oar in.

Soon after the proposed deal was announced on March 4th, China's anger became clear. Through Communist Party-controlled newspapers in Hong Kong, it launched tirades against CKH and its owner, Li Ka-shing, accusing them of caving in to pressure from President Donald Trump, who portrays CKH as beholden to the Chinese. "China is operating the Panama Canal and we didn't give it to China, we gave it to Panama, and we're taking it back," he said at his inauguration on January 20th.

In late March China launched an investigation into whether the sale would violate its anti-monopoly rules. Its aim was to block the transaction. Now it is suggesting another approach. According to the *Wall Street Journal*, China says the deal can go ahead as long as COSCO, a Chinese state-owned shipping behemoth, can join the buyers. Bloomberg writes that COSCO wants veto rights in the ports' operations. CKH, BlackRock and MSC are reportedly amenable to COSCO's participation. But this is hardly likely to please Mr Trump. For all his anxieties about CKH, it is not directly under the party's thumb. Indeed, Mr Li has had a difficult relationship with leaders in Beijing since he began selling off assets on the mainland more than a decade ago. COSCO, however, is closely tied to the party. It controls the appointment of the firm's most senior bosses, who also run its party committee.

CKH could risk China's wrath by refusing COSCO's involvement. That would jeopardise CKH's business interests in China (including in Hong Kong), which last year accounted for about 12% of the firm's $61bn of total revenue. According to Bloomberg, China has already told its state-owned enterprises not to engage in new deals with Li family members. Its frostiness has stalled efforts by Mr Li's younger son, Richard Li, to expand his insurance business on the mainland, the news service says. But overall, since the proposed sale was announced, CKH's share price has risen by more than 30%.

CKH and the Western firms could infuriate Mr Trump by agreeing to China's demands. His focus may be on Panama, but other countries where the ports are located, including Belgium, Britain, Germany, the Netherlands and Spain, may have to approve the deals. American officials would not take kindly to allies allowing COSCO big stakes in port operations. In

2019, citing national security, the American government forced a Hong Kong company to give up its ownership of a container terminal in Long Beach, California, following the firm's takeover by COSCO.

Allies share some of America's concerns. COSCO gained a big foothold in Europe in 2009 when it began managing terminals in the port of Piraeus in Greece, a member of NATO and the EU. In 2016 it gained a majority share of the entire facility. But the EU became more wary. In 2021, when the firm sought a 35% stake in a terminal at the port of Hamburg in Germany, there was an outcry. Many Germans expressed fears that China could use COSCO to disrupt the port and spy on its operations. In the end COSCO was allowed a stake, but smaller than the 25% needed for a veto over big decisions.

So the imminent deadline for wrapping up a deal involving the original parties looks like the start of yet more fraught discussions. A new date could be set. Or CKH could try to find a way of involving COSCO that America might accept (keeping the Chinese company out of Panama could help). Caught between the feuding powers, CKH has dangerous waters to navigate. ■

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Shamraderie

“Comrade” is making a comeback in China

Or so the government hopes

Jul 24, 2025 01:30 PM | Beijing

DURING THE decades when Mao Zedong ruled China, it was common for people to address each other as *tongzhi*: “comrade”. Like its English equivalent, the word has an egalitarian ring, as well as a hint of revolutionary fervour. But after Mao’s death in 1976, and the market reforms that followed, the term *tongzhi* started to feel a little dated. Less ideological greetings took its place: like *xiansheng* (“mister”), *meinu* (“beautiful woman”) and *laoban* (“boss”).

So it caused a stir when the *People’s Daily*, a Communist Party mouthpiece, published an opinion piece this month calling for the word *tongzhi* to return to everyday speech. Modern greetings can sound frivolous or phoney, the author complained. Some are even "sugar-coated bullets", they warned, using a Maoist term for bourgeois customs that corrupt the working class. Better, then, to return to the greeting used "back when people were simple and honest".

The party often tries to stoke nostalgia for the days of high socialism in order to bolster its support. In recent years local governments have encouraged "red tourism" at sites like Mao's hometown to teach people about the history of the party (needless to say, they are given a version without all the bloodshed). Some firms send employees on "red" teambuilding courses where they dress up as guerillas from the 1930s and trek along muddy mountain paths. In 2015 party members, though not the general public, were told to call each other *tongzhi* again as a way of "purifying" political culture.

The term seems unlikely to make a comeback outside the party, however. For one thing, since the 1990s *tongzhi* has become a popular slang term for gay people, catching on because it sounded neither pejorative nor clinical, unlike most of the alternatives. For a time one of China's biggest LGBT-rights organisations, based in the capital, was known as the "Beijing *tongzhi* Centre" (it closed in 2023 under political pressure).

But many people have criticised the idea for another reason. Since the death of Mao, China has become far richer—but the wealth has not been spread evenly. The country's Gini coefficient, a common measure of income inequality, rose sharply in the 1990s and is now higher than that of America, according to official estimates. Inequalities have particularly started to sting as the economy has sputtered. "Who should you call *tongzhi*?" asked one person in a post on Weibo, a social-media platform. "Someone with the same rights, assets…work and salary. Those earning 2,000 yuan ($280) a month can hardly call those earning 20,000 yuan their *tongzhi*." There is little sense of camaraderie between China's haves and have-nots. ■

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Fragile and fragmenting

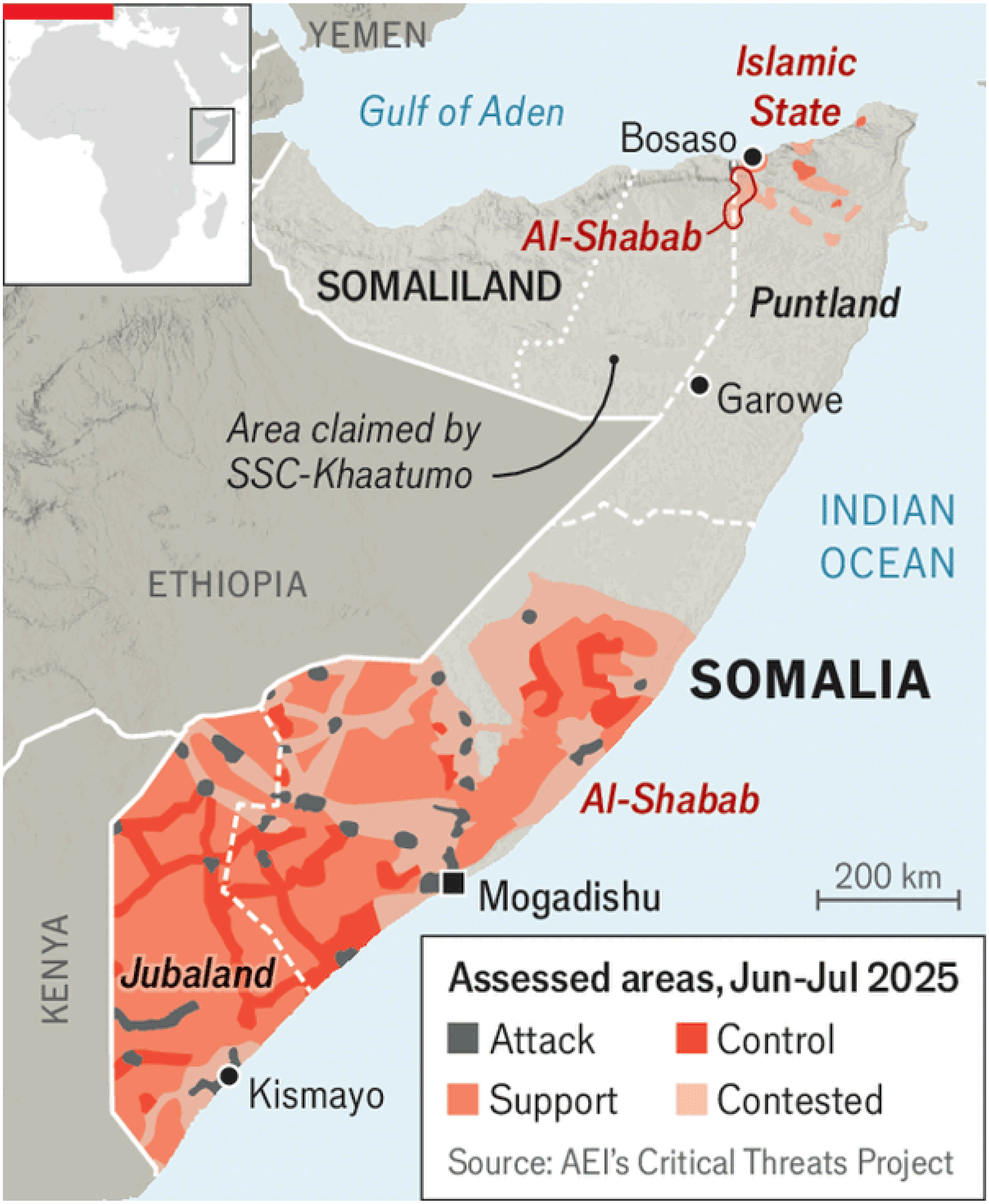
Somalia’s state-building project is in tatters

The West has all but given up on it

Jul 24, 2025 02:43 PM | Bosaso and Garowe

THE ROAD from Garowe, the capital of Puntland statelet in northern Somalia, to the port of Bosaso runs through territory occupied by two of the world’s most notorious jihadist groups (see map). In the remote mountains to the east is an outpost of Islamic State (IS). To the west is al-Shabab, al-Qaeda’s richest and most lethal affiliate. For the past eight months local forces from Puntland, backed with air strikes by America and the United Arab Emirates (UAE), have been waging an all-out war against IS. A similar offensive against al-Shabab may begin soon.

The campaign against IS, whose local leader is widely believed to be the group’s global caliph, seems to have been remarkably successful. Mohammed Mubarak, head of the state’s security co-ordination office, claims his forces have killed about 800 of what he reckons are between 950 and 1,100 IS fighters, with the remainder now holed up in a single cave complex. “They are going to die, there’s no question about it,” says Mr Mubarak. Said Deni, Puntland’s president, wants the statelet to be free of terrorists by the end of the year.



The contrast with the rest of Somalia is striking. Three years into the four-year term of President Hassan Sheikh Mohamud, the federal government in Mogadishu, the capital, looks weak. Early gains against al-Shabab in central Somalia have been reversed. This year the group shelled Mogadishu's international airport and bombed the president’s convoy (Mr Mohamud survived, but several others were killed). A growing number of observers fear Mogadishu could fall to al-Shabab. As Western countries curtail support, the fate of one the world’s oldest state-building projects hangs in the balance.

Three years ago, that did not look inevitable. Mr Mohamud made early strides against al-Shabab and chalked up diplomatic victories, such as the lifting of the UN arms embargo imposed on Somalia when the state collapsed in the 1990s. In 2023 creditors granted $4.5bn in debt relief, paving the way for Somalia’s re-entry into the global financial system. Last year much of the world backed it in a feud with neighbouring Ethiopia, which had been triggered by Ethiopia’s bid to lease a stretch of coastline in Somaliland, the breakaway would-be country next door, to build a naval base.

Trouble began in March 2024, when the federal government passed a law to amend the constitution. This concentrated power in the executive and introduced universal suffrage for national elections scheduled for 2026, replacing the existing system of indirect voting. Critics swiftly denounced it as an attempt to dismantle the fragile system of federalism that gives statelets like Puntland largely untrammelled control of their territories, including over taxation and security. Though previous presidents had tried to centralise power in Mogadishu, “this kind of intervention is new, much more radical,” says Abdi Farah Juha, Puntland’s interior minister.

The dispute has poisoned relations between Somalia’s central government and the federal states, and sparked debate about the country’s future. For more than 15 months, formal ties between Puntland and Mogadishu have been severed. Mr Deni enthuses about the model of federalism practised by the UAE, where power is supposed to be split equally between seven emirates. His officials talk of strengthening ties with secessionist Somaliland.

Relations between Mogadishu and Jubaland, a statelet in the south, are even dicier. In November 2024, the federal government disputed the re-election of Sheikh Ahmed Madobe, Jubaland’s strongman and Mr Mohamud’s nemesis. The two sides issued reciprocal arrest warrants for their respective leaders. The federal government has blocked flights to Jubaland’s airport. The statelet claims the government has also withheld funds it was due to receive. This week at least five people were killed in clashes between Jubaland forces and the federal army.

The federal government argues that such crises are a recurrent feature of Somali politics. “There will always be a tension between the centre and the periphery,” argues Ali Mohamed Omar, the federal minister for foreign affairs. Mr Mohamud’s predecessor also alienated several statelets, including Puntland.

Yet wavering Western support for Somalia means that the effect on the country’s viability may be more serious this time. Take the peacekeeping force convened by the African Union (AU), which was first deployed to protect Mogadishu and battle al-Shabab in 2007. A slimmed-down force was supposed to replace it in January. Yet eight months later there is still no agreement on who should pay for it.

The European Union (EU), which reluctantly paid for the previous mission, may stump up €60m, but that still leaves a big gap. Qatar, the UAE and Saudi Arabia are said to have declined the AU’s request for emergency contributions. America has slashed its aid to Somalia from $1.2bn in 2023 to less than $400m this year, with no budget at all for food, fuel and salaries for Somali special forces.

In part, this is a matter of shifting priorities. But in America in particular, some are questioning the viability of Somalia’s decades-long state-building project. “Thirty years of it not working: could a case be made for trying something else?” asks J. Peter Pham, who served as a special envoy to Africa in Mr Trump’s first administration.

There is little sign yet that America plans to pull out of Somalia altogether. Since January, the Trump administration has ramped up American air raids against jihadists there, including against IS targets in Puntland. Yet after decades of funnelling aid through Mogadishu, arguably with little to show for it, some in Washington reckon Somaliland—and perhaps Puntland—make for more reliable partners than the federal government. Somaliland wants America to build a military base on its Red Sea coast, ideally in exchange for recognition as an independent country. General Michael Langley, America's top general in Africa, visited last month.

Yet such a shift would leave Mogadishu further exposed. In central and southern Somalia, the mix of political turmoil and declining foreign support is taking a heavy toll on the national army. Brigadier General Ahmed Abdullahi Sheikh, a former commander of the Danab, an American-trained special unit, worries that a spate of assassinations of senior commanders is the result of al-Shabab infiltrating the rank and file. Unlike in Puntland, the jihadists in the area are growing stronger. Al-Shabab is said to have been receiving arms and training from the Houthis, the Iranian-backed militia in Yemen that has been attacking ships in the Red Sea. Some fear it could soon move on Mogadishu.

Foreign intervention, notably by Turkey and Qatar, would probably prevent a jihadist takeover of the capital. Yet there are plenty of other bad options. The lack of financing for AU peacekeepers will result in a "slow erosion of the status quo, year on year," says Omar Mahmood of the International Crisis Group, a think-tank. Further fragmentation could lead to resurging clan violence. "Proxification", a term coined by Afyare Abdi Elmi, a Somali academic, to describe the proliferation of armed groups backed by competing foreign powers, would make it even harder for Somali leaders to form a lasting political settlement. One of Africa's most fragile states looks set to weaken further. ■

The other east Congo conflict

Ugandan intervention in Congo risks stoking ethnic violence

It may also cement Rwanda’s hold over its neighbour

Jul 24, 2025 01:30 PM | Djugu territory, Ituri

NEAR A HILLTOP village of thatched huts and purple cassava fields, young men with Kalashnikovs stand guard by a dirt road. Though the mood is relaxed, the checkpoint in Ituri province in the east of the Democratic Republic of the Congo is a reminder that the whole region is racked by violence. Since 2017, militias linked to two of Ituri’s main ethnic groups, the Hema and the Lendu, have battled over access to land, livestock and gold mines, forcing more than 1m people in Ituri to flee their homes. Some 100,000 were displaced between January and March alone.

The conflict has received less attention than the fighting farther south, where rebels from the M23 militia, supported by Rwanda, captured territory earlier this year. Yet M23's campaign has also affected Ituri. According to a UN report released on July 22nd, Uganda, alarmed by the group's advance, has increased its military presence in eastern Congo (see map). Because Uganda is on the side of the Hema, conflict in Ituri may be stoked.

On the face of it, Uganda's intervention in eastern Congo is less controversial than that of M23 and Rwanda. The government in Kinshasa has condemned M23’s advance farther south as an invasion. A peace deal with Rwanda in June and an agreement with M23 on July 19th are supposed to restore Congolese control over the area.

Congo first invited Ugandan troops in 2021 to help it fight jihadists affiliated with Islamic State (IS). General Muhoozi Kainerugaba, Uganda’s army chief (and a son of the president), flew to Kinshasa in June for a meeting that officially expanded that operation to Ituri. In public, Congolese officials play up Uganda’s role as an important security partner. In practice, the Congolese government probably had little choice but to accept Uganda’s decision to send more troops earlier this year.

Ituri is rich in gold, much of it smuggled out through Uganda. It also has oil and gas deposits that Uganda is exploiting from its side of the border. Following M23’s advance in February in North and South Kivu, south of Ituri, Uganda has increased its deployment to around 6,000 troops to protect its interests in the wider region, without asking Congo’s permission, according to UN security officials and the UN report’s authors. “They consider this their backyard,” says a UN official. “Because Congo has become so weak, Congo has allowed them to do this.”

Some in Ituri welcome the Ugandan intervention, saying the relatively well-trained troops could help restore order to an area where civilians are frequently caught up in attacks by militias. “They can bring peace if—and only if—they are impartial,” says Kudra, a university student in Bunia, the provincial capital. “We’re in a very sensitive and sectarian province.”

Yet they might just as easily do the opposite. General Muhoozi has said his troops will defend the Hema in Ituri and target the Co-operative for the Development of Congo, a militia that claims to protect the Lendu. “No one on this earth can kill my people and think he will not suffer for it,” he wrote in February. Uganda is also quietly backing a new armed group that is being recruited from among the Hema, says the UN report.

Beyond stirring up trouble in Ituri, the Ugandan deployment could end up cementing M23’s hold over the parts of eastern Congo that the government in Kinshasa wants it to relinquish. General Muhoozi, in particular, is friendly with Rwanda. He has praised the M23 rebels and Paul Kagame, Rwanda's dictator, on social media.

On July 9th Uganda reopened a border crossing into M23-held territory in North Kivu province, saying that closing it had been "criminal and counterproductive". In the past, competing Ugandan and Rwandan interests in eastern Congo have escalated into fighting between the two. For now, they appear to be lining up against their neighbour. ■

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Cross-border jitters

A bloody week in Syria may have ripple effects in Lebanon

The presidents of both countries have limited time to rein in vicious militias

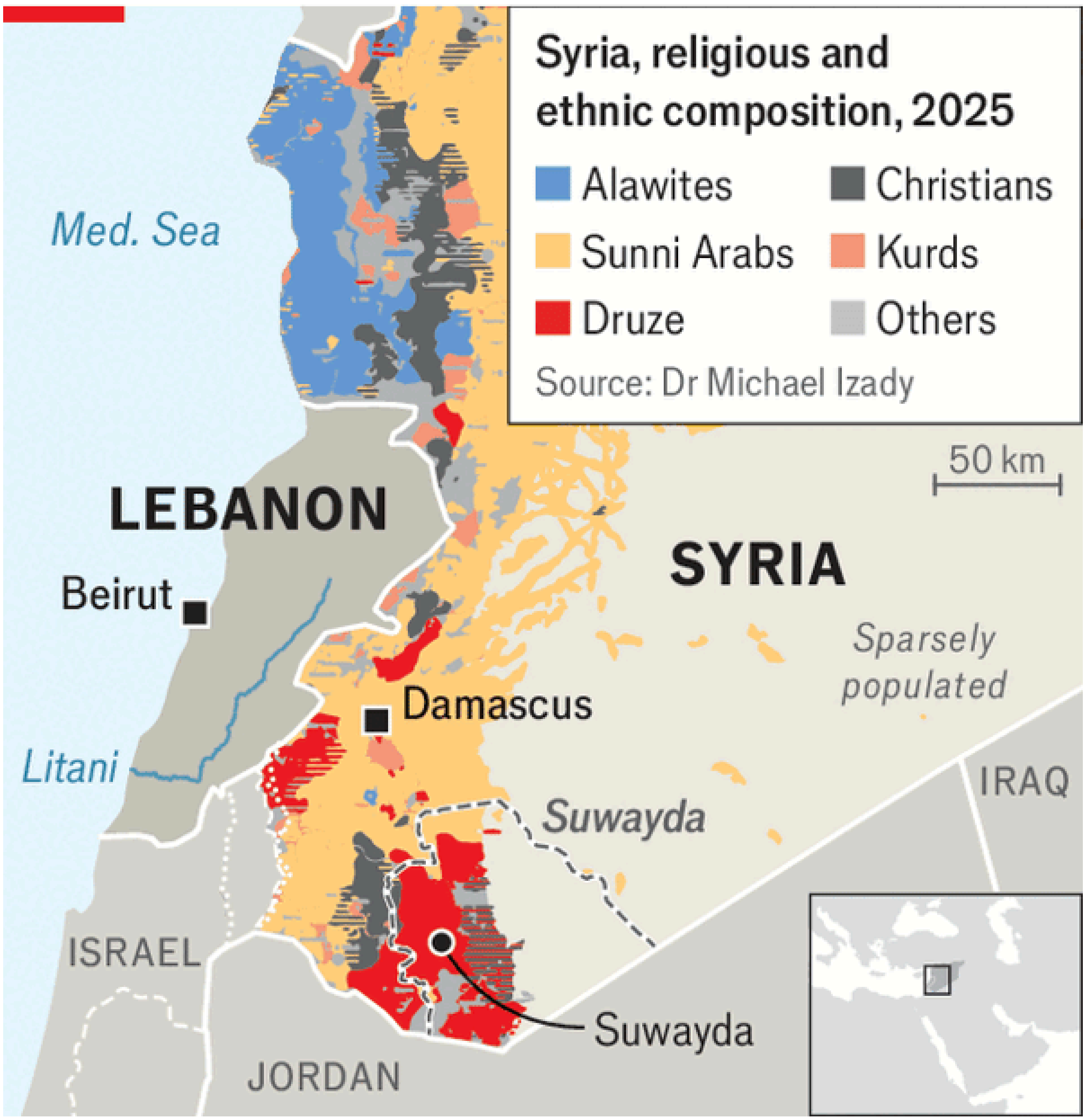
Jul 24, 2025 03:27 PM | BEIRUT

A grim outlook

THE CEASEFIRE is holding, for now. A week of communal violence in Suwayda, a governorate in southern Syria, began on July 11th when someone abducted a merchant on the motorway. That led to clashes between his Druze sect and Bedouin tribes. The government in Damascus sent troops; instead of restoring order, they carried out summary executions of Druze men and other atrocities. A fragile truce ended the bloodshed on July 20th, but many Syrians worry it will resume.

Even if it does not, the incident seems a grim turning-point in Syria’s transition. It has reinforced fears that the state is incapable of protecting minority groups. It may also have ripple effects in neighbouring Lebanon, where the government sworn in earlier this year is trying to disarm Hizbullah, a Shia militia.

Different as they are, Lebanon and Syria have a similar problem: the state is struggling to control and secure its territory—and America, which supports both governments, seems unable to offer much help.



Start with Lebanon. The army has sent more than half of a planned deployment of 10,000 soldiers south of the Litani river, a region bordering Israel that has long been Hizbullah's playground (see map). They now control areas that were previously off-limits. General Rodolph Haykal, the army chief, said in April that his men had carried out more than 5,000 operations to confiscate weapons.

These are not trivial accomplishments. Even Israeli army officers say they are unexpectedly pleased with the Lebanese army's progress. But they are easy wins: Hizbullah has made a tactical retreat from the south, where Israel continues to attack it despite a ceasefire in November 2024.

It will be harder to make progress north of the Litani, as America hopes to see by year's end. Hizbullah will be more reluctant to hand over its weapons there. There is also the question of its men, thousands of whom would need to be demobilised. The government is trying to convince Hizbullah to relent in exchange for help rebuilding Shia-majority areas pummelled by Israel during last year's war, but the group is stubborn.

Joseph Aoun, the president, frets that being too tough on Hizbullah will lead to sectarian violence. "It's not lack of will," says Tarek Mitri, the deputy prime minister. "[We] cannot do this by force. It needs political discussions with Hizbullah, and Hizbullah is a very tough nut to crack." Delay risks giving the militia a chance to regroup, though. It may also alienate Mr Aoun's allies in America and the Gulf; the latter are already getting frustrated.

If Mr Aoun has perhaps been too conciliatory, his Syrian counterpart has not been conciliatory enough. Ahmed al-Sharaa has made great strides towards ending Syria's international isolation. He has made less progress at reining in radical militias and organising a professional army, as the violence in Suwayda made clear.

Nor was it an isolated incident. In March pro-government militias massacred more than 1,000 Alawites, another minority sect, in Syria's coastal region. A suicide-bomb attack at a church near Damascus in June was the work of an extremist group, and roundly condemned by the government. Still, it added to a sense that the fragile Syrian state is not capable of providing security.

In a grim irony, the committee established to investigate the massacre in March presented its report to Mr Sharaa on July 20th, as Suwayda was still reeling. It concluded that commanders had not ordered the killings of Alawites—in effect, pinning blame on lower-ranking soldiers. That will be seen by some Syrians as a whitewash.

The job of cajoling both governments has largely fallen to Tom Barrack, the American ambassador to Turkey, who has assumed a second role as Donald Trump's envoy to the Levant. Mr Barrack has tried to strike a more respectful tone than his predecessor, Morgan Ortagus, who once suggested that Lebanon's leading Druze politician was on crack.

If he wins points for style, though, he has delivered less on substance. On frequent visits to Lebanon Mr Barrack has refused to offer guarantees for when Israel might cease its near-daily air strikes or withdraw from five points near the border it continues to occupy. Nor has he made any commitment of financial aid, beyond a vague promise that Saudi Arabia and Qatar will help rebuild battered south Lebanon. "We're not in that business any more. We're not in nation-building," he says.

What happens in Syria may not stay there. Hizbullah's allies were quick to make hay from the violence in Suwayda: if the group relinquishes its weapons, they argue, no one will be able to protect Lebanon from militias next door. That argument may resonate with some Lebanese, who lived through a three-decade Syrian occupation that ended in 2005. It did not help when Mr Barrack, prone to gnomic pronouncements, implied that Lebanon could be swallowed up by its neighbour.

For the first time in decades, America, Lebanon and Syria agree on a common goal in the region. If they do not move faster, though, they may miss their opportunity to achieve it. ■

A deepening catastrophe

As Gaza starves, Israel fights on

Its generals think the war against Hamas has become pointless, but a ceasefire remains elusive

Jul 24, 2025 02:43 PM | Jerusalem

IN A LONG-TERM planning session on July 21st Lieutenant-General Eyal Zamir, the head of the Israel Defence Forces (IDF), told his fellow generals that 2026 would be a year of “preparedness, realising achievements, returning to competency and fundamentals”. In the meeting, the largest since the war in Gaza began nearly 22 months ago, he said the army should be preparing for another war with Iran. General Zamir’s message was not intended just for the officers in the room. He was telling the government and the Israeli public that the IDF’s top brass did not think the Gaza war should continue.

And yet it continues. The night before the generals' meeting, the IDF began a new offensive aimed at encircling Deir al-Balah, a town on the coast of the strip that had previously remained relatively unscathed (see map). That illustrates a growing difference between the IDF and the government of Binyamin Netanyahu, the prime minister. The generals think that, militarily, there is no point continuing the war against Hamas, the Islamist group that still controls parts of Gaza. The government wants them to fight on.

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For Gazans, that means a catastrophic situation is getting worse by the day. Deir al-Balah houses the offices of many aid organisations. Many refugees have taken shelter there. Since the IDF began its offensive on July 20th, dozens of people have been killed in Israeli air strikes on the town. On July 21st the IDF struck the staff quarters and the main warehouse of the World Health Organisation (WHO) and detained one WHO employee. The organisation said the destruction of the warehouse, which was subsequently looted, had crippled its efforts to sustain Gaza's collapsing health-care system.

At the same time, Israel continues to wage what it calls an "economic war". The point is to replace the existing humanitarian supply networks of international organisations, which it claims were being controlled by Hamas, with its own system. The bulk of the aid that still gets into the strip is distributed at four hubs operated by the Gaza Humanitarian Foundation (GHF) in areas controlled by the IDF (see map). Food distribution at the hubs, which are run by American contractors, is chaotic and often deadly. In recent days, dozens of Gazans have been crushed to death while queueing at the centres; since the hubs opened in May hundreds more have been killed by IDF fire on the approach routes.

Some aid groups are still allowed to bring limited supplies into Gaza City. Gangs that Israel says are fighting Hamas are also allowed to bring in their own food. Yet there is not enough aid to keep Gazans from starving. On July 21st countries including Britain and many member states of the European Union condemned the "drip feeding" of aid and called on Israel to abide by its obligations under international humanitarian law. On July 23rd a group of more than 100 international organisations said Israel's distribution system was creating "chaos, starvation and death". Supplies had been "totally depleted", they said, with their own colleagues wasting away before their eyes. The same day health authorities in Gaza reported that 46 people had starved to death in July, ten of them over the previous 24 hours.

Israel denies that it is responsible for hunger in Gaza. It called the countries' statement "disconnected from reality" and blamed Hamas for undermining aid distribution and failing to agree to a ceasefire.

The latest indirect talks in Qatar between Israeli and Hamas negotiators about a ceasefire have yet to yield a breakthrough after nearly three weeks of negotiations. The basic framework envisages a 60-day truce. During that time, Hamas would release some of the Israeli hostages it has held since October 2023 in exchange for Palestinian prisoners and further talks towards a full ceasefire would be held.

But the extent of the IDF's withdrawal from Gaza continues to hold up a deal. Hamas wants Israel to withdraw as a prelude to a full retreat from Gaza. Mr Netanyahu's right-wing coalition partners want perpetual Israeli occupation of Gaza and the removal of its people, most of whom have already been crammed into a small area in the centre of the strip. Agreeing on a ceasefire would probably push Mr Netanyahu's partners to bring down his government. Yet without a ceasefire, it will be hard to avert full-blown famine in Gaza. ■

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French defence spending

Macron was right about strategic autonomy

But France lacks the means to pay for much of it

Jul 24, 2025 02:41 PM | NUUK AND PARIS

ON A CHILLY June day off the coast of Greenland, Emmanuel Macron, France’s president, and Mette Frederiksen, Denmark’s prime minister, boarded a Danish warship in a show of defiant solidarity. It was a cheeky piece of diplomacy. Mr Macron’s “hands off” message was partly directed at America’s Donald Trump, who has threatened to annex the Danish territory. “Greenland is not to be sold, not to be taken,” Mr Macron declared. But the French president’s message was also intended for Europeans: they need to stick together, stand up for themselves and stop clinging to dependence on America.

Ever since he was first elected in 2017 Mr Macron has pushed the idea of European “strategic autonomy”. For years it was brushed aside politely by France’s Atlanticist neighbours as fanciful Gaullist grandeur, if not a brazen attempt to undermine the transatlantic alliance. But Mr Trump’s return to the White House and his disregard for Europe have jolted the continent’s leaders. Even Friedrich Merz, the German chancellor, has urged Europeans to “achieve independence” from America.

For France, however, the moment reveals an awkward paradox. It turns out that Mr Macron was right about what Europe needs to do. Yet the country is among the continent’s least well placed to finance it. Germany, France’s main European Union partner, has the fiscal space to pay for its planned defence rise. But France is already squeezed. In 2025 its budget deficit will reach 5.6% of GDP, according to the European Commission, and its public debt 116% of GDP, behind only Greece and Italy. If France is to raise defence spending from 2% to 3.5% of GDP by 2035, as agreed at a recent NATO summit, this would imply more than doubling the 2024 defence budget in current terms—an increase of nearly €80bn ($94bn).

The good news is that there is a fairly broad consensus for spending more on defence. Over two-thirds told a recent poll that they were in favour of a bigger defence budget. Even a narrow majority of supporters of Marine Le Pen’s hard-right National Rally (RN) approved. A broad swathe of political parties, from the Socialists to the Republicans, are also generally in favour of an increase in defence spending.

Yet the politics of doing this are nonetheless tricky. Mr Macron runs a fragile minority government, under the centrist François Bayrou. On July 15th, declaring that it was a “moment of truth” for French public finances, Mr Bayrou announced €44bn of savings in 2026 to curb the deficit to 4.6%. These include cancelling two public holidays and a freeze on all budgets, including social spending, except defence. Days previously, stating that “since 1945 freedom has never been so threatened”, Mr Macron promised that the defence budget would get an extra €6.5bn over two years.

The trouble for Mr Bayrou is that even this will be difficult to pass. On July 1st he survived an eighth vote of no-confidence; the Socialists voted against the government, the RN abstained. “The political equation is very messy,” says one of Mr Macron's deputies. "The prime minister is mainly trying to survive." More such votes are likely in the autumn, when the budget for 2026 goes to parliament. Mr Bayrou's government could be toppled.

As ever, France hopes to resolve part of the problem by sharing it with EU friends. A report in May by the government's strategic-planning advisory body argued for joint European borrowing for defence as a way to complement a domestic budgetary effort. "There is no quick fix," says Clément Beaune, its head and a former Europe minister. "But, for the first time in the history of the EU, everyone realises that there is a common threat and a common need to rearm." Given Russian rearmament and American unreliability, says Camille Grand, a former assistant secretary-general at NATO, common borrowing would be a "very good" scenario for both France and European collective defence.

Raising joint debt for defence, however, would run into firm opposition from Europe's "frugals", led by Germany. Such friends might be convinced, argues Mr Beaune, if France can show it is making a budgetary effort at home. Yet Mr Bayrou's plans have already been met by howls of protest. Ms Le Pen called them "intolerable". Olivier Faure, the Socialist leader, denounced a "demolition" of France's social model. Indeed, this year's main political debate has concerned not how to streamline social spending, but whether to bin Mr Macron's pension reform. Pushed through in 2023, this raised the legal minimum retirement age from 62 years to 64.

For Mr Macron, who is in office until 2027, this is a source of frustration and disappointment. He recognises in private that he has failed to create the consensus needed to get the country to accept that strategic autonomy, while popular, requires an effort. The French like independence, but not having to make sacrifices for it. "I just don't see how France can reach the defence-spending target without European money," says Mujtaba Rahman, European head of Eurasia, a risk consultancy.

The contrast with Denmark is revealing. It has shifted, painfully, from a reliance on America's security umbrella to massive rearmament; defence spending should reach 3% of GDP this year. At the same time Denmark is raising its retirement age to 70 years, Europe's highest. The architect of these changes, Ms Frederiksen, spent much time talking to Mr Macron on glaciers and fjords in Greenland. The difference between them was stark. One had the right idea; the other has found a way to put it into practice. ■

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Topsy-turvy relationships in Turkey

Kurds and Turks are closer than ever to peace

They are both suspicious of Israeli aims in the region

Jul 24, 2025 03:27 PM | Istanbul

Turning them into ploughshares?

PUTTING ASSAULT rifles in a giant cauldron and setting them on fire might not be the most sensible way to dispose of the things. Given the context, however, you could forgive the 30-odd Kurdistan Workers' Party (PKK) fighters, half of them women, who did so on July 11th outside a cave in northern Iraq, for engaging in a little pageantry. After more than four decades and 40,000 dead, the war between Turkey and the PKK, one of the world's longest-lasting conflicts, seems to be drawing to a close. The PKK is expected to continue to disarm over the summer, on the orders of its imprisoned leader, Abdullah Ocalan. A parliamentary commission in Turkey will oversee the process. An amnesty for some PKK leaders may be on the table.

This is the closest Turkey and the insurgents have come to peace since the PKK took up arms to fight for a Kurdish homeland in 1984. The logic of previous talks with the PKK has been turned on its head. Turkey, now with a population of 88m, formerly saw concessions to the country's 15m or so Kurds as a way to persuade the PKK to disarm. This time around, Turkey's government, headed by President Recep Tayyip Erdogan, expects the PKK to disband before it commits to any reforms.

Mr Erdogan, as a good friend of his in the White House would put it, is holding most of the cards. Thousands of Kurdish politicians and activists in Turkey are behind bars, often on spurious terrorism charges. Turkish army offensives and drone strikes have squeezed the PKK in the highlands of northern Iraq, the group's stronghold. Mr Erdogan also hopes a deal with the Kurds, which he would market as a victory over the PKK, can prolong his time in power, through a new constitution or early elections.

But the path to peace with the PKK is also being paved by Israeli warplanes. Israel's offers of support for the Kurdish insurgents in Syria and its opposition to Turkey's growing military presence there, punctuated by air raids on Syrian bases slated to come under Turkish control, have policymakers in Ankara on edge. Many of them are persuaded that Israel's prime minister, Binyamin Netanyahu, will try to use the PKK and its offshoots, especially in Syria, not only against the Islamist rulers in Damascus but also against Turkey. They hope that a deal with the PKK can stave off that threat.

Turkey's foreign minister, Hakan Fidan, has already warned the People's Protection Units (YPG), the PKK's Syrian franchise, not to take advantage of Israel's attempts to destabilise Syria. "Trying to exploit the turmoil will only lead to bigger problems," he said on July 16th, hours after Israel bombed the Syrian defence ministry in response to clashes between Bedouin and Druze fighters in Syria's south.

Fears that Israel might attack Turkey are felt not just by Turkish conspiracy theorists. Watching the wars in Gaza, Lebanon and Iran, and noting Israel's hostility to the new Syria, Mr Erdogan's inner circle reckons Israel is determined to undermine Turkey's sovereignty. This was expressed by Devlet Bahceli, the Turkish leader's main coalition partner and the architect of the government's outreach to the PKK, days after Israeli jets struck Iran. "Turkey is the ultimate target," he lamented. An increasing number of Turks seem to agree. In a recent Pew survey a plurality of them (43%) identified Israel as the biggest threat to their country. America, a NATO ally, came in at 30%, Russia at 2%.

Mr Ocalan takes a similar view. During talks with Kurdish lawmakers at his island prison this spring, he claimed Israel had redoubled its efforts to enlist the YPG in a proxy war against Turkey. Only he could prevent such a scenario, he said, according to leaked minutes of the meeting.

Turks and Kurds are rubbing their eyes in disbelief. Mr Bahceli and Mr Ocalan, both in their late 70s, had been sworn enemies as long as anyone can remember. These days, thanks to the chaos consuming the region, the man who invoked Marx to wage war in the name of Kurdish autonomy and the nationalist firebrand who once called for the PKK leader to be hanged are suddenly partners in peace. ■

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Backsliding in Kyiv

Outrage in Ukraine as the government attacks anti-corruption watchdogs

President Zelensky tightens his control

Jul 24, 2025 01:30 PM

FEW DEPUTIES could remember a law of such importance being rushed so quickly through parliament. The passage of Bill 12414, which subordinates Ukraine’s two main independent anti-corruption bodies to the presidentially appointed prosecutor-general during wartime, had the feel of something done in panic. It was unveiled at a hastily convened committee session on July 22nd at 8am. By the afternoon, the bill had been rushed over to the president for signature. Volodymyr Zelensky’s men had been able to find the numbers to comfortably pass the bill, with 263 voting for and just 13 daring to vote against. But the vote to undermine Ukraine's most consequential anti-corruption reforms casts a shadow over the country's future course.

Ukraine has been building up to this moment for several weeks, with what appears to be a growing crackdown on internal dissent. In early July the government blocked the appointment of Oleksandr Tsyvinsky, a well-regarded detective, to the vacant position of director of the Bureau of Economic Security. That was followed by what appeared to be the politically motivated arrest of Vitaliy Shabunin, a prominent anti-corruption campaigner. In mid-July, in a shake-up of the government, uber-loyalists were promoted, including a new prime minister. Then, on July 21st, the domestic security service and the prosecutor-general's office launched dozens of raids targeting officers at NABU and SAPO—the investigative and prosecution pillars of Ukraine's independent anti-corruption system, set up under Western oversight after the 2014 so-called Maidan revolution. The officers were accused of corruption and unlawful ties to Russia.

Those troubling episodes might have been lost in the chaos that defines internal Ukrainian politics and competitive-law enforcement. Active investigations are continuing; without full knowledge of the evidence, actual criminality on the part of those being targeted cannot be ruled out. The aggressive nature of some of Ukraine's anti-corruption campaigners has been polarising, leaving them short of supporters. But the government's decision to then launch a full-frontal assault on the Maidan-era reforms implies that something sinister is at work. Sources suggested the trigger for the bill may have been the opening of NABU investigations into the dealings of presidential-office insiders.

The assault on Ukraine's anti-corruption infrastructure has shocked many inside Mr Zelensky's own team. One official suggested that the haste and scale of the bill were reminiscent of the infamous protest-banning laws of January 16th 2014, one of the last acts of Viktor Yanukovych's government before that dictator was forced to flee Kyiv by helicopter. Another insider suggested that the presidential office had decided to seize a moment of opportunity—having recently brought America's president, Donald Trump, somewhat onside after he seemed to have become frustrated with Vladimir

Putin. “The focus has now switched to internal enemies,” said the insider. But for Yaroslav Zheleznyak, a deputy who was present in the Rada (the parliament) during the voting, the significance was cruder. “Today 263 joyous deputies legalised corruption,” he said. “The message was simple: you can take whatever you want so long as you stay loyal.”

On the night of July 22nd Mr Zelensky signed Bill 12414. The European Union, one of Ukraine’s key financers, had pressed him to pause. Writing on social media before the measure was signed, the EU’s enlargement commissioner, Marta Kos, said it would have a negative impact on Ukraine’s membership negotiations. “Independent bodies like NABU and SAPO are essential for Ukraine’s EU path,” she wrote. In Kyiv the ambassadors of the G7 nations had issued a joint statement expressing “serious concerns”. But such rhetoric had little impact. ■

***Editor’s note (July 22nd 2025)**: This story has been updated.*

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European coffee

Could Europe be the next big coffee producer?

While temperature changes threaten the coffee belt, some countries sense opportunity

Jul 24, 2025 03:21 PM

Move over, Blue Mountain

JUAN GIRÁLDEZ has waited for years to enjoy the fruits of his labour. This year his coffee plants, grown in the forested shade of northern Barcelona, will finally yield a few kilos of beans. It might not be much, he admits, but it was unthinkable a few decades ago. Thank climate change, and a lot of passion and hard work, he quips.

The Arabica bean, which makes up the bulk of global production, should not be surviving in Catalonia's continental climate. But Mr Giráldez's plants can now withstand lows of 8°C and highs of 38°C. Climate change is tightening the geographical "coffee belt" that straddles the equator, exposing its biggest producers in South America, eastern Africa and South-East Asia to more drought and severe frosts. But it is also creating opportunities for its biggest consumers.

Sicily, too, has seen its dreams of coffee production finally come true after more than a century. The Morettino family began experimenting with coffee plants in the 1990s in collaboration with the University of Palermo and the city's botanical garden, but its efforts usually shrivelled in winter. Only recently has the family achieved bigger harvests, going from 30kg in 2021 to over 100kg last year. Sicily may be better known for its wine and olive oil, but maybe tomorrow it will be a "coffee land," says Andrea Morettino, a fourth-generation roaster.

It is not just coffee that might thrive in this new environment. Since the early 1970s and 1980s, higher temperatures have prompted European farmers to swap traditional citrus fruits for tropical ones. Today Spain is the largest producer of avocados and mangoes on the continent, but Italy is experimenting too. Since 2004 the number of hectares cultivated with avocados and mangoes in Italy has jumped from just ten to 1,200, says Coldiretti, a farmers' organisation. To some, the swap means just adapting to nature. "If you think about Sicily, you think about oranges, but they are not native here," Mr Morettino points out. ■

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Charlemagne

Cigarettes, booze and petrol bankroll Europe’s welfare empire

But what if people give up their sinful ways?

Jul 24, 2025 01:31 PM

IS IT POSSIBLE to feel the burden of sin in a continent that is all but godless, as Europe is these days? Prostitution barely generates a *frisson* in Belgium, a land of unionised hookers. Puffing cannabis is legal in Germany, of all places. Gambling via lotteries or mobile apps is uncontentious just about everywhere. But to feel the weight of social disapproval, try buying a bottle of wine in Sweden. Since 1955 a state-run monopoly has begrudgingly dispensed alcohol to those who insist on drinking it. The *Systembolaget,* as it is known, oozes disapproval. Stores are sparse and closed on Sundays. If you find one, forget posters of appealing vineyards as you browse the shelves: the decor is part Albanian government office, part pharmacy. There are no discounts to be had, nor a loyalty programme. Wine is left unchilled lest a customer be tempted to down it on a whim. As they queue to pay, shoppers are made to trudge past a “regret basket” that primly suggests they leave some of their hoard behind. The road to Swedish hell is, apparently, lined with lukewarm bottles of sauvignon blanc.

And pricey ones, too. For it is not only *Systembolaget*’s profits that flow to the state, but the hefty excise duties imposed on what it sells. Whether in restaurants or in shops, booze is eye-wateringly expensive: in Sweden drinking serves both to numb the senses and lighten the wallet. Across Europe such “behavioural taxes” have become mainstream, and a useful fiscal bump to sustain stretched welfare states. Smokers have long put up with inflation rates on cigarettes reminiscent of Weimar Germany. A dozen European countries including France and Poland impose tithes on sugary drinks. Energy taxes clobber motorists whose cars are fuelled by planet-warming petrol. Such “sin taxes” allow European politicians to indulge in their two great passions: nannying the public *and* filling public coffers. Alas the two are in opposition, seeing that pricey sinning makes for fewer sinners.

Europe has a special (and arguably dubious) rationale for taxing the unholy trinity that are booze, cigs and petrol: its publicly funded health-care systems ultimately pick up the tab for citizens’ bad habits, and society at large will pay the cost of adapting to global warming. Reducing such “externalities” through tax has a long pedigree, going back to 17th-century British levies on tobacco. Over time the taxes have become not so much a nudge as a walloping. Irish smokers pay €18 ($21) for a pack of cigarettes these days, of which 80% flows straight to the state. A bottle of Absolut vodka in Sweden includes €14 of excise, well over half its price in the *Systembolaget*. The Netherlands adds €0.79 to each litre of petrol, equivalent to $3.55 a gallon, more than Americans pay at the pump. Alcohol and cigarettes contribute over €100bn a year to Europe’s exchequers, with energy taxes over double that—a handy few percentage points of GDP. To some governments they are vital: in Bulgaria environmental and excise taxes amount to around a tenth of the total state budget.

The downside of sin taxes is that government finances suffer when bad habits get kicked. Smoking and drinking have both declined markedly in recent decades. Whether that is because of high taxes or other factors is up for debate. Young Europeans are on a straighter path than their parents were, including when it comes to untaxed activities like sex and illegal drugs. But the result is that revenues from smoking and drinking are down by around a fifth as a share of GDP in the past decade or so. Green taxes will cause an even bigger hole in public finances. By 2035 no new cars with combustion engines will be sold in the European Union; by 2050 the bloc is pledging to cut carbon emissions to net zero. Finance ministers will balk. Though the gains made from falling sales of accessories to sin will be felt years in the future, the fiscal pain of shrinking revenue hits immediately.

Taxing sin has other issues. It often disproportionately burdens the poor, who smoke, drink and gamble more as a share of their income and drive older petrol-guzzling cars. Levies applied by one national government are easy to circumvent, especially in the EU where people can freely travel to neighbouring countries with lower excise rates to stock up on Marlboros, cognac and diesel. No tax is popular, but those on petrol have a special way of irking people. In 2018 a rise in fuel duties sparked the "yellow jackets" protests in France. And what of the argument that unhealthy habits like smoking are good for the exchequer? In 2001 the Czech arm of Philip Morris, a cigarette peddler, even argued that smokers *save* the state money by dying younger, thus relieving the public purse of the need to pay the pensions, health care and housing of those killed off early.

Confessions of a tax collector

As revenues on existing sin taxes decline, finance ministers are on the hunt for new ones to replace them. After sugary drinks, it may soon be the turn of meat to get a special tax: methane-belching cows are the next frontier in combating climate change. The EU is brimming with ideas of new sins to tax, not least as it hopes some might fund its budget directly. Levies on unrecycled plastics already flow to its coffers. On July 16th the European Commission proposed to extend excise on tobacco beyond cigarettes to vapes, as well as receiving some of the proceeds of carbon credits.

Why stop there? Smoking, drinking and boiling the planet are bad, certainly. But policymakers might usefully update the list of sins to be tackled. Would any sane European oppose tripling the income taxes of people who blithely watch videos on public transport without earphones? Charlemagne would happily vote for tourism levies targeting social-media influencers who turn perfectly good Parisian cafés into Instagram backdrops. Electric scooters are a nuisance, too. The problem with taxes on addiction is it is easy for politicians to end up addicted to them. ■

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The lingering effects of disorder

A year after Britain’s riots, things have deteriorated

The police are better; the politicians are worse

Jul 24, 2025 02:41 PM | SOUTHPORT

IT IS HARD to recover from an enormity, and Southport, north of Liverpool, suffered two. On July 29th last year a 17-year-old named Axel Rudakubana murdered three young girls and tried to kill many others. The next day, as rumours spread that the killer was a Muslim asylum-seeker, a mob attacked a nearby mosque and a police van. The windows of the mosque are still covered with protective screens. Norman Wallis, who runs Adventure Coast Southport, an amusement park, says business is slow. He thinks that people hesitate to enjoy themselves, out of sympathy.

Still, Southport has taken positive steps. The victims' families have formed community groups and have made it clear that they want no vigil on the anniversary of the murders. Public gardens in Southport's elegant, somewhat faded centre will be renovated as a tribute to the girls. Patrick Hurley, the local MP, speaks of stronger emotional bonds and a growing willingness to help others. In the rest of Britain, by contrast, the wounds inflicted a year ago fester.

Violence broke out in many cities and towns after the Southport riot. Some places, like Belfast and London, have long histories of disorder. In others the disturbances were shocking. Protesters clashed with the police in Weymouth, a southern seaside town. One of the worst riots was in Tamworth, near Birmingham—a town that gave its name to a fine pig breed. The crowd there attacked police, smashed its way into a hotel with asylum-seekers inside and tried to set it on fire.

Some were more like organised assaults than protests. Few attendees carried placards, although some were draped in British or English flags. They attacked mosques and hotels containing asylum-seekers. Anybody who tried to stop them became a target. In Sunderland a taxi carrying Filipino nurses was attacked; in Burnley Muslim graves were vandalised.

Most rioters seem to have been local people. Some had violent histories. A study by John Drury of the University of Sussex and others found that, of 94 people arrested in Stoke-on-Trent, 80 had been arrested before in relation to a total of 1,127 offences. But the riots also drew families who came to watch and cheer. Almost one-fifth of those arrested in Stoke were under 18.

Protests and riots do not just accomplish tangible things in the moment, such as damaging property. They also create movements, as people who hold niche or scorned views see their passions reflected in others' eyes and actions. Mr Drury, who studies crowds, notes that Tommy Robinson, a rabble-rouser, held a large rally in London two days before the Southport murders. Extremists may have been in a confident mood, believing their vision of a foreigner-free country was widely shared.

The riots delivered a brutal version of that message to migrants. Rioting hit Stoke-on-Trent in the West Midlands on the day that Asha, a charity, had taken many asylum-seekers to the seaside. They were marooned in a motorway service station while the police worked to restore order. Godfrey Seminega of Asha notices that asylum-seekers seldom hang around central Stoke in the early evening these days, as they did before the riots occurred. “People are still very scared”, he says.

Britons’ confidence in multiculturalism· was shaken, too. HOPE Not Hate, an anti-fascist group, happened to be polling when the murders and riot took place in Southport. It found that attitudes to Muslims and immigrants quickly hardened. A recent poll by British Future, a think-tank, shows that people are more concerned about divisions between immigrants and natives than between any other groups, including the rich and the poor.

The police vigorously pursued brick-chuckers and laptop demagogues alike, arresting more than 1,800 people. “We were arresting people and putting them in court the next day,” says Ian Drummond-Smith, who investigated the riots at the National Police Chiefs’ Council. It helped that body-worn cameras and CCTV are ubiquitous.

It was a sharp rebuke, popular among the public. But the crackdown created opportunities for martyr-making. Peter Lynch, a 61-year-old man who was convicted of violent disorder, was found dead in his prison cell. “I am Peter Lynch” shirts and signs soon appeared. Some MPs object to the imprisonment of Lucy Connolly (the wife of a Tory town councillor), who called for attacks on hotels and pleaded guilty to inciting racial hatred.

Merseyside Police announced on the day of the murders that a 17-year-old “originally from Cardiff” had been arrested, but did not say that he had been born in Cardiff and was British. A report by the national police inspectorate argued that in future the police should “fill the information void with the truth”. They have heeded that message. In May this year somebody drove a car into a crowd of Liverpool football supporters. Just two hours later, Merseyside Police announced that they had arrested a white British man.

Anti-racist groups played crucial roles in the riots. They rallied in Stoke-on-Trent, hoping that anti-immigrant protesters would abuse them rather than attacking targets such as mosques ("bait on the hook", as one later put it). In Bristol they protected a hotel until the police turned up. In some places, including Stoke, Muslim men attacked far-right protesters; some were later arrested and charged.

"It was awful," says Stuart Russell, an anti-racist campaigner who faced the mob in Tamworth. "We genuinely thought we weren't going to get out." Anti-racist activists staged large rallies after the riots had peaked, mostly in big, diverse cities where the far right is weak. Elsewhere, the feeling of being outnumbered lingers.

Most dispiriting are the political changes over the past year. Last summer Britons thought the prime minister, Sir Keir Starmer, handled the riots fairly well. They gave lower marks to Nigel Farage, leader of Reform UK, who has been railing against asylum-seekers for years. In a much-watched video shot in 2020, he said the residents of one hotel could be terrorists, and other asylum-seekers had committed "horrible acts in our country". When the riots broke out, he questioned whether the police were telling the truth about Mr Rudakubana.

In the past week demonstrators have gathered in Epping to protest outside a hotel which houses asylum-seekers, including a man charged with sexual assault. Protesters chanted "send them home" and "save our kids". Mr Farage warned of "civil disobedience on a vast scale". On July 23rd protesters assembled for a second night outside an empty hotel in London, following false claims that asylum-seekers from Epping had been moved there.

Reform now leads the polls. Far from toning down the rhetoric, Mr Farage and others on the hard right have taken to calling asylum-seekers "fighting-age men". Tory MPs refer to "two-tier policing" and "two-tier justice", to imply that white people are treated more harshly than others.

A year on, Sir Keir is in a defensive crouch. He has conceded that immigration risks turning Britain into an "island of strangers" and has sympathised with people who are angry about illegal immigration. Mr Robinson plans another rally in September, which Joe Mulhall, the director of research at HOPE Not Hate, expects to draw a big crowd. “The energy is with the far right at the moment,” he says.■

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Polling on Britain's social unrest

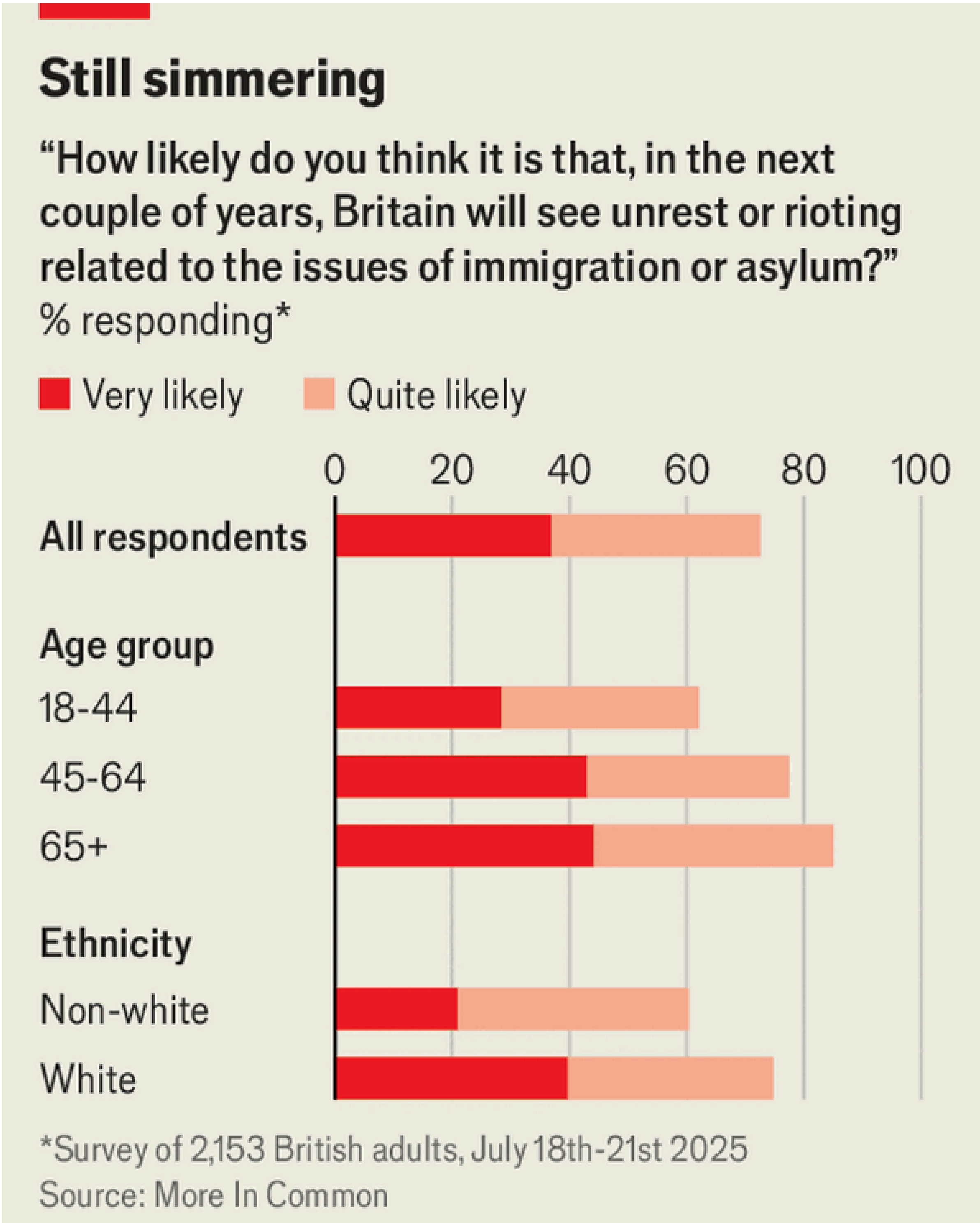
Seven in ten Britons expect more riots

Our survey finds that Britons are pessimistic about the country's cohesion

Jul 24, 2025 01:31 PM

PROTESTS AND riots last year brought to the fore simmering tensions about immigration and integration. Twelve months on, what do Britons think about social cohesion, multiculturalism and the risk of further unrest on their streets? We commissioned More In Common, a polling firm, to find out. The responses, from a representative national sample, add to the evidence that matters have got worse·.

The survey finds that last year's mob is firmly in the minority. Some 61% of respondents said the protesters and rioters "did not speak for me". Yet that is hardly grounds for complacency, given that 18% said the demonstrators "did speak for me"—equivalent to 10m adults. Among those who voted for Reform UK last year, that share was 45%.



The riots have dented faith in the country's cohesion. About four in ten people thought that Britain is "more divided" now and nearly half said they are "less confident" that "multiculturalism is good for Britain". That is a bleak assessment for a place where one in four is from an ethnic minority. Views on multiculturalism soured most among older respondents over the past year.

Worse, Britons foresee further unrest ahead. Some 73% of respondents said that it was "very" or "quite likely" that there would be more race riots in the next few years (see chart). Pessimistic responses were especially likely among white people, the old and those who said the rioters "did speak for me". Previous episodes of racial violence—in 1919, 1958 and 1981—were not quickly repeated. This time might be different. ■

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A striking shift

Why are British doctors so radical?

Their main union has become a platform for activists' causes

Jul 24, 2025 01:30 PM

PICTURE THE British Medical Association (BMA), the main doctors' union, and you may imagine a professional body of tweed-wearers. It is more like a giant version of Extinction Rebellion, albeit ready to block health care, not roads. Its latest strike, a five-day walkout by resident (formerly known as junior) doctors, is to start on July 25th. How did they get so radical?

The union has long been a nuisance for governments. Aneurin Bevan, the architect of the National Health Service (NHS), called it a "small body of politically poisoned people". Yet strikes by doctors were rare. Until 2023 there had been only three national ones in the NHS's 75-year history.

But from 2023 to 2024, that number shot up. A wave of doctors' strikes in England led to the rescheduling of half a million operations and appointments. The strikes were paused only when the government offered a 22% pay rise over two years.

Now, the BMA's central demand is to restore doctors' real-terms pay to 2008 levels. By its own preferred measure, retail-price inflation, salaries are down by 21% even after last year's bump. Student debt is another grievance. But it's not just about money. Dr Julia Patterson of EveryDoctor, a campaign group, says conditions in the NHS are so grim that "you wonder why anybody would cling on." One who has, Dr Lois Nunn, describes long hours and a five-hour round-trip commute between her hospital and young family. With a shortage of specialty training posts, placements are highly competitive. Many of her doctor friends have moved to Australia; those who remain, she says, are "quite miserable".

The malaise is not uniquely British. In Germany health workers recently went on strike over pay. Fearing increased competition, last year thousands of South Korean doctors downed stethoscopes over the government's push to recruit more medical students. Even in America, doctors are starting to unionise. "We've lost our voice within the system," says Dr Matt Hoffman, a doctor organising in Minnesota.

Yet only in England has this frustration hardened into radicalism. In recent years self-styled "unashamed socialists" took over the BMA's main committees. The logo of Broad Left, a key faction, is a stethoscope shaped like a hammer and sickle.

The BMA has become a platform for activists' causes. At its recent annual conference it passed several motions on the war in Gaza, including one to suspend ties with the Israeli Medical Association. The BMA softened its critical stance on the Cass Review, an NHS-commissioned report that questioned the evidence base for youth-gender services, only after more than 1,000 members signed a letter in protest.

Not all doctors support the BMA. It's a "deeply dysfunctional mess", says one who left. Public support has fallen: 34% of Britons support strikes by doctors, compared with 52% last year. Coroners have linked previous strikes to at least five patient deaths. If the strikes go ahead, Labour’s pledge to cut waiting lists will almost certainly be broken.

Wes Streeting, the health secretary, has called strikes “completely unjustified”. Already, the BMA’s transformation has been profound. It is no longer simply a doctors’ guild, but a political force.■

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Ofswatted

Britain’s water watchdog is to be put down

An overdue overhaul of an unloved industry

Jul 24, 2025 01:31 PM

Pipe dreams

THIS IS, DECLARED Sir Jon Cunliffe, a modern “Great Stink moment”. In July 1858 the stench of untreated waste, wafting into Parliament from the banks of the Thames, at last became too much for MPs. They soon approved Joseph Bazalgette’s plan for new sewers for London. In 2025, said Sir Jon on July 21st, presenting a 464-page report on the structure and oversight of the water industry in England and Wales, another clean-up is due, again with “direction from the very top”.

Today's stink is still sometimes literal. Britons are fed up with seeing filthy discharges from overloaded sewers and treatment works, often forced by heavy rain. On July 18th the Environment Agency (EA), a regulator, reported that in 2024 there were 75 "serious" pollution incidents—likely to kill fish or harm bathers—up from 47 the year before, although the number is meant to be heading towards zero. But the smell is also financial. Debt-laden Thames Water, the country's biggest water company, is trying to stave off "special administration" (a form of insolvency). It recently reported an annual pre-tax loss of £1.6bn ($2.2bn).

But perhaps the strongest pong is regulatory. For too long Ofwat, the industry's economic regulator since privatisation in 1989, was shy of letting prices rise to finance investment. Now the industry is set for a splurge, paid for largely by a sudden jump in bills. Neither consumers nor water companies are happy. More than 90% of respondents to a survey by Sir Jon's commission rated the regulatory framework as poor or very poor.

So the most eye-catching of Sir Jon's 88 recommendations is to scrap Ofwat—a proposal accepted at once by Steve Reed, the environment secretary. In England a new body will replace Ofwat and also take on the EA's water duties, as well as incorporating the Drinking Water Inspectorate, yet another regulator. Sir Jon proposes a separate but similar set-up in Wales.

That should remove regulatory overlaps (such as duplicate reports for different watchdogs) and fill gaps (no one, says Sir Jon, has an overall view of infrastructure). Sir Jon also recommends a change in the style of economic regulation, from judging companies against an industry-wide benchmark to more individual oversight.

A former deputy governor of the Bank of England, Sir Jon has proposals to reinforce water companies' financial resilience—damaged by the overeagerness of some to pay dividends rather than retain earnings, and by overreliance on debt finance. One idea is to have the new regulator set minimum capital requirements, akin to those of banks. He suggests a formal "turnaround" regime for struggling companies. Whether Thames's troubles will be over before it comes into effect remains to be seen.

The flaws are too deep to be fixed merely by a regulatory reset. Sir Jon's first recommendation concerns that direction from the top. Government alone, he says, can provide the co-ordination among competing objectives—demands for new infrastructure, protecting the environment, keeping bills within bounds—that has until now been lacking. He suggests that the government should draw up a "National Water Strategy", with a rolling 25-year view and interim targets, and set the new regulator's priorities.

Below that he proposes more coherent regional planning, with eight bodies in England, based on river catchments, and one in Wales. The current arrangements, he says, have developed piecemeal and are often inconsistent. Local-government representatives, as well as engineers and environmental experts, should sit on the regional bodies.

For some, including many on the left and some environmental groups, as well as lots of disgruntled customers, all this misses the point: the original sin was privatisation. The industry, on this view, can be absolved only by being taken back into public ownership. However, renationalisation was excluded from Sir Jon's remit.

Nevertheless, his report considers different models—the water industries of Scotland and Northern Ireland are nationalised, Welsh Water is a not-for-profit firm, England has a mix of listed and unlisted price suppliers—and finds little to choose between them. It is also questionable whether the government, with its finances already strained, would easily find the money to buy out the industry's current owners. And a renationalised water industry may end up as one voice among many begging the Treasury for capital funds.

Sir Jon's proposals are thorough and look sensible at first blush. Public confidence in the industry and in Ofwat are at rock-bottom. The regulatory framework is riddled with inconsistencies; it seems wise to bring the economists, engineers and environmental scientists under one roof. But judging their efficacy will take years—even getting rid of Ofwat means a change in the law. Meanwhile, as bills rise, sewers spill over and summer hosepipe bans begin, the grumbles won't be stopping. ■

LIBORated

Vindication for two bankers. Questions for Britain's legal system

The LIBOR saga reflects badly on the courts

Jul 24, 2025 02:38 PM

WERE TOM HAYES and Carlo Palombo guilty merely of being bankers? In 2015 Mr Hayes, formerly of UBS and Citigroup, was convicted of conspiring to manipulate LIBOR, a benchmark interest rate. He was initially sentenced to 14 years in prison (the same as the maximum for blackmail). In 2019 Mr Palombo, once of Barclays, was given four years for fiddling EURIBOR, another benchmark. Both men were released in 2021.

But on July 23rd Britain's Supreme Court quashed their convictions, ruling that the judge in Mr Hayes's trial, Sir Jeremy Cooke, had misdirected the jury. Mr Palombo’s judge then made a similar error.

In the aftermath of the global financial crisis of 2007-09, LIBOR became a symbol of all that was wrong with banks and bankers. In 2012 it was estimated to be used in pricing $300trn-worth of financial contracts, in up to ten currencies (Mr Hayes’s field was the yen) and over periods of up to a year. LIBOR was a trimmed average of banks’ estimates of the rates at which they could supposedly borrow from each other. But much of it was guesswork: actual lending could be thin or non-existent.

That vagueness gave bankers leeway. Did they misuse it? The Serious Fraud Office (SFO) thought so: it prosecuted 20 for rigging rates; nine were convicted. (The Supreme Court’s ruling should give hope to the remaining seven.) Mr Hayes admitted that he tried to influence his colleagues to submit rates that were to his advantage, but not contrary to their honest opinion. But Sir Jeremy told the jury that submitters, if acting honestly, should not take commercial interests into account at all. That, the Supreme Court said, undermined the trial’s fairness. The question of honesty was for the jury, not the judge, to decide.

The financial system still has many flaws—though at least LIBOR is no more, replaced by new benchmarks based on overnight rates. But the legal system isn’t flawless either. The case is a failure for the SFO, which was both investigator and prosecutor. Karen Todner, Mr Hayes’s solicitor, said after the judgment that its dual role created a “substantial conflict of interest”.

The ruling suggests deeper problems. Lord Leggatt, who drew up the court’s decision, wrote that it “raises concerns about the effectiveness of the criminal-appeal system in England and Wales in confronting legal error.” He did not elaborate. But it has taken ten years to correct Sir Jeremy’s misdirection. The Court of Appeal upheld Mr Hayes’s and Mr Palombo’s convictions twice, and in fact did not grant them permission to appeal to the top court.

Their case reached the Supreme Court only because the appeal judges agreed that a general point of law was at issue: chiefly, whether pursuit of a trading advantage in submitting rates was consistent with honesty.

Fortunately for Mr Hayes and Mr Palombo, the justices agreed to take it up. ■

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Crime and no punishment

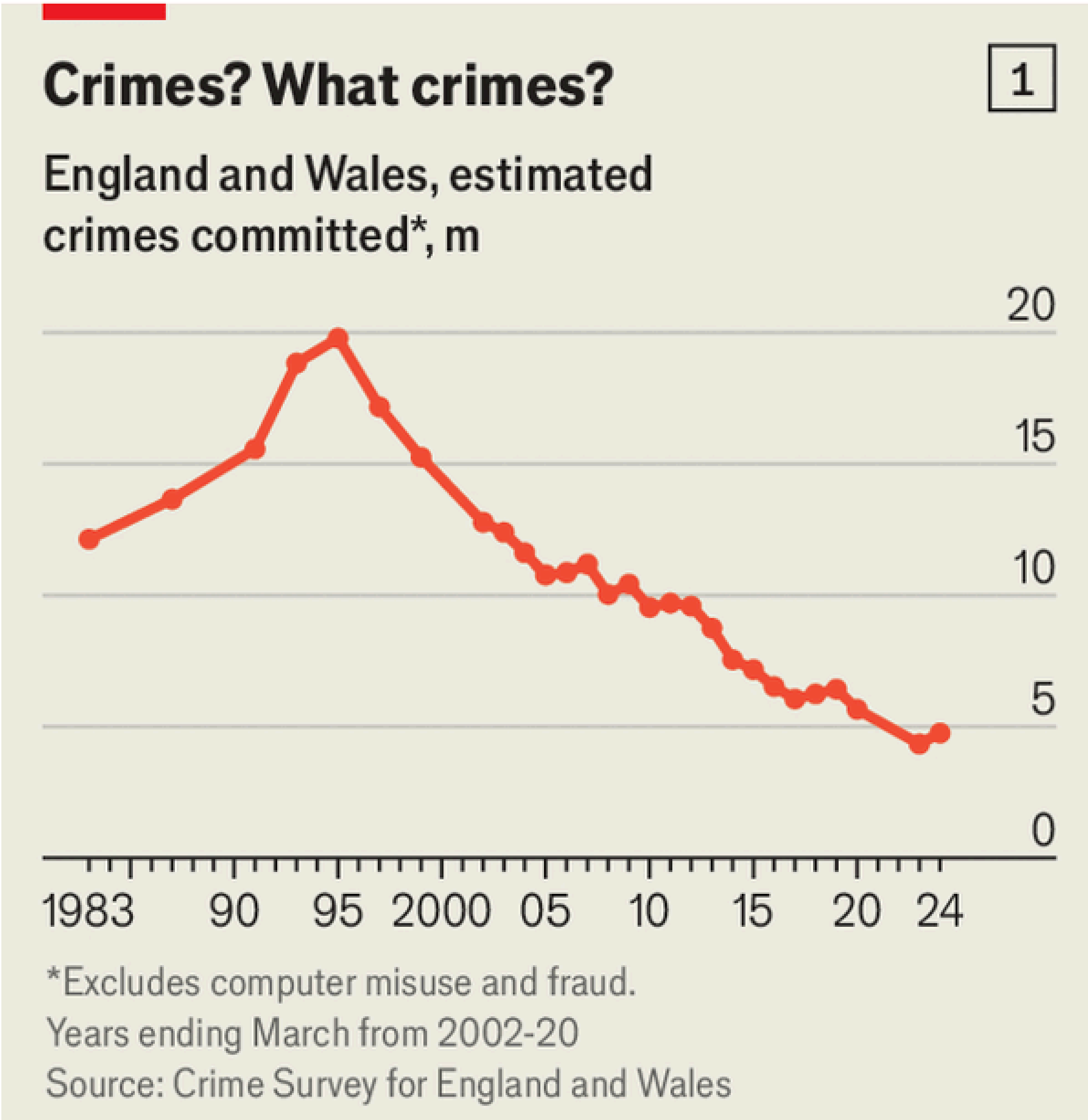
Why Britain’s police hardly solve any crimes

Crime has become more complex. The police have not kept up

Jul 24, 2025 01:30 PM

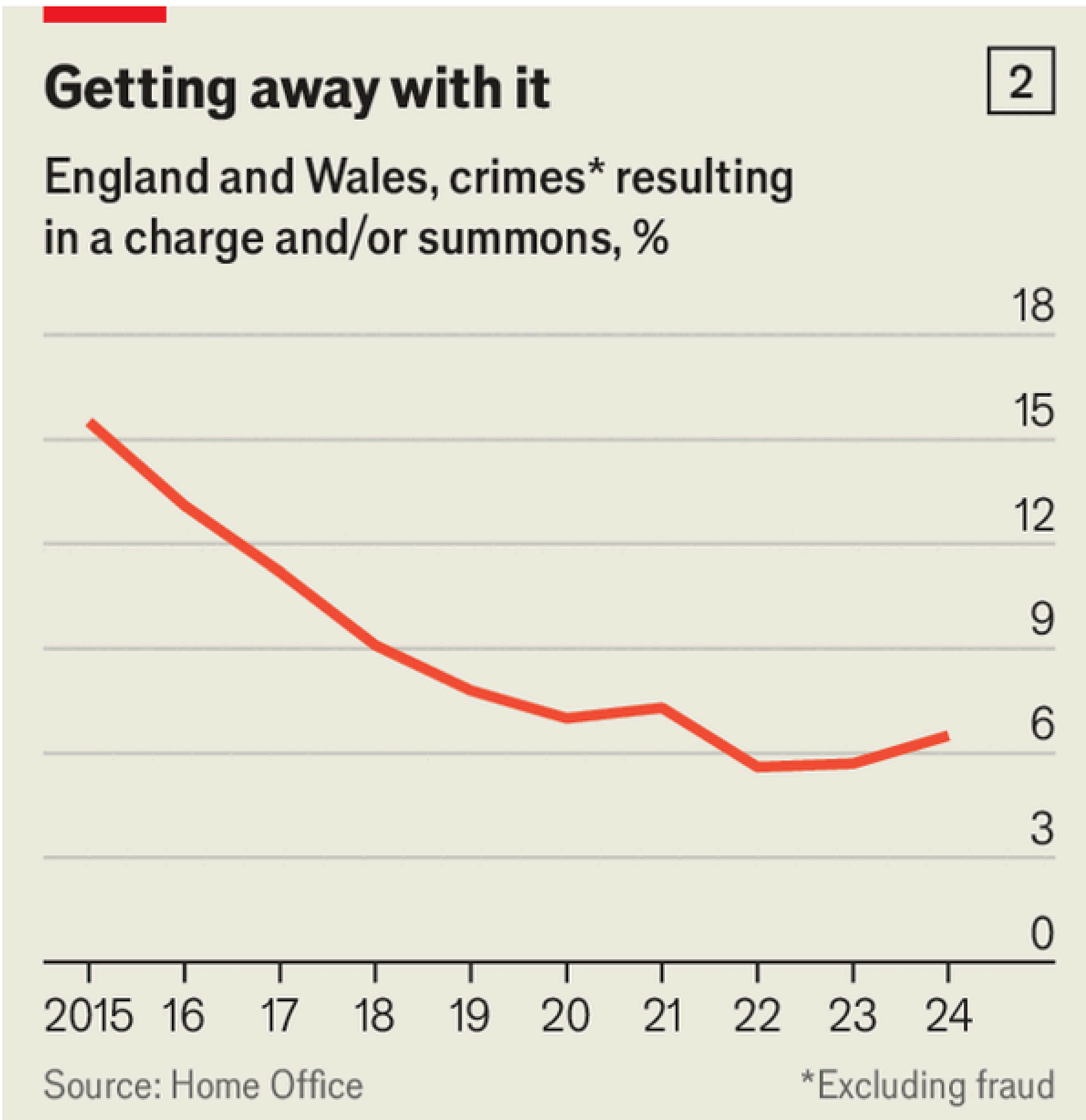
WHEN STAN GILMOUR started out as a “regular street bobby” in 1993, he remembers picking up “multiple burglaries a day”. It was nearly all “traditional crime” back then: “you know, the whodunnit, broken window, property gone, search for the suspect”. There were no mobile phones or CCTV cameras, which meant lots of knocking on doors and learning to “manage the crime scene” to yield clues.

Mr Gilmour didn’t know it, but he had started close to the crime peak. In 1995 an estimated 20m crimes were committed in England and Wales, an all-time high. That figure then fell for almost three decades, reaching a low of less than 5m in 2023 (see chart 1). Many politicians claimed credit for this “crime drop”, which happened across the rich world, and was driven by a fall in burglary and vehicle theft. Researchers later concluded that the main cause was better security technology.



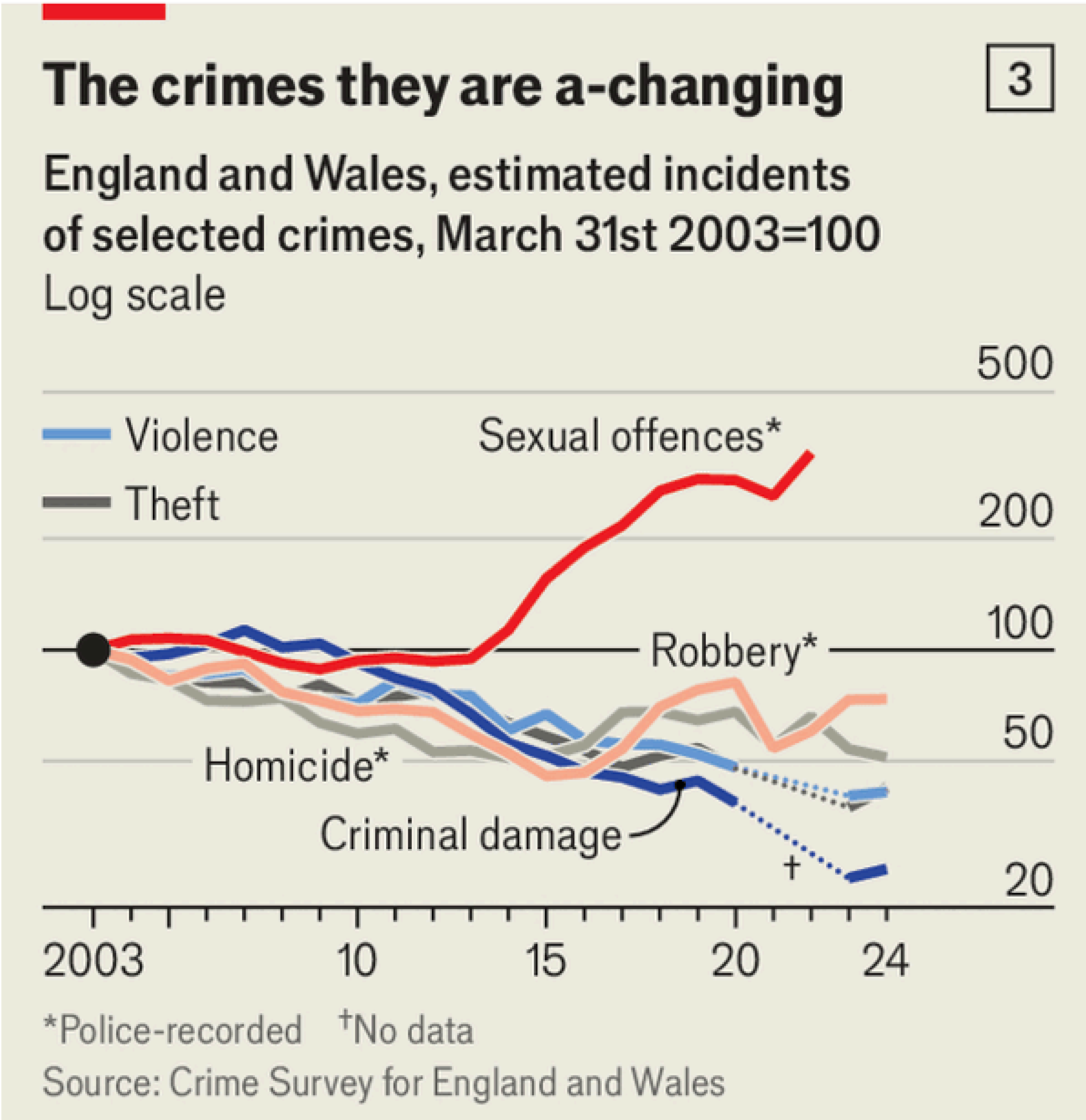
There was a catch. As the number of crimes plummeted, so too did the proportion that were solved. In 2015 around one in six recorded crimes resulted in a charge or a summons. Last year it was only around one in 20 (see chart 2). To the law-abiding citizen this shift amounts to a blessing and a curse. You are much less likely to become a victim of crime, and much less likely to see justice if you do.

Politicians often frame this solely as a supply-side problem. Britain’s police experienced steep cuts between 2010 and 2018; seasoned officers were paid to leave. The public associates ineffectiveness with the absence of visible “bobbies on the beat”. Yet a better explanation is that crime has become harder to solve. And as the caseload has changed and technology has evolved, the police have not kept up.



The crimes on which Mr Gilmour cut his teeth were voluminous, but straightforward. A car hot-wired for joyriding; a house robbed and the loot sold locally. The perpetrators of such offences tended to be “not all that sophisticated”, says Mike Hough, an academic who established the national crime survey.

Today cases are more vexing. The number of reported sexual offences, for example, has more than tripled in the past two decades, to almost 200,000 (see chart 3). Strangely, that is (mostly) a good thing: more victims are coming forward. Yet the charge rate is just 4.2%. Investigations are long and difficult and the police are still often poor at handling victims. The rate of victims dropping out of investigations has soared.



Thieves have also become smarter. Vehicle theft, which fell to a low of 70,000 in 2013, has risen by 75% in the past decade. The explanation is not a rash of young tearaways. Organised groups use electronic gadgets to target high-end cars, which are then masked or chopped up for parts, often for export to distant markets. Mr Hough suspects that as the criminal cohort has shrunk, those who remain are more skilled and motivated.

Levels of burglary remain low—it is risky to rob a house with modern security, particularly when someone might be working from home. But street phone thefts have risen sharply, often yanked from the hands of a distracted pedestrian by a balaclava-wearing bike-rider. More than 70,000 phones were reported stolen in London last year, making it the phone-snatching capital of Europe. Such cases leave few easy clues, and require sophisticated operations to crack criminal supply chains.

One way to think of crime and policing is as a game of cat-and-mouse. The mass adoption of smartphones shows how technology changes the rules. In theory, it has produced troves of data that could help police secure convictions. Yet in practice their ability to sift the data remains poor. Meanwhile, encrypted communications have made it easier for criminal networks—like those used to export stolen cars and phones—to operate at scale.

Investigations also face a rising burden of proof. “Back in the day we would stand up in court and say ‘I saw them do it’,” admits an officer. Now the police are expected to find three points of view. One copper complains that if they fail to produce CCTV, DNA evidence and phone forensics, judges and juries can become suspicious. Many modern investigations involve up to 20 kinds of evidence. Police become tied in bureaucratic knots, with little time to tackle even straightforward crimes.

Britain is not alone in facing these pressures. Other countries have also seen a decline in clearance rates. But criminologists say that the decline in Britain has been especially steep.

An imminent white paper will set out how policing can respond. It is badly needed. After three decades of decline, crime is rising. That has been driven, above all, by a surge in shoplifting, which has more than doubled in the past two years. These days even shoplifters don’t seem to fear getting caught. Keeping crime down is going to require catching some criminals. ■

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Bagehot

The peril of trying to please people

Compromise rarely leads to contentment. But it nearly always leads to costs

Jul 24, 2025 01:30 PM

FOR A LONG time Labour was happy to pick fights when it came to defending planning reform. Sir Keir Starmer was, by his own cautious standards, punchy about making it easier to build in Britain. No longer would NIMBYs (not in my back yard) be able to curtail building projects. No longer would taxpayers have to spend £120m ($160m) on a bat tunnel encasing a high-speed train, as an insurance policy against legal challenge by furry-flying-mammal lovers; newts would hinder housebuilders no more. In short, planning was to be a matter of conviction, not compromise.

On July 17th compromise arrived. After complaints from a gang of environmental NGOs, the government put forward a slew of amendments to its flagship planning legislation. Once-implicit standards became explicit goals; environmental-compensation schemes became more stringent; any mitigation scheme must have the best scientific backing. Big environmental charities gave a cautious welcome; Labour’s vocal YIMBYs (yes in my back yard) stewed with rage, arguing this would make it easier for campaigners to tangle projects in legal challenges. To the government, it was a textbook compromise.

In this, Labour has fallen into an all-too-common vice. Too much compromise, rather than too little, lies at the heart of recent cock-ups. Consider HS2, the over-budget railway between London and Birmingham. It is a lesson in failure, mainly because it was a lesson in compromise. Critics were bought off. Losers were compensated: a new golf clubhouse here; £500,000 for a new park there. NIMBYs were placated by needless expensive tunnels through the Chiltern Hills. Compromise cost a lot. But it did little to allay any concern. When the tunnels were dug, residents complained about the unnerving sense of a train beneath their feet. Those who opposed HS2 at the start oppose it still.

Compromise has already damaged Sir Keir’s government. An unpopular scheme to remove an (up to) £300 winter-fuel allowance from pensioners has been partly reversed. Now pensioners who earn less than £35,000 a year, which is about three-quarters of them, will receive it. A cost-saving measure will save almost no costs, as a compromise. Before the decision Labour could count on the support of about 13% of pensioners. After the decision, it is about 15%. Once focus groups complained about the elderly losing £300 a year, points out Luke Tryl, from More In Common, a pollster; increasingly, they grumble about U-turns.

If compromise is overrated, ploughing on is underrated. Even the vociferous critics sometimes disappear. “WASPI” (Women Against State Pension Inequality) campaigners spent years demanding compensation for those born in the 1950s affected when the female pension age was increased from 60 to 65. In 2024 an ombudsman suggested a compromise: compensation of between £1,000 and £2,950 for anyone affected—much lower than the five-figure sums campaigners had demanded. Mercifully, ministers told the ombudsman to get lost. Blowback came there none.

It was a similar story when Labour introduced inheritance tax on farmers with assets above £1m. For a brief period rural revolution was on the cards, if more hysterical commentators were to be believed. Jeremy Clarkson, the motorhead-turned-voice-of-rural-England, led a march on Whitehall. Compromise was demanded. None came. Rural rebellion has yet to erupt. In any policy, some people lose out. Politics is simply the process of choosing who.

Sometimes, however, it is simply too tempting to duck that choice. The environmental charities that called for the changes are well-organised and well-liked. Some are also very big. The Royal Society for the Protection of Birds alone has 1.2m members, making it about the same size as the American armed forces. Each charity is able to deluge MPs with hundreds of thousands of pro-forma complaints. When it comes to shaping political discourse, MPs feel outnumbered and outgunned. How many divisions has the pope? How big a mailing list has the Ministry of Housing, Communities and Local Government?

To govern is to soothe

Compromise on planning speaks to a deeper crisis of confidence. The planning bill sailed through the Commons. Harsher amendments tabled by a Labour rebel (since booted out of the party) were voted down overwhelmingly. Yet now Labour's planning reforms have been watered down before the government has even lost a vote. At times this Labour government behaves as if it is illegitimate. Elections become a mere starting point to negotiate with the actual powers in Britain, rather than a mandate to do anything. Consultations must be run; inquiries held; stakeholders engaged. If well-organised groups oppose a policy, who is His Majesty's Government to argue otherwise?

Come autumn, if the weakened planning bill sails through the upper house without complaint from the larger environmental charities, perhaps it will have been worth it. The faster it passes Parliament, the quicker people can start building. The Office for Budget Responsibility has always priced the bill into its growth forecasts, arguing that planning changes will make the

British economy about 0.2% bigger in 2029 than it would otherwise have been. It is not much, but it is much needed.

That is not the only possible path. After all, the government has been here before. Environmental NGOs had initially praised the government's plans. A month later they labelled them "cash to trash". The same incentives are in play again. Why stop at the current concession if more can be squeezed? Less politic environmentalists are already grumbling. "The fight goes on," declared one association of ecologists. Larger groups may join them. If they do, all that will be left is a less effective law, a public scrap and a government that will wish it had held its ground and won. ■

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International

- **Rethinking the war on AIDS**
  Fighting HIV :: American funding cuts are a catalyst for fresh thinking
- **The surprising lessons of a secret cold-war nuclear programme**
  The Telegram :: America is sick of policing the world. More nuclear-armed states will not help

Fighting HIV

Rethinking the war on AIDS

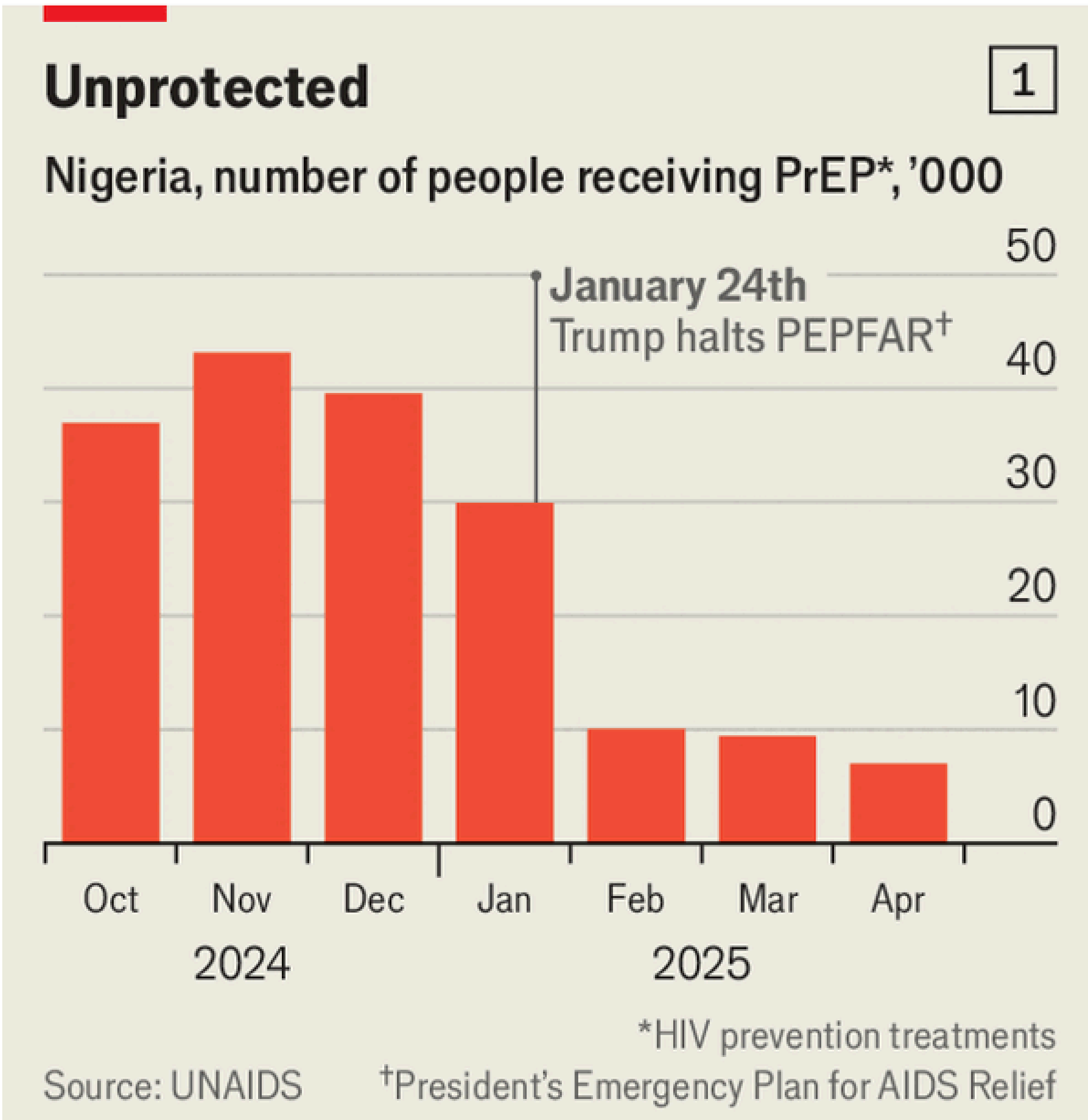
American funding cuts are a catalyst for fresh thinking

Jul 24, 2025 01:31 PM | KIGALI

AIDS AND HIV, the virus that causes it, once sparked fear across the world. Apocalyptic forecasters in early 2002 reckoned that in some southern African countries half of new mothers would soon die of AIDS. Tens of millions of lives would be lost over coming decades. Economies would be devastated. Instead, what was arguably the most effective foreign-aid programme ever was introduced in 2003 by President George W. Bush.

The President's Emergency Plan for AIDS Relief (PEPFAR) is thought to have saved some 26m lives through providing treatment for those infected. More importantly, by helping to reduce the number of new HIV infections, it has played a vital role in bringing the disease under control. What once seemed unthinkable two decades ago, very recently seemed tantalisingly within reach. So much so that UNAIDS, a UN body, hoped the world could end AIDS as a major public-health threat by 2030. Instead, PEPFAR suddenly found itself in the emergency room on life support.

On January 20th it was a victim of Donald Trump's cull of American foreign aid, promulgated as part of his flurry of executive orders signed on the day of his inauguration. Four days later, its activities were brought to a shuddering halt by a "stop-work" order (see chart 1).

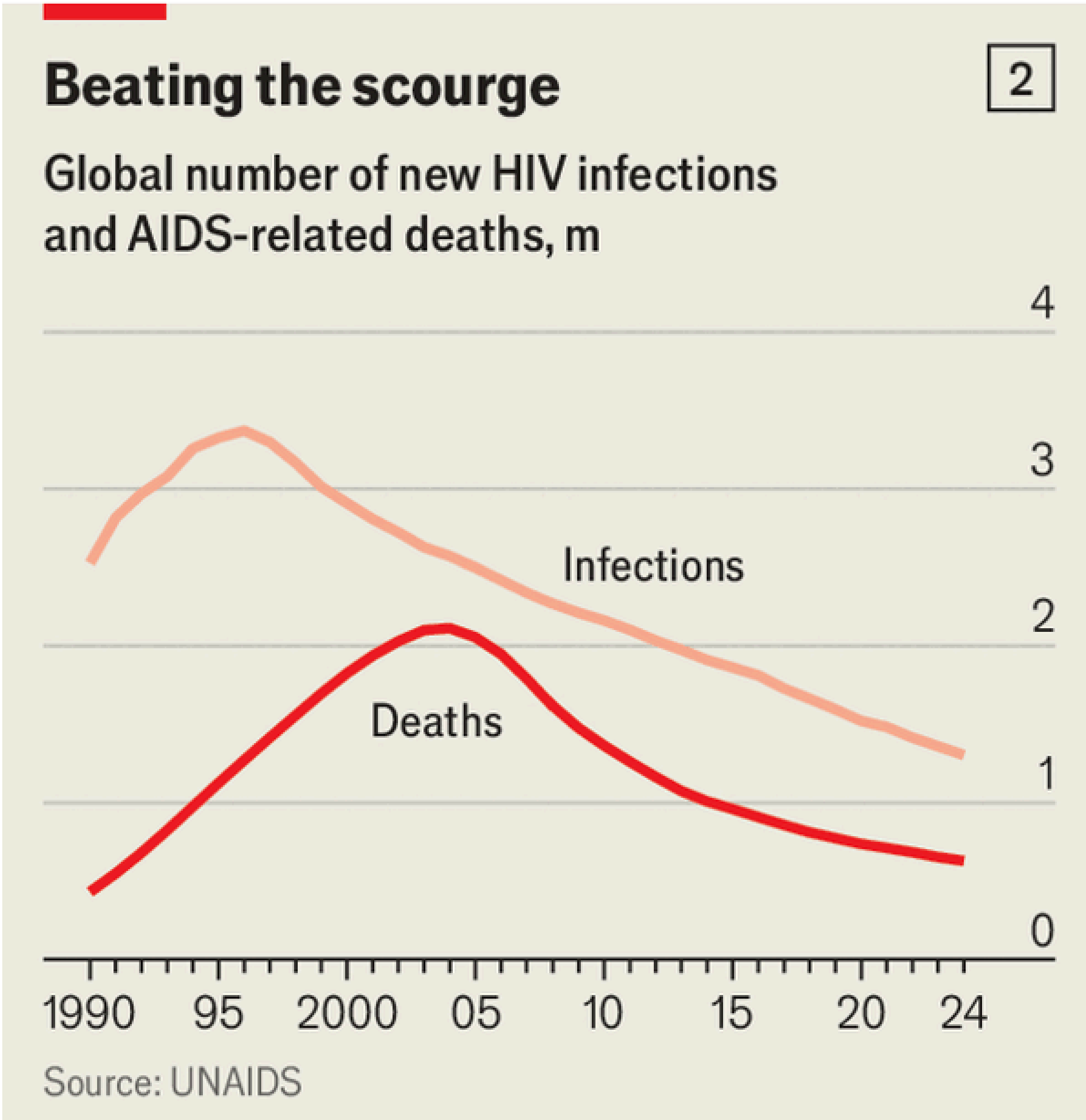


A few days later, however, it was given a waiver to continue “life-saving humanitarian assistance”—mainly dispensing anti-retroviral (ARV) drugs to those already taking them and offering pre-exposure prophylactic (PrEP) medicine to pregnant women and nursing mothers, to prevent mother-to-child transmission of HIV.

Thankfully, the dust is now settling. A threat to claw back $400m from this year’s budget allocation was averted on July 18th. As to next year, the administration has asked Congress for $2.9bn to support PEPFAR’s direct efforts in recipient countries. That is down $1.9bn from the current amount. But it is not negligible.

The international AIDS establishment has nevertheless been given the shock of its life. The stop-work order resulted in scores, probably hundreds, of PEPFAR-supported clinics and community-based projects laying off their staff and closing their doors. Even though many were able to re-open for more limited business when the waiver was promulgated, restarting operations often proved tricky. Staff had to be re-recruited, systems rebooted and trust re-established among those being helped, many of whom had required a deal of persuading to take the drugs in the first place.

Meanwhile, and ironically, June 18th saw one of the most significant recent advances in HIV medicine. An injectable and long-lasting form of PrEP, called lenacapavir, was approved for use by America’s Food and Drug Administration (FDA) and thus given a green light for deployment around the world. The main existing form of PrEP is a daily pill. An injection of lenacapavir every six months will do the same job. If, that is, someone will pay for it.



A meeting of the International AIDS Society (IAS), held this month in Kigali, Rwanda, has provided an opportunity to discuss where to go from here. The reluctant consensus, captured by Mitchell Warren, co-chair of the Global HIV Prevention Coalition and a member of PEPFAR's scientific advisory board, was that after an earthquake of this magnitude you do not try to re-erect the building that has fallen down. Rather, you build a different one.

Until Mr Trump's executive order, the war on AIDS had been going reasonably well. The number of HIV-related deaths in 2024 was 630,000—down from a peak of 2m two decades earlier. And the annual number of new infections, which peaked in 1995 at 3.4m, is now 1.3m, according to a new report by UNAIDS (see chart 2).

Those numbers are, however, unchanged from the previous year, reflecting the fact that it is getting progressively harder to reach the remaining cases and at-risk individuals. Nevertheless, there was optimism that the downward trend would return with lenacapavir, and be reinforced by other innovations on the horizon.

Money changes everything

Fighting HIV has always, though, depended disproportionately on American money. About three-quarters of foreign aid devoted to combating the virus in poor and middle-income countries comes from the pockets of America's taxpayers. This is disbursed both directly by PEPFAR and indirectly via a grant to the Global Fund, an international body based in Geneva that fights AIDS, tuberculosis and malaria—a grant which will continue if the administration's budgetary requests are accepted, but which cannot now exceed 20% of total contributions to the fund (down from about 33% last year).

The main consequence of PEPFAR's budget reduction will thus be to throw responsibility back to the recipient countries, which will have to find far more of the money themselves. This had always been the intention, but translating intent into practice has been slow.

There has been some progress, with 26 of 61 countries surveyed by UNAIDS, responding to events by increasing their AIDS budgets. Among these are all seven countries (Ethiopia, Kenya, Nigeria, Malawi, Tanzania, Zambia and Zimbabwe) looked at by Richard Ochando of the AIDS Vaccine Advocacy Coalition and his colleagues. Nigeria, Tanzania and Zimbabwe have also earmarked certain tax receipts specifically for AIDS.

That is a good start, but is unlikely to be enough. Belt-tightening and getting the best bang for a buck will also be needed. In this context, two ideas kept recurring at the meeting: service integration, and better, more granular data collection. Awkwardly, though, the first is unpopular and the pair are pulling in opposite directions.

One consequence of PEPFAR's involvement is that many countries' AIDS programmes have taken on a life of their own, separate from mainstream national-health services. It is widely agreed that savings could be made by ending this division, and Dr Ochando found that three of his seven countries (Ethiopia, Tanzania and Zambia) are doing just that.

Unfortunately, as a protest which took over the stage at the meeting's opening ceremony emphasised, integration is often opposed by those getting treatment. People who wish to hide their HIV-positive or at-risk status—which is many people—often do not want to attend mainstream clinics for fear of being "outed". Forward-thinking AIDS programmes reflect this. In South Africa, for example, Linda-Gail Bekker, a doyenne of the field who is head of the Desmond Tutu Health Foundation, has developed a network whereby those on ARV drugs can pick them up at school, university or even the hairdresser.

Integration also risks losing the deep roots in local communities that many AIDS programmes have developed, and which will be needed to sustain the second idea, more granular data collection. Two examples of how to manage these risks are Rwanda and Malawi. Rwanda, the meeting's host, has taken data collecting seriously for years. This has nipped numerous problems in the bud and helped make the country one of seven in Africa to reach a UNAIDS target of scoring at least 95% for three objectives: the share of infected people aware of this, being treated and whose drugs are suppressing their infections.

Malawi, which is within a gnat's whisker of joining Rwanda in the first division (its current scores are 95-94.9-94.9), hopes to cross the threshold in part via an initiative called the Blantyre Prevention Strategy. This project, named after Malawi's second city, where it is being tested, revolves around a purpose-built online dashboard that makes infection data available to all who need them.

And then there is lenacapavir. Trials organised by Dr Bekker, which led directly to the FDA's approval, showed it was 100% effective in preventing infections for women and 96% effective for a group consisting of gay men, transgender and non-binary individuals. In light of this, on July 9th the Global Fund announced a deal with Gilead, lenacapavir's creator, that the fund's boss, Peter Sands, hopes will allow it to offer the drug to 2m people within three years.

Prevention is better than cure

Two other developments may prove equally important. One is a monthly PrEP pill, code-named MK8527 by its developer, Merck, and now in late-stage clinical trials. This might suit those who do not like injections. The other is a pair of long-lasting HIV treatments based on a drug called cabotegravir. This drug is already available as a PrEP, but it is likely to be superseded in that role by lenacapavir because it must be injected every two months as a prophylaxis rather than every six for lenacapavir.

Regardless of this good news, it seems clear that, as a result of funding cuts, many will die over the next few years who would not have otherwise. Just how many, is hard to say. A study published in April in the *Lancet*, a British medical journal, estimated that 500,000 additional children could succumb by 2030 if PEPFAR ceased operations. The UNAIDS report suggested an extra 6m HIV infections and 4m deaths by 2029. In practice, it should not be that bad, for PEPFAR is not ceasing operations, just scaling back. But a more limited rise in infections, at least in the short run, seems inevitable.

Dr Warren's new building is thus very much a work in progress. The old one, the house of PEPFAR, was a mighty edifice. And, though the superstructure has now gone, if its foundations prove not to have been too badly damaged by the earthquake, they will surely form the basis of whatever now arises. With luck, a combination of new thinking and new technology will create something that can do the job. With luck. ■

The Telegram

The surprising lessons of a secret cold-war nuclear programme

America is sick of policing the world. More nuclear-armed states will not help

Jul 24, 2025 03:28 PM

IN THE DEPTHS of the cold war, American spooks and generals came to suspect that the nuclear-weapons club was about to gain an incongruous new member. That state was Sweden, a neutral power that sat out both world wars, then declined to join the West’s new defence alliance, NATO, at its founding in 1949.

For all Sweden’s war-shunning ways, by the early 1960s its scientists were perhaps two years from building a nuclear bomb, after years of secret work. Officials held James Bond-ish discussions about hiding a plutonium-production plant in a vast rock cavern. Military commanders drew up plans to maul any threatening Soviet force with an arsenal of 100 tactical, or battlefield-scale nuclear bombs, missiles and torpedoes. A favoured scenario involved targeting a Soviet invasion fleet as ships clustered in a port embarking troops before crossing the Baltic Sea.

It was cold-war America's policy to prevent the nuclear-weapons club from growing. What looks like a trap was duly set. This was baited with uranium-235, enriched for use in civilian power generation and offered to Sweden (and others) at low cost. With cheap fuel available, why would Sweden build its own reprocessing plant, a US atomic-energy chief asked a Swedish scientist in 1963. Was it planning to build weapons, the American went on. If so, his government would take an extremely negative view.

As America applied the screws, domestic politicians were also turning against the programme. After lengthy wrangling, Social Democrat leaders decided that a small nuclear arsenal of the sort envisaged would not deter the Soviets but rather make them target Sweden, while straining defence budgets and harming the country's moral standing. By the mid-1960s the programme was over.

Sweden's atomic adventure has lessons for the present day. During the cold war, a fearful time, several industrialised countries considered going nuclear. America worked hard to thwart such proliferation, using threats but also economic incentives and security guarantees. The world is alarming once more. Debates about acquiring nuclear weapons are growing louder in countries with scary neighbours, from South Korea and Japan, in North Korea's and China's backyard, to Poland, on Russia's doorstep.

President Donald Trump has, over the years, swerved between expressions of horror about nuclear war and insouciance about countries getting their own bombs. During his presidential campaign in 2016, Mr Trump averred that it might be "better" for Japan to go nuclear, to deter North Korea's nuclear-armed regime. Mr Trump added that America "cannot be the policeman of the world. And unfortunately, we have a nuclear world now." More recently, Mr Trump has railed against the cost of keeping troops in Japan and South Korea, and demanded that Europe spend far more on its own defence.

Months before the elections in 2024, Elbridge Colby, who now serves as Mr Trump's undersecretary for defence policy, told South Korean reporters that their country should take "primary, essentially overwhelming, responsibility for its own self-defence against North Korea because we don't have a military that can fight North Korea and then be ready to fight China." Mr Colby added that America should refrain from imposing sanctions on a nuclear-armed South Korea.

For its part, Russia does not hide its admiration for the clout conferred by nuclear arms. President Vladimir Putin has made nuclear threats to Western governments that dare to help Ukraine (stoking alarm that saw Sweden join NATO in 2024). Russia's foreign minister, Sergei Lavrov, recently hailed North Korea's "timely" decision to pursue nuclear weapons as the reason that nobody is "even contemplating the use of force" against that country.

Actually, there is no reason to imagine that an enlarged nuclear club would make the world more stable, or let America off the hook for the security of its friends. Sweden is a prime example of a country whose small arsenal was never intended to defeat its larger adversary. Its goals were two-fold: to raise the costs of a Soviet invasion; and to make American assistance more likely.

America Firsters need to read more history

Mats Bergquist, a former Swedish ambassador and historian of his country's cold-war foreign policy, describes a twin-track strategy. Plan A was neutrality. Discreet military co-operation with the West was Plan B. Posted to Washington in the 1970s, he observed the close ties between the two countries' armed forces, even after leading politicians wrangled publicly over the Vietnam war and other divisive topics. After the late 1950s Swedish defence planners talked of fighting "until help can be obtained". That reflected the government's "fairly strong conviction" that America's security umbrella would extend to Sweden in a crisis, says Mr Bergquist.

To be precise, Sweden was pursuing what Vipin Narang, a scholar of deterrence, calls a "catalytic nuclear posture", in other words one designed to trigger help from a superpower patron. This is a common strategy for smaller nuclear powers, says Scott Sagan of Stanford University. He points to the Yom Kippur war in 1973, when Israel signalled to America that it might use nuclear weapons, triggering a hasty American airlift of conventional arms.

For deterrence scholars, a nuclear South Korea raises a whole other set of worries. Special risks are created when two rivals fear surprise attack from the other. Today, nuclear-armed North Korea and conventionally armed South Korea fit that pattern. Both have already adopted pre-emptive, hair-trigger strategies. All new nuclear powers follow “a learning curve”, for instance as they distinguish false alarms from real threats, worries Professor Sagan.

South Korea would be a nuclear newcomer on a hair-trigger, with a volatile neighbour. If they were veering towards a nuclear war, even an America First president could be dragged in. ■

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- **I spent 500 days as a hostage of Hamas**
  War :: Omer Shem Tov was kidnapped on October 7th. He survived by becoming his captors' cook

War

I spent 500 days as a hostage of Hamas

Omer Shem Tov was kidnapped on October 7th. He survived by becoming his captors' cook

Jul 24, 2025 01:30 PM

On the afternoon of October 6th 2023, Shelly Shem Tov went to Jerusalem to celebrate her birthday with her husband Malki and their three children. Omer (*pictured above*), the youngest at 21, had finished his compulsory military service a few months before and was working as a waiter in a smart restaurant in Tel Aviv in order to save money to go travelling. “We ate, we laughed, we drank wine,” Shelly remembered. “On the way back I was very grateful. I looked up at the sky and I thanked God for all that I had.”

The family returned to their comfortable house in Hertzliya, a prosperous city just north of Tel Aviv. Omer went to pick up his friend Maya Regev and her brother Itay from their home. The siblings were just back from a trip to Mexico, and Omer had convinced them to go to a music festival. He had been at a trance party once before and fallen in love with the scene. “The freedom,” he told me, “the love in the air, the bond between people. You feel you are in a bubble of love, you forget about everything for a few hours.” He sighed in the retelling, laconic and rueful at the absurd horror of all that had followed. “Yeah, so we went to a party.”

Omer looks different now, after spending 505 days in captivity in Gaza. His brown hair is cropped shorter than the floppy waves that fell across his forehead back in 2023 – an image familiar to Israelis from posters demanding the return of the hostages who had been kidnapped by Hamas during the October 7th attacks.

I met Omer at his family home in early June, a few months after his release from Gaza on February 22nd. He seemed tired and there was a ponderousness to his movements. He said he feels survivor’s guilt. There are believed to be around 20 hostages still alive in Gaza. “It is haunting, the fact that we are sitting here right now, that I have the right to sit here and they don’t. It’s absurd and it’s crazy. I feel it in every bite I take, every shower I take, every time I go to the beach, seeing the sun and the sea. This used to be my dream!”

At dawn on October 7th Hamas punched holes with bulldozers in the fence around Gaza. Its fighters rushed into Israel. They attacked kibbutzim and the Nova music festival, just as the crowd was beginning to head home.

“I remember every second,” Omer told me. “Nothing leaves my head.” He was driving Maya and Itay when they realised that Hamas terrorists were shooting at people. They abandoned the car and ran for around an hour. Ori Danino, a friend Omer had made that night, called and said he would pick them up – he knew a way out.

> “Every bite I take, every shower I take, every time I go to the beach, seeing the sun and the sea. This used to be my dream!”

They managed to meet up with Danino, and drove past abandoned cars and dead bodies. “There was a guy with his whole body hanging out of a vehicle,” Omer told me. “His whole stomach was open.” Danino, an army officer, was on the phone to a soldier in his unit, shouting, “Get your stuff together! We are going to war.” Then Hamas fighters opened fire, forcing him to stop the car. Omer, sitting in the front seat, instinctively crouched down in the well. He saw Danino cramming his military ID into the seat to hide it before he kicked open the door and fled. He heard Maya on the phone to her father, screaming that she had been shot.

Omer and his family were not particularly observant but in 2019, Omer’s grandmother had given him a red string to tie around his wrist – a popular Kabbalistic charm that is worn even by secular Israeli Jews. Ordinarily, those strings break after a month or two; this one had lasted years. It had snapped only the day before, so Omer had tied it onto the zip of his bag. Now, as the bullets whizzed by, he held it and prayed.

Hamas terrorists pulled him out of the car, zip-tied his hands and threw him, Itay and Maya, both of whom were wounded in the leg, into the back of a pick-up. (Danino was captured separately and killed by Hamas with five other hostages in August 2024.) The drive into Gaza “took five minutes, we were so close”. He could hear crowds on the streets: “The cheering, the happiness. It was like their 4th of July.”

Taken An Israeli soldier visits the site of the Nova music festival, where 378 people were killed and 44 others, including Omer Shem Tov, were kidnapped (*top*). Footage retrieved from a dead Hamas attacker shows an Israeli being abducted from Kibbutz Re’im on October 7th 2023 (*above*)

During the flight from the festival, Omer had called his family several times and gave them intermittent updates. Now when they tried to reach him, his phone was dead. His parents watched with disbelief as the tracker dot moved into Gaza. That evening, a video was posted online showing Omer in the back of the pick-up next to his friends. At least they knew he was alive.

None of the Shem Tovs slept that night. Friends and family came to the house to show support; everyone was transfixed by the news. Shelly went upstairs to Omer's room. There she asked God for help. Omer's clothes were in a heap on the floor, his bed unmade. Shelly said to herself, "I won't clean up this mess. Omer will come back and clean it up himself." She put masking tape over the light switch and wrote on it, "Don't turn off the light!"

Omer's first instinct was to form a rapport with his captors. One of them asked him if he liked Eden Ben Zaken, an Israeli singer. Omer nodded and was asked to sing a few verses of her hit, "Queen of Roses". He didn't know all the words, so the Hamas fighter had to prompt him.

The terrorists took away his socks, shoes and Brazil football shirt with Ronaldo's name on the back – he later found out that one of the Hamas kidnappers had given it to his son. They put him in a room with peeling orange walls. Some time later, the door opened and three children peered in, staring at him curiously. "Look at the Jew!" said their father, one of the Hamas fighters.

Itay and Maya were initially taken to a hospital, where a doctor removed a bullet from Itay's leg without anaesthetic. Maya's left foot, which was barely attached, was bandaged up. After they were brought back from the hospital, Itay joined Omer; Maya was held in another room in the same apartment. When Itay lay down on a mattress, Omer could see blood seeping through his bandages. He sifted through a pile of junk in the corner of the room and found two puppy pee pads to help staunch the flow. A few days later, Maya was taken back to hospital for an operation on her leg; she was held in the ward for the next two months. Meanwhile, Omer and Itay were moved between several apartments. Their captors told them not to speak – if the neighbours heard them, they would be killed – so they talked in whispers.

> Some time later, the door opened and three children peered in, staring at him curiously. “Look at the Jew!” said their father, one of the Hamas fighters

Omer tried to engage their guard when he escorted him to the bathroom, asking him the Arabic for certain things. He was “a terrorist but he was OK”, Omer said. He let the pair shower and changed Itay’s dressings – but he did so roughly, digging his fingers into the wounds.

Israeli planes were bombarding the area. One night Omer woke up to a low soft whistle followed by the thud of an unexploded bomb. He and Itay held hands until they fell asleep. On another occasion, Omer – who told me he was a “bit ADHD” – had spent a day cleaning the room as a way of keeping himself occupied. The moment he finished, a huge explosion shook the building and dust settled on the surfaces he had just wiped.

The outside world was tantalisingly close. Sometimes they could hear the television in the living room. Once they heard Binyamin Netanyahu give a speech, in which he said the main goal of the war in Gaza was to eliminate Hamas. Omer didn’t hear him say anything about the hostages.

He and Itay grew as close as brothers. Sometimes they would make dark jokes and laugh into their pillows to stifle the noise. But Itay became despondent. One night, Omer prayed to God to give Itay strength. The next morning Itay woke up and declared, “I really believe we are going to go home!”

Hamas guards brought notes from Maya in hospital which were filled with news and encouragement. Extraordinarily, she also managed to send a bottle of grape juice, as she knew it was Itay’s favourite. Itay drank half of it straight away, before Omer stopped him. He wanted to preserve it so they could use it for *kiddush*, the prayer over wine or grape juice that sanctifies the Sabbath. Each week they drank a sip and covered their head with tissues since they did not have *kippahs*. That small bottle of grape juice lasted for most of Omer’s captivity.

The homecoming Omer Shem Tov and his mother, Shelly (*top*). On the day of Omer's release, Israelis gathered at Hostage Square in Tel Aviv to watch a live feed of the exchange (*above*)

After 50 days of bombardment a ceasefire was announced in November 2023. Maya and Itay were released in an exchange for Palestinian prisoners held in Israel. Omer, older and male, was not on the priority list for release. Now he was on his own. He remembers standing in front of the curtained window of his room, which let in just a narrow beam of light. He opened his mouth to scream, but no noise came out.

Omer spent three days alone before Hamas fighters came to take him away. “Am I going home?” he asked. One of them shook his head and pointed towards the floor.

They led him underground and locked him in a tunnel cell. It was so low he couldn’t stand up, so narrow he couldn’t stretch out his arms, and so deep that “there was no noise of bombing. Nothing.” And it was pitch black. Omer could not see his hand in front of his face. In the first days there he suffered a serious asthma attack; his captors brought him an inhaler.

Omer was held in the tunnel cell for 50 days. Day and night became the same. He was given a bottle to piss into; every few days he was taken to use a filthy toilet. He couldn’t shower so scraped the grime off his skin with his fingernails. When one of the guards dropped a small torch, Omer hid it, turning it on occasionally to check if he could still see. Omer has coeliac disease, but couldn’t get his guards to understand the implications of this. He ate the bread they gave him, despite the stomach pains it caused. His rations shrunk: at first two pitas a day, then one, then half, then date biscuits which he divided into bites to last longer.

> After almost two months, he was close to despair. For five days straight he had been alone. He could feel his ribs and was so weak he could barely stand

Before he slept he would talk to God. “How are you, Hashem?” he would begin. “How was your day?” Then he would thank him for his food, though it was meagre, for the air in his lungs, though it was fetid. He would ask for guidance and for his family to be given strength.

His faith grew more intense. “I saw so many miracles. That I was alive when I could have been killed.” He counted his blessings and tried to count the days, even though he woke to interminable darkness and never knew when morning was.

After almost two months, he was close to despair. For five days straight he had been alone. He could feel his ribs and was so weak he could barely stand. He cried to God to take him out of that place. Another miracle: after a few minutes, a Hamas fighter told him he was being moved.

Omer felt a burst of energy as he followed the Hamas fighter through the tunnels. In some places the ceiling was smashed from air strikes and they had to crawl. The tunnel sloped upwards. Raw concrete walls gave way to ones painted in white so bright it made his eyes hurt.

They arrived in a spacious room, off which were two bathrooms and a kitchen. It was the base of a Hamas unit of around ten fighters, but it seemed like paradise. The fighters let him take a shower and gave him some food, which he ate hungrily as they jeered and called him a pig. Their plan had been to question him then take him back to his cell. But that night an airstrike destroyed part of the tunnel network, preventing his return. Again, a miracle.

He slept beside his Hamas captors. They reasoned that if there was a rescue attempt the Israelis would not be able to distinguish the hostage from them – and he would be shot in the confusion. They told him that three hostages had been killed by IDF forces as they tried to escape. Omer was not sure whether to believe them. (He later discovered it was true.) The Hamas fighters reminded him that, if Israeli soldiers were to burst in, they would shoot him before he could be freed in any case.


BRING OMER
BACK HOME
KIDNAPPED BY HAMAS
BRING OMER
BACK HOME
KIDNAPPED BY HAMAS
OMER SHEM TOV

Friends Protesters in Tel Aviv hold posters of Omer as they call for the immediate release of hostages (*top*). Omer and his sister, Dana (right), meet a childhood friend (left) who travelled back from Bali to see Omer (*above*)

For the first month the IDF conducted operations in the area where he was being held. The room was only around 12 metres underground, and he could feel the vibrations of explosions and the rumble of tanks. One night he heard voices speaking Hebrew through a ventilation shaft. Another night he lay awake as the Hamas fighters slept. He got to his feet and went over to a Kalashnikov that had been leant against the wall. No one stirred. He put his hands around the stock and lifted it off the ground. There were nine Hamas fighters in the room. Omer would have to kill them all in order to escape. But he knew how unreliable the guns were. He softly lowered it back down to the floor and returned to bed.

The Hamas unit had planted explosives in the building above the room and rigged up a surveillance system using the rear-view mirror cameras from cars. They told Omer that he must press the detonator if they saw Israeli soldiers enter it. "I told them no," Omer recounted. They said they would shoot him if he didn't. "OK, so shoot me," he replied. "At some point you accept death. I was afraid, not of death, not of Hamas killing me, but of the IDF killing me…I didn't want to be killed by my brother or my sister."

After the IDF withdrew from the area, the Hamas fighters ventured above ground and found books and magazines the Israelis had left behind. Omer described them to his captors: a book of Psalms, Stieg Larsson's novel, "The Girl Who Kicked the Hornets' Nest" and various military magazines. He asked if he could keep them to read. In return, he told the fighters, he would clean and cook and do any chores they needed. He smiled convincingly and said they might as well get on. The Hamas fighters agreed.

So Omer became a kind of factotum. He cleaned the toilets and washed the floors. He made bread and cooked – mostly pasta, beans, chickpeas and tinned tuna. Once a week, he fried corned beef with onion and green peppers. Sometimes in the kitchen, he would sing very quietly to himself, either Hebrew songs or Elton John's "I'm Still Standing", which he liked to imagine as the soundtrack to his homecoming. When the Hamas fighters caught him singing, they yelled at him to stop.

> "At some point you accept death. I was afraid, not of death, not of Hamas killing me, but of the IDF killing me…I didn't want to be killed by my brother or my sister"

The electricity was intermittent. Wires snaked between battery banks, solar panels and generators. Omer did electrical repairs when the power went down. He once spent two weeks unblocking a collapsed tunnel with a crowbar. When a Hamas fighter arrived with bin bags full of hundreds of thousands of shekels, it was his job to count the notes and put them in envelopes for salaries.

The commander of the Hamas unit spoke fluent Hebrew. Omer suspected he was an intelligence officer: "He spoke so well you would think he was an Israeli." From time to time Omer helped him with vocabulary. "I gained his trust," he told me. "We had a nice connection. We spoke about almost anything. I didn't present myself as a victim, depressed." The intelligence officer's wife and children had been killed in a bomb attack. "I told him I was sorry for his loss." As Omer told me about him, he uncomfortably juggled his empathy for his enemy. “It’s hard to hear [difficult things] about families. But I remember what they did to us on October 7th and it’s unforgivable.”

The Hamas fighters managed to rig up a TV. Omer watched hostage demonstrations in Tel Aviv on the news, hoping to catch a glimpse of his family or his own face on a poster – but he never did. Al Jazeera, the channel favoured by the Hamas fighters, tended to broadcast explicitly anti-government demonstrations; Omer’s parents went to a non-partisan one. His captors taunted him, saying his parents and his government had forsaken him and the other hostages. For a while he was plagued by dreams of returning home and shouting at his parents: “Where were you? Why didn’t you fight for me?”

Omer tried to record dates in a notebook to keep track of time. He left the notebook behind when he was released, but later the IDF found it and returned it to him. He had written “hamburger” and “Mum” and “Dad” and pages of one word over and over again: “Hungry”.

In fact, Omer’s parents were founding members of the Hostages and Missing Families Forum, a campaign group. Thousands rallied to volunteer. They organised vigils and demonstrations, and spoke to lawmakers and the press. “We were naive,” Malki Shem Tov told me. “No one thought it would take so long.”

From time to time Israeli intelligence gave them updates. They knew Omer was still alive and that he was being held alone. Sometimes they would console themselves with the knowledge of Omer’s strength and good humour. They used to say, half-jokingly, “Omer is so sociable, he’s probably sitting playing backgammon with his captors right now.”

All together Omer Shem Tov with his father, Malki, and his brother, Amit, in the kitchen of their home (*top*). Al-Qassam Brigades, the armed wing of Hamas, released Omer and five other hostages in February (*above*)

Shelly, who had always described herself as secular, became more observant. She began to keep kosher and to pray, and befriended an ultra-Orthodox woman who had been moved by her family's plight. Every morning she went to Omer's room, still untouched, to talk to him from afar. She sang him the children's song she used to wake him up with, and told him to be strong, to have faith. She imagined she was stroking his head as she always had, and the intensity of her longing made her feel his hair beneath her hands as if he were there.

Omer recalled his family memories no less vividly. He imagined riding with his father on his motorcycle, watching films with his brother and sister, taking his dog, Lucas, for walks. Once he drew a beach scene on a wall, with the sun shining down on the sea, and himself under a coconut palm, but one of the Hamas fighters soon rubbed it off. He also imagined resting his head on his mother's knees as she stroked his hair, which he had always loved.

After some months, one of the Hamas fighters showed him footage of an event his parents had organised on his birthday. Hundreds of people gathered wearing T-shirts with his face on and released yellow balloons into the sky. His parents' faces were drawn, but at least he knew now how hard they were fighting for him. The Hamas fighter said they looked old. "No," Omer told him, "they look sad."

Omer spent over a year with the same Hamas fighters in the big room in the tunnel. He got to know them intimately: the names of their wives and their children, their habits and personalities. "They say they want to die, to be *shaheed* [martyrs]," he told me, "but they are humans like us. They are scared, I saw times when they…were breaking apart." Their behaviour towards him was capricious. Sometimes they would be friendly, but then they would show him videos of the attacks on October 7th and say things like, "We'll do it again," or, "Killing Jews is a blessing from God." Omer told me that "if they were stuck in the tunnel for a week or more, they would go crazy, become depressed, sit on the floor and stare at the ceiling."

He also imagined resting his head on his mother's knees as she stroked his hair, which he had always loved

Omer did not speak Arabic before he was kidnapped. Now he listened carefully and began to learn. Over time he understood almost everything his captors said, but he never let on. Mostly he communicated in Hebrew with the commander or in halting Arabic. One of the fighters "was a little nicer". He spoke English and loved the popstar Billie Eilish. They talked a lot about their lives and families and hobbies. But often the discussion would end with the man bragging about October 7th, or cursing Omer's mother and shouting that Omer was ungrateful.

The fighters often coerced Omer into performing chores. "Do this or…" The threat would be held dangling. Once one of them showed him a photograph of a hostage being hung upside down. "They cursed me, spat on me. I was kind of a slave to them."

Omer continued to recite *kiddush* every Sabbath. The Hamas fighters mocked the manner of Jewish prayer, bobbing their heads up and down. He watched them pray five times a day and learned the opening of the Koran and the start of their prayers. "We believe in the same God," Omer acknowledged. The fighters sometimes mused about converting him to Islam, but they knew that a conversion wouldn't be valid if coerced.

His guards would try to convince Omer of the justice of the Palestinian cause and present themselves as a resistance army. Omer told me he had come to believe that, were he in their position, he too would have fought to defend his home. "I really did try to understand and to learn more about this conflict," he said. He listened to their explanations of Islam and the Koran. But then he would ask them: isn't taking hostages *haram* (religiously forbidden)? They would reply they were doing it for religious reasons, so it was *halal* (permitted).

"I played along, nodding at their assertions. "I was a hypocrite," Omer told me. "It was my way to survive. I was always nice to them. I would say, 'We're friends,' and they would say, 'Sure, as soon as you leave you will tell Israeli intelligence everything.' And I would say, 'No, we're friends' and then they would relax again." But every time a senior commander visited, he kept his ears open. When Omer was finally released and debriefed, Israeli intelligence told him he had brought them "gold".

Relief Omer (*top*) spent 505 days in captivity. His sister, Dana, reacts to him appearing on stage during his release (*above*)

The Hamas fighters watched the election in America with interest. When Donald Trump won, “things changed completely”. Suddenly Trump was talking about a hostage deal. “They started treating me better.” Omer could tell the Hamas fighters wanted the war to end. Finally a ceasefire came into effect on January 19th 2025.

Omer had heard rumblings of a hostage deal many times. Once when a deal collapsed, he had despaired. “This is my life,” he thought, “I’m not getting out of here.” His body shook and his breath became laboured. He realised he was drooling; his hands felt numb; his legs were immobile. Panic rose within him. Then he heard his own voice calming himself down: “It’s OK. Right now, you have food, you have water. Everything’s OK.”

In the wake of the ceasefire, food flowed into Gaza. Omer now ate three meals a day: bread, hummus, chicken, rice, vegetables, even chocolate. Before he was often given only small amounts, less than the fighters got. Now he began to put on weight.

Omer saw on TV reports that his name was on a list of hostages to be released. But his captors told him that this wasn’t true, that nothing had been decided. Still, he began to hope. After several releases had gone ahead, the fighters admitted it was his turn next. Before he left, they asked him how the complicated electrical rig should be maintained and how the kitchen appliances worked.

Then the day of his release came. After 450 days underground he walked out of the tunnels. “There was cold fresh air. Heaven.” He smiled to recount it. This was his favourite part of the story, the only bit he really liked telling.

> He wanted Omer to kiss him goodbye for the cameras. Omer hesitated but thought, “If this is what I have to do to get home, I’ll do it”

Initially he was grouped with three other hostages. It was the first time since Itay was released that he had seen another Israeli. They were blindfolded for several hours, and the blindfolds were only removed when they were taken to a tunnel in the middle of the night. One of the other hostages looked healthy, but Omer was shocked by the gaunt faces of the other two. He gave his sandwich to them. The four hostages stayed up that night, whispering to each other. Omer had seen the hostage handovers to the Red Cross on TV and was able to warn them that the crowds would be cheering and jostling.

The next day they were given olive uniforms and blindfolded again. Pausing at the entrance of the tunnel, one of the Israelis began to recite quietly “Shir HaMaalot”, a Psalm about the return from exile in Babylon: “When the Lord brought back the captives of Zion, we were like dreamers.” Soon all of them were singing together “loud and proud”, as he later described it to an interviewer.

They were put into a vehicle and driven around Gaza for hours. Omer hadn’t got any rest the night before. Now, wrung out by swinging between hope and hopelessness, he fell asleep. He woke up to cries of “Allahu Akhbar!”

In the footage of his release, Omer can’t help waving and grinning as he stands on the stage, flanked by ranks of Hamas fighters, their faces masked with black balaclavas. He told me the crowd of Palestinians was chanting his name, “Omer, Omer. Omer!” At one point, Omer leans over and kisses one of the terrorists on the head. He explained to me this was one of the fighters who had guarded him: he wanted Omer to kiss him goodbye for the cameras. Omer hesitated but thought, “If this is what I have to do to get home, I’ll do it.”

A van drew up to the edge of the stage and the doors opened to reveal two men peering out. They were terribly thin and held their heads in their hands, their faces wet with tears. Their captors had brought them to watch the handover – but they wouldn’t be going home. They are still being held in Gaza.

The Red Cross convoy drove the short distance towards the IDF-controlled zone and the perimeter fence. Omer saw heads popping out of the hatches of Israeli tanks and people waving. He looked up in shock at the sky and at the Israeli soldiers around him. An IDF hostage liaison officer introduced herself. Omer asked if he could hug her, and she kindly held him.

Memorial day Omer returns to the site of his kidnapping for the first time. Explosions from inside Gaza punctuate the silence (*top*). Following his release, Omer thanked supporters as he arrived at Beilinson hospital in central Israel (*above*)

At the nearby IDF base, he took a shower and changed into new clothes. It was here that Omer was reunited with his parents. The first thing he said was, “Are you OK?” and his mother said, “Are we OK? Are you OK?” “It was pure happiness,” he told an interviewer later. “I never felt this much joy in my life.”

A short while later, Omer and his parents were taken by helicopter to a hospital. A soldier gave him a whiteboard and told him to write a message for the TV cameras. Omer drew a smiley face to match the tattoo on his neck, and added “PS I want a burger.” At the hospital, where his brother and sister were waiting to see him, he was greeted with hundreds of burgers sent by well-wishers from all over Israel.

That night, the whole family stayed up until 4am, “talking and talking and talking”. They had a suite but they pushed all the beds into one room so they could sleep together. Shelly pulled a sofa close to Omer’s bed and held his hand. She didn’t let go all night. “It was like Omer was reborn and I was sitting beside my newborn watching how he breathed, if he was sleeping. Whenever he woke up, I told him, ‘It’s OK, It’s OK’.”

After a week Omer went home. Physically, he was in reasonable shape. In footage of the celebration for his return, Omer is wearing a new Ronaldo shirt, dancing and smiling. His mother took him up to his room, still untidied since his kidnapping. In a video of the moment, Omer says, “Let’s turn off the light.”

Omer was in the last group of hostages to be released before the ceasefire broke down in early March. On October 7th 251 hostages were taken to Gaza; 146 have come home. The bodies of 56 of those taken have been repatriated. Of the 49 who remain in Gaza, it is believed around 20 are still alive. Omer, like other released hostages, has talked to the press, to Jewish groups and to politicians – to raise awareness and advocate for the release of the remaining captives.

> “It was like Omer was reborn and I was sitting beside my newborn watching how he breathed, if he was sleeping. Whenever he woke up, I told him, ‘It’s OK, It’s OK’ ”

The week after his return, Omer flew to Washington, DC. Along with other former hostages, he met Trump in the Oval Office. He was impressed that Trump listened as each of the hostages told their story. Omer told me he could tell that the president was moved. At one point Trump asked, “Why is no one filming this? It’s a historical moment. Everyone has to see this.”

Omer’s psychological recovery has been up and down. “At first,” he said, “it was an overwhelming high, but after a month and a half came ‘the down’, the depression. I got it somehow lightly, for about four days. I felt very tired, I didn’t want to do anything.”

He spends his time with a close circle of friends, many of whom are also survivors of the Nova festival attack. He sees Maya and Itay almost every day. His father told me they were planning on going to another festival in August. “Not in Israel! I told him no more festivals.” Malki gave a father’s shrug, as if to say, “What can you do?”

His parents say their son is more serious now – more mature, more grateful and more religious. He prays every day and tries to keep kosher. “I became stronger and a lot more focused. I feel I can do anything I want,” Omer told me. “Everything is easy, a piece of cake for me.” He showed me the two tattoos he has got since his release: one says “chai”, the Hebrew for life; the other is a thin red line around his wrist, to replace his grandmother’s thread. ■

Wendell Steavenson won the Orwell Prize for Journalism in 2024 for her reporting for *1843* from Ukraine and Israel

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Xiaomi the money

China’s smartphone champion has triumphed where Apple failed

Having conquered carmaking, Xiaomi now has its sights set on world domination

Jul 24, 2025 02:43 PM | Shanghai

EVER SINCE he co-founded Xiaomi in 2010, Lei Jun, the chief executive of the Chinese tech giant, has pulled off feat after feat of salesmanship. A decade ago he earned a Guinness World Record for selling 2.1m smartphones online in 24 hours. These days, though, he is not just flogging cheap phones. Last month Xiaomi sold more than 200,000 of its first electric SUV, the YU7, within three minutes of bringing it onto the market.

Xiaomi’s rise over the past few years has been vertiginous. Only Apple and Samsung sell more smartphones worldwide. The company also peddles a vast array of devices that connect to its handsets, from air-conditioners and robo-vacuums to scooters and televisions. After a slump in 2022, which it attributed to “cut-throat competition” in China for consumer electronics, Xiaomi has roared back to growth: its revenue increased by 35% last year. Since the beginning of 2024 its market value has nearly quadrupled, to HK$1.5trn ($190bn; see chart).

With the successful release of the YU7—its second electric vehicle (EV) after the SU7, a sporty sedan launched in March last year—Xiaomi has pulled off a feat that eluded Apple, which ditched plans to make its own EV after burning billions of dollars on the effort over a decade. Xiaomi, which announced its carmaking ambitions in 2021, has put more than 300,000 of its EVs on Chinese roads over the past 15 months, and has a backlog of orders that will take more than a year to fill. Although its EV division has lost money so far, Mr Lei has said he thinks it will become profitable later this year, an impressive feat in China's brutally competitive car market.

Xiaomi now has its sights set on world domination. Over the coming years it intends to open 10,000 shops abroad, up from just a few hundred last year, which it will use to show off its sleek new cars alongside its consumer electronics. Can anything stop its stunning ascent?

Xiaomi's success in EVs is partly down to being in the right place at the right time. China these days is awash in carmaking know-how; Mr Lei was able to nab top talent from a number of other companies. Prices for parts and machinery have plummeted, given the oversupply of both. Getting a factory approved and built can be done far more quickly in China than most other places.

But Mr Lei also deserves plenty of credit. Insiders note that, unlike Apple's Tim Cook, he took personal control over his company's carmaking project. Success required deep changes to how the company operated. Prior to its foray into EVs, Xiaomi did not own factories; like Apple, it outsourced the production of its phones and other devices. Yet it chose to build its own EV factory in Beijing, which it is expanding, in order to ensure strict oversight. It is now adopting the approach elsewhere in its business: last year it began producing smartphones at another facility in Beijing, and it is building a plant in Wuhan where it will make other connected devices, starting with air-conditioners.

Xiaomi's marketing strategy, which relies heavily on Mr Lei's cult following in China, has also aided its expansion into EVs, much as adoration for Steve Jobs helped Apple sell its first iPhones. Wuhan University is said to have enjoyed a surge in interest thanks to Mr Lei's attendance there some 30 years ago. "Mi Fans", as diehard Xiaomi customers are known, collect company memorabilia and race to get their hands on every new product. Xiaomi has even managed to sustain the excitement around its EVs despite a horrific accident in March in which three university students were killed in an SU7 that was being piloted down a motorway by the company's autonomous-driving system. The episode led to criticism of Xiaomi's safety standards and a temporary sell-off in the company's shares, but did not quell demand for the YU7 when it was launched three months later.

It helps, too, that Xiaomi has a vast customer base to which it can hawk new products. At the end of last year it claimed 700m monthly users across its devices globally, up by about 10% from the year before. Many of them play games purchased on Xiaomi's app store and view ads sold by the company (these generate half of the company's total profit, according to Bernstein, a broker). And a sizeable share of users buy their Xiaomi products directly on its app.

The company has already proved adept at persuading them to upgrade to more expensive phones. It needs only a small fraction of them to buy a car for the endeavour to be a huge success. Many of Xiaomi's Chinese customers were in their early 20s when they bought one of its first smartphones a little over a decade ago. They are now in their mid-30s, the target demographic for Xiaomi's EVs.

Mr Lei is looking beyond China, too. Nearly half of the revenue the company makes from smartphones and other connected devices comes from overseas, primarily in developing markets such as India and Indonesia. Mr Lei wants Xiaomi to start selling its EVs abroad by 2027. These will probably not enjoy the kind of rapturous reception they have received at home: Xiaomi does not command anything close to the same brand loyalty in foreign markets, and few overseas customers will have heard of Mr Lei. That helps explain why Xiaomi is investing in building a vast network of bricks-and-mortar shops abroad, which should raise its profile.

At the same time, the company plans to continue expanding into new lines of business. It has developed its own humanoid robot, CyberOne, and in May unveiled an advanced three-nanometre chip it had designed itself. Roughly half of its staff work in research and development, spending on which grew by 26% last year, to $3.4bn—more than the company generated in net profit. The thinking within the firm is that by developing technologies from the ground up, it can identify efficiencies and raise barriers to competition.

Perhaps the biggest risk for Xiaomi is that, given its many products and markets, it is fighting on too many fronts. The price war among Chinese EV companies continues to intensify, and despite its growth, Xiaomi remains a small player. It sells around 20,000 cars a month, less than a tenth of the figure for BYD, the market leader. Competition in smartphones is also heating up as Huawei, another Chinese tech giant whose handset business was hobbled by American sanctions in 2019, makes a comeback. Still, Mr Lei's salesmanship is not to be underestimated. ■

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That sinking feeling

Trump’s tariff mayhem has been a blessing for shippers

But it has only staved off a coming plunge

Jul 24, 2025 01:30 PM

MARINERS KNOW that the sea can be harsh, unpredictable and sometimes destructive. After weathering a pandemic and attacks by Houthi rebels that all but closed the vital trade route through the Suez canal, container-shipping companies may have hoped for some calm before the next storm. Alas, Donald Trump’s ever-changing tariffs and his plans to impose exorbitant port fees on Chinese vessels have led to more choppy waters.

American imports accounted for some 15% of global container trade last year, two-fifths of which was made up by imports from China. That has caused shipping bosses to watch every oscillation in Mr Trump's trade policies closely, though anticipating them has proved impossible. Vincent Clerc, the boss of Maersk, one of the world's biggest container-shipping firms, once foresaw 4% growth in global container traffic this year. In May he revised his estimate to anywhere between that and a 1% decline.

In the shipping business, however, disruption can be good for bottom lines. Up to now Mr Trump's tariff vacillation has helped container firms continue a run of profitability that, though volatile, has surpassed any other in the history of the industry. Yet a coming drop in demand combined with a flood of new vessels could soon send the industry plunging.

In 2019 the global container-shipping industry made operating profits of just $6.5bn, according to Drewry, a consultancy. In 2021-22 profits surged to a combined $520bn, as covid-19 kept people indoors with time and money on their hands for a relentless buying spree. Trade surged. Container rates rose to record heights.

Rates and profits tumbled in 2023 as demand waned and shipping companies began to receive new vessels ordered during the boom, but recovered again in 2024, the industry's third-most profitable year on record (it raked in $78bn). Overcapacity was averted thanks to the Houthi attacks, which led to lengthier voyages to avoid the Suez Canal, soaking up new ships entering service. Rates returned to records surpassed only during the pandemic.

Profits have remained on the crest of a wave in the first half of 2025 because of what Simon Heaney of Drewry calls a "tariff boon"—though it has been a bumpy ride. "Frontloading" of imports by America in anticipation of higher levies caused global container volumes and rates to surge, then slump after "Liberation Day", then spike again with the tariff reprieve as American firms raced to restock before the next deadline loomed, before falling yet again (see chart). That may be enough to make even the sturdiest mariner seasick. But taken together, the volume of containers sent to America in the first half of the year was 3.8% above the level in 2024, according to Descartes, a shipping-data firm.

The second half of the year looks more worrying. Despite the spikes on routes between China and America, rates more generally are well down on last year and may continue to fall. The frontloading of shipments to America will mean a muted peak season in the autumn and lower rates. As tariffs raise prices for shoppers in America, spending may take a hit, further slowing demand. Although shippers may rake in another $20bn in profits this year, 2026 will be the year that “reality bites”, notes Mr Heaney of Drewry.

Another of Mr Trump’s misguided policies will provide a modicum of relief for some companies. The imposition of hefty port fees on Chinese-owned and Chinese-built vessels docking in America—a vain attempt to revive domestic shipbuilding—will lead big Western shipping lines to switch to using their non-Chinese vessels on these routes. Mr Clerc is adamant that Maersk will not pay any port fees even though over a quarter of its ships are Chinese-made. The policy will mostly squeeze rival Chinese shipping lines such as Cosco and OOCL. As Niels Rasmussen of BIMCO, an organisation representing shipowners, points out, the upshot will be instability—and higher rates.

Nothing, however, is likely to avert the coming deluge. The huge cash pile amassed during the pandemic launched a buying spree for new vessels. The order book stands at around 30% of the current capacity of the global fleet. HSBC, a bank, reckons global demand for shipping will expand by just 2% annually in 2025-27, down from 6% last year. If, in addition to the glut of new vessels, the Red Sea starts to reopen next year, the bank reckons fleet capacity will grow by 7.5% a year over the same period.

Huge overcapacity will send rates tumbling. Unless Mr Trump finds more ways to inadvertently support global shipping, the industry will soon revert to the slender profit margins that keep it barely afloat. ■

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Going east

The rail mega-merger that could transform American supply chains

A tie-up between Union Pacific and Norfolk Southern would be messy but powerful

Jul 24, 2025 03:14 PM | New York

Making moves

EVERY INDUSTRY has its nobility. The “PayPal mafia” are sovereign in Silicon Valley. Many Wall Street financiers trace their genealogy back to Julian Robertson or Michael Milken. The equivalent for railroaders is E. Hunter Harrison, who died in 2017. He ran three of the six big “Class I” railways at various times and pioneered “precision railroading”, a scheduling technique that is now the industry standard. His disciples are spread far and high.

Jim Vena, the boss of Union Pacific (UP), is one of them. Together with BNSF, which is owned by Warren Buffett's Berkshire Hathaway, UP runs the tracks west of Chicago. Norfolk Southern and CSX have a similar duopoly to the east. America's Class I sextet is completed by two Canadian railways whose networks extend south. CPKC, the bigger one, was formed in 2023 by the merger of Canadian Pacific and Kansas City Southern (KCS).

Since last year many in the industry have been predicting that the big four American firms will become an even bigger two. Mr Vena has recently extolled the virtues of consolidation. His firm is now in talks to merge with Norfolk Southern (rather than CSX, as most expected). If a deal happens, it would probably force a tie-up between BNSF and CSX. Big beautiful deals could revive the industry. But executing them will be a nightmare.

America's railways have spent a century in decline. Track length peaked in 1916. That year Congress began funding roads from the public purse. Lorries have had the better of trains ever since. Railways can efficiently move commodities such as coal, but have struggled to profit from freight containers, which can also travel via other means. Such "intermodal" goods make up half of Class I railway volume, but a fifth of their revenue.

Precision railroading, where freight trains run on a strict schedule regardless of whether they are near-empty or full, has helped keep the industry's profit margins padded. But in recent years the gains have run dry. Although the ratio of Class I railroads' operating expenses to revenues fell from 77% in 2005 to 59% in 2021, it has risen slightly since. Share prices have stagnated in recent years.

Dealmaking offers hope. There were more than 30 Class I railroads when the industry was deregulated in 1980. Furious consolidation ensued. A moratorium was issued—with encouragement, ironically, from UP—after Canadian National tried to combine with BNSF in 1999. The Surface Transportation Board (STB), which regulates the industry, ruled that future deals would have to "enhance" competition, rather than merely preserve it. The CPKC merger avoided this test due to an exemption granted earlier to KCS owing to its small size (the deal still took two years to close). That created the first single rail link from Mexico to Canada.

Going from coast to coast is a greater prize. Avoiding interchanges between networks would mean faster trains and fewer delays. According to Oliver Wyman, a consultancy, the share of intermodal goods in America that travel by rail on journeys longer than 1,500 miles increases from 39% to 65% when served by a direct line. Transcontinental railways would mean fewer lengthy stops in Chicago and may make shorter routes near the Mississippi river more profitable. Allowing goods to flow more speedily and cheaply across America might even help with efforts to revive domestic manufacturing.

Would unions and freight buyers lie on the tracks? Perhaps. Though “in a merger like this you would expect to fire white-collar workers and hire blue-collar workers”, says Anthony Hatch, an industry analyst. Freight buyers could also benefit from efficiencies. What about Mr Buffett? Berkshire is more likely to wait than bid up the price of Norfolk Southern or pounce on CSX—though it has the cash to try.

The biggest obstacles to a deal will be found in Washington. The STB is a uniquely opaque institution. There is little indication of what Patrick Fuchs, its Republican chairman, thinks about transcontinental mergers. Like other federal agencies, its authority to interpret laws is in doubt after a Supreme Court decision last year (an appeals court also recently nixed one of its rules). And the fifth seat on its board is vacant. The president would undoubtedly weigh in on any deal. Like Mr Vena, however, he may well be attracted to the vision of a return to the gilded age of mighty American railroads. ■

***Editor’s note (July 24th 2025):** This story has been updated.*

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A sticky situation

The Gulf’s oil giants risk becoming sprawling conglomerates

Although many of their investments have a commercial logic, the result looks increasingly unwieldy

Jul 24, 2025 01:31 PM

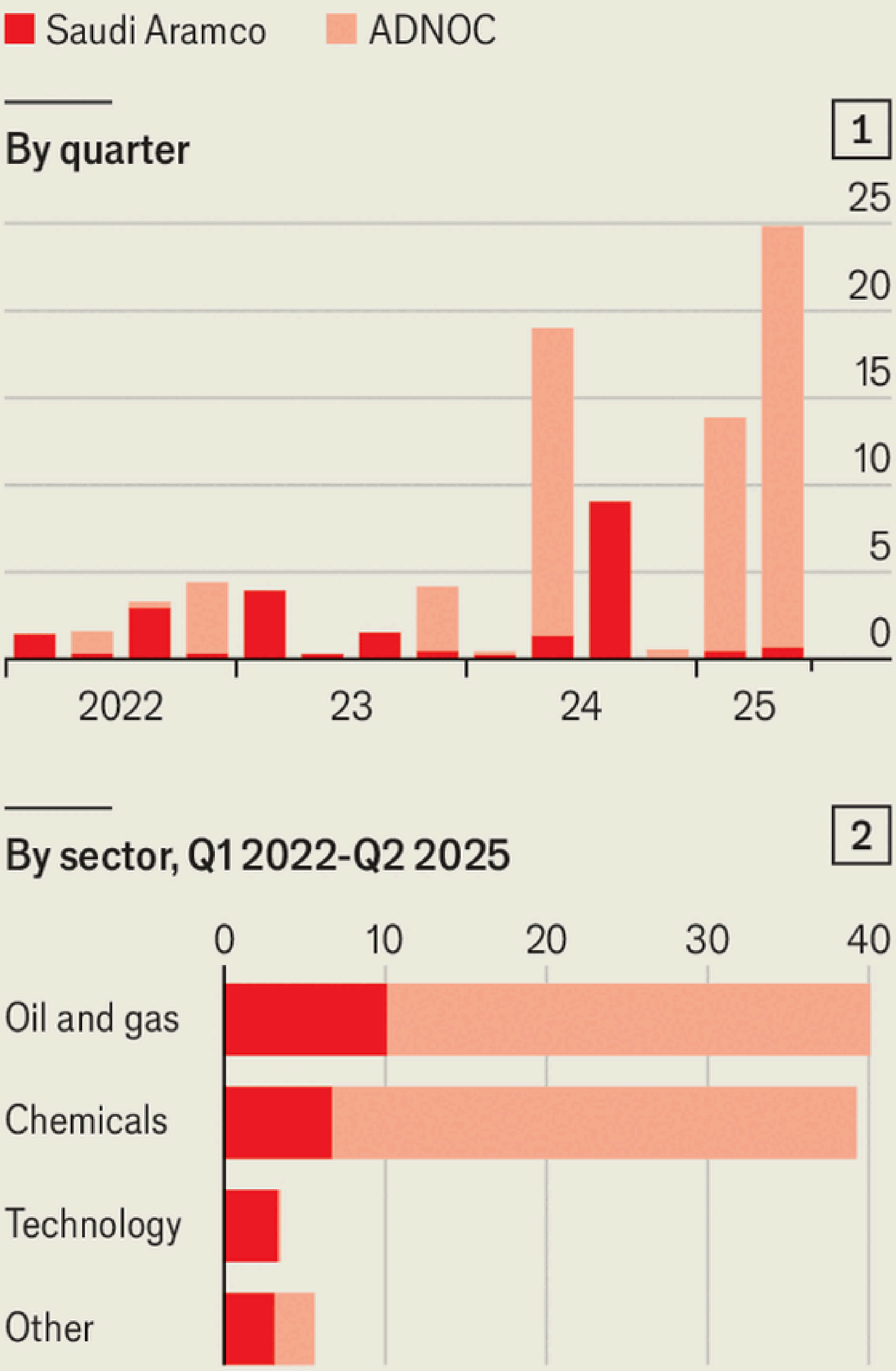
Pumped up

“**A**RAMCO HAS always been far more than just an oil producer.” So said Amin Nasser, chief executive of Saudi Arabia’s petro-colossus, earlier this year. Mr Nasser has lofty ambitions for the world’s biggest oil company, which he views as “an important enabler” of his country’s diversification away from the commodity. That aspiration is shared by Sultan Al Jaber, chief executive of ADNOC, the national oil company of the United Arab Emirates (UAE), whose country also dreams of shedding its petro-state status.

To that end, the region's twin petroleum heavyweights have lately been on a dealmaking binge. The combined value of their acquisitions rose from $11bn in 2022 to $29bn last year, according to Dealogic, a data provider (see chart 1). Many of the deals have been for assets abroad that are outside the duo's industry. To some, this may seem like a sensible way to accelerate efforts to reduce the region's dependence on oil. And many of the deals have a commercial logic. Yet they also risk leaving the giants looking like sprawling conglomerates, struggling to achieve a jumble of unrelated objectives.

Beyond petroleum

National oil companies, M&A deal value*, $bn



Source: Dealogic

*Where disclosed. Includes pending deals

Plenty of the recent big-ticket investments do not stray too far from the core business of the giants. Both have ambitions to expand into natural gas, as other oil companies have already done. Last month ADNOC finalised its commitment to develop a $5bn domestic mega-project known as the Rich Gas Development. Aramco has issued $10bn in contracts to develop Jafurah, a shale-gas field in Saudi Arabia. Acquisitions abroad will complement these efforts. In June XRG, a division of ADNOC established last year to make overseas investments, made a $19bn bid for Santos, an Australian gas producer. It has also acquired liquefied-natural-gas (LNG) assets in America, Mozambique and Turkmenistan. Aramco has invested in three LNG facilities in America.

Some $40bn of the $88bn in acquisitions made by the pair since the start of 2022 has been in the broader oil-and-gas industry (see chart 2). Nearly as much has been invested in chemicals, another understandable adjacency, given the importance of hydrocarbons as a feedstock. In March XRG secured a deal to combine the polyolefin businesses of ADNOC and OMV, an Austrian oil-and-gas company, and acquire Nova Chemicals, a Canadian firm. That followed another deal in October to buy Covestro, a German specialty-chemicals firm, for $16bn. Aramco, which in 2020 acquired 70% of SABIC, Saudi Arabia's national chemicals company, is spending $20bn on a domestic project to convert crude oil into chemicals. It has also bought stakes of varying sizes in a number of foreign chemicals companies.

The third area of investment has been in decarbonisation. Here the giants, which have long dabbled in green technologies, are aiding their countries' climate goals while hedging against declining demand for hydrocarbons. In December Aramco formalised plans with Linde, an industrial-gas firm, and SLB, an oil-services firm, to develop a carbon capture and sequestration (CCS) site in Saudi Arabia. To help the kingdom reach its goal of getting half of its electricity from renewables by 2030, Aramco is co-investing in 15 gigawatts of solar and wind projects. In the UAE these projects are typically undertaken by Masdar, a clean-energy firm launched and chaired by Mr Al Jaber. ADNOC owns about a quarter of Masdar, but has also been busy with its own green investments. In 2023 it bought a tenth of Storegga Geotechnologies, a British CCS firm. It has also taken a 35% stake in a low-carbon hydrogen-and-ammonia plant in Texas that is being developed by ExxonMobil, an American oil giant.

Then there are the investments in artificial intelligence (AI). Even here there may be a commercial logic of sorts. AIQ, a joint venture between ADNOC and Presight, an Emirati AI firm, has helped the oil company develop an AI tool trained on its data that it is using to optimise everything from logistics to seismic analysis. The vast sums that Aramco is pouring into supercomputing and its own AI models and tools are allowing it to operate more efficiently, too.

Yet not all these investments have a compelling business rationale. In February Aramco agreed to hand Groq, an American chip startup, $1.5bn to expand a data centre that is being used to develop an Arabic AI model. That makes sense only in the context of the wider ambitions of the Gulf's rulers to turn their countries into AI powerhouses. There is nothing wrong with that goal, nor with efforts to make the Gulf's economies greener and more diversified. Yet one company alone cannot be expected to achieve such disparate objectives—especially when it must also keep its government's coffers full. ■

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One for the price of two

Airlines’ favourite new pricing trick

Our analysis shows that some carriers have started charging more for solo travellers

Jul 24, 2025 01:30 PM

AIRLINES HAVE long been champions of price discrimination. To fatten their notoriously slim profit margins, they have developed “fare fences”, based on factors like whether or not a trip spans a weekend, to charge higher prices to those willing to pay them, particularly business travellers.

In recent years airlines have grown ever more sophisticated in their pricing techniques. American carriers’ latest method of singling out business passengers, though, is strikingly simple—and has sparked outrage in the travel blogosphere.

In May Thrifty Traveler, a website about travel bargains, reported that America’s three big legacy airlines—American, Delta and United—had started charging higher per-person fares for single-passenger bookings than for identical itineraries with two people. Kyle Potter, the author, grumbled that the practice amounted to carriers “weaponis[ing] their fares” against solo travellers who “can’t clone themselves”. Brian Kelly of The Points Guy, another travel site, called it “greed getting out of control” and said that airlines were “asking for government intervention”. Although no airline has yet commented on the subject, Delta and United reportedly scrapped the practice amid the criticism.

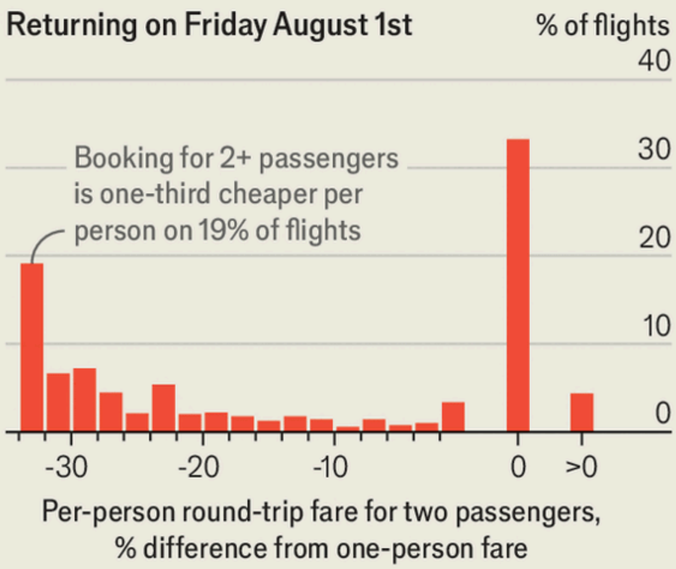
To investigate further, *The Economist* turned to SerpAPI, an automated interface to Google Flights, a fare database. For all direct domestic journeys on America’s three big legacy carriers, we downloaded one-way main-economy fares as of July 20th for one and two passengers to travel on Monday July 28th, choosing whichever flight had an airline’s cheapest single-passenger price for that route that day. We also pulled return fares—one the following Friday and the other on Saturday—for both one and two passengers. In total, we amassed 19,000 prices across 3,200 routes.

Delta has indeed abandoned the technique: its two-passenger price is always at least twice the fare for one. But American and United have persisted. Solo flyers who travel with them within the work week can end up paying more than everyone else, including solo travellers whose journey involves a weekend stay and those who travel with others, regardless of whether their trip stretches into a weekend.

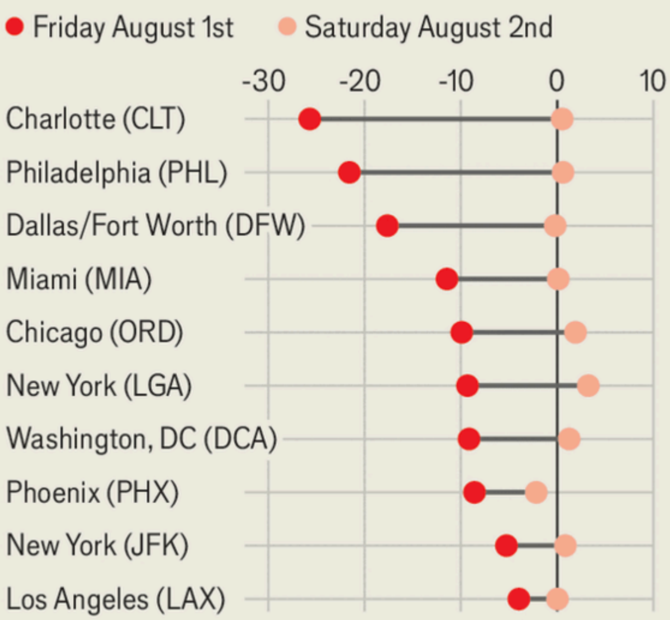
Singled out

American Airlines domestic non-stop flights, departing on Monday July 28th 2025*

Returning on Friday August 1st



Average per-person round-trip† fare for two passengers, % difference from one-person fare
Returning on



*Main-economy fares available on July 20th
†Starting or ending at listed airport
Sources: SerpAPI; Google Flights

American is deploying the technique the most enthusiastically. Whereas solo weekday travellers were charged at least 5% more on only 8% of United routes, that threshold was crossed on 57% of American’s. American makes most use of the practice on trips where it does not compete with Southwest, a low-cost carrier, notes @xJonNYC, a social-media user who reports on aviation, and on shorter routes.

On routes where American did price differentially, the cost per person of a two-traveller booking with a Friday return tended to be around one-third less than for a single passenger; prices converged with a Saturday return (see chart). For example, the cheapest flight from Greenville, South Carolina to Charlotte, North Carolina with a Friday return cost $811 for one passenger and $565 per person for two. With a Saturday return, the round-trip price dropped to $497 per person, regardless of party size.

By decrying this pricing tactic, travel writers may inadvertently have done their audiences a disservice. American’s rivals are not offering single passengers a better deal. When Delta and, to a lesser extent, United retreated from this strategy, they simply raised prices for multiple-passenger bookings to match their single fares. When it comes to airfares, sunlight can be a surprisingly poor disinfectant. ■

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Hailing a new era

Can Grab and GoTo forge a South-East Asian tech champion?

A rumoured merger may be scuppered by Indonesia's government

Jul 24, 2025 01:30 PM | Jakarta and Singapore

Kicking into gear

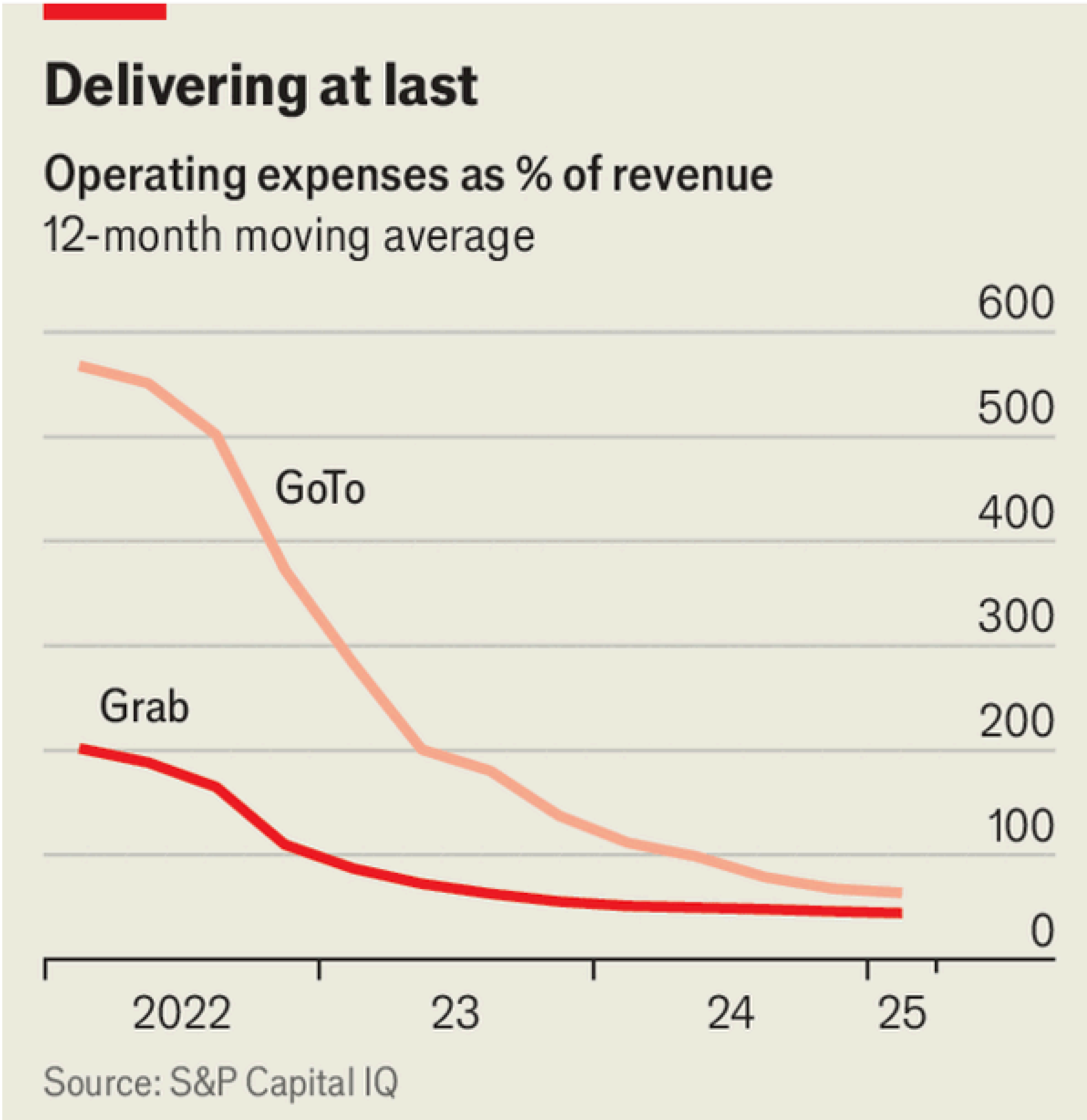
THE PROMISE of South-East Asia has long been obvious to venture capitalists. Its young and growing population of 700m is becoming richer and more urbanised. And they are poorly served by stodgy incumbents. After a pandemic-era frenzy, however, shares of the region's listed tech darlings plunged amid rising interest rates as investors lost patience with persistent losses. Valuations are yet to recover.

Two firms—Grab, based in Singapore, and GoTo, in Indonesia—are among the most prominent examples. Grab, which began in ride-hailing then expanded into food delivery, digital payments and more, saw its market value plunge from $40bn when it listed in December 2021 to just over a quarter of that a year later. The value of GoTo, formed by a tie-up in May 2021 between Gojek, another “super-app”, and Tokopedia, an e-commerce platform, likewise fell by three-quarters in the year after it listed for $28bn in April 2022.

But recently the two have turned a corner. Grab has posted three consecutive quarters of net profits. Analysts expect it to report a fourth when it delivers its next results on July 30th. GoTo, which in December 2023 offloaded 75% of Tokopedia to Bytedance, TikTok’s parent, is also now in the black, at least on its preferred measure of adjusted operating profit (before depreciation and amortisation).

Rumours are now swirling of a tie-up. That would create a regional tech giant second only to Sea Limited, the owner of Shopee, South-East Asia’s dominant e-commerce platform. The merged entity would control around four-fifths of ride-hailing and two-thirds of food delivery across the region. Yet it must first overcome Indonesian officials’ reservations.

Over the past three years both firms have been slashing costs while continuing to grow, resulting in big improvements in their ratios of operating expenses to revenue (see chart). They have each laid off hundreds of staff. Incentives to lure in consumers and drivers, once doled out with abandon, have become more targeted.



In addition, their fintech endeavours are gaining momentum. In the first quarter of 2025 Grab and GoTo held consumer-loan portfolios worth $566m and 5.7tn rupiah ($349m), respectively. These are puny when compared with traditional banks, but are growing fast. Grab's outstanding loans grew by half, year on year, in the first quarter; GoTo's more than doubled. Fintech now accounts for 10% of Grab's revenue and 29% of GoTo's. Both are aiming high. GoTo wants to grow its loan book to 8tn rupiah by next year. Grab is likewise planning a big fintech push in 2026.

Grab and GoTo’s lending products take advantage of the shabby state of credit reporting in much of South-East Asia. This is especially true in Indonesia, where far more adults have a smartphone than a formal bank account. Transaction data harvested from drivers, riders, merchants and users of the pair’s e-wallets is blended with third-party data to build credit profiles. Both firms lend conservatively and have modest credit losses.

The companies have turned for inspiration to China, home to several thriving super-apps. Both Grab and GoTo have sought software-engineering talent from the country, though neither operates there. GoTo has opened four tech hubs in China this year. “We’ve learned a lot from studying Chinese tech companies such as Meituan,” says Patrick Walujo, GoTo’s boss. “My main takeaway was that their most important capability is the algorithm.”

Yet the pair still have a long way to go. Although Grab’s value has soared by three-fifths this year, to $23bn, it remains well below the level at which the company listed. GoTo is languishing at a mere $4bn. Both also face a formidable fintech foe in Sea Limited, worth $92bn. Its loan book, at $6bn, dwarfs those of Grab and GoTo. And its e-commerce operation gives it significantly more data than either of them, says Jianggan Li of Momentum Works, a consultancy. Shopee’s share of South-East Asian food delivery is also creeping up.

That helps explain the rumoured merger discussions. Both firms have assiduously denied recent reports of an impending deal. Yet last month Grab fed the speculation with a $1.5bn issuance of convertible bonds, the uses of which “may include potential acquisitions”.

There would be solid commercial logic to a tie-up. Having muscled out foreign ride-hailing rivals such as Uber from all other major South-East Asian markets, Grab still faces stiff competition from GoTo in Indonesia, the most populous country in the region. For its part, GoTo, which once competed in five markets, has retreated to its home territory. The two split Indonesia’s ride-hailing market roughly in half, with Grab pricing consistently lower, according to a recent study by Bahana Sekuritas, a broker. Greater scale would also aid the two’s fintech efforts.

The deal, however, has become mired in Indonesian politics. In May renewed merger speculation and disgruntlement over low pay sent tens of thousands of drivers onto the streets of Jakarta. The chair of Indonesia's transport-workers' union decried the "monopoly practice" that would result from a tie-up, and called on competition authorities to intervene. Indonesia's antitrust agency said it was keeping a close watch.

Officials have signalled that at least two conditions would need to be met for a merger to be approved: guarantees for drivers, and a significant local stake in the combined entity. Danantara, Indonesia's new sovereign-wealth fund, could get involved, though it has said it is not "currently" engaged in talks. It is in the messy politics of Indonesia where the two super-apps' fates may now be decided. ■

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Schumpeter

The dark horse of AI labs

How Anthropic's missionary zeal is fuelling its commercial success

Jul 24, 2025 06:29 PM

PERHAPS IT IS inevitable that Anthropic, an artificial-intelligence (AI) lab founded by do-gooders, attracts snark in Silicon Valley. The company, which puts its safety mission above making money, has an in-house philosopher and a chatbot with the Gallic-sounding name of Claude. Even so, the profile of some of those who have recently attacked Anthropic is striking.

One is Jensen Huang, boss of Nvidia, the most valuable company on Earth. After Dario Amodei, Anthropic's chief executive, raised the spectre of big job losses as a result of advances in AI, Mr Huang bluntly retorted: "I pretty much disagree with almost everything he says." Another is David Sacks, a venture capitalist (VC) who is one of President Donald Trump's closest tech advisers. In a recent podcast, he and his co-hosts accused Anthropic of being part of a “doomer industrial complex”.

Mr Amodei gives short shrift to such criticisms. In an interview on the eve of the release of Mr Trump’s AI Action Plan, he laments that the political winds have shifted against safety. Yet even as he cuts a lonely figure in Washington, Anthropic is quietly becoming a powerhouse in business-to-business (B2B) AI. Mr Amodei can barely suppress his excitement. After his firm’s annualised recurring revenue grew roughly tenfold over the course of last year, to $1bn, it is now “substantially beyond” $4bn, putting Anthropic possibly “on pace for another 10x” growth in 2025. He doesn’t want to be held to that prediction, but he is over the moon: “I don’t think there’s a precedent for this in the history of capitalism.”

Schadenfreude helps, too. Mr Amodei and his co-founders, including his sister Daniela, set up Anthropic after abandoning OpenAI in 2021 over safety concerns. Their rival went on to make history by launching ChatGPT. OpenAI’s revenue, which hit a $10bn annualised run rate in June, far eclipses that of Mr Amodei’s lab. So does its latest valuation, of about $300bn, almost five times that of Anthropic. Yet even as ChatGPT’s popularity continues to soar, Anthropic has muscled in on OpenAI’s enterprise business. B2B accounts for 80% of Anthropic’s revenue, and its data suggest it is now in the lead when it comes to providing companies access to models via plug-ins known as APIs. Its latest model, Claude 4, is a hit among fast-growing coding startups, such as Cursor, as well as software developers in more established firms. Programmers, Anthropic believes, are early adopters of technology, and it hopes they will open doors to the rest of their companies.

Among some of Anthropic’s founders, there is a pinch-me quality to this commercial success. Many are science nerds, not wannabe plutocrats. Their expertise is in scaling laws—the more computational power you throw at a model the better it gets—and safety, not sales. When they gather for dinner they discuss how “weird” the company’s growth is. Anthropic continues safety-testing products when competitors are about to ship theirs. Claude Code, a fast-growing programming bot built for internal use, was commercialised only as an afterthought.

Yet while safety is central to Anthropic's mission, it turns out it sells well, too. Early on Anthropic decided that its ethical concerns precluded it from building entertainment or leisure products, which were potentially addictive. Instead it focused on work, where most people spend the majority of their time anyway. This, Mr Amodei says, has become "synergistic" with the safety mission. Like Anthropic, businesses want trustworthy and reliable AI. They respect its interest in interpreting models to understand why things go wrong. At the same time, Anthropic's focus on scaling has kept it competitive. Companies need access to the best models. Claude 4, which operates autonomously for long periods and is able to use other computer programs, allows companies to outsource well-paid work.

The huge cost of training Anthropic's models is the problem. Like its peers, it is burning through cash. That requires regular fundraising. Once again Anthropic appears to be preparing to go cap in hand to investors. Press reports speculate that Amazon is considering upping its stake, and that some VCs are willing to provide money at a $100bn valuation, up from $61.5bn in March.

Yet the dash for cash highlights glaring paradoxes, as Anthropic's material needs clash with its missionary zeal. On July 21st *Wired*, a tech publication, leaked an agonised Slack message from Mr Amodei in which he explained to co-workers why he had reluctantly decided to seek money from Gulf states. "'No bad person should ever profit from our success' is a pretty difficult principle to run a business on," he wrote. He tells *The Economist* that he continues to have security concerns about American companies building data centres in the Gulf. But as for investment from the region, his scruples have eased. "Those are big sources of capital."

Anthropic's safety mission may, at times, prove awkward, but it breeds a race to the top, argues Mr Amodei, as other companies feel compelled to follow Anthropic's example. His convictions appear to be deeply held. He believes AI holds enormous economic potential, as well as the power to cure "diseases that have been intractable for millennia", but argues that it is vital to also consider how societal costs, including job losses, will be managed. He contends that the power AI bestows will be safer in the hands of a democracy like America's than an autocracy like China's. That Mr

Trump has relaxed exports of AI chips to China, in response to lobbying by Nvidia's Mr Huang, is "an enormous geopolitical mistake" in the eyes of Mr Amodei.

The enshittification of AI

Advocating his cause is hard work. But Ravi Mhatre of Lightspeed Venture Partners, a big Anthropic backer, says that when models one day go off the rails, the AI lab's safety focus will pay dividends. "We just haven't had the 'oh shit' moment yet," he says. ■

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Finance & economics

Beyond the memes

Crypto's big bang will revolutionise finance

The more useful stablecoins and tokens prove to be, the greater the risk

Jul 24, 2025 02:50 PM | New York

AMONG THE strait-laced denizens of Wall Street, crypto's "use cases" are often discussed with a smirk. Veterans have seen it all before. Digital assets have come and gone, often in style, sending hype-prone investors in memecoins and NFTs on a ride. Their use as anything other than a tool for speculation and financial crime has been repeatedly found wanting.

Yet the latest wave of excitement is different. On July 18th President Donald Trump signed the GENIUS Act into law, providing stablecoins—crypto tokens backed by conventional (usually dollar) assets—with the regulatory certainty that insiders have long craved. The industry is booming; Wall Streeters are now scrambling to get involved. “Tokenisation” is also taking off: a rapidly growing volume of assets trade on blockchains, representing stocks, money-market funds, and even private-equity stakes and debt.

As with any revolution, the insurgents are euphoric and the old guard concerned. Vlad Tenev, chief executive of Robinhood, a digital-assets broker, says the new tech can “lay the groundwork for crypto to become the backbone of the global financial system”. Christine Lagarde, president of the European Central Bank, sees things a little differently. She worries that the rush of new stablecoins amounts to nothing less than “the privatisation of money”.

Both appreciate the scale of the change at hand. The present moment holds the potential of something far more disruptive for mainstream markets than earlier crypto speculation. Whereas bitcoin and other cryptocurrencies promised to be digital gold, tokens are wrappers, or vehicles representing other assets. That may sound unimpressive, but some of the most transformative innovations in modern finance simply changed the way in which assets are packaged, sliced and reconstituted—the exchange traded fund (ETF), the eurodollar and securitised debt among them.

Today there is $263bn in stablecoins in circulation, some 60% more than a year ago. Standard Chartered, a bank, expects the market to be worth $2trn in three years' time. Last month JPMorgan Chase, America's biggest bank, announced plans for a stablecoin-like product called JPMorgan Deposit Token (JPMD), despite the long-held crypto scepticism of the firm's boss, Jamie Dimon. The market for tokenised assets is worth just $25bn but has more than doubled in size over the past year. On June 30th Robinhood launched over 200 new tokens for European investors, enabling them to trade American stocks and ETFs outside of ordinary trading hours.

Stablecoins allow for transactions that are cheap and fast, as ownership is registered instantaneously on digital ledgers, cutting out intermediaries who run traditional payment rails. This is especially valuable for cross-border transactions that are currently expensive and slow. Although stablecoins are now involved in less than 1% of financial transactions around the world, the GENIUS Act will provide a boost. It confirms stablecoins are not securities, and requires the coins to be fully backed by safe, liquid assets. Retail giants, including Amazon and Walmart, are reportedly considering their own coins. To consumers, these might work like a gift card, providing a balance to spend with the retailer, perhaps at lower prices. That would cut out firms such as Mastercard and Visa, which make a margin of 2% or so on sales they facilitate in America.

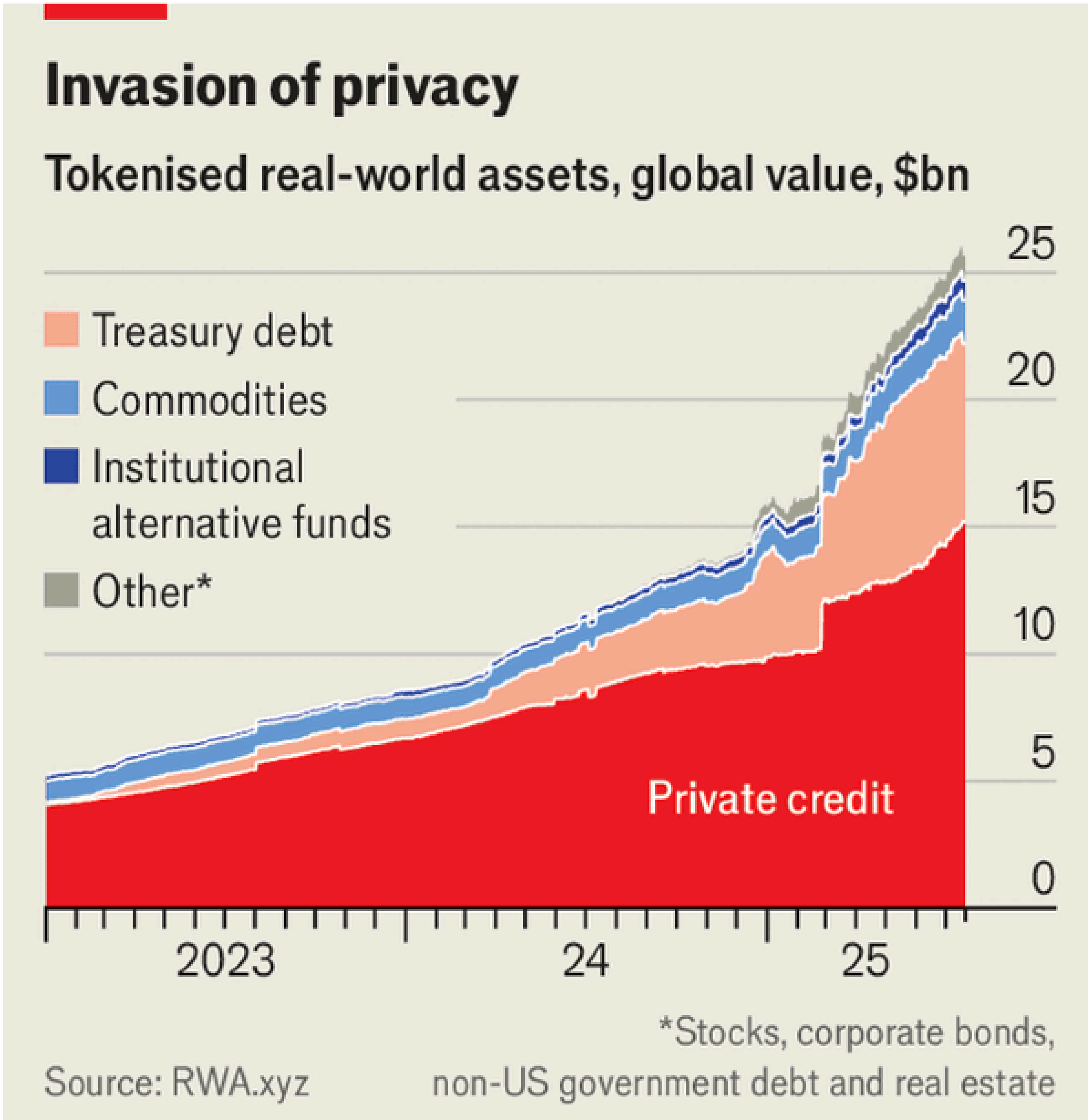
Tokenised assets are a digital copy of another asset, whether that is a fund, a share in a company or a bundle of commodities. Like stablecoins, they can make financial transactions faster and easier, particularly ones involving less liquid assets. Some offerings are gimmicky. Why tokenise individual stocks? Doing so may enable 24-hour trading·, since the exchanges on which the shares are listed do not need to be open, but the advantages of that are questionable. And marginal trading costs are already very low, or even zero, for many retail investors.

Token effort

A lot of offerings are less gimmicky, however. Consider money-market funds, which invest in Treasury bills. A tokenised version could double as a form of payment. The tokens are, like stablecoins, backed by safe assets, and can be swapped seamlessly on blockchains. They are also an investment that beats bank interest rates. The average American savings account offers a rate of less than 0.6%; many money-market funds offer yields of 4%. BlackRock's tokenised money-market fund, the largest, is now worth over $2bn. "One day, I expect tokenised funds will become as familiar to investors as ETFs," wrote Larry Fink, the firm's boss, in a recent letter to investors.

This will prove disruptive for incumbents. Banks may be trying to get involved with the new digital wrappers, but they are doing so in part because they are aware tokens are a threat. A combination of stablecoins and tokenised money-market funds could, in time, make bank deposits a less attractive product. The American Bankers Association notes that if banks lost about 10% of their $19trn in retail deposits—their cheapest form of funding—it would raise their average funding cost from 2.03% to 2.27%. Although total deposits, including commercial accounts, would not be reduced, bank margins would be squeezed.

The new assets may also prove disruptive for the broader financial system. Holders of Robinhood's new stock tokens, for example, do not actually own the underlying securities. Technically, they own a derivative that tracks the value of the asset, including any dividends the company pays, rather than the stock itself. Thus they do not gain the voting rights usually conveyed by stock ownership. And if the issuer of the tokens goes bankrupt, its customers would find themselves in a difficult legal situation, competing with the collapsed firm's other creditors over who should take possession of the underlying assets. Something similar has happened with Linqto, a fintech startup that filed for bankruptcy earlier this month. The company had offered shares in private firms through special-purpose vehicles. Buyers are now unclear whether they own the assets they believed they possessed.



It is one of the greatest opportunities for tokenisation that presents the greatest difficulty for regulators. Pairing illiquid private assets with easily exchanged tokens opens a cloistered market to millions of retail investors, who have trillions of dollars of capital to allocate. They could buy slivers of the most exciting private companies, currently beyond their reach. This raises questions. Agencies such as the Securities and Exchange Commission (SEC) have far more sway over publicly listed firms than private ones, which is what makes the former suitable for retail investment. Tokens representing private shares would turn once-private stakes into assets that could be traded as easily as an ETF. But whereas the issuers of an ETF promise to provide intraday liquidity by buying and selling the underlying assets, the providers of tokens do not. At a large enough scale, tokens would in effect turn private firms into public ones, without any of the disclosure requirements normally required.

Even pro-crypto regulators want to mark clear lines in the sand. Hester Peirce, an SEC commissioner known as “crypto mom” for her digital-friendly approach, emphasised in a statement on July 9th that tokens ought not to be used to skirt securities laws. “Tokenised securities are still securities,” she wrote. As such, disclosure rules for companies issuing securities will be enforced, regardless of whether those come wrapped in new crypto packaging. Although that makes sense in theory, a plethora of new assets with novel structures means that, in practice, watchdogs will be endlessly playing catch-up.

So there is a paradox. If stablecoins are to be truly useful, they will also be truly disruptive. The more attractive tokenised assets are to brokers, customers, investors, merchants and other financial firms, the more they will change finance, in ways both welcome and worrying. Whatever the balance between the two, one thing is already clear: the view that crypto has not produced any innovations of note can be consigned to the past. ■

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Feeling green

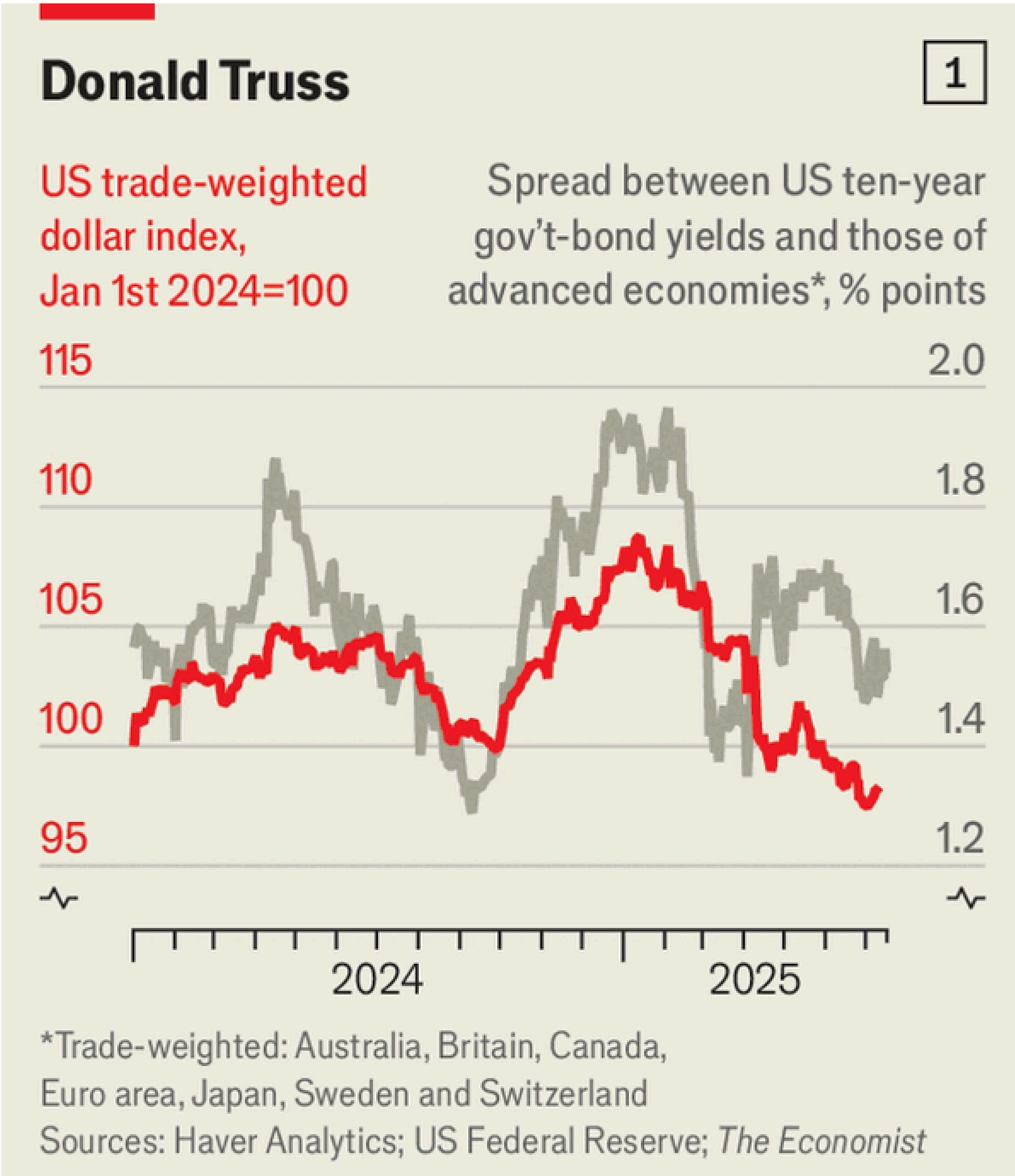
Has Trump damaged the dollar?

Yes. How badly will become clear in the next crisis

Jul 24, 2025 01:30 PM | San Francisco

SINCE DONALD TRUMP returned to the White House, American investors have received one shock after another—so it really takes something to make them jump these days. Announcements that not long ago would have been bombshells, such as the president deciding to levy a tariff of 50% on copper or 30% on the European Union, prompt a shrug. A rare exception came on July 16th, when Mr Trump seemed to contemplate sacking Jerome Powell, chair of the Federal Reserve. But even then the reaction was relatively muted: a pop in Treasury yields and slump in the dollar. Mr Trump reversed course; business got back to normal. The following day American stockmarkets hit all-time highs.

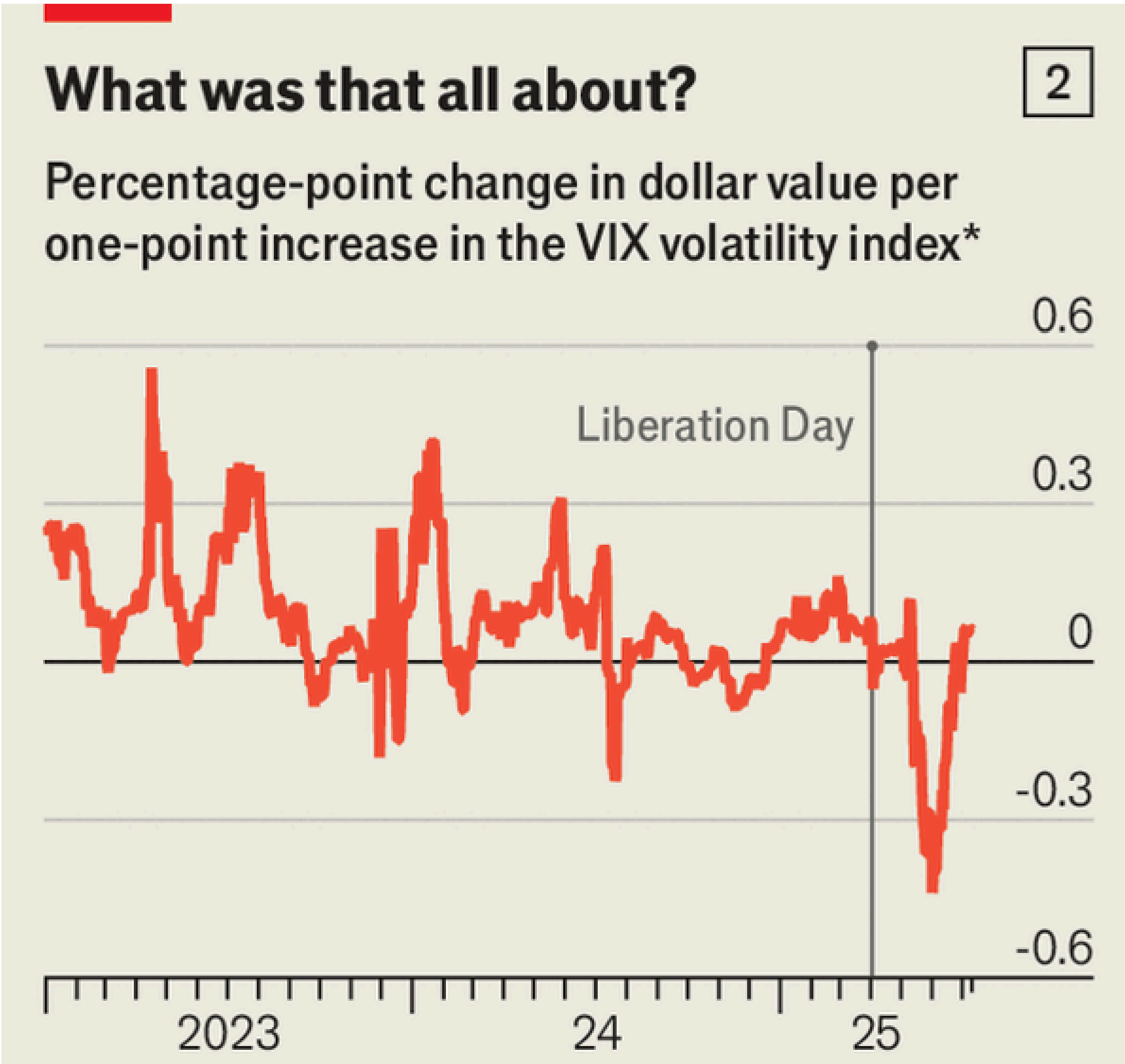
Inured as investors might be to the chaos, they are not ignoring it entirely. One sign of concern is that, since Mr Trump's inauguration, the dollar has fallen by almost 10% against a basket of rich-world currencies. That is the exact opposite of what Scott Bessent, the treasury secretary, had predicted, thinking tariffs would strengthen the dollar because American firms would buy less foreign currency in order to fund imports. From capricious tariff-setting to blowout deficits, there are ample reasons for investors to be cautious about buying American assets. But just how cautious are they? Or, put another way, three months on from Mr Trump's "Liberation Day", how wounded is America's status as a safe place to stash cash?



The case for concern starts with the usual driver of dollar moves: differences in interest rates between America and elsewhere. In developed markets currencies generally gain value as interest rates rise, with foreign investors looking to take advantage of the better returns on offer. That relationship broke down for a stretch in April, when Mr Trump's tariff announcements prompted investors to shed American assets, sending

Treasury yields soaring and the dollar plummeting (see chart 1). Such a pattern, of exchange rates and bond yields moving inversely, is usually seen in emerging markets. It was also a feature of Britain’s gilt-market drama in 2022, when a budget by Liz Truss, then prime minister, threatened a fiscal meltdown.

Since April, the dollar and interest-rate differentials have started to move in tandem once again. All the same, the greenback is yet to claw back its lost ground, suggesting a persistent dent to its valuation. Assessing where rate differentials alone would have put the dollar is not quite conclusive—over longer periods other factors, such as relative growth, also move currencies—but this evidence does indicate that Mr Trump has done damage.



*Daily changes, 30-day moving regression controlling for interest-rate differentials
Source: "Dollar movements and dollar dominance in the aftermath of Liberation Day", by S.B. Kamin, AEI Economics working paper

Another hallmark of the dollar is that it strengthens in times of trouble, as investors rush to safe assets. That pattern, too, flipped in April. The VIX, a measure of market volatility often used as a proxy for investor fear, soared as the dollar sank. Steven Kamin of the American Enterprise Institute, a think-tank, has proposed using the link between the VIX and the dollar, after controlling for other variables such as interest rates, as a measure of greenback fragility. Doing so helps cleanly isolate moments in which risk is, against the historical norm, pulling investors from the dollar. Mr Kamin’s gauge does show more fragility after Liberation Day, but it has since returned to pre-inauguration levels (see chart 2).

Thus, although the dollar is bruised, the damage is not worsening. Deterioration would take another crisis; one that goes beyond the day-to-day White House pantomime, which investors tune out.

There is no shortage of potential sparks. If, for instance, the president’s latest tariff threats are actually implemented on August 1st, America’s effective tariff rates would return to the levels that prompted April’s angst. Pressure on the Fed could spiral out of control. And with Mr Trump there is always the potential for the unexpected. Only when the next storm hits will the scale of the damage be clear. Dollar-watchers will probably not need to wait too long for such an opportunity. ■

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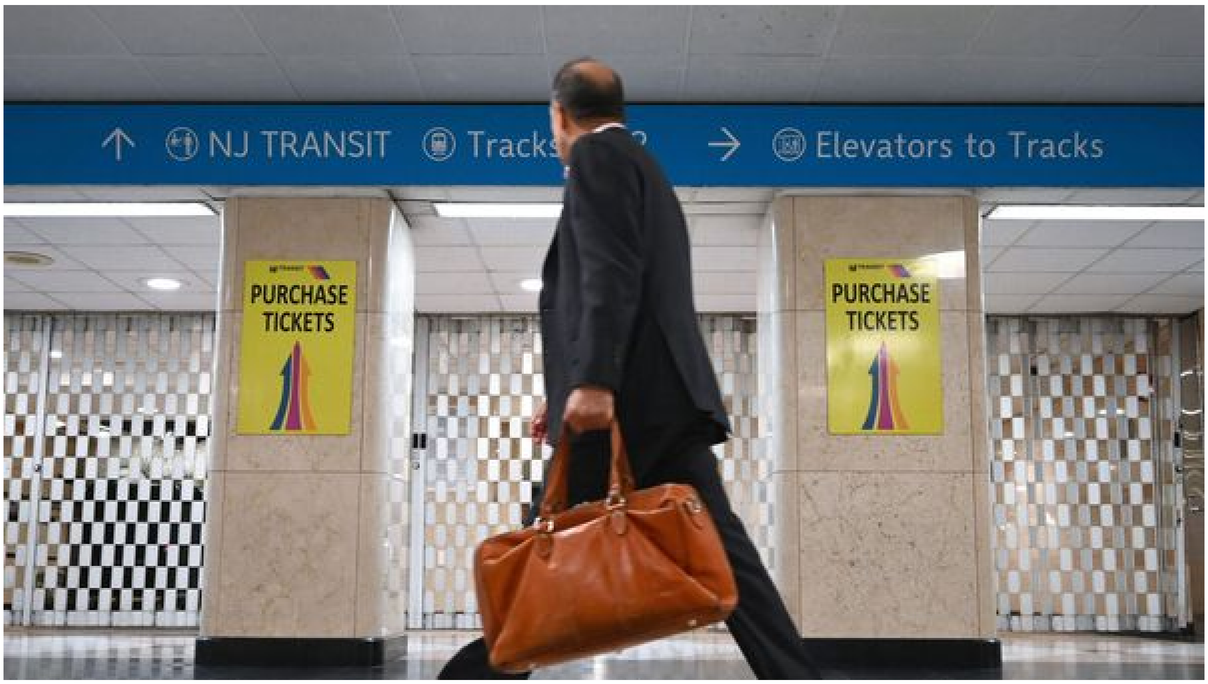
Stop hopping

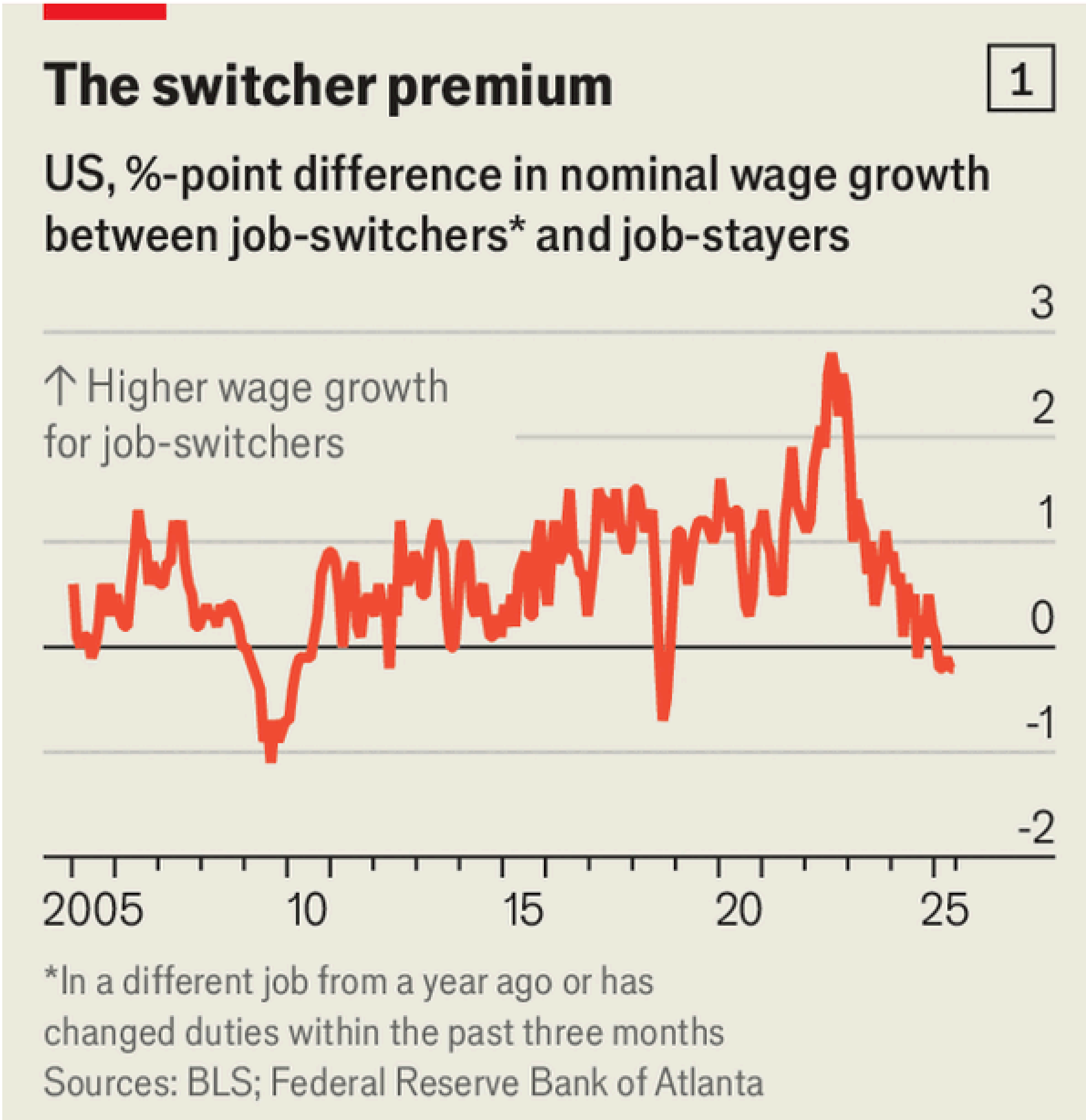
Want higher pay? Stay in your job

America’s cooling labour market is bad news for those who move about

Jul 24, 2025 02:50 PM | Washington, DC

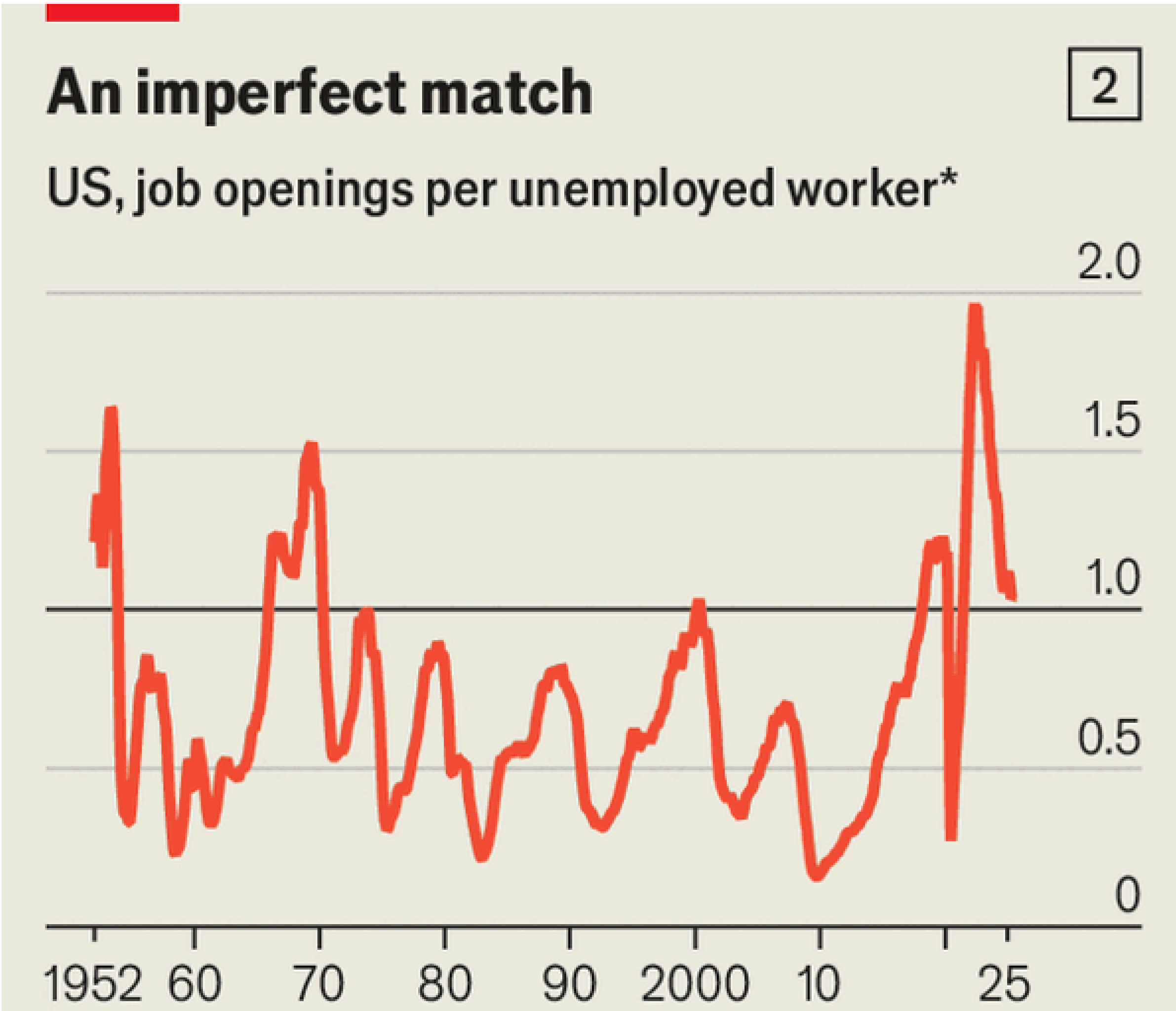


FOR YEARS, America’s job market has rewarded the footloose. The surest route to a higher salary, the advice goes, is to string together a series of one- or two-year stints, each paying a bit better than the last. Career gurus on TikTok set videos of their own salary progression to jaunty pop beats, cloaking online bragging as guidance for the uninitiated. On Reddit, posters debate just how little time in a role a job-hopper can get away with before future employers might start to fret about disloyalty. (A year or so is the consensus, though a brave few argue for six months.)



Now things are changing. For the first time in 15 years, barring blips in 2012 and 2018, wage growth for "job-stayers", those who have stuck with their employer, is running faster than for "job-switchers", those who jumped ship, according to data from the Federal Reserve Bank of Atlanta (see chart 1). Hunkering down and impressing the boss may now be a better bet than polishing your CV or responding to those LinkedIn messages from head-hunters.

The woes of job-hoppers are a particularly visible sign of a wider trend: the softening of America's once rock-solid labour market. Another sign is the rising unemployment rate for fresh university graduates, who are struggling to persuade anyone to take a punt on them.



*Three-month moving average
Sources: "Building a composite Help-Wanted Index", by R. Barnichon, 2010; Haver Analytics

There have been weak patches in the jobs market over the past few years. Some firms, like the big consultancies, vastly over-hired during the post-pandemic boom, and have since spent years painfully paring back. Coders have complained about poor prospects for a while; first, high interest rates hurt tech-firm valuations, then new artificial-intelligence models turned out to be particularly adept at programming.

But a broad jobs slowdown is a fresh development. Even as the stimulus-fuelled excesses of the post-pandemic years cooled, America’s labour market remained impressively robust. For month after month, new payroll data would show that hundreds of thousands of jobs were being added to the economy. Now that motor may be slowing. June’s payroll numbers looked strong on the surface—some 147,000 jobs were added across the economy, beating expectations—but half of those were in government, mostly teaching. Private-sector employment, a better measure of the underlying state of the economy, was disappointingly weak.

Cracks open 3

US, small-business owners planning to increase employment or wages

Balance of respondents*, % points

*Those who plan to increase minus those who plan to decrease. Three-month moving average

Source: National Federation of Independent Business

In recent years there have been more job openings than people on the unemployment rolls, suggesting high demand for workers. Yet this ratio of vacancies to unemployment, which economists watch as a measure of labour-market health, has recently fallen back to one, meaning there are about as many openings as job-seekers (see chart 2). And the share of small-business owners who are planning to raise hiring or salaries is at its lowest since the pandemic (see chart 3).

What does all this mean for America’s would-be job-hoppers? Once labour markets start cracking, they have a habit of deteriorating further. The Federal Reserve may, in due course, come to the rescue by lowering interest rates—but only after it can be persuaded that tariffs will not set off another round of inflation. If ever there was a time to redecorate your office and invest in a comfier chair, now might be it. You could be there for a while. ■

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Say a little prayer

Where will be the Detroit of electric vehicles?

A fierce battle is under way in China

Jul 24, 2025 01:30 PM | Chongqing

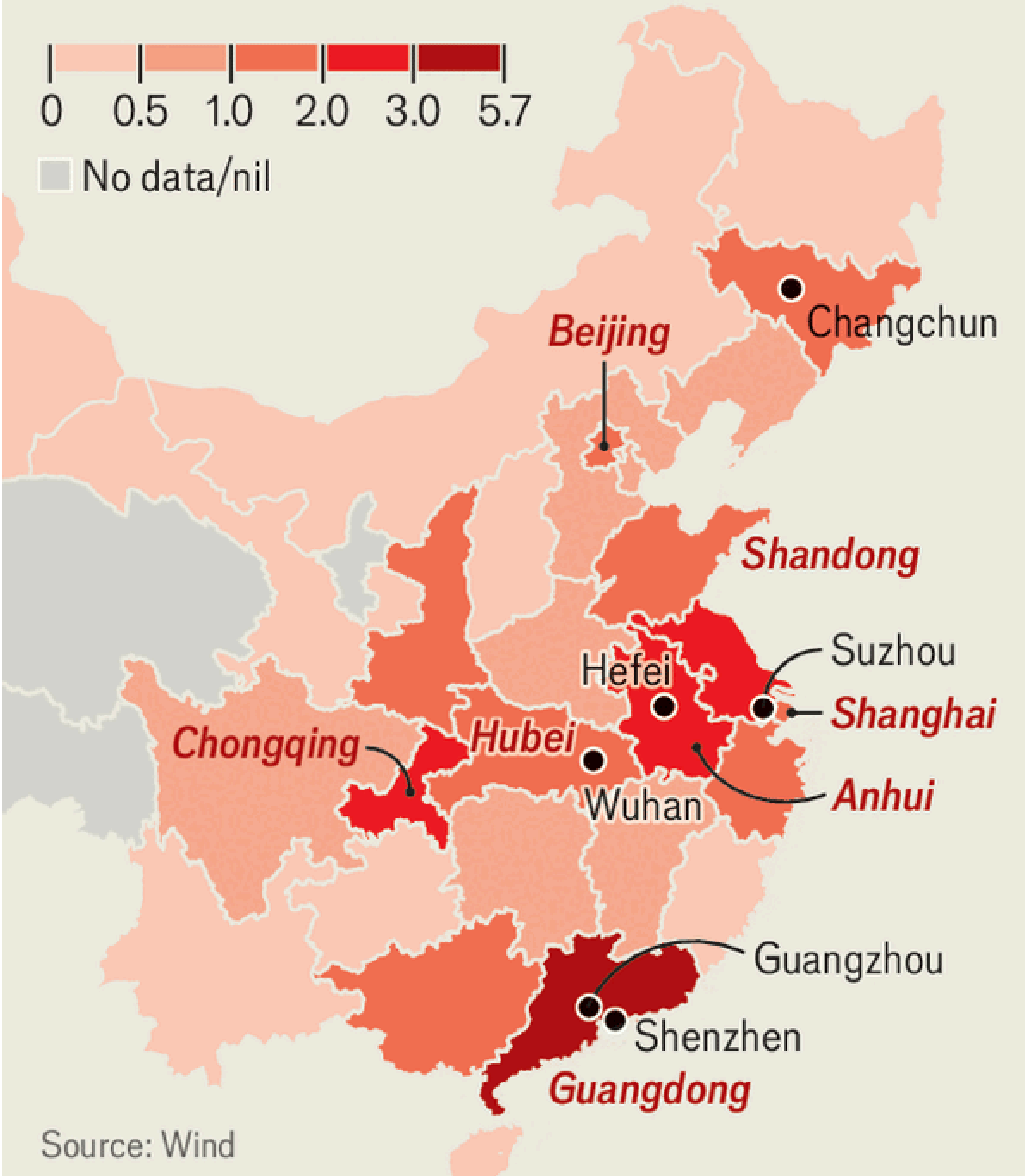
CHONGQING'S MOUNTAINOUS, cyberpunk panoramas and sticky summer heat seem worlds away from flat and dry Detroit. But carmakers in the Chinese metropolis cannot stop drawing parallels with the American city. Standing outside one of Chongqing's sprawling car-assembly plants, a boss at Changan, a state-owned auto giant, notes with pleasure that the sheer number of cars being produced in the city—some 2.5m last year—has earned it the moniker "Motown of China".

In many senses, Chongqing has surpassed its American rival. Most importantly, it makes hundreds of thousands more cars per year, as do several other Chinese cities. But the comments reflect a more profound aspiration: that Chongqing can be the defining city of the electric vehicle, much as Detroit was of the petrol car.

It will be a challenge. Although China's EV dominance is plain, its carmaking is dispersed. Twelve provinces and administrative regions produced more than 1m cars last year; four managed over 2m. And some of these also want the "Detroit" crown. Guangdong province, home to BYD, is a giant. The government of Wuhan has said that the city will "build itself into China's Detroit". Changchun, in the far north-east, has similar hopes. Analysts have also dubbed Hefei, an up-and-coming industrial hub 400km inland from Shanghai, the "Detroit of the 21st century".

Fire and desire

China, vehicle production, 2024, m



Source: Wind

This competition is not just a question of bragging rights—it matters dearly to local-government officials. Not long ago they relied on the property industry to produce stunning economic-growth figures. But a real-estate crisis has forced them to look elsewhere, as property (broadly defined) has shrunk from 30% of China's GDP five years ago to just over 20%. The Chinese Communist Party believes a vigorous push into high-end manufacturing is the solution to the country's woes. Although carmaking is the biggest prize, it cannot entirely offset the property industry's woes; at its current size it accounts for just 5% of GDP. Hence the fierce regional competition for whatever output is available.

Local-government infighting is exacerbated by decisions that party cadres made many decades ago. In the 1950s central planners spread car production across the country in a bid to avoid over-reliance on any single province. Regions do not always compete on sensible terms. Local governments still try and fail to create lucrative brands. One, called Qiantu, was established in 2015 with generous financial support from Suzhou, an eastern city. It stopped production within four years. Byton, backed by a nearby city, lasted about as long. Local support is now less extravagant, but still ongoing. City governments often procure local brands for official use or for their taxis. Shenzhen has been deploying BYD taxi fleets for more than a decade; Shanghai prefers Roewe, a locally made sedan, for its cabbies.

Does Chongqing have a shot at the carmaking crown? The city is certainly adaptable, which should help. By 2016 it was producing more than 3m vehicles a year, making it the world's biggest auto city. But its rise owed much to cheap petrol-fuelled cars and a national sales-tax cut for small-engine vehicles, notes Paul Gong, a Chongqinger now at UBS, a bank. When the tax cuts ended in 2018, so did the city's success. Production fell by more than half in 2019 from its peak. Since then the Chinese state has pushed carmakers away from internal combustion engines, encouraging them to transition to electric motors. EVs now account for over 50% of Chinese car sales, up from 5% in 2018. This has sent a shockwave through supply chains, rendering many manufacturers obsolete.

Despite its earlier focus on small petrol engines, Chongqing has done remarkably well during the transition. In 2019 BYD, the world's largest EV-maker, spent 10bn yuan ($1.4bn) in the city establishing a large, high-tech battery factory. Other battery-makers followed its example. In 2021 Seres, a private automaker, chose the city as the location for its newest production plant. In 2017 Changan set aside about 100bn yuan to invest in EVs and has since launched several brands, which are still loss-making. Executives say the company has worked closely with its suppliers while moving to electric motors. Chongqing briefly reclaimed its status as the top Chinese producer of cars in the first half of last year.

Attracting foreign investment was once seen as essential for a city hoping to bolster its carmaking abilities. The technology transferred from international companies to local ones helped turbocharge growth. But landing a homegrown private EV firm is even more crucial today, such is China's lead in the industry. Guangdong province is a good example. BYD is based in its tech hub of Shenzhen. Xpeng, an EV and autonomous-driving startup, is in the nearby city of Guangzhou, as is state-owned Guangzhou Automotive, which has joint ventures with Honda and Toyota, two Japanese brands. Large-scale production in these cities means that the province is now churning out more cars than any other, having made 5.7m last year. Similarly, Hefei in Anhui province is home to the manufacturing plants of NIO, a private firm that produces sleek EVs, and a new innovation centre built by Volkswagen, a German firm. Meanwhile, the launch of Seres in Chongqing has breathed new life into the city. The firm has partnered with Huawei, a Chinese tech giant, to produce an increasingly popular line of EVs.

For the moment, Chongqing and Anhui are fighting it out for the silver medal. The two places made around 2.5m and 2.6m cars last year, respectively. But they do have an advantage in the battles to come. As inland regions, house prices and the cost of living are more attractive than in coastal areas such as Guangdong and Shanghai. This has made it easier to attract talent to Chongqing, says Huang Yiwu of the Chongqing Academy of Social Sciences, a state think-tank. The city is also well-known for its spicy dishes and exciting nightlife. In a war for talent, cultural appeal could give it an edge over Hefei, which has a bland reputation. After all, Detroit was much more than a factory town; architecture and music helped give the city the reputation it retains today. ■

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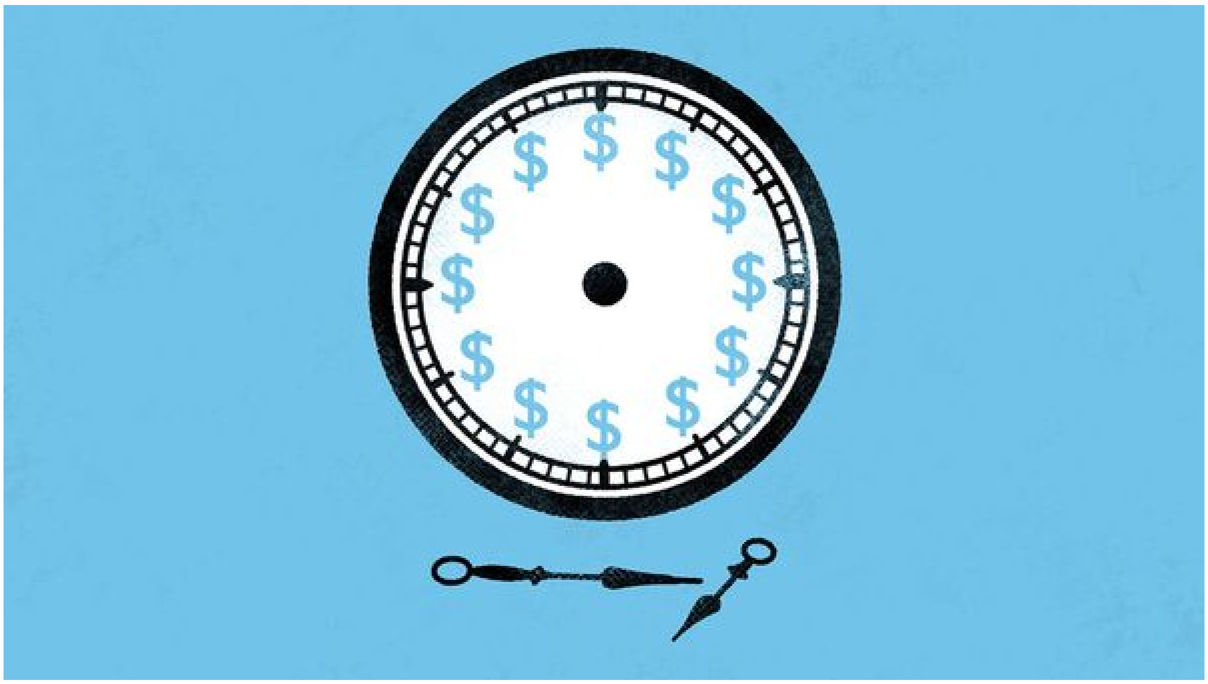
Buttonwood

Why 24/7 trading is a bad idea

There are advantages to the old-fashioned working day

Jul 24, 2025 01:30 PM



STOCK EXCHANGES are the quaintest corners of modern finance. At other financial institutions, the typical trading floor features people in T-shirts sitting at ergonomic keyboards, sipping herbal tea and reviewing computer code. Enter New York's bourse, meanwhile, and you might as well have been through a time warp. Tense-looking people bustle everywhere sporting headsets and relics known as neckties. Everyone looks as if they shout a lot. As in a cattle market, opening and closing bells are rung to mark either end of the day's trading session, at 9.30am and 4pm.

This last bit is the most anachronistic, and not because of the bells. Today's markets, after all, have long ceased to respect the working day. Currencies, American Treasury bonds and crypto assets all trade around the clock.

Although investors the world over want to buy and sell American stocks, standard trading at both the New York Stock Exchange (NYSE) and its digital cousin, the Nasdaq, begins close to Hong Kongers' bedtime and ends while Californians are having lunch. Pre- and post-market sessions facilitate some transactions from New York's 4am and until 8pm. But few marketmakers operate during these, and liquidity can evaporate. Stock exchanges in Europe and Asia keep similar core hours to American ones, adjusted by time zone.

Now change is afoot. Both the NYSE and Nasdaq have applied for regulatory permission to extend their trading sessions, to 22 and 24 hours a day respectively. On July 20th the *Financial Times* reported that the London Stock Exchange is considering something similar. The transition is coming fast: Nasdaq expects to be open all night from the second half of 2026. So are investors, traders and financial plumbers ready for another market that never sleeps?

Some certainly are. Stock exchanges might not yet trade overnight, but plenty of alternative platforms do. In May 2023 Robinhood, a digital retail broker, began to allow all-night trading of 43 popular single stocks, before expanding this to many more. It joined Charles Schwab and Interactive Brokers, two rivals already facilitating some overnight trading; this year, on July 21st, Schwab said it would start offering the service for 1,100 securities. For decades institutional investors have had "dark pools"—venues for off-exchange stock trading, which can stay open all night. It is through these pools that the retail platforms often execute their clients' overnight trades.

The problem with such trading is that price discovery can be fraught with difficulty. In fact, this is partly why institutional investors like dark pools: their lighter reporting requirements, compared with exchanges, allow big orders to be executed without alerting the wider market beforehand, which would move the price. Professionals taking the other side of these trades accept the risks and know how to navigate them. Amateurs, getting a worse price than they might have done in daylight, often do not.

Overnight exchanges would increase transparency, but might not improve the second drawback of the small hours: low liquidity. Even during the day trading is concentrated around the opening and closing auctions (held just before the respective bells), with much lower volumes at other times. The phenomenon is self-fulfilling, since high auction volumes allow for better price discovery, which means professionals often prefer to place their trades during them.

Regulators could compel marketmakers to offer quotes throughout the night, as they currently do throughout the day. However, thin liquidity decreases the proportion of buy and sell orders that can be netted off, forcing marketmakers to hold positions on their books for longer. The result is more risk, more capital that must be held against it and therefore higher trading costs. Even then, prices would remain more volatile than during the day.

And that is before considering the logistical nightmare that 24-hour exchanges would entail. The witching hours are currently when all manner of dull, but vital, post-trade processes take place, from settlement and valuation to the reconciliation of mistakes. Once trading is non-stop, there will be no pause for the financial pipes to clear—nor for traders to rest in the knowledge that the market is resting with them, so there is no need to refresh their screens. In today's always-on world, stock exchanges' limited opening hours might seem old-fashioned. But get ready to miss them once they're gone. ■

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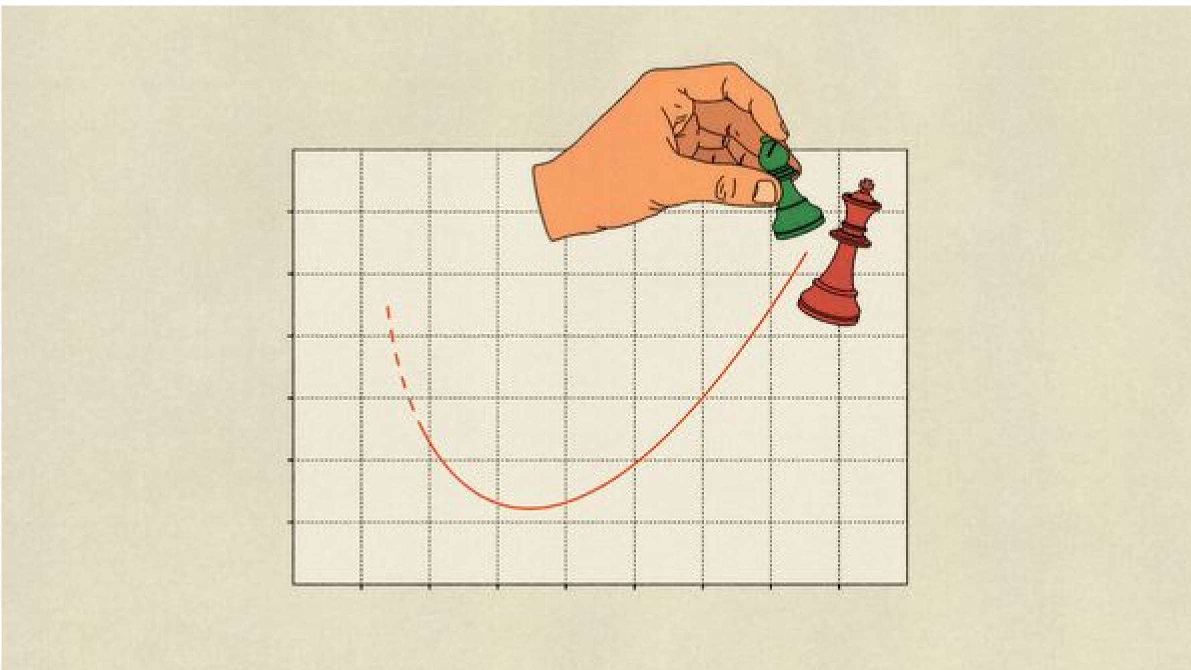
Free exchange

What economics can teach foreign-policy types

Hegemons should care about even puny countries

Jul 24, 2025 01:31 PM



MARKETS WORK best when many companies vie for customers' favour. They work badly when a few firms dominate, carving up sales between them. Economists therefore need a measure of whether markets are competitive or concentrated.

The most famous measure was invented by Albert Hirschman in 1945. It starts by summing the squares of each supplier's market share. That makes it sensitive both to the number of suppliers and inequalities between them. A staple of antitrust investigations, his index, with minor modifications, crops up in courtrooms and classrooms. Almost every economics student comes across it.

Few will know that Hirschman invented the index to measure something else: the economic power wielded not by firms but by countries. It appeared in a book examining trade as a source of “political pressure and leverage”. Hitler’s Germany had exerted its influence over its neighbours in the 1930s not only through “diabolical cunning” but also the gravitational pull of its economy.

Hirschman rejected the naive belief that because trade is voluntary and mutually beneficial, it is geopolitically innocuous. Benefits can be mutual without being symmetrical. And if one country depends less on a relationship than its partner, it can extract concessions by threatening to walk away.

The German economist would not have been surprised by President Donald Trump’s tariffs or indeed China’s own attempts at economic coercion, which include export restrictions on vital inputs, such as rare earths. It is, therefore, a good time to revive the spirit of his inquiries, according to Christopher Clayton of Yale School of Management, Matteo Maggiori of Stanford University and Jesse Schreger of Columbia Business School. They are seeking to apply the modern toolkit of economics to geopolitics. The result is something they call “geoeconomics” (borrowing a term coined by Edward Luttwak, a historian and military strategist, in 1990). Whatever the subject is called, it is inescapable. Three years ago people asked the authors what geoeconomics was. Now they are asked not to go on about Mr Trump too much.

In their models, big economies—hegemons—can make demands of smaller ones by subjecting them to economic sticks and carrots. The losses a country suffers if it rejects such demands are a measure of the power the hegemon wields. Smaller countries can try to protect themselves in advance by decoupling and diversifying their economies. They might, however, overdo it, according to the authors’ models. Economic networks, be they banking systems, industrial ecosystems, or global trade itself, increase in value the more people take part in them. If one country withdraws to protect itself, it makes that network less attractive to others. That might shift their calculus in favour of decoupling, too.

To dissuade countries from insulating themselves, a hegemon might promise not to exploit its power too much. It might say, “Do business with me. I’m not going to bully you like crazy later. I’m only going to bully you a little bit,” as Mr Maggiori has put it. The hegemon might, for example, submit to international trade rules that put a ceiling on its tariffs. If the rules are credible, they can benefit the hegemon as well as everyone else. In these models, trade rules emerge not as the result of “globalist” planning, but as an act of enlightened self-interest on the part of a hegemon. The models make the nationalist case for multilateralism.

Their theory also aids measurement. In the spirit of Hirschman, they calculate their own indices of power, based on market shares and the ease with which imported inputs can be replaced. Their calculations bring out a vital implication of their theory: power does not grow in a straight line. It tends to shoot up as a hegemon’s market share nears 100%. There is an enormous difference between claiming most of a market and claiming almost all of it. The same is true of hard-to-replace inputs. There is a big difference between having few substitutes and none or nearly none.

This result makes intuitive sense. If a hostile America provides 80% of a country’s foreign financial services, the country’s other providers would have to expand their sales by 400% to replace it (an increase from 20 to 100 equals growth of 400%). If America instead provides 90%, the alternative providers would have to expand by 900%. An increase in market share of ten percentage points makes a 500 percentage-point difference.

All this has practical implications. America and its allies have a large share of the world’s financial services. Adding a country like Singapore to the coalition might not seem like much of a prize. But it would make a big difference; a small increase in a large market share yields disproportionate gains in power.

Bully for them

The same is true in reverse. Even small efforts to decouple from an abrasive hegemon can diminish its power by a surprising degree. America's rivals are, for example, experimenting with alternatives to the dollar in international finance. These alternatives do not have to match the dollar in order to erode America's financial clout. If they can capture even 10% of the market in small and medium-size countries, they can make a big difference, according to the authors. Going from 1% of the market to 10% can reduce American financial power as much as going from 10% to 50%, they argue. According to this logic, currencies like China's yuan can defang the dollar even if they never dethrone it.

Hirschman's book, in which he outlined his index, was largely forgotten by the economics profession until recently. Political scientists and other scholars now account for most of its citations, according to Messrs Clayton, Maggiori and Schreger. The three authors hope to revive interest in Hirschman's work among their fellow economists. The inventor of the best known index of concentration warrants a broader, more diversified readership. ■

Science & technology

- **Fragmentary Latin inscriptions can be completed with AI**
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Deus ex machina

Fragmentary Latin inscriptions can be completed with AI

A new model is finding connections spanning the Roman world

Jul 24, 2025 01:30 PM

HISTORY DEPENDS on the written word. But how can a historian interpret a text if its authorship or age are uncertain, and indeed some of those words are missing? The problem is not a new one. But where human experts have struggled, historians are turning to artificial-intelligence (AI) models for suggestions, with impressive results.

Over the past five years or so, the predictive abilities of artificial neural networks have increasingly been applied to reconstructing the past. In that time they have assisted with everything from piecing together smashed Babylonian tablets to deciphering the characters inscribed on ancient

Chinese turtle shells. The most prominent example has involved AI enthusiasts using high-quality scans to digitally unfurl unopenable papyrus scrolls that were carbonised during the eruption of Mount Vesuvius in 79AD.

Now scientists will be able to use AI models to suggest likely dates and geographical origins for samples of Latin inscriptions, and even predict missing bits of text. Yannis Assael, a researcher at Google DeepMind in London, and Thea Sommerschield, a historian at the University of Nottingham, described their model, Aeneas (named for the mythological ancestor of the Romans), in a paper published this week in *Nature*. Aeneas can process images of Latin text as well as transcribed inscriptions, and is an iteration of an earlier model that focused on Greek inscriptions.

Aeneas represents the latest step towards the researchers' goal of using AI models to do more than read individual texts. Drs Assael and Sommerschield hope to use large models, trained on tens of thousands of written sources, to glean unseen connections about ancient lives. Aeneas was trained on over 175,000 inscriptions, dating from the 7th century BC to the 8th century AD, and spanning Roman provinces from Britain to Mesopotamia.

The model can be extremely accurate: in tests, it dated unseen texts to within 13 years of the accepted figure. Crucially, it can also suggest other sources that may be connected. With an estimated 1,500 new Latin inscriptions discovered every year, from slaves' epitaphs to emperors' decrees, identifying relevant parallels is one of historians' most important—and challenging—tasks. Human experts, even those with particularly impressive memories, have intimate knowledge of only specialist areas, while automated searches across the wider corpus are generally limited to strings of characters. Aeneas, by contrast, can search for thematic links across millennia, and the entire Roman world. Aeneas "helps us do things faster, and better", says Dr Sommerschield, but also goes "beyond what we could do already".

The researchers also tried out their model on contested inscriptions such as *Res Gestae Divi Augusti*, an account of the life of Rome's first emperor, Augustus, carved into a temple wall in Ankara, Turkey; and a third-century

AD altar text from Mainz in modern-day Germany. Aeneas far outstripped existing computer searches, they concluded, identifying “subtle and meaningful historical connections beyond literal matches, in ways that mirror expert-level reasoning”. Aeneas found other texts composed decades apart that bore similarities to the altar text, for example, stretching from the German city of Bonn to Bulgaria, following the movements of the Roman army. Drs Assael and Sommerschield say it is essentially modelling how the Roman Empire was connected, through the movement of people, beliefs and ideas.

It is Aeneas’s ability to suggest missing text for gaps of uncertain length, however, that has some historians most excited. Many surviving Latin inscriptions are badly damaged, which means such a tool could generate new insights from existing material. For now, Aeneas’s gap-filling chops are less impressive than its dating ones. When presented with deliberately obscured text, the correct segments (up to 20 characters in length) featured among Aeneas’s top 20 predictions 46.5% of the time. When the length of the segment is unknown, this drops to 32.7%. All the same, says Charlotte Tupman, who lectures in classics and digital humanities at the University of Exeter, this represents a major leap forward. Most useful may be Aeneas’s ability to explain its reasoning, providing “saliency maps” that highlight which parts of the source influenced its predictions.

Working together

To test how their AI model augments human abilities, the team asked 23 historians to analyse and restore a list of texts that had identifying data removed. They found that, overall, historians working together with AI gave more accurate results than either on their own. That provides a “compelling case” for Aeneas to be incorporated into historians’ workflows, says Dr Tupman. The volunteers reported that the context provided by Aeneas was useful 90% of the time, and improved their confidence in key tasks by 44%. One said the similar texts Aeneas retrieved “completely changed my perception” of an inscription; another that they achieved in 15 minutes what would normally take a couple of days.

Drs Assael and Sommerschield suggest specialised tools like Aeneas could soon be integrated into chatbots, enabling historians to interrogate data as part of a more natural conversation. And they hope similar techniques will be applied to other languages and other types of texts, from tablets to papyri, perhaps even connecting archives of different civilisations. “The more data we have,” says Dr Assael, “the more interesting patterns we can extract.” ■

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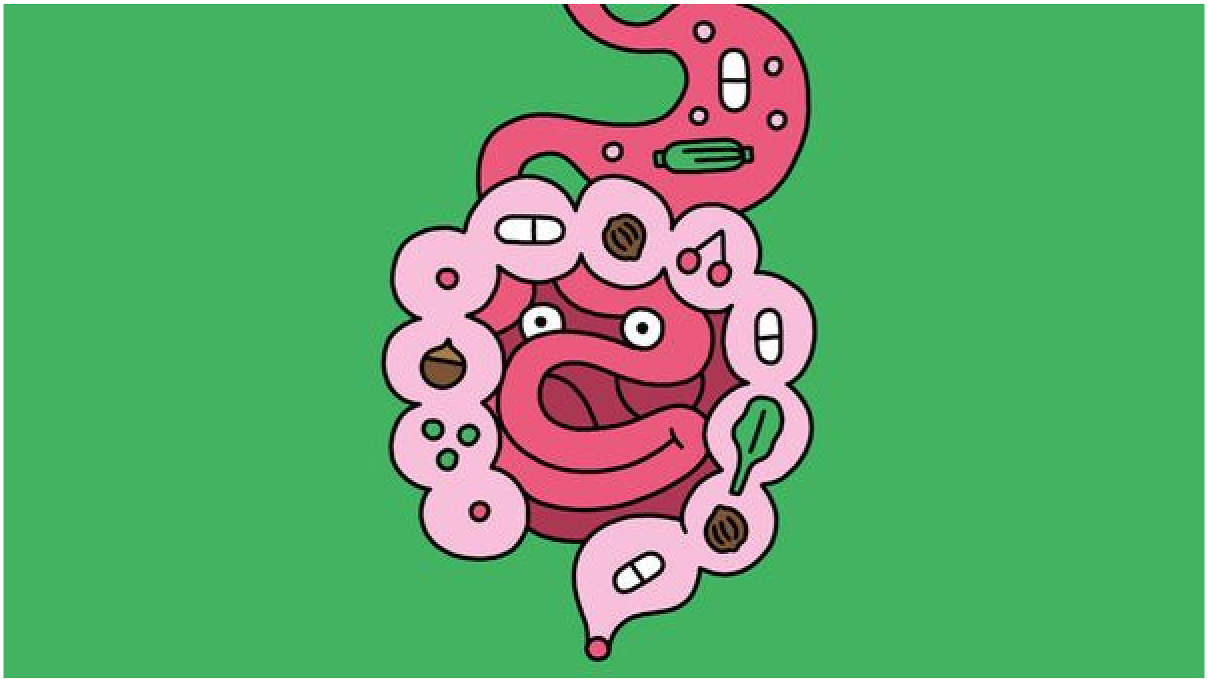
Well informed

Do probiotics work?

For a healthy microbiome, eating your greens is a surer bet

Jul 24, 2025 02:50 PM



A DAZZLING MENAGERIE of microbes live inside the human gut—by some counts a few thousand different species. Most residents of this gut microbiome are not the disease-causing kind. In fact, many do useful jobs, such as breaking down certain carbohydrates, fibres and proteins that the human body would otherwise struggle to digest. Some even produce essential compounds the body cannot make on its own, like B vitamins and short-chain fatty acids, which help regulate inflammation, influence the immune system and affect metabolism.

As awareness of the microbiome has grown, the shelves of health-food shops have become stocked with products designed to boost good bacteria. These usually fall into two categories: probiotics, capsules containing live (but freeze-dried) bacteria that, in theory, spring back to life once inside your gut; and prebiotics, pills made of fibres that beneficial bacteria feed on.

There may be good scientific reasons to tend one's microbiome. Having a diverse array of gut bugs, with plenty of the good kind, seems to confer broad health benefits. A varied microbial population can fend off pathogens by competing with them for nutrients and space. Reduced diversity, by contrast, has been linked to obesity, type-2 diabetes and irritable bowel syndrome (IBS). Evidence for causal links is growing: randomised-controlled trials have shown that tweaking the microbiome can accelerate weight loss, reverse insulin resistance and improve IBS symptoms.

The microbiome's influence may stretch well beyond the gut. Microbes seem to be important for mood: people with depression have less microbial variety in their guts than those without do, for example. One study from 2016, published in the *Journal of Psychiatric Research*, even found that transplanting the microbiome of a depressed person into a rat caused the animal to display behaviour characteristic of depression. An off-kilter microbiome has also been linked to respiratory infections: mice with fewer gut microbes are more likely to catch pneumonia or influenza.

For a diverse microbiome, diet matters. Microbes thrive on foods rich in fibre and digestion-resistant starch, so munching on fresh fruit, vegetables, legumes and nuts is a good place to start. Fermented foods and drinks, such as yogurt, sauerkraut and kombucha, also contain friendly micro-organisms like *Lactobacillus*. Avoiding unnecessary antibiotics is important, as they wipe out good bacteria along with the bad.

Supplements seem equally appealing, but because they are not regulated as medicines, many have not been rigorously tested. "It is absolute cowboy territory in terms of marketing", says Ted Dinan, a psychiatrist at University College Cork who studies the influence of the microbiome on mental health. Fortunately for consumers based in America, Britain and Canada, academics in those countries have developed apps (each called The Probiotic Guide) that can be used to search for probiotic products and check what scientific evidence, if any, backs them up. Nothing so comprehensive exists for prebiotics, as yet.

Taking the wrong product may not do much good, but it probably won't do much harm either. "You really cannot overdose on probiotics," says Glenn Gibson, a microbiologist at the University of Reading. Taking too many prebiotics, however, could temporarily disrupt the microbiome. The likely side-effect? "Gas," he says. "But that's more just antisocial than anything else."■

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Culture

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Sting like the Bee

How satire is adapting to the second coming of Donald Trump

The conservative Babylon Bee is finding it easier than the Onion

Jul 24, 2025 02:50 PM | NEW YORK

AFTER AMERICA'S presidential election last year, a headline in the *Onion*, a liberal satirical newspaper, was: "Trump calls Harris to congratulate himself on winning". Technically, this joke is almost perfect. It is only eight words long, one of which elegantly subverts the other seven. Yet it has a serious flaw: no one would be surprised if it were true.

And that illustrates a huge problem for satirists in the age of Donald Trump. He should be easy to mock, but he is not. One reason is that reality often overtakes satire. Scott Dikkers, founding editor of the *Onion*, chuckles as he recalls how many jokes from a Trump book he published in 2017 now read like news reports. “Donald Trump’s World Map”, for instance, shows Canada as “The next 50 states”. A fictional speech to the National Science Foundation ends with Mr Trump saying: “We’re going to get tough on science,” and “A few eggheads might get fired. Big Deal.”

Philip Roth, a novelist, defined satire as “moral outrage transformed into comic art”. It is supposed to shame the target. But how can that work when the target is shameproof? “His personal vanity is…unshakable,” marvels Ian Hislop, the editor of *Private Eye*, a British satirical magazine. Also, “the idea of truth doesn’t interest him.” So the satirists’ staple of pointing out a politician’s hypocrisies and inconsistencies does not work. “You can still do that, but it’s just one of those things, like the sky is blue and water is wet,” says Luke Gordon Field, who edits the *Beaverton*, a wry Canadian news website.

Surprisingly, the satirists who are coping best with the second Trump term are often not the liberals who find him repugnant, but conservatives who have a soft spot for him, while acknowledging some of his gargantuan flaws.

Consider the *Babylon Bee*, a conservative satirical website set up in 2016. Its worldview is poles apart from that of most secular comics. The existence of God is taken for granted. (“Are your kids possessed by demons or just normal toddlers?” is a typical headline.) Though its readers probably voted for Mr Trump, they notice if he does things Jesus might frown at. For example, when he posted an AI-generated picture of himself as Pope, the *Bee* poked fun at his presumption by suggesting several changes he might make if installed in the Vatican. These included painting his own face over Adam’s in the Sistine Chapel and issuing more macho papal decrees: “Any saint who was martyred loses sainthood for being a wimp: Sad!”

On policy, the *Bee*’s writers clearly sympathise with Mr Trump, yet they skewer his capriciousness (“Trump Draws Names Of Countries From Hat To Determine Next Tariff”) and his excesses. One story reports him ordering the removal of black pieces from all chess sets for being “a move behind every other piece in the set. Absolutely failing. These are clearly DEI hires and we need to fire them.” When Mr Trump’s administration announced plans to kick Chinese students out of America, the *Bee* responded with the headline: “American Students Unsure Who to Cheat Off After Trump Revokes Chinese Student Visas.”

Democrats who wonder why more than half the country dislikes them could usefully spend time perusing the *Bee*. It flays their tiresome sanctimony (“Disaster: Liberal Goes Back In Time To Kill Hitler But Now Has No One To Compare People He Disagrees With To”); their unrigorous ideas about schooling (“Layoffs Delayed As Dept. Of Education Unable To Calculate What Fifty Percent Of Employees Would Be”); and their scepticism of market forces (“In Retrospect, Woman Attending Communist-Themed Party Should Have Realised There Wouldn’t Be Any Food”). It highlights how much middle America hates rioting, a problem many associate with the “defund-the-police” left. One headline mocks both the Trump administration’s anti-tax zeal and progressive scofflaws: “Elon Musk Disguises IRS Building As Tesla Dealership So Democrats Will Burn It Down.”

The *Bee* also offers a handy gauge of tensions within the MAGA movement. Many of Mr Trump’s fans are furious at his failure to release a full list of “clients” of the late Jeffrey Epstein, a sexual predator and party-thrower for the rich and famous, despite what he said on the campaign trail. His order on July 18th to release more papers may disappoint, since it is not clear that the “list” exists. MAGA diehards feel betrayed. The *Bee* offered “7 Totally Plausible Explanations” for why Pam Bondi, Mr Trump’s attorney-general, has yet to publish the Epstein file she said was on her desk, including: “She really had the list, but her dog ate it, and she was going to try to piece it back together, but then some Haitians ate the dog.”

Mr Trump has been famous for longer than most Americans have been alive: New York tabloids have been ridiculing him since the 1980s. Because he is so familiar, jokes about him often seem stale (enough already about his hair and his skin tone). Lampooning his flunkies and his policies can sound fresher. The *Onion*’s take on his vaccine-scorning health secretary was bleakly hilarious: “RFK junior vows to make measles deaths so common they won’t be upsetting any more.” So was its view of his deportations: “ICE Agent Decides He Wants Kids After Seeing Incredible Love and Devotion of Parents Begging Him Not To Take Their Child.” The

Bee attracted 4.2m page visits in June, according to estimates by Semrush, a marketing platform. The *Onion* claims “4.3 trillion readers” daily but in fact had 3.1m last month.

Sometimes it feels as if *Onion* writers are so outraged and exhausted by the administration that they do not know how to respond. “Republican Infighting Erupts Over Whether Trump Bill Beautiful Or Handsome” is only a five-out-of-ten gag. After Mr Trump’s national security adviser accidentally included the editor of the *Atlantic* in a group chat about impending military strikes, the *Onion*’s headline was merely workmanlike: “‘I messed up at work again,’ Crestfallen Michael Waltz Texts Wife, *National Geographic* Editorial Staff.” The *Bee*’s response, by contrast, was wonderfully sly: “Genius Trump Leaks War Plans To The *Atlantic* Where No One Will Ever See Them.”

Learning what makes people laugh is valuable—particularly those on the other side of the partisan divide. It helps you understand them; and it helps you see your own shortcomings as others do. So it is a pity that Mr Trump pays no heed to the amateur comedian (and full-time economics professor) who made the best joke about his tariff policy, riffing on a Republican campaign slogan. Justin Wolfers of the University of Michigan told the BBC: “Trump has a pronoun problem. He keeps saying he’s imposing tariffs on they/them. But he’s actually imposing them on us.” ■

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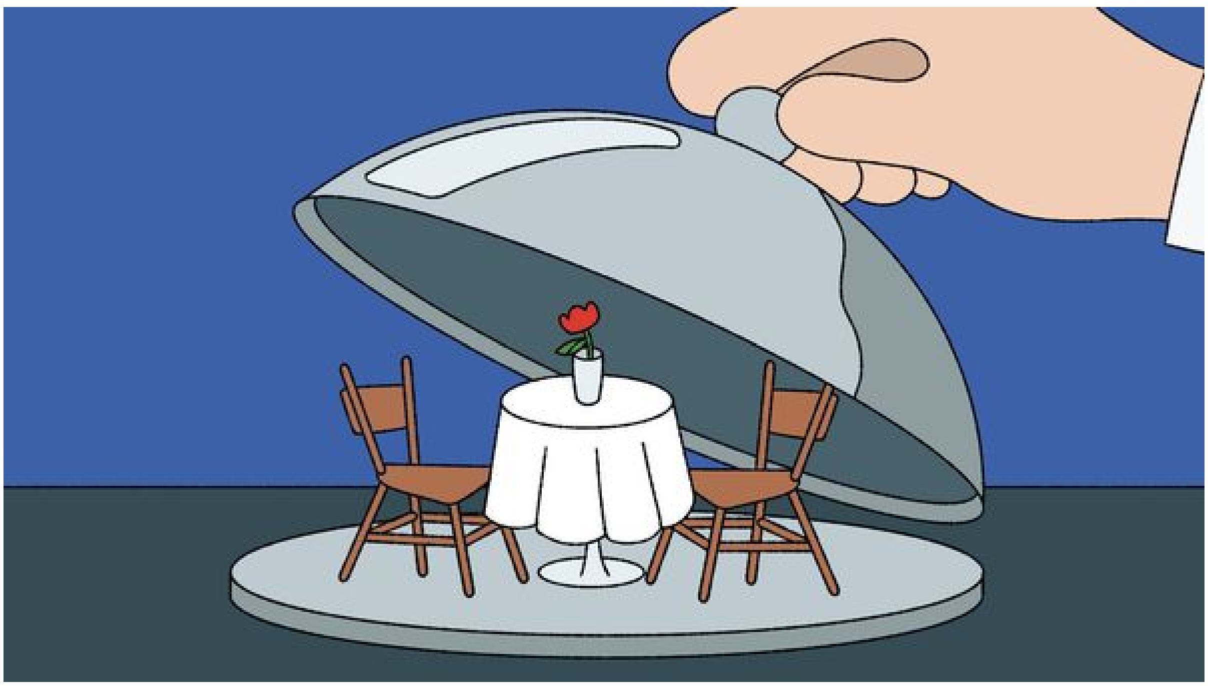
A taste of the high life

How much would you pay to nab a table at a swanky restaurant?

A tech bro created a viral reservation-trading website. The industry wants to shut it down

Jul 24, 2025 02:51 PM | MIAMI



"SEX AND THE CITY", a hit TV show, is full of tips about love and living in New York. Alas, many of them are not fit for print, but one recommendation is to always have a tampon handy. In an early episode from 1998 Carrie and Samantha are desperate to dine at Manhattan's hottest French bistro. With no reservation, and faced with a recalcitrant hostess, the women give up. But when that same hostess finds herself caught short in the toilets, she bashfully asks Carrie for some sanitary supplies. Soon Carrie and Samantha are seated, martinis in hand. "From that moment on we never had a problem getting a table at Balzac again," Carrie says.

Exclusive restaurants have long been alluring. But since the pandemic, when restaurants closed and people were forced to confront the awfulness of their own cooking, Americans have had an insatiable hunger for dining out. Social-media influencers have funnelled demand towards places where the food is good but the vibes are better. At the most sought-after spots, opportune tampons and the old tricks—such as slipping a crisp $100 bill to the maître d'—are not enough.

The rich and famous have new methods. Get invited to use an American Express "black card" and, after paying a $10,000 joining fee and a $5,000 annual fee, you can get "preferred access" to prime tables. Some Wall Street firms pay the Balzacs of the world tens of thousands a month so they can wine and dine at will.

Should buying bookings be the preserve of the rich? Jonas Frey, a German tech bro who lives in Miami and eats out six nights a week, thinks not. In 2021 he founded Appointment Trader. The website's concept is simple: buyers can request reservations that they want but cannot get and sellers can offer reservations they already have. The price of the trade is determined by demand alone. Reservations in New York at Christmas, for example, sell for many times the price of a dinner tab.

Last year a table at Carbone in New York went for $1,605 and the site's top seller raked in $360,000. The average reservation in America fetches $125; in Europe, tables go for around $75. Mr Frey, Appointment Trader's only employee, takes a commission of up to 30% on every sale, of which there were 7m in 2024. The best sellers do not scoop up dozens of reservations in one go—the platform punishes them for unsold ones—but rather scramble to fulfil requests. Most have friends on the inside, a hostess or chef who can set aside a table for a cut of the proceeds. Others work at the restaurants themselves.

The restaurants were slow to catch on, but once they did they were livid. Their objections fall into three categories. The first is that Appointment Trader strips them of control and allows a third party to profit from their product. The second is a fear that if customers pay a premium that the restaurant does not know about, they are bound to be disappointed. The third is that they claim Appointment Trader is full of bots that overbook and drive up the number of no-shows, forcing restaurants to eat the costs of empty tables. Mr Frey has evidence to the contrary. Of the last 50,000 trades, just 1% did not show. The industry average is closer to 30%.

Nonetheless the National Restaurant Association has banded together with Resy and OpenTable, the two biggest reservation websites, to lobby state governments to ban “reservation piracy”. They have had astonishing success. Last year New York banned Appointment Trader; this year Florida and Louisiana did too and other states are trying. The laws, many of which roll out this summer, prohibit trading without the restaurants’ consent. Lobbyists now want to pass the SEAT Act, a federal bill that would kick Appointment Trader out of America altogether.

Over a meal at Mandolin, one of Miami’s trendiest lunch spots, Mr Frey explains that the loss of the American market “hurts like shit” but he is “too small to fight”. He plans to focus on Europe and has added the option to search for restaurants in Dutch, French and Spanish.

His biggest frustration is the inefficiency of the existing restaurant-reservation system. Appointment Trader has “democratised luxury”, he says: thanks to his site, anyone who is willing to pay can get a seat at the world’s coolest restaurants. Youngsters, in particular, have eaten up the idea: most of his users are under the age of 35. Restaurateurs and lawmakers would do well to ingest an economics textbook. Appointment Trader merely reflects the true market-clearing price of a table at the trendiest joints. The *prix fixe* is a concept for menus, not markets. ■

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World in a dish

Cha chaan teng, Hong Kong’s quirky fusion cafés, are going global

These days you can find Canto-Western food in several countries

Jul 24, 2025 01:30 PM | HONG KONG

SUPPOSEDLY ONLY “mad dogs and Englishmen go out in the mid-day sun”, but Hong Kongers brave it too for Lan Fong Yuen. The *cha chaan teng*, or tea restaurant, is one of the city’s oldest and attracts queues even on a sweltering day. With its sticky Formica tables, it is not glamorous. But diners are drawn by the smells of fried toast with condensed milk and buns served with crispy pork.

For locals, dining in Lan Fong Yuen is a kind of ritual. The café has hardly changed since it opened in 1952. *Cha chaan teng* were set up when Hong Kong—then run by Britain—welcomed refugees from mainland China. They serve Canto-Western fusion fare and some of the offerings are an acquired taste, such as *naaih cha*, tooth-achingly sweet tea also served with condensed milk, and *yunyeung*, a mix of tea and instant coffee. But the cafés came to symbolise the city's mix of East and West. They reflected "the cultural inclusiveness of Hong Kong", says Sidney Cheung of the Chinese University of Hong Kong.

Today the spirit that *cha chaan teng* embody is being stamped out. Since a national-security law was passed five years ago, in the summer of 2020, Hong Kong has taken an authoritarian turn. An estimated 500,000 people have left. Some *cha chaan teng* were branded "yellow" businesses—ie, sympathetic to pro-democracy activists—and faced difficulties with lease renewals. Many have closed.

Yet Hong Kongers who left took their love of *cha chaan teng* with them. New joints have opened in the countries where people have resettled, such as America, Australia, Britain, Canada and Taiwan. Seven *cha chaan teng* have opened in Burwood, a suburb of Sydney. "For overseas Chinese, being able to taste the flavour of home in a foreign land is a kind of psychological comfort," says Andy Lam, the owner of September Café in Taipei.

He has adapted some of his dishes, dialling down the sweetness to appeal to local palates. For it is not only Hong Kong's diaspora who are seeking out *cha chaan teng*. The cafés' informal, convivial atmosphere is drawing in new, young customers. The hashtag #chachaanteng has 12.5m views on TikTok.

Lucas Sin, a popular chef, is writing a cookbook about the cafés. Art Basel, Europe's flagship art fair, opened a *cha chaan teng* pop-up in Paris in 2024. It was so popular that similar stalls followed at fairs in Miami and, ironically, in Hong Kong where, despite the closures, there are still thought to be 6,000 *cha chaan teng.*

Larry Fung set up Uncle Lou, a Cantonese diner, in New York in 2021. Such restaurants, he argues, satisfy a "yearning" and a feeling of “nostalgia” for a time and a place “that a lot of people feel is fading away”. For many, *cha chaan teng* offer a memory of a different Hong Kong in a hot cup of *naaih cha* or *yunyeung*. ■

In (and out) of Vogue

Booze, bills and $500,000 photoshoots: the golden age of magazines

Two new books look at the heyday of Vanity Fair, Vogue and their ilk

Jul 24, 2025 01:30 PM

Sharp haircut, sharper judgments

Empire of the Elite. By Michael Grynbaum. *Simon & Schuster; 368 pages; $29.99. Coronet; £22*

When the Going Was Good. By Graydon Carter. *Penguin Press; 432 pages; $32. Grove Press; £20*

“FUCKING” WAS forbidden. So too was “chortling”, “quipping”, “donning”, “penning”, “opining” and—lest that list of linguistic prohibitions left any writer feeling faint—“passing away”. The list of banned words in *Vanity Fair* was, for such a glamorous magazine, parsimonious, even pious: “glitzy” was vetoed; “hookers” were out; hair must not be “coiffed”; one never ate in an “eatery”. Condé Nast’s magazines may have celebrated fancy living, but they did so in plain English.

What these magazines said, and how they said it, mattered. It is hard to remember in this era of Instagram, when the many (influencers) tell their (relatively few) followers what to do, but once upon a time the few told the many. To be precise, glossy magazines did the telling and, to be more precise again, Condé Nast did. The Instagram world in which “pretty people do pretty things in pretty places without you” is, as Michael Grynbaum makes clear in one of two new books about magazines, merely “a DIY replication” of the role that Condé Nast held in the 20th century.

For a handful of decades a handful of magazines like *GQ*, *Vanity Fair* and *Vogue* dictated to the whole world what was “hot” and what was not, who was “in” and who was “out”, and along the way offered readers lashings of “Sex”, “Cool!”, “Hollywood!”, “Rah!” (whatever that might be) and—of course—exclamation marks!

It all began rather more mutedly. *Vogue* was founded in 1892 to celebrate a Wildean world of manners before morals. During the Spanish-American war in 1898 the magazine warned readers not to dress in patriotic colours since “Bad taste never yet helped a good cause.”

By 1909 it had been bought by Condé Nast, a New York businessman, who wished it to aim at “class, not mass”—a phrase that to British eyes (and some ears) has neither rhyme nor reason since, as any Fleet Street hack could tell you, to succeed magazines need mass, not class. At times, Condé Nast had neither: outside the printworks were two obelisks engraved with the words “VOGVE” and “HOVSE & GARDEN”. This, some felt, was a trifle VVLGAR.

But who cared, when it was all such fun? For the best part of a century Condé Nast's magazines were the best way for the have-nots to peer at what a new book nicely calls the "have-yachts". They were a "two-way mirror" into the world of the rich, as Mr Grynbaum puts it.

This world was very rich indeed: an artwork by Jackson Pollock hangs in a bigwig's house; supermodels hang around at parties; everyone hangs the expense. There were low patches: a mid-century slump in which *Vogue* went out of vogue; *Vanity Fair* fell into a slough of despond and the *New Yorker* insisted on running lengthy articles on the future of wheat. But under a new clutch of editors in the 1980s and 1990s—Dame Anna Wintour, Graydon Carter, Tina Brown—Condé Nast enabled the world to ogle the rich once again.

Gloss it up

The subtitle of Mr Carter's recent memoir calls this period, roughly from the early 1980s to the financial crisis, "the last golden age of magazines". It is a grandiose title but one that feels fitting: in this more monkish era the excess here feels as unimaginable as that of imperial Rome. An expenses bill for a *GQ* feature on dining in Japan comes to $14,000 ("Is that all?" asks an editor). When Mr Carter arrives at *Vanity Fair* he finds there is "no budget at all—that is to say, the budget had no ceiling". A feature on the near-collapse of Lloyd's of London, an insurance market, costs $180,000 (and, appositely, is never published). A cover shoot by Annie Leibovitz costs $475,000. On the bright side, says Mr Carter, "It looks like a $475,000 cover."

If the budgets were big, the names were bigger. It was an era before the internet had fractured publishing and the "splinternet" had fractured celebrity. Writers such as Christopher Hitchens became household names; editors were internationally famous and, at times, infamous. Filming has started on "The Devil Wears Prada 2", inspired by a *roman à clef* about a villainous magazine editor by a former assistant to Dame Anna (pictured below). The editor, reportedly called "Nuclear Wintour" by her colleagues, has said it is "for the audience...to decide if there are any similarities" between her and the character.

Modern hacks should mourn the loss of the journalism: few magazines today can afford to commission earnest 10,000-word articles about things like grain. In truth most will mourn the loss of the drinks trolleys—not to mention the dinner ones which, at another paper, arrived at writers' desks complete with wine and a uniformed flunkie. They may not, perhaps, envy the hangovers: one morning, Hitchens had to be retrieved from a golf course where, "still in the wrinkled off-white linen suit from the night before", he was "heaving up".

Condé Nast's magazines were, at times, a little nasty. This was an era when people would "check your privilege"—chiefly to make sure you had some. If you applied for a job as an assistant at *Vogue* in the 1990s you would be handed an alphabetised, intimidating list of 178 items from A (Pedro Almodóvar) to W (Billy Wilder), via Manolo Blahnik, "Mrs Dalloway" and the phrase "For a long time I used to go to bed early."

If you could correctly identify two film-makers, a shoemaker, a modernist masterpiece and the first line of Proust, then you could become part of the elite club Mr Grynbaum describes. Some of this was sensible: educated workers were needed since, as Ms Brown put it, these magazines had to "make the sexy serious and the serious sexy". Some of it was pure gatekeeping: snobbery in spectacles.

But then these magazines sold: an issue of *Vogue* with Hillary Clinton as cover girl shifted 700,000 copies. "The Going", as Mr Graydon's title has it, "Was Good". Perhaps this was due to the skill of him and his colleagues. But editors are often praised for their talent when in truth what they have is timing. Then, in the late 1980s, the computers came. One art director at *Vogue* declared them "a phase".

Today many of the top editors, including Dame Anna and Mr Carter, have retired or stepped back. These magazines are not quite history, yet their era of overweening influence is. Except, perhaps, in one odd way. In 1984 *GQ* featured a suited man beneath the headline "SUCCESS—How Sweet It Is". That led to a book, then a TV series. The series was called "The Apprentice"; the book "The Art of the Deal". The man would become president. ■

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Interior design

IKEA’s prints have transformed how homes everywhere look

Chances are you have come across a “Strix” cushion or a “Rinnig” tea towel

Jul 24, 2025 01:31 PM | EDINBURGH

A collection of bright ideas

NO FIRM IN history has had as penetrating an impact on everyday design and taste as IKEA. Even if you have never found yourself winding through a shop, absent-mindedly adding “Billy” bookcases, “Rodalm” picture frames or “Glimma” tea lights to a trolley, you will probably have encountered “Stockholm” rugs, “Rinnig” tea towels or “Ektorp” sofas in the homes of friends or in Airbnbs. This is, after all, a company with over 480 shops in 63 countries, which generated around €45bn ($52bn) in sales last year.

IKEA has brought Swedish minimalism to the masses, usually in the form of white or beige MDF (medium-density fibreboard). It is synonymous with practicality and affordability—and spousal arguments over the instructions for assembling flat-pack furniture. Yet "Magical Patterns", a new show at Dovecot Studios in Edinburgh, shows off a bolder, brighter side to IKEA's output by focusing on its textiles.

Fabrics were not a priority for the furniture firm when it was founded in 1943. Many of its soft furnishings came in unsexy shades of grey. But by the mid-1960s, a renaissance in textiles was under way in Europe and America. Fashionable women strutted about cities in shift dresses in geometric patterns. Mini skirts came in paisley and polka dots. Bell-bottom trousers were adorned with psychedelic prints.

IKEA's executives cottoned on to the market opportunity. A new generation of predominantly young female textile artists, including Bitten Hojmark, Inger Nilsson and Vivianne Sjolin, was brought in to create a distinct look that would appeal to the firm's customers. The result was a playful explosion of colour, print and technical innovation that coincided with IKEA's rapid expansion. By 1970 textiles accounted for about a quarter of the firm's sales.

In all, the exhibition brings together 180 different fabrics on loan from the IKEA Museum at Almhult. (It is the first time this collection has gone on show outside Sweden.) Displayed together, the effect is a punch of graphic prints and bright shades—there are few minimal, monochromatic Scandinavian designs here.

Among IKEA's offerings were the striped "Strix" and "Strax" fabrics, designed by Inez Svensson in 1971 in blue, orange, green, brown, yellow and white. Though they may appear simple, these were the product of engineering experimentation and marked the first time that horizontal stripes had been printed onto fabric. In the past stripes had to be woven in, making the fabric more expensive.

"Strix" and "Strax" kicked off what have since been characterised as the halcyon days of textile design. IKEA drew influential artisans into its operation; aficionados of Scandinavian design will encounter familiar names in the show, including Gota Tragardh, Sven Fristedt and 10-Gruppen (a design collective formed in 1970, of which Svensson was a part). IKEA also collaborated with designers such as Marimekko, a popular Finnish textile company, and Zandra Rhodes, a British fashion designer who dressed stars including Freddie Mercury and Princess Diana. No matter who created the print, the emphasis was usually on maximalism and playfulness.

As you might expect from a collection belonging to the brand's own museum, "Magical Patterns" is particularly instructive in revealing how IKEA would like to be seen. As the title implies, this is an exhibition with an emphasis on the most beguiling and eye-catching prints of the past 60 years. In addition to red-on-pink polka dots, botanical subjects and chevrons, design motifs include multi-coloured buttons and broccoli florets waltzing over Pepto-pink stripes ("Anniken", 2014). The "Randig Banan" print (also pictured), which combines bananas and stripes, was divisive at the time of its creation in 1985, but is popular today.

Ms Sjolin, who ran the textile department in the 1970s and 1980s, has spoken about how the firm used textiles as a marketing tool. Striking new designs were used to attract press attention, adorn catalogue covers and shop windows and get people talking. Though the daring designs may be the most memorable, the reality is rather more plain: it is the less vivid prints that have driven the multi-billion sales figures year after year.

Nevertheless, IKEA’s impact on textile design is unarguable. From the “Strix” stripes to the “chuck out your chintz” campaigns of the mid-1990s and beyond, IKEA has popularised youthful and contemporary home textiles that have taken over the world, one “Rinnig” tea towel at a time. ■

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Economic & financial indicators

- **Economic data, commodities and markets**
  Indicators ::

Indicators

Economic data, commodities and markets

Jul 24, 2025 01:43 PM

Economic data

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	Gross domestic product % change on year ago: latest		quarter*	2025†	Consumer prices % change on year ago: latest		2025†	Unemployment rate %	
United States	2.0	Q1	-0.5	0.9	2.7	Jun	2.8	4.1	Jun
China	5.2	Q2	4.5	4.7	0.1	Jun	-0.3	5.0	Jun‡§
Japan	1.7	Q1	-0.2	0.6	3.2	Jun	3.2	2.5	May
Britain	1.3	Q1	3.0	1.0	3.6	Jun	3.7	4.7	Apr††
Canada	2.3	Q1	2.2	1.0	1.9	Jun	2.1	6.9	Jun
Euro area	1.5	Q1	2.3	1.2	2.0	Jun	2.0	6.3	May
Austria	-0.5	Q1	0.6‡	0.1	3.2	Jun	2.9	5.3	May
Belgium	1.1	Q1	1.6	1.0	2.9	Jun	3.0	6.5	May
France	0.6	Q1	0.5	0.6	0.9	Jun	0.9	7.1	May
Germany	nil	Q1	1.7	0.3	2.0	Jun	2.1	3.7	May
Greece	1.8	Q1	0.2	2.2	3.6	Jun	2.7	7.9	May
Italy	0.7	Q1	1.1	0.6	1.8	Jun	1.9	6.5	May
Netherlands	2.2	Q1	1.5	1.3	2.8	Jun	3.4	3.8	Jun
Spain	2.8	Q1	2.3	2.6	2.3	Jun	2.2	10.8	May
Czech Republic	2.4	Q1	2.8	1.9	2.9	Jun	2.0	2.5	Q1‡
Denmark	2.6	Q1	-5.0	2.6	1.9	Jun	1.8	2.9	May
Norway	-0.4	Q1	-0.3	1.3	3.0	Jun	2.3	4.9	May‡‡
Poland	3.2	Q1	2.8	3.0	4.1	Jun	4.0	5.2	Jun§
Russia	1.4	Q1	-2.3	0.9	9.4	Jun	8.7	2.2	May§
Sweden	1.0	Q1	-1.0	1.8	0.7	Jun	2.3	9.7	May§
Switzerland	2.0	Q1	2.1	1.3	0.1	Jun	0.1	2.9	Jun
Turkey	2.0	Q1	4.0	2.8	35.0	Jun	33.8	7.6	May§
Australia	1.3	Q1	0.8	1.7	2.4	Q1	2.1	4.3	Jun
Hong Kong	3.1	Q1	7.9	1.9	1.5	Jun	1.5	3.5	Jun‡‡
India	7.4	Q1	9.8	6.2	2.1	Jun	3.9	7.5	Jun
Indonesia	4.9	Q1	4.8	4.7	1.9	Jun	1.5	4.8	Feb§
Malaysia	4.5	Q2	6.2	4.0	1.1	Jun	1.8	3.0	May§
Pakistan	4.8	2025**	na	3.0	3.2	Jun	4.8	6.3	2021
Philippines	5.4	Q1	4.9	6.4	1.4	Jun	1.5	4.1	Q2§
Singapore	4.3	Q2	5.6	1.9	0.8	Jun	0.8	2.0	Q1
South Korea	0.6	Q2	2.4	0.6	2.2	Jun	2.0	2.8	Jun§
Taiwan	5.5	Q1	7.2	3.8	1.4	Jun	1.9	3.3	Jun
Thailand	3.1	Q1	2.8	1.8	-0.2	Jun	0.2	0.8	May§
Argentina	5.8	Q1	3.4	5.6	39.4	Jun	40.1	7.9	Q1§
Brazil	2.9	Q1	5.7	2.2	5.4	Jun	5.3	6.2	May§‡‡
Chile	2.3	Q1	2.8	2.8	4.1	Jun	4.3	8.9	May§‡‡
Colombia	2.7	Q1	3.2	2.3	4.8	Jun	4.9	9.0	May§
Mexico	0.8	Q1	0.8	-0.2	4.3	Jun	3.9	2.7	May
Peru	3.9	Q1	5.1	2.8	1.7	Jun	1.8	7.6	Jun§
Egypt	4.8	Q1	-23.0	4.1	14.9	Jun	15.9	6.3	Q1§
Israel	1.4	Q1	3.5	3.0	3.3	Jun	3.0	2.7	Jun
Saudi Arabia	2.0	2024	na	4.4	2.3	Jun	2.6	2.8	Q1
South Africa	0.8	Q1	0.4	1.0	3.0	Jun	3.1	32.9	Q1§

Source: Haver Analytics *% change on previous quarter, annual rate †The Economist Intelligence Unit estimate/forecast §Not seasonally adjusted ‡New series **Year ending June ††Latest 3 months ‡‡3-month moving average Note: Euro-area consumer prices are harmonised

Economic data

	Current-account balance	Budget balance	Interest rates		Currency units	
	% of GDP, 2025†	% of GDP, 2025†	10-yr gov't bonds latest, %	change on year ago, bp	per $ Jul 23rd	% change on year ago
United States	-3.7	-5.9	4.4	15.0	-	
China	1.7	-5.9	1.6 §§	-32.0	7.16	1.5
Japan	2.7	-4.8	1.6	52.0	146	6.5
Britain	-2.9	-4.5	4.6	48.0	0.74	5.4
Canada	-0.5	-1.9	3.6	17.0	1.36	1.5
Euro area	3.1	-3.3	2.7	22.0	0.85	8.2
Austria	2.2	-4.5	3.0	3.0	0.85	8.2
Belgium	-0.1	-4.4	3.2	18.0	0.85	8.2
France	-0.1	-5.7	3.3	18.0	0.85	8.2
Germany	5.3	-2.7	2.7	22.0	0.85	8.2
Greece	-5.9	-0.2	3.3	-15.0	0.85	8.2
Italy	0.9	-3.6	3.5	-26.0	0.85	8.2
Netherlands	8.5	-2.4	2.8	10.0	0.85	8.2
Spain	2.3	-3.2	3.2	nil	0.85	8.2
Czech Republic	0.5	-2.4	4.3	48.0	21.0	11.8
Denmark	12.9	1.6	2.5	13.0	6.36	8.2
Norway	14.1	9.4	4.0	43.0	10.1	9.1
Poland	0.1	-6.1	5.4	-21.0	3.63	8.8
Russia	2.3	-2.6	14.2	-147	78.2	11.4
Sweden	5.8	-1.4	2.4	31.0	9.52	13.1
Switzerland	7.0	0.7	0.4	-11.0	0.79	12.6
Turkey	-1.7	-3.7	29.2	309	40.5	-18.9
Australia	-0.9	-1.8	4.4	15.0	1.52	-0.7
Hong Kong	11.5	-5.4	3.1	-27.0	7.85	-0.5
India	-0.5	-4.4	6.3	-66.0	86.4	-3.1
Indonesia	-0.9	-3.3	6.5	-50.0	16,290	-0.5
Malaysia	1.8	-3.9	3.4	-39.0	4.23	10.4
Pakistan	-1.4	-5.2	12.0 †††	-210	285	-2.2
Philippines	-3.3	-5.4	6.2	-6.0	56.9	2.8
Singapore	14.4	0.2	2.1	-101	1.28	5.5
South Korea	3.5	-2.4	2.8	-34.0	1,380	0.4
Taiwan	14.9	0.6	1.4	-23.0	29.3	11.9
Thailand	1.8	-5.8	2.1	-48.0	32.2	12.6
Argentina	-2.2	0.4	na	na	1,258	-26.4
Brazil	-2.4	-8.1	14.1	190	5.56	0.2
Chile	-1.9	-2.0	5.6	-50.0	949	-0.2
Colombia	-2.6	-7.2	11.7	124	4,054	-1.2
Mexico	-0.2	-3.5	9.5	-46.0	18.6	-2.7
Peru	2.1	-2.8	6.3	-69.0	3.55	5.6
Egypt	-4.6	-7.5	na	na	49.1	-1.5
Israel	3.1	-5.3	4.2	-57.0	3.34	8.7
Saudi Arabia	-1.8	-2.9	na	na	3.75	nil
South Africa	-1.6	-4.9	9.8	34.0	17.6	4.8

Source: Haver Analytics §§5-year yield †††Dollar-denominated bonds

Markets

In local currency	Index Jul 23rd	% change on: one week	Dec 31st 2024
United States S&P 500	6,358.9	1.5	8.1
United States NAS Comp	21,020.0	1.4	8.9
China Shanghai Comp	3,582.3	2.2	6.9
China Shenzhen Comp	2,177.2	2.7	11.2
Japan Nikkei 225	41,171.3	3.8	3.2
Japan Topix	2,926.4	3.8	5.1
Britain FTSE 100	9,061.5	1.5	10.9
Canada S&P TSX	27,416.4	1.0	10.9
Euro area EURO STOXX 50	5,344.2	0.9	9.2
France CAC 40	7,850.4	1.7	6.4
Germany DAX*	24,240.8	1.0	21.8
Italy FTSE/MIB	40,697.5	2.4	19.0
Netherlands AEX	908.2	0.7	3.4
Spain IBEX 35	14,067.9	1.3	21.3
Poland WIG	107,975.6	2.4	35.7
Russia RTS, $ terms	1,140.9	0.3	27.7
Switzerland SMI	12,077.1	1.4	4.1
Turkey BIST	10,592.0	4.6	7.7
Australia All Ord.	9,001.4	2.1	6.9
Hong Kong Hang Seng	25,538.1	4.2	27.3
India BSE	82,726.6	0.1	5.9
Indonesia IDX	7,469.2	3.9	5.5
Malaysia KLSE	1,529.8	1.2	-6.9
Pakistan KSE	139,254.4	2.1	21.0
Singapore STI	4,231.3	2.4	11.7
South Korea KOSPI	3,183.8	-0.1	32.7
Taiwan TWI	23,318.7	1.2	1.2
Thailand SET	1,219.6	5.4	-12.9
Argentina MERV	2,083,677.0	2.8	-17.8
Brazil BVSP*	135,368.3	-0.1	12.5
Mexico IPC	56,478.9	nil	14.1
Egypt EGX 30	34,125.1	1.9	14.7
Israel TA-125	3,152.5	2.9	29.9
Saudi Arabia Tadawul	10,983.9	-0.5	-8.7
South Africa JSE AS	100,179.8	3.2	19.1
World, dev'd MSCI	4,115.2	2.0	11.0
Emerging markets MSCI	1,265.2	2.1	17.6

US corporate bonds, spread over Treasuries

Basis points	latest	Dec 31st 2024
Investment grade	95	95
High-yield	352	324

Sources: LSEG Workspace; Moscow Exchange; Standard & Poor's Global Fixed Income Research *Total return index

Commodities

The Economist commodity-price index

2020=100	Jul 15th	Jul 22nd*	% change on month	% change on year
Dollar Index				
All items	131.0	133.8	1.6	3.4
Food	142.8	144.4	-1.8	2.5
Industrials				
All	121.2	125.1	5.0	4.3
Non-food agriculturals	121.7	125.4	3.8	-6.8
Metals	121.1	125.0	5.3	7.6
Sterling Index				
All items	125.6	127.3	2.5	-1.1
Euro Index				
All items	128.8	130.4	0.6	-4.3
Gold				
$ per oz	3,346.0	3,428.3	3.8	43.6
Brent				
$ per barrel	68.8	68.7	2.1	-15.1

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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Obituary

- **Fauja Singh took up running somewhat late in life**
  Sikh Superman :: The world’s oldest marathon runner died on July 14th, probably aged 114

Sikh Superman

Fauja Singh took up running somewhat late in life

The world’s oldest marathon runner died on July 14th, probably aged 114

Jul 24, 2025 02:50 PM

IF THE AGE of a man could be known as easily as counting the rings on a tree, there might be no doubt about the age of Fauja Singh. His passport said he was born in 1911; but at that date, in British-ruled India, villagers like him got no birth certificates. Because the question kept coming up, as his tall runner’s body grew thinner and his white beard ever longer, he took to saying that he couldn’t remember how old he was. Since everything was on the internet, people could just look there.

In contrast to this vagueness about years, his career in old age was timed to the minute. The 2000 London Marathon, 6 hours 54 minutes. (By 2003, he could run it in 6:02.) The 2003 New York City Marathon, 7:34:37. The Toronto Waterfront Marathon the same year, 5:40:04, a world record for a man of over 90, with an average pace of 12:58 a mile. In one day at a track meet in Ontario in 2011 he set eight world records for a centenarian, from 23 seconds for the 100 metres to 49:57 for the 5,000. He tended to shuffle as he ran, almost always in his marigold-yellow turban and blue-and-white running shoes, but he moved steadily and contentedly, because he was so happy. The first 20 miles of a marathon he could take in his stride; for the last 6.2 miles, when he felt a bit tired, he would call on God and talk to Him. Altogether, he ran nine.

He sometimes claimed he did not go for records and that only his splendid coach, Harmander Singh, kept a list of his timings. It was true that, because of the birth-certificate mishap, Guinness World Records would not recognise him. And, being so old, he also often faced no competition. But if he heard that someone of over 90 had set a record, he went all out to smash it.

It was extraordinary that his body obeyed him. Until he was five, he could not walk at all. His legs were so weak and frail that neighbours in his home village, Beas Pind in Punjab, called him Danda, “Stick”. He could stumble no more than a mile until he was 15; in consequence, he barely went to school. To allay the pain he was given all sorts of medicines, and at night his legs were bound with bandages. Then, gradually, they got better. When he went to work on the family farm, he walked in the fields for hours and started running, too. Village elders remembered him for the way he was always dashing around the place. Both he and God had evidently saved his legs for great things later.

In his mid-30s he gave it up; but when, in his late 80s, he resumed it, his regime was fierce. Until 2013, when at 101 he called time, he ran 10-15km a day. His marathon-training track was a loop of roads in the east London suburbs, where he had lived since leaving Punjab in 1992 or so. (Again, he was unsure of the year.) Come rain or shine, he would be pounding them. In the morning, after rising at seven, he did yoga and meditation; at mealtimes he would go to the community kitchen at the local Sikh temple, the gurdwara, for a very small plate of roti, vegetables and dal. No rice for him, nor parathas or anything fried; he drank mostly water and ginger tea. His secret, though, was to start each day with an *alsi pinni*, a Punjabi powerball of flaxseed, wheat flour, jaggery and ghee. To his surprise, the *pinnis* of east London were as good, even better, than the ones he had devoured back home.

It was grief that had driven him away. He had gone on farming for decades, making enough money to have a substantial house. Then in quick succession in the early 1990s he lost his wife, his eldest daughter, in childbirth, and his middle son Kuldip, killed when a sheet of corrugated iron crashed onto his head in a storm. After that, there seemed to be nothing to live for. His children had found jobs away or abroad; he was left with the labourers and the farm animals. Day after day he would mourn at the spot where Kuldip's corpse had been cremated.

At his son Sukhjinder's insistence, however, he eventually went to join him in Ilford. He did not intend to stay; so much so, that he never learned either to write or to speak English. But the community was welcoming. He met his coach at the gurdwara, and it was another friend who tipped him off in 2000 that a local 20km race was being held for a cancer charity. Though he was 89, he signed up, raised £700 (about $1,000), and his later-life career was born. Running not only gave him a focus beyond his misfortunes, but he could also use it to help others. He gathered a group of elderly friends who liked to run too, and as "Sikhs in the City", they raised money together. That group grew and grew. His almost-last race, in Hong Kong in 2012 (10km in 1:34, at 100) brought in $25,800.

By this time he was famous. The turban undoubtedly helped; he refused to run in the simpler *patka*, insisting on full respectful magnificence. Adidas used him for an ad campaign alongside David Beckham; the queen invited him, and in 2015 he was awarded the British Empire Medal. All this attention thrilled him. He liked to keep up British standards, and appeared most stylishly round Ilford in three-piece suits with a neatly furled matching umbrella. (He had worn a three-piece suit to his first day of training, too, supposing it was the British form.) He was sorry, though, that because he had become a British citizen before his running took off, all his awards were won for Britain and not for India.

He was sorry too, dreadfully so, about retiring. Although old age was his selling-point, he could not accept it. If he stopped running, he might be forgotten. So when in even later life he returned to Beas Pind, he did not let his discipline lapse. His diet stayed strict, though he added feasts of mangoes from the tree in his courtyard. The *pinnis* continued, and of course the exercise, though it was now a four-hour walk every day when the afternoon heat relented. At 3.30pm on July 14th he was just outside his house, about to start his walk, when a speeding SUV hit him.

The driver did not stop. And his family and friends could not help thinking, sadly, that Fauja Singh might not have stopped either, indeed gone on for years, but for that. ■
